

Residential developers' sales doubled in June 2020

Nicholas Mak

Head of Department
Research & Consultancy

ERA Realty Network Pte Ltd
229 Mountbatten Road #03-01
Mountbatten Square
Singapore 398007
T : (65) 6226 2000

Summary

- *Improvement in market sentiments, pent-up demand and other positive reasons in June led to more sales in the private residential property market.*
- *Developers sold 998 private housing units in June, double the 487 units sold in May 2020.*
- *More new launches in the coming months would stimulate the sales activities.*

Residential primary market sales doubled in June 2020

With the start of Phase 2 of the easing of the partial lockdown or “circuit breaker” on 19 June, residential show flats could be open for business again, provided COVID-19 safety measures were in place.

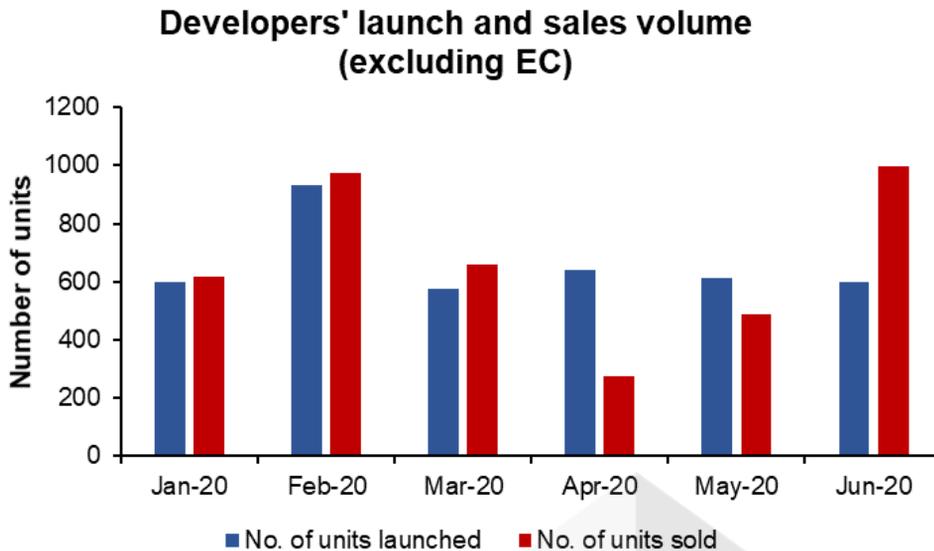
The re-opening of the show flats has attracted many visitors and increased the sales at these residential projects.

Real estate developers released 597 private dwelling units (excluding Executive Condominium) for sale in June, slightly fewer than the 615 units released in May. They sold 998 private housing units in June, more than doubling the 487 units sold in the previous month.

Only one new residential project, Parkwood Residences, was launched last month. A unit in the 18-unit development located along Yio Chu Kang Road was sold at \$1,323 psf.

No Executive Condominium (EC) unit was released for sale since March 2020. But developers sold 33 EC units in June 2020.

Figure 1: Number of units launched and sold



Source: URA, ERA Research & Consultancy

When the government implemented the “circuit breaker” partial lockdown, residential show flats were ordered to be closed from early April to 18 June. Subsequently, private home sales, which were also affected by market uncertainties, dropped 58.0% mom in April 2020.

Property marketing agencies quickly turned to various methods to market real estate remotely, such as the use of virtual online show flats, during the “circuit breaker” period. The result was an increase in the sales in residential projects in May. The growth in sales accelerated in June when show flats could open again, with safe distancing measures in place. This indicated a healthy underlying demand for residential real estate in the primary market.

Stronger take-up rates

The strong homebuying demand in June was due to a combination of a few reasons. Firstly, the re-opening of the residential show flats helped to facilitate property sales.

Secondly, the partial lifting of the circuit breaker also signaled that the spread of the coronavirus pandemic was coming under control. This led to a gradual recovery in public confidence.

Thirdly, investment sentiments were also improving after the stock market meltdown in March. The Straits Times Index had recovered 17% from the trough in March to the start of the Phase 1 lifting of the circuit breaker on 2 June 2020.

The fourth reason was the pent-up homebuying demand that had built up during the 2-month partial lock down in this April and May.

Table 1: Top 5 bestselling projects in June 2020

Name of projects	Road name	Number of units sold in June	Median transacted price (\$psf)
Treasure At Tampines	Tampines Lane	104	\$1,348
Parc Clematis	Jalan Lempeng	90	\$1,637
The Florence Residences	Hougang Avenue 2	89	\$1,522
Parc Esta	Sims Avenue	82	\$1,671
Stirling Residences	Stirling Road	74	\$1,945

Source: URA, ERA Research & Consultancy

Finally, the fifth reason for the strong demand could be that a large majority of Singaporeans who planned to go on their overseas vacations during the school holiday this June, could not do so due to the Covid-19 travel restrictions. Instead of visiting overseas holiday destinations, they visited show flats. The result was an increase in the residential primary market sales.

An illustration of the strong buying demand in June 2020 was the 167.2% take-up rate for private housing sales in that month. This was again more than double the 79.2% take-up rate in the preceding month.

Buyers still prefer the real thing

Much has been said about the use of online technology, such as virtual residential show flats, to sell real estate. An increasing number of homebuyers adapted to the use of remote marketing of real estate during the COVID-19 circuit breaker in April and May 2020.

However, the latest statistics show that homebuyers have voted with their feet and cheque books after visits to the physical show flats. Many homebuyers still prefer to view the show flats, if possible, to get a good sense of the property before they commit to acquire one of the biggest assets they would ever own.

Outlook

In the coming months, developers will be launching new residential projects, including a few major ones with more than 500 units each. These new launches will stimulate the primary market sales and even the resale market.

Table 2: Upcoming major residential project launches

Name of project	Road name	Locality	Total number of units	Tenure
Penrose	Sims Drive	RCR	566	99-year Leasehold
Forett @ Bukit Timah	Toh Tuck Road	RCR	633	Freehold
Hyll on Holland	Holland Road	CCR	319	Freehold
Verdale	De Souza Avenue	RCR	258	99-year Leasehold
Parc Central Residences (EC)	Tampines Avenue 10	OCR	695	99-year Leasehold

Source: URA, ERA Research & Consultancy

Although the Singapore GDP contracted 12.6% year-on-year in 2Q 2020, based on the government's advance estimates, some homebuyers who are confident of their finances and income, will still buy real estate. The low interest rate environment would also increase their purchasing power.

As the travel restrictions are gradually lifted in the coming months, foreign buyers could also return to the local real estate market in greater numbers. The combination of all these factors could lead to a case of pent-up supply meeting pent-up demand. Developers' sales this year could range between 8,000 and 9,000 units, close to the same volume in 2018, when the government implemented the cooling measures.



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