Singapore – August 2022

MARKET IN MINUTES

Savills Research

Residential Sales

savills

Rebound in home purchases and surge in prices

The recalibrated cooling measures appear to have lost efficacy as demand for private residential properties remain strong despite challenges such as rising interest rates, inflation and economic uncertainties.

- Following a drop in launches in the previous quarter, developers picked up the pace of launches, with number of units launched tripling from 613 units in Q1/2022 to 1,956 units in Q2/2022.
- Due to more launches and improving sentiments in the residential market, new sales increased 31.3% quarter-on-quarter (QoQ) to 2,397 units in Q2/2022, a reversal from the 39.5% decline in Q1/2022. Correspondingly, secondary sales improved in Q2/2022 as well, after two consecutive quarters of decline, increasing 25.5% QoQ to 4,414 units.
- Strong demand in the private residential market was observed in the non-landed market, with transaction volume increasing across all residency status. The largest increase was recorded for foreigners, with sales volume doubling on a QoQ basis, leading to the proportion of foreign purchases growing by 1.8 percentage points (ppts) to 4.9% in the quarter.
- As demand for private homes continue to outpace supply, the URA property price index of all private residential properties rose by a significant 3.5% QoQ in Q2/2022, much greater than the 0.7% in Q1/2022. A larger price growth of 3.6% was recorded for non-landed homes while landed homes rose 2.9%.
- Prices of Savills' basket of high-end non-landed private residential projects maintained its upward trend, increasing for the seventh consecutive quarter by 1.0% QoQ to S$2,528 psf in Q2/2022.
- The price increases this year can be explained by the market recharging its buying capacity due to the significant passage of time between launches in a particular location. For 2022, our forecast for private residential prices is +7% year-on-year (YoY) while for 2023, it is +2.4% YoY, with the possibility of a higher increase if inflation continues to simmer next year (and this is likely).

"The dearth of new launches and the significant time gap between each launch is allowing the market to regenerate demand."

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
Digital Residential Marketing
+65 9792 8913
gtan@savills.com.sg

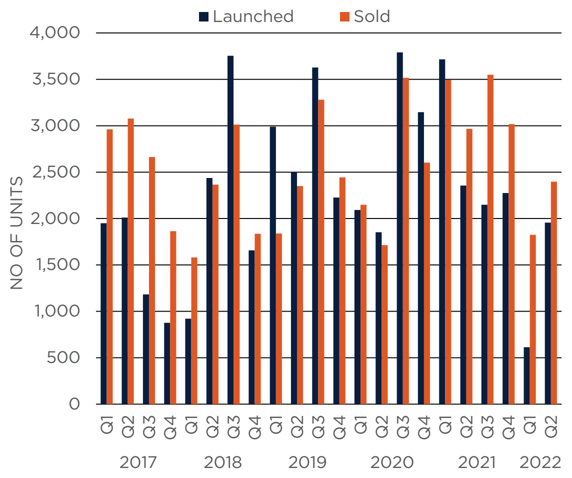
RESEARCH

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, Q1/2007 to Q2/2022



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Following the sharp decline in number of launched units in Q1/2022 due to the Chinese New Year festive period and the immediate aftereffects from the recalibration of the cooling measures in December 2021, developers picked up the pace of launches in the second quarter. In Q2/2022, the number of units launched was 1,956 units, triple the 613 units launched in the previous quarter. Nevertheless, this was still lower than the 2,356 units that were launched in the same period a year ago. The QoQ increase in number of launched units in the quarter can be attributed to the new launch of larger projects, in comparison to that in Q1/2022. There were two new projects launched in the quarter in review, each with over 200 units. On the other hand, the largest new launch in Q1/2022 was Belgravia Ace, where 85 of the 107 units were released for sale. In terms of the breakdown of units launched by locality, the bulk continued to be in Rest of Central Region (RCR), comprising 49.5%, or 969 units. This was the third consecutive quarter that RCR constituted the largest proportion of launched units in a quarter. Around 35.9% of the launched units (702 units) were in Core Central Region (CCR), while the remaining 14.6% (285 units) were in Outside Central Region (OCR).

Five projects saw their maiden launch in Q2/2022, with 631 units from RCR and a mere 30 units from OCR. There was no new launch in CCR. Out of the three maiden launches in RCR, 350 units and 250 units at two of the larger projects, namely Piccadilly Grand and Liv @ MB were made available for sale in the quarter respectively. While the new launches in OCR were not large, there were also no significant number of units released in previously launched projects in the market segment. There was only one previously launched project where over 100 units were released for sale in the quarter and this was the Gazania which made available 125 units for sale. With this, all 250 units in the freehold development have been launched. Separately, in CCR, although there was no new project launches in Q2/2022, there were three previously launched projects that each released at least 100 units for sale. These included Hyll on Holland (released 159 units), The Avenir (released 113 units) and One Bernam (released 100 units).

As more residential units are launched, the marketing hype by agents boosted sentiments and correspondingly led to new home sales rising 31.3% QoQ to 2,397 units in Q2/2022, a reversal from the 39.5% contraction in Q1/2022. However, on a YoY basis, new sales were still 19.2% lower. The quarterly growth in new sales can be largely attributed to the healthy take-up of the larger new launches. Despite the quarterly increase in new sales, it was still lower than before the recalibration of the cooling measures in December 2021. Last year, the average quarterly new sales volume was 3,257 units, but in Q2/2022 the new sales volume only amounted to 2,397 units. While the number of units launched more than tripled from Q1/2022, the increment of new sales was not in step. (Please refer to Graph 1) In terms of the composition of new sales by market segment, it was similar to the previous quarter where the bulk of the new sales were in the RCR (54.6%, or 1,309 units). This was followed by the CCR (24.7%, or 592 units) and the OCR (20.7%, or 496 units).

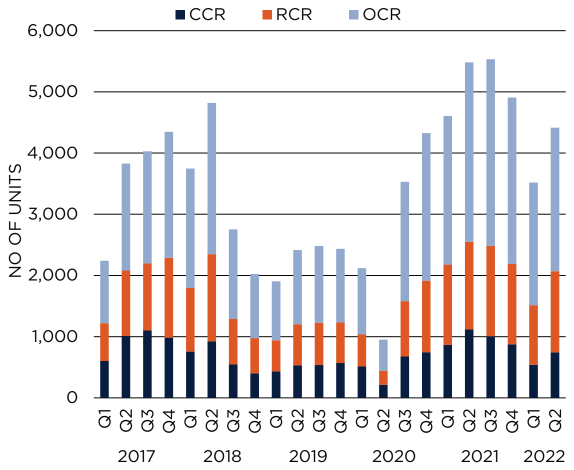
Of the top five best-selling projects in Q2/2022, the top two were Piccadilly Grand and Liv @ MB. The larger of the two, Piccadilly Grand, saw 324 of its 407 units sold, translating to a take-up rate of 79.6%. Out of which, around 315 of these units were sold on the launch weekend. This was one of the first major private residential launches since the recalibration of the cooling measures and the strong take-up showed

TABLE 1: New launches, Q2/2022

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q2/2022	TAKE-UP (%)	PRICE RANGE (S$ PSF)
Piccadilly Grand	Northumberland Road	Maximus Residential SG Pte Ltd/Maximus Commercial SG Pte Ltd	RCR	407	324	79.6%	1,871-2,593
Liv @ MB	Arthur Road	BSEL Development Pte Ltd	RCR	298	231	77.5%	2,079-2,854
Atlassia	Joo Chiat Place	K16 Place Pte Ltd	RCR	31	17	54.8%	1,901-2,175
Baywind Residences	Lorong N Telok Kurau	Baywind Properties Pte Ltd	OCR	24	10	41.7%	1,953-2,155
Spring Water Villas	Jalan Mata Ayer	South Island Mata Ayer Pte Ltd	OCR	6	1	16.7%	1,710

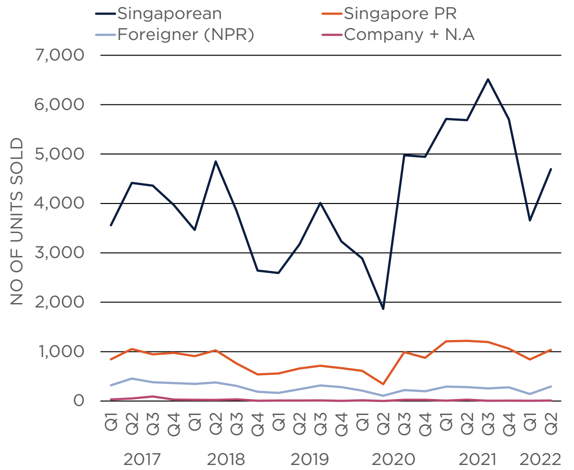
Source URA, Savills Research & Consultancy

GRAPH 2: Number of Private Residential Units Sold in the Secondary Market, Q1/2017 to Q2/2022



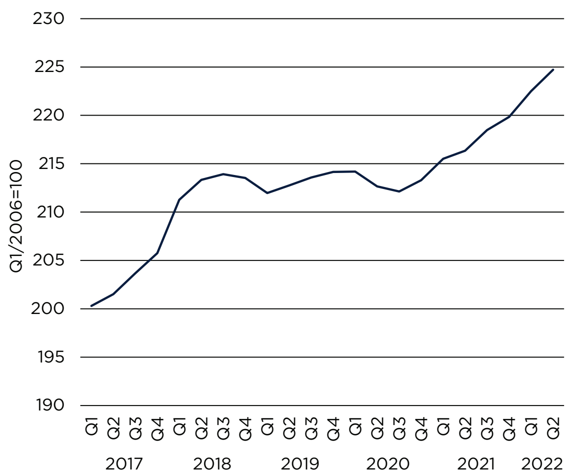
Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volumes of Non-landed Private Residential Units by Residency Status, Q1/2017 to Q2/2022



Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-end, Non-landed Home Price Index, Q1/2017 to Q2/2022



Source Savills Research & Consultancy

that the market still hold a positive view of the private residential market. Transacted prices of the units ranged from S$1.06 million to S$3.27 million, with an average unit price of S$2,184 psf, a new benchmark for the Farrer Park area (in the RCR). Similarly, strong take-up was also observed for Liv @ MB, with 231 of the 298 units (77.5%) sold. Over 75% of the units were sold on the launch weekend. This all occured against the backdrop of the recalibrated cooling measures, rising interest rates, increasing inflation and global uncertainties. The average selling prices of Liv @ MB was S$2,411 psf, with the price quantum at between S$1.08 million to S$4.21 million. Apart from these two new launches, there are two other previously-launched projects in the RCR that are in the top-five selling projects, which included Normanton Park (112 units sold) and Riviere (78 units sold). 72 units at The Florence Residences were also sold in the quarter.

After two consecutive quarters of decline, secondary sales rebounded in Q2/2022, rising 25.5% QoQ to 4,414 units. Owing to the limited options in the new sale market, together with ongoing construction delays, buyers turned to the resale market instead for homes in move-in conditions. Secondary sales in all three market segments recorded QoQ increases, with the largest from the CCR, increasing 37.8% to 744 units. Secondary sales in the RCR and OCR grew 36.0% and 17.0% QoQ to 1,325 units and 2,345 units respectively.

In line with the growth in sales volume, there was also an increase in non-landed transactions across residency status. This was the first QoQ growth across all residency status since the implementation of the recalibrated cooling measures. The largest increase was recorded for foreigners, which more than doubled from the 143 units in Q1/2022 to 294 units in Q2/2022. Apart from the low base, the surge in foreign purchases may also be due to the relaxation of border restrictions and safe management measures. As such, this led to an increase in proportion of foreign purchases against total non-landed sales volume, from 3.1% in Q1/2022 to 4.9% in Q2/2022. This proportion was the highest since Q1/2020 when foreign purchases accounted for 5.7% of the total non-landed transaction volume. With the higher proportion of foreign purchases, the proportion of purchases by Singaporeans and Singapore Permanent Residents (PRs) fell 0.9 of a ppt each to 77.8% and 17.2% respectively in the quarter. Nevertheless, in terms of transaction volume, purchases by Singaporeans and Singapore PRs rose in the quarter, by 28.4% and 23.2% QoQ to 4,694 units and 1,036 units respectively. Despite the increase in transaction volume, the absolute figure of purchases by Singaporeans still lag the figures before the implementation of the recalibrated cooling measures in December 2021. From Q3/2020 to Q4/2021, the average quarterly transaction volume of non-landed homes by Singaporeans surpassed the 5,000-unit mark.

PRICES

Following the slowdown in price appreciation in the previous quarter, home prices accelerated in Q2/2022. With stronger demand in the residential market, the URA property price index of private residential properties increased for the ninth consecutive quarter by a much higher rate of 3.5% QoQ. In Q1/2022, it was 0.7%. While the price appreciation in the past two quarters was largely attributed to that of landed homes, the increase in prices this quarter was largely led by the non-landed segment. In Q2/2022, prices of non-landed homes rose 3.6% QoQ, rebounding from the 0.3% QoQ decline in the previous quarter. In the RCR, prices increased 6.4% QoQ, a reversal from the 2.7% contraction in Q1/2022. The surge in prices of RCR homes may be due to the record prices set by new launches such as Piccadilly Grand and Liv @ MB. Nevertheless, prices of non-landed homes in CCR and OCR rose as well, going up 1.9% and 2.1% respectively. For OCR homes, prices grew for the third consecutive quarter. Similarly, prices of landed homes rose for the fourth consecutive quarter by 2.9%, compared to the 4.2% in Q1/2022.

For Savills' basket of high-end non-landed private residential projects, prices rose 1.0% QoQ to S$2,528 psf in Q2/2022. This was the seventh consecutive quarter of increase. As more foreigners enter Singapore amid the relaxation of safe management measures and border restrictions, high-end properties continue to be in favour amongst them. Properties fit for immediate occupation are now preferred because the pandemic has created construction delays for new projects.

FUTURE SUPPLY

As at end-Q2/2022, there were 48,581 private residential units (excluding executive condominiums (ECs)) in the supply pipeline with planning approvals, 2.5% higher than the 47,415 recorded in the previous quarter. Of this, around 31.1% (15,805 units) of them remain unsold. The unsold stock has been declining steadily for 12th consecutive quarters since the peak of 36,839 units in Q2/2019, and this was the 1st quarter that the unsold stock registered a QoQ increase of 12.2% to 15,805 units after hitting a low in the past quarter. Nevertheless, the unsold stock remains low, which may lead to an increase in home prices as demand continues to outpace supply.

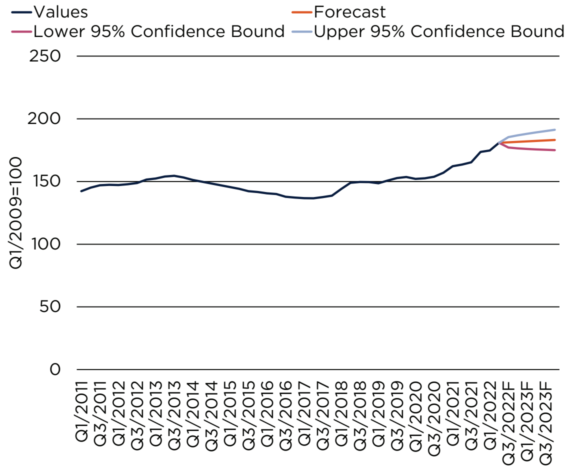
For the past few quarters, there were no significant new projects launched in the OCR, resulting in new sales lagging behind the RCR market. In the next few quarters, there will be larger projects launching in the mass market. Sales is expected to be strong as pent-up demand from HDB upgraders is rising

TABLE 2: Major Upcoming Launches from Q3/2022

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
Deluxe Residences	Lorong Melayu	Kai Lim Development Pte Ltd	OCR	41
The Arden	Phoenix Road	CNQC Realty (Phoenix) Pte Ltd	OCR	105
Lentor Modern	Lentor Central	Lentor Residence Development Pte Ltd / Lentor Central Pte Ltd	OCR	605
Pollen Collection	Nim Road/Ang Mo Kio Avenue 5	Singapore United Estates Pte Ltd	OCR	132
AMO Residence	Ang Mo Kio Rise	United Venture Development (2021) Pte Ltd	OCR	372
Orchard Sophia	Sophia Road	Orchard Sophia Pte Ltd	CCR	90
Hill House	Institution Hill	Mequity Hills Pte Ltd	CCR	72
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
Terra Hill	Yew Siang Road	Hoi Hup Sunway Kent Ridge Pte Ltd	RCR	270
Sky Eden@Bedok	New Upper Changi Road	Chempaka Development Pte Ltd	OCR	158
Condominium development	Flora Drive	Tripartite Developers Pte Ltd	OCR	276
Residential apartments	Slim Barracks Rise	Kingsford Real Estate Development Pte Ltd	RCR	142
Residential apartments	Cairnhill Rise	Ju-I Properties Pte Ltd	CCR	75

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

GRAPH 5: Forecast of the URA PPI from Q3/2022 to Q4/2023



Source Savills Research & Consultancy

due to rapidly increasing HDB resale prices, narrowing the price gap for the move from public to private properties.

OUTLOOK

The Singapore private residential market continues its climb as the slowdown in new launches has set the stage for a replay of the adage that real estate is a hedge against inflation. This time, it would go on to set record prices in the mass and mid-tier markets. We will explain why prices have been defying the Galilean logic which goes by the argument that when economic and geopolitical uncertainties are turning bad, residential prices should perform negatively.

We believe that prices are moving up because there had been a significant decline in new launches this year and the launches are in locations that had not seen significant project releases for over two years. This had indeed been the case for the larger projects launched so far this year e.g Piccadilly Grand (407 non-landed units), Liv @ MB (298 non-landed units) and AMO Residences (372 non-landed units). The significant time gap between launches in a location meant that the market could easily recharge its buying capacity such that for each micro location in the island you will always find buyers that have the wherewithal to upgrade or invest in another private property. These buyers' purchasing power can be independent from the performance of the economy. The extended time gap from the previous launch in the micromarket to those newly launched this year meant that what was a finite pool of buyers got replenished by new citizens, Singapore PRs and Singaporeans that had advanced their financial status during that time gap.

If one repeats the playbook of having a significant time gap between launches, say two years, in particular micro location, the pool of buyers will also be topped up and the limit of this topping up is anyone's guess. Given that the supply of Government Land Sales sites takes into consideration economic and demographic fundamentals, an oversupply situation is not likely to happen and even if were, it would be resolved within a few quarters if few or no sites are released for sale. Therefore, if nothing interrupts this process, price increases should continue. This situation is likely to exist as the authorities continually calibrate land sales so that the completed units will end up within occupancy levels that are range bound for an orderly functioning market. As the income of both locals and Singapore PRs increase, prices would follow suit.

Nevertheless, the rate of price increase is expected to be moderate in 2023. Using a machine learning time series algorithm, our forecast (from Q3/2022 to end-2024) is at best a trend line. As there is inflation in the foreseeable future, we would be using the Upper 95% confidence bound for forecasting. For 2022, YoY increase is 7.6% and for 2023, the YoY increase is 2.4%. For 2022, we will round the increase to 7% but for 2023, the increase may be more if inflation continues to simmer, and this is likely.