

May developer sales above-trend

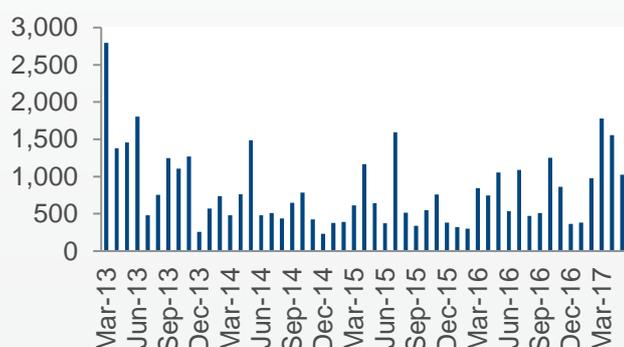
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Private home sales by Singapore property developers in May 2017 fell 34% MOM and 3% YOY to 1,024 units. This is still above the average monthly sales of 733 since June 2013, and we consider this a continuation of the positive momentum we have witnessed since February given a lack of major launches in May. Developers had instead focused on replenishing their landbanks in May and June. They bid or acquired seven land sites, via collective sales and government land sales, that would generate approximately 5,000 homes. Land prices were mostly bullish, signalling a more optimistic outlook over the next 9-18 months.

Excluding Executive Condominiums (ECs), May developer sales declined 34% MOM to 1,024 units, due largely to a lack of major launches, but was still trending above the average of 733 units since June 2013.

Ongoing projects received renewed interest, bringing year-to-May 2017 primary sales to 5,544 units, 72% above the 3,220 sold in Jan-May 2016.

Monthly developer units sold (excluding ECs) in May: -34% MOM, -3% YOY



Source: URA, Colliers International Singapore Research

CCR sales picked up

By market segment, the Outside Central Region (OCR) continued to make up most of the developer sales with 60% of total take-up in May. OCR sales fell 36% MOM to 617 units. Sales at the Rest of Central Region (RCR) also fell 39% MOM to 341 units, as April recorded a new launch - **Artra**. Core Central Region (CCR) sales doubled MOM to 66 units, as sales at **Sophia Hills** and **Victoria Park Villas** picked up. **Victoria Park Villas** launched 30 units in May and sold 12 of them at a median price of SGD1,752 (USD1,251) psf. This price represents an attractive 12.5% discount from the average median transacted price of SGD2,000 (USD1,429) psf between July 2016 and March 2017.

Launch and take-up by market segment (excluding ECs)

| Market segment | Launch | | | Sold | | |
|----------------|--------|--------|---------|--------|--------|---------|
| | May-17 | Apr-17 | Chg MOM | May-17 | Apr-17 | Chg MOM |
| CCR | 30 | - | N.M. | 66 | 30 | 120% |
| RCR | 154 | 336 | -54% | 341 | 558 | -39% |
| OCR | 155 | 1,280 | -88% | 617 | 967 | -36% |
| | 339 | 1,616 | -79% | 1,024 | 1,555 | -34% |

CCR: Core Central Region; RCR: Rest of Central Region; OCR: Outside Central Region

Source: URA, Colliers International Singapore Research

Sales momentum kept up in some earlier-launched projects

There was only one new launch in May -- **Watercove**, a 60-unit strata-landed project in the far northern end of Singapore, within the landed enclave in Sembawang. 16 units were sold at a median price of SGD744 (USD531) psf or SGD2.6 (USD1.9) million per unit.

New launch in May 2017

| Project Name | Street Name | Developer | Property Type | Market segment | Total No of Units |
|--------------|------------------|-----------------------------|---------------|----------------|-------------------|
| Watercove | Wak Hassan Drive | Sembawang Estates (Pte) Ltd | Strata-Landed | OCR | 80 |

CCR: Core Central Region; RCR: Rest of Central Region; OCR: Outside Central Region

Source: URA, Colliers International Singapore Research

The two new launches in April, namely **Seaside Residences** and **Artra** saw sales slow to 32 and 26 units in May, from 419 and 126 units sold in April respectively. Their sell-through rates are now 53% and 36% respectively. The median price for **Seaside Residences** declined from SGD1,736 (USD1,240) psf to SGD1,636 (USD1,169) psf in May, probably due to fewer sea-facing choice units. The median price for **Artra** remained stable at SGD1,682 (USD1,201) psf compared to SGD1,646 (USD1,176) psf in April.

We have seen consistent interest in Executive Condominiums (EC). The top seller in May was **Sol Acres**, the largest EC in Singapore, with 1,327 units. It sold a further 122 units in May after 147 units in March, the highest monthly sales since its launch in August 2015. Median prices for **Sol Acres** have remained largely stable within a range of SGD770-800 (USD550-571) psf since its launch. **The Visionaire EC**, which was launched in May 2016, saw renewed interest since February 2017, and sold 53 units in May, bringing the take-up to 70% of total 632 units.

Top 10 selling projects in May 2017

| Project Name | Address | Type | Market segment | Units sold in month | Median price (\$psf) | Total % sold |
|--------------------------|-------------------------|----------------------------|----------------|---------------------|----------------------|--------------|
| Sol Acres | Choa Chu Kang Grove | EC | OCR | 116 | 794 | 91% |
| Parc Riviera | West Coast Vale | Non-Landed | OCR | 83 | 1,246 | 72% |
| The Santorini | Tampines Street 86 | Non-Landed | OCR | 64 | 1,022 | 83% |
| Commonwealth Towers | Commonwealth Avenue | Non-Landed | RCR | 53 | 1,841 | 80% |
| Kingsford Waterbay | Upper Serangoon View | Strata-Landed / Non-Landed | OCR | 51 | 1,162 | 61% |
| Sims Urban Oasis | Sims Drive | Non-Landed | RCR | 51 | 1,387 | 76% |
| The Alps Residences | Tampines Street 86 | Non-Landed | OCR | 47 | 1,032 | 74% |
| Principal Garden | Prince Charles Crescent | Non-Landed | RCR | 40 | 1,638 | 77% |
| Grandeur Park Residences | Bedok South Avenue 3 | Non-Landed | OCR | 39 | 1,319 | 75% |
| The Visionaire | Canberra Drive | EC | OCR | 39 | 818 | 75% |

EC: Executive Condominiums: a hybrid of public and private housing CCR: Core Central Region; RCR: Rest of Central Region; OCR: Outside Central Region
Source: URA, Colliers International Singapore Research

Sales momentum at earlier-launched private projects has continued, with some projects accelerating in May. 752-unit **Parc Riviera**, which was launched in November

2016 and only sold a lacklustre 128 units at the time, has picked up pace since February 2017 and has sold 83 units in May 2017 at a median price of SGD1,246 (USD890) psf, bringing the total take-up to 72%.

The Santorini, at Tampines, also saw sales momentum continue, having sold 51 units in February 2017, 60 units in March 2017, 75 units in April 2017, and a further 64 units at a median price of SGD1,022 (USD730) psf in May, bringing the total take-up to 83%.

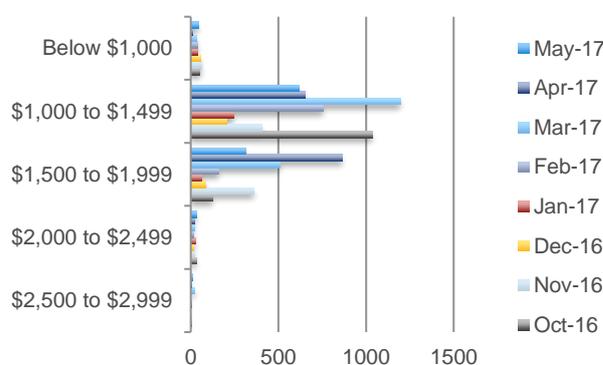
Commonwealth Towers, launched in May 2014, sold 53 units in May 2017 at a median price of SGD1,841 (USD1,315) psf. This price is a jump of 11% from the median price of SGD1,655 (USD1,182) psf achieved in April 2017. This brought the sell-through rate to 80% of 845 units. On the other hand, sales momentum at next-door **Queens Peak** slowed to 19 units at a median price of SGD1,688 (USD1,206) psf from 38 units at a median price of SGD1,696 (USD1,211) psf in April. It is now 50% sold out of a total 736 units.

Most sales at sweet spot price points SGD1,000-1,499psf in May

61% of the developer sales were done at median price points of SGD1,000-1,499 (USD714-1,071) psf in May. 31% of the sales were at SGD1,500-1,999 (USD1,071-1,428) psf. We believe the sweet spot for investors or first-time buyers remains at a quantum price of SGD0.8-1.5 (USD0.6-1.1) million per unit.

We note that the number of units that crossed SGD2,500 (USD1,785) psf have increased to 10 in May from six in April 2017 due to the increase in sales at prime **Cairnhill Nine** which is now over 94% sold.

Price range: sweet spot of SGD1,000-1,499psf



Source: URA, Colliers International Singapore Research

Launches in H2 2017

We expect developers to restart launches in July, from mass market to high-end launches. We estimate more than 2,500 non-landed units from six major projects in earlier government land sales could be launched over the rest of the year.

Martin Modern, a 450-unit project by GuocoLand, is planned for launch in H2 2017. The site was won at the government land sales in July 2016 at SGD1,239 (USD885) psf ppr. We expect the launch price to be no less than SGD2,300 (USD1,643) psf.

Le Quest, a mixed residential and retail at Bukit Batok West Avenue 6 by Qingjian is also ready for launch. It has 516 residential units.

Other sites that could be launched in H2 2017 include Fernvale Road residential site (by Sing Development/Wee Hur), and Margaret Drive site (by MCL Land). The Perumal Road site and West Coast Vale sites awarded in Q1 2017 may also be ready for launch by end-2017.

ECs that could be launched in next few months include the **Hundred Palms EC** at Yio Chu Kang Road site and in H1 2018, the Anchorvale Lane site, both by Hoi Hup.

Potential launches in 2018-2019

2018 could feature approximately 2,000 units redeveloped from collective sale or private sites that were completed in 2016 such as Raintree Gardens in Potong Pasir, Shunfu Ville, and 45 Amber Gardens. In addition, with the recent slew of landbanking exercises, developers have stocked up land that could build approximately 5,000 homes and these could be launched in 2018-2019.

Collective sales in May to mid-June

After three collective sales of just over SGD1 (USD0.7) billion in 2016, there had been none in Q1 2017. However, four collective sales of SGD1.5 (USD1.1) billion were closed within one month since early May.

- > 4 May, Lum Chang bought One Tree Hill Gardens for SGD65 (USD46) million, below the owners' asking price of SGD72.8 (USD52) million. This translates to a land rate of SGD1,664 (USD1,189) psf, based on the site area of 39,063 sq ft. The Lum Chang Group intends to redevelop it to residential landed homes for sale.
- > 25 May, a JV formed by Oxley, KSH, Lian Beng and Super's Teo family bought the Rio Casa site at Hougang for SGD575 (USD411) million. Including an estimated SGD208 (USD149) million for the lease

top-up to 99 years and the development charge to develop to a plot ratio of 2.8x, we estimate the land cost works out to SGD706 (USD504) psf ppr over the maximum GFA of 1.1 million sqft. Over 1,300 homes could be built.

- > 25 May, BBR bought Goh & Goh Building (comprising apartments and retail units) along Upper Bukit Timah Road for SGD101.5 (USD73) million or SGD1,096 (USD783) psf ppr. Subject to the buyer's payment of a development charge, the site can potentially yield about 100 residential units and a level of retail shops on the ground floor, taking into account the permissible gross floor area of 92,622 sq ft.
- > 1 June, in the third biggest collective sale in Singapore, Hongkong Land's fully-owned unit MCL Land beat seven other bidders to clinch the Eunosville site through a collective sale, at a price of SGD765.78 (USD547) million. This works out to a unit land price of SGD909 (USD649) psf ppr inclusive of an estimated SGD194 (USD139) million payable to the state to enhance the intensity of the site to a gross plot ratio of 2.8x and to top up the site's lease to 99 years. The site has a balance lease term of about 71 years. Eunosville, a former HUDC estate, has 330 units - comprising 255 maisonettes and 75 apartments. A redevelopment of the 376,713 sq ft site could potentially yield over 1,300 units.

Government Land Sales (GLS) in May to mid-June

Developers' ferocious appetite for residential land continues in the government land sales. Large sites proved more popular and Chinese buyers emerged on top in two out of the three sites tendered over the past month.

- > 18 May, a large site at Stirling Road in the Reserve List¹ attracted 13 bids, with the top bid of SGD1,002.7 (USD716) million or SGD1,050.7 (USD750) psf ppr. The joint bid from Logan Property Holdings - a newcomer hailing from China's Guangdong province - and Chinese conglomerate Nanshan Group, sets a new record in the Queenstown city-fringe area.

This was above our expectations of SGD850-950 (USD607-679) psf ppr, and 8.3% above the second top

¹ A site on the Reserve List will be put up for sale through application. The site will be put up for tender if 1) a developer's submitted minimum bid is acceptable to the Government; or 2) if the Government receives sufficient market interest for the site i.e. more than one unrelated party has submitted a minimum price that is close to the Government's Reserve Price, within a reasonable period.

bid of SGD925.7 (USD 661) million from MCL Land, signalling the determination of the foreign newcomers to enter the Singapore market.

However, the second to 11th bid of SGD861-970 (USD615-693) psf ppr by local and two other Chinese developers were closer to our expectations and within a narrow 13% margin. This suggests some consensus in the outlook and caution given the huge scale of the development. This is a relatively large site which could house 1,110 units and the scale heightens the risk of developers having to pay the additional buyer's stamp duty (ABSD) i.e. 15% on the land cost if they do not sell all the units within five years. There is also ample unsold supply around it. Nearby **Queens Peak** and **Commonwealth Tower** which are near the Queensway MRT station, still have a combined 535 unsold units, and the nearby yet-to-launch Margaret Drive site could provide another 275 homes.

- > 1 June: a landed site at Hougang Lorong 1 Realty Park saw less enthusiastic bidding, despite the relatively smaller scale. The site which can house 50 landed units closed with 11 bids and a top bid of SGD75.8 (USD54) million or SGD526 (USD376) psf ppr. This is 22% above next highest bid of SGD430 (USD307) psf ppr. The top bidder was Fantasia Holdings, also a China developer, whose maiden foray in Singapore is 6 Derbyshire.
- > 13 June: The first Bidadari commercial and residential site put up for sale by HDB, at Upper Serangoon Road, garnered 12 bids with the top bid of SGD1,132 (USD809) million coming from an equal partnership between Singapore Press Holdings (SPH) and Kajima Development. This translates to SGD1,181 (USD844) psf ppr based on the maximum GFA of 958,450 sq ft allowed for the 99-year leasehold site next to Woodleigh MRT Station. The top bid was 1.3% higher than the second-highest bid - from a tie-up between Far East Organization and Sekisui House. We consider this a

bullish bid as it was about 50% higher than the SGD775 (USD554) psf ppr that MCC Land paid back in August 2014 for The Poiz Residences and The Poiz Centre site next to Potong Pasir MRT Station, a MRT station away, towards the city. The Poiz is currently 92% sold out of 731 units, with a selling price of SGD1,400-1,500 (USD1,000-1,071) psf since launch in November 2015.

The new site is estimated to yield 875 homes and a maximum of 15,000 sqm for shop and restaurant uses. As a guide, nearby private homes in 8@Woodleigh, Parc Mondrian, Avon Park and Blossoms@ Woodleigh had transacted at average prices of SGD1,200-1,300 (USD857-929) psf in January-May 2017. Nex, the largest shopping mall in the northeast region of Singapore and a stop away at Serangoon MRT station, was last transacted at SGD2,679 (USD1,914) psf in July 2012.

There are also other conditions for the development including integration with a community club, which should be at least 6,000 sq m, and a neighbourhood police centre that must occupy at least 2,190 sq m. The development must include a commercial bridge to Bidadari Park as well.

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