MARKET IN MINUTES
Savills Research

Residential Sales

savills

Resale volumes hit record high

New home sales activity has remained strong amid healthy take-up across all segments.

- Compared with an average of over 3,500 units launched over the last three quarters, developers slowed down and launched a total of 2,356 private residential units in Q2/2021.
- With fewer new launches, the total new sales volume fell 15.1% quarter-on-quarter (QoQ) to 2,966 units in Q2/2021.
- The sales momentum in the secondary market continued to pick up in Q2, with total resale volume rising by 19.0% QoQ to a new record high of 5,483 units.
- The Urban Redevelopment Authority's (URA) property price index of residential properties rose by 0.8% QoQ in Q2, slowing down from the 3.3% QoQ increase in Q1. This was largely because prices of landed homes ended their short-lived growth with a 0.3% QoQ decline, while non-landed homes saw a slower increase of 1.1% QoQ in Q2.
- The average prices of Savills' basket of high-end non-landed private residential projects also saw a moderated increase of 0.4% QoQ to S$2,434 per sq ft in Q2.
- Unless there is serious contagion arising from China Evergrande, prices are expected to rise by 5.5% year-on-year (YoY) in 2021 with another 5% in 2022.

"The market is gathering momentum with few potential impediments ahead."

ALAN CHEONG, SAVILLS RESEARCH

Savills team

Please contact us for further information

SINGAPORE

Marcus Loo
CEO, Singapore
+65 6415 3893
marcus.loo@savills.com.sg

Jacqueline Wong
Executive Director
Residential Leasing and The Private Office Sales
+65 6415 3878
jacqueline.wong@savills.com.sg

George Tan
Managing Director
Head of Residential Projects & Savills Associates
+65 6770 0111
gtan@savills.com.sg

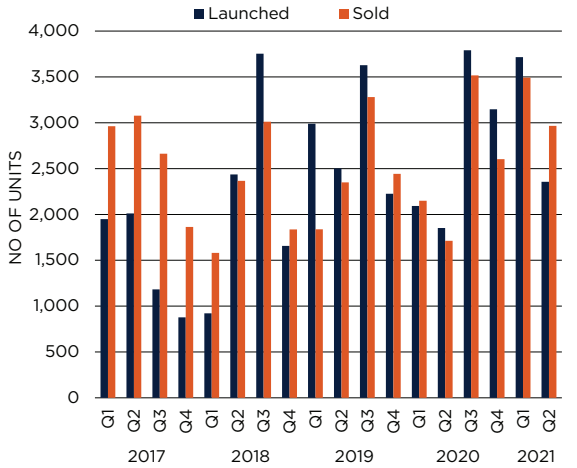
RESEARCH

Alan Cheong
Executive Director
Singapore
+65 6415 3641
alan.cheong@savills.com.sg

Simon Smith
Regional Head of Research & Consultancy
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk

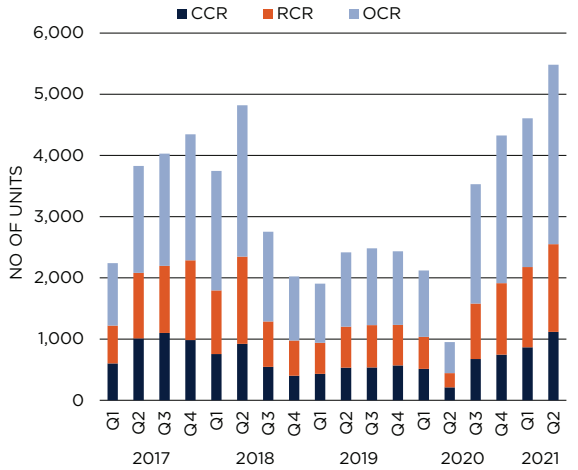
MCI (P) No. 036/03/2021
Company Reg No. 198703410D

GRAPH 1: Number of private residential units launched and sold in the primary market, Q1/2017 to Q2/2021



Source URA, Savills Research & Consultancy

GRAPH 2: Number of private residential units sold in the secondary market, Q1/2017 to Q2/2021



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Following a surge in new launches since Q3/2020, developers slowed down the pace of their launches in Q2/2021. Compared with an average of over 3,500 units launched over the last three quarters, the total number of private residential units launched in Q2/2021 fell to 2,356. Of these, almost half (1,019 units) are in the Core Central Region (CCR), also known as the luxury segment. The new projects launched in the CCR include Irwell Hill Residences and One Bernam which released 340 and 100 units respectively. The remainder of the launches were spread across the other two market segments, with 30.9% (727 units) in the Outside Central Region (OCR) and 25.9% (610 units) in the Rest of Central Region (RCR). The majority of the new units in the OCR was from previously-launched projects including Treasure at Tampines, Midwood and The Florence Residences which launched more than 400 units in total. In the RCR, projects such as One-North Eden newly launched 165 units while a previously launched project, The Landmark, launched an additional 130 units.

As there were fewer new launches, the total new sales volume fell 15.1% QoQ to 2,966 units in Q2/2021. Nevertheless, the sales volume surpassed the number of units launched in Q2, mainly lifted by sales in the RCR and OCR, which constituted 37.9% (1,123 units) and 34.7% (1,030 units) of new sales respectively. The sales in the RCR were driven by the take-up of the newly launched One-North Eden and the previously launched mega development, Normanton Park. In the OCR, the sales rate continued to be supported by strong take-up of projects such as Treasure at Tampines and The Florence Residences. This was atttributed to their attractive pricing in the mass market segment which had of late seen an uplift of prices. Along with more new launches in the CCR and good take-up of some new projects such as Irwell Hill Residences, the sales volume (813 units) in Q2 was higher than the units sold in the previous quarter (681 units).

Out of the top five best-selling projects in Q2/2021, two of them were new launches in the quarter. These included Irwell Hill Residences (sold 325 units) in the CCR and One-North Eden (sold 147 units) in the RCR, which were both launched in April. During the first weekend of the launch, Irwell Hill Residences sold over 86% (278 units) of the 320 units launched at an average selling price of S$2,700 per sq ft. While one-bedroom plus study and two-bedroom were the most popular unit types, one four-bedroom penthouse was sold for over S$9 million (S$4,123 per sq ft). When the 165-unit One-North Eden was launched, it achieved an 85% take-up over the maiden weekend, with all of the one-bedroom plus study and two-bedroom units sold on the first day of the launch. The selling price worked out to about S$1,800 to S$2,250 per sq ft. From its launch in late-April to June, One-North Eden has thus far sold 94% (155 units) of its units.

After three quarters of increase, resale numbers continued to rise in Q2. Total sales volume in the secondary market rose by 19.0% QoQ to a record high of 5,483 units. On a QoQ basis, resale volume increased across all market segments. Notably, the sales volume of the secondary resale market in the CCR saw the largest increase of 29.1% QoQ to 1,117 units in Q2. The resale transaction volume in the OCR and RCR also rose to record levels, up 20.7% QoQ to 2,933 units and 9.2% QoQ to 1,433 units respectively. The pick up in the secondary market was attributed to the few new launches in the primary market in Q2 and the significant price gap between new and resale units.

Based on the caveats lodged, the number of non-landed private residential units bought by Singaporeans remained relatively stable from Q1, falling by a marginal 0.7% QoQ to 5,669 units. Even though the proportion of purchases by Singaporeans against total transaction volume dropped marginally to 79.0%, buying interest among Singaporeans remained strong in the resale market.

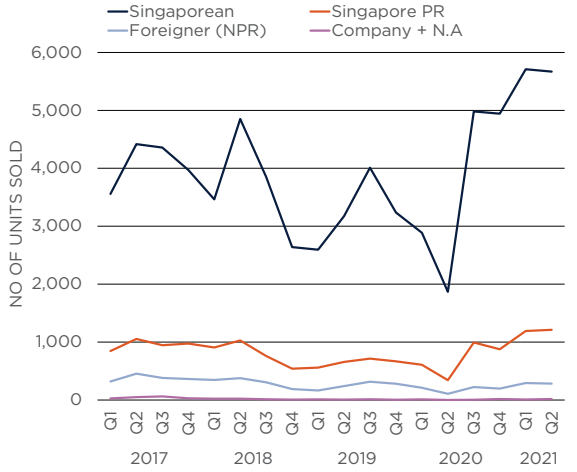
Meanwhile, both transaction numbers and the proportion of non-landed purchases by Singapore Permanent Residents (PRs)

TABLE 1: New launches, Q2/2021

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q2/2021	TAKE-UP (%)	PRICE RANGE (S$ PSF)
Irwell Hill Residences	Irwell Hill	CDL Perseus Pte Ltd	CCR	540	332	61.5%	2,707-2,867
One-North Eden	Slim Barracks Rise	One North Development Pte Ltd	RCR	165	155	93.9%	1,907-2,014
Grange 1866	Grange Road	Grange 1866 Pte Ltd	CCR	60	3	5.0%	2,674
Peak Residence	Thomson Road	TSRC Novena Pte Ltd	CCR	90	3	3.3%	2,755-2,846
One Bernam	Bernam Street	HY-MCC (Bernam)	CCR	351	81	23.1%	2,573-2,597
Park Nova	Tomlinson Road	Shun Tak Cuscaden Residential Pte Ltd	CCR	54	14	25.9%	4,765-4,837

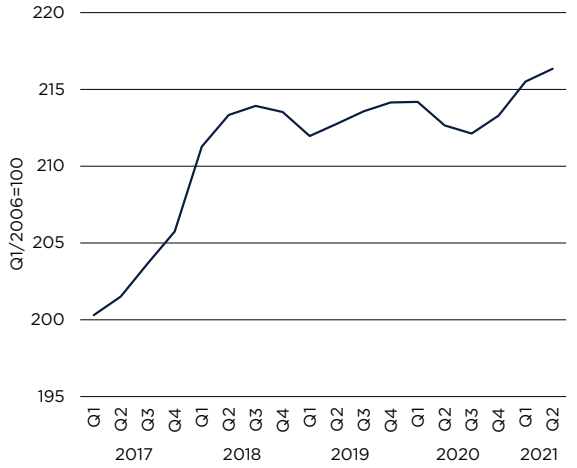
Source URA, Savills Research & Consultancy

GRAPH 3: Sales volumes of non-landed private residential units by residency status, Q1/2017 to Q2/2021



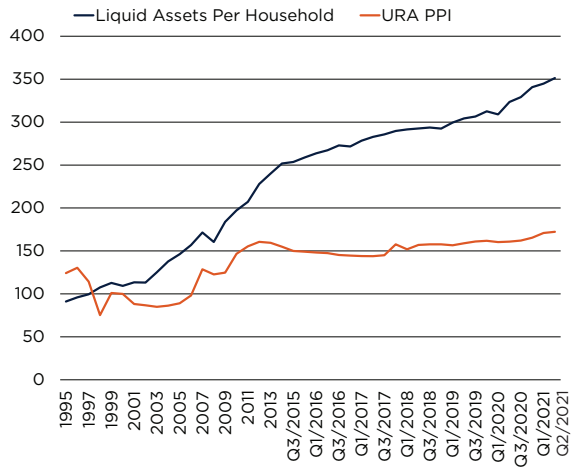
Source URA, Savills Research & Consultancy

GRAPH 4: Savills high-end, non-landed home price index, Q1/2017 to Q2/2021



Source Savills Research & Consultancy

GRAPH 5: Liquid assets per household and the URA PPI, 1995 to Q2/2021



Source Savills Research & Consultancy, Realis, Singstat

increased. The sales volume was up by 1.7% QoQ to a record high of 1,211 units, raising the market share by 0.4 of a ppt QoQ to 17.3%. Although transactions made by non-PR foreigners fell by 3.1% QoQ to 283 units with their market share shrinking by 0.2 of a ppt QoQ to 3.9%, it was still above the average quarterly sales level for the last three years (246 units). The strong buying interest among PRs and non-PR foreigners could be because more people rather own a property here than renting as they are likely to stay here in the long run before the global pandemic situation stabilises.

PRICES

Despite the strong buying interest in the resale market, the pace of increase in prices started to moderate in Q2/2021. Following two quarters of robust price growth, the URA's property price index of residential properties rose by 0.8% QoQ in Q2, decelerating from the 3.3% QoQ increase in Q1. This was due to a marginal 0.3% QoQ decline in prices of landed homes. Furthermore, non-landed homes increased at a slower rate of 1.1% QoQ in Q2. The pace of price increase for non-landed homes decelerated because in the RCR, prices rose only 0.1% QoQ. Non-landed homes in the CCR and OCR continued its strong momentum of growth, rising by 1.1% and 1.9% QoQ respectively. Resale prices in the CCR could have found support from the gap between the resale price and high price levels of the new launches. Given healthy levels of demand seen in the OCR, in the coming quarters, prices in the mass market region probably have more room to increase as the slate of uncompleted projects that were launched one to two years ago have yet to adjust prices to match the latest and future new launches.

Similarly, the average prices calculated from Savills' basket of high-end non-landed private residential projects also saw a moderated pace of growth, up by 0.4% QoQ to S$2,434 per sq ft in Q2.

FUTURE SUPPLY

At the end of Q2/2021, because of strong demand and the relatively low levels of new land sales, the unsold inventory of uncompleted private residential units (excluding executive condominiums) declined further. Based on URA's statistics, the unsold stock fell from 21,602 units in Q1 to 19,384 units in Q2. This marks the first time it had fallen below 20,000 units since Q4/2017. In the face of lingering uncertainties in the economic and labour market conditions amid the ongoing global and local COVID-19 situation, the government increased the supply of private housing on the Confirmed List conservatively from 1,605 units for the 1H/2021 Government Land Sales (GLS) Programme to 2,000 units for the 2H/2021 GLS Programme.

Despite the challenges and disruptions of the pandemic, the positive buyer sentiment is expected to spur developers to proceed with their upcoming launches, with more than half of the units to be launched in the CCR. For mass-market buyers, they may consider the resale market or remaining unsold units in already-launched projects.

OUTLOOK

At the time of this writing, the private residential market is still on a roll and that roll doesn't seem to have an ending soon. This market momentum has brought to the fore some general observations. These are:

- Reservoir of household wealth of the baby boomers;

- Underlying feelings across generations here towards private residential property;

- Foreign buyers' perception of Singapore's real estate market; and

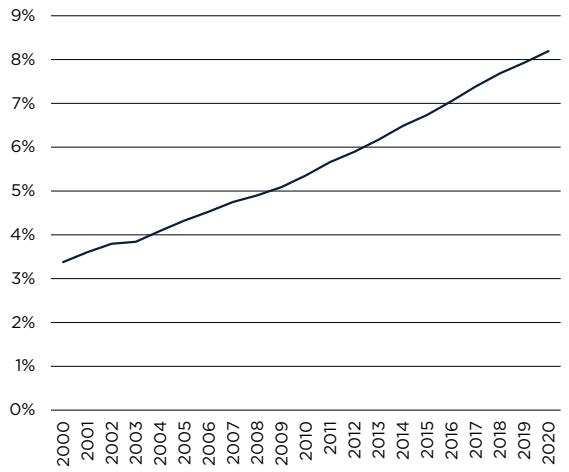
- The distributed values of residential properties in general.

TABLE 2: Major upcoming launches from Q3/2021

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
Bartley Vue	Jalan Bunga Rampai	Wee Hur (Bartley) Pte Ltd	RCR	115
Cairnhill 16	Cairnhill Rise	TSky Cairnhill Pte Ltd	CCR	39
Canninghill Piers	River Valley Road	Legend Quay Pte Ltd	CCR	696
Jervois Mansion	Jervois Road	Kimen Realty Pte Ltd	CCR	130
Jervois Prive	Jervois Road	Jervois Midas Pte Ltd	CCR	43
Laurel Tree	Hillview Terrace	Hillview Terrace	OCR	70
LIV @ MB	Arthur Road	BSEL Development Pte Ltd	RCR	298
Perfect Ten	Bukit Timah Road	Japura Development Pte Ltd	CCR	230
Sycamore Tree	Fowlie Road	Astoria Development Pte Ltd	RCR	96
The Commodore	Canberra Drive	JBE (Canberra) Pte Ltd	OCR	219
Vanilla	Still Road	Melville Pte Ltd	RCR	60

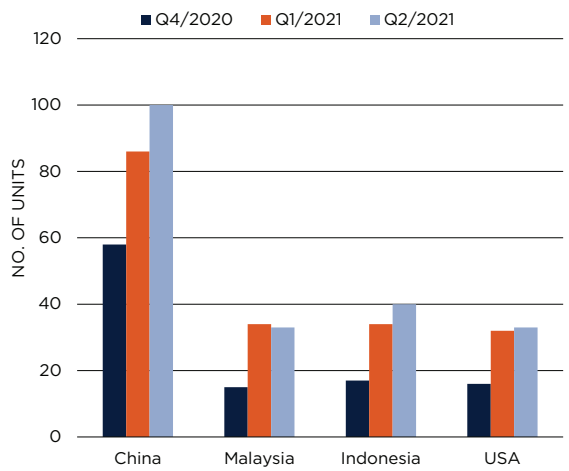
Source Savills Research & Consultancy
*Expected launch dates are subject to change. This list is not exhaustive.

GRAPH 6: Percentage of residents aged 50 and over living in private homes, 2000 to 2020



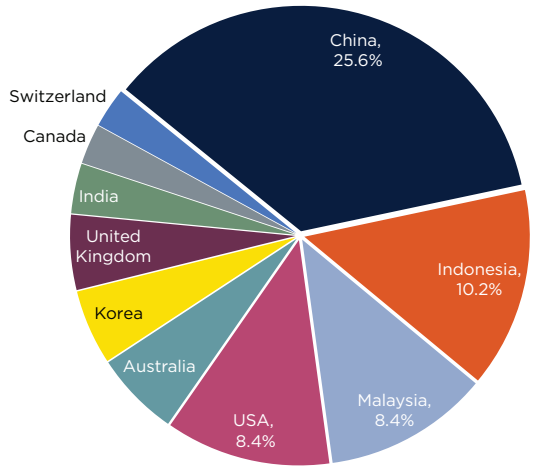
Source Savills Research & Consultancy, Singstat

GRAPH 7: Top four overseas buyers of non-landed private residential properties, Q4/2020 to Q2/2021



Source URA, Savills Research & Consultancy

GRAPH 8: Top 10 foreign buyers by nationality (excluding foreign unspecified), Q2/2021



Source URA, Savills Research & Consultancy

TABLE 3: Gini coefficients for the housing market and household incomehousing market and household income

PERIOD	PRIVATE & HDB HOUSING TRANSACTION GINI COEFFICIENT	GINI COEFFICIENT BASED ON HOUSEHOLD INCOME FROM WORK PER HOUSEHOLD MEMBER (INCLUDING EMPLOYER CPF CONTRIBUTIONS) AFTER ACCOUNTING FOR GOVERNMENT TRANSFERS AND TAXES
1H/2001	0.374	0.419
1H/2011	0.376	0.423
1H/2021	0.388	0.375

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

All these are likely to create the conditions that boost the longevity of the bull run. We will begin by discussing the first two related points. For many years and across countries, the demand for housing has often been modelled using affordability models or housing value to income ratios. However, the strength of demand exhibited over the last 18 months pushes one to question whether such methods of measuring demand are appropriate. Our frequent sounding of the state of the market from marketing associates reveal that for a few years already, a substantial number of buyers have been funded in part, especially the equity portion, by their parents. This cross generational funding makes it difficult for one to measure wealth levels here and the use of household income statistics become fuzzy if more buyers tap their parental savings, or parents voluntarily use their savings to buy a home under their children's names. While we cannot assess this type of household wealth and thus forecast how long this sort of demand will last, we realize that this phenomenon has only just begun and could last for a while. Graph 5 shows that the liquid assets per household has been rising faster than private residential prices (represented by the URA PPI). There are however no statistics of how this is distributed across age groups. Graph 6 shows the number of Singapore residents aged 50 and older living in private housing. This sub-group has been increasing over time and is expected to continue rising until at least 2030.

Foreign buying of private residential properties has also been strong. This is despite the reversion towards more stringent pandemic measures in Q2/2021. Graph 7 shows that the top four buyers of non-landed private residential properties have in the past three quarters been a combination of nationalities with the Chinese dominating. In Graph 8, we see that amongst foreigners (excluding those unspecified foreigners) Chinese nationalities made up 25.6% of buyers, followed by Indonesians at 10.2% with the Malaysians and Americans each making up 8.4%. The interesting sub-group are the Americans which we believe will start to increase their share of foreign buying in the coming years. Amongst their high-net-worth individuals, the level of awareness of Singapore has been increasing over the years and this will correspondingly lead to stronger purchase numbers by them.

Notwithstanding the private residential market being caught up in a hive of activity in contrast with lethargic economic and job market growth, prices are still in synch with income distribution here. This should be good news because if housing values stray too far from income, then either policy intervention(s) or a rapid deflation of prices could torpedo the market's buoyancy. Table 3 shows the Gini coefficient calculated from for both public and private residential properties data over three periods in the last two decades closely mirrors the same measure using household income.

Concluding, we believe that while the fear of a wealth tax(s) being levied on residential properties may turn to reality one of these days, this are not likely to derail the long-term trajectory of residential property prices. If such a tax(s) is imposed, it will likely be a modification from one of the existing slew of cooling measures and re-labelled as a type of wealth tax. That would not have much of an impact as the market today appears comfortable with these cooling measures. Therefore, the top-down view is that for residential prices to mirror economic and social well-being, long term real estate prices should track median nominal GDP per capita growth. In the coming quarters, because of strong global inflationary tailwinds, nominal GDP is expected to rise above the real measure. This should help keep residential prices (both public and private) rising at above long-term averages.