# Pace of price increase set to slow in light of cooling measures

Q2/2018

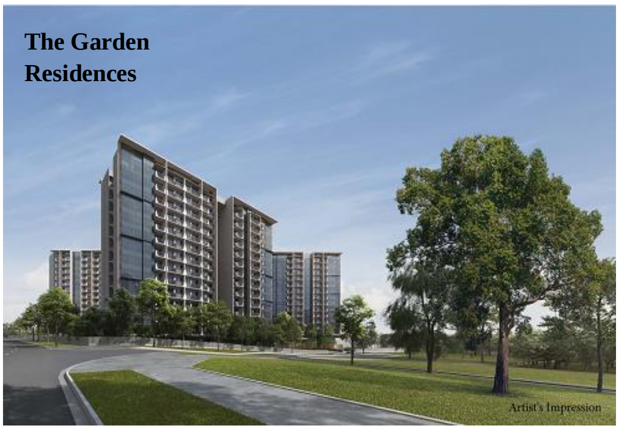


Key indicators at a glance

| Indicators | 1Q18 | 2Q18 |
|---|---|---|
| Economy (year on year growth, %) | | |
| GDP at 2010 prices | 4.3 | 3.8 |
| | | |
| Overall property price index | 144.1 | 149.0 |
| Q-o-q change (%) | 3.9 | 3.4 |
| Overall rental index (non-landed) | 103.6 | 104.2 |
| Q-o-q change (%) | 0.3 | 0.6 |
| Overall Occupancy (%) | 92.6 | 92.9 |
| Q-o-q change (%age points) | 0.4 | 0.3 |

Note: 2Q18 GDP figures are advance estimates.

Source: URA, MTI, OrangeTee & Tie Research & Consultancy




**Pace of price increase set to slow in light of cooling measures**

Private residential home prices continued their recovery in Q2, albeit at a slower pace of 3.4% compared to the 3.9% increase posted in Q1. On a year-on-year (y-o-y) basis, prices rose 9.1%. This is a significant rise as it is the highest y-o-y increase observed since 2Q11 (10.2%). For the first half of 2018, overall prices have risen 7.4% since Q4/2017. Prices of non-landed properties rose the most quarter-on-quarter (q-o-q) in RCR (5.6%), followed by OCR (3.0%) and CCR (0.9%). Price increase is lesser in CCR as there were fewer new launches compared to the other two segments.

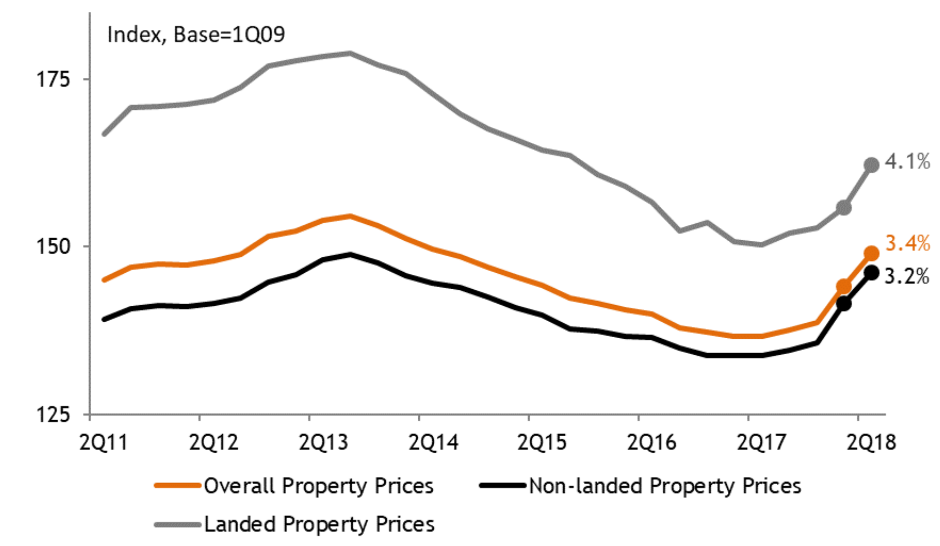
In light of the cooling measures, we expect prices to stabilize, possibly trending sideways in the next few months. We do not foresee huge dips in prices as developers are not offering big discounts at this juncture. Many developers are deep pocketed or public listed companies with strong holding power and they have proven to ride through the odds during the past rounds of cooling measures. The two-pronged approach used by most developers now include giving a direct 3-5% discount to offset the extra ABSD or stricter LTV limit for buyers, and to increase agents' commission to 'divert' buyers to their projects. The latter strategy is preferred especially for the high-end segment, as it serves to maintain ongoing sales without causing large price fluctuations.

The coming months should continue to see a steady stream of new projects being launched in the market. Although new launch prices may now be slightly lower than expected, we may still observe benchmark prices in selected locations, as some developers have acquired land parcels at high prices and are probably not willing to sell their units at a loss. While some developers may choose to hold back their launches to observe the market performance, others are pressing ahead by rolling out different discount schemes and employing more sales agencies to reach out to more potential buyers. The upcoming launch of The Tre Ver has already employed six marketing agencies for their project.

First-timers (mostly owner-occupiers) who can afford the extra 5% cash or CPF downpayment as a result of the stricter LTV limit, are entering the market now to leverage on the reduced prices. Some of these first-timers are children or grandchildren of existing owners, who have made purchases through their names to avoid the hefty ABSD. Therefore, we observed a shift in buyers' preference for two and three bedroom units instead of one-bedders after the cooling measures. One bedders that are commonly bought by investors will see less takers as investors are more adversely impacted by the ABSD. We feel that this buying trend is likely to continue and the greater demand for larger units will likely bring down the overall average prices in the coming months.

As a result of the cooling measures, we have adjusted our overall price projection for the full year to be 8%-10% from our original 8%-12%. Primary sales could hover between 8,000 and 9,000 units for the whole of 2018.

Exhibit 1: Private Residential Property Prices



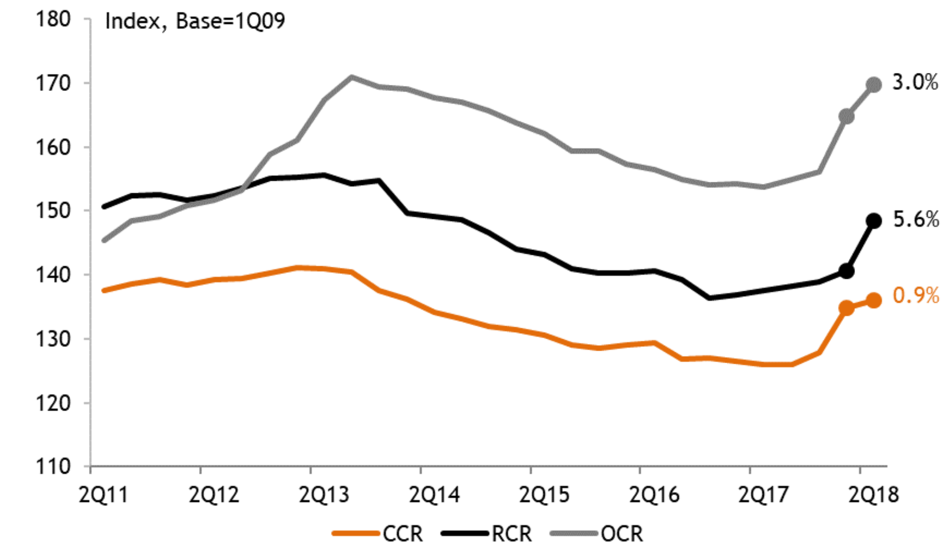

Source: URA, OrangeTee & Tie Research & Consultancy

**Property prices continued to rise**

Overall property prices rose by 3.4% q-o-q in 2Q18, a slightly slower pace compared to Q1 (3.9%). This is also the highest y-o-y increase observed since 2Q11 (10.2%).

Non-landed property prices rose 3.2% while landed property prices rose 4.1%.

Exhibit 2: Non-landed Property Prices, Breakdown by Segment

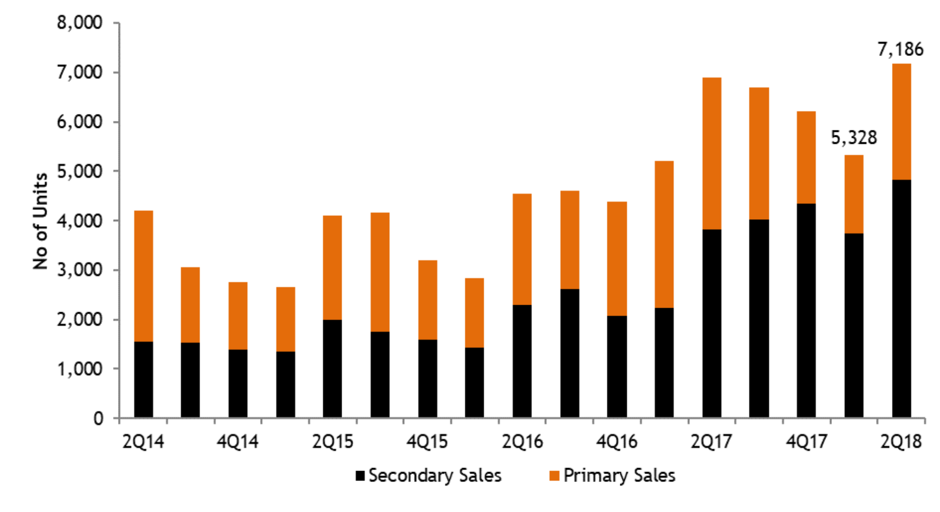



Source: URA, OrangeTee & Tie Research & Consultancy

**Prices of non-landed homes in RCR rose most significantly**

Private homes in RCR (5.6%) posted the largest q-o-q increase in 2Q18, followed by OCR (3.0%) and CCR (0.9%).

Exhibit 3: Private Residential Units Sold in Primary and Secondary Market



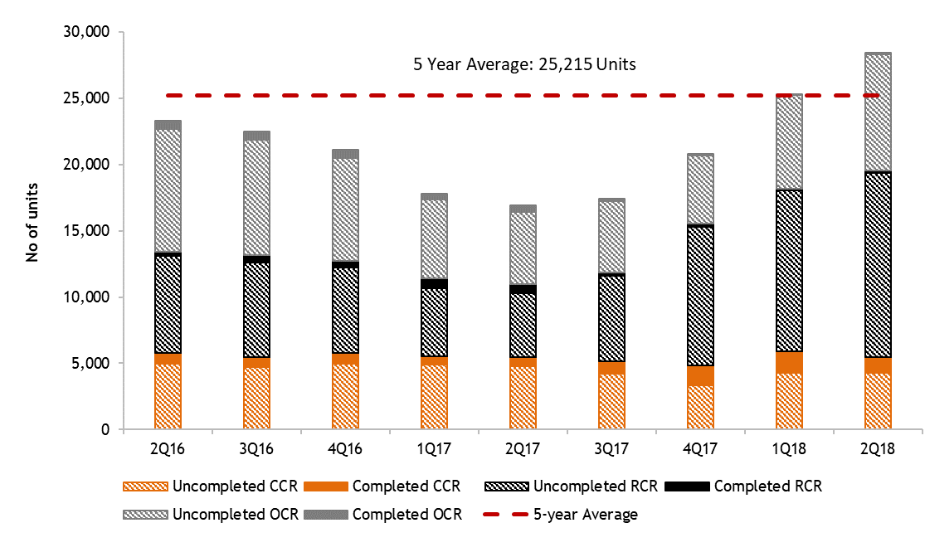

Source: URA, OrangeTee & Tie Research & Consultancy

**Strongest 2Q sales volume since introduction of TDSR**

A total of 7,186 units were transacted in 2Q18, the highest 2Q sales volume seen since the introduction of TDSR in 2013.

33% of total sales are from the primary market, while 67% are from the secondary market.

Exhibit 4: Private Residential Unsold Inventory



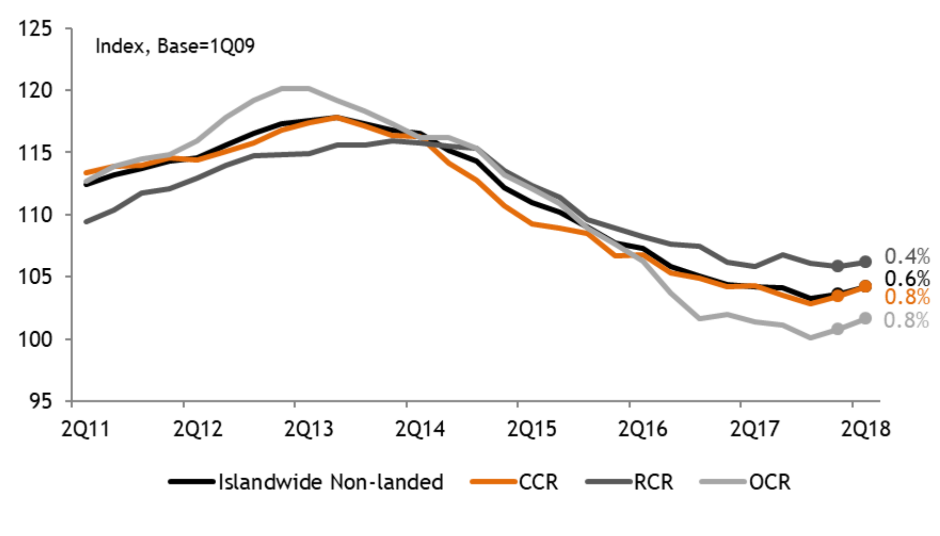

Source: URA, OrangeTee & Tie Research & Consultancy

**Steep increase in unsold stock**

Unsold inventory rose significantly by 14.6% q-o-q to 26,943 units in 2Q18, as stock continues to build up from more enbloc deals that were completed in recent months.

Unsold inventory is now above the 5-year average of 25,215 units.

Exhibit 5: Private Residential Property Rental Index, Breakdown by Segment




Source: URA, OrangeTee & Tie Research & Consultancy

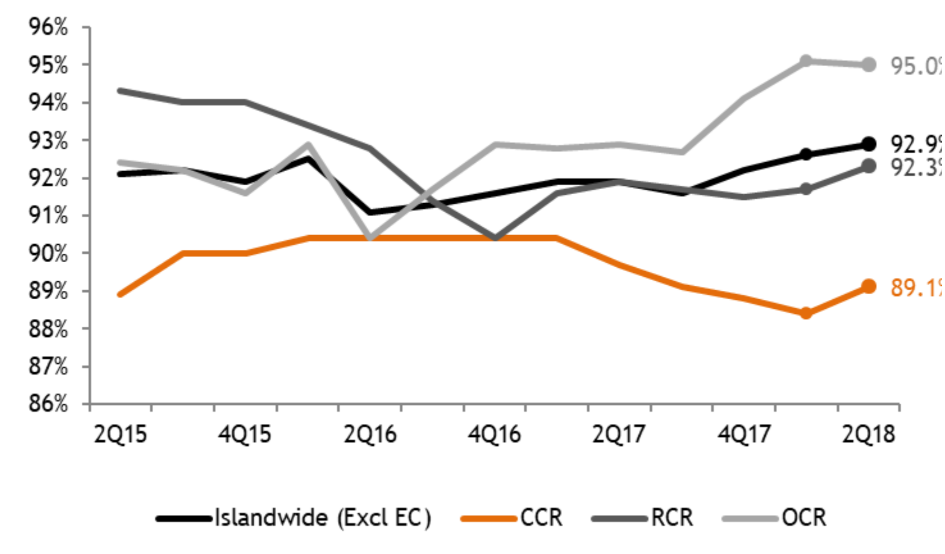
**Rents continued to recover**

Overall rents continued to rise by 0.6% in 2Q18, after increasing 0.3% in the previous quarter.

A broad-based recovery can be seen across all market segments as non-landed home rentals in CCR and OCR rose 0.8% while RCR increased 0.4%.

Rents may continue to recover for the rest of the year as private home completions are expected to taper by the second hand of this year.

Exhibit 6: Occupancy Rates, Break down by Segment



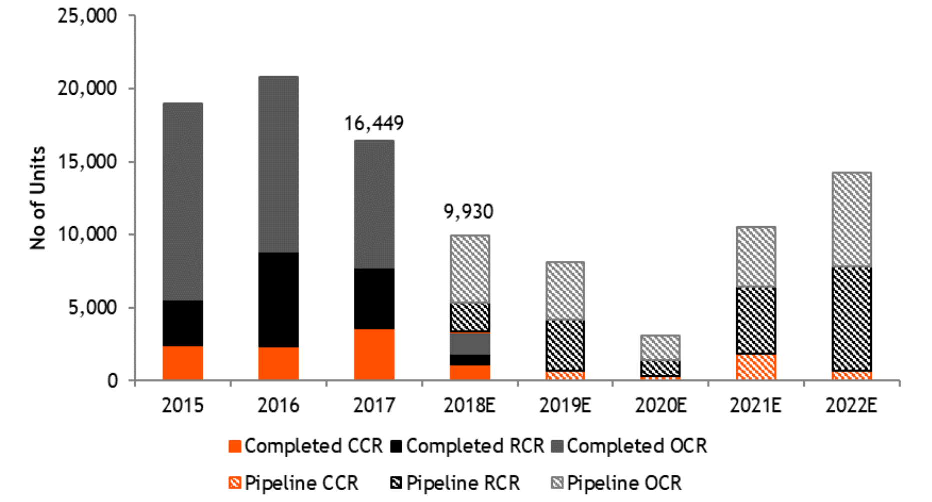

Source: URA, OrangeTee & Tie Research & Consultancy

**Most segments see rising occupancy rates**

Overall occupancy rates rose slightly q-o-q by 0.3 percentage points, from 92.6% to 92.9% in 2Q18.

OCR home occupancy rates remained the highest, at 95.0%. This is followed by the RCR (92.3%) and CCR (89.1%).

Exhibit 7: Completions and Expected Completions, Breakdown by Segment




Source: URA, OrangeTee & Tie Research & Consultancy

**Expected completions set to fall significantly**

The number of completions is expected to fall significantly in 2018, with just 9,930 units in the pipeline.

However, pipeline supply is expected to rise after 2020 where 10,532 units and 14,240 units are slated to be completed in 2021 and 2022 respectively.

Exhibit 8: Private Non-Landed Residential Supply in the Pipeline Breakdown by Planning Area (2Q18 to >2022)

| Planning Area | Existing Stock | Incoming Supply | Planning Area | Existing Stock | Incoming Supply | Planning Area | Existing Stock | Incoming Supply |
|---|---|---|---|---|---|---|---|---|
| **Central** | | | **East** | | | **North East** | | |
| Bukit Merah | 11,101 | 1,091 | Bedok | 29,358 | 1,776 | Ang Mo Kio | 5,296 | 43 |
| Bishan | 6,390 | 1,534 | Pasir Ris | 14,225 | 477 | Hougang | 11,845 | 3,075 |
| Bukit Timah | 19,379 | 1,232 | Tampines | 8,638 | 3,712 | Punggol | 3,632 | 128 |
| Downtown Core | 7,737 | 848 | **West** | | | Sengkang | 5,916 | 2,125 |
| Geylang | 15,240 | 2,792 | Bukit Batok | 11,275 | 694 | Serangoon | 8,162 | 3,086 |
| Kallang | 13,449 | 1,346 | Bukit Panjang | 6,626 | 552 | **North** | | |
| Marine Parade | 10,449 | 1,697 | Choa Chu Kang | 3,657 | - | Sembawang | 1,381 | 130 |
| Museum | 1,055 | 24 | Clementi | 8,497 | 2,495 | Woodlands | 2,422 | - |
| Newton | 7,701 | 419 | Jurong East | 3,218 | - | Yishun | 4,007 | 1,827 |
| Novena | 14,609 | 709 | Jurong West | 4,808 | 710 | | | |
| Outram | 1,455 | 26 | Note: Some planning areas have been omitted in this dataset | | | | | |
| Orchard | 2,263 | 343 | | | | | | |
| Queenstown | 8,467 | 5,201 | | | | | | |
| Rochor | 3,996 | 458 | | | | | | |
| River Valley | 10,102 | 1,166 | | | | | | |
| Singapore River | 4,747 | 500 | | | | | | |
| Tanglin | 13,446 | 501 | | | | | | |
| Toa Payoh | 6,772 | 3,536 | | | | | | |

Source: URA, OrangeTee & Tie Research & Consultancy

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