MARKET IN MINUTES
Savills Research

Residential Sales

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The impact of Covid-19 intensified in March

Amid rising anxiety, developers scaled back the number of units released for sale.

- The new sales market performed well in January and February. In Q1/2020, 2,149 private residential units were sold in the primary market, representing a 12.0% decrease quarter-on-quarter (QoQ) but still up 16.9% from the same period last year.
- The secondary market saw a total of 2,120 private residential homes changing hands in the first quarter of 2020, down 12.9% QoQ.
- The stricter border and travel restrictions implemented around the world to halt the spread of the Covid-19 virus kept foreigners away from the market.
- In tandem with the slowing buying activity, the URA's price index of all private residential properties island-wide showed a moderate fall of 1.0% QoQ in Q1/2020.
- Prices of high-end, non-landed residential projects tracked by Savills remained unchanged from a quarter ago.
- If global efforts to fight the pandemic are successful by late-2020, we expect prices to rise 5% in 2021, but not before falling 3% to 8% this year.

"Deferring purchase is not recommended as revenge buying may rear its head once the pandemic winds down."

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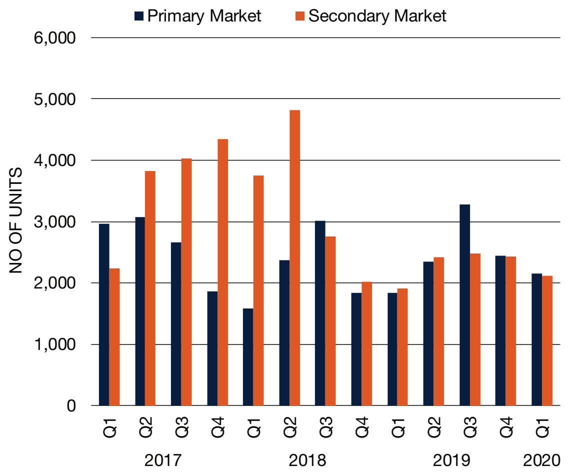
GRAPH 1: Sales Volume Of Private Residential Units, Q1/2017 to Q1/2020



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Developers launched a total of 2, 093 uncompleted private residential units for sale in the first quarter of 2020. In terms of the breakdown of launches by locality, the Core Central Region (CCR) led with 859 units, or 41.0% of total launches; while the remaining are evenly split between the Rest of Central Region (RCR) and Outside Central Region (OCR), with 623 units (29.8%) and 611 units (29.2%) respectively.

In general, despite the uncertainties surrounding Covid-19, developers continued with their new project launches. However, they have scaled back the number of units released for sale amid the deteriorating situation, especially in the month of March. A total of 10 non-landed private residential projects were newly launched in the quarter. Except for The M at Middle Road, which offered all its 522 units for sale, there was restraint in the number of units released in other new projects, ranging from eight to 69.

The new sales market performed well in the first quarter of 2020, particularly in January and February. In total, developers moved 2,149 private residential units in the reviewed quarter, representing a 12.0% fall QoQ but still up 16.9% from the same period last year.

For new launches, the top performer was The M. From its launch on 21st February to Sunday 24th February, the development sold over 360 units. By 30th March, the project pushed the number of units sold to 377 units or 72.2% of its total 522 units, with prices averaging S$2,445 per sq ft[1]. The exceptionally good result for The M could be attributed to its convenient location near Bugis MRT station, as well as the attractive per sq ft price and affordable price quantum of smaller units compared to other developments in the vicinity. Meanwhile, previously launched projects in the RCR and OCR, such as Treasure At Tampines, Jadescape, Parc Esta and Park Clematis, also contributed a significant number of sales in the reviewed quarter.

The impact of the Covid-19 pandemic on the economy intensified as the Government implemented stricter border restrictions and safe distancing measures in around mid-March. Since then, caveats of new sales have been falling week on week. The safe distancing measures made it difficult for potential buyers to visit show flats and the border lock downs led to an absence of foreign buyers. Fears of an imminent recession and job worries have also not helped to improve market sentiment.

In comparison, the secondary market appears to have been affected by the coronavirus earlier with the numbers starting to slow from February. Coupled with the Chinese New Year holiday and ample new launches, resale volumes dropped by 12.9% QoQ to 2,120 units in the first quarter of 2020. Secondary sales fell the most in the RCR with a steep 21.1% QoQ decline, followed by the OCR and CCR which fell by 9.9% and 9.8% on a quarterly basis. Both owners and buyers postponed home viewings and put their decisions on hold because of the increasing uncertainties.

From URA data[2], Singaporeans purchased 2,920 non-landed private residential units in

1 Downloaded from the URA's Realis on 6th May 2020.

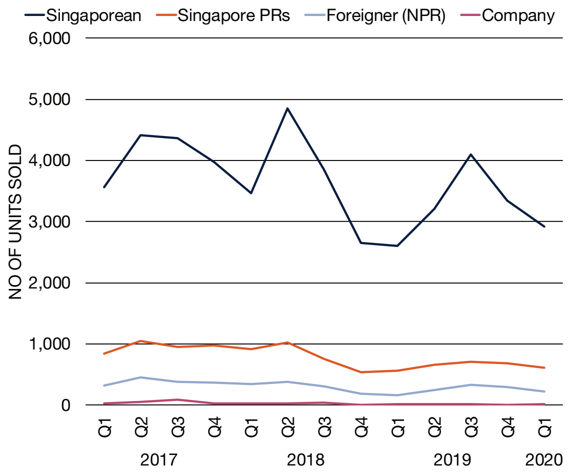
2 Downloaded from the URA's Realis on 6th May 2020.

TABLE 1: New Launches, Q1/2020

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS	TOTAL NO. OF UNITS SOLD BY Q1/2020*	TAKE-UP (%)	PRICE RANGE (S$ PSF)
19 Nassim	Nassim Hill	Parksville Development Pte Ltd	CCR	101	1	1.0%	3,351
77 @ East Coast	Upper East Coast Road	KDC (77) Development Pte Ltd	OCR	41	3	7.3%	1,686-1,804
Dalvey Haus	Dalvey Road	Dalvey Breeze Development Pte Ltd	CCR	27	1	3.7%	3,228
Kopar At Newton	Makeway Avenue	CEL Newton Pte Ltd	CCR	378	1	0.3%	2,385
Leedon Green	Leedon Heights	Asia Radiant Pte Ltd	CCR	638	41	6.4%	2,378-2,878
Tedge	Changi Road	Macly 18 Pte Ltd	OCR	42	8	19.0%	1,508-1,691
The Avenir	River Valley Close	Carmel Development Pte Ltd	CCR	376	18	4.8%	2,973-3,564
The M	Middle Road	Wingcharm Investment Pte Ltd	CCR	522	377	74.5%	2,127-2,937
Van Holland	Holland Road	KBD Holland Pte Ltd	CCR	69	12	17.4%	2,866-3,050
Verticus	Jalan Kemaman	SB (Kemaman) Development Pte Ltd	RCR	162	10	6.2%	1,939-2,212

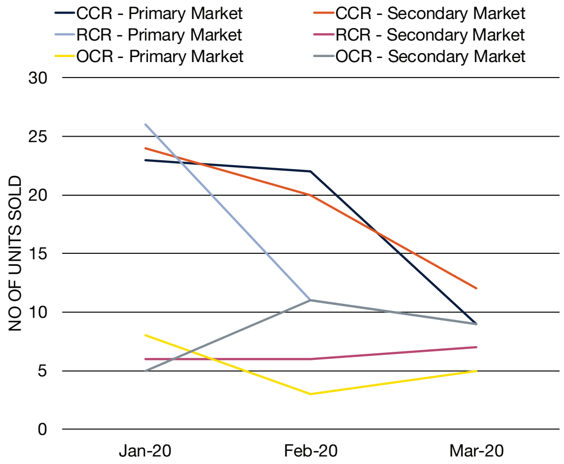
Source URA, Savills Research & Consultancy
*Based on the URA's Realis on 6th May 2020.

GRAPH 2: Sales Volume Of Non-Landed Private Private Residential Units By Residency Status, Q1/2017 to Q1/2020



Source URA, Savills Research & Consultancy

GRAPH 3: Sales Volume of Non-Landed Private Residential Units by Foreigners (NPR), January to March 2020



Source URA, Savills Research & Consultancy

Q1/2020, accounting for 77.8% of total sales (excluding en-bloc) and falling 12.7% QoQ. By market share, the local percentage edged up 0.4 of a percentage point (ppt) from a quarter ago. Meanwhile, buyers who are Singapore Permanent Residents (PRs) acquired 605 condominiums and private apartments, representing an 11.4% QoQ decline. By market share, this group saw a QoQ increase of 0.3 of a ppt to 16.1%.

In contrast, for non-PR foreigners, due to the stricter border and travel restrictions implemented globally to halt the spread of the Covid-19 virus, they were kept away from the market. The transaction volume of non-landed residential properties by this group of buyers totalled 216 units, falling 26.0% QoQ, with their market share shrinking 1.0 ppt from a quarter ago. A check with URA's data showed that the fall in foreigner buyer numbers is significant in both the CCR and RCR, particularly in the primary market.

PRICES

In tandem with the slowing buying activity, the URA's price index for all private residential properties island-wide showed a moderate decline of 1.0% QoQ in Q1/2020. For non-landed private residential properties, prices in the CCR recorded the highest quarterly drop of 2.2%, followed by -0.5% in the RCR and -0.4% in the OCR. The drop in the CCR could be mainly caused by the relatively lower prices achieved in certain newly launched projects compared with competitors and comparables in the same market segment. In some way, this seems to point to Covid-19 starting to have an impact on prices and sales volume. However, because the fallout from the pandemic was only felt from around mid-March onwards, its fury has not been fully reflected in the first quarter's data.

In a similar vein, prices of high-end, non-landed residential projects tracked by Savills stayed unchanged from a quarter ago. The transaction volume in this market segment remained relatively stable in the first two months, with some notable deals for adjoining units in completed luxury projects like Le Nouvel Ardmore at Ardmore Park and The Ritz-Carlton Residences Singapore at Cairnhill at attractive per sq ft prices.

FUTURE SUPPLY

By the end of Q1/2020, the stock of unsold private residential units continued to fall. According to the URA's statistics, a total of 29,149 uncompleted private homes (excluding executive condominiums) in the pipeline with planning approvals remained unsold, down 1,013 units or 3.4% from Q4/2019's 30,162 units. The unsold stock is expected to fall gradually due to the limited number of sites offered under the 1H/2020 government land sales programme (a private residential site at Tanah Merah Kechil Link and a commercial & residential site at Jalan Anak Bukit) and a dearth of transactions for residential sites in the private sector.

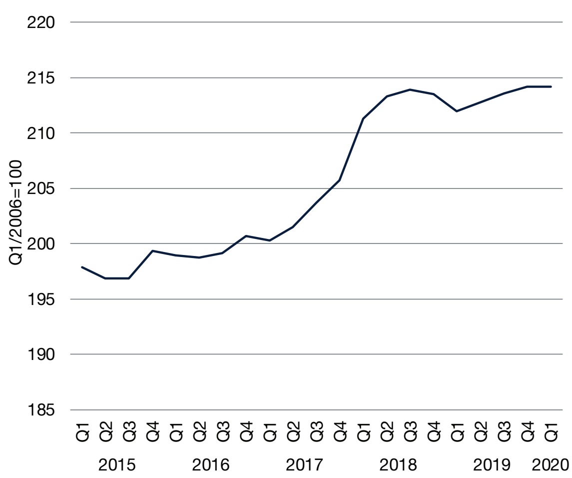
With the announced circuit breaker measures from 7th April to 1st June, all property sales galleries are closed. Although developers and sales agents have tried to use online marketing channels, several residential project launches have been postponed in view of the deteriorating situation and mounting uncertainties (Table 2).

OUTLOOK

In our view, the COVID-19 pandemic is tearing at practically the entire fabric of the real estate market. If one were to continue painting a business as usual scenario with prices continuing to rise or even hold firm, that would clearly be disingenuous as the forces acting on the market are predominantly vectored downwards. Graph 5 is a simple illustration of factors that adjoin to form a field (vector field).

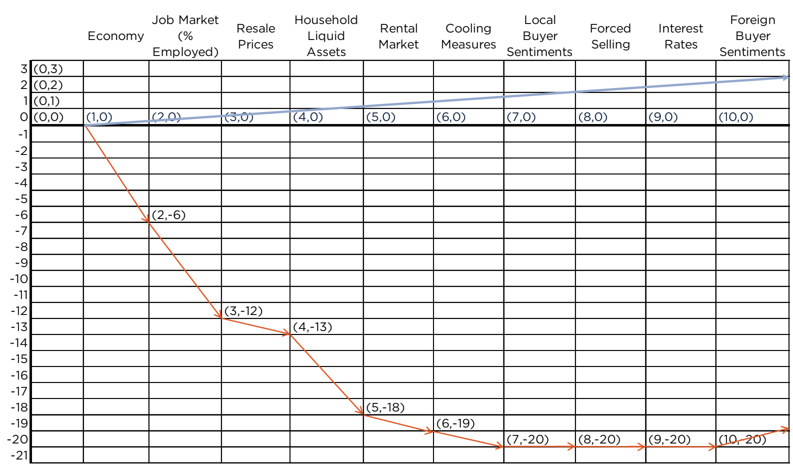
Our pre-Covid-19 price forecast was for

GRAPH 4: Savills High-End, Non-Landed Home Price Index, Q1/2015 to Q1/2020



Source Savills Research & Consultancy

GRAPH 5: Vector Field Of Factors Influencing Private Residential Prices In 2020



Source URA, Savills Research & Consultancy

TABLE 2: Major Upcoming Launches From Q2/2020*

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	TOTAL NO. OF UNITS
Amber Sea	Amber Gardens	Urban Park Pte Ltd	RCR	132
Bideford Hills	Bideford Road	SC Aetas Holdings Pte Ltd	CCR	168
Cairnhill 16	Cairnhill Rise	TSky Cairnhill Pte Ltd	CCR	39
Condominium development (former Katong Park Towers)	Arthur Road	BSEL Development Pte Ltd	RCR	290
Eden	Draycott Park	Celestial Fortune Pte Ltd	CCR	20
Ferra	Leonie Hill	Orchard Landmark Pte Ltd	CCR	104
Forett@Bukit Timah	Toh Tuck Road	Qingjian Perennial (Bukit Timah) Pte Ltd	RCR	633
Grange 1866	Grange Road	Grange 1866 Pte Ltd	CCR	60
Hyll On Holland	Holland Road	FEC Skypark Pte Ltd	CCR	319
Jervois Prive	Jervois Road	Jervois Midas Pte Ltd	CCR	43
KI Residences At Brookvale	Sunset Way	Hoi Hup Sunway Clementi Pte Ltd	RCR	648
Myra	Meyappa Chettiar Road	Tiara Land Pte Ltd	RCR	85
Peak Residences	Thomson Road	Rich Capital Holdings and Tuan Sing Holdings Ltd	CCR	90
Penrose	Sims Drive	NovaSims Development Pte Ltd	OCR	566
Residential Apartments	Holland Hill	Peak Opal Pte Ltd	CCR	59
The Atelier	Makeway Avenue	Bukit Sembawang Pte Ltd	CCR	120
The Landmark	Chin Swee Road	Landmark JV Pte Ltd	RCR	360
The Linq @ Beauty World	Upper Bukit Timah Road	Alika Properties Pte Ltd	RCR	120
Verdale	De Souza Avenue	C&C (JJK) Pte Ltd	OCR	258

Source Savills Research & Consultancy
*Expected launch dates are subject to change. This list is not exhaustive.

TABLE 3: Major Factors and % Change In The Measure

FACTOR	% CHANGE IN THE MEASURE OF THE FACTOR
GDP	-6%
Job Market (% employed)	-6%
Resale Prices	-1%
Household Liquid Assets	-5%
Rental Market	-1%
Cooling Measure	-1%
Local Buyer Sentiments	0%
Forced Selling	0%
Interest Rates (+ means falling)	0%
Foreign Buyer Sentiments	+1%

Source Savills Research & Consultancy

general non-landed prices to rise 3% to 5% year-on-year (YoY) in 2020. We have taken the 3% price increase and represented it in Graph 5 as the Blue Vector. In this graph, we have also identified ten major factors that are expected to influence private residential property prices in 2020. These factors and our assumed YoY percentage changes for each are shown in Table 3.

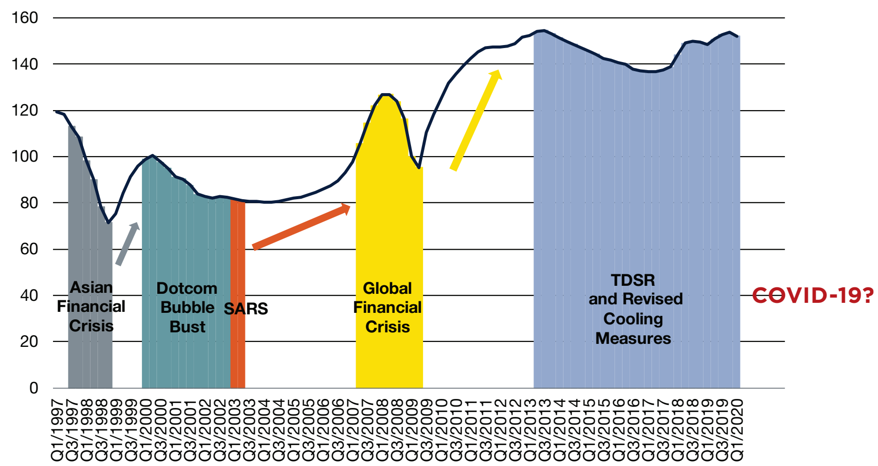
Looking at Graph 5, given the predominance of the down vectors, it is unlikely that prices will rise. In other words, for prices this year to rise by our previously assumed 3%, the market would have to overcome too many negative forces raging against it. The analogy is that of a swimmer being dragged away by the strong undertow.

Given the strong undercurrents, it would more productive if we focus our efforts to try to gain an understanding of the private residential market once it regains its footing after the global lockdowns. For that, we start by questioning whether historically ingrained attitudes will still hold when we emerge from the pandemic. If they do, then a repeat of how prices reacted after previous crises could be instructive. Graph 6 shows that each crisis engenders a recovery in the URA private residential property price index (PPI) that lifts prices to even higher levels. Whether the price declines were sharp or prolonged, values recovered in all instances and then rose to higher levels.

Table 4 shows that for both the most recent crises, once prices turned around, the magnitude of increase was strong. The exception was in the post-Asian Financial Crisis period where the recovery was undermined by the quick onset of two events, the Dot-com bubble bursting in 2000 and SARS in 2003.

The forces in Graph 5 are short-term in nature. For the longer term, beliefs such as the generationally ingrained expectation that real estate generates superior long-term returns compared to other asset classes, the continued belief that Singapore remains the centre of gravity for trade and finance in South East Asia, the continuing perception

GRAPH 6: Aftermath Reaction Of The URA PPI Previous Crises



Source URA, Savills Research & Consultancy

TABLE 4: Magnitude Of Price Recovery After Recent Crises

MARKET SEGMENT	ASIAN FINANCIAL CRISIS RECOVERY Q3/1999 - Q4/2000	THE DOTCOM AND SARS RECOVERY Q1/2004 - Q4/2008	GLOBAL FINANCIAL CRISIS RECOVERY Q2/2009 - Q3/2013	MACROPRUDENTIAL MEASURES RECOVERY Q2/2017 - Q4/2019
Overall	2.1%	45.0%	62.2%	12.4%
CCR - Non-Landed	NA	57.1%	48.9%	9.6%
RCR - Non-Landed	NA	31.6%	61.9%	13.9%
OCR - Non-Landed	NA	30.0%	74.9%	15.7%

Source URA, Savills Research & Consultancy

of Singapore's operational efficiency etc. Such accepted beliefs are very hard to change.

On 6th May, it was announced that the authorities would grant developers a six-month extension for the payment of the Additional Buyer's Stamp Duty (ABSD) and, for individuals, an additional six-month extension for disposal for the first property for Singaporean buyers of second homes to avoid paying ABSD. Notwithstanding this, we believe that short-term undercurrents are still too strong, and a short-term price decline is anticipated.

For potential buyers, they may ask whether it may be better to hold off their purchases since prices are expected to fall. Our answer is not to hold back. Until there is a substantive reversion to normal human activity, our private residential market is not functioning in a normal state. Those who need to sell now are most likely under compulsion and hence any softness in prices is due to the dominating share of such sellers. Buyers who have spotted a resale property they like may find the seller not willing to budge on his pre-Covid-19 asking price. The only market where one can find prices static are in the new sales market where developers are holding prices at pre-Covid-19 levels. Post pandemic, we expect a spike in transactions from the phenomenon called revenge buying and prices may move up again, albeit slightly. Accounting for the actions of the various players, from resellers to developers to potential buyers who think they wish to hold back, the better stance to adopt for a buyer is to commit to a new sale purchase today.

In the longer term, if our view that attitudes have not changed substantially, and prices for Singapore private residential properties should track back to the economic trend line growth of 3% pa. This is our medium to long term forecast and should hold if there are no returning waves of infections globally or serious political fallout from the pandemic. For this and next year, our forecast for island-wide non-landed price changes are for a fall of -3% to -8% in 2020 followed by a 0% to 5% recovery in 2021.