PRIVATE HOMES REPORT

AUGUST 2021

SINGAPORE

Steady performance for the private homes market as Singapore executes its road map to normalcy

EDMUND TIE

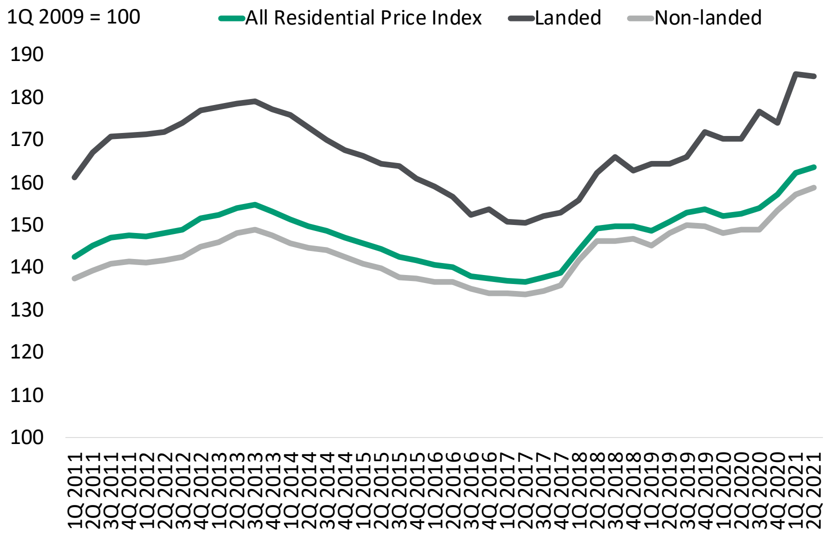
General price trends

Against the backdrop of strong demand and a controlled supply of private homes, prices have continued their general upward trend in 2Q 2021. According to the Urban Redevelopment Authority's (URA) All Residential Property Price Index (PPI), prices for private homes rose for the fifth consecutive quarter in 2Q 2021 albeit by a more subdued 0.8% quarter-on-quarter (qoq), following the 3.3% qoq growth in 1Q 2021 (Figure 1). On a year-on-year (yoy) basis, prices rose by 7.1% in 2Q 2021. The quarter's price growth was led by price increases for non-landed homes, whose PPI rose by 1.1% qoq, marking its fifth consecutive quarter of increase. In contrast, the PPI for landed homes decreased by 0.3% qoq in 2Q 2021 after a strong qoq growth of 6.7% in 1Q 2021.

Among the market segments for non-landed homes, the PPI for the Outside Central Region (OCR) posted the strongest qoq growth of 1.9% in 2Q 2021, followed by a 1.1% and 0.1% qoq growth recorded by the Central Core Region (CCR) and Rest of Central Region (RCR) respectively. The OCR's PPI performance for 2Q 2021, which marked the fifth consecutive quarter of increase, suggests a growing interest for suburban homes, driven by the work-from-home practices that arose from the pandemic and the government's continued efforts towards decentralising workplaces.

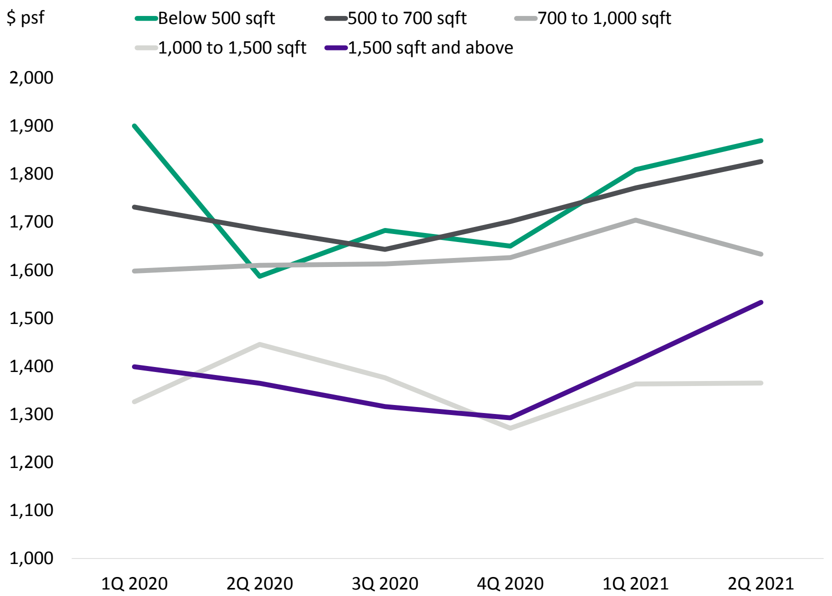
The trajectory of non-landed median prices by unit size highlights the price growth of the extreme ends of the spectrum (Figure 2). In 2Q 2021, median prices for units that are 1,500 sqft and above showed the sharpest qoq growth of 8.7%, suggesting a growing preference among buyers for more sizeable units due to long times spent at home as a result of pandemic-induced work-from-home arrangements. The median prices of the two smallest segments, below 500 sqft and 500 to 700 sqft, recorded qoq growths of 3.3% and 3.1% respectively, indicating buoyant mass market demand due to the affordability of smaller units. Median prices of units in the 1,000 to 1,500 sqft segment recorded a negligible qoq growth of 0.1%, while median prices of units in the 700 to 1,500 sqft segment fell by 4.2% qoq in 2Q 2021.

Figure 1: All residential, landed, and non-landed PPI



Source: URA

Figure 2: Median $psf by unit size



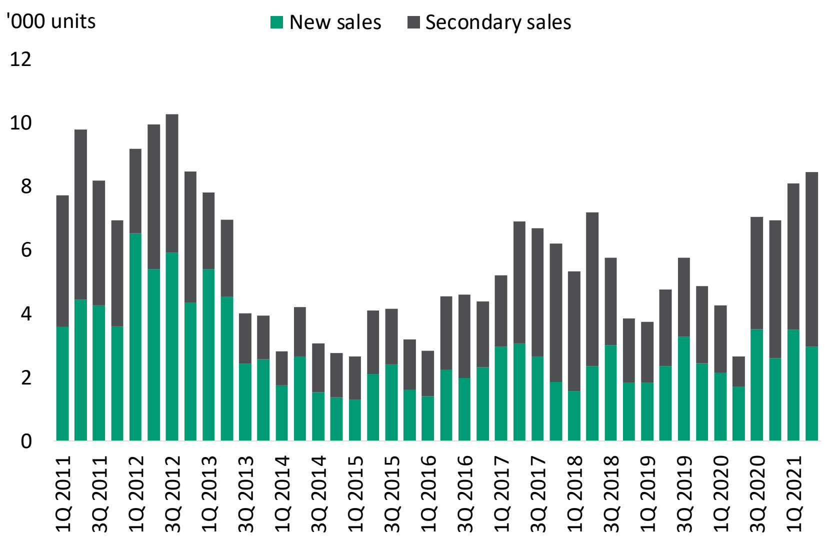
Source: URA, EDMUND TIE Research

Transaction volume

Despite the government's tightening of safe management measures in May 2021 in response to the emergence of numerous COVID-19 clusters, transaction volume for 2Q 2021 held steady with a total of 8,449 units sold in the primary and secondary markets (Figure 3). This marked a 4.3% qoq increase and a substantial 217.2% yoy increase due to a low base effect arising from the Circuit Breaker period in 2Q 2020. The bulk of the quarter's transactions came from secondary sales, which contributed 5,483 units and represented a 19.0% qoq growth. In contrast, developer sales in the primary market recorded a 15.1% qoq decline to 2,966 units, in the wake of the aforementioned tightening of measures that limited the scope for new launches and buying activity for most of 2Q 2021.

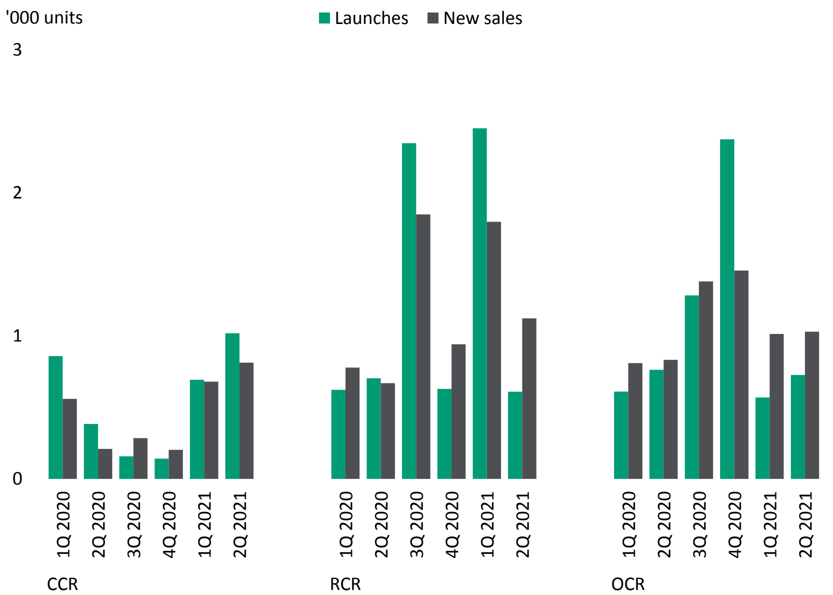
In 2Q 2021, among the market segments, the CCR posted the largest qoq growths of 19.4% and 29.1% in primary sales and secondary sales respectively. The CCR's strong growth in primary sales volume for the quarter was accounted for by its sizeable 46.8% qoq growth in new launches, which at 1,019 units was the most out of the market segments (Figure 4). Some major projects contributing to this figure were Irwell Hill Residences by City Developments Limited (CDL), which was launched in Apr 2021, and One Bernam by MCC Land, launched in May 2021 (Table 1). These luxurious developments have performed reasonably well with take-up rates above 80% based on data as at 15 Jul 21, attesting to the sustained demand for prime and downtown living.

Figure 3: Transaction volume of primary and secondary sales



Source: URA

Figure 4: Non-landed new launches and sales by market segment



Source: URA

In the RCR, secondary sales increased by 9.2% qoq, while primary sales decreased by 37.5% qoq in 2Q 2021. The slide in primary sales volume corresponded with the sharp 75.1% qoq fall in new launches within the RCR for 2Q 2021, with the only significant project launch being One-North Eden by Hong Leong Holdings and Mitsui Fudosan in Apr 2021. The performance of new projects in the RCR to date has been a mixed bag, with The Reef at King's Dock by Keppel Land and One-North Eden recording above 90% take-up rates, and Normanton Park recording a take-up rate of above 50%.

Buyers' preference for homes in the OCR have held steady, which was reflected in the 1.6% and 20.7% qoq growths in the region's primary and secondary sales respectively in 2Q 2021. The modest growth in primary sales was due to the small quantum of new launches for the quarter at just 727 units. J@63, which was launched in Feb 2021 and the OCR's only significant new project launch for the year as at 2Q 2021, performed reasonably well with 10 out of its 14 launched units sold. The more substantial growth in secondary sales was likely supported by the government's ongoing decentralisation efforts.

Table 1: Significant non-landed new project launches (data as at 15 Jul 21)

Month	Development	Location	Developer	Tenure	Total Units	Launched	Sold	Take-up % (Sold/ Launched)	Lowest $ psf	Highest $ psf
CCR										
Mar	MIDTOWN MODERN	TAN QUEE LAN ST	GuocoLand Ltd	99 years	558	447	390	87.2	2,299	4,213
Mar	THE ATELIER	MAKEWAY AVE	Bukit Sembawang Land Pte Ltd	Freehold	120	20	4	20.0	2,743	3,040
Apr	GRANGE 1866	GRANGE ROAD	Grange 1866 Pte Ltd	Freehold	60	60	3	5.0	2,674	2,743
Apr	IRWELL HILL RESIDENCES	IRWELL HILL	CDL Perseus Pte Ltd	99 years	540	340	340	100.0	2,460	4,123
Apr	PEAK RESIDENCE	THOMSON ROAD	TSRC Novena Pte Ltd	Freehold	90	90	3	3.3	2,576	2,846
May	LES MAISONS NASSIM	NASSIM ROAD	Shun Tak Holdings Ltd	Freehold	14	2	1	50.0	5,930	5,930
May	ONE BERNAM	BERNAM ST	HY-MCC (Bernam) Pte Ltd	99 years	351	100	87	87.0	2,223	2,878
May	PARK NOVA	TOMLINSON ROAD	Shun Tak Holdings Ltd	Freehold	54	54	14	25.9	4,693	5,838
					1,787	1,113	842	75.7		
RCR										
Jan	NORMANTON PARK	NORMANTON PARK	Kingsford Development Pte Ltd	99 years	1,862	1,862	952	51.1	1,469	1,877
Jan	THE REEF AT KING'S DOCK	HARBOURFRONT AVE	Keppel Land Ltd	99 years	429	400	383	95.8	1,995	2,831
Apr	ONE-NORTH EDEN	SLIM BARRACKS RISE	One North Development Pte Ltd	99 years	165	165	157	95.2	1,779	2,257
					2,456	2,427	1,492	61.5		
OCR										
Feb	J@63	LORONG J TELOK KURAU	Distinct Home (TKJ) Pte Ltd	Freehold	14	14	10	71.4	1,332	1,703
					14	14	10	71.4		
Total					**4,257**	**3,554**	**2,344**	**66.0**		

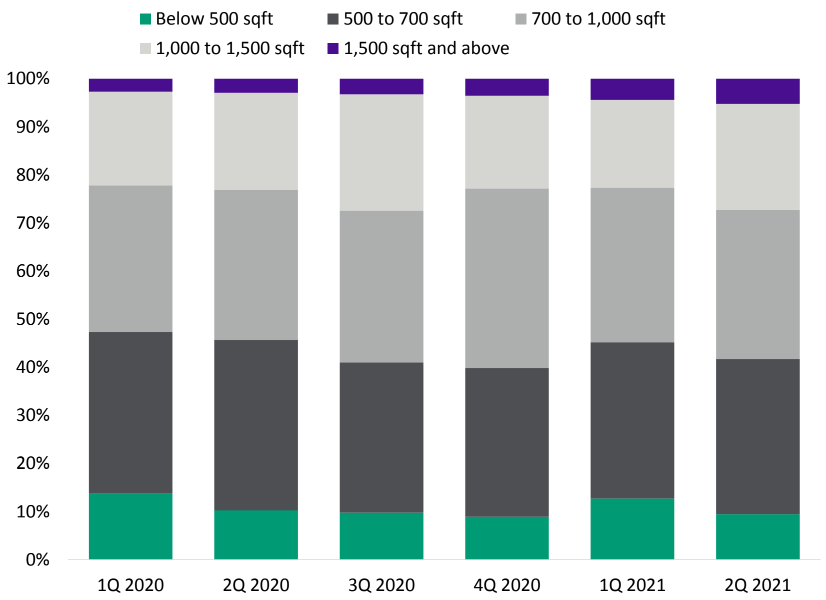
Source: URA, EDMUND TIE Research

Trends in unit size, price range, and foreign buyer profile

In the non-landed primary market, the highest proportion of transactions in 2Q 2021 by unit size were of units between 500 and 700 sqft, which accounted for 32.3% of the quarter's total primary sales (Figure 5). This is similar to 1Q 2021, when the largest proportion of transacted units at 32.5% were of units of the same size range, suggesting healthy mass market demand for smaller and more affordable units against the backdrop of rising property prices. Projects that transacted a significant number of units between 500 and 700 sqft in 2Q 2021 were Irwell Hill Residences, which transacted 199 units, followed by Normanton Park and Hyll on Holland, which sold 85 and 63 units respectively.

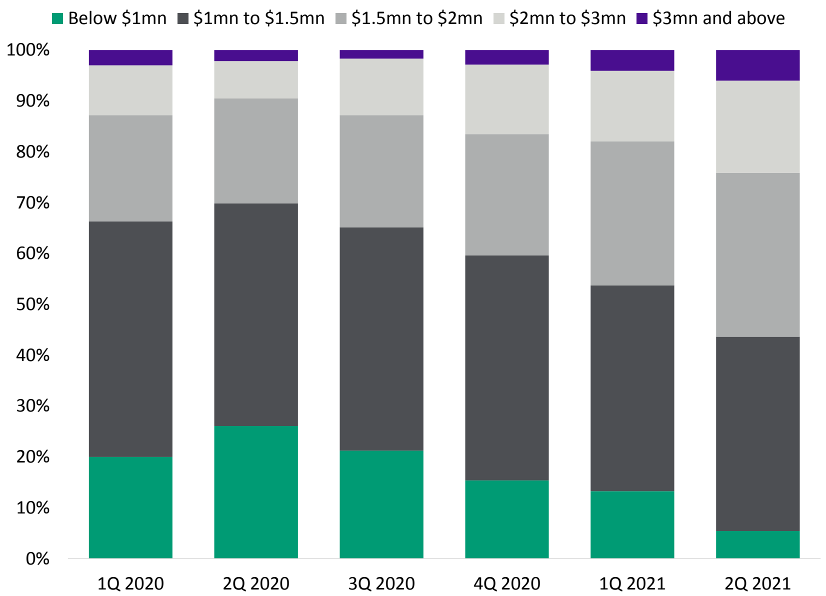
For the smallest unit type of below 500 sqft, 2Q 2021 recorded a qoq decline in the proportion of transactions for such units, from 12.7% in 1Q 2021 to 9.4%. Conversely, there was an increase in the proportion of transactions of larger units above 1,000 sqft, which collectively made up 27.3% of the primary sales in 2Q 2021 as compared to 22.7% in 1Q 2021. Despite their lower price quantum, studio apartments have lost some of their appeal amongst buyers, while the larger units with more bedrooms are growing in appeal for buyers who favour larger spaces and more rooms to accommodate prevailing work-from-home habits and longer periods spent at home by various family members. Projects that have transacted significant number of units above 1,000 sqft in 2Q 2021 were Treasure At Tampines, which sold 70 units, followed by One-North Eden, which sold 48 units, and Parc Clematis, which sold 43 units.

Figure 5: Non-landed new sales by unit size



Source: URA

Figure 6: Non-landed new sales by price range



Source: URA

In terms of price, the majority or 38.2% of primary transactions in 2Q 2021 were in the $1mn to $1.5mn band, a noticeable decline from the 47.6% recorded in 1Q 2021 (Figure 6). The transactions for the quarter were mainly from Treasure At Tampines, Normanton Park, and Irwell Hill Residences. There was a similar decline in the proportion of transactions below $1mn, from 15.6% in 1Q 2021 to just 5.4% in 2Q 2021, likely due to rising property prices and the preferential shift away from smaller homes.

There was however growth in the proportion of transactions above $2mn, from 21.2% in 1Q 2021 to 24.1%, forming almost a quarter of all primary transactions in 2Q 2021. This marked the third consecutive quarter of growth for transactions of this higher-end price range, the result of rising prices and a growing preference for larger homes. Notable projects recording transactions in this range in 2Q 2021 were Irwell Hill Residences, One-North Eden, and Parc Clematis.

In response to the more transmissible Delta variant of the COVID-19 virus that has resulted in new waves of infection worldwide, the government has tightened local safe management measures as well as adjusted the city's border controls throughout 2Q 2021. As a result, the number of purchases made by foreign non-PR buyers in the quarter dipped by 2.7% qoq, from 292 units to 284 units. The decline however did not apply to homes in the CCR, where the number of transactions increased by a significant 35.8% qoq in 2Q 2021, from 109 units to 148 units. Consequently, the CCR overtook the RCR as the region with the most transactions made by foreign buyers, as foreigners gravitate towards a more familiar segment.

In 2Q 2021, 9.0% of transactions in the CCR were made by foreign buyers, representing a 1.1% points increase from 1Q 2021 (Table 2). Transactions were largely driven by the Mainland Chinese, who contributed 25.0% of all foreign purchases in the CCR, followed by the Americans and the Indonesians, who contributed 18.2% and 8.1% respectively.

In the RCR, the proportion of all purchases that were made by foreign buyers fell from 4.0% in 1Q 2021 to 3.4% in 2Q 2021. The Mainland Chinese, who were the top foreign buyer group for both quarters, witnessed a marked drop in share from 36.4% to 23.4%. Conversely, the Americans' share grew from 16.1% to 20.8%. The other notable nationalities contributing to purchases in the RCR were the Indonesians, the Indians, and the Malaysians, who made 3.9%, 3.9%, and 2.6% of the purchases in 2Q 2021.

The OCR remained the least active market for the foreign buyers, suggesting a continued preference amongst foreigners in regard to living in the central region and closer to the downtown. The Mainland Chinese were again the top foreign buyer group for the quarter, making 35.6% of all purchases by foreigners in the OCR. The Indians formed the next most populous foreign buyer group, making 18.6% of the purchases, which was a drop from the 23.1% share in 1Q 2021. The Americans, who were the third most significant foreign buyer group, witnessed a similar drop in share from 20.0% in 1Q 2021 to 15.3% in 2Q 2021.

Table 2: Foreigner buyer profile by market segment

Nationality	1Q 2021	2Q 2021	qoq change
CCR: % of all transactions by foreigners (non-PR)	**7.8**	**9.0**	**1.1**
Top nationalities and % share of foreign purchases			
Mainland Chinese	28.4	25.0	-3.4
American	21.1	18.2	-2.9
Indonesian	10.1	8.1	-2.0
RCR: % of all transactions by foreigners (non-PR)	**4.0**	**3.4**	**-0.6**
Top nationalities and % share of foreign purchases			
Mainland Chinese	36.4	23.4	-13.1
American	16.1	20.8	4.7
Indonesian	2.5	3.9	1.4
Indian	2.5	3.9	1.4
Malaysian	3.4	2.6	-0.8
OCR: % of all transactions by foreigners (non-PR)	**2.3**	**1.9**	**-0.4**
Top nationalities and % share of foreign purchases			
Mainland Chinese	36.9	35.6	-1.3
Indian	23.1	18.6	-4.4
American	20.0	15.3	-4.7

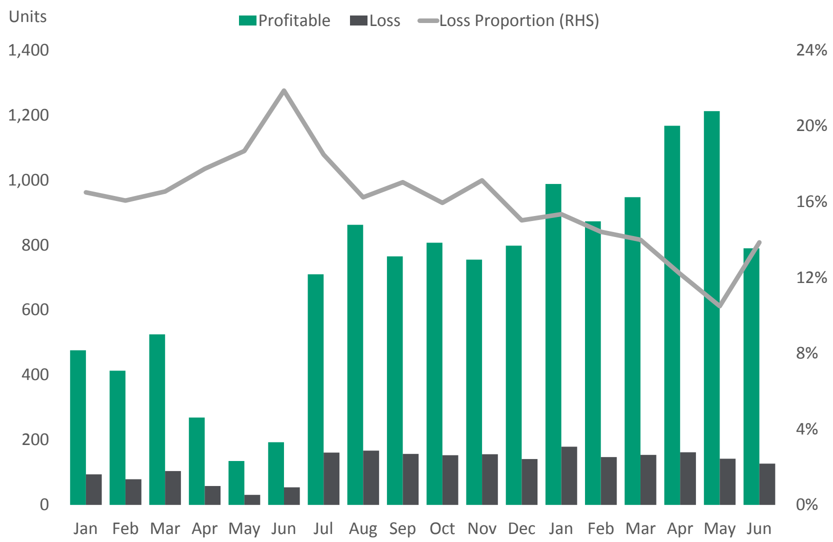
Source: URA

Resale profitability

The loss-making share for the overall market (landed and non-landed) fell from 14.0% in Mar 2021 to a record low of 10.5% in May 2021 before increasing to 13.8% in Jun 2021 (Figure 7). Profitability in the secondary market was improving for the first two months of 2Q 2021 before home viewing restrictions kicked in mid-May, affecting the ease and profitability of transactions made in Jun 2021.

On a quarterly basis, the share of loss-making transactions in 2Q 2021 was 12.0%, lower than 1Q 2021's 14.6%. The picture was similar for the non-landed segment. The percentage of loss-making share for the overall market (landed and non-landed) in 1H 2021 was 13%, which compares favourably with 2020's 17% and 2019's 14%. However, this favourable overall picture belies the variations between the market segments. For instance, the CCR recorded noticeably more volatility across the months in 2020 and 1H2021, given the prevalence of buy-to-let purchasers in the CCR. On the other hand, the general improvement was more steady in the OCR and it suggests that owner-occupiers in this segment may have been more financially prudent in making their property purchases.

Figure 7: Profit and loss-making non-landed transactions from Jan 21 to Jun 21



Source: URA, EDMUND TIE Research

While we are likely past the worst from a market distress perspective, there could still be bumps in the months ahead given the fluidity of the COVID-19 situation. We expect that owners would be more flexible about their asking prices, voluntarily or otherwise, in order to reduce the marketing process duration. In the months ahead, as the government continues to ease safe management measures amidst rising vaccination rates, owners can look forward to more clarity and certainty as they go about their marketing process.

Outlook

In 2Q 2021, the nation experienced a spate of relaxation and tightening of safe management measures in response to the wily nature of COVID-19. However, the private homes market remained stable, with growths witnessed in both transaction volumes and prices for the non-landed sector. Buyer interest in the secondary market remained strong, while the quarter's dip in primary market activity should likely rebound in line with the resumption of new project launches, as the government eases the safe management measures that are in place due to the prevailing heightened alert circumstances.

Barring possible cooling measures from the government, we expect the prices of private homes to remain on sound footing, with new launch activity picking up over the second half of 2021 as Singapore progresses further along its national vaccination drive and relaxes its COVID-19 related measures. The government's recent change in stance from curbing infections to living with COVID-19 as an endemic disease has also paved the way for a clear reopening road map that bodes well for the economy. The market remains supported by ample liquidity, low interest rates, as well as optimistic buyer sentiments, and developers are likely to price units at a premium. We expect to see more quality and differentiated products being introduced to the market in the months ahead.

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