Monthly Property Market Update for March 2009

Introduction

The old trend has re-emerged in the real estate market right now, that is, the 'second act' of small-size apartments, be it 4-room HDB flats or sub-900 sq ft condominium units (which sold like hot cakes in the February/March 2009 period).

In fact, the transaction volume of 4-room HDB resale flats broke a 5-year high record, hitting 1,013 deals in March 2009. In the meantime, flat owners from the heartlands are flocking to developers' show-flats and snapping up smallish units with a vengeance – like the good old days.

However, on the larger front, the Singapore economy, as well as the rest in the civilized world, is not providing any good reading in the health chart. The unemployment rate in Singapore is still hovering at high level and our banks are still watching their own bottom-line. The euphoria at the showrooms might be giving out the wrong signal at the wrong time.

(A) The big picture of the larger economy

[A.1] Lenders less adventurous in a cautious market

Contrary to the upbeat reporting on the performance of the new home segments in recent months, some property buyers in the secondary market are having eggs on their face after the lending banks reduced the loan quantum at the eleventh hour. This may disqualify the buyers from the purchase as the shortfall between the two amounts (one in the letter of in-principle approval and the other in the letter of offer) must be paid in cash. And if the borrowers were to walk off from the loan offer, there is a punitive 1% to 1.5% cancellation fee.

In the meantime, more real estate salespersons are cursing their luck when their prospects are in such predicaments – it means more works, worries and uncertainties for the salespersons as long as the deals are still hanging in the balance.

- [A.1.1] Sliding valuation prices to be blamed

The banks have attributed the cause of the predicaments to the valuers, on whose advice the banks approve the loan quantum. But the valuers rightly pointed out that the inherent time lag in the relay of property sales information makes it difficult for them to come up with the most up-to-date opinion.

And there is nothing neither of the parties can do as the loan offer is usually approved based on a current indicative valuation, but before the loan is disbursed, the bank will call for a formal valuation which is yet again based on the latest transaction data.

- [A.1.2] Low SIBOR does not help

The three-month Singapore Interbank Offered Rate, or Sibor, is now near historical low stooping at 0.68% in February 2009. The lowest Sibor had gone down was at 0.63% in June 2003.

However, new borrowers of home loans will have none of the advantages. This is because to compensate for increased risk and the higher cost of capital, most banks have increase the spreads that they charge above Sibor, making Sibor-pegged home loans more expensive.

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Sibor is the rate at which banks lend to one another. It has been dropping since September last year, and is expected to stay low.

[A.2] Export slump in Singapore continued

According to figures released on 16 March 2009 by trade promotion agency International Enterprise (IE) Singapore, Singapore's non-oil domestic exports (NODX) tumbled 23.7% from a year ago to $9.73 billion in February 2009. A month ago, Singapore's NODX plunged a record 34.8% from a year earlier, along with other Asian exporters such as South Korea and Taiwan. The two months' figures effectively mean that the recession in Singapore has deepened.

- [A.2.1] Both the government and private sector pessimistic

The private-sector economists had forecast an 8.5% fall in gross domestic product (GDP) in the first quarter (Q1) of 2009. Likewise, Minister Mentor Lee Kuan Yew told Reuters on 4 March 2009 that the contraction in export could probably drag down Singapore's GDP growth by as much as 8% in 2009, despite the government's earlier forecast of a 2% to 5% contraction this year.

Meanwhile, the Prime Minister also said that Singapore's GDP could shrink by 8%, if the manufacturing slump was not compensated by growth in other sectors. The Singapore economy grew only 1.1% in the whole of 2008 compared with 7.8% in the previous year.

If the slump continues, the real estate market will be hit as private businesses which had used the appreciated value of their homes or other non-residential assets for working capitals may be forced to sell their security in order to cover the margin in the credit lines.

- [A.2.2] Singapore dollars may be re-valued in April 2009

Citigroup said that the trading band for the Singapore dollar could be adjusted downwards as early as April 2009 to combat the negative effects of the export slump. An expensive Sing dollar could further dampen demand and prevent export recovery.

Cheaper Sing dollars will be better for Singapore as it will boost manufacturing activity and help the service sector which does not rely on import.

However, it would mean more expensive imports for the construction sector which will also mean higher substitution costs for the real estate market. The positive effect will be higher development costs for property and thus capital appreciation for existing home owners.

[A.3] Expect more actions at property auctions

While the requests for invitations as well as the turnout at auctions have been overwhelming so far this year, only one out of the 23 properties placed under the hammer was successfully sold. The rest were withdrawn after some opportunistic bids which went below the reserve price.

An auctioneer observed that buyers might still be apprehensive that the current price level was still not the lowest. Another auctioneer said that the bidders might be unwilling to pay the seller's price for fear of not being able to obtain financing.

Property consultants insist that the healthy turnout at the events should be interpreted as an indication of strong underlying demand.

- [A.3.1] Auction transaction value up

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In a separate report on 28 March 2009, Colliers International said that there were 41 foreclosed private homes put under the hammer in the first quarter (Q1) of 2009. This is an 18% increase from the fourth quarter (Q4) of 2008.

In Q1 2009, there were a total of 189 auctions, including private homes put up for sale by the owners. Though only 6% were sold successfully, it was better than the 5% success rate in Q4 2008.

In March 2009, eight properties worth a total of $12.955 million were auctioned off, bringing the total auction transaction value in Q1 2009 to $17.94million. This is a 234% increase from Q4 2008.

(B) The overall performance of Private Residential Property segment

[B.1] Q1 2009 suffered the largest fall in private home prices since 1975

According to the URA flash estimate released on 1 April 2009, private home prices fell 13.8% in the first quarter (Q1) of 2009 compared with the 6.1% decline in the final quarter (Q4) of 2008. It nearly tripled the 4.7% fall for the whole of 2008, after the spectacular prices surge of 31.2% in 2007.

The price fall in Q1 2009 is the largest since the index started in 1975. The sliding momentum gathered force in Q4 2008 where overall private home prices lost a massive 6.1% before culminating to the 'big splash' in Q1 2009. The situation is not helped by developers slashing prices so as to lighten their heavy supply over-hang.

URA also released the flash estimates of the price changes in the three geographical regions for Q1 2009. Prices of non-landed private homes fell by 15.2% in Core Central Region (CCR), 17.2% in Rest of Central Region (RCR) and 7.5% in Outside Central Region (OCR) in Q1 2009. See table below for the quarter-to-quarter price movement since the market bull-run in Q1 2007.

Table [1] – Quarter-to-quarter price gains/fall

	Core Central Region (CCR)	Rest of Central Region (RCR)	Outside Central Region (OCR)	Overall Pte Home Prices
Q1 2007	5.5%	3.7%	2.0%	4.8%
Q2 2007	7.9%	8.1%	7.2%	8.3%
Q3 2007	8.3%	7.9%	7.9%	8.3%
Q4 2007	7.5%	7.7%	7.0%	6.8%
Q1 2008	3.8%	3.3%	3.8%	3.7%
Q2 2008	–0.1%	0.7%	0.9%	0.2%
Q3 2008	–2.7%	–2.4%	–1.5%	–2.4%
Q4 2008	–6.5%	–6.2%	–5.9%	–6.1%
Q1 2009	–15.2%	–17.2%	–7.5%	–13.8

Source of data – URA

In all, the bulk of the price gains achieved over the past six quarters beginning Q1 2007 have been wiped out. And after the biggest thumping of the overall prices in Q1 2009, subsequent price falls could well be much smaller. After all, buying activities are clearly on the rise, especially at the mass-market segment where prices have come down to an affordable level and demand from the HDB heartlands is still going strong.

[B.2] Primary home sales surprises everybody in February/March 2009

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Primary home sales did exceptionally well in both February and March 2009 (the March statistics are not available yet) when compared with the 'flat performance' of 107 sales transactions in January 2009. The overall sales volume rose to 1,323 transactions – helped by the stellar performance of District 3 Alexis at Alexandra Road and District 22 Caspian at Jurong Lake District.

The buying frenzy actually spilled over to March 2009; and as such, over 2,000 units are expected to be sold for Q1 2009. This is a huge improvement over last year where only 4,264 units were sold for the entire year.

The vast majority of the new home units sold in Q1 2009 was from the mass-market sector. Only 12 transactions were transacted at the Core Central Region (CCR). As such, it is still early to predict a comprehensive market revival. The current surge in buying activities may well be a collective expression of pent-up buying feelings after a long drought without any quality new projects being launched. Moreover, the more affordable price tags definitely boosted sales.

But on a cautious note, if the larger economy continues to worsen, the price fall may be further aggravated. Anything is possible now. (See Tables [2] to [6] for details of new home sales from region to region.)

Table [2] - Monthly sale figures of new home units launched in the respective months in 2008

Month	Total New Home Units Launched but unsold	New units launched in the month	Total New Home Units Sold
Jan 08	2,539	410	320
Feb 08	2,831	343	174
Mar 08	3,186	642	301
Apr 08	3,187	271	274
May 08	3,218	474	441
Jun 08	3,379	1,069	801
Jul 08	3,841	1,322	897
Aug 08	3,754	194	320
Sept 08	4,154	767	376
Oct 08	4,266	159	112
Nov 08	4,270	382	192
Dec 08	4,231	157	131
	Total	**6,190**	**4,339**

Source of data – URA

Table [3] - Monthly sale figures of new home units launched in the first two months of 2009

Month	Total New Home Units Launched but unsold	New units launched in the month	Total New Home Units Sold
Jan 09	4,327	204	107
Feb 09	4,076	1,069	1,323
	Total	**1,273**	**1,430**

Source of data – URA

- [B.2.1] Performance of primary sales in Core Central Region (CCR)

Out of the 194 new condo projects on sale in the Core Central Region, only **12** projects reported sales. In all, the total new units sold in CCR in February 2009 were 102. See table below for details.

Table [4] – Performance of private new home sales in CCR in February 2009

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	Project Name	Units Launched so far	Units launched so far but UNSOLD	Units Sold in the Month	Median Price ($psf)	Lowest Price ($psf)	Highest Price ($psf)
1	D'Chateau @ Shelford	31	8	21	1,000	950	1,110
2	RV Suites	96	51	20	1,200	1,122	1,239
3	Newton Edge	104	4	17	1,175	384	1,252
4	Parc Sophia	152	28	17	1,200	1,179	1,301
5	Lucida	62	32	9	1,100	1,099	1,149
6	Park Infinia at Wee Nam	486	20	8	1,178	1,102	1,225
7	Vida	137	62	4	1,949	1,901	2,048
8	Skypark	56	10	2	1,851	1,851	1,852
9	Gentle Reflections	7	4	1	710	710	710
10	Icon	646	21	1	1,488	1,488	1,488
11	Watten Residences	59	50	1	782	782	782
12	Zenith	85	7	1	1,161	1,161	1,161

Source of data – URA

- [B.2.2] Performance of primary sales in Rest of Central Region (RCR)

Out of the 128 new condo projects on sale in the Rest of Central Region, only **21** projects had reported sales. In all, the total new units sold in RCR in February 2009 were 381. See table below for details.

Table [5] – Performance of private new home sales in RCR in February 2009

	Project Name	Units Launched so far	Units launched so far but UNSOLD	Units Sold in the Month	Median Price ($psf)	Lowest Price ($psf)	Highest Price ($psf)
1	Alexis	293	0	293	1,083	831	1,178
2	City Studios	25	12	13	879	826	918
3	Nova 48	28	13	9	877	800	929
4	The Aristo @ Amber	50	6	9	1,034	903	1,089
5	De Centurion	42	6	8	999	950	1,000
6	Nova 88	88	56	7	896	807	1,011
7	Rivage	17	8	7	901	886	972
8	Oasis Garden	134	64	6	693	660	755
9	iResidences	70	61	5	900	900	910
10	Floridian	75	54	4	1,220	1,159	1,220
11	Teresa Villas	8	0	4	438	397	449
12	Celestia	39	8	3	720	695	728
13	Ivory	20	5	3	670	670	670
14	The Adara	16	4	2	760	750	770
15	The Beacon Edge	32	4	2	790	790	790
16	833 M B Residences	20	19	1	901	901	901
17	Bellaville	10	7	1	461	461	461
18	Clover By The Park	616	325	1	764	764	764
19	Landed development	6	3	1	709	709	709
20	One @ Pulasan	31	0	1	809	809	809
21	Woodsville 28	50	28	1	760	760	760

Source of data – URA

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- [B.2.3] Performance of primary sales in Outside Central Region (OCR)

Out of the 150 new condo projects on sale in the Outside Central Region, **25** projects reported sales. In all, the total new units sold in OCR in February 2009 were 840. See table below for details.

Table [6] – Performance of private new home sales in OCR in February 2009

	Project Name	Units Launched so far	Units launched so far but UNSOLD	Units Sold in the Month	Median Price ($psf)	Lowest Price ($psf)	Highest Price ($psf)
1	Caspian	600	83	517	603	465	818
2	The Quartz	625	14	168	591	417	684
3	Palmera Residence	38	6	22	775	623	898
4	Livia	440	84	16	620	599	632
5	The Ambra	25	1	15	630	570	720
6	The Lucent	42	10	12	733	620	780
7	Waterfront Waves	222	64	11	616	588	675
8	Rosewood Suites	80	24	10	551	494	617
9	Eastbay	40	0	9	749	730	824
10	Poshgrove East	76	6	9	850	760	929
11	Botannia	493	25	8	680	677	680
12	Kovan Residences	220	88	6	809	782	865
13	Coastal Breeze Res	63	50	5	681	658	710
14	Evania	35	6	5	631	619	652
15	The Florentine	34	0	5	649	633	665
16	Landed development	22	17	4	755	544	769
17	Palm Galleria	40	0	4	670	649	673
18	Ricchezza	16	4	3	721	581	759
19	Sovereign @ Simon	23	14	3	504	503	528
20	Naturalis	43	17	2	844	839	848
21	The Top Residence	13	0	2	417	406	428
22	Beau Vista	6	4	1	455	455	455
23	Callidora Ville	34	17	1	797	797	797
24	The Verte	36	7	1	732	732	732
25	The Scenic @ Braddell	18	8	1	755	755	755

Source of data – URA

[B.3] More new home projects delayed to avoid landslide in prices

According to URA data, an annual average of 11,626 new condos/apartments will be available for immediate occupancy from next year up to 2013. These will be completed units that are ready for occupancy or tenancy. As for 2009, there will be about 10,000 new home units available for immediate occupancy or tenancy.

However, as the relief measures made under Budget 2009 allow housing developers to push back planned developments to later dates for a maximum of four calendar years, the potential supply may be cut back to lower than 10,000 new units a year. In fact, to avoid further shrinking of their profits, many like-minded developers have already shelved plans to redevelop *en bloc* sites which they bought during the 2006-2007 period. [This matter was reported in the January monthly report]

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Housing developers are also pushing back construction schedule for new projects or redrawing building plans to resize the larger apartments into smaller ones. For example, Keppel Land has deferred construction of the 221-unit up-market Marina Bay Suites and the 56-unit Madison Residences in Bukit Timah; and CDL has deferred the SouthBank project in Beach Road.

Altogether, at least 82 planned housing projects have been indefinitely shelved.

[B.4] Boom or bane – Sub-sale deals will define this year's market

While the housing developers have the government to thank for the much needed breathing space, some individual home owners may need to take losses by selling off the new units which they booked earlier under the Deferred Payment Scheme (DPS).

In fact, some new home units under construction in the prime districts have already been sub-sold at prices lower than the original launch prices while the global financial tsunami takes its toll against the rich world.

- [B.4.1] Median sub-sale price fall

The median sub-sale price slipped to $880 psf in the fourth quarter (Q4) of 2008 – 7% lower than the prices in Q3 2008 and 27% lower than the same period last year. The drop in sub-sale prices has probably been caused by the price collapse of the high-end private home segment in 2008.

For example, the annual median sub-sale price of The Sail @ Marina Bay, the top sub-sale project in 2008 with 100 caveats lodged, has gone down to $1,550 psf. It is 22.1% lower than the median sub-sale price of 2007 and 9.4% when compared with Q4 2007.

A few prominent condo projects also suffered from lower median sub-sale prices, including Citylights in the Lavender area with 10% drop (to $1,036 psf), Varsity Park Condo in Clementi area with 12% drop (to $659 psf), and City Square Residences at Kitchener Road with 17% drop (to $835 psf).

- [B.4.2] Sub-sale units selling at lower than launch prices

Based on caveats lodged, sub-sale prices at 11 developments that were launched between 2006 and 2008 have come down to below their launch levels, including the following projects: the 175-unit The Sixth Avenue Residences in Sixth Avenue; Duchess Residences in Bukit Timah, which was launched in 2007 with units costing more than $2,000 psf; Park Infinia at Wee Nam in Lincoln Road which was launched at around $1,500 to $1,600 psf.

A unit at The Orchard Residences was advertised for $2,600 psf while a unit at Ardmore II was put up for sale at $1,750 psf. The Orchard Residences and Ardmore II had sold for an average of $3,301 psf and $2,271 psf respectively at their launch.

[B.5] Secondary home market faces steep challenges in 2009

Secondary sales of both landed and non-landed private homes in January and February 2009 can only be described as 'flat' by any standards. More detailed information is as follows.

- [B.5.1] Sales of Landed homes subdued

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The overall sales of landed homes in the Jan/Feb 2009 period were modest. Likewise, average price also fell between 1.5% and 2.2%. In the previous quarter, average price fell between 3.8% and 5.8%. (See Tables [7] to [9] for details of private landed home sales by house types).

Table [7] - Monthly sale figures of Detached Houses in all districts

December 2008 Detached House Transactions		**January 2009** Detached House Transactions		**February 2009** Detached House Transactions	
1-storey= 2 units	($573–$573 psf)	1-storey= 3 units	($500–$870 psf)	1-storey=2 units	($394–$422 psf)
2-storey= 1 unit	($670–$670 psf)	2-storey=1 unit	($300–$300 psf)	2-storey=2 units	($716–$1,126 psf)
3-storey= 3 units	($331–$830 psf)	3-storey=3 units	($403–$1,020 psf)	3-storey=2 units	($398–$478 psf)
Total = 5		**Total = 7**		**Total = 6**	

Source of data – SISVRealink

Table [8] - Monthly sale figures of Semi=detached Houses in all districts

December 2008 Semi-Detached House Transactions		**January 2009** Semi-Detached House Transactions		**February 2009** Semi-Detached House Transactions	
1-storey= 1 unit	($685–$685 psf)	1-storey= 2 units	($620–$645 psf)	1-storey=1 unit	($688–$688 psf)
2-storey= 5 unit	($384–$792 psf)	2-storey=3 unit	($367–$869 psf)	2-storey=5 units	($408–$701 psf)
3-storey= 4 units	($600–$919 psf)	3-storey=5 units	($505–$805 psf)	3-storey=5 units	($463–$1,136 psf)
Total = 10		**Total = 10**		**Total = 11**	

Source of data – SISVRealink

Table [9] - Monthly sale figures of Terrace Houses in all districts

December 2008 Terrace House Transactions		**January 2009** Terrace House Transactions		**February 2009** Terrace House Transactions	
1-storey= 4 unit	($453–$571 psf)	1-storey= 5 units	($139–$861 psf)	1-storey=2 units	($553–$1,119 psf)
2-storey= 7 unit	($491–$744 psf)	2-storey=7 unit	($340–$853 psf)	2-storey=6 units	($200–$881 psf)
3-storey= 17 units	($258–$2,040 psf)	3-storey=18 units	($418–$831 psf)	3-storey=16 units	($206–$774 psf)
Total = 28		**Total = 30**		**Total = 24**	

Source of data – SISVRealink

- [B.5.2] Secondary sales of non-landed homes fell

In the same Jan-Feb period of 2008, a total of 1,797 condo/apartment deals were struck. However, this year, only 771 deals were transacted during the same period. This means that this year's transactions were a mere 43% of last year's performance.

Average prices of freehold non-landed private homes in the prime districts of 9, 10 and 11 fell 3.7% on a quarterly basis to S$1,120 psf in Q1 2009. This is smaller than the 14% price fall in Q4 2008.

The average price of luxurious homes in the prime districts also registered a slower decline of 3.6% in Q1 2009, after sliding 22% in Q4 2008.

Outside the prime districts, the average price of non-landed, 99-year leasehold homes slipped 2.6% in Q1 2009, after falling 5.8% in Q4 2008.

[B.6] Rents of prime condos falling 15%

As more new home supplies are entering the prime districts and more expatriates are being sent home in the midst of the on-going recession, landlords in prime districts 9, 10 and 11 may have to be very realistic about their asking rents when it comes to lease renewal.

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Right now, rentals of these units have fallen by 15% to 20% from the middle of 2008. Likewise, rents in non-prime and suburban areas have also fallen by the same rate, and could fall by another 10% this year.

The average monthly rent for luxurious non-landed homes in Singapore fell 18.8% on a quarterly basis to $5.20 psf pm in Q1 2009.

For example, St Regis rents start at $7,500 for the smallest 1,507 sq ft three-bedroom unit and $20,000 for the 3,757 sq ft, four-bedroom unit, or around $5 to $5.30 psf per month. The average rent record for Grange Residences, a prime but slightly older condo, is at $6.20 psf per month at the end of last year.

Meanwhile, the average rents of non-landed homes in the prime districts fell 16.2% on a quarterly basis to $3.65 psf pm in Q1 2009. However, newer projects are still able to command rents of $4.60 psf to $5.00 psf per month. For example, the transacted rents for one-bedroom units of 690sq ft at the Sail @ Marina Bay now stand at $3,200 a month.

[B.7] Investment sales slow to a trickle

Investment property sales have suffered a major blow in Q1 2009. In terms of investment volume, they have dropped to the 1998 level. Back then, investment sales dropped to $107 million in Q1 1998 and as low as $47 million in Q3 1998. In Q1 2009, the volume was $153 million with only about ten investment deals, down from 15 in the previous quarter.

The residential sector accounted for the largest share or 46% of total investment sales in Q1, including the sale of two 19th-floor St Regis units which went for $2,153 psf or 21% below the original developer's launch price.

The office sector made up 34% of Q1 2009 investment sales with the $27 million sale of Genesis Building in January making up for more than half of the total value in this sector.

There were totally no transactions involving major developers, funds, real estate investment trusts or any land sale by the government in Q1 2009.

(C) The performance of Non-Residential Property segment

[C.1] Grade A office rents fall in Singapore

With the massive corporate layoffs that are still on-going in the key financial services sector, especially among foreign banks, demand for office space is expected to come down drastically throughout 2009.

Office rents for Grade A/Prime space in Singapore tumbled 18% in Q1 2009 after a massive 14% fall in Q4 2008 on a year-on-year (yoy) basis. The rents fell to an average of $15.00 psf per month (pm), down from $17.15 psf pm a year ago. It may drop further to $12.30 psf pm according to CBRE's estimate.

- [C.1.1] Office vacancy rate to rise further

Grade A vacancy by end-March 2009 rose from 0.9% in end-2008 to 2.9%. In the previous quarter (Q4 2008) it was 0.9% compared to 0.2% a year ago.

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There could be an excess supply of over a million sq ft office space for the whole year, around the levels the market has experienced as recently as 2002/2003.

In the broader Core CBD comprising the micro-markets of Raffles Place, Marina Bay, Shenton Way and Marina Centre, the vacancy rate increased from 4.6% as at end-2008 to an estimated 6.9% as at end-March 2009.

These vacancy figures do not take into account 'shadow space' or excess space that companies try to sublet.

[C.2] Negative take-up of industrial space

JTC Corp has been hit by a sharp fall in the take-up of its industrial space during a tough fourth quarter (Q4) in 2008.

In ready-built factory space, lease terminations of 21,200sqm exceeded the 20,000 sq m of new space leased during the quarter, resulting in a negative net take-up of 1,200 sq m.

In the whole of 2008, some 323 firms ended their leases, with the bulk of them being in multi-storey factories. The figure was 318 firms in 2007.

Take-up of prepared land slumped 41% to 200.9ha. In all, 62 firms terminated leases, a rise on the 53 firms in 2007.

[C.3] Slower take-up rate at New Orchard malls

The three upcoming new lifestyle malls along Orchard Road that set tongues wagging a couple of years ago are now bracing for further gloom in the economy.

Prime retail space at Orchard Central, next to the Somerset MRT Station, Ion Orchard right above the Orchard MRT station, and 313@Somerset on the former Hotel Phoenix site was once the most coveted prizes by leading lifestyle brands. But the take-up rate has recently slowed to a crawl.

In October 2008, Far East Organisation (FEO) which owns Orchard Central announced that the mall was 60% leased, at prices between $20 psf and $70 psf. But the occupancy has risen to only 65% by the end of February this year. FEO has recently said that the mall will be opened in June 2009 with 75% tenancy.

The management of Ion Orchard, which boasts of the dearest super prime retail space in Singapore at $80 psf, has declined to comment on the take-up rate for the retail space. However, in September 2008, it did say that the mall was 50% leased.

Likewise, 313@Somerset which is being developed by Lend Lease Retail from Australia, still has more than 30% vacancy in its retail space available for lease.

(D) The performance of Collective Sales

Most news on collective sales was on court rulings on minority objections to sale orders issued last year. So far this year, only Katong Mall was sold collectively. Below are excerpts of recent court rulings on collective sales.

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[D.1] Gillman en bloc sale – consent based on TOP date

The Court of Appeal had dismissed an appeal by the minority owners of Gillman Heights to frustrate the collective sale of the property.

The minority owners argued that because Gillman Heights obtained its certificate of statutory completion only in 2002, it needed 90% consent - which the buyers did not have. Currently, 80% consent is needed if a development is more than 10 years old, and 90% consent if it is less than that.

[D.2] Regent Court en bloc sale – Buyer can make good financial losses

Justice Judith Prakash who ruled that the en bloc sale of Regent Court should go through last October has explained the ground for the judgement.

Two objectors had in December 2007 claimed that they would suffer financial losses as their share of the sale proceeds would only amount to $932,000 but they had bought their flat for $993,000.

However, the buyer, Regent Development, had undertaken to settle the gross difference of $93,935.75 once the sale went through. The STB did not consider this payment and took account of only the objectors' purchase price and the en bloc sale price. This would mean that even if 99% of owners voted for the sale, the collective sale could not go through either.

Justice Prakash explained that the Land Titles (Strata) Act empowered the STB to ensure that the buyer make good any loss suffered by any objecting owners.

[D.3] Horizon Towers en bloc sale – bad faith prevented it from sale

After almost two-and-a-half years, the minority owners of Horizon Towers have finally succeeded in blocking the $500 million collective sale of their homes at Horizon Towers. The minority owners had argued that the deal was done in bad faith as a higher $510 million offer from Hong Kong firm Vineyard Holdings was not taken seriously.

The Court of Appeal agreed with the minority owners that the sales committee did not secure the best price obtainable for the property.

[D.4] Katong Mall en bloc sale – first retail mall to be sold collectively

Katong Mall, a four-storey complex occupied by 258 shops and offices, has become the first full-retail development to be collectively sold in Singapore.

When the collective sale deal was proposed in September 2007, the minority dissenters tried to block the deal on ground of bad faith. The dissenters cited the fact that the two companies that owned 72% of the mall, Golden Cape Investments and Megaton Investments, were wholly owned by the buyer, Tuan Sing Holdings.

However, the worsening economic situation has made the offer price of $219 million for the mall appeared reasonable. Average prices for commercial space have fallen 5% to 10% in the last half a year.

(E) Foreign Interest in Singapore Real Estate

[E.1] Foreign funds and banks start looking at Singapore real estate

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According to a Business Times report on 20 March 2009, SG Private Banking, which just set up a centre in Singapore to focus on real estate, hopes to invest another US$500 million in Asian property by end-2010.

Other firms here have similar plans. For example, Woori Investment & Securities (Woori I & S), part of Korea's Woori Financial Group, is looking at arranging and investing about US$300-500 million in Asian property over the next two years. And Singapore-based ARA Asia Dragon Fund aims to invest another US$1 billion in Asia over the next two to three years.

However, there are still some downside risks and the credit market still plays a vital role in the buying strategies.

(F) News on Government Land Sale (GLS) Programme

There have been no major developments in this area.

(G) Overall performance of the HDB resale market

[G.1] Resale flats going below valuation

Agents interviewed by the press said that it is now fairly easy for buyers to buy a flat without paying any COV or even find a flat that is priced below valuation. They said that there were more advertisements for resale flats going for absolutely no cash or below valuation.

A recent classified advertisement in The Straits Times offered a five-room flat near Ang Mo Kio Hub for $50,000 below its valuation of $640,000. Another one was offering five-room flats in Jurong for $10,000 to $15,000 below valuation.

Even flats in keenly sought-after estates, such as Tiong Bahru and Queenstown, are commanding less COV now because their values had appreciated tremendously during the market bull run in 2007.

For instance, the median COV for five-room flats in Bukit Merah, which reached $61,000 in the Q3 2007, has come down to a realistic level of $10,000 in Q4 2008.

Overall, the COV for five-room flats registered a 35% fall to $11,000 in Q4 2008, from $17,000 in Q3 2008. But for four-room flats, the fall in COV was smaller at 25%.

With the economy going downhill, there is no doubt that COV will continue to slide, with a bigger decline seen for bigger flats.

However, the COV for smaller flats may not come down so much because usually in a downturn, there will be higher demand for the smaller three- to four-room flats which may come from those downgrading from private properties.

[G.2] Resale transaction up in March 2009 after three-month decline

Transactions of smaller flats, including three- and four-room flats are in ascendancy. In fact, during the general gloom in the first two months of 2009, the 3-room resale transactions inched up, instead of falling. While 4-room flat volume dipped slightly in February 2009, it rebounded with a vengeance in March 2009, hitting 1,013 – a height the market has not seen for at least the past 5 years.

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However, the waning demand for larger flat types including 5-room flats and E-flats continue in March 2009. Although the resale volume of 5-room flats did perform better, it was some distance away from last year's height of 699 transactions.

Transactions of Executive flat continue to be depressed. The 125 resale deals were lower than in February 2009 which was the worst month since February 2006. In short, while E-flats put in an indifferent showing in March 2009, smaller flats are truly the stars of the show.

Table [10] – Monthly resale HDB flat Transactions from January 2008 to March 2009

2008	**3-room**	**4-room**	**5-room**	**E-Flats**	**Total**
January	**680**	837	597	192	2,306
February	635	768	495	146	2,044
March	613	806	569	162	2,150
April	664	**909**	602	164	2,339
May	638	816	544	181	2,179
June	628	854	584	192	2,258
July	652	910	680	**214**	2,456
August	653	769	577	187	2,186
September	692	922	689	191	**2,494**
October	675	897	635	182	2,389
November	671	858	**699**	204	2,432
December	580	763	535	158	2,036
2009					
January	584	774	510	126	1,994
February	588	736	412	132	1,868
March	**767**	**1,013**	574	125	**2,479**

Source of data – HDB infoweb

Table [11] – Resale HDB flat Transactions in January 2009

	3-room	4-room	5-room	E-Flats	Total
Ang Mo Kio	67	22	6	1	96
Bedok	52	37	20	5	114
Bishan	8	16	7	3	34
Bt Batok	42	36	8	2	88
Bt Merah	31	14	5	0	50
Bt Panjang	7	29	30	4	70
Bt Timah	0	3	0	1	4
Central Area	4	7	0	0	11
Choa Chu Kang	2	63	45	6	116
Clementi	28	23	4	1	56
Geylang/Aljunied	33	16	6	0	55
Hougang	26	51	20	11	108
Jurong East	23	7	12	2	44
Jurong West	35	60	57	13	165
Kallang Whampoa	33	15	9	1	58
Marine Parade	4	5	0	0	9
Pasir Ris	19	27	19	13	78
Punggol	0	14	42	4	60
Queenstown	35	6	2	0	43
Sembawang	0	30	22	4	56
Sengkang	0	40	60	7	107

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Serangoon	9	15	10	5	39
Tampines	34	65	31	12	142
Toa Payoh	27	14	16	3	60
Woodlands	15	91	56	18	180
Yishun	50	68	23	10	151
Total	**584**	**774**	**510**	**126**	**1,994**

Source of data – HDB infoweb

Table [12] – Resale HDB flat Transactions in February 2009

	3-room	4-room	5-room	E-Flats	Total
Ang Mo Kio	58	23	9	1	91
Bedok	56	37	12	7	112
Bishan	7	24	2	1	34
Bt Batok	33	31	11	5	80
Bt Merah	33	20	14	0	67
Bt Panjang	10	29	18	5	62
Bt Timah	1	2	0	0	3
Central Area	6	4	0	0	10
Choa Chu Kang	6	29	32	8	75
Clementi	33	15	7	2	57
Geylang/Aljunied	22	12	4	2	40
Hougang	33	46	24	14	117
Jurong East	16	14	8	7	45
Jurong West	37	65	50	12	164
Kallang Whampoa	33	12	5	0	50
Marine Parade	10	5	2	0	17
Pasir Ris	24	28	18	9	79
Punggol	0	22	36	6	64
Queenstown	25	13	5	0	43
Sembawang	0	24	16	3	43
Sengkang	0	38	45	9	92
Serangoon	12	19	5	4	40
Tampines	35	54	23	12	124
Toa Payoh	33	20	6	0	59
Woodlands	28	86	47	17	178
Yishun	37	64	13	8	122
Total	**588**	**736**	**412**	**132**	**1,868**

Source of data – HDB infoweb

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Table [13] – Resale HDB flat Transactions in March 2009

	3-room	4-room	5-room	E-Flats	Total
Ang Mo Kio	75	33	5	2	115
Bedok	73	68	27	3	171
Bishan	4	25	5	1	35
Bt Batok	38	49	11	3	101
Bt Merah	38	22	14	0	74
Bt Panjang	9	58	36	7	110
Bt Timah	1	5	1	0	7
Central Area	12	1	0	0	13
Choa Chu Kang	8	67	32	8	115
Clementi	48	15	7	3	73
Geylang/Aljunied	29	27	4	1	61
Hougang	35	55	32	8	130
Jurong East	33	20	17	6	76
Jurong West	51	81	70	12	214
Kallang Whampoa	52	24	7	2	85
Marine Parade	11	1	2	0	14
Pasir Ris	5	36	26	10	77
Punggol	0	22	47	3	72
Queenstown	49	18	6	0	73
Sembawang	0	30	23	4	57
Sengkang	0	46	60	7	113
Serangoon	23	20	5	7	55
Tampines	41	80	59	17	197
Toa Payoh	43	19	6	0	68
Woodlands	36	125	57	17	235
Yishun	53	66	15	4	138
Total	**767**	**1,013**	**574**	**125**	**2,479**

Source of data – HDB infoweb

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Annex [A] - Skill Enhancement Training
How to react to tough questions using the latest market information/knowledge

"How's the Property Market?"

Prospective buyer	*How's the property market?*
Salesperson	Strange. People are buying despite the recession. HDB resale volume has gone up; and likewise, mid-market condominiums are selling like hot cake throughout February and March 2009.
Prospective buyer	*Why is that so?*
Salesperson	I think Singaporeans are right now taking advantage of the price softening to upgrade to better quality home. Anyone with a property now can easily sell it off and upgrade to a better property.
Prospective buyer	*Why are these people not afraid of the recession?*
Salesperson	Recession is the best time to realise your dream home. A house is still the most important asset in anyone's life. The recession offers the best chance to buy because it is definitely very safe to do so now. [Value statements]
Prospective buyer	*But prices are still high. Don't you think so?*
Salesperson	In relation to what, may I know? What I mean is that when you said 'prices are still high', what do you compare home prices with? Do you compare home prices with car prices? Or, do you compare home prices today with the past prices of 2007 or 2001?
Prospective buyer	*What is the difference?*
Salesperson	I would suggest you compare today's home prices with the prices in 2012 – when the recession is over. Do you think the recession will still be here? Do you think you will still say 'home prices in 2009 were high'?
Prospective buyer	*What if the recession is still not over by then?*
Salesperson	To me, that would mean the construction costs will continue to climb because all the leading economies in the world, such as the United States, China and India, will have to continue to build infrastructure to prop up their own economy. Do you realise that the construction costs have not, and will not, come down?
Prospective buyer	Yes, you may be correct.

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Salesperson	On the other hand, if the recession persists, Singapore dollar will become even weaker against all major currencies (we have no choice but to devalue to boost export). It means that all things imported will become more expensive in these few years. Property [or land or flat] is the only asset that can save the **value of your money** over these few years. [Value statement]

To young couple – "You should take the longer loan term"

Prospective buyer	We really aren't so sure whether we should buy now?
Salesperson	If you are above 40 years old, I will not encourage you to do so. But both of you are so young. Do you realise that there are a lot of advantages you can tap in this recession?
Prospective buyer	What advantages are you referring to?
Salesperson	[Show loan scheme – and point to higher interest column] You see, even if we look at the high interest column of 5%, it only means that your salary by then would have increased by more than 5%. It means that Singapore economy is moving much faster than 5%, because home loan rate will never move faster than the economic growth rate, judging by the global financial situation today. The meaning of high interest rate is high economic growth. Don't you agree?
Prospective buyer	Yes, it makes sense. But why do you say it is an advantage to young people?
Salesperson	[Point to low interest rate] You see here? If unfortunately, the economy does not improve, you will continue to enjoy the lowest rate. Look at the low repayment you will be making every month. It means that buying a house now is very SAFE. Don't forget, regardless of your salary increments and continuous inflation in the next 10 years, you will continue to pay more or less the same equal monthly instalments. In no time, you will be making a huge profit out of the investment. [Value statement]
Prospective buyer	What if the economy continues like that for the next 10 years?
Salesperson	Regardless of the economy, inflation will push the property prices up in the next 10 years. Remember this, more than 85% of the population live in government-built subsidised flats and more than 85% of the flat owners are using their CPF savings to finance the flats. The government will never allow property value to fall, because if it does, our CPF savings will be in jeopardy. Do you think the Singapore government will let property value fall for the next 10 years? Property investment is a sure bet in Singapore. I can't say that for other countries without such a huge public flat sector. [Value statement]

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