

EARLY SIGNS POINTING TO RECOVERY IN THE RESIDENTIAL MARKET



TAN TEE KHOON
Executive Director & Head,
Residential (Project Marketing)

“New homes sales is uplifted, driven by developer launches in locations with superb attributes and the more bullish land bidding activities. Even previously launched projects have witnessed a decline in their unsold inventory as developers wooed buyers with sweet spot pricing. There is a definite return of buyer confidence into the market which is likely to characterise for the rest of 2017”



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

“The strong and perhaps surprising recovery in the new sales market is dragging the secondary sales market upwards in both volume and prices. But the rental market continues to labour under a growing inventory and sluggish growth in the expatriate population. We are not quite out of the woods yet.”

Market Pulse

- Singapore’s Gross Domestic Product (GDP) grew 2.9% year-on-year (y-o-y) in Q2 2017, faster than the 2.5% growth in the previous quarter¹. Although the performance of the Singapore economy was resilient during the first six months of 2017 and the global growth outlook has improved slightly, downside risks in the global economy remain. In consideration of all these factors, the MTI narrowed Singapore GDP growth forecast for 2017 at “2% to 3%” from the earlier forecast of “1% to 3%”.
- **Three signs of early recovery seen in the residential market.** Total New sale, Subsale and Resale residential transaction volume increased by 51.8% in Q2 2017 (6,905 units) compared to Q2 2016 (4,550 units), indicating a return of buyer interest in the residential market (Exhibit 3). Residential prices appeared to show signs of bottoming out in Q2 2017, with the URA All Private Residential Property Price Index reported its slowest rate of quarterly decline of -0.1%. At the same time, developers continued to put up bullish land bids for land parcels released under en-bloc exercises and the government land sales program in Q2 2017, an indication that the new sale segment could see the next spike in prices as early as end 2017.
- **The three-month Singapore interbank offered rate (Sibor) rose to 0.993% in June 2017, from 0.939% in March 2017.** Mortgage interest is set to rise further in H2 2017, possibly eroding rental yields in the medium term. The three-month Sibor rates raised steadily, in tandem with the interest rate hikes by the US Federal Reserve (Fed) since 2016. The Fed has signalled another possible increase during the second half of this year, following its second rate hike in June 2017.
- The banking industry’s average property loan-to-value ratio inched up to 53.6% in Q2 2017, based on preliminary Q2 2017 numbers from the Monetary Authority of Singapore (MAS)². The average loan-to-value ratio has increased by 1.3 percentage point (pp) compared to Q2 2016 (Exhibit 1).

Private residential home prices may have bottomed out as prices continued to fall, albeit at a slower rate

- According to URA³, private residential home segment saw prices fall for the 15th consecutive quarter or 11.6% since its peak in Q3 2013. Similarly, the Landed segment and Non-Landed segment saw prices drop by 16.0% and 10.2% since Q3 2013. All segments recorded their slowest decline on a quarter-on-quarter (q-o-q) basis.
- Under the Non-Landed market segments, prices in the Core Central Region (CCR) and the Outside Central Region (OCR) fell by 0.5% and 0.3 % q-o-q respectively in Q2 2017. Prices in the Rest of Central Region (RCR) improved 0.6% q-o-q largely buoyed by higher sales volume and prices of new sale development in the area.

Notable buyer interest seen in new sale projects during Q2 2017

- A total of 3,402 private residential units were sold by developers in Q2 2017, the highest quarterly new sales volume since Q2 2013 (Exhibit 3) Correspondingly, the total unsold private residential units (excluding Executive Condominiums) fell to 10,303 units in June 2017, or 15.6% lower compared to March 2017 (12,212 unsold units). The total unsold private residential units (excluding Executive Condominiums) as at June 2017 have fallen by 27.8% since December 2016.

¹ Based on the Economic Survey of Singapore Q2 2017 report release by the Ministry of Trade and Industry Singapore

² Based on the Q2 2017 P - Data on Housing and Bridging Loans report released by MAS

³ Based on the 2nd Quarter 2017 real estate statistics release by URA

- The sale performance was uneven across the new sale segment but well-positioned and good quality new sale developments reported stellar sales this quarter. Two of such private non-landed residential projects launched in April this year, Seaside Residences and ARTRA, reportedly sold 80.7% and 98.0% of the total units launched respectively in Q2 2017 (Exhibit 5). Other top performing projects in Q2 2017 include Parc Riviera (sold 228 units), The Santorini (sold 214 units) and Commonwealth Towers (sold 185 units).
- Another five new but previously launched sale projects, namely Sims Urban Oasis, The Alps Residences, Grandeur Park Residences, Symphony Suites and Principal Garden, have also sold at least 100 units respectively in this quarter. Declining unsold residential stock, bullish land bidding activities, as well as good quality and well-positioned products have lend confidence to home buyers, driving stronger sales in the new sale segment in recent months.

Rental yields slip further for the high-end and mass-market segment

- Average gross rental yields for the high-end and mass-market stabilised in Q2 2017 at 2.95% and 3.30% respectively.
- Conversely, average gross rental yield for the mid-tier market fell to 3.23% this quarter (Exhibit 6).

Market Outlook

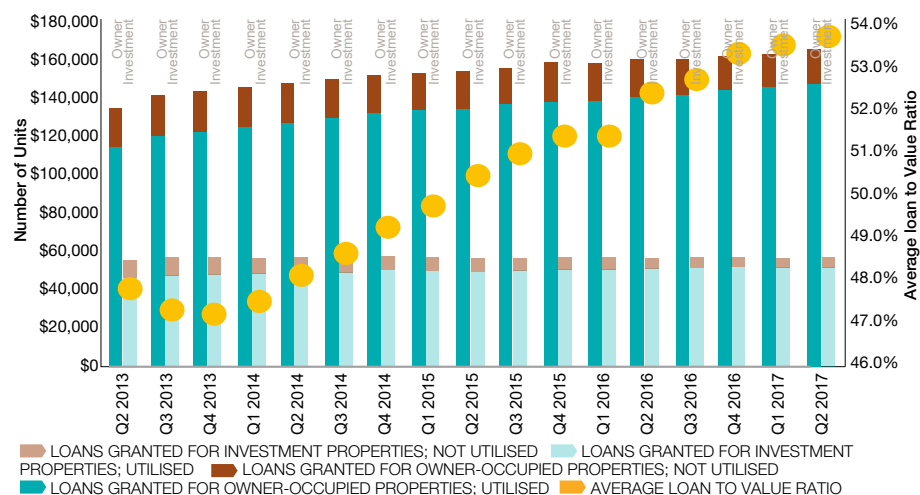
- New sale developments can expect to see sustained interest from prospective buyers in the second half of 2017.

Hence, we project total new sales transaction volume for 2017 to reach 10,000 to 12,000 units, largely supported by returning interest from locals and the outstanding quality of new project launches that has brought significant interest into the market.

- Knight Frank projects that island-wide private home prices to continue its downward trend, with landed home prices falling slightly more. Non-landed prices in the RCR and OCR are expected hold firm as market sentiments appear to have improved significantly in recent months with uptick in new sale and resale transaction volume (Exhibit 6).

EXHIBIT 1

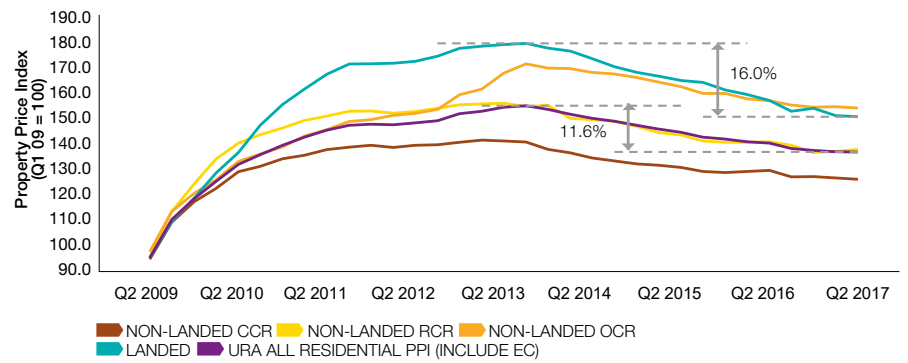
Outstanding housing and bridging loans, and financial institutions average loan-to-value ratio



Source: MAS, Knight Frank Research

EXHIBIT 2

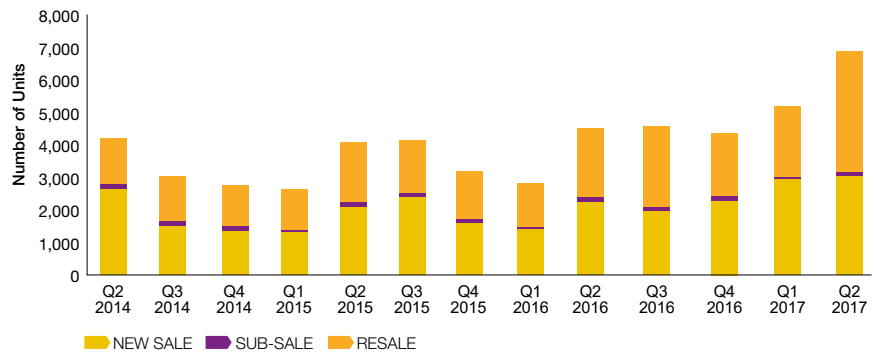
URA Private Residential Price Indices



Source: URA, Knight Frank Research

EXHIBIT 3

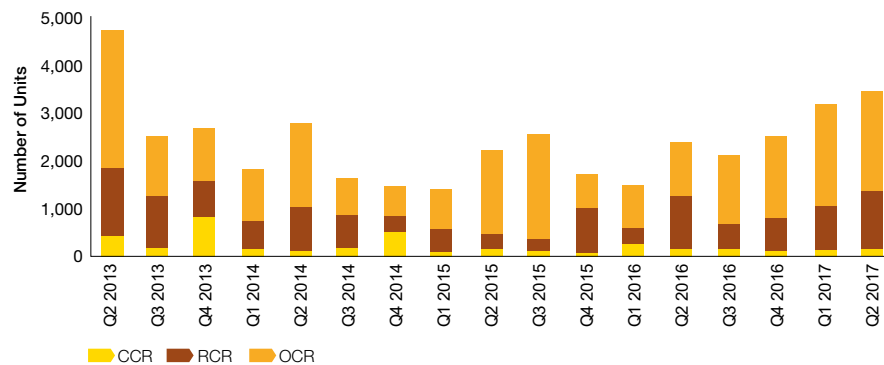
Island-wide transaction volume



Source: URA, Knight Frank Research

EXHIBIT 4

Number of New Sales Private Residential Units Sold



Source: URA, Knight Frank Research

EXHIBIT 5

Top 5 Private Residential Projects and Top 5 Executive Condominium Projects, by New Sale Volume in Q2 2017

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 Q2 2017	Month of Launch	Average Price (\$ psf) in Q2 2017 ²
Private Non-Landed Residential Projects							
1	Seaside Residences	OCR	841	452	461	Apr 17	\$1,723
2	Parc Riviera	OCR	752	568	228	Nov 16	\$1,216
3	The Santorini	OCR	597	533	214	Mar 14	\$1,018
4	Commonwealth Towers	RCR	845	723	185	May 14	\$1,718
5	Artra	RCR	400	150	161	Apr 17	\$1,657
Executive Condominiums							
1	Sol Acres	OCR	1327	1239	279	Aug 15	\$793
2	The Visionaire	OCR	632	501	127	Apr 16	\$804
3	iNZ Residence	OCR	497	264	86	Mar 17	\$784
4	Parc Life	OCR	628	297	85	Apr 16	\$777
5	Westwood Residences	OCR	480	446	78	May 15	\$798

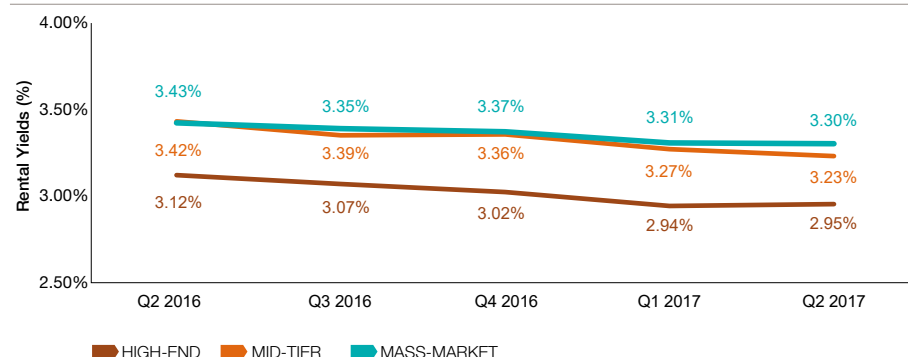
Source: *REALIS (based on data as at 17 August 2017), URA, Knight Frank Research

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 Apr - Jun 2017, lodged as at 17 August 2017.

EXHIBIT 6

Average Gross Yields of Private Residential Property, by Market Segment



Source: REALIS (based on data as at 25 August 2017), URA, Knight Frank Research

EXHIBIT 7

Outlook for Private Home Prices

Market Segment	Actual (as at Q2 2017) q-o-q %	y-o-y %	Projected % Change in Prices for 12 months ending Q4 2017
Island-wide	-0.1%	-2.4%	-3.0% to -1.5%
Non-Landed CCR	-0.5%	-2.7%	-2.0% to -1.0%
Non-Landed RCR	+0.6%	-2.1%	-2.0% to -1.0%
Non-Landed OCR	-0.3%	-1.8%	-4.0% to -3.5%
Landed Homes	-0.3%	-4.0%	-4.0% to -3.0%

Source: URA, Knight Frank Research

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