



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

3Q2020 OVERVIEW AND BUSINESS UPDATE

1. INTRODUCTION

APAC Realty Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) presents its voluntary business update for the three months ended 30 September 2020 (“3Q 2020”). The Company adopted half-yearly financial reporting with effect from the financial year ending 31 December 2020 (“FY 2020”).

The Company remains committed to proactive engagement with stakeholders through various communication channels and will provide key business updates in the first and third quarters of the financial year to keep shareholders abreast of the Company’s performance and developments.

2. 3Q 2020 AND 9M 2020 OVERVIEW

Market Transaction Volume ¹	3Q 2020 (units)	3Q 2019 (units)	Change (%)	9M 2020 (units)	9M 2019 (units)	Change (%)
<u>New Homes</u>						
Private Residential	3,517	3,281	7.2	7,379	7,469	(1.2)
Executive Condominiums (ECs)	<u>164</u>	<u>426</u>	(61.5)	<u>825</u>	<u>446</u>	85.0
	<u>3,681</u>	<u>3,707</u>	(0.7)	<u>8,204</u>	<u>7,915</u>	3.7
<u>Resale</u>						
Private	3,530	2,482	42.2	6,601	6,803	(3.0)
HDB	<u>7,787</u>	<u>6,264</u>	24.3	<u>17,106</u>	<u>17,375</u>	(1.5)
	<u>11,317</u>	<u>8,746</u>	29.4	<u>23,707</u>	<u>24,178</u>	(1.9)
<u>Rental</u>						
Private	26,462	26,296	0.6	67,159	70,817	(5.2)
HDB	<u>8,196</u>	<u>12,006</u>	(31.7)	<u>30,326</u>	<u>36,116</u>	(16.0)
	<u>34,658</u>	<u>38,302</u>	(9.5)	<u>97,485</u>	<u>106,933</u>	(8.8)
<u>ERA Market Share² (estimated)</u>						
New Homes - Private and ECs	29.7%	29.5%		28.9%	28.3%	
Resale – Private and HDB	42.1%	40.2%		42.2%	40.3%	

In the first six months of the year, the real estate market was affected by the prevailing property cooling measures and the impact from the suspension of real estate business from 7 April to 1 June 2020 (the “Circuit Breaker Period”).

As Singapore emerged from the Circuit Breaker Period, the market presented potential buyers with an attractive proposition supported by low interest rates, stable asset pricing and an inventory of well-located quality projects.

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

² By transaction volume



Developers sold 3,517 private residential units in 3Q 2020, an increase of 7.2% compared to 3,281 private residential units in the three months ended 30 September 2019 (“3Q 2019”). Including ECs, the number of units transacted in the new homes market declined a marginal 0.7% to 3,681 units in 3Q 2020 from 3,707 units in 3Q 2019.

ERA Realty’s (“ERA”) estimated market share in the new homes segment was 29.7% in 3Q 2020 compared to 29.5% in 3Q 2019. As a preferred marketing agency for new home launches amongst leading developers, ERA marketed 21 projects with more than 5,500 units in the first ten months of 2020. Underpinned by the team’s knowledge, expertise and reputation for excellence in customer service, ERA secured marketing agent mandates for 21 quality residential projects with more than 9,200 new home units to be launched in the last two months of 2020 and FY 2021.

In 3Q 2020, the private residential resale market recorded sales of 3,530 units, representing a robust increase of 42.2% from 2,482 units in 3Q 2019. The HDB resale market also reported an increase of 24.3% to 7,787 units in 3Q 2020 from 6,264 units in 3Q 2019. ERA’s estimated market share in this segment improved to 42.1% in 3Q 2020 from 40.2% in 3Q 2019.

For the nine months ended 30 September 2020 (“9M 2020”), ERA achieved a healthy 38.8%³ share of the residential property market, compared with 37.3% for the nine months ended 30 September 2019 (“9M 2019”) and 38.0% for FY 2019.

3. UPDATE ON SINGAPORE

On a year-on-year basis, Singapore’s Gross Domestic Product (“GDP”) contracted by 7.0% in 3Q 2020, an improvement from a 13.3% contraction in 2Q 2020. With the phased re-opening of the economy following the Circuit Breaker Period, 3Q 2020 GDP grew 7.9% from 2Q 2020. On 14 October 2020, the Singapore government issued its revised forecast for the economy to contract by 5–7% in FY 2020, and record positive growth in FY 2021 from a low FY 2020 base.⁴

To realise this recovery, the Singapore government has committed about S\$100 billion over five integrated packages to support businesses and stimulate the economy. This will allow the country to transform itself and emerge from the pandemic as a Global-Asia node of technology, innovation, and enterprise, focused on economic resilience and sustainability.⁵ First fruits of this transition include big technology firms such as Tencent, TikTok and Amazon, which have established offices in Singapore for expansion into the region.⁶

To meet the expected demand for differentiated client service and quality advice from local and foreign buyers and investors, ERA continues to raise the skill and knowledge of its sales teams through specialised training programmes such as the ERA Ultimate Agent Training Roadmap.

As a results-driven agency which leverages technology to sharpen the competitive advantage of its sales teams, ERA continues to partner and invest in proptech companies, driving digital innovation and productivity. The Company has invested S\$2.4 million in leading real estate technologies such as Dots Connected (which owns and operates UrbanZoom), SoReal Prop, Turning-Point and Fang.

In July 2020, ERA secured the exclusive listing rights to list Singapore properties on Fang.com, a market leading property portal in China with more than 80 million registered users and a monthly visitor count of 14.83 million. Under the exclusive arrangement, all new Singapore listings on this top trending property portal will have to be listed through ERA Singapore. ERA salespersons will be able to engage buyers through a secure and reputable online platform, which conducted over 120,000 live streaming events with more than five million viewers daily during the COVID-19 lockdown in China. In the first six months of FY 2020, mainland Chinese were the single largest foreign buyer of properties in Singapore’s prime districts, comprising 26% of total sales. With Chinese technology companies setting up offices in Singapore, ERA expects a positive impact on demand for housing.

³ By transaction volume and excluding rental transactions

⁴ “MAS Monetary Policy Statement - October 2020”, MAS, 14 October 2020

⁵ Ministerial Statement – Oct 2020, Budget 2020, Ministry of Finance, October 2020

⁶ “Big Tech is here, and it’s snapping up real estate in Singapore”, The Business Times, 16 October 2020



In October 2020, ERA entered into a partnership with Matterport to provide its sales team a fast, convenient and low-cost method to capture 3D virtual tours of client properties. This will enable ERA salespersons to expedite the set-up process and provide prospective house buyers access to comprehensive, virtual, round-the-clock property viewings. As part of this partnership, ERA will equip its sales teams with the latest skills and best practices of virtual technology relating to real estate marketing through a series of Matterport webinars.

ERA Property Weekend 2020 was held from 10-11 October 2020. Featuring Singapore's largest virtual real estate gallery, the event attracted more than 168,000 online viewers and potential home buyers who participated in over 140 virtual home tours and attended property market insight webinars hosted by 14 industry experts. A majority of participants were Millennials and Gen-X, or those aged between 25 to 44, and the event's digital campaign achieved more than 1.2 million distinct impressions.

Following the success of ERA's Property Weekend 2020, ERA has partnered PropertyGuru Asia to run the ERA-PropertyGuru co-branded Asia Virtual Property Expo from 11 November to 12 December 2020. Positioned as Asia's first multi-market virtual property expo, the month-long event aims to provide an immersive 3D property showcase experience for about half a million consumers across the region.

4. UPDATE ON THE REGION

Success in the real estate sector depends largely on local knowledge and networks. The ERA global franchise allows the Company to plan and grow its regional presence in a measured and capital efficient manner. APAC Realty's investment strategy is to acquire franchisees who have established brand names, strong reputation and robust businesses in their respective markets. This will ultimately enhance the Company's ability to create cross-selling opportunities and reach quality home buyers and investors across the region.

In February 2019, APAC Realty entered into agreements to acquire control of ERA Indonesia and ERA Thailand, deepening its presence in the two largest economies in ASEAN. The Company continued its expansion acquiring a 49% stake in ERA Malaysia in December 2019, and a 38% stake in ERA Vietnam in February 2020. With these acquisitions, APAC Realty has a presence in five of the top six largest economies in ASEAN: Indonesia, Thailand, Singapore, Malaysia and Vietnam, providing it access to a population of more than 469 million or 71% of the total population in ASEAN.

APAC Realty takes a long-term view with its regional expansion strategy. The Company expects to realise synergies and grow the contribution from Indonesia, Thailand, Vietnam and Malaysia as their respective economies recover post the pandemic.

5. SUPPORTING AND GROWING ERA SALES TEAMS

To support ERA salespersons through the pandemic, ERA has provided financial support measures to more than 7,400⁷ agents in the form of commission fee advances, loyalty growth dividends, skills development and subsidies of business costs.

In August 2020, as part of the Company's commission advance scheme, ERA Singapore partnered LytePay, a Singapore based financial solutions provider, and Rapyd, a global Fintech company, to advance yet to be paid commissions via a business wallet to ERA salespersons. The ERA agent sign-on rate has been very encouraging as the LyteMoney facility allows agents to unlock their commissions quickly and smoothen-out their income over a period of time. ERA is the first and only real estate agency in Singapore to have the LyteMoney facility.

⁷ As at 30 October 2020



6. RECLASSIFICATION OF INVESTMENT PROPERTY TO PROPERTY, PLANT AND EQUIPMENT

The Group will relocate its corporate head office from Mountbatten Square to ERA APAC Centre at Toa Payoh progressively from December 2020. The relocation will consolidate the Group's operations into one location and allow APAC Realty to realise the benefits of having a centralised office. This includes operating cost reduction and elimination of duplicate functions. It also encourages greater communication among employees and departments, and improve the efficiency of operations across the Group. With this development, the Group will reclassify its investment property with a carrying value of S\$72.8 million to property, plant and equipment. The carrying value will be the property's cost for subsequent accounting and the depreciation charge will be approximately S\$1.5 million per year based on the remaining useful life of 48 years.

7. FINANCIAL IMPACT

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

- i. While 3Q 2020 transaction volume is higher than 2Q 2020, the positive financial impact will mostly be realised only in 4Q 2020 due to the time lag in revenue recognition.
- ii. The Group's overhead expenses are partially mitigated by various support measures from the Singapore Government such as the Jobs Support Scheme where it has already received approximately S\$1.7 million which will contribute to subsidising part of the Group's personnel costs in FY 2020. Approximately S\$1.4 million was recorded as government grant income for 9M 2020.

The Company would like to assure Shareholders that its cash position remains strong and that its operating cashflow remains robust. The Board of Directors and management continue to keep a close watch on the COVID-19 situation and remain committed to updating Shareholders as and when material developments occur.

BY ORDER OF THE BOARD

Chua Khee Hak
Executive Chairman and Chief Executive Officer
12 November 2020