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Private home prices and volumes continue to decline in 1Q2014

URA's 1Q2014 statistics for private residential property show that both prices and sales volume are clearly on a downward trend. For private residential properties, prices declined by 1.3% during the quarter, compared with a 0.9% decline in the previous quarter. Price declines were registered across all areas, with the strongest in the Rest of Central Region (RCR) or city fringe locations. The region saw prices fall by 3.3%, following a marginal 0.4% increase in the previous quarter.

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The Core Central Region (CCR) or prime properties saw prices decline by 1.1% in 1Q2014, compared with a 2.1% decrease the previous quarter. The Outside Central Region (OCR) or suburban neighbourhoods showed the slowest price decline of just 0.1%. This follows 4Q2013's decline of 1%. As for landed properties, prices dropped by 0.7%, following a 1% fall in the previous quarter. Rentals slowed by 0.7% in 1Q2014, compared with the 0.5% decline in 4Q2013.

The take-up rates for new launches are also lower, notes URA. Developers sold 1,744 private residential units, excluding executive condos (ECs)— fewer than the 2,568 units sold in 4Q2013. Resale transactions fell to just 899 units in the first three months of the year, compared with 1,206 units in the previous quarter, while sub-sale transactions slowed to 111 units, compared with 174 units in the prior quarter.

As at end-1Q2014, there were 80,261 uncompleted private residential units excluding ECs in the pipeline. This compares with 83,702 units in the previous quarter, out of which only 29,482 units were sold by 1Q2014. About 3,913 completed units were added during the quarter. This translated into an increase in the vacancy rate to 6.6%, compared with 6.2% in 4Q2013.

The significant price declines for RCR and OCR are due to homebuyers' price sensitivity and a reduced price budget under the strict financing rules of the Total Debt Servicing Ratio (TDSR), says Chia Siew Chuin, director of research and advisory at Colliers International. Sales volumes could pick up in the near-term. The primary market, she adds, could improve in the ensuing months.

"With the market more attuned to the various measures and policies in place, the time is ripe for developers to step up launches ahead of the lunar seventh month, regarded by the Chinese as an inauspicious period to commit to home purchases, which falls in August this year, and before prices head further south," Chia says.

Overall, the residential property sector will continue to weaken, says Religare Research analyst Tata Goeyardi. "This is just the beginning of a sustained downturn in rents and prices, one that may last till 2016. Each year, the residential market will face the daunting task of having to absorb another year of record completions." He points out that there are 16,937 units due for completion in 2014. For 2015 and 2016, there are 21,738 units and 26,259 units due for completion respectively.

Office prices and rents increase in 1Q2014

Prices of office space increased by 0.5% in 1Q2014, unchanged from the previous quarter, according to figures from URA. Rents rose by 2.4%, following a 0.5% increase in 4Q2013. As at end-1Q2014, there was a total supply of 10.74 million sq ft of gross floor area (GFA) in the pipeline. Office space net demand was only 64,583 sq ft compared with 290,626 sq ft the previous quarter, notes Yvonne Voon, analyst at Credit Suisse Research in a report on April 28. Meanwhile, office stock increased by 161,460 sq ft in 1Q2014, bringing the island-wide vacancy rate of office space to 10%, from 9.9% in 4Q2013.

Most of the leasing deals also involved smaller spaces, resulting in higher rental rates, notes Ong Teck Hui, national director of research and consultancy at Jones Lang LaSalle. “While take-up has been slow, rents have risen moderately by 2.4% in the first quarter,” Ong adds. The asking rents for better-quality office buildings have also risen, as the vacancy rates in those buildings are generally lower, hence contributing to an overall rise in rents.

The bulk of new office space stemmed from the OCR, with the addition of 280,000 sq ft of office space due to the completion of the Jurong Gateway office towers. In the central region, new developments targeting completion at year-end include CapitaGreen and South Beach Development, says Knight Frank Research. Office rents are likely to climb further in the next three quarters amid improving business sentiment and limited supply of prime grade office space, adds the consultancy.

Retail rents decline while prices remain unchanged, says URA

For 1Q2014, prices of retail space remained the same, following a 0.3% increase in the previous quarter, according to URA. Rentals declined by 0.3%, following an increase of 0.2% in 4Q2013, it adds. At end-1Q2014, there was a total supply of 10 million sq ft of GFA of retail space from projects in the pipeline. Retail space take-up grew by 635,076 sq ft, while retail stock increased by 204,516 sq ft during the quarter. This brings retail vacancy to 5.8%, compared with 4.5% during the previous quarter.

CBRE’s head of research Desmond Sim says the higher vacancy could be due to some projects completing towards the end of the quarter. “They may be deemed physically unoccupied,” he says. Some large formant tenants also closed their stores, leading to a rise in vacancy rate. “It is probably worth monitoring vacancy numbers for a few more quarters before concluding the direction the retail market is heading, as this market is typically resilient,” Sim notes.

Industrial properties occupancy falls amid rising supply, says JTC

In 1Q2013, occupancy rates of industrial properties fell, following an increase in the supply of industrial land and space by the government in recent years, says JTC. According to Nicholas Mak, executive director of research & consultancy at SLP International, 1.78 million sq ft of industrial space is expected to be completed this year, with a total of 5.2 million sq ft to come online from now until 2018. This large incoming supply has deterred some investors from investing in the industrial space, he says.

Total transaction volume of strata-titled factories fell by 48% q-o-q to 194 units in 1Q2014, the lowest sales recorded since 4Q2008, notes Knight Frank Research. This compares with 374 units in 4Q2013 and 481 units in 1Q2013. Sales declined by 59%, 45% and 42% q-o-q for new sale, sub-sale and resale markets respectively. The property consultant attributes the dampening in buying interest in industrial property to the impact of loan tightening under the TDSR framework, which had sidelined some investors.

Most of the incoming supply however, is from the single-user segment, with a third from the multiple-user factory segment, notes SLP’s Mak. And although the incoming supply of industrial space is significant, most of the retail investors bought their strata units from multiple-user factories, he adds. “As such, the prices and rentals of their investments will not be too adversely affected,” Mak says. Demand for industrial space is still strong but the large incoming supply of industrial space will likely put more pressure on rentals, instead of prices, he adds.

Island-wide price of strata-titled factories on upper floors (for new sales, sub-sales and resales) continued its upward trajectory in 1Q2014 to an average of $431 psf, a 3% q-o-q increase following the 4.4% q-o-q increase in 4Q2013. However, average price is still below the previous high of $464 psf in 1Q2013. The overall increase was mainly supported by the resale market, which saw a 4.9% q-o-q increase in average price in 1Q2014, compared with a price decrease of 1.4% in the new sale market, says Knight Frank.

The Wilshire for sale with price tag of $98 million

A 20-unit condominium on Farrer Road named The Wilshire has been put up for collective sale by marketing agent Savills Singapore. The property sits on a freehold land area of 39,130 sq ft and is zoned for residential use with a plot ratio of 1.6 under the 2008 Master Plan. It has an allowable GFA of 64,310 sq ft and can be developed into a 12-storey building from its current eight storeys, says Savills. It is within walking distance of the Farrer Road MRT Station and minutes’ drive to the Ayer Rajah and Pan Island Expressway. It is also near the Holland Village area, where shopping and food options are aplenty.

The condo has an indicative guide price of about $96 million to $98 million, which works out to $1,493 to $1,524 psf per plot ratio (ppr). The **site** can accommodate a maximum of 85 new units with average size of 753 sq ft. Breakeven cost is estimated to be in the range of $2,000 to $2,100 psf, with selling price of the new units at about $2,300 psf, notes Suzie Mok, Savills' senior director of investment properties. This compares with an 840 sq ft **apartment** at Cluny **Park** Residence going at $3,109 to $3,180 psf as at 2H2013.

Mok expects keen interest from boutique developers as freehold **residential** plots remain scarce. The price tag, which is below $100 million, should appeal to developers looking to build a development of largely two- and three-bedroom apartments, she says.

The Holland Village makeover under the URA Master Plan 2013 to preserve its charm, and introduce more mixed-use developments with pedestrian-oriented streets, community space and a new underground carpark will also be a main draw for the **site** at The Wilshire, which is located in the vicinity, adds Mok. The tender for The Wilshire closes on May 28.

Aspial buys Melbourne **property**

Aspial Corp has acquired an A$26.8 million ($31.1 million) **property** on A'Beckett Street in Melbourne, Australia. The **company purchased** it from vendor City Light Properties, with the price arrived at a willing-buyer-willing-seller basis. It is a freehold low-rise building with a land area of 13,939 sq ft. It has an active planning permit for a 49-storey tower comprising **residential** apartments, serviced residence and retail establishments. It is in the heart of Melbourne's CBD, with the Royal Melbourne Institute of Technology just 100m away.

This is Aspial's fourth and latest **property** acquisition in Australia, and its third in Melbourne. In 1Q2014, the **company** bought properties at King Street and Southbank, with the latter touted to be Melbourne's tallest skyscraper at 312m. Aspial also invested A$18.9 million to develop a mega-integrated project in the Cairns CBD.

Commonwealth Towers launches at 'attractive prices'

The joint developers of Commonwealth Towers released prices of units ahead of its May 1 launch. One-bedroom units sized from 441 sq ft will be priced from $721,000, and two-bedders from 689 sq ft will be priced upward of $965,000. Three-bedroom units sized from 904 to 1,050 sq ft are priced from $1.4 million to $1.7 million, while four-bedroom units of 1,302 sq ft start from $2.2 million.

The developer, a joint venture by Hong Leong Holdings, City Developments Ltd and Hong Realty, will be offering a 2% early bird discount for buyers from May 1 to 4.

Sims Drive tender reflects developers' cautious mood

The tender for the last **residential site** from the 2H2013 government land sales drew just four bidders. The mega **site** at Sims Drive has a land area of 257,257sq ft, which can yield a maximum GFA of 771,771 sq ft, and is the biggest GLS **site sold** over the last two years, notes Nicholas Mak, executive director of SLP International. The future development is estimated to have 900 units, with a mix of one- to five-bedroom apartments, according to URA.

The top bid of $530.9 million ($698 psf per ppr) was submitted by First Changi Development, whose parent **company** is Guoco-

Land. The winning bid is seen to be "quite conservative" compared to the $776 psf ppr paid for the land parcel at Geylang East Avenue 1, located only 400m away, which saw 16 bidders in January. Hence, GuocoLand's top bid is 11% lower than what was achieved at Geylang East, notes Christine Li, head of research at OrangeTee.

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