savills

Briefing
Residential sales

June 2016

Image: Robin Suites, Robin Road

SUMMARY

While horsepower is lacking, the market still has torque.

- Notwithstanding fewer new project launches and a slow economy, sales volume for the primary private residential market improved 8.2% year-on-year (YoY) to 1,419 units despite fewer new projects launched. However, sales fell 11.5% quarter-on-quarter (QoQ).

- The high rate of sales at Cairnhill Nine and Twin Peaks indicates plenty of pent-up demand in the CCR, with buyers chasing value purchases.

- Average prices of high-end, non-landed homes tracked by Savills fell by a marginal 0.2% QoQ to S$2,239 per sq ft. Meanwhile, the Urban Redevelopment Authority's (URA) price index for private homes islandwide also declined 0.6% QoQ.

- More projects are expected to be launched in Q2 and Q3 of 2016, with Gem Residences capable of upstaging overly bearish views of the market.

- Nevertheless, while the market may have the torque to plough through the strong economic headwinds, it may still not have the horsepower to accelerate in terms of prices even if the cooling measures are recalibrated.

"Healthy take-up at recent launches signals that the pool of buyers is much deeper than previously thought."
Alan Cheong, Savills Research

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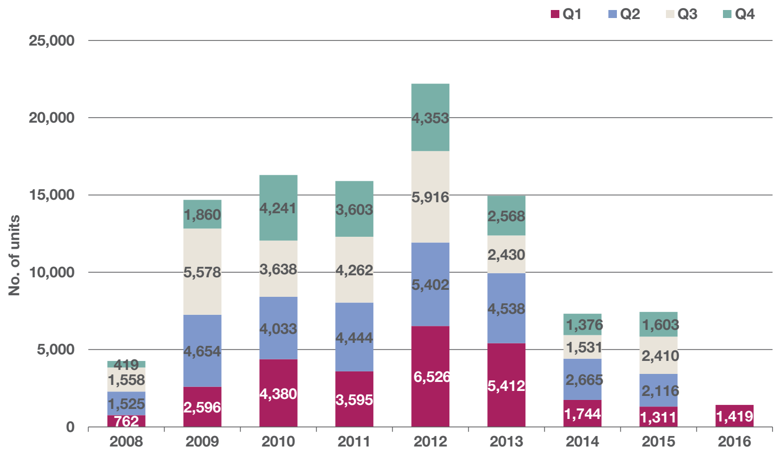
Market overview

In Singapore gross domestic product grew by 1.8% YoY in Q1/2016, unchanged for the second consecutive quarter. The manufacturing segment contracted 1.0% YoY after declining 6.7% in Q4/2015 while the service producing industries only grew 1.4%, slower than the 2.8% recorded in the preceding quarter. The 15.6% YoY decline in non-oil domestic export figures in March brings home the point that Singapore based exporters are still facing tremendous challenges due to weak overseas demand.

However, somewhat counter intuitively, the primary market performance for private homes fared much better than the dour news from the economic front suggested. Although primary sales volume declined 11.5% QoQ, on a YoY basis, it rose by a significant 8.2% to 1,419 units. One reason for the decline in the quarterly numbers was that in Q1/2016, there were two major project launches (Cairnhill Nine and The Wisteria) which had a combined total of 484 units in the developments while Q4/2015 saw three which summed to 1,682 units. The sharp drop in the number of units launched resulted in lower sales volumes during the quarter

GRAPH 1

Primary private home sales volumes, 2008-Q1/2016



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

in review. The other reason is the perceived attractive pricing of these developments. The summary take-away is that it may appear that the market has latent demand and is extremely price sensitive.

In Q1/2016, developers launched 953 private homes for sale, a fall of 28.5% QoQ and 19.8% YoY. In March, Cairnhill Nine was the first private residential project launch in District 9 after Liv on Wilkie in October 2013. For the former, the take-up was strong with 177 units sold out of the 200 units launched in March. According to our caveats analysis[1], the average price in the month of launch was S$2,425 per sq ft. In terms of unit mix, 71.9% sold were 1 bedroom or 1 bedroom with guest units with an average price of S$2,429 per sq ft while all eight penthouses were sold for S$1,726 to S$2,429 per sq ft or S$5.8 million to almost S$6.7 million each. In addition, as of end-April 2016, all 1 beds and 1 beds with guest units were sold out, indicating that even in the prime districts, the market showed a penchant for more

1 Downloaded on 9 May 2016 from Realis

TABLE 1

Major new launches, Q1/2016

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
1	183 LongHaus	TEE Ventures Pte Ltd	Upper Thomson Road	RCR	20	95.0	1,441-1,660
2	Cairnhill Nine	CH Residential Pte Ltd	Cairnhill Road	CCR	200	88.5	1,726-2,829
3	The Wisteria	Northern Resi Pte Ltd, Northern Retail Pte Ltd	Yishun Ring Road	OCR	216	57.9	970-1,294
4	Wandervale	Sim Lian (Starlight) Pte Ltd	Choa Chu Kang Avenue 3	OCR (EC)	534	54.7	683-836

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

affordable units. The rapid pace of sales of penthouse units at Cairnhill Nine also shows that there are investors or buyers who are willing and able to purchase super prime units at high-end residential projects as long as the price is right.

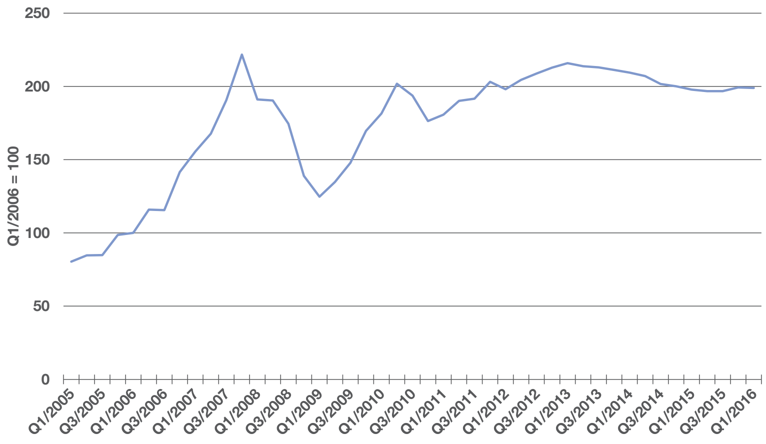
Meanwhile, the secondary market is also showing moderate improvement in transaction volumes, rising 6.3% YoY to 1,428 units in Q1/2016. On a quarterly basis, sales have declined 10.5%. The resale market in the Core Central Region (CCR) continues to improve with a 1.6% QoQ and 14.8% YoY increase to 325 units sold while the Rest of Central Region (RCR) and Outside Central Region (OCR) fell 15.6% and 8.4% QoQ respectively. The sub-sale segment remains lackluster as the Seller Stamp Duty (SSD) is sufficient to dissuade those who wish to sell before completion.

Prices

Prices for non-landed private residential units in Singapore continued to moderate in Q1/2016. According to the URA statistics, the property price index for non-landed residential properties island-wide eased 0.6% QoQ with the OCR posting a 1.3% QoQ decline. Prices in the RCR stayed flat in the said quarter while the CCR price index improved marginally by 0.3% QoQ, its first positive growth since Q1/2013. The rebound in prices for CCR should not be viewed as a

GRAPH 2

Savills high-end, non-landed home price index, Q1/2005-Q1/2016



Source: URA, Savills Research & Consultancy

TABLE 2

Major upcoming launches

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	The Visionaire*	Qingjian Realty (Sembawang) Pte Ltd	Canberra Drive/ Canberra Link/ Sembawang Road	OCR (EC)	27	632
2	Parc Life*	Sembawang Residences Pte Ltd	Sembawang Crescent	OCR (EC)	27	628
3	Sturdee Residences*	SL Capital (1) Pte Ltd	Sturdee Road	RCR	8	305
4	The Asana*	Aurum Land Pte Ltd	Queen's Road	CCR	10	48
5	GEM Residences	Gem Homes Pte Ltd	Lorong 4/ Lorong 6 Toa Payoh	RCR	12	578
6	Stars of Kovan	Kovan Treasure Pte Ltd	Upper Serangoon Road	OCR	19	395
7	Viio @ Balestier	Techkon Commercial Pte Ltd	Balestier Road	RCR	12	56
8	Treasure Crest	Sim Lian (Anchorvale) Pte Ltd	Anchorvale Crescent	OCR (EC)	19	504
9	Lake Grande	MCL Land (Vantage) Pte Ltd	Jurong West Street 41	OCR	22	710
10	Gramercy Park	Aston Properties Pte Ltd	Grange Road	CCR	10	174

Source: Savills Research & Consultancy
* Launched in April

strong indicator of price recovery, as factors such as economic uncertainties and an expected increase in layoffs rein in any over exuberance.

In the same quarter, the basket of high-end non-landed homes tracked by Savills illustrated a marginal 0.2% QoQ decline to S$2,239 per sq ft. Relative to the same period in the preceding year, prices have increased 0.6% YoY. A plausible interpretation of the mild recovery in prices is that, despite the URA regional property price index showing otherwise, the market perceives that the CCR has corrected more and value is now emerging.

Future supply

A new launch in May is Gem Residences at Toa Payoh, the 99-year leasehold project featuring 578 units from one- to five-beds with indicative launch prices of S$1,480 per sq ft. A majority of the units will be one- to three-bedroom homes ranging from 452 sq ft to 1,027 sq ft. As private non-landed residential units in mature residential estates such as Toa Payoh are rare with Trevista, completed in 2011, being the newest private development in the vicinity selling at an average of about S$1,270 per sq ft in 2015, a strong initial take-up rate is expected.

OUTLOOK

The prospects for the market

The outlook for the Singapore's economy is expected to remain lacklustre in 2016 with growth forecast to be in the range of 1.0% and 3.0%. A confluence of factors ranging from the restructuring of the domestic economy to the slowing of major global economies and expectations of an interest rate hike in the US are weighing on Singapore's GDP this year.

However, while the overall economic situation appears dour, on the property front, developer sales figures are expected to improve in Q2/2016 as more projects are launched. The sales volume for Q2 registered positive quarterly growth in the past two years and is expected to repeat itself again in 2016, with primary sales being driven by a mix of new launches and from projects which have been launched but are progressing towards completion soon. It has also become widely practiced that terms are more competitive with plenty of creative "sales packages" as seen from units at OUE Twin Peaks (deferred payment scheme) and Lloyd Sixty Five (Experiential Scheme).

Judging from the sales rate of projects some weeks after initial launch, sales usually tend to peter off into a steady state rate of a few unit sales per week. This could suggest that whilst the market still has torque, it nevertheless may not have the horsepower to cause prices to accelerate even if some of the measures are recalibrated. For one, job insecurity these days would dampen the exuberance of households on the margin from taking on too much risk.

Still, the surprisingly healthy sales of late may give a hint that the bearish sentiment towards the residential market has been overhyped. One reason could be that Singapore's economic progress has increased the savings pool of multi-generational households, which in our land constrained real estate topology, will support and augment real estate values even during trying economic times.

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