Edmund Tie & Company

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RESEARCH

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Singapore Q2 2019

Slowing economy and gloomy outlook poses challenges for H2 2019 with office as the potential outperformer

Investment sales

Market commentary

Key market indicators

The slowing global economy and the escalation of the trade conflict between the US and China prompted the Ministry of Trade and Industry (MTI) to lower Singapore's gross domestic product (GDP) growth forecast to 1.5 to 2.5 per cent (from 1.5 to 3.5 per cent) in May 2019. However, this revised forecast is being reviewed with early indicators suggesting that Q2's growth rate could be less than Q1's 1.2 per cent.

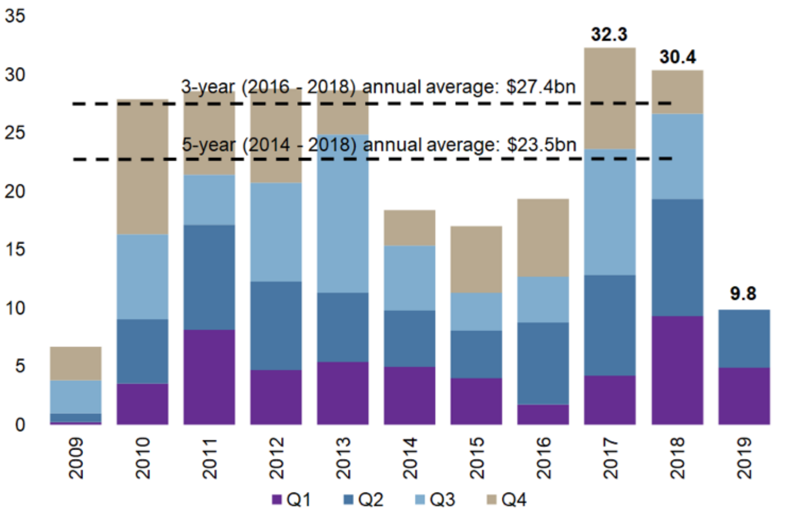
Accordingly, the trade-related sector (comprising manufacturing, wholesale trade and storage) will be the most exposed, while the business services, financial and insurance, information and communications and construction sectors are expected to perform and contribute positively to economic growth, albeit at a slower pace. However, the Government is well-positioned and ready to deal with the challenges despite the gloomy outlook.

Investment sales

Despite growing external uncertainties, total investment sales value rose marginally by 0.7 per cent quarter-on-quarter (q-o-q) to around $4.9bn in Q2 2019. However, on a year-on-year (y-o-y) basis, total investment sales value was down by more than half. (Figure 1).

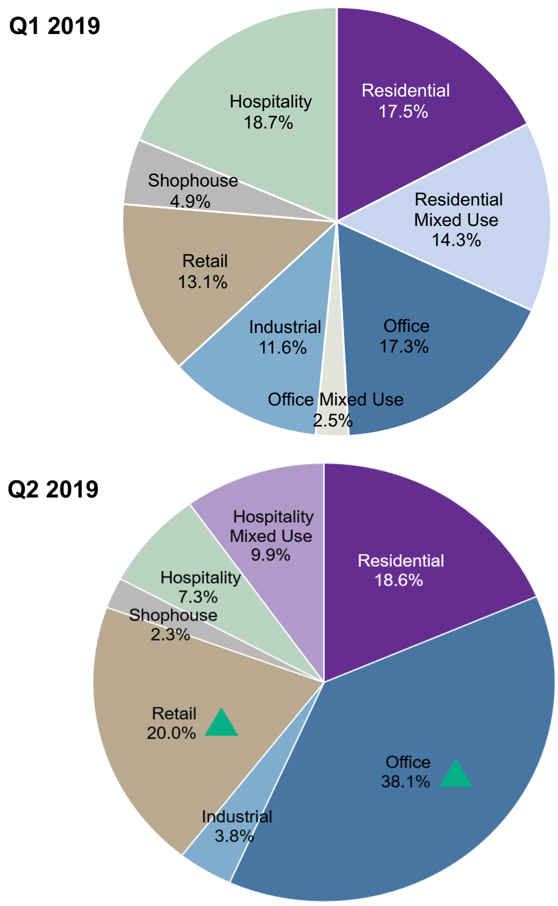
- Public investment sales fell by 56.6 per cent q-o-q to $957.5m in Q2 2019 because more sites were awarded under the Government Land Sales (GLS) Programme last quarter.
- In contrast, private investment sales jumped 47.7 per cent q-o-q to nearly $4.0bn compared to the 27.8 per cent decline in Q1 2019.

Figure 1: Total investment sales, $bn



Source: URA, Edmund Tie & Company Research

Figure 2: Total investment sales by asset type



Source: URA, Edmund Tie & Company Research

Table 1: Public GLS sales in Q2 2019 (above $50m)

Development name/location	Site area (sq ft)	Plot ratio	Tenure	Purchase price	Purchaser/investor type
Residential					
Middle Road	80,327	4.2	99 years	$492.0m ($1,458 psf ppr)	Wing Tai Holdings (local listed property company)
Sims Drive	174,648	3.0	99 years	$383.5m ($732 psf ppr)	Hong Leong Holdings and CDL (local listed property companies)
Industrial					
Woodlands Avenue 12	225,373	2.5	30 years	$82.0m ($146 psf ppr)	Soon Hock Group (local private property company)

Source: URA, JTC, Edmund Tie & Company Research

Office

- All investment sales activities were in the private sector as there were no GLS sites awarded in Q2.
- Private investment sales value almost doubled q-o-q to nearly $1.9bn. As such, office investment sales accounted for more than 38.0 per cent of total investment sales value this quarter (Figure 2).
- The largest sale transaction was Chevron House to AEW for $1.025bn, approximately $2,740 per square foot (sq ft) based on the increased net lettable area (NLA) of 374,165 sq ft, which includes the current asset enhancement initiative (AEI) and five floors of retail podium.
- A notable transaction in the decentralised areas was 7-9 Tampines Grande, with Grade A building specifications, sold for $395m or $1,373 per sq ft, to a Metro joint venture (JV).
- Sale of commercial en bloc buildings continued with Realty Centre that was sold for $148m or $2,753 per sq ft NLA, which was below the reserve price of $165m. The new owner, The Place Holdings, intends to redevelop the site as a commercial and residential mixed-use development which takes advantage of the recently announced central business district (CBD) incentive scheme that offers bonus gross plot ratio of up to 30.0 per cent depending on the proposed development mix.

Industrial

- Total industrial investment sales declined by 66.7 per cent q-o-q to $189m.
- Public investment sales fell by 7.9 per cent q-o-q with only one significant transaction for a 30-year tenure, zoned Business 2 (B2 – for heavier industrial use) land parcel at Woodlands Avenue 12 that attracted six bids. The site was awarded to Soon Hock Group for $82m or $146 per sq ft per plot ratio (psf ppr) (Table 1).
- Private investment sales fell more than 77.0 per cent q-o-q due to lower transaction volumes and deal values. The largest transaction was a warehouse facility at 11 Benoi Crescent for $18.4m or $142 per sq ft site area.

Retail

- Investment sales value rose for the second consecutive quarter, jumping by 53.7 per cent q-o-q to $985m. This rise was underpinned by two significant transactions involving Chinatown Point ($520m) and Waterway Point ($440.6m).

Hospitality

- Investment sales more than doubled in Q2 2019 to $844m indicating investors' continued confidence in the sector that was underpinned by increasing visitor arrivals (albeit at a slower rate compared to last year) and limited hotel supply pipeline.
- The largest transaction was UIC acquiring various stakes for $675.3m, which gives UIC and UOL full control of Marina Square Shopping Mall, Pan Pacific Singapore, Marina Mandarin Singapore and a 50.0 per cent interest in Mandarin Oriental Singapore. This transaction positions the Marina Centre precinct for potential redevelopment opportunities under the Strategic Development Incentive (SDI) scheme which encourages additional residential and hospitality uses to create a more vibrant area (Table 2).

Residential

- Investment sales value declined 41.1 per cent q-o-q to $914.2m, as the number of GLS sites awarded fell from three to two in Q2. The Middle Road site, within the Core Central Region (CCR), attracted ten bids compared to the Sims Drive site that had five bids.
- With the current supply situation, developers remained cautious with a preference for GLS sites compared to the private en bloc sites which have stayed muted since the cooling measures in July 2018 (Table 1).
- Consequently, the Ministry of National Development (MND) reduced the number of private residential units to 1,235, excluding executive condominiums (ECs), under the Confirmed List of H2 2019 GLS by nearly 25.0 per cent compared to H1 2019's Confirmed List.
- There was only one private investment sale for a redevelopment site at 2 Cavan Road, zoned Residential with Commercial at 1st Storey, for $38.7m or $642 psf ppr excluding development charges, with a development potential of up to 60 residential units.

Table 2: Private investment sales in Q2 2019 (above $50m)

Development name/location	Tenure years (remaining)	Purchase price	Purchaser/investor type
Office			
Chevron House	99 years (68 years)	$1.03bn ($2,740 per sq ft NLA)	AEW (foreign institutional investor)
7-9 Tampines Grande	99 years (68 years)	$395.0m ($1,373 per sq ft NLA)	Metro Holdings and Evia Real Estate JV (local listed and private companies)
Realty Centre	Freehold (NA)	$148.0m ($2,753 per sq ft NLA)	The Place Holdings (local listed investment company)
4 levels at Thong Teck Building (office component)	Freehold (NA)	$100.2m ($3,533 per sq ft NLA)	Top Global (local listed property company)
Retail/retail mixed-use			
Chinatown Point (NLA: 208,418 sq ft retail and 4,230 sq ft office)	99 years (59 years)	$520.0m ($2,450 per sq ft NLA)	Pan Asia Realty Advisors (foreign institutional investor)
33.3 per cent stake in Waterway Point	99 years (90 years)	$440.6m ($3,502 per sq ft NLA)	Frasers Centrepoint Trust (local REIT - related party transaction)
Hospitality/hospitality mixed-use			
Various stakes in Marina Square Shopping Mall, Pan Pacific, Marina Mandarin and 50.0 per cent of Mandarin Oriental	99 years (59 years)	$675.3m (estimated >$1m per key)	UIC (local listed property group)
ibis Singapore Novena	Freehold	$168.7m ($0.7m per key)	Private foreign investor

Source: URA, JTC, Edmund Tie & Company Research

Outlook

Singapore's economic outlook appears bleaker amid ongoing uncertainties from the US-China trade conflict, a slowing mainland China economy. With total investment sales value at almost $10bn in H1 2019, total investment sales value for 2019 is projected to range between $18.0bn and $21.0bn.

Office

Market commentary

Key market indicators

- Despite the lower GDP forecast for 2019, the business services, financial and insurance, and information and communications sectors are expected to grow albeit at a slower pace.

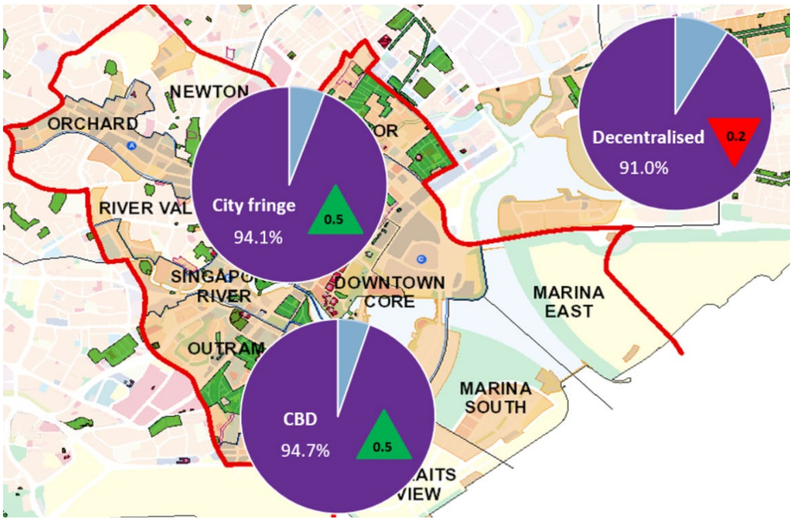
Investment market

- Investment sales value almost doubled to $1.8bn q-o-q in Q2 2019, with the largest transaction valued at $1.025bn or $2,740 per sq ft for Chevron House.
- En bloc sale of commercial buildings continued with the sale of Realty Centre for 10.0 per cent lower than its $165m reserve price.
- The sale of 7-9 Tampines Grande potentially signals growing investor interests and confidence in the decentralised area, as the Government implements its decentralisation strategy through the Master Plan.

Office occupancy and new completions

- Islandwide occupancy rate improved marginally from 93.2 per cent to 93.5 per cent in Q2 2019.
- Occupancy rate in the CBD and city fringe tightened 0.5 percentage points q-o-q to 94.7 per cent and 94.1 per cent respectively (Figure 3).
- On the contrary, occupancy rate in the decentralised areas declined slightly by 0.2 percentage points q-o-q to 91.0 per cent in Q2 2019.
- Funan office towers, with more than 210,000 sq ft NLA, opened in Q2 2019 with 98.0 per cent pre-leased.

Figure 3: Office occupancy rates in Q2 2019



Source: URA, OneMap, Edmund Tie & Company Research

- Demand for office space in the CBD continued to be underpinned by technology firms, banking and finance, and co-working operators (Table 3). These included new regional headquarters (e.g. Uber and OnRobot) and expansions (e.g. Ripple).

Table 3: Key tenant movements in Q2 2019

Building	Subzone	Tenant	Industry
Marina One (East Tower)	Marina Bay	Ripple	Technology -
Marina One (East Tower)		FundApps	Technology - financial
Marina Bay Financial Centre Tower 1		HPD Lendscape	Technology - financial
20 Collyer Quay	Raffles Place	JustCo (16,800 sq ft)	Co-working
One Raffles Place Tower 2		CleverTap	Technology
8 Cross Street		Orbital Insight	Technology
Frasers Tower	Shenton Way/ Robinson Road/ Tanjong Pagar	Uber (21,500 sq ft)	Technology
79 Anson Road		General Assembly (6,000 sq ft)	Education campus
International Plaza		OnRobot	Technology - robotics
Funan	Beach Road/ North Bridge Road	98.0 per cent pre-leased comprising: • South block - 95,600 sq ft: three government agencies, • North block - 118,400 sq ft: adidas, Adyen, Trehaus, WeWork (70,000 sq ft)	Government, sports retail, finance, co-working

Source: Various sources, Edmund Tie & Company Research

Rental rates

- Average gross monthly rents in the CBD are projected to rise by 0.5 per cent to 2.0 per cent q-o-q in Q2 2019 (Table 4).

Table 4: Average monthly gross office rents ($ per sq ft)

Location		Grade	Q1 2019	Q2 2019^	Q-o-q change (%)
CBD	Marina Bay	A+	10.90-12.90	11.10-13.10	2.0 ▲
	Raffles Place	A	9.25-11.25	9.35-11.35	1.0 ▲
	Shenton Way/Robinson Road/Tanjong Pagar	A+	9.85-11.85	9.95-11.95	1.0 ▲
		A	8.00-10.00	8.05-10.05	0.5 ▲
		B	6.50-8.50	6.55-8.55	0.5 ▲
City fringe	Marina Centre	A	8.90-10.90	8.90-10.90	0.0 ▬
	Beach Road/North Bridge Road	A	9.50-11.50	9.70-11.70	2.0 ▲
		B	6.50-8.00	6.50-8.00	0.0 ▬
	Orchard Road	*	8.50-10.50	8.55-10.55	0.5 ▲
Decentralised areas	one-north/Buona Vista/Harbourfront	*	6.50-8.00	6.50-8.00	0.0 ▬
	Tampines Regional Centre	*	5.10-5.60	5.10-5.60	0.0 ▬
	Jurong Gateway	*	5.00-5.50	5.05-5.55	1.0 ▲

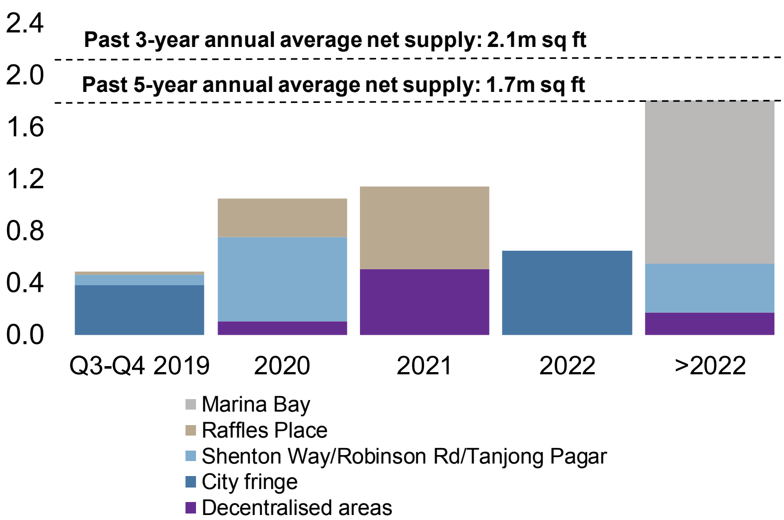
** Ungraded office space*
^ Estimated forecasts only

Source: Edmund Tie & Company Research

Supply pipeline

- There is around 3.3m sq ft (or 0.94m sq ft per annum) of total office supply in the pipeline from Q3 2019 to 2022, which is about 50.0 per cent lower than the 3- and 5-year average net supply of 2.1m sq ft and 1.7m sq ft respectively (Figure 4).

Figure 4: CBD office development pipeline, million sq ft



Source: URA, Edmund Tie & Company Research

Outlook

Despite ongoing global headwinds and a gloomy outlook for Singapore's economy, investment sales value activity jumped by almost twice in Q2 2019 suggesting an optimistic outlook for the sector underpinned by rising rents and a constrained supply pipeline over the next four years, especially in the CBD. Accordingly, we expect rental rates to rise by 5.0 to 9.0 per cent in 2019.

Industrial

Market commentary

Key market indicators

- The non-oil domestic exports (NODX) and the Purchasing Managers' Index (PMI) continued to weaken with Q2 2019 expected to perform worse than Q1.
  - NODX contracted 15.6 per cent y-o-y, as electronic and non-electronics exports fell by 31.4 per cent and 10.8 per cent y-o-y respectively in May 2019 (Table 5).
  - PMI fell by 0.4 points month-on-month (m-o-m) to 49.9 points in May 2019, dipping below 50 points for the first time since August 2016, which indicates that the manufacturing economy is contracting. Likewise, the electronics sector PMI contracted for the seventh consecutive month by 0.1 points to 49.4 m-o-m.
- The Government reduced the industrial land supply on the H2 2019 confirmed (four sites) and reserve (6 sites) lists by about 15.0 per cent to 9.98ha. All the sites are zoned B2 for heavier industrial use.

Table 5: Singapore's NODX and PMI

Key economic indicators	Q1 2019	Q2 2019	Change
NODX (seasonally adjusted) y-o-y	-8.9%	-15.6%*	▼
PMI	50.8	49.9*	▼

**as of May 2019*

Source: MTI, Enterprise Singapore, SIPMM, Edmund Tie & Company Research

Investment market

- Total investment sales value (valued above $10m) fell by more than 70.0 per cent q-o-q to $141.5m in Q2 2019.
- The largest transaction was the public sale of Woodlands Avenue 12 site by Jurong Town Corporation (JTC) zoned B2 for heavier industrial use for $82m or $146 psf ppr.

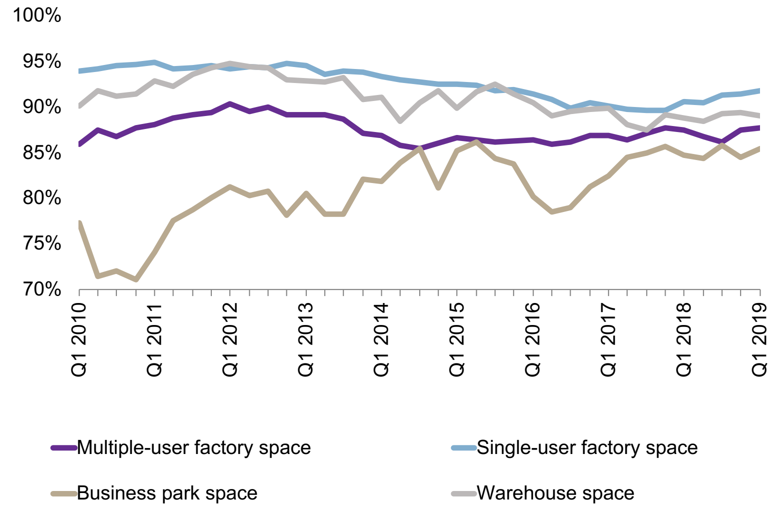
Private demand, occupancy and supply

- With the trade and manufacturing sectors worsening, the demand for industrial space is expected to moderate further although limiting the supply pipeline will likely provide some support for rental rates and capital values.
- On the other hand, the opening of German chemical giant Enovik's new $768m plant on Jurong Island to double the production of methionine (a key additive to animal feed), complements the Government's objective to strengthen Singapore's food security through technology and innovation.
- Demand and occupancy for business parks remained steady with limited vacancies at the city fringe business parks (Figure 5). As CBD office rents continue to rise, we expect demand for business parks to remain as an attractive alternative for companies that do not require a CBD presence.

Rental rates

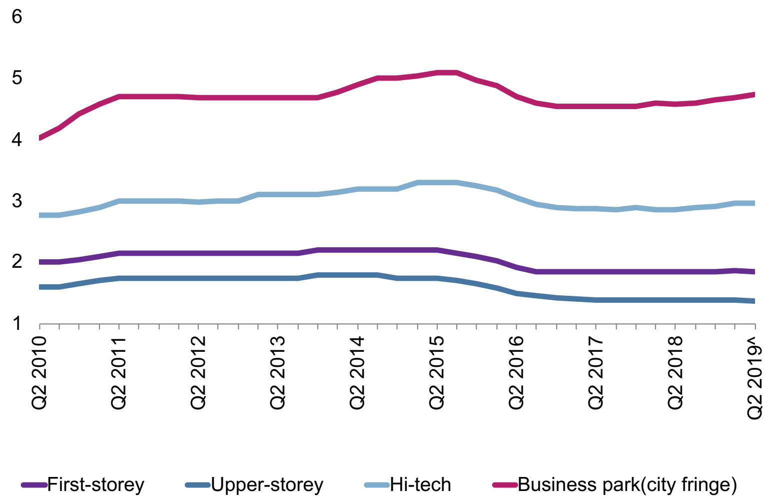
- Rental rates were mixed across the industrial types with marginal falls of -0.5 per cent to -1.5 per cent q-o-q expected for multi-user factories and warehouses, while non-city fringe business parks and hi-tech industrials remain largely flat, albeit a slight increase for city-fringe business parks (Table 6 and Figure 6).

Figure 5: Occupancy rates of private industrial space by type



Source: JTC, Edmund Tie & Company Research

Figure 6: Private monthly industrial gross rents by type



^ *Estimated forecasts only*

Source: JTC, Edmund Tie & Company Research

Table 6: Average monthly gross rents (islandwide)

Industrial type	As at Q1 2019 ($ per sq ft)	As at Q2 2019 ($ per sq ft)*	Q-o-q change (%)
Multiple-user factory	**First-storey:** 1.75 to 2.00	1.74 to 1.99	▼ -0.5
	Upper-storey: 1.40 to 1.60	1.39 to 1.59	▼ -0.5
Warehouse/logistics	1.56 to 1.71	1.53 to 1.68	▼ -1.5
Hi-tech industrial	2.85 to 3.05	2.85 to 3.05	— 0.0
Business park	**City fringe:** 4.25 to 4.75	4.30 to 4.80	▲ 1.0
	Non-city fringe: 3.50 to 3.80	3.50 to 3.80	— 0.0

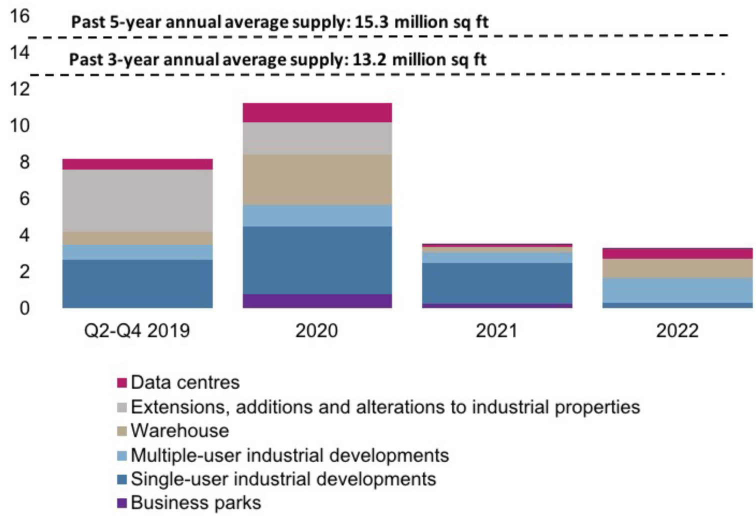
* *Estimated forecasts only*

Source: JTC, Edmund Tie & Company Research

Supply pipeline

- The annual average industrial supply of circa 7.0m sq ft NLA for the period Q2 2019 to 2022 is almost half the past 3- and 5-year average supply (Figure 7). In addition, more than 80.0 per cent of this new supply are owner-occupied or fully pre-committed.
- There are approximately seven data centres that are under construction, totalling some 2.4m sq ft, or 9.0 per cent of supply pipeline, with the largest being Google's third data centre of more than 1m sq ft NLA expected to be completed in 2020 (Figure 9). This does not include Facebook's first data centre of some 1.8m sq ft NLA as planning approval has not been obtained.

Figure 7: Private industrial development pipeline (with planning approvals and GLS sites which are pending approvals), million sq ft



Source: JTC, Edmund Tie & Company Research

Outlook

The demand for multi-user factory and warehouse spaces are expected to moderate amid a weakening outlook for the trade and manufacturing sectors, although a constrained supply pipeline is expected to provide some support to occupancy rates and rents. However, the sector remains vulnerable should the US-China trade war escalate.

Accordingly, rental rates for multi-user factories and warehouses are expected to face some downside risks of -2.0 to 0.0 per cent, while business space and hi-tech industrial space are likely to remain flat of 0.0 to 2.0 per cent in 2019.

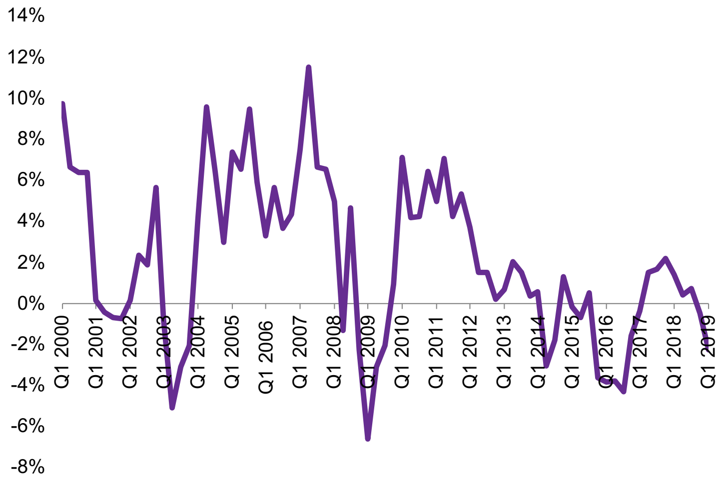
Retail

Market commentary

Key market indicators

- Retail sales index (excluding motor vehicles) fell 2.3 per cent y-o-y in Q1 2019, larger than 0.5 per cent y-o-y contraction in Q4 2018 (Figure 8). In April 2019, retail sales index (excluding motor vehicles) continued to decline by 2.0 per cent y-o-y.
- Sales for most of the retail segments fell. The largest falls were for computer and telecommunications equipment (-6.7 per cent) and furniture and household equipment (-6.5 per cent). On the other hand, apparel and footwear, and food and beverage services rose by 3.4 and 3.1 per cent y-o-y respectively.
- Based on the Tourism Sector Performance for Q4 2018 (released in April 2019 by the Singapore Tourism Board), tourism receipts for shopping fell by 8.0 per cent y-o-y, while food and beverage rose by some 5.0 per cent. Mainland Chinese tourists were the biggest shoppers – spending about 54.0 per cent of their total expenditure on shopping. This was followed by Indonesians with 31.0 per cent.

Figure 8: Retail Sales Index (excluding motor vehicles)



Source: Department of Statistics Singapore

Investment market

- For the second consecutive quarter, investment transaction value (valued above $100m) jumped more than 52.0 per cent q-o-q in Q2 2019 with two transactions totalling $961m.
- The largest sale transaction was Chinatown Point that sold for $520m or $2,450 psf NLA, to a foreign institutional investor with an estimated entry yield of 2.0 to 3.0 per cent.

Private demand, occupancy and supply

Islandwide net absorption fell by more than 98.0 per cent q-o-q to just 5,000 sq ft in Q1 2019. Likewise, net supply fell by about 78.0 per cent q-o-q as there were lesser completions. As such, islandwide occupancy declined slightly by 0.4 percentage points q-o-q to 90.1 per cent in Q1 2019. However, the opening of Funan with 325,000 sq ft NLA and 95.0 per cent pre-leased, is not expected to significantly impact occupancy rates in Q2 2019.

Orchard/Scotts Road (OSR)

- Occupancy rate declined by 1.0 percentage point q-o-q to 93.9 per cent in Q1 2019.
- Despite the closure of a number food and beverage outlets in Q1 2019, there were new store openings in Q2 2019 which included:
  - Pomelo Fashion at 313@ Somerset – part of the online fashion brand's omnichannel strategy to provide its first physical store outside Thailand.
  - CHICHA San Chen, a Taiwanese bubble tea chain, opening its first outlet in Singapore at 313@Somerset.

Other City Areas (OCA)

- Net absorption contracted by 16,000 sq ft in Q1 2019 vis-à-vis 102,000 sq ft in Q4 2018.
- Retail remains challenging, especially during after working hours and weekends when foot traffic drops significantly vis-à-vis during office hours.
- The opening of Funan in Q2 2019 comprising experiential and activity-based retail. Food and beverage accounted for some 25.0 per cent of total retail offering, while 30.0 per cent were new-to-market brands including Taobao, Brompton Junction and Dyson.

Suburban Areas (SA)

- Net demand and supply for retail spaces slowed in Q1 2019 with the occupancy rate down marginally.
- Prime located malls with easy transportation access and a diverse and well-managed tenant mix, continued to perform relatively well.
- New openings included Café Amazon outlets at Jewel Changi and Jurong Point Shopping Centre, and Xing Fu Tang (a Taiwanese bubble tea chain) opening a permanent store at Century Square in Q2 2019.

Rental rates

Although the retail market remained weak, the rental rates across the different market segments remained largely flat, as occupancy rates remained high for prime located malls. Upper-storey retail in OSR likely fell slightly with weak tourist spending, while the prime malls in the suburban areas continue to attract major brand retailers/new-to-market brands for prime spaces within the malls (Table 7).

Table 7: Average monthly gross rents in Q2 2019 ($ per sq ft)

Region	Q1 2019	Q2 2019^	Q-o-Q change
OSR	**First storey:** 34.00 to 39.00	34.00 to 39.00	0.0% —
	Upper storey: 14.00 to 18.00	13.90 to 17.90	-0.5% ▼
OCA	**First storey:** 16.10 to 21.10	16.10 to 21.10	0.0% —
	Upper storey: 8.00 to 12.00	8.00 to 12.00	0.0% —
SA (prime malls)	**First storey:** 25.20 to 31.20	25.30 to 31.30	0.5% ▲
	Upper storey: 15.00 to 20.00	15.00 to 20.00	0.0% —

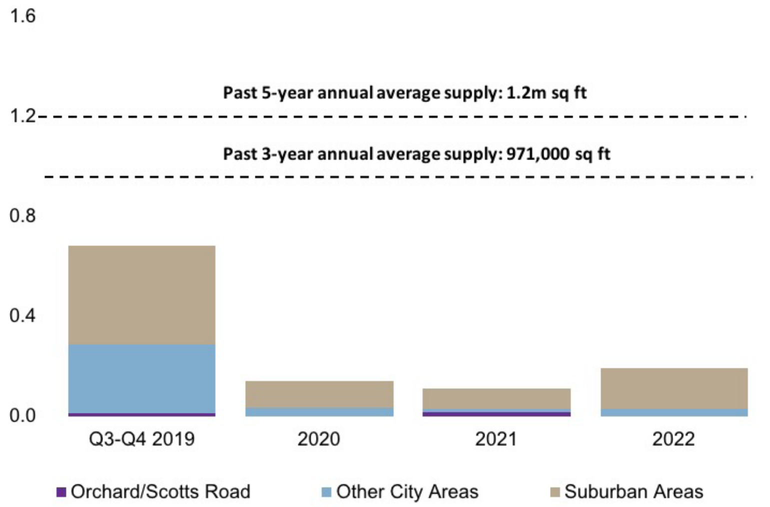
^ *Estimated forecasts only*

Source: URA, Edmund Tie & Company Research

Supply pipeline

From Q3 2019 to 2022, some 1.1m sq ft of retail NLA is expected to come on stream with majority of the supply to be completed in H2 2019 (Figure 9), with the largest being Paya Lebar Quarter (PLQ) mall of circa 313,000 sq ft. The average known supply pipeline from 2020 to 2022 is less than 150,000 sq ft per annum, which is substantially below the 3- and 5-year average supply.

Figure 9: Retail development pipeline, million sq ft



Source: URA, Edmund Tie & Company Research

Outlook

With the opening of Jewel Changi and Funan in Q1 and Q2 respectively and PLQ mall in H2 this year (totalling more than 1.2m sq ft NLA), the sector remains challenging with tepid sales and growing economic headwinds. However, the continued investment sale activity for retail malls suggests a positive outlook for the sector especially for malls that are well-connected to public transport and offer a well-managed tenant mix including more experiential and activity-based retail. Hence, islandwide rental growth is projected to be mixed ranging from -2.0 to 2.0 per cent in 2019 with the low supply pipeline from 2020 onwards likely to provide some support to occupancy rates and rental levels.

Residential

Market commentary

Key market indicators

- The cooling measures continued to slow demand for housing loans which declined for the fifth consecutive month by 0.1 and 0.3 per cent m-o-m and y-o-y respectively in May 2019.
- Monetary Authority of Singapore (MAS) recently maintained that the current cooling measures are appropriate to ensure a sustainable market.
- According to the Ministry of Manpower (MOM), real wages in 2018 grew by a higher 4.2 per cent on average vis-à-vis 3.2 per cent in 2017. However, the wage growth outlook for 2019 is expected to be lower.

Investment market

- Investment sales fell 41.1 per cent q-o-q due to the fewer number of GLS sites sold.
- GLS sites continue to contribute to the bulk (or 95.8 per cent) of residential investment sale with two sites sold. The Middle Road site received the most bids and was a more attractive site being in the CCR, with a development mix of 375 residential units and up to 16,150 sq ft of commercial space on the first storey (Table 8).
- With no residential en bloc site sales since August 2018, a freehold site with an existing light industrial structure at 2 Cavan Road, zoned Residential with Commercial at 1st Storey, was sold for $38.7m or $642 psf ppr. This site has a redevelopment potential of up to 60 residential units with commercial units on the first storey.

Table 8: Residential/residential mixed-use GLS sites awarded in Q2 2019

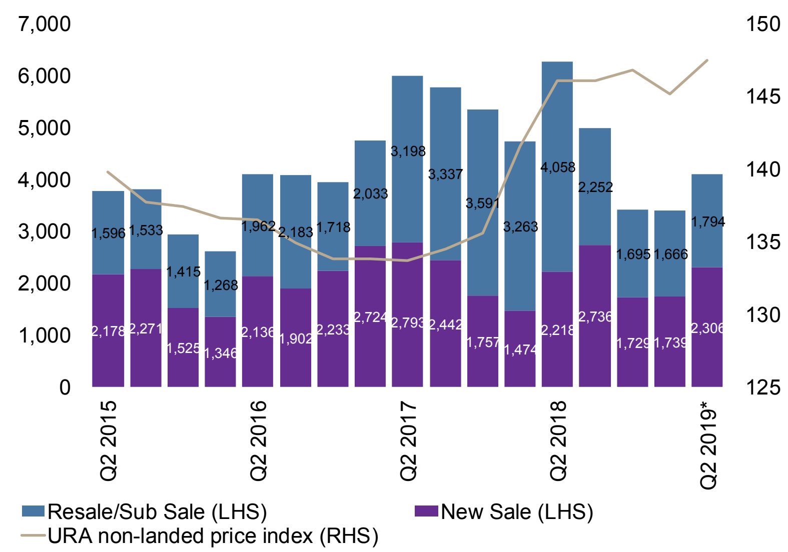
Location	Market segment	Permissible GFA (sq ft)	Successful bidder	Tender price
Middle Road	CCR	337,373	Wing Tai Holdings	$492.0m ($1,458 psf ppr)
Sims Drive	Rest of Central Region (RCR)	523,944	Hong Leong Holdings & CDL	$383.5m ($732 psf ppr)

Source: URA, Edmund Tie & Company Research

Private non-landed sales volume, prices, completed supply and rents (excluding ECs)

- New sales in Q2 2019 are projected to increase by about 33.0 per cent to 2,300 units vis-à-vis 1,739 units in Q1 2019 (Figure 10). The biggest jump in new sales was in the RCR which is expected to jump by 80.0 per cent to more than 1,100 units. This was in line with the launch of five new projects in the RCR which accounted for more than 60.0 per cent of the total new unit launches in Q2.
- Likewise, the resale volume (comprising resale and sub sales) is expected to increase by a smaller 7.0 per cent to 8.0 per cent q-o-q to approximately 1,800 units.
- Total forecasted sales volume in Q2 2019 is approximately more than 4,000 units, the highest since Q3 2018 when the cooling measures were implemented.

Figure 10: Private non-landed home sales volume (excluding ECs) and URA non-landed price index

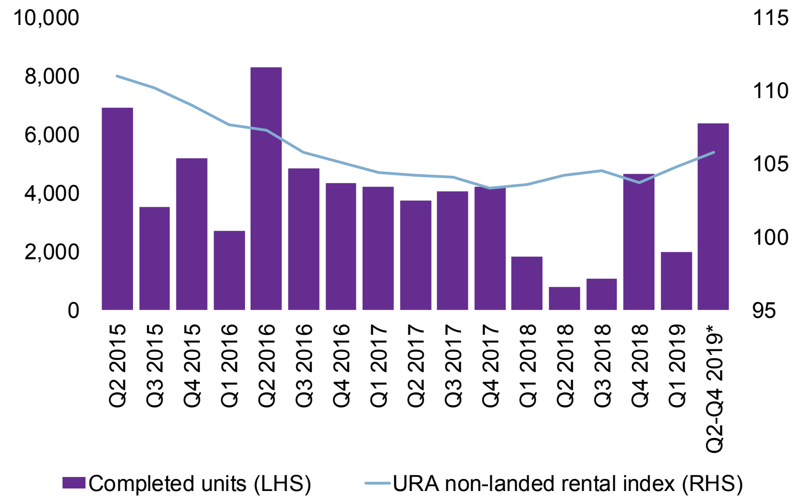


** Based on URA flash estimate on 1 July 2019*

Source: URA, Edmund Tie & Company Research

- The latest Urban Redevelopment Authority (URA) flash estimate for non-landed price index increased by 1.6 per cent q-o-q compared to 1.1 per cent dip q-o-q in Q1 2019. The price growth was largely underpinned by the higher selling prices of newly launched projects in the RCR which saw healthy take-up rates at Sky Everton (38.2 per cent of 262 launched units sold) and Amber Park (76.7 per cent of 150 units sold during its first weekend launch).
- Unit completions are expected to remain relatively low over the next three years (e.g. an annual average of 8,500 units compared to past three-year average of 14,900 units per annum). The rental market is projected to be positive amid lower vacancy rates. Hence, the islandwide rental index is estimated to increase some 1.0 per cent q-o-q in Q2 2019 (Figure 11).

Figure 11: Private non-landed completions (excluding ECs) and URA rental index



** Forecasted rental index for Q2 2019 and projected completions is based on URA data as at Q1 2019*

Source: URA, Edmund Tie & Company Research

New non-landed project launches

- Although the number of new project launches increased to 15 in Q2 from six in Q1, the total number of units from new projects were much lower totalling approximately 2,700 units compared to almost 4,500 units last quarter due to smaller project sizes.
- RCR saw the most launches with seven new projects totalling 1,714 units in Q2 compared to four projects offering 326 units in Q1.
- Sell-down rates of the new project launches in Q2 2019 ranged from 2.5 per cent to 38.2 per cent with Sky Everton achieving the highest sell-down rate of around 38.2 per cent (or 100 of 262 units), followed by Parc Komo which sold 37.7 per cent (or 104 of 276 units) (Table 9). Both freehold projects were viewed to be attractively priced.

Table 9: Non-landed private residential launches (excluding ECs) in Q2 2019 (projects >100 units)

Development	Developer	District (market segment)	Tenure	Total units	Launch dates	Indicative average price $ per sq ft
Coastline Residences	Sustained Land consortium	15 (RCR)	Freehold	144	April 2019	$2,580
Mayfair Modern	Oxley Holdings	21 (RCR)	99 years	171	April 2019	$2,030
Juniper Hill	Allgreen Properties	10 (CCR)	Freehold	115	May 2019	$2,810
The Hyde	Woh Hup Group	10 (CCR)	Freehold	117	May 2019	$3,050
The Gazania	SingHaiyi Group	19 (OCR)	Freehold	250	May 2019	$2,080
Parc Komo	Chip Eng Seng Corp	17 (OCR)	Freehold	276	May 2019	$1,500
Riviere	Frasers Property	3 (RCR)	99 years	455	May 2019	$2,900
Amber Park	CDL	15 (RCR)	Freehold	592	May 2019	$2,480
Sky Everton	Sustained Land consortium	3 (RCR)	Freehold	262	June 2019	$2,540
Total				**2,382**		

Source: URA, Edmund Tie & Company Research

Outlook

With an anticipated slower sell-down rate, new launches in H2 2019 are expected to pick up, as developers are launching their projects sooner to avoid the five-year development deadline when additional buyer's stamp duty (ABSD) are due.

As such, the outlook for H2 2019 remains cautiously optimistic with new sales volume likely to achieve our earlier forecast of 8,000 to 10,000 units in 2019 with prices largely expected to stay stable with an upside of up to 3.0 per cent.

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