Singapore – March 2019

MARKET IN MINUTES

Savills Research

Residential Sales

Residential prices rise 7.9% in 2018

Apart from seasonal factors, sales were still considered lukewarm due to the July 2018 round of cooling measures.

- From October to December 2018, developers launched 1,657 uncompleted private residential units while new sales totalled 1,836.
- Despite the cooling measures, the overall marketing landscape that emerged in the fourth quarter was that projects with good location attributes and competitive prices could still achieve healthy initial launch take-up rates.
- Sales of existing homes in the secondary market fell for the second straight quarter and posted a steep 26.5% quarter-on-quarter (QoQ) decline to 2,024 units.
- From the Urban Redevelopment Authority's (URA) latest statistical release, overall private home prices eased 0.1% QoQ in Q4/2018, the first quarterly decline since Q2/2017. However, the market is viewing this slight decline as a blip rather than the start of a trend reversal.
- Prices for the basket of high-end non-landed homes tracked by Savills dipped 0.2% QoQ in Q4/2018 and averaged at S$2,403 per sq ft (psf) by end-2018.
- As of end-2018, the pipeline supply of island-wide private residential properties with planning approvals had increased 2.3% QoQ to 51,498 units. Of this number, 34,824 units or 67.6% of stock remained unsold.
- With a flurry of launches expected this year in which the revised cooling measures, if left unadjusted, are likely to reduce demand, the price to pay for a marketing misfire can be great.

"Given cost-push pressures, prices will continue to face upside risk in 2019."

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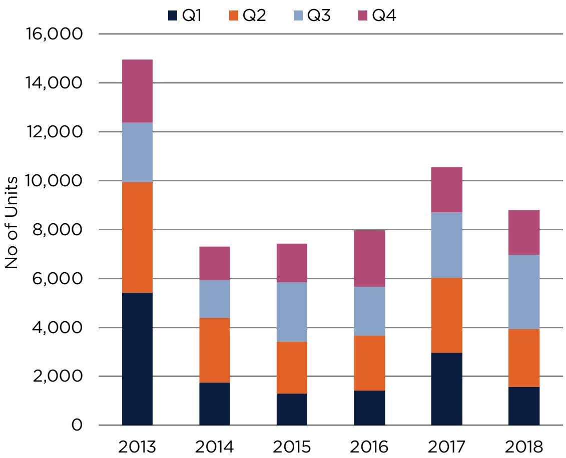
GRAPH 1: Primary Private Home Sales Volume, Q1/2013 to Q4/2018



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Q4 is typically a slow quarter for sales of private residential properties. This is because the period straddles the year-end school holidays and seasonal festivities. Besides the seasonality effect, market sentiments were being suppressed by the revised cooling measures which came into effect on 6 July 2018.

From October to December 2018, developers launched 1,657 uncompleted private residential units. This was 55.9% lower than the previous quarter, but almost double the 877 recorded in the same period in 2017. Most of the new launches in the last quarter of 2018 were unveiled in November, including 3 Cuscaden at Cuscaden Walk, Arena Residences at Guillemard Crescent, Kent Ridge Hill Residences on South Buona Vista Road, Parc Esta at Sims Avenue, The Woodleigh Residences at Bidadari Park Drive and Whistler Grand at West Coast Vale.

In Q4/2018, 1,836 private residential units were sold in the primary market (new sales), down 39.0% QoQ from the 3,012 units recorded a quarter ago. By locality, 56.3% or 1,034 units were sold in the Rest of Central Region (RCR), followed by 38.8% or 713 units in the Outside Central Region (OCR). The remaining 4.8% or 89 units sold were in the Core Central Region (CCR).

According to the URA's database for developers' monthly sales, the top three selling projects in Q4/2018 were Parc Esta, Whistler Grand and Kent Ridge Hill Residences. Developed on the site of former Eunosville near the Eunos MRT station, which was sold collectively in May 2017, the 1,399-unit Parc Esta received a net take-up rate of 28.1% with 393 sold in Q4/2018. The caveats[1] showed an average price of about S$1,700 psf. At the 716-unit Whistler Grand, 230 units found buyers with an average price of S$1,357 psf. The net take-up rate was 32.1%. Kent Ridge Hill Residences moved 125 units, net of units sold where the option to purchase expired or 22.8% of the total 548 units in the project. The average selling price was S$1,710 psf.

Despite the cooling measures, the overall marketing landscape that emerged in the fourth quarter was that projects with good location attributes and competitive prices could still achieve healthy initial launch take-up rates of between 22% and 29%. In addition, this time round, unlike in June 2013, the cooling measures did not induce a market seizure. New project launches from

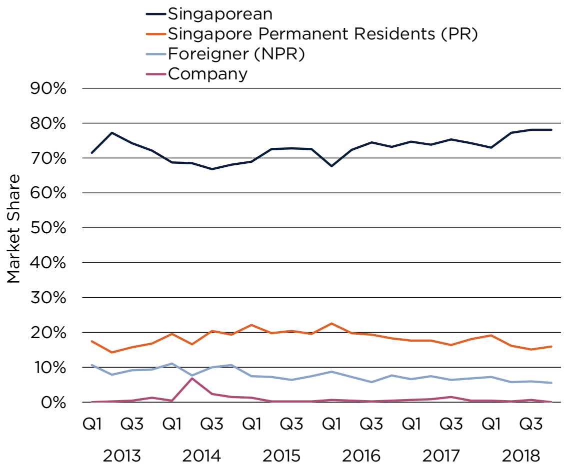
1 Downloaded from the URA's REALIS on Feb 26, 2019.

TABLE 1: New Launches In Q4/2018

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY END-2018	TAKE-UP	PRICE RANGE (S$ PSF)
10 Evelyn	Evelyn Road	Creative Investments Pte Ltd	CCR	56	2	3.6%	2,474 - 2,481
3 Cuscaden	Cuscaden Walk	SL Capital (2) Pte Ltd	CCR	96	21	21.9%	3,385 - 3,831
Arena Residences	Guillemard Crescent	RH Guillemard Pte Ltd	RCR	98	34	34.7%	1,322 - 1,924
Belgravia Green	Belgravia Drive	Fairview Developments Pte Ltd	OCR	81	33	40.7%	840 - 944
Kent Ridge Hill Residences	South Buona Vista Road	Oxley Spinel Pte Ltd	RCR	548	125	22.8%	1,450 - 1,839
Parc Esta	Sims Avenue	MCL Land (Everbright) Pte Ltd	RCR	1,399	393	28.1%	1,509 - 1,882
Petit Jervois	Jervois Road	Jerwyn Pte Ltd	CCR	55	1	1.8%	2,892
The Ramford	Rambai Road	Centra East Development Pte Ltd	RCR	16	6	37.5%	1,450 - 1,686
The Woodleigh Residences	Bidadari Park Drive	The Woodleigh Residences Pte Ltd	RCR	667	26	3.9%	1,926 - 2,318
Whistler Grand	West Coast Vale	CDL Pegasus Pte Ltd	OCR	716	230	32.1%	1,228 - 1,575

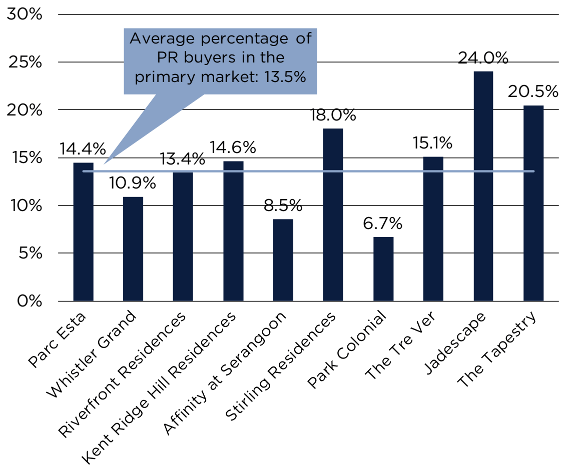
Source URA, Savills Research & Consultancy

GRAPH 2: Market Share For Sales Of Non-Landed Private Residential Units, Q1/2013 to Q4/2018



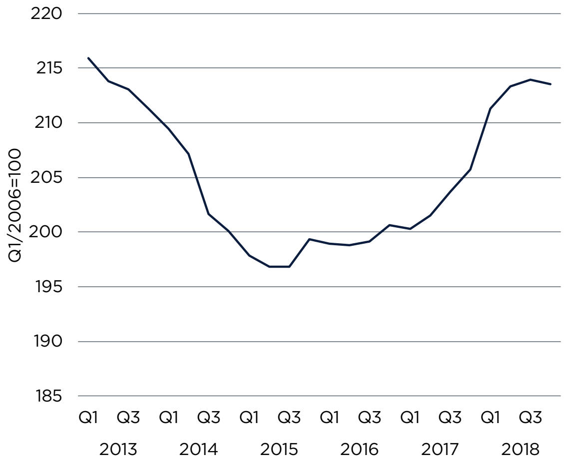
Source URA, Savills Research & Consultancy

GRAPH 3: Mark Share of PR Buyers In Top Selling Non-Landed Private Residential Projects (New Sales), Q4/2018



Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-End, Non-Landed Home Price Index, Q1/2013 to Q4/2018



Source Savills Research & Consultancy

6 July 2018 on are doing much better than comparable launches in 2013, the year when the Total Debt Servicing Ratio framework was introduced.

For the whole of 2018, developers offered a total of 8,769 uncompleted private residential units for sale. Despite the lack of launches in both Q1 and Q4 of last year, the final number is still significantly higher than the 6,020 units recorded in 2017. On the sales side, buyers snapped up 8,795 new homes in 2018, on par with developers' launches during the same period. Compared with the 10,566 new units sold in 2017, the new sales fell by 16.8% on a yearly basis. The decline was mainly because of the cooling measures, given there were more launches by developers in 2018.

Buying activity in the secondary market remained lacklustre in Q4/2018. Sales of existing homes fell for the second straight quarter and posted a steep 26.5% QoQ decline to 2,024 units. Among these, 1,048 units were sold in the OCR, followed by 575 in the RCR and 401 in the CCR.

Nevertheless, thanks to the buoyant performance in the first half of the year, the secondary market had a relatively strong year in 2018 with 13,009 units sold. This represented a 7.6% decrease on a yearly basis but was still the second highest transaction volume since 2013.

From URA's data, Singaporean buyers purchased 2,657 non-landed private residential units in Q4/2018, accounting for 78.1% of total sales (excluding en-bloc sales). Although the transaction volume plunged 31.7% QoQ, the market share of this group of buyers remained stable compared with the 78.0% recorded a quarter ago.

In the last quarter, buyers who are Singapore Permanent Residents (PRs) acquired 548 condominiums and private apartments, down 27.3% QoQ. However, their market share inched up 1.0 percentage point (ppt) QoQ to 16.1%. This increase was supported purely by the primary market where PR buyers' market share rose 2.1 ppts from 11.4% in Q3 to 13.5% in Q4. A check of the top-ten selling projects in Q4 showed that PR buyers' percentage in six out of these projects was above the market average. As the Additional Buyer's Stamp Duty (ABSD) rate for PRs buying their first residential property remained unchanged, therefore, most of these PR buyers could be first-time buyers.

For other buyers, which include foreigners (non-PRs) and companies, the latest round of ABSD hikes continued to keep them away from the market. Transaction volume of non-landed residential properties by foreigners and corporate buyers was 189 units and six units, down 38.4% QoQ and 82.4% QoQ, respectively, while their market shares also shrunk from a quarter ago.

PRICES

According to the URA's latest statistics, overall private home prices eased 0.1% QoQ in the final quarter of 2018, the first quarterly decline since Q2/2017. By region, prices of island-wide landed homes and non-landed residential properties in the CCR (luxury segment) fell by 2.0% QoQ and 1.0% QoQ, respectively. In contrast, prices of non-landed residential units rose 1.8% QoQ in the RCR (mid-tier segment) and 0.7% QoQ in the OCR (mass market segment), both reversing the declines recorded in the previous quarter.

Although there was a slight price decline in Q4/2018, the market is viewing this as a blip rather than the start of a trend reversal. Prices have stabilised since the July 2018 round of cooling measures. The price index in the last quarter was mainly reined in by the drop seen in the resale prices of landed property, while new sale prices of non-landed properties have likely continued to go up.

For the whole of 2018, the private residential market saw a price rise of 7.9% YoY. This is significantly higher than the 1.1% growth recorded in 2017. Prices of landed properties posted a 6.3% yearly growth. For non-landed properties, prices in the CCR, RCR and OCR rose by 6.7%, 7.4% and 9.5%, respectively.

Correspondingly, the average price for the basket of high-end non-landed homes tracked by Savills dipped 0.2% QoQ in Q4/2018, compared with the 0.3% increase a quarter ago. Nevertheless, for the full-year 2018, prices for such properties still posted a yearly rise of 3.8% and averaged at S$2,403 psf by end-2018.

FUTURE SUPPLY

At end-Q4/2018, the pipeline supply of island-wide private residential properties with planning approvals had increased 2.3% QoQ or 1,168 units to 51,498 units. Of this number, 34,824 units or 67.6% remained unsold, up 14.3% QoQ from the 30,467 units recorded in the previous quarter.

Coming into 2019, developers are expected to roll out about 40 to 50 projects totalling more than 15,000 private housing units for sale. Among these, a few large-scale projects in the suburban areas are launch-ready, such as The Florence Residences at Hougang Avenue 2 (1,410 units), Treasures At Tampines at Tampines Street 11 (2,203 units), and a residential development on the former Normanton Park site located beside Kent Ridge Park (1,882 units).

TABLE 2: Major Upcoming Launches In 1H/2019*

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
1953	Tessensohn Road	Oxley Amethyst Pte Ltd	RCR	58
35 Gilstead	Gilstead Road	TEE Forward Pte Ltd	CCR	70
Amber Park	Amber Gardens	Aquarius Properties Pte Ltd	RCR	592
Avenue South Residence	Silat Avenue	United Venture Development (Silat) Pte Ltd	RCR	1,074
Boulevard 88	Orchard Boulevard	Granmil Holdings Pte Ltd	CCR	154
Coastline Residences	Amber Road	SL Capital (3) Pte Ltd	RCR	144
Fourth Avenue Residences	Fourth Avenue	Valleypoint Investments Pte Ltd	CCR	476
Fyve Derbyshire	Derbyshire Road	RH Developments Two Pte Ltd	CCR	71
Haus on Handy	Handy Road	CDL Regulus Pte Ltd	CCR	188
Juniper Hill	Ewe Boon Road	Allgreen Properties Limited	CCR	115
Luxus Hills (landed)	Luxus Hill Avenue	Singapore United Estates Pte Ltd	OCR	117
Mayfair Modern	Rifle Range Road	Citrine Property Pte Ltd	RCR	171
MeyerHouse	Meyer Road	Secure Venture Development (N0.1) Pte Ltd	RCR	56
Nyon	Amber Road	Aurum Land Pte Ltd	RCR	92
One Meyer	Meyer Place	SL Capital (5) Pte Ltd	RCR	66
Parkwood Collection (strata-landed)	Lorong 1 Realty Park	Fantasia (Park) Pte Ltd	OCR	53
Residential apartments and strata housing development	Normanton Park	Kingsford Huray Development Pte Ltd	OCR	1,882
Riviere/Fraser Residence Promenade Singapore	Jiak Kim Street	Frasers Property Quayside Pte Ltd	CCR	455
RV Altitude	River Valley Road	Roxy-Pacific Holdings Limited	CCR	140
The Essence	Chong Kuo Road	Chong Kuo Development Pte Ltd	OCR	84
The Florence Residences	Hougang Avenue 2	Florence Development Pte Ltd	OCR	1,410
The Gazania	How Sun Drive	Singhaiyi Huajiang Sun Pte Ltd	OCR	250
The Hyde	Balmoral Road	Aurum Land	CCR	117
The Lilium	How Sun Road	SingHaiyi Huajiang Amber Pte Ltd	OCR	80
Treasures At Tampines	Tampines Street 11	Sim Lian (Treasure) Pte Ltd	OCR	2,203
Uptown @ Farrer	Perumal Road	Perumal Development Pte Ltd	RCR	116

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

OUTLOOK

Whilst sales for maiden project launches hovered in the 22% to 29% range in 2018, we expect those numbers to downshift to 15% to 22% in 2019, conditional on developers committing no marketing missteps. With a flurry of launches expected this year in which the revised cooling measures, if left unadjusted, are likely to reduce demand, the price to pay for a marketing misfire can be great. Unless developers wish to be ultra-adventurous, they may have to adhere to tried and tested marketing tactics and strategies that have, in similar market conditions, generated optimal sales. For example, there may be the belief that employing as many marketing agents as possible will maximize the sales rate for the first month of a maiden launch. That may not be the case, however, as our analysis showed that pre-July 6th and post-July 5th 2018, the optimal number of joint marketing agencies that generated sales took on a parabolic curve. Aside from pricing, other factors that need to be considered include commission rates. (For if commission rates are not important, then why are the majority of Proptech solutions that seek to disrupt the services of agents not working out across the world?)

Of late, there has been much hullabaloo over the issue of "returned" units. This is a misnomer because it is not solely the case of units being returned, rather the Option to Purchase (OTP) lapses and a concurrent reissue of another OTP occurs. Media headlines appeared to imply that something mischievous and untoward had impeded the flow of accurate sales information. However, the need for a reissue was because some buyers now required more time to strategize their approach to purchasing so as to legally skirt paying the ABSD.

As we enter 2019, the case for a readjusting down of the intensity of the cooling measures is growing stronger. Market conditions that existed in July 2018 have changed and are vectoring in new directions. It is not our intention in this briefing to offer solutions. The concept of market risk and risk control is shown in the three diagrams below and shall form the basis of our discussion on why the measures in their current state need to be lowered in intensity.

At the time of the last revision of cooling measures, the major market risk factors endogenous to the private residential market were: prices rising faster than income growth; a sharp rise in transaction volumes; and increasing housing loans growth. On the exogenous front, there were fears of rising interest rates and the increasing probability of a US-China trade war. The situation was that the endogenous behavior of the private residential market was not squaring off with exogenous developments. Hence, revised cooling measures were warranted to mitigate or annul the risk of a major blowout in terms of private residential prices. Please refer to Figure 1a.

However, today, we believe that market risks may have re-vectored slightly away from where they were in mid-2018. In this briefing note, we just deal with some of the endogenous factors, leaving out the exogenous factors, which are also deteriorating. For example, the slew of collective sales that began in 2016 and peaked in 1H/2018 are now coming to market in 2019 and 1H/2020. While the July 2018 cooling measures worked to mitigate market risks, the restrictions were enacted at a time when supply from both Government Land Sales (GLS) and collective sales sites was limited. They were meant for a period of limited supply and rising demand. That was then. With 40 to 50 sites coming online this year, the rate of take-up per project launch is likely to come down. In other words, the strength of the market should wane on a per-project basis. Therefore, for 2019, a risk has popped up. A major price correction could occur if the intensity of the cooling measures is not toned down. Measures like the 12% ABSD levied on buyers of second properties have shifted the overall demand curve down (or reshaped it, however one may think about it) and this clashes headlong with the launch of mega projects built on collective sales sites. Please refer to Figure 1b.

As many of the 2019 launches were derived from high land costs, the room for developers to lower prices is limited. The outcome of sales and prices arising from the unprecedented launch of mega projects (those yielding over 1,000 units) is a known unknown. If we incorporate negative changes to exogenous conditions, risk may rise even more. But to be objective, exogenous conditions can also improve and we may not encounter the conditions seen in Figure 1c. In short, measures meant to contain risk may or may not reduce them when market conditions vary.

For 2019, given that developers who launch this year will still have three to four years before they hit the five-year deadline to pay ABSD if they fail to sell out all their units, the pressure is not so intense. They are likely to hold onto their prices which, in today's conditions, are priced up from breakeven levels. As a significant number of new launches have breakeven prices above current market levels, prices are still expected to be biased on the upside with resale prices ranging from soft to firm. However, any price increases from new launches should not be interpreted as pernicious to economic and social well-being. On the contrary, we believe that the market in 2019 and 2020 is harboring a latent fuse because both endogenous and exogenous conditions have changed and are continuing to change (for the worse since July 2018), but the cooling measures have remained static.

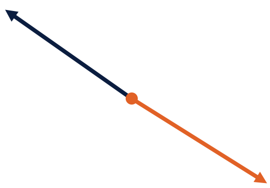


Figure 1a.
Cooling measures annual market risks (Pre 6 July 2018)

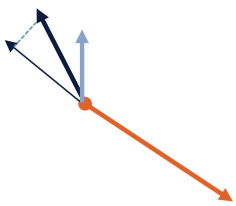


Figure 1b.
Market conditions start to deviate from the start (March 2019)

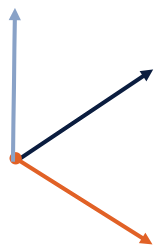


Figure 1c.
Market conditions deviated fully from the start*

Legend
Market risks both exogenous & endogenous in the private residential market:
Cooling measures meant to cancel out market risks:
Unintended risk:

* Market risk is now vectored orthogonal to the cooling measures in their current intensity (magnitude).