MARKET IN MINUTES
Savills Research

Residential Sales

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Strong sales rebound in Q3

Although uncertainty prevails on both the macroeconomic and job market fronts, sentiment in the private residential market is holding up well.

- Developers released 3,791 uncompleted private residential units for sale in the third quarter, more than double the 1,852 recorded in the previous quarter.
- For new sales, a total of 3,517 private residential units were sold in the three months from July to September 2020. This represents a 105.3% growth from the 1,713 recorded in the second quarter.
- Transaction volumes of private residential properties in the secondary market more than tripled from the previous quarter with 3,375 units recorded in Q3.
- Singaporean buyers purchased 4,963 non-landed private residential units in Q3/2020, a rise of 159% from a quarter ago. This is also the highest quarterly number since Q3/2013.
- With the rising transaction volume, private home prices managed to overcome the negative impact of COVID-19 with the URA's island-wide price index for non-landed private residential properties inching up 0.1% quarter-on-quarter (QoQ) in Q3/2020.
- The average prices of high-end non-landed private residential projects in Savills' basket fell in Q3, though at a much moderate pace of 0.2% QoQ. Year-to-date, prices have registered a marginal 0.9% drop.
- For 2020, the change in prices for non-landed properties is expected to come in from -2% to +0.5% and for 2021 could range from -2% to 0.5% with a possibility of swinging to positive if the HDB resale price gap to private properties further narrows.

> "We remain relatively upbeat on the local residential sector as positive fundamentals appear to be mitigating the negative effects of the pandemic."
>
> ALAN CHEONG, SAVILLS RESEARCH

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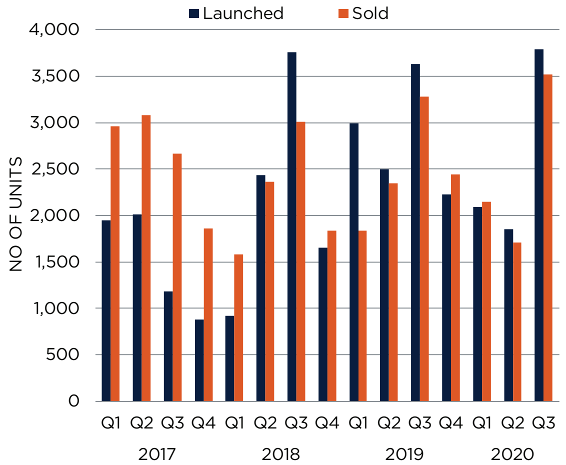
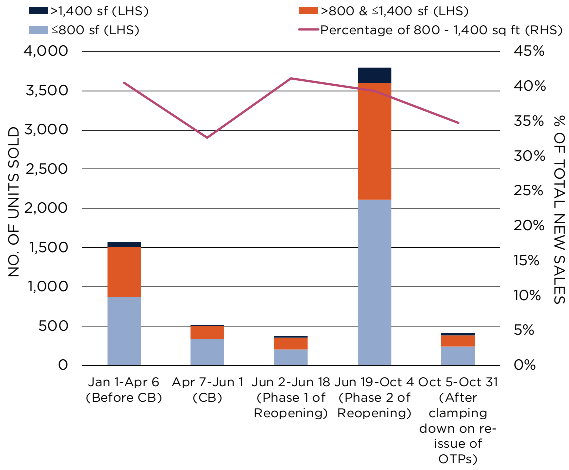
GRAPH 1: Number of Private Residential Units Launched and Sold in the Primary Market, Q1/2017 to Q3/2020



Source URA, Savills Research & Consultancy

GRAPH 2: Non-landed Private Residential Units Sold in the RCR & OCR's Primary Market by Unit Size, January to October 2020



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Although uncertainties prevail on both the macroeconomic and job market fronts, buying sentiment for private residential properties seemed unaffected as sales rebounded strongly once the country entered Phase Two of the reopening of the economy on June 19th.

Riding on the increasing sales momentum, developers released 3,791 uncompleted private residential units for sale in the third quarter of 2020, more than double the 1,852 recorded a quarter ago. Among these, 1,292 units (or 34.1%) are from seven newly launched projects. Except for Mooi Residences at Holland Road in the Core Central Region (CCR) and a landed housing development on Flower Road in the Outside Central Region (OCR), the other five projects, Forett At Bukit Timah on Toh Tuck Road, Myra on Meyappa Chettiar Road, Noma on Guillemard Road, Penrose on Sims Drive and Verdale on De Souza Avenue, are all located in the Rest of Central Region (RCR). The remaining 2,499 units, or 65.9% of the total units launched in Q3, are mainly from previously launched projects in RCR and OCR, such as Treasure At Tampines, The Florence Residences, Affinity At Serangoon, The Woodleigh Residences and Jadescape. In summary, developers' launches are still focusing on the mid-tier and mass market segments where locals are the main demand driver, in view of the travel restrictions which are still in place.

For new sales, a total of 3,517 private residential units were sold in the three months from July to September 2020. This represents a 105.3% growth from the 1,713 recorded in the previous quarter. Backed by a slew of new launches, the robust growth in transaction volume was led by the RCR, where 1,850 units were sold, up 176.1% QoQ. OCR's new sales rose by 65.8% QoQ to 1,381 units, with several previously launched projects experiencing brisk sales.

In spite of the fewer number of units launched in the reviewed quarter, new sales in the CCR also posted a quarterly increase of 36.2% with 286 units sold.

Based on lodged caveats[1], the best-selling project in Q3/2020 was Penrose, which sold 387 out of a total of 566 units in the first weekend of launch on September 26th. Another new project, Forett At Bukit Timah, also chalked up encouraging sales with 246 units sold, or 38.9% of the total 633 units. Other top-selling projects in Q3 include Treasure At Tampines, Parc Clematis and Jadescape, which moved 327 units, 206 units and 189 units, respectively; these are much higher than the 183 units, 148 units and 91 units which were respectively sold in the previous quarter.

The buoyant new sales year-to-date, especially after the Circuit Breaker (CB) period, were partly fuelled by HDB upgraders, especially those reaching the Minimum Occupancy Period (MOP – the period during which buyers of subsidized new flats cannot sell in the open market) within these two years. Besides the low interest rate environment, the resilient HDB resale market, where prices have risen for two consecutive quarters since Q2/2020 and transaction volume has surged 127.3% QoQ to 7,787 units in Q3/2020, has given these potential buyers confidence that their HDB flats can fetch good prices in the resale market and they can upgrade to a private condominium.

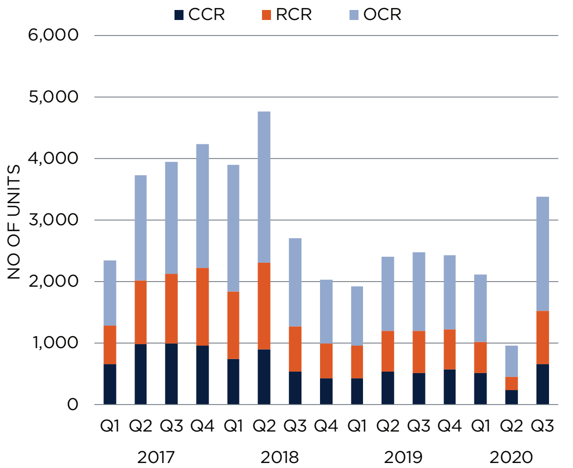
1 Downloaded on November 9th, 2020.

TABLE 1: New Launches, Q3/2020

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q3/2020*	TAKE-UP (%)	PRICE RANGE (S$ PSF)
Forett At Bukit Timah	Toh Tuck Road	Qingjian Perennial (Bukit Timah) Pte Ltd	RCR	633	246	38.9	1,647 - 2,120
Mooi Residences	Holland Road	Wenul HL Pte Ltd	CCR	24	3	12.5	2,535 - 2,669
Myra	Meyappa Chettiar Road	Tiara Land Pte Ltd	RCR	85	15	17.6	2,016 - 2,273
Noma	Guillemard Road	Macly 33 Pte Ltd	RCR	50	36	72.0	1,480 - 1,808
Penrose	Sims Drive	NovaSims Development Pte Ltd	RCR	566	387	68.4	1,396 - 1,856
Verdale	De Souza Avenue	C&C (JJK) Pte Ltd	RCR	258	44	17.1	1,607 - 1,855

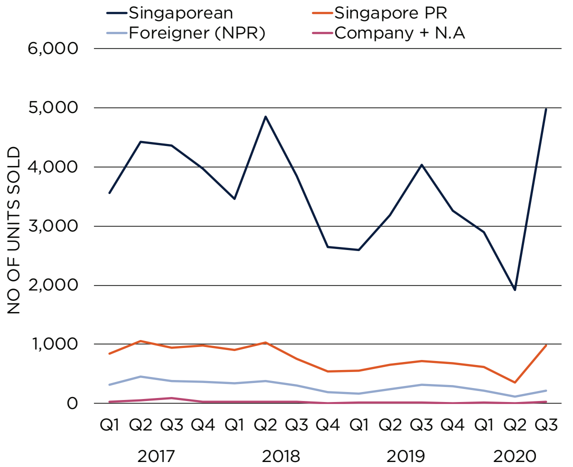
Source URA, Savills Research & Consultancy

GRAPH 3: Number of Private Residential Units Sold in the Secondary Market, Q1/2017 to Q3/2020



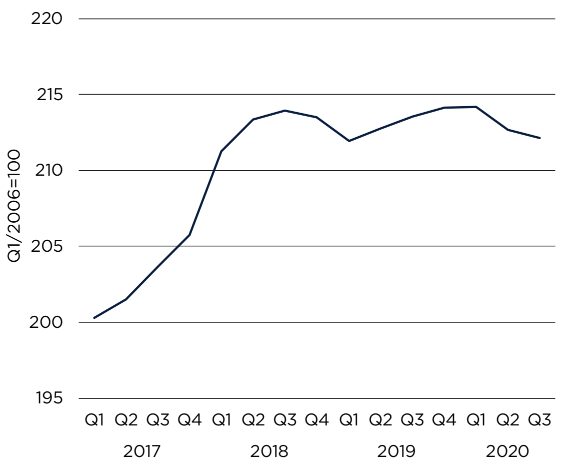
Source URA, Savills Research & Consultancy

GRAPH 4: Sales Volumes of Non-Landed Private Residential Units by Residency Status, Q1/2017 to Q3/2020



Source URA, Savills Research & Consultancy

GRAPH 5: Savills High-End, Non-Landed Home Price Index, Q1/2017 to Q3/2020



Source Savills Research & Consultancy

However, the better-than-expected market sparked concerns as some developers may have continually re-issued options to purchase (OTPs) upon expiry, without any forfeiture of the booking fee, and therefore inflated the new home sales figures. On September 28th, the Urban Redevelopment Authority's (URA) Controller of Housing announced restrictions on developers providing upfront agreements to purchaser(s) to re-issue OTP and re-issuing OTP to the same purchaser(s) for the same unit within 12 months after the expiry of the earlier OTP with immediate effect. But the real impact of this measure was felt from October 5th as a one-week extension was given.

We have checked the caveats lodged for non-landed private residential properties for this year up to October 31st (Graph 2). The transaction volume of units with sizes ranging from 800 sq ft to 1,400 sq ft in the RCR and OCR – these are the units that HDB upgraders are most likely to purchase - rose to 1,486 units between the start of Phase Two of reopening on June 19th and October 4th, while the percentage for this kind of units over the total new sales during the same period stayed at 40.9% in the Phase One of reopening (from June 2nd to June 18th) and 39.2% from June 19th and October 4th. To some extent, this has verified the robust demand from HDB upgraders mentioned above.

From October 5th to October 31st, not only the transition volume of non-landed private residential properties of 800 – 1,400 sq ft fell to 140 units, but also their percentage of the total new sales was down 4.9 percentage points (ppts) to 34.3%. This suggests that the latest measure did clamp down on the problem of re-issue of OTPs and the potential HDB upgraders could have decided to postpone their commitment to a private condominium before they can sell their HDB flats in the market.

In the secondary market, some transactions which were deferred due to the lockdown were inked in Q3 after the resumption of in-person property viewings. Meanwhile, the spike in interest in new sales resulted in spill-over demand to the resale market. Consequently, transaction volumes of private residential properties in the secondary market more than tripled from the previous quarter, recording 3,375 units in Q3. By locality, the RCR posted the biggest increase of 287% QoQ, followed by the OCR and CCR with a quarterly growth of 267% and 186%, respectively.

Data released by the URA showed that Singaporeans purchased 4,963 non-landed private residential units in Q3/2020, up 159% from a quarter ago. This is also the highest quarterly number since Q3/2013. Nevertheless, the market share of this group of buyers remained unchanged at 80%.

In the reviewed quarter, the other group of buyers, including Singapore Permanent Residents (PRs) and foreigners without PR status, also saw a sharp increase in transactions. However, their combined market share fell 0.4 of a ppt QoQ to 19%. Singapore PRs acquired 974 units, up 176% QoQ, while foreigners without PR status bought 222 units, representing a quarterly increase of 91%.

By nationality, buyers from China, Malaysia and India continued to top the list with a total of 556 units purchased, up by almost 145% QoQ. In addition, there were another 361 units acquired by foreigners who did not specify their nationality. This was also more than double the 163 units reported in the previous quarter.

PRICES

Alongside surging transaction volumes, private home prices also defied the negative impact brought on by COVID-19. According the URA's latest statistics, the island-wide price index of non-landed private residential properties inched up by 0.1% QoQ in Q3/2020.

By market segment, the overall price growth was fuelled by the RCR and OCR, which posted quarterly growth of 2.5% QoQ and 1.7% QoQ respectively. Relatively higher prices achieved in newly launched projects compared to the vicinity was the main reason behind the increase. In contrast, prices in the CCR experienced a contraction of 3.8% QoQ. Lower prices in resale transactions, together with limited new sales, could be blamed for the price drop in this market segment.

The average prices of high-end non-landed private residential projects in Savills' basket also fell in the reviewed quarter, though at a much moderate pace of 0.2% QoQ. Year-to-date, prices registered a marginal 0.9% decline. The decline should also be seen in the context of a limited number of transactions, inferring that the sellers in our basket of high end non-landed properties are not under great duress to offload their properties.

FUTURE SUPPLY

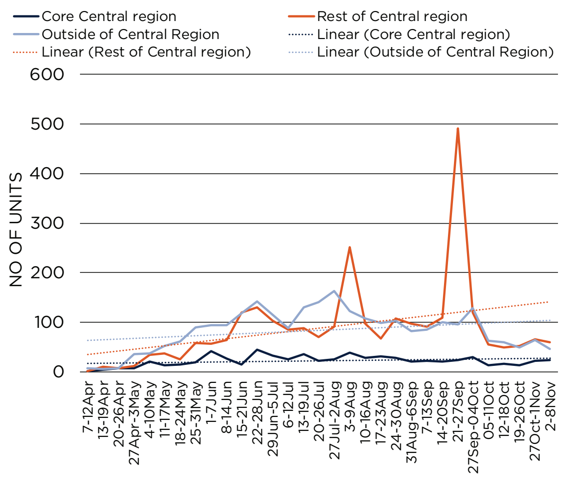
Based on the data released by the URA, there was a total supply of 50,369 uncompleted private residential units in the pipeline with planning approvals in Q3. About 52.6% of this pipeline supply, or 26,483 units remained unsold at the end of Q3/2020. This is about 5.3% lower than the 27,977 in the previous quarter.

TABLE 2: Major Upcoming Launches From Q4/2020*

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
Grange 1866	Grange Road	Grange 1866 Pte Ltd	CCR	60
Hyll On Holland	Holland Road	FEC Skypark Pte Ltd	CCR	319
Jervois Prive	Jervois Road	Jervois Midas Pte Ltd	CCR	43
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
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
Perfect Ten	Bukit Timah Road	Japura Development Pte Ltd	CCR	230
Phoenix Residences	Phoenix Avenue	USB (Phoenix) Pte Ltd	OCR	74
Rymden 77	Lorong H Telok Kurau	QHS Development Pte Ltd	OCR	31
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
The Reef At King's Dock	Harbourfront Avenue	Harbourfront Three Pte Ltd	RCR	429
Vanilla	Still Road	Melville Pte Ltd	RCR	60

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

GRAPH 6: Developers' Weekly Sales, April to November 2020



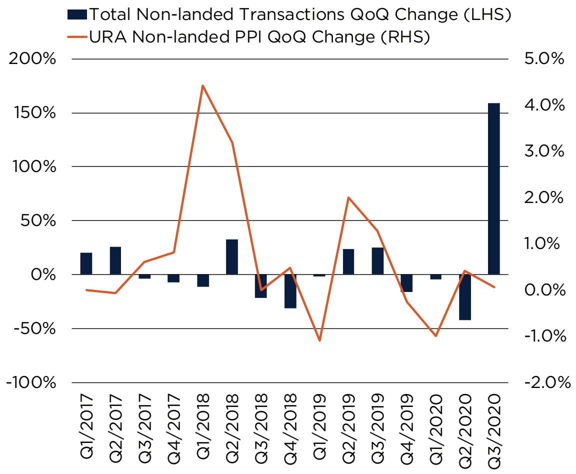
Source Savills Residential

OUTLOOK

Our outlook for the private residential market for the rest of 2020 and to H1/2021 has a narrative that began in Q2/2020. In our Q1/2020 briefing, we mentioned the possibility of revenge buying rearing its head once the pandemic winds down here. This happened and happened much sooner and stronger than we expected because in late Q2/2020 weekly new sale transactions were beginning to stir and come Q3/2020, had increased substantially. In the meantime, the economy continued to contract, shrinking 7.0% year-on-year (YoY) in the third quarter with the overall unemployment rate rising to 3.6%, the highest since 2004. This duality of performance between the private residential market and the economy was initially explained using the catch all high liquidity argument. However, on the morning of the 28th of September, the authorities clamped down on the degrees of freedom with regards to the reissue of OTPs for new sales. The date of an OTP can be said to be the start of the sales process but a signature at this stage is still not a watertight transaction because buyers, who paid 5% of the purchase price, can still walk away from the deal, forfeiting 75% of the 5%. Normally, after an OTP is issued, it will be accompanied by a Sales and Purchase agreement which would be signed within three weeks of the latter's issue. Once executed, another 15% of the purchase price will have to be paid to the developer. A reissue of an OTP occurs when it is extended beyond those three weeks.

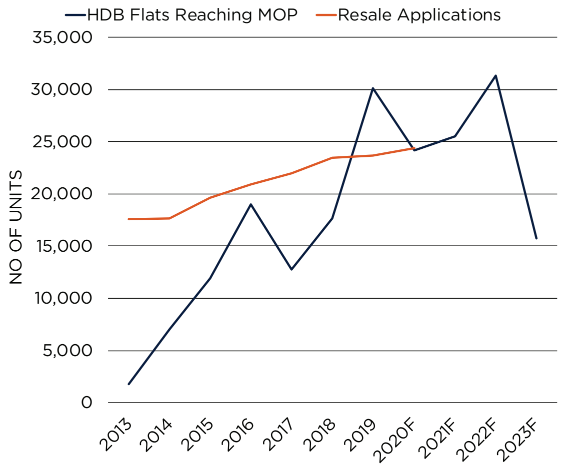
Presumably, the authorities acted because they believe that the performance of the economy and the employment market has greater overarching priorities than the

GRAPH 7: Connection Between Changes in Transaction Volumes and Prices, Q1/2017 to Q3/2020



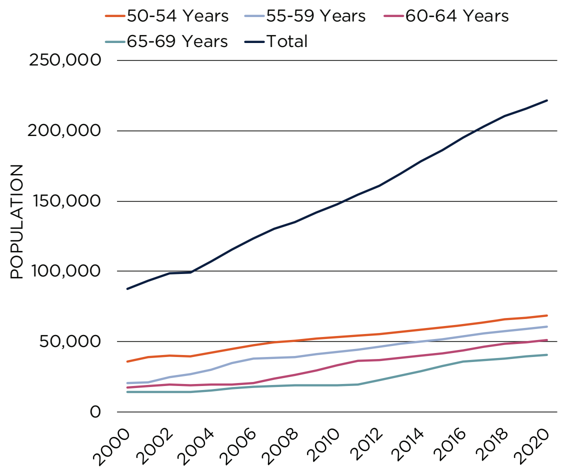
Source URA, Savills Research & Consultancy

GRAPH 8: HDB Resale Applications And HDB Flats Reaching MOP



Source Statista, Savills Research & Consultancy

GRAPH 9: Increasing Middle Age To Elderly Singapore Population In Non-HDB Flats, 2000 to 2020



Source Statista, Savills Research & Consultancy

singular argument of high household savings. The move could be interpreted as synching the new private residential market sales numbers to align with the overall business climate. The result of the new ruling caused the weekly new sales numbers to halve, from 277 units recorded for the weeks between June 22nd to October 4th to 132 units, 125 units and 115 units for the subsequent three weeks thereafter. It bounced back up to 152 units for the week ending November 1st before settling at 131 units for the week ending November 8th. The average new sales in the five weeks following the implementation of this new ruling was 131 units, down 52.5% from the weekly average of 276 units from June 2nd to October 4th. However, we have to add that there were no major launches in the past five weeks and upcoming launches in November and December could give weekly sales numbers a boost. (Please refer to Graph 6) The silver lining in this is that the new rules cleared up the transactional fog and we now have a clearer picture of where 'real' demand lies.

However, with transactional numbers down, a mild price correction cannot be ruled out in Q4/2020 or Q1/2021. Graph 7 shows a statistically significant but loose correlation between total sales numbers of non-landed properties and the URA price index for this type of property.

If the pandemic's effects on the employment front is lagged, come next year, we may see new sale transaction numbers hover around 100 per week with a bias on the downside. On this point alone, leaning on the correlation seen in Graph 7, there exists downside price pressures in the private residential market. However, of late, we have been noticing that there has been a rapid climb in the resale prices of public flats, so that the gap between the two segments of the residential market has narrowed significantly. Left unchecked and if malaise in the employment market doesn't spread, upgrader demand next year could turn out to be an opposing force which pushes against downside pressures arising from the weak economic climate. In short, there exists the possibility of an ecosystem springing up for a few quarters where prices of both public and private properties rise despite a dour job market. An aging population downgrading from private properties, delays in completions in new HDB flats pushing new buyers to choose resale flats and the preference of HDB buyers to live in mature estates (to be close to parents) could create the conditions for a multi-quarter asset price inflation, albeit mild.

Although the number of public flats reaching their MOP this year and next is estimated at close to 50,000 units, a number deemed high by recent years' levels, this supply argument may not reign in prices because the number of resale applications does not appear to correlate with the net number of flats that can be readily sold openly (Graph 8). With an ageing population, the cascading torrent of downgraders is expected to become stronger in the coming decade. This potential reverse flow from a high value property to a lower one could quite easily overcome the near-term negative fallout from the COVID pandemic (Graph 9). With the economic fallout from COVID-19 and the ageing population, the residential real estate landscape here is expected to transform further. We will discuss this rather complex topic in our future briefing notes.

TABLE 3: Forecast for Private Residential Prices, 2020 and 2021

YEAR	NON-LANDED	LANDED
2020	-2% to 0.5%*	5%
2021	-2% to 0.5%	5%

Source Savills Research & Consultancy
We believe the decline would have been sharper (-8% to -3%) if the clamp down on the reissue of OTPs had occurred in Q2/2020.