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Resilient or waning market?

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Despite Government cooling measures, there has been respectable take-up and optimistic land bidding

Whenever the Government imposes measures to cool the residential property market, there would be knee-jerk reactions resulting in potential buyers hesitating and adopting a wait-and-see attitude.

This behaviour was obvious after the Aug 30 measures were announced but the short-lived patience of buyers resulted in a strong market comeback last November. Again, after the latest set of measures were announced in mid-January, many buyers retreated to the sidelines to see how things unfold before deciding to act. And what have they seen so far?

Respectable take-up

The recent release by the Urban Redevelopment Authority on units launched and sold by property developers last month was eagerly awaited as an early indicator of the state of the residential property market after additional cooling measures were imposed by the Government on Jan 14.

Being the month of the Chinese New Year, one would expect lower sales activity as festivities and celebrations took centre stage.

The 1,101 private units (excluding ECs) sold in the second month of the year was 8.9 per cent lower than the 1,209 private units sold in January and the lowest in a four-month downtrend from last November, which saw 1,915 units sold.

Proponents of a weakening residential property market have inferred that the market is indeed slowing in response to the latest round of market cooling measures.

This inference may be premature. Firstly, 1,101 units sold in a festive month with market downtime is a decent figure. It translates to more than 13,000 units annualised, which would be a respectable take-up compared to the 16,292 units last year.

Secondly, the 1,101 units sold last month topped the 911 and 1,066 units sold last September and October respectively. What does that mean?

In spite of the harsher Jan 14 cooling measures and a slower festive February, more units were sold than either of the two months after the Aug 30 measures. It would seem that the residential property market has been no less resilient after the January measures than it was after the August measures.

Among the fresh sales launches last month, URA data shows varied sale performances. Of the 44 units launched at Loft @ Stevens, 43 were sold (S$1,577 to S$2,092 psf), while Palmera East sold 31 of the 32 units offered (S$891 to S$1,355 psf).

Moderate take-up was seen for some of the launches which had more units marketed. My Manhattan put out 150 units for sale with 69 taken up (S$962 to S$1,462 psf), while 56 of the 116 units at Suites @ East Coast were sold (S$1,103 to S$1,495 psf). Waterfront Isle, which was first launched in January, released its remaining 350 units last month, achieving 282 sales (S$850 to S$1,165psf). About 67 per cent of last month's sales were attributable to those in the "Outside Central Region", i.e. mainly the more affordable mass market housing segment.

Optimistic land bidding

After the latest round of market cooling measures by the Government in January, the market also awaited response to the residential sites offered under the Government Land Sales (GLS) programme.

The first residential tender closing of this year was that of the Bishan site last month. It was an opening salvo that took many by surprise.

A total of 19 developers tendered for the prime suburban site, resulting in a top bid of S$550 million (S$869 psf per gross plot ratio), which suggested that future launch prices of units would be targeted above current levels.

Keen bidding continued for two other GLS residential sites at Bedok Reservoir and Sengkang Square, drawing top bids of S$465 and S$502 psf/gpr, respectively. With these top bids, the intended sale price of units would be least similar or higher than current prices.

These observations on residential land sales coupled with resilient figures on units sold by developers could be interpreted by buyers as signs that the residential market is holding up well in spite of the latest cooling measures.

Although the sales take-up has been reasonable, the number of units unsold is increasing. Last month, the total unsold units (comprising units launched but unsold and units not launched) reached 19,033, a 19-per-cent increase from January's figure and markedly higher than last year's monthly figures. This figure does not include additional units which would eventually come on stream from sites which have been sold.

Unless sales take-up improves, there is a risk of the inventory of unsold units growing, which could lead to over-supply.

Recent external events such as the crisis in Japan following the recent earthquake, tsunami and nuclear fall-out and the continuing unrest in the Middle East/North Africa could weigh on market outlook this year.

Uncertainties related to oil prices, inflation, macroeconomic tightening and stock market risks have begun to raise concerns. The initial preoccupation with the impact of the January cooling measures on the residential property market seems to be gradually over-shadowed by external conditions, which, if they worsen, could impact on market sentiment negatively.

These have occupied centre stage in the market environment and will determine the fate of the residential market in the months to come.

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