



# Knight Frank Quarterly Bulletin

Date: 28 September 2011

## Knight Frank Residential Bulletin 3Q 2011

Singapore

### Market Focus on Suburban Homes

Based on recent developers' sales announcements and our estimates, we expect some 4,000 to 4,100 units (new sales) to be sold in the primary market in 3Q 2011 as compared to 4,444 units in 2Q2011. This translates into a decrease in the sale volume of some 7% to 10% q-o-q. Mass market homes are expected to remain as the main focus this quarter where some 2,800 sales transactions are estimated to be sold, making up 70% of new sales transactions. We expect sales volume (new sales) for high end properties to decrease to some 280 units in 3Q 2011, compared to 526 units in 2Q 2011. Ongoing concerns of the EU and US economies may have affected the buying sentiments for high end properties as home buyers stayed at the sideline waiting for better clarity in the macroeconomic situation. Developers are also notably holding back from launching new high end properties until sentiments turn for the better.

**Table 1 – Primary market sales volume (excluding Executive Condominiums)**

Quarter	Total units sold	Total uncompleted landed and non-landed private residential units sold by developers (excl Exec Condo)							Total completed units sold
		% change q-o-q	CCR	% change q-o-q	RCR	% change q-o-q	OCR	% change q-o-q	
1Q2010	4,380	135.5%	1,914	124.6%	719	52.7%	1,718	231.7%	29
2Q2010	4,033	-7.9%	672	-64.9%	1,663	131.3%	1,620	-5.7%	78
3Q2010	3,638	-9.8%	484	-28.0%	1,324	-20.4%	1,753	8.2%	77
4Q2010	4,241	16.6%	876	81.0%	884	-33.2%	2,205	25.8%	276
1Q2011	3,595	-15.2%	536	-38.8%	993	12.3%	1,901	-13.8%	165
2Q2011	4,444	23.6%	526	-1.9%	1,090	9.8%	2,709	42.5%	119
3Q2011	4,134*	-7.0%*	287*	-45.4%*	979*	-10.2%*	2,868*	5.9%*	-

\* Estimates

Source: URA, Knight Frank Research



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## Suburban Homes Prices Escalate

Based on our analysis, average transacted prices of suburban homes (represented by non-landed private residential properties (excluding ECs) in OCR) had increased 2.5% q-o-q, higher than the 1.7% rise in the OCR property price index in 2Q 2011. Suburban homes were transacted at \$941 psf on average in 3Q 2011. Notably, prices of mass market homes are fast approaching the psychological \$1,000 psf barrier while average prices exceeded the \$1 million level in 2Q 2011.

**Table 2 – Average transacted prices of non-landed residential properties (excluding EC) in OCR**

Year	Average Transacted Price (\$)	Average Unit Price (\$ psf)
2007	835,864	628
2008	842,353	676
2009	837,609	679
2010	964,727	840
Up to Sep 2011	1,011,204	929
1Q 2011	988,677	934
2Q 2011	1,027,159	919
3Q 2011	1,015,854	941

Source: Realis as at 26 September 2011, Knight Frank Research

Prices of mid-end properties in RCR increased 1.6% q-o-q in 2Q 2011, compared to 1.1% q-o-q increase in RCR property price index in 2Q 2011. Homes in RCR were transacted at averaging \$1,300 psf on average.

Prices of high-end non-landed properties, as denoted by residential properties in Core Central Region, fell by 3.6% q-o-q. High-end homes were transacted at \$1,800 psf on average in 3Q 2011. Except for a few record sale prices in the ultra luxury segment, high-end investors generally shy from luxury properties over the last two quarters, in view of the weakened global economic condition, led by EU sovereign debts and the potential banking meltdown.

## Sustained rental growth

The Knight Frank in house data shows marginal rental increase in high-end and mass market segments at 1.9% and 0.4% q-o-q respectively. The figures were 6.5% and -1.4% q-o-q in 2Q 2011. Rent in mid-market segment, represented by properties situated in East Coast and Lower Bukit Timah areas, increased 2.3%, as contrast to 3.3% drop in 2Q 2011.

Over the recent years, rental growth is supported by influx of foreigners coming to Singapore and the run up in properties prices where landlord took the opportunity to increase rents during renewal to maintain



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property yields. The slowdown in property price appreciation and tightened immigration policies may consequently moderate residential rental growth. Arising from the uncertain economic outlook, more companies are notably becoming more selective in hiring and offering local packages for expatriates in a bid to keep operational cost in control. Rentals may lose growth momentum as more newly completed residential homes are being pushed out to the rental market. We expect general average residential rental to increase marginally less than 2% or to remain flat for the rest of year.

## **Homes Built to Meet Genuine Demand**

Developers were also notably pushing out new projects as soon as the site has been won. In the past, most developers took more than a year to launch their projects after winning the site. Sites won in 2006 and 2007 have average turnaround time of at least 12 months. By contrast, sites acquired in 2009 were rolled out within 6-11 months. This was shortened further to about 8 months for sites sold in 2010. In 2011, the shortest duration is 5 months for The Luxurie. The site was bought in March 2011 and launched in August 2011. In response to shorter property market cycle, it is not uncommon for developers to launch their projects within three quarters from the date of purchase.

We expect more launches from now till end of 4Q 2011 where total new sales are expected to be at least 16,000 units excluding executive condominiums. Mass market homes should continue to see strong sales supported by cheap financing. High-end market will continue to see selective buying and overall volume is not likely to spike substantially arising from uncertain investment climate and a looming possibility of a recession in Singapore.

If the economic performance turns unexpectedly for the worse by a large magnitude, private home prices are expected to moderate albeit any corrections are expected to be marginal and not more than 5 percent yearly. Otherwise, private home prices in general should hold or increase marginally at less than 2-3% q-o-q in 4Q 2011.

For further information, please contact:

Png Poh Soon, Head of Consultancy & Research, Knight Frank Pte Ltd (65) 6228-7393  
Le Thi Dan Thuy, Analyst, Consultancy & Research, Knight Frank Pte Ltd (65) 6228-7312

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