

A low-angle photograph of a modern, multi-story apartment building with glass balconies and dark window frames, set against a blue sky with light clouds. The building is the central focus of the upper half of the page.

# ***COMMENTARY***

15 February 2021

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# Government's warning heated up property market

## *Property developers' sales in January 2021*

### Introduction

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Real estate developers released and sold more private and Executive Condominium (EC) housing units in January 2021 as the year-end festivities drew to a close. Furthermore, the concerns of more property market curbs from the government had also driven more homebuyers into the property market.

### Government's warning of cooling measures spurred more launches

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The number of private housing units, excluding Executive Condominium (EC), launched for sale had increased steadily from November 2020 to January 2021 on a year-on-year basis. In January 2021, real estate developers launched 2,600 private residential units in Singapore for sale, which was 334.8% more than the same period in 2020. This was after a 264.6% year-on-year (yoy) increase in the number of units launched in December 2020.

There has been growing speculation that the government could introduce new property market cooling measures in the face of the robust homebuying demand in recent months. In January this year, both the Deputy Prime Minister and National Development Minister gave veiled warnings of more government intervention in the real estate market. The high number of housing units launched in the past month could be a respond to such warnings as developers rushed to release their unsold housing units before additional market curbs were introduced.

As more housing units were launched, the number of units sold by developers also increased. Hence, the government's warning actually heated up the market in the short term.

Table 1 | Private residential property market launch volume

Date	Private housing units launched	Rate of change %yoy
Jun-20	597	-10.9%
Jul-20	869	-4.6%
Aug-20	1,582	55.9%
Sep-20	1,340	-21.8%
Oct-20	423	-53.5%
Nov-20	1,375	45.2%
Dec-20	1,349	264.6%
Jan-21	2,600	334.8%

Source: URA, ERA Research & Consultancy

## More units sold but at slower pace

The number of private housing units (excluding EC) sold in the primary market also increased about 2.46 times from 654 units in October 2020 to 1,609 units last month. Over the same period, the number of private housing units released expanded 6.15 times, illustrating that sales grew at a slower pace compared to the growth rate of the launch volume.

Table 2 | Private residential property market sales volume

Date	Private housing units sold	Rate of change %yoy
Sep-20	1,329	4.6%
Oct-20	654	-29.8%
Nov-20	774	-33.6%
Dec-20	1,217	126.2%
Jan-21	1,609	159.5%

Source: URA, ERA Research & Consultancy

From November 2020 to January 2021, the rate of growth of the number of private residential units sold each month was slower than the number of units released for sale. Although the number of units sold in December 2020 and January 2021 increased by more than 100% yoy in each month, the number of units launched jumped by more than 200% yoy in the same two months.

Therefore, the rate of growth of developers' sales was less than half of that of the units launched in the past two months. In other words, demand was not keeping pace with supply.

## Impressive sales at new project launches

Two giant housing projects were launched last month. The 1,862-unit Normanton Park is the largest residential project and Parc Central Residences is the largest EC project expected to be launched in this and next year.

**Table 3 | New residential launches in January 2021**

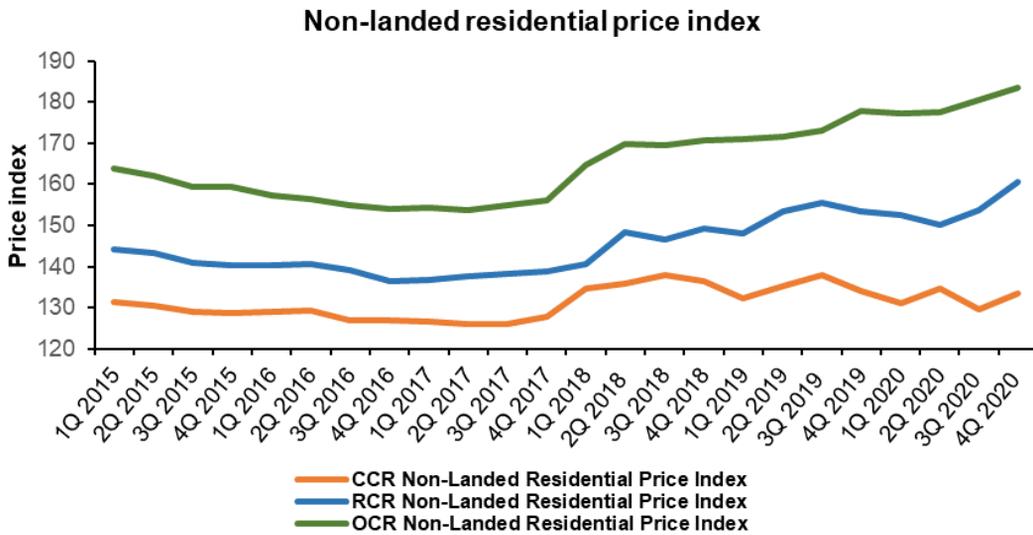
Project name	Street name	Property type	Locality	Total No. of units	No. of units sold in Jan-21	Median price (\$psf) in Jan-21
Normanton Park	Normanton Park	Condo	RCR	1,862	625	\$1,763
Parc Central Residences	Tampines Street 86	Exec Condo	OCR	700	417	\$1,177
The Reef At King's Dock	Harbourfront Avenue	Condo	RCR	429	221	\$2,276

*Source: URA. ERA Research & Consultancy*

One-third of the 1,862 units at Normanton Park were sold at the median price of \$1,763 psf in January. Over at Parc Central Residences and The Reef at King's Dock, over half of the total number of units in each development were sold in January at the median prices of \$1,177 psf and \$2,276 psf respectively.

The impressive rate of sales in these three new launches was partly due to lack of new private residential launches in each respective location in recent years. In addition, the threat of more property market cooling measures had also contributed to the urgency among some buyers to clinch their home purchases.

Figure 1 | Non-landed property price indices



Source: URA, ERA Research & Consultancy

## Outlook

As private housing supply outpaced demand in recent months, the take-up rate as measured by the ratio of units sold to the number of units launched in each month had remained below parity in November 2020 to January 2021. As a result, the number of private housing units launched and unsold had grown steadily from a trough of 4,833 units in July 2020 to 7,226 units last month.

Table 4 | Private residential take-up rate

Date	Private housing Take-up rate
Aug-20	79.5%
Sep-20	99.2%
Oct-20	154.6%
Nov-20	56.3%
Dec-20	90.2%
Jan-21	61.9%

Source: URA, ERA Research & Consultancy

The slower absorption rate indicates that the local private residential property market is not overheated. In addition, the private housing price index increased 2.2% yoy in 2020, a fraction of the 9.1% yoy price expansion in 2Q 2018 before the authorities introduced the most recent cooling measures in July 2018.

If the government were to introduce more cooling measures this year to curb housing demand, it would heighten the risk of an oversupply of private and EC housing units, which in turn would lead to negative impact on other sectors in the economy, such as the banking, finance and construction industries.

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