

Private Residential Market

Property demand to be fueled by low yield environment

28 October 2016

Prices fall larger than expected

Overall private residential prices registered a q-o-q drop of -1.5%, marking the largest quarterly fall in prices since 2Q09. By submarket, Core Central Region (CCR) non-landed prices fell 1.9%, followed by the Rest of Central Region (RCR) and the Outside Central Region (OCR) which both fell 1%. The deeper fall in CCR prices could be due to the inclusion of benefits by delicensed projects in the index.

The fall in prices was broad based, with prices in all 3 regions falling by 1% and above. This suggests that the fall in prices is largely due to a reflection of market conditions. Overall market conditions remain weak and can be easily swayed by negative developments in the economy and the job market.

Resale volumes up as prices fall

In the midst of falling prices, resales volumes have picked up, with 2,477 private residential units sold in 3Q16 compared to 2,140 units sold in the previous quarter, representing an increase of 15.7%. On a YTD basis, resale volumes have risen 26.8%, compared to the corresponding period in 2015. Demand in the resale market has increased on the back of lower prices.

Developer sales fell 12.2% q-o-q, with 1,981 units sold in 3Q16 compared to 2,256 units in 2Q16. The fall in sales can be attributed to the lower number of launches.

Tenant's market continues to prevail

On the rental front, island-wide non-landed rents continue to fall as well, registering a 1.4% q-o-q decline. Rents in all markets saw a drop in rental, with CCR, RCR and OCR rents falling 1.4%, 0.6% and 2.4% respectively. Outlook for the rental market remains gloomy given the substantial number of upcoming completions, impact of a slowing economy on the job market and restrained inflow of foreigners.

Demand for property expected to remain resilient

Prices fell further than expected in 3Q2016, throwing into doubt the supposed stabilisation of the market. This contrasts with encouraging sales performances from recent launches and stronger resale volumes.

The low-interest rate environment may continue to persist, given the headwinds facing the global economy. This would continue to fuel property demand as investors search for yield. Demand may tilt towards the primary market, as the rental market remains soft. But, amidst of falling prices and rents, bargains should surface on the resale market, and investors with holding power should be able to pick up a good deal.

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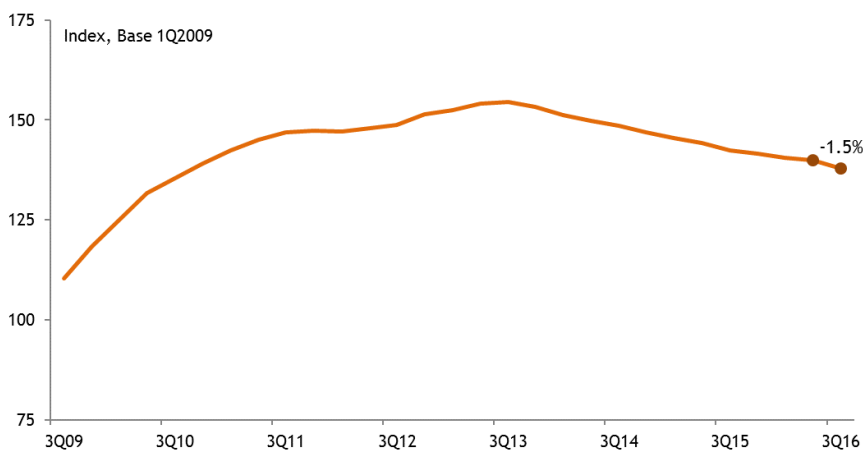
Exhibit 1: Key indicators

Indicators	2Q16	3Q16
Economy (year on year growth, %)		
GDP at 2010 prices	2.0	0.6
Property Market Indicators		
Overall property price index	140.0	137.9
Q-o-q change (%)	-0.4	-1.5
Overall rental index(non-landed)	107.3	105.8
Q-o-q change (%)	-0.2	-1.4
Overall occupancy (%)	91.1	91.3
Q-o-q change (%age points)	-1.4	0.2

Note: 3Q16 GDP figures are advance estimates.

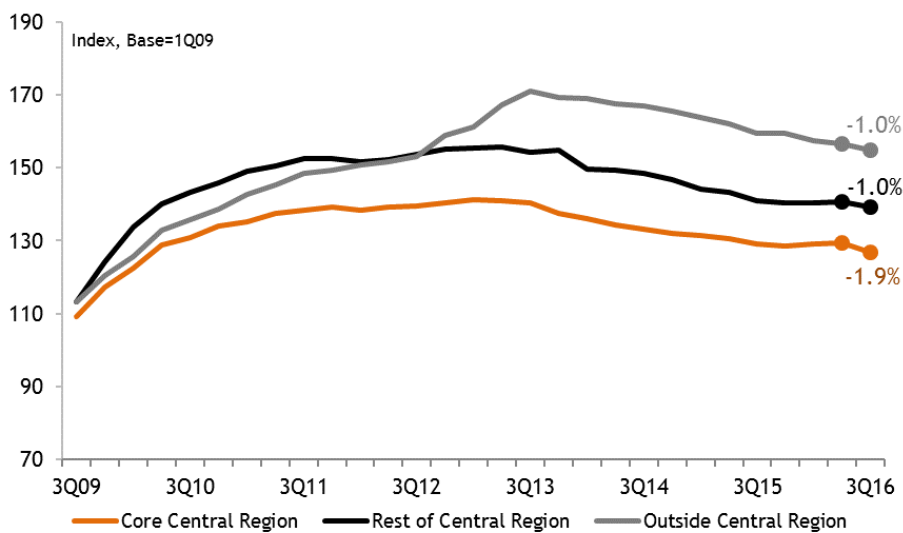
Source: URA, MTI, OrangeTee Research

Exhibit 2: Private Residential Property Price Index (RPPI)



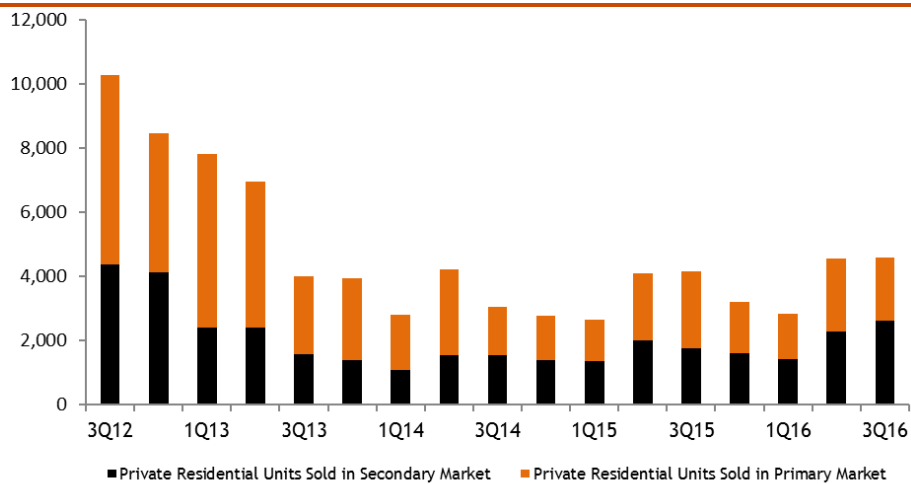
Source: URA, OrangeTee Research

Exhibit 3: Non-landed RPPI, breakdown by region



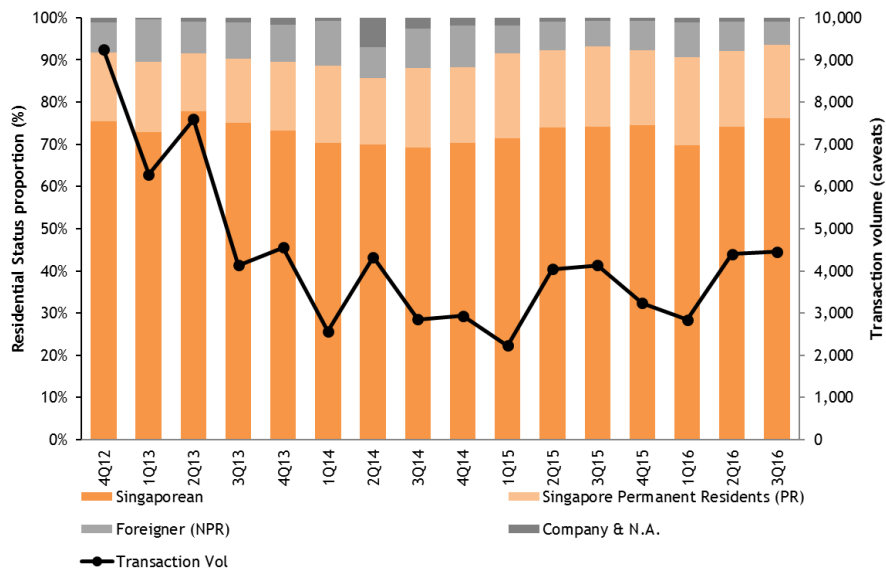
Source: URA, OrangeTee Research

Exhibit 4: Private residential units sold in primary and secondary market



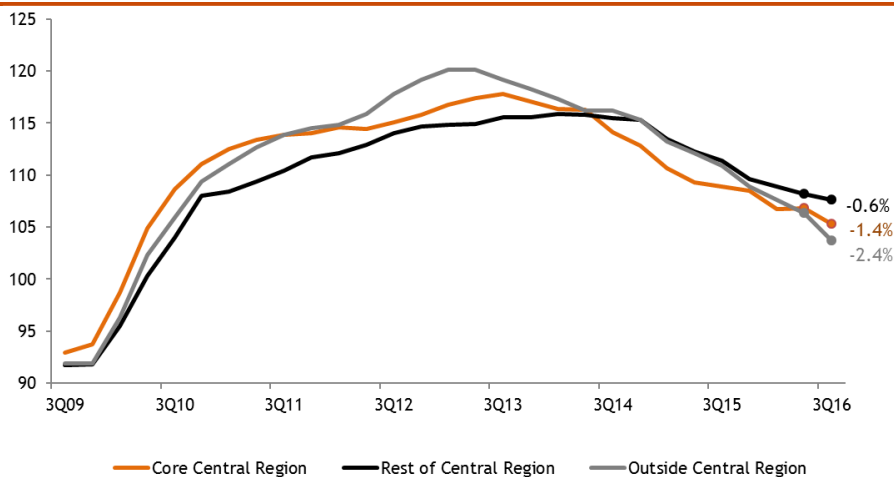
Source: URA, OrangeTee Research

Exhibit 5: Private Residential Property Sales(based on caveats), breakdown by residential status



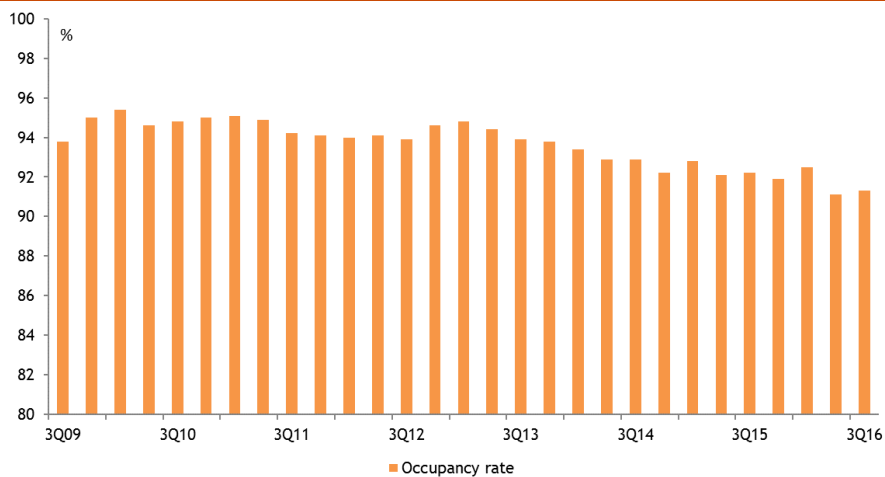
Source: URA, OrangeTee Research

Exhibit 6: Private Residential Property Rental Index, breakdown by region



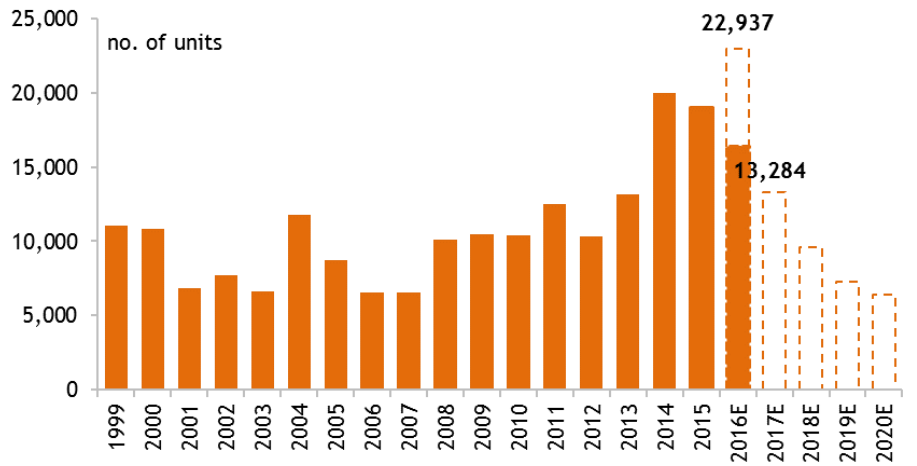
Source: URA, OrangeTee Research

Exhibit 7: Occupancy rate, island wide (%)



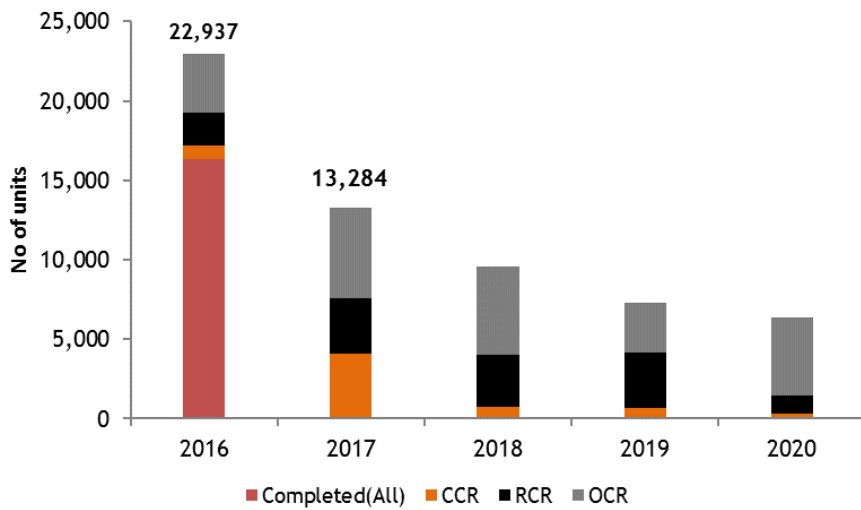
Source: URA, OrangeTee Research

Exhibit 8: Expected completions



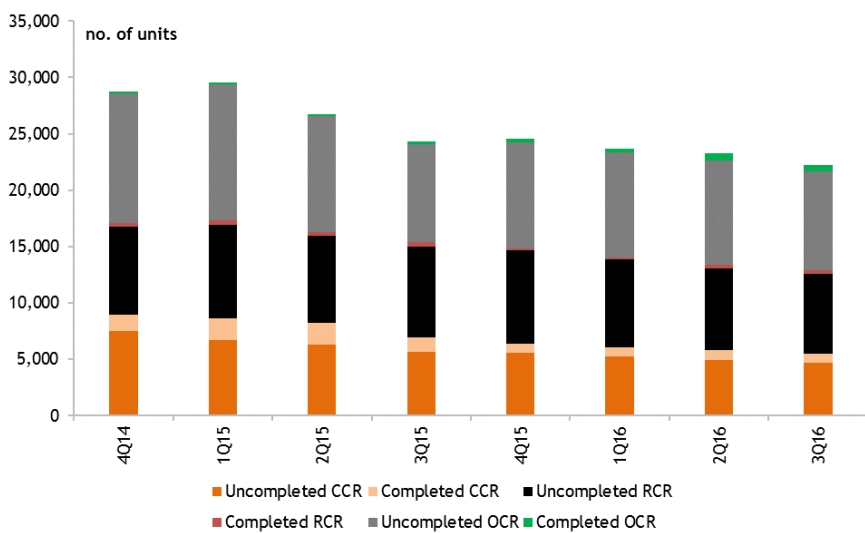
Source: URA, OrangeTee Research

Exhibit 9: Expected completions, by market segments



Source: URA, OrangeTee Research

Exhibit 10: Private residential units unsold



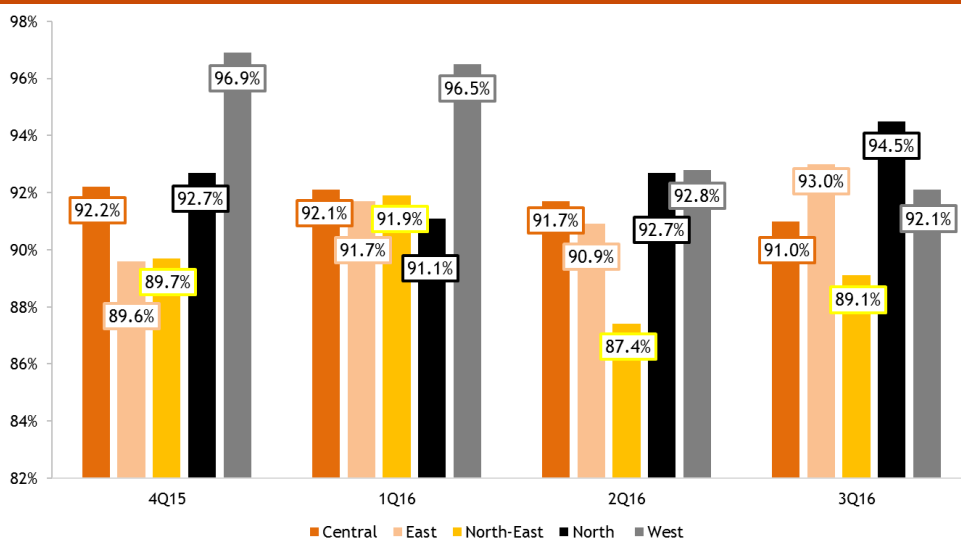
Source: URA, OrangeTee Research

Exhibit 11: Private non-landed residential supply in the pipeline breakdown by planning areas as at 3Q16

Planning Area	Existing Stock	Incoming Supply	Planning Area	Existing Stock	Incoming Supply	Planning Area	Existing Stock	Incoming Supply
Central			East			North East		
Bukit Merah	9,533	2,964	Bedok	27,850	3,150	Ang Mo Kio	4,383	912
Bishan	6,749	328	Pasir Ris	11,906	2,748	Hougang	11,510	1,931
Bukit Timah	18,925	597	Tampines	8,041	1,223	Punggol	2,640	992
Downtown Core	4,743	3,253	West			Sengkang	4,874	2,440
Geylang	13,747	2,592	Bukit Batok	10,763	582	Serangoon	7,990	1,487
Kallang	13,273	1,083	Bukit Panjang	6,079	546	North		
Marine Parade	10,177	823	Choa Chu Kang	3,657	-	Sembawang	1,383	-
Museum	935	135	Clementi	7,543	2,222	Woodlands	2,422	-
Newton	7,307	538	Jurong East	2,480	738	Yishun	3,946	1,888
Novena	14,199	727	Jurong West	4,112	1,406	Note: Some planning areas have been omitted in this dataset		
Outram	1,399	56						
Orchard	1,911	499						
Queenstown	7,556	1,896						
Rochor	3,300	839						
River Valley	9,771	881						
Singapore River	4,747	-						
Tanglin	13,212	434						
Toa Payoh	5,810	2,443						

Source: URA, OrangeTee Research

Exhibit 12: Occupancy rates, breakdown by region (%)



Source: URA, OrangeTee Research