



COMMENTARY

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A speed-bump on the road to recovery for the property market

Property developers' sales in October 2020

Residential primary market sales in October 2020

Reacting to the government's announcement on 28 September that restricts the re-issue of the Option to Purchase (OTP) for the same housing unit to the same buyer, most developers held back their residential launches and released fewer new housing units into the market last month. Real estate developers released just 423 private housing units in October 2020, 68.4% fewer than number of units released in September. The launch volume in October was even lower than the monthly average of 628 units released during the Circuit Breaker in April and May this year.

Table 1 | Best-selling projects in October 2020

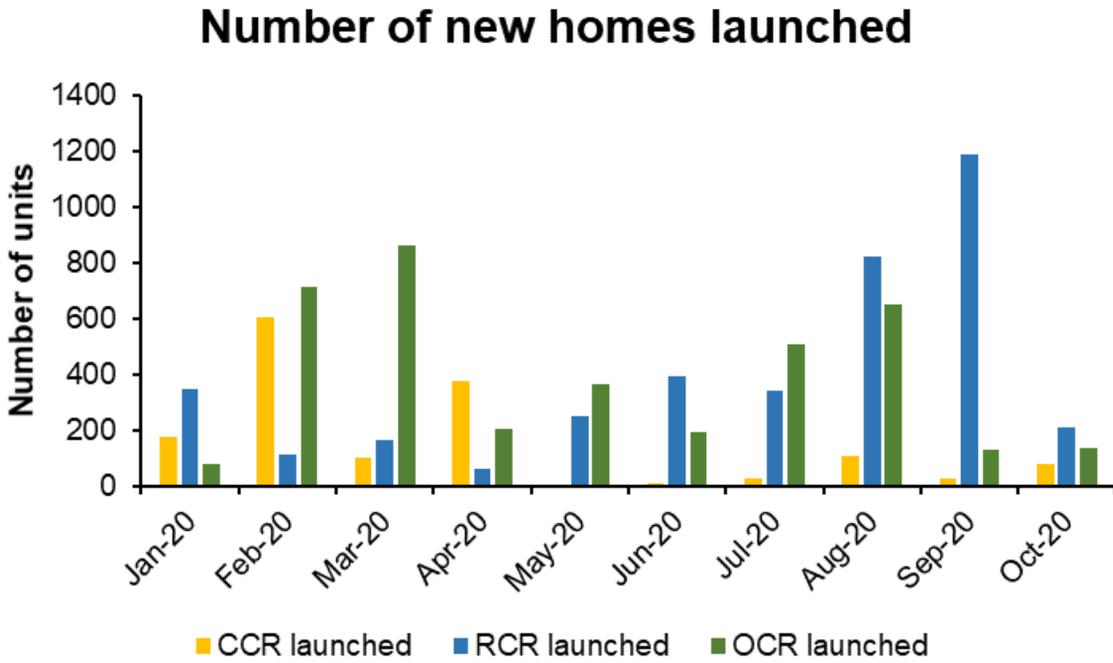
Name	Locality	Total No. of units	No. of units sold in Oct 20	No. of units unsold *
The Garden Residences	OCR	613	53	110
Treasure At Tampines	OCR	2203	50	509
Parc Clematis	OCR	1468	49	478
Midwood	OCR	564	28	512
Forett At Bukit Timah	RCR	633	26	361
The Woodleigh Residences	RCR	667	26	274
One Pearl Bank	RCR	774	25	416
Jadescape	RCR	1206	24	172
Sengkang Grand Residences	OCR	680	22	377
Stirling Residences	RCR	1259	22	91

**Note: Number of units unsold as at October 2020*

Source: URA, ERA Research & Consultancy

The low launch activity was characterized by the low number of new residential launches. Only one private residential project was launched in October. Hyll On Holland, a 319-unit freehold condominium development along Holland Road was launched last month. Five units was reportedly sold at a median price of \$2,729 psf.

Figure 1 | Numbers of new homes released into the primary market

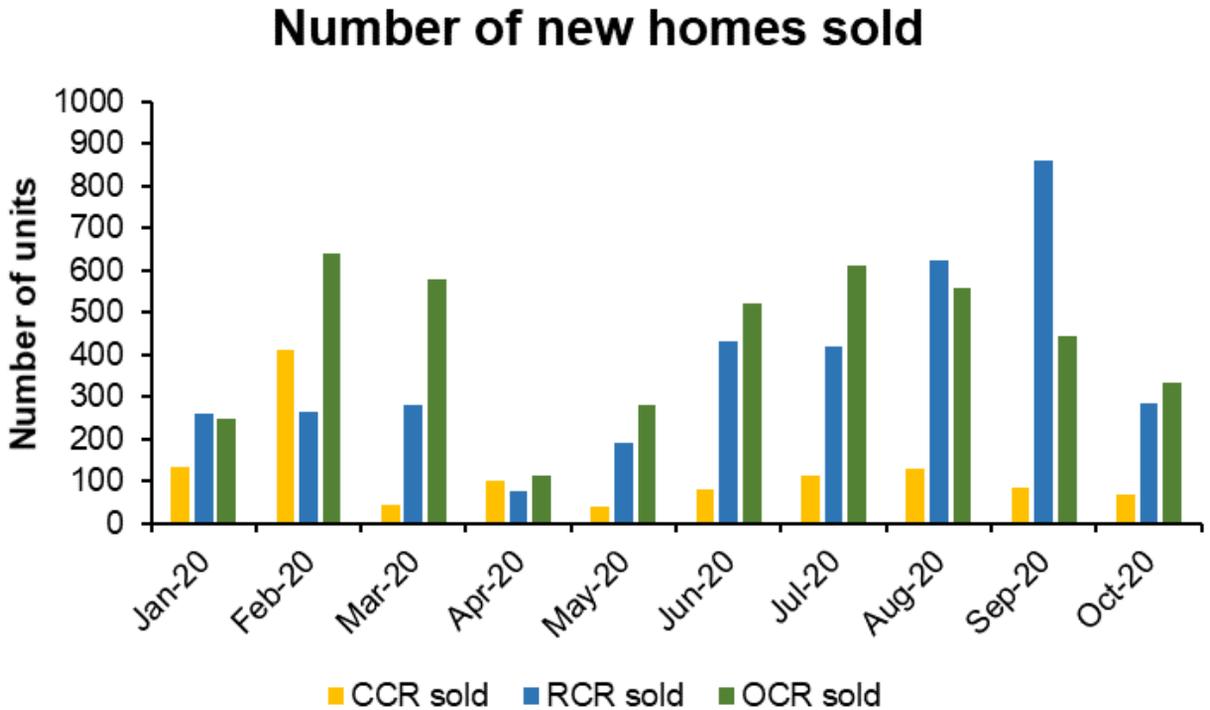


Source: URA, ERA Research & Consultancy

Homebuyers also bought fewer housing units last month, partly due to the fewer number of units released and partly due to the OTP restrictions. Buyers acquired 642 new private housing units in the primary market last month, almost half of the 1,329 units transacted in September. Many potential buyers held back their purchases while seeking more clarity on the effects of the latest government announcement.

Not surprising, no new Executive Condominium (EC) project was launched in October. However, developers still managed to sell 40 EC units last month from the existing launched EC projects.

Figure 2 | Numbers of new homes sold in primary market



Source: URA, ERA Research & Consultancy

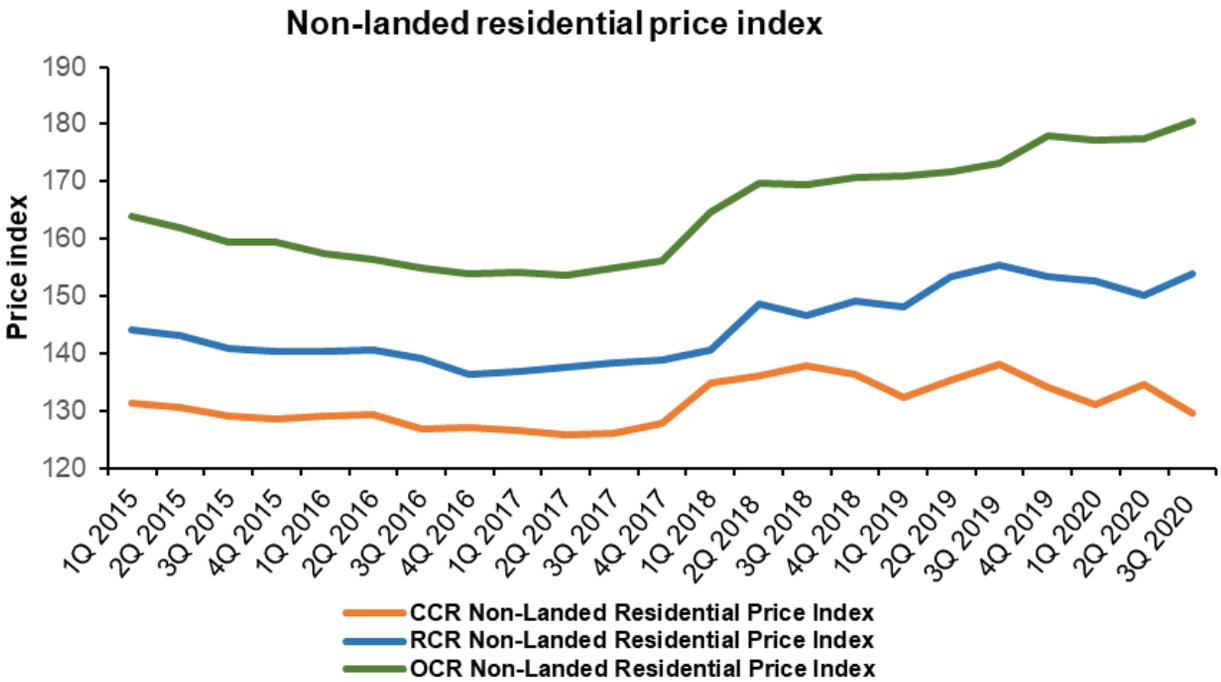
Since 2Q 2019, the overall prices of private residential real estate have increased gradually, primarily driven by capital values of suburban housing and to a smaller extend, by prices of landed houses.

In the July to September quarter this year, the overall private residential property price index grew 0.8% quarter-on-quarter (qoq) and 0.7% year-on-year (yoy). Over the same period, the price indices of condominiums on the city fringe Rest of Central Region (RCR), suburban Outside Central Region (OCR) and islandwide landed housing increased by a firmer 2.5%, 1.7% and 3.7% qoq respectively.

The growth in the prices of suburban condominiums was contributed by the steady increase in the prices of resale HDB flats, which expanded 2.3% yoy in 3Q 2020. The steadily appreciating prices of public housing provided the confidence among some flat owners to upgrade to suburban condominiums.

The prices of prime condominiums in the Core Central Region (CCR) appeared to be more sensitive to the effects of the Covid-19 pandemic. The travel restrictions and economic uncertainties in countries such as China, Indonesia and Malaysia, which are the main sources of CCR home-buying demand from non-Singaporeans had dented the property price growth. As a result, the price index of CCR condominiums declined by 3.8% qoq in the third quarter of 2020.

Figure 3 | Non-landed residential price index



Source: URA, ERA Research & Consultancy

Going forward

The announcement on the re-issue of OTP was an reiterating of existing regulations and not a property cooling measure. Therefore, it is likely to be just a speed bump in the road to recovery from the effects of Covid-19 for the property market.

Not every homebuyer requires the expiry dates of the OTP issued to them to be extended. Some homebuyers may prefer a longer OTP exercise period as they require more time to sell their existing properties before completing the purchase of the next property, in order to avoid paying the Additional Buyer's Stamp Duty (ABSD) for the new property. However, a large number of homebuyers have the financial means and are in the position to complete the property purchases in the normal fashion.

In addition, not every property developer would re-issue the OTP for units in their residential projects, even before the government announcement in September.

Participants in the real estate market will rapidly come to terms with the restrictions on the re-issue of OTP and life will return back to normal.

Furthermore, there are a few major residential projects, like Ki Residences, Clavon and Midtown Modern, that are gearing up to be launched in November and December. There will be new launches in all the three market segments of CCR, RCR and OCR in the next 2 to 3 months, catering to buyers with different needs and budgets. These new launches are likely to stimulate the primary market sales in the coming months. Therefore, the primary market sales volume would recover from the trough in October quite quickly.

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