MORE NEW PRIVATE HOMES SOLD IN 3Q 2015 ON THE BACK OF MORE NEW UNITS LAUNCHED

The third quarter of 2015 saw a 16.0% quarter-on-quarter (q-o-q) increase in the number of new units launched and a 13.9% q-o-q increase in new sales. The URA Residential Price Index registered falls of 1.3% q-o-q and 4.2% year-on-year (y-o-y) for 3Q 2015. Prices are expected to continue their decline into the fourth quarter.

"The prevailing economic uncertainties and stringent cooling measures still cast a cloud over the residential property market. The supply of launched but unsold stock is also a concern."

TAY KAH POH
Executive Director and Head, Residential Services

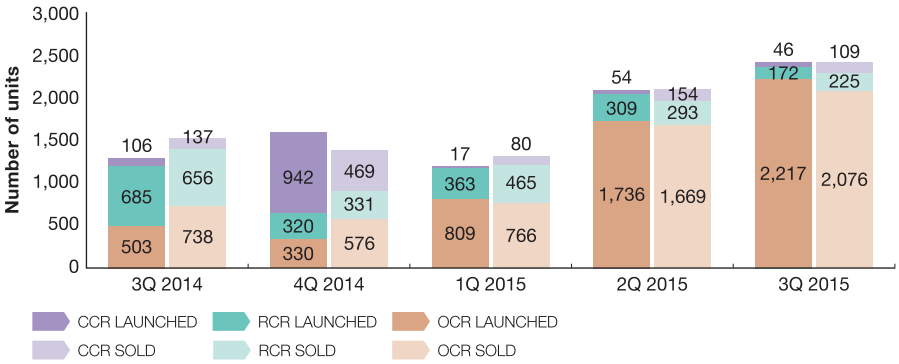
A total of 2,435 private residential properties units were launched in 3Q 2015; a 16.0% q-o-q increase from the 2,099 units launched in the previous quarter (Exhibit 1). For the first nine months of this year, developers launched a total of 5,723 units, representing a drop of 6.2% y-o-y from the 6,101 units launched in the corresponding period last year. Growing economic uncertainties coupled with existing property cooling measures have put a lid on homebuyers' interest.

During the third quarter, 2,410 private residential units were sold in the primary market, an increase of 13.9% q-o-q from the 2,116 units transacted in the previous quarter. Of the 2,410 sold units, 2,342 were uncompleted units and 68 were completed units. For the first nine months of 2015, a total of 5,837 new units were sold; a 1.7% y-o-y drop from the 5,940 units transacted in the corresponding period a year ago.

Since its launch in July 2015, High Park Residences chalked up a total of 1,245 new sales (Exhibit 2), accounting for more than half of the total new sales volume for the

EXHIBIT 1

Developers' Launches and New Sales by Market Segment



Source: REALIS, Knight Frank Research

third quarter. Realistically-priced developments in attractive locations with well-connected transport networks continue to be popular with homebuyers.

Private home prices continued to weaken in 3Q 2015

The island-wide URA Residential Price Index slipped 1.3% q-o-q and 4.2% y-o-y in 3Q 2015. This marks the eighth consecutive quarter of quarterly price decline. In 3Q 2015, declines of 1.6% q-o-q and 4.6% y-o-y were noted for non-landed homes in the OCR; and 1.6% q-o-q and 5.2% y-o-y falls in the Rest of Central Region (RCR). Smaller price declines of 1.2% q-o-q and 3.1% y-o-y were reported for the Core Central Region (CCR).

Based on an analysis of Knight Frank's basket of private residential properties, the average prices of high-end and mass market homes showed y-o-y declines during the third quarter while prices for mid-tier homes recorded a slight y-o-y uptick. Average price for high-end and mass market properties fell 4.6% y-o-y and 0.3% y-o-y, respectively. Average price for mid-tier homes edged up by a marginal 0.4% y-o-y (Exhibit 3).

High-end home rentals held steady

Based on Knight Frank's residential property basket analysis, average rents for the three market segments showed y-o-y decreases in 3Q 2015. Average rent for mid-tier properties showed the largest fall of 7.0% y-o-y to $4.41 psf per month (pm). Meanwhile, average monthly rent for homes in the high-end segment was the most resilient; with the smallest fall of 2.5% y-o-y. Average monthly rent for mass market homes fell by 6.2% y-o-y (Exhibit 4).

Gross yields for mid-tier and mass market homes showed annual declines due to sharp declines in their respective average rents. On the other hand, gross yields for high-end homes edged up slightly compared to a year ago with average price having fallen at a faster pace compared to average rent (Exhibit 5).

EXHIBIT 2

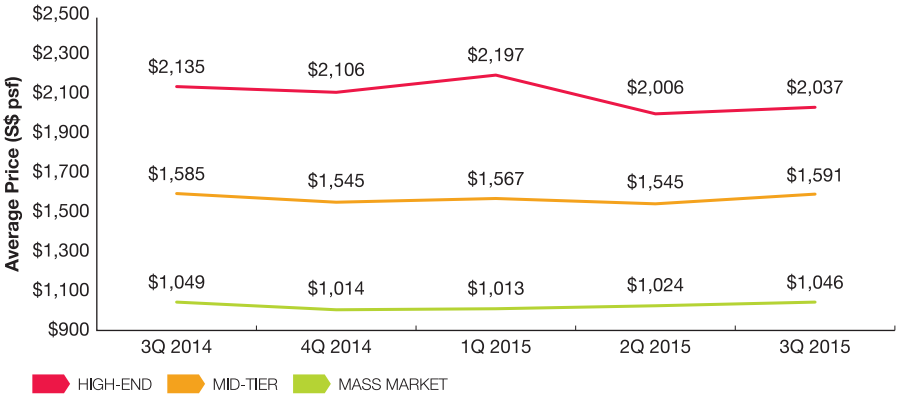
Top 5 Private Residential Projects (Launched from January to September 2015) by New Sales Volume

S/n.	Project Name	Locality (Segment)	Total No. of Units in Project	No. of New Units Launched	No. of New Units Sold	Take-Up Rate of Launched Units
1	High Park Residences	OCR	1,390	1,376	1,245	90.5%
2	North Park Residences	OCR	920	920	599	65.1%
3	Botanique At Bartley	OCR	797	700	532	76.0%
4	Kingsford Waterbay	OCR	1,165	314	308	98.1%
5	Sims Urban Oasis	RCR	1,024	362	299	82.6%

Source: URA, Knight Frank Research

EXHIBIT 3

Average Prices* of Private Residential Properties by Market Segment

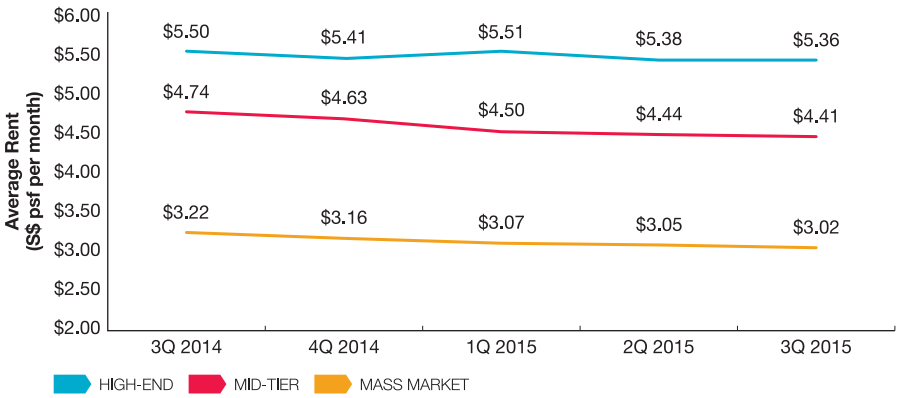


Source: REALIS (based on data as at 2 October 2015), Knight Frank Research

*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 data as at 2 October 2015), Knight Frank Research

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

About 6,500 to 7,000 units expected to be sold for 2015

In the face of keen competition and prevailing economic uncertainty, developers are more realistic when pricing their new developments. The strong take-up rate of some newly launched residential developments indicates that there is still demand from homebuyers for reasonably-priced developments with attractive attributes.

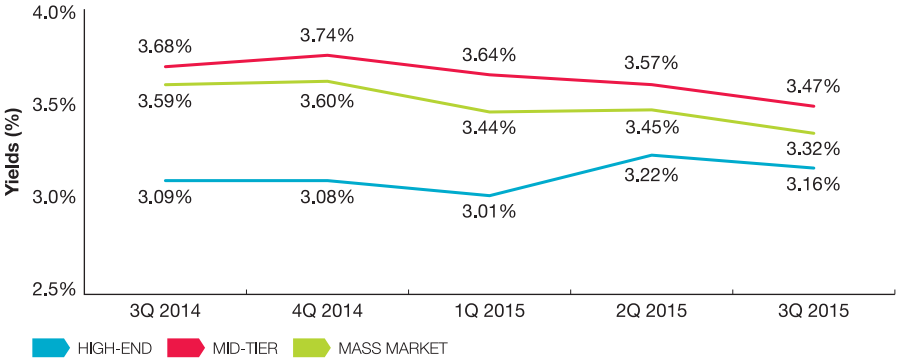
With few large-scale residential developments expected to be launched in 4Q 2015, new sales performance is unlikely to get a boost from new launches in the final quarter this year. As such, total new sales volume for 2015 is projected to range between 6,500 and 7,000 units, an approximate 4% to 11% decline from the total new sales of 7,316 in 2014.

Prices are expected to continue on its gradual downward trend into the last three months this year. The highest decrease is forecasted for properties in the OCR, as the region has about one-third of the island-wide unsold units. Additionally, there are four executive condominiums (EC) launched in the OCR in 3Q 2015 and coupled with upward adjustment in monthly household income to S$14,000 for EC homebuyers, ECs are envisaged to compete with mass-market developments for eligible homebuyers.

The government has thus far maintained the stand that it is not time to unwind the property cooling measures. The price adjustments seen are believed to be moderate compared to the price increases seen in the earlier years. Against a backdrop of muted global conditions, major changes in the current price trend are not expected in the short term.

EXHIBIT 5

Gross Yields of Private Residential Property by Market Segment



Source: URA (Based on data as at 2 October 2015), Knight Frank Research

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

EXHIBIT 6

Outlook for Private Home Prices

Market Segment	Projected q-o-q Price Change for 4Q 2015	Observations
CCR	-1.0% to -1.5%	A slight increase in buyer interest due to price moderation and emerging value. However, this is confined only to a small number of buyers as many remain on the sidelines with the Additional Buyers' Stamp Duty still in place.
RCR	-1.0% to -2.0%	Prices are expected to decline further due to unsold inventory and available supply from projects that were launched over the past year.
OCR	-1.5% to -2.0%	Prices for OCR are expected to decrease further, at a rate that is in line with the momentum in past quarters. Additionally, four executive condominiums (ECs) in the OCR were launched in 3Q 2015. ECs are expected to pose competition to the private residential mass market, putting further downward pressure on prices.

Source: Knight Frank Research

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