

Introduction

September started tentatively with property buyers taking cover from a slew of bad news originating from the financial markets the world over. Towards the end of the month, morale boosting news started to creep in and a stock market revival has restored some of the bruised confidence. By the time of this market review, real estate agents should be busier in their work as compared to the beginning of the month. Below describes the "ebb and flow" of the real estate market in September.

(A) Local banks are reportedly tightening credit

Though one big bank openly rebuffed the accuracy of the above report, the Credit Bureau Singapore (CBS) gave a different perspective a few days later when it released its independent findings on home loans. The gist is as follows:

- CBS said that its own property loan index shows a hunger for credit to finance properties under the current property boom.
- The number of property owners with more than one home loan has gone up by 64% to 38,520 in June this year.
- In all, average home loan application per month is around 10,000, but only around 40% to 50% of the application would be approved probably due to the 'multiple applications' that would not be able to qualify for a home loan easily. (13 Sept)

See other details in **Annex A**.

(B) Banks must spell out home loan rates upfront

From 14 September, all the 107 local and foreign banks which are members of Association of Banks in Singapore (ABS) will have to follow a set of guidelines when promoting their home loan packages. They must inform borrowers upfront of the following:

- The different interest rates being charged for different home loan packages before they take up the loan offers.
- The financial indicators being benchmarked against for home loan rates, such as the three-month Singapore Inter-bank Offered Rate or the Central Provident Fund rate.
- The banks' prerogative to change the board rate at any time by giving 30 days' notice,
- Letter of Offer must include the above details. (9 Sept)

(C) Mortgage growth will double

Currently, most local banks are only financing a maximum of around 80% of the value of a property, despite MAS rules allowing a higher percentage of 90% funding. This means that borrowers will have to fork out more front-end cash.

In the 11 months to March this year, mortgage growth in Singapore remained under 3% even though home sales have almost doubled over the same period of time. However, according to current official figures, home loans are up 8.1% in July from 6.9% in June. In general, banks expect mortgage growth to reach double digits by the end of the year. (5 Sept)

(D) Number of new homes to come on stream

To reassure the public that there is sufficient supply of new homes and allay fears that some prospective home buyers might be priced out of the market, the URA released statistics showing the on-coming supply of new homes up to year 2010.

The potential supplies include 2007 (3,899 units now under construction), 2008 (**6,579** units - comprising 6,257 units now under construction and 322 units being planned), 2009 (**15,846** units – comprising 10,229 units now under construction and 5,617 units being planned), and 2010 (**16,727** units - comprising 5,284 units now under construction and 11,443 units being planned).

See other details at **Annex B**.

(E) Sub-sale data

According to figures released by URA, sub-sales of private homes in the Core Central Region are 19.4%, the Rest of Central Region 10.4% and the Outside Core Region (OCR) under 5%. When taken as a percentage of total new sales within the respective regions, the proportion of sub-sales was just 7% for the OCR, but 53% for the CCR and 27% for the RCR. However, readers should take the statistics with a pinch of salt as 'flipping' of properties is untraceable as 'buyers' and 'sellers' are doing it 'under the radar' where no stamp duty and legal fees payable as there is usually no formal contract on such transactions.

See more details at **Annex C**.

(F) Private rental index by IRAS

On the whole, the statistics reflect a bullish outlook of the real estate market. Private apartment rents in Core Central region were up by 12% - the highest among all the three regions. The other two regions also saw apartment rents going up by 10% and 9.4% respectively. (19 Sept)

See more details at **Annex D**.

(G) Private residential rents likely to rise by 40%

Rents of private residential properties continued their flight path in the third quarter of this year, soaring 8% to 10% above the second quarter's 10.4% increase.

Rents in the most remote heartlands in Woodlands and Mandai, which are near the Singapore American School, clocked the highest rates in rent increases in the third quarter, surging between 25% and 30%. From the look of it, the full-year rental growth is likely to be as high as 40%. (29 Sept)

(H) Office rents will stay high in near future

Official figures show that average monthly rent in Raffles Place is now \$14.50 per square foot (psf) with the dearest office space going for \$18.00 psf (A grade A office space at Republic Plaza was rented at \$17.50 psf). The average rent is 11% higher than in the second quarter of 2007.

In the Orchard Road zone, monthly rental shot up by 25% compared to last quarter. Orchard Road offices are now going for an average of \$10.60 psf per month. (29 Sept)

(I) More HDB resale flats sold with higher "Cash-Over-Valuation"

Over the past eight months, HDB resale transactions have edged up slowly and steadily, reaching 2,553 transactions for the whole of August; the lowest resale figure this year was 1,217 in March. Transactions picked up steam from April and have not stopped since. (15 Sept)

Price wise, HDB resale prices have shown some sign of strength over the past eight months. More than 70% of the resale flats were sold above the market valuation prices.

See more details of HDB Resale Transaction in 2007 at **Annex E**; and details on upward trend of HDB resale prices in two typical HDB heartland locations at **Annex F**.

(J) High tender prices for Government Land Sale (GLS) programme

Two events that happened between a week of each other has restored some confidence in the otherwise jittery real estate market. On 11 September, Far East Organisation paid \$202.9 million or \$601 psf ppr for a 99-year leasehold site at Ang Mo Kio.

The particular site has a superb location being conveniently situated next to the Ang Mo Kio MRT station, and 15 minutes away from Orchard by train. (12 Sept)

(K) Highest \$2b bid for Marina View plot

A parcel of state land in Marina View behind One Shenton and The Sail @ Marina Bay condominiums attracted a historic top bid of \$2.02 billion or \$1,409 psf of gross floor area. Earlier that month, experts predicted that the parcel could only fetch slightly higher than \$1 billion, given the uncertainty of the financial market.

The winning bid was put in by Australian Macquarie Global Property Advisers (MGPA), a private equity real estate fund management firm partly owned by Australia's Macquarie Bank Group.

The eye-popping prices in the two instances underline developer's confidence in the Singapore economy in the near term. This might be a sign that some foreign real estate funds may channel their attention to Singapore in the near term, given the lingering uncertainties in US and Europe. (20 Sept)

(L) Total private property transactions have gone up this year

The total number of private properties sold between January and August 2007 is 24,945 units.

New Condos/apartments

Comparing this year and the same period last year developers have sold 1,591 more new condos/apartments and this represents a 36.32% growth over last year.

Resale Condos/apartments

There were 8,497 more transactions this year compared to the same time period last year and this is a 126.95% jump over last year.

New Landed homes

Developers sold fewer new landed homes so far this year compared to the same period last year where 225 new landed homes were sold. Only 116 new homes were sold during the same period this year.

Resale Landed homes

There were 1,950 more landed homes sold this year compared to the same time period last year and it was a 106.38% increase in transactions. The landed home market has improved by 83.82% over the same period last year.

Overall private home transactions

Total transactions have jumped over 125% so far this year compared to the same period last year.

(M) Prospect of landed property excellent

The upside of landed home prices in the near term is excellent. There are a number of compelling reasons for landed home prices to rise fast, including:

- Limited stock - Currently, there are 68,360 landed houses in Singapore, making up only 29% of the total 233,143 private property stock.
- Limited new supply - In the next five year, supply of landed homes will remain subdued with only 1,872 landed units under construction and another 2,579 landed units being planned, accounting for only 6.6% of all new supply expected from the second half of 2007 to 2011.
- High rental return - Rents of landed homes have outpaced its capital values, according to URA's rental indices for all the landed property types. In the first half of the year, rents of detached houses increased by 13%, semi-detached houses by 11.4% and terrace houses 17.3% hike in rents.

Without a doubt, landed housing will always be a coveted prize in land-scarce Singapore. (27 Sept)

(N) En bloc sellers will swamp the resale market next year

So far this year, there were over 60 en bloc transactions between January and July 2007. The second quarter saw 34 collective sale sites sold. Altogether, a total of 2,796 units will be taken out of the market.

Judging from the time needed to obtain a Sale Order, those en bloc sale sellers are likely to receive the 95% of the sale proceeds in the first three months of next year. Even if only half of these en bloc sellers are buying a replacement home, the demand for homes should increase across the board, including HDB flats. (29 Sept)

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Annex A

New home loan applications went up but took a break in August

According to the Credit Bureau (S) Pte Ltd, the number of new home loan applications surged this year. In May alone, there were 17,323 such applications.

Since the start of the market boom in 2005, there have been 10,000 new home loan applications every month, out of which an average of 4,000 applications would be approved each time.

In May, a total of 4,856 applications were approved. This was a direct result of more new home transactions.

In June, 4,794 new home loan applications were approved out of a total of 16,017 applications. The number of new home loan applications fell to 13,870 in August in tandem with the unveiling of the US sub-prime market problems in the July/August period.

Overall, property loan approvals jumped 12% in June 2007 to 50,514 compared with the same time period in 2006. (13 Sept 2007)

Annex B

Number of new homes to come on stream

Excerpt of expected supply of private homes

Type of property	2007	2008	2009	2010
Total	3,899	6,579	15,846	16,727
Under construction	3,899	6,257	10,229	5,284
Planned	-	322	5,617	11,443
Written permission	-	279	3,828	5,067
Provisional permission	-	43	1,789	6343
Others	-			33

Annex C

Sub-sale percentage to overall sale of private residential properties

	New sales			Sub-sale	Resale	Total	Sub-sale as % of total
Period	Uncompleted	Completed	Sub-total				
1 st quarter 07	4,565	218	4,783	749	4,645	10,177	7.4
2 nd quarter 07	4,820	309	5,129	1,254	6,514	12,897	9.7

Annex D

	Rental index		% change over previous Q	
	First quarter 2007	Second quarter 2007	First quarter 2007	Second quarter 2007

All Residential	113.8	125.6	7.6	10.4
Detached	108.2	116.4	5.0	7.6
Semi-detached	110.1	118.0	4.0	7.2
Terrace	107.2	118.1	6.5	10.2
Non-landed property	115.0	127.6	8.1	11.0
Core central	120.3	134.7	7.6	12.0
Rest of central	114.4	125.8	9.8	10.0
Outside central	101.6	111.1	7.1	9.4

Annex E**HDB Resale Transaction up to August 2007**

	August	July	June	May
1-Room	2	1	0	2
2-Room	23	22	15	19
3-Room	704	664	586	650
4-Room	868	835	843	796
5-Room	735	620	592	528
Executive	217	242	212	187
Multi G	4	1	2	1
Total	2,553	2,385	2,250	2,184

	April	March	February	January
1-Room	2	1	0	3
2-Room	20	11	20	17
3-Room	635	358	576	673
4-Room	807	460	757	866
5-Room	479	288	443	550
Executive	145	98	159	204
Multi G	1	1	3	0
Total	2,089	1,217	1,958	2,313

Sub-total from January to August 2007 = 16,949 transactions

Sub-total from January to August 2006 = 18,763 transactions

Whole year resale transactions in 2006 were 27,705 flats.

Some of the plausible reasons to explain the growing interests in HDB resale flats include the worsening of the US sub-prime market situation and en bloc sale sellers buying into larger HDB resale flats, as more and more en bloc sale projects nearing legal completion.

Annex F**Price comparison From January 2006 to August 2007****(1) Ang Mo Kio – 3-room flats (Table A)**

PRICE	January 2006	January 2007	August 2007
Lowest	\$147,000 (Blk 561 / LF)	\$152,000 (Blk 538 / LF)	\$152,000 (Blk 538 / LF)
Highest	\$195,000 (Blk 576 / HF)	\$216,000 (Blk 346 / HF)	\$265,000 (Blk 637 / HF)

*LF = Low Floor **HF = High Floor

In August 2007, out of the 50 three-room flats sold in Ang Mo Kio estate, 28% of the transactions were done at the higher price bracket. The details are as follows:

Percentage share of flats sold (Table B)

Units sold	Price level
14 (28%)	\$200,000 & above
4 (8%)	\$190,000 & above
15 (30%)	\$170,000 - \$180,000
17 (34%)	From \$152,000 - \$169,999
Total: 50 units	

Tampines – Executive Apartments (Table C)

PRICE	February 2006	January 2007	June 2007
Lowest	\$336,000 (Blk 943 / HF)	\$345,000 (Blk 328 / LF)	\$372,000 (Blk 328 / LF)
Highest	\$388,000 (Blk 893A / HF)	\$466,000 (Blk 856 / HF)	\$465,000 (Blk 856B / HF)

*LF = Low Floor **HF = High Floor

Comparing the highest price in the beginning of 2006 with the highest in June 2007, the sale price of Executive Apartments in Tampines has increased by \$78,000 in the highest bracket.
