Singapore – May 2023

MARKET
IN
MINUTES
Savills Research

Residential Sales

Demand rebounds in the primary market

Despite macroeconomic uncertainties, higher costs of borrowing and escalating prices, the new sales volume of private residential properties rebounded in Q1/2023 as more new projects entered the market.

- The number of launched units more than doubled from 504 units in Q4/2022 to 1,312 units in Q1/2023. Similarly, on a year-on-year (YoY) basis, there was also a surge from the 613 units in the same period last year.
- Closely mirroring the rise in new launches, new sales volume skyrocketed in Q1/2023, increasing 82.0% quarter-on-quarter (QoQ) to 1,256 units, after two consecutive quarters of decline. Nevertheless, this was still 31.2% lower YoY.
- As opposed to the surge in new sales, secondary sales of private residential properties continued to decrease for a third consecutive quarter by a much moderated 1.1% QoQ to 2,865 units, compared to the 26.8% decline in the previous quarter.
- Despite interest rates remaining high and an uncertain macroeconomic outlook, the URA property price index of all private residential properties increased for a 12th consecutive quarter by 3.3% in Q1/2023, a significantly larger growth compared to the 0.4% in the previous quarter.
- The average price of Savills' basket of high-end non-landed private residential projects increased for a 10th consecutive quarter by 0.6% QoQ to S$2,584 per sq ft in the quarter.
- As the land and construction costs increase for each subsequent project, costs will be passed on to buyers through smaller format homes. Price indices for private properties will continue rising strongly, giving the impression that a bubble is forming while in fact the market is just not performing uniformly by unit type. We maintain our forecast for private residential property prices to rise by 7% in 2023.

"With rising per square foot values, new sale demand is favouring small format homes."

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MCI (P) No. 036/03/2021
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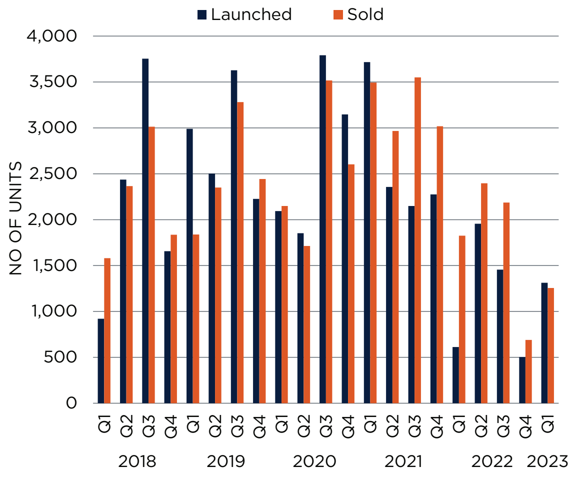
GRAPH 1: Number of Private Residential Units Launched and Sold in the Primary Market, Q1/2018 to Q1/2023



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Following a plunge in launches in Q4/2022, the number of units launched rebounded, more than doubling from 504 units to 1,312 units in Q1/2023. This despite having Chinese New Year within the quarter. On a YoY basis, the number of launched units also surged from 613 units in Q1/2022 to 1,312 units. The significant increase in launched units was attributed to more launches in Rest of Central Region (RCR) and Outside Central Region (OCR). For RCR, the number of launched units grew from 62 units in Q4/2022 to 510 units in the quarter, while that for OCR skyrocketed from 56 units in Q4/2022 to 656 units in Q1/2023. On the other hand, the number of units launched in Core Central Region (CCR) plunged 62.2% QoQ to 146 units in the quarter. As such, the number of units launched in the quarter was largely constituted by OCR, accounting for 50.0% of the launches, followed by RCR and CCR which comprised 38.9% and 11.1% of the launches.

Four projects were newly launched in the quarter, slightly lesser than the six projects launched in the previous quarter. Nevertheless, the new launches in Q1/2023 were generally larger in size (except for Gems Ville with only 24 units). While the largest new launch in Q4/2022 was Pollen Collection of 132 units, there were three new launches that had over 200 units each. Out of which, the project with the highest take-up rate was Sceneca Residence, the first new launch of the year. Of the total 268 units, 60.0% or 161 units were sold at an average price of S$2,082 per sq ft with the bulk of the units transacted being the smaller one- and two-bedroom units. Even before the pandemic, this had been the pattern of sales in the initial launch period as the price quantum were deemed to be more palatable for HDB upgraders or investors. Transacted prices for the one-bedroom units were between S$958,000 and S$1.24 million (S$1,977 per sq ft to S$2,374 per sq ft), while that for two-bedroom units ranged from S$1.32 million to S$1.74 million (S$1,926 per sq ft to S$2,188 per sq ft). In addition, the project has direct access to Tanah Merah MRT station and an integrated retail mall on the ground floor of the development, making it favourable for homebuyers. The development at Tanah Merah Kechil Link is also near to Changi Business Park, Changi Airport and the Airport Logistics Park, leading to expectation of the high rentability of the project.

In the OCR, the launch of The Botany at Dairy Farm saw 183 of the total 386 units sold in the quarter. This works out to a take-up rate of 47.4%. Like Sceneca Residence, a large proportion of the units sold in the maiden week of launch were the smaller one- and two-bedroom units, sizes that investors prefer. This may be due to the rental potential with German European School which is located adjacent to the project, the upcoming Dairy Farm Mall and proximity to the nature reserve and Hillview MRT station. The project was priced within market expectation. The average of S$2,053 per sq ft was lower than the median new sale OCR price of S$2,072 per sq ft.

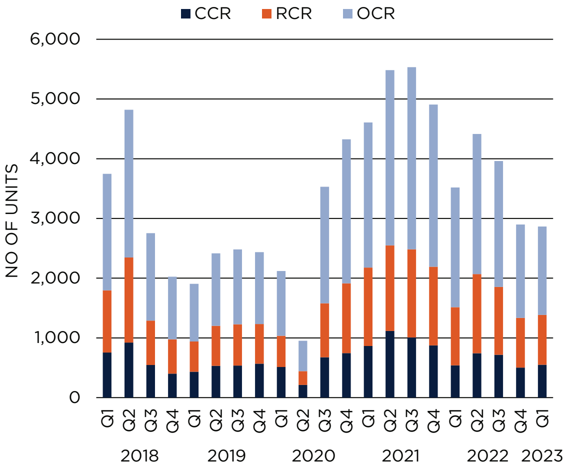
Apart from the OCR, there was a new launch in RCR as well. This was Terra Hill, a redevelopment of the former Flynn Park site. Hoi Hup and Sunway Developments are the developers of this property, and this is the first freehold project launch in the RCR for 2023. The 270-unit development at Yew Siang Road, off Pasir Panjang Road saw 94 units sold in the quarter at an average price of S$2,671 per sq ft. This translates to a take-up rate of 34.8%. While prices of the units may be comparatively higher, its freehold tenure, proximity to the future Greater Southern Waterfront and Pasir Panjang MRT station

TABLE 1: New Launches, Q1/2023

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q1/2023	TAKE-UP (%)	PRICE RANGE (S$ PER SQ FT)
Sceneca Residence	Tanah Merah Kechil Link	MCC Land (TMK) Pte Ltd	OCR	268	161	60.0%	1,926 - 2,374
Gems Ville	Lorong 13 Geylang	East Asia Geylang Development Pte Ltd	RCR	24	0	-	-
Terra Hill	Yew Siang Road	Hoi Hup Sunway Kent Ridge Pte Ltd	RCR	270	94	34.8%	2,233 - 2,922
The Botany at Dairy Farm	Dairy Farm Walk	Sim Lian JV (Dairy Farm) Pte Ltd	OCR	386	183	47.4%	1,712 - 2,297

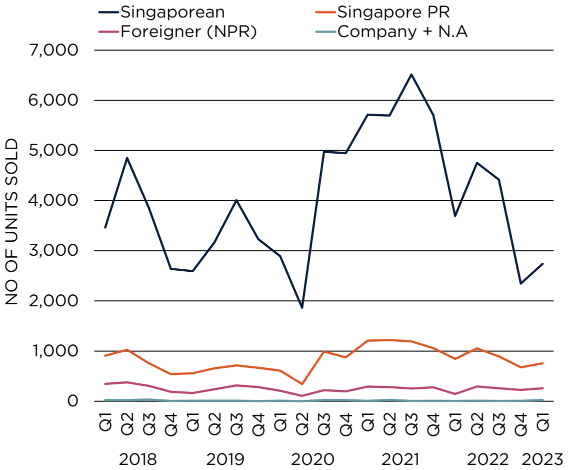
Source URA, Savills Research & Consultancy

GRAPH 2: Number of Private Residential Units Sold in the Secondary Market, Q1/2018 to Q1/2023



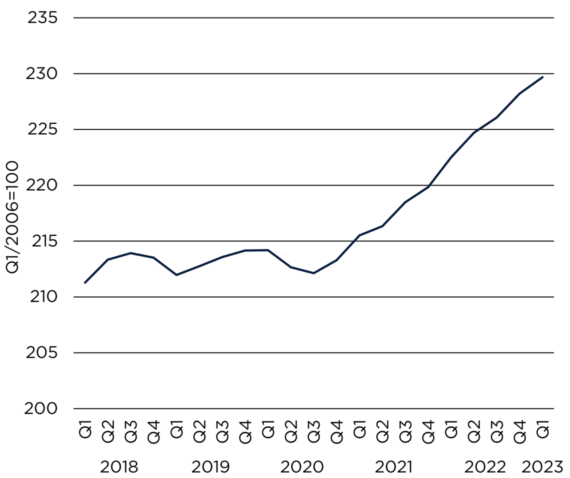
Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volumes of Non-landed Private Residential Units by Residency Status, Q1/2018 to Q1/2023



Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-end Non-landed Home Price Index, Q1/2018 to Q1/2023



Source Savills Research & Consultancy

could be why it attracted buyers. In the CCR, while there was no new launch in the quarter, there were units up for sale from previously launched projects such as Pullman Residences Newton (another 60 units launched) and Leedon Green (another 50 units launched).

In line with the rise in new launches, new sales volume rose significantly by 82.0% QoQ to 1,256 units in Q1/2023. This came after two consecutive quarters of decline in new sales. While there was a quarterly surge in new sale volume, the transaction amount was still 31.2% lower than the 1,825 units in Q1/2022. Across the three market segments, although the number of new launches in the CCR was the lowest in the quarter, new sales, from previously launched projects, in this market segment comprised the largest proportion of total island-wide new sales, accounting for 43.1% of new sales volume (541 units). This was followed by OCR, constituting 36.5% of new sales (458 units) and RCR, comprising 20.5% of new sales (257 units). New sales volume across all market segments increased on a QoQ basis. The largest growth was from the OCR, with new sales almost quadrupling from 123 units in Q4/2022 to 458 units in Q1/2023, due to the surge in new launches. The new sales volume in CCR and RCR increased by a smaller 42.0% and 38.2% QoQ to 541 units and 257 units respectively in the quarter. On a YoY basis, only new sales in CCR registered an increase of 49.9%, while that in RCR and OCR recorded declines of 70.0% and 24.7%.

Out of the top five best-selling projects in Q1/2023, three were maiden launches in the quarter and they took the top three positions. These included The Botany at Dairy Farm, Sceneca Residence and Terra Hill. Apart from the three major new launches, the other two projects are located in CCR. These included Pullman Residences Newton (51 units sold) and Leedon Green (50 units sold), which are the two projects in CCR that released more units for sale in the quarter. For Pullman Residences Newton, since its initial launch in Q4/2019, it recorded the largest number of units sold in Q1/2023. Unit prices of the project have also risen over the years, with the average unit price reaching S$3,137 per sq ft in Q1/2023. Similar to Leedon Green, prices of transacted units have also increased, with median unit prices rising from the launch quarter of S$2,789 per sq ft in Q1/2020 to S$2,957 per sq ft in Q1/2023.

Contrary to the increase in new sales, private residential units sold in the secondary market declined for the third consecutive quarter by 1.1% QoQ to 2,865 units in Q1/2023, as compared to the 26.8% contraction in the previous quarter. However, on a YoY basis, secondary sales decreased 18.6%. This was largely attributed to the 5.2% QoQ fall in secondary sales volume in OCR from 1,562 units in Q4/2022 to 1,480 units in Q1/2023. This was the third consecutive quarter of decline. On the other hand, secondary sales in RCR and CCR rose by 0.1% and 9.6% QoQ to 835 units and 550 units respectively in the quarter, which was a rebound from the decline in the previous quarter.

In terms of buyers by nationality, there was an increase by all groups in the number of private non-landed residential properties sold in Q1/2023. This was a reversal after two consecutive quarters of decline. The largest growth was registered for Singaporeans who rose 16.7% QoQ to 2,740 units. Purchases by PRs and foreigners also rose in the quarter, albeit at a slightly smaller pace of 12.0% and 14.6% to 758 units and 259 units respectively. Owing to the larger increase in sales volume by Singaporeans, the proportion of non-landed home purchases by locals rose 0.4 of a ppt to 72.4%. Correspondingly, the proportion of non-landed sales volume by PRs and foreigners fell 0.8 of a ppt and 0.1 of a ppt QoQ to 20.0% and 6.8% respectively in the quarter.

PRICES

Despite the high interest rate environment and an uncertain macroeconomic outlook, residential prices continue to rise, with the URA property price index for Q1/2023 of all private residential properties increasing for a 12th consecutive quarter by 3.3% QoQ. This was a significantly larger growth compared to the 0.4% increase in the previous quarter. On a YoY basis, prices of all private residential properties expanded 11.4%. This was much attributed to the 5.9% surge in landed property prices, along with a 4.4% hike in prices of non-landed homes in RCR, which was brought about by higher prices of new launches. Prices of landed properties have risen for a seventh consecutive quarter, while that of non-landed residential properties in RCR increased for a fourth consecutive quarter.

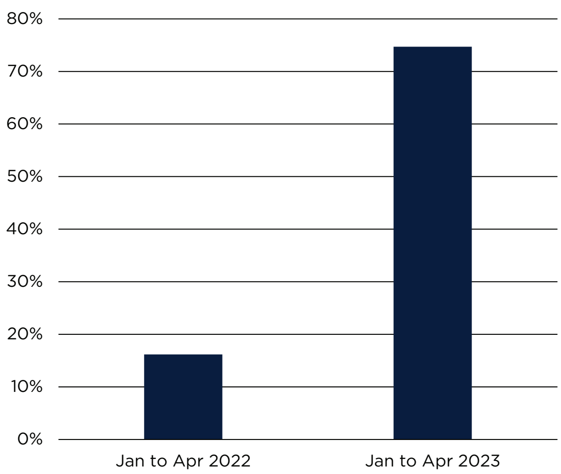
In a similar light, the prices of luxury non-landed private residential projects tracked by Savills continued to grow for the tenth consecutive quarter by a slightly moderated 0.6% QoQ to S$2,584 per sq ft in Q1/2023. The increase in Q4/2022 was 0.9%. The continual upward trend in price movements of high-end residential properties may be due to foreign purchasers re-entering the market with more ultra-high-net-worth individuals entering Singapore to set up family offices. Nevertheless, with the implementation of the newest cooling measure through higher Additional Buyer's Stamp Duty (ABSD) rates from 27 April 2023, particularly for foreigners, this is expected to dampen the luxury residential market.

TABLE 2: Major Upcoming Launches from Q2/2023

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
The Reserve Residences	Jalan Anak Bukit	FE Landmark Pte Ltd	RCR	892
The Continuum	Thiam Siew Avenue	Hoi Hup Sunway Katong Pte Ltd	RCR	816
The Arden	Phoenix Road	CNQC Realty (Phoenix) Pte Ltd	OCR	105
Orchard Sophia	Sophia Road	Orchard Sophia Pte Ltd	CCR	78
Residential apartments	Enggor Street	New Vision Holding Pte Ltd	CCR	114
Blossoms By The Park	Slim Barracks Rise	EL Development (Buona Vista) Pte Ltd	RCR	275
Kassia	Flora Drive	Tripartite Developers Pte Ltd	OCR	280
The Hill @ One-North	Slim Barracks Rise	Kingsford Real Estate Development Pte Ltd	RCR	142
Residential apartments	Cairnhill Rise	Ju-I Properties Pte Ltd	CCR	75
Newport Residences	Anson Road	Hong Leong Properties Pte Ltd	CCR	443
Tembusu Grand	Jalan Tembusu	Tembusu Residential Pte Ltd	RCR	638
Skywaters Residences	Shenton Way	Perennial Shenton Property Pte Ltd	CCR	215
TMW Maxwell	Maxwell Road	Maxwell Commercial Pte Ltd/ Maxwell Residential Pte Ltd	RCR	324
Grand Dunman	Dunman Road	Sing-Haiyi Jade Pte Ltd	RCR	1,008
Pinetree Hill	Pine Grove	United Venture Development (No. 5) Pte Ltd	RCR	520
The Myst	Upper Bukit Timah Road	CDL Aries Pte Ltd	OCR	408
J'den	Jurong East Central 1	Tanglin R.E. Holdings Pte Ltd	OCR	368
The Lakegarden Residences	Yuan Ching Road	Winville Investment Pte Ltd	OCR	306

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

GRAPH 5: Percentage of Non-landed New Sales Sold in the OCR Priced ≥S$2,000 per sq ft and ≤800 sq ft



Source Realis, Savills Research & Consultancy

FUTURE SUPPLY

As at end-Q1/2023, there were 44,846 private residential units with planning approvals (excluding executive condominiums (ECs)) in the supply pipeline. This is 2.6% lower than the 46,041 units recorded in the previous quarter. This was the second consecutive quarter of decline, albeit at a moderated pace compared to the 6.8% in Q4/2022. Within this number, 36.2% (16,252 units) remain unsold, a 1.4% increase from the previous quarter's figure of 16,024 units. This came despite the decline in pipeline supply. Nevertheless, this amount is still relatively acceptable, given that the peak almost reached 37,000 units in 2019. As at Q1/2023, there are only seven projects with over 500 units that have yet to be launched.

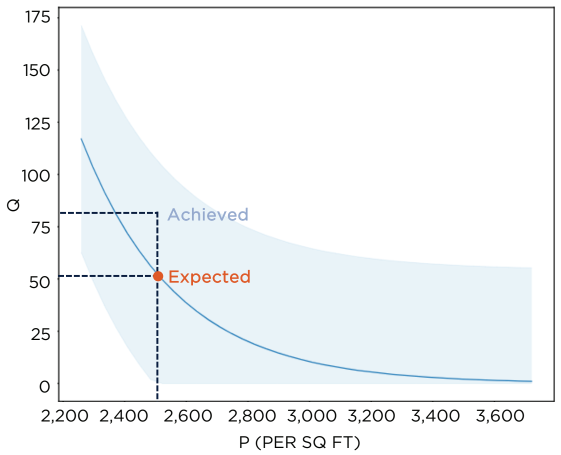
The bulk of the new launches for the year are expected to emanate from the RCR and OCR, which include Grand Dunman (1,008 units), The Reserve Residences (892 units), The Continuum (816 units) and Tembusu Grand (638 units). Of these few larger projects, The Continuum and Tembusu Grand have been launched for sale in Q2/2023.

OUTLOOK

In Q1/2023, prices in the private residential market are yet again seemingly defying gravity. While Q1/2023 GDP growth fell 0.7% on a QoQ comparison, prices for private residential properties rose 3.3% on the same basis of comparison versus the 0.4% increase in Q4/2022. This all transpired in a period where new launches rose 114% YoY whilst overall new sales (from new and previously launched projects) fell 31.2% YoY.

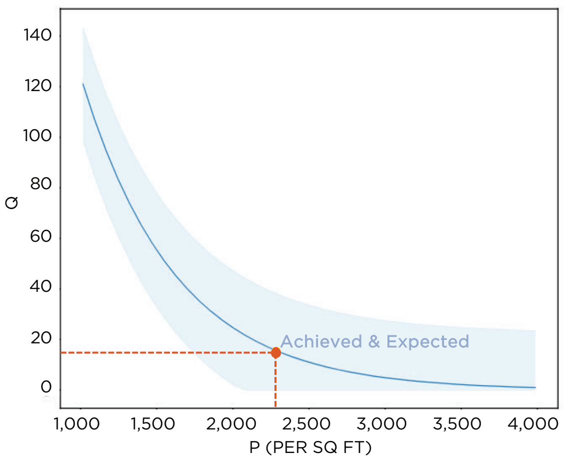
With each new launch, benchmark prices have been set for the RCR and OCR areas. Although developers could not match the 60%

GRAPH 6a: New Launch Maiden Week Sales for 1-Bedroom Units in District 15



Source Real Estate Analytics, Savills Research & Consultancy

GRAPH 6b: Demand Curve for Maiden Launch for 3-bedroom in District 15



Source Real Estate Analytics, Savills Research & Consultancy

to 80+% initial weekend launch sales rate achieved in 2022, they are still managing to sell a high percentage of projects. For the period January to April 2023, REALIS captured a total of 366 new sale non-landed transactions in the OCR (mass market segment) that were priced ≥S$2,000 per sq ft and ≤800 sq ft in size. For the same period in 2022, that number was just 113. In fact, for the first four months of this year, that 366 units transacted made up 74.7% of total new sales for non-landed properties in the OCR. A year ago, it was just 16.2% (Please refer to Graph 5).

The >S$2,000 per sq ft price for the mass market segment does not mean that buyers are merely digging much deeper into their savings to come up with the equity. There's more to it. While the median price per new non-landed sale for sizes up to 800 sq ft in 2023 was S$1.39 million, up 15.3% from 2022's value of S$1.21 million, the percentage of units sold within that size range (roughly up to two- bedrooms) constituted 30.6% of all the REALIS-captured transactions in the OCR in 2022. This year, it was 56.3%. This means that for new mass market non-landed projects, buyers are now paying more to buy smaller sized homes. Similar dynamics have been observed in the RCR. As mentioned in our Q4/2022 Residential Briefing, using a new launch in the Pasir Panjang area as an illustration, there had been a greater rightward shift in the demand curve for new 1 and 2-bedroom units than for 3 and 4-bedroom units. The same was detected for a new launch in District 15 (Please refer to Graphs 6a and 6b).

As long as new sales continue to enter the market, transactions are expected to cluster around these projects. As the land and construction costs have been higher for each subsequent project, that cost will be passed onto buyers, particularly through smaller format homes. In turn, price indices for private properties will reflect this and continue rising strongly. Without discernment, it gives the impression that a bubble is forming while in fact it is just a case that the market is just not performing uniformly by unit type. We maintain our forecast for private residential property prices to rise by 7% in 2023.