



## APAC REALTY POSTS DOUBLE-DIGIT GROWTH IN NET PROFIT FOR 9M FY2018

- Total revenue jumped 26.3% to S\$342.1 million in 9M FY2018, mainly due to the increase in brokerage income from the resale and rental of properties, and new home sales
- Net profit increased 11.8% to S\$20.2 million in 9M FY2018 from S\$18.0 million in 9M FY2017
- Enlarged agency salesforce with nearly 450 agents joining ERA from CBRE and HSR
- Strong 43% market share of the private and HDB resale market in 9M FY2018
- Clarity of growth with a pipeline of mandates for another 27 new project launches, totalling 12,958 units as at today

“APAC Realty continued to deliver another set of strong operating performance despite the prolonged headwinds in the Singapore real estate market. This demonstrates the strength of our business model; one that is well-diversified across real estate brokerage services, franchises, training, and valuation. In addition, our 36-year track record of growth and service excellence, and established relationships with leading developers have continued to present new business opportunities for our 16,800 agents across Asia Pacific,” said Mr. Jack Chua, Executive Director and Chief Executive Officer of APAC Realty.

### Financial Highlights

S\$'000	3Q FY2018	3Q FY2017	Change (%)	9M FY2018	9M FY2017	Change (%)
Revenue	114,839	105,532	8.8	342,100	270,920	26.3
Profit before tax	8,098	6,548	23.7	24,480	20,992	16.6
Profit after tax	6,543	5,508	18.8	20,153	18,024	11.8
Earnings per share (cents)	1.84	1.55*	18.8	5.67	5.07*	11.8
Net asset value per share (cents)	<b>As at 30 Sep 18</b>		<b>As at 31 Dec 17</b>		<b>Change (%)</b>	
	39.1		37.5		4.3	

\* Based on 355,197,700 issued shares as at 30 September 2017

**SINGAPORE, 12 November 2018 – APAC Realty Limited** (“APAC Realty”, the “Company” or together with its subsidiaries, the “Group”), a leading real estate services provider which operates a market-leading real estate brokerage in Singapore under the ERA brand, recorded S\$20.2 million in net profit for the nine months ended 30 September 2018 (“9M FY2018”), an 11.8% increase from S\$18.0 million delivered in the previous corresponding period (“9M FY2017”).



The increase in net profit was on the back of higher revenue registered for the period under review. Total revenue increased 26.3% to S\$342.1 million in 9M FY2018 from S\$270.9 million in 9M FY2017, mainly due to the increase in brokerage income from the resale and rental of properties, and new home sales, which amounted to a total of approximately S\$71.1 million. This was achieved against a backdrop of moderating growth in the Singapore real estate sector in 3Q FY2018, in light of the recent property curbs.

According to data released by the Urban Redevelopment Authority (“URA”), the private residential price index grew at a more subdued pace of 0.5% in 3Q FY2018, compared to 3.4% in 2Q FY2018 and 3.9% in 1Q FY2018<sup>1</sup>. Developers sold 8,066 new private residential units (including executive condominiums) in 9M FY2018, a decline of 34.2% from 12,267 units sold in 9M FY2017.

### **Leadership position in new home launches**

Despite the weak market sentiment, ERA continued to maintain a leadership position in new home launches and was involved in 22 new project launches in 9M FY2018, representing a market share of 33.1% of the new private residential units (including executive condominiums) sold in 9M FY2018. ERA recorded new home sales of S\$104.5 million in 9M FY2018, an increase of 35.9% from S\$76.9 million in the previous corresponding period. ERA was involved in another eight new projects in October and November 2018.

“Testament to Singapore developers’ confidence in ERA’s project marketing expertise and long track record of success, ERA was the only real estate brokerage appointed as the joint marketing agency for all four sales launches – Arena Residences, Belgravia Green, Whistler Grand and Kent Ridge Hill Residences, in the first two weekends of November 2018. Home buyer interest was relatively strong across the four project launches and ERA sold a total of 112 units over two weekends,” added Mr. Chua.

As at today, ERA has a robust pipeline of 27 new project launches, totalling 12,958 units across the island. Some of the upcoming project launches in Q4 2018, which ERA is appointed as the marketing agency for, are Parc Esta and Uptown @ Farrer.

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<sup>1</sup> <https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr18-63>



### **Dominant position in the resale market**

URA reported resale and sub-sale transactions of 11,320 private residential units and 17,462 HDB units in 9M FY2018, an increase of 12.1% from 10,098 private residential units and 6.9% from 16,339 HDB units in the previous corresponding period. For 9M FY2018, ERA continued to maintain its leadership position with a market share of more than 43% of the private residential and HDB resale market.

### **Productivity and margins improvement**

Underpinned by increased marketing activities and higher productivity, the average income of ERA salespersons rose 30.4% to S\$54,752 per salesperson in 9M FY2018 from S\$41,980 per salesperson in 9M FY2017. Overall brokerage gross profit margin has also improved from 10.0% in 2Q FY2018 and 11.2% in 3Q FY2017 to 11.4% in 3Q FY2018.

### **Significant developments**

During the quarter, APAC Realty announced the completion of its acquisition of a commercial property located at 450 Lorong 6 Toa Payoh, owned by APAC Investment Pte. Ltd. (formerly known as HC Home Pte. Ltd.) for a total consideration of S\$72.8 million. The property will serve as a permanent place of business for the Group to provide enhanced facilities for ERA's agency operations, including new office space for agents and improved training areas. The rental income generated from leasing excess space not occupied by the Group and the retail areas to third parties is expected to offset the operating costs (including finance costs) of the property.

In addition, nearly 150 CBRE Realty Associates ("CBRE") agents focused on residential transactions have applied to Council for Estate Agencies ("CEA") to move over to ERA in October 2018 under a strategic collaboration. Similarly, nearly 300 HSR International Realtors ("HSR") agents will also be crossing over to ERA this month, subject to approval from CEA.

"The moves will bring together our combined strengths in the residential market to benefit the overall brokerage business," said Mr. Chua. "ERA will allow CBRE and HSR agents to tap ERA's existing array of local and overseas project opportunities, as well as elevate their professional service to their existing clients with a strong agency support system powered by experienced corporate services, technological innovations and comprehensive residential agent training."

In the six months ended 30 September 2018, the number of Chinese nationals who transacted through ERA in Singapore (sell or leased out their private properties) increased by approximately 50%, compared to the previous corresponding period. This was partly due to the partnership agreement signed with MLN Overseas (Singapore) Private Limited to provide property buyers from



China with one-stop real estate services in Singapore, Thailand and Malaysia, as announced in March this year.

### **Market outlook**

Looking ahead, APAC Realty remains cautiously optimistic given the challenging near-term operating environment.

Following a fresh round of property cooling measures introduced in July and the traditional lull period due to the seventh lunar month<sup>2</sup>, the volume of unsold private residential units with planning approval rose to 31,295 (including executive condominiums), from 26,961 in the previous quarter<sup>3</sup>.

Additionally, there is a potential supply of 14,200 units (including executive condominiums) from Government Land Sales ("GLS") sites and awarded en-bloc sale sites that have yet to be granted planning approval. A large part of this new supply could be made available for sale next year, and will be completed from 2022 onwards.

The property cooling measures also triggered a decline in sentiment for the property market, and potential risks include rising inflation and interest rates, declining global economy and tightening of liquidity in the debt market<sup>4</sup>.

With the increase in Additional Buyer's Stamp Duty ("ABSD") rates and tighter loan-to-value limits on residential property purchases<sup>5</sup>, the impact of the property cooling measures is expected to continue dampening market sentiment over the next two quarters. The uncertainty caused by the US-China trade tensions and interest rate hikes will also likely weigh down market sentiment in the near term<sup>6</sup>.

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<sup>2</sup> <https://www.ill.com.sg/en/trends-and-insights/research/singapore-property-market-monitor-q3-2018>

<sup>3</sup> <https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr18-63>

<sup>4</sup> <http://www.redas.com/assets/files/publication%20and%20newsletter/3Q18%20RESI%20Report.pdf>

<sup>5</sup> <http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/Raising-Additional-Buyers-Stamp-Duty-Rates-and-Tightening-Loan-to-Value-Limits.aspx>

<sup>6</sup> <http://www.redas.com/assets/files/publication%20and%20newsletter/3Q18%20RESI%20Report.pdf>



### **About APAC Realty Limited**

APAC Realty Limited (“APAC Realty”, the “Company” or together with its subsidiaries, the “Group”) is a leading real estate services provider which operates a market-leading real estate brokerage in Singapore under the ERA brand. APAC Realty operates three main business segments – the real estate brokerage services; franchise agreements; and training, valuation, property management and other ancillary services.

APAC Realty’s real estate brokerage services are operated by its wholly-owned subsidiary ERA Realty Network Pte Ltd (“ERA Realty”) under the ERA brand. ERA Realty is one of Singapore’s largest real estate agencies with more than 6,100 agents registered as at 30 September 2018, providing property brokerage services for primary home sales, secondary home sales, and rental of residential, commercial and industrial properties.

APAC Realty holds the exclusive ERA regional master franchise rights for 17 countries in Asia Pacific, acquired from Realogy Group LLC. The Group currently has a vast network of more than 16,800 agents across Singapore, Cambodia, Indonesia, Japan, Korea, Malaysia, Taiwan, Thailand and Vietnam.

The Group also holds the master franchise rights for Singapore for Coldwell Banker, one of the oldest and most established real estate office and franchising companies in the United States. As at 30 September 2018, there are 19 Coldwell Banker Member Brokers in Singapore which collectively have over 100 agents registered with them.

APAC Realty’s wholly-owned subsidiary Realty International Associates Pte Ltd (“RIA”) operates training programmes and courses for real estate agents in preparation for professional certification exams and as part of continuing professional development regulations. RIA also undertakes valuation work on behalf of clients such as financial institutions, government agencies and property owners and provides property management services for real estate developments.

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