UPTICK IN 1H 2015 TRANSACTION VOLUME BUT PRICE DECLINE EXPECTED TO CONTINUE IN SECOND HALF

The second quarter of 2015 saw 2,116 units being transacted, a 61.4% increase in transaction volume from the preceding quarter. Overall private home prices fell for the seventh consecutive quarter, declining by 0.9% quarter-on-quarter (q-o-q) in 2Q 2015. Prices are expected to decline further by 1.5% to 2.5% in the second half of 2015.

"The recent financial turmoil has added new worries to the market still grappling with the cooling measures and expected rate hikes. But, value is emerging in private housing, especially the luxury end."

TAY KAH POH
Executive Director and Head, Residential Services

Developers launched a total of 2,099 new private residential units in 2Q 2015, representing a 76.5% q-o-q increase. In total, 3,288 new units were launched in 1H 2015, a 13.9% increase from 2H 2014.

2,116 units were sold in 2Q 2015, of which 1,999 were of uncompleted units, and 117 were of completed units. This also brings the total 1H 2015 sales volume to 3,427, a 17.9% increase from 2H 2014.

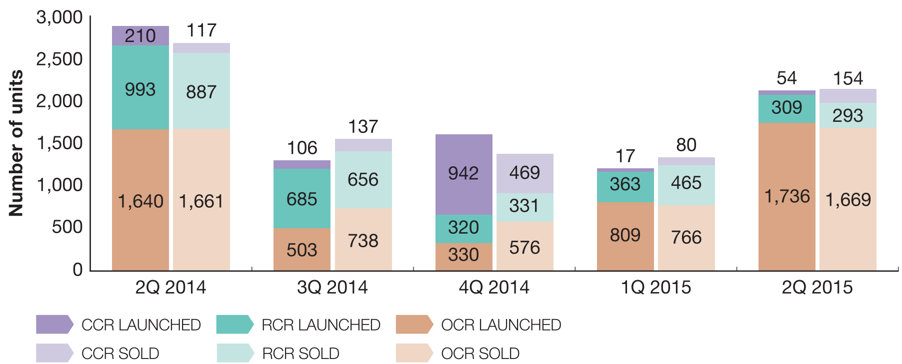
The launch of a number of well-located new projects in the Outside Central Region (OCR) at attractive prices was the key reason for the rise in new sale transaction volume. In addition, greater interest was seen in Core Central Region (CCR) for new sale completed units, although these take up a small proportion of the total transaction volume.

Prices Continued to Slide in 2Q 2015, marking seventh consecutive quarter of decline

Based on URA's residential price index, private home prices continued to slide for the seventh consecutive quarter, falling by 0.9% q-o-q in 2Q 2015. This marks a 3.7% year-on-year (y-o-y) decline, or a 6.7% decline from 3Q 2013, the quarter just before prices began to fall.

EXHIBIT 1

Developers' Launches and New Sales by Market Segment



Source: REALIS, Knight Frank Research

Based on an analysis of Knight Frank's basket of private residential properties, the prices of high-end homes continued to weaken in 2Q 2015, although the rate of slowdown has declined considerably. High-end prices declined 5.4% y-o-y in 2Q 2015, compared to 9.6% y-o-y in 1Q 2015, to reach $2,024 per sq ft (psf).

The mid-tier segment declined 1.4% on a yearly basis to $1,548 psf, while the mass market segment fell 3.2% y-o-y to $1,021 psf. Both segments continued to face stiff competition with a slew of new launches and a significant pipeline of soon-to-be completed projects in the Rest of Central Region (RCR) and Outside Central Region (OCR).

Mid-Tier rents fell most significantly among market segments y-o-y

Based on Knight Frank's residential property basket analysis, average mass market rents have moderated by 6.1% y-o-y to $3.03 psf per month (pm) in 2Q 2015, while mid-tier homes experienced a larger drop of 9.4% to $4.62 psf pm. Rentals in the high-end market saw the smallest y-o-y decline of 3.8% to $5.39 psf.

Given the more resilient high-end rental market in relation to lower sales prices, average yields have risen to 3.19% in 2Q 2015, further closing the gap with the mass market and mid-tier rental yields.

Total New Sales Volume to Range Between 6,500 to 7,500 units for 2015

Total new sales volume is expected to remain muted for the rest of the year, as there are not many new project launches expected in 2H 2015. Hence, the uptick in volume seen in 1H 2015 is not likely to persist. Total sales volume for 2H 2015 is expected to range between 3,000 to 4,000, bringing the total sales for 2015 to 6,500 to 7,500 units.

Current sentiments point toward a potential hike of interest rates pending decision and action by the US Federal Reserve. Turbulence in the Chinese stock markets and Asian currencies has also caused significant uncertainty about the mid-term economic outlook of Asia, Singapore not sparing. This has caused some investors to stay away from investing in the region for the time being.

The cooling measures also continue to weigh down the market, and local liquidity and wealth flows into the physical real estate sector are limited by the Total Debt Servicing Ratio (TDSR) ruling. Foreigners also remain reserved about investing at this juncture, with property price growth showing little potential to overcome their taxation cost in the mid-term.

A bright spot in the market is the launch of well-located projects at attractive prices reaping healthy rates of absorption, which points to continued interest in private homes where price expectations are reasonable.

Against the backdrop of weakening market sentiment and existing cooling measures in place, overall private home prices are expected to register a decline of 1.5% to 2.5% in the second half of 2015.

The pipeline of unsold stock stands at 26,905 units as at 2Q 2015, 5.4 per cent lower than in 2Q 2014, and 20.7 per cent lower than the peak in 2Q 2013. It is expected to decrease further, as the market steadily absorbs the outstanding stock while the Government continues on its track of tapering its sales programme of residential sites. The rate of price fall is expected to slow further as a result, and eventually bottom out in the second half of 2016, barring any major changes in the economic or policy environment.

EXHIBIT 2

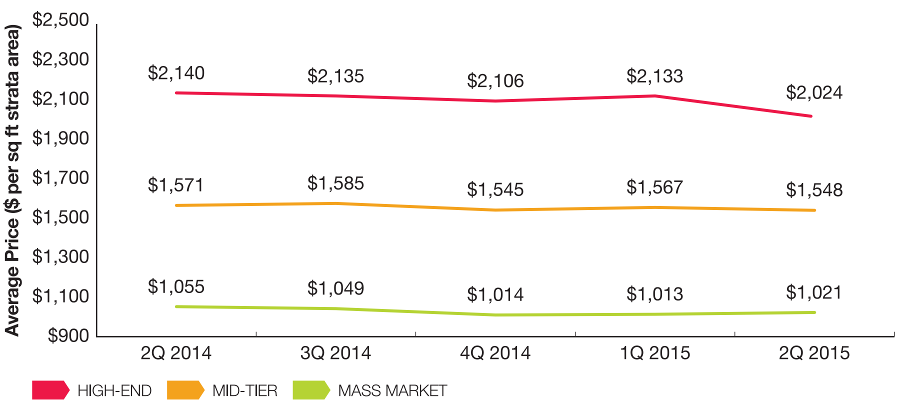
Top 5 Private Residential Projects Launched in 1H 2015 by New Sales Volume

S/n.	Project Name	Locality	Total No. of Units in Project	No. of New Units Launched	No. of New Units Sold	Take-Up Rate of Launched Units
1	North Park Residences	OCR	920	600	561	93.5%
2	Botanique at Bartley	OCR	797	500	403	80.6%
3	Sims Urban Oasis	RCR	1,024	350	274	78.3%
4	Kingsford Waterbay	OCR	1,165	314	219	69.7%
5	Symphony Suites	OCR	660	180	129	71.7%

Source: REALIS, Knight Frank Research

EXHIBIT 3

Average Prices* of Private Residential Properties by Market Segment

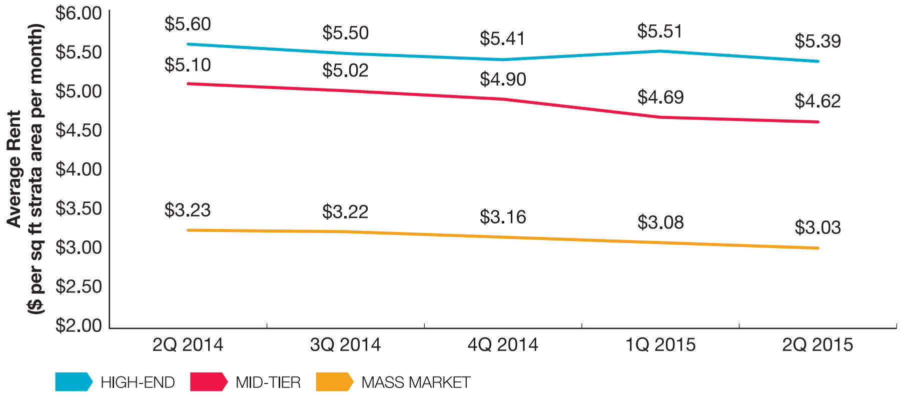


Source: REALIS (based on caveats lodged as at 21 July 2015), Knight Frank Research

* Average prices are estimated based on Knight Frank's property basket. The high-end market is represented by a basket of projects in the 90th – 100th percentile in terms of average price in 2012, mid-tier by projects in the 60th – 90th percentile, and mass market by projects in the 10th to 60th percentile.

EXHIBIT 4

Average Rents* of Private Residential Property by Market Segment

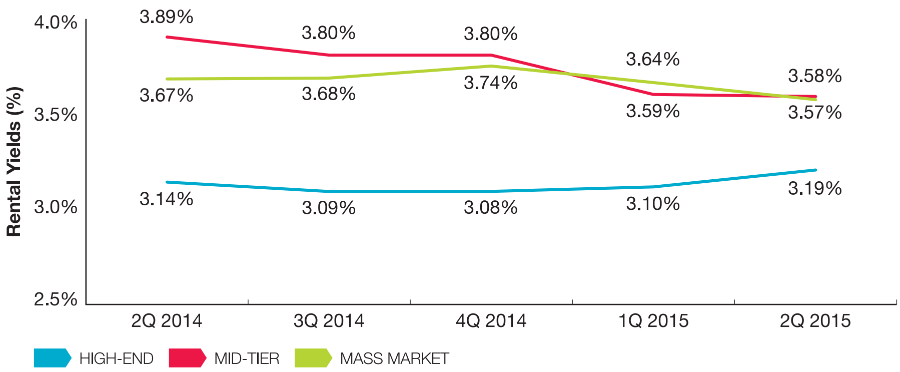


Source: URA (based on rental contracts as at 13 August 2015), Knight Frank Research

* Average rents are estimated based on Knight Frank's property basket.

EXHIBIT 5

Gross Yields of Private Residential Property by Market Segment



Source: URA, Knight Frank Research

*Gross yields are estimated based on Knight Frank's property basket.

EXHIBIT 6

Projected Price Change in CCR, RCR and OCR for 2H 2015

Market Segment	Projected Price Change for 2H 2015	Observations
CCR	-1.0% to -2.0%	Market interest in the high-end segment has increased slightly, as the price falls offer investors a significant discount from peak prices and present some good opportunities. Nevertheless, this is still taking place on a small scale and slow pace, as buyers are still cautious about entering the market.
RCR	-1.5% to -2.5%	Lack of new launches at strategic locations and sizeable unsold inventory likely to lead to further price moderation.
OCR	-2.0% to -3.0%	Relatively large number of unsold units and continued weakness in the HDB resale flat prices expected to put a lid on HDB upgraders' demand for private residential properties. It was also announced at the National Day Rally 2015 that the household income ceiling for HDB flats will be raised from $10,000 to $12,000, and the ceiling for Executive Condominiums (ECs) will be raised from $12,000 to $14,000, with effect from 24 August 2015. This is expected to pose some competition to the private mass-market home market, particularly new launches.

Source: Knight Frank Research

FOR RESIDENTIAL SALES AND LEASING ENQUIRIES, PLEASE CONTACT:

Tay Kah Poh
Executive Director & Head
Residential Services
6228 7392
kahpoh.tay@sg.knightfrank.com

FOR FURTHER INFORMATION ON THE REPORT, PLEASE CONTACT:

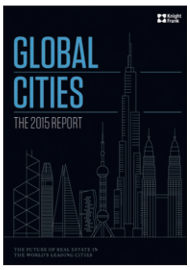
Alice Tan
Director & Head
Consultancy and Research
6228 6833
alice.tan@sg.knightfrank.com

Debbie Lam
Manager
Consultancy & Research
6228 6821
debbie.lam@sg.knightfrank.com

Derek Lor
Senior Analyst
Consultancy & Research
6228 7317
derek.lor@sg.knightfrank.com

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

Singapore Real Estate Highlights June 2015



Global Cities 2015 Report

The Wealth Report 2015

Global House Price Index Q2 2015

For further information about the Company, please visit www.knightfrank.com.

About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank, together with its US alliance partner, Newmark Grubb Knight Frank, operate from 370 offices, in 55 countries, across six continents and has over 12,000 employees. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.