

The Residential Property Market - Mass Market on the Rebound

WHITE PAPER | RESIDENTIAL | OCTOBER 2007

Mainly driven by the supply crunch, prices of mass market private residential properties are finally seeing a clear uptrend, with the upswing seen across all locations and projects. Backed by strong demand fundamentals from genuine buyers and bright economic prospects, the current upswing is expected to be sustainable, with mass market prices likely to hit the 1990s peak in 2008.

The snail-pace price movement of mass market residential properties had finally given way to a sure-footed price uptrend, confirming months of widespread anticipation of the sector's recovery. This is reflected in the latest Urban Redevelopment Authority's (URA) statistics.

Prices of non-landed residential properties sited outside the central region (OCR) - where suburban mass market properties are predominantly located - rose 7.2 per cent in 2Q 2007, trumping the lackluster 2.0 per cent rise in 1Q 2007. The figures also represented the highest quarterly price escalation since the market trough in 2Q 2004. This is an indication that the confidence in the luxury and high-end residential property market had already filtered down to the mass market tier.

Now, with the mass market segment in the limelight, some questions about the sector beg to be answered. We feature some of the more commonly asked ones here, complete with our responses.

Question 1: Is the price upswing similarly being seen across all locations and projects?

Based on caveats lodged, the upswing in prices of mass market developments occurs across most suburban locations, although in differing degrees.

Amongst the mass market locations, district 5 which encompasses areas such as West Coast and Clementi (also home to some mid-tier projects along Pasir Panjang locality),

saw the greatest recovery in median prices by some 46 per cent between 3Q 2005 - when prices were at the lowest level - and 2Q 2007. District 22 comprising the Jurong area and district 21 covering the Toh Tuck, Upper Bukit Timah and Clementi Park neighbourhoods (which also include some mid-tier projects in Ulu Pandan) follow closely behind district 5 with corresponding price increases of 42 per cent and 41 per cent respectively.

Suburban district 18 had recovered much later. As of 2Q 2007, median prices of mass market projects in the East (Simei, Tampines, Pasir Ris and Elias neighbourhoods) picked up by 13 per cent from the trough for the district in 4Q 2006. A similar trend is observed in district 27 covering Yishun and Sembawang, where median price of private homes registered a smaller increase of 16 per cent between 1Q 2007 (the district's trough) and 2Q 2007.

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The upswing in prices is also more prominent in larger and newer projects, which boast of more comprehensive facilities, as well as those near to MRT stations and amenities. For example, the median price for the newly completed Kovan Melody, which is located next to Kovan MRT station in district 19, rose by 16 per cent from S\$520 per sq ft when it was first launched in 2004 to S\$605 per sq ft as of 2Q 2007. On the other end of the spectrum, smaller and older

Price Recovery By Districts

Mass Market District	General Locations	Median Price at the District's Recent Trough (S\$ per sq ft)	Median Price as of 2Q 2007 (S\$ per sq ft)	Extent of Price Recovery
*5	West Coast, Pasir Panjang, Hong Leong Garden, Clementi New Town	\$451	\$660	46%
17	Loyang, Changi	\$447	\$552	24%
18	Tampines, Pasir Ris	\$432	\$486	13%
19	Serangoon Garden, Hougang, Ponggol	\$408	\$548	34%
*20	Bishan, Ang Mo Kio	\$454	\$578	27%
*21	Upper Bukit Timah, Clementi Park, Ulu Pandan	\$452	\$637	41%
22	Jurong	\$359	\$508	42%
23	Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	\$400	\$503	26%
25	Kranji, Woodgrove	\$314	\$433	38%
26	Upper Thomson, Springleaf	\$396	\$493	25%
27	Yishun, Sembawang	\$374	\$434	16%
28	Seletar	\$333	\$427	28%

*Mass market districts which also include some mid-tier projects.

Source: Colliers International Singapore Research / Realis

developments which are further away from amenities, tend to experience lower or flat price recovery. For instance, Central View in district 19 recorded a slower price increase of about 6 per cent between 2Q 2007 and 4Q 2006 when median prices were at the lowest for the development.

Question 2: Who are the buyers of mass market homes? Genuine purchasers and investors or simply speculators?

URA's statistics showed that primary project sales by developers and resale deals constitute the bulk of total sale transactions in mass market districts located in OCR. Such sale activities made up more than 95 per cent of all deals since the general market bottomed out in 2004. On the other hand, sub-sales - which refer to secondary market transactions for projects that have yet to receive Certificate of Statutory Completion and are often seen as a proxy for speculative activity - remained low at below five per cent.

Although the number of sub-sale as a percentage of total transactions in OCR is on a rising trend since 3Q 2006, the number is conservative at a mere 3.1 per cent as of 2Q 2007, compared to corresponding levels at 19.4 per cent for luxury and high-end properties in the core central region (CCR) and 10.4 per cent for private homes located in the rest of central region (RCR). When taken as a percentage of total new sales within the respective regions, the proportion of sub-sale was just seven per cent for the OCR compared to 53 per cent for the CCR and 27 per cent for the RCR.

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Hence, buyers of mass market homes should be predominantly genuine owner-occupiers and investors. The number of speculators at the mass market tier still remain at a low level at this juncture.

Question 3: Is the supply crunch that is driving the mass market recovery of a temporary nature?

The rapid pace at which residential developments in the Central Area have been collectively sold in the last two years created an acute supply crunch stemming from the massive withdrawal of homes from the existing stock. Consequently, this phenomenon became one of the main drivers of the mass market recovery, in which the market witnessed a filtering down of demand from the high-end and luxury residential property tiers, both in the sale and rental markets. This is evidenced by a surge in the proportion of mass market property buyers with private residential addresses to the total buyers of mass market residential homes - from a low of 12 per cent in 2Q 2002 to 61 per cent in 2Q 2007.

However, this supply crunch situation is expected to be of a short-term nature. The estimated 6,200 homes already withdrawn or to be withdrawn from the stock in the Central Area - due to various collective sales from 2005 to June 2007 - will be replaced by some 13,000 spanking new, modern and more luxurious homes in the next two years. Moreover, the recent injection of private residential lands by the Government in its land sale program for 2H 2007 will add another potential 5,580 new mass market suburban housing units from five sites in the confirmed list and eight sites from the reserved list.

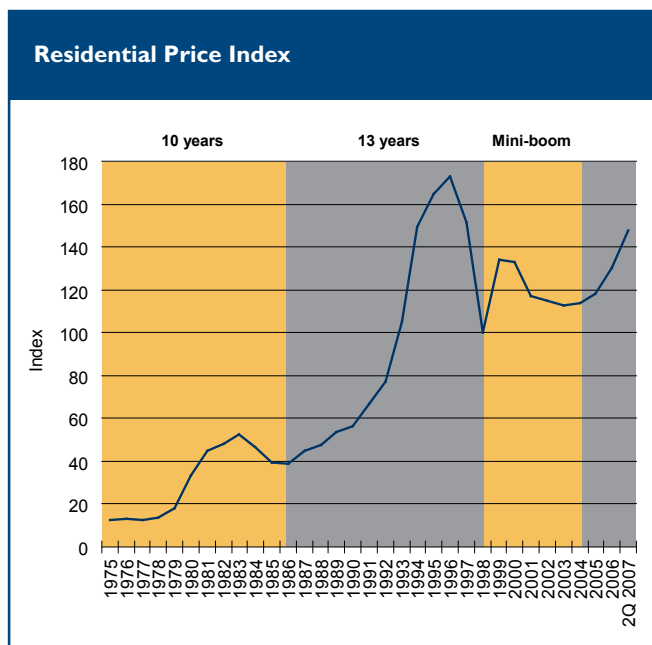
As such, the potential flow of new mass market housing supply and demand re-adjustment should correct the short-term market supply-demand imbalance and nip the supply crunch in the bud.

Question 4: Is the upswing in the mass market sustainable and for how long?

Unlike the upswing in the mid-1990s that was propelled largely by speculative buys and weak demand fundamentals, the current upswing is supported by strong demand fundamentals on the back of sustained bright economic prospects fuelled by a well-packaged economic restructuring programme, which

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promises to leapfrog Singapore onto a new economic frontier. Pillared by the attainment of a global city status, this new economic frontier will deepen and broaden the demand base for Singapore's residential property market and will provide the support for it to grow from strength to strength.



Source: Colliers International Singapore Research / URA

Historically, Singapore's property cycles, measured from trough to trough, lasted between 10 and 13 years. If the average time frame of past property cycles can serve as a guide, the current upswing in the mass market, which commenced in mid-2004 and picked up momentum in 2007, is likely to continue and will peak in 2010. This coincides with the expected date of completion for many of the infrastructural programmes (such as the Integrated Resorts and Marina Bay Financial Centre) supporting Singapore's economic restructuring.

However, the downside risk remains and they will stem from the recent volatility and turbulence in the world's financial markets and uncertainties over the impact of the United States (US) sub-prime mortgage woes. Nevertheless, while the US and Europe may suffer a hit over the next few months, the economic fundamentals of Singapore and Asia remain strong. In fact, Prime Minister Lee Hsien Loong is confident that Singapore's economy is on track to grow faster than the targeted mid- to long-term rate of four to six per cent annually for the next five to 10 years - even amidst the current uncertainties in the global financial market.

Question 5: Will the mass market prices hit the 1990s peak? When will we reach there?

Launch prices of new mass market residential projects during the property boom in the mid-1990s ranged between S\$550 per sq ft and S\$1,050 per sq ft. Amongst the mass market projects was Bishan 8, which achieved a median launch price of S\$1,050 per sq ft when it was first launched in 1997. The highest unit price achieved during the mid-1990s peak for mass market projects was the sale of a unit in Heritage View in September 1997 for S\$1,127 per sq ft.

In comparison, in the first eight months of 2007, new mass market housing was launched at prices ranging from S\$500 per sq ft to S\$880 per sq ft, just some nine to 16 per cent lower than the levels achieved during the peak in the mid-1990's. The highest unit price achieved for mass market properties in the current market was the sale of a unit in The Parc for S\$1,040 per sq ft in August 2007.

Meanwhile, in the secondary market, the median resale price of mass market properties as of 2Q 2007 was S\$516 per sq ft,

just some 14 per cent lower than the peak level in 3Q 1996. However, for those projects that were launched at the height of the market in mid-1990s, their median resale prices as of 2Q 2007 were still some 11 to 45 per cent off from the peak levels then.

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With the upswing expected to sustain at least until 2010, barring adverse economic downturn and assuming a conservative price growth of five per cent per quarter, prices of new mass market projects are likely to attain their 1990s peak level by 1H 2008. For completed mass market properties in the secondary market, resale prices are expected to match the 1990s peak level by the end of 2008.

Percentage Difference between Median Price of Selected Mass Market Projects Launched During the Mid-1990s Peak and Median Resale Prices as of 2Q 2007

Name of Development	Median Price at the mid-1990s peak (S\$ per sq ft)	Median Resale Price as of 2Q 2007 (S\$ per sq ft)	Percentage Difference
Aquarius By The Park	\$631	\$488	-23%
Astoria Park	\$838	\$584	-30%
Bishan 8	\$1,078	\$596	-45%
Casa Sarina	\$781	\$543	-30%
Casafina	\$783	\$473	-40%
Dover Parkview	\$779	\$691	-11%
Eastpoint Green	\$697	\$513	-26%
Guilin View	\$646	\$462	-28%
Heritage View	\$821	\$727	-11%
Northvale	\$638	\$396	-38%
Oleander Towers	\$855	\$607	-29%
Parkview Apartment	\$609	\$414	-32%

Source: Colliers International Singapore Research / Realis

Notes:

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