

RESEARCH

# SINGAPORE Q1 2018

Residential market: The start of a new wave



**Prices for private residential properties are improving. What are the factors driving the demand?**

Edmund Tie & Company Research

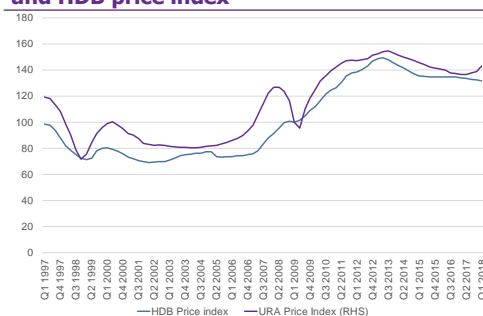
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## OVERVIEW

### Private residential market on the uptrend

Private residential property prices continued on an uptrend, as the Urban Redevelopment Authority (URA) private residential property price index rose by 3.1 per cent quarter-on-quarter (q-o-q) in Q1 2018. In contrast, prices of resale flats declined by 0.8 per cent. The divergence may be temporary as the Housing Development Board (HDB) market tends to lag the private housing market during an upturn (Figure 1). Separately, the decline in the HDB resale price index was also partly due to the subdued demand for HDB flats with less than 65 years remaining on its lease.

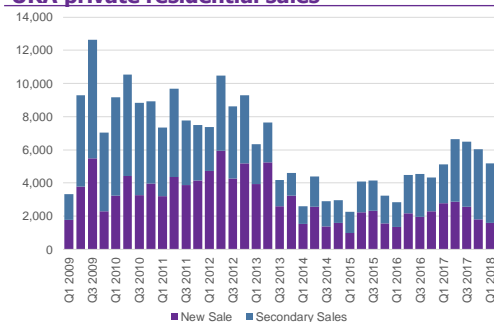
FIGURE 1  
URA private residential property price index and HDB price index



Source: URA, Edmund Tie & Company Research

After reaching 6,539 units in Q2 2017, transaction volume (both landed and non-landed) started to ease as fewer units were launched in the primary market (Figure 2). Total sales volume dipped to 5,167 units in Q1 2018, as seasonal festivities also contributed to the decline in sales.

FIGURE 2  
URA private residential sales



Source: URA, HDB, Edmund Tie & Company Research

Notwithstanding, secondary sales rose to 3,563 units in Q1 2018 from 2,264 units in Q1 2017, which indicates a strong sales momentum in the market. However, there were fewer listings in the market, as more sellers withdrew their listings when their development undergoes a collective sale. With fewer options available and appreciating asking prices, the secondary market may see a decrease in sales volume in H2 2018.

There were not many options in the primary market either, as developers held off their launch until after Chinese New Year. As at Q4 2017, the number of unsold units in completed and uncompleted projects launched was 3,407 units, which was nearly half of the 7,011 units in Q4 2015.

Although there are limited options in the immediate term, the number of units that can be potentially launched has risen significantly from 19,548 units in Q3 2017 to 30,297 units in Q4 2017. However, the impact of a possible oversupply may be limited as the launches are likely to be phased out over the next two years.

### Outlook

There is strong demand from owners who sold their homes through collective sales and are seeking replacement homes. While older owners seek to downsize, younger owners tend to look for larger units. The demand from foreign buyers has also increased. Singapore's residential market is more appealing to them as it is on an upturn compared to other markets.

Several upcoming projects at choice locations are likely to garner much attention from prospective buyers (Table 1). However, we expect completed high-end projects to attract the most interest.

Besides higher demand, the bullish land bids of successful collective sales in Q1 2018 will also exert upward pressure on sale prices in both primary and secondary markets.

TABLE 1  
Selected upcoming projects

Developer	Location	District	Project name	Total units
MCL Land	Sims Avenue	14	NA	1,399
Logan and Nanshan	Stirling Road	3	NA	1,259
Qingjian	Shunfu Road	20	NA	1,204
Chip Eng Seng	Woodleigh	19	Park Colonial at Woodleigh Lane	805
UOL	45 Amber Road	15	Amber 45	140
SPH and Kajima	Upper Aljunied Road	19	The Woodleigh Residences	667
Keppel Land and Wing Tai	Serangoon North Ave 1	19	The Garden Residences	613
China Construction	West Coast Vale	5	Twin Vew	520
S P Setia	Toh Tuck Road	21	Daintree Residence	327
MCL Land	Margaret Drive	3	Margaret Ville	316

Source: URA, Edmund Tie & Company Research

## DEMAND ANALYSIS:

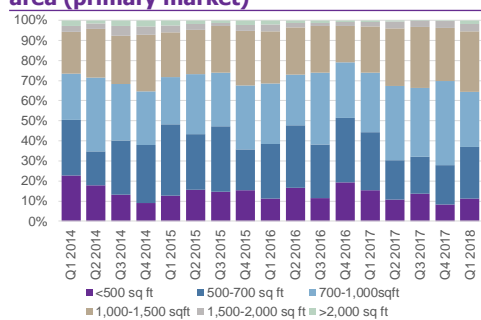
### Primary market

#### Primary market sales eased in Q1

Sales of non-landed homes in the primary market slowed to 1,604 units in Q1 2018 from 1,817 units in Q4 2017. The slower sales were due to fewer units launched, a smaller inventory of unsold units in launched projects and Chinese New Year in Q1 2018.

In H2 2017, a trend we observed was that larger non-landed homes were more popular in the primary market. While the proportion of units sold that were larger than 1,000 square feet (sq ft) rose q-o-q in Q1 2018, there is still demand for smaller units that are 700 sq ft and below. For instance, units with less than 500 sq ft formed 11.0 per cent of the total primary sales in Q1 2018, up from 8.0 per cent in Q4 2017 (Figure 3). Smaller units in the suburban districts are popular among those looking to downsize or a second home for investment. Separately, larger units in the prime districts are popular among foreign buyers.

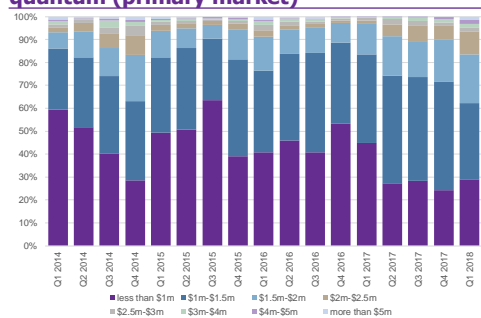
FIGURE 3  
Breakdown of non-landed homes by floor area (primary market)



Source: URA, Edmund Tie & Company Research

The quantum that buyers are paying for homes in the primary market continues to shift towards higher price brackets (Figure 4). The number of non-landed residential properties priced above \$2.5m transacted in Q1 formed 16.4 per cent, up from 10.1 per cent in Q4 2017. Buyers are willing to pay more for quality in prime districts.

FIGURE 4  
Breakdown of non-landed homes by quantum (primary market)



Source: URA, Edmund Tie & Company Research

#### Top selling non-landed projects

The top selling project in Q1 2018 was The Tapestry, in Tampines. Close to United World College of South East Asia (East Campus) and Temasek Polytechnic, the project sold 315 units out of the 450 released over its weekend launch. According to the caveats, the average selling unit price was about \$1,393 per sq ft (Table 2). This is higher than the average \$1,057 per sq ft of The Santorini in Q1 2017.

The strong take-up rate of The Tapestry implies that higher prices can be supported. Demand came from owners seeking replacement homes and prospective buyers on the sidelines. Additionally, the strong demand for smaller homes in the suburban districts emanated from the growing population of singles and those seeking to purchase for investment.

TABLE 2  
Top selling non-landed projects in the primary market (Q1 2018)

Project	District	Units sold (smaller than 700 sq ft)	Total units sold in Q1 2018	Average (\$ per sq ft)
The Tapestry	18	262	328	\$1,393
Kingsford Waterbay	19	35	95	\$1,382
Queens Peak	3	0	88	\$1,759
Parc Botannia	28	55	85	\$1,291
GEM Residences	12	5	77	\$1,545

Source: URA, Edmund Tie & Company Research

Separately, there was a pickup in the sales of projects that were launched earlier. The demand for larger units (bigger than 700 sq ft) is stronger in districts that are closer to the CBD.

#### Outlook

It is expected that primary sales will increase significantly in Q2 with more project launches. Prospective buyers are attracted to developments that have high growth potential or have units at an affordable quantum.

There is also strong demand from foreign buyers, but they tend to go for projects in prime districts. These buyers are more selective and they go for projects with quality finishes, efficient layouts and lavish landscaping.

The demand from buyers seeking a replacement home after a successful collective sale will help support the higher asking prices. While owners in their 30s are seeking to upgrade or purchase two properties, those above 60 years old are seeking to downsize and are likely to purchase a HDB flat in the secondary market.

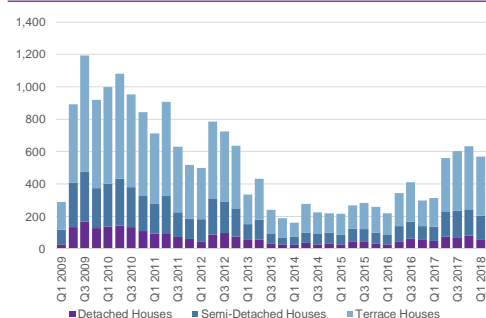
## DEMAND ANALYSIS: Secondary market

### Landed home sales rose 83.0 per cent year-on-year (y-o-y)

Due to the Chinese New Year festivities, the number of landed homes transacted eased to 570 units in Q1 2018 from 634 units in Q4 2017. On an annualised basis, landed home sales rose by nearly 82.7 per cent from 312 units in Q1 2017.

Terraced and semi-detached houses accounted for most of the landed sales (Figure 5). Of the 570 landed properties transacted in Q1, 366 were terraced houses and 149 were semi-detached houses.

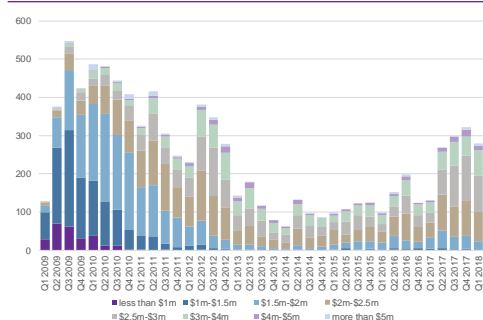
FIGURE 5  
Landed properties by type



Source: URA, Edmund Tie & Company Research

Freehold terraced homes were popular, with 279 units sold. Among the different price ranges, freehold terraced houses priced from \$2.5m to \$3.0m recorded the highest y-o-y increase in sales at 254.0 per cent (Figure 6). The strong demand for freehold terraced homes also led to higher prices. Prices of freehold terraced homes in prime and suburban districts rose by 4.9 per cent and 3.8 per cent q-o-q respectively.

FIGURE 6  
Sales of freehold terraced houses by quantum in the secondary market

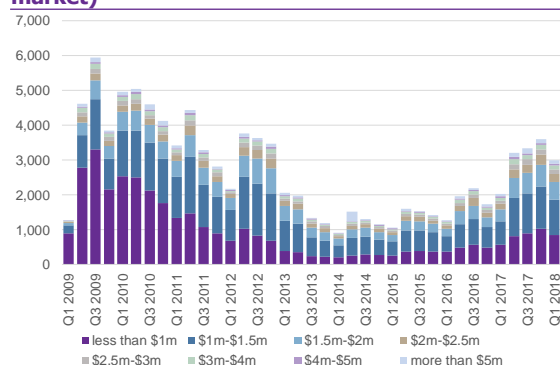


Source: URA, Edmund Tie & Company Research

### Sales of non-landed residential properties went up by 47.2 per cent y-o-y

Sales of non-landed residential properties in the secondary market rose by 47.2 per cent y-o-y to 2,993 units in Q1 2018. The increase in sales was observed across all price ranges (Figure 7), with the largest increase recorded for non-landed properties in the \$2m to \$2.5m bracket. With the decreased number of listings in the market due to the ongoing en bloc fever, buyers have to offer more to acquire their property of choice.

FIGURE 7  
Non-landed property sales by quantum (secondary market)



Source: URA, Edmund Tie & Company Research

The Minton sold the most units in the secondary market in Q1 2018 (Table 3). The development in Hougang recorded 23 sales with the unit price ranging from \$841 to \$1,192 per sq ft. It has also benefitted from the recent collective sales in the Serangoon area.

TABLE 3  
Top selling projects in the secondary market (Q1 2018)

Project (tenure)	District	Total units sold	Price range (\$ per sq ft)
The Minton	19	25	841-1,192
D'Nest	18	24	964-1,321
The Crest	3	23	1,747-2,135
The Interlace	4	21	696-1,486
A Treasure Trove	19	16	951-1,133

Source: URA, Edmund Tie & Company Research

Sales in the secondary market is expected to grow, led by developer sales of projects that have obtained their Certificates of Statutory Completion (CSC). This is especially so for projects in the CBD and prime districts. Additionally, the demand of freehold landed homes is likely to increase further, raising the transaction volume and prices.

## DEMAND ANALYSIS: Foreign buyers

### Non-Singaporean purchases

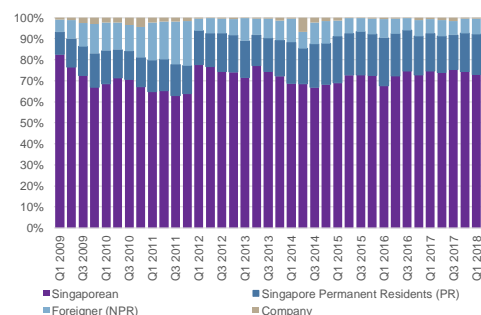
The number of non-landed home purchases by foreigners – Non-Permanent Residents (NPRs) and Singapore Permanent Residents (SPRs) – rose by 2.1 per cent y-o-y to 1,194 units. On a q-o-q basis, the number of purchases by foreign buyers dipped by 10.6 per cent q-o-q due to seasonal festivities.

The proportion of home purchases by SPRs and NPRs rose to 26.4 per cent in Q1 2018 from 25.0 per cent in Q4 2017 (Figure 8). Most of the SPR acquisitions were in the suburban districts while the purchases by NPRs were mostly in prime Districts 9, 10 and 11 or in District 3.

The Tapestry attracted the most SPRs in Q1 2018 (Table 4), with 60 units sold to them. This project appeals to SPRs working in Changi Business Park, Changi General Hospital and Changi Airport.

According to the caveats, NPRs bought 21 units in Martin Modern, the bestselling project among this group in Q1 2018. Another popular project among the NPRs was Highline Residences at Kim Tian Road in District 3. The project was fully sold as at March 2018, according to the Developers Survey. Projects close to the Orchard Road shopping belt, such as New Futura and Gramercy Park, were also popular among the NPRs in Q1.

FIGURE 8  
Proportion of purchases by residential status



Source: URA, Edmund Tie & Company Research

TABLE 4  
Preferences of NPRs and SPRs (Q1 2018)

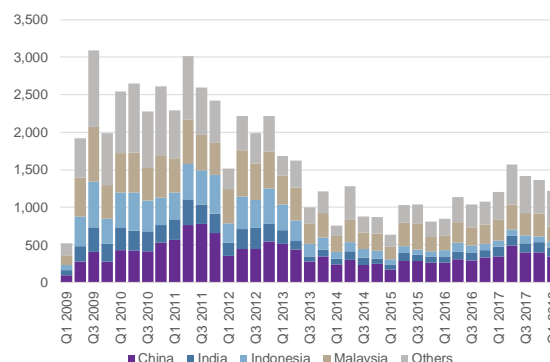
Popular new projects SPRs (number of units sold to SPRs)	Popular new projects NPRs (number of units sold to NPRs)
The Tapestry (60)	Martin Modern (21)
Parc Botannia (18)	Highline Residences (20)
Queens Peak (17)	New Futura (13)
GEM Residences (14)	Queens Peak (12)
Grandeur Park Residences (14)	Gramercy Park (11)

Source: URA, Edmund Tie & Company Research

### Foreign buyers by nationality

Indonesians bought the same number of non-landed homes in Q1 2018 as in Q4 2017 (Figure 9), but the number of acquisitions by mainland Chinese buyers declined by nearly 15.0 per cent q-o-q to 341 units in Q1 2018 due to the Chinese New Year festivities. Notwithstanding, they still accounted for 28.0 per cent of foreign non-landed home purchases, the highest among all nationalities. Close to 72.0 per cent of mainland Chinese buyers were SPRs in Q1 2018, similar to the proportion recorded in Q4 2017. This figure has grown steadily since Q1 2014 when SPR buyers formed only 56.0 per cent of mainland Chinese acquisitions.

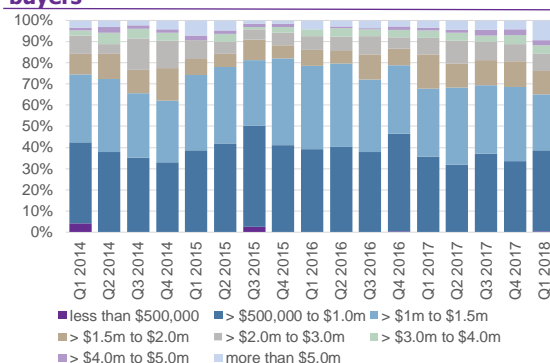
FIGURE 9  
Sales by nationality (Q1 2018)



Source: URA, Edmund Tie & Company Research

Although there were fewer mainland Chinese purchases in Q1 2018, there was an increase in acquisitions of homes priced more than \$5m (Figure 10). While the mainland Chinese buyers were subjected to the Additional Buyer's Stamp Duty (ABSD), the upside of Singapore's private residential market appealed to many investors nonetheless.

FIGURE 10  
Quantum of units purchased by mainland Chinese buyers



Source: URA, Edmund Tie & Company Research



## DEMAND ANALYSIS: Singaporean buyers

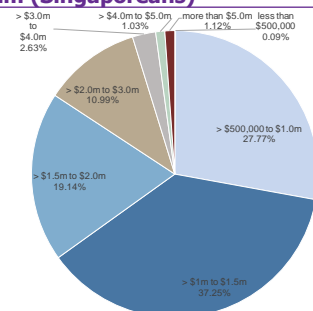
### Singaporean formed about 73.0 per cent of home purchases in Q1 2018

The number of Singaporean non-landed home purchases declined to 3,303 units in Q1 2018 from 3,982 units in Q4 2017. This was also fewer than the 3,544 units in Q1 2017.

About 65.0 per cent of non-landed homes purchased by Singaporeans were in the \$500,000 to \$1.5m bracket (Figure 11). Compared to Q1 2017, about 75.9 per cent of Singaporean buyers acquired residential properties belonging in the same price bracket.

Like Q4 2017, there is a shift of demand towards the \$1.5m to \$2m bracket, especially for buyers with considerable financial resources after selling their homes in collective sales.

FIGURE 11  
Non-landed residential property sales by quantum (Singaporeans)



Source: URA, Edmund Tie & Company Research

Like the SPRs, Singaporeans were drawn to either projects with units at an affordable quantum or projects in established estates (Table 5). The secondary market also recorded more project activity in districts with more collective sales. For instance, The Minton was in the same planning area as Florence Regency, Rio Casa and Sun Rosier – projects that were sold en bloc.

TABLE 5  
Preferences of Singaporean buyers (Q1 2018)

Popular new projects for Singaporeans (number of units sold)	Popular developments for Singaporeans in the secondary market (number of units sold)
The Tapestry (263)	The Minton (19)
Kingsford Waterbay (75)	D'Nest (16)
Parc Botannia (65)	The Crest (13)
Queens Peak (59)	Bayshore Park (13)
Symphony Suites (59)	East Meadows (12)

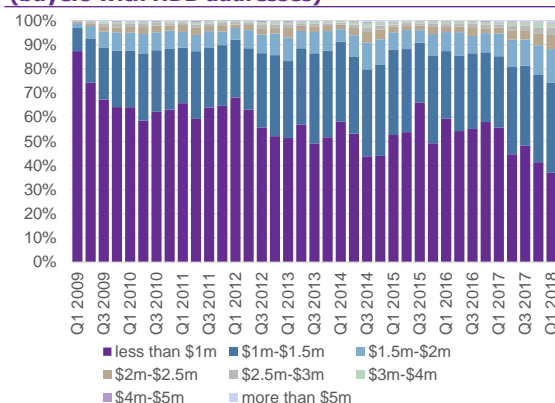
Source: URA, Edmund Tie & Company Research

### Buyers with HDB addresses

Based on the caveats where residential status can be identified, the proportion of properties (landed and non-landed) purchased below \$1.5m fell to 74.0 per cent in Q1 2018 from about 77.0 per cent in Q4 2017 (Figure 12). Separately, the proportion of sales in other price brackets rose by an average of 0.55 percentage points.

Transaction evidence suggests that upgraders who were required to exhaust all their resources to purchase a private home were more affected by the growing price gap between private housing and resale HDB flats, compared to those with savings.

FIGURE 12  
Home sales by quantum in Q1 2018 (buyers with HDB addresses)



Source: URA, Edmund Tie & Company Research

According to caveats lodged in Q1 2018, most buyers with HDB addresses purchased homes (landed and non-landed) located in District 19 (Serangoon Gardens, Punggol, Hougang). This is not surprising as District 19 has a large stock of private homes. Buyers with HDB addresses are also attracted to projects that are more affordable (Table 6).

Moving forward, the improvement in sentiments and economic outlook will support more sales from buyers with HDB addresses. However, the continued decline of resale prices for older HDB flats (less than 65 years lease) is likely to temper the increase in sales.

TABLE 6  
Preferences of buyers with HDB addresses (Q1 2018)

Popular new projects for buyers with HDB addresses* (number of units sold)	Popular districts for buyers with HDB addresses in secondary market* (number of units sold)
Symphony Suites (41)	District 19 (239 units)
Parc Botannia (25)	District 14 (123 units)
ARTRA (16)	District 23 (108 units)
Nem Tree (16)	District 18 (107 units)
Queens Peak (16)	District 15 (96 units)

Source: URA, Edmund Tie & Company Research

\* This excludes buyers with HDB addresses who are yet to be updated into the system and are currently labeled as NA. We use it as a proxy for Singaporeans living in HDB flats.

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