Savills World Research
Singapore

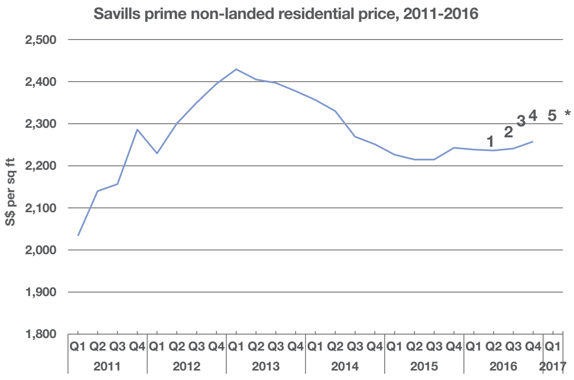
Asian Cities Report
Singapore Residential

1H 2017

savills.com.hk/research

GRAPH 1

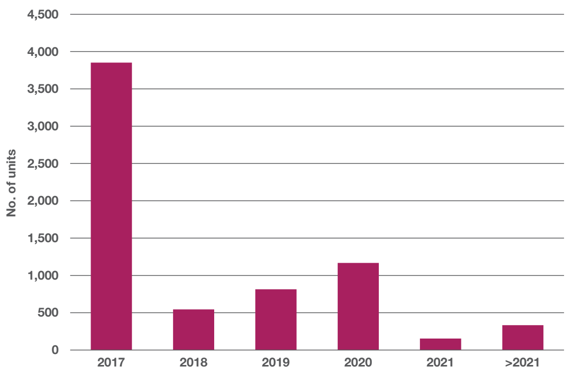
Catalytic transactions by sophisticated investors



Source: Savills Research & Consultancy

GRAPH 2

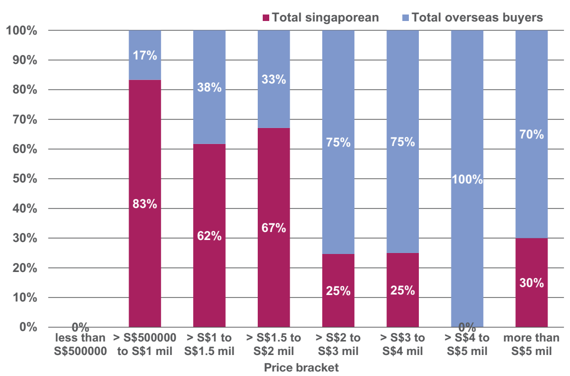
Non-landed pipeline supply CCR, 2017–2021



Source: URA, Savills Research & Consultancy

GRAPH 3

D9 prices paid by nationality of buyers, Mar 2016–Feb 2017



Source: URA, Savills Research & Consultancy

Luxury non-landed private residential properties – what to expect in 2017

The marketing of OUE Twin Peaks was refreshed by the deferred payment scheme in the latter part of the first quarter in 2016; since then, the high-end, non-landed segment of the private residential property market has sprung back to life. Initially treated with skepticism, the overwhelming acceptance of this payment plan ultimately surprised even seasoned marketing professionals. The success of this scheme was subsequently modified in parts by other developers in the Core Central Region (CCR) and they too were met with good responses from the market.

Thereafter, with a falling number of projects in the high-end segment of the market having the ability to offer such schemes, the market entered the next phase, that of bulk sales, both structured and unstructured. For the structured transactions, it began simply with a plain vanilla purchase of the development company holding the remaining 23 units of Starlight Suites at River Valley Close, and then rose in complexity to the Profit Participation Scheme (PPS) transaction of Nouvel 18 at Anderson Road. These structured deals continued to keep interest in the high-end market high, and the market was on edge with talks of which deal will be next.

The one deal that turned heads, and we believe also marked the recent high point of the CCR non-landed private residential market, was the purchase of the remaining 45 units at The Nassim by banker Mr. Wee Cho Yaw. The deal size of S$411.6 million translates to a price of about S$2,300 per sq ft. Prima facie, the price appeared on the low side, but if one adds back the bulk discount of 18%, the price is a fair reflection of value in the area.

Although the authorities closed the avenue whereby residential properties can be sold with minimal stamp duty payable via the sale of shares in a corporate entity holding those units, the market had already been primed by the series of bulk sales.

While market watchers have been busy bantering over the direction of the high-end, non-landed market, they have failed to understand, or at least not openly been discussing, why ultra-sophisticated buyers are taking a fresh position in the high-end residential market here.

Graph 1 shows average prices taken from Savills basket of high-end properties. In the graph, the numbers 1 to 5 are the moments which we believe kick-started or catalyzed the market at that time (although this is by no means an exhaustive list). **One** was the relaunch of OUE Twin Peaks with the deferred payment scheme; **two** was the bulk purchase of Starlight Suites; **three** was the sale of iLiv@Grange to a group of high net worth individuals; **four** was the PPS transaction for Nouvel 18; and **five** was the sale of the 45 units at The Nassim. When these transactions were sequentially laid out on the price chart, coincidentally or not, it appears that prices have stabilised or inched up marginally. The asterisk in Graph 1 represents the 11th hour entry of bulk sales (the days running up to the 10th of March 2017) at TwentyOne Angullia Park to Tower Capital, the sale of Lumos to a group of Singaporeans, and the purchase of Robin Residences by persons linked to Evia Capital. The sale of Cityvista Residences by Alpha Investment to an Indonesian was probably also inked between point 5 and the asterisk.

When you look at the transaction numbers for the CCR, 2016 probably represented the turnaround in the market, with data extracted from Realis showing a 54.5% year-on-year (YoY) increase.

Setting aside the attractive pricing factor, one other possible reason as to why ultra-sophisticated investors are looking at the non-landed segment of the CCR is that, fundamentally, things are rapidly improving for the CCR. On the supply side, URA statistics show a sharp fall in pipeline supply after 2017.

Using Realis as the source of data for non-landed transactions, in 2016, new sales totalled 667 units. If this demand is maintained for the next five years, it means that there is a relatively good match between demand and supply.

The road map for a sustained recovery

To galvanize the market further, a continuation of the momentum built up from 2016 is necessary. As the market's direction in terms of prices and volume is hanging in the balance, marketing strategies have an important role to play. Without going into the various marketing angles, we shall focus on just one – prioritising the targeting of buyers by their nationality, in terms of price range.

For our analysis, we have left out companies as a subgroup of buyers. Generally, for the CCR, in the past year, as Singaporeans made up 66% of the total transactions in the non-landed segment of the market, the local population base should naturally be the starting point of any relaunch or new marketing campaign as it is an easier and more cost-effective segment to go after (saves on the cost of holding overseas road shows). For this group of individuals, with the TDSR and cooling measures still in place, mild YoY price adjustments, preferably to the point of a continuous creep, is congenial to sustaining healthy market demand as any sudden spike in prices may easily lead to buyers forfeiting the game once they are priced out due to possible breaches to their debt service ratios. In other words, unlike the past, presently, when it comes to pricing strategy, casting the lynyard too far can be counterproductive. The market today is extremely price sensitive.

Also, as Singaporeans pay lower Additional Buyers Stamp Duty (ABSD) for purchases subsequent to their first, the deadweight loss due to these duties is lower. This is also another reason why they could be the subgroup that is likely to keep sales momentum going, allowing the market to recover.

The ability of overseas buyers to kick-start or maintain the sales momentum for the CCR non-landed the market is, however, not that straightforward as their constituent in the various stratas of the market by price quantum varies significantly. In general, for new sales in the CCR, it is only in the >S$2 million strata that we see the domineering presence of overseas buyers.

However, once we drill down further into the district level, we discover a totally different picture. Owing to space constraints, we shall segregate new sale transactions for districts 9, 10 and 11, but for districts 1, 2 and 4, we shall treat them as one subgroup. For the past year, overseas buyers dominated in district 9, once prices are >S$2 million. For districts 10 and 11, Singaporeans dominate in almost all price stratas, except for the S$2 million to S$3 million range in the latter district.

For districts 1, 2 and 4, overseas buyers are the majority in the >S$2 million to S$3 million strata.

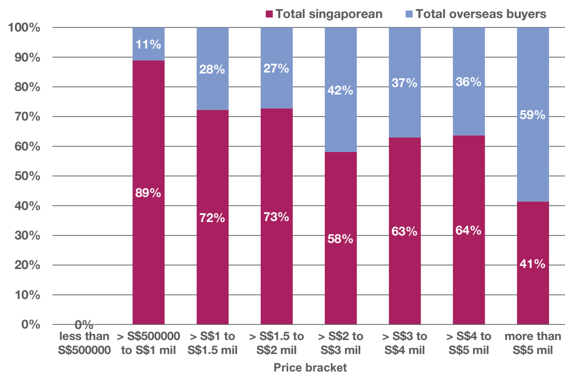
Conclusion

From March 2016 to February 2017, the high-end, non-landed segment of the private residential market was revived through a sequence of events from developers offering alternative payment schemes to ultra-sophisticated investors taking large positions either directly or through structured arrangements in the bulk sale market. For individuals, feedback from the ground hints that they are still keen to commit, but are still somewhat concerned about the cooling measures and TDSR which are still in place. Consequently, buyers may still need some convincing for them to overcome their inertia. As the cost of entry has increased, marketing strategies are becoming even more important – without a focused and sustained marketing effort, market activity will fall back into a slumber.

Ultimately, if developers and agents play their roles well this year, which we believe they will, we are of the opinion that overall prices for non-landed properties in the CCR may still eke out a return. Not high, but still a good enough turnaround of a 1-3% gain.

GRAPH 4

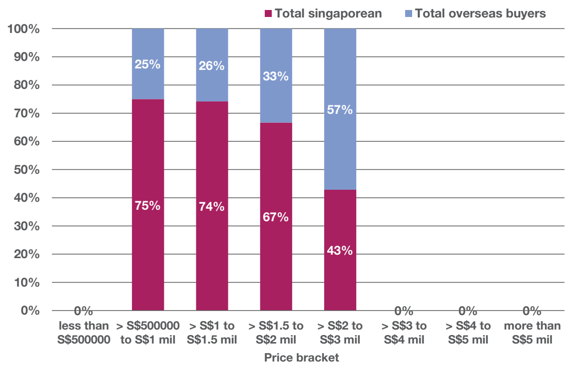
D10 price paid by nationality of buyers, Mar 2016–Feb 2017



Source: URA, Savills Research & Consultancy

GRAPH 5

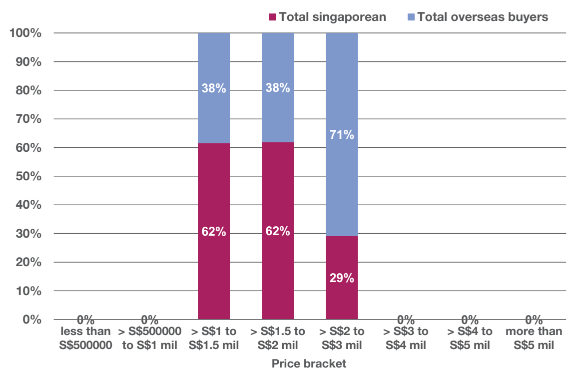
D11 prices paid by nationality of buyers, Mar 2016–Feb 2017



Source: URA, Savills Research & Consultancy

GRAPH 6

D1, 2 and 4 prices paid by nationality of buyers, Mar 2016–Feb 2017



Source: URA, Savills Research & Consultancy

ASIA PACIFIC HEADQUARTERS
23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4400 Fax: (852) 2868 4386

savills.com

HONG KONG SAR
Savills (Hong Kong) Limited
23/F Two Exchange Square , Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 2869 6738
Contact: Raymond Lee E-mail: rlee@savills.com.hk
EA Co. Licence: C-002450

Savills Valuation and Professional Services Limited
28/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2801 6100 Fax: (852) 2501 5810
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited
8/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1628 Fax: (852) 2508 1883
Contact: Johnnie Chan E-mail: jckchan@savills.com.hk
EA Co. Licence: C-002955

Savills Guardian (Holdings) Limited
7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2512 1838 Fax: (852) 2887 3698
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk
EA Co. Licence: C-004089

MACAU SAR
Savills - Macau
Savills (Macau) Limited
Suite 1309-10, 13/F Macau Landmark, 555 Avenida da Amizade, Macau
Tel: (853) 8506 6288 Fax: (853) 2878 1805
Contact: Franco Liu E-mail: fliu@savills.com.mo

CHINA
Savills - Shanghai
25/F Two ICC, 288 South Shaanxi Road, Shanghai 200031, PRC
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Albert Lau E-mail: Albert.Lau@savills.com.cn

Savills - Beijing
2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022, China
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299
Contact: Billy Chau E-mail: Billy.Chau@savills.com.cn

Savills - Guangzhou
Room 906, R & F Centre, 10 Hua Xia Road, Zhu Jiang New Town
Guangzhou, 510623, China
Tel: (86) 3892 7168 Fax: (86) 3892 7030
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn

Savills - Shenzhen
Unit A, 5/F, Anlian Plaza, 4018 Jintian Road, Futian District, Shenzhen 518026, China
Tel: (86) 755 8828 5707 Fax: (86) 755 8828 5676
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn
Offices in Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Xiamen, Xi'an, Zhuhai

ASIA
Savills - Indonesia
PT Savills Consultants Indonesia
Panin Tower – Senayan City
16th Floor, Unit C
Jl. Asia Afrika Lot. 19
Jakarta 10270, Indonesia
Tel: +62 (21) 293 293 80 Fax: +62 (21) 293 293 81
Contact: Jeffrey Hong Email: jeffrey.hong@savills.co.id

Savills - Japan
Savills Japan Co., Ltd
15/F Yurakucho ITOCiA
2-7-1 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan
Tel: (81) 03 6777-5150 Fax: (81) 3-6777-5105
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Korea
Savills Korea
13/F Seoul Finance Center, 84 Taepyungro-1-ga
Chung-gu, Seoul, Korea 100-768
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188
Contact: K.D. Jeon E-mail: kdjeon@savills.co.kr

Savills - Malaysia
Savills (Malaysia) Sdn Bhd
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur, Malaysia
Tel:+603 2092 5955
Contact: Christopher Boyd Email: chris.boyd@savills.com.my

Savills - Philippines
KMC MAG Group
8/F Floor Sun Life Centre, 5th Ave
Bonifacio Global City 1634, Philippines
Tel: (632) 403-5519
Contact: Michael McCullough Email: michael@kmcmaggroup.com

Savills - Singapore
Savills (Singapore) Pte Ltd.
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712
Tel: (65) 6836 6888 Fax: (65) 6836 2668
Contact: Chris Marriott E-mail: cjmarriott@savills.asia

Savills - Taiwan
Savills (Taiwan) Limited
21/F Cathay Landmark, No.68, Sec. 5, Zhongxiao E. Road
Xinyi District, Taipei City 110, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu E-mail: cchu@savills.com.tw
Office in Taichung

Savills - Thailand
Savills (Thailand) Limited
26/F Abdulrahim Place, 990 Rama IV Road
Silom, Bangrak, Bangkok 10500, Thailand
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339
Contact: Robert Collins E-mail: rcollins@savills.co.th
Office in Pattaya

Savills - Vietnam
Savills Vietnam Ltd. Co.
18/F, Fideco Tower, 81-85 Ham Nghi Street
District 1, Ho Chi Minh City, Vietnam
Tel: (84) 8 3823 9205 Fax: (84) 8 3823 4571
Contact: Neil MacGregor E-mail: nmacgregor@savills.com.vn
Office in Hanoi

AUSTRALIA
Savills - Australia
Savills (Aust) Pty Ltd.
Level 25, 1 Farrer Place, Sydney, Australia NSW 2000
Tel: (61) 2 8215 8888 Fax: (61) 2 8215 8899
Contact: Paul Craig E-mail: pcraig@savills.com.au
Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast.

NEW ZEALAND
Savills - New Zealand
Level 8, 33 Shortland Street, Auckland NZ 1010
Tel: (64) 9 951 5911
Contact: Paddy Callesen E-mail: pcallesen@savills.co.nz

NORTH AMERICA
Savills - New York
Savills Studley
399 Park Avenue, 11th Floor, New York, NY 10022
Tel: (1) 212 326 8610 Fax: (1) 212 326 1034
Contact: Mitchell Steir E-mail: msteir@savills-studley.com

UNITED KINGDOM / EUROPE / SOUTH AFRICA
Savills - Europe
33 Margaret Street, London W1G 0JD
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Mark Ridley E-mail: mridley@savills.com
Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden. Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa.

Savills, the international real estate advisor established in the UK since 1855 with a network of over 700 offices and associates globally.