MARKET IN MINUTES

Savills Research

Residential Sales

savills

Robust transaction activity in Q1

Developers are riding on the spillover of positive buyer sentiment from last year, continuing to launch more units since the start of 2021.

- In Q1/2021, developers launched a total of 3,716 private residential units, 18.1% higher than the 3,147 units in the previous quarter.
- As the number of launched units increased, new sales rose by 34.2% quarter-on-quarter (QoQ) and 62.5% year-on-year (YoY) to 3,493 units.
- Apart from strong new sales, transaction volumes in the secondary market also grew by 6.5% QoQ to 4,607 units, which may be due to uncertainties in construction delays and the significant price gap between new and resale properties.
- The purchase of non-landed properties by Singaporeans was 5,755 units in Q1/2021, 12.7% higher than the 4,946 units in the previous quarter.
- Owing to robust demand in the residential market, the URA price index of private residential properties recorded a quarterly increase for a fourth consecutive quarter by 3.1%, the largest QoQ growth since Q2/2018 when prices grew by 3.4%. The hike was partly attributable to a 6.7% increase in landed property prices.
- The average prices of Savills' basket of high-end non-landed private residential projects continued to inch upwards, with a marginal increase of 0.5% QoQ to S$2,413 per sq ft.
- For 2021, despite reverting to Phase 2 of the reopening of the economy, buying sentiment has not waned and together with inflationary tailwinds, is likely to result in high nominal GDP growth. With the positive correlation between the URA price index and nominal economic growth rates, private residential prices are expected to rise by 5.5% YoY.

"Aided by inflationary tailwinds on the cost side and positive sentiment on the buy side, prices should continue to increase this year."

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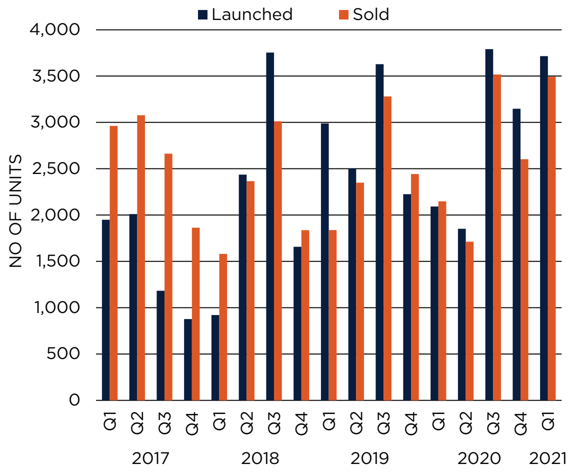
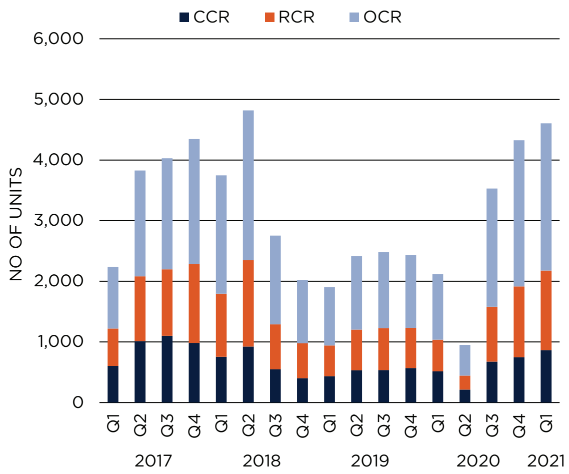
GRAPH 1: Number of Private Residential Units Launched and Sold in the Primary Market, Q1/2017 to Q1/2021



Source URA, Savills Research & Consultancy

GRAPH 2: Number of Private Residential Units Sold in the Secondary Market, Q1/2017 to Q1/2021



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Developers capitalised on the momentum that powered market sentiment last year and carried over this to their launches at the start of this year. In Q1/2021, developers launched a total of 3,716 private residential units for sale, 18.1% higher than the 3,147 units launched in the previous quarter. Compared to the same period a year ago, the increase of 77.5% was much larger. The increase in the number of launched units was largely in January 2021, about 2,600 units, the highest since the 3,489 units recorded in March 2013. Out of which, the bulk of the launched units came from a mega project – Normanton Park, with 1,862 units. This project made up 50.1% of the total launched units in Q1/2021. Consequently, in terms of the breakdown of launched units by locality, 66.0% of the units launched (2,452 units) were in the Rest of Central Region (RCR) while the remainder were relatively spread across the other two market segments, with 18.7% (694 units) in the Core Central Region (CCR) and 15.3% (570 units) within Outside Central Region (OCR).

Apart from Normanton Park, there were four other new project launches in the quarter. Two of these new projects, comprising 2,262 units, came from the RCR, followed by two other projects with 467 units coming from the CCR, while the OCR saw only one new launch from J@63 with 14 units.

Due to the increase in launched units, new sales rose by 34.2% QoQ and 62.5% YoY to 3,493 units. However, the units sold in the first month of this year was still lower than that of the units launched in the month. In the subsequent two months of the quarter, the number of units sold surpassed that of the launched volume. As there were more project launches in the RCR, new sales from this segment of the market constituted 51.5% of the new sales (1,798 units) in Q1/2021. Around 29.0% (1,014 units) were in the OCR and the remaining 19.5% (681 units) in the CCR.

Out of the top five best-selling projects in Q1/2021, three of them were new launches in the quarter. These included Normanton Park (sold 729 units), Midtown Modern (sold 362 units) and The Reef at King's Dock (sold 341 units). Among the three, the take-up rate for The Reef at King's Dock was the highest at 79.5%. During the first weekend of launch, over 90% of the launched units (around 280 of 300 units) were sold with prices ranging from S$2,002 per sq ft to S$2,828 per sq ft, with all of the one-bedroom units fully sold in the same weekend. The positive sales momentum was largely driven by strong demand from singles, young couples and families, who were attracted to the prime location in the upcoming Greater Southern Waterfront.

Midtown Modern, a project in the CCR, achieved the second highest take-up rate of 64.9%. This is the second condominium development in GuocoLand's Guoco Midtown, after Midtown Bay. By the end of the weekend of the maiden launch, nearly 61% of the units were taken up. All one and two-bedroom units and nearly half of all three-bedroom units were reported sold in the launch weekend. On top of that, a 3,520 sq ft five-bedroom penthouse of S$14.83 million and eight four-bedroom units were also sold. The investors and owner-occupiers that purchased units at the developments may have been drawn to the extensive range of amenities, its direct connection to the Bugis MRT station and the revitalisation of the Beach Road/Bugis area with the development of Guoco Midtown and redevelopment of Shaw Tower. Transacted prices of the project ranged from S$2,299 per sq ft to S$4,213 per sq ft, with an average price of S$2,775 per sq ft.

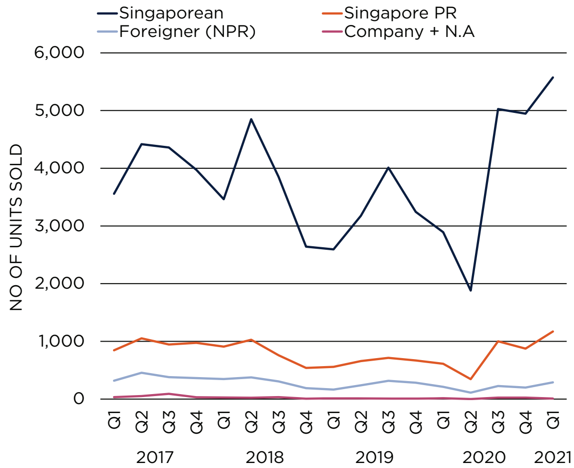
Along with higher new sales, there was also strong demand for condominiums in the resale market. In Q1/2021, the transaction volume in the secondary market increased 6.5% QoQ to 4,607 units. Owing to the uncertainties of construction delays, buyers may prefer properties that are in "ready-to-move-in" condition and also, the significant price gap between new and resale properties may have led them to consider resale properties instead. Transaction volume in the resale market across

TABLE 1: New Launches, Q1/2021

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q1/2021	TAKE-UP (%)	PRICE RANGE (S$ PSF)
Normanton Park	Normanton Park	Kingsford Huray Development Pte Ltd	RCR	1,862	730	39.2%	1,469-1,856
The Reef at King's Dock	Harbourfront Avenue	Harbourfront Three Pte Ltd	RCR	429	341	79.5%	2,002-2,831
J@63	Lorong J Telok Kurau	Distinct Home (TKJ) Pte Ltd	OCR	14	4	28.6%	1,332-1,447
Midtown Modern	Tan Quee Lan Street	Guoco Midtown II Pte Ltd/Midtown Modern Pte Ltd	CCR	558	362	64.9%	2,299-4,213
The Atelier	Makeway Avenue	Bukit Sembawang Land Pte Ltd	CCR	120	3	2.5%	2,743-3,040

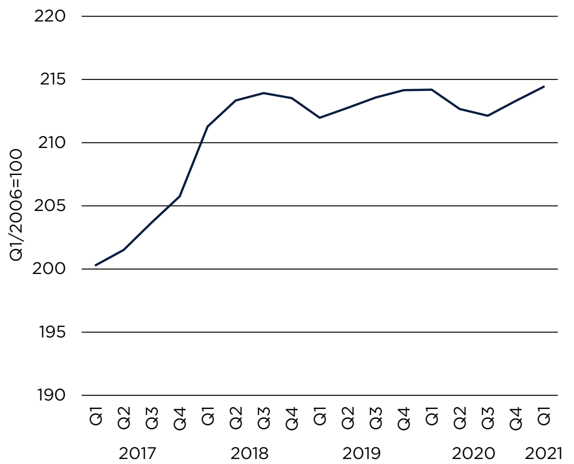
Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volumes of Non-Landed Private Residential Units by Residency Status, Q1/2017 to Q1/2021



Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-End, Non-Landed Home Price Index, Q1/2017 to Q1/2021



Source Savills Research & Consultancy

all three market segments registered QoQ growth, with the largest increase of 16.0% coming from the CCR (865 units transacted). This was followed by a 12.3% growth in the RCR (1,312 units transacted) and a 0.7% increase in the OCR (2,430 units transacted).

From the number of caveats lodged, Singaporeans purchased 5,755 units of non-landed homes in the quarter, 12.7% higher than the 4,946 units in Q4/2020. Despite the increase in transaction volume by Singaporeans, the proportion of purchases by Singaporeans against total transaction volume declined 2.7 percentage points (ppts) QoQ to 79.1%. This was the first time the market share of Singaporean buyers fell below the 80% mark since Q1/2020, when purchases by Singaporeans made up 77.5% of the total number.

In contrast, there was an increase in both transaction numbers and the proportion of non-landed transactions by Singapore Permanent Residents (PRs) and non-PR foreigners. For PRs, for non-landed properties, their numbers rose 34.0% QoQ to 1,171 units and this made up 16.6% of total non-landed home sales in Q1/2021, 2.2 ppts higher than the 14.5% in Q4/2020. For foreigners who are not PRs, their numbers for non-landed properties rose by a larger 45.2% from the 199 units in Q4/2020 to 289 units in Q1/2021. The market share of non-PR foreigners was 4.1%, about 0.8 of a ppt lower than that in the previous quarter. The increase in market share of PRs and non-PR foreigners signalled that despite travel restrictions, foreign demand is returning.

PRICES

With strong local and foreign demand, prices reacted accordingly. The URA price index of private residential properties registered a fourth consecutive quarter of increase, rising 3.1% in Q1/2021, This was the largest quarterly growth since Q2/2018, when the index rose 3.4%. The higher QoQ increase was partly attributed to a 6.7% increase in prices of landed homes, after declining 1.6% decline in the previous quarter. As people continue to work-from-home, the need for larger homes have driven demand for landed properties. The URA price index of non-landed homes also registered a quarterly increase of 2.5% compared to the 3.0% in Q4/2020. Prices of homes in all three market segments increased, with the largest QoQ increase of 6.1% coming from the RCR. This was followed by prices of non-landed properties in the OCR and CCR, rising 1.1% and 0.5% QoQ respectively.

The average prices calculated from Savills' basket of high-end non-landed private residential projects saw a marginal increase of 0.5% QoQ to S$2,413 per sq ft. Both local and foreign ultra-high-net-worth individuals have been driving demand for those properties in the basket.

FUTURE SUPPLY

As of end-Q1/2021, the stock of unsold private residential units declined further. Based on URA's statistics, there was a total of 21,602 uncompleted private residential units (excluding executive condominiums) from projects in the pipeline that had planning approvals. This was 2,694 units, or 11.1% lower than the 24,296 units in Q4 2020. Although there had been an increase in the Confirmed List of sites under the most recent 1H/2021 Government Land Sales (GLS) Programme, however, with developers' inventory running low, concerns are mounting over the possible outcomes on prices once a critical level is

TABLE 2: Major Upcoming Launches from Q2/2021

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
Canninghill Piers	River Valley Road	Legend Quay Pte Ltd	CCR	701
Grange 1866	Grange Road	Grange 1866 Pte Ltd	CCR	60
Irwell Hill Residences	Irwell Bank Road	CDL Perseus Pte Ltd	CCR	540
Jervois Prive	Jervois Road	Jervois Midas Pte Ltd	CCR	43
Klimt Cairnhill	Cairnhill Road	Glopeak Development Pte Ltd	CCR	138
LIV @ MB	Arthur Road	BSEL Development Pte Ltd	RCR	290
One-North Eden	Slim Barracks Rise	One North Development Pte Ltd	RCR	165
One Bernam	Bernam Street	HY-MCC (Bernam) Pte Ltd	CCR	364
Park Nova	Tomlinson Road	Shun Tak Cuscaden Residential Pte Ltd	CCR	54
Pasir Ris 8	Pasir Ris Central/Pasir Ris Drive 3/Pasir Ris Drive 8	Phoenix Residential Pte Ltd/ Phoenix Commercial Pte Ltd	OCR	487
Peak Residences	Thomson Road	TSRC Novena Pte Ltd	CCR	90
Perfect Ten	Bukit Timah Road	Japura Development Pte Ltd	CCR	230
Rymden 77	Lorong H Telok Kurau	QHS Development Pte Ltd	OCR	31
The Atelier	Makeway Avenue	Bukit Sembawang Pte Ltd	CCR	120
The Watergardens at Canberra	Canberra Drive	United Venture Development (2020) Pte Ltd	OCR	448
Vanilla	Still Road	Melville Pte Ltd	RCR	60

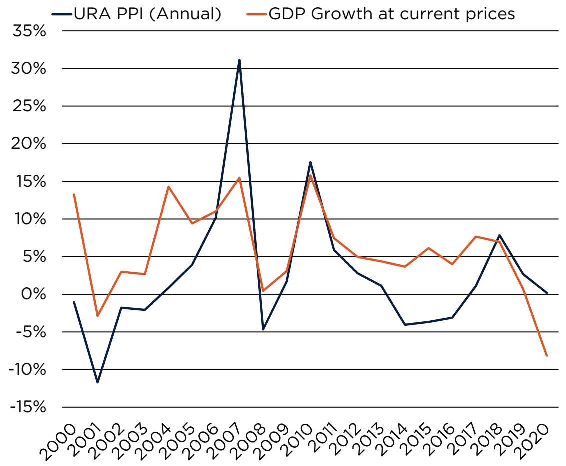
Source Savills Research & Consultancy
*Expected launch dates are subject to change. This list is not exhaustive.

TABLE 3: CAGR of Various Measures to the URA PPI

PERIOD	URA PPI (ANNUAL)	NOMINAL GDP	TRACK ERROR OF URA PPI TO NOMINAL GDP	MEDIAN HOUSEHOLD INCOME FOR THOSE EMPLOYED
2013 to 2020	0.06%	2.87%	6.17%	2.23%
2000 to 2020	2.45%	5.34%	6.83%	3.75%

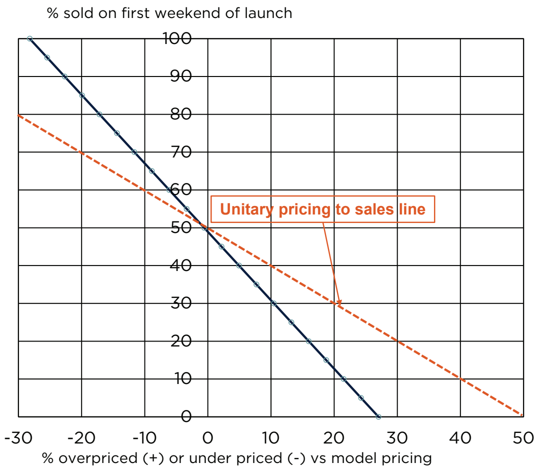
Source Savills Research & Consultancy, Singstat, URA

GRAPH 5: URA Private Residential Price Index vs Nominal GDP Changes, 2000 to 2020



Source Savills Research & Consultancy, Singstat, URA

GRAPH 6: Percentage Sold vs Over or Underpricing of New Launches



Source Savills Research & Consultancy, Lin Jia Chen (NUS)

reached. Nevertheless, this problem may only manifest itself in 2022.

Despite uncertainties on how the pandemic will turn out in the near term, the positive buyer sentiment is expected to spur developers to continue their new project momentum in the year. In the upcoming quarters, bulk of the project launches are in the CCR. For mass-market buyers, they may look to the resale market or remaining unsold units in already-launched projects.

OUTLOOK

With the tiered pandemic control of Singapore's economy and society sliding back from Phase 3 to Phase 2, questions will be raised as to whether we may also revisit some of the conditions of 2020 that led to both higher residential transactions and prices compared to 2019. With that also comes speculation as to whether there will be cooling measures if prices and/or demand behave in counterintuitive fashion to the performance of the economy.

As for why prices and transaction volumes rose in 2020 over the previous year, the short narrative could be written as this. With household liquid asset holdings breaking new highs each quarter, many of the historical relations between various measures of the private residential market and economic factors fell into the background. Therefore, variables such as interest rates, economic growth (GDP) and unemployment rates that significantly explained private residential demand in the decades prior to the last started to fade. Although private residential prices rose in the past twenty years, it was greatly outpaced by the income and savings growth by those from the median and higher household income groups.

While many of the erstwhile explanatory variables of the private residential market appear to have lost their influence, it would be dangerous to believe that they are no longer relevant. We shall use interest rate as an illustration. The notable outcome from the 2008 GlobalFinancial Crisis was Quantitative Easing which brought interest rates down to anaemic levels.Consequently, this variable turned dormant in infuencing private residential demand. However, to say that this is not significant in explaining demand probably only applies to the period when rates hit the deck and/or if household liquid assets have reached a point where they do not need to borrow much or nothing at all. But should interest rates rise above a threshold, it would awaken to affect demand negatively. At this juncture though, we believe that there is enough a store of wealth amongst Singapore resident households in the relevant income brackets (50-percentile and above) that can purchase private residential properties.

On the question of cooling measures, the market is rife with speculation of their immeniency. However, if one studies the data, the case for a significant tightening of buying and selling conditions for private residential properties is very weak. If we use the tracking error (TE) to compare private property price growth to nominal GDP growth (computed as Standard Deviation of [URA PPI rate of change – Nominal GDP rate of change]), the TE from the year 2000 to 2020 was 6.83%. After a recent raft of cooling measures, the TE from 2013 to 2020 dropped to 6.17%. (Please refer to Graph 5.) For active portfolio managers, these numbers are generally respectable if they have been outperforming the benchmark index. For the private residential market here, the authorities play a reverse role to portfolio managers and would wish to have private residential prices not outperform nominal GDP growth. How successful have they been? Very. In fact, they have over-achieved because of the slew of active measures, from the year 2013, the URA PPI change (annual) has been growing at a compound average growth (CAGR) of 0.06% vs 2.87% for nominal GDP. When compared to household income growth, the URA PPI had also been lagging for these two periods.

The talk of more measures in the pipeline was probably fanned by some quarters who understood market behaviour and tried to reap the spinoffs from driving fear into the minds of potential buyers. The speculation of more measures on the way could also be a reaction by those who did not wish to buy real estate not being able to square off their intuitive belief that an economy in recession could have both rising private residential demand and prices. However, when we look at how the URA PPI performed against nominal GDP and household income growth, the case for another round of cooling measures is very weak.

Also, using another chart to get a sense of whether market behaviour has gone awry, we see that for those major launches in Q1/2021, if a developer overpriced (relative to a hedonic model) a new launch, sales in the first week of project release will be negatively impacted and vice versa. (Please refer to Graph 6). The slope is steeper than the unitary elasticity line (where a 1% overpricing leads to a 1% drop in sales) which means that the market is generally very sensitive to pricing taking into account the attributes of the project.

For 2021, although we back-slided to Phase 2 of the pandemic response scale, market feedback returns show that potential buyers are still holding onto strong positive attitudes to owning private residential properties. This could mean that there is so far no puncture in market sentiment. With inflationary tailwinds blowing slowing, it should also keep nominal GDP high. Given the correlation between the URA PPI and nominal GDP growth rates, if the latter rises 9% this year, private residential prices is expected to increase 5.5% YoY.