

## SECTOR UPDATE

### Property – Singapore

Developers: Increased Residential Supply Likely To Hit The Market Soon

Public and private property prices remain strong in Singapore in 2022. However, we note that higher interest rates have resulted in a real estate downturn in other developed markets. Importantly, the Singapore government has doubled GLS in 2022 vs 2021, potentially injecting significant levels of supply in the near to medium term. We prefer CLI which does not have exposure to the Singapore residential market. Maintain **OVERWEIGHT** on the sector.

#### WHAT'S NEW

- **HDB prices remain firm**, rising 0.4% mom in Aug 22 (+0.7% mom in Jul 22) which made this the 26<sup>th</sup> straight month of price increase. More importantly, HDB prices have risen 10.8% yoy due to the lengthy process of Build-to-Order (BTO) flats, rising private property prices and worries over further interest rate hikes. Headline-grabbing million-dollar HDB resale flats have been more prevalent: ytd, 240 of such units have transacted vs 2 in 2012.
- **Globally, property prices in developed markets have responded to higher interest rates – will Singapore follow suit?** Since the onset of higher interest rates in early-2022, countries such as Australia, Canada and New Zealand and regions in Western Europe (see chart overleaf) have seen signs of sharper cooling. Consumers with relatively new floating-rate loans at extremely low rates, or those with maturing fixed-rate loans, are especially vulnerable.
- **Material increase in GLS.** Given the continued strength in Singapore property prices, it would appear that the government is trying to increase supply into the market as Government Land Sales (GLS) has more than doubled vs 2021 (see chart on RHS) and has exceeded the strong land sale numbers seen in 2017 and 2018. Coupled with ex en bloc-related projects, it would appear that there is a substantial amount of supply that could enter the market in the near- to medium-term. In 2Q22, Singapore's private property price index increased 3.5% qoq, the second-largest rise since 1Q18, and we question whether such increases can continue in the face of higher supply entering the market.
- **Planned private residential units slowly increasing.** Since witnessing a COVID-19-related trough of around 10,400 in 3Q20, planned private residential and Executive Condominium units in the pipeline have increased by >65%, albeit off a low base, to nearly 17,200 as at end-2Q22. While new launches for private residential units totalled about 7,200 in 2022, this is expected to materially increase to nearly 17,400 in 2023.

#### STOCK IMPACT

- **Our preferred stock remains CapitaLand Investment** which is not exposed to the Singapore residential segment. While its 1H22 results were slightly weaker than expected due to delays in its capital-recycling program in China, we expect a decent level of catch-up in 2H22 coupled with continued strong performance from its lodging segment. Propnex appears to be the best way to play the continued strong Singapore residential performance while CDL's sales performance at its Tengah Garden Walk EC will be closely watched.

#### PEER COMPARISON

Company	Ticker	Rec	Price (\$S)		% upside to TP	Mkt Cap (\$m)	PE (x)			2022F	
			16 Sep	Target			2021	2022F	2023F	Yield	P/NAV
CapitaLand Investment	CLI SP	BUY	3.68	4.28	16.3	18,820.1	9.6	11.5	10.3	3.3	1.2
City Developments	CIT SP	BUY	8.17	9.87	20.8	7,409.4	87.4	5.2	13.8	2.4	0.8
Centurion Corp	CENT SP	BUY	0.40	0.45	12.5	336.3	6.4	5.3	5.7	3.8	0.5
Propnex	PROP SP	BUY	1.56	2.07	32.7	577.2	9.6	10.2	11.4	7.1	48.0
UOL <sup>1</sup>	UOL SP	NR	7.04	NA	NA	5945.8	10.1	17.0	16.3	2.4	0.6
<b>Average</b>							<b>8.9</b>	<b>9.8</b>	<b>11.5</b>	<b>3.8</b>	<b>1.7</b>

Note: <sup>1</sup> Not Rated, based on Bloomberg consensus; <sup>2</sup> excludes Oxley  
Source: UOB Kay Hian

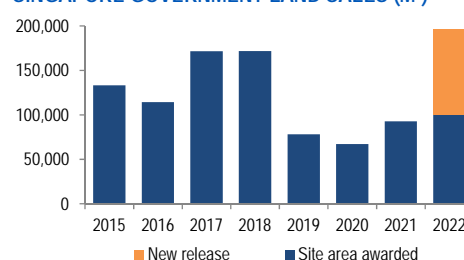
## OVERWEIGHT (Maintained)

#### STOCKS UNDER COVERAGE

Company	Rec	Price (\$S)	
		16 Sep	Target
CapitaLand Inv	BUY	3.68	4.28
City Dev	BUY	8.17	9.87
Centurion	BUY	0.40	0.45
Propnex	BUY	1.56	2.07

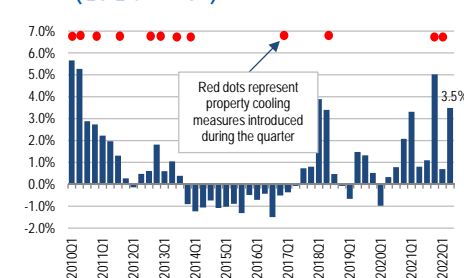
Source: UOB Kay Hian

#### SINGAPORE GOVERNMENT LAND SALES (M<sup>2</sup>)



Source: URA

#### URA PRIVATE RESIDENTIAL PROPERTY PRICE INDEX (QOQ CHANGE)



Source: URA, UOB Kay Hian

#### ANALYST(S)

**Adrian Loh**  
+65 6590 6633  
adrianloh@uobkayhian.com

### PROPERTY SALES UPDATE

- **Recent transactions for private properties show that Singaporeans continue to favour property investments**, especially new projects. Notable ones that have sold well during their respective launches include Amo Residences and Sky Eden – all with 99-year leaseholds. Guocoland's Lentor Modern, an integrated mixed-use development, sold 84% of its units at launch on the 17/18 Sep 22 weekend at prices ranging from S\$1,850 to 2,500psf. Such pricing for new launches have been impressive with pricing on a psf basis for these new apartments equaling or even exceeding that of luxury resale apartments in Sentosa.
- **Affordability a material concern for those trying to enter the private property market.** With HDB prices on average requiring about 7.5 years of annual income, they remain affordable in our view. However, private property prices have risen materially in the past two years and thus have become less affordable for Singaporeans: currently, it requires nearly 24 years of annual income vs 21.5 years in 2020 (see chart overleaf). For young families looking to upgrade from their HDB flats, this will present an ever higher obstacle in our view.
- **A back-end loaded year.** It appears that 2022 will be a back-end loaded year for project launches with 50% of the launches taking place in 4Q22 (see chart on RHS). Looking at the table below, we note that only five of the 30 new launches in 2022 are in the Core Central Region (CCR) with 10 in the Outside Central Region (OCR) and 15 in the Rest of Central Region (RCR). With the relatively fewer number of OCR projects, prices have been bid up with high levels of interest, thus translating into pricing strength for projects such as Amo Residences, Sky Eden and Lentor Modern.

### PROPERTY PROJECTS IN 2022

Project	Location	District	Region	Developer	Date of Launch	No. of Units
Ikigai	38 Shrewsbury Rd	11	CCR	Opulent Development	1Q	16
Belgravia Ace	AMK Ave 5	28	OCR	Tong Eng Brothers	1Q	107
265 Outram Rd	Outram Rd	3	RCR	Chiu Teng Group	1Q	17
Royal Hallmark	Haig Lane	15	RCR	Nobel Design, Lian Huat, 2E	1Q	32
North Gaia EC	Yishun Ave 9 EC	27	OCR	Sing Holdings Limited	2Q	616
Piccadilly Grand	Northumberland Rd	8	RCR	CDL and MCL	2Q	407
LIV @ MB	Arther Rd	15	RCR	Bukit Sembawang Estates	2Q	298
Atlasia	Joo Chiat Place	15	RCR	K16 Development	2Q	31
Baywind Residences	Telok Kurau Lor N	15	RCR	Baywind Properties	2Q	24
AMO Residences	AMK Ave 1	20	OCR	UOL, SingLand, Kheng Leong	3Q	372
Enchante	1C Evelyn Rd	11	CCR	Victory Land	3Q	25
Sky Eden @ Bedok	New Upper Changi Rd	16	OCR	Fraser's Property	3Q	158
The Arden	2-24 Phoenix Rd	23	OCR	Qingjian Realty	3Q	105
K Suites	Telok Kurau Lor K	15	RCR	Euro Properties	3Q	24
Lentor Modern	Lentor Central	20	OCR	Guocoland	3Q	605
Seneca Residences	Tanah Merah Kechil	16	OCR	MCC Land	3Q	265
Copen Grand	Tengah Gdn Walk EC	24	OCR	CDL and MCL	3Q	615
Orchard Sophia	128, 130 Sophia Rd	9	CCR	DB2 Land	4Q	78
Pollen Collection	Nim Rd/AMK Ave 5	28	OCR	Bukit Sembawang Estates	3Q	30
Surrey Point	2 Surrey Rd	11	CCR	Amara Hldgs. Santarli, Kay Lim	3Q	36
Tenet	Tampines St 62 EC	18	OCR	Qingjian, Santarli	4Q	590
TBA	Lentor Hill Rd GLS	20	RCR	Hong Leong, Guocoland, TID	4Q	600
Blossoms by the Park	Slim Barracks Rise	5	RCR	EL Development	4Q	265
TBA	Slim Barracks Rise	5	RCR	Kingsford Development	4Q	240
Terra Hill	Yew Siang Rd	5	RCR	Hoi Hup, Sunway	4Q	271
TBA	15 Enggor Street	2	CCR	The Place Holdings (TPHL)	4Q	100
TBA	Thiam Siew Ave	15	RCR	Hoi Hup, Sunway	4Q	807
Gems Ville	Lorong 13 Geylang	14	RCR	East Asia Geylang	4Q	24
Sophia Regency	105 Sophia Rd	14	RCR	East Asia Sophia	4Q	38
TBA	Jalan Anak Bukit GLS	21	RCR	Far East & Sino Group	4Q	845

Source: Propnex, Companies

### RISKS

- **Property prices could suffer if:** a) the Singapore Government introduces cooling measures, although we note that the Singapore government has increased GLS in 2022 in response to property price increases, and b) higher interest rates result in lower demand for property as buyers cannot service their mortgages.
- **Property prices could see upside if:** a) Singapore continues to be viewed as a safe haven and remains attractive to foreign investors despite the high level of property taxes, and b) inflation remains at high levels thus sustaining demand for property, which is often seen as a hedge against inflation.

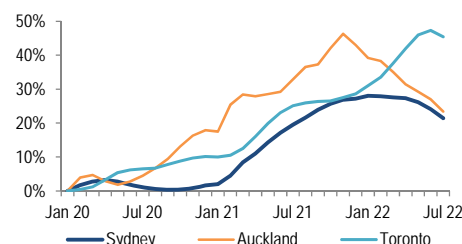
### PRIVATE RESIDENTIAL PROPERTY DATA: 2Q22 VS 2Q21

Key indicators	2Q21	2Q22	Change
Price index	163.5	180.9	+10.6%
Rental index	109.3	127.0	+16.2%
Take-up*	2,966	2,397	-19.2%
Pipeline supply	47,097	48,836	+3.7%
Vacancy rate	6.3%	5.4%	-14.3%

Note: \*data excludes Executive Condominiums

Source: URA

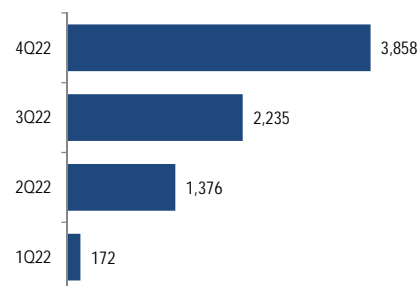
### PROPERTY PRICES IN DEVELOPED MARKETS HAVE HIT AN INFLECTION POINT



Note: Rebased to Jan 20

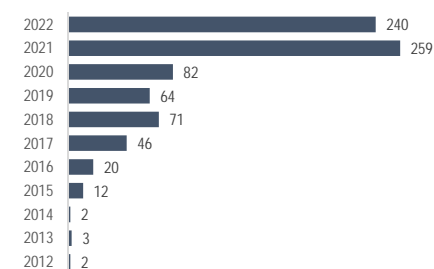
Source: Bloomberg

### NO. OF UNITS LAUNCHED BY QUARTER



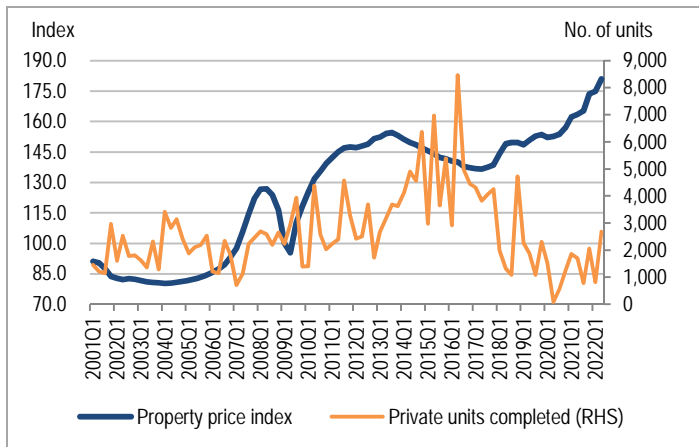
Source: Propnex

### NO. OF MILLION DOLLAR HDBS SOLD BY YEAR



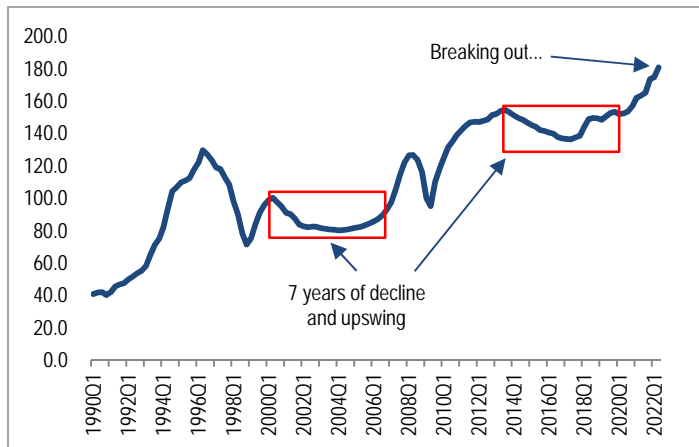
Source: URA

### URA RESIDENTIAL PROPERTY PRICE INDEX VS AVAILABLE NO. OF COMPLETED UNITS



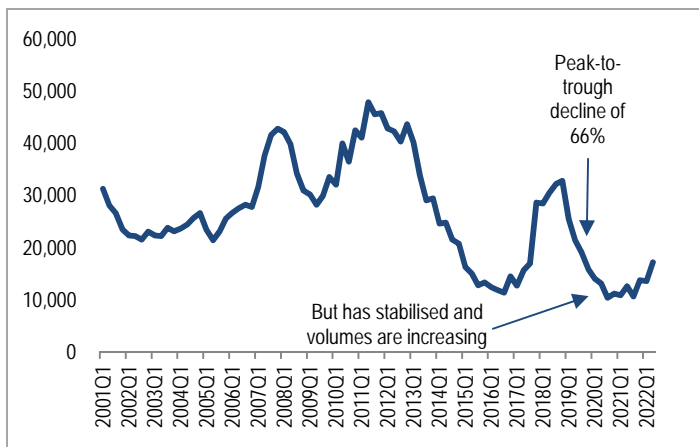
Source: Realis

### URA RESIDENTIAL PROPERTY PRICE INDEX: 1990-2022



Source: Realis

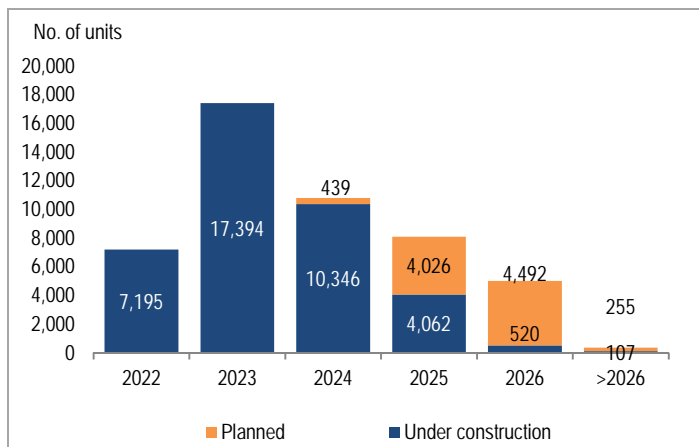
### PLANNED PRIVATE RESIDENTIAL UNITS IN THE PIPELINE



Note: includes Executive Condominiums

Source: Realis

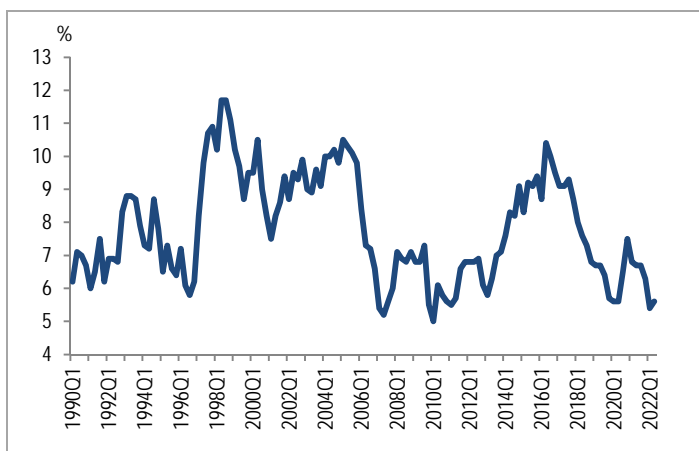
### PIPELINE SUPPLY OF PRIVATE RESIDENTIAL UNITS BY YEAR



Note: includes Executive Condominiums

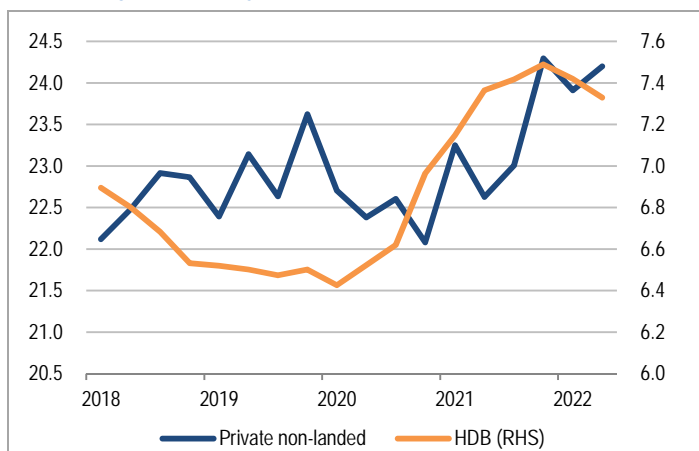
Source: Realis

### VACANCY RATE OF NON-LANDED RESIDENTIAL UNITS



Source: Realis

### AFFORDABILITY: YEARS OF ANNUAL INCOME REQUIRED TO PURCHASE PRIVATE NON-LANDED VS HDB



Note: Affordability = average property price divided by Singapore's average annual earnings

Source: Bloomberg, Realis

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