Briefing
Residential sales

December 2018

Image: JadeScape on Shunfu Road

SUMMARY

The market faced the double whammy of the 6 July cooling measures and the Hungry Ghost Month.

- In the Jul-Sep period, developers released a total of 3,754 private residential units, excluding Executive Condominiums (ECs). This was 54.0% higher than the previous quarter and the highest Q3 number since 2013.

- In the primary market, 3,012 private residential homes (excluding ECs) were sold in Q3/2018, showing a 27.3% increase from a quarter ago.

- On the other hand, buying activity in the secondary market lost its strong momentum in Q3/2018, as transaction volume plunged 42.9% quarter-on-quarter (QoQ) to 2,753 private residential units.

- In Q3/2018, the Urban Redevelopment Authority's (URA) island-wide private residential property price index inched up only 0.5% QoQ. The price growth for high-end, private non-landed units tracked by Savills also softened to a marginal 0.3% QoQ.

- At the end of Q3/2018, there were about 43,300 private residential units (including ECs) available for sale, with most expected to be launched in 2019 and 2020.

- Prices in 2019 are still expected to approach a limit of +8%. The increase is driven by the high land cost that developers land-banked during the superheated collective sales market.

"Although latent demand is strong, the cooling measures have moderated the rate of sales and developers must now price with finesse according to their projects' attributes." Alan Cheong, Savills Research

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Company Reg No. 198703410D

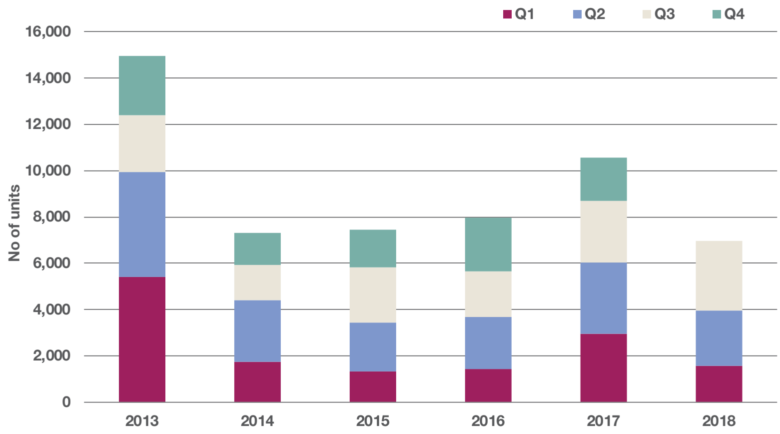
Market overview

On the evening of 5 July, the government announced that the Additional Buyer's Stamp Duty (ABSD) rates will be raised by five percentage points (ppts) for all individuals and ten ppts for entities, except for citizens and permanent residents (PRs) buying their first residential property. In the same breath, the government also announced the tightening of the loan-to-value (LTV) limits on residential property loans by 5%.

These unexpected property cooling measures, which came into effect on 6 July, surprised the market and upended developers' marketing strategy of holding back their launches to ride the anticipated surge in prices. Some projects, such as Park Colonial at Woodleigh Lane, Stirling Residences on Stirling Road and Riverfront Residences at Hougang Avenue 7, were released for sale on the evening of 5 July. Since then, developers have speeded up the pace of new launches, especially in September just after the Hungry Ghost Month. At the end of the Jul-Sep period, developers had released a total of 3,754 private residential units (excluding ECs). This was 54.0% higher than the previous quarter and the highest Q3 number since 2013. By market segment, 62.3% or 2,338 units launched for sale were in the Rest of Central Region (RCR), followed by 37.2% or 1,397 units in the Outside Central Region (OCR). The remaining 0.5% or 19 units were from the Core Central Region (CCR).

GRAPH 1

Primary private home sales volume, Q1/2013 – Q3/2018



Source: URA, Savills Research & Consultancy

In Q3/2018, developers sold 3,012 private residential units (excluding ECs), a 27.3% increase from the 2,366 units recorded a quarter ago. The surge in new sales, especially in the RCR where sales almost doubled from the previous quarter, was mainly fuelled by more new launches and panic-buying on the evening of 5 July to avoid the additional stamp duties and lower LTV limits which came into effect the following day. Based on caveats[1], 955 units were transacted on 5 July, taking up about one-third of the total new sales in Q3.

1 Downloaded from the URA's REALIS on Nov 26, 2018

Nevertheless, from 6 July, the market still faced the double whammy of the latest cooling measures and the Hungry Ghost Month. New sales in both the CCR and OCR fell by 19.0% QoQ and 12.8% QoQ, respectively. In addition, the island-wide take-up rate (sold vs launched) declined to 80.2% in Q3, from 175.5% in 2017 and 117.5% in 1H/2018.

In numeric terms, the top-selling projects in Q3/2018 were Riverfront Residences, Park Colonial, Stirling Residences, JadeScape on Shunfu Road, and The Tre Ver at Potong Pasir. From URA's report of developers' monthly sales, these projects recorded 2,187 units in sales, accounting for

TABLE 1

Major new launches, Q3/2018

Project name	Location	Developer	Locality	Total no. of units	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
8 Saint Thomas	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	250	20	8.0	2,936-3,401
Daintree Residence	Toh Tuck Road	Setia (Bukit Timah) Pte Ltd	RCR	327	42	12.8	1,591-1,952
Jadescape	Shunfu Road	Qingjian Realty (Marymount) Pte Ltd	RCR	1,206	327	27.1	1,448-1,866
Jui Residences	Serangoon Road	Tiara Land Pte Ltd	RCR	117	31	26.5	1,619-1,788
Mayfair Gardens	Rifle Range Road	Citrine Property Pte Ltd	RCR	215	82	38.1	1,751-2,087
Mont Botanik Residence	Jalan Remaja	Episcia Land Pte Ltd	OCR	108	2	1.9	1,897-2,061
Park Colonial	Woodleigh Lane	CEL Unique Development Pte Ltd	RCR	805	503	62.5	1,308-2,042
Riverfront Residences	Hougang Avenue 7	Rio Casa Venture Pte Ltd	OCR	1,472	731	49.7	1,118-1,465
Stirling Residences	Stirling Road	LN Development (Stirling) Pte Ltd	RCR	1,259	435	34.6	1,532-2,223
The Jovell	Flora Drive	Tripartite Developers Pte Ltd	OCR	428	41	9.6	1,163-1,400
The Tre Ver	Potong Pasir Avenue 1	UVD (Projects) Pte Ltd	RCR	729	191	26.2	1,429-1,657

Source: URA, Savills Research & Consultancy

72.6% of total new private homes sold in the quarter.

Owing to the latest round of ABSD hikes for various categories of buyers as well as tightened mortgage ratios and the seasonal impact of the Hungry Ghost Month, the strong buying momentum in the secondary market for the second quarter was lost in Q3/2018. Transaction volume of private residential properties plunged 42.9% QoQ to 2,753 units. Sales fell across all the market segments, with the CCR, RCR and OCR recording quarterly volume declines of 40.7%, 47.9% and 40.8% respectively. As a knee jerk reaction to the fresh cooling measures, home buyers adopted a 'wait-and-see' attitude as they expected prices to fall in the future, while sellers have held on to their prices to see how the market pans out.

Key market trends

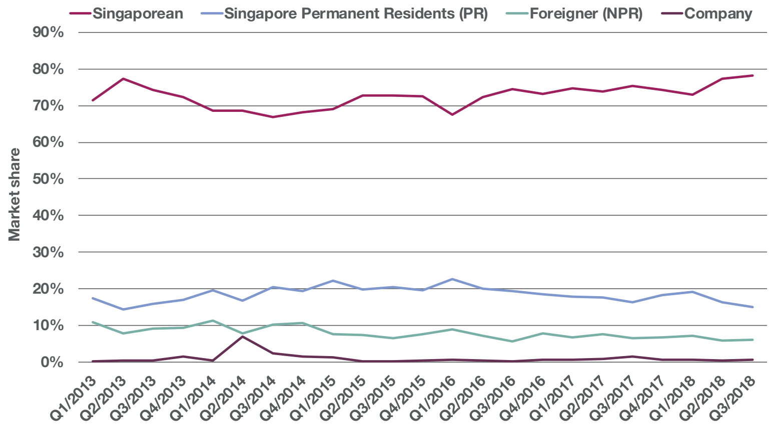
From an analysis of caveats, Singaporean buyers purchased a total of 3,948 non-landed private residential units in Q3/2018, making up 78.2% of total transactions. Although the transaction volume fell 18.8% QoQ, the market share of this group of buyers inched up by another 0.9 of a ppt QoQ. The increase was due to Singaporeans' active purchases of units in the primary market with a market share of 83.2%. In those projects newly-launched in Q3, units purchased by Singaporean buyers contributed at least 80.0% of the total sales in each development.

For non-Singaporean buyers, which includes PRs and foreigners, their market share in Q3/2018 was 21.1% of total sales of non-landed residential properties, down 1.2 ppts from the previous quarter. About 64.0% of total purchases were by buyers from China, Malaysia, Indonesia and India. The lower loan-to-value limits and increased ABSD rate, from 15% to 20%, retarded foreign purchases.

In the primary market, as the ABSD rate for citizens and PRs buying their first residential property remained unchanged, first-time buyers accounted for a large part of buyers in the new projects, especially those launched after 6 July. Meanwhile, demand remained healthy for projects that were competitively priced with unique selling points,

GRAPH 2

Market share of sales of non-landed private residential units, Q1/2013 – Q3/2018



Source: URA, Savills Research & Consultancy

GRAPH 3

Savills high-end, non-landed home price index, Q1/2011 – Q3/2018

Source: Savills Research & Consultancy

such as easy accessibility to the Mass Rapid Transit or in a location that saw few recent launches.

Prices

According to the URA statistics for Q3/2018, the island-wide private residential property price index registered its fifth consecutive quarter of price increases. However, the price index inched up only 0.5% QoQ in Q3 compared with the 3.4% increase in the previous quarter. The strong growth seen in the first half of 2018 has been reined in mainly due to the 6 July cooling measures.

The prices of landed homes continued to rise 2.3% QoQ, after Q2's 4.1% growth. For non-landed properties, prices remained unchanged from a quarter ago. Although the CCR was relatively resilient, rising 1.3% QoQ in Q3, the increase was offset by the performances in both the RCR and OCR, which fell 1.3% QoQ and 0.1% QoQ, respectively.

The price growth for high-end, private non-landed units tracked by Savills also softened, to a marginal 0.3% QoQ in the reviewed quarter. The average price of such prime-quality homes stood at S$2,407 per sq ft in Q3/2018.

Future supply

According to the URA's statistics, the pipeline supply of private residential units (including ECs) with planning approval continued to increase for the fourth successive quarter. In Q3/2018, the figure rose 11.9% QoQ to 53,164 units, and of these, 31,295 units (58.9%) remained unsold, which was also 13.1% higher than the 26,943 units of a quarter ago.

Under the Government's Land Sale (GLS) Programme, for the second half of 2018 the Government placed four residential sites on the confirmed list. Together with the "white" site in Pasir Ris Central, these sites are expected to yield about 2,705 private residential units (including 695 EC units), quite similar to the 2,775 units on the 1H/2018 confirmed list. On the other hand, the successful en-bloc sales of private residential sites have almost dried up since 5 July, as the latest cooling measures and revised guidelines on the maximum number of allowable units for developments outside the Central Area has put a brake on the heated collective sales activity. Meanwhile, the potential supply from GLS sites (including ECs) and awarded en-bloc sale sites that have not been granted planning approval yet has declined substantially, from 19,500 units in Q2/2018 to 14,200 units in Q3/2018. The number of future units will ease further in the short-to-medium term if the Government maintains a measured land supply policy in the 2019 GLS Programme.

At the end of Q3/2018, 29,115 units of pipeline supply with planning approvals have not been launched. Together with the 14,200 units that have not been granted planning permission yet, a total of 43,315 units will be available for sale in future, with most expected to be launched in 2019 and 2020.

TABLE 2

Major upcoming launches, Q3/2018

Project name	Location	Developer	Locality	Total no. of units
10 Evelyn	Evelyn Road	Creative Investments Pte Ltd	CCR	56
3 Cuscaden	Cuscaden Walk	SL Capital (2) Pte Ltd	CCR	96
Amber Park	Amber Gardens	Aquarius Properties Pte Ltd	RCR	616
Arena Residences	Guillemard Crescent	RH Guillemard Pte Ltd	RCR	98
Belgravia Green (strata-landed)	Belgravia Drive	Fairview Developments Pte Ltd	OCR	81
Condominium development	Handy Road	CDL Regulus Pte Ltd	CCR	188
Fourth Avenue Residences	Fourth Avenue	Valleypoint Investments Pte Ltd	CCR	476
Kent Ridge Hill Residences	South Buona Vista Road	Oxley Spinel Pte Ltd	RCR	548
Luxus Hills (landed)	Luxus Hill Avenue	Singapore United Estates Pte Ltd	OCR	117
Mayfair Modern	Rifle Range Road	Citrine Property Pte Ltd	RCR	171
Nyon	Amber Road	Aurum Land Pte Ltd	RCR	92
Parc Esta	Sims Avenue	MCL Land (Everbright) Pte Ltd	RCR	1,399
Parkwood Collection	Lorong 1 Realty Park	Fantasia (Park) Pte Ltd	OCR	53
Petit Jervois	Jervois Road	Jerwyn Pte Ltd	CCR	55
Residential/service apartments	Jiak Kim Street	Frasers Property Quayside Pte Ltd	CCR	500
RV Altitude	River Valley Road	Roxy-Pacific Holdings Limited	CCR	140
The Hyde	Balmoral Road	Aurum Land	CCR	117
The Lilium	How Sun Road	SingHaiyi Huajiang Amber Pte Ltd	OCR	80
The Woodleigh Residences	Bidadari Park Drive	The Woodleigh Residences Pte Ltd	RCR	667
Treasures At Tampines	Tampines Street 11	Sim Lian (Treasure) Pte Ltd	OCR	2,225
Uptown @ Farrer	Perumal Road	Perumal Development Pte Ltd	RCR	356
Whistler Grand	West Coast Vale	CDL Pegasus Pte Ltd	OCR	718

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

The revised 12% ABSD for Singaporeans buying their second residential property and the 20% ABSD on foreign buyers dealt the private residential market a one-two punch. While we believed that both developers' and buyers' resilience would hold out against the latest measures, after five months the market is beginning to develop characteristics that differentiate it from previous cyclical epochs. Government measures and the tsunami of collective sales from May 2016 to July 2018 have, in our opinion, been the generating sets of this new topology, which we are only just beginning to get a glimpse of.

We believe that some (there are others) of the new market characteristics which have revealed themselves are:

- Developers adopting a 5 July pricing strategy for RCR projects
- Buying continuing past maiden launch
- Losing the stepping up of prices at sequential launches

Given that this is just a residential brief, we will not be showing the full slate of statistics to support the abovementioned characteristics. We will merely summarize what we have quantitatively found from a sample of projects that were launched from 6 July onwards.

Developers adopting 5 July pricing strategy for RCR projects

Prior to 6 July, our in-house developed model showed that developers were pricing towards the right tail of the price per sq ft (psf) distribution. In two instances, one in Q2/2018 and another on 5 July 2018, new launch prices were closing in or exceeding the second positive standard error. However, since the measures came into effect, developers have been pricing their new launches around the mean of our model, albeit slightly towards the right of the mean. This was the case for The Tre Ver and Jadescape. For Parc Esta, the average price of S$1,680 psf was slightly to the left of our mean. The results from the first month of launches for these projects show that if there are no confounding effects, say competition from launches in the vicinity that the subject property cannot clearly differentiate itself from, healthy take-up rates were achieved. Jadescape and Parc Esta achieved 27.1% and 23.5% sales respectively in the first month or first weekend of launch.

From the sample of developments that we analyzed, we believe that prices of new launches are generally in line with our mean statistic. However, this may not imply that prices are flat because many of the recent launches in the RCR tended to take reference from Park Colonial, which not only had over 270 caveats registered on the eve of the cooling measures but was done at prices significantly higher than our model's mean price. In short, for subsequent launches in micro-locations that had not seen any major new offerings for years, but where the developer was still benchmarking against Park Colonial, prices were still higher against the background sale prices in those micro-locations. The time needed to allow for this adjustment in new launch prices across the island means that there will continue to be some mild positive momentum to prices for one to two quarters after the cooling measures have taken effect. (Perhaps this may be the reason why an autoregressive moving average model for the URA PPI shows a memory of two quarters.)

Buying continues past maiden launch weekend

In the aftermath of the implementation of the TDSR framework in June 2013, not only were sales at the initial weekend launch lower, but the rate of sales slowed to almost negligible in the months after that maiden launch. This time round, we see continued sales at projects like Riverfront Residences, The Tre Ver, Jadescape, The Affinity at Serangoon, The Tapestry and Stirling Residences. We believe that continuing sales may be indicative of the psychological momentum of buyers.

Losing the stepping up of prices at sequential launches

This effect was observed not in those Q3/2018 launches but for those done in November. In prior cycles, the norm was for developers to price subsequent launches higher. However, after the July cooling measures, developers appeared to adopt a more cautious stance and moved away from the old practice. We see that at play at Whistler Grand. Although the median price achieved on the weekend of its launch was almost similar to Twin View's (a neighboring project) launch price in May 2018, it was nevertheless placed significantly to the left of our model's mean price. That strategy paid off because the developer managed to sell over 22% of the total number of units in the first weekend of launch. (Our model does not predict rate of sales, only the mean price.) On a separate note, we also tested the impact of the uncertain timeline for the High Speed Rail on prices in Districts 5 and 22. The results were counterintuitive in that there was no significant impact despite the current uncertain status of the project.

There are a few other differentiating characteristics of the market, but due to the constraints of space we shall not delve into them. Nevertheless, the three new features appearing on the topology of the primary private residential sales market have important ramifications for developers.

Although we believe that the market is still resilient against the backdrop of cooling measures, there are challenges ahead. One is the recent negative performance of global equity markets, which if sustained may dampen sentiments for large

OUTLOOK

The prospects for the market

ticket purchases such as private residential properties. Second is the unsettling effect that gargantuan collective sales sites bought at lower land costs and expected to come to market in 2019 will have on developers who purchased land at peak levels. Given the current level of the cooling measures, the issue to ponder is whether the market can generate enough demand to soak up the slew of mega launches next year.

We believe demand exists so long as pricing is in line with the attributes of the development and consumer sentiment remains strong. Developers will have to price with greater finesse, taking into account commission rates as well. Price undercutting may not generate the required sales levels because the cooling measures have affected the rate of sales, which is not necessarily price sensitive. For instance, we are finding more HDB dwellers, who hitherto had not considered moving to private properties, now considering that option. However, it takes time, rather than a consideration of how high private residential prices are, for these households to make that decision to sell their HDB flats. Ultimately, it now comes down to whether developers of large projects have the steely resolve to hold their ground and not give in to the noises generated by those in the negative quarters.

Please contact us for further information

Savills Singapore

Marcus Loo
Managing Director
+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
Executive Director
Head of Residential Projects
& Savills Associates
+65 6770 0111
gtan@savills.com.sg

Savills Research

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

Simon Smith
Senior Director
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk

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