

SHOEBOX UNITS

A WEIGHT LOSS STORY

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Developers are highly adaptive. When land prices surged, shoebox made its way to the OCR to balance the equation. With the latest intervention from the authority, the market eagerly anticipates the next “paradigm shift” for the OCR.



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In as recent as 2007, the first quartile unit size of new private condos sold in the Outside of Central Region (OCR) was 1,087 sq ft, unchanged compared to 1997, a decade ago. Over the last 5 years, the figure has shrunk a remarkable 75% to 624 sq ft this year, raising eyebrows in the industry.

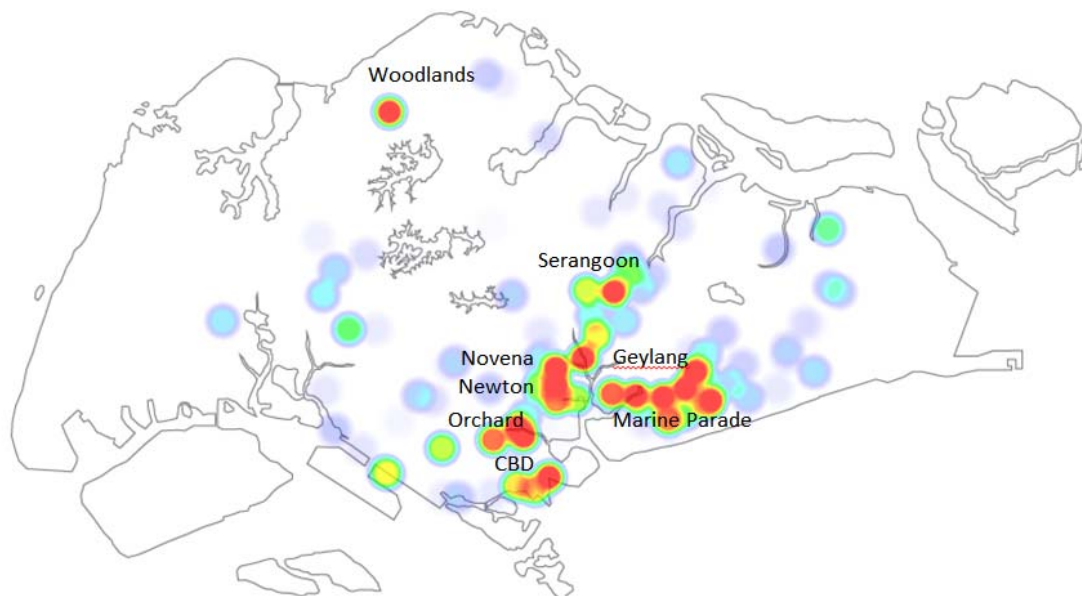
Figure 1: First quartile unit size of new private condos sold

Year	Unit size	Yoy change %	Year	Unit size	Yoy change %
1997	1,087	1%	2005	1,119	2%
1998	1,173	8%	2006	1,066	-5%
1999	1,216	4%	2007	1,087	2%
2000	1,206	-1%	2008	947	-13%
2001	1,163	-4%	2009	980	3%
2002	1,163	0%	2010	818	-17%
2003	1,130	-3%	2011	775	-5%
2004	1,098	-3%	2012	624	-19%

Source: URA, Square Foot Research

The trend is in part due to shoebox units gaining popularity in the OCR. Although in general the shoebox population is still largely confined within the Central Region but the rate at which demand for such units is shifting to OCR is rapid and hard to ignore, from just 4% in 2007 to 66% in 2012, OCR now dominates the shoebox market in terms of number of units sold. A similar story can be told if one looks at the number of projects offering shoebox units. In 2007, 2 out of 14 such projects were located in OCR. This year, half of the 50 such projects are located in OCR.

Figure 2: Heatmap showing the number of shoebox units in Singapore

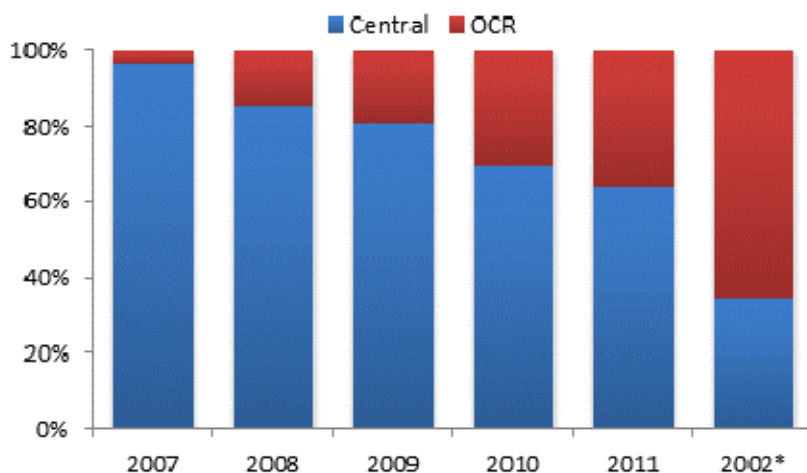


Source: URA, Square Foot Research

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Figure 3: New shoebox units sold by planning region



Source: URA, Square Foot Research

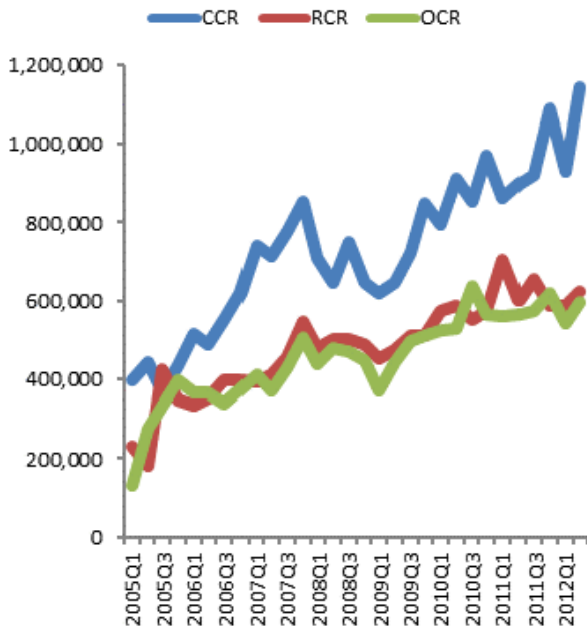
Given the limited amount of living space in a shoebox unit for a household, many have conjectured that the demand is driven by investment rather than owner-occupation. Data do support the conjecture. Based on units disposed in the secondary market for the period Jan 2011 – Jul 2012, the average holding period for a shoebox unit is 934 days, less than the average construction period of a project, suggesting that for new projects, many had bought their units during launch and sold before or right after TOP. In contrast, the average holding period for units sized above 50 sqm for the same period is 2,597 days, nearly 3 times as long. Another example is Parc Imperial, which we estimate about 85% of the units are shoebox units. The number of rental contracts signed in 2011 was 87, or nearly two-thirds of the projects, about twice as much as the nearby The Peak@Balmeg (no shoebox units), suggesting that many shoebox units were bought primarily with the intention to rent.

The increasing popularity is mainly due to its affordability. In some degree, it may be due to the side effects of recent government policies. In the past, private property owners who have a budget of \$0.5m could have scooped up HDB flats (if do not already own) in the resale market for their attractive yields. Since August 2010, this was disallowed without having to first dispose any existing private property, shoebox units may have become the alternative as a consequence. If this were true, we expect the impact to be small, given that purchasers with private property addresses make up only about a third of the total purchases. Another factor could be the lower financing for second and subsequent properties, which would bring down the price range that one could afford if one already owns a property, driving some demand down the chain to the shoebox market range. In fact, a shoebox unit can easily be a no-money down purchase if one could cash out from existing properties that have profited on paper. The median price of a shoebox unit in OCR is approximately \$600,000 in 2Q 2012.

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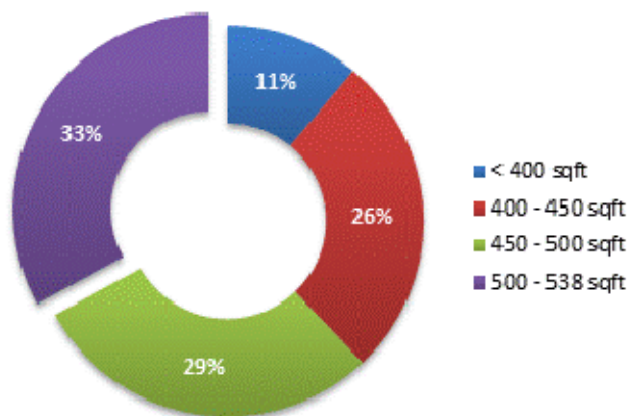
Figure 4: Median prices of shoebox units



Source: URA, Square Foot Research

Interestingly the industry does not have a common definition for it. Some have assumed anything smaller than 500 sq ft, while others have assumed 50 sqm. Before you think the difference it makes is trivial, sizes from 500 sq ft to 50 sqm form the single largest segment in the shoebox market in OCR should one uses the latter to define it.

Figure 5: Segments within the shoebox market



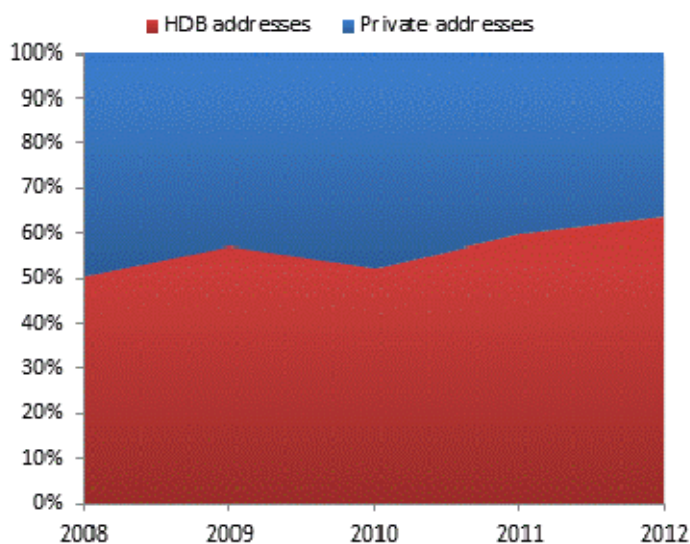
Source: URA, Square Foot Research

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The notion that purchasers with HDB addresses make up a large proportion of buyers in the shoebox market should be a concern is unjustified. In the OCR, purchasers with HDB addresses make up 63.8% of new sales, excluding shoebox units, in 2012. In the shoebox segment in OCR, purchasers with HDB addresses constitute 63.7% in the same period, consistent with the non-shoebox segment. If there was a concern, the concern should be the increasing amount of money being invested into the property market by purchasers with HDB addressees as a whole rather than just the shoebox market alone. This percentage was about 50% in 2008 for OCR. Presumably, the buoyant HDB market over the last 5 years has helped many upgraded.

Figure 6: Buyers in the OCR primary market, breakdown by purchaser address



Source: URA, Square Foot Research

The question of how profitable investing in a shoebox unit can be depends on market condition. The current cycle has treated buyers who jumped on the shoebox bandwagon early well. Out of the 177 shoebox units disposed in the secondary market in OCR from 2011-2012, only 4 transactions were unprofitable, after taking into account an estimated 7% round-trip transaction cost. Even the smallest shoebox units ever sold (located in RCR) have been flipped profitably.

The latest intervention by the authority to limit the number of units allowed in new developments will drive developers to build more average-sized units. The move will impact land prices in the OCR given that shoebox units generally command a premium. It will bring down per-square-foot prices of new launches, of the overall market, and any statistics such as price indices that are derived based on per-square-foot prices.

Developers are highly adaptive. When land prices surged, shoebox made its way to the OCR to balance the equation. With the latest intervention from the authority, the market eagerly anticipates the next "paradigm shift" for the OCR.

SHOEBOX PRICES

PRIMARY MARKET

Project	District	Tenure	Average unit size* (sq ft)	Average price* (\$)	Average price* (\$psf)
V ON SHENTON	1	99 Yrs From 2011	460	1,084,882	2,351
SKYLINE RESIDENCES	4	Freehold	484	1,075,000	2,219
SEAHILL	5	99 Yrs From 2011	495	688,197	1,390
ASPEN LINQ	9	999 Yrs From 1841	420	825,000	1,965
THE MKZ	9	Freehold	477	947,717	1,990
UP@ROBERTSON QUAY	9	99 Yrs From 2011	463	1,206,475	2,607
8 BASSEIN	11	Freehold	443	873,115	1,972
SUITES @ NEWTON	11	Freehold	484	955,000	1,972
26 NEWTON	11	Freehold	474	1,100,000	2,323
LINCOLN SUITES	11	Freehold	463	1,265,000	2,733
THE INTERWEAVE	12	Freehold	384	584,833	1,523
ONE DUSUN RESIDENCES	12	Freehold	473	726,033	1,536
RIVIERA 38	12	999 Yrs From 1882	452	543,496	1,202
CRADELS	12	Freehold	442	679,915	1,536
EIGHT RIVERSUITES	12	99 Yrs From 2011	441	617,746	1,400
URBAN HERITAGE	12	Freehold	452	675,326	1,498
M66	12	Freehold	474	637,329	1,343
18 WOODSVILLE	13	Freehold	495	894,720	1,807
TROPIKA EAST	14	Freehold	442	633,380	1,432
CENTRA RESIDENCE	14	Freehold	463	651,323	1,408
LE REGAL	14	Freehold	366	465,438	1,272
LEVENUE	14	Freehold	484	624,284	1,288
SMART SUITES	14	Freehold	462	659,193	1,427
MILLAGE	14	Freehold	443	618,923	1,397
IDYLLIC SUITES	14	Freehold	435	538,960	1,239
QUBE SUITES	14	Freehold	440	578,143	1,314
METRO LOFT	14	Freehold	484	650,000	1,342
SILVERSCAPE	14	Freehold	431	520,705	1,210
PRIMEDGE	14	Freehold	458	560,980	1,226
GUILLEMARD EDGE	14	Freehold	448	572,000	1,275
NESS	14	Freehold	436	561,648	1,288
TREASURES@G19	14	Freehold	407	536,553	1,318
THE CRISTALLO	15	Freehold	465	639,754	1,378
SYCAMORE TREE	15	Freehold	405	567,945	1,403
LA VIDA @ 130	15	Freehold	466	584,153	1,254
91 MARSHALL	15	Freehold	370	549,650	1,488
THE LINE @ TANJONG RHU	15	Freehold	420	960,925	2,289
PARC BLEU	15	Freehold	463	616,186	1,331

SHOEBOX PRICES

PRIMARY MARKET (CONT'D)

Project	District	Tenure	Average unit size* (sq ft)	Average price* (\$)	Average price* (\$psf)
SHIRO	15	Freehold	452	651,306	1,441
FULCRUM	15	Freehold	474	1,132,364	2,391
THE VANDERLINT	15	Freehold	427	649,617	1,524
EAST VILLAGE	16	Freehold	420	593,674	1,411
PARC OLYMPIA	17	99 Yrs From 2012	495	483,016	976
THE PALETTE	18	99 Yrs From 2010	495	596,972	1,206
RIPPLE BAY	18	99 Yrs From 2011	484	450,200	929
PARC CENTROS	19	99 Yrs From 2012	465	566,234	1,217
SUITES @ PAYA LEBAR	19	Freehold	377	535,518	1,421
BARTLEY RESIDENCES	19	99 Yrs From 2011	463	660,289	1,427
CASA CAMBIO	19	Freehold	454	656,600	1,447
RIVERSOUND RESIDENCE	19	99 Yrs From 2011	452	497,216	1,100
PRESTO@UPPER SERANGOON	19	Freehold	434	573,935	1,322
RIVER ISLES	19	99 Yrs From 2012	441	449,604	1,019
THE PROMENADE@PELIKAT	19	Freehold	465	570,504	1,227
VIBES@UPPER SERANGOON	19	Freehold	432	571,332	1,321
CARDIFF RESIDENCE	19	99 Yrs From 2011	425	538,832	1,271
D'ZIRE	19	999 Yrs From 1875	434	580,750	1,341
ISUITES @ PALM	19	999 Yrs From 1878	463	629,680	1,360
SUITES DE LAUREL	21	999 Yrs From 1885	484	782,177	1,615
SUITES AT BUKIT TIMAH	21	Freehold	441	714,000	1,618
NOTTINGHILL SUITES	21	Freehold	402	638,477	1,590
FORESQUE RESIDENCES	23	99 Yrs From 2011	463	635,700	1,374
NATURA@HILLVIEW	23	999 Yrs From 1885	452	594,452	1,314
PARC ROSEWOOD	25	99 Yrs From 2011	431	473,000	1,099

*Based on transactions in the last 6 months, Source: URA, Square Foot Research

SHOEBOX PRICES

SECONDARY MARKET

Project	District	Tenure	Average unit size* (sq ft)	Average price* (\$)	Average price* (\$psf)
THE CLIFT	1	99 Yrs From 28/04/2004	495	1,111,875	2,246
PEOPLE'S PARK COMPLEX	1	99 Yrs From 25/03/1968	427	569,333	1,330
ALEXIS	3	Freehold	405	742,360	1,834
PARC IMPERIAL	5	Freehold	430	746,000	1,734
JUBILEE RESIDENCE	5	Freehold	495	670,000	1,353
TYRWHITT 139	8	Freehold	490	700,000	1,431
SOHO 188	8	Freehold	436	715,000	1,640
PARC SOMME	8	99 Yrs From 06/05/2008	388	680,000	1,755
URBAN LOFTS	8	Freehold	420	740,000	1,763
SUITES @ OWEN	8	Freehold	452	665,000	1,471
R66 APARTMENTS	8	Freehold	474	715,000	1,510
CITY LOFT	8	Freehold	366	580,000	1,585
VIVACE	9	999 Yrs From 01/07/1841	398	797,500	2,003
ESPADA	9	Freehold	370	965,000	2,611
ROBERTSON EDGE	9	999 Yrs From 01/07/1841	431	800,000	1,858
MOUNT SOPHIA SUITES	9	Freehold	431	845,000	1,963
ESTILO	9	Freehold	495	900,000	1,818
ATTITUDE AT KIM YAM	9	999 Yrs From 01/07/1841	339	733,444	2,163
PARC SOPHIA	9	Freehold	474	907,500	1,916
ILLUMINAIRE ON DEVONSHIRE	9	Freehold	441	1,065,000	2,413
RV SUITES	10	Freehold	495	960,000	1,939
LINCOLN SUITES	11	Freehold	463	1,060,000	2,290
SUITES @ SHREWSBURY	11	Freehold	344	608,000	1,765
ZEDGE	11	Freehold	488	876,667	1,796
CITY REGENCY	12	Freehold	484	658,000	1,358
THE VERVE	12	Freehold	441	691,938	1,568
BLISS LOFT	12	Freehold	452	680,000	1,504
SUITES @ TOPAZ	12	Freehold	383	556,111	1,453
PRESTIGE HEIGHTS	12	Freehold	339	599,375	1,768
AIRSTREAM	12	Freehold	450	628,111	1,398
THE TIER	12	Freehold	495	725,000	1,465
DOMUS	12	Freehold	474	858,888	1,813
OPAL SUITES	12	Freehold	398	540,000	1,356
TREVISTA	12	99 Yrs From 15/07/2008	463	755,000	1,631
LEICESTER SUITES	13	Freehold	459	681,000	1,485
LA BRISA	14	Freehold	458	550,800	1,201
COSMO	14	Freehold	398	675,000	1,695
CENTRA STUDIOS	14	Freehold	424	593,714	1,416

SHOEBOX PRICES

SECONDARY MARKET (CONT'D)

Project	District	Tenure	Average unit size* (sq ft)	Average price* (\$)	Average price* (\$psf)
CASA AERATA	14	Freehold	427	530,500	1,244
SUITES @ SIMS	14	Freehold	344	529,000	1,536
WATERBANK AT DAKOTA	14	99 Yrs From 07/12/2009	484	713,000	1,472
CENTRA SUITES	14	Freehold	432	626,225	1,453
KEMBANGAN SUITES	14	Freehold	420	675,000	1,608
THE EBONY	14	Freehold	340	507,600	1,492
THE LENOX	14	Freehold	463	646,000	1,396
PARC ELEGANCE	15	Freehold	472	674,800	1,434
HAIG 162	15	Freehold	364	570,600	1,569
SUITES @ KATONG	15	Freehold	370	544,333	1,473
MOUNTBATTEN SUITES	15	Freehold	484	635,000	1,311
STUDIOS@TEMBELING	15	Freehold	463	748,000	1,616
HERITAGE EAST	15	Freehold	463	728,888	1,575
ONE @ PULASAN	15	Freehold	484	640,000	1,321
BELLA CASITA	15	Freehold	463	668,000	1,443
MOUNTBATTEN LODGE	15	Freehold	334	530,000	1,588
ESPIRA SUITES	15	Freehold	474	711,500	1,502
IMPERIAL HEIGHTS	15	Freehold	452	709,000	1,569
CORALIS	15	Freehold	495	839,000	1,695
SUNSHINE LOFT	15	Freehold	366	491,000	1,342
SUITES @ GUILLEMARD	15	Freehold	345	540,000	1,638
PALM GALLERIA	15	Freehold	495	670,000	1,353
OPTIMA @ TANAH MERAH	16	99 Yrs From 09/12/2008	484	706,250	1,458
EASTWOOD REGENCY	16	Freehold	413	602,000	1,460
AVILA GARDENS	17	Freehold	463	535,000	1,156
KOVAN GRANDEUR	19	99 Yrs From 10/08/2010	381	547,667	1,441
ISUITES @ TANI	19	999 Yrs From 19/02/1883	452	598,000	1,323
PRIMO RESIDENCES	19	Freehold	468	645,000	1,378
SUITES @ KOVAN	19	Freehold	366	542,500	1,483
THOMSON V TWO	20	Freehold	398	638,000	1,602
CASPIAN	22	99 Yrs From 17/03/2008	463	614,629	1,328
THE LAKEFRONT RESIDENCES	22	99 Yrs From 03/08/2010	495	650,000	1,313

*Based on transactions in the last 6 months, Source: URA, Square Foot Research

Appendix

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