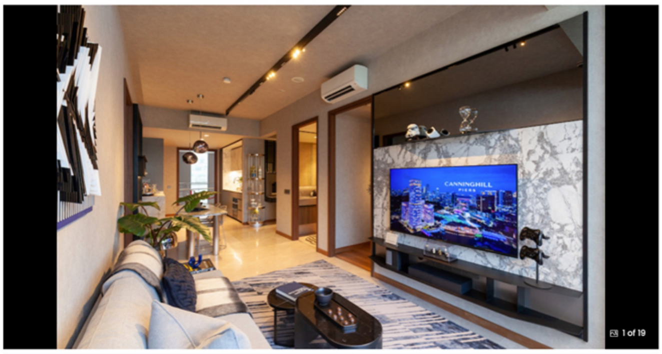
Strong performances at recent launches | New price tags | Are private homes as pricey as they seem? | Potential for cooling measures

As we come to the close of 2021, we have seen strong performances in recent new launches such as The Commodore at Canberra (74% sold on launch day), Canninghill Piers (77% sold on launch day), and of course, Mori, which sold 45% of its units over the past weekend.

[UPDATE] CanningHill Piers chalks up 77% sales worth over $1.18 bil

By Cecilia Chow / EdgeProp Singapore | November 21, 2021 7:53 PM SGT



Showflat of a two-bedroom unit at CanningHill Piers (Photo: Samuel Isaac Chua/EdgeProp Singapore).

Source: Edgeprop

It does seem chances of getting a choice unit becomes slimmer if we get an unfavorable ballot number or enter after the launch day. However, not everyone is willing to wait 5 years for their property to be built, and not everyone is ready to make the purchase during launch day itself.

[UPDATE] The Commodore achieves 74% sales on launch day

By Cecilia Chow | November 27, 2021 8:37 PM SGT

Source: Edgeprop

So, how do we ensure we can be ready when our dream home is finally on the market -- be it for new or resale properties? Three important factors to highlight -- Timeline, Finances and Expectations.

Timeline & Finances

When we talk about timeline, we need to look at finances in tandem. For example, after calculating funds required for the property we are going for, and realize we need proceeds to come back from the sale of our existing property before we can complete the purchase, we can negotiate for a later completion date after funds from our sale are returned.

Additionally, there are other considerations such as Additional Buyer's Stamp Duty (ABSD) if we decide to hold onto our existing property while concurrently going for the next one to avoid missing out on the purchase opportunity. In such cases, ABSD remissions may be applied depending on various circumstances, and of course, assessing our cashflow situation beforehand, whether we have sufficient funds to foot the ABSD bill first, and have it remitted later, is crucial.

Expectations

No doubt many of us desire the lowest price, best location, highest potential for growth and all the other positive attributes for our home purchase. However, oftentimes some compromise may increase the efficiency for our property search. How do we compromise then, if all the attributes are desirable for us? We can use various methods such as ranking of all the attributes through a Likert scale to understand our requirements better, separating our needs from wants, which helps narrow down our options.

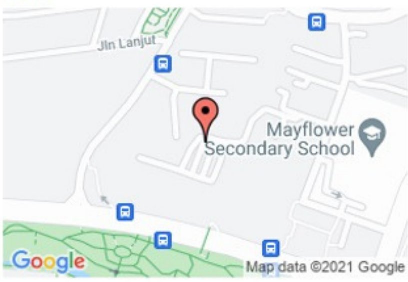
New price tags

What do we forecast going into next year's launches? Is this quarter's performance reflective of the market direction or did these launches have such attractive features leading to their strong performances?

An indication of next year's prices can be forecasted by looking at developers' purchase prices for their land. In the Out of Central Region (OCR) at Ang Mo Kio, land was bought from the government at $1118 psf, hence prices are expected to start from $2.1k psf onwards.

Ang Mo Kio Avenue 1

SOLD *on 2 June 2021*



LAND ATTRIBUTES	
Site use	Residential
Tenure	99
Site area (sqm)	12,679.4
Site GFA (sqm)	31,699.0
Highest bid ($m)	381.4
Highest bid ($psf)	1,118.0
Number of bids	15

ESTIMATED BREAKEVEN	
Land ($m)	381.4
Construction ($m)	112.6
Land Financing ($m)	33.4
Professional / Legal / Taxes ($m)	59.3
Marketing / Others ($m)	35.2
Est. Total Cost ($m)	621.8
Est. Breakeven ($psf ppr)	**1,822**

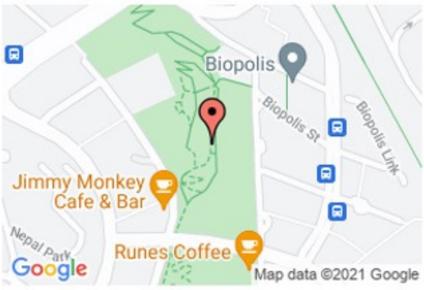
Developer

United Venture Development (UOL Group, Singapore Land Group, and Kheng Leong)

Source: Edgeprop

in the Rest of Central Region at One-North, land was bought at $1210 psf, hence expected prices from $2.2k psf.

Slim Barracks Rise (Parcel B)
SOLD *on 11 October 2021*



LAND ATTRIBUTES	
Site use	Residential with 1st storey commercial
Tenure	99
Site area (sqm)	5,936.6
Site GFA (sqm)	12,467.0
Highest bid ($m)	162.4
Highest bid ($psf)	1,210.0
Number of bids	10

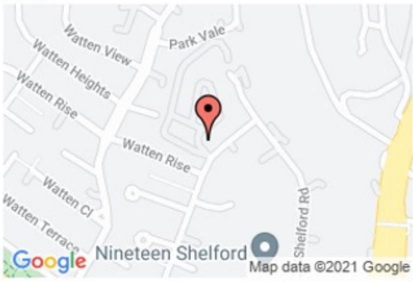
ESTIMATED BREAKEVEN	
Land ($m)	162.4
Construction ($m)	44.3
Land Financing ($m)	14.2
Professional / Legal / Taxes ($m)	24.8
Marketing / Others ($m)	14.7
Est. Total Cost ($m)	260.4
Est. Breakeven ($psf ppr)	**1,941**

Developer
Gao Xiuhua, director of Kingsford Development

Source: Edgeprop

For the Core Central Region (CCR), the Freehold piece of land at Watten Estate was bought en-bloc at $1723 psf, hence selling prices are likely to be above $2.9k psf, coupled with rising construction costs.

Watten Estate Condominium (Enbloc)
SOLD *on 27 October 2021*



LAND ATTRIBUTES	
Site use	Residential
Tenure	fh
Site area (sqm)	20,460.9
Site GFA (sqm)	28,645.2
Highest bid ($m)	550.8
Highest bid ($psf)	1,723.0
Number of bids	

ESTIMATED BREAKEVEN	
Land ($m)	550.8
Construction ($m)	101.8
Land Financing ($m)	48.2
Professional / Legal / Taxes ($m)	78.3
Marketing / Others ($m)	46.7
Est. Total Cost ($m)	825.8
Est. Breakeven ($psf ppr)	**2,678**

Developer
UOL Group and Singapore Land Group

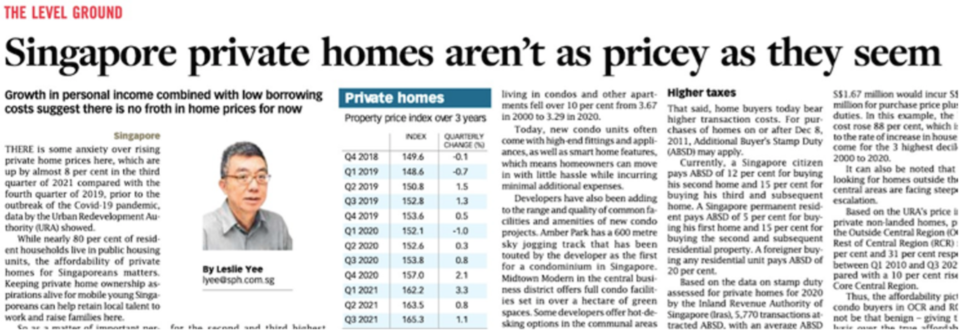
Source: Edgeprop

Looking at what new price tags would be, it is no wonder strong sales were reported in the past quarter, as the current inventory still gets to enjoy older prices due to much lower land bids in earlier years.

Are *private homes as pricey as they seem?*

One might ask ourselves then, with private home prices having climbed over 5% this year, are they as pricey as they seem? This news article (full article below) points out that median household income more than doubled in 2020 from two decades ago, and even with a dip in 2020 due to the pandemic, household income has risen faster than URA's price index of private residential properties, which rose 67% between 2000 and 2021.

Today's homebuyers also enjoy much lower interest rates compared with certain periods in the past, where interest rates were 3 times higher back in 2006.



THE LEVEL GROUND

Singapore private homes aren't as pricey as they seem

Growth in personal income combined with low borrowing costs suggest there is no froth in home prices for now

Singapore

THERE is some anxiety over rising private home prices here, which are up by almost 8 per cent in the third quarter of 2021 compared with the fourth quarter of 2019, prior to the outbreak of the Covid-19 pandemic, data by the Urban Redevelopment Authority (URA) showed.

While nearly 80 per cent of resident households live in public housing units, the affordability of private homes for Singaporeans matters. Keeping private home ownership aspirations alive for mobile young Singaporeans can help retain local talent to work and raise families here.

By Leslie Yee
lyee@sph.com.sg

Private homes

Property price index over 3 years

	INDEX	QUARTERLY CHANGE (%)
Q4 2018	149.6	-0.1
Q1 2019	148.6	-0.7
Q2 2019	150.8	1.5
Q3 2019	152.8	1.3
Q4 2019	153.6	0.5
Q1 2020	152.1	-1.0
Q2 2020	152.6	0.3
Q3 2020	153.8	0.8
Q4 2020	157.0	2.1
Q1 2021	162.2	3.3
Q2 2021	163.5	0.8
Q3 2021	165.3	1.1

Source: Straits Times

We also note a large number of buyers are below the age of 40 and majority are Singaporeans. They are first-time homebuyers or HDB upgraders looking to purchase their first private property for own-stay or investment. Many also have the means to upgrade to private properties as resale HDB flats have hit all time highs climbing 9.1% in the first 3 quarters of the year, faster than those for private homes at 5.3% (full article below).

Hence, we do have some inkling our demand is supported by a strong base with holding power and affordability with lower leverage, compared to uptrends a decade ago, where speculation was more prevalent as restrictions on additional homes, foreign purchasers and debt were less stringent, which resulted in price corrections from cooling measures.

Potential for cooling measures (full article below)
Moving into 2022, with Canninghill Piers likely pushing Q4 2021 index upwards, we expect the strong base as a precedence for higher prices next year, watching out for supply side factors such as release of additional land by the government, or demand side factors such as increasing interest rates, both of which may not bring down prices, but allow it to increase at a gradual pace. We can't wait for our top picks for new launches in 2022, which we'll share in our upcoming newsletters!

From us at STL Properties, we wish you a Merry Christmas and a Happy New Year! Stay safe and have a great festive season with your loved ones!

Kindest regards,
STL Properties

Singapore private homes aren't as pricey as they seem

Growth in personal income combined with low borrowing costs suggest there is no froth in home prices for now

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While nearly 80 per cent of resident households live in public housing units, the affordability of private homes for Singaporeans matters. Keeping private home ownership aspirations alive for mobile young Singaporeans can help retain local talent to work and raise families here.

So as a matter of important perspective, data suggests that some worries of private homes becoming unaffordable may be unfounded.

Since the start of this century, household income grew faster than home prices. Median monthly household income from work of resident employed households more than doubled from S$4,398 in 2000 to S$9,189 in 2020.

Over 2000 to 2020, average monthly household income from work of the third, second and first highest deciles of resident employed households grew 114 per cent, 111 per cent and 95 per cent to S$16,247, S$19,976 and S$31,037 respectively. Private home buyers are likely to be concentrated among these groups.

Even with a dip in household income in 2020 due to the pandemic, household income has risen faster than the URA's price index of private residential properties, which rose 67 per cent between Q1 2000 and Q3 2021.

The growth in household income for the second and third highest deciles of resident employed households over 2010 to 2020 has also outpaced the rise in URA's private home price index between the first quarter of 2010 and Q3 2021.

Moreover, home buyers today enjoy lower home loan rates than some years back, with interest rates at around 1.5 per cent per annum currently, compared with around 4.5 per cent per annum in 2006.

Take the purchase of a S$2 million home, which is funded by a 25-year loan of S$1.4 million or 70 per cent of the property's value. Using an annual interest rate of 1.7 per cent to provide some buffer, monthly instalment is just under 29 per cent of the average monthly household income of the second highest decile of resident employed households.

Assuming the same tenure and monthly instalment, the loan amount shrinks by over 22 per cent if the annual interest rate is 4 per cent, which may be a reasonable assumption for buyers earlier this century.

Private homes

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Compiled by BT based on data from the Urban Redevelopment Authority

Growth in income combined with low borrowing costs suggest there is no froth in private home prices for now.

Other subjective yardsticks also help to paint a benign picture on the affordability of private homes today.

Developers have been improving the efficiency and flexibility of new condo units. A 3 bedroom unit with floor area of 900 to 1,000 sq ft that is being built today may provide as much utility as a 3 bedroom unit with floor area of 1,200 to 1,300 sq ft that was built two decades back.

If this is true, the pace of increase in absolute sums being spent on new homes can be contained at a much lower rate than the increase in price per square foot.

Furthermore, households are getting smaller, which can lead to greater acceptance of smaller-sized homes. Average household size of residents living in condos and other apartments fell over 10 per cent from 3.67 in 2000 to 3.29 in 2020.

Today, new condo units often come with high-end fittings and appliances, as well as smart home features, which means homeowners can move in with little hassle while incurring minimal additional expenses.

Developers have also been adding to the range and quality of common facilities and amenities of new condo projects. Amber Park has a 600 metre sky jogging track that has been touted by the developer as the first for a condominium in Singapore. Midtown Modern in the central business district offers full condo facilities set in over a hectare of green spaces. Some developers offer hot-desking options in the communal areas to cater to the rise in remote working.

Over time, there has been substantial improvement in Singapore's public transport. The MRT network is expanding and will get even denser such that about 8 in 10 households will be within a 10-minute walk of a train station by 2030. As such, many households may see less need to own a car, thereby saving on one big ticket item and leaving more funds available to purchase a home.

Additionally, those upgrading from HDB flats to private homes are buoyed by a strong HDB resale market. Between Q4 2019 and Q3 2021, the HDB resale price index rose more than the URA private home price index, up nearly 15 per cent.

Higher taxes

That said, home buyers today bear higher transaction costs. For purchases of homes on or after Dec 8, 2011, Additional Buyer's Stamp Duty (ABSD) may apply.

Currently, a Singapore citizen pays ABSD of 12 per cent for buying his second home and 15 per cent for buying his third and subsequent home. A Singapore permanent resident pays ABSD of 5 per cent for buying his first home and 15 per cent for buying the second and subsequent residential property. A foreigner buying any residential unit pays ABSD of 20 per cent.

Based on the data on stamp duty assessed for private homes for 2020 by the Inland Revenue Authority of Singapore (Iras), 5,770 transactions attracted ABSD, with an average ABSD per transaction of around S$167,000.

Iras' data showed that the number of transactions attracting ABSD was much higher in 2018 and 2017 at 9,440 and 12,138 respectively.

Also, the top rate of Buyer's Stamp Duty (BSD) for homes, which applies to the remaining amount of transaction value exceeding S$1 million, rose from 3 per cent to 4 per cent for homes bought on or after Feb 20, 2018. Based on data for 2020, 24,860 transactions attracted BSD with an average BSD per transaction of around S$53,000.

In 2000, purchase price plus BSD of a S$1 million home amounted to S$1.0246 million. Today, a similar home may cost S$1.67 million.

A citizen buying a second home at S$1.67 million would incur S$1.9218 million for purchase price plus stamp duties. In this example, the buyer's cost rose 88 per cent, which is closer to the rate of increase in household income for the 3 highest deciles over 2000 to 2020.

It can also be noted that buyers looking for homes outside the prime central areas are facing steeper price escalation.

Based on the URA's price index of private non-landed homes, prices in the Outside Central Region (OCR) and Rest of Central Region (RCR) rose 50 per cent and 31 per cent respectively between Q1 2010 and Q3 2021, compared with a 10 per cent rise in the Core Central Region.

Thus, the affordability picture for condo buyers in OCR and RCR may not be that benign – giving the analysis over the true affordability of private homes today a fuller picture.

What that means is that for a local looking to buy his first private home, in particular one who is working in a sector that is thriving or is recycling proceeds from selling a HDB unit, affordability may look fine despite home prices rising for 6 consecutive quarters.

So there are risks on the horizon. Interest rates may spike up, economic recovery may be uneven and jobs may continue to be disrupted. As buying a home is a big commitment, buyers need to exercise caution.

But for now, house hunters can draw some comfort that from a historical perspective, affordability of private homes looks relatively manageable.

Monday Nov 15, 2021 THE STRAITS TIMES

More HDB upgraders buying condos as resale flat prices rise

Such sales fuelled by HDB resale prices climbing faster than those for private homes

Grace Leong
Senior Business Correspondent

More Housing Board upgraders are snapping up condominium units in a buoyant property market, spurred by resale flat prices climbing faster than those for private housing.

The robust HDB resale market has enabled them to upgrade more easily to private homes.

Some 7,169 buyers with HDB addresses bought new and resale private homes in the first three quarters this year, a jump of over 21 per cent compared with the same period last year, said property consultancy JLL, citing transactions recorded in the Urban Redevelopment Authority's (URA) Realis database.

This puts the number of new and resale private homes sold to HDB upgraders on track to surpass 2020 levels, with condo resales poised to hit a five-year high, analysts say.

A key driver is the rapid increase in HDB resale prices, which have risen at a faster rate than those of private housing over the past year, said Mr Nicholas Mak, ERA Realty Network's head of research and consultancy.

Prices of HDB resale flats surged 9.1 per cent in the first nine months this year, compared with a 5.3 per cent rise in the URA price index for private homes.

As a result, many HDB flat owners are upgrading to private homes after having sold their flats for sizeable sums, said Ms Christine Sun, senior vice-president of research and analytics at OrangeTee & Tie.

Underpinning robust resale flat prices is a recovering economy, low mortgage rates and fresh demand arising from construction delays to Build-To-Order flats.

As at Oct 31, 192 resale flats were sold for at least $1 million this year, a record high. In comparison, 82 such HDB flats changed hands for the whole of last year.

"Some are also buying now because they expect prices to head higher, in view of the recovering global economy and a declining supply of new condos," added Ms Sun.

Resale condos proved to be more popular among HDB upgraders, with about 62 per cent of the 7,169 transactions falling in this category, according to JLL. This is because they are more affordable than new homes, noted Mr Ong Teck Hui, senior director of research and consultancy at JLL Singapore.

Citing caveats lodged in the first nine months this year, PropNex said 4,212 resale condo units were sold to buyers with HDB addresses, up 119 per cent from the 1,924 sold in the same period last year. There have been about 13,000 resale condo transactions this year.

Meanwhile, new condo units sold to HDB upgraders were up nearly 26 per cent for the first nine months, compared with the same period a year ago, said PropNex.

The number of private homes sold to buyers with HDB addresses has risen across the board, with the strongest sales growth in the $1.5 million to $3 million price range.

"This is more than twice the number from 2020, and has reached higher levels than that from 2017 to 2019," said Ms Tricia Song, head of research for South-east Asia at CBRE.

In the first three quarters of this year, 4,967 private homes priced between $1 million and $3 million were snapped up by HDB upgraders – a 109 per cent increase year on year, according to JLL.

"This is indicative of a recovering market after the severe recession in 2020, and also due to support from the HDB resale market," Mr Ong said.

"The aspiration to own private homes among HDB residents is longstanding. The 2018 cooling measures were imposed not to dampen that aspiration, but to slow rapidly rising prices at that juncture."

PropNex Realty chief executive Ismail Gafoor said the measures helped to cool new launch prices in the latter part of 2018, and helped upgraders with tighter budgets.

With the sweet spot pricing for HDB upgraders at between $1.1 million and $1.3 million, most are flocking to projects in the suburbs, or outside central region, analysts say.

Projects such as Treasure at Tampines and Midwood were popular options, while Normanton Park in the city fringe had the most buyers with HDB addresses, they said.

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Will rising residential prices heighten the risk of fresh cooling measures?

By Nisha Ramchandani
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WITH the private residential market poised to end the year on a high note, does this once more heighten the risk of policy measures?

Even the perceived possibility of cooling measures could serve as a near-term headwind for the share price of property developers with exposure to the private residential market, one analyst has flagged.

Earlier this month, the 696-unit CanningHill Piers saw brisk sales over its launch weekend, with 77 per cent – or 538 units – scooped up by buyers at an average selling price of about S$3,000 per square foot (psf), raking in total sales of some S$1.18 billion.

Among the units sold was the project's only super penthouse, an 8,956 square foot apartment on the 48th floor, which transacted for S$48 million or S$5,360 psf. The 99-year leasehold project, part of an integrated development located at the site of the former Liang Court, is being jointly developed by City Developments Limited (CDL) and CapitaLand Development.

In a research note, Citi analyst Brandon Lee highlighted that while CDL has underperformed developers, share price upside is likely to be contained by residential policy risk and the patchy recovery in the hospitality sector.

CanningHill Piers' pricing, along with two upcoming high-end launches in this quarter, is seen as a catalyst for possibly pushing the Q4 2021 price index upwards. Luxury launches include the freehold 39-unit Cairnhill 16 (the former Cairnhill Heights) in District 9 and the freehold 230-unit project Perfect 10 along Bukit Timah Road in District 10.

In a separate note this week, Lee wrote: "The combination of unsold pipeline at a record low, scarcity of major launches in 2022 and continued increase in land prices – given developers' hunger for land – makes us expect residential prices will rise at a high single-digit pace in 2021 and 2022, which will raise the (perceived) possibility of cooling measures and place a share price overhang on resi-focused developers in the near term."

RHB property analyst Vijay Natarajan doesn't rule out the possibility of cooling measures, but reckons that they could be calibrated or appear in a different form, such as wealth taxes.

Higher interest rates – should they kick in from 2022 – could also slow down the gravy train.

After all, trotting out punitive policy measures raises the risk of derailing the economy's recovery, especially at a point where higher than expected revenues – from stamp duties, among other sources – are helping to fund support measures for businesses following a slew of safe-distancing measures.

The government could pull other levers to cool the market such as increasing the supply available under state tenders, although this route has its own constraints, he pointed out.

For starters, it will take time for supply to come on-stream since land parcels are sold in a staggered manner, while pandemic-linked construction delays make it tough to ramp up supply, given the manpower crunch and escalating prices of raw materials.

With listed entities such as CDL and UOL both holding a sizeable landbank in Singapore, Natarajan said: "If the cooling measures come, these two stocks will get hit, but from an earnings impact perspective, I think it is manageable."

Exceeding expectations

Throughout the pandemic, the performance of the private residential market has exceeded expectations, and concerns of a major slump were unfounded, to put it politely.

In the first 10 months of this year, 10,918 new homes were moved by developers, with Cushman & Wakefield projecting that new home sales could reach up to 13,000 units for 2021 as a whole – a high not seen since 14,948 homes were sold back in 2013. This easily pips the 9,982 homes sold in 2020.

There is a cocktail of factors for the sanguine performance so far – low interest rates, liquidity, buyers scouting for larger homes and demand from singles, as well as from HDB upgraders, against the backdrop of an active HDB resale market.

Singapore's transition from pandemic to endemic living, along with the easing of travel restrictions for prospective foreign buyers, could also keep the momentum in the housing market going. Of course, it remains to be seen if the emergence of the Omicron variant will hamper that shift to endemic living.

Still, one thing to watch is the en bloc market, analysts say.

As unsold inventory continues to be whittled down, developers will likely have to jostle to acquire land in state tenders, with some already turning to the en bloc market.

A heated en bloc market would translate to higher land acquisition costs and, by extension, higher prices for buyers down the line.

This could tip the scales where policy risk is concerned, as seen during the last en bloc cycle in 2018.