Briefing
Residential sales

November 2017

Image: Alex Residences at Redhill

SUMMARY

Prices finally turned the corner in Q3/2017, after 15 consecutive quarters of decline.

- New launches of private residential properties, excluding executive condominiums (ECs), slowed down in Q3/2017, with 1,183 units released by developers for sale.

- From July to September this quarter, buyers purchased 2,663 units from developers. Although the sales number was down 13.5% quarter-on-quarter (QoQ), the decline was considered moderate when compared to the number of launches.

- Unlike the volume fall seen in the primary market, secondary sales rose 5.3% QoQ with 4,030 homes sold between July and September.

- The price rebound was broad-based. Prices of non-landed properties rose by 0.6% QoQ, while landed homes prices posted a 1.2% QoQ growth.

- The average price for high-end, non-landed projects in Savills basket strengthened further in Q3/2017, rising 1.1% QoQ to S$2,292 per sq ft (psf).

- At the end of September, there were 35,022 uncompleted private residential units from projects with planning approvals. Of these, 16,031 private residential units remained unsold. This is 22.1% lower than the number in Q3/2016 and 28.6% lower than that of Q3/2015.

"At this stage, it is still early in the recovery phase of the long dated price cycle, but that may be shortened if the coming closure of development sites see particularly high winning bids." Alan Cheong, Savills Research

MCI (P) No. 112/03/2017
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Market overview

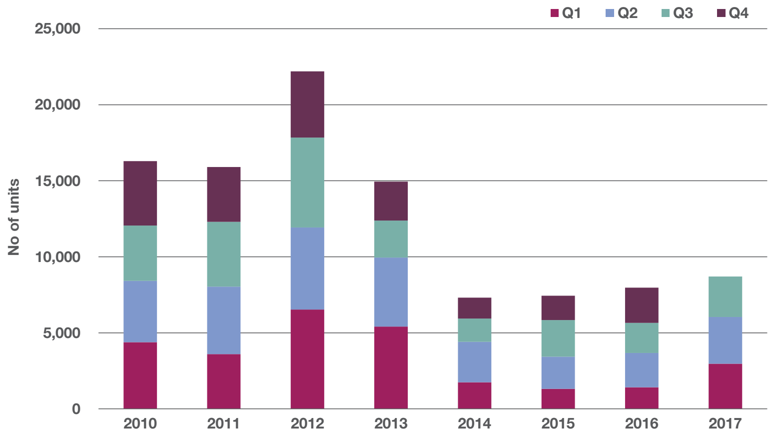
New launches of private residential properties, excluding ECs, slowed down in Q3/2017, with 1,183 units released by developers for sale. This was not only 41.2% lower than that of the previous quarter, but also 26.5% less when compared with the same period of last year. The decrease was partly attributed to the month of the Hungry Ghost, and possibly also by developers holding back for better pricing because the stock of unsold units by developers has fallen significantly over the past year.

There were five project launches in the review quarter. These were 24 One Residences, Le Quest, Martin Modern, Place-8 (strata-landed) and Sandy Eight. The first was a 300 unit release at Le Quest, which was then followed by 160 units at Martin Modern. Altogether, these five developments offered 512 new units or 43.3% of the total new launches for sale. While the remaining 671 units, or 56.7%, were from previously-launched projects, such as Sim Urban Oasis, Highline Residences, Principal Garden, Symphony Suites and Parc Riviera. It was noted that developers sped up the release of the remaining stock in their projects, in order to avoid the competition from future launches in the vicinity.

For the three months, from July to September, buyers purchased 2,663 units from developers. The low number of new launches has, to some extent, resulted in lower private residential homes sold in the primary market. Although sales numbers were down 13.5% QoQ, the decline was moderate when compared with the number of launches. The relatively better performance of sales versus launches reinforced the view that the market, in spite of price increases, had some strength.

GRAPH 1

Primary private home sales volume, Q1/2010–Q3/2017



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

In the Core Central Region (CCR) in Q3, the launch of Martin Modern, located at the corner of Martin Place and River Valley Close, fuelled new sales in this market segment. For this District 9 project, 140 out of the 160 units launched were sold at prices ranging from S$2,009 psf to S$2,530 psf. Consequently, the sales volume in CCR's primary market in Q3/2017 registered a strong QoQ growth of 132.1% to 369 units.

In Q3/2017, new sales of private residential homes in the Rest of Central Region (RCR) saw a quarterly decline of 24.3%. Developers sold 855 units in total. The Commonwealth/Redhill area continued to be the most active micro-market in the reviewed quarter. A total of 407 units were sold at Commonwealth Towers, Principal Garden, Queens Peak and Alex Residences, with the first two projects being top selling projects in the RCR. Buyers are afraid that the high land price of the Stirling Road site will translate to higher end-unit prices in the area, therefore they decided to commit to a purchase at these already-launched developments at current price levels.

Primary sales in the OCR also declined 19.5% QoQ to 1,439 units in Q3/2017. In this market segment, except for limited new launches, the buoyant new sales for EC units in the reviewed quarter may have diverted some demand for private residential units.

TABLE 1

Major new launches, Q3/2017

Project name	Location	Developer	Locality*	Total no. of units	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
24 One Residences	Pasir Panjang Road	TEE Vista Pte Ltd	RCR	24	24	79	1,318-1,826
Hundred Palms Residences (EC)	Yio Chu Kang Road	Hoi Hup Hougang Development Pte Ltd	OCR	531	531	100	777-908
Le Quest	Bukit Batok Street 41	Qingjian Realty (BBC) Pte Ltd/ Qingjian Realty (BBR) Pte Ltd	OCR	516	300	95	1,143-1,464
Martin Modern	Martin Place	Martin Modern Pte Ltd	CCR	450	160	88	2,009-2,530
Place-8	Paya Lebar Crescent	Le Premier Development Pte Ltd	OCR	8	8	13	904
Sandy Eight	Sandy Lane	JVA Katong Pte Ltd	RCR	20	20	10	1,580-1,720

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

The only new launch of non-landed projects, Le Crest at Bukit Batok Street 41, drew a strong sales response. A total of 286 units, or 95.3% of the 300 released units were snapped up, mostly on the first day of its launch. The selling points for this project were a lack of new launches in the vicinity for years, reasonable pricing and the retail component in the development. Also, there are not many new launches expected in the area, in the short term.

From the URA's data, the secondary market continued to make up the bulk of property transactions of private residential homes in Q3. Constituting 60.2% of all private residential transactions, this is the highest percentage since Q3/2010. Unlike the volume fall seen in the primary market, secondary sales rose 5.3% QoQ with 4,030 homes sold during the July to September period. In comparison to the previous quarter, sales volume rose 8.8% in the CCR, 2.5% in the RCR and 5.3% in the OCR. Given that the government statistics showed that prices have turned the corner and the limited new launches, these events have given buyers further impetus to look for secondary sale market deals.

Based on the caveats[1], Singaporean buyers acquired 4,323 non-landed private residential units in Q3, making up 75.4% of the total sales (excluding en-bloc sales). It slipped by 2.8% QoQ from the 4,449 units in Q2. In contrast, corporate buyers were more active in Q3 as their purchases surged by 47.7% to 96 unit. However, given the low numbers, their market share went up by just 0.6 of a percentage point (ppt) to 1.7%.

For non-Singaporean buyers, including PRs and foreigners, they purchased 1,315 units in the same quarter, representing a 13.0% quarterly decline. Their market share has also dropped by 2.1 ppts QoQ to 22.9%. By nationality, buyers from China, Malaysia, India and Indonesia continued to dominate the market, taking up 345, 269, 108 and 95 units. In addition, there were 250 non-landed homes that were acquired by foreigners that did not specify their nationalities.

Prices

After a 12.3% decline, that spanned over 15 consecutive quarters, the URA price index for island-wide private residential properties finally reversed in Q3/2017 and rose by 0.7% QoQ. In the final release of the index, it showed an acceleration over the flash estimate figure of 0.5% QoQ released in early November. This was no surprise given stabilisation of market sentiment over the last few quarters.

The price rebound was broad-based. Prices of non-landed properties rose by 0.6% QoQ. This was led by properties in the Outside Central Region, where prices increased 0.8% from a quarter ago, followed by a quarterly growth of 0.5% in the Rest of Central Region, and 0.1% in the Core Central Region. Meanwhile, the prices of landed homes also posted a 1.2% QoQ growth, reversing the 0.3% decrease in the previous quarter.

An upward trend was also witnessed in the high-end, non-landed projects tracked by Savills. The average prices for such prime housing units, in Savills basket, have strengthened further in Q3/2017 and rose another 1.1% QoQ to S$2,292 psf.

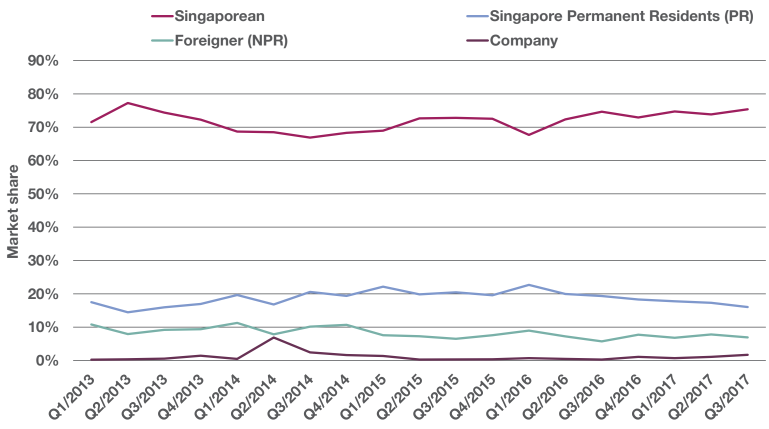
Future supply

As of the end of September, there were 35,022 uncompleted private residential units from projects with planning approvals. Including 7,254 executive condominium units, the pipeline supply increased to 42,276. Of these, 16,031 private residential units and 1,147 EC units remained unsold. Thanks to the limited supply from the GLS programme and the improving buying sentiment, the unsold stock has decreased, and in the first three quarters of 2017, hovered around 40% of the total pipeline supply.

1 Downloaded from URA's Realis on 8 November 2017

GRAPH 2

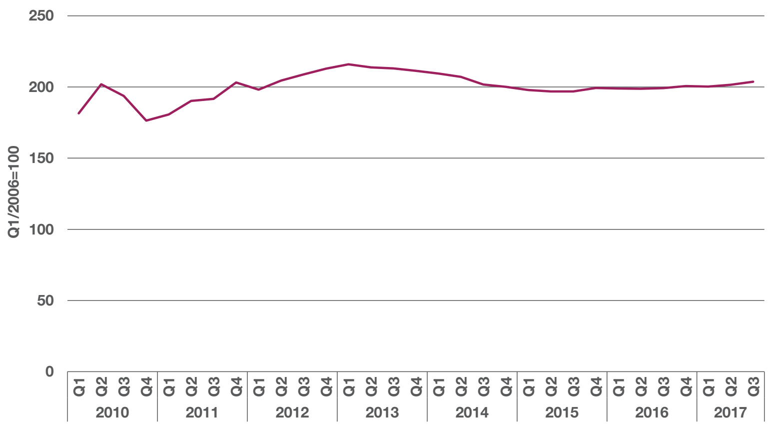
Market share for the sales of non-landed private residential units, Q1/2013–Q3/2017



Source: URA, Savills Research & Consultancy

GRAPH 3

Savills high-end, non-landed home price index, Q1/2010–Q3/2017



Source: Savills Research & Consultancy

However, the recent spate of collective sales will add a substantial number of housing units to the existing supply pipeline. According to URA's number, there will be a potential supply of about 9,300 private residential units, which can arise from en-bloc sale sites that were sold up to mid-October 2017 but have yet to be granted planning approvals. In the meantime, an additional 7,400 units (including ECs) without planning approvals will come from awarded GLS sites, Reserve List sites that have been triggered for sale but not yet awarded, and sites on the Confirm List that have not been awarded. In total, the new supply of 16,700 units may create some concerns about the take-up, especially when these units may be launched at prices much higher than current comparable units for sale.

TABLE 2

Major upcoming launches

Project name	Location	Developer	Locality	Total no. of units
3 Orchard By-The-Park	Orchard Boulevard	YTL Westwood Properties Pte Ltd	CCR	77
8 Saint Thomas	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	250
Kandis Residence	Jalan Kandis	Dillenia Land Pte Ltd	OCR	130
Moulmein27	Moulmein Rise	27MR Pte Ltd	CCR	63
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CCR	124
Nim Collection (landed)	Ang Mo Kio Avenue 5/ Nim Road	Singapore United Estates (Pte) Ltd	OCR	98
Parc Botannia	Fernvale Street	Fernvale Green Pte Ltd	OCR	735
Parksuites	Holland Grove Road	Kentish View Pte Ltd	CCR	119
Rivercove Residences (EC)	Anchorvale Lane	Hoi Hup Sunway Sengkang Pte Ltd	OCR	635

Source: URA, Savills Research & Consultancy

OUTLOOK

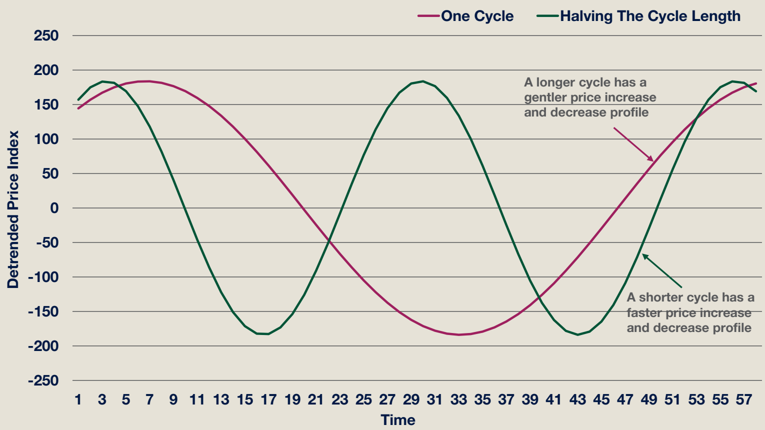
The prospects for the market

We expect the sales market to slow down in the final quarter due to the school holidays and the festive season. This is particularly so with new sales, as developers are waiting for the right opportunity to launch their projects. Home prices, on their other hand, will continue the upward trend, underpinned by recovering market sentiment and aggressive land prices paid by land-hungry developers. For this quarter's issue, we will briefly discuss two interrelated issues and how they may impact the longevity of this real estate price recovery: the price cycle vis-a-vis the collective sales market.

On the collective sales front, thus far, the rise in Development Charge (DC) rates for the October 2017 to March 2018 period for private residential use, has been sharp. At its worst, it merely translates to breakeven prices going up by about 5% in areas that saw even the highest DC increases. Ultimately, when these developments are marketed from 2H/2018 onwards, they may still garner healthy sales

GRAPH 4

The faster the rate of price increase/decrease, the shorter the cycle



Source: Savills Research & Consultancy

as long as the pre-tax profit margins are limited to 10-15%. Our belief is that as long as the rate of price ascent doesn't start galloping away, this new private residential price cycle will not be a short-lived one. This reasoning leans on the way cycles are constructed mathematically. If the amplitude of a cycle is held constant, then the sharper the rate of price increase or decrease, the shorter the length of the cycle and vice versa.

Some scenarios may emerge in future that may prematurely end the up-phase of the current private residential property price cycle. One scenario is when the slate of GLS sites and collective sales sites that close from Q4/2017 onwards come to the

OUTLOOK

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market in 2019. Using the OCR as an example (stressed), if the all-in land price to the developer rises to a point where if the launch price of a 99-year condominium in early 2019 that is located in the extremities of the suburban region starts from S$1,700 psf, it will have meant a 32.8% price rise within a period of just over a year (assuming current new launch prices are at S$1,280 psf). Going by the way the reserve prices for collective sales are vectored, the possibility of the developer needing to sell at levels 32.8% higher at the start of 2019 versus comparable projects priced today is high or a QoQ compounded increase of 7.3%. If so, we will be witnessing an acceleration of price increase, potentially bringing this phase of the price cycle closer to the peak.

With effect from 13 November 2017, in order not to overload the road network, a Pre-Application Feasibility Study (PFAS) to ascertain the maximum number of units in the redeveloped scheme is required prior to the completion of a collective sale. This measure could potentially be detrimental for developments that a priori have set a high reserve, on the assumption that the developer could maximize the number of units on the site purely using commonly known site and plot ratio considerations. If the return from the PFAS sets a number significantly below what was computed during the derivation of the reserve price, it will have a bearing on the affordability of the end product. This is because to maximize the potential sale area with fewer units would mean that the average size of each unit type will be larger. Given the already high reserve price, the price quantum will be increased substantially. As local buyers, who constitute the majority of purchases of new developments, have been observed to be quantum sensitive, they may pose a challenge to potential bidders of the collective sales site who do not want to take the risk of bidding at or above reserve prices that are considered stretched.

If developers act rationally and bid purely for commercial reasons, the PFAS is very likely to put a dampener on the enthusiasm they have for large collective sales sites. They may instead hold their ammunition for the Kampong Bugis, Holland Plain and Bayshore residential precincts, which will be made available for tender probably from 2018 onwards. Also, they are likely to focus on the recently launched sites on URA's confirmed and reserve list, as these come with more straightforward planning considerations and faster time to market. The unfortunate thing is that the concentration of interest on a few sites may ratchet up prices. The fortunate thing now is that we are very likely still in the early stages of a long dated recovery of the private residential price cycle. This is because for Q3/2017, the URA Private Property Price Index rose only by 0.7% QoQ, a very mild increase.

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