

# Stability returning to suburban condominiums

Mass market condos have been enjoying the lion's share of non-landed property deals – both new sales and resales. BY KIM HUYNH AND NICHOLAS MAK

As a result of many rounds of cooling measures, the private residential real estate market has been weakening for the past three years. However, according to the latest quarterly statistics released by the Urban Redevelopment Authority (URA), private home prices may be showing signs of bottoming out.

Generally, the residential non-landed housing market in Singapore can be divided into three segments based on locality. The mass-market condominiums are in the suburban areas, called the Outside Central Region (OCR). The mid-tier market segment typically consists of real estate in the city fringe or the Rest of Central Region (RCR). The luxury or high-end properties are generally in the Core Central Region (CCR).

## Price and rental trends

The mass market segment was the last of the three segments to experience a price decline. The OCR price index has fallen 8.4 per cent since its most recent peak in Q3 2013.

Non-landed home prices in the CCR rose for the second straight quarter, inching up 0.3 per cent in Q2 2016 after increasing 0.3 per cent in the first quarter. Prices in the RCR rose 0.2 per cent after remaining unchanged in the previous quarter.

On the other hand, prices of non-landed homes in the OCR continued to contract by 0.5 per cent at a slower rate compared to the 1.3 per cent fall in the first quarter of this year.

The quarter-on-quarter (q-o-q) and year-on-year (y-o-y) rates of price decline in OCR condominiums and apartments are decelerating, indicating the stabilisation in this market segment. The URA's Q2 2016 statistics signal that private home prices are approaching the trough of the cycle.

## For sale

Projects launched in the month for non-landed properties in CCR, RCR and OCR

PROJECT NAME	LOCATION	LOCALITY	LAUNCH DATE	TOTAL UNITS	NO. OF UNITS SOLD IN THE FIRST MONTH OF LAUNCH	% SOLD IN THE FIRST MONTH OF LAUNCH
183 Longhaus	Upper Thomson Road	RCR	Feb '16	40	11	27.5
Cairnhill Nine	Cairnhill Road	CCR	Mar '16	268	177	66.0
The Wisteria	Yishun Ring Road	OCR	Mar '16	216	125	57.9
The Asana	Queens Road	CCR	Apr '16	48	0	0.0
Sturdee Residences	Beatty Road	RCR	Apr '16	305	126	41.3
Gramercy Park	Grange Road	CCR	May '16	174	3	1.7
Stars of Kovan	Upper Serangoon Road	OCR	May '16	395	76	19.2
Gem Residences	Lorong 5 Toa Payoh	RCR	May '16	578	312	54.0
Lake Grande	Jurong Lake Link	OCR	Jul '16	710	464	65.4
Straits Mansions	Sea Avenue	RCR	Jul '16	25	10	40.0

CCR - Core Central Region; RCR - Rest of Central Region; OCR - Outside Central Region

Source: SLP Research

After 10 straight quarters of rental decline, rents in CCR rose marginally by 0.1 per cent q-o-q in Q2 2016. The rental indices in RCR and OCR however, continue to fall at a steady pace. Rentals in RCR and OCR fell 0.6 per cent q-o-q and 1.2 per cent q-o-q in Q2 2016 respectively – the same rates of decline recorded previously.

On a yearly basis, non-landed residential rents in the CCR and RCR market segments were decreasing at a slower pace below 4 per cent y-o-y, while the OCR rental index decreased by 5.2 per cent y-o-y in Q2 2016.

The lower rate of rental decline on an annual basis in the CCR and RCR market segments could reflect the "flight to quality" among some tenants who moved from the city fringe to the central location or from the suburban area to the city fringe as rentals weaken.

Gone are the days when landlords ruled the rental market, as tenants have the luxury of choice now and are able to relocate to more central locations at more affordable prices.

The weakness in the leasing market is clear from the increasing vacancy rates island-wide and across different planning regions.

Demand has slowed significantly as a result of the tighter foreign labour policy and the slower growth in the job market.

The vacancy rate in the OCR was the highest across the regions, which lends support to the faster y-o-y rate of rental decline observed in this market segment.

## Launch and sales volume in the primary market

Out of the 10 condo projects launched from January to July this year, three projects are in the suburbs and four are located in the city fringe.

However, suburban condo projects typically have more units than the mid-tier condo projects. The total number of units in the newly launched condos in the RCR and OCR are 948 and 1,321 units respectively.

During the same period, the sales

volume of suburban condos contributed more than half the total sales volume of non-landed homes. The better performance of suburban condos compared to the city-fringe condos and luxury condos is mainly attributed to several attractive launches in this segment, namely The Wisteria and Lake Grande.

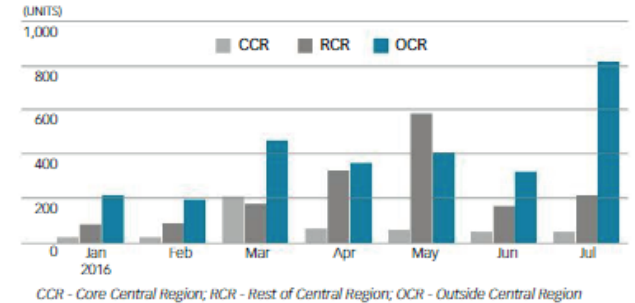
The Wisteria is part of a 99-year leasehold mixed-use development comprising three nine-storey towers of 216 residential units built on top of a two-storey shopping centre, known as the Wisteria Mall in Yishun.

Lake Grande, developed by MCL Land, is located along Jurong West Street. This condo has sold 464 units, representing more than 65 per cent of the total 710 units within its first month of launch.

Such strong sales were likely fuelled by recent announcements of the government's plan to transform the Jurong Lake District into a second Central Business District, housing the future high-speed rail terminus con-

## Sold

Total units sold for non-landed properties in CCR, RCR and OCR



CCR - Core Central Region; RCR - Rest of Central Region; OCR - Outside Central Region

Source: SLP Research, URA

necting Singapore with Kuala Lumpur.

A take-up rate of more than 100 per cent would result in a reduction of developers' inventory of unsold units. Although the average take-up rate for the suburban condos is the highest among the three market segments and is way above the benchmark of 100 per cent, the total number of unsold units in the OCR still constitutes the majority of total unsold units among the three localities.

As for resales, for the first seven months of this year, mass market properties in the OCR still enjoyed the lion's share of all non-landed property transactions in the resale market. About 1,467 suburban condos were resold from January to July 2016, according to URA data.

## Outlook

Generally, private non-landed residential prices are still facing downward pressure due to the combined effects of the cooling measures, global economic uncertainty, potential rate hikes signalled by the Federal Reserve and the weakening leasing market.

The rental market is particularly severe for suburban condominiums as a result of the huge increase in vacancy rates amid the "flight to quality", as tenants are now able to pick affordable units in more central locations.

Moreover, the recent revision to the employment pass (EP) qualifying salary from S\$3,300 to S\$3,600 as well as stricter rules for EP approval indicate the intention of the government to further tighten the influx of foreigners which may aggravate the current supply-demand mismatch in the leasing market.

On the other hand, suburban condos may still be attractive to home buyers due to their more affordable quantum compared to condos in the city fringe and prime areas.

Additionally, future plans of the government to decentralise commercial activities to commercial centres outside the city would make mass market condos more appealing to buyers.

■ The writers are respectively, an analyst, and the executive director at SLP International.