savills

Savills World Research
Singapore

Briefing
Residential sales

November 2016

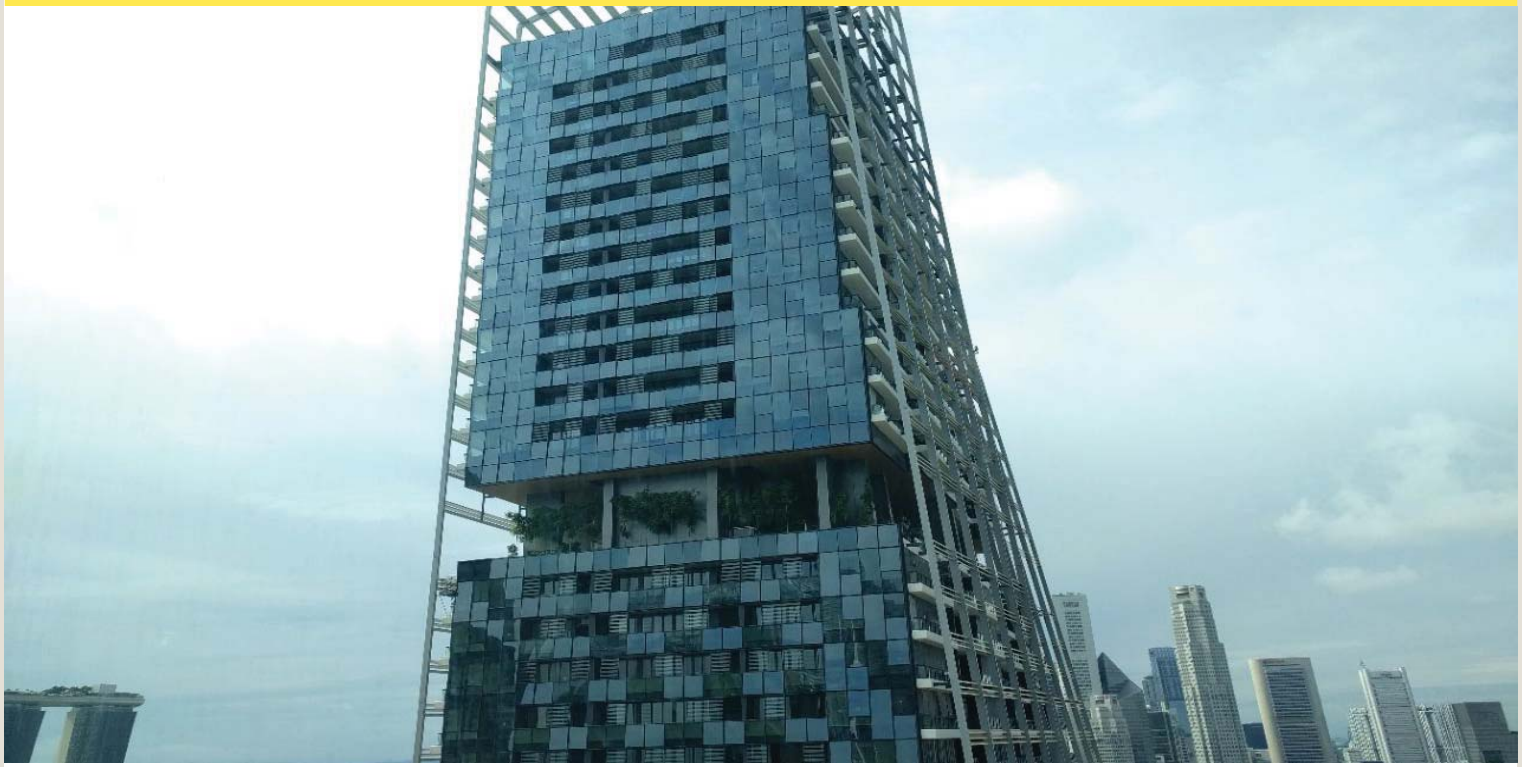

Image: South Beach Residences, Beach Road

SUMMARY

Pent-up demand is overcoming the headwinds of a weak economy.

- After hitting 2,371 units in the previous quarter, new launches declined 32.1% quarter-on-quarter (QoQ) to 1,609 units in Q3/2016 – possibly due to the Hungry Ghost Festival. Even as superstitious buyers stayed away in August, the primary sales market still held up for the quarter, with 1,981 private homes sold.

- Going by the Urban Redevelopment Authority's (URA) price index, prices of non-landed private homes island-wide posted a 1.2% QoQ fall in Q3/2016. In contrast, the basket of high-end non-landed homes tracked by Savills inched up 0.2% QoQ in Q3/2016.

- In September, the Monetary Authority of Singapore (MAS) fine-tuned its refinancing rules to allow property borrowers more flexibility in managing their debt obligations.

- Even though the economy has not been performing up to scratch and slack is appearing in the labour market, when these come head-to-head with the pent-up demand from those who withheld buying at the onset of the total debt servicing ratio (TDSR) framework, prices may have the potential to increase in 2017.

"Although official price indices point to continuing price declines, industry professionals are seeing signs of stirring in both primary and secondary transactions, which are leading indicators for price movements."
Alan Cheong, Savills Research

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Market overview

The global economy is still stuck in a slow growth mode. However, for the United States, notwithstanding the dramatic election season, the economy continued to gain momentum, with its third-quarter GDP growing by an estimated 3.0%. In the Eurozone, the GDP managed just a 0.3% rise and for the Chinese economy, Q3 GDP rose 6.7% year-on-year (YoY), unchanged from the previous three months. Japan's GDP expanded by a healthy 2.2% YoY, supported by its improving exports industry.

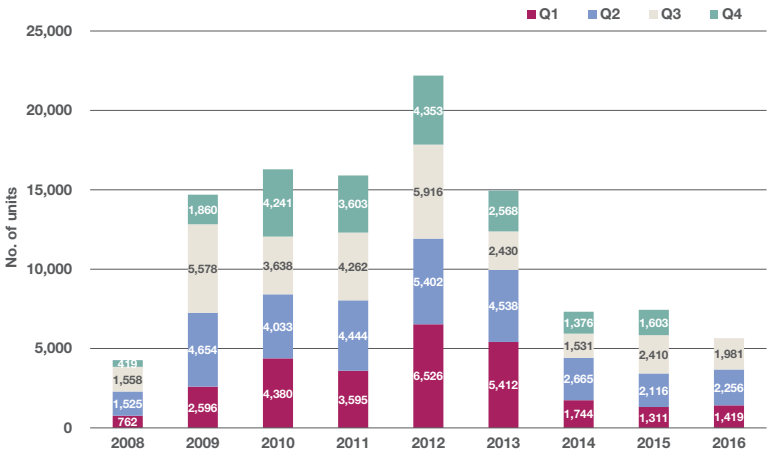
Advance estimates of Singapore's Q3/2016 GDP growth posted 0.6% YoY – a significant climb down from 2.0% in the preceding quarter. This has also been the slowest pace of growth since the height of the financial crisis in 2009. The manufacturing sector, after an uptick on the expansionary side in the previous quarter, fell back into the contractionary zone, with a 1.1% YoY decline. This was accompanied by a 4.8% decline in non-oil domestic exports (NODX) in September.

Sales & launches

After building to a crescendo of 2,371 unit sales in the previous quarter, new launches declined 32.1% QoQ to 1,609 units in Q3/2016. Compared to Q3/2015, the units launched was 33.9% lower. The Hungry Ghost Festival that takes place over three weeks in August, may have been the season dampener for developers to launch new projects.

GRAPH 1

Primary private home sales volumes, 2008-Q3/2016



Source: Urban Redevelopment Authority (URA), Savills Research & Consultancy

Even as superstitious buyers stayed away, the primary sales market still held up, with 1,981 private homes sold. The 710-unit condominium Lake Grande was ahead of the game this quarter, when 87.2%, or 436 out of the 500 units launched, were sold over the first weekend of its launch in July. Priced at an average S$1,368 per sq ft, one- and two-bedroom apartments proved most popular. The high take-up stems in part from its location within the upcoming Jurong Lake District, and proximity to the future high-speed rail that is coming on stream in 2026.

In Q3/2016, 39 new sales were transacted at Sophia hills – the highest amongst its CCR counterparts – with an additional 23 units sold in October. While 345 units in the District 9 development remain unsold, prices for the smaller apartments (one- to two-Bedrooms+Study) in particular have steadily increased, alongside the number of units sold. The average price of such units has gone up 1.5% QoQ, to S$1,940 per sq ft in Q3/2016 from S$1,910 per sq ft in Q2.

The pick-up in buying activity in the high-end market also spilled-over to the landed segment, which saw the new launch of Victoria Park Villas in July. The 99-year leasehold project spans a 403,000-sq ft site comprising 106 semi-detached houses and three bungalows. As of September 2016,

TABLE 1

Major new launches, Q3/2016

Project name	Location	Developer	Category*	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
Lake Grande	Jurong Lake Link	Mcl Land (Vantage) Pte Ltd	OCR	710	72.7	1,201-1,541
Northwave	Woodlands View	Hao Yuan (Woodlands) Pte Ltd	OCR (EC)	358	15.4	703-790
Straits Mansions	Sea Avenue	Roxy Capital Pte Ltd	RCR	25	84.0	1,662-1,855
Terra Villas	Jalan Sayang	Tiong Aik Investments Pte Ltd	OCR	7	28.6	709-719
Treasure Crest	Anchorvale Crescent	Sim Lian (Anchorvale) Pte Ltd	OCR (EC)	504	96.6	670-815
Victoria Park Villas	Victoria Park Grove	Athens Residential Development Pte Ltd	CCR	30	56.7	1,917-2,050

Source: Savills Research & Consultancy
* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

17 semi-detached homes had been sold, with prices ranging between S$4.244 million and S$5.135 million.

Sales of some 2,615 units were recorded in the secondary market in Q3/2016. A geographical breakdown of sale figures shows QoQ increases across the market segments – CCR (5.8%), RCR (20.9%) and OCR (14.6%).

In the first nine months of 2016, 1,568 CCR homes were transacted in the secondary market, surpassing 2015's full-year figure of 1,452. While this may point towards improving market sentiments, other underlying factors suggest quite the contrary. For one, numbers are 'inflated' by developer sales of delicensed projects. Some examples include OUE Twin Peaks and Ardmore Three. In the next phase of launches at OUE Twin Peaks Tower 1 in July, 93 units were released for sale and made available under a deferred payment scheme; following which, sales of 177 units were recorded at OUE Twin Peaks for both Towers 1 and 2, in Q2 and Q3/2016.

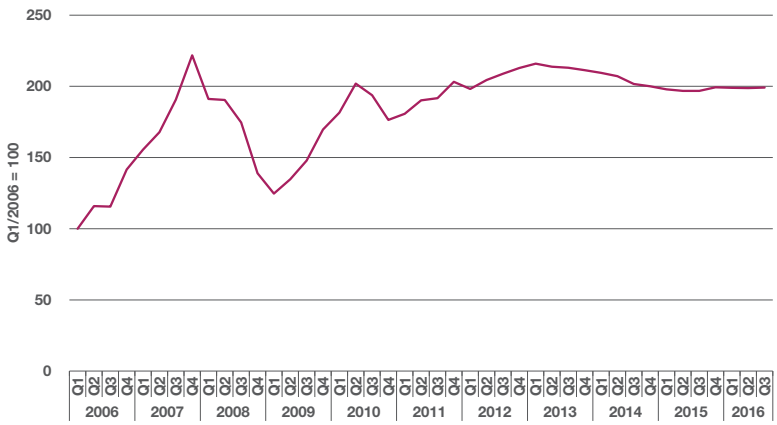
Prices

Going by URA's price indices, Singapore's property market does not appear to be bottoming-out. After a sizeable/sustained period of marginal movements, URA statistics indicate a re-acceleration of the rate of price decline in this reviewed quarter. Prices of non-landed private homes island-wide posted a 1.2% QoQ fall in Q3/2016. Over the same period, prices in all three regions fell by a similar degree – 1.9% in the CCR and 1.0% in both the RCR and OCR.

However, the on-the-ground view from our agents seems to paint a rosier picture. The basket of high-end non-landed homes tracked by Savills inched up 0.2% QoQ in Q3/2016, reversing the marginal declines of 0.1% and 0.2% in the previous two quarters.

GRAPH 2

Savills high-end, non-landed home price index, Q1/2006–Q3/2016



Source: URA, Savills Research & Consultancy

TABLE 2

Major upcoming launches

Project name	Location	Developer	Category	District	Estimated total no. of units
12 on Shan	Shan Road	TA Realty Pte Ltd	RCR	12	78
3 Orchard By-The-Park	Orchard Boulevard	YTL Westwood Properties Pte Ltd	CCR	10	77
A condominium development (St. Thomas Walk)	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	9	250
Forest Woods	Lorong Liew Lian	City Developments Pte Ltd	OCR	19	519
Moulmein27	Moulmein Rise	27MR Pte Ltd	CCR	11	63
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CCR	9	124
Parc Riviera	West Coast Vale	EL Development (West Coast) Pte Ltd	OCR	5	752
Parksuites	Holland Grove Road	Kentish View Pte Ltd	CCR	10	119
Queens Peak	Dundee Road	HY Realty (Dundee) Pte Ltd	OCR	3	736
South Beach Residences	Beach Road	South Beach Consortium Pte Ltd	CCR	7	190
The Alps Residences	Tampines Street 86	MCC Land (Tampines) Pte Ltd	OCR	18	626
Watercove	Wak Hassan Drive	Sembawang Estates Pte Ltd	OCR	27	80

Source: Savills Research & Consultancy

Future supply

For the remainder of 2016, 6,361 homes are expected to reach completion. Of this, 1,060 are unsold and will indefinitely add to the 29,836 vacant homes island-wide. This number is expected to trend up, particularly in the non-landed segment where the vacancy rate is currently at 10.0%. Furthermore, 4,359 non-landed private homes that have been launched remain unsold as at Q3/2016, the majority (44.8%) of which are in the RCR (1,951 units). Commonwealth Towers and GEM Residences have 417 and 256 launched but unsold units respectively – the highest amongst mid-market condominiums. However, as only three new condominium projects are expected to launch in the RCR in the coming months, releasing a combined total of an estimated 128 units for sale in the market, the aforementioned projects should continue to see steady sales on a monthly basis.

Meanwhile, the high-end segment is expected to see 14 new projects launches, which will put an estimated 870 non-landed and 30 landed homes on the market. This includes St Thomas Walk in District 9 that will feature 250 freehold units in one- to four-bedroom configurations, as well as penthouses upon expected completion in Q3/2017. ■

OUTLOOK

The prospects for the market

In September, the MAS fine-tuned its refinancing rules to allow property borrowers more flexibility. Under the revised total debt servicing ratio (TDSR) framework, loans can now be refinanced above the debt-to-income threshold of 60.0%, subject to certain conditions. Although this policy adjustment does not boost sales, it does help to buttress the holding power amongst buyers who have hit a financial air pocket in the current economic climate.

For the primary sales market in 2017, given that the number of developers are countable and because of the high acquisitive cost of land coupled with their stronger balance sheets compared to individuals in the secondary sales subgroup, selling prices have remained rather sticky. However, the stickiness in pricing did not generally inhibit take-up rates for individual projects because, firstly, there are sets of buyers who prefer to purchase new properties. Secondly, from 1975 to 2011, the typical down leg of a private property price cycle spanned 8.4 quarters, but by Q3/2016, our market had remained soft for 13 consecutive quarters. The extended downturn is bound to start playing on the psychology of potential buyers. One possible manifestation of this psychological effect is the loss of patience

TABLE 3

Forecast of sales for 2016 and 2017

Segment	2016F	2017F	% change 2017 vs 2016
New sales (include EC)	12,000	9,650	-19.6%
EC	4,250	3,600	-15.3%
Pte Resales	8,250	7,500	-9.1%
HDB resales	21,000	25,000	19.0%

Source: URA, Savills Research & Consultancy

TABLE 4

Forecast of prices for 2016 and 2017

Capital values	2016F	2017F
CCR	0% to +3%	+3%
RCR	0% to 3% for new sale -1% to -2% for resale	0% to 3% for new sale 0% for resale
OCR	0% to 3% for new sale -1% to -4% for resale	0% to 3% for new sale 0% for resale

Source: URA, Savills Research & Consultancy

TABLE 5

Forecast of rents for private residential non-landed properties for 2016 and 2017

Rents	2016F	2017F
CCR	-15%	-10%
RCR	-2% to -5%	-3% to 0%
OCR	-5% to -10%	-5% to -3%

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

waiting for the market to fall further. Combined, these could be the two reasons why primary sales in 2016 have been significantly stronger than the late-2014 period. This should continue to be the case in 2017.

With sales volumes in 2016 having increased significantly over that of 2015, it is the norm that prices would start to follow suit. However, given the current economic climate, the behaviour of prices may behave raggedly, bumping along a gentle positive gradient. Although rental yields are expected to fall, with vacancies expected to increase to the low teens in 2017, it should have less of an influence on prices because pent-up demand from those who have been withholding their purchases for years is the added weight of money that will lift market sales. Also, developers who are seeing their capital and profits returning from projects that have recently completed, are expected to bid aggressively for sites in the coming quarters. The high production cost of new residential developments will add another pillar of support for prices in general. The following tables show our forecast for the various statistics pertaining to the private residential sector for 2016 and 2017.

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