



**PRIVATE
HOMES
REPORT**

MARCH 2020

SINGAPORE

**Steady performance for private home sales in 2019
and first two months of 2020 on the back of project
attractiveness and location growth prospects**

Price trends

Overall private home prices rose by 0.5 per cent quarter-on-quarter (q-o-q) in the fourth quarter of 2019 as shown in the URA All Residential Property Price Index. However, the Non-Landed Residential Property Price Index (PPI) posted a 0.3 per cent q-o-q fall (1.9 per cent year-on-year growth), while the Landed Property Price Index registered a 3.6 per cent q-o-q increase (5.7 per cent y-o-y growth) in Q4 2019 (Figures 1 and 2). These trends gave rise to an overall 2.7 per cent year-on-year (y-o-y) increase for private homes in Q4 2019, compared to a 7.9 per cent hike in the previous year.

The slew of new launches in 2019, with prices set at new benchmarks for each vicinity where the new project was launched, contributed to the continued uptick in private home prices in 2019. The elevated land costs which developers had to bear, coupled with rising construction and marketing costs, were factored in the selling prices.

Figure 1: Non-landed Property Price Index (PPI) and y-o-y change

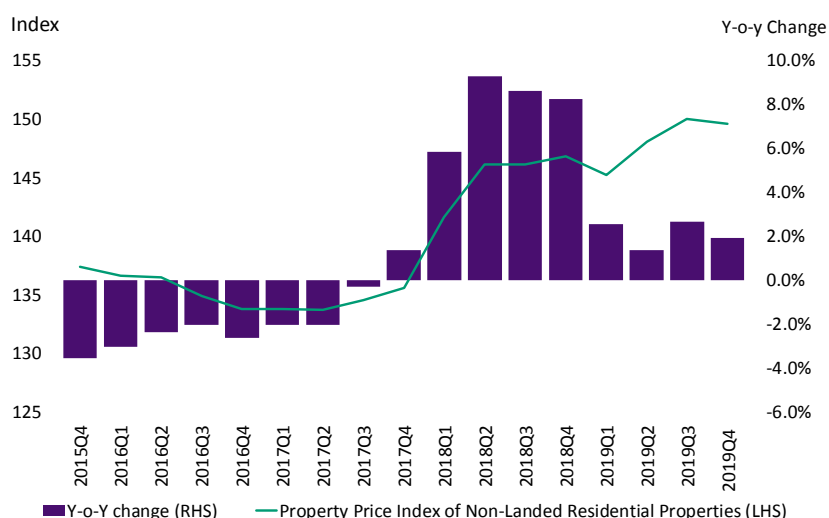
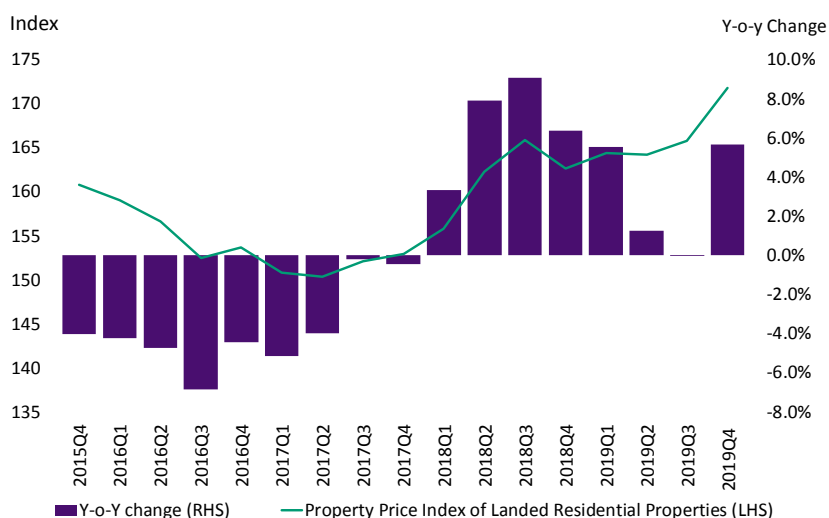


Figure 2: Landed PPI and y-o-y change



Source: URA, EDMUND TIE Research

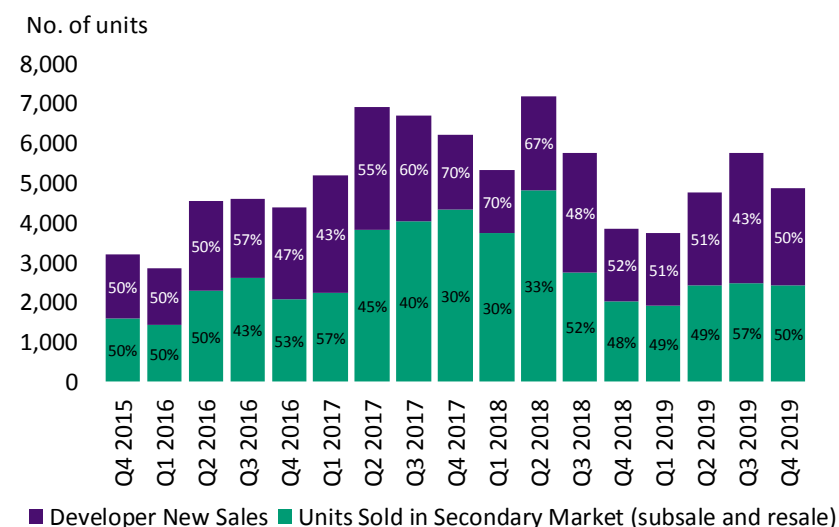
Transaction volume

Total transaction volume of private homes registered 4,878 units in Q4 2019, 15.4 per cent lower from the previous quarter (Figure 3). The lower number of launches in the final quarter of 2019 contributed to a reduction of new sales volume by 25.5 per cent q-o-q to 2,443 new sale units. For the full year, overall transaction volume reached 19,151 units, a decline of 13.5 per cent compared to 22,139 units in 2018.

In the Core Central Region (CCR), a total of 1,518 units were launched in 2019 – a 220 per cent jump compared to 475 units in 2018. The last quarter saw the highest number of launches with 525 units, supporting new sales with a total of 402 units being transacted in the CCR (Figure 4). The collective sales fever from mid-2017 to 2018 period gave rise to a slew of new projects being launched in prime districts.

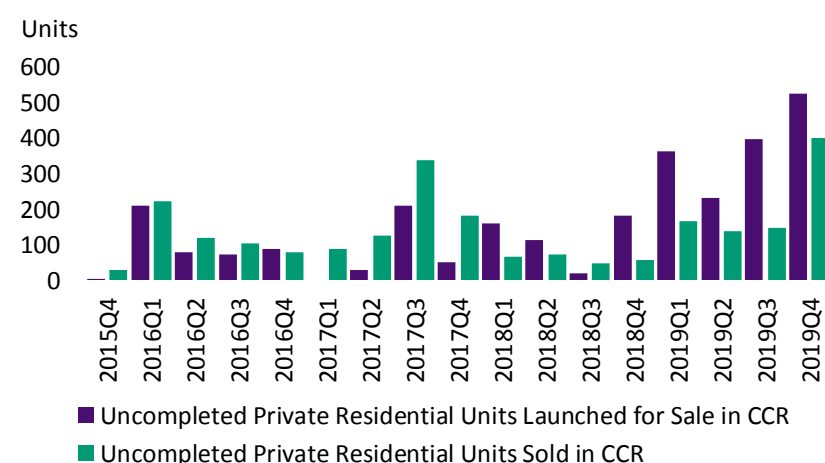
In the Rest of Central Region (RCR), a total of 4,693 units were launched in 2019 – an increase of 12.5 per cent from 2018. Similarly, sales volume was picked up by 4.7 per cent annually, which registered a total of 4,204 new sales units last year. Some large-scale projects that were launched in the second and third quarter supported the sales performance in these two quarters (Figure 5).

Figure 3: Transaction volume (new sales and secondary sales)



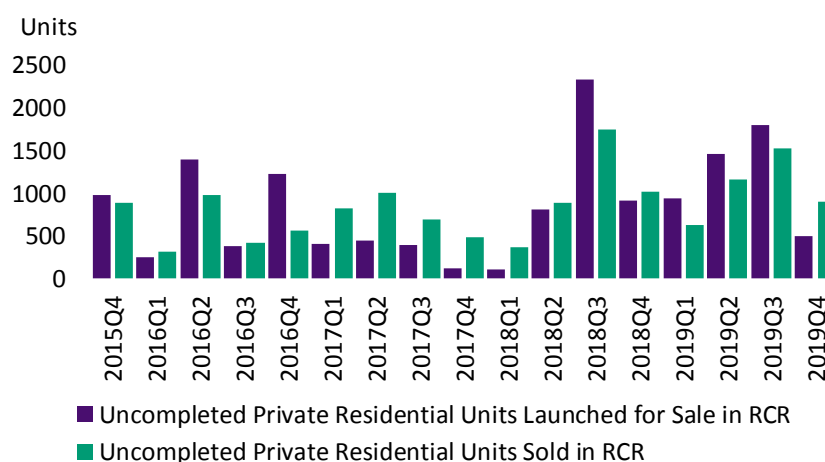
Source: URA, EDMUND TIE Research

Figure 4: Uncompleted residential units launched and sold in CCR



Source: URA, EDMUND TIE Research

Figure 5: Uncompleted residential units launched and sold in RCR



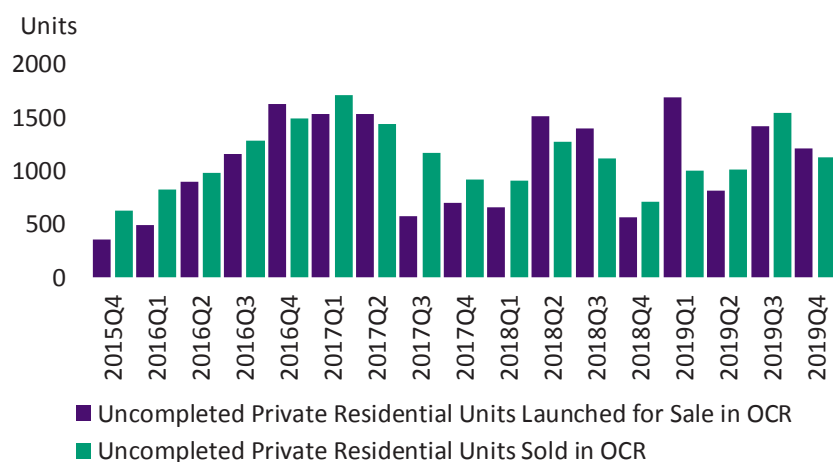
Source: URA, EDMUND TIE Research

In the Outside Central Region (OCR), there was a total of 5,134 units being launched in 2019, which is 24.5 per cent higher from the previous year. New sales volume reached 4,679 units last year, an increase of 16.6 per cent from 2018. Q3 2019 saw the highest number of new sales in 2019, with 1,542 units sold in the quarter (Figure 6).

In terms of monthly developer sales in 2019, September 2019 was the best month with the highest number of units sold. The unveiling of future development plans around Singapore, in particularly, the Greater Southern Waterfront (GSW) precinct during the National Day Rally speech in August 2019 provided the impetus for new launch projects in the vicinity. Projects that have benefitted from the GSW announcement plans include Avenue South Residence and Sky Everton.

The last two months of 2019 saw slower sales due to the year-end holiday season. At the start of this year, January 2020 posted an uptick of new sales with 620 units, 41.9 per cent higher y-o-y and 15.2 per cent increase from the previous month. February 2020 sales rose further with 975 new units sold, a strong growth of 114.3 per cent y-o-y and 57.3 per cent m-o-m. Projects that are in the top five rankings in terms of units sold in February 2020 include the M (380 units sold, median price at \$2,439 psf), Treasure at Tampines (97 units sold, \$1,379 psf), Parc Esta (53 units sold, \$1,686 psf), Jadescape (46 units sold, \$1,707 psf), Parc Botannia (40 units sold, \$1,376 psf) (Figure 7).

Figure 6: Uncompleted residential units launched and sold in OCR



Source: URA, EDMUND TIE Research

Figure 7: Monthly developer new sales



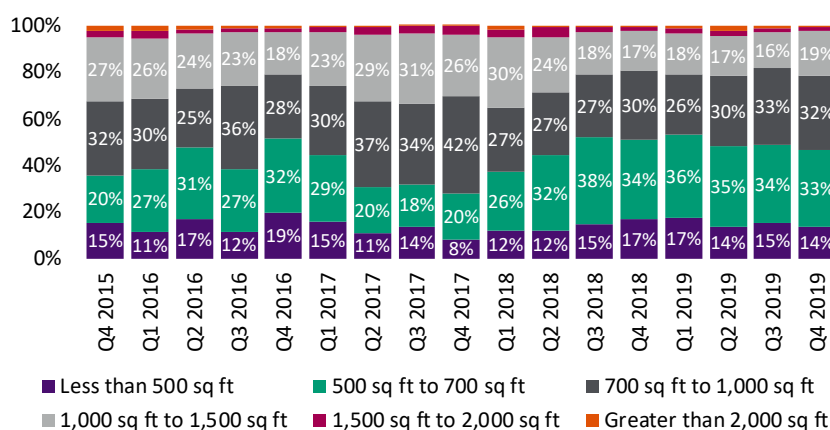
Source: URA, EDMUND TIE Research

New sale units sold by floor area and price range

In our analysis of non-landed (condominiums and apartments) transactions in the primary market, the highest proportion of new sale transactions in 2019 comprise units between 500 sq ft and 700 sq ft in terms of strata floor area (Figure 8). This unit size range mainly consists of 1- and 2-bedroom units. The next highest proportion comprises units within the 700 sq ft to 1,000 sq ft size range, where bedroom configurations range from 1+study bedroom type in prime districts and 2- to 3-bedroom types.

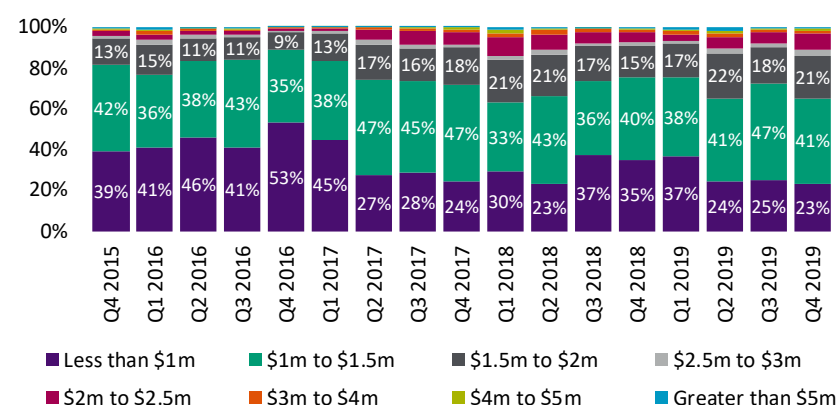
In terms of price range, the price band of \$1m to \$ 1.5m was the most popular in 2019, clocking a 38 per cent to 47 per cent proportion with an average of 42 per cent over the four quarters of 2019 (Figure 9). Comparing with 2018, the average proportion for this price band was 38 per cent. We also observed a reduction in the proportion of transactions with a price tag of below \$1m, reflecting the higher price brackets of new sale condominiums and apartment projects being transacted over 2019. There was an increase in the combined proportion (out of total transactions) with price tags above \$2m, from 10 per cent in Q3 2019 to 14 per cent in Q4 2019. The combined proportion for the above \$2m price tag was 9 per cent a year ago in Q4 2018.

Figure 8: New sales of non-landed units by floor area



Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research

Figure 9: New sales of non-landed units by price range

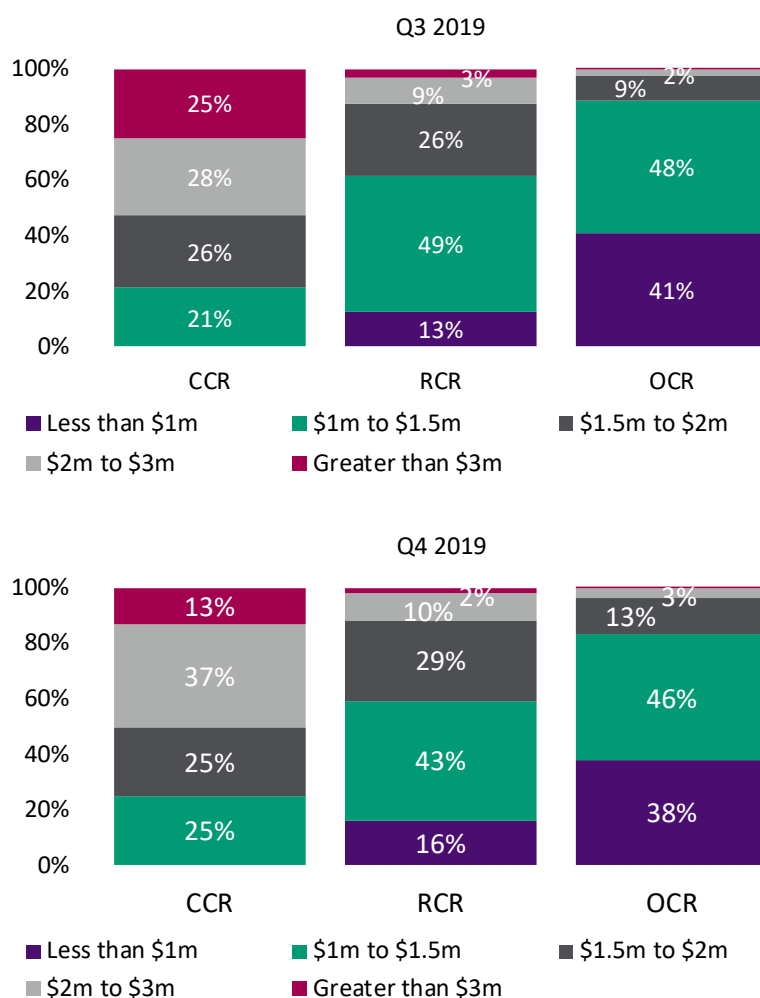


Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research

Comparing the sales trends between the last two quarters of 2019, an uptick in the proportion of \$1m to \$1.5m price tag transactions in the CCR is observed, from 21 per cent in Q3 2019 to 25 per cent in Q4 2019 (Figure 10). Various CCR transactions in this price band are mainly smaller bedroom configurations of less than 500 sq ft and between 500 sq ft to 700 sq ft, mainly located in prime districts 10 and 11, and district 7.

The proportion of transactions for the \$1.5m to \$2m price tag in the RCR rose from 26 per cent (389 transactions) in Q3 2019 to 29 per cent (258 transactions) in Q4 2019. Yet, actual transactions trended lower for the last quarter. Majority of transactions comprise unit sizes of 700 sq ft to 1,000 sq ft, and 1,000 sq ft to 1,500 sq ft.

Figure 10: New sales of non-landed units by price range and market segment (Q3 and Q4 2019)

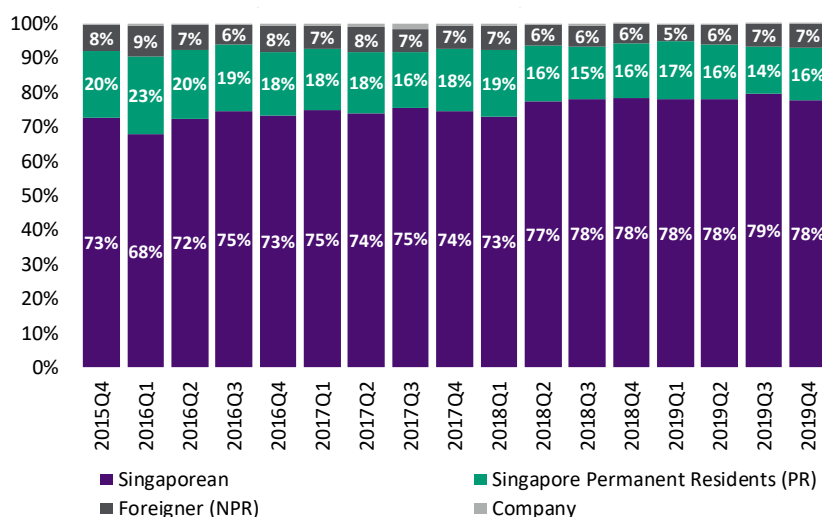


Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research

Buyer profile

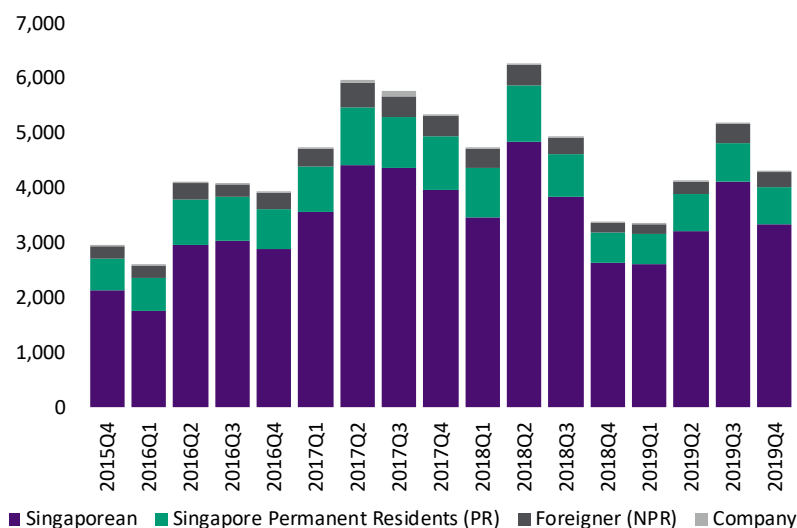
In 2019, a majority of the buyers are Singaporeans, with around a 78 per cent proportion out of total private home transactions with known resident status (Figures 11 and 12). There is a slight uptick in the proportion of foreigners in the last two quarters of 2019 at 7 per cent per quarter.

Figure 11: Proportion of non-landed sales by resident status



Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research

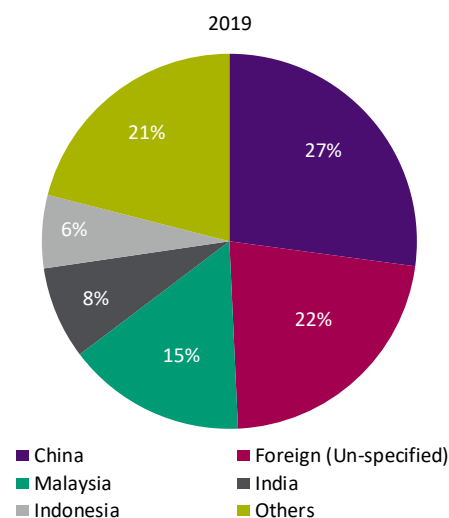
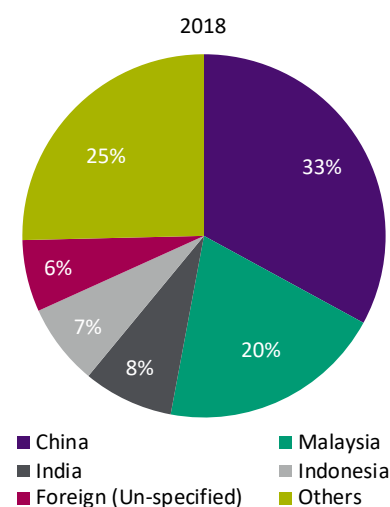
Figure 12: Non-landed sales by no. of units and resident status



Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research

Amongst the transactions of non-landed homes by foreign homebuyers (by nationalities), mainland Chinese buyers contributed the highest proportion with 27.1 per cent in 2019, albeit lower compared to 32.9 per cent in 2018 (Figure 13).

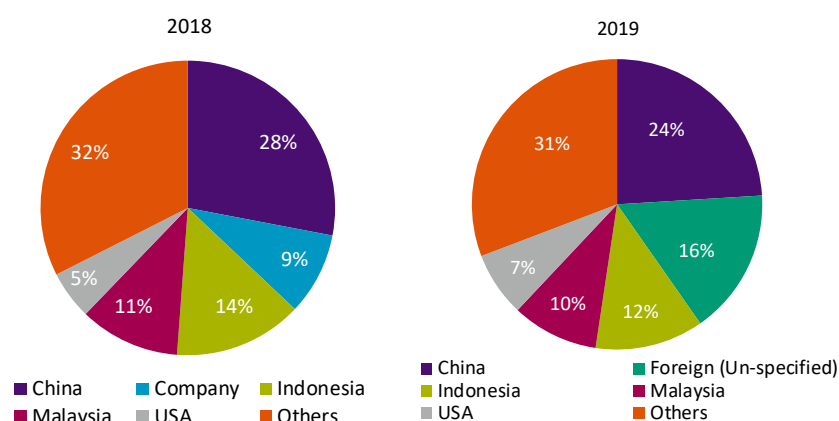
Figure 13: Top 5 foreign buyer purchasers (by nationalities) in 2018 and 2019, island-wide



Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research

In traditional prime districts (9, 10 and 11), mainland Chinese remain as the top foreign homebuyer group in 2019 (Figure 14). Other nationalities include Indonesians (12.1 per cent), Malaysians (9.6 per cent) and other nationalities in Asia and Europe.

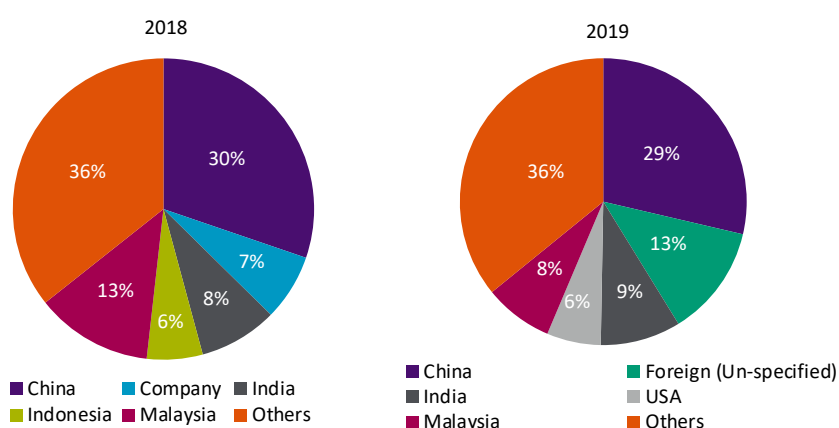
Figure 14: Top 5 foreign nationality purchasers in Traditional Prime Districts in 2018 and 2019



Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research
*Prime districts refer to Districts 9, 10 and 11

We categorise these districts (1, 2, 4, 7 and 15) as city and emerging districts, where we see rising prominence in terms of new developments and rejuvenation plans, as well as increased interest from homebuyers for new launch residential projects. Mainland Chinese constitute the top foreign homebuyer group for private homes in emerging districts in 2019 (Figure 15). Other nationalities that fall under the 35.9 per cent proportion in 2019 include Asians and Europeans.

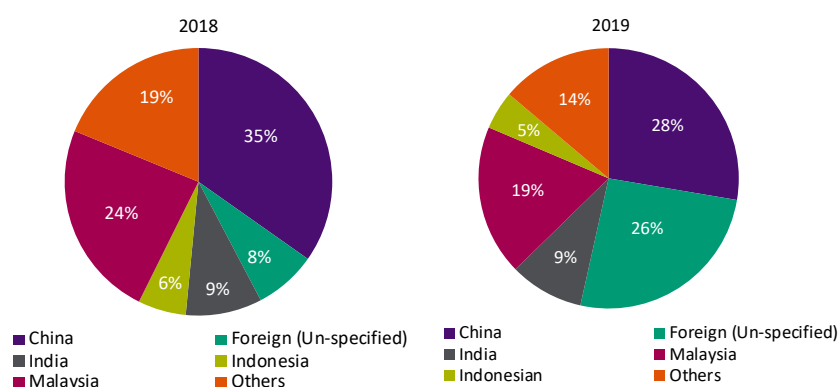
Figure 15: Top 5 foreign nationalities purchasers in City and Emerging Districts in 2018 and 2019



Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research
*City and Emerging districts refer to Districts 1, 2, 4, 7 and 15

The next district cluster category we categorise is the other districts, which are mainly city fringe and suburban districts. The Mainland Chinese and Malaysians contributed to the top two foreign homebuyer groups (Figure 16).

Figure 16: Top 5 foreign nationalities purchasers in Other Districts in 2018 and 2019

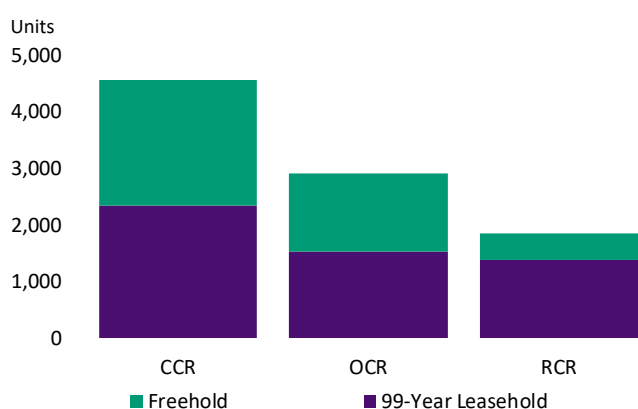


Source: REALIS (based on data as at 11 Feb 2020), EDMUND TIE Research
*Other districts refer to those districts in the suburban and city fringe

Pipeline launches

Based on EDMUND TIE Research estimates, more than 9,000 new sale units of pipeline launch supply is envisaged for 2020, barring any unforeseen circumstances for each project on approval process before launch. Out of this pipeline launches, more than 5,000 units are of 99-year leasehold tenure. The RCR at the city fringe has the least pipeline launch supply this year, with an estimated total of 1,855 units.

Figure 17: Number of (estimated) units to be launched in 2020, by tenure and market segment (includes launches in January and February 2020)



Source: URA, EDMUND TIE Research

*Freehold tenure projects include those projects with 999-leasehold

Outlook

The COVID-19 outbreak situation that has escalated into a pandemic and its consequent impact on the global economy are envisaged to pose downside risks on business confidence and employment outlook for 2020. In a surprise move by the US Federal Reserve, an emergency step of cutting the benchmark US interest rate by half a percentage point to just below 1.25 per cent was made on 3 March 2020, to cushion the economic and financial fallout from the coronavirus. The US Fed further dropped the benchmark by a full percentage point to a range of 0 to 0.25 per cent on 15 March 2020.

Looking beyond the immediate crisis, Singapore remains an investment destination of choice for local and foreign property investors. Investors are also looking beyond short-term concerns and deliberating on the possible investment destinations offering stable returns and eventual divestment clarity vis-à-vis a backdrop of stable economic fundamentals of the location. Although private residential property, in particular non-landed property, is the largest pool of property asset for investment, the high Additional Buyer's Stamp Duty (ABSD) of 20 per cent on foreigners and 12 per cent on second-time Singaporean homebuyers remain a key deterrent, with overall sales volume in the primary and secondary markets curtailed by 13.5 per cent in 2019.

Notwithstanding COVID-19 concerns, the number of new sales launches is projected to stay consistent with several projects slated to launch from end February 2020. While developers are assessing the situation, they are likely to proceed as planned with the launches should the current situation in Singapore not deteriorate. Staying within the five-year project completion deadline to avoid the ABSD is an important consideration for developers to ensure that their launch schedules are fulfilled.

While it may be preliminary at this stage as we are into the second month of DORSCON orange alert level, the impact on private home sales from COVID-19 could be attenuated as serious investors are likely to continue hunting for attractive launches and hard-to-come-by projects. The recent strong sales results of the M at Middle Road with a 75 per cent sell-down rate, is a testament of this. Like last year, 2020's demand is likely to originate mainly from Singapore citizens and residents. Conversely, the buying momentum of private homes from mainland Chinese buyers is envisaged to slow down significantly over the first quarter of 2020, due to the travel restrictions on mainland China. Prospective foreign homebuyers have placed their visits and property selection plans on hold until travel restrictions are lifted.

Taking the prevailing circumstances and residential market trends into consideration, new sales volume is expected to be lower compared to 2019, with a possible range between 8,500 to 9,000 units for 2020.

FEATURE:

Price divergence between new sale and resale private homes

With growing acceptance from homebuyers on the price premium factors accorded to well-conceptualised projects with site and locational attributes, the private residential market witnessed a price divergence between new and resale homes.

The analysis of caveats lodged was conducted to ascertain the price differential between new sale and resale non-landed private homes for the last two years. In 2019, the average price of new sale condominiums and apartments sold in the CCR stood at \$2,950 psf – 40 per cent above the average transacted price for resale units, which hovered around \$2,105 psf (see table). In 2018, the price premium for new sale transactions in the CCR is 35 per cent.

Table: Average prices and price gaps between new sale and resale transactions – Condominiums and apartments

2018 - Average prices for each market segment, \$ per sq ft			
Type of Sale	Core Central Region (CCR)	Rest of Central Region (RCR)	Outside Central Region (OCR)
New Sale	\$2,756	\$1,747	\$1,388
Resale	\$2,048	\$1,357	\$1,000
Price Gap	35%	29%	39%

2019 - Average prices for each market segment, \$ per sq ft			
Type of Sale	CCR	RCR	OCR
New Sale	\$2,953	\$1,905	\$1,447
Resale	\$2,105	\$1,369	\$1,014
Price Gap	40%	39%	43%

Source: REALIS (as at 5 February 2020), EDMUND TIE Research

What contributed to the widening price differential between new sale and resale non-landed private homes?

Many new apartment and condominium launches in 2019 offered exciting design concepts in good locations which have attracted more buyers and garnered acceptance for new price levels. Additionally, buyers from the high-net-worth community prioritise prestige, locational attributes and project quality over price, hence explaining the encouraging take-up rates of new project launches despite prevailing cooling measures.

Some new launches on land sites were secured by developers during the 2017/2018 collective sales fever, as well as on government land sale sites in popular locations. Those sites were therefore acquired at elevated land costs, which translated into correspondingly higher launch prices at new benchmark levels in their respective locales. This has contributed to widening price gaps between the primary and secondary markets across the CCR, RCR and OCR in 2019, as compared to 2018.

Transactions recorded for new sale apartments and condominiums at premium prices mainly originated from projects at desirable locations, including those in prime districts, within proximity to MRT stations, the Central Business District (CBD) and growth areas such as the Greater Southern Waterfront and Bugis precincts. In prime Districts 9 and 10, and central locations in Districts 1 and 7, home prices have exceeded \$3,000 psf, with some large units transacted even at this quantum on a per sq ft basis.

Will the trend continue for 2020?

With ample new supply coming on-stream and demand staying positive for 2020, it is anticipated that the price differential between the primary and resale non-landed markets will remain at the 40 to 45 per cent range.

With more than 15 new projects in the CCR slated for launch in 2020 and a potentially robust demand from buyers seeking quality homes in desirable locations, we expect new homes to continue commanding a sizeable premium above their resale counterparts.

The CCR's new sale prices are poised to be sustained at current prices for 2020, albeit modest adjustments depending on how market sentiments pan out. The RCR's new sale projects could see some uplift in transactions as buyers could opt for city fringe projects with a better value over prime locations, while the OCR's new sale projects are likely to sustain its sales performance as home upgraders seize the opportunity to purchase suburban private homes at current prices, which are acceptable in light of the low interest rates.

In response to the current uncertainties, developers are adopting a wait-and-see stance by pacing out their launches and rolling out projects at opportune times when the COVID-19 virus outbreak situation stabilises. Some developers could possibly exercise a "phased plus premium approach" to their pricing strategy, initially launching at attractive prices in the early phase, and then stepping up their offer prices subsequently for premium units or when the market sentiment improves.

Also, given Singapore's reputation as a safe haven with stable fundamentals, the high net worth community is likely to resume their investment activities after the virus situation stabilises, and set their sights on investing in prime residential properties in Singapore.

Therefore, it is anticipated that the current price gaps across the three market segments will be maintained for 2020 at least, notwithstanding prevailing headwinds and challenges posed by the COVID-19 virus outbreak.



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