Property Spotlight

Private Home Prices at Historical High

OrangeTee

Keener Sense of Real Estate

March 2018

Private Residential 2018

Jan-Feb prices surpass previous peaks across most market segments

New Futura

Gem Residences

Grandeur Park Residences

Private home prices have risen to unprecedented records in the first two months of this year. Prices of non-landed homes in the luxury (CCR), mid-tier (RCR) and mass market segments (OCR) have all shot ahead of their previous peaks.

The soaring prices across the different segments may indicate that prices have bottomed out and almost the entire real estate sector is set to roar along in top gear this year. For instance, prices of new luxury homes rose 22 per cent from 2017 to Jan-Feb 18. New sale prices in the mid-tier market increased 8 per cent while resales rose 5 per cent.

While prices have escalated in recent months, a housing bubble is unlikely to form in the near future. Factors that fuelled the property bubbles in 2007 and 2010 are notably absent – high volume of sub-sales (an indicator of speculative activity), many overstretched borrowers and an influx of foreign buyers.

Going forward, more developers are expected to fast-track their new project launches to ride on the current sales momentum. Given that prices of recent Government Land Sales and collective sales have been on the rise, we can expect prices of new launched homes to increase further this year.

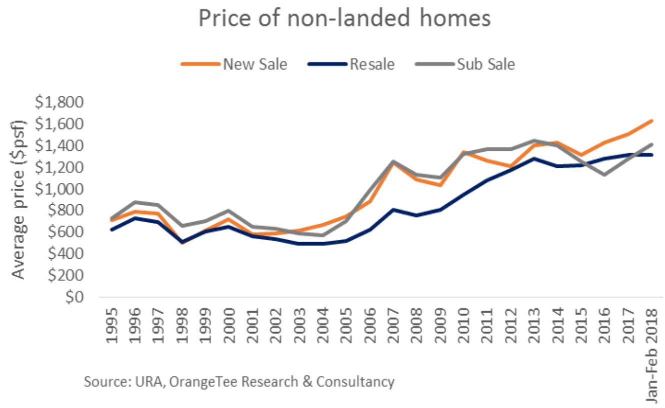
At A Glance

- Prices of non-landed homes recorded new highs for the luxury, mid-tier and mass market segments
- Prices of new sales, resales and sub-sales in the luxury and mid-tier segments are at new records
- Prices of new luxury homes rose 22 per cent to a high of $2,688 psf in Jan-Feb 18
- 11 luxury homes were transacted above $10 million in Jan-Feb 18
- Demand for smaller homes continues to fall
- Prices of new homes are expected to rise between 10 and 15 per cent this year

Non-landed home prices at new high

Non-landed private home prices have surpassed their peaks in the first two months of 2018. Based on our analysis of URA caveats as at 01 March 18, average price of non-landed homes reached a new high of S$1,427 psf in Jan-Feb 18[1]. This is 1.7% higher than the previous peak of $1,403 psf in 2017.

For new sales, average price of non-landed homes rose 7.9% to a new record of $1,629 psf. Sub-sales surged 10% to $1,410 psf. This is still lower than the 2013 peak of $1,450 psf. Prices of resale homes held steady at $1,314 psf, marginally below the peak of $1,318 psf (2017).



Source: URA, OrangeTee Research & Consultancy

Record prices seen in the high-end, mid-tier and mass market segments

Prices of luxury homes continued its climb this year. The average price rose 6.8% from $1,919 psf in 2017 to $2,049 in Jan-Feb 18. New sales rose 22.2% to a new high at $2,688 psf over the same period. Sub-sales were up 15.6% to $2,286 psf while resales increased 3.6% to $1,916 psf, both of which are record highs.

This year, 17 per cent (76 units) of the 451 luxury home caveats were transacted above $5 million. Of these, 11 were transacted above $10 million. Comparatively, about 50 transactions priced above $10 million were completed in 2017. The most expensive homes sold in 2018 were two units of The Nassim transacted at $19.6 million (7,061 sq ft) and $17 million (6,598 sq ft). A 3,821 sqft unit at Le Nouvel Ardmore was transacted at $4,098 psf, the highest per sq foot recorded this year.

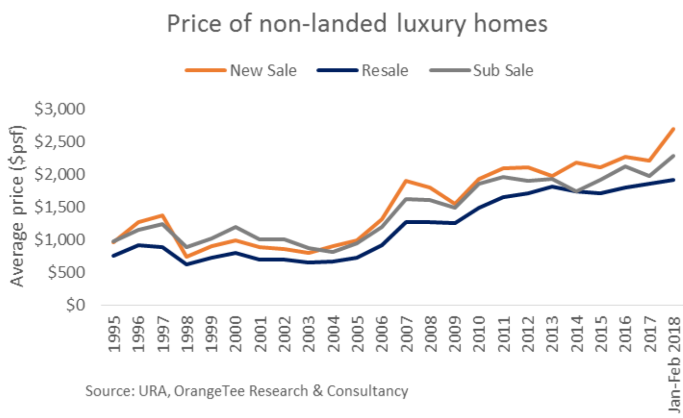
The price increase for the mid-tier homes was more moderate at 4.7%, rising from $1,420 psf in 2017 to $1,488 psf in Jan-Feb 18. New sales, resales and sub-sales were similarly at record highs of $1,703 psf, $1,287 psf and $1,715 psf respectively.

Prices of mass market homes dipped marginally by 2.4% to $1,117 psf in Jan-Feb 18. Compared to 2017, prices of new sales rose marginally by 0.7% to $1,325 psf and resales by 3.4% to $1,004 psf, both being record highs. Sub-sales rose by 1.1% to $1,211 psf.

Compared to 10 years ago, mid-tier homes rose the fastest by about 70% ($882 psf), followed by the mass market segment (66%, $672 psf) and the luxury segment (33%, $1,543 psf).

Prices by market segments

Private non-landed homes	2017 average unit price ($psf)	Jan-Feb 2018 average unit price ($psf)	Price change 2017 vs Jan-Feb 2018 (%)
High-end	**1,919**	**2,049 (new peak)**	**6.8**
New sales	*2,200*	*2,688 (new peak)*	*22.2*
Resales	*1,850*	*1,916 (new peak)*	*3.6*
Sub-sales	*1,977*	*2,286 (new peak)*	*15.6*
Mid-tier	**1,420**	***1,488 (new peak)***	**4.7**
New sales	*1,575*	*1,703 (new peak)*	*8.1*
Resales	*1,228*	*1,287 (new peak)*	*4.7*
Sub-sales	*1,545*	*1,715 (new peak)*	*11.0*
Mass market	**1,144**	**1,117**	**-2.4**
New sales	*1,315*	*1,325 (new peak)*	*0.7*
Resales	*971*	*1,004 (new peak)*	*3.4*
Sub-sales	*1,197*	*1,211*	*1.1*



Source: URA, OrangeTee Research & Consultancy

Are smaller units driving up home prices?

The influx of smaller units priced at higher per sq foot prices can cause overall prices to run up significantly. Our analysis reveals that demand for smaller homes (less than 800 sqft) has in fact dropped from two years ago. In 2016, 37.7 per cent of all sales were below 800 sqft. This fell to 32 per cent in 2017 and to 21.9 per cent in Jan-Feb 18. This indicates that smaller units were probably not the key driving force behind the escalating prices.

Apart from the positive market sentiment, ample liquidity and strong economic growth, a lack of home supply possibly from fewer owners putting up their homes for sale, could cause prices to rise. Given the current enbloc fever, many owners are probably waiting for a collective sale to bag a windfall.

The high selling price of selected projects such as New Futura, Gramercy Park, The Nassim, Martin Modern and Highline Residences could have also driven up the overall transaction prices.

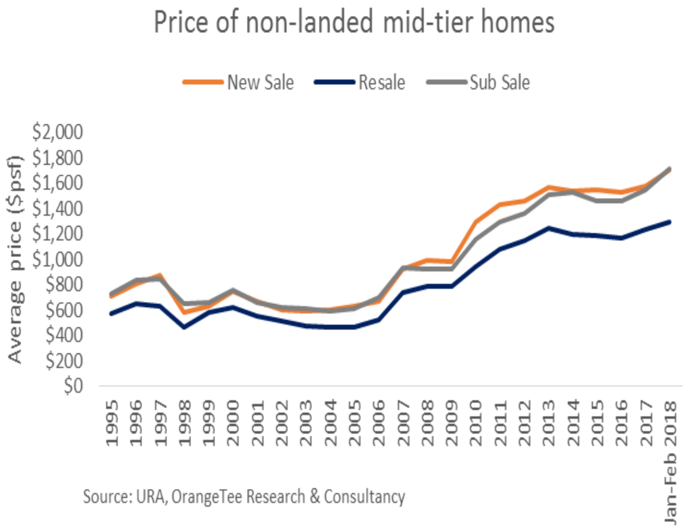
Is a housing bubble forming?

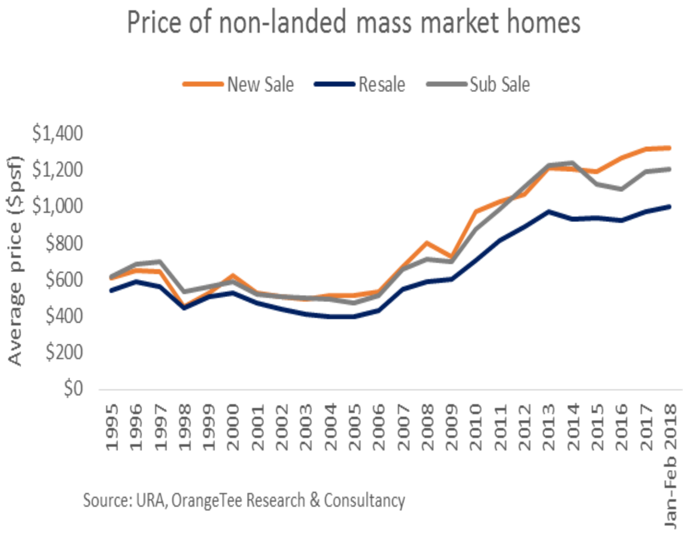
As prices are expected to trend even higher this year; owing to higher land cost, stronger economic growth and increasing housing demand, many may wonder if a housing bubble is forming now?

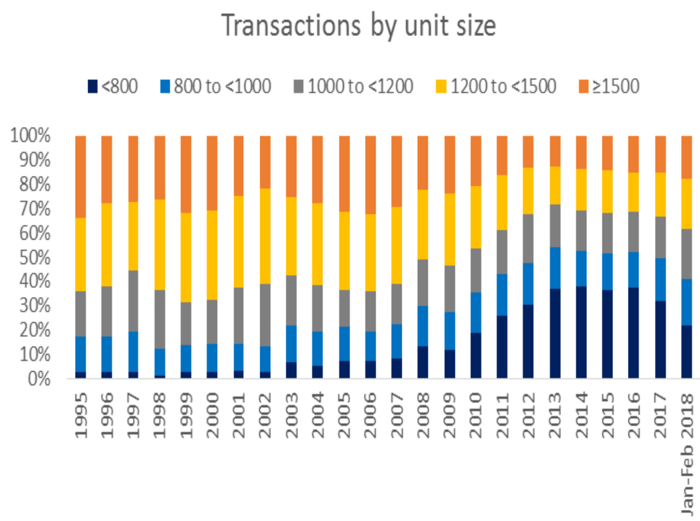
Probably not. The overall transaction volume in 2017 and Jan-Feb 2018 is still much lower than the previous peaks. Various pre-emptive measures like the TDSR (Total Debt Servicing Ratio) and Seller's Stamp Duty are in place to stabilise the market while factors that fuelled the property bubbles in 2007 and 2010 are notably absent – high volume of sub-sales (an indicator of speculative activity), many overstretched borrowers and influx of foreign buyers.

For instance, while the overall prices have escalated in recent months, the number of transactions remained low as compared to the high volume seen in 2007 and 2010-2013. 2,357 caveats (451 CCR, 837 RCR and 1,069 OCR) were lodged in the first two months of 2018, lower than the last 10-year average of 2,542. It is also much lower than the average 4,143 units seen between 2010 and 2013. Further, only 1.6% of the total transactions in Jan-Feb 18 were sub-sales, much lower than the last 10-year average of 8.7%.

These observations indicate that the soaring prices are unlikely to spark a housing market collapse in the near future.

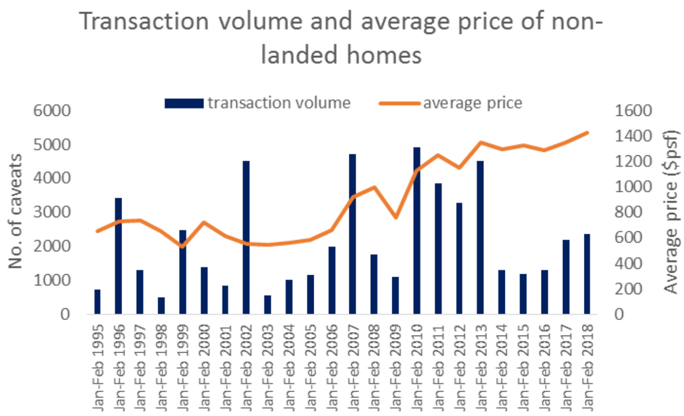






Outlook

Going forward, more developers are expected to fast-track their new project launches to ride on the current sales momentum. Given that prices of recent Government Land Sales and collective sales have been on the rise, we can expect prices of new launched homes to rise further this year possibly between 10 to 15 percent. Prices for the overall non-landed market could rise by 5 to 10 percent by end of 2018.



Best Selling Projects in Jan-Feb 18

	Project Name	No. of Units Sold in Jan-Feb 18	Average Price in 2017 ($psf)	Average Price in Jan-Feb 18 ($psf)	% Change in Average Price
High-end	NEW FUTURA	35	NA	3,227	NA
	MARTIN MODERN	16	2,254	2,656	18%
	SOPHIA HILLS	13	2,008	2,189	9%
	MARINA ONE RESIDENCES	11	2,423	2,461	2%
	THE INTERLACE	11	1,024	1,149	12%
	CARIBBEAN AT KEPPEL BAY	9	1,485	1,585	7%
	GRAMERCY PARK	9	2,822	3,153	12%
	REFLECTIONS AT KEPPEL BAY	8	1,660	1,849	11%
	THE NASSIM	7	3,218	3,179	-1%
Mid-tier	QUEENS PEAK	62	1,686	1,738	3%
	GEM RESIDENCES	60	1,518	1,534	1%
	HIGHLINE RESIDENCES	50	1,885	1,953	4%
	ARTRA	44	1,672	1,726	3%
	SEASIDE RESIDENCES	36	1,721	1,706	-1%
	NEEM TREE	28	1,642	1,650	0%
	PARC RIVIERA	19	1,244	1,241	0%
	THE CLEMENT CANOPY	16	1,371	1,532	12%
	STURDEE RESIDENCES	15	1,529	1,575	3%
Mass Market	SYMPHONY SUITES	68	1,049	1,084	3%
	KINGSFORD WATERBAY	65	1,238	1,378	11%
	PARC BOTANNIA	58	1,283	1,276	-1%
	GRANDEUR PARK RESIDENCES	41	1,389	1,504	8%
	SIMS URBAN OASIS	26	1,401	1,499	7%
	THE ALPS RESIDENCES	20	1,065	1,113	5%
	THE NAVIAN	15	1,556	1,587	2%

Please contact us for further enquiries

OrangeTee & Tie

Research and Consultancy

Steven Tan
Managing Director
Executive Office
+65 6303 2999
steven.tan@orangetee.com

Emily Eng
Director
Residential Services
+65 6303 2997
emily.eng@orangetee.com

Christine Sun
Head
Research and Consultancy
+65 6303 2662
christine.sun@orangetee.com

John Tay
Research Analyst
Research and Consultancy
+65 6303 2662
john.tay@orangetee.com