MARKET IN MINUTES

Savills Research

Residential Sales

savills

Demand remains strong in the private market

The strong demand for private residential properties and price increases carried over from the previous quarter in Q3/2021.

- The number of private residential units launched in the quarter declined further from 2,356 in Q2/2021 to 2,149 units.
- Despite a smaller number of launched units, new sales volume continued to increase by 19.7% quarter-on-quarter (QoQ) to 3,550 units in Q3/2021, which was led by relatively strong take-up of new launches in the suburban areas.
- Due to escalating prices of new sales and construction delays, the secondary market saw strong sales as well, with the sales volume increasing for a fifth consecutive quarter to 5,533 units.
- Non-landed home purchases by Singaporeans expanded further in Q3/2021, growing 12.8% QoQ to 6,414 units, the first time they have exceeded 6,000 units since Q4/2012.
- With strong demand for private homes, the Urban Redevelopment Authority's (URA) property price index of residential properties increased by 1.1% QoQ in Q3/2021, which was attributed to a QoQ increase of 2.6% in prices of landed homes and 0.7% QoQ growth in prices of non-landed homes.
- The average price of Savills' basket of high-end non-landed private residential projects remained on an upward trajectory, increasing by 0.7% QoQ to S$2,458 per sq ft in Q3/2021.
- For 2022, we expect prices to rise by 7% year-on-year (YoY) with new sales demand coming in lower at 8,000 to 9,000 units because of a more limited number of launches.

"Unless stagflation becomes an issue, the downside risk to private residential price growth in 2022 is low."

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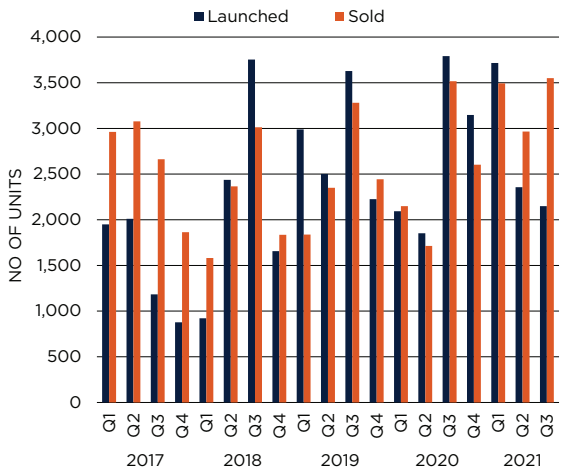
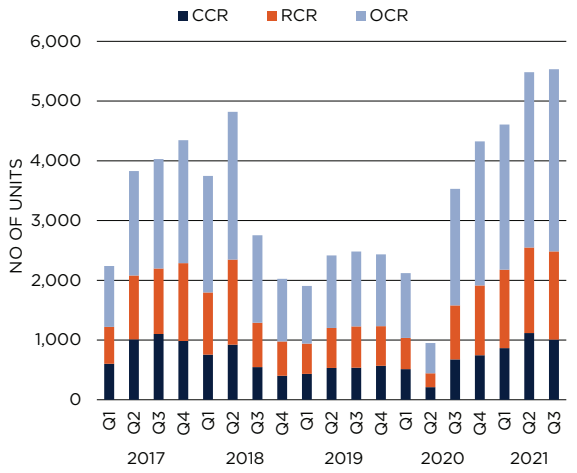
GRAPH 1: Number of Private Residential Units Launched and Sold in the Primary Market, Q1/2017 to Q3/2021



Source URA, Savills Research & Consultancy

GRAPH 2: Number of Private Residential Units Sold in the Secondary Market, Q1/2017 to Q3/2021



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

The slowdown in launches in Q2/2021 carried over to Q3/2021 with the number of private residential units launched in the quarter falling from 2,356 in Q2 to 2,149 units. While the bulk of the launched units in Q2 were in the Core Central Region (CCR) (1,019 units, or 43.3%), a majority of the launched units in Q3 were in the Outside Central Region (OCR) (1,319 units, or 61.4%). This was largely from new launches such as Pasir Ris 8 and The Watergardens At Canberra. These two projects released for sales 487 and 300 units respectively. The number of units launched in the CCR and Rest of Central Region (RCR) comprised 19.1% (410 units) and 19.5% (420 units) of the total launched units in Q3 respectively. In the CCR, there were three projects which released 100 units or more. Apart from previously launched projects such as Fourth Avenue Residences and Leedon Green, Klimt Cairnhill was newly launched in Q3/2021 with all 138 units released for sale. Similarly, in the RCR, there were also three developments with at least 100 units launched in the quarter. These included new launch Bartley Vue (launched all 115 units), as well as previously launched projects, the Forett at Bukit Timah and The Florence Residences (each launched another 100 units).

Although there were fewer launches, this did not dampen the sales momentum of those projects launched in prior quarters. This was evident from new sales volume increasing 19.7% QoQ to 3,550 units in Q3/2021. The uptick in sales volume was mainly contributed by sales in the OCR, which almost doubled from 1,030 units in Q2/2021 to 2,036 units in Q3/2021 or 57.4% of total new sales. The robust new sales in the OCR were led by the strong take-up of new launches Pasir Ris 8 and The Watergardens At Canberra.

On the other hand, new sales in both CCR and RCR declined on a QoQ basis, with new sales in the CCR decreasing 45.5% to 443 units while the RCR fell for a second consecutive quarter by 4.6% to 1,071 units. The significant decline in primary sales in the CCR was a result of a lower number of units launched in Q3. Although there was a drop in new sales numbers, the sales volume was still more than the number of units launched. In the RCR, the bulk of new sales was attributed to the sale of 318 units and 114 units in Normanton Park and The Florence Residences respectively.

Of the top five best-selling projects in Q3/2021, two were new launches in the quarter, namely Pasir Ris 8 and The Watergardens At Canberra. Both of these developments, located in the OCR, were much in demand going by the strong take-up in the quarter in review. Pasir Ris 8 attained a take-up rate of 87.3% (sold 425 units) while The Watergardens At Canberra was 63.6% sold (285 units). The strong interest of the units in Pasir Ris 8 even led to few rounds of price increases on the first day of its launch weekend, with prices even exceeding S$2,000 per sq ft for some units, a record for OCR. The high demand for the project may be due to pent-up demand arising from a multi-year famine of major residential developments launches in the area, as well as the strong selling point of the condominium being part of a mixed-use development comprising of a mid-sized retail mall and good connectivity to public transport nodes. While there was healthy demand across all unit types, the interest was strongest for the two-bedroom units. Similarly, the relatively strong take-up of The Watergardens At Canberra can also be attributed to its positive locational attributes such as its proximity to the Canberra MRT Station and the upcoming North Coast Innovation Corridor. Transacted prices for the sold units ranged from S$1,232 to S$1,579 per sq ft.

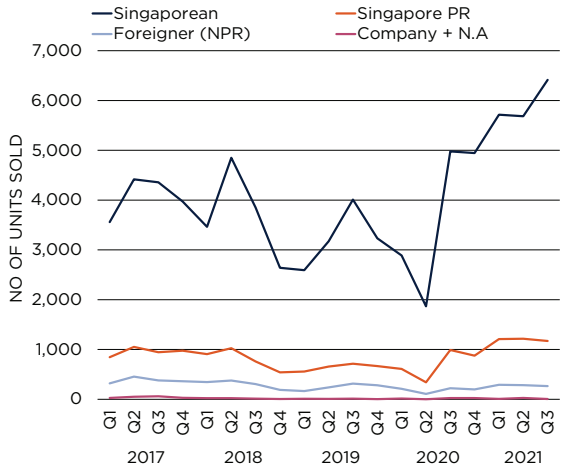
As prices of new projects continue to soar and with construction delays in projects, the secondary market continued to enjoy

TABLE 1: New launches, Q3/2021

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q3/2021	TAKE-UP (%)	PRICE RANGE (S$ PSF)
Pasir Ris 8	Pasir Ris Drive 8	Phoenix Residential Pte Ltd/Phoenix Commercial Pte Ltd	OCR	487	425	87.3%	1,411-2,084
Klimt Cairnhill	Cairnhill Road	Glopeak Development Pte Ltd	CCR	138	1	0.7%	3,818
The Watergardens at Canberra	Canberra Drive	United Venture Development (2020) Pte Ltd	OCR	448	285	63.6%	1,232-1,579
Jervois Mansion	Jervois Road	Kimen Realty Pte Ltd	CCR	130	1	0.8%	2,372
Bartley Vue	Jalan Bunga Rampai	Wee Hur (Bartley) Pte Ltd	RCR	115	28	24.3%	1,741-2,021

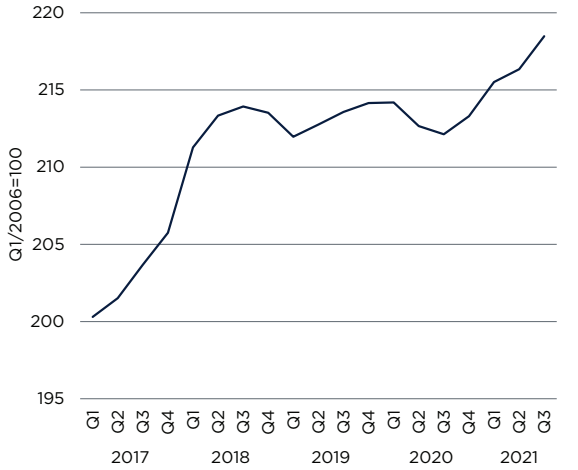
Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volumes of Non-landed Private Residential Units by Residency Status, Q1/2017 to Q3/2021



Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-end, Non-landed Home Price Index, Q1/2017 to Q3/2021



Source Savills Research & Consultancy

strong sales. Secondary sales rose for a fifth consecutive quarter by 0.9% to 5,533 units in Q3/2021, the highest since Q3/2010 when 5,550 units were transacted in the secondary market. Although secondary sales in the CCR fell 9.8% QoQ to 1,007 units, resale volume increased for both RCR and OCR by 3.0% and 4.0% to 1,476 units and 3,050 units respectively.

There is this general belief that more and more Singaporeans are buying into the private residential market out of fear of further price escalations as the global economy gradually gets back on its feet. Also, the supply of new private homes for launch is dwindling. Based on the caveats lodged, the number of non-landed private residential units bought by Singaporeans increased 12.8% QoQ to 6,414 units, leading to the proportion of local purchases against total transaction volume to rise 2.9 percentage points (ppts) to 81.7% in Q3/2021. This is the first time that sales to Singaporeans have exceeded 6,000 units since Q4/2012 when they acquired 6,330 non-landed homes.

With the increase in the proportion of purchases by Singaporeans, there was a corresponding decline in the proportion of both Singapore Permanent Residents (PRs) and non-PR foreigners. While economies have gradually opened, many remain wary and may still be cautious about travelling overseas. For some foreigners, they may need to view the homes before making any purchases. Hence, the transaction volumes of non-landed purchases by PRs and non-PR foreigners fell by 3.7% and 6.7% QoQ to 1,171 units and 264 units respectively, resulting in the market share of both groups falling 2.0 ppts and 0.5 ppts to 14.9% and 3.4% respectively in Q3/2021. Although the market share of purchases by PRs was still largely the same as during the pre-Covid period, the proportion of purchases by non-PR foreigners has fallen from the peak of nearly 8.0% during pre-Covid times to around 3.0% to 4.0% these days. While the introduction of Vaccinated Travel Lanes (VTLs) is expected to spur foreign demand for private homes, the emergence of the new variant Omicron and the continuation of strict border controls may dampen demand until it is relaxed.

PRICES

Amid the strong demand for private residential properties, the URA property price index of residential properties continued to increase for a sixth consecutive quarter by a slightly larger 1.1% in Q3/2021, compared to 0.8% in Q2/2021. This was attributed to the QoQ increase of 2.6% for prices of landed homes after registering a marginal decline of 0.3% in Q2/2021. For the non-landed segment, there was a 0.7% QoQ increase in prices. For the latter, this represented a sixth consecutive quarter of increase, albeit a moderated pace compared to the 1.1% QoQ growth in the previous quarter. The 2.6% QoQ increase in home prices in the RCR outweighed the declines in home prices in the CCR and OCR of 0.5% and 0.1% respectively. For the CCR, the decrease in prices may be attributed to the lower number of new sale units sold.

On the other hand, high-end non-landed properties continued to exhibit resilience in prices. According to Savills' basket of high-end non-landed private residential projects, prices continued trending up, increasing by 0.7% QoQ to S$2,458 per sq ft in Q3/2021.

FUTURE SUPPLY

At the end of Q3/2021, due to robust demand for private homes and slow land sales, the unsold inventory of private residential units

TABLE 2: Major upcoming launches from Q4/2021

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
Cairnhill 16	Cairnhill Rise	TSky Cairnhill Pte Ltd	CCR	39
Canninghill Piers	River Valley Road	Legend Quay Pte Ltd	CCR	696
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.

(excluding executive condominiums) continued to decline. According to URA's statistics, the unsold stock fell 11.6% QoQ from 19,409 units in Q2/2021 to 17,165 units in Q3. This was the lowest since Q2/2017 when unsold stock amounted to 16,929 units. In addition to an increase in available units under the 2H/2021 Government Land Sales (GLS) Programme, the en bloc market is also starting to see some activity as developers seek to replenish land banks amid dwindling unsold inventory.

In the next few quarters, there will be new launches covering all three market segments, catering to the appetites of different groups of homebuyers. The strong demand for private residential properties is expected to continue amid fears of future price escalations due to the lower supply of new launches and the increase in construction cost being passed down to buyers. Demand from HDB upgraders is also likely to extend towards end-2021 as HDB resale prices continue to soar as well.

OUTLOOK

In 2021, developers are expected to have sold about 12,500 private residential units with the overall URA Private Residential Property Price Index (PPI) rising between 6% to 7%. For 2022, we believe that because of fewer launches numbering between 6,500 to 7,500 units, developer sales may fall within the range of 8,000 to 9,000 units, many of which are from projects which were previously launched. Price wise, we are expecting a 7% increase, in-line with nominal GDP growth. Stronger inflationary tailwinds should drive the latter measure significantly higher than its real counterpart and given the historical relationship between the annual change of the URA PPI and nominal GDP growth, that increase is the most likely outcome.

Lately, concerns have been focused on the rise of household debt servicing ratios if interest rates go up. However, there are a few points which we will highlight to show that for the private residential market (stress) this is less of a concern today. Firstly, in the computation of how much a mortgagee can take on, the Total Debt Servicing Ratio (TDSR) uses a 60% limit of the gross monthly income to calculate the loan amount, . Also, there is a notional 3.5% interest rate used to compute housing loans (housing loan rates are currently around 1.5% per annum). Thirdly, the Loan-to-Value (LTV) ratio is now 75% for a first private property and 45% for the second private property if the loan tenure is up to 30 years. In our opinion, even if interest rates were to rise by more than a percentage point, it will still not breach the TDSR safeguards.

Leaving aside the TDSR affording downside protection if interest rates were to rise, we believe that one cannot just look at rates per se, but more importantly the environment at that moment in time. Out of the many scenarios, let us look at just two. One, if rates rise but lag inflation while global economic growth remains healthy, the interest rate operator on asset prices should cause it to increase. However, for the second, if there is hyperinflation leading to stagflation, then real estate prices may decline. Under this second scenario, if unemployment levels rise sharply for the upper income earners or they suffer hefty salary cuts, the TDSR firewall would be bypassed since they were applied retroactively to mortgagees whose jobs were forfeit as a result of stagflation.

However, the good news is that we believe that real global economic growth in 2022 will still be positive and while inflation rates remain elevated, they are not expected to go into overdrive. Consequently, any rate increase can easily be accommodated by both the economy and the private residential market. Also, the belief that real estate is a hedge against inflation has been seared into the minds of many here and if heightened job security fears are not an issue next year, inflation may even positively influence demand.

All said, the private residential market is performing in line with economic fundamentals and even if we see a 7% price increase in 2022, this should not be read as a sign of over-heating.