

# Singapore Property

**POSITIVE** [Unchanged]

## Rising Home Prices

### Fresh data points validate our POSITIVE sector view

Maintain POSITIVE sector view on Singapore property developers. Fresh data points continue to validate our call for a property price rebound. Significant premiums achieved at new launches suggest initial estimates can be sustained, calling for a strong 3.1% QoQ rise on the 1Q18 URA PPI. Consultants recently raised their forecasts and now see home prices rising by 7-15% this year. Developers can capitalize on the strengthening market by acquiring 15 residential sites currently up for tender. With significant exposure to Singapore's residential market, Bukit Sembawang and CityDev are the biggest beneficiaries of this trend.

### Significant premiums at recent new launches

New launches this year have achieved significant premiums over comparable projects launched in recent years. The price rebound appears to be broad-based with strong performance across all market segments. In the high-end market, New Futura was launched on 18<sup>th</sup> Jan at SGD3,200 psf or a 23% premium over the launch price for Gramercy Park in Jun 2016. In the mass market, The Tapestry achieved SGD1,310 psf at its launch on 24<sup>th</sup> March. This was a similar 23% increase over The Alps, an adjacent project launched in Oct 2016. Just over the weekend, the second phase of mid-range project Park Place Residences was launched 11% higher than its initial phase last year.

Strong prices seen at these new launches have reinforced our view of a recovering housing market. Using housing transactions up to mid-March, URA's initial estimates are for private home prices (URA PPI) to rise by 3.1% QoQ in 1Q18. With strong prices achieved at launches since mid-March, we expect this positive trend to be sustained. A recent poll by *The Business Times* showed property consultants have raised their forecasts and now expect the index to rise by 7-15% (previous: 3-8%). Higher frequency data from SRX also points to a healthy rebound.

### Growth opportunities from 15 land tenders

15 residential sites up for tender today could add 4.9k units (1.4k GLS, 3.5k private) to the pipeline for developers. These deals represent significant revenue opportunities that developers can pursue to capitalize on the market rebound. Most developers in Singapore have a net gearing of less than 1.0x, which implies significant balance-sheet capacity to pursue these growth opportunities.

### But watch out for the supply surge in 2021E

While the impending demolition of enbloc sites will lead to a small supply of private homes in 2018-19E, a word of caution has to be said about a supply build-up in 2021E. As developers are not allowed to landbank under the current regime, most projects are likely to be completed within 4-5 years of land acquisition. With enbloc deals since 2017 potentially adding 20k units in their new properties, we see private housing supply rising to over 17k units in 2021E. As such, we believe the market could focus on potential weakness from late-2020.

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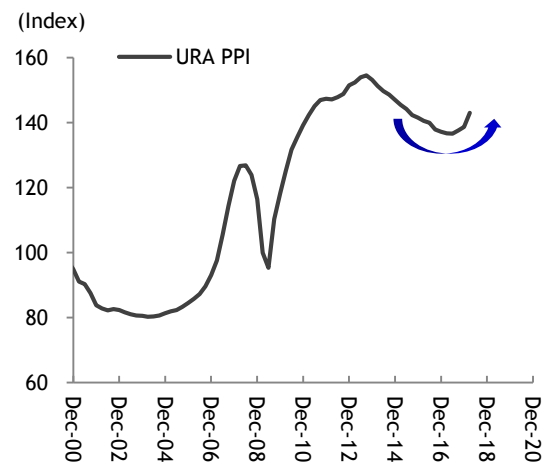
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### Property Developers

BBG Ticker	Rating	Price (SGD)	TP (SGD)	RNAV disc. (%)	P/BV (x)
CAPL	Buy	3.63	4.10	(34)	0.84
CIT	Buy	12.73	14.20	(10)	1.25
UOL	Buy	8.64	10.40	(25)	0.77
GUOL	Buy	2.11	3.00	(44)	0.64
BS	Buy	6.08	8.55	(43)	1.28
HOBEE	Buy	2.54	3.15	(43)	0.54

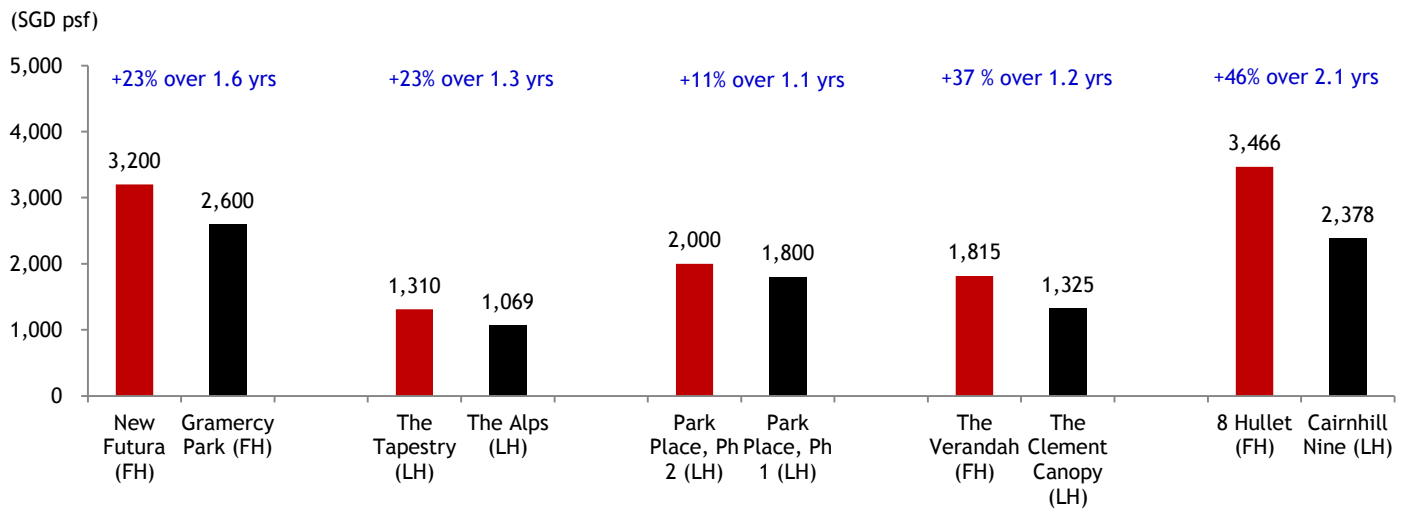
Source: Bloomberg, Maybank Kim Eng

### Home prices in the early stages of a recovery



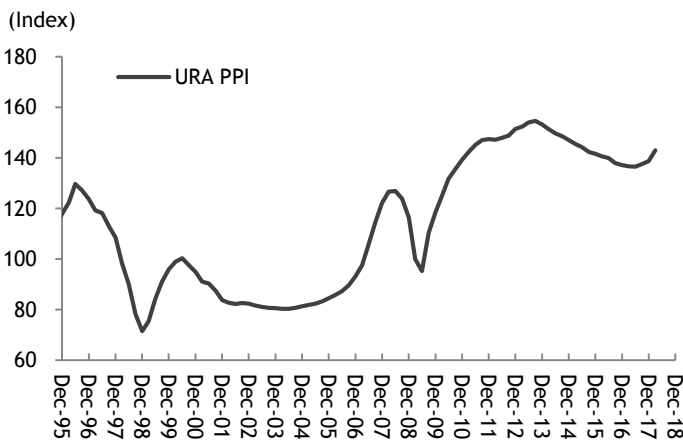
Source: URA

**Fig 1: New launches have achieved significant premiums over comparable projects launched in recent years**



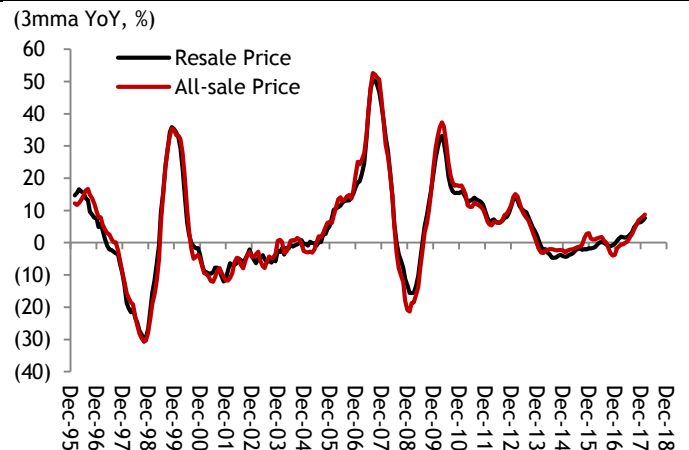
FH = Freehold, LH = Leasehold.  
 Source: Companies, URA, Maybank Kim Eng

**Fig 2: Private home price index**  
 1Q18 Flash estimates: +3.1% QoQ, +4.7% from the bottom in 2Q17.



Source: URA

**Fig 3: SRX non-landed property price index**  
 Higher frequency data from SRX showed a 9% YoY rise in March



Source: SRX, Maybank Kim Eng

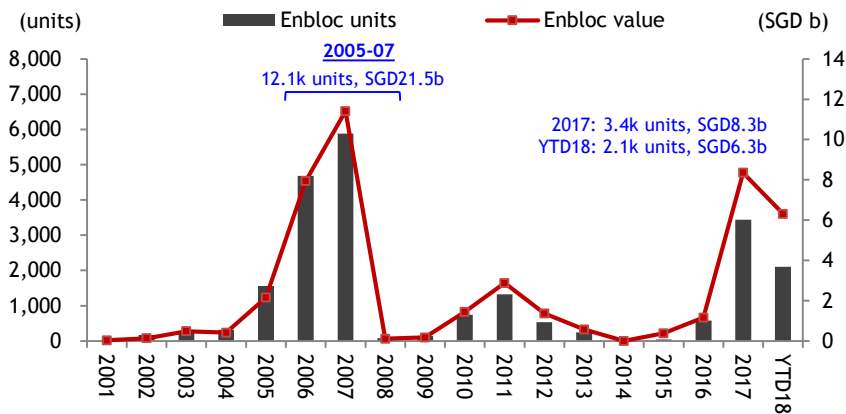
**Fig 4: Growth opportunities from pipeline of deals for residential development sites**  
 Tenders for 15 residential sites scheduled to close by June. Opportunities to restock 4.9k units (1.4k GLS, 3.5k private).

Property	Date	Type	Location	District	Land tenure	Potential GFA (000 sf)	Potential units (no.)	Price^ (SGD m)	Unit price^ (SGD psf)
Tulip Garden	11-Apr	Private	Farrer Rd	10	FH	507	670	753	1,486
Asia Gardens	16-Apr	Private	Outram	2	FH	202	270	338	1,675
Minbu Villa	17-Apr	Private	Balestier	11	FH	108	134	146	1,355
Nicon Garden (landed)	18-Apr	Private	Choa Chu Kang	23	99	164	59	110	669
27 Moulmein Rise + land	18-Apr	Private	Novena	11	FH	66	87	110	1,677
Windy Heights	18-Apr	Private	Eunos	14	FH	626	581	806	1,288
Olina Lodge	19-Apr	Private	Holland	10	FH	135	169	220	1,631
Park View Mansions	20-Apr	Private	Lakeside	22	99	403	403	320	1,183
Cuscaden Road	26-Apr	GLS	Cuscaden	10	99	172	170	319	1,850
Hillview Rise	3-May	GLS	Hillview	23	99	431	535	280	650
United Mansion	9-May	Private	Siglap	15	FH	66	87	98	1,485
Chancery Court	15-May	Private	Dunearn	11	99	363	480	390	1,571
Landmark Tower	17-May	Private	Outram	3	99	244	305	285	1,400
Casa Meyfort	21-May	Private	Meyer Rd	15	FH	239	298	340	1,664
Sengkang Central	21-Jun	GLS	Sengkang	19	99	506	700	n.m.	n.m.
<b>Total</b>						<b>4,231</b>	<b>4,949</b>		

^Asking prices for private sites and estimated prices for GLS sites.  
 Source: The Business Times, various property agents, URA, Maybank Kim Eng estimates

**Fig 5: Residential enbloc deals**

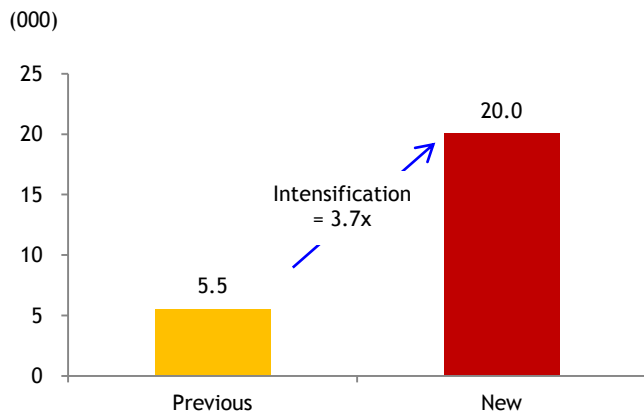
5.5k units worth SGD14.6b have been sold for redevelopment since 2017



Source: URA, Companies, JLL, Colliers, CBRE, Knight Frank, The Business Times, The Straits Times, Maybank Kim Eng estimates

**Fig 6: Intensification of redevelopment sites**

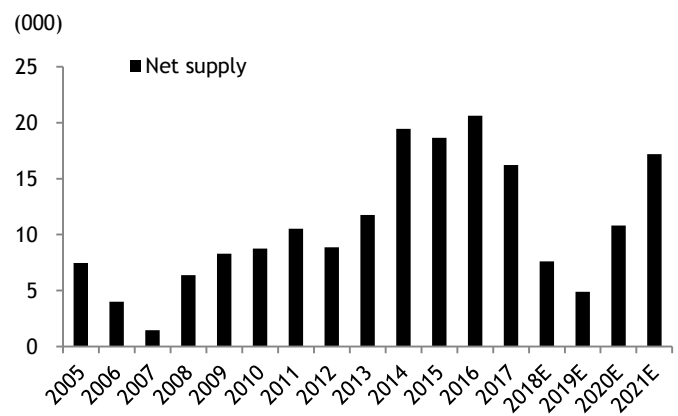
5.5k units sold for redevelopment since 2017 to re-emerge as 20k units...



Source: Maybank Kim Eng estimates

**Fig 7: Supply of private homes building up in 2021E**

...that could be completed from late-2020E



Source: URA, Maybank Kim Eng

**Fig 8: Valuation comparison of developers**

Company	Rating	Price (SGD)	TP (SGD)	Upside (%)	MC (SGD b)	ADTV (SGD m)	Free Float (%)	RNAV (SGD)	Curr. prem/ (disc) (%)	Target prem/ (disc) (%)	BVPS (LC)	P/BV (x)	P/E (x)			Yield (%)		Net gearing (ND/E) (%)
													17E	18E	19E	17E	18E	
CapitaLand	Buy	3.63	4.10	13	15.3	39.0	60	5.49	(34)	(25)	4.33	0.84	9.9	10.4	13.1	3.3	3.6	49
City Developments	Buy	12.73	14.20	12	11.6	24.5	65	14.19	(10)	0	10.18	1.25	21.5	17.5	16.1	1.4	1.4	10
UOL	Buy	8.64	10.40	20	7.3	14.5	64	11.55	(25)	(10)	11.22	0.77	20.7	18.2	15.6	2.0	2.0	21
GuocoLand	Buy	2.11	3.00	42	2.5	1.4	22	3.75	(44)	(20)	3.30	0.64	7.0	10.3	10.6	3.3	3.3	84
Bukit Sembawang	Buy	6.08	8.55	41	1.6	1.8	59	10.68	(43)	(20)	4.73	1.28	47.3	9.9	9.7	5.4	5.4	(19)
Ho Bee	Buy	2.54	3.15	24	1.7	0.3	25	4.48	(43)	(30)	4.70	0.54	6.8	14.2	12.1	3.9	3.1	40
HK Land (USD)	NR	7.14			22.0	14.9	50				15.63	0.46	3.0	16.7	15.7	2.8	3.0	7
UIC	NR	3.30			4.7	0.2	8				4.56	0.72	n.a.	n.a.	n.a.	n.a.	n.a.	5
Mand. Orient. (USD)	NR	2.40			4.0	1.4	22				1.01	2.37	n.a.	n.a.	n.a.	1.3	1.3	26
Yanlord	NR	1.71			3.3	5.5	31				2.42	0.71	4.9	4.1	3.6	4.1	4.8	47
Wheelock Properties	NR	1.80			2.2	1.2	24				2.61	0.69	n.a.	n.a.	n.a.	n.a.	n.a.	(24)
Oxley	NR	0.50			2.0	2.4	20				0.30	1.64	9.2	n.a.	n.a.	n.a.	n.a.	208
Hotel Properties	NR	3.75			2.0	0.1	15				3.54	1.06	n.a.	n.a.	n.a.	n.a.	n.a.	36
OUE	NR	1.82			1.6	1.2	31				4.46	0.41	16.6	17.7	16.0	1.6	1.6	57
United Engineers	NR	2.62			1.7	0.6	49				2.93	0.89	18.6	70.8	47.3	1.5	1.5	20
Perennial RE	NR	0.87			1.4	0.1	15				1.66	0.52	14.3	>100	>100	1.2	1.2	58
Fragrance	NR	0.15			1.0	0.0	14				0.16	0.93	n.a.	n.a.	n.a.	n.a.	n.a.	89
Metro Holdings	NR	1.15			1.0	0.3	52				1.77	0.65	n.a.	n.a.	n.a.	n.a.	n.a.	(19)
Straits Trading	NR	2.23			0.9	0.1	30				3.62	0.62	n.a.	n.a.	n.a.	n.a.	n.a.	21
<b>Total</b>				<b>25</b>	<b>88</b>	<b>109</b>			<b>(33)</b>	<b>(18)</b>		<b>0.89</b>	<b>15.0</b>	<b>19.0</b>	<b>16.0</b>	<b>2.7</b>	<b>2.7</b>	<b>38</b>

Prices as of 10 April. NR = Not Rated.

Source: Bloomberg, Factset, Companies, Maybank Kim Eng

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## APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

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