RESIDENTIAL

THE FIRST RELAXATION OF THE COOLING MEASURES & THE NEW LAUNCHES THAT TOOK OUR BREATH AWAY

Market Pulse

- The Government relaxed the Sellers' Stamp Duty (SSD) holding period with effect from 11 March 2017, unwinding, for the first time, the host of cooling measures applied since September 2009. The SSD was first introduced in February 2010, and subsequently revised twice – in August 2010 and January 2011 – to increase the level of deterrence. The recent change in policy is not likely to trigger an increase in short-term speculation in the residential market, since the SSD rate of 12% for properties sold within 1 year remains relatively onerous. The change was nonetheless welcome by the market – it serves as a mitigation of risk in the medium-term for potential investors. This change in supply-side policy is more a pre-emptive one, giving investors some room for flexibility in the market in the event the market turns south.
- New launches in the quarter saw stellar performance, continuing the strong show of primary market sales since mid-2016. This was in contrast to the sentiments and mood towards the end of 2015, where developers had to moderate their price expectations in order to achieve better sales. At present, we are observing a market that appreciates the value proposition of a good quality, well-designed product.
- The three-month Singapore interbank offered rate (Sibor) has increased further to 0.939% in March 2017, from 0.924% in December 2016. The three local banks have, however, stepped up the competition for a piece of the home loan market, coming up with attractive packages offering effective rates as low as 0.6% to 0.7% annually. However, with upward pressure on interest rates expected to continue in step with US interest rates, most banks have stopped offering various fixed-rate mortgage plans since end-December.
- The banking industry's average property loan-to-value ratio stood at 53.4% as at Q1 2017, based on preliminary Q1 2017 numbers from the MAS. This has increased from 51.3% a year ago (Exhibit 1); the loan-to-value ratio has stayed above 50.0% since Q2 2015.

TAY KAH POH
Executive Director & Head, Residential Services

"An improving manufacturing sector, a sense that the market has bottomed, and relief at the slight tweaking of the SSD have all brought about renewed confidence. If nothing derails this mood, we could see the start of a longed for recovery in the residential market."

Private Residential Home Prices Continued to Fall for the 14th consecutive quarter

- According to URA's 1st Quarter 2017 real estate statistics, residential home prices are still on decline, having fallen on a quarter-on-quarter (q-o-q) basis for the 14th consecutive quarter since Q3 2013. The 0.4% q-o-q fall in Q1 2017 brings the total decline from the peak to 11.6%. The Landed segment saw a steeper fall of 1.8%, while the Non-Landed segment prices held firm during the quarter (Exhibit 2).
- Of the Non-Landed market segments, prices in the Core Central region (CCR) fell by 0.4% in the quarter. Prices in the rest of Central Region saw an increase of 0.3%, while Outside Central Region improved by 0.1%, as they were supported by strong volumes and prices of new sales transactions in the area.

Highly anticipated Q1 2017 project launches saw stellar sales performance

- A total of 2,962 private residential units were sold by developers in Q1 2017, as compared to an average of 1,980 per quarter since Q3 2013 to Q4 2016. This is also the highest quarterly new sales volume since Q2 2013 (Exhibit 3).

- Three highly-anticipated private non-landed residential projects were launched in the quarter – Park Place Residences at PLQ and Grandeur Park Residences (launched March 2017), and The Clement Canopy (launched February 2017), which have since achieved stellar sales rates of 100%, 67%, and 95% of total units launched respectively (Exhibit 4).
- Of notable mention was Park Place Residences at PLQ, which sold all 217 of 429 units launched within a few hours on the opening day itself, while achieving a median price of $1,805 per square foot (psf). Grandeur Park Residences and The Clement Canopy achieved median prices of $1,406 psf and $1,343 psf respectively during their month of launch.
- Other developments that continued to achieve sales above 50 units in the quarter include Parc Riviera (sold 363 units) and The Santorini (101 units).

Rental yields slip further

- Average gross rental yields across all market segments – high-end, mid-tier, and mass market – continued to slip in Q1 2017.
- Yields in the high-end market now stand at 2.95%, while mid-tier and mass market rents both average approximately 3.30% (Exhibit 5).

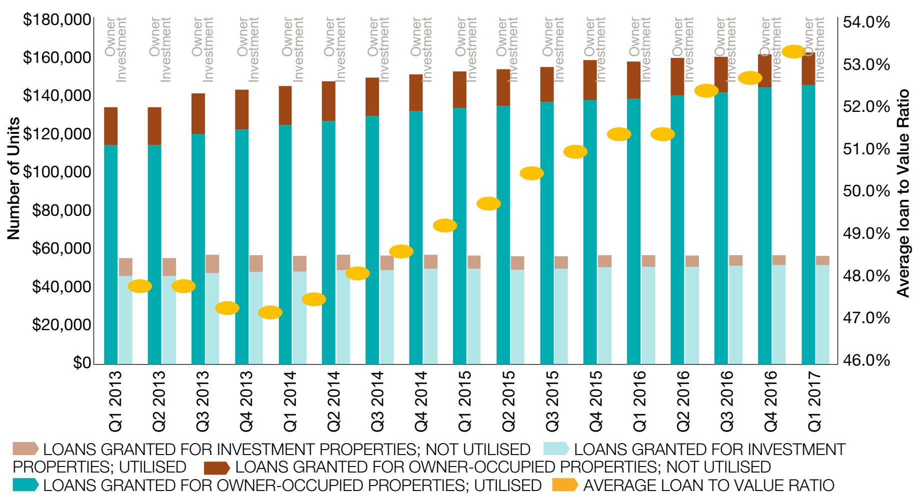
Market Outlook

- The second quarter of the year is likely to feature a few more exciting project launches such as ARTRA, Seaside Residences, and Martin Modern.

  The total new sales transaction volume in H1 2017 is expected to reach 4,500 units, as compared to 3,675 in H1 2016.
- We maintain our projection of total sales volume for 2017 at 8,000 to 9,000 units, amid returning interest from locals and foreign buyers and the outstanding quality of new project launches that has brought significant owner-occupation interest back into the market.
- Knight Frank projects that island-wide private home prices will continue to decline, with landed home prices falling slightly more. Non-landed prices in the RCR and OCR are expected to face marginal declines or hold firm as market sentiments appear to have improved significantly in recent months (Exhibit 6).

EXHIBIT 1

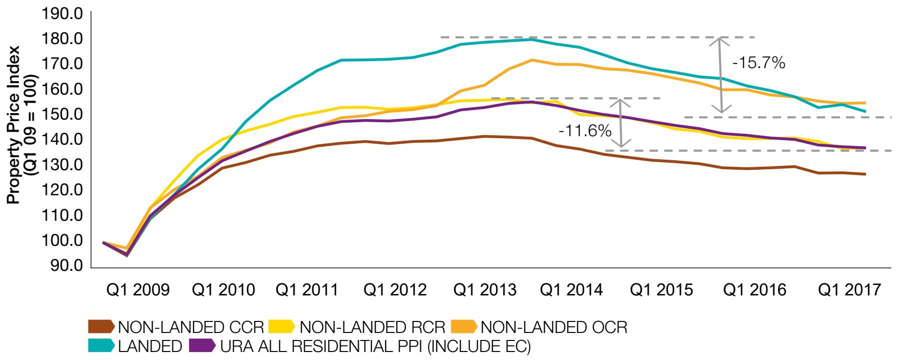
Outstanding housing and bridging loans, and financial institutions average loan-to-value ratio



Source: MAS, Knight Frank Research

EXHIBIT 2

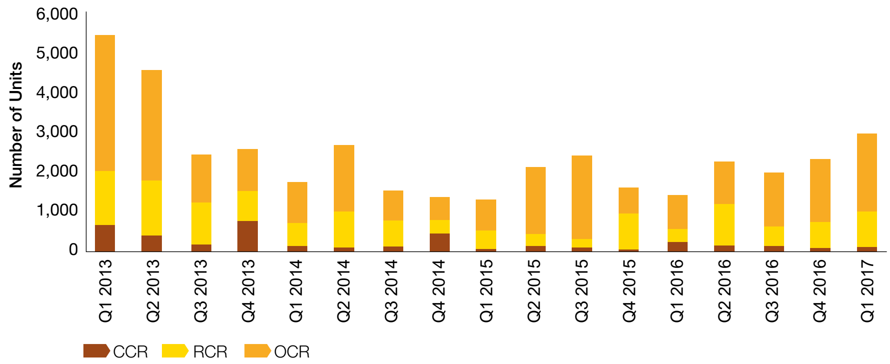
URA Private Residential Price Indices



Source: URA, Knight Frank Research

EXHIBIT 3

Number of New Sales Private Residential Units Sold



Source: URA, Knight Frank Research

EXHIBIT 4

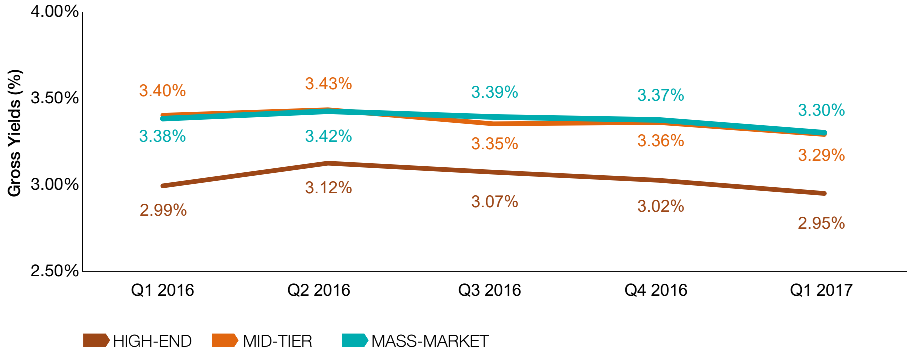
Top 5 Private Residential Projects and Top 5 Executive Condominium Projects, by New Sale Volume in Q1 2017

S/n.	Project Name	Market Segment	Total No. of Units in Project	*No. of Units Sold to date	*No. of New Units Sold in Q1 2017	Month of Launch	*Average Price ($ psf) in Q1 2017
	Private Residential Projects						
1	Grandeur Park Residences	OCR	720	484	484	Mar 17	$1,372
2	Parc Riviera	OCR	752	456	401	Nov 16	$1,239
3	The Clement Canopy	OCR	505	266	266	Feb 17	$1,327
4	Park Place Residences at PLQ	RCR	429	217	217	Mar 17	$1,800
5	The Santorini	OCR	597	413	141	Mar 14	$1,035
	Executive Condominiums						
1	Sol Acres	OCR	1327	998	122	Aug 15	$790
2	The Visionaire	OCR	632	391	96	Apr 16	$802
3	The Terrace	OCR	747	747	84	Dec 14	$779
4	The Vales	OCR	517	486	81	Jul 15	$820
5	Westwood Residences	OCR	480	382	79	May 15	$789

Source: *REALIS (based on data as at 19 April 2017), URA, Knight Frank Research
*Average prices in the quarter are based on caveats from Jan - Mar 2017, lodged as at 19th April 2017.

EXHIBIT 8

Gross Yields of Private Residential Property, by Market Segment



Source: REALIS (based on data as at 19 April 2017), URA, Knight Frank Research

EXHIBIT 6

Outlook for Private Home Prices

Market Segment	Actual (as at Q1 2017) q-o-q %	y-o-y %	Projected % Change in Prices for 12 months ending Q4 2017
Island-wide	-0.4%	-2.8%	-3.0% to -1.5%
Non-Landed CCR	-0.4%	-1.9%	-2.0% to -1.0%
Non-Landed RCR	+0.3%	-2.5%	-2.0% to -1.0%
Non-Landed OCR	+0.1%	-2.0%	-4.0% to -3.5%
Landed Homes	-1.8%	-5.2%	-4.0% to -3.0%

Source: URA, Knight Frank Research

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