

A much coveted asset

With limited supply and lower prices, landed homes spell opportunities for Singapore buyers



Alice Tan
Director and Head of
Consultancy & Research Knight Frank

LAND scarcity, high population density and limited supply are the prime reasons that make landed property a coveted asset in Singapore. Over the last decade to Q1 2016, total available stock of landed properties grew by only 5.9 per cent to reach 72,205 units island-wide, comprising less than one-third of non-landed properties. In the same period, the latter expanded by 58.7 per cent to 258,098 units.

Landed residential property refers to properties for the purpose of residence and not for industrial or commercial use. It includes vacant land, detached houses, semi-detached houses, bungalows, terrace houses, buildings of less than six-storeys and any other land gazetted for residential purposes. But it does not include flats and condominiums of six or more storeys high.

The stringent ownership requirements for landed properties add to their exclusivity and ownership appeal. There are no restrictions on Singapore citizens who wish to acquire landed residential property. A foreign person (that is, non-citizen, Singapore company, limited liability partnership or Singapore society) who wishes to purchase a landed residential property is required to seek government approval from the Land Dealings Approval Unit of the Singapore Land Authority. The ownership of such properties by foreigners is restricted to those who make adequate economic contribution to Singapore.

Amid the onslaught of property cooling measures, in particular the Additional Buyer's Stamp Duty and the Total Debt Servicing Ratio

(TDSR) ruling, coupled with moderating economic growth and muted buying sentiment, prices of landed properties have weakened for the past 11 quarters. From its peak in Q3 2013, the Urban Redevelopment Authority (URA) price index for landed properties declined by 12.3 per cent as at Q2 2016 (based on flash estimates for Q2 2016), falling at a higher magnitude compared to that of non-landed properties that registered an 8.5 per cent drop over the same period.

The lacklustre business conditions and tepid outlook in the near term partly contributed to the lower transacted prices of landed properties. Some owners, especially those with businesses tied to the oil and gas sector, have offloaded their properties at prices lower than previous overall highs in order to finance their business needs.

Yet, there is continued demand for landed homes from a latent and growing pool of potential buyers and high net worth individuals, who have a higher investment capacity and are on the constant lookout for their most desired home at value prices.

Transaction volume of landed homes stayed relatively healthy at 422 units in H1 2016, compared with 521 units in H2 2015 and an average of 438 units for half-year periods in the post-TDSR period from H2 2013 to H2 2015. The previous high was recorded in H1 2011, with 1,547 landed homes transacted (see *Figure 1*). Average prices have increased marginally by 0.96 per cent from S\$1,254 psf (on land area) in H1 2015 to S\$1,266 psf in H1 2016, compared with the previous peak level of S\$1,335 psf in H2 2013.

Districts 19, 15 and 28 emerged as the top three hot spot locations in terms of transaction volume of landed homes (see *Figure 2*). In District 19, the enclave of landed homes and food & beverage outlets in the Serangoon Gardens Estate collectively form a quaint and pleasant environment that attracts both owner-occupiers and tenants. The area also has a large expatriate



PHOTO: ARTHUR LEE

population due to its proximity to nearby international schools such as Lycée Français de Singapour.

In District 15, there is a high concentration of landed properties along Meyer Road and in the Frankel Estate, with its demand and appeal augmented by proximity to the city centre and good schools such as Tao Nan School and Victoria Junior College.

In terms of average transacted prices over the last 12 months to June 2016, prime District 9 topped the chart with the highest price of S\$3,661 psf on land area; followed by District 2, with an average price of S\$2,993 psf. This is followed by District 4 (S\$2,007 psf) with its landed homes situated in Sentosa Cove, District 10 (S\$1,621 psf) and District 12 (S\$1,495 psf).

The auctions market is a viable source to identify

available landed properties for sale. Against the backdrop of property demand weakness and muted sales and leasing activities, the number of residential properties put up for auction rose significantly in 2015 to an eight-year record high of 478 units. A total of 768 properties were put up for auction in the same year, representing a 50.6 per cent year-on-year (y-o-y) increase.

Although the number of residential properties put up for auction declined 21.3 per cent y-o-y to 188 units in H1 2016, it was still higher

than the half-yearly figures between 2011 and 2014. About 35.1 per cent of the total residential properties put up for auction were landed residential properties in H1 2016 (see *Figure 3*). This is also higher than the 34.7 per cent in H1 2015.

The proportion of landed residential properties put up for auction under mortgagee sale has also risen to 34.1 per cent in H1 2016, higher than 20.8 per cent in H1 2015. Notwithstanding the fairly quiet transactional activity seen at auctions, mortgagees – that is, banks – continued to maintain the reserve prices of some landed homes given their strong attributes.

A total of 15 properties were successfully sold in H1 2016, compared to 16 properties in H2 2015 and 22 properties in H1 2015. As buyers and sellers tussle over price expectations, given the limited availability of landed properties es-

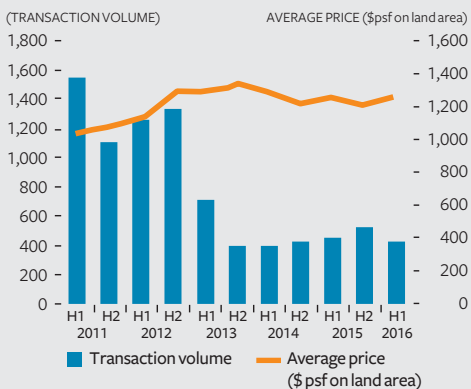
pecially in popular locations, no landed residential property was sold at the auction market in H1 2016. The price quantum of landed properties that were successfully auctioned last year range from S\$2.25 million to S\$16.3 million.

The competing needs for higher-density non-landed homes and other various land uses in Singapore are expected to further squeeze available land for landed properties, limiting the growth of landed property stock and increasing the scarcity value of landed homes in the future.

With landed homes in some locales offering strong location and amenity attributes and combined with the improved and expanding MRT network, the existing lower prices present investment opportunities for high net worth individuals looking for their next home with larger living spaces. **W**

STAYING GROUNDED
Bungalows at Sentosa Cove. There is continued demand for landed homes from a latent and growing pool of potential buyers and high net worth individuals

Figure 1: Transaction volume and average prices of landed residential properties island-wide, half-yearly



Source: REALIS (based on data as at June 15, 2016), Knight Frank Research

Figure 2: Top five districts by transaction volume, July 2015 to June 2016

| DISTRICT | AVERAGE PRICE (\$ PSF ON LAND AREA) | AVERAGE LAND AREA SIZE TRANSACTED (SQ FT) | TRANSACTION VOLUME (NO OF UNITS RECORDED) | AVAILABLE STOCK OF LANDED RESIDENTIAL UNITS AS AT Q1 2016 |
|----------|-------------------------------------|---|---|---|
| 19 | \$1,082 | 2,731 | 166 | 11,465 |
| 15 | \$1,208 | 3,937 | 123 | 9,422 |
| 28 | \$1,137 | 2,723 | 90 | 4,663 |
| 10 | \$1,621 | 7,246 | 85 | 6,761 |
| 20 | \$1,173 | 2,599 | 63 | 5,567 |

Source: REALIS (based on data as at June 15, 2016), Knight Frank Research

Figure 3: Number of landed and non-landed residential properties put up for auction, half-yearly



Source: Knight Frank Research

Figure 4: Landed residential properties successfully auctioned, 2015

| ADDRESS OF PROPERTY | DISTRICT | TYPE OF SALE | PRICE (\$) | PRICE PSF ON LAND AREA (\$) | TRANSACTION DATE |
|---------------------|----------|----------------|------------|-----------------------------|------------------|
| 21 Lucky Crescent | 18 | Estate sale | 3,710,000 | 1,035 | Oct '15 |
| 25 Branksome Road | 15 | Estate sale | 16,300,000 | 1,177 | Sept '15 |
| 49 Jalan Kemboja | 13 | Estate sale | 2,250,000 | 1,094 | Apr '15 |
| 60 Eng Kong Drive | 21 | Mortgagee sale | 3,300,000 | 838 | Jan '15 |
| 36 Eng Kong Drive | 21 | Mortgagee sale | 2,420,000 | 1,269 | Jan '15 |

Compiled by Knight Frank