EYE ON ECONOMY

2020 property investment up even as retail consumption slides

Post-lockdown, well-heeled locals free to view new flats; retail sector still hurting without tourism dollar

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NEW private homes were high on the shopping list for some in Singapore last year.

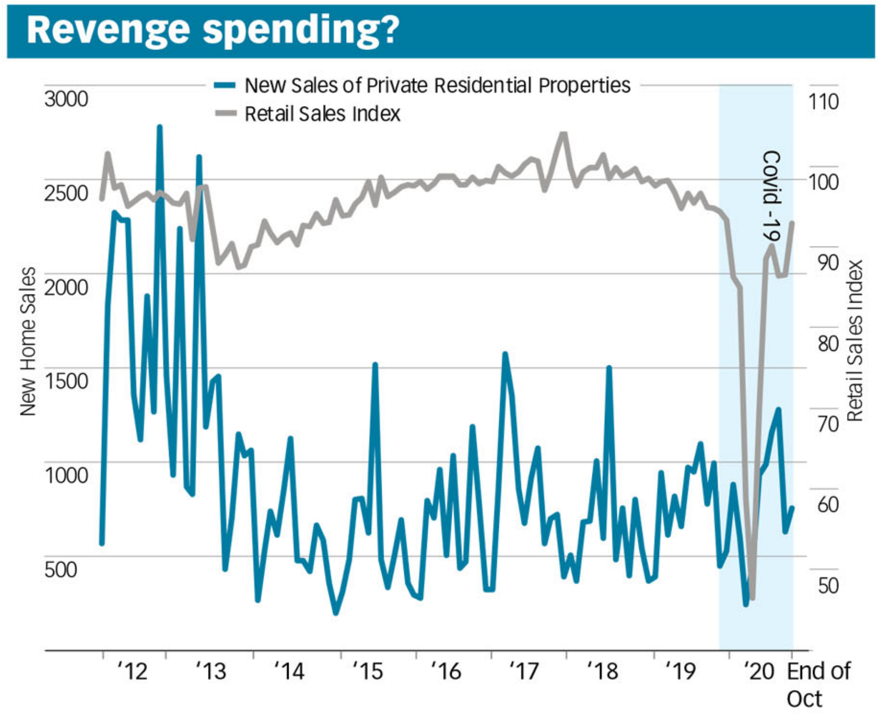
But the same cannot be said for retail spending, which has not fully recovered given fewer tourists here to wine and dine, while snapping up cosmetics and other discretionary items.

Data collated by NUS' Institute of Real Estate and Urban Studies (IREUS) showed that the retail sales index sank over 40 per cent year-on-year in April, while new private home sales slumped some 58 per cent to 256 units after developers were forced to shutter sales galleries, and physical home viewings were disallowed.

The plunge in retail sales deepened in May, declining over 52 per cent. To be sure, as the economy progressively re-opened, retail sales surged possibly due to "revenge spending" after the "circuit breaker" lifted as pent-up demand gave way to splurging, highlighted Lee Nai Jia, deputy director of IREUS.

Since then, retail sales have recovered some ground, but remain weaker than pre-Covid days. Singapore's retail sales were down 1.9 per cent in November from a year ago, as compared against the revised 8.5 per cent year-on-year decline in October. The smaller contraction in November was thanks to sales events, such as Singles' Day and Black Friday.

Still, sales of cosmetics, clothes, shoes, and food continued to fall, given a severe fall in tourists. Between January and November 2020, the number of visitor arrivals plunged 84.4 per cent compared with the same 11-month period a year ago, to 2.7 million tourists.



Source: SingStat, URA REALIS, IREUS, NUS

Meanwhile, private home sales took off sharply as Singapore eased into Phase 2 of the re-opening. This allowed – among other things – the reopening of sales galleries and the resumption of physical home viewings. The number of new homes sold monthly crossed the 1,000 unit mark in the months of July, August and September.

During the "circuit breaker", real estate agents could conduct virtual viewings such as video walkthroughs, but prospective buyers generally favoured seeing the unit first-hand before deciding to buy.

Factors for the spike in volumes for new private homes include demand from upgraders and those flush with funds from the previous en bloc cycle, as well as the low interest rate environment.

"The increase in sales gained further traction as more buyers held optimistic expectations of the private home market due to the resilience in home prices and demand," said Dr Lee. "Rather than recalibrating and stabilising, the private home sales market continued to gain momentum and (trend upwards)."

The prices of new private homes in Singapore rose 2.1 per cent in the fourth quarter of 2020 from the third quarter – the steepest quarterly jump in over two years. For the whole of 2020, the property price index was up 2.2 per cent, as compared with the 2.7 per cent increase in 2019, final figures released by the Urban Redevelopment Authority showed on Friday.

In December alone, the number of new private homes sold surpassed 1,000 units, thanks to projects such as the 640-unit Clavon along Clementi Avenue 1. Slower sales in October and November were said to be due to fewer launches.

Clavon was the top-selling project in December, with 473 units moved at a median price of S$1,637 per square foot (psf), followed by Ki Residences at Brookvale, with 172 of the 660 units sold at a median price of S$1,766 psf.

Meanwhile, headwinds remain in place for the retail industry, even though the year-end festive period and a captive audience of Singapore residents likely improved retail sales in the later part of the year.

"The retail scene remains challenging, especially for retail outlets that rely on tourist spending. Additionally, under Phase 3, capacity (levels) for malls and large stand-alone stores are capped at 65 per cent, limiting the revenue of retailers," noted Dr Lee, adding: "Moving forward, residential sales momentum is unlikely to slow down, especially amid growing optimism with the Covid-19 situation under control."

Still, with the government flagging recently that it is keeping a close watch on the private home market to ensure prices remain affordable, "the risk of government intervention will be high if the real estate market becomes overheated", he added.

In December alone, the number of new private homes sold surpassed 1,000 units, thanks to projects such as the 640-unit Clavon along Clementi Avenue 1. PHOTO: UOL

Among the major 2021 launches so far is Kingsford Huray Development's project Normanton Park, with about a third of the residential units scooped up at an average price of S$1,750 psf on the first day of its debut. The development consists of 1,840 apartment units, 22 two-storey strata terraces and eight commercial units.