PropertyGuru

PropertyGuru Property Market Outlook

Singapore 2019

About the PropertyGuru Property Market Outlook 2019

The PropertyGuru Property Market Outlook report is published annually and uses a wide scope of proprietary and public data to track movements in the private housing market.

Choosing to buy or rent a home is one of the most important decisions of our lives. When committing to a property, it is important to make an informed choice. PropertyGuru wants to make the buying and renting process easier and quicker, so we created this report to help consumers understand the movement of the property market better, and to understand where it is likely to head in 2019.

This will help buyers and renters offer reasonable prices in line with market sentiments and time their entry into the property market better.

As the leading online property group in Singapore, PropertyGuru processes a vast amount of data daily, providing us the necessary information to deliver in-depth analysis and insights to property buyers, renters, sellers and investors.

We look at the housing market across different regions, to provide a comprehensive, insightful overview of home pricing across the island.

Executive Summary

- Housing supply is likely to increase next year as there were $10.5 billion worth of en bloc deals concluded in H1 2018 and many of these sites will likely launch next year
- Prices of private condos in centrally located areas like Serangoon and Potong Pasir are expected to remain elevated due to underlying demand
- Private property rentals have improved slightly due to an improved vacancy rate of 6.8 percent, down from 7.1 percent in the previous quarter

Private Property Supply

Property Supply and Pricing

The latest PropertyGuru Property Index data for Q3 2018 shows a 58.7 percent increase in supply from the previous quarter. Several mega projects with more than 1,000 units were launched during this period, such as Affinity at Serangoon, Riverfront Residences in Hougang and JadeScape in the Marymount area.

Meanwhile, a total of more than 5,600 new and resale units (excluding executive condominiums) were sold in Q3 2018, down 20 percent from the 7,000 units sold in the previous quarter. This was due to a drop in the number of resale transactions during the period. Urban Redevelopment Authority (URA) data shows that resale transactions accounted for 46.3 percent of all sale transactions in Q3, compared with 65.4 percent in the previous quarter.

Many individual sellers may have chosen to delay putting their properties up for sale and assess current market conditions first following the recent round of property cooling measures in July 2018.

> "Next year, the property supply will increase as there were $10.5 billion en bloc deals concluded in H1 2018"

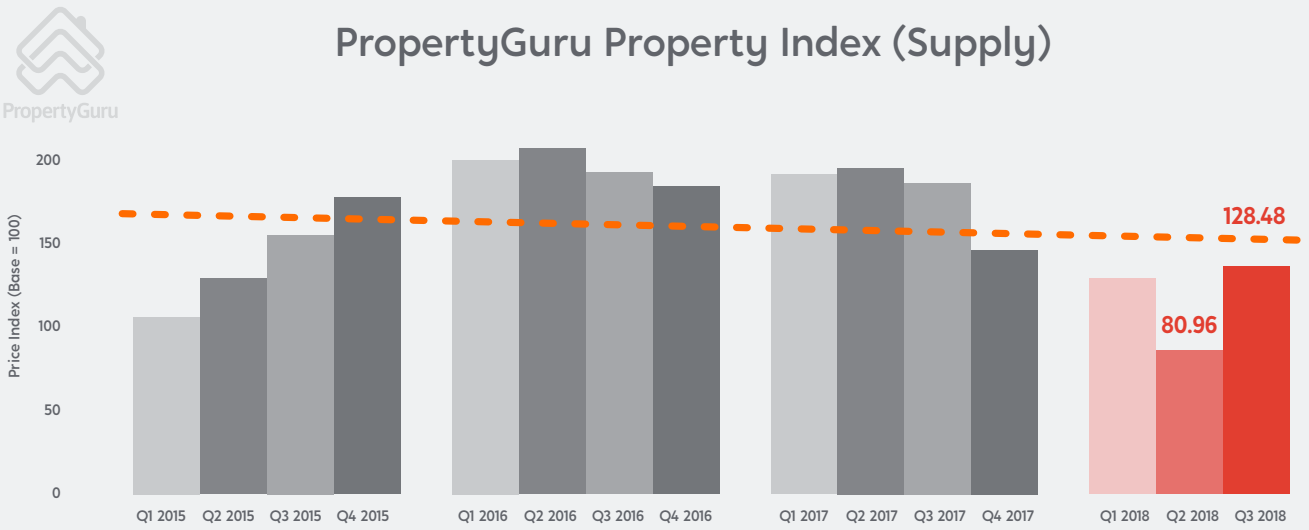
While the cooling measures will likely reduce home buying demand, developers are expected to continue launching new projects in 2018 given that several showflats continue to record healthy sales.

For instance, JadeScape sold 300 of the initial 480 units released in Phase 1 at an average price of $1,700 psf when the project was launched in September.

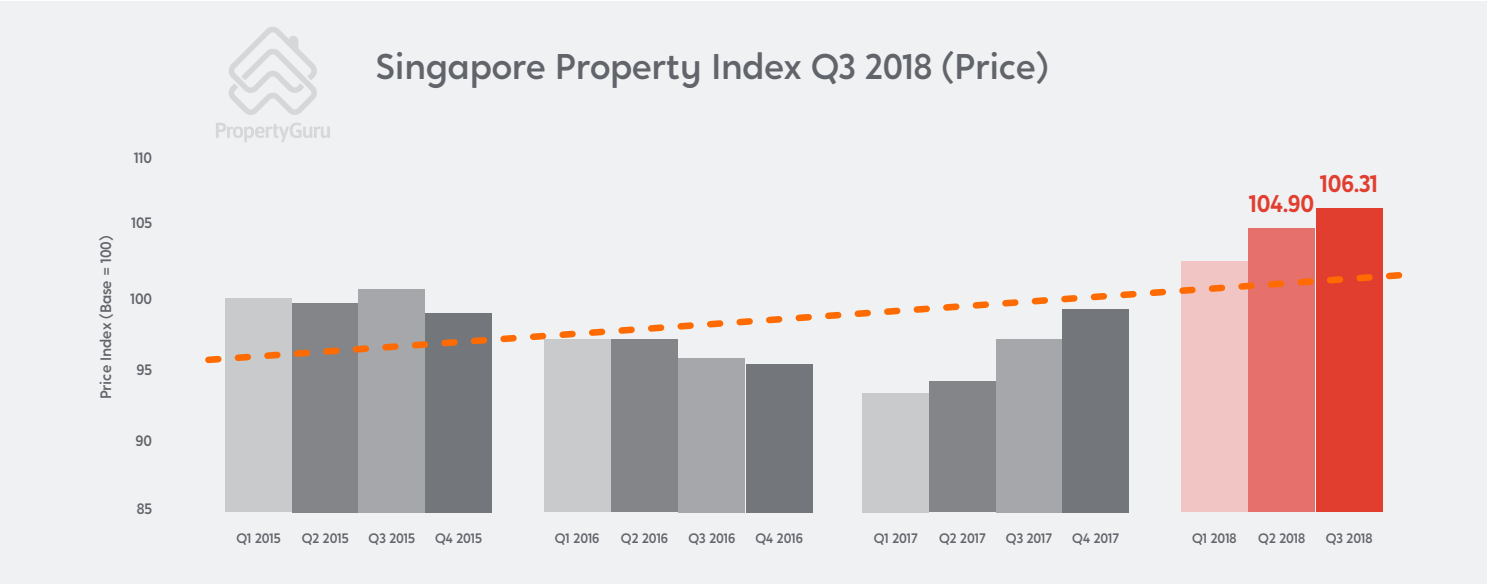
Over at Parc Esta in Eunos, the last major project to launch in 2018, the developer MCL Land sold 329 units at an average price of $1,680 psf during the condo's weekend launch in November.

Next year, the property supply will increase as there were $10.5 billion en bloc deals concluded in H1 2018 and many of these sites are expected to be launched for sale in the coming months.

This includes Pearlbank Apartments in Outram, which was sold to CapitaLand for $728 million, and Parkway Mansion in River Valley, which sold for $938 million to a GuocoLand-led consortium.



Source: PropertyGuru Analytics



Source: PropertyGuru Analytics

Private Property Pricing

Latest data from the Q3 2018 PropertyGuru Property Index (Price) shows a rise of 1.4 percent quarter-on-quarter and a 9.4 percent year-on-year increase in asking prices of private non-landed residential properties in Singapore.

Asking prices of private condos continue to rise, albeit at a slower pace following the latest round of cooling measures, which saw an increase in ABSD rates and the tightening of mortgage rates.

This is in line with the latest URA data which shows a 0.5 percent increase in private home prices, compared with the 3.4 percent increase in the previous quarter.

The Core Central Region was the only area to record a price increase of 1.3 percent for non-landed properties in Q3, according to URA data. Elsewhere, prices in the Rest of Central Region and Outside Central Region fell by 1.3 percent and 0.1 percent respectively.

Interestingly, the PropertyGuru Price Index revealed that city fringe districts 12, 13 and 14 reported the highest quarter-on-quarter increase in prices by 12.6 percent, which could be attributed to the launch of several mid-market condos such as Park Colonial next to Woodleigh MRT station and The Tre Ver in Potong Pasir.

More than 140 units at The Tre Ver were sold within hours during its launch in August. Units were sold at an average price of $1,550 psf during its launch, which is lower compared with other new projects within the vicinity.

In addition, about 6,000 visitors turned up at the project's showflat for the preview. This shows there is still underlying demand and interest in projects that are centrally located and more attractively priced. The East Coast area (districts 15 and 16) also saw robust price growth of 10.5 percent quarter-on-quarter as optimism remains high among sellers who are "future-pricing" their properties following reports of owners at Mandarin Gardens and Laguna Park seeking en bloc records.

Despite this, there is still strong demand for properties in District 15, contributing to prices rising faster than other areas in Singapore. The developing District 19 (Punggol, Sengkang and Serangoon) is also expected to see keen interest from buyers with several new projects launching there in recent months, including The Garden Residences, Affinity at Serangoon and the top-selling Riverfront Residences.

> "The city fringe districts - 12, 13 and 14 - reported the highest q-o-q increase in prices by 12.6%"

Private property rentals

Rentals of private residential properties across Singapore have been on a slow upward trend since the start of the year, according to URA data. In Q3 2018, rentals rose by 0.3 percent following a 1.0 percent increase in the previous quarter.

Rental prices of non-landed properties in the Rest of Central Region (RCR) rose the most by 1.5 percent, compared with the 0.4 percent increase in the quarter before. This was followed by the Outside Central Region (OCR), which saw rentals increase by 0.9 percent, compared with the 0.8 percent hike in the previous quarter.

On the other hand, rentals of non-landed properties in the Core Central Region (CCR) decreased by 0.9 percent, compared with the 0.8 percent increase previously.

The overall recovery in the rental market is due in part to the improved vacancy rate, which declined to 6.8 percent in Q3, compared with 7.1 percent in the previous quarter.

However, it remains a tenants' market as more than 10,000 condo units are expected to be completed in 2019, offering more housing choices to renters.

Properties that are close to places of work, public transportation, shopping malls and international schools will continue to be attractive to tenants.

At the same time, the government will continue to maintain a strict cap on foreign workers coming in, which will negatively impact rental demand.

> "Rental prices of non-landed properties in the RCR rose the most by 1.5%"

Consumer Preferences

PropertyGuru's latest Consumer Sentiment Survey revealed that 88 percent of Singaporeans are dissatisfied over the state of the property market, with respondents citing high property prices as their key concern. Property affordability sentiment in Singapore remained at 39 in H1 2018, similar to the score achieved in the previous six-month period.

At the same time, respondents felt that property prices are expected to increase significantly in the next five years. About 27 percent believe condo prices will grow by over 10 percent.

Close to half of the respondents said the property cooling measures should be relaxed, of which 80 percent called for the reduction of ABSD for their second and subsequent properties. Other policies they want to see relaxed include the caps on percentage of monthly income which can be used to service housing loans – namely the TDSR and MSR.

Meanwhile, 69 percent of millennials surveyed – or those aged between 21 and 37 – currently live with their parents. The majority (or 66 percent) of these millennials are looking to buy a property, with the central, northeastern and eastern parts of Singapore being their preferred locations.

However, 69 percent of millennials revealed that they do not have a structured savings plan to fund their housing purchase. Millennials with no intention to move out of their parents' home pointed to the lack of adequate savings to buy a home as the main reason for staying with their parents.

Other reasons cited include high property prices (33 percent) and not being married, which makes them unqualified for an HDB flat (44 percent).

Macroeconomics

Singapore's economy grew by 3.0 percent in Q3 2018, faster than the 1.0 percent growth in the previous quarter. Year-on-year, GDP grew by 2.2 percent. The Ministry of Trade and Industry (MTI) forecasts GDP to grow by 3.0 to 3.5 percent in 2018 and 1.5 to 3.5 percent in 2019.

A strong economy and political stability will help boost the real estate sector in Singapore as external shocks and global instability is likely to lead more foreign and institutional investors to consider parking their money in the city-state.

However, the recent round of cooling measures will likely dampen demand for private homes in Singapore, especially among foreign buyers, who now must pay an ABSD rate of 20 percent, up from 15 percent previously.

At the same time, property developers who are hoping for Chinese buyers to continue purchasing luxury homes in Singapore will also have to contend with China tightening controls on outbound investment.

Meanwhile, mortgage interest rates have also been rising steadily. The US Federal Reserve raised the target benchmark rate by 0.25 percent to a range of 2.0 to 2.25 percent. With the Singapore Interbank Offer Rate (SIBOR) closely pegged to the US Federal Reserve, mortgage interest rates for those with floating packages are likely to climb higher, increasing the burden on Singaporean homeowners.

This coupled with the tightened LTV ratio means that home buyers will need to assess if they can service their mortgages and avoid overextending themselves financially.

In addition, stock market turbulence has impacted the Singapore property market, leading prospective buyers to be more cautious and hold onto their cash first. However, while the stock and property markets have a close relationship, there is typically a gap of between six months to a year before we see the full effects on the property market.

Get the GURU VIEW

- It remains a tenants' market as more units are slated to be completed next year offering more housing choices
- Millennials will continue to struggle to get onto the property ladder due to lack of adequate savings and high property prices
- Prospective buyers will need to assess if they can service their mortgages due to rising interest rates

About PropertyGuru Group

PropertyGuru Group is Asia's foremost online property company. Voted by consumers in 2016 as 'Asia's Most Influential Brand for Online Property Search', PropertyGuru helps over 25 million people find their dream home every month.

Headquartered in Singapore, PropertyGuru.com.sg was launched in 2007 by two entrepreneurs. They had a vision to simplify the property search process and help renters, buyers, sellers and investors make confident property decisions – faster. Since then, it has grown from being a media company to a high-growth technology company, operating a suite of No.1 property portals and award-winning mobile apps across Singapore, Malaysia, Thailand, Indonesia and Vietnam. PropertyGuru also operates renowned project marketing technology platform, ePropertyTrack, and a host of industry-leading property offerings such as publications, events and awards – across eight countries in Asia.

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