MARKET IN MINUTES
Savills Research

Residential Sales

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The Woodleigh Residences

New home sales up slightly

In the first three months of 2019, especially after the Chinese New Year, developers increased the pace of launches island-wide.

- As a result of the increased supply from new launches, 1,838 private residential units were sold in the primary market, inching up 0.1% from a quarter ago.
- In Q1/2019, the take-up for newly launched projects slowed down in both the Rest of Central Region (RCR) and the Outside Central Region (OCR). In contrast, the average initial launch take-up rate in the Core Central Region (CCR) improved.
- The percentage of Singaporean buyers in the market increased in Q1/2019.
- According to the Urban Redevelopment Authority (URA), the price decline for private homes continued for the second consecutive quarter.
- The average price of high-end, non-landed homes in Savills basket softened by 0.7% quarter-on-quarter (QoQ) in Q1/2019.
- Unsold stock increased 5.8% QoQ to 36,839 private residential units, accounting for 69.1% of the total pipeline supply of 53,284 units with planning approvals.

"Although price indices point to marginal declines, due to cost push pressures, for 2019 developers are launching at higher than prevailing prices in their micro-locations."

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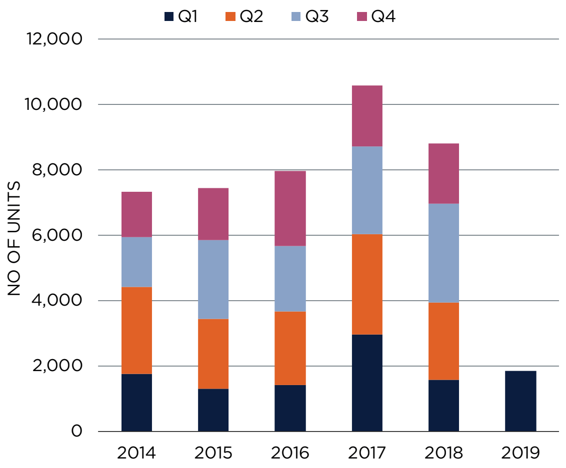
GRAPH 1: Primary Private Home Sales Volume, Q1/2014 to Q1/2019



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

In the first three months of 2019, especially after the Chinese New Year, developers increased the pace of launches island-wide. A total of 2,989 uncompleted private residential units were rolled out for sale, up 80.4% QoQ. Among these, almost half—or 1,459 units—were from 13 new projects as shown in Table 1. Notably, there was a significant improvement in the CCR. This high-end market segment saw 363 new units launched in Q1/2019, nearly double the 182 recorded in the preceding quarter and the highest quarterly number since Q4/2014. Five of the 13 new projects are in the CCR, including 35 Gilstead, Boulevard 88, Fourth Avenue Residences, Fyve Derbyshire and RV Altitude. The OCR or the mass market segment also saw a sharp increase of 202.1% QoQ with 1,689 units launched, mainly from two large-scale new launches—The Florence Residences and Treasure At Tampines—as well as some new releases in projects that were launched last year, such as Riverfront Residences, Affinity At Serangoon and Parc Botannia.

As a result of the increased supply from new launches, new home sales enjoyed an uptick in both the CCR and OCR. Developers moved 192 units in CCR and 1,009 units in OCR, up 115.7% QoQ and 41.5% QoQ, respectively. In comparison, 637 new homes were sold in the RCR, down 38.4% QoQ. Overall, 1,838 private residential units were sold in the primary market, inching up 0.1% from a quarter ago.

Island-wide, the top seller in the primary market was Treasure At Tampines, a 2,203-unit development by Sim Lian Group on the former Tampines Court site. From the time this project launched in March, 289 units were sold at an average price of about S$1,337[1] per sq ft (psf). Other top-selling projects in the first quarter included The Tre Ver in Potong Pasir developed by a 50-50 joint venture between UOL group and United Industrial Corporation, which sold 193 units at an average price of S$1,595 psf, and Oxley Holdings' Affinity At Serangoon, which moved 175 units with an average price of S$1,491 psf.

Although sales at some pre-launched projects were bolstered by higher commissions and the news in Q1/2019 of the upcoming first phase of the Cross Island Line, the take-up for the quarter's newly launched projects in both the RCR and OCR slowed. Based on the URA's data for developers' monthly sales, the initial launch take-up rates (number of units sold in the launch month vs total number of units) for such projects in the RCR averaged 13.5% in Q1/2019, compared

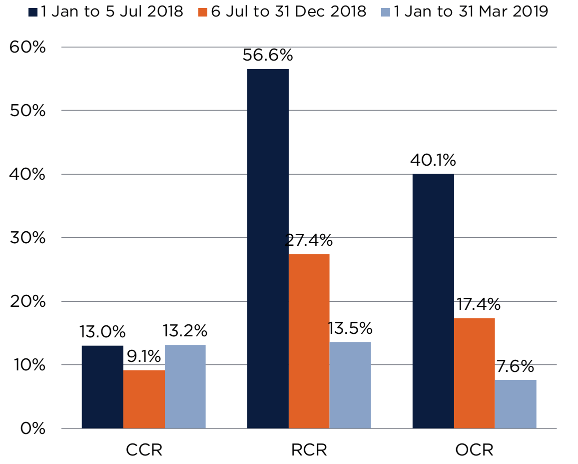
1 Based on caveats downloaded from the URA's REALIS on May 21, 2019

TABLE 1: New Launches, Q1/2019

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q1/2019	TAKE-UP (%)	PRICE RANGE (S$ PSF)
1953	Tessensohn Road	Oxley Amethyst Pte Ltd	RCR	58	18	31.0	1,706-1,971
35 Gilstead	Gilstead Road	TEE Forward Pte Ltd	CCR	70	3	4.3	2,475-2,595
Boulevard 88	Orchard Boulevard	Granmil Holdings Pte Ltd	CCR	154	26	16.9	3,301-4,927
Fourth Avenue Residences	Fourth Avenue	Valleypoint Investments Pte Ltd	CCR	476	78	16.4	2,239-2,250
Fyve Derbyshire	Derbyshire Road	RH Developments Two Pte Ltd	CCR	71	6	8.5	2,226-2,703
Nyon	Amber Road	Aurum Land Pte Ltd	RCR	92	4	4.3	2,320-2,515
One Meyer	Meyer Place	SL Capital (5) Pte Ltd	RCR	66	10	15.2	2,500-2,812
Residence Twenty-Two	Telok Kurau Road	Grow99 Pte Ltd	RCR	22	1	4.5	1,632
Rezi 24	Lorong 24 Geylang	Development 24 Pte Ltd	RCR	110	4	3.6	1,472-1,517
RV Altitude	River Valley Road	RH Capital Two Pte Ltd	CCR	140	21	15.0	2,729-3,107
The Essence	Chong Kuo Road	Chong Kuo Development Pte Ltd	OCR	84	6	7.1	1,285-1,363
The Florence Residences	Hougang Avenue 2	Florence Development Pte Ltd	OCR	1,410	77	5.5	1,281-1,614
Treasure At Tampines	Tampines Lane	Sim Lian (Treasure) Pte Ltd	OCR	2,203	289	13.1	1,173-1,467

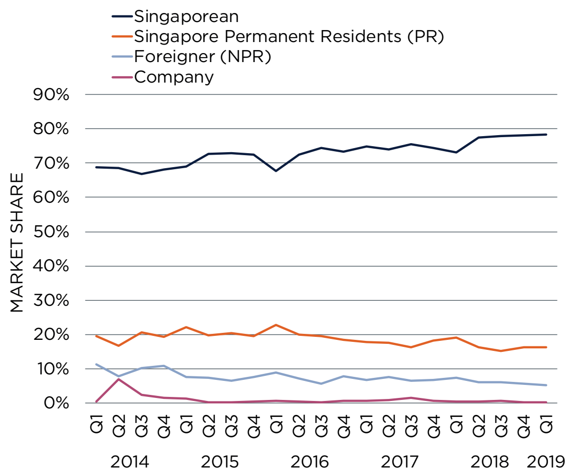
Source URA, Savills Research & Consultancy

GRAPH 2: Average Initial Launch Take-Up Rates of Private Non-Landed Residential Projects, January 2018 to March 2019



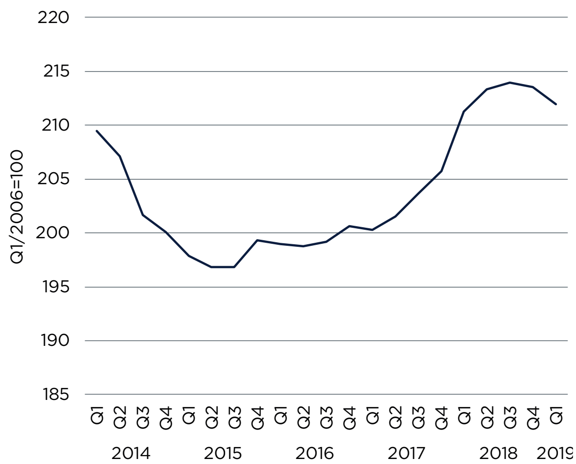
Source URA, Savills Research & Consultancy

GRAPH 3: Market Share For Sales Of Non-Landed Private Residential Units, Q1/2014 to Q1/2019



Source URA, Savills Research & Consultancy

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



Source Savills Research & Consultancy

with 27.4% in the period 6 Jul to 31 Dec 2018 and 56.6% during the period from 1 Jan to 5 Jul 2018. Similarly, the rate in the OCR was only 7.6% in Q1/2019, down from 17.4% for the 6 Jul to 31 Dec 2018 period and 40.1% from 1 Jan to 5 Jul 2018. Other than the negative effects arising from the government cooling measures that took effect on 6 Jul 2018, the high launching prices in recent projects due to their costly land prices as well as keen competition from projects in the vicinity may have deterred potential buyers' purchases.

On the other hand, the average initial launch take-up rate for new sales in the CCR was 13.2% in Q1/2019, four percentage points (ppt) higher than the 9.1% recorded in the period from 6 Jul to 31 Dec last year, and even 0.2 of a ppt higher than the period before the cooling measures. Since 2018, there have been very limited new launches in the luxury market segment. Pent-up demand from the high net wealth class for prime-quality units, such as those at Boulevard 88, is likely to have been the reason for the uptick in new sale take-up rates in Q1/2019. Concurrently, prices for such properties are more resilient compared with those in the other market segments and more inelastic to their buyers, such as high net worth individuals.

For secondary sales, Q1/2019 was again a slow quarter. The number of private residential units transacted in the reviewed quarter shrank by 5.9% QoQ to 1,905 units for the whole island. By locality, the RCR recorded 507 units sold with a 11.8% quarterly decline, while the OCR saw 965 units change hands, falling by 7.9% QoQ. In contrast, the transaction volume in the CCR rose by 8.0% QoQ to 433 units. Together with the healthy performance in the new sales market, we believe that buying interest for high-end residential properties, especially luxury ones, has gradually returned on the back of attractive prices compared with those in other cities in the region.

The dominance of Singaporean buyers in the market has increased even further in Q1/2019. The proportion of non-landed private residential units bought by locals inched up 0.2 of a ppt QoQ to 78.3% in the reviewed quarter. This is the fourth consecutive quarter's increase since Q2/2018. In contrast, purchases by foreigners, including Singapore Permanent Residents (PR), dipped 0.4 of a ppt QoQ to 21.3% during the same period, a historical low since Q2/2009.

Chinese buyers topped the overseas charts again with 183 non-landed private home purchases in Q1/2019, but registering a 22.5% decrease QoQ. Malaysian buyers were the second largest group of foreign buyers, followed by Indians and Indonesians. In addition, a total of 170 units were purchased by foreigners who did not specify their nationalities, up 14.1% QoQ.

PRICES

According to the URA, the price decline for private homes continued for the second consecutive quarter. The island-wide price index of all private residential properties fell marginally by 0.7% QoQ in Q1/2019, up from the 0.1% decline recorded a quarter ago.

Prices for private homes were dragged down mainly by non-landed residential units in the CCR and the RCR, where prices declined 3.0% QoQ and 0.7% QoQ, respectively. On the other hand, prices of island-wide landed homes increased 1.1% QoQ compared to the 2.0% decline in the previous quarter, while prices of non-landed residential properties in the OCR continued to inch up by 0.2% QoQ, but slower than the 0.7% growth in Q4 last year.

According to Savills basket, the average price of high-end, non-landed homes softened by 0.7% QoQ to S$2,385 psf, the second consecutive quarterly decline.

FUTURE SUPPLY

In order to control the possible over-supply of private housing units in the market, the government released only five private residential sites (including one Executive Condominium site), which should yield about 2,025 units in total, under the Confirmed List of H1/2019 Government Land Sales (GLS) programme. This is the lowest supply level since the 2H/2016 GLS programme.

Excluding this supply, 53,284 private residential units with planning approvals are already in the pipeline as at end of Q1/2019, an increase of 3.5% from the 51,498 units recorded in the previous quarter. Of this number, the unsold stock increased 5.8% QoQ to 36,839 units, accounting for 69.1% of the total pipeline supply. Amidst the current weak buying sentiments, due to cooling measures still in place and softening global and local economies, the unsold stock is poised to rise further as more projects are slated to launch in the coming months.

OUTLOOK

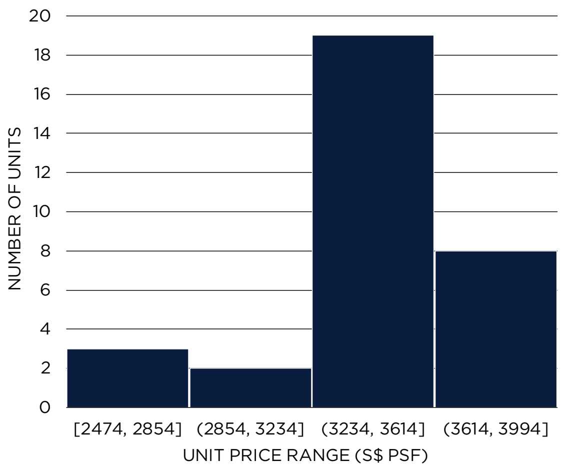
From the ground, the current state of prices for the Singapore private residential market can be described as a Brownian motion with a drift. The drift is positive, albeit gentle, because developers will have to market at higher prices due to land cost push pressures while sellers in the resale market are capitalizing on the windfall from those who benefitted from collective sales. The release of Q1/2019 price indices by the URA alludes to this state of insouciance with overall prices falling 0.7% on a QoQ basis. However, what stood out in the Q1 data release was the 3.0% price decline for the CCR. The magnitude of the decline compared to other regions warrants analysis, more so since the launch

TABLE 2: Major Upcoming Launches, Q2/2019 to Q4/2019*

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Park	Amber Gardens	Aquarius Properties Pte Ltd	RCR	592
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
Avenue South Residence	Silat Avenue	United Venture Development (Silat) Pte Ltd	RCR	1,101
Coastline Residences	Amber Road	SL Capital (3) Pte Ltd	RCR	144
Condominium development (former Brookvale Park)	Sunset Way	Hoi Hup Sunway Clementi Pte Ltd	RCR	648
Condominium development (former Katong Park Towers)	Arthur Road	BSEL Development Pte Ltd	RCR	290
Condominium development (former Pacific Mansion)	River Valley Close	Carmel Development Pte Ltd	CCR	376
Condominium development (former Tulip Garden)	Farrer Road/Holland Road/ Leedon Heights	Asia Radiant Pte Ltd	CCR	672
Dairy Farm Residences	Dairy Farm Road	UE Dairy Farm Pte Ltd	OCR	460
Haus on Handy	Handy Road	CDL Regulus Pte Ltd	CCR	188
Juniper Hill	Ewe Boon Road	Allgreen Properties Limited	CCR	115
Mayfair Modern	Rifle Range Road	Citrine Property Pte Ltd	RCR	171
MeyerHouse	Meyer Road	Secure Venture Development (N0.1) Pte Ltd	RCR	56
Midwood	Hillview Rise	Hillview Rise Development Pte Ltd	RCR	564
One Pearl Bank	Pearl Bank	Areca Investment Pte Ltd	RCR	774
Parc Clematis	Clementi Avenue 6/Jalan Lempeng	Sing-Haiyi Gold Pte Ltd	OCR	1,468
Parc Komo	Jalan Mariam/Upper Changi Road North	CEL Real Estate Development Pte Ltd	OCR	276
Parkwood Collection (strata-landed)	Lorong 1 Realty Park	Fantasia (Park) Pte Ltd	OCR	53
Residential apartment (former Goodluck Garden)	Toh Tuck Road	Qingjian Perennial (Bukit Timah) Pte Ltd	RCR	669
Residential apartment (former Hollandia and The Estoril)	Holland Hill/Holland Road/ Queensway	FEC Skypark Pte Ltd	CCR	321
Residential apartments (former Kemaman Point)	Jalan Kemaman	SB (Kemaman) Development Pte Ltd	RCR	162
Riviere	Jiak Kim Street	Frasers Property Quayside Pte Ltd	CCR	455
Sky Everton	Everton Road	SL Capital (6) Pte Ltd	RCR	262
Sloane Residences	Balmoral Road	TSky Balmoral Pte Ltd	CCR	52
The Antares	Mattar Road	FSKH Development Pte Ltd	RCR	266
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
Uptown @ Farrer	Perumal Road	Perumal Development Pte Ltd	RCR	116
View at Kismis	Lorong Kismis	Roxy-TE2 Development Pte Ltd	RCR	186
Wilshire Residences	Farrer Road	TE2KS-RH Pte Ltd	CCR	85

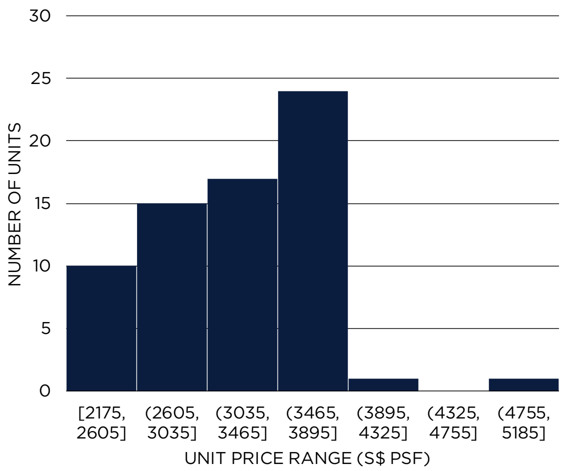
Source URA, Savills Research & Consultancy
*Expected launch dates are subject to change. This list is not exhaustive.

GRAPH 5: Distribution Shape For Prices On A S$psf Basis – CCR Non-Landed Freehold and 999-Year Leasehold Units New Sale Histogram, Q4/2018



Source URA, Savills Research & Consultancy

GRAPH 6: Distribution Shape For Prices On A S$psf Basis – CCR Non-Landed Freehold and 999-Year Leasehold Units New Sale Histogram, Q1/2019



Source URA, Savills Research & Consultancy

price of projects like Boulevard 88 in March 2019 was deemed fair and did not appear discounted by marketing professionals.

In fact, when one looks at Boulevard 88, one transaction in March set the highest level for the first quarter at S$4,927 psf. For the CCR, this was the highest price recorded since Q2/2013. Also in Q1/2019, 15 new sale transactions exceeded S$3,600 psf. In Q4/2018, the number was only nine. Then in Q1/2019, the median size of the top 15 units new sales was 2,777 sq ft whilst in Q4/2018, the median size was much smaller, at 764 sq ft. In the resale market, Q1/2019 witnessed just seven transactions that were above S$3,600 psf, but in Q4/2018 there were 15. It is these observations that encourage us to take a closer look at how a 3.0% QoQ decline could have come about and shall be our focus for this quarter's briefing.

To begin, one has to understand that the CCR market is unique. The pricing metrics of new launches in this cycle are different from those in the RCR and OCR. Some differences that have emerged in the recent past are:

1. Launch of projects that are already completed;
2. Bespoke pricing strategy; and
3. Extreme sensitivity to location and design factors.

On Point 1, for super luxury projects like Wallich Residences, New Futura, South Beach Residences and 8 Saint Thomas, the developers adopt pricing strategies that are quite different from those found in the rest of the CCR and non-CCR areas. Generally speaking, new launches of uncompleted projects carry a higher price tag than those in the resale market. As the abovementioned projects are already completed, going by the URA's classification, they should fall under the resale category. However, in the minds of real estate professionals, they are considered "new sales". For these four super luxury projects, the developers have an upper hand in pricing because the developments are already completed. For a product targeted at ultra-high net worth individuals, a completed development has its advantages because the in-situ experience that envelops visitors is complete, vastly different from what they encounter from a mocked-up model for a project that is still under construction. For the ultra-high net worth buyer, this is a critical selling point. A premium can be commanded (Point 2).

Point 3 is related to Point 2 in that design can make or break a super luxurious project. For example, South Beach Residences, although it is a 99-year leasehold development in District 7 (Beach Road), can command prices that are on par with freehold non-landed new launches in Districts 9, 10 and 11. In Q4/2018, the highest price achieved in the CCR was at South Beach Residences when a unit was transacted at S$3,950 psf. Why this is so could be attributed to its design, fittings, view and a package of services that appeal to the ultra-high net worth buyer. In other words, the unique selling point in top end luxury projects is extremely vital. This is an elusive point to capture when one tries to use quantitative models to measure the effects that project attributes have on pricing (hedonic price models).

A simple data exploratory analysis of prices for Q1/2019 and Q4/2018 reveals something interesting; the distribution of prices is not normal. In fact, not only is it abnormal, but it can also be of mixed distributions descent. The accompanying graphs illustrate how the distribution of S$psf prices vary from Q4/2018 to Q1/2019. (Logging the data did not bring about any semblance of normality in the distribution of the data nor lead to any consistency in the shape of the distributions.)

The below tables show how the various tenures and types of sales (new sale or resale) of non-landed properties in the CCR differ in their distribution of S$psf for Q4/2018 and Q1/2019 (downloaded on 15th May 2019).

New Sale - Freehold and 999 year					S$psf			
Q1/2019	Mean	< Median	< Mode	Negatively Skewed	Q1/2019	3,210	3,358	3,725
Q4/2018	Mode	< Mean	< Median	Mixed Distribution	Q4/2018	3,318	3,413	3,489

Resale - Freehold and 999-year leasehold					S$psf			
Q1/2019	Mode	< Median	< Mean	Positively Skewed	Q1/2019	1,389	1,804	1,389
Q4/2018	Mode	< Median	< Mean	Positively Skewed	Q4/2018	1,548	1,873	1,970

Overall Sale - Freehold and 999-year leasehold					S$psf			
Q1/2019	Mode	< Median	< Mean	Positively Skewed	Q1/2019	1,548	2,126	2,336
Q4/2018	Mode	< Median	< Mean	Positively Skewed	Q4/2018	1,389	2,175	2,345

Overall Sale - 99 to 110-year leasehold					S$psf			
Q1/2019	< Mode	< Median	< Mean	Positively Skewed	Q1/2019	2,369	2,559	3,335
Q4/2018	< Median	< Mean	< Mode	Mixed Distribution	Q4/2018	2,559	2,343	2,266

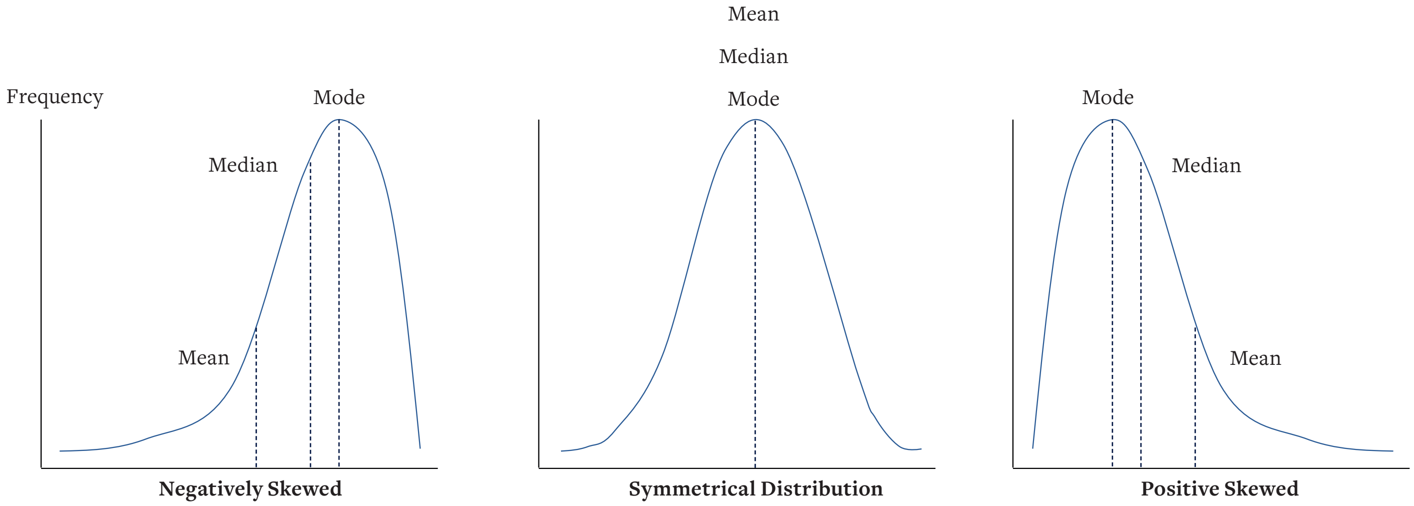
Source Savills Research & Consultancy

Looking at the stylised charts on how the mean, median and mode are positioned in relation to each other, we can roughly tell how the distribution of prices on a S$psf basis for the various types of sales (new sale or resale) for freehold or 999-year non-landed properties for Q1/2019 and Q4/2018 are skewed. Please refer to the charts below for reference.

The fact that from just two quarters of data (Q1/2019 and Q4/2018) we encounter distributions that vary would suggest that one needs to be circumspect when reading indices. Hedonic price indices which are constructed from regression-based approaches are not exempt from this circumspection. Changing and abnormal distributions can create bias in the output. On top of that, with the ever-changing marketing strategies and design features for CCR projects, any quantitative model that does not evolve with time will require greater interpretative powers.

Returning to the 3% QoQ price decline in the CCR, our view is that if we account for factors like project marketing strategies, unique selling points of some of the new launches, the amoebic-like transformation of the shape of distributions of transactional data for the two quarters, as well as our conversations with marketing professionals on the ground, we believe that prices in the CCR have been firm on a QoQ basis in Q1/2019.

Ultimately, after so many rounds of policy intervention, the residential market here has become complex. Readers may want simple answers but breaking it down into simple language does not help explain the market's behaviour and could lead to a multitude of interpretations and even dangerous conclusions. We believe that overall private residential prices in Singapore are still vectored up in 2019. Cost push pressure arising from higher land costs, especially those derived from collective sales sites purchased in the years 2017 to 1H/2018, is the raison d'etre. However, while prices are expected to increase, the market is not without risk and because of the constraints of space, we recommend that this quarter's outlook should be read complementarily to our previous quarter's publication. The latter broached the topic of risk.



Source Savills Research & Consultancy