Edmund Tie & Company

Housing Report

RESEARCH

Singapore Q2 2018

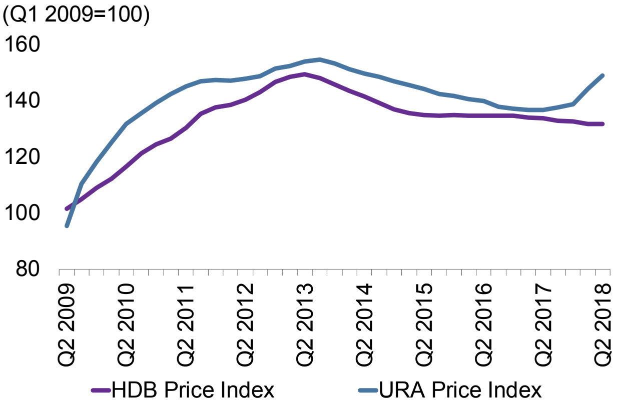
Cautious sentiments in the residential market ahead

Overview

Private residential market continued to improve

Private residential property prices continued to increase in Q2 2018, with the Urban Redevelopment Authority (URA) private residential property price index increasing by 3.4 per cent quarter-on-quarter (q-o-q) (Figure 1). This was the fourth consecutive quarter of growth. Meanwhile, the Housing Development Board (HDB) resale price index rose for the first time after declining for six consecutive quarters since Q4 2016. However, it is too early to claim a recovery in the HDB market.

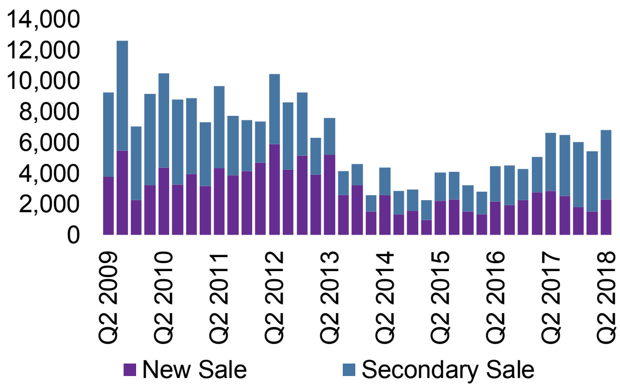
Figure 1: URA private residential property price index and HDB price index



Source: URA, Edmund Tie & Company Research

After three consecutive quarters of decline, sales volume of private residential properties rose by 25.6 per cent q-o-q to 6,827 units (Figure 2). This was largely due to the increase in primary sales arising from more launches. Developers have postponed their property launches to Q2 to avoid the seasonal festivities in Q1. As such, new sales grew from 1,561 units in Q1 2018 to 2,327 units in Q2 2018.

Figure 2: URA private residential sales



Source: URA, HDB, Edmund Tie & Company Research

The positive outlook in the residential market has also led to an increase in secondary sales, from 3,876 units in Q1 2018 to 4,500 units in Q2 2018. The total secondary sales of 8,376 units in H1 2018 were higher than the 6,102 units in H1 2017 as well. With the low inventory of launched but unsold units, as well as premium prices for new launches, buyers may have turned to the secondary market to purchase properties. As of Q2 2018, the number of launched but unsold units in completed and uncompleted developments were 2,775 units, much lower than the peak of 8,592 units in Q2 2015.

Additionally, the number of units that can be potentially launched remains relatively high, with 29,254 units. This is largely contributed to the large number of collective sales that concluded in the past year.

Outlook

Despite a large supply of potential launches from en bloc sites, demand is supported by displaced owners who are looking for replacement homes.

The introduction of the new round of cooling measures (Annex A) will have a significant impact on property sales in the immediate term as buyers adopt a wait-and-see attitude. In the past, the residential market recovered over time as buyers adapted to the cooling measures. Meanwhile, demand is also likely to come from first-time buyers who are less affected by the cooling measures. To drive sales, some developers are introducing price discounts and other incentives. The more affordable quantum for certain projects led to relatively healthy take-up rates even after the implementation of the cooling measures.

With various projects in the line-up that will be launching soon (Table 1), homebuyers will have a wide variety of options to choose from. Hence, developers are placing more efforts in their concepts and marketing initiatives to improve take-up rates.

Table 1: Selected upcoming projects

Developer	Location	District	Project name	Total units
Sim Lian Group	Tampines Street 11	18	Treasure at Tampines	2,225
Kingsford Development	Normanton Park	5	NA	1,882
Oxley Holdings, KSH Development, Lian Beng Group, Apricot Capital	Hougang Avenue 7	19	Riverfront Residences	1,472
MCL Land	Sims Avenue	14	Parc Esta	1,399
Logan Property and Nanshan Group	Stirling Road	3	Stirling Residences	1,259
Qingjian Realty	Shunfu Road	20	Jadescape	1,206
Chip Eng Seng, Heeton and KSH Development	Woodleigh Lane	13	Park Colonial	805
UOL and UIC	Potong Pasir Avenue 1	13	The Tre Ver	729
CDL	West Coast Vale	5	Whistler Grand	718

Source: URA, Edmund Tie & Company Research

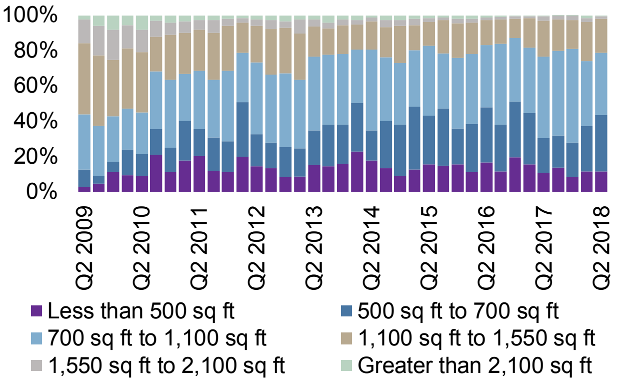
Demand analysis: primary market

Primary sales surged in Q2

Due to positive sentiment in the property market and developers delaying their launches to Q2 2018, the increase in launches led to a significant growth in primary sales. Out of the 2,327 homes that were transacted in Q2, 2,253 units (96.8 per cent) were non-landed homes. This was higher than the 1,757 and 1,486 units sold in Q3 and Q4 2017 respectively.

Among the 2,253 non-landed properties that were sold in the primary market in Q2 2018, most of these units were between 700 and 1,100 sq ft, constituting 35.2 per cent of the total non-landed primary sales (Figure 3). Units that were of 500 to 700 sq ft followed closely behind, forming 32.1 per cent of the total primary sales. These smaller units are favoured with the more affordable quantum and are popular among young families and investors looking for second homes for investment.

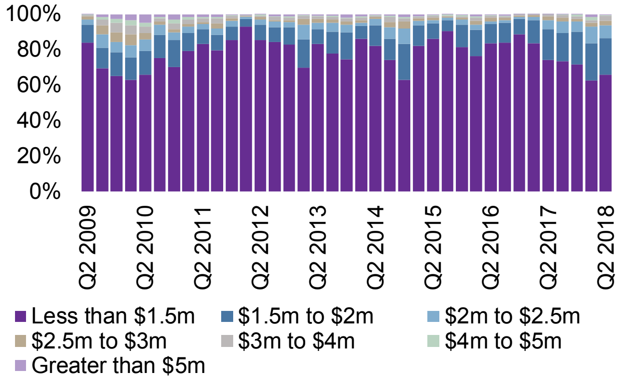
Figure 3: Breakdown of non-landed homes by floor area (primary market)



Source: URA, Edmund Tie & Company Research

In terms of price quan tum, homebuyers remained price-conscious as they preferred properties below $2m, particularly those below $1.5m (Figure 4). Nevertheless, there is also a growing preference for costlier homes. In Q2 2018, around 13.5 per cent of buyers purchased non-landed homes above $2m, compared to the 8.6 per cent in Q2 2017.

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 projects in Q2 2018 were either near to commercial clusters or transportation nodes. For example, Twin Vew sold the highest number of units, with a take-up rate of 85.4 per cent. Of the total 520 units, 444 units were sold in Q2 since its launch in May 2018. Sales were mainly driven by singles, young couples, families and investors drawn to the potential of Jurong Lake District, positioned as "the second CBD". According to the caveats lodged, the average unit selling price was around $1,398 per sq ft (Table 2). As the adjacent land parcel

Table 2: Top selling non-landed projects in the primary market (Q2 2018)

Project	District	Units sold (smaller than 700 sq ft)	Total units sold in Q2 2018	Average ($ per sq ft)
Twin Vew	5	69	444	$1,398
Park Place Residences at PLQ	14	146	186	$2,024
The Verandah Residences	5	90	167	$1,818
The Tapestry	18	95	147	$1,371
Margaret Ville	3	86	105	$1,890

Source: URA, Edmund Tie & Company Research

was purchased at a higher price, which may eventually result in higher selling prices of the development, have also led to more buyers at Twin Vew.

Another new launch in Q2 2018, The Verandah Residences, was also well taken-up with the project being fully sold during the quarter. Consisting of 167 non-landed units and three strata townhouses, the freehold development is located near Haw Par Villa MRT station, shopping malls, parks and nature trails. Project launches in the area were well-received, which may be due to the reduced new launches in the Pasir Panjang area recently, resulting in pent-up demand. As such, Harbour View Gardens, located beside The Verandah Residences, enjoyed good sales with 50 out of its 57 units sold in Q2 2018 since its launch in April 2018.

Outlook

Primary sales in July is expected to surge as homebuyers went on a buying frenzy on the night prior to the implementation of the revised cooling measures on 6 July 2018. It was reported that over 1,000 units were sold on the night of 5 July. Resulting from the new cooling measures, some developers have also chosen to delay their launches. Some newly-launched developments continue to attract buyers despite cautious sentiment in the property market.

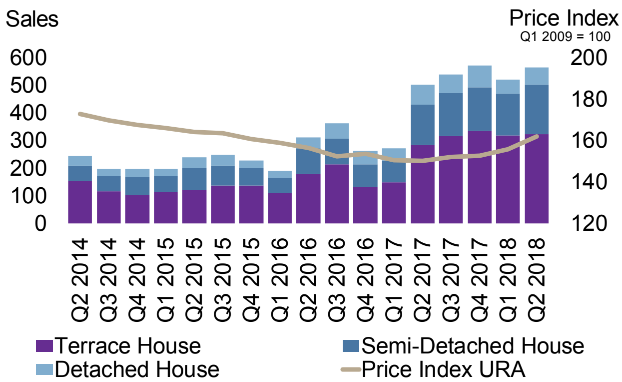
With the introduction of the new cooling measures, primary sales will take a toll in the short term. As more choices are available in the market and accompanied by the implementation of the measures, buyers are expected to be even more selective and cautious in their home purchases.

Demand analysis: secondary market

Landed home sales grew by 8.4 per cent q-o-q

After a q-o-q decline in secondary sales of landed homes in Q1 2018, sales rebounded in Q2 2018, increasing by 8.4 per cent q-o-q and 12.7 per cent year-on-year (y-o-y) to 567 units (Figure 5). Hence, the 1,090 transactions in H1 2018 was around 40.5 per cent higher than the 776 caveats lodged in H1 2017. Similarly, the URA landed price index continued to increase for the fourth consecutive quarter, with prices of landed homes rising by 4.1 per cent in Q2.

Figure 5: Landed properties by type against Price Index

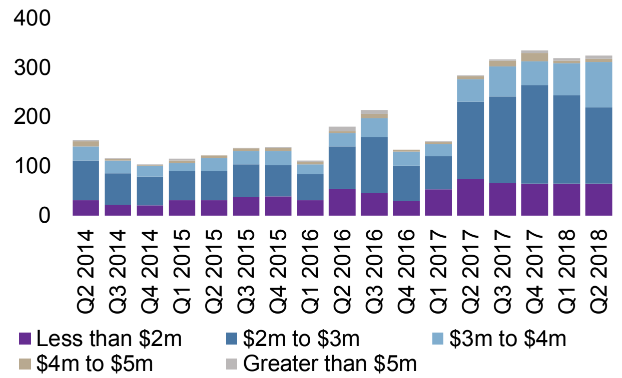


Source: URA, Edmund Tie & Company Research

District 19 recorded the largest number of landed transactions (96 units) in Q2. This was followed by the 76 and 57 landed homes sold in Districts 15 and 16 respectively.

Among the various landed property types, terrace homes remained the highest sought-after, with 325 transactions (57.3 per cent), out of the total 567 landed homes sold. The most popular price bracket for such homes was between $2m and $3m, which constituted the bulk of the terrace homes that transacted in Q2 2018 (Figure 6). However, more buyers are purchasing terrace homes with a higher price quantum. This was seen from the 43.8 per cent q-o-q increase in terrace homes of $3m to $4m, from 64 units in Q1 2018 to 92 units in Q2 2018.

Figure 6: Sales of terrace houses by quantum in the secondary market

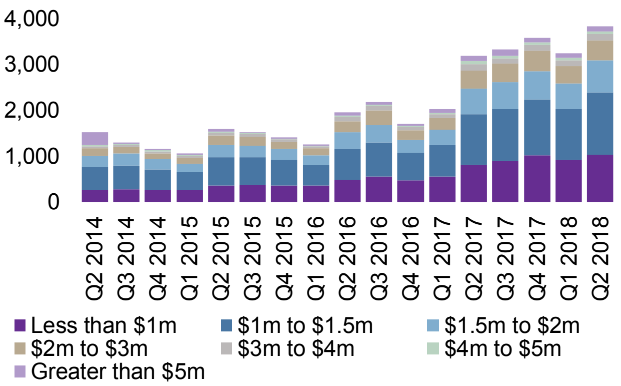


Source: URA, Edmund Tie & Company Research

Sales of non-landed homes increased by 18.0 per cent q-o-q

Secondary sales of non-landed residential properties rose by 18.0 per cent q-o-q and 20.1 per cent y-o-y to 3,842 units in Q2 2018. This may be due to pent-up demand from buyers and owners who are looking for replacement homes. The increase in sales was observed across all price brackets except for properties in the $4m to $5m range, which registered a slight decline (Figure 7). Transactions in the $1.5m to $2m range grew the most, from 1,110 units in Q1 2018 to 1,363 units in Q2 2018, as buyers remained price sensitive.

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



Source: URA, Edmund Tie & Company Research

The top five selling projects in the secondary market were relatively new, with less than five years from completion. Some of these projects have also been delicensed. The Crest, located at Prince Charles Crescent, sold the most units in the secondary market (Table 3) and the implementation of the Deferred Payment Scheme for the development may have aided in boosting sales.

Table 3: Top selling projects in the secondary market (Q2 2018)

Project (tenure)	District	Total units sold	Price range ($ per sq ft)
The Crest (99-year LH)	3	55	1,798-2,190
Avant Residences (99-year LH)	14	32	1,498-1,826
D'Leedon (99-year LH)	10	30	862-1,811
D'Nest (99-year LH)	18	24	1,019-1,311
The Minton (99-year LH)	19	23	961-1,224

Source: URA, Edmund Tie & Company Research

Demand analysis: Foreign buyers

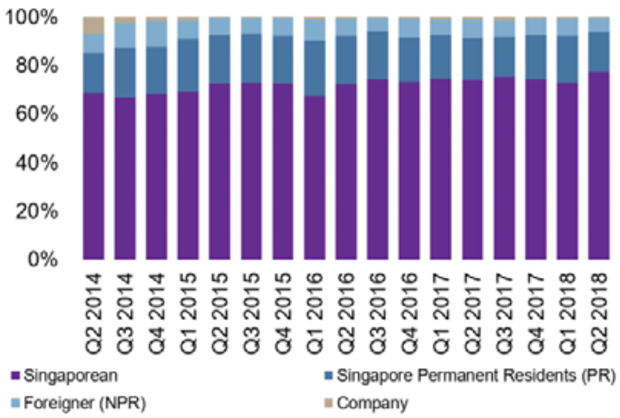
Non-Singaporean purchases

Foreign demand for residential properties remained relatively strong due to the stability of Singapore's economy and restrictions on foreign ownership of residential properties in other markets such as New Zealand and Australia. This was evident from the q-o-q increase of 7.7 per cent of non-landed home purchases by Singapore Permanent Residents (SPRs) and Non-Permanent Residents (NPRs) to 1,354 units in Q2 2018 (Figure 8). The number of non-landed homes bought by SPRs increased by a higher 9.5 per cent q-o-q to 995 units while NPRs purchased 359 units in Q2, a 3.2 per cent q-o-q growth.

The projects that are preferred by SPRs are generally in line with preferences of Singaporeans, which were near to commercial clusters or transportation nodes (Table 4). Additionally, projects that were competitively priced were favoured by SPRs. Such developments include Twin Vew ($1,214 to $1,726 per sq ft) and The Tapestry ($1,138 to $1,544 per sq ft).

On the other hand, NPRs preferred projects that were either proximate to the city centre or provided desirable views such as the sea. This was evident from the top five selling projects by NPRs in Q2 2018, with two developments (Seaside Residences and Amber 45) situated near East Coast Park and Marina One Residences located in the heart of Marina Bay.

Figure 8: Proportion of purchases by residential status



Source: URA, Edmund Tie & Company Research

Table 4: Preferences of NPRs and SPRs (Q2 2018)

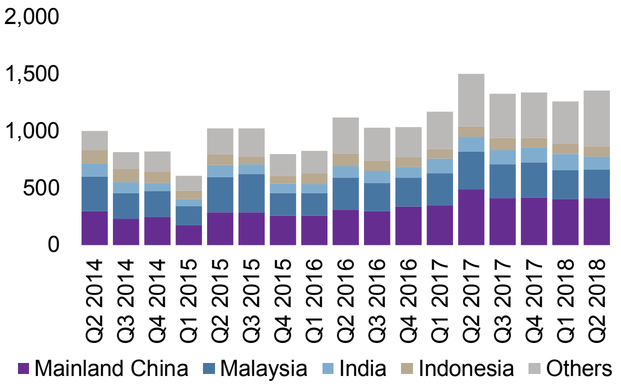
Popular new projects SPRs (number of units sold to SPRs)	Popular new projects NPRs (number of units sold to NPRs)
Twin Vew (60)	Marina One Residences (23)
Park Place Residences at PLQ (27)	Seaside Residences (12)
The Tapestry (24)	Amber 45 (10)
Margaret Ville (14)	Park Place Residences at PLQ (9)
The Verandah Residences (14)	120 Grange (8)

Source: URA, Edmund Tie & Company Research

Foreign buyers by nationality

Among the four major foreign nationalities, non-landed purchasers by mainland Chinese and Malaysians inched up slightly by 0.7 and 1.2 per cent q-o-q to 407 and 257 units respectively (Figure 9). However, there were q-o-q declines in the number of acquisitions by Indian and Indonesian nationals. Between these two nationalities, purchases by Indians fell by a larger 17.5 per cent q-o-q to 113 units in Q2 2018. The number of non-landed homes purchased by Indonesians decreased by 5.5 per cent to 86 units. Nevertheless, they remained active in the prime districts, with 29.0 per cent of purchases by Indonesians in Q2.

Figure 9: Sales by nationality (Q2 2018)

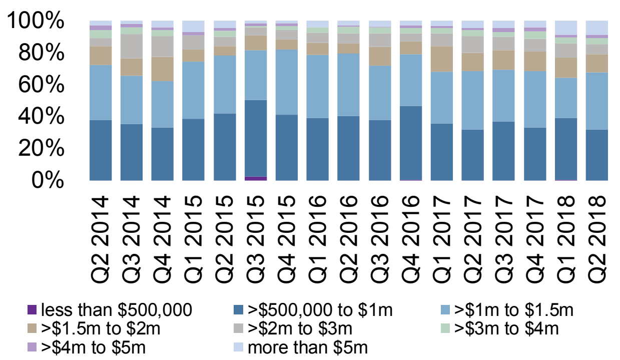


Source: URA, Edmund Tie & Company Research

Mainland Chinese buyers make up the largest group of foreign purchasers. Among these purchases, most acquisitions (273 units) were made by SPRs. In terms of price quantum, most of the purchases by mainland Chinese buyers were between $500,000 to $1.5m (Figure 10). Nevertheless, the proportion of non-landed homes bought by mainland Chinese priced more than $5m was relatively high at 8.8 per cent.

However, with the implementation of the cooling measures, foreign sales are expected to decline in the short term as foreign buyers need to pay a larger Additional Buyer's Stamp Duty (ABSD) for their home purchases. Nevertheless, Singapore's status of a gateway city to Southeast Asia and a financial hub, coupled with rising prices in other gateway cities, will continue to attract foreigners to the residential market.

Figure 10: Quantum of units purchased by mainland Chinese buyers



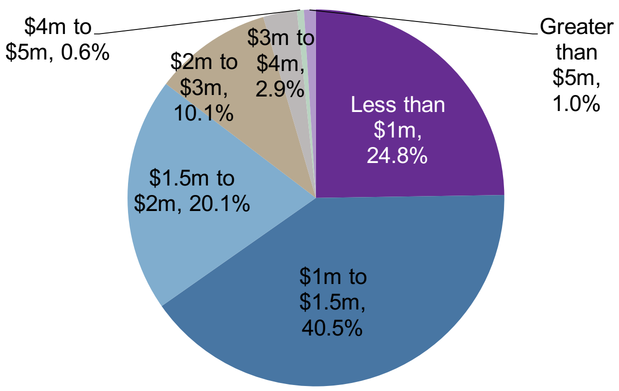
Source: URA, Edmund Tie & Company Research

Demand analysis: Singaporean buyers

Number of non-landed purchases by Singaporeans surged in Q2 2018

After three consecutive quarters of decline, the number of non-landed home purchases by Singaporeans rebounded and surged in Q2 2018, increasing by 36.3 per cent q-o-q to 4,722 units. This was also more than the 4,437 units in Q2 2018. Out of the total non-landed purchases, Singaporeans constituted the largest proportion (77.5 per cent) in Q2, slightly larger than the 73.0 per cent in Q1.

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



Source: URA, Edmund Tie & Company Research

In terms of price quantum, majority of the non-landed acquisitions by Singaporeans were in the range of $1m to $1.5m, which comprises 40.5 per cent of the non-landed sales by Singaporeans in Q2 2018 (Figure 11). This was slightly more than the 37.5 per cent in Q1 2018 and 39.5 per cent in Q2 2017.

The price consciousness of Singaporeans was evident in Q2 2018, as the proportion of home purchases priced $2m and above declined from 20.7 per cent in Q2 2017 to 14.7 per cent.

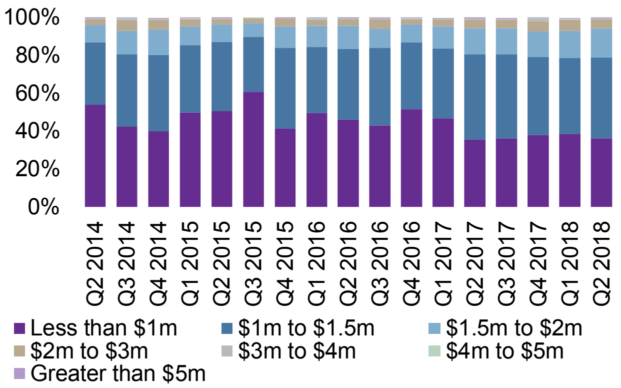
Like the SPRs, Singaporeans preferred projects that were either nearer to transportation nodes/ commercial clusters or priced competitively. Hence, apart from Twin Vew and The Tapestry, developments such as Park Place Residences at PLQ, The Verandah Residences and Margaret Ville were favoured due to their proximity to the city centre and MRT stations (Table 5).

Buyers with HDB addresses

The upgrading aspirations of HDB dwellers remained strong, as seen from the increase in non-landed sales by buyers with HDB addresses, from 1,760 units in Q1 2018 to 2,075 units in Q2 2018. The growth in non-landed purchases by these buyers came after two consecutive quarters of decrease.

Developments that were realistically priced were preferred, as a large proportion of the purchases were priced $1.5m and below (Figure 12). In Q2 2018, these purchases constituted 79.1 per cent of the total non-landed sales by buyers with HDB addresses, a slight increase from the 78.5 per cent in Q1 2018.

Figure 12: Home sales by quantum in Q2 2018 (buyers with HDB addresses)



Source: URA, Edmund Tie & Company Research

Among the new sales, around 75.0 per cent and above of popular projects that were taken up by buyers with HDB addresses were generally priced $1.5m and below. This amount rose when considering units priced $2m and below. For some developments such as The Tapestry and Parc Botannia, all units purchased by buyers with HDB addresses were priced $2m and below.

In the secondary market, buyers with HDB addresses preferred the suburban areas where they can purchase non-landed properties of larger floor areas that are within their budgets. In Q2, Districts 19 (Serangoon Gardens, Punggol, Hougang) and 18 (Tampines, Pasir Ris) were among the popular suburban districts (Table 6).

This group of buyers is expected to exercise restraint, particularly if they are buying for investment purposes.

Table 6: Preferences of buyers with HDB addresses (Q2 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)
Twin Vew (156)	District 19 (209 units)
Park Place Residences at PLQ (54)	District 18 (133 units)
The Tapestry (54)	District 14 (113 units)
The Verandah Residences (45)	District 15 (100 units)
Parc Botannia (43)	District 23 (97 units)

Source: URA, Edmund Tie & Company Research

Annex A

Adjustments to property cooling measures announced on 5 July 2018

Table 1: Raising ABSD rates for residential properties

	Rates on or before 5 July 2018	Rates on or after 6 July 2018
Singapore citizens buying first residential property	0%	0% (No change)
Singapore citizens buying second residential property	7%	12% (Revised)
Singapore citizens buying third and subsequent residential property	10%	15% (Revised)
Singapore permanent residents buying first residential property	5%	5% (No change)
Singapore permanent residents buying second and subsequent residential property	10%	15% (Revised)
Foreigners buying any residential property	15%	20% (Revised)*
Entities buying any residential property	15%	25% (Revised)* Plus, additional 5% for developers# (New, non-remittable)^

Source: Ministry of Finance, Ministry of National Development and Monetary Authority of Singapore

* As entities, developers will also be subject to the ABSD rate of 25.0 per cent for entities. Developers may apply for remission of this 25.0 per cent ABSD, subject to conditions (including completing and selling all units within the prescribed periods of 3 years or 5 years for non-licensed and licensed developers respectively). Details are provided under the Stamp Duties (Non-licensed Housing Developers) (Remission of ABSD) Rules and the Stamp Duties (Housing Developers) (Remission of ABSD) Rules.

Developers refer to entities which engage in the business of construction and sale of housing units.

^ This new 5.0 per cent ABSD for developers is in addition to the 25.0 per cent ABSD for all entities. This 5.0 per cent ABSD will not be remitted and is to be paid upfront upon purchase of residential property.

Table 2: Revised Loan-to-Value (LTV) limits on housing loans granted by financial institutions

	1st housing loan	2nd housing loan	From 3rd housing loan
Individual borrowers			
LTV limit	Existing rules 80%; or 60% if the loan tenure is more than 30 years* or extends past age 65 Revised rules 75%; or 55% if the loan tenure is more than 30 years* or extends past age 65	Existing rules 50%; or 30% if the loan tenure is more than 30 years* or extends past age 65 Revised rules 45%; or 25% if the loan tenure is more than 30 years* or extends past age 65	Existing rules 40%; or 20% if the loan tenure is more than 30 years* or extends past age 65 Revised rules 35%; or 15% if the loan tenure is more than 30 years* or extends past age 65
Minimum cash down payment	**No change to existing rules** 5%; or 10% if the loan tenure is more than 30 years* or extends past age 65	15% (Revised)	
Non-individual borrowers			
LTV limit	**Existing rule:** 20%; **Revised rule:** 15%		

Source: Ministry of Finance, Ministry of National Development and Monetary Authority of Singapore

* 25 years, where the property purchased is a HDB flat.

CONTACTS

Edmund TIE
Chairman
+65 6393 2386
edmund.tie@etcsea.com

ONG Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

PROFESSIONAL SERVICES

Valuation Advisory

POH Kwee Eng
Executive Director
Regional Head of Valuation Advisory
+65 6393 2312
kweeeng.poh@etcsea.com

Nicholas CHENG
Executive Director
+65 6393 2317
nicholas.cheng@etcsea.com

Property Tax Advisory & Statutory Valuation

NG Poh Chue
Executive Director
+65 6393 2515
pohchue.ng@etcsea.com

Research & Consulting

ONG Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

Hospitality

HENG Hua Thong
Executive Director
Regional Head of Investment Advisory
+65 6393 2398
huathong.heng@etcsea.com

TAY Hock Soon
Senior Director
+65 6887 0088
tayhs@treetops.com.sg

Property Management

Philip LEOW
Executive Director
+65 6417 9228
philip.leow@etcsea.com

KWOK Sai Kuai
Executive Director
Regional Head of Property Management
+65 6417 9229
saikuai.kwok@etcsea.com

Paul WONG
Senior Director
+65 6417 9225
paul.wong@etcsea.com

AGENCY SERVICES

Investment Advisory

Edmund TIE
Chairman
+65 6393 2386
edmund.tie@etcsea.com

HENG Hua Thong
Executive Director
Regional Head of Investment Advisory
+65 6393 2398
huathong.heng@etcsea.com

YAM Kah Heng
Senior Advisor
+65 6393 2368
kahheng.yam@etcsea.com

SWEE Shou Fern
Senior Director
+65 6393 2523
shoufern.swee@etcsea.com

TAN Chun Ming
Senior Director
+65 6393 2360
chunming.tan@etcsea.com

Auction & Sales

Nicholas CHENG
Executive Director
+65 6393 2317
nicholas.cheng@etcsea.com

Joy TAN
Senior Director
+65 6393 2505
joy.tan@etcsea.com

Residential

Margaret THEAN
Executive Director
Regional Head of Residential
+65 6393 2383
margaret.thean@etcsea.com

Karen ONG
Senior Director
+65 6393 2366
karen.ong@etcsea.com

Business Space & Retail

CHUA Wei Lin
Executive Director
Regional Head of Business Space
+65 6393 2326
weilin.chua@etcsea.com

China Desk

HENG Hua Thong
Executive Director
Regional Head of Investment Advisory
+65 6393 2398
huathong.heng@etcsea.com

YAM Kah Heng
Senior Advisor
+65 6393 2368
kahheng.yam@etcsea.com

REGIONAL OFFICES

Malaysia

Eddy WONG
Managing Director
+603 2024 6380
eddy.wong@ntl.my

Thailand

Punnee SRITANYALUCKSANA
Chief Operating Officer
+66 2257 0499 ext 122
punnee.s@etcthailand.co.th

Authors:

ONG Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

LEONG Kin Mun
Senior Research Analyst
+65 6393 2548
kinmun.leong@etcsea.com

Edmund Tie & Company (SEA) Pte Ltd
5 Shenton Way, #13-05 UIC Building, Singapore 068808 • Phone: +65 6293 3228 • Fax: +65 6298 9328 • Email: mail.sg@etcsea.com