MARKET IN MINUTES
*Savills Research*

# Residential Sales


## Lower transaction volumes amid festival season

New sales volumes in 2019 finished at the second strongest levels since 2014, rising 12.7% over 2018 to 9,912 units. However, the ability to maintain the sales momentum in 2020 remains a concern.

- With fewer new launches, primary sales in the last quarter of 2019 correspondingly declined 25.5% quarter-on-quarter (QoQ) from the previous quarter to 2,443 units.
- Secondary sales of private residential homes were down 1.9% QoQ to 2,435 units in the last quarter of 2019.
- According to Savills study of non-landed private residential projects which were launched in 2019, most of their take-up rates in the first month were quite low.
- The URA's price index of private residential properties island-wide continued trending upward, recording a further 0.5% QoQ rise in the last quarter of 2019.
- Figures compiled by Savills showed that the prices for high-end, non-landed residential projects edged up by 0.3% both QoQ and year-on-year (YoY) in the last quarter and averaged S$2,410 per sq ft by end-2019.
- According to Savills estimates, there are at least 34 projects with some 6,700 units being redeveloped on private residential sites which have been acquired since 2016 and not yet been launched for sale by January 2020. The majority are expected to be rolled out in the coming quarters.

"While the macroprudential measures have eased price increases, they have directed sales towards smaller units and now need adjustment to allow the rest to clear."

ALAN CHEONG, SAVILLS RESEARCH


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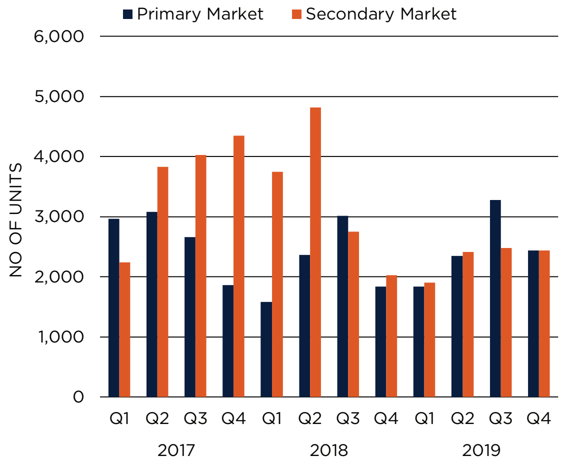
**GRAPH 1: Sales Volume Of Private Residential Units, Q1/2017 to Q4/2019**




**Source** URA, Savills Research & Consultancy

## MARKET OVERVIEW

Due to the year-end holiday season, some developers have held back their launches and therefore the final quarter of 2019 only saw a total of 2,226 new uncompleted private residential units released for sale, down 38.6% QoQ. Developers rolled out 1,129 units from 11 new projects, which are mostly located in the Core Central Region (CCR) and Outside Central Region (OCR). Among these, about 60% are accounted for by Sengkang Grand Residences at Sengkang Central (280 units), Urban Treasures at Jalan Eunos (237 units) and One Holland Village Residences at Holland Village (156 units). Basically, most developers still conservatively phased their launches given the uncertain economic environment.

With less new supply, primary sales in Q4/2019 correspondingly fell by 25.5% QoQ from the previous quarter to 2,443 units. By market segment, new sales in the OCR accounted for 46.5% of the total, followed by the Rest of Central Region (RCR) and CCR at 37.0% and 16.5%, respectively.

The top five best-selling projects in Q4 were Parc Esta, Sengkang Grand Residences, Treasure At Tampines, One Holland Village Residences and Jadescape.

Sengkang Grand Residences, a 680-unit residential project in an integrated development at Sengkang Central, was launched at the beginning of November 2019. Based on the caveats[1] captured in Realis, a total of 232 units were sold at an average price of S$1,746 per sq ft by year-end. The 296-unit One Holland Village Residences, which is also a part of a mixed-use development known as One Holland Village, has sold 112 apartments with an average price of S$2,679 per sq ft since its preview sales on November 21, 2019.

The other three top-selling projects mentioned above have been previously launched projects. In the reviewed quarter, Parc Esta at Sims Avenue moved 235 units at S$1,694 per sq ft on average, followed by Treasure At Tampines with 157 units sold at S$1,359 per sq ft and Jadescape in Shunfu Road with 109 units sold at S$1,687 per sq ft. These projects' convenient locations and attractive per sq ft prices compared with newer launches continue to be the key drivers moving sales. In addition, some developers continued offering attractive commissions to agents to promote the unsold inventory in their projects, which also played a part for the encouraging sales.

New sales volumes in 2019 finished at their second strongest pace since 2014, rising 12.7% over 2018 to 9,912 units. However, the ability to maintain the sales momentum in 2020 remains a concern. According to Savills study of non-landed private residential

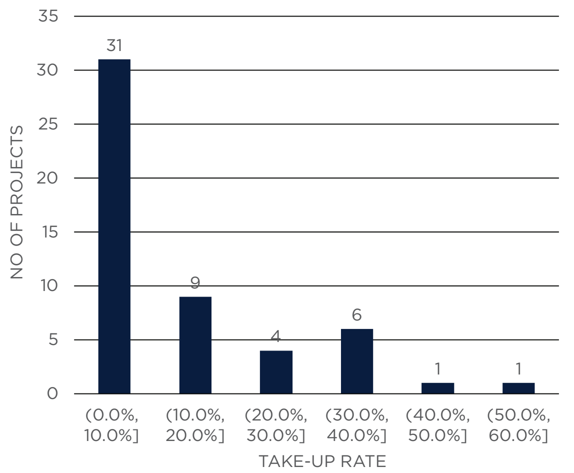
1 Downloaded from the URA's Realis on Feb 25, 2020.

**TABLE 1: New Launches, Q4/2019**

| PROJECT NAME | LOCATION | DEVELOPER | LOCALITY | TOTAL NO. OF UNITS | TOTAL NO. OF UNITS SOLD BY Q4/2019 | TAKE-UP (%) | PRICE RANGE (S$ PSF) |
|---|---|---|---|---|---|---|---|
| Dairy Farm Residences | Dairy Farm Lane | UE Dairy Farm Pte Ltd | OCR | 460 | 35 | 7.6% | 1,361-1,649 |
| La Mariposa | Mangis Road | Lakeview-LR Pte Ltd | RCR | 17 | 1 | 5.9% | 1,878 |
| Midtown Bay | Beach Road | Guoco Midtown Pte Ltd/ Midtown Bay Pte Ltd | CCR | 219 | 39 | 17.8% | 2,438-3,804 |
| Midwood | Hillview Rise | illview Rise Development Pte Ltd | OCR | 564 | 21 | 3.7% | 1,551-1,748 |
| Neu At Novena | Moulmein Rise | RH Novena Pte Ltd | CCR | 87 | 65 | 74.7% | 2,431-2,907 |
| One Holland Village Residences | Holland Village Way | Commons Residential Pte Ltd/ Commons SR Trustee Pte Ltd/ Commons Commercial Trustee Pte Ltd | CCR | 296 | 118 | 39.9% | 2,323-3,363 |
| Pullman Residences, Newton | Dunearn Road | EL Development (Horizon) Pte Ltd | CCR | 340 | 7 | 2.1% | 2,725-3,353 |
| RoyalGreen | Anamalai Avenue | Sky Top Investments Pte Ltd | CCR | 285 | 49 | 17.2% | 2,612-2,883 |
| Sengkang Grand Residences | Compassvale Bow | Siena Residential Development Pte Ltd/Siena Trustee Pte Ltd | OCR | 680 | 235 | 34.6% | 1,599-1,898 |
| The Iveria | Kim Yam Road | Macly Iveria Pte Ltd | CCR | 51 | 13 | 25.5% | 2,525-2,751 |
| Urban Treasures | Jalan Eunos | Fragrance Treasures Pte Ltd | OCR | 237 | 18 | 7.6% | 1,878-2,035 |

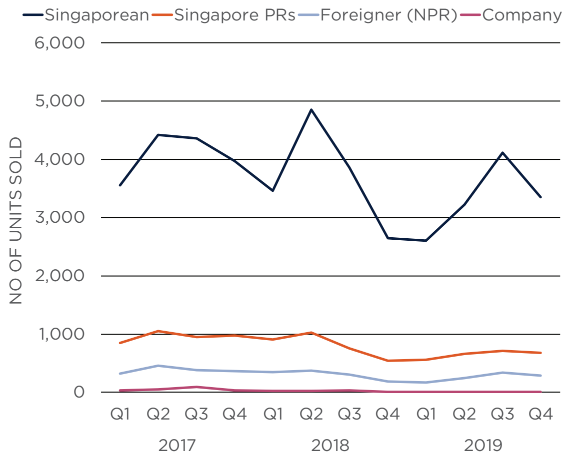
**Source** URA, Savills Research & Consultancy

**GRAPH 2: Take Up Of Non-Landed Private Residential Projects Launched In 2019**



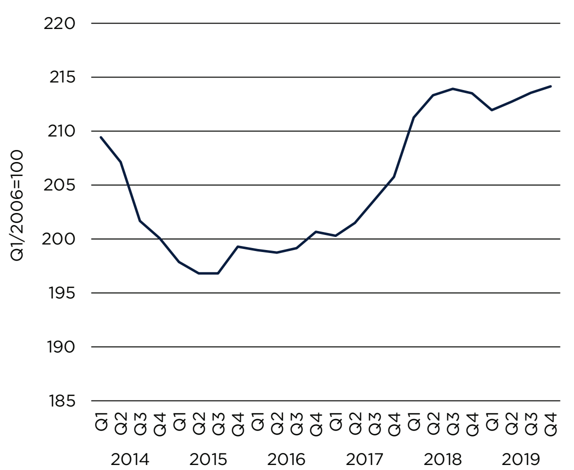

**Source** URA, Savills Research & Consultancy

**GRAPH 3: Sales Volume Of Non-Landed Private Private Residential Units By Residency Status, Q1/2017 to Q4/2019**




**Source** URA, Savills Research & Consultancy

**GRAPH 4: Savills High-End, Non-Landed Home Price Index, Q1/2014 to Q4/2019**




**Source** Savills Research & Consultancy

projects which were launched in 2019, the take-up rates in the first month[2] - calculated as the number of units sold in the first month divided by the total number of units in the project – has been low (see Graph 2). Among these 52 projects, 31 or close to 60.0% of the projects have a take-up rate less than 10.0%. This is followed by nine projects or 17.3% of the total that saw take-up rates ranging from 10.0% to 20.0%. Besides external factors, such as economic uncertainty and weak job market, new projects' benchmark prices and hefty stamp duty paid for the second property and above continued to be the main drags in the sales market. In addition, buyers may have adopted a wait-and-see approach in view of ample launches in the future.

Resales and sub-sales of private residential homes remained stable, with a total of 2,435 units sold in the secondary market in the last quarter of 2019. This was just 1.9% lower than the number registered a quarter ago. In view of the impact of year-end holiday season, the sales volume was quite healthy, especially in the CCR, where posted a 6.2% QoQ increase to 569 units. Nevertheless, 2019 was a weak year for the secondary sales market. It posted a steep 30.8% YoY decline to 9,238 units sold for the whole year. Active new launches may have diverted some buyers' interests in the secondary sales market.

From caveats downloaded from URA's Realis[3], Singaporean buyers purchased 3,348 non-landed private residential units in Q4/2019, making up 77.5% of total transactions. Mainly due to the school holidays and festival season, both the sales volume and market share for this group of buyers were down from a quarter ago.

Permanent Residents (PRs) and foreigners bought a total of 970 condominiums and private apartments in the same quarter. Although the transaction volume fell by 7.9% QoQ, their combined market share has increased by 2.1 percentage points (ppts) QoQ to 22.4%.

The top-selling projects among PRs were Parc Esta (37 units), Parc Clematis (29 units) and Jadescape (20 units), while foreigners bought considerable number of units at Marina One Residences (17 units), Martin Modern (16 units) and The Crest (11 units). Although the sales volume is not substantial, it still can show that PRs are more active in the mid-tier and mass market projects with foreigners preferring the upper mid-tier and high-end market segments.

By nationality, top non-Singaporean buyers in the final quarter are still from China, Malaysia, India and Indonesia, who acquired a total of 492 units. In addition, foreigners who did not specify their nationality also bought 288 units which were all sold in the primary market.

## PRICES

The URA's island-wide price index of private residential properties continued its upward trend and recorded a further 0.5% QoQ rise in Q4/2019. Although the rate of increase has decelerated, the three consecutive quarters of growth have reversed the price declines in Q4/2018 and Q1/2019 and resulted in prices increasing 2.7% for the whole year.

In the reviewed quarter, prices for landed properties island-wide recorded the highest quarterly growth rate of 3.6%. This was followed by the 2.8% QoQ rise achieved by non-landed private residential properties in the OCR. On the other hand, for non-landed private residential properties in the CCR and the RCR, prices fell by 2.8% QoQ and 1.3% QoQ respectively. The price drop in these two market segments could be due to two reasons. One is that some new projects which were launched with relatively attractive prices in Q4 compared with those launched in the previous quarters mainly because of their location attribute. The second is that given the hedonic construct of the URA index, there could be attributes for the units transacted in those regions that the model could not adequately explain e.g layout of unit, orientation of unit, etc.

Despite the holiday season, transaction volumes and prices in the high-end market remained stable. Figures compiled by Savills showed that the prices for high-end, non-landed residential projects edged up by 0.3% both QoQ and YoY in the last quarter and by end-2019, averaged at S$2,410 per sq ft.

## FUTURE SUPPLY

As of end-December 2019, the pipeline supply of private residential units with planning approval was 49,173 units, down 1,791 units or 3.5% % from 50,964 recorded in three months ago. Of these, 30,162 units or 61.3% remained unsold, representing a 5.6% decline from Q3's 31,948 units. Less land acquisitions through both the public and private sectors were the main contributor to the decreasing level of unsold stock.

According to Savills estimate, there are at least 34 projects potentially yielding some 6,700 units from sites that have been acquired since 2016 in the private sector but still not launched for sale as of end-January 2020. Among these, the CCR has 15 projects with about 2,035 units, followed by 12 projects (3720 units) in the RCR and seven projects (956 units) in the OCR. The majority expected to be released for sale in the coming quarters.

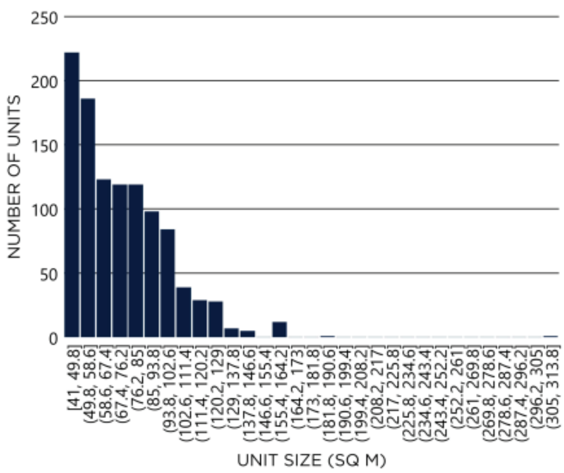
2 Four weeks since the sale day of first caveat.
3 Downloaded on 26 February 2020

**TABLE 2: Major Upcoming Launches From Q4/2019***

| PROJECT NAME | LOCATION | DEVELOPER | LOCALITY | TOTAL NO. OF UNITS |
|---|---|---|---|---|
| 19 Nassim | Nassim Hill | Parksville Development Pte Ltd | CCR | 101 |
| Amber Sea | Amber Gardens | Urban Park Pte Ltd | RCR | 132 |
| Bideford Hills | Bideford Road | SC Aetas Holdings Pte Ltd | CCR | 168 |
| Condominium development (former Katong Park Towers) | Arthur Road | BSEL Development Pte Ltd | RCR | 290 |
| Ferra | Leonie Hill | Orchard Landmark Pte Ltd | CCR | 104 |
| Forett@Bukit Timah | Toh Tuck Road | Qingjian Perennial (Bukit Timah) Pte Ltd | RCR | 633 |
| Hyll On Holland | Holland Road | FEC Skypark Pte Ltd | CCR | 319 |
| KI Residences At Brookvale | Sunset Way | Hoi Hup Sunway Clementi Pte Ltd | RCR | 648 |
| Kopar At Newton | Kampong Java Road | CEL Newton Pte Ltd | CCR | 378 |
| Leedon Green | Leedon Heights | Asia Radiant Pte Ltd | CCR | 638 |
| Penrose | Sims Drive | NovaSims Development Pte Ltd | OCR | 566 |
| The Atelier | Makeway Avenue | Bukit Sembawang Pte Ltd | CCR | 116 |
| The Avenir | River Valley Close | Carmel Development Pte Ltd | CCR | 376 |
| The Landmark | Chin Swee Road | Landmark JV Pte Ltd | RCR | 360 |
| The Linq @ Beauty World | Upper Bukit Timah Road | Alika Properties Pte Ltd | RCR | 120 |
| The M | Middle Road | Wingcharm Investment Pte Ltd | CCR | 552 |
| Van Holland | Holland Road | KBD Holland Pte Ltd | CCR | 69 |
| Verdale | De Souza Avenue | C&C (JJK) Pte Ltd | OCR | 258 |
| Verticus | Jalan Kemaman | SB (Kemamam) Development Pte Ltd | RCR | 162 |

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

**GRAPH 5: New Sale Transactions In The OCR For Q4/2019**




**Source** URA, Savills Research & Consultancy

## OUTLOOK

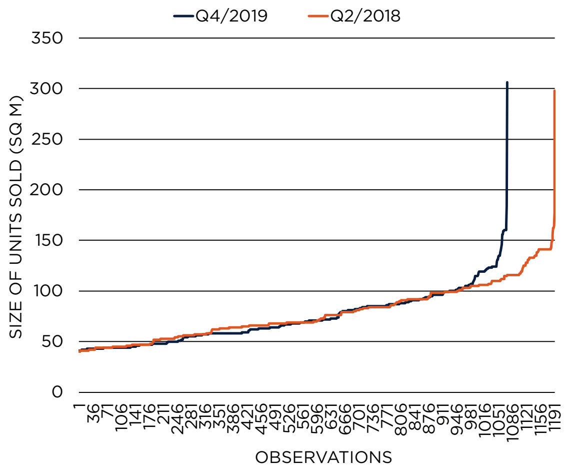
The impact of the coronavirus is different for different sectors of the real estate market here. But before we broach on the topic, we would like to address certain issues which pose a risk to the market.

The unsold stock situation is a compartmental one in that whilst the total inventory on the market has been falling from 40,928 units in Q4/2018 to 34,402 units by end-Q4/2019, the decline was likely due to the faster rate of sales of smaller units versus larger ones. To illustrate this, we used data downloaded from Realis on 16 January 2020 for new sales of non-landed private residential properties from the OCR for Q4/2019. Graph 5 shows that new sales for the abovementioned period has concentrated mainly in the smaller units with an average size of 73 sq m. If we use the median and mode (the size of the greatest number of units sold), the bias towards small unit sales becomes more glaring. These came in at 68 sq m and 58 sq m respectively.

Now, for many projects derived from collective sales and also some GLS sites, we noticed that their average gross floor are (GFA) per unit was about 80 - 85 sq m with some up to 100 sq m. Take Treasures at Tampines for example, using data from Realis, the average size sold from time of launch to 16 February 2020 was 71 sq m. The median and mode were 63 sq m and 43 sq m respectively. However, the average GFA per unit for the development was 84 sq m. The same pattern was observed for Parc Komo. (This phenomenon does not appear to affect most projects launched in 2018, pre or post-revised cooling measures.)

What we could partially conclude is that

**GRAPH 6: New Sale Transactions Sorted By Size (Q2/2018 vs Q4/2019)**




**Source** URA, Savills Research & Consultancy

the decline in the unsold inventory is coming mainly from the sale of the smaller units. If this is the case, then developers are left with the larger units which they find it harder to clear.

Graph 6 gives a comparison of the units sold in Q2/2018, the quarter just prior to the revised cooling measures to that of Q4/2019, more than a year after the measures. Clearly, we see a greater number of larger units sold prior to the revised measures. The average size transacted in Q2/2018 was 78 sq m, 7.5% greater than Q4/2019's average. The median size in Q2/2018 was 70 sq m, 3.7% higher than Q4/2019 while the mode in the earlier period was 69 sq m, 19% larger than the same measure in the reviewed quarter.

There is the mistaken belief that developers can just cut prices to clear their stock and all will end well. Unfortunately, it is not that simple a matter because the revised cooling measures have imposed a cash hurdle of 12% Additional Buyer's Stamp Duty (ABSD) on buyers of second properties. The larger units are the ones that potential upgraders would wish to purchase but the 12% upfront cash needed to foot the ABSD is simply too great a hurdle to surmount. While the macroprudential measures may have put the brakes on galloping asset price inflation, it has disrupted the sales topology, creating the need for micro-prudential measures to even out the sales rate of transactions by size. Reducing prices would not help and could conversely destabilise the market. The reason: If developers were to lower prices to allow upgraders to pay the 12% ABSD, prices, then we are looking at lowering the selling price until the market can bridge the 12% ABSD. That would mean a severe cut in prices. To illustrate, to lower the ABSD from S$182,690 to S$100,000 (assuming this is the level where upgraders have enough cash reserves to foot the upfront ABSD) prices would have to fall 45.3%! In short, even without the recent pandemic, there is already something building in the market which poses a great risk to all.

All that had been discussed in this section are simply endogenous risks. With COVID-19 onboard, an exogenous uncertainty has been injected into the private residential market. (Please refer to our blog on this.) Thus far, the viral outbreak has merely stretched pricing on the downside. However, with clarity of outcome arising from this outbreak yet unknown, the market is running against time with regards to the developers' 5-year ABSD due date because to the presence of unsold units in each development. This will begin in earnest in 2021 when the slate of collective sales that begun in early-2016 reach their 5-year mark. It is unlikely that developers will cut prices to clear stock. Rather, given their strong financials, many would prefer to pay the ABSD and then pass that cost to the unsold units. However, by the 5th year, the stock of unsold units in a project would have fallen to a much lower level than the total number of units in the development. Therefore, the ABSD cost added to each unsold unit would be high. Also, as many developers no longer need to abide by the Qualifying Certificate rule, they will take a longer time to sell. All this means that the pressure to lower prices is reduced significantly. In short, developers' ABSD is inflationary. Unfortunately, the state of global affairs is becoming more uncertain moving forward.