SINGAPORE RESEARCH

RESIDENTIAL

Q1 2018 RESIDENTIAL MARKET SNAPSHOT

All Private Residential Property Price Index[1]

144.1

▲ 5.4% increase y-o-y

Total Transaction Volume[2] (Q1 2018)

5,382 units

▲ 2.4% increase y-o-y

Upcoming Supply[3] of Private Residential Units (Q2 2018-2020)

19,321 units

76.3% of unsold stock

"Despite the lower new sales of non-landed private residential units registered in Q1 2018, the coming quarters are likely to see more pent-up demand materialising in the sales of upcoming new launches."

STEEP GAINS SEEN IN PRICES OF PRIVATE RESIDENTIAL HOMES COULD PROMPT ACCELERATED PRICE GROWTH FOR THE REST OF 2018

Q1 2018 saw an increase of overall private residential prices by 3.9% quarter-on-quarter (q-o-q), its highest increase since Q2 2010.

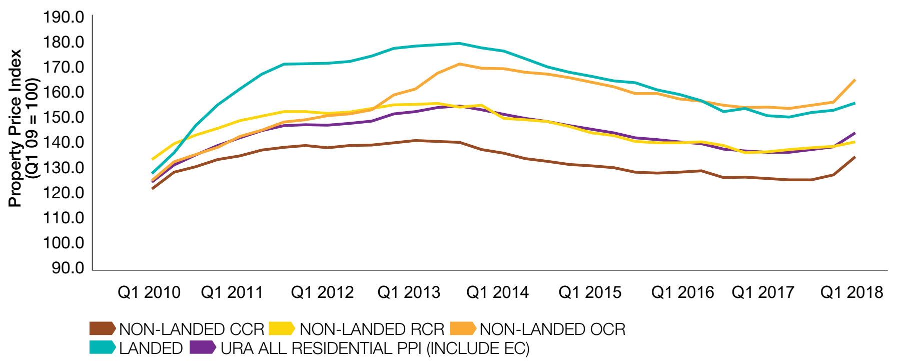
Market Pulse

- **Fuelled in part by the robust Singapore economic performance of 4.3%[4] GDP expansion on a y-o-y basis in Q1 2018,** the total New Sale, Sub-sale and Resale residential transaction volume hit 5,328 units in the first quarter, a 2.4% y-o-y increase. The higher transaction numbers were largely attributed to the resale performance, which constituted 68.8% of the total transaction volume. This is in contrast to the resale market contributing only 41.7% to the total transaction volume a year ago. A key factor to the strong resale performance could be due to the release of pent-up demand from prospective homebuyers and also market expectations that private home prices will continue its rise in the next few quarters amid higher land bid prices and costs.
- **Cost of borrowing continue to climb in early 2018**, as the three-month Singapore Interbank offered rate (Sibor) rose to 1.507% in April 2018, the highest since September 2008. Home loan rates are expected to increase further with upward pressure from anticipated Fed rate hikes later this year, which would adversely impact home affordability coupled with prospect of rising home prices.

[1] Includes Executive Condominiums. Source: URA, data as of Q1 2018. [2]Source: REALIS, data as of Q1 2018.
[3] Source: URA, data as of Q1 2018. [4]based on the advanced GDP estimate of Q1 2018, released by the Ministry of Trade and Industry

EXHIBIT 1

URA Private Residential Price Indices



Source: URA, Knight Frank Research

Private residential home prices across all market segments marked highest increases since Q2 2010

- **According to the URA[5], private residential home segment reported an overall increase of 3.9% q-o-q in Q1 2018,** its strongest gain since Q2 2010. Both the Landed and Non-landed segments rose by 1.9% and 4.4% respectively on a q-o-q basis.
- **Prices for the non-landed private residential segment in the Outside Central Region (OCR) saw the highest jump of 5.6% q-o-q in Q1 2018,** compared to the Core Central Region (CCR) and the Rest of Central Region (RCR), which saw improvements by 1.2% and 5.5% q-o-q respectively, largely supported by higher sales prices of resale units in these segments.

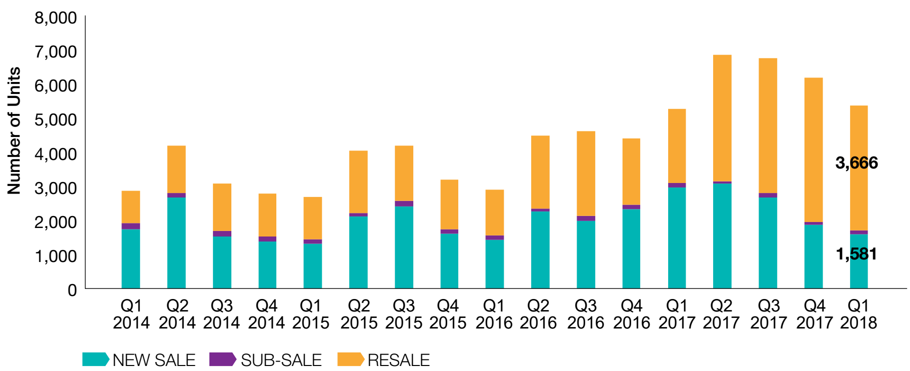
TAN TEE KHOON

Executive Director & Head, Residential (Project Marketing)

"The successful debut of Twin VEW at 85% sales of its total number of units over a weekend is testament to the buying froth in the market. This stems from not just positive buyer sentiment per se but renewed confidence in the economic fundamentals and future prospects of our country."

EXHIBIT 2

Island-wide transaction volume

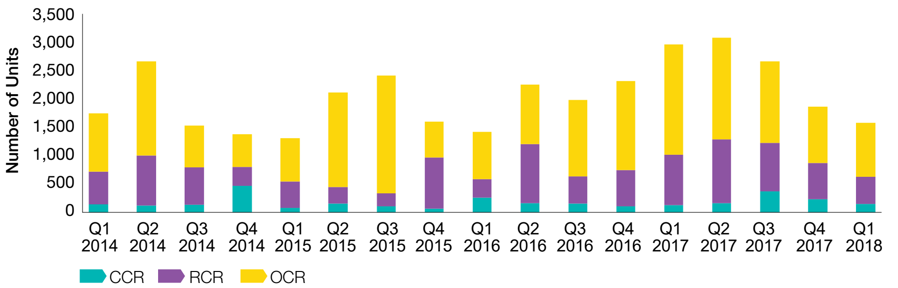


Source: URA, Knight Frank Research

Note: Data is obtained from the URA Quarterly Statistics Q1 2018, transactions include ECs.

EXHIBIT 3

Number of New Private Residential Units Sold



Source: URA, Knight Frank Research

Note: Data is obtained from the URA Quarterly Statistics Q1 2018.

[5] Based on the Q1 2018 statistics released by URA

EXHIBIT 4

Top 5 Private Residential Projects and Top 5 Executive Condominium Projects, by New Sale Volume in Q1 2018

S/n.	Project Name	Market Segment	Total No. of Units in Project	No. of Units Sold to date[1]	No. of New Units Sold in Q1 2018	Month of Launch	Average Price ($ psf) in Q1 2018[2]
	Private Non-Landed Residential Projects						
1	The Tapestry	OCR	861	329	329	Mar 18	$1,364
2	Kingsford Waterbay	OCR	1165	1059	97	Mar 15	$1,376
3	Parc Botannia	OCR	735	341	92	Nov 17	$1,275
4	Queens Peak	RCR	736	660	91	Nov 16	$1,696
5	Gem Residences	RCR	578	552	85	May 16	$1,537
	Executive Condominiums						
1	Signature at Yishun	OCR	525	497	78	Sep 15	$797
2	Parc Life	OCR	628	563	49	Apr 16	$826
3	The Criterion	OCR	505	504	43	Oct 15	$805
4	Northwave	OCR	358	310	42	Jul 16	$804
5	iNZ Residence	OCR	497	497	26	Mar 17	$819

Source: *REALIS (based on data as at 3 May 2018), URA, Knight Frank Research
[1] Sales data may vary arising from the status update of earlier sales records by developers after factoring drop-out cases.
[2] Average prices in the quarter are based on caveats from Jan-Mar 2018, lodged as at 3 May 2018.

Q1 2018 New Sale Performance

- A total of 1,581 new private residential units were sold by developers in Q1 2018, a 15.2% decrease compared to the previous quarter and 46.6% lower on a year-on-year basis.
- However, the lower new sale numbers were largely due to the lack of new launches by developers in Q1 2018. A total of 1,068 units were launched in the quarter, less than half of the 2,185 units launched in Q1 2017.
- Notwithstanding the lower transaction volume, new launches in the quarter performed well, with notable projects such as The Tapestry, which saw 73.1% of their total units launched being sold.
- Given the lower new sale launches and transaction volume in Q1 2018, pent-up demand from prospective homebuyers looking in the new homes market is likely to materialize further when developer launches reach higher gear in the next three quarters of the year.

Renewed exuberance in Resale market in Q1 2018

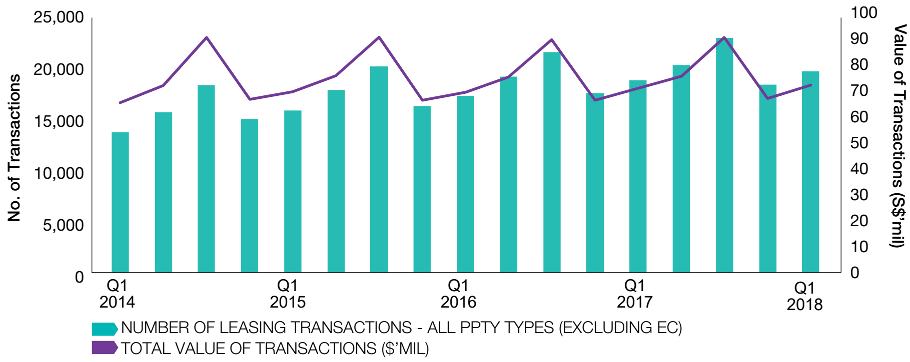
- The number of resale transactions in Q1 2018 recorded 3,666 units, posting a 68.9% y-o-y jump.
- OCR saw the largest y-o-y jump in resale transactions with 1,885 units in Q1 2018, 95.5% higher than the 964 resale units in Q1 2017. RCR and CCR segments both saw increases by 70.8% and 24.3% y-o-y respectively.
- The higher resale volume seen in Q1 2018 could be attributed to the lack of new sale launches in the quarter. Secondly, more prospective homebuyers are looking for resale homes due to its lower price points for larger unit sizes compared to recent new sale projects.

TAY KAH POH
Executive Director & Head, Residential (Sales & Leasing)

"Unless the government intervenes again, the price and sales momentum is likely to continue unabated for the rest of the year in a virtuous cycle of rising land prices, growing optimism, and higher unit price expectations."

EXHIBIT 5

Leasing Transaction Volume and Value, Island-wide



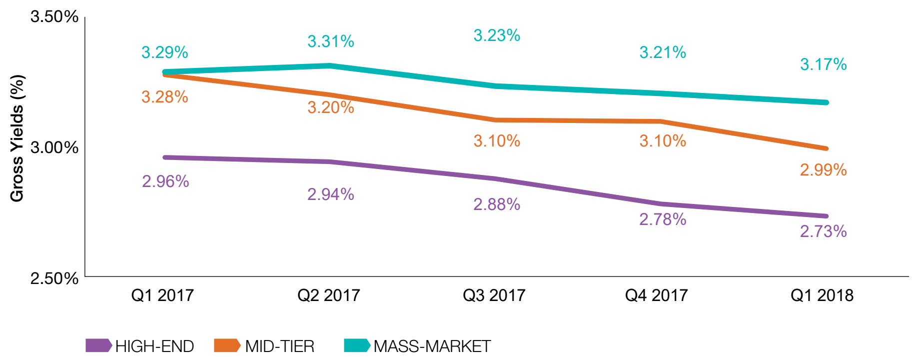
Source: REALIS (as at 2 May 2018), Knight Frank Research

Growth in leasing activity slowed in Q1 2018

- Number of leasing transactions in Q1 2018 climbed 4.5% y-o-y to 19,728 transactions, its slowest climb since Q4 2011, where leasing transactions only rose 0.9% y-o-y. Average y-o-y growth for the last 4 quarters is 6.6%.
- Total transaction value rose by 1.6% y-o-y, with the highest increase in value coming from OCR at 8.2% growth y-o-y.
- With the Singapore government's continued stance on the tight foreign manpower policies after Budget 2018, we expect leasing growth to be fairly moderated in the short to medium term

EXHIBIT 6

Average Gross Yields of Private Residential Property, by Market Segment



Source: REALIS (based on data as at 7 May 2018), URA, Knight Frank Research

Rental yields saw steepest fall in the Mid-tier segment in Q1 2018

- Average gross rental yields for the Mid-tier segment slipped to 2.99% in Q1 2018, its lowest since Q3 2011. The decline was largely due to the accelerating resale home prices, which resulted in yields to be compressed.
- Yields of High-end and Mass-market segments both declined in Q1 2018 to 3.17% and 2.73% respectively.

EXHIBIT 7

Outlook for Private Home Prices

Market Segment	Actual based on URA price Indices(as at Q1 2018) q-o-q %	Actual based on URA price Indices(as at Q1 2018) y-o-y %	Projected y-o-y % Change in Prices for Q4 2018
Island-wide	3.9%	5.4%	8.0% to 11.0%
Non-Landed CCR	5.5%	6.6%	8.0% to 12.0%
Non-Landed RCR	1.2%	2.8%	6.0% to 8.0%
Non-Landed OCR	5.6%	6.7%	9.0% to 11.0%
Landed Homes	1.9%	3.3%	6.0% to 8.0%

Source: URA, Knight Frank Research

Market Outlook

- With the total transaction volume in Q1 2018 hitting 5,328 units, 2.4% higher than the 5,202 units in Q1 2017, we expect the total transaction volume for whole 2018 to hit above 25,000 units, barring any unforeseen circumstances.
- Displaced residents from the various collective sales sites closed in 2017 and early 2018 are likely to provide further uplift in transactions this year as it is envisaged that many of the owners would find replacement homes once the Order of Sale is received.
- Given the higher-than-expected rise in Property Price Indices in Q1 2018, we project island-wide private home prices will continue its growth in the next 9 months of 2018, with the increase supported by all market segments. We revise our projection to 8.0% to 11.0% increase year-on-year by Q4 2018.

  New project launches such as The Garden Residences and Affinity @ Serangoon will also likely see positive interest from prospective homebuyers, given limited launches in Q1 2018. However, with the increasing home loan rates on the back of rising interest rates, home affordability especially for the mass market and city fringe private homes may curb runaway price increases.

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