Briefing
Residential sales

January 2015

Image: d'Leedon at Leedon Heights

SUMMARY

The Singapore private residential market in 2014 was characterised by fewer project launches, low sales volume and resistant prices.

- Singapore's economy grew 2.8% in 2014, significantly slower than 2013's 3.9%.
- The number of private residential units launched in 2014 shrank by 51.6% to 7,693 units from the 15,885 units launched in 2013.
- Primary market sales in 2014 were about half that of 2013, falling by 51.0% from 14,948 units to 7,316 new private homes. The secondary market was also slower, with 5,407 transactions – a contraction of 30.4% year-on-year (YoY).
- The percentage of sales in Rest of Central Region (RCR) has been increasing from 18.8% in 2012, to 30.2% in 2013 and to 33.4% in 2014, while sales in Outside Central Region (OCR) have been losing ground in the last two years.
- The Urban Redevelopment Authority's (URA) price index of private residential properties dipped 1.1% in Q4/2014, for the fifth consecutive quarter. As expected, the average prices of high-end, non-landed homes tracked by Savills also softened to S$2,251 per sq ft at the end of 2014, edging down marginally by 0.8% in its seventh successive quarterly decline.
- With no changes to the government curbs or cooling measures on the horizon in 2015, the market is expected to remain sluggish, with the resale market bearing the brunt.

"A sharp decline in sales volume has been the main feature for 2014, countering the conventional opinion that market prices would fall sharply."
Alan Cheong, Savills Research

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Market overview

Singapore's year of slow growth ended on a bleak note. Preliminary estimates released by the Ministry of Trade and Industry (MTI) showed the economy expanded just 1.5% in the final quarter of 2014, down from the 2.8% achieved in the preceding quarter. For the whole of 2014, Singapore's economy grew 2.8%, just shy of the official forecast of 3.0% but significantly lower than 2013's 3.9%.

On the property front, 2014 has also been a slow year, for both the primary and secondary markets. The number of private residential units launched in 2014 shrank by 51.6% from a year ago. Only 7,693 units[1] were launched in 2014, compared with 2013's 15,885 units. Similarly, primary market sales in 2014 were half that of 2013, falling by 51.0% from 14,948 new private homes sold to 7,316 units. The fewer units sold may be due to fewer units being launched, seeing that the take-up rate in 2014 has improved marginally to 95.1%. Evidently there is still demand despite the credit squeeze under the current TDSR framework. The secondary market was also slower in 2014, with 5,407 transactions – a contraction of 30.4% YoY.

According to the URA, 1,592 new private residential units were launched in the last quarter of 2014, about 23.0% more than the 1,294 units in the preceding quarter – a decline, nevertheless, of 39.5% YoY. As with August, December was devoid of new project launches. Only 53 new units were re-launched in the primary market, a paltry number compared with October (676 units) and November (863 units) launches, as well as August's 399 re-launch units. Since the implementation of the TDSR framework in June 2013, other than the 2,843 units launched in Q2/2014, the number of new private residential units launched has been low. The following next two quarters recorded the lowest number of units launched since Q4/2008, when only 708 units were launched during the Global Financial Crisis. The dearth of new launches could be attributed to the low take-up rate of launched projects, as developers with new stock to market could have taken their cue from the performance of their competitors' projects. In the early part of Q2/2014, when Lakeville, The Sorrento and Coco Palms were achieving take-up rates of 90.9%, 95.4% and 98.3% respectively, we saw that developers were more encouraged to release more units. However, later that quarter when The Crest and Trilive attained take-up rates of only 26.5% and 23.8% respectively, the number of new projects launched diminished subsequently as developers turned more cautious and focused instead on clearing units of existing projects.

The number of new private residential units sold in Q4 fell 10.1% quarter-on-quarter (QoQ), from 1,531 to 1,376 units. According to the URA's data on private residential units sold by developers[2], there were 785 transactions inked in October, representing the highest growth month-on-month (MoM) of 21.1% – making October the only month of growth in Q4. The only project launched in October was the highly anticipated Marina One Residences. 300 units out of 372 released were sold within a week, and by the end of the first month it achieved a take-up of 83.5% (334 out of 400 units).

In November, the number of units sold in the primary market fell to 423, representing a contraction of 46.1% MoM. That month saw the launch of Sophia Hills and Tre Residences: Sales were slow at Sophia Hills, selling only 9 out of 493 units; Tre Residences fared slightly better with 52 out of 250 units sold. December, bereft of new project launches, was another month of slow sales. Only 230 new units were sold, a drop of 45.6% MoM.

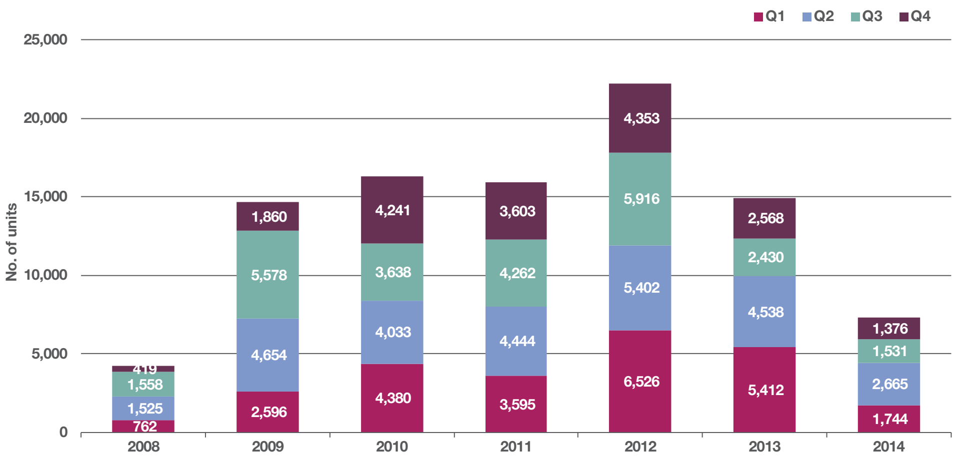
Sales in the primary market have been predominantly led by the mass market segment or OCR. Sales in OCR have risen above 50% of the total developers' sales since 2011, although it has been losing ground in the last two years. Interestingly, the percentage of sales in RCR has been increasing since 2012, from 18.8% to 30.2% in 2013, and finally to 33.4% in 2014. The stronger numbers in the RCR could be due to various reasons. With the smaller loan amount available

1 Executive condominium (EC) units are excluded.

2 Data downloaded on 19 January 2015. It should be noted that the total number of units listed here may not tally with the URA's Q4 figure.

GRAPH 1

Primary private home sales volumes, 2008–Q4/2014



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

TABLE 1

Sales volume in the primary market by market segments, 2010–2014

Market segments	2010	2011	2012	2013	2014
CCR	25.4%	10.0%	8.5%	13.8%	11.8%
RCR	29.4%	24.8%	18.8%	30.2%	33.5%
OCR	45.2%	65.2%	72.7%	56.0%	54.7%

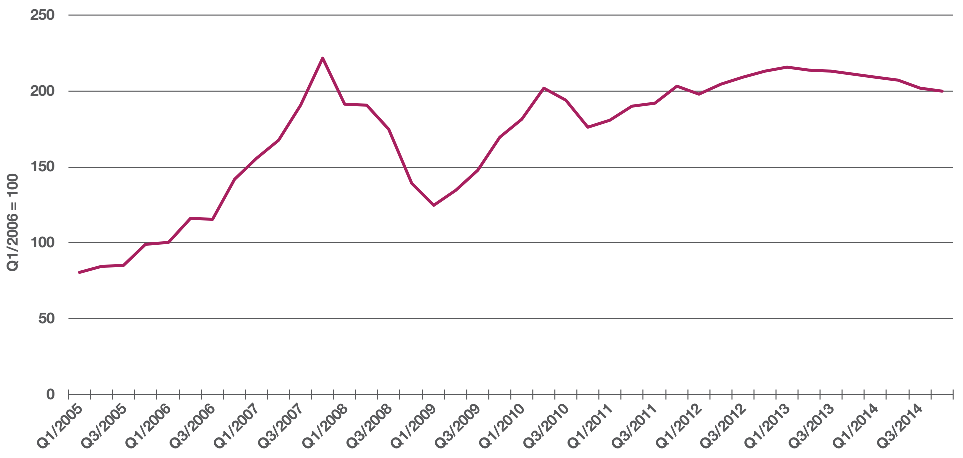
Source: URA, Savills Research & Consultancy
* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

and the bigger cash outlay required as a result of the current TDSR framework and other measures, buyers may have shifted their focus from CCR to RCR, where the average unit size of a non-landed property is often smaller and thus carries a lower price quantum. In addition, their decision to purchase within RCR instead of CCR could have also been further reinforced by the ease of public transportation which has minimised the difference in travel time to the city.

Transaction volumes in the secondary market have been declining since Q2/2014, when 1,547 transactions were registered, a post-TDSR record. According to URA, a total of 1,259 transactions were contracted between October and December 2014, representing a decline of 11.6% QoQ and 8.9% YoY. This followed Q3's quarterly contraction of 8.0%.

GRAPH 2

Savills high-end, non-landed home price index, Q1/2005–Q4/2014



Source: URA, Savills Research & Consultancy

Prices

According to the URA statistics for Q4/2014, the private residential property price index registered its fifth consecutive quarter of price decreases in the final three months of 2014. The price index slipped 1.1% in Q4/2014 compared with the 0.7% dip in the previous quarter. Overall, prices of private residential property fell 4.0% in 2014 and 4.9% from their peak in Q3/2013.

Non-landed private homes saw greater price diminution in Q4, island-wide. Prices in the Core Central Region (CCR), Rest of Central Region (RCR) and Outside Central Region (OCR) receded 0.9%, 1.4% and 0.8% respectively in Q4 after registering a dip of 0.8%, 0.4% and 0.3%, respectively, in Q3. For the whole of 2014, CCR, RCR and OCR prices have fallen by 4.1%, 5.3% and 2.2% respectively.

Not surprisingly, the average prices of high-end, non-landed homes tracked by Savills also softened, to S$2,251 per sq ft at the end of 2014, edging down marginally by 0.8% for the seventh successive quarter of decline. On a yearly basis, this represents a drop of 5.3%. A total decline of 7.3% was recorded from the peak of S$2,429 in Q1/2013.

Future supply

In its latest announcement, the government placed six sites in the confirmed list for the 1H/2015 Government Land Sale Programme. These are residential sites located across all regions, and will yield an estimated 2,530 new private homes and 490 EC units. At the end of 2014, the pipeline supply of private residential units stands at 75,188, of which about 21,359 will be completed by the end of 2015. Of this potential supply, only 42,218 units (56.1%) have already been sold.

At the end of 2014, 32,970 units, out of the total number of new private residential units launched for sale, remain unsold. Notwithstanding this, new projects will continue to enter the market. Most of the units expected to be launched in 2015 will be located in the OCR, with the largest project, Kingsford Waterbay (1,165 units), located at Upper Serangoon View. In early January 2015, 50 units at Marine Blue were released for sale. Response was relatively good, with 31 units sold over a single preview weekend, at an average price of between S$1,800 and S$2,000 per sq ft.

TABLE 2

Major new launches, Q4/2014

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
1	Marina One Residences	MS Residential1 Pte Ltd/ MS Residential 2 Pte Ltd/Ms Commercial Pte Ltd	Marina Way	CCR	420	89.5	1,964-2,759
2	Sophia Hills	Hoi Hup Sunway Mount Sophia Pte Ltd	Mount Sophia	CCR	493	1.8	1,999-2,331
3	Tre Residences	SL-GV-MCC Pte Ltd	Geylang East Avenue 1	RCR	250	21.6	1,205-1,709

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

TABLE 3

Major upcoming launches

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	Botanique at Bartley	UOL Development (Bartley) Pte Ltd	Upper Paya Lebar Road	OCR	19	797
2	Kingsford Waterbay	Kingsford Property Development Pte Ltd	Upper Serangoon View	OCR	19	1,165
3*	Marine Blue	Ladyhill Pte Ltd	Marine Parade Road	RCR	15	124
4	North Park Residences	North Gem Development Pte Ltd/FC North Gem Trustee Pte Ltd	Yishun Central 1	OCR	27	920
5	Parksuites	Kentish View Pte Ltd	Holland Grove Road	CCR	10	119
6	Pollen & Bleu	Singland Development (Farrer Drive) Pte Ltd	Farrer Drive	CCR	10	106
7	Sims Urban Oasis	First Changi Development Pte Ltd	Sims Drive	RCR	14	1,024
8	South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190
9	Symphony Suites	EL Development (Yishun) Pte Ltd	Yishun Avenue 9	OCR	27	660
10	Victoria Park Villas	Athens Residential Development Pte Ltd	Coronation Road	CCR	10	109

Source: Savills Research & Consultancy
*Preview conducted in January 2015.

OUTLOOK

The prospects for the market

With no changes to the government curbs or cooling measures on the horizon in 2015, the private residential market is expected to remain soft. The recent increase in the Singapore Interbank Offer Rate will push mortgage costs up, which may in turn steepen the slide in home prices. With developers having better holding power, prices in the primary market may only weaken marginally, while resale market prices are expected to suffer a greater fall. Hence, barring any changes in the cooling measures and the TDSR framework, prices in the private residential market are expected to dip about 7.5% this year. However, with the amount of household liquidity that has been increasing in the backdrop, there could be a surprise in store. Demand has been building up and because of market anticipation of prices falling drastically in 2014, it has remained elastic. These buyers had stayed on the sidelines waiting for the right time to buy. Consequently, any further price diminution, however small, may motivate them to jump in with their accumulated wealth, having lost patience waiting for that 'sharp drop' in prices to occur.

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