Briefing
Residential sales

March 2018

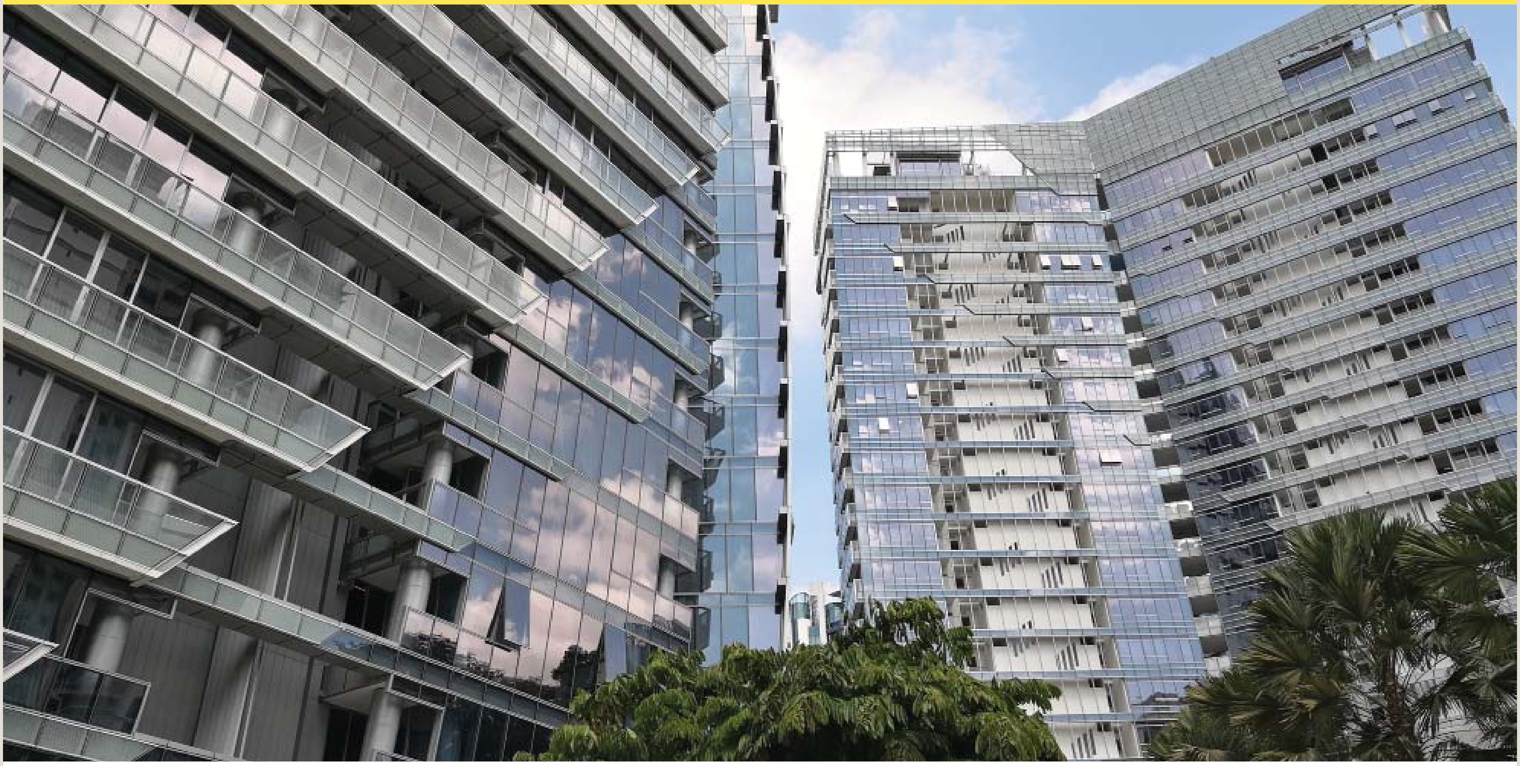

Image: Gramercy Park on Grange Road

SUMMARY

Prices are expected to increase 12-15% this year with much of the increase loaded into 2H/2018.

- Developers only released 877 uncompleted private residential units for sale in Q4/2017, down 25.9% from the quarter before.

- In spite of the absence of new launches and festivities, buyers snapped up 1,864 new homes in Q4/2017, more than double the developers' launches during the same period.

- In contrast to a soft primary market, the URA's number of private residential units sold in the secondary market rose 7.8% quarter-on-quarter (QoQ) to 4,346 in Q4/2017.

- Non-Singaporean buyers, including PRs and foreigners, purchased 1,324 non-landed private residential units in Q4. Although the transaction volume inched down 0.7% QoQ, their market share increased by 2.0% QoQ to 25.0%.

- Figures compiled by Savills showed that the prices for high-end, non-landed projects rose by 1.0% QoQ and 2.5% year-on-year (YoY) in the last quarter of 2017, averaging S$2,315 psf by end-2017.

- As the end of 2017, the pipeline supply of private residential units was 50,852 units, rising 18.1% QoQ. Of these, 33,714 units or 66.3% remained unsold, representing a 40.1% jump from Q3's 24,063 units.

"Market fears of an oversupply of new launches at benchmark prices may be calmed somewhat when we take account of developers' dynamic actions to phase out their launches."
Alan Cheong, Savills Research

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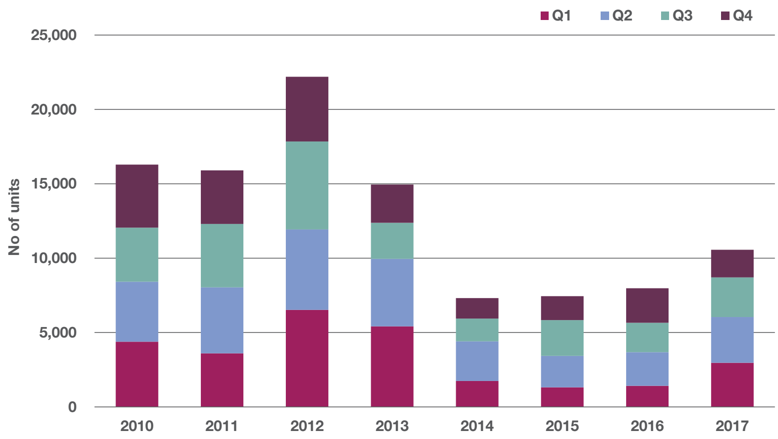
Market overview

Year-end festivities, coupled with anticipation of an expected price upturn in the coming year and the dearth of new supply available for launch, meant that developers continued to hold back their major launches in the last quarter of 2017. Only 877 uncompleted private residential units were released for sale, down 25.9% from a quarter ago. Among the new units offered in Q4, only 53.1% or 466 units were from six newly-launched projects: Carpmael Thirty-Eight, Liiv Residences, Link Residence @ Holland (landed), Parc Botannia, Rezi 35 and The Navian. Of these, Parc Botannia is the only major new launch with 357 units. Units from previously-launched projects, such as Parc Riviera, Seaside Residences, Martin Modern, The Clement Canopy and Symphony Suites, constituted the remaining 46.9% of developers' launches in the quarter.

In spite of the absence of new launches and the onset of the festive season, buying volume in the primary market was encouraging in the last three months of 2017. Buyers snapped up a total of 1,864 new homes, more than double the developers' launches during the same period. Such buoyant buying activity starting from the beginning of the year has made the number of new sales for the full-year of 2017 reach 10,566, 75.5% higher than the 6,020 units launched. This is also the highest transaction volume in the primary market since 2013.

GRAPH 1

Primary private home sales volume, Q1/2010–Q4/2017



Source: Urban Redevelopment Authority (URA), Savills Research & Consultancy

Consequently, the stock of unsold units in projects with building plan approval fell from 7,973 units in September 2017 to 6,290 units in December 2017.

In Q4/2017, new sales in the Core Central Region (CCR) fell 37.4% QoQ to 231 units. These primary transactions came mainly from Sophia Hills at Mount Sophia and Martin Modern at Martin Place where 81 units and 70 units were sold respectively. Being the only major CCR launch in 2017, the 450-unit Martin Modern has moved 210 units since its launch in last May. Riding on the improving sentiment in the high-end market, it was noted that developers have slowly increased the sale prices for their projects, especially in the last quarter of 2017. For example, an analysis of caveats showed that the average price in Martin Modern rose 7.1% QoQ, while that in Sophia Hills recorded a growth of 3.2% QoQ.

In the Rest of Central Region (RCR), developers moved 639 units from 30 projects in the reviewed quarter. Eight projects which were also within the top 10 in the previous quarter continued to be among the top best sellers in Q4. These include Queens Peak (110 units sold), Sims Urban Oasis (71 units sold), Gem Residences (66 units sold), Principal Garden (45 units sold) and Highline Residences (44 units sold). There is still a high concentration in the Commonwealth/Redhill/Tiong Barhu area. As at the end of 2017, the overall take-up rate for projects with pre-requisites for sale in this micro-market has closed to 90%.

TABLE 1

New launches, Q4/2017

Project name	Location	Developer	Locality	Total no. of units	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
Carpmael Thirty-Eight	Carpmael Road	LWH Carpmael Pte Ltd	RCR	16	16	6	1,670
Liiv Residences	Pasir Panjang Road	LCT Land (Pasir Panjang) Pte Ltd	RCR	23	23	13	1,705-1,778
Link Residence @ Holland (landed)	Greenleaf Road	Link (THM) Prestige Homes Pte Ltd	CCR	4	2	0	-
Parc Botannia	Fernvale Street	Fernvale Green Pte Ltd	OCR	735	357	36	1,130-1,384
Rezi 35	Lorong 35 Geylang	Development 35 Pte Ltd	RCR	44	44	55	1,329-1,640
The Navian	Jalan Eunos	RH Eunos Pte Ltd	OCR	48	24	25	1,483-1,626

Source: URA, Savills Research & Consultancy

The Outside Central Region (OCR) continued to contribute the highest number of new homes sold in Q4/2017, 994 units or 53.3% of the total developers' sale. Lack of new launches also pulled down the sales number in this mass-market segment, which saw a drop of 30.9% QoQ. The top-selling project was Parc Botannia. This 99-year leasehold condominium in Sengkang has sold 265 units, or 74.2% of the 357 released units at the price range of S$1,130 – 1,384 per sq ft (psf) as at end of December 2017. One-bedroom units, which started from S$548,000, and four-bedroom units, which started from S$1.3 million, have received good take-up.

In contrast to a soft primary market, the URA's record on the number of private residential units sold in the secondary market rose 7.8% QoQ to 4,346 in Q4/2017, marking four consecutive quarters of growth since Q1/2017 and taking the tally for the whole of 2017 to 14,444. This is also the highest yearly number in five years. By locality, sales volume continued to increase in the RCR and OCR by 19.0% QoQ and 12.3% QoQ respectively, while that in the CCR fell by 10.6% QoQ but was sharply up by 91.4% on a YoY basis. The upbeat buying activity in the secondary market, coming alongside with strengthening prices is reaffirming the view that the private residential market is already in the early stage of a recovery.

A check of caveats downloaded from the URA's Realis[1] showed that non-Singaporean buyers, including PRs and foreigners, purchased 1,324 non-landed private residential units in Q4. Although the transaction volume inched down 0.7% QoQ, their market share has increased by 2.0% QoQ to 25.0%. Top foreign buyers, coming from China, Malaysia, India and Indonesia, acquired a total of 869 units. In addition, foreigners that did not specify their nationalities also bought 173 units in the reviewed quarter. These non-Singaporean buyers were quite active in the new sales market, taking substantial number of units at Parc Botannia (57 units), Sophia Hills (34 units) and Martin Modern (34 units). In spite of the higher additional buyer's stamp duty (ABSD) imposed on non-Singaporeans, the above-mentioned sales numbers indicated that the buying interest from non-Singaporeans has gradually returned, especially in the high-end market.

Prices

After a 0.7% increase in Q3/2017, the URA price index for private residential properties island-wide recorded a further 0.8% rise in the final three months of 2017. The two consecutive quarters of healthy growth rates have quite convincingly reversed the price decline since Q4/2013. The price increase in 2H2017 resulted in prices rising 1.1% for the whole year.

In the reviewed quarter for non-landed private residential properties, prices in the CCR recorded the highest quarterly growth rate of 1.4%. This was followed by the OCR (0.8%) and the RCR (0.4%). For the whole of 2017, prices in CCR, RCR and OCR increased by 0.6%, 1.8% and 1.4% respectively on a YoY basis. Landed homes' prices inched up 0.5% QoQ in Q4, compared to the 1.2% increase in the previous quarter. The price recovery for landed homes lagged behind those of condominiums and private apartments, therefore, the prices as of Q4/2017 still posted a marginal 0.5% decline from a year ago.

The high-end market has witnessed steady increase of transaction volume and price on the back of the launch of Martin Modern and the sales of several en-bloc sites and state sites under the Government Land Sales (GLS) Programme in the second half of 2017. Figures compiled by Savills showed that the prices for high-end, non-landed projects rose by 1.0% QoQ and 2.5% YoY in the last quarter of 2017 and averaged at S$2,315 psf by end-2017.

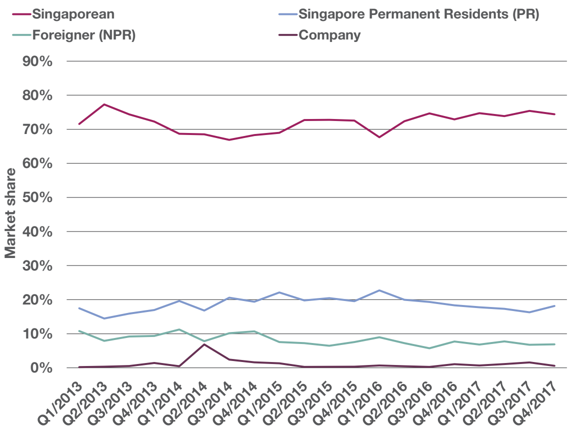
Future supply

As of end-2017, the pipeline supply of private residential units was 50,852 units, increasing 18.1% from 43,054 in Q3/2017. Of these, 33,714 units or 66.3% remained unsold, representing a 40.1% jump from Q3's 24,063 units. The contributor to the increasing level of unsold stock came substantially from the successful en-bloc sites that have yet to be granted planning approvals. A large part of these redevelopments could be launched for sale in 2018 and 2019. This means that the market can expect a spike of new launches in these two years if the sales momentum continues.

1 Downloaded from URA's Realis on 27 February 2018

GRAPH 2

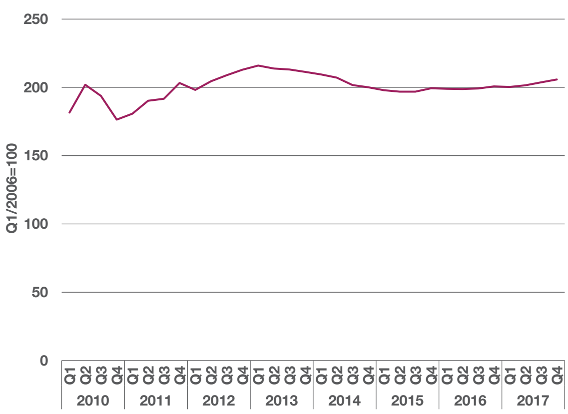
Market share for the sales of non-landed private residential units, Q1/2013–Q4/2017



Source: URA, Savills Research & Consultancy

GRAPH 3

Savills high-end, non-landed home price index, Q1/2010–Q4/2017



Source: Savills Research & Consultancy

TABLE 2

Major upcoming launches

Project name	Location	Developer	Locality	Total no. of units
8 Saint Thomas	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	250
Amber 45	Amber Road	UOL Development (Amber) Pte Ltd	RCR	139
Condominium development (formerly Raintree Gardens)	Potong Pasir Avenue 1	UOL Group and United Industrial Corporation	RCR	729
Condominium development	Serangoon North Avenue 1	Keppel Land and Wing Tai Holdings	OCR	613
Condominium development (formerly Shunfu Ville)	Shunfu Road	Qingjian Realty	RCR	1,204
Condominium development	Woodleigh Lane	Chip Eng Seng Corporation	RCR	805
Daintree Residence	Toh Tuck Road	S P Setia International	RCR	327
Luxus Hills (landed)	Luxus Hill Avenue	Singapore United Estates Pte Ltd	OCR	117
Margaret Ville	Margaret Drive	MCL Land	RCR	316
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CCR	124
Parksuites	Holland Grove Road	Kentish View Pte Ltd	CCR	119
Rivercove Residences (EC)	Anchorvale Lane	Hoi Hup and Sunway Developments	OCR	628
South Beach Residences	Beach Road	South Beach Consortium Pte Ltd	CCR	190
The Tapestry	Tampines Avenue 10	City Developments Ltd	OCR	861
The Verandah Residences	Pasir Panjang Road	Oxley Amber Pte Ltd	RCR	170
The Woodleigh Residences	Upper Aljunied Road	Singapore Press Holdings and Kajima Development	RCR	667
Twin Vew	West Coast Vale	China Construction (South Pacific)	OCR	520

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

Supported by better-than-expected economic growth, the outlook for the Singapore private residential market in 2018 is promising. Prices have started to recover from a slump which has lasted since late 2013 and will continue their upward trend in 2018, driven by bullish prices paid by developers for both private residential sites and GLS sites.

The return in buying interest may overwhelm the slate of new launches this year leading to an overspill in demand for resale properties. In 2017, we saw developers launching 6,020 new units and selling 10,566 private residential properties (this includes both new launches and those from previously launched projects). The secondary market recorded 14,444 transactions. In 2017, most of the new launches were from GLS sites that were sold in the 2015 and 2016 period - it usually takes about nine to 12 months from the time a developer is awarded a GLS site to the time that he has obtained the sale permit. It was also a time where the authorities had throttled back on GLS supply because the relatively undersupplied market of the years prior to this has already been satisfied. As we move to 2018, the muted GLS supply in 2016/2018 has been supplemented by a sequence of collective sales sites sold in 2016/2017. Amongst the latter sites, there are a few large developments such as the site on Shunfu (by Qingjian Realty) which will yield 1,204 units, the site at Sims Avenue (by MCL Land) with 1,399 units, the site at Hougang (a consortium of developers) that can yield 1,472 units, Serangoon North Avenue 1 (a consortium of developers) that can yield 1,052 units and Potong Pasir (by UOL) that can yield 729 units.

OUTLOOK

The prospects for the market

If just these large collective sales sites were launched in 2018, they would add another 5,856 units to the 5,494 units derived from the GLS program in 2H/2016 to 1H/2017. That would raise the potential new launches this year to 11,350 units, 89% higher than 2017's 6,020 units.

Prima fascia, these numbers may appear to pose a serious threat to the market, especially if the expected selling prices are new benchmarks. However, for such large developments with over 1,000 units, developers can phase the launch into batches. This strategy may work out well because there is an increasing likelihood that some of the mega collective sales sites that were sold in 2017 may still not clear the condition precedents attached by the buyer. Should these deals fall through and if the large collective sales sites currently undergoing the subsidiary proprietors voting or tendering process fail, the launch supply will be considerably less. This will give developers breathing space to stagger their launches.

Considering the dynamic actions of developers, our preliminary take on the effective new launch units coming on stream this year will therefore be one where it will be higher than in 2017, but not something that reaches 11,350 units. If new launches number in the 8,000 – 9,000 unit levels and at significantly higher prices, the market should be able to digest this and not recoil and cause sentiment to turn negative. As these new higher priced projects are likely to come to market in 2H/2018, our forecast of a 12-15% YoY price increase is likely to be back loaded to the second half of this year.

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