

Latest information on local sale
and rental market

2021 Q1 PRIVATE RESIDENTIAL MARKET REPORT

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ECONOMY OVERVIEW

The Singapore economy contracted 5.4% in 2020 due to Covid-19, but is slated to make a better-than-expected recovery this year where GDP could exceed 6%, according to the Monetary Authority of Singapore (MAS) on 28 April. In the short run, economic prospects are bright due to strengthening external demands, where upside risks to growth include a strong upturn in the global electronics cycle and downside risks include the mutation of the virus and efficacy of vaccination.

In 2020, the economy held up despite non-visibility and uncertainty in the market where vaccinations were yet to be available. Following the unexpected resilience in residential property amidst the novelty of the pandemic last year, there is great confidence in the residential market this year as Singapore is seemingly en route to its recovery from the Pandemic. 25% of Singapore's population has been fully vaccinated. Singapore is also leveraging on the opportunity to become a regional vaccine distribution hub with the preparation of adequate cold chain management infrastructure given the strict temperature-sensitive requirements for the vaccines. This can boost Singapore's relevance and importance in the region, further strengthening its foothold and assuring investors of the stability and competence of the country.

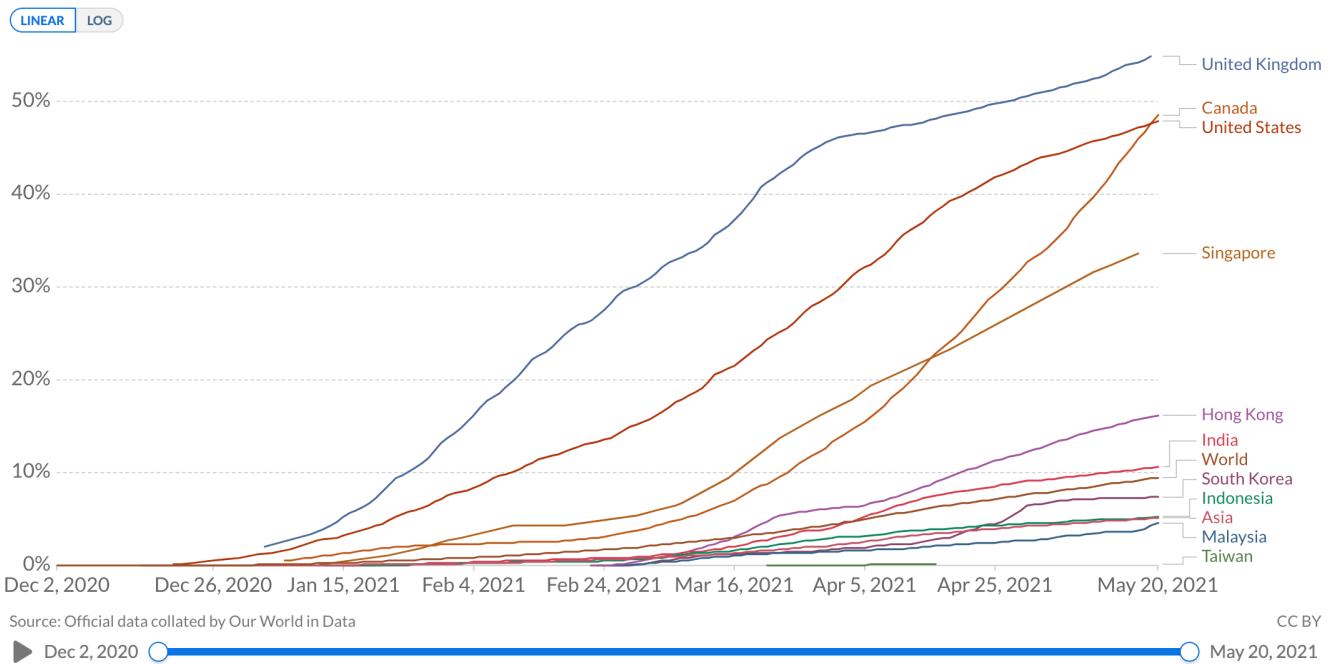
COVID-19 AND VACCINATION RATES

More than one-third of Singapore's population have received at least one dose of the COVID-19 vaccine. With vaccine supplies remaining stable, the country is on track to cover 4.3 million people with the first dose by end-July this year.

Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.

Our World
in Data



Singapore is ahead in vaccination coverage of its population as compared to her regional neighbors - promising a faster recovery of her economy relative to the other countries in the region. Even with the recent resurgence of COVID-19 cases in Singapore, where the country has re-entered a nationwide mandate of heightened restrictions on social activities, the government's proactive management of the situation is believed to be capable of riding the country out of the crisis quickly.

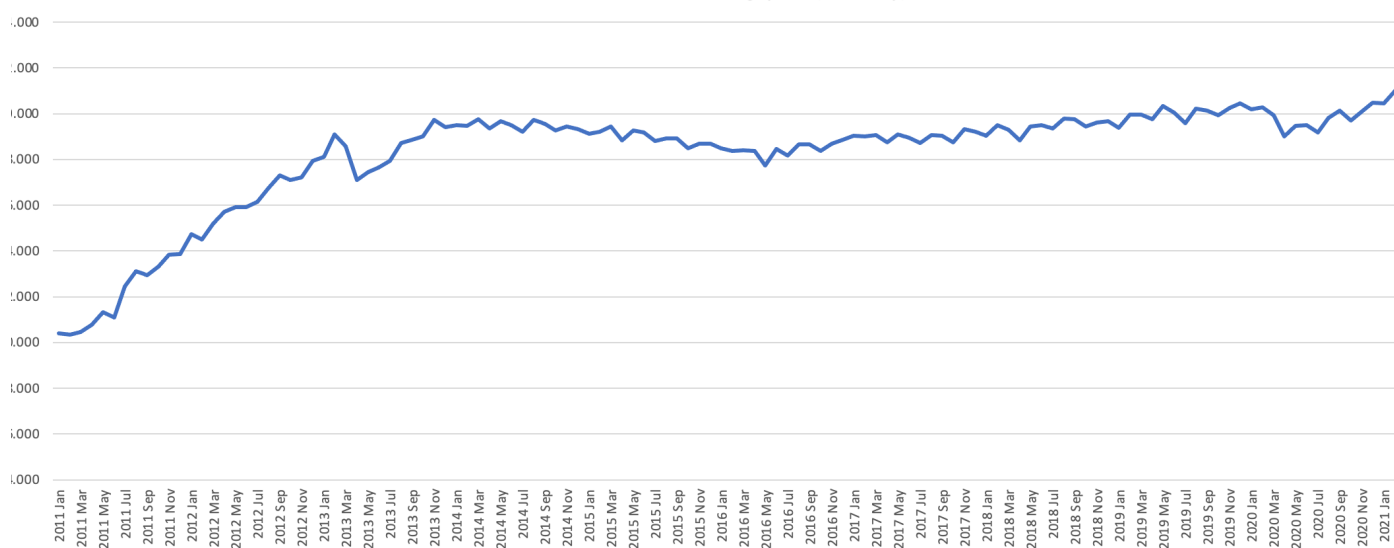
INFLATION

As for inflation, Singapore's core inflation turned positive for the first time in a year, indicating a gradual recovery of the economy, due to an increase in services costs and food inflation. Domestic inflationary pressures come from higher wages and transportation costs. Together with the expected recovery in global oil prices, external inflation is also likely to increase.

CONSUMER PRICE INDEX

The consumer price index is on the rise, reflecting strong consumer demand in Singapore which could potentially mean more private home buyers among Singaporeans. According to the Ministry of Trade and Industry (MTI), core inflation is estimated to average 0 to 1% in 2021, while headline inflation is projected between -0.5% to 0.5%. To facilitate the gradual recovery in inflation, the Monetary Authority of Singapore (MAS) is likely to retain an accommodative policy stance in 2021, such as by keeping interest rates low.

Consumer Price Index, Singapore (monthly)



SOURCE: DATA.GOV.SG

INTEREST RATES

Singapore's interest rate is pegged to the United States (US) Federal Reserve's federal fund's rate, which has been kept near zero since March 2020. This trend is expected to be maintained through 2021, with the Fed signaling their intention to hold rates near zero through at least 2023. Thus, the likelihood of interest rates remaining low now till the foreseeable future is high, signaling the great potential to invest in Singapore's residential market given the lowered cost of borrowing.

Taking these aforementioned factors into consideration, this could translate to lower interest rates in the long term, lowering the opportunity cost of investing in real estate properties such as in the residential market.

INVESTOR CONFIDENCE REMAINS STAUNCH

NOTABLE MNCS SETTING REGIONAL HEADQUARTERS IN
SINGAPORE DESPITE THE PANDEMIC INDICATES INVESTOR
CONFIDENCE IN SINGAPORE



TENCENT
CHINA



RAZER
SINGAPORE - AMERICAN



BYTEDANCE
CHINA

Despite the pandemic's nature of volatility, investor confidence remains steadfast as evident by the multiple multinational corporations that have poured into our local market, making the conscious choice to set their regional headquarter in Singapore amidst the Pandemic.

Singapore's long-standing reputation of a transparent and efficient government, a comprehensive and corporate-friendly taxation system, and high quality of life allow her to maintain its stance as a safe haven for foreign investment to take place.

Such a move spearheaded by these notable MNCs will likely inspire other MNCs, companies, and start-ups to do the same, thereby generating a pull effect, attracting diverse walks of individuals in the region into Singapore for career opportunities.

This paints a promising forecast for Singapore's economic recovery, has also translates into a positive impact on residential real estate demand.

RESIDENTIAL SALE MARKET

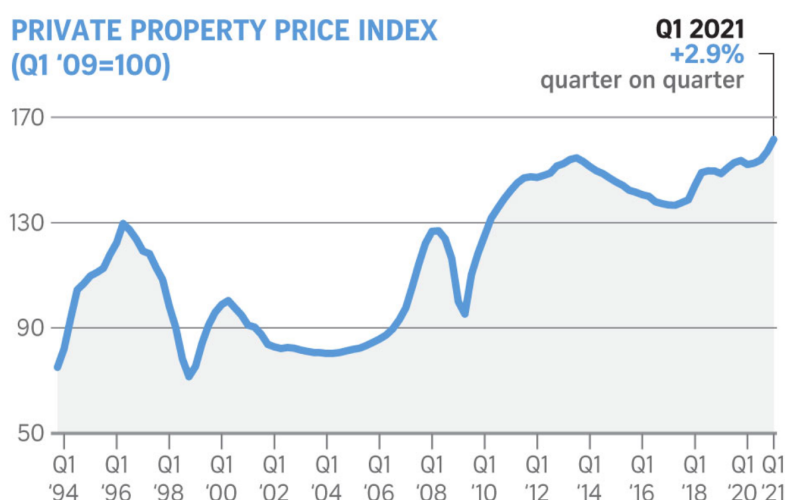
FORECAST

Following strong demand and investors' confidence, sale prices and transaction volumes are likely to further increase for residential properties in Singapore despite the resurgence in Co-vid19 cases in the second quarter of 2021 that has disrupted plans such as the travel bubble with Hong Kong.

The looming possibility of a second lockdown in Singapore did not dampen investors' confidence as the private residential market continues to set new highs as evident in the recent sale of a Good Class Bungalow at Cluny Hill at a record high of \$63.7million (\$4,291 psf) - indicative of a promising market ahead.

BUYER PROFILE

The bulk of private homes in Singapore is bought by Singaporeans, which is 80.2% as of 2020. Additionally, the plausible round of cooling measures might cause an increase in stamp duties for foreigners. Hence, purchases by the Chinese declined to 215 in 2020 but we expect the middle class and upper class Chinese buyers to still flock to Singapore due to the country's political, financial and legal stability.



Source: URA

Private home prices in Singapore rose for a fourth consecutive quarter, increasing by 2.9% in 1Q21, leading to speculations of another round of cooling measures. This is the steepest quarterly increase since 2Q18, when private residential prices increased by 3.4% which was then followed by cooling measures in July that year. Prices jumped by 6.2% year on year.

The prices in 1Q21 and 2Q21 are believed to be closely watched and a stronger hike in home values may trigger new cooling measures to keep the prices in check.

SUPPLY

Given the strong performance of the residential market in 2020, the year ended off well with 9,982 new properties sold, and 10,729 resale units, both outperforming the previous year. This sales performance would likely cause developers to capitalize on this sales momentum to clear their remaining project inventory this year.

There is an estimate of 30 projects consisting of 7,940 units for sale this year. The lack of major launches in 1Q21 could stem from delays from the construction sector, where there is a backlog of projects coupled with manpower shortages and rising material costs, which could squeeze developers' margins. The current stock of prime residential units stands at 59,910.

In 2020, only 22% of the launches were in the outside central region (OCR), granting OCR a higher potential for capital appreciation compared to CCR and RCR in the face of depleting developers' land banks.

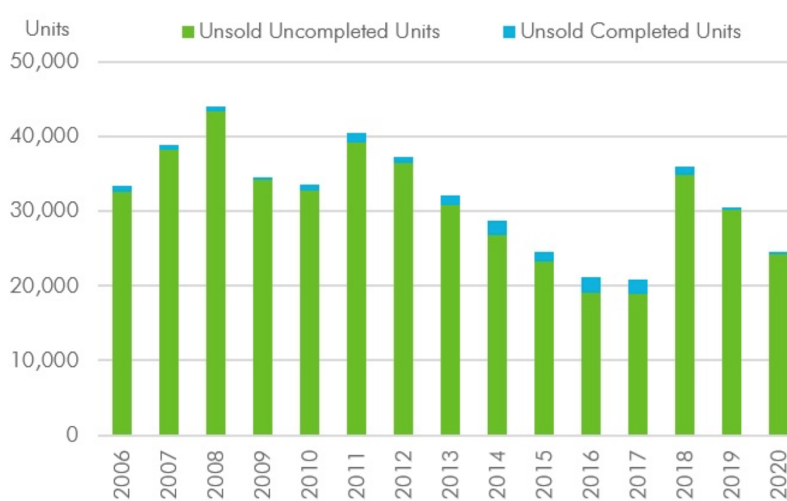


EN BLOC MARKET

The dormant en bloc market and limited land released by the government through Government Land Sales (GLS), have led to a decrease in amount of unsold residential units (completed and uncompleted) as of 2020.

Developers will be eager replenish their land banks by purchasing collective sale sites, contributing to the heat of the en bloc market.

Maxwell House, sold en bloc to Chip Eng Seng and Singhaiyi for S\$276.8 million, above the S\$268 million asking price is indicative of the heightened demand in the en bloc market, foreshadowing more successful en blocs to come.



Source: URA REALIS, CBRE Research

DEMAND

in 1Q21, prime home sales rose moderately and two collective sale deals were concluded - three 3-storey residential buildings at 2, 4 and 6 Mount Emily Road for S\$18 million and Surrey Point, a freehold 10-storey apartment block for S\$47.8 million.

Another major transaction includes the purchase of all 20 units of EDEN, a freehold residence in District 10, by Want Want Holdings at S\$293 million. Prices of completed private residential properties increased in 1Q21, with a 2.4% capital value growth quarter-on-quarter and an average capital value of \$2,908 psf NLA.



DECENTRALISATION AND GROWTH IN THE OCR

A higher capital appreciation rate is expected in the OCR due to strong demand as illustrated by One-North Eden at Buona Vista who had 85% of its units sold over the virtual launch weekend last month. Sales were strong across all unit types, ranging from S\$1800 to S\$2250 per square foot (psf).

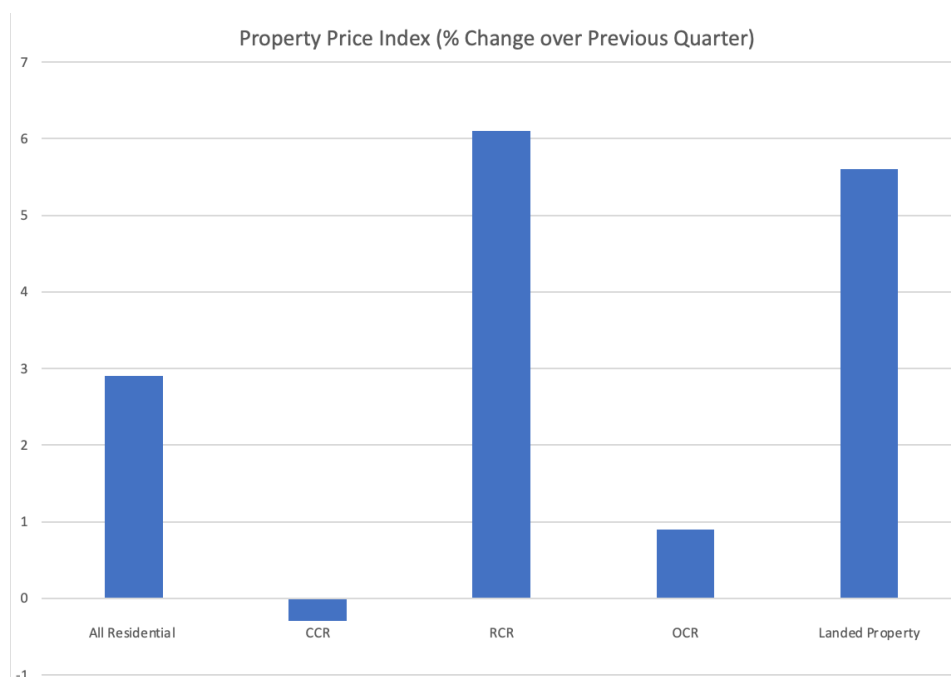
Decentralisation in Singapore open doors to investment opportunities among OCR properties. Local decentralisation efforts have been supported by the government through the reduction of land supply for offices in the CBD while promoting the growth of regional and sub-regional centres outside the city centre, in areas like Jurong, One-North, Paya Lebar and Tampines.

COVID-19 has also accelerated the growth of OCR due to remote work arrangements in efforts to reduce the risk of virus transmission. The fall in need to reside in proximity to the Central Business District (CBD) due to remote working arrangements and upspring of offices spaces in OCR shifts market demand to the OCR where properties are cheaper, thereby boosting demands for properties in OCR.



PROPERTY PRICES

For non-landed properties in the core central region (CCR), prices dipped by 0.3% quarter on quarter. In outside central region (OCR), prices rose moderately by 0.9%. This is due to demand shifts from the higher-priced homes in the CCR. The largest jump is in the rest of central region (RCR) with an increase of 6.1% quarter on quarter.



SOURCE: URA

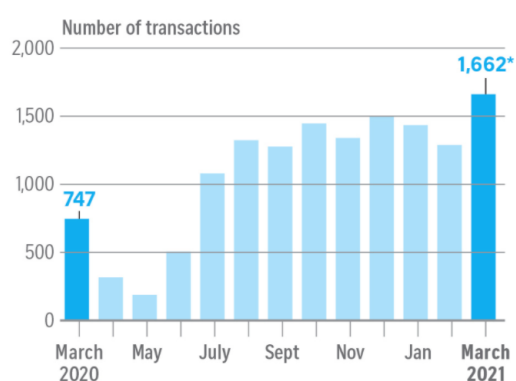
RESALE MARKET

Number of resold condominium units hit a new high in March 2021, in 10 years, with sales rebounding by 28.9% to approximately 1,662 units with homes in the OCR accounting for the largest proportion of the tally.

New launches are expected to be priced higher psf of its NLA compared to resale properties, thus steering demand towards the private residential resale market.

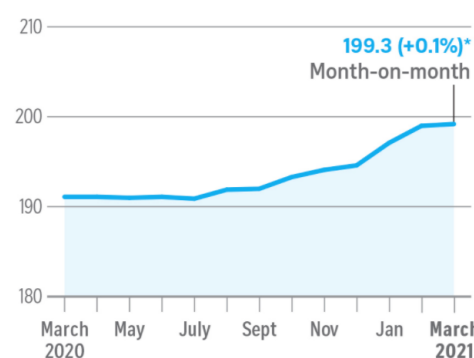
Condo resale market

VOLUME



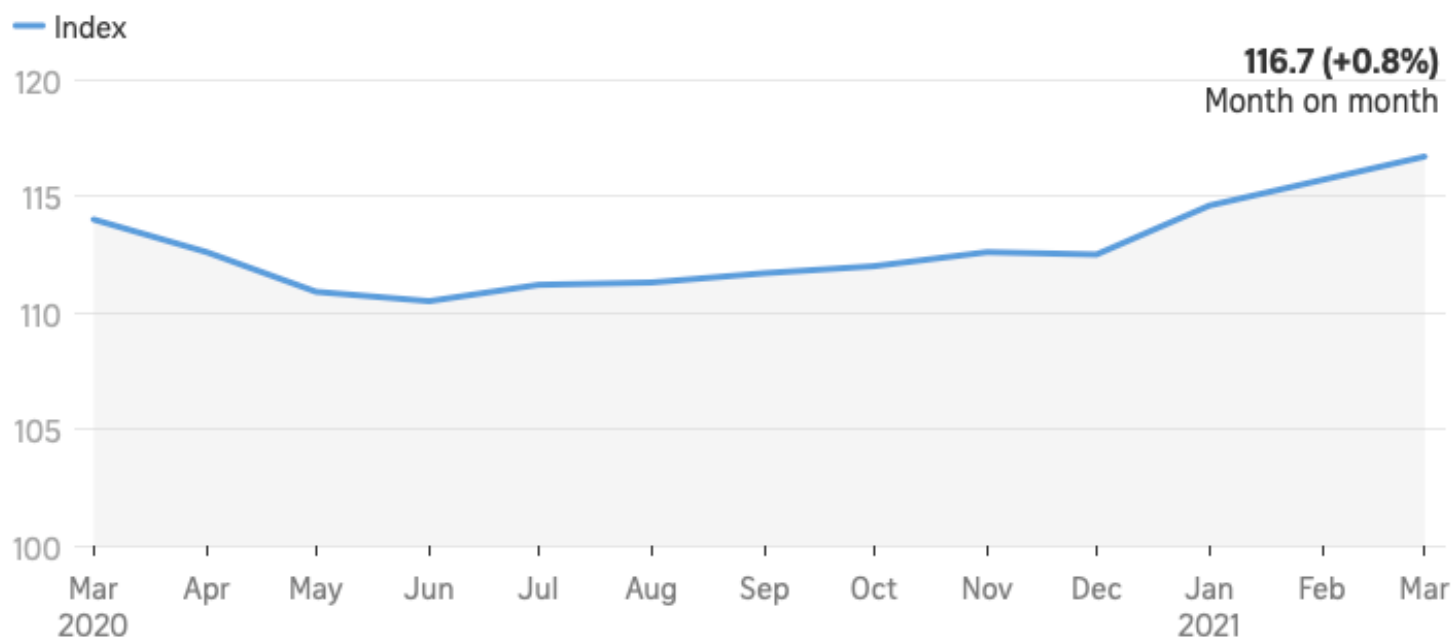
NOTE: *Flash estimate

RESALE PRICE INDEX



Source: SRX STRAITS TIMES GRAPHICS

The overall median capital gain in March 2021 was \$179,500, which was \$24,344 lower than the month before. The highest median capital gain as of March 2021 was in District 21 (Clementi Park/Upper Bukit Timah) with \$380,000 whereas District 8 (Farrer Park/Serangoon Road) had the lowest median capital gain of \$71,080.

Condo rental price

NOTE: Figure for March 2021 is a flash estimate.

Chart: STRAITS TIMES GRAPHICS • Source: SRX

RENTAL MARKET

Rental prices among private residences have been resilient in the face of the Pandemic where its dip in rental rates in May of 2020 recovered swiftly within 2 months.

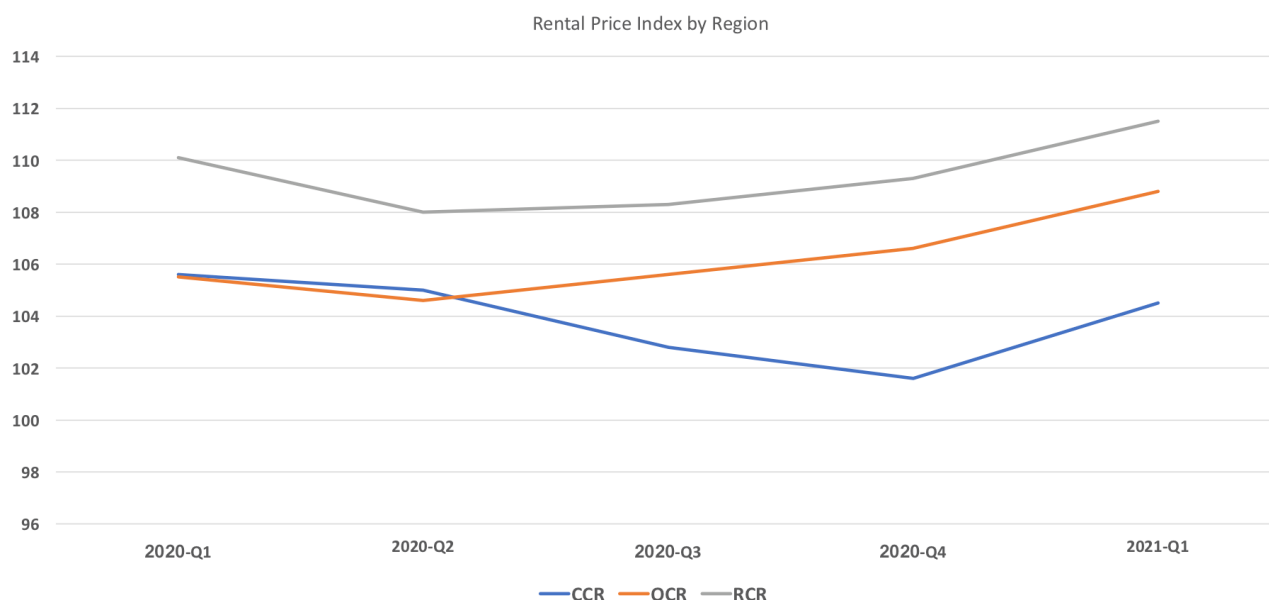
The rental market has also seen a consistent increase in rental prices in the first quarter of 2021 with a month-on-month increase in rental prices.

The depleting vacancies among available properties have allowed landlords to garner greater bargaining power around rental prices, hence generating an upwards pressure on rental rates.

Rental prices now hover around an average of S\$3.57 PSF, indicating a promising albeit a slow growth in the rental market.

Rental Market by Region

A CLOSER ANALYSIS WILL REVEAL THAT EACH SEGMENT OF THE PRIVATE RESIDENTIAL MARKET FACES AN UNEQUAL CHALLENGE



In the last quarter of 2020, it was seen that the CCR has rental rates falling significantly in comparison to the RCR and OCR who have managed to gain a slight increase despite the pandemic.

This may be attributed to several factors including a high rate of job loss amongst foreign employees resulting in a loss of prospective tenants in the CCR, expatriates who manage to retain their jobs may face a shrink in their expatriate benefits package hence leading them to downgrade accommodation options to the RCR or OCR.

Lastly, work from home arrangements as a result of the pandemic has defeated the purpose of living near the central district, hence driving demand towards cheaper options in the RCR and OCR.

However, the first quarter of 2021 has seen a strong, momentous increase in rental prices across all 3 regions, with rental rates of OCR gaining a new high since Q1 of 2020. This increase is aligned with Singapore's recovery from the pandemic in the first quarter as novel cases have been slowed and contained.

THE RENTAL PRICES HAVE BEEN DRIVEN UP BY AN INCREASE IN DEMAND THAT STEMS MAINLY FROM THESE 4 PROFILES

HOME UPGRADERS WITH A PREFERENCE TO SELL THEIR EXISTING PROPERTY BEFORE PURCHASE

The need for temporary housing for this profile group drives the demand for rental properties as they hunt for their new homes. Buyers who purchase a new home without selling their existing properties are less common as they risk having to pay a hefty Additional Buyer Stamp duty (ABSD) if they do not manage to sell their existing property within 6 months of the new purchase. They may also lack sufficient funds to finance their new purchase.

PURCHASERS OF NEW PROPERTIES WHOSE PROJECT THAT HAS BEEN DELAYED

The majority of residential development projects face construction delays of six to nine months due to a lack in manpower, and complications brought about by the pandemic. This has caused a surge in demand for rental flats as an interim accommodation.

INDIVIDUALS MOVING OUT OF FAMILY HOMES FOR A MORE CONDUCTIVE REMOTE WORKING ENVIRONMENT

As working from home becomes a new normal, a desirable and conducive working environment have led to many working individuals who were previously content to live with their parents and siblings to move out.

This can be due to a lack of space, or a conducive environment that have hindered them from working practically from home, hence driving demand for rental properties further.

RETURN OF FOREIGN TENANTS DUE TO MOMENTARY UPTICK

As the first quarter of 2021 has seen great recovery from the Pandemic in Singapore, easing of border controls, and resumption of regular work routine have led to an influx of foreign employees returning to our shores. At that time, companies were eager to replenish their limited manpower especially in recovering sectors like construction and F&B.

Forecast

Rental Market

The unpredictability and volatile nature of the Covid-19 virus has posed a key question - whether such a bullish rental market can be sustained hereon. Singapore has seen a resurgence of Covid-19 cases and heard words of a mutant strain among us shortly after the release of the Q1 reports, and the country has rolled back into a state of tightened measures.

The rental market is expected to remain resilient as it has done so from the dawn of the Pandemic. Continued rental growth rates can be expected albeit at a slower pace as the demands by the fore-mentioned profiles are insignificantly dampened.

There might however be a resurfacing of the trend as observed in Q3 last year where rental rates CCR may underperform in comparison to its counterparts.





In Closing

In the near future looms a likely possibility of a brief property market correction. However, that should by no means deter investors from entering Singapore's residential market. In fact, there might not be a better time than the present to do so.

In a country plagued with land scarcity, residential capital values are set to appreciate over a broad time horizon in Singapore.

Additionally, as the local market gains clarity, it is coupled with multi-faceted drivers of demand that paints a promising bull run in the residential market where one may see investment returns on residential properties sooner than expected.

One may even render it wise to tap into the potential of residential properties in the OCR in contrary to the traditional preference of the CCR. Such a move may also serve to diversify one's property portfolio, to capitalize on capital appreciation amidst changing trends and preferences in the property market.

Singapore is often referred to as a safe haven for investors all around the world as characterized by its political stability, governmental proactiveness, and neutrality. Singapore's laudable economic growth and the ability to channel adversities into opportunities as demonstrated in its resilience in the recent pandemic is a testament to the capability and tenacity of this country that has allowed it to gained and defend its renowned reputation.