

# Briefing Residential sales

May 2017

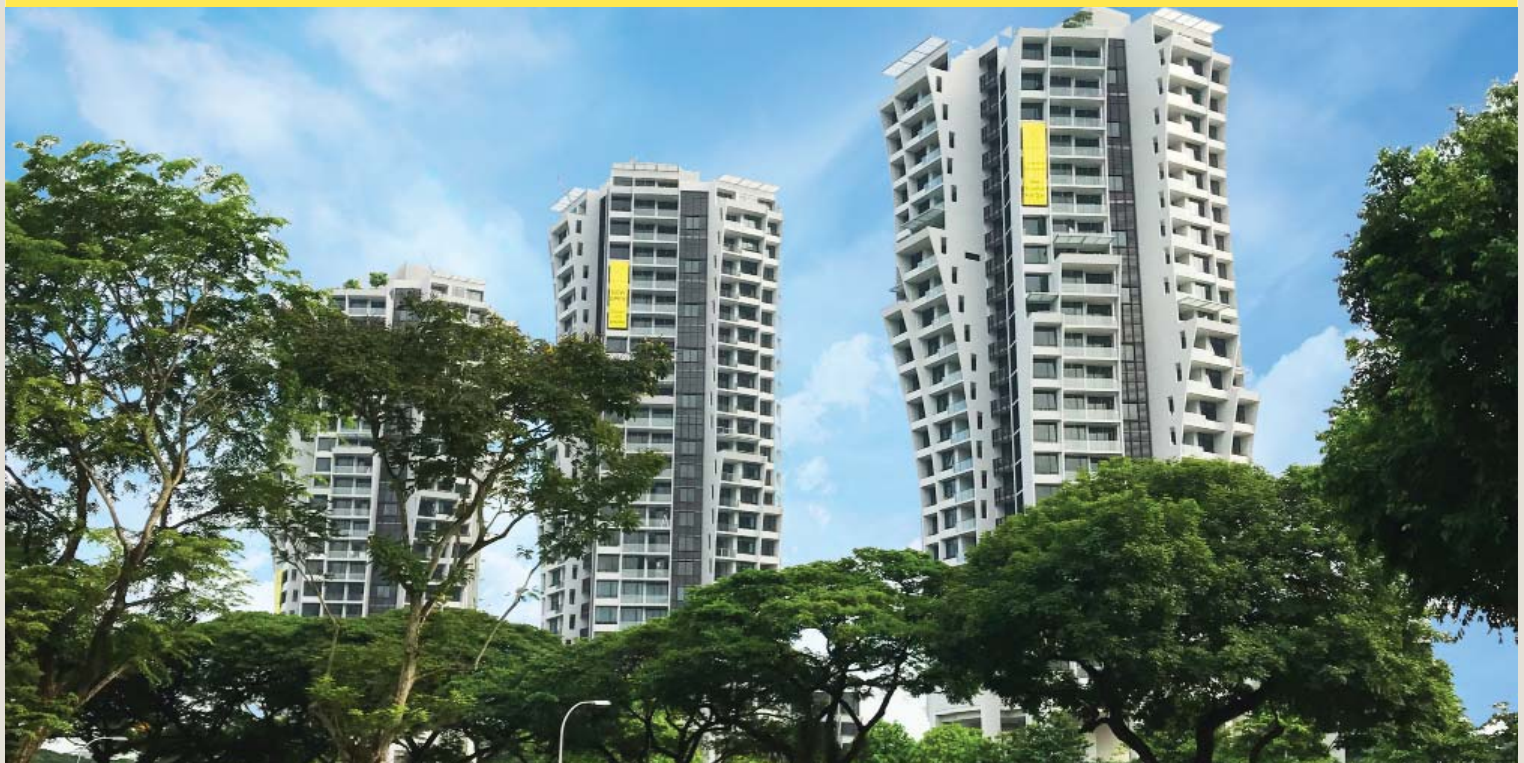


Image: The Crest at Prince Charles Crescent

## SUMMARY

Market sentiment improved significantly in the first quarter of 2017.

■ In spite of a slow start in January, buying activity gathered pace in February and March, with the first quarter registering 2,962 private residential homes sold in the primary market. This is a 27.9% quarter-on-quarter (QoQ) and 108.7% year-on-year (YoY) increase.

■ The secondary market also showed significant improvement with transaction volumes rising 12.2% QoQ and 52.9% YoY to 2,274 units in Q1/2017. On a QoQ basis, the increase in sales volume was across all geographic regions.

■ The number of non-landed private homes bought by Singapore permanent residents and overseas buyers reached 1,148 units in the first quarter of this year, the highest quarterly number since Q2/2013.

■ Data compiled by Savills estimated that the average unit price of high-end non-landed residential units eased 0.2% QoQ to S\$2,254 per sq ft in Q1/2017.

■ From data released by the URA, the potential supply of new private homes stood at 44,712 units as of Q1/2017. About 48.9% of the pipeline

supply, or 21,827 units, remained unsold.

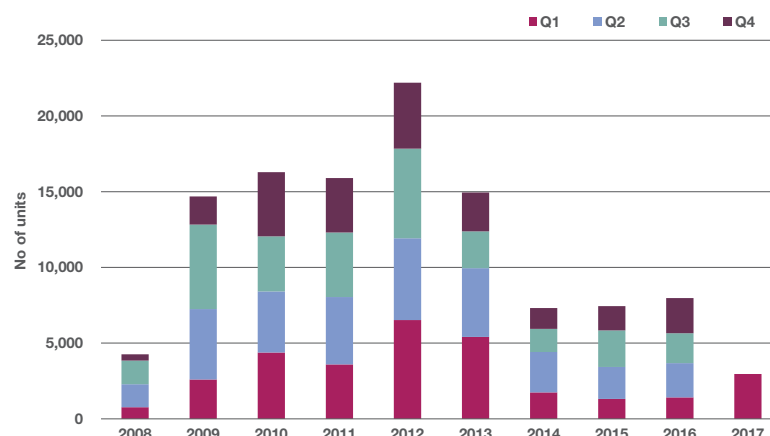
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 “The recent recalibration of the SSD is a message that the market is sentiment driven and that the conventional view of rising vacancies leading to falling prices, though not entirely wrong, needs a serious rethink.” Alan Cheong, Savills Research  
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➔ **Market overview**

In Q1/2017, the launches of new private residential projects were relatively muted, with all located in the Outside Central Region (OCR) and Rest of Central Region (RCR). These projects are 12 on Shan at Shan Road (all 30 units launched), Grandeur Park Residences at Bedok South Avenue 3 (all 720 units launched), The Clement Canopy at Clementi Avenue 1 (280 out of 505 units launched) and Park Place Residences at PLQ on Paya Lebar Road (217 out of 429 units launched). In contrast, there were no new homes launched in the Core Centre Region (CCR). Together with those previously launched projects, developers offered a total of 1,949 units for sale in the reviewed quarter.

On the buy side, in spite of a slow start in January, buying activity gathered pace in February and March, ending the first quarter with 2,962 private residential homes sold in the primary market. This is a 27.9% QoQ and 108.7% YoY increase. Units in the OCR made up 65.6% of the new sales, with 1,944 units moved. The well-received projects, such as Grandeur Park Residences, Park Riviera and The Clement Canopy, are all located in this region. In RCR, Park Place Residences at PLQ in particular achieved an outstanding take-up given its unique selling point of its location in a large commercial-retail mix development that is located next to the MRT station. The high-end market also witnessed a take-up of 126 units in the reviewed quarter. Attractive pricing in the sector following price declines, as well as a good selection of large, new apartments in completed projects, have been the driving force behind these sales.

GRAPH 1 **Primary private home sales volume, Q1/2008–Q1/2017**



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

Notably, in Q1, the number of units sold in the primary market was 2,962 units, 1,013 more than the 1,949 units launched during the same period. In addition to strong sales seen at primary launches, buyers have also been snapping up a substantial amount of units that were previously launched after some developers moderated their asking prices or offered attractive payment schemes in their projects. In addition, on March 10, the government announced changes to the Seller's Stamp Duty (SSD) and Total Debt Servicing Ratio (TDSR) framework. These took effect from 11 March. For the SSD, the holding period was reduced from four years to three, and the rate will be lowered by four percentage points for each tier. The TDSR framework will no longer apply to mortgage equity-withdrawal loans with loan-to-value ratios of 50% and below. These tweaks to the cooling measures came as a surprise to the market which was wedding itself to

the belief that the authorities would not budge on the cooling measures. Therefore, this mild recalibration exercise sent a strong positive signal to the market that policies are not cast in stone. Consequently, buyers who have adopted a "wait-and-see" attitude decided to put pen to paper.

The secondary market is also showing significant improvement in transaction volumes, rising 12.2% QoQ and 52.9% YoY to 2,274 units in Q1/2017. Sales volume increased on a quarterly basis across all geographic regions (CCR, RCR and OCR), with the CCR showing the biggest rise of 20.0%. We believe that that buyers are returning to the market for two reasons. The first is that prices have moderated, especially in the high-end market and secondly, the wait for prices to collapse ended in frustration as the market held its composure. An added factor is the technical classification as resales of developers' sales of units

TABLE 1 **Major new launches, Q1/2017**

Project name	Location	Developer	Locality*	Total no. of units launched	Take-up (%)	Price range (\$ per sq ft)
12 on Shan	Shan Road	TA Realty Pte Ltd	RCR	30	0	-
The Clement Canopy	Clementi Avenue 1	United Venture Development (Clementi) Pte Ltd	OCR	280	95	1,187-1,501
Grandeur Park Residences	Bedok South Avenue 3	CEL-Changi Pte Ltd	OCR	720	67	970-1,592
iNz Residence (EC)	Choa Chu Kang Avenue 5	Qingjian Realty (Choa Chu Kang) Pte Ltd	OCR	497	38	689-843
Park Place Residences at PLQ	Paya Lebar Road	Roma Central Pte Ltd/Milano Central Pte Ltd/Verona Central Pte Ltd	RCR	217	100	1,579-2,184

Source: URA, Savills Research & Consultancy

\* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

→ in delicensed projects with issued Certificates of Statutory Completion and individual strata titles. In the CCR, developers of such projects have stepped up marketing efforts with various incentives, including more attractive pricing, which has brought back buyers.

The presence of overseas buyers in the market has grown stronger in the reviewed quarter. The number of non-landed private homes bought by Singapore permanent residents and overseas buyers hit 1,148 in the first quarter, increasing 12.1% QoQ, and reaching the highest quarterly number since Q2/2013. Mainland Chinese buyers topped the charts with 311 non-landed private home purchases in Q1/2017, followed by Malaysian buyers (235 units) and Indian buyers (122 units). By market segment, more units were purchased by non-Singaporean individual buyers both in the CCR and RCR from the previous quarter, whilst the mass market in the OCR remained relatively stable.

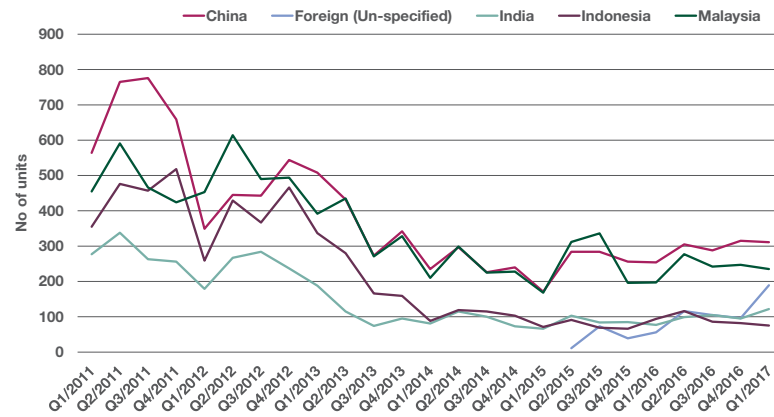
Indonesians remained amongst the top overseas buyers in the high-end market. Of special interest is the category of overseas buyers called Foreign (Un-specified). This category appeared in Q2/2015 with the number of 11 buyers, which by Q1/2017 grew to 189. In the meantime, the number of Indonesian buyers fell from 91 in Q2/2015 to 75 in Q1/2017. Therefore, although the number of overseas buyers categorized as Indonesians has fallen sharply over the years, the number of Foreign (Un-specified) buyers has increased sharply.

**Prices**

Improving sales have placed a rung of support on further downward pressure on prices. The URA's non-landed private residential price index for the whole island remained unchanged in Q1/2017 after falling for 13 consecutive quarters since Q4/2013. The index was supported by the price increase in the RCR and OCR, with the price index recording modest growth of 0.3% and 0.1% QoQ, respectively. However, the prices in the CCR dipped by 0.4% QoQ.

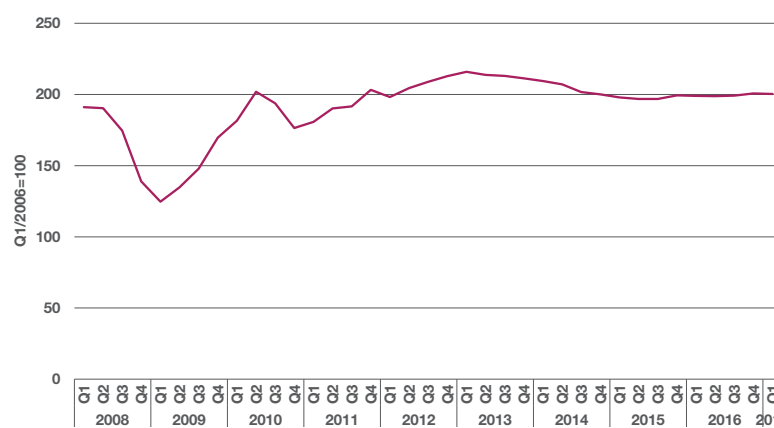
Data compiled by Savills estimates that the average unit price of high-end non-landed residential units stood at S\$2,254 per sq ft in Q1/2017. After two consecutive quarters of modest

**GRAPH 2** Top overseas buyers of private non-landed residential units, Q1/2011–Q1/2017



Source: URA, Savills Research & Consultancy

**GRAPH 3** Savills high-end, non-landed home price index, Q1/2008–Q1/2017



Source: Savills Research & Consultancy

price increases, this was a mild 0.2% QoQ decline. It has to be said that the price fall was marginal, with prices in the majority of projects in the Savills basket remaining unchanged in the reviewed quarter. With sentiment for the high-end of the market regaining strength, for the next two-to-three quarters, we expect fewer high-end non-landed projects to register price declines.

**Future supply**

From data released by the URA, as of Q1/2017, the potential supply of new private homes stood at 44,712 units. About 48.9% of the pipeline supply or 21,827 units, remained unsold. Nevertheless, this is significantly down from the 26,526 units in the previous quarter. The recent pick-up of sales for

developers' launched-but-unsold units plus the toned-down Government Land Sales programme for private residential development in recent years have been instrumental in helping to reduce the total unsold stock.

With hearty sales coming from recent launches in the high-end market, developers are regaining confidence. Therefore, in the coming months, developers are expected to ride on the momentum of improving buyers' sentiment to launch or relaunch their projects in the prime districts. These high-end projects may include GuocoLand's Martin Modern in River Valley, City Developments Limited's New Futura at Leonie Hill and Bukit Sembawang's condominium development at St. Thomas Walk. ■



TABLE 2 Major upcoming launches

Project name	Location	Developer	Category	Estimated total no. of units
Artra	Alexandra View	FEC Skyline Pte Ltd	RCR	400
Condominium development	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	250
Hundred Palms Residences (EC)	Yio Chu Kang Road	Hoi Hup Realty Pte Ltd	OCR	531
Martin Modern	Martin Place	First Bedok Land Pte Ltd	CRC	450
Moulmein27	Moulmein Rise	27MR Pte Ltd	CCR	63
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CRC	124
Seaside Residences	Siglap Link	East Vue Pte Ltd	OCR	841
The Brooks I & II	Springside Walk/Springside Green	Kallang Development (Pte) Limited	OCR	61
Watercove (strata-landed)	Wak Hassan Drive	Sembawang Estates Pte Ltd	OCR	80

Source: Savills Research & Consultancy

## OUTLOOK

### The prospects for the market

Slowly but surely, buyers' sentiment is improving. Even before the 11 March SSD recalibration exercise, developers' sales were regaining strength, but it lacked 'torque'. Transaction numbers from developers' projects that were launched prior to the month see-sawed and started to drift down after a high in May 2016. For that month, excluding projects that were newly launched, developers sold a total of 667 units. Thereafter sales started to drift down and for the month of December, only 367 units were sold. The recalibration of the SSD, though not substantive in effect, did work wonders to improve sentiment. For the month of February 2017, transaction numbers in this subset of developers' sales was 772. With the tweaking of the SSD in March, sales shot up 39.8% month-on-month to 1,079 units. For the month of April 2017, that momentum was maintained with 1,001 units sold.

Although we believe that sales of developers' previously launched projects may still trail off after

TABLE 3 Forecast of YoY change for non-landed private residential property prices

Locality	2017F	2018F
CCR	+3%	+3%
RCR	0% to 3% for new sale 0% to 3% for resale*	0% to 3% for new sale 0% to 3% for resale
OCR	0% to 3% for new sale 0% to 3% for resale*	0% to 3% for new sale 0% to 3% for resale

\* Revised up from 0%.  
Source: Savills Research & Consultancy

March and April 2017, once the hoopla dies down from the sharp increase caused by the March tweak in the SSD (the likely reason without the appearance of other factors during the period), nevertheless, the revised norm should still be higher because the recent recalibration exercise is likely to have lifted the transaction baseline. It should however be noted that the improvement in transactions does not mean that the market is well on its way to recovery. The discourse is that even though there is now more 'torque' keeping buying interest afloat, economic headwinds and structural employment issues lurk

in the background, ever-threatening to make their influence felt in a more significant manner, should sentiment falter. Given the myriad dimensions of geopolitical risks plus unknown unknowns meshing in with elevated vacancies of 9.1% for the non-landed segment in Q1/2017, positive sentiment could easily be extinguished.

The dilemma now for both developers and policymakers is to contain the wall of money from developers chasing the limited supply of land for development. Policymakers will have to clearly differentiate between fundamental

## OUTLOOK (con't)

### The prospects for the market

demand, as in the occupancy level of the market, which has been on a downtrend, and developers' penchant for land. Unless there are new strong demand drivers, a supply of more GLS sites to meet developers' reinvestment appetite may lead to further deterioration of occupancy levels when these projects are completed down the road. This will lead to lower rents and correspondingly lower Return on Capital Employed (ROCE) for private residential properties at the national level. However, insofar

as the ROCE measure is concerned, the converse is also true if the GLS program is constrained. Appreciating land prices will ultimately lead to cost-push pressures. Should prices of the final product rise faster than rents (since supply is constrained, the oversupply situation will cure itself over time), the ROCE will also fall.

For the rest of the year, it appears that returning sentiment should turn the private residential property price delta positive. With better

sentiment, we believe that even the resale market will benefit from some price appreciation. Our forecast of prices for this year and next is given in Table 3.

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