16 November 2020

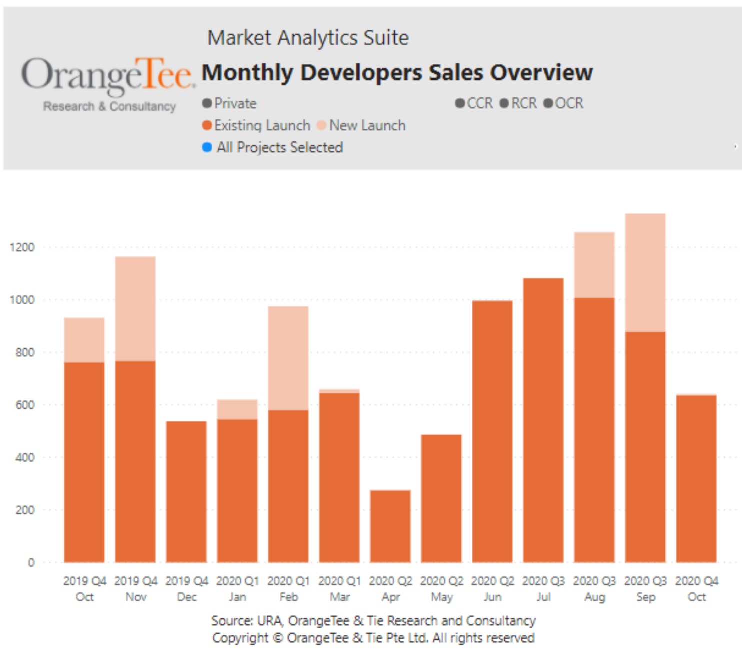
Sales growth hits roadblock after curbs on OTP reissue

Developer home sales were on track for a spectacular performance in the second half of this year after volumes rose five consecutive months post-Circuit Breaker and monthly sales registered more than 1,000 units since July 2020. However, new curbs on the re-issuing of option to purchase (OTP) seemed to have taken a toll on the market as sales figures slipped more than 50 per cent last month. The lower sales could also be attributed to a lack of major launches. Last month, there was only one new launch - the 319-unit Hyll on Holland. Developers launched only 423 units which were lower than the number of units launched during the Circuit Breaker period (April-640 units and May-615 units).

Month	Sales Volume		Launches	
	(Excl. EC)	(Incl. EC)	(Excl. EC)	(Incl. EC)
Oct-19	932	959	909	909
Jan-20	620	640	598	598
Feb-20	976	1,315	933	1,429
Mar-20	660	904	578	1,126
Apr-20	277	293	640	640
May-20	487	510	615	615
Jun-20	998	1,031	597	597
Jul-20	1,083	1,145	869	869
Aug-20	1,258	1,309	1,582	1,582
Sep-20	1,329	1,385	1,340	1,340
Oct-20	642	682	423	423
m-o-m % Change	-51.7%	-50.8%	-68.4%	-68.4%
y-o-y % Change	-31.1%	-28.9%	-53.5%	-53.5%

Source: URA, OrangeTee & Tie Research & Consultancy

According to the developers' sales survey by the Urban Redevelopment Authority (URA), new home sales excluding Executive Condominiums (EC) dipped by 51.7 per cent from 1,329 units in September to 642 units in October. Including EC, sales volume declined 50.8 per cent month-on-month to 682 units. On a year-on-year basis, the number of private home sales (excluding EC) was 31.1 per cent lower than the 932 units sold in October 2019.



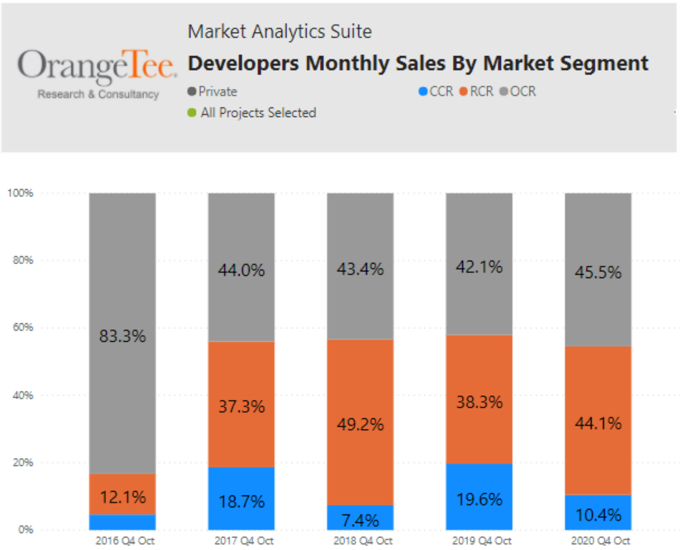
Note: New launch refers to units sold in projects that were launched in that month.
Existing launch refers to units sold in projects that had been launched in prior months.

To instil greater financial discipline in making purchase decisions, developers are no longer allowed to continually re-issue OTPs upon expiry without financial penalties. The Urban Redevelopment Authority (URA) implemented new regulations in September to restrict the re-issuing of OTP to the same buyer of the same unit within 12 months after the expiry of the earlier OTP. The move was done to ensure purchasers commit to a property purchase only when they are ready to exercise the OTP within the validity period.

The clampdown on the reissuing of OTP subsequently caused a knee-jerk reaction which resulted in a temporary fall in sales volume last month. As the property market is highly sentiment driven, the pull-back in housing demand is unsurprising. Some buyers could be waiting on the side lines, hoping that developers will moderate prices in response to the sales decline.

Others who are directly impacted by the new regulation may need time to settle any outstanding issues in order to proceed with their home purchase. For instance, HDB upgraders who may incur the Additional Buyers' Stamp Duty will try to dispose their flats first. They are likely to rent elsewhere or make alternative housing arrangements with their extended families in the interim as they wait for the completion of their new homes. Sales may pick up again after the 'dust settles'.

Private homes (excluding EC) in the Rest of Central Region (RCR) and Outside of Central Region (OCR) continued to form the bulk of purchases last month. 44.1 per cent of the private homes (excluding EC) were in the RCR while 45.5 per cent were in the OCR and 10.4 per cent were in the CCR. The best-selling projects in October were The Garden Residences, Treasure at Tampines, Parc Clematis, Midwood, The Woodleigh Residences and Forett at Bukit Timah.

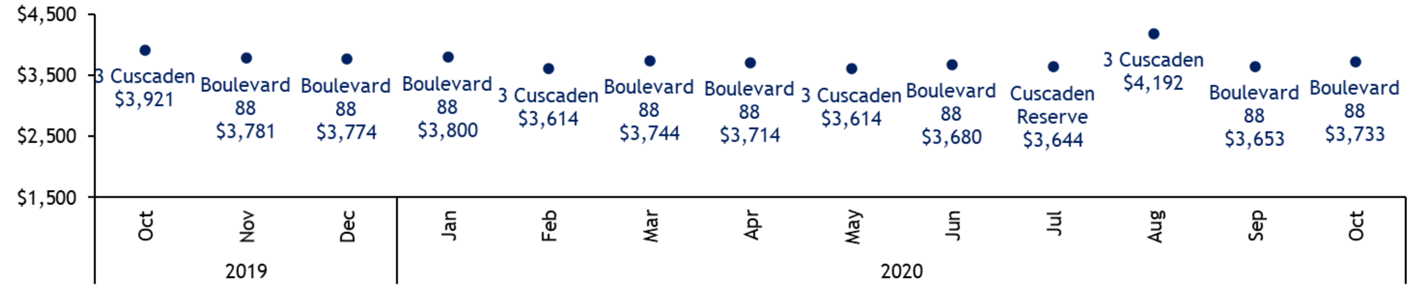


Source: URA, OrangeTee & Tie Research and Consultancy

As Singapore is at the cusp of the third phase of reopening, market sentiment is poised to be lifted as the increase in economic activities will help to revive many business sectors next year. The gradual restoration of aviation connectivity may see more foreign buyers returning to Singapore's property market in the coming months.

For the first ten months of this year, 8,021 new homes (excluding EC) have been sold. We estimate that around 500 to 700 units could be sold in November and December, bringing the total tally to be around 9,000 to 9500 units for the whole of 2020. Although the estimates are lower than 9,912 units sold in 2019, it is still comforting that more than 9,000 new homes could be sold this year, considering that the pandemic is probably one of the worst crisis to hit Singapore's property market. Given that fewer new projects could be launched next year especially mega-projects, we estimate that around 8,500 to 9,500 new homes could be sold in 2021.

Highest price ($psf) achieved in the month



Source: URA, OrangeTee & Tie Research & Consultancy

Project Name	Locality	Total No. of Units	Cumulative Units Launched to-date	Cumulative Units Sold to-date	Sold in the month	Median Price ($psf)	Take up Rate^ (%)	Sold out status* (%)
The Garden Residences	OCR	613	613	503	53	$1,612	82.1%	82.1%
Treasure At Tampines	OCR	2,203	1,700	1,594	50	$1,408	93.8%	72.4%
Parc Clematis	OCR	1,468	1,000	990	49	$1,644	99.0%	67.4%
Midwood	OCR	564	100	52	28	$1,633	52.0%	9.2%
The Woodleigh Residences	RCR	667	535	393	26	$1,987	73.5%	58.9%
Forett At Bukit Timah	RCR	633	300	272	26	$1,948	90.7%	43.0%
One Pearl Bank	RCR	774	450	358	25	$2,519	79.6%	46.3%
Jadescape	RCR	1,206	1,206	1,034	24	$1,783	85.7%	85.7%
Stirling Residences	RCR	1,259	1,259	1,168	22	$2,063	92.8%	92.8%
Sengkang Grand Residences	OCR	680	320	303	22	$1,758	94.7%	44.6%

Source: URA, OrangeTee & Tie Research & Consultancy

^Take up rate is calculated by taking the division of cumulative units sold to date over cumulative units launched to date

*Sold out status is calculated by taking the division of cumulative units sold to date over total no. of units in project

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