



**APAC Realty Limited**  
(Company Registration No. 201319080C)  
(Incorporated in Singapore on 15 July 2013)

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## 1Q2020 OVERVIEW AND BUSINESS UPDATE

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### 1. INTRODUCTION

APAC Realty Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the recent amendments to Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited which were effective from 7 February 2020.

The Company announced on 14 April 2020 that it will adopt half-yearly financial reporting with effect from the financial year ending 31 December 2020 (“FY 2020”). For FY 2020, the next financial results announcement will cover the half-year period ending 30 June 2020.

The Company remains committed to proactive engagement with stakeholders through various communication channels and will provide relevant business updates between half-yearly financial announcements.

This business update provides (i) an overview of the Company’s key operational and financial performance for the three months ended 31 March 2020 (“1Q 2020”); (ii) an update on the Group’s current business; and (iii) a qualitative statement on the financial impact of Covid-19 and regulated safety measures.

Key Highlights:

- In 1Q 2020, ERA achieved a healthy 39.8% share of the residential property market; up from 37.9% in 1Q 2019 and 38.0% in FY 2019;
- The Covid-19 pandemic has presented unprecedented challenges for the real estate industry. While the circuit breaker period ended on 1 June 2020, the regulators continue to restrict physical real estate activities, making marketing and closing a challenge. As a result, real estate market transactions plunged in the months of April and May 2020;
- To prepare for a post Covid-19 world, ERA enhanced the competitive edge of its sales people with a series of online skills and technology training sessions, seminars and its proprietary Ultimate Agent Training courses. Approximately 40,000 attendees participated in ERA training sessions over the past 2 months;
- The Group’s cash position remains strong and it has ample liquidity to operate the business and service its loans in FY2020.



## 2. 1Q 2020 OVERVIEW

Market Transaction Volume <sup>1</sup>	1Q 2020 (units)	1Q 2019 (units)	Change (%)
<u>New Homes</u>			
Private Residential	2,149	1,838	16.9
Executive Condominiums (ECs)	<u>590</u>	<u>10</u>	nm
	<u>2,739</u>	<u>1,848</u>	48.2
<u>Resale</u>			
Private	2,120	1,905	11.3
HDB	<u>5,893</u>	<u>4,835</u>	21.9
	<u>8,013</u>	<u>6,740</u>	18.9
<u>Rental</u>			
Private	21,191	21,426	(1.1)
HDB	<u>11,591</u>	<u>11,775</u>	(1.6)
	<u>32,782</u>	<u>33,201</u>	(1.3)
<u>ERA Market Share<sup>2</sup> (estimated)</u>			
New Homes - Private and ECs	34.8%	29.6%	
Resale – Private and HDB	41.4%	40.2%	

nm – not meaningful

Developers sold 2,149 private residential units and 590 EC units in 1Q 2020, compared with 1,838 private residential units and 10 EC units in the three months ended 31 March 2019 (“1Q 2019”).

Recognised as the preferred marketing agent for new launches amongst leading developers, ERA Realty (“ERA”) secured marketing agent mandates for 38 quality residential projects with approximately 12,300 new home units to be launched in FY 2020 and 1H FY 2021<sup>3</sup>, of which 13 projects with close to 3,600 units were launched for sale in 1Q 2020. ERA’s estimated market share in this segment improved from 29.6% in 1Q 2019 to 34.8% in 1Q 2020.

Singapore’s private residential resale market recorded sales of 2,120 units in 1Q 2020, representing an increase of 11.3% from 1,905 units in 1Q 2019. The HDB resale market saw a higher increase of 21.9% from 4,835 transactions in 1Q 2019 to 5,893 transactions in 1Q 2020. ERA’s estimated market share in this segment improved slightly from 40.2% in 1Q 2019 to 41.4% in 1Q 2020.

In 1Q 2020, ERA achieved a healthy 39.8%<sup>4</sup> share of the residential property market, compared with 37.9% for 1Q 2019 and 38.0% for FY 2019.

## 3. BUSINESS UPDATE

To reduce the transmission of Covid-19, the Singapore Government announced a comprehensive set of circuit breaker measures on 3 April 2020, suspending all workplace activities except for essential services until 4 May 2020 (the “Initial Circuit Breaker Period”). Estate agency work is not categorized by the Singapore Government as an essential service. Subsequent to this, the government announced on 21 April 2020 that the Initial Circuit Breaker Period would be extended to 1 June 2020 (collectively the “Circuit Breaker Period”).

<sup>1</sup> Real estate statistics from Urban Redevelopment Authority (URA) and Housing Development Board (HDB)

<sup>2</sup> By transaction volume

<sup>3</sup> As at 10 June 2020

<sup>4</sup> By transaction volume and excluding rental transactions



## **A. REAL ESTATE BROKERAGE**

### **a) Disruption to business activities**

The safety and well-being of our employees, salespersons, customers and community are a priority for APAC Realty. To play its part in limiting the spread of COVID-19, the Company conformed to advisories issued by the Singapore Government and Council for Estate Agencies (CEA). The Group informed all ERA salespersons to suspend work requiring physical interaction from 7 April 2020 to 1 June 2020 (inclusive) and encouraged its salespersons to adopt digital or online tools for their estate agency work.

Developers' sales galleries set up for marketing and selling properties were closed throughout the Circuit Breaker Period. All on-site, physical property transaction activities had to be postponed until after 1 June 2020 or such time that the suspension of activities at workplace premises is lifted or relaxed. These include physical viewing of properties and face-to-face marketing activities.

On 19 May 2020, the Singapore Government's Multi-Ministry Taskforce announced that safe reopening post-circuit breaker will take place in three phases from 2 June 2020. Phase One of the safe reopening will involve economic activities that do not pose high risk of Covid-19 transmission.

Following this, the Urban Redevelopment Authority ("URA") issued a directive on 20 May 2020, stating that developers' sales galleries are to remain closed until further notice. As a result, marketing and sales activity of new homes can only continue on virtual platforms. The Government provided further clarity stating<sup>5</sup>: "Property agents are not permitted to have face-to-face meetings with clients, except where clients' physical presence is legally required to complete transactions". In such situations, meetings must take place in the office of the real estate company. It also states that property viewings "are not permitted to be conducted in person", but may be conducted through electronic means.

Whilst the Group's offices have re-open in Phase One, a majority of the employees continue to work from home as a precaution. Staffing in the Group's offices is kept to the minimum level required to support all ERA salespersons. To safeguard the well-being of staff working in offices, the Company has implemented safety measures including SafeEntry, temperature screening for staff and visitors to the office, distribution of thermometers and reusable masks to all employees, staff to record their temperature twice daily, and safe distancing within the workplace.

### **b) Training and support for ERA Salespersons**

The Group saw the Circuit Breaker Period as an opportunity to enhance the competitive edge of its sales people. ERA stepped up its training curriculum and frequency to allow its sales teams to take advantage of the downtime by expanding their knowledge and sharpening their skills. Proprietary online programs offered ranged from specialized topics under ERA's Ultimate Agent Training roadmap, to new training sessions on the latest in marketing technologies such as 360-degree virtual tours, video marketing, conducting Zoom meetings and viewings, and iERA.

The Group also conducted numerous consumer seminars to help and inform ERA salespersons and consumers on how to make the best of the crisis and position themselves for the eventual recovery. This included seminars by senior management, insights and sharing by ERA senior leaders across seven countries during ERA's Asia Pacific Real Estate International Forum, dialogues with developers, and also well-received Dynamic Dialogues with Circuit Breaker Conquerors. The latter featured ERA Circuit Breaker Period high achievers, and external guests from law firms and banks, who shared industry best practices for this period and how every salesperson should position themselves for the post Covid-19 upcycle.

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<sup>5</sup> GoBusiness Covid-19 government website, under "Resumption of Business Activities from June 2"



With training intensity as high as 6 sessions per day, the Group's sessions were well received with approximately 40,000 online attendees over this 2-month period. Approximately 8,000 online attendees also attended Continuing Professional Development (CPD) courses organised by the Group's RIA School of Real Estate.

To balance it off, the Group also conducted training on other non-real estate related topics such as health talks, stress management, and cooking sessions for the mental and physical well-being of our employees and salespersons. The Group also held its very first virtual party - ERA night, for employees and salespersons to share a light moment and to symbolize a united front in the face of Covid-19.

c) Singapore residential property market update

**New home sales**

With the implementation of circuit breaker measures from 7 April 2020, house viewings have been suspended and showflats have been closed to the public. As a result, developers sold only 277 new private homes in April 2020, down 58% from the 660 units sold in March 2020. Compared to the year-ago period, developer sales fell 62.4% from the 737 units in April 2019, according to data from URA. Including ECs, developers sold 293 units, down 67.6% month-on-month and 60.7% year-on-year.

**Private resale**

The number of condominiums and private apartments resold in April 2020 dropped 57% to 309 units from March 2020 based on figures published by real estate portal SRX Property (SRX). The number of transactions declined a further 43% to 171 units in May 2020. Year-on-year, resale transactions in May 2020 dived 80%, compared with May 2019. This was also 83% lower than the five-year average volume for the month of May.

**HDB resale**

The number of HDB flats resold in April 2020 and May 2020 was 423 units and 364 units respectively, a far cry from the 2,076 units transacted in March 2020, based on figures published by SRX. The number of transactions in May 2020 is the lowest monthly resale volume on record since 1990. The April and May 2020 HDB resale volume was impacted by the suspension of physical house viewings during the circuit breaker period, and the closure of HDB hub and branches.

**Overall**

The short-term negative impact of Covid-19 outbreak on the Singapore property market is inevitable. Local and foreign buyers will eventually return but the pace of recovery will depend very much on the macro economic situation and how fast the Covid-19 outbreak can be overcome. Singapore remains as one of the top choices for foreigners, especially Chinese and Indonesian property buyers.

**B. INVESTMENT PROPERTY**

The Group operates from two properties namely Mountbatten Square which is leased by the Group, and ERA APAC Centre at Toa Payoh which the Group owns.

Mountbatten Square

The Company has received rental rebates from the landlord of Mountbatten Square for the months of May and June 2020 related to the 30% property tax rebate (for offices) granted by the Inland Revenue Authority of Singapore (IRAS) to the landlord.



#### ERA APAC Centre

ERA APAC Centre has achieved full occupancy since December 2019. The property tax rebate received from the government (100% for shops and restaurants, and 30% for offices) will be given out as rental rebates to the tenants for the months of May and June 2020.

Loan repayments on the investment property amount to approximately S\$3.9 million a year. The Group has ample liquidity and will be able to repay as and when the payments are due.

The Group has set aside S\$0.8 million to refurbish the exterior of ERA APAC Centre and completion is expected by end 2021. Besides this, the Group does not have any other planned major capital expenditure.

#### **4. FINANCIAL IMPACT ON THE GROUP**

Although the Circuit Breaker Period ended on 1 June 2020, real estate activity remains suspended in Phase One. As a result, real estate market transactions plunged in April and May 2020 and is expected to be low in June 2020.

The Group would like to highlight the following financial impact on the Group, based on its latest unaudited management accounts:

- i. Due to the suspension of real estate business during the circuit breaker, and the time required for completion of real estate transactions and time lag in revenue recognition, the adverse financial impact from the Circuit Breaker Period will be felt only in the third quarter of FY2020;
- ii. The collection period from developers may be slightly longer; and
- iii. The Group's overhead expenses are partially mitigated by various support measures from the Singapore Government such as the Jobs Support Scheme where it is expected to receive around S\$1.7 million which will contribute to subsidising part of our personnel costs. The Group has already received a total of approximately S\$1.0 million in April and May 2020.

The Company wishes to assure Shareholders that the Group's cash position remains strong and it has ample liquidity to operate the business and service its loans in FY2020.

The Group is keeping a close watch on the development of the COVID-19 situation and will provide updates as and when material developments occur. The Company will provide its FY 2020 outlook guidance when it reports APAC Realty's 1H 2020 financial results in August 2020.

#### **BY ORDER OF THE BOARD**

Chua Khee Hak  
Executive Chairman and Chief Executive Officer  
10 June 2020