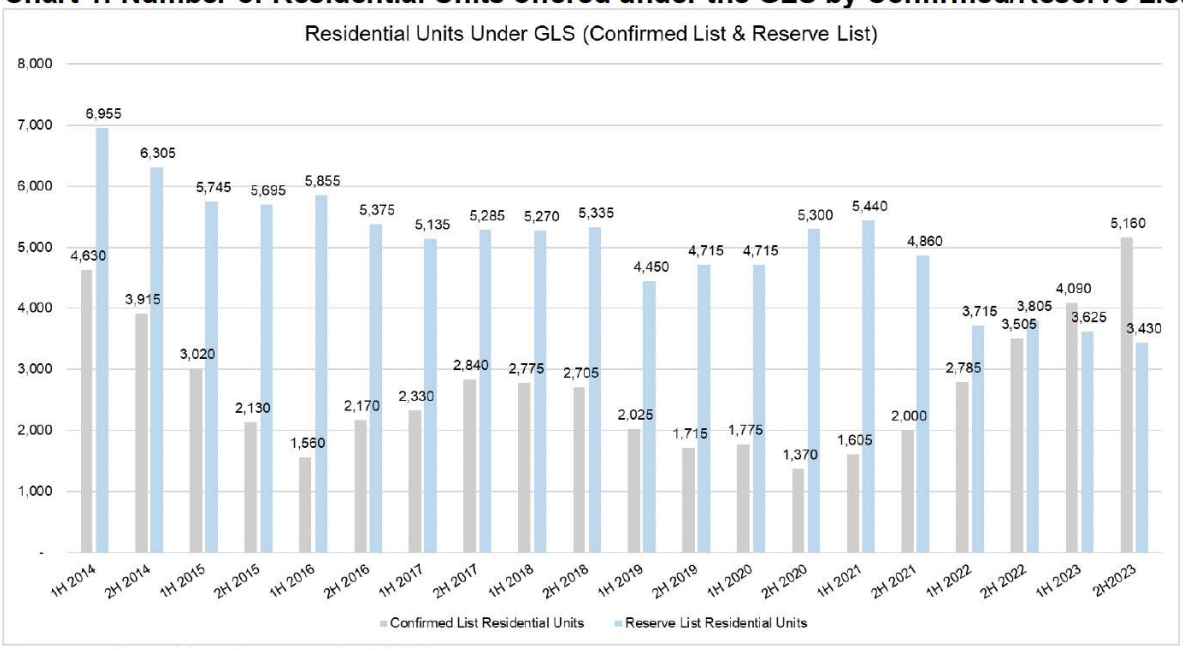
Government Ramps Up Private Housing Supply For The Second Half Of 2023 (2h2023) Amid Healthy Demand For New Homes

21 June 2023, SINGAPORE – The government has today announced its public land sales slate for the second half of 2023 (2H2023) which sees a further increase in the supply of private housing on the Confirmed List – this is the sixth straight increase in the number of residential units offered in the Confirmed List under its half-yearly government land sales (GLS) programme.

The upcoming GLS programme will feature 8 Confirmed List sites which will collectively offer 5,160 residential units (including 560 executive condo units) and 4,900 sqm gross floor area (GFA) of commercial space. It marks a 26.2% increase in the number of residential units under the Confirmed List from the 4,090 units offered in the 1H 2023 GLS programme and 47.2% higher than the 3,505 units in 2H 2022 (Chart 1).

Chart 1: Number of Residential Units offered under the GLS by Confirmed/Reserve List



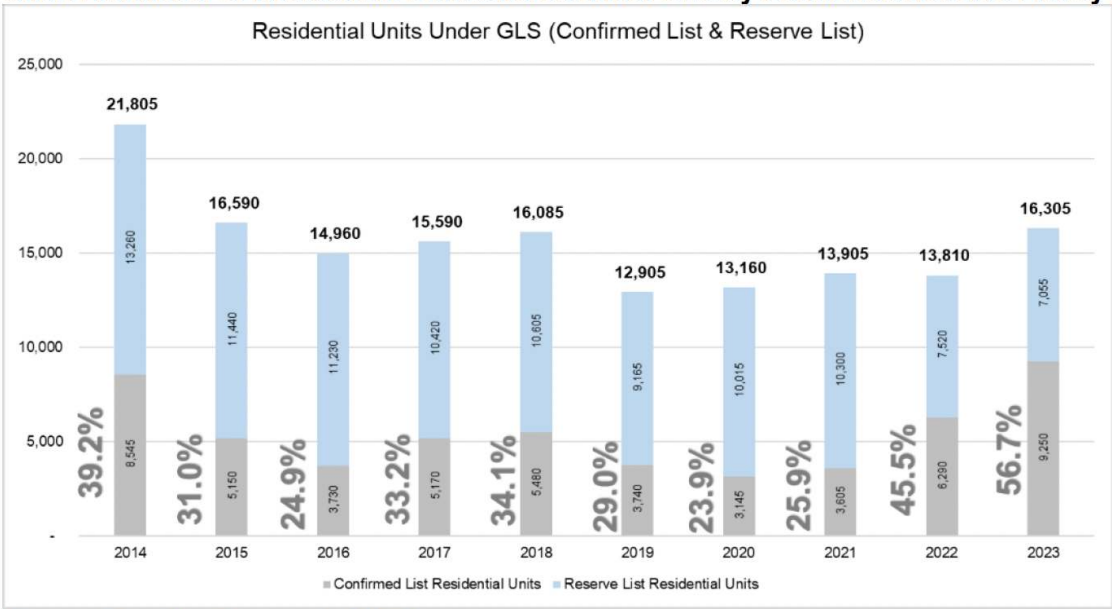
Source: PropNex Research, MND

Four out of the 8 Confirmed List sites are newly-introduced, comprising Orchard Boulevard, two plots in Upper Thomson Road, and a land parcel in Zion Road (Parcel A), which saw a recent proposed amendment to its land zoning. The other 4 Confirmed List sites are in Pine Grove (Parcel B), Lorong 1 Toa Payoh, Clementi Avenue 1, and an EC plot in Plantation Close. About half of the GLS Confirmed List supply (or 2,595 units including EC) are in the Outside Central Region.

Meanwhile, the Reserve List - which comprises 9 sites – can potentially offer another 3,430 dwelling units (including 855 EC units), 530 hotel rooms and 93,350 sqm of commercial space. Four of the Reserve List sites are newly introduced – Holland Drive, De Souza Avenue, Tampines Street 95 (EC), and Zion Road (Parcel B). The remaining Reserve List sites are in Lentor Gardens, Senja Close (EC), Woodlands Avenue 2 (white site), Punggol Walk (commercial site), River Valley Road (hotel site). These sites can be triggered for sale by developers should there be market demand for them.

Taken together, 2H 2023 GLS will offer 8,590 residential units, 530 hotel rooms, and 98,250 sqm GFA of commercial space across a wide spread of locations under the Confirmed and Reserve Lists. This is the highest number of residential units offered in a single GLS exercise since 1H 2015, where overall supply of residential units came in at 8,765.

Chart 2: Number of Residential Units offered under GLS by Confirmed/Reserve List by year



Source: PropNex Research, MND

Notably, the proportion of Confirmed List units to total units is much higher in 2023 compared to previous years. Residential units on the Confirmed List made up 56.7% of the total supply in 2023, up from 45.5% in 2022 – indicative of the government's determination to ramp up housing supply to meet demand and tamper rising housing prices (Chart 2).

Ismail Gafoor, CEO of PropNex Realty:
"The scaling up of private housing supply shows that the government is in tune with market demand and has an eye on keeping a lid on further price increase by ensuring there is an adequate supply of upcoming new homes to meet housing needs. Apart from recent cooling measures which are aimed at taming investment demand, we believe releasing more supply into the market will also help to prevent a sharp run-up in home prices.

Recent healthy home sales at new launches such as Tembusu Grand, Blossoms by the Park, and The Reserve Residences indicate that demand for new private homes is resilient, in spite of two rounds of cooling measures (in September 2022 and April 2023), elevated interest rates, and a slower economic growth outlook. Demand for new private homes remains largely driven by Singaporean buyers who are mostly still confident about the residential property market; we also note that the desire to own and live in private homes continues to be keen among first-time buyers as well as HDB upgraders.

The latest increase in GLS Confirmed List residential supply – 26.2% higher than that of 1H 2023 – will give more options to prospective homebuyers, particularly in the OCR where the current unsold inventory has run low. Based on the URA monthly new home sales data, out of the mass market projects that have been launched for sale in the OCR, more than 90% of the units (ex. EC) in the projects have already been sold as at end-May – leaving buyers with limited choices.

The 2H 2023 GLS slate offers a good variety of sites across all sub-markets. We think many of the sites are attractive and should stir developers' interest. Of the sites in the OCR, Clementi Avenue 1 – wedged between Clavon and The Clement Canopy – will be appealing given its location in the midst of numerous schools, including Nan Hua High School, NUS High School of Mathematics and Science, the NUS, Singapore Polytechnic, and United World College of South East Asia (Dover Campus). The Clement Canopy was launched for sale in February 2017 while Clavon hit the market in December 2020 – both projects are fully-sold.

Meanwhile, the Upper Thomson Road sites near to the Springleaf MRT station on the Thomson-East Coast Line (TEL) and Central Catchment Nature Reserve will inject more housing units in a predominantly landed housing area. In particular, Parcel A which will be integrated to the Springleaf MRT station and can yield 595 homes and 2,000 sqm of commercial space could help to anchor the future development of the locale, seeing that there are still land that are subject to detailed planning around the plot.

In the Central Region, we have the Orchard Boulevard plot which will be linked to the Orchard Boulevard MRT station, and Zion Road (Parcel A) that will be connected to the Havelock MRT station - both on the TEL. With part of the TEL up and running, we see the government progressively releasing more sites that are near to or integrated with TEL MRT stations to grow the residential population catchment around the stations. Previously, we saw GLS sites offered in areas such as Lentor, Tanjong Katong, and Marina South.

The Orchard Boulevard plot can yield 270 residential units with 500 sqm of commercial space, which will benefit residents living in private residential developments around the site. The last GLS site to be tendered for nearby was in Cuscaden Road (Cuscaden Reserve) in May 2018 which attracted 9 bids, with the top bid at nearly $410 million (or $2,377 psf ppr). While this site is relatively prime, we think developers will be cautious given the recent hike in additional buyer's stamp duty rates which will moderate demand from investors and foreigners, who tend to be keen on such Core Central Region projects.

As for the Zion Road (Parcel A) plot, the most recent GLS site sold nearby was in Jiak Kim Street (Riviere), which garnered 10 bids and was awarded for $955.4 million ($1,733 psf ppr) in December 2017. The Zion Road (Parcel A) site will offer 955 homes and about 2,400 sqm of commercial space, which will complement the retail offerings at Great World City. It will support the growing population in the area with new public housing coming up at the Havelock Hillside BTO project nearby.

The Lorong 1 Toa Payoh plot should also be popular as there has been a dearth of new private residential projects in the area. Hence, there would be pent-up demand from homebuyers, including HDB upgraders or those who wish to living close to their family members in the mature town of Toa Payoh. The last GLS site awarded in the area was the Lorong 6 Toa Payoh/Lorong 4 Toa Payoh plot (now Gem Residences), which was sold in June 2015 - fetching a top land price of $345.86 million ($755 psf ppr) among 14 bids received in the tender.

Overall, we think the 2H 2023 slate will give developers many options to build up their land inventory and development pipeline. By offering sites adjacent to each other or to other existing supply (e.g. in Zion Road, Upper Thomson Road, Pine Grove, and Plantation Close), it is hoped that this could help to moderate land bids from developers, keeping in mind competing supply of homes in the locale."



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