

BRIGHT SPOTS REMAIN IN THE MARKET AS HOMEBUYERS HUNT FOR VALUE-BUYS

Amid heightened economic uncertainties and upcoming supply, homebuyers and investors remain highly selective and tend to gravitate towards projects with strong perceived value. As companies continue to trim headcount and reduce expatriate rental budgets in light of escalating economic headwinds, the leasing market is expected to weaken further in the short-term.

Local economy exhibits signs of weakness as global economic volatilities persist

- **With the US Federal Reserve inching towards a likely interest rate hike by the end of this year**, homebuyers in the current market get to take advantage of the low interest rates.
- **In July this year, the Singapore government reiterated that it is still “too early” to lift the cooling measures**, as the authorities look to continue steering the property market on a “sustainable path”.
- **Singapore’s gross domestic product grew by 0.6% year-on-year (y-o-y) in Q3 2016 and fell short of market expectations**, based on advance estimates released by the Ministry of Trade and Industry. The government has revised its 2016 growth forecast downwards to between 1.0% and 2.0%, from between 1.0% and 3.0%.
- **Overall unemployment rate was recorded at 2.1% in Q3 2016**, remaining unchanged from the previous quarter, amid weaker economic conditions and continued domestic restructuring.



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“The private housing market seems to have stabilised. In the short term, economic headwinds and QC deadlines still post a challenge, but the strength of developer and household balance sheets could cap downside risk over the next 6 – 9 months to 4 – 5%.”

Home-buying momentum gathers pace despite challenging economic conditions

- **Total private residential transactions in Q3 2016 rose by 1.0%** from the preceding quarter to 4,596 units.
- **The uptick in home-buying activities was driven by the resale market, which built on its upward momentum.** A total of 2,477 secondary market transactions were concluded in Q3 2016, marking a second consecutive quarter of increase.
- The government’s recent reiteration that cooling measures will remain in place has led to some genuine homebuyers re-entering the market from the side-line.

Projects with strong value proposition drives robust performance in new sales market

- **The strong sales volume in the primary market can be attributed partly to the successful launch of the 710-unit private residential development Lake Grande.** The project is located within the Jurong Lake District which has been earmarked as the second Central Business District and will house the upcoming Kuala Lumpur-Singapore High Speed Rail terminus.
- **Apart from its favourable location and proximity to Lakeside MRT, the project is priced affordably.** Based on caveats lodged, more than half of the units were transacted at palatable price tags of between \$500,000 and \$1 million. On an average psf basis, the average launch price of \$1,358 psf also puts the development close to that of its neighbouring development, Lakeville, which was launched at an average selling price of \$1,318 psf in Q2 2014.

Leasing market remains lacklustre as yields softened across all segments

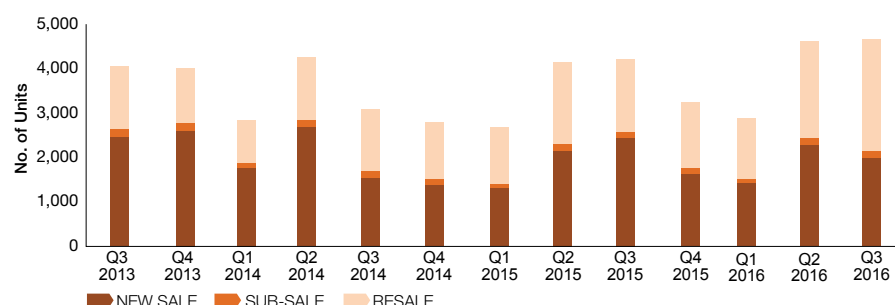
- Based on Knight Frank’s analysis of a basket of private residential properties, rental yields weakened across all market segments, with average rents having declined at a faster rate relative to their respective average prices (Exhibit 3).
- Amid the pipeline of completed supply and abundance of choice, the reduced inflow of expatriates and shrinking accommodation stipends are likely to put pressure on rents in the short- to mid-term.

Market Outlook

- **New sales volume in Q4 2016 is expected to be boosted by the upcoming launches of several highly-anticipated projects such as Forest Woods (519 units in total), Queens Peak (736 units in total) and Parc Riviera (752 units in total).** Facilitated by the low interest rate environment, upcoming project launches at choice locations and priced competitively are well poised to tap on the pent-up demand.
- **Total new sales volume for the year is likely to surpass that for 2015, and projected to range from 7,000 to 9,000 units.**
- **Knight Frank projects that island-wide private home prices will decline by 3.0% to 4.0% y-o-y in Q4 2016.** It has fallen by 2.6% cumulatively in the first three quarters of 2016.
- According to the Q3 2016 URA Quarterly Statistics, the Outside Central Region is expected to contribute about half (47.2%) of the upcoming supply by end-2017. With the heightened competition for buyers, mass-market homes are expected to see the greatest price softening among all segments (Exhibit 4).

EXHIBIT 1

Total Transaction Volume, by Type of Sales



Source: REALIS, URA, Knight Frank Research

EXHIBIT 2

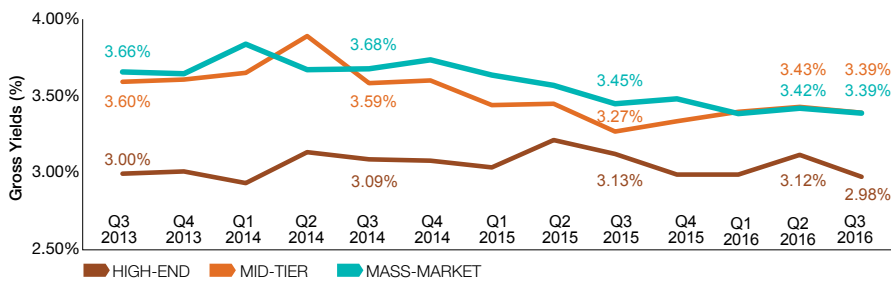
Top 5 Private Residential Projects and Top 5 Executive Condominium Projects, by New Sales Volume in Q3 2016

S/n.	Project Name	Market Segment	Total No. of Units in Project	*No. of New Units Sold in Q3 2016	Total No. of Units Sold To-Date	*Average Price (\$ psf) in Q3 2016
Private Residential Projects						
1	Lake Grande	OCR	710	516	516	\$1,358
2	The Triling	OCR	755	100	422	\$1,361
3	The Glades	OCR	726	76	564	\$1,404
4	Principal Garden	RCR	663	65	312	\$1,604
5	Kingsford Waterbay	OCR	1165	64	518	\$1,153
Executive Condominiums						
1	Treasure Crest	OCR	504	487	487	\$746
2	Sol Acres	OCR	1327	119	594	\$793
3	Bellewoods	OCR	561	95	431	\$771
4	Bellewaters	OCR	651	84	648	\$767
5	Wandervale	OCR	534	80	456	\$757

Source: *REALIS (based on data as at 20 October 2016), URA, Knight Frank Research

EXHIBIT 3

Gross Yields of Private Residential Property, by Market Segment



Source: REALIS (based on data as at 29 September 2016), URA, Knight Frank Research

EXHIBIT 4

Outlook for Private Home Prices, Q3 2016

Market Segment	Actual (at Q3 2016)		Projected % Change in Prices for 12 months ending Q4 2016
	q-o-q%	y-o-y%	
Island-wide	-1.5%	-3.1%	-3.0% to -4.0%
Non-Landed CCR	-1.9%	-1.6%	-1.5% to -2.5%
Non-Landed RCR	-1.0%	-1.2%	-1.0% to -2.0%
Non-Landed OCR	-1.0%	-2.8%	-3.5% to -4.5%

Source: URA, Knight Frank Research

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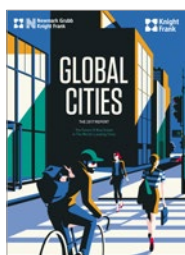
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