

DEVELOPERS TURNED CAUTIOUS IN LAUNCHING PROJECTS AS MARKET SENTIMENT REMAINED SOFT



“Market sentiment remains soft. The hoped-for tweaks to the cooling measures are unlikely to materialise in the next few months. That said, sellers have become much more realistic in their pricing. We expect capital, hitherto sidelined, to start nibbling at value opportunities that are emerging.”

TAY KAH POH
Executive Director and Head,
Residential Services

The fourth quarter of 2015 saw a 45.3% quarter-on-quarter (q-o-q) drop in the number of new units launched and a 33.5% q-o-q fall in new sales volume. The URA Private Residential Price Index registered falls of 0.5% q-o-q and 3.7% year-on-year (y-o-y) in Q4 2015. Prices are expected to continue their decline for Q1 2016.

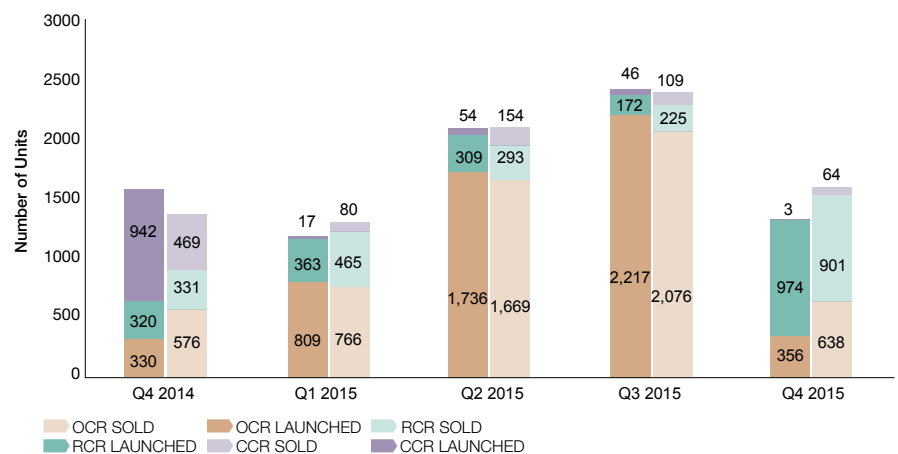
A total of 1,333 private residential properties units were launched in Q4 2015, a 45.3% q-o-q decrease from the 2,435 units launched in the previous quarter (Exhibit 1). For the whole year, developers launched a total of 7,056 units, a drop of 8.3% y-o-y from the 7,693 units launched in 2014. The subdued supply is attributed both to the Government’s tapering of residential unit supply via the Government Land Sales programme in the past two years, and

with some developers holding back their launches given the current pressure on prices.

In Q4 2015, 1,603 private residential units were sold in the primary market, a decrease of 33.5% q-o-q. Of the 1,603 sold units, 56.2% were located in the Rest of Central Region (RCR). For the whole of 2015, a total of 7,440 new units were sold, a marginal 1.7% yearly increase from the 7,316 units transacted in 2014.

EXHIBIT 1

Developers’ Launches and New Sales by Market Segment



Source: URA, Knight Frank Research

Luxury homes recorded a second consecutive quarter of average price increase

Based on URA's residential price indices, island-wide private home prices softened by 0.5% q-o-q, or 3.7% y-o-y, in Q4 2015 (Exhibit 3). This also marks the ninth consecutive quarter of price decline for the private residential market.

Based on Knight Frank's analysis on a basket of private residential properties, the average resale prices of mid-tier and mass-market homes fell 1.7% q-o-q and 3.5% q-o-q in Q4 2015, respectively. However, the average resale price for high-end homes rose 3.8% q-o-q to \$2,105 psf in Q4 2015, marking a second consecutive quarter of increase for the luxury segment (Exhibit 4).

High-end home rentals continued to head south

Based on Knight Frank's residential property basket analysis, average rent for city-fringe homes remained at \$4.43 per square foot per month (psf pm) for last two quarters of 2015. However, the average monthly rent for mass-market homes weakened by 2.3% q-o-q to \$2.98 psf pm over the same period. Average rent for high-end homes experienced a smaller decline of 0.6% q-o-q to \$5.33 psf pm in Q4 2015 (Exhibit 5).

Based on Knight Frank's residential property basket analysis, the number of city-fringe rental transactions fell by 3.4% q-o-q to about 1,300 contracts in Q4 2015. Conversely, the number of leasing contracts inked in the high-end segment rose by a significant 14.8% q-o-q to around 850 units over the same period, as more tenants see greater attraction to lease high-end homes in central locations at more palatable rentals.

Gross yields for mid-tier and mass-market homes edged up slightly q-o-q in Q4 2015, with average prices in these two segments having declined at a faster

EXHIBIT 2

Top 5 Private Residential Projects (Launched in 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	1,295	94.1%
2	North Park Residences	OCR	920	920	620	67.4%
3	Botanique At Bartley	OCR	797	700	602	86.0%
4	Sims Urban Oasis	RCR	1,024	450	393	84.9%
5	Kingsford Waterbay	OCR	1,165	384	321	83.6%

Source: URA, Knight Frank Research

EXHIBIT 3

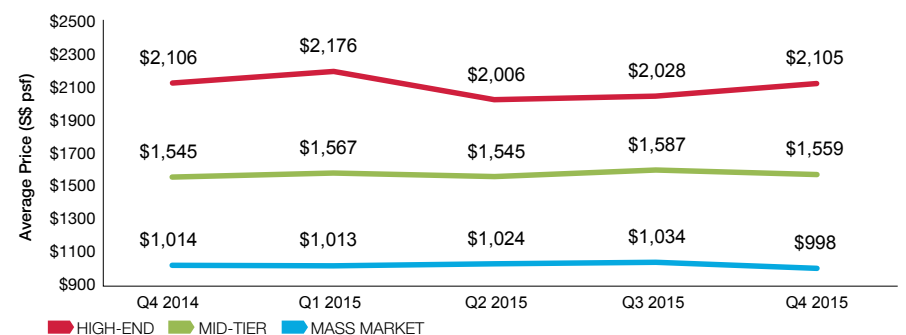
URA Residential Price Indices by Market Segment

Q4 2015	Price Index (Q1 2009=100)	q-o-q % change	y-o-y % change
Island-wide Private Residential	141.6	-0.5%	-3.7%
Island-wide Landed	160.8	-1.8%	-4.1%
CCR Non-Landed	128.6	-0.3%	-2.5%
RCR Non-Landed	140.3	-0.4%	-4.3%
OCR Non-Landed	159.4	0.0%	-3.7%

Source: URA, Knight Frank Research

EXHIBIT 4

Average Resale Prices* of Private Residential Properties by Market Segment

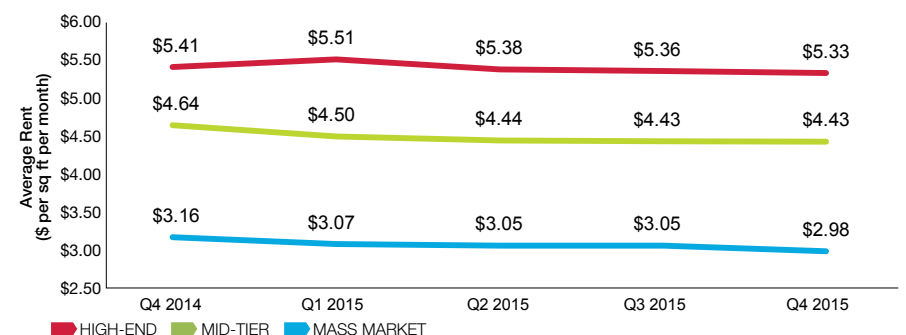


Source: REALIS (based on data as at 25 January 2016), Knight Frank Research

*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 5

Average Rents* of Private Residential Property by Market Segment



Source: URA (based on data as at 25 January 2016), Knight Frank Research

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

rate relative to their respective average rents (Exhibit 6). However, with average high-end prices having improved while the leasing market continued to weaken, prime residential gross yields shrank for the second consecutive quarter.

Total new sales volume to range between 1,000 and 1,200 units in Q1 2016

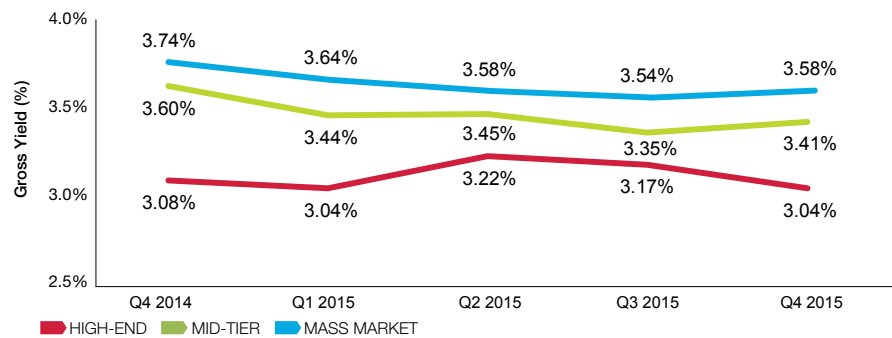
With a few highly-anticipated projects such as Cairnhill Nine being lined up for launch, the first three months of 2016 is likely to see a higher number of newly-launched units. New sales transaction activity is expected to receive a boost from some new projects with appealing attributes. Invariably, in light of the prevailing economic uncertainties and recent hikes in the Singapore Interbank Offered Rate (SIBOR) pushing up mortgage costs, homebuyers are expected to remain highly cautious when making their purchase decisions. As such, total developers' sale volume for Q1 2016 is forecast to range between 1,000 and 1,200 units.

In view of the government's recent reiteration that it is still "too early" to lift property market curbs and coupled with slowing economic growth, homebuyers' sentiments are expected to remain largely muted. As developers are likely to price their developments more realistically to drive sales and to avoid hefty extension charges over unsold units, the downward trend in prices is set to continue into the first three months of 2016.

Also considering the notable q-o-q increases in unsold stock in Q4 2015, the largest price declines are projected for RCR and OCR properties. In particular, the upcoming launches of two Executive Condominiums (ECs) in the first three months of 2016, Wandervale and Parc Life, are expected to further add to the competition for mass-market homebuyers. Conversely, as unsold stock in the CCR trends lower and with a potential return in interest from deep-pocket investors, price declines for high-end homes are expected to be less pronounced in 2016.

EXHIBIT 6

Gross Yields of Private Residential Property by Market Segment



Source: Source: URA (based on data as at 25 January 2016), Knight Frank Research
*Gross yields are estimated based on Knight Frank's property basket.

EXHIBIT 7

Outlook for Private Home Prices and Rentals

Market Segment	Projected y-o-y Price Change for Q4 2016	Observations
CCR	-1.5% to -2.0%	In light of the shrinking unsold inventory and a sizeable pool of homebuyers on the lookout for value-buys in the high-end segment, price falls for luxury homes are likely to be moderated.
RCR	-2.0% to -2.5%	A second consecutive quarter of increase in RCR unsold stock in Q4 2015 means that developers are likely to further moderate prices in order to move units.
OCR	-2.0% to -4.0%	With the suburban region having close to 40% of the total island-wide unsold units, the rate of price moderation of mass-market homes is expected to resume to levels seen in the first three quarters of 2015.

Market Segment	Projected y-o-y Rental Change for Q4 2016	Observations
Island-wide	-4.0% to -6.0%	Amidst the global economic uncertainties, weaker jobs market and subsequent headwinds on the residential property market, the leasing market is expected to weaken further in 2016. In consideration of possible continuation of tight foreign labour policies and reductions in housing allowances from enterprises, landlords are likely to moderate their asking rents in order to secure and retain tenants.

Source: Knight Frank Research

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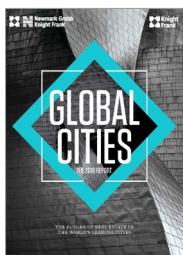
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