MARKET IN MINUTES
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Residential Sales

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Robust sales despite new measures

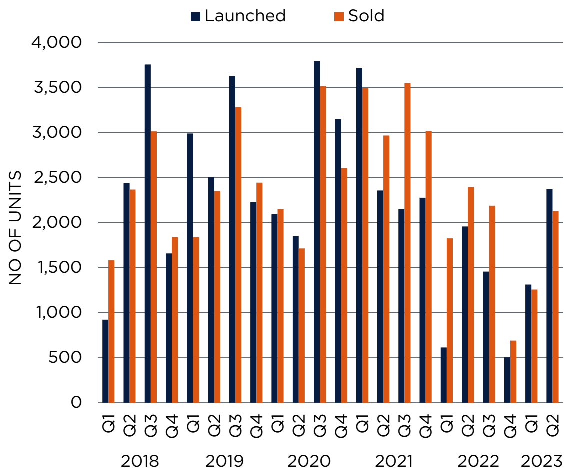
Although the government implemented a new round of cooling measures in April 2023 amid the uncertain global economy and high interest rates, both primary and secondary sales recorded quarterly increases for a second consecutive quarter.

- Building on the momentum in Q1/2023, the number of units launched increased in Q2/2023, surging 80.9% quarter-on-quarter (QoQ) to 2,374 units. New sales volume rose for a second consecutive quarter by a significant 69.3% QoQ to 2,127 units in the quarter. However, they were still 11.3% lower on a year-on-year (YoY) basis.
- Secondary sales of private residential properties rebounded after three consecutive quarters of decline, increasing 13.8% QoQ to 3,261 units in the quarter. This was largely attributed to the rise in secondary sales in the city-fringe and suburban areas.
- The transaction volume of Singaporeans surged 43.5% QoQ to 3,968 units and that of Permanent Residents (PRs) also rose, albeit at a much-moderated rate of 2.3%, to 786 units.
- The URA property price index of all private residential properties registered its first decline after 12 consecutive quarters of increase, by a marginal 0.2% QoQ. This could be due to a reflexive correction after the strong 3.5% QoQ performance in Q1/2023.
- While the average prices of Savills basket of high-end non-landed private residential projects have not recorded a decline, the growth momentum has slowed down, with an increase of 0.3% QoQ to S$2,591 per sq ft in Q2/2023, compared to the 0.6% recorded in the previous quarter.
- This year's launches derived from land sales in 2022, a year when government land sales (GLS) land prices rose 11.5%. Together with higher construction costs, the overall price increase in 2023 is expected at 7% YoY. However, the conservative stance shown by developers in the latest government land sales sites tenders offers them greater buffer to tactically adjust prices come late-2024 to 2025.

"Land and construction cost push pressures will be the forces driving prices up this year."

ALAN CHEONG, SAVILLS RESEARCH

GRAPH 1: Number of Private Residential Units Launched and Sold in the Primary Market, Q1/2018 to Q2/2023



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Following the rebound in launches in Q1/2023, the number of launched units continued to trend upwards in Q2/2023, surging 80.9% QoQ to 2,374 units. This was the first quarter with launches surpassing the 2,000-unit mark since Q4/2021 when 2,275 units were launched. On a YoY basis, the number of units launched was also 21.4% higher. While the number of launches plunged 93.9% QoQ to a mere 40 units in Outside Central Region (OCR), this was largely outweighed by the quarterly increase of 2.1% and 328.4% in launched units in Core Central Region (CCR) and Rest of Central Region (RCR) respectively. For RCR, the 2,185 launched units in Q2/2023 were the highest number of launched units in a quarter since Q1/2021 when 2,452 units were launched. In comparison to the same period in 2022, the launches in Q2/2023 more than doubled than the 969 units. With the surge in launches in RCR, the number of units launched in the quarter was largely constituted by RCR, accounting for 92.0% of the launches, followed by CCR and OCR which merely comprised 6.3% and 1.7% of the launches respectively.

In contrast to the four new launches in the previous quarter, there were six projects that were newly launched in Q2/2023, with all but one being in RCR. The surge in the number of launched units, particularly in RCR, was brought about three larger projects (above 500 units) being launched. The largest new project that was released for sale in Q2/2023 was The Continuum, an 816 unit condominium. The freehold development at Thiam Siew Avenue recorded a take-up rate of 26.6%, with bulk of the units taken up being the two-bedroom types. This development was the second new launch in District 15 this year, following that of Tembusu Grand and thereafter by Grand Dunman in Q3/2023. However, this is the only freehold project out of these three. The development is spread across two sites and is connected by an open-air overhead bridge. Transacted prices ranged from S$1.53 million (S$2,730 per sq ft) for a one-bedroom unit to S$4.76 million (S$2,815 per sq ft) for a four-bedroom unit. Due to its freehold tenure, prices were deemed to be relatively costlier in comparison to the previous launch in the vicinity – Tembusu Grand, which may result in the slightly slower take-up rate.

Tembusu Grand, a project located close by The Continuum, was also launched in Q2/2023. The take-up for the 99-year leasehold development was higher with 362 of the total 638 units already having been sold. This represents a take-up rate of 56.7%. The development is located close to the upcoming Tanjong Katong MRT station and short drive to major expressways, as well as within 1km of schools such as Tanjong Katong Primary School, Haig Girls' School and Kong Hwa School. The smaller one- and two-bedroom units were the popular unit types, with 253 of these units being snapped up in the quarter. The one-bedroom units were priced below S$1.5 million while that of the two-bedroom units were sold were between S$1.5 million and S$2 million.

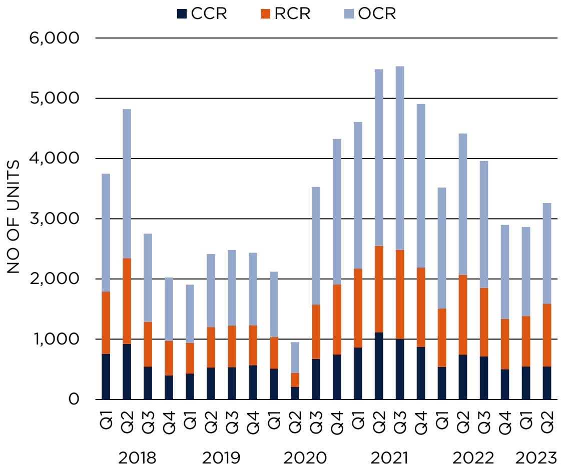
Of the six new launches in Q2/2023, the project with the highest take-up rate was The Reserve Residences at Jalan Anak Bukit. Of the 732 units, 80.6% have been sold. It was also reported that over 70% of the units were sold during the launch weekend. This came despite the announcement of the new cooling measure that involved higher Additional Buyer's Stamp Duty (ABSD) rates for foreigners and Singaporeans buying a second residential property. The project was largely favoured by buyers due to it being part

TABLE 1: New Launches, Q2/2023

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q2/2023	TAKE-UP	PRICE RANGE (S$ PER SQ FT)
Blossoms By The Park	Slim Barracks Rise	EL Development (Buona Vista) Pte Ltd / EL Development (One-North) Pte Ltd	RCR	275	213	77.5%	2,196-2,730
K Suites	Lorong K Telok Kurau	EG Properties Pte Ltd	OCR	19	4	21.1%	1,919-2,196
Tembusu Grand	Jalan Tembusu	Tembusu Residential Pte Ltd	RCR	638	362	56.7%	2,280-2,730
The Continuum	Thiam Siew Avenue	Hoi Hup Sunway Katong Pte Ltd	RCR	816	217	26.6%	2,573-2,972
The Reserve Residences	Jalan Anak Bukit	FE Landmark Pte Ltd/ FEC Residences Trustee Pte Ltd/FEC Retail Trustee Pte Ltd	RCR	732	590	80.6%	2,197-2,873
Lavender Residence	Lavender Street	FLJ Property Pte Ltd	RCR	17	8	47.1%	1,710-2,238

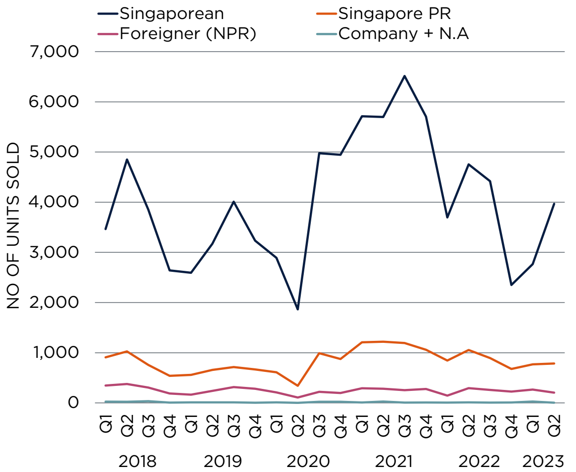
Source URA, Savills Research & Consultancy

GRAPH 2: Number of Private Residential Units Sold in the Secondary Market, Q1/2018 to Q2/2023



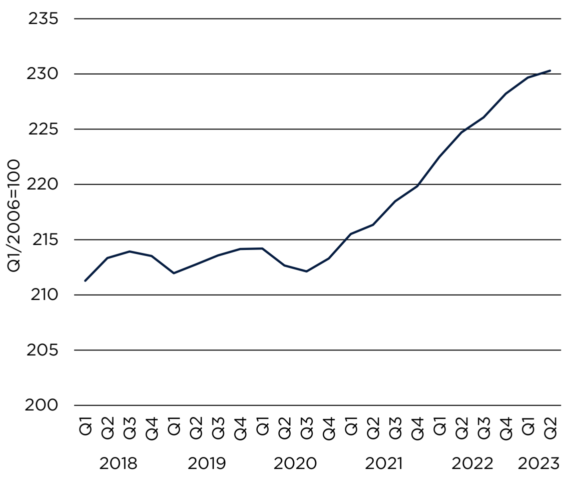
Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volumes of Non-landed Private Residential Units by Residency Status, Q1/2018 to Q2/2023



Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-end Non-landed Home Price Index, Q1/2018 to Q2/2023



Source Savills Research & Consultancy

of a mixed-use integrated development which includes a three-storey Bukit V mall with CS Fresh as an anchor tenant, a possible inclusion of a childcare centre, a bus interchange and about 160 serviced apartments. It is also directly linked to the Beauty World MRT station. Apart from this, it is also situated within 1km to renowned schools such as Methodist Girls' School and Pei Hwa Presbyterian Primary School. For those units sold, prices averaged S$2,473 per sq ft, which though is within market expectation, but nonetheless is a record for that location.

After the launch of The Reserve Residences, there was new launch in the RCR – Blossoms By The Park. This project achieved a take-up rate of 77.5%, which is a very good performance as it was released just few days after the latest recalibration of the property cooling and came into effect on 27 April 2023. All of the one- and two-bedroom units (except the 2-bedroom + study penthouses) have been snapped up, while 60% of the larger units were sold as well. This signalled the strong demand for homes in the one-north area, with limited new launches in the area. The last launch, one-north Eden, was in 2021 and has already been fully sold, and there has not been any launch in the area for 14 years before one-north Eden. Transacted prices of the units ranged from S$1.30 million (S$2,364 per sq ft) for an one-bedroom unit of 549 sq ft to S$3.58 million (S$2,372 per sq ft) for a four-bedroom premium unit of 1,507 sq ft.

In the OCR, there was a new launch of a boutique development of 19 units called K Suites at Lorong K Telok Kurau. This is a project being built on the former Ji Liang Gardens which comprised six terrace houses. Units at the freehold project are a mix of three- and four-bedroom apartments, along with five-bedroom penthouses. Out of which, four of the units with sizes from 1,076 sq ft to 1,270 sq ft and priced between S$2.15 million and S$2.79 million were sold in the quarter. In the CCR, while there was no new launch in the quarter, there were units released for sale from previously launched projects such as Leedon Green (another 63 units launched), Pullman Residences Newton (another 30 units launched) and Midtown Bay (another 27 units launched).

With the surge in new launches, new sales volume also rose significantly by 69.3% QoQ to 2,127 units. This was the second consecutive quarter of increase. Nevertheless, on a YoY basis, the new sales volume was still lower by 11.3%. Due to the three larger sized project launches in the RCR, new sales in the region accounted for 74.0% of new sales islandwide in Q2/2023. This was followed by CCR and OCR, which comprised 20.9% and 5.1% of new sales in the quarter respectively. In terms of absolute transaction volume, the largest increase came from the RCR which saw the numbers skyrocket from 257 units in Q1/2023 to 1,573 units in the quarter. For the CCR, as the number of launched units largely remained unchanged, new sales volume declined 17.7% QoQ to 445 units. Aside from the lack of new launches, this market segment has been more affected by the latest recalibration of the cooling measures in April 2023 as foreigners have a higher tendency to acquire properties in CCR and the significant ABSD hikes may have deterred their purchasing decisions. Similarly, new sales volume in OCR plunged 76.2% QoQ to 109 units, which came about due to a drop in the number of units launched. On a YoY basis, only new sales in RCR recorded a 20.2% increase, while those in CCR and OCR declined 24.8% and 78.0% respectively.

Four of the top five best-selling projects in the quarter were from the new launches in the quarter, taking the top four positions. These consisted of The Reserve Residences, Tembusu Grand, The Continuum and Blossoms By The Park. Each of these four developments easily registered over 200-unit sales in Q2/2023. Apart from these four new projects, The Atelier in the CCR took the fifth position, with 74 units sold. For this project, 114 of the total 120 units have so far been sold, with bulk of the units sold coming in the quarter in review. The improvement in sales may be due to the lowering of prices as the 5-year developers' ABSD deadline is drawing close. Compared to the average price of S$2,924 per sq ft when it was first launched in Q1/2021, it averaged S$2,665 per sq ft in Q2/2023.

In line with the increase in new sales, private residential units sold in the secondary market rebounded by 13.8% QoQ to 3,261 units in Q2/2023. The improvement came after three consecutive quarters of decline. On a YoY comparison however, resale numbers were still down by 26.1%. The QoQ improvement came from the RCR and OCR which saw an increase of 24.7% and 12.8% to 1,041 units and 1,670 units respectively, while that in CCR remained unchanged at 550 units. This increase could have been the result of rising HDB prices, which narrowed the gap between private resale prices.

As a result of the raising of the ABSD for foreigners to 60% in late-April, the transaction volume of non-landed homes by foreigners fell 22.6% QoQ to 205 units in the quarter, the lowest since Q1/2022 when foreigners bought 145 homes. Local demand remained strong, with transaction volume surging 43.5% QoQ from 2,765 units in Q1/2023 to 3,968 units in Q2/2023. This was the second consecutive quarter of increase. Similarly, purchases by PRs also recorded an increase, albeit at a much-moderated pace of 2.3% QoQ, to 786 units. As such, the proportion of non-landed home purchases by Singaporeans rose significantly by 7.6 ppts to 79.9%. Correspondingly, the proportion of non-landed home purchases by PRs and foreigners fell 4.2 ppts and 2.8 ppts to 15.8% and 4.1% respectively.

PRICES

The persistence of high interest rates, recalibration of cooling measures and an increase in the completion of homes arising from backlog of projects that were previously affected by pandemic measures, the URA property index of all private residential properties declined for the first time by 0.2% QoQ after 12 consecutive quarters of increase. However, on a YoY basis, it was still 7.5% higher. While prices of landed homes rose 1.1% on a QoQ basis, non-landed homes prices fell 0.6% QoQ after four consecutive quarters of increase. This fall was largely attributed to a 2.5% contraction in non-landed home prices in RCR and a 0.1% dip in non-landed home prices in CCR. In contrast, prices of non-landed residential properties in the OCR continued to increase for the second consecutive quarter, albeit at a moderated pace of 1.2% QoQ, compared to the 1.9% in the previous quarter.

For the basket of luxury non-landed private residential projects tracked by Savills, while prices have not declined in the quarter, there was a slowdown in the rate of increase in prices. Prices of luxury non-landed homes in the Savills' basket rose 0.3% QoQ to S$2,591 per sq ft. This was the 11th consecutive quarter of increase. On a YoY basis, prices rose 2.5%. Following a dampening foreign demand in luxury homes due to higher ABSD rates, one of the main demand drivers of luxury homes have reduced, which may have led to the slowing of price increase for such properties.

FUTURE SUPPLY

As at end-Q2/2023, there were 44,157 private residential units with planning approvals (excluding executive condominiums (ECs)) in the supply pipeline. This was 1.5% lower than the 44,846 units recorded in the previous quarter and is the third consecutive quarter of decline. The previous QoQ declines were 2.6% in Q1/2023 and 6.8% in Q4/2022. Of the total supply pipeline, 39.6% (17,484 units) remain unsold, a 7.6% increase from the previous quarter's figure of 16,024 units. Though there was an increase, this is still much lower than the peak of 36,839 units recorded in Q1/2019.

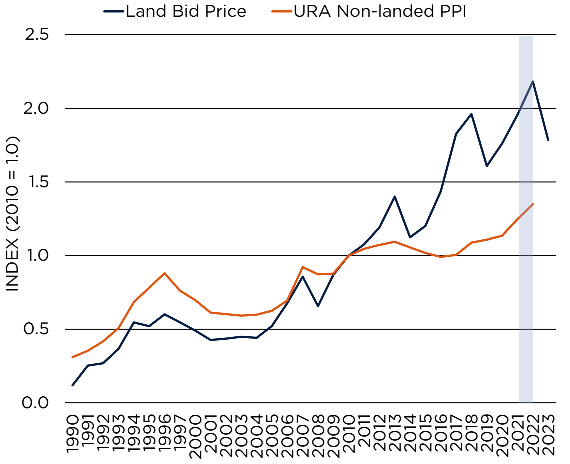
Apart from the mega project Grand Dunman (1,008 units) that was launched in early Q3/2023, there are not many larger projects (above 500 units) slated for release in the next few quarters. These include Marina View Residences (748 units) in CCR, Pinetree Hill (520 units) in RCR (which was also launched in Q3/2023 as well), as well as Lentor Hill Residences (598 units). Apart from these projects, there are a handful of medium-size projects (200-500 units) from all three market segments which will also be coming onto the market in the near term.

TABLE 2: Major Upcoming Launches from Q3/2023

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
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
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
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
Lentor Hill Residences	Lentor Hills Road	Lentor Hills Development Pte Ltd	OCR	598
Marina View Residences	Marina View	Boulevard Development Pte Ltd/ Boulevard Midtown Pte Ltd	CCR	748
Hillock Green	Lentor Central	Lentor Central Developments Pte Ltd	OCR	474
Sora	Yuan Ching Road	Lakeside Residential Pte Ltd	OCR	440

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

GRAPH 5: Hedonic GLS Price Index – Pure Residential, 1990 to 2023



Source Savills Research & Consultancy

OUTLOOK

Although the land bid prices in the latest GLS closing appear to be hinting that developers have turned cautious, the fact of the matter is that land prices for those projects scheduled for launch in 2H/2023 are from GLS sites where the tenders closed in 2022, a year when land prices rose significantly. (Please refer to the blue shaded box in Graph 5.) Graph 5 shows the winning bids of pure residential GLS sites over time. The index has been adjusted for site attributes e.g location, number of units that can be constructed etc.

The launches in Q1/2023 came from the batch of GLS and collective sales sites where the prices were set in 2021. Between 2021 and 2022, the hedonic GLS land bid price index rose by over 11.5%. On the construction front, using RLB's construction cost calculator, the price increase for from December 2021 to December 2022 was 10.1%. In 2022, the URA Price Index (PPI) for non-landed properties went up 8.1% YoY. Graph 5 shows that GLS prices have generally been rising faster than the URA PPI from 2015 to 2022. Given the limited supply of development land in Singapore, landbanking is conducted in such a manner that when a developer sells at a higher price, he/she will have to replenish also at a higher price. What gives is that developers' margins have for that period been under constant pressure.

As prices for non-landed private residential properties (both new and resale) increased by just 2% in 1H/2023 over Q4/2022, to maintain margins, selling prices in 2023 will have to rise more in 2H/2023. Much of that increase for the remainder of the year will have to come from the new sale market as developers have to pass through the higher land and construction costs.

Therefore, our 7% YoY increase in property prices this year does not seem too farfetched. However, it will be interesting to watch how the decline of 18% for the GLS residential prices for 1H/2023 over 2H/2022 will play out in future. This drop more than compensates for the loss in saleable area when the rule harmonising Gross Floor Area with Strata Area came into force for residential planning submissions made on and after 1 June 2023. We believe that the reason for this decline is that developers are finding that the risk associated with the new pricing baseline in the OCR and RCR necessitate a bigger margin. The previous rate of land price increase was not sustainable.

What this means is that come late-2024 to mid-2025 when these projects get marketed, the developers will either have better margins if prices continue to rise or remain flat, or if demand softens, then the increased buffer will offer some protection against the need to reduce prices.

We maintain our forecast for private residential property prices to rise 7% in 2023. However, given the challenges facing the economy, at a new baseline of S$2,000 per sq ft in the OCR and S$2,400 per sq ft for the RCR, first weekend sales for private non-landed residential launches may hover in the 25% to 35% range from Q3/2023 to the first half of 2024. However, we do not believe that this would be a concern to developers because the projects in the pipeline are mostly mid-sized developments. After their maiden launches, over the course of the coming quarters, subject to tactical marketing campaigns which may include pricing adjustments, they are likely to sell out.