Government Land Sales Programme 1H19

OrangeTee
Keener Sense of Real Estate

December 2018

Government shrinks land supply to mitigate an anticipated oversupply situation

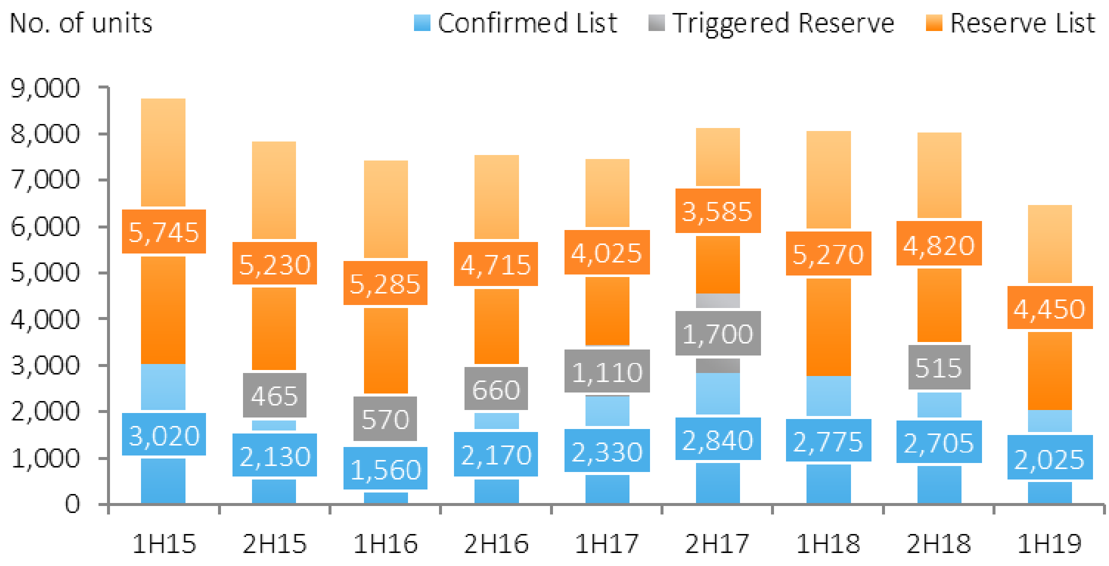
The Government has shrunk the supply of private residential units that can be yielded from the first half 2019 Government Land Sales (GLS) programme to mitigate an oversupply situation in the next few years. The number of private residential units (including executive condominiums) that can be yielded from the Confirmed List have decreased 25.1 per cent from 2,705 units in the second half of 2018 GLS programme to 2,025 units in the first half 2019 programme.

We feel that this is a wise decision as the pipeline supply of residential homes has grown significantly in recent years and demand may not keep pace with the number of homes slated to be launched in the coming months. While demand for new residential homes is expected to recover moderately next year to between 10,000 and 12,000 units, possibly due to a wearing-off effect of the cooling measures and an anticipated positive economic growth for next year, about 17,000 to 19,000 new homes are ready to be launched in 2019. However, based on our past experience, we expect most developers to space out their launches and release the units in multiple phases. Therefore, the actual number of units that could be launched next year may hover around 13,000 - 14,000 units. The balance unsold units will likely be spilled-over to subsequent years and gradually absorbed. Developers are also likely to take a more measured approach in future land bidding exercises in light of the on-stream supply and new guidelines to raise the minimum average unit size for non-landed housing developments.

Most of the sites in the Confirmed List are well located. The plum sites include Bernam Street, one-north Gateway, Clementi Avenue 1 and Tan Quee Lan Street in the Confirmed List (Please see below for our detailed analysis of each site). However, the number of sites allocated for executive condominiums (EC) have remained the same as the second half of 2018 GLS despite the increasing demand for ECs in recent years.

The total number of ECs that can be yielded from both The Confirmed and Reserve List sites have shrunk 24.8 per cent from 1,210 units in the second half of 2018 GLS programme to 910 units in the first half of 2019 GLS. The reduced supply may further exacerbate the current price growth of new ECs.

Supply of residential units from GLS (incl. ECs)



Source: URA, OrangeTee & Tie Research & Consultancy

Analysis of selected sites

Site no. 1 (See map below): Clementi Avenue 1

Clementi Avenue 1 is the largest site among the residential sites in the Confirmed List. It is near the NUS high school and opposite Nan Hua High school. The last time a site was released in Clementi Avenue 1 was in 2015 and is currently named as the Clement Canopy. The recent launch of Kent Ridge Residences, Twin View and Whistler Grand have seen healthy sales take-up, indicating that demand for new homes in the west is still healthy.

The closest comparable is the site at Whistler Grand that was sold for S$800 psf ppr in February this year. According to URA realis data, the average selling price of Whistler Grand transacted in November 18 is S$1,358 psf. We estimate that this Clementi Avenue 1 site could be sold around S$830 to S$930 psf ppr and the expected selling price could range around S$1,500-S$1,600 psf..

Site no. 2: Tan Quee Lan Street

The site is expected to draw keen interest as it is just above the Bugis MRT station and situated right at the city centre. The closest comparable is Duo Residences which is transacting at an average unit price of S$2,200 psf this year. We expect the bid price for this site to be around S$1,500-1,600 psf ppr and the expected selling price could range around S$2,400-S$2,600 psf.

Site no. 3: One-north Gateway

The one-north area was designed as a business park and a high-tech research and development hub. The area has a lot of potential for rental and investment as there are many businesses and IT firms set up there. The site is conveniently located at the fringe of the city and walking distance of about 400 metre from the one-north and Buona Vista MRT stations. It is also near Holland Village which will be undergoing a major overhaul.

The average resale price of non-landed homes for some of the nearby projects like One North Residences is S$1,500 psf, Rochester Residences is S$1,359 psf and The Rochester is S$1,355 psf this year. The expected selling price for the one-north Gateway site could range around S$1,600-S$1,700 psf and the expected bid price could range from S$880 - S$980 psf ppr.

Site no. 4: Bernam Street

We foresee that this site would be popular as the supply of new homes in downtown core is rare and sales of luxury homes in Districts 1 and 2 remain healthy after the recent cooling measures. The expected selling price for this site could range around S$2,500-S$2,700 psf and we expect the bid price to be around S$1,550-1,700 psf ppr.

Site no. 5: Canberra Link (EC)

It has been a while since an EC has been launched in Yishun. There are few private condominiums launched in Yishun. The closest comparable is the adjacent EC site that was awarded in Sep 2018 for S$558.20 psf ppr with 9 bidders. We foresee that the healthy demand for ECs will possibly attract about the same number of bidders and the expected bid price could be around $550-600 psf ppr.

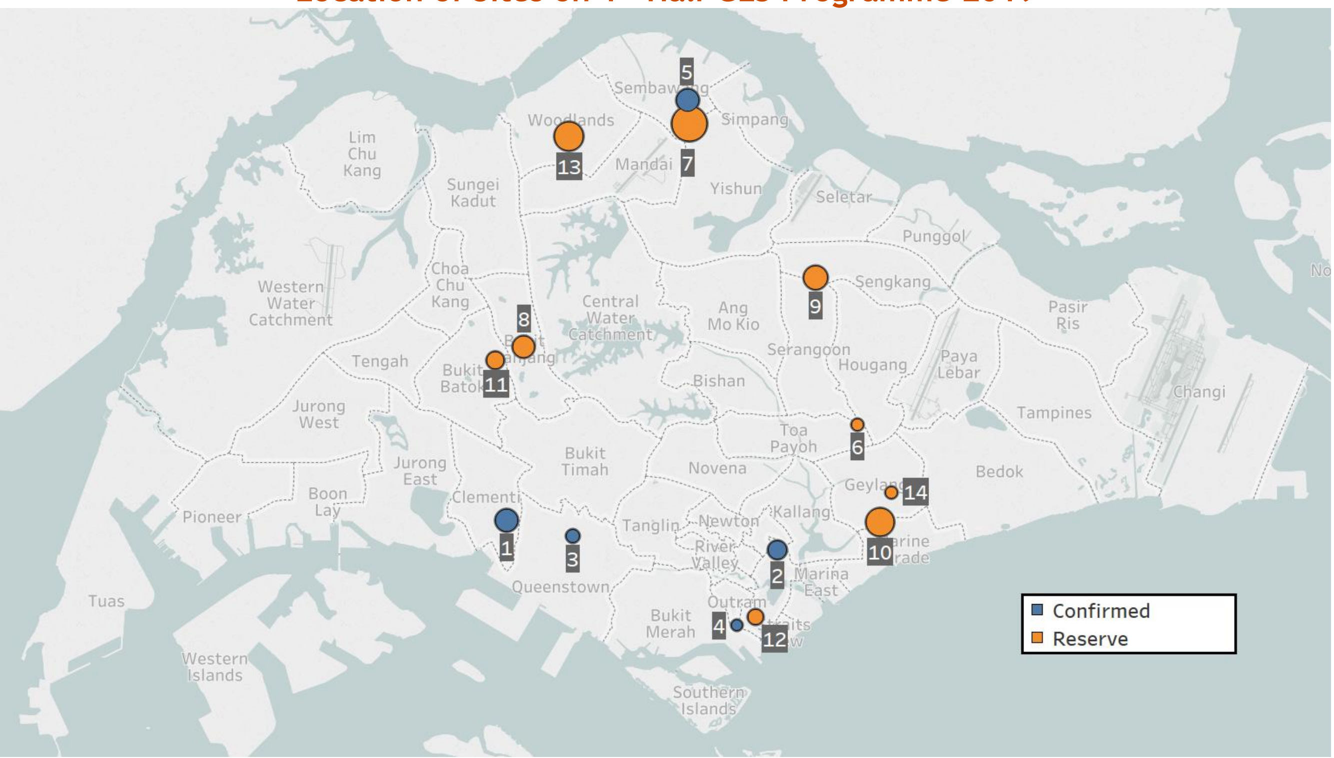
List of Sites on 1st Half GLS Programme 2019

S/N	Location	Site Area (ha)	Proposed GPR	Estimated No. of Residential Units	Estimated Commercial space (m2)	Estimated Launch Date	Sales Agent
Confirmed List							
Residential Sites							
1	Clementi Avenue 1	1.65	3.5	640	0	Feb-19	URA
2	Tan Quee Lan Street	1.15	4.2	580	2000	Mar-19	URA
3	one-north Gateway	0.58	2.5	170	0	Mar-19	URA
4	Bernam Street	0.39	5.6	250	2000	May-19	URA
5	Canberra Link (EC)	1.67	2.3	385	0	May-19	HDB
Commercial & Residential Sites							
	Total (Confirmed List)			**2,025**	**4,000**		

S/N	Location	Site Area (ha)	Proposed GPR	Estimated No. of Residential Units	Estimated Commercial space (m2)	Estimated Launch Date	Sales Agent
Reserve List							
Residential Sites							
6	Bartley Road / Jalan Bunga Rampai	0.47	2.1	115	0	Available	URA
7	Canberra Drive	4.09	1.4	675	0	Available	URA
8	Dairy Farm Walk	1.57	2.1	390	0	Available	URA
9	Fernvale Lane (EC)	1.87	2.8	525	0	Jun-19	HDB
10	Dunman Road	2.60	3.5	1,070	0	Jun-19	URA
11	Hillview Rise	1.00	2.8	330	0	Jun-19	URA
White Sites							
12	Marina View	0.78	13.0	905	2,000	Available	URA
13	Woodlands Avenue 2	2.75	4.2	440	78,000	Dec-18	URA
Hotel Sites							
14	Sims Avenue	0.46	4.2	0	2,000	May-19	URA
	Total (Reserve List)			**4,450**	**82,000**		
	Total (Confirmed List & Reserve List)			**6,475**	**86,000**		

Source: URA, OrangeTee & Tie Research & Consultancy

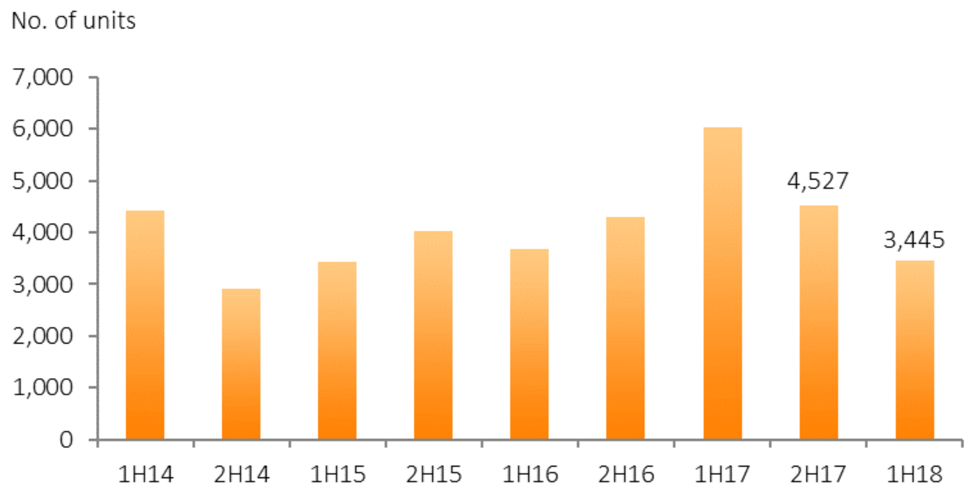
Location of Sites on 1st Half GLS Programme 2019



Circle size reflect size of site (larger sites are represented by larger circles)

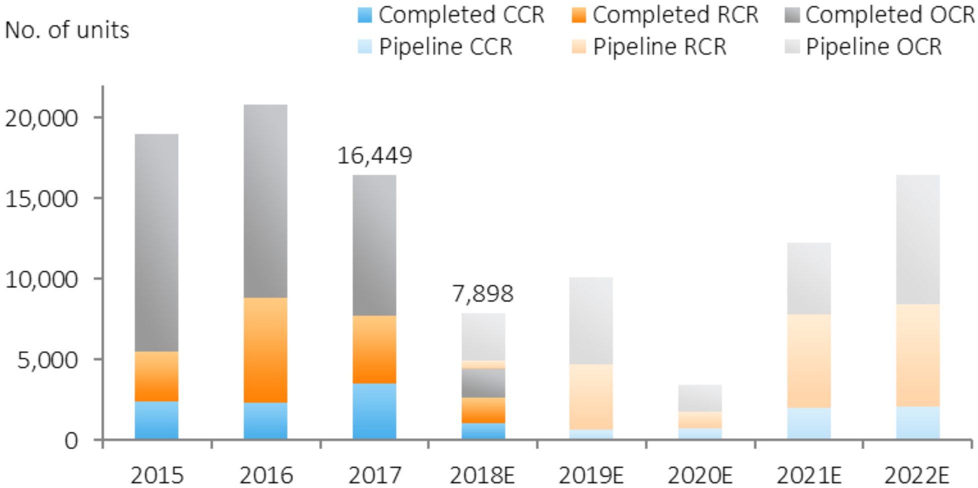
Source: URA, OrangeTee & Tie Research & Consultancy

Private Residential Units Sold in Primary Market (excl. ECs)



Source: URA, OrangeTee & Tie Research & Consultancy

Expected completions of private residential units (excl. ECs) as at 3Q18



Source: URA, OrangeTee & Tie Research & Consultancy

Please contact us for further enquiries

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