Briefing
Residential sales

March 2016

Image: Alba, Cairnhill Rise

SUMMARY

Volumes should increase with prices remaining flat, good news for properties in prime districts and the primary market.

- Singapore's economy grew 2.0% year-on-year (YoY) for 2015, a significant slowdown relative to the 3.3% for 2014.

- There was early indication of a stabilisation in the primary private residential market as developers sold 1,603 units in Q4/2015, 16.5% higher than the same period in the previous year.

- Market activity in the secondary market also improved 15.3% YoY to 1,596 units. For the Outside Central Region (OCR), sub-sale activity posted quarterly growth despite such transactions being subject to Seller's Stamp Duty, indicating the urgency of owners in the mass market segment needing to dispose of their assets.

- According to the Urban Redevelopment Authority (URA), island-wide, non-landed private residential prices declined by a marginal 0.2% quarter-on-quarter (QoQ). However, the average price of high-end, non-landed homes tracked by Savills increased 1.3% QoQ to S$2,243 per sq ft.

- After a long break, District 9 will be seeing a new launch in March called Cairnhill Nine. The Yishun precinct may see the sale of The Wisteria, despite the high number of new projects launched in 2015.

"Unless there is a major crisis, 2016 is the year where those waiting on the side lines will begin to re-enter the market."
Alan Cheong, Savills Research

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Market overview

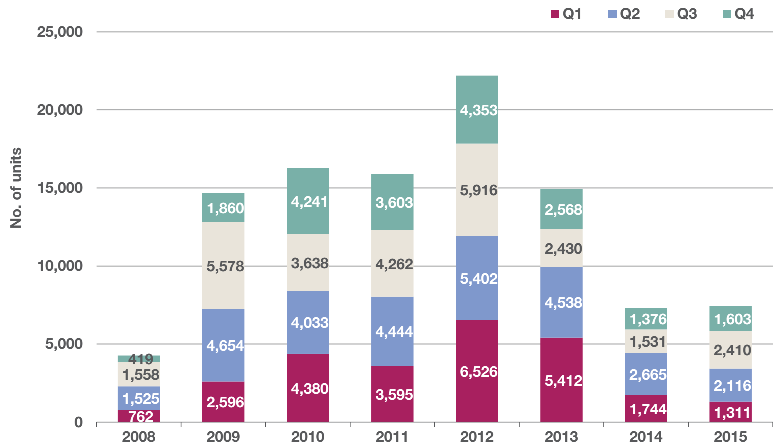
Q4/2015 was a continuation of a period of uncertain economic conditions in the larger economies. The US GDP grew at an annual rate of 1.0% in Q4, a significant slowdown from the 2.0% seen in the preceding quarter. This was due to businesses increasing efforts to reduce their excess inventory and the sharp appreciation of the US currency in the face of tepid global demand weighed on exports. After narrowly avoiding recession in Q3, Japan's economy contracted with a 1.1% YoY decline. That being said, the most significant impact was from China's 6.8% YoY growth in the final quarter, the softest reading since the global financial crisis in March 2009. GDP growth in the whole of 2015 for China was also at its slowest in the past quarter of a century at 6.9%, and this was despite the Government's efforts in trimming banks' reserve requirement ratio and interest rates to cushion the slowdown.

Amidst the global economic uncertainty, Singapore's economy grew 1.8% YoY in Q4/2015, unchanged from the preceding quarter but slightly slower than the initial forecast of 2.0%. As a result, the GDP in 2015 grew by just 2.0% YoY, a significant slowdown relative to the 3.3% seen in 2014. The manufacturing sector continues to be the main drag on the economy, slumping 6.7% YoY in Q4 and 5.2% in 2015. With the continual slowdown in China, a services rather than manufacturing-driven growth in the US, and the trend of in-sourcing in China and the US, external demand for Singapore exports may not see much improvement for 2016.

Against dour economic conditions, developer sales numbers seemed to show early signs of stabilisation in Q4/2015. A total of 1,603 private residential units were sold in the quarter in review, 33.5% lower QoQ but 16.5% higher YoY. The quarterly drop is seasonal but the annual increase in transaction volumes shows that buyers have surprisingly returned to the market earlier than expected. This could be due to the more attractive price packages offered by developers and buyers in expectation that the Government will be tweaking its cooling measures soon. For 2015, a total of 7,440 private homes were sold. This was a 1.7% increase from the preceding year and in fact for 2H/2015, developers' sales surpassed 2H/2014's numbers by 38.0%, with 4,013 units sold. The positive momentum seen in the second half of 2015 may persist if developers continue to launch developments at affordable prices in 2016.

GRAPH 1

Primary private home sales volumes, 2008-2015



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

TABLE 1

Major new launches, Q4/2015

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
1	Principal Garden	Secure Venture Development (Alexandra) Pte Ltd	Prince Charles Crescent	RCR	200	80.5	1,485-1,749
2	The Criterion	Island Glades Developments Pte Ltd	Yishun Street 51	OCR (EC)	505	12.3	692-862
3	Thomson Impressions	NS Property (Thomson) Pte Ltd	Lorong Puntong	RCR	150	72.7	1,274-1,655
4	The Poiz Residences	MCC Land (Potong Pasir) Pte Ltd	Meyappa Chettiar Road	RCR	350	95.1	983-1,618

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

For Q4/2015, developers launched only 1,333 homes for sale, a significant reduction of 45.3% from the 2,435 launched in the previous quarter. Three out of four newly-launched projects were located in the Rest of Central Region (RCR), with the balance being an Executive Condominium (EC) project at Yishun Street 51. The new launches in the RCR come after two consecutive quarters where the only new project launches were in the OCR. Compared to Q3, the take-up rates in Q4 for newly-launched projects were high. Principal Garden, Thomson Impressions and The Poiz Residences each recorded take-up rates of over 70.0%. It was only The Criterion (EC) that registered a take-up rate of 12.3%, which was not surprising after the EC market had been in the doldrums since the third quarter. 2015 was a year where the OCR had the highest number of new projects launched, with seven EC developments and seven private residential projects.

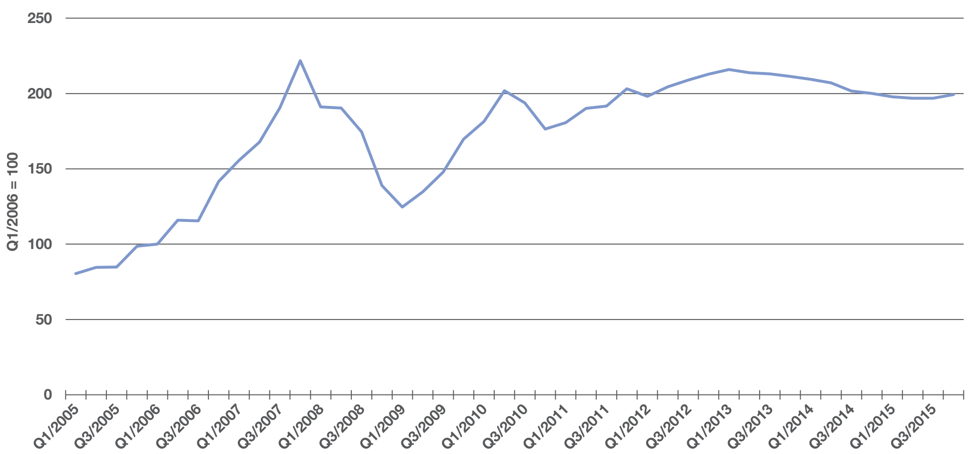
In the secondary market, transaction volumes declined 8.7% QoQ in the fourth quarter to 1,596 units. However, on a YoY basis, it was a strong 15.3% growth. An interesting observation is that despite other geographical regions showing negative growth for resale and sub-sale transactions, the OCR sub-sale market posted a quarterly growth of 14.4% in Q4/2015. Starting from the second quarter of 2015, the sub-sale market in the OCR had been witnessing a rather steady stream of transactions of between 104 and 119 units per quarter. This is notable because with the application of the Seller's Stamp Duty (SSD) on such transactions, sellers are still willing to transact, suggesting that many individual property owners in the mass market segment have a greater sense of urgency in disposing of their assets. For 2015, the secondary market saw a total of 6,677 private residential units being transacted, 20.7% more than the previous year.

Prices

According to the URA statistics, non-landed residential property prices have declined for the ninth consecutive quarter but this has been at its slowest pace, falling by a marginal rate of 0.2% QoQ. Mass market homes stayed flat in the quarter in review, while homes in the Core Central Region (CCR) and Rest of Central Region (RCR) slipped 0.3% and 0.4% respectively. For private non-landed properties, prices fell 3.6% in 2015 with the RCR registering the greatest decline of 4.3% while the CCR saw the smallest fall of 2.5%.

GRAPH 2

Savills high-end, non-landed home price index, Q1/2005-Q4/2015



Source: URA, Savills Research & Consultancy

From Savills basket of high-end, non-landed residential units, in Q4/2015, prices increased 1.3% QoQ but had decreased 0.4% YoY. This quarterly increase is the first in the past 11 quarters. Nevertheless, Q4's prices are still 7.7% off the previous peak in Q1/2013. The rebound in prices that has been complemented by stabilising transaction volumes could be an early sign that buyers are beginning to re-enter the luxury market. However, prices are not expected to rise significantly in the coming quarters due to the unadulterated Additional Buyer's Stamp Duty, slowing economy and the negative real estate market sentiments.

Future supply

The Wisteria and Cairnhill Nine have been announced for launch in March. Located at the junction of Yishun Avenue 4 and Yishun Ring Road, The Wisteria is the residential component of a mixed-use development with the addition of a retail mall. The 99-year leasehold private residential project will be partly competing with two neighbouring EC projects (Signature at Yishun and The Criterion), a mixed-use development project next to the Yishun MRT (North Park Residences), and Symphony Suites, in which all of the projects were launched in 2015. The advantage for The Wisteria is that despite their lower prices, the take-up rates for ECs are currently low (as of February 2016, below 21.2%). The Wisteria could therefore be deemed attractive as the initial price is similar to that of Symphony Suites which is a wholly-private residential project that has sold almost all of its launched units. Quantum wise, it is significantly more affordable than projects launched in the area last year.

In District 9, which consists of the Orchard, Cairnhill and River Valley area, a new project launch in March is expected. This is the first launch since October 2013 when Liv on Wilkie was first marketed. Cairnhill Nine will be priced at an average of S$2,500 per sq ft, with almost 90.0% of its units priced at S$3.0 million and below. The project located along Cairnhill Road is being developed by CapitaLand and will comprise of an Ascott serviced residence. Both components are expected to be completed before 2017. At the soft launch in late February, the response was exceptional, with the market expecting 60% sales for this 268-unit development.

TABLE 2

Major upcoming launches

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	The Wisteria	Northern Resi Pte Ltd/ Northern Retail Pte Ltd	Yishun Avenue 4/Yishun Ring Road	OCR	27	216
2	Cairnhill 9	CH Commercial Pte Ltd/ CH Residential Pte Ltd	Cairnhill Road	CCR	9	268
3	Wandervale	Sim Lian (Starlight) Pte Ltd	Choa Chu Kang Avenue 3	OCR (EC)	23	534
4	Gramercy Park	Aston Properties Pte Ltd	Grange Road	CCR	10	174
5	183 LongHaus	TEE Ventures Pte Ltd	Upper Thomson Road	RCR	20	40
6	Condominium development	Gem Homes Pte Ltd	Lorong 5 Toa Payoh	RCR	12	578
7	Sturdee Residences	SL Capital (1) Pte Ltd	Sturdee Road	RCR	8	305
8	Paterson Collection	Bukit Sembawang View Pte Ltd	Paterson Road	CCR	9	85
9	The Peak @ Cairnhill II	T G Development Pte Ltd / TEE Development Pte Ltd	Cairnhill Circle	CCR	9	60
10	South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

The Ministry of Trade and Industry Singapore (MTI) forecasts Singapore's economy to grow at a moderate pace of between 1.0% and 3.0% in 2016. The authorities have yet to provide any indication of relaxation of cooling measures, despite the mounting calls made by developers and property agents to tweak the measures. The slow economy and the government's unwavering stand on maintaining the cooling measures may stymie transaction volumes for the residential market in 2016. However, the hurdle of the Total Debt Servicing Ratio (TDSR) on the real estate sector may be overcome as potential buyers who have held back buying for the past 30 months will by now have more financial resources. In addition, with developers and individual property owners providing attractive prices in the moderating residential market, buyers may be more receptive to the asking prices and market activity is expected to improve for 2016.

Unless there is a crisis that affects the entire field of economic players, both corporates and individuals, we believe that buyers will return to the resale (stressed) market in greater numbers than the 6,160 units transacted in 2015. The reason is that since the implementation of the Total Debt Service Ratio (TDSR) framework in late June 2013, the value of liquid assets held by Singaporean households have continued to increase sharply. Therefore, it was not the lack of affordability that has kept buyers out since July 2013, but rather expectations that prices are coming off sharply that held them back. After waiting for over 30 months, the group of buyers holding that view has not only increased but those who were first joined are now starting to capitulate. For the primary sale

OUTLOOK

The prospects for the market

market, although the Government Land Sales programme has been whittling down the number of units from new launches, the overall sales number may not necessarily decline. Given the backlog of 16,993 units (January 2016) of unsold inventory in the primary market, developers and buyers will be negotiating to complete transactions. Nevertheless, although volumes are expected to increase in 2016, they are still not at levels that can sustain the supply of real estate service providers in the market.

TABLE 3

Private residential market (excluding ECs) forecast, 2016F

Capital values	2016F	
	New sale	Resale
CCR	0% to 3%	0% to 3%
RCR*	0% to 3%	-1% to -2%
OCR*	0% to 3%	-1% to -4%

Source: URA, Savills Research & Consultancy
*If the volume of transactions for the resale market rises substantially, prices may stabilise or marginally increase rather than fall.

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