

# **SINGAPORE**

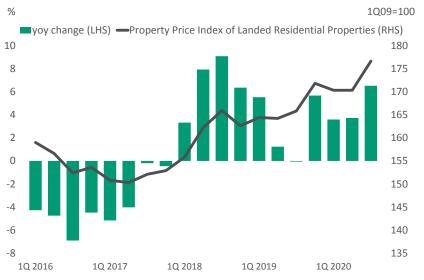
Uptick in residential transactions due to pent-up demand as Singapore's economy reopens



### General price trends

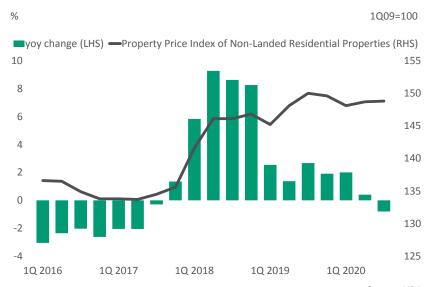
Despite the Covid-19 pandemic-led downturn, residential prices picked up in 3Q 2020 as Singapore entered Phase 2 of its reopening after a two-month Circuit Breaker period in April and May 2020. Demand for private homes was sustained by homebuyers with relatively stable employment. Some investors also turned to real estate for stable returns amid the low interest rate environment. According to the URA All Residential Property Price Index (PPI), overall private home prices rose for the second consecutive quarter by a larger 0.8% quarter-on-quarter (qoq) in 3Q 2020, after 0.3% in 2Q 2020. On a year-on-year (yoy) basis, prices also increased by nearly 0.7% in 3Q 2020. The growth in private home prices in 3Q 2020 was led by the surge in prices of landed homes, with the Landed PPI expanding by 3.7% qoq and 6.5% yoy (Figure 1). For the Landed PPI, the gog increase of 3.7% was the highest since 2Q 2018, when the PPI grew by 4.1%. While the Non-Landed PPI registered a slight gog growth of 0.1%, the PPI fell by 0.8% yoy (Figure 2). The uptick in the Non-Landed PPI was attributed to 2.5% and 1.7% gog increases in the Rest of Central Region (RCR) and Outside Central Region (OCR) respectively, which narrowly outweighed the 3.8% decline in the Core Central Region (CCR).

Figure 1: Landed Property Price Index (PPI) and yoy change



Source: URA

Figure 2: Non-landed PPI and yoy change



Source: URA

### Transaction volume

As a result of pent-up demand after the Circuit Breaker period and resumption of home viewings, transaction volume rebounded in 3Q 2020, from a depressed level of 2,664 units in 2Q 2020 to 7,048 units in 3Q 2020 (Figure 3). On a yoy basis, transaction volume was 22.3% higher. The prohibition of home viewings affected the resale market more and the market saw a stronger uplift in 3Q 2020 correspondingly with the Phase 2 reopening. This led to secondary sales more than tripling from 951 units in 2Q 2020 to 3,530 units in 3Q 2020. Similarly, new sales doubled from 1,173 units in 2Q 2020 to 3,517 units in 3Q 2020 as developers gained confidence and launched more projects.

On a month-on-month basis, new sales by developers continued to grow to 1,329 units in September 2020 before declining by 51.7% on a month-on-month basis in October 2020 (Figure 4): that was after five consecutive months of increase, before the regulatory clampdown on the re-issuance of OTPs. On 28 September 2020, URA announced a clampdown on the re-issuance of OTPs by developers to the same buyers for the same unit within 12 months of the expiry of the earlier OTP. Developers were also restricted from providing upfront agreements to buyers to re-issue the OTPs. On a yoy basis, the new sales in October 2020 was also lower than that in the same period in 2019.

In the CCR, the number of launched units continued to decline to 159 units in 3Q 2020, less than half of the 385 units launched in Q2 2020 (Figure 5). Notwithstanding that, new sale units in the CCR rose by 36.2% qoq to 286 units. There was one project in the CCR (Mooi Residences), with a modest take-up rate of 12.5% (3 of 24 units sold). Prices of the transacted units ranged from \$2,535 to \$2,669 psf. Apart from that, significantly improved sales were observed for projects such as Fourth Avenue Residences (13 in 2Q 2020 to 64 in 3Q 2020), Pullman Residences Newton (6 in 2Q 2020 to 30 in 3Q 2020) and The Avenir (1 in 2Q 2020 to 22 in 3Q 2020).

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



Source: URA

Figure 4: Monthly developer new sales

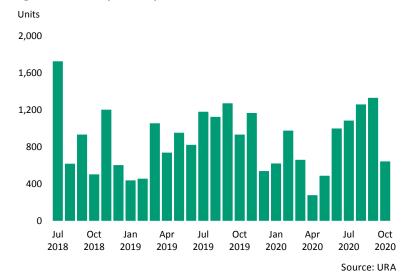
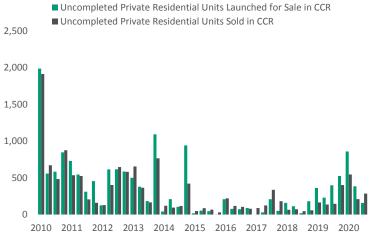


Figure 5: Uncompleted residential units launched and sold in CCR



Source: URA

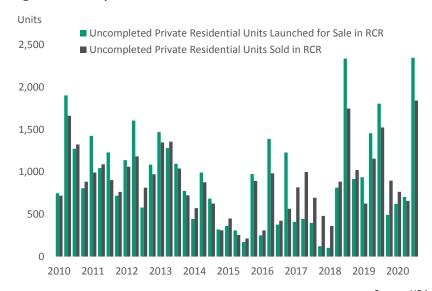
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Units

In the RCR, on the other hand, the number of launched units more than tripled from 704 units in 2Q 2020 to 2,348 units in 3Q 2020 (Figure 6). Correspondingly, new sale units in the RCR almost tripled to 1,843 units in 3Q 2020 from 658 units in 2Q 2020. There were five new launches in the RCR, with some obtaining relatively well takeup rates. The take-up rate of the freehold NoMa was the highest, with 36 of its 50 units sold (72%). Homebuyers and investors were largely interested in the smaller units which had more affordable price tags. Penrose, launched in September 2020, had the second highest take-up rate of 68.7% (389 of 566 units sold). During its first weekend of launch, it was reported that around 60% of the units were already taken up. Similar to NoMa, most of the units sold were the smaller 1- and 2-bedroom units, with attractive price quantums mostly below \$1m. Other than the attractive pricing, the project was also strategically located within walking distance of the Aljunied MRT station and supported by ample facilities and amenities.

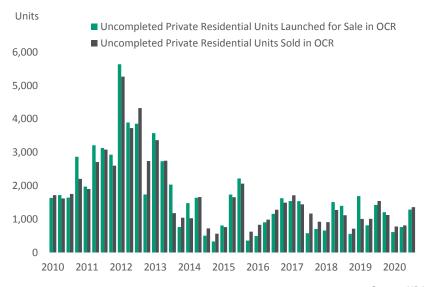
In the OCR, the number of launched units increased by 68.3% gog to 1,284 units. New sales in the OCR also rose by 67.4% from 811 units in 2Q 2020 to 1,358 units in 3Q 2020 (Figure 7). Other than the launch of a nine-unit landed housing development at Flower Road, there were no new projects launched in the OCR in 3Q 2020. However, projects that were previously launched continued to launch more units in 3Q 2020 and sold relatively well. Projects with more units launched in 3Q 2020 included Treasure at Tampines (400 units launched, 328 units sold), The Florence Residences (260 units launched, 168 units sold), Affinity at Serangoon (252 units launched, 79 units sold), The Garden Residences (160 units launched, 150 units sold) and Whistler Grand (100 units launched, 96 units sold).

Figure 6: Uncompleted residential units launched and sold in RCR



Source: URA

Figure 7: Uncompleted residential units launched and sold in OCR



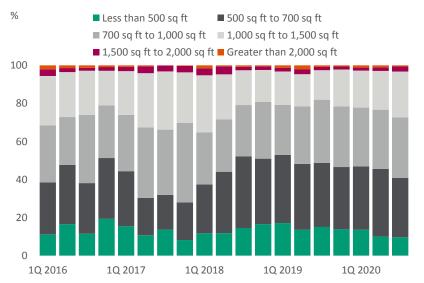
Source: URA

# New Sale Units sold by floor area and price range

In the primary market, the highest proportion of transactions in 3Q 2020 (by strata floor area) was 32%, and constituted units between 700 and 1,000 sq ft, a slight increase from the 31% in 2Q 2020 (Figure 8). For this size range, bedroom configurations largely ranged from 1+study bedroom type in the prime districts and 2- to 3-bedroom types in other districts. There was also an increase in the proportion of transactions of units between 1,000 and 1,500 sq ft, from 20% in 2Q 2020 to 24% in 3Q 2020, which may be due to buyers' preferences for larger units, particularly as larger spaces are favoured by homebuyers working more from home. On the other hand, the proportion of units within the 500 to 700 sq ft size range fell by 5%-points gog to 31% in 3Q 2020. This unit size range mainly consists of 1- and 2-bedroom units.

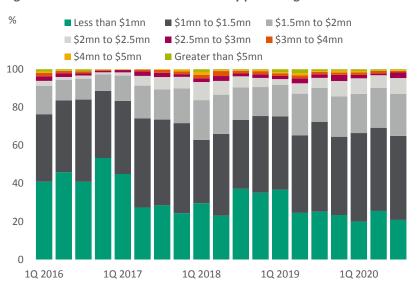
In terms of price range, the bulk (44%) of the transactions were in the \$1mn to \$1.5mn price band in 3Q 2020 (Figure 9). While the proportion was unchanged from 2Q 2020, the transaction volume for this price band more than doubled to 1,524 units. These were mainly from projects such as Penrose, Treasure at Tampines, Parc Clematis and Forett at Bukit Timah, with each project recording more than 100 2- to 3-bedroom types of units sold in the quarter. There was a decline in the proportion of transactions that were less than \$1mn, from 26% in 2Q 2020 to 21% in 3Q 2020, which could be due to homebuyers purchasing larger units. The proportion of transactions in the higher price ranges such as the \$1.5mn to \$2mn, \$2mn to \$2.5mn and \$2.5mn to \$3mn price ranges rose on a qoq basis. In particular, the proportion of transactions in the \$2.5mn to \$3mn price range grew the most by 2%-points. These were largely from 4-bedroom units from Forett at Bukit Timah and Jadescape.

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



Source: URA REALIS (based on data as at 27 October 2020)

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



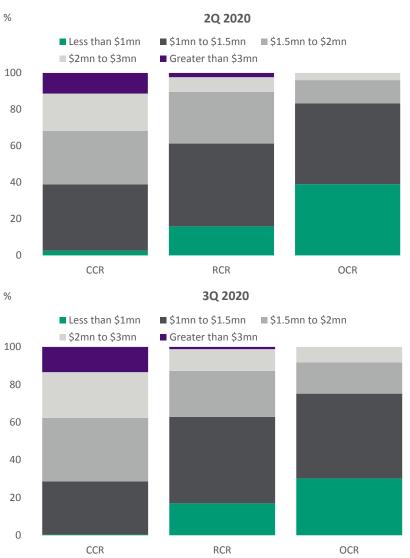
Source: URA REALIS (based on data as at 27 October 2020)

The increase in proportions of new sales of higher price ranges was witnessed across the board. In the CCR, most of the transactions were in the \$1.5mn to \$2mn price band in 3Q 2020, as compared to the \$1mn to \$1.5mn price band in 2Q 2020 (Figure 10). The proportion of transactions in the \$1.5mn to \$2mn price band grew the most by 5%-points qoq to 34% in 3Q 2020. Most of these transactions were from 2-bedroom units from Kopar at Newton, Fourth Avenue Residences and Pullman Residences Newton.

For new sales in the RCR, the proportion of transactions in the \$2mn to \$3mn price band rose from 8% in 2Q 2020 to 12% in 3Q 2020. There was also a slight increase of 1%-point in the proportion of transactions in the lesser than \$1mn and \$1mn to \$1.5mn price bands to 17% and 46% respectively in 3Q 2020.

In the OCR, the proportion of new sales less than \$1mn declined significantly by 9%-points qoq to 30%. Correspondingly, the proportions of transactions in the \$1.5mn to \$2mn and \$2mn to \$3mn price bands rose by 4%-points qoq to 13% and 8% respectively in 3Q 2020. In terms of transaction volume, new sales in the \$2mn to \$3mn price band more than tripled from 31 units in 2Q 2020 to 112 units in 3Q 2020. These were largely from 4- and 5-bedroom units at Parc Clematis, with floor areas from 1,238 to 1,755 sq ft.

Figure 10: New sales of non-landed units by price range and market segment (2Q 2020 and 3Q 2020)



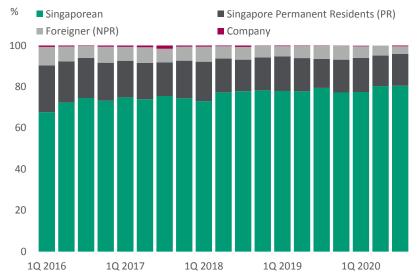
Source: URA REALIS (based on data as at 27 October 2020)

# Buyer profile

As the bulk of travel restrictions remain in place, the proportion of foreign purchases (excluding permanent residents) declined further for the third consecutive quarter to 4% in 3Q 2020. Bulk of the non-landed residential sales was contributed by Singaporean purchasers, making up 80% of the transactions (Figure 11). The proportion of purchasers that were Singapore Permanent Residents (PR) remained at 15% in 3Q 2020.

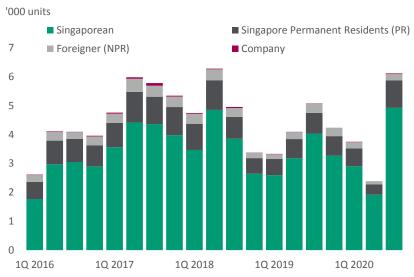
There was a total of 6,112 non-landed sales in 3Q 2020. In absolute volume, purchasers of all residential status surged, owing to the pent-up demand and growing confidence in the market. Transaction volume by PRs grew the most, almost tripling from 353 units in 2Q 2020 to 947 units in 3Q 2020 (Figure 12). Purchases by Singaporeans also expanded significantly, more than doubling from 1,918 units in 2Q 2020 to 4,919 units in 3Q 2020. Despite the travel restrictions, foreign purchases nearly doubled to 222 units as well.

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



Source: URA REALIS (based on data as at 27 October 2020)

Figure 12: Non-landed sales by number of units and residential status



Source: URA REALIS (based on data as at 27 October 2020)

Among non-Singaporeans, mainland Chinese buyers made up the bulk (21%) of non-landed purchasers in 3Q 2020 (Figure 13). While this proportion was a decline from the 28% in 2Q 2020, the sales volume of 252 units was almost double of 133 units in 2Q 2020. The purchases of Malaysians followed behind, constituting 12% of the total non-landed residential sales in 3Q 2020. Transaction volume by this group of buyers more than doubled from 59 units in 2Q 2020 to 137 units. Additionally, non-landed purchases by Indians and Americans also surged by 267% and 480% qoq to 121 units and 58 units respectively, resulting in the proportion of Indian and American purchasers to grow from 7% and 2% to 10% and 5% respectively.

2Q 2020 3Q 2020 ■ Mainland China 28% 21% ■ Mainland China ■ Malaysia ■ Malaysia India India 46% 11% Indonesia USA USA 13% Indonesia Others 10% Others

Figure 13: Top foreign buyer purchasers (by nationalities) in 2Q 2020 and 3Q 2020, islandwide

Source: URA REALIS (based on data as at 27 October 2020), EDMUND TIE Research

In the traditional prime districts (i.e. Districts 9, 10 and 11), the mainland Chinese remained as the top foreign homebuyer group in 3Q 2020, even though the proportion of mainland Chinese homebuyers declined to 25% in 3Q 2020 from 33% in 2Q 2020 (Figure 14). Nevertheless, transaction volume by mainland Chinese purchasers rose by 56% qoq to 42 units. Other top nationalities in 3Q 2020 included Americans (14%) and Indonesians (9%).



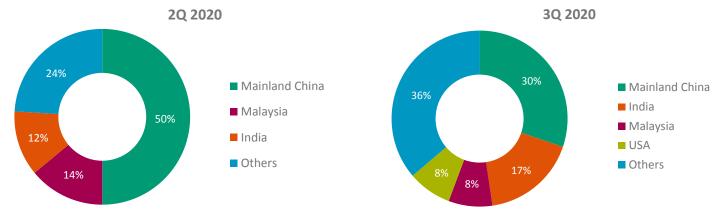
Figure 14: Top foreign buyer purchasers (by nationalities) in 2Q 2020 and 3Q 2020, Traditional Prime Districts

\*Prime districts refer to Districts 9, 10 and 11

Source: URA REALIS (based on data as at 27 October 2020), EDMUND TIE Research

In the city and emerging districts (i.e. Districts 1, 2, 4, 7 and 15), the mainland Chinese also remained as the top foreign homebuyer group in 3Q 2020, constituting 30% of the foreign purchases (Figure 15). While this proportion was a drop from the 50% in 2Q 2020, the transaction volume by mainland Chinese almost doubled from 25 units in 2Q 2020 to 45 units in 3Q 2020. Other top nationalities included Indians (17%), Malaysians (8%) and Americans (8%). The proportion of Indian purchasers grew from 12% in 2Q 2020 to 17% in 3Q 2020.

Figure 15: Top foreign buyer purchasers (by nationalities) in 2Q 2020 and 3Q 2020, City and Emerging Districts



\*City and Emerging districts refer to Districts 1, 2, 4, 7 and 15

Source: URA REALIS (based on data as at 27 October 2020), EDMUND TIE Research

In the other districts (mainly city fringe and suburban districts), the mainland Chinese and Malaysians comprised the top two foreign homebuyer groups in 3Q 2020, followed by Indians (Figure 16). The proportion of transactions by mainland Chinese buyers fell by 5%-points to 19%, while that of Malaysian purchasers remained at 13%. Transaction volume of all top three homebuyer groups more than doubled on a qoq basis. Of the top three homebuyer groups, the largest growth in sales volume was from Indian buyers. Transaction volume more than tripled from the 25 units in 2Q 2020 to 92 units in 3Q 2020.

Figure 16: Top foreign buyer purchasers (by nationalities) in 2Q 2020 and 3Q 2020, Other Districts



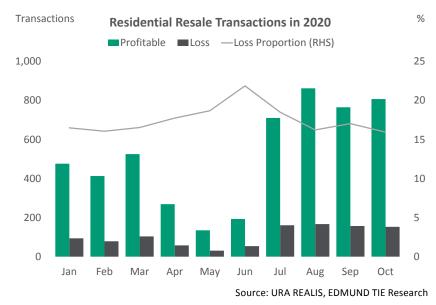
 $\ensuremath{^{*}\text{Other}}$  districts refer to those districts in the suburban and city fringe

Source: URA REALIS (based on data as at 27 October 2020), EDMUND TIE Research

# Resale profitability

After an unprecedented economic downturn in 2Q 2020, resale profitability has improved in 3Q 2020 as the property climate stabilised. The proportion of loss-making transactions declined to 15.9% in October 2020 from 17.0% in September 2020 (Figure 17). During the months of April to July 2020, which covered the Circuit Breaker and its aftermath, the proportion of loss-making transactions ranged from 17.7% to 21.9%. The peak of 21.9% was recorded in June 2020, albeit the secondary sales volume had not recovered strongly then. The improving figures suggest that the volume of distressed sales may be contained in the near term but needs to be closely monitored as policy stimulus and support measures would gradually unwind over the course of next year.

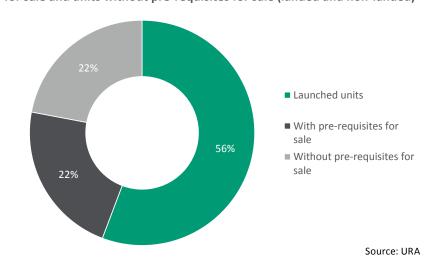
Figure 17: Number of profit- and loss-making non-landed transactions from January to October 2020



# Pipeline launches

According to URA statistics as at 3Q 2020, the total pipeline supply stood at 52,454 units. The bulk (56%) of total pipeline supply (29,239 private residential units) have been launched for sale, while 22% (11,660 units) have obtained pre-requisites for sale but were not yet launched (Figure 18). The remaining 22% (11,555 units) have not obtained pre-requisites for sale.

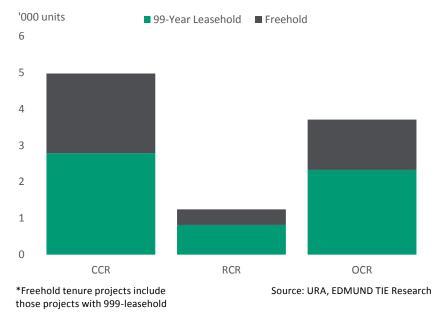
Figure 18: Proportion of launched, unlaunched units with pre-requisites for sale and units without pre-requisites for sale (landed and non-landed)



### Outlook

As at end-October 2020, there have already been 23 new non-landed projects launched in 2020, most of which are in the CCR. Based on EDMUND TIE Research estimates, there are at least 6,000 new sale units of pipeline launch supply that is expected to come onboard for the rest of 2020 and 2021, barring any unforeseen circumstances for each project on approval process before launch. Of the pipeline launches, around 4,700 units are of 99-year leasehold tenure while nearly 2,700 units will be launched in the CCR (Figure 19).

Figure 19: Number of (estimated) units to be launched in 2020 and 2021, by tenure and market segment (includes launches from January to October 2020)



Despite the knee-jerk reaction to the new policy relating to OTP re-issuance, it is expected that the impact will moderate as homebuyers better manage their finances and adjust to the new policy. In the meantime, new sales are still expected to be supported by genuine demand from homebuyers who are in relatively better financial positions.

For the rest of 2020, developers are expected to maintain their launch momentum. Despite November and December being traditionally quieter months for home sales, we expect continued interest from local homebuyers given limited travel opportunities. Projects that are located in areas with limited new or past launches may garner more interest from buyers. However, pricing is still the pivotal factor for homebuyers, as seen from the high take-up rate of smaller units of Penrose in 3Q 2020.

For the first 10 months of 2020, new sales totalled around 8,300 units. The low interest rate environment and high liquidity, along with the gradual improvement in the economy, is expected to support residential demand in Singapore. New home sales in 2020 are expected to come in at around 9,000 units (2019: 9,900 units), with a slight improvement in 2021.

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