

Property Sector

Primary sales slowed in May

Report type: Update

Sector Overview

The Property Sector in our Singapore coverage consists of Property developers, property investment companies and Real Estate Investment Trusts.

May primary sales

Developers sold 1,702 units of private residential in May, or 32% fewer compared to April (or 8.1% y-y). Overall take up rate decreased to 70% compared to the 104% seen in April.

Sales in the core central region (CCR) continued to improve for the fourth consecutive month with 135 units sold by developers, +27.4% m-m (-21.5% y-y). D'Leedon saw the most units sold in the month with 30 units sold at a median price of \$1,484psf.

In the rest of central region (RCR), developers sold 362 units, -58.2% m-m (-21% y-y). Newly-launched project Eight Riversuites by UE Ltd saw 192 units sold at a median price of \$1,340psf, out of the total 862 units.

The outside central region (OCR) saw primary sales (ex EC) drop to 1,205 units in May, from the 1,514 units achieved in the previous month, or -20.4% m-m (+27.5% y-y). However, EC primary sales increased from 173 units in April to 355 units in May. FLO Residence sold the most units in the month with 266 units sold out of the total 530 units at a median price of \$863psf.

2H2012 GLS residential land supply comparable to previous rounds

The government announced on Wednesday that residential land supply in 2H2012 could yield ~7,060 units, comparable to the 7020 units seen in 1H2012 GLS. We believe the supply-side pressure will continue to keep developers' bids in land tenders reasonable and stable going forward.

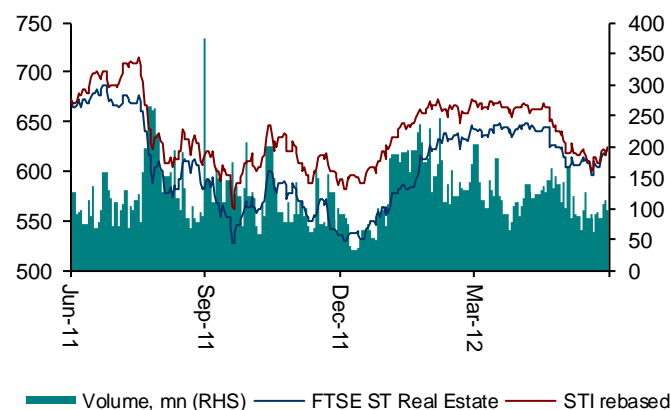
Policy risk may recede

Based on the NUS Singapore Residential Price Index (SRPI) for the month of April, the non-central sub index saw flat m-m growth while the small units sub index declined -1.2% m-m. If the trend continues to moderate, policy risks may recede, but the ample supply of residential land and competitive primary sales market may continue to introduce pressure on private residential prices in our view. We maintain our view that residential prices to see correction of ~15% in the next 18 months.

Property Sector

Company	Rating	Price (\$)	TP (\$)	Upside (%)	M.Cap. (US\$m)
Developer					
CapitaLand	Accumulate	2.670	2.98	11.6%	8,911
CapitaMalls Asia	Buy	1.460	1.75	19.9%	4,457
Ho Bee Investment	Neutral	1.145	1.43	24.9%	634
Keppel Land	Neutral	3.050	3.30	8.2%	3,571
OUE	Accumulate	2.050	2.83	38.0%	1,465
SC Global	Neutral	0.945	1.00	5.8%	309

Source: Bloomberg, PSR

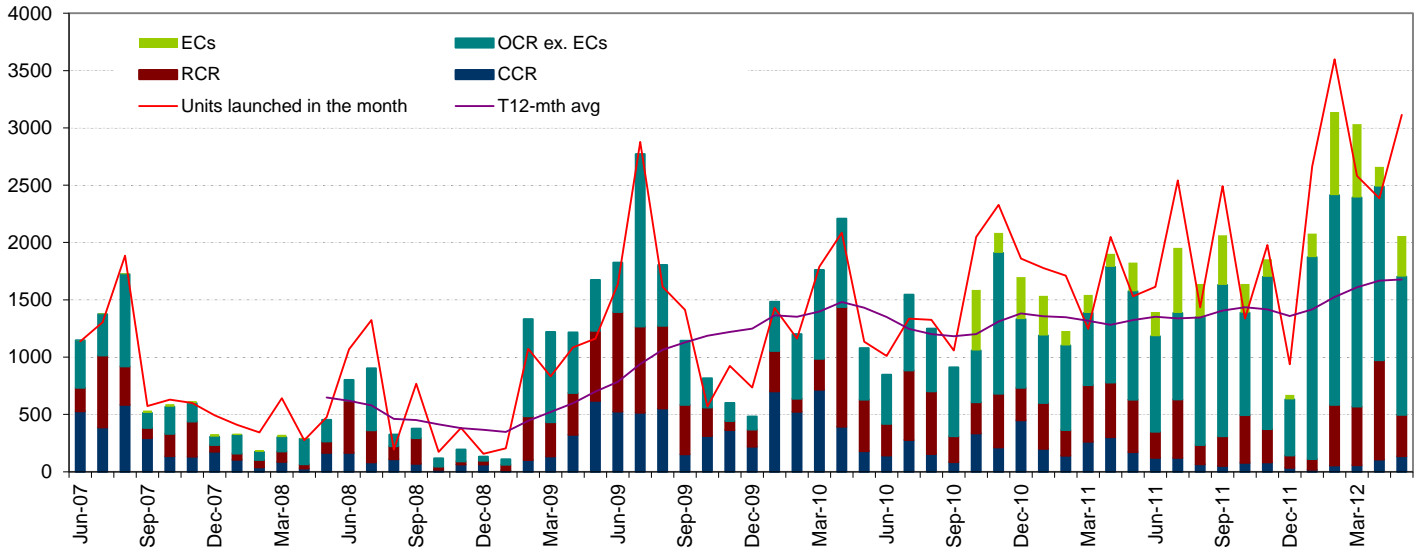


Source: Bloomberg, PSR

Analysts

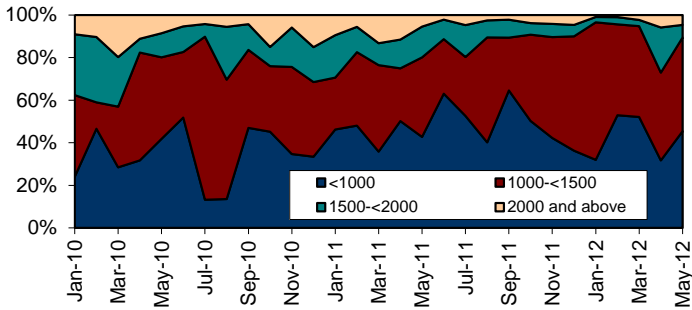
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Fig 1: Total units of private residential properties sold by developers in regions



Source: URA, PSR

Fig 2: Unit price bands of primary residential sold

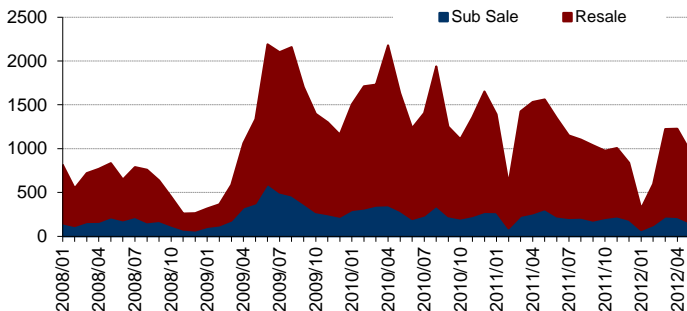


Source: URA, PSR

Secondary market transactions improved

The activities in the secondary market saw improvement in Mar and Apr, after the dull period from Dec 2011 through Feb 2012, but YTD volume is still some 33% fewer y-y.

Fig 3: Secondary market transaction volume



Source: URA, PSR

Fig 4: Top 3 best-selling private residential projects and Executive Condominiums (EC) by regions

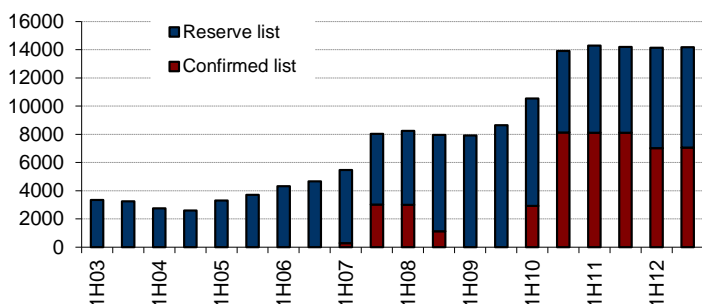
Project Name	Street Name	Developer	Total Number of Units in Project	Cumulative Units Sold to-date	Units Launched in the Month	Units Sold in the Month	Median Price (\$psf)	Lowest Price (\$psf) in the Month	Highest Price (\$psf) in the Month
CCR									
D'LEEDON	LEEDON HEIGHTS	Morganite Pte Ltd (CapitaLand JV)	1715	503	128	30	1484	1432	1765
STELLAR RV	RIVER VALLEY ROAD	Alliance Land Pte Ltd (Nobel Design Holdings JV)	120	17	57	17	2039	1662	2071
8 BASSEIN	BASSEIN ROAD	World Class Developments (City Central) Pte Ltd	74	30	0	16	1955	1319	2007
RCR									
EIGHT RIVERSUITES	WHAMPOA EAST	UE Development (Bendemeer) Pte Ltd (United Engineers Ltd)	862	192	862	192	1340	1056	1670
URBAN HERITAGE	BALESTIER ROAD	TIEC Holdings Pte Ltd	15	12	15	12	1504	1359	1584
RIVIERA 38	MAR THOMA ROAD	Eastwood Green Pte Ltd (Allgreen Properties Ltd)	102	66	6	11	1152	1030	1257
OCR									
FLO RESIDENCE	PUNGGOL FIELD WALK	Publique Realty Pte Ltd (Capital Development and ZACD Investments)	530	266	338	266	863	573	969
SEAHILL	WEST COAST CRESCENT	Boo Han Holdings Pte Ltd (Far East Org)	454	225	205	200	1383	1170	1759
RIPPLE BAY	PASIR RIS LINK	MCL Land (Pasir Ris) Pte Ltd	679	549	0	61	863	684	1035
EC									
1 CANBERRA	CANBERRA DRIVE	MCC Land (Singapore) Pte Ltd	665	209	665	209	711	550	769
THE TAMPINES TRILLIANT	TAMPINES CENTRAL 7	Sim Lian (Tampines EC) Pte Ltd (Sim Liand Group)	670	407	0	43	800	678	862
TWIN WATERFALLS	PUNGGOL WALK	Punggol Residences Pte Ltd (Frasers and Neave and Keong Hong)	728	704	0	37	709	632	791

Source: URA, PSR

Ample land supplies continue in 2H2012

The government continues to feed the demand for mass-market private housing with ample residential sites in its 2H2012 GLS programme. The Ministry of National Development (MND) announced on Wednesday that the 2H2012 GLS will comprise 15 Confirmed List sites and 24 Reserve List sites. These can yield about 7,060 residential units (including 3,100 EC units) from the Confirmed List and 7,125 units from the Reserve List. These bring the total land supply from the GLS Confirmed List in 2012 to ~14,080 units, or about 13% fewer than the ~16,200 units made available in the 2011 GLS Confirmed List.

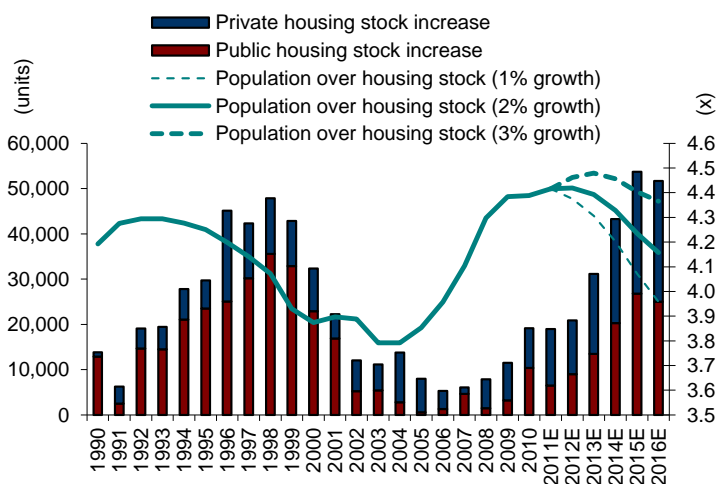
Fig 5: Supply residential units from GLS programme



Source: URA, PSR

We believe the supply-side pressure will continue to keep developers' bids in land tenders reasonable and stable going forward, allowing room for better profit margins or downward price adjustments shall the demand for private housing falter later. If we assume all the sites from the 2H2012 Confirmed List will be sold and the physical residential units to be completed in 2016, we are expecting the ratio of population over total housing stock to be 4.16x if population were to grow at an average of 2% p.a. until 2016. Even if population growth were to weaken to average 1% p.a. till 2016 (historical population growth of <1.5% only occurred in the years after the Asian Financial Crisis, 911 incidence and SARS outbreak), the ratio is still close to 4x.

Fig 6: Ratio of population over housing stock



Source: URA, HDB, PSR estimates

So from this perspective, risk of housing oversupply is not imminent yet, but things could turn bleak if other factors such as mortgage and unemployment rates take an upturn in 2 to 4 years time. Investors too may find the rental yields unattractive when there are more residential units available for rent by 2014, as the number of physical completions swelled.

We mentioned in the last quarterly sector update that more cooling measures may be on the cards if the price of mass-market residential continues to strengthen. Based on the NUS Singapore Residential Price Index (SRPI) for the month of April, the non-central sub index saw flat m-m growth while the small units sub index declined -1.2% m-m. If the trend continues to moderate, policy risks may recede but the ample supply of residential land and competitive primary sales market may continue to introduce pressure on private residential prices in our view.

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