

SINGAPORE RESEARCH RESIDENTIAL



Q2 2018 RESIDENTIAL MARKET SNAPSHOT

All Private Residential Property Price Index

149.0

▲ 9.08% increase y-o-y

Total Transaction Volume (Q2 2018)

7,186 units

▲ 4.1% increase y-o-y

Upcoming Supply of Private Residential Units
(H2 2018-2020)

17,829 units

62.7% of unsold stock



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“Despite the cooling measures, there is still pent-up demand in the private residential market. While buyers are expected to be more discerning, high-quality projects at choice locations will continue to attract strong demand.”

PRIVATE RESIDENTIAL PRICES CONTINUE TO RISE IN Q2 2018, BUT LATEST COOLING MEASURES ARE EXPECTED TO DAMPEN SENTIMENTS AND SALES

Overall private residential prices including Executive Condominiums (EC) continues to trend upwards in Q2 2018, elevating by 3.4% quarter-on-quarter (q-o-q).

Market Pulse

- Growth in Singapore’s Gross Domestic Product (GDP) slowed to 3.8% year-on-year (y-o-y) in Q2 2018¹ largely due to the slowing momentum in the manufacturing and service producing industries. Notwithstanding, the economic outlook remains cautiously optimistic.
- The 3-month SIBOR rate² progressively rose from 1.507% in April to 1.514% in June 2018. In July, the SIBOR rate increased further to 1.521%, corresponding to the second increment in the Federal Reserve benchmark interest rate. Despite the increase in loan rates, it is unlikely to deter buyers because of the existing low base.
- Total private residential sales in the second quarter of 2018 recorded a 34.9% q-o-q growth to 7,186 units, partly due to seasonality effect in the residential market. On a y-o-y basis, total sales went up by 4.1%, largely due to an active resale market. Furthermore, the demand from owners who sold homes en bloc seeking replacement homes and growing demand coming from foreign buyers also supported the growth in residential sales in Q2 2018.

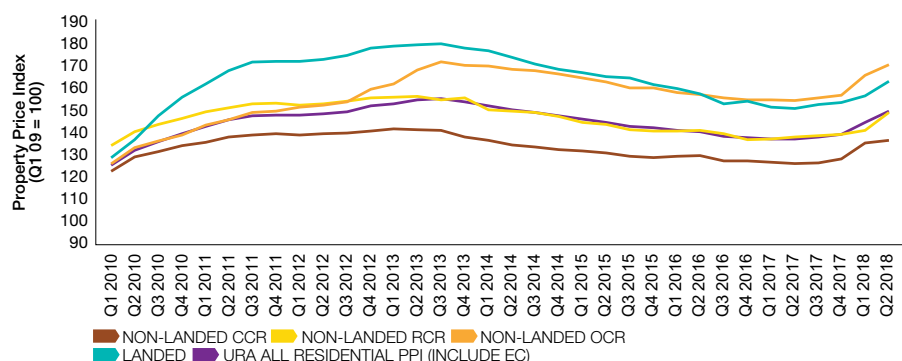
¹ Based on Ministry of Trade and Industry Singapore flash estimate released on 13 July 2018.

² Based on DBS Summary of SIBOR rate quoted as at 2 July 2018

Private residential property prices (including EC) continued to grow, increasing 9.1% y-o-y in Q2 2018

EXHIBIT 1

URA Private Residential Price Indices



Source: URA, Knight Frank Research

Note: Data is obtained from the URA Quarterly Statistics Q2 2018

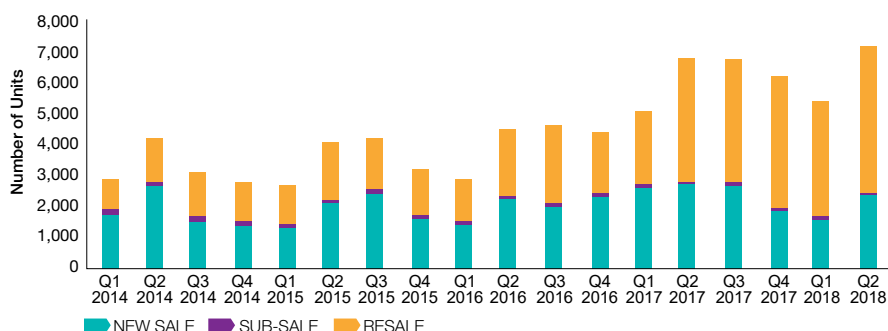
- Private residential property prices maintained the growth momentum in Q2, and the magnitude and speed of price appreciation within H1 2018 was significant. Private residential property price index (including Executive Condominiums) rose by 7.4% in the first six months of the year, and prices in Q2 2018 was only 3.6% off the peak in Q3 2013.
- Prices for landed homes rose at a faster pace of 4.1% q-o-q than prices for non-landed private homes of 3.2% q-o-q in Q2, after lagging behind in Q1.
- The prices of non-landed private residential homes in the Rest of Central Region (RCR) registered a 5.6% q-o-q growth in Q2 2018, the highest rate of increase since Q1 2010. The increase in price was largely due to the price discovery process in the market, as there were limited new private homes launched in RCR in Q1. Overall, prices of non-landed private residential homes for all market segments went up by similar magnitudes in H1 2018.

Growth in transaction volume in Q2 2018 largely due to higher transaction volume from the New Sale market.

- The transaction volume for New Sale rebounded in Q2 2018 by 48.7% q-o-q to 2,366 units from 1,581 New Sale units in Q1. Isolating the seasonal effects, the number of New Sales in Q2 2018 was 23.1% less the 3,077 units transacted in Q2 2017.
- Stronger outlook of private residential market also boosted the number of units transacted in the resale market. Some 4,700 units were transacted in the Resale market in Q2 2018, translating to a 28.2% q-o-q increase.
- Out of three market segments, RCR has the highest increase in private residential homes q-o-q in Q2 2018 across New Sale, Sub-sale, and Resale markets. The number of New Sales in RCR in Q2 went up by 91.1% q-o-q to 925 units, corresponding to the increase of units launched in RCR to 814 units in Q2 from 127 units in Q1.

EXHIBIT 2

Island-wide Transaction Volume of Private Homes

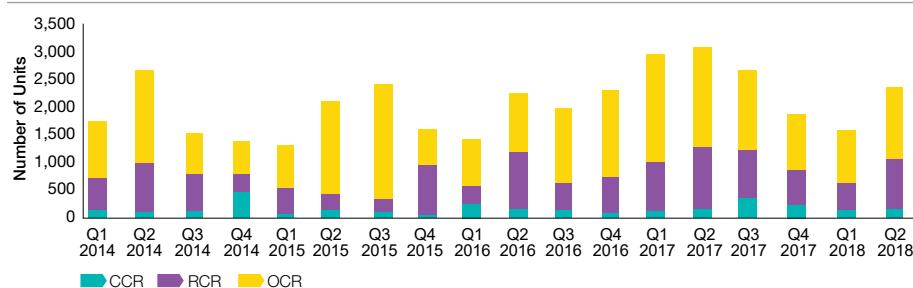


Source: URA, Knight Frank Research

Note: Data is obtained from the URA Quarterly Statistics Q2 2018, transactions include ECs.

EXHIBIT 3

Number of New Sale Residential Units



Source: URA, Knight Frank Research

Note: Data is obtained from the URA Quarterly Statistics Q2 2018.

EXHIBIT 4

Top 5 Private Residential Projects and Top 5 Executive Condominium Projects, by New Sale Volume in Q2 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 Q2 2018 ²	Month of Launch	Average Price (\$ psf) in Q2 2018 ²
Private Non-Landed Residential Projects							
1	Twin Vew	OCR	520	450	444	May 18	\$1,379
2	Park Place Residences At PLQ	RCR	429	397	185	Mar 17	\$1,987
3	The Verandah Residences	RCR	170	170	170	Apr 18	\$1,792
4	The Tapestry	OCR	861	469	146	Mar 18	\$1,329
5	Margaret Ville	RCR	309	121	105	Jun 18	\$1,878
Executive Condominiums							
1	Rivercove Residences	OCR	628	627	610	Apr 18	\$975
2	Parc Life	OCR	628	608	46	Apr 16	\$872
3	Northwave	OCR	358	342	44	Jun 16	\$834
4	Signature At Yishun	OCR	525	524	30	Sep 15	\$789
5	Sol Acres	OCR	1327	1325	5	Aug 15	\$844

Source: URA, REALIS (based on data as at 6 August 2018), Knight Frank Research

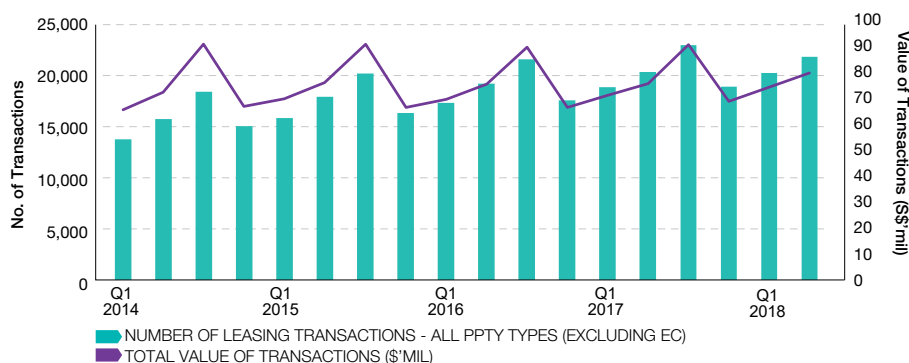
¹ Sales data may vary arising from the status update of earlier sales records by developers after factoring drop-out cases. ² Number of units sold and average prices in the quarter are based on caveats lodged from Apr-Jun 2018, lodged as at 6 August 2018.

The residential leasing market showed signs of improvement with most of the new completions absorbed. The vacancy rates of OCR and RCR are close to the natural rates of vacancy

- The number of leasing transactions (all private residential properties excluding EC) in Q2 2018 grew by 7.3% y-o-y to 21,826 transactions. The volume of leasing transactions rose across all three market segments with the largest increase originating from the RCR segment, which rose by 9.7% y-o-y.
- Vacancy rates in the Core Central Region (CCR) and RCR segments recorded slight recovery, easing by 0.7 and 0.6 percentage points q-o-q respectively in Q2 2018 while vacancy rates in the Outside Central Region (OCR) segment largely stay unchanged, rising slightly by 0.1 percentage points.
- With fewer new completions, we anticipate rents to improve at a moderated pace. Notwithstanding, rents will vary amongst developments depending on amenities, layout and landscaping.
- In Q2 2018, average gross rental yields for the Mid-tier segment remained level at 2.98% while the yield for the High-End and Mass-Market segment dipped by 0.08 percentage points and 0.05 percentage points to 2.66% and 3.12% respectively due to the higher prices achieved in Q2.

EXHIBIT 5

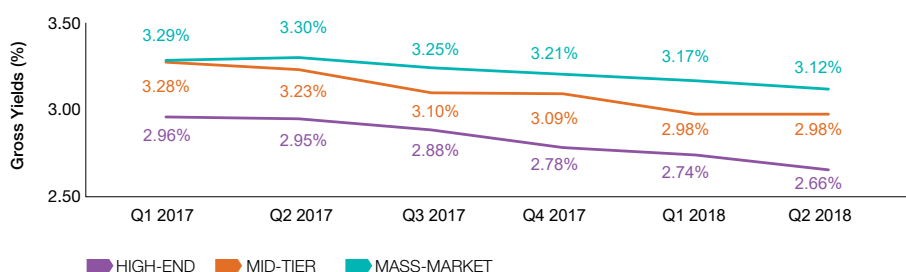
Leasing Transaction Volume and Value, Island-wide



Source: REALIS (as at 27 July 2018), Knight Frank Research

EXHIBIT 6

Average Gross Yields of Private Residential Property, by Market Segment



Source: REALIS (based on data as at 31 July 2018), URA, Knight Frank Research

Market Outlook

- The government implemented a new round of cooling measures on July 2018, raising the Additional Buyers' Stamp Duties and tightening the Loan-to-value ratios. These new measures are likely to push buyers to the sidelines, and slow down overall sales. Nevertheless, we expect buyers to be drawn to projects of good quality and located in choice locations, especially if the pricing is reasonable.
- Due to the new cooling measures, our estimate for total sales in 2018 was revised downwards to 20,000 units, including an estimated 9,000 to 10,000 new sale transactions. For the whole of 2017, a total of 25,010 units were transacted.
- Property prices, however, are likely to stay flat in H2 2018 as stakeholders in the industry rationalise the new cooling measures. While there is pressure for prices to decline, past empirical data suggests that the property market can resume its momentum in Q1 if there are strong economic drivers.
- New launches of projects near natural features such as rivers, nature reserves and national parks are likely to be popular as the supply of such properties is limited. This is especially so if the projects are in the Central region and are within walking distance to MRT stations.

EXHIBIT 7

Outlook for Private Home Prices

Market Segment	Actual based on URA price Indices (as at Q2 2018)		Projected y-o-y % Change by end 2018
	q-o-q %	y-o-y %	
Island-wide	3.40 %	9.08 %	8.0% to 11.0%
Non-Landed CCR	0.89 %	8.02 %	8.0% to 12.0%
Non-Landed RCR	5.62 %	7.92 %	6.0% to 8.0%
Non-Landed OCR	2.97 %	10.41 %	9.0% to 11.0%
Landed Homes	4.11 %	7.92 %	6.0% to 8.0%

Source: URA, Knight Frank Research

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