MARKET IN MINUTES
Savills Research

Residential Sales

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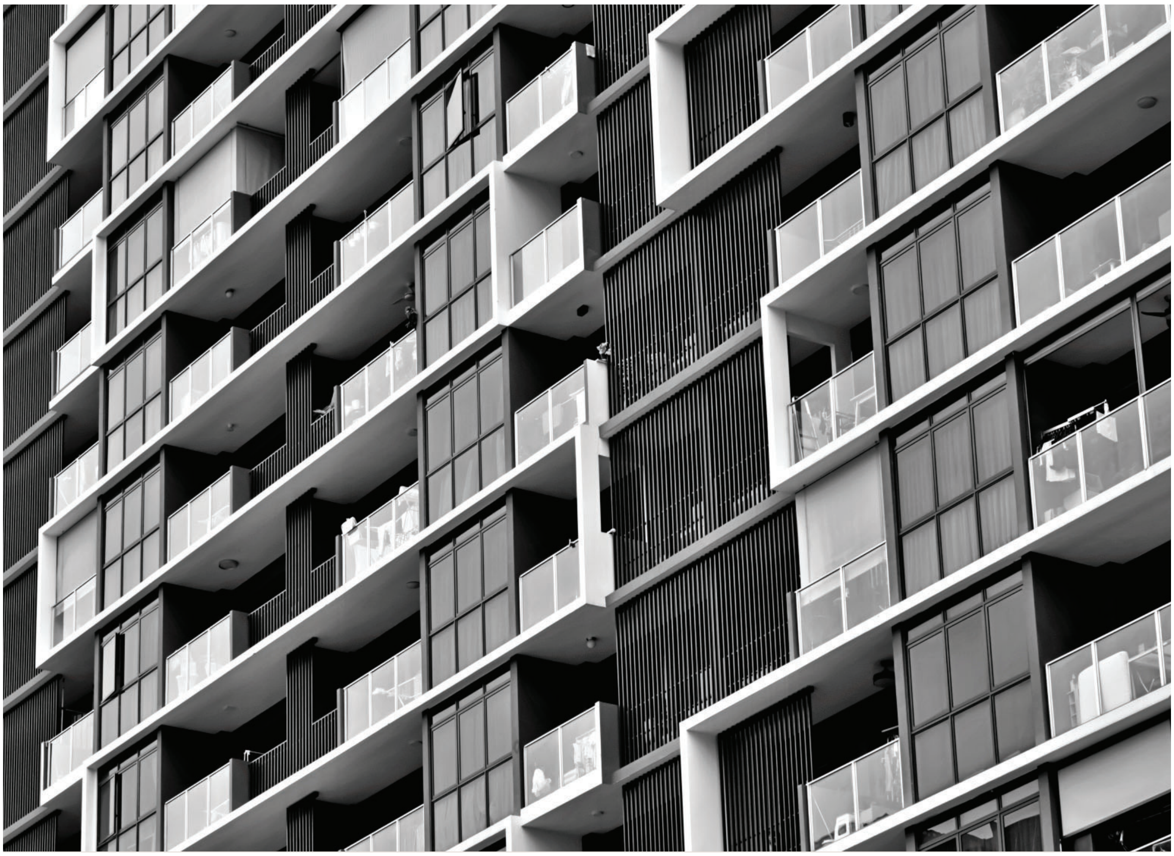

Slowing growth amid uncertainties

A raft of events ranging from economic uncertainties, a recalibration of the cooling measures in December 2021, rising inflation and the attendant increase in interest rates, has slowed secondary demand.

- The number of launched units tapered off by 25.6% QoQ to 1,455 units in Q3/2022 after a surge in launches in Q2/2022. The lower number of launched units led to a decrease in new sales volume, falling 8.8% QoQ to 2,187 units in the quarter. Secondary sales contracted 10.3% QoQ to 3,961 units in Q3/2022 after a rebound in Q2/2022.

- The dampening effect was particularly felt for Singapore Permanent Residents (PRs) and foreigners as sales volumes of non-landed homes by these two groups of buyers registered double-digit declines. However, Singaporeans registered a 1.5 percentage points (ppts) increase as a proportion of non-landed buyers, bringing their total to 79.3% in Q3/2022.

- Although transaction volume declined, because new launch supply has been low, the maiden launch take-up rate has been very strong. The URA property price index for all private residential properties increased for a 10th consecutive quarter by a larger 3.8% in Q3/2022. Prices of non-landed homes grew 4.4% QoQ, while prices of landed homes rose by a smaller 1.6%.

- Similarly, prices of Savills' basket of high-end non-landed private residential projects rose for an eighth consecutive quarter, albeit at a moderated pace of 0.6% to average S$2,544 psf in Q3/2022.

- For 2022, we are revising our price forecast from a 7% YoY increase to 10%. For 2023, if floating mortgage rates rise to 5% and remain sticky, prices may still rise by 7%. However, if borrowing costs rise further from today but are expected to fall, prices could rise 10% YoY.

"Although economic conditions are soft, buyers from the still in-demand professions, and those with parental support will buttress the market next year."

ALAN CHEONG, SAVILLS RESEARCH

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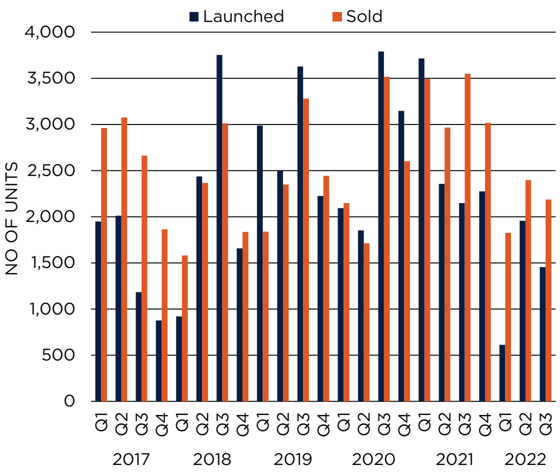
GRAPH 1: Number of Private Residential Units Launched and Sold in the Primary Market, Q1/2017 to Q3/2022



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

After surging in Q2/2022, the number of units launched tapered off 25.6% QoQ to 1,455 units in Q3/2022. On a YoY basis, it declined by a larger 32.3%. The decline was largely seen in the Core Central Region (CCR) and particularly, the Rest of Central Region (RCR), falling by 65.8% and 92.4% QoQ to 240 units and 74 units respectively. For the number of launched units in RCR, this was the lowest since URA released the data in Q4/2004. On the other hand, the number of units launched in the Outside Central Region (OCR) shot up from 285 units in Q2/2022 to 1,141 units in Q3/2022. The increase came mainly from the launch of three projects. The last time the number of units launched in the suburban areas exceeded the 1,000-unit mark was in Q3/2021, when Pasir Ris 8 (487 units) and The Watergardens at Canberra (448 units) were released to the market. In terms of the breakdown of u nits launched by locality, the bulk, or 78.4%, were in Outside Central Region (OCR), followed by 16.5% in Core Central Region (CCR) and 5.1% in Rest of Central Region (RCR). For the past three consecutive quarters, the RCR made up the bulk of the launches.

Six projects were released for sale in the quarter. Out of which, three were developments with over 150 units each and located in OCR. The last time when a residential project of over 150 units was launched in OCR was in November 2021, when The Commodore (219 units) begun selling. These three new launches, namely Lentor Modern, AMO Residence and Sky Eden @ Bedok, offered all their units for sale. Apart from these three projects, there were no significant number of units released (those with at least 100 units) in the quarter from previously launched projects. In the CCR, Leedon Green and Perfect Ten released another 75 units and 55 units for sale respectively. For these developments, even after the offering, there are still units available for release later. Separately, in the RCR, there was only one previously launched project with units released for sale in the quarter. This was Piccadilly Grand, a development that was first launched in May 2022. Another 30 units was released for sale in Q3/2022.

With fewer launches, new sales volume correspondingly fell. However, the latter declined by a smaller 8.8% QoQ to 2,187 units compared to the 25.6% decrease in units launched in the quarter. This came after a 31.3% jump in new sales in the previous quarter. On a YoY basis, it was also 38.4% lower. In terms of the composition of new sales by market segment, over half, or 56.9% (1,244 units) of the new sales volume came from OCR in Q3/2022. In the previous quarter, new sales in OCR constituted the lowest proportion among the three market segments. In the quarter in review, the surge in new sales in the suburban areas was be attributed to the jump in number of units coming from the three new launches mentioned above. This was followed by the CCR (25.7%, or 562 units) and the RCR (17.4%, or 381 units). New sales in the RCR were the lowest since Q3/2015 when 225 units were sold and 172 units were launched.

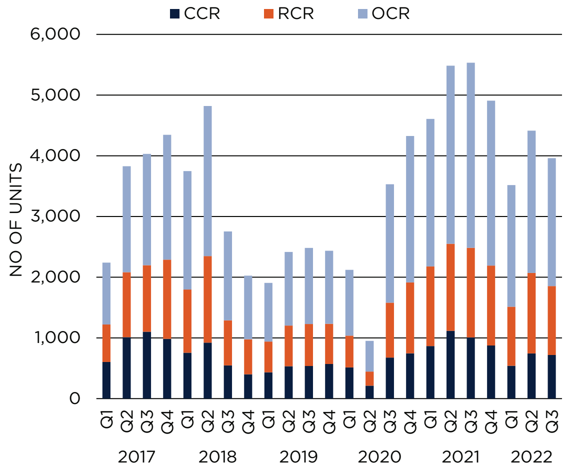
Of the top five best-selling projects in Q3/2022, the top three were launched in the third quarter. Among these three launches, the one with the highest take-up rate was AMO Residence, with nearly all its 372 units sold (362 units) by the end of the quarter. Out of which, 349 units were sold during the weekend of launch, making it the best-

TABLE 1: Significant New Launches, Q3/2022

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q3/2022	TAKE-UP (%)	PRICE RANGE (S$ PSF)
AMO Residence	Ang Mo Kio Rise	United Venture Development (2021) Pte Ltd	OCR	372	362	97.3%	1,890-2,406
Lentor Modern	Lentor Central	Lentor Central Pte Ltd/ Lentor Modern Pte Ltd	OCR	605	512	84.6%	1,837-2,513
Sky Eden @ Bedok	Bedok Central	Chempaka Development Pte Ltd	OCR	158	121	76.6%	1,854-2,286

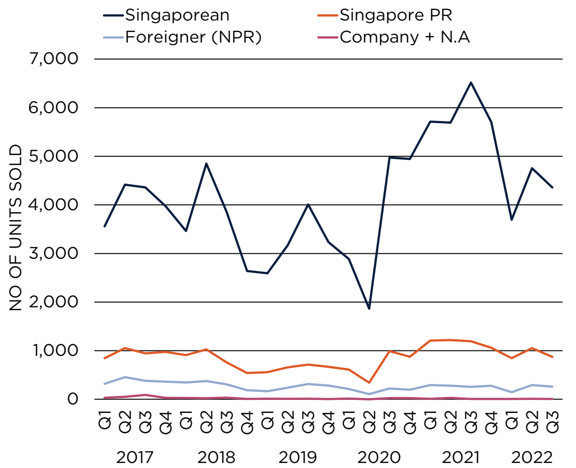
Source URA, Savills Research & Consultancy

GRAPH 2: Number of Private Residential Units Sold in the Secondary Market, Q1/2017 to Q3/2022



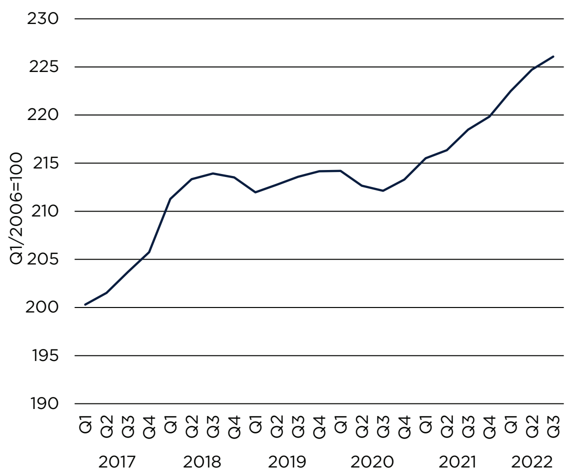
Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volumes of Non-landed Private Residential Units by Residency Status, Q1/2017 to Q3/2022



Source URA, Savills Research & Consultancy

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



Source Savills Research & Consultancy

selling project since The Linq @ Beauty World that was launched in November 2020 and where 115 of its 120 units sold in the maiden weekend of the sale. One reason for its good sales performance was that it was the first major new launch in the OCR, and particularly, for the Ang Mo Kio subzone (where it is located) for over eight years. This drought created pent-up demand from homebuyers in the area. Despite average transacted prices reaching record prices of S$2,100 psf, it did not deter homebuyers from entering the market as many may be afraid of even higher launch prices in the future.

Strong take-up rates of over 70% were also observed for both Lentor Modern and Sky Eden @ Bedok. These were projects launched a few weeks after AMO Residences. With escalating prices in the new sales market, unit prices of homes in the mass market areas have exceeded S$2,000 psf in Q3/2022 and market observers believe that this will become the norm. For Lentor Modern, all of its 1- and 2-bedroom units were fully sold during the launch weekend, which may be due to its the relatively lower entry point price quantum. Apart from this mixed-use project by Guocoland, the Hong Leong Group and its subsidiaries will have various upcoming projects in the Lentor neighborhood. Similarly for Sky Eden @ Bedok, the smaller 2-bedroom units were also fully sold during its launch weekend. By the end of the quarter, 121 of its total 158 units were taken up. There were no 1-bedroom units for the project at Bedok. The strong take-up rate of the development can be attributed to its location in a mature estate, walking distance to Bedok MRT station and its accessibility to a variety of amenities. Apart from these three new launches, two other projects that had been launched in previous quarters in CCR and RCR were also in the top-five selling projects. These included Hyll on Holland (71 units sold) and Riviere (70 units sold).

After the rebound in sales volume in Q2/2022, secondary sales declined 10.3% QoQ to 3,961 units in Q3/2022. The decline in secondary sales volume was observed across the three market segments with the largest coming from the RCR. This region fell by 14.3% QoQ to 1,135 units. Transaction volume in the secondary sales market for the OCR and CCR contracted 10.1% and 3.5% QoQ to 2,108 units and 718 units respectively.

After a rebound in the second quarter, the contraction in overall non-landed private residential volume was also felt across all residency status in Q3/2022. This may likely be due to the delayed effects from the recalibration of cooling measures in December 2021, and/or the macroeconomic uncertainties caused by higher interest rates. The effect of these factors were more prominent felt by PRs and foreigners as they both registered with double-digit percentage declines in sales volume. In Q3/2022, the transaction volume of non-landed homes of PRs and foreigners fell 17.1% and 11.3% QoQ to 873 units and 260 units respectively. Similarly, purchases by Singaporeans fell 8.4% QoQ to 4,358 units. Owing to the larger declines in sales volume of PRs and foreigners, the proportion of total purchases by these two groups of buyers fell 1.3 ppts and 0.1 of a ppt to 15.9% and 4.7% respectively. Compared to pre-COVID times, the proportion of foreign purchases continue to remain low. Consequently, there was a 1.5 ppts increase in the proportion of non-landed purchases by Singaporeans, reaching 79.3% in Q3/2022. This percentage remains above pre-COVID levels.

PRICES

In Q3/2022, the URA property price index of private residential properties increased for a 10th consecutive quarter by 3.8% QoQ. In the previous quarter, the increase was 3.5% QoQ. This was mainly due to a 4.4% quarterly increase in non-landed home prices. While the price of landed homes continued to grow for the fifth consecutive quarter, the growth rate slowed from 2.9% in Q2/2022 to 1.6% in the quarter. On the other hand, the prices of non-landed homes accelerated from a 3.6% increase in Q2/2022 to 4.4% in the third quarter. This was attributed to a 7.5% surge in prices of non-landed homes in OCR, the largest quarterly growth since Q3/2009 (when prices rebounded 16.1% after four consecutive quarters of decline). The launch of the three new projects in OCR with average selling prices surpassing the S$2,000 psf mark contributed to jump in home prices in the mass market segment. Similarly, growth in prices of non-landed homes in CCR was also higher in Q3/2022, increasing 2.3% QoQ from the second quarter's 1.9%. On the other hand, prices of non-landed homes in RCR rose 2.8% QoQ, lower than the 6.4% in the previous quarter. This is likely due to the lack of new launches in the mid-tier segment.

The prices of luxury non-landed private residential projects tracked by Savills continued to increase for the eighth consecutive quarter, albeit at a moderated pace of 0.6% to S$2,544 psf in Q3/2022. In Q2/2022, the increase was 1.0%. On a YoY basis, prices have risen 3.5%. Nevertheless, prices of high-end properties are remaining resilient despite global economic uncertainties. The strong Singapore dollar and inflow of the ultra-rich setting up companies and family offices here have supported this segment of the market.

TABLE 2: Major Upcoming Launches from Q4/2022

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
The Reserve Residences	Jalan Anak Bukit	FE Landmark Pte Ltd	RCR	900
The Continuum	Thiam Siew Avenue	Hoi Hup Sunway Katong Pte Ltd	RCR	807
The Arden	Phoenix Road	CNQC Realty (Phoenix) Pte Ltd	OCR	105
Pollen Collection	Nim Road/Ang Mo Kio Avenue 5	Singapore United Estates Pte Ltd	OCR	132
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
Kassia	Flora Drive	Tripartite Developers Pte Ltd	OCR	276
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	453
Condominium development	Jalan Tembusu	Tembusu Residential Pte Ltd	RCR	640
The Botany At Dairy Farm	Dairy Farm Walk	Sim Lian JV (Dairy Farm) Pte Ltd	OCR	386

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

FUTURE SUPPLY

As at end-Q3/2022, there were 49,384 private residential units (excluding executive condominiums (ECs)) in the supply pipeline with planning approvals, 1.1% higher than the 48,836 units recorded in the previous quarter. Of this, around 31.7% (15,677 units) of these units remain unsold. After the QoQ growth of 12.2% of unsold units in Q2/2022, the unsold stock recorded a slight decline of 0.8% in Q3/2022. Giving one a better perspective of what this means, there were 36,839 unsold units as recent as Q1/2019. Notwithstanding the tight unsold stock, the limited new launches expected in the last quarter of 2022, together with the cautious outlook arising from global economic conditions, may lead to a slowdown in the appreciation of home prices.

For 2023, while there are some larger projects (above 200 units) that will be launching in the OCR, most of the larger project launches are located in RCR and this includes The Reserve Residences (900 units), The Continuum (807 units) and a condominium development at Jalan Tembusu (640 units).

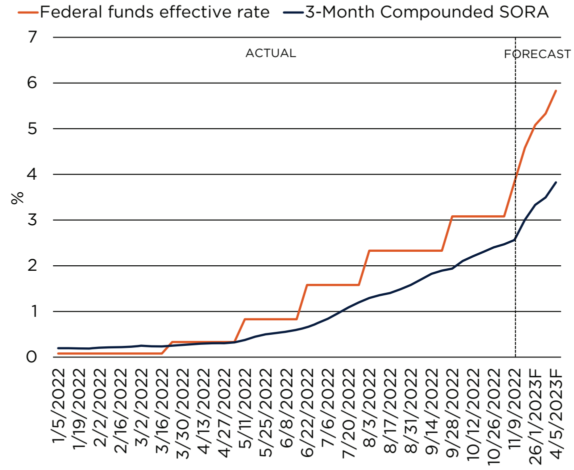
OUTLOOK

What fuels the Singapore private residential market is no different from others. Whilst economic malaise and rising interest rates in developing countries are having negative correlative effects on their residential real estate markets, prices here are powering on as though these issues have no impact whatsoever. We are not saying that our market does not respond to these factors, it does. Why the market appears to defy logic is due to subtle undercurrents that are often not well understood.

On the demand side, while we have sequential government interventions to cool the market, they have not been overly restrictive. For example, using household liquidity as a measure, they have been, for the period end-2012 to end-2022, rising at an annual compounded growth of 7.9%. Meanwhile, private property prices, as represented by the URA Private Property Price Index, had been rising at just 1.9%. Thus far, the slate of cooling measures and their subsequent recalibrations have been behind the potential demand curve. With the benefit of hindsight, what the measures did was disorientate the potential market participants into deferring their purchases. This has the effect of creating pent up demand that would in due course discharge. Unfortunately, when buyers were in a state of disorientation, it created the false causality that the measures were working (because prices either didn't go up and demand was low). After a period, when the liquidity base continues building and buyers realised that prices did not fall sharply, they returned with a vengeance, leading to another round of recalibration that is still behind the expanding liquidity horizon.

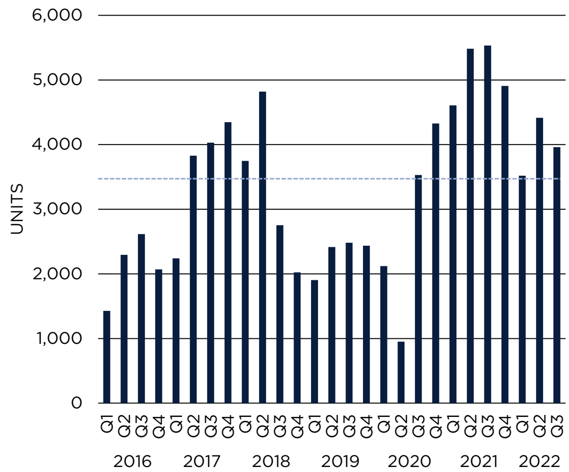
In a sea of global uncertainty, the safe haven status of Singapore also added another pillar of support by attracting ultra-high net worth individuals to set up base here. The influx of high-income foreign professionals is also lending support to the market. Both on the sales and leasing fronts. These well-heeled foreigners can easily outbid locals for both public and private properties. From the highest to the lowest value strata, there is a chain rule and if one element in the chain is affected, its effects can be felt up and down the link.

GRAPH 5: The US FED and 3-Month SORA Relation, January 2022 to May 2023F



Source US Federal Reserve, MAS, Savills Research & Consultancy

GRAPH 6: Private Residential Units Sold in the Resale Market, Q1/2016 to Q3/2022



Source URA, Savills Research & Consultancy

Currently, we are seeing all this playing out because in less than a year after we had the last recalibration, first on December 16th 2021 and targeted at the private sector, then on 30th September 2022, taking aim mainly at the public flat market, we find prices are still rising. In the meantime, economic conditions are becoming softer by the quarter. Prices are rising because at any phase of an economic cycle, there are always industries that do well and there is also demand funded by parental support. Because supply numbers have been relatively low, it can more easily pair with buyers from industries that are hitherto performing well, those who had parental support and with the higher income new immigrants. Interest rates have thus far had not much of a deleterious impact on demand because the US FED rate increase this year had so far not exhibited a one-one relation with our 3-month compounded SORA. In fact, a simple correlation between the weekly effective FED rate and the 3-month SORA showed just a 0.65 contemporaneous relation. (Please refer to Graph 5.) Unfortunately, it is illogical to expect that the nonchalant feeling towards borrowing costs can be extended to higher interest rates.

If the FED rate settles at the high-5% level by mid-2023 and if the historical pace is maintained, our 3-month SORA would reach 3.8%. Given the additional 1% to 1.25% add-on for floating rate mortgages pegged to SORA, the effective borrowing cost would be about 5%. Resale numbers in the private market has been trending down since end-2021. Without leads, one may attribute this to an assortment of reasons, but on the ground, concerns over interest rates are becoming more audible amongst potential buyers.

For 2022, we believe that prices may rise 10% YoY and for 2023, if mortgage rates move towards 5% and buyers hold the expectation that they will remain sticky, both new and resale demand may be softer than this year. However, as the successful land bid prices in the 2022 land tenders did not moderate, and with inflation still at heady levels, the total cost of production for new launches should be higher than this year. Higher new sale prices would then lend support to resale prices. We are forecasting overall prices to rise 7% YoY in 2023. If interest rates begin to fall by mid-2023, this would boost buyer confidence and we may see prices rise by up to 10%.