Singapore – August 2020

MARKET IN MINUTES

Savills Research

Residential Sales

Revenge buying earlier than expected

On June 19th, developers' sales galleries for private residential projects were finally reopened for the first time after over two months of closure. Some revenge buying was observed.

- A total of 1,852 uncompleted private residential units were offered for sale by developers in the second quarter of 2020, down 11.5% quarter-on-quarter (QoQ).

- Sales in the primary market were better than expected, especially after the Circuit Breaker (CB) period. Developers moved 1,713 private residential units in the three months from April to June. Among these, about 60% of transactions were recorded in June.

- The secondary market for private residential properties was quite lacklustre in the second quarter. Island-wide transaction volumes plunged by 55.1% QoQ to 951 units, the lowest since Q1/1998.

- In spite of lower transaction volumes, private home prices tracked by the URA edged up 0.3% QoQ in Q2/2020, reversing the 1.1% decline in the flash estimates released on July 1st.

- The government offered just 1,370 private residential units (including 615 executive condominium units) from the Confirmed List of the 2H/2020 Government Land Sales (GLS) programme.

- The revenge buying in the new sales market which began in late Q2/2020 appears to be gaining momentum into Q3/2020. Heartening though it may be, however, the real impact of the pandemic has yet to be fully felt or understood by employees and we maintain our -3% to -8% price change this year for now.

"The market has so far overcome strong economic headwinds with aplomb, but could more storms lie ahead?"

ALAN CHEONG, SAVILLS RESEARCH

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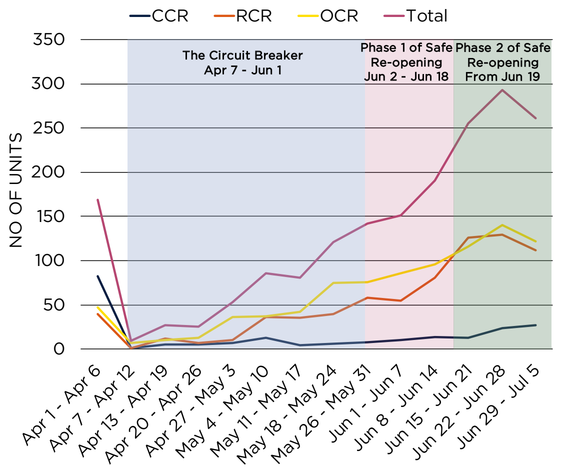
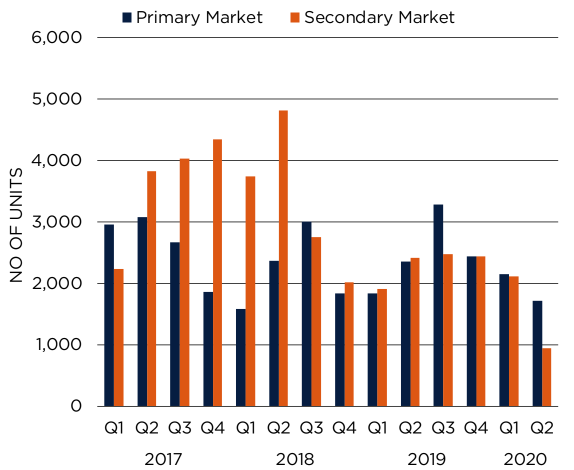
GRAPH 1: New Sales Volumes of Private Residential Units, Apr 2020 to Jul 2020



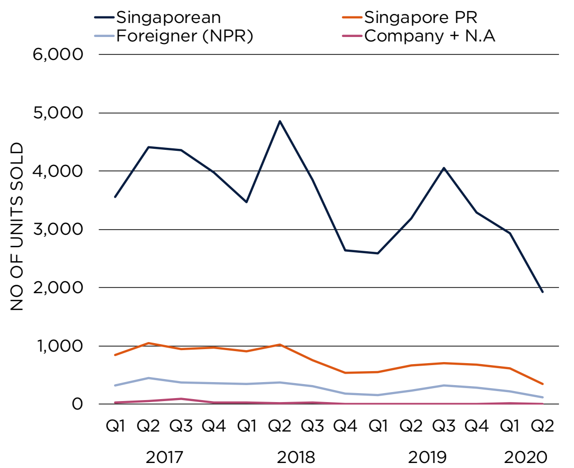
Source URA, Savills Research & Consultancy

GRAPH 2: Sales Volume Of Private Residential Units, Q1/2017 to Q2/2020



Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volume Of Non-Landed Private Private Residential Units By Residency Status, Q1/2017 to Q2/2020



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Owing to the Circuit Breaker (CB) measures from April 7th to June 1st, developers postponed their new launches during the period, because sales galleries were closed and physical contact with potential buyers was barred. However, developers continued to release units in their previously launched projects and, together with agents, applied online channels such as virtual viewings and sales webinars to promote the units.

In total, 1,852 uncompleted private residential units were offered for sale by developers in the second quarter of 2020, down 11.5% from the 2, 093 recorded a quarter ago. This drop was fully attributed to a slump of 55.2% in the Core Central Region (CCR). Developers pulled back their high-end launches, as foreigners who were not here prior to the lockdown, and who had in the past been a major source of demand for this market segment, could not enter Singapore. In contrast, the number of units launched in both the Rest of Central Region (RCR) and Outside Central Region (OCR) rose by 13.0% QoQ and 24.9% QoQ, respectively.

In Q2, sales in the primary market were better than expected, especially after the CB period. Developers moved 1,713 private residential units in the three months from April to June. Among these, about 60% of transactions were recorded in June.

As shown in Graph 1, at the start of the lockdown, weekly new sales from April 7th to April 12th numbered only nine across the island. Sales remained tepid in the following weeks but slowly increased from May, especially for buying activity from those buyers who had viewed properties before the CB.

As Singapore began to gradually reopen its economy starting June 2nd, the pick-up in new sales volumes was palpable by the week. Because sales galleries were still closed and physical views were still not allowed in the first three weeks of June, agencies aggressively used webinars and virtual viewings to saturate the marketplace. Attractive commissions from developers also helped to keep agents motivated.

On June 19th, developers' sales galleries for private residential projects were finally reopened for the first time after over two months of closure. Although show flats could only be visited by appointment, some revenge buying was observed. Developers' sales in the week from June 15th to June 21st shot up to 255 units and increased further to 293 units in the following week from June 22nd to June 28th. The pent-up demand and preparation work done by buyers during the lockdown contributed to a strong level of sales. In the meantime, reasonable take-up was seen across all market segments.

Based on lodged caveats, the top-selling projects in the reviewed quarter include Treasure At Tampines on Tampines Lane (185 units sold at an average price of S$1,355 psf), Parc Clematis at Jalan Lempeng (154 units sold at an average price of S$1,601 psf) and The Florence Residences at Hougang Avenue 2 (150 units sold at an average price of S$1,513 psf).

Nevertheless, the secondary market of private residential properties was quite lacklustre in the reviewed quarter and did not improve after the reopening. Island-wide transaction volumes plunged by 55.1% QoQ to 951 units in Q2. This is the lowest quarterly number since Q1/1998, and lower than the 980 recorded in Q1/2003 during SARS. The almost two-month full-scale lockdown together with an absence of an army of agents aggressively promoting each resale unit on offer were the main reasons.

Based on caveats lodged in the URA's Realis[1], purchases by Singaporeans constituted 80.3% of the total private non-landed home sales in Q2. This is 2.8% higher than Q1's 77.5% and the highest since Q1/2009. On the other hand, the market share of buyers who are Singapore Permanent Residents (PRs) continued to slide, down 1.7 percentage points QoQ to 14.7% in Q2, while non-PR foreign buyers' market share also slipped further to 5.0% in Q2, compared with the 5.7% recorded a quarter ago.

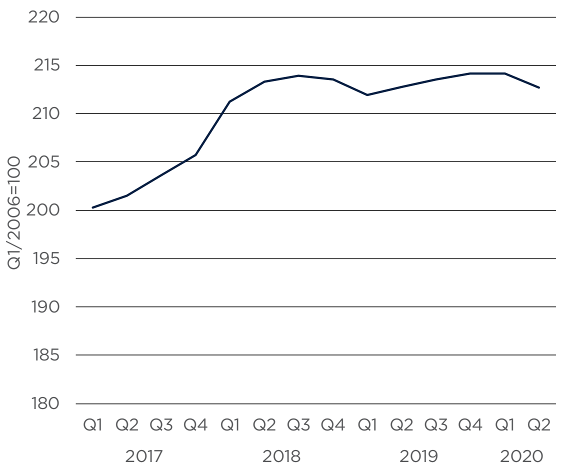
1 Downloaded on August 7, 2020.

TABLE 1: New Launches, Q2/2020

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q1/2020*	TAKE-UP (%)	PRICE RANGE (S$ PSF)
15 Holland Hill	Holland Hill	Peak Opal Pte Ltd	CCR	50	3	5.1%	2,702-3,063
Burghley Drive (landed)	Burghley Drive	2B Burghley Pte Ltd	OCR	5	1	20.0%	2,008
Parkwood Residences	Yio Chu Kang Road	Oxley Garnet Pte Ltd	OCR	18	1	5.6%	1,323

Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-End, Non-Landed Home Price Index, Q1/2017 to Q2/2020



Source Savills Research & Consultancy

PRICES

In spite of lower transaction volumes, private home prices edged up 0.3% QoQ in Q2/2020, reversing the 1.1% decline in the flash estimates released on July 1st, according to the URA's statistics. The price increase in the reviewed quarter was witnessed in the non-landed residential segment which inched up 0.4% QoQ, led by the CCR which rose 2.7% QoQ and the OCR which went up by 0.1% QoQ. However, the prices of non-landed residential properties in the RCR fell 1.7% QoQ. For the landed housing segment, prices remained flat in the quarter. The price growth in the CCR non-landed segment could have been largely driven by the pick-up of sales volume in the second half of June.

Compared with new sales, however, the resale market for the high-end sector was hit harder by the pandemic with many fewer transactions. Prices of high-end condominiums and private apartments tracked by Savills softened in the reviewed quarter, albeit marginally by 0.7% QoQ, and stood at S$2,393 psf.

FUTURE SUPPLY

According to the URA, the stock of unsold private residential units with planning approvals was 27,977 at the end of Q2/2020. Compared with the 29,149 in the preceding quarter, the decline was 4.0%.

The government has further cut new supply through the Confirmed List of the GLS programme for the second half of 2020. There are just 1,370 private residential units (including 615 executive condominium units) offered to develop. This is the lowest since 1H/2016, when 1,560 units were available under the Confirmed List.

OUTLOOK

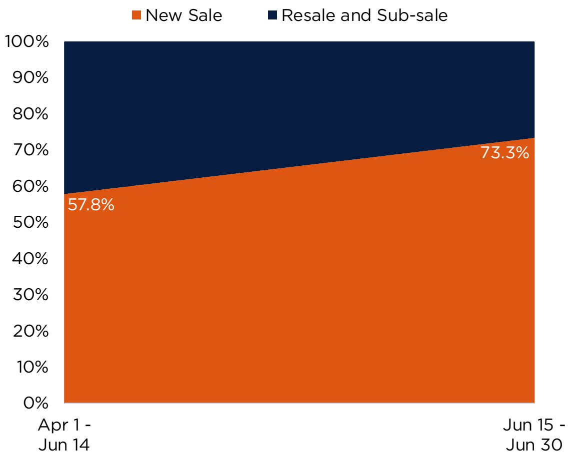
For market observers, the performance of the private residential market in the second quarter was counterintuitive to say the least. URA's flash estimates initially showed a

TABLE 2: Major Upcoming Launches From Q2/2020*

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
Cairnhill 16	Cairnhill Rise	TSky Cairnhill Pte Ltd	CCR	39
Clavon	Clementi Avenue 1	United Venture Development (Clementi 1) Pte Ltd	OCR	640
Forett@Bukit Timah	Toh Tuck Road	Qingjian Perennial (Bukit Timah) Pte Ltd	RCR	633
Grange 1866	Grange Road	Grange 1866 Pte Ltd	CCR	60
Hyll On Holland	Holland Road	FEC Skypark Pte Ltd	CCR	319
KI Residences At Brookvale	Sunset Way	Hoi Hup Sunway Clementi Pte Ltd	OCR	648
Klimt Cairnhill	Cairnhill Road	Glopeak Development Pte Ltd	CCR	138
LIV @ MB	Arthur Road	BSEL Development Pte Ltd	RCR	290
Midtown Modern	Tan Quee Lan Street	MTG Apartments Pte Ltd	CCR	556
Myra	Meyappa Chettiar Road	Tiara Land Pte Ltd	RCR	85
Noma	Guillemard Road/ Lorong 28 Geylang	Macly 33 Pte Ltd	RCR	50
One-North Eden	Slim Barracks Rise	One North Development Pte Ltd	RCR	165
Park Nova	Orchard Boulevard	Shun Tak Cuscaden Residential Pte Ltd	CCR	54
Peak Residences	Thomson Road	TSRC Novena Pte Ltd	CCR	90
Penrose	Sims Drive	NovaSims Development Pte Ltd	OCR	566
Perfect Ten	Bukit Timah Road	Japura Development Pte Ltd	CCR	230
Phoenix Residences	Phoenix Avenue	USB (Phoenix) Pte Ltd	OCR	74
The Atelier	Makeway Avenue	Bukit Sembawang Pte Ltd	CCR	120
The Landmark	Chin Swee Road	Landmark JV Pte Ltd	RCR	396
The Linq @ Beauty World	Upper Bukit Timah Road	Alika Properties Pte Ltd	RCR	120
Vanilla	Still Road	Melville Pte Ltd	RCR	60
Verdale	De Souza Avenue	C&C (JJK) Pte Ltd	OCR	258

Source Savills Research & Consultancy
*Expected launch dates are subject to change. This list is not exhaustive.

GRAPH 5: The Increasing Share Of New Sale Transactions



Source URA, Savills Research & Consultancy

TABLE 3: Comparing Intra-quarter Median Price Change For Non-Landed Properties

PERIOD	NEW SALE	RESALE AND SUB-SALE
April 1 to June 14	1,626	1,160
June 14 to June 30	1,653	1,327
% Change	1.6%	14.4%

Source URA, Savills Research & Consultancy

TABLE 4: Comparing Intra-quarter Median Price (S$ PSF) Change For Non-Landed Properties

PERIOD	NEW SALE	RESALE AND SUB-SALE	MARKET-WIDE
Q1/2020	1,705	1,255	1,560
Q2/2020	1,649	1,279	1,588
% Change	-3.3%	1.9%	1.8%

Source URA, Savills Research & Consultancy

1.1% QoQ fall in prices. The flash estimate was derived from transaction data from the start of the quarter to mid-June. However, when the final numbers were tallied, the index not only reversed, but showed a 0.3% increase. What is amazing is that the data which came through from the last two weeks of June could swing the price index by a not insignificant 1.3%.

Many have been postulating about this seemingly inexplicable behaviour. As the URA price index is hedonic in nature, meaning it accounts for various attributes of the unit transacted, it would have eliminated a lot of the possibilities for a turnaround. We are then left with fewer avenues to explore such as whether developers have upped prices after witnessing a sharp uptick in developers' sales from June 15th onwards as possible explanations. We will explore the data to find out what caused the price increase. Graph 5 shows that the share of new sale to total transactions had risen from 57.8% in the period April 1st to June 14th to 73.3% for the remainder of June 2020. Upon seeing rapidly increasing new sale numbers of some projects (Graph 1), one may have intuitively thought that developers could have marginally raised prices which because of the upsizing of the share of new sales to total transactions, the overall impact turned the percentage change in the index positive.

Unfortunately, that may not be the case because comparing the median price of new and resale & sub-sale transactions for the period June 15th to June 30th versus April 1st to June 14th, we discover that it was prices in the resale market which rose. Although the prices are unadjusted for various attributes of each property, could it be that the sharp increase in the median (and average) price psf, may have been the segment which turned the index around instead of our earlier hypothesis that developers could have raised prices in mid-June?

Perhaps so because Table 4 compared prices between the new and resale & sub-sale transactions and found that it was indeed the latter which rose with the former falling. Overall, without accounting hedonically for the prices, it rose 1.8% QoQ.

Further information can be gleaned from Table 5 when we contrast the median price of the raw data against the hedonically derived URA index for the various regions. We find that the variance between the two is large. Knowing how the market prices its products by size and market segment injects greater insights into what transpired in the second quarter.

For the CCR, developers usually attach a price premium for larger units. The 4.3% decline in the median price implies that mainly the smaller units were selling in Q2. The 2.7% increase recorded by the URA could then imply that even though the smaller units were moving, the luxury segment saw prices rising broadly (small, medium and large sizes). For the RCR and OCR, the pricing strategy by developers is reversed with smaller units being priced at a premium to the larger ones. The 2.3% and 7.8% rise in the median price for the RCR and OCR respectively implies that developers were selling even more smaller format units in the second quarter than the first. However, the URA hedonic index reveals that after adjusting for the properties' attributes, prices in the RCR fell 1.7% whilst the OCR saw a marginal increase of 0.1%.

In short, the price increase in Q2/2020 came mainly from the resale market. This counterintuitive development could have arisen out of the fact that bargain hunters began to emerge when Phase 2 of re-opening began. Table 6 shows that there was greater price discounting in the resale and sub-sale market compared with the period from April 1st to June 14th versus Q1/2020 than for the new sale market.

As we get closer to Phase 3 of the re-opening, the market may continue to see sales heavily skewing transaction numbers towards developers as the pent-up launches line up on the grid. Although the competition is intense, but because developers' project cost breakeven is high, the downside is defended for now. The continued surge in

TABLE 5: Contrasting URA's QoQ Index Change Against Realis Data

MARKET SEGMENT	CCR	RCR	OCR
Realis (Median Price)	-4.3%	2.3%	7.8%
URA (Hedonic Index)	2.7%	-1.7%	0.1%

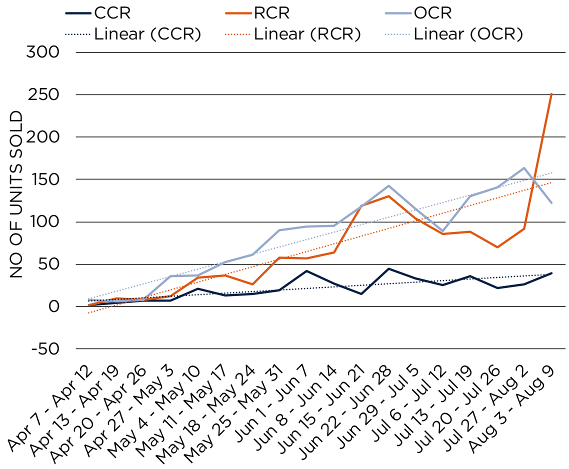
Source URA, Savills Research & Consultancy

TABLE 6: Contrasting URA's QoQ Index Change Against Realis Data

% CHANGE	NEW SALE	RESALE AND SUB-SALE
April 1 to June 14 versus Q1/2020	-4.6%	-7.6%

Source URA, Savills Research & Consultancy

GRAPH 6: Developers' Weekly New Sales Extended To Early August



Source Savills Research & Consultancy

weekly developer sales numbers may give them greater fortitude to maintain or even raise prices marginally. However, as in the second quarter, it may be the resale market which will wag the dog because buyers may perceive value in this segment due to the increasing price gap between this and the new sale market.

As the unlocking of the economy catalysed sales momentum (or what we called revenge buying in our Q1/2020 Briefing) earlier and stronger than forecast, there should be a case for revising our full year price forecast of -3% to -8%. However, because we believe that the length of pandemic is far longer lasting and the impact on firms' workforce redundancy action plans have yet to be fully or even partially executed, the positives in Q2/2020 may face stronger headwinds in Q4/2020. Therefore, we will leave our forecast in place untill our Q3/2020 briefing note.