

Singapore Property

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Christmas comes early for two new winners!

- Frasers Centrepoint Limited won its first land tender in two years with the Jiak Kim site for S\$955m or S\$1,733 per square foot per plot ratio (psf ppr)
- Allgreen Properties won its third site along Bukit Timah Road within 5 days with Fourth Avenue plot for S\$553m (S\$1,540 psf ppr), 21% below the price paid for Royalville
- Bukit Sembawang submitted its first bid after a long while and was second for the Fourth Avenue site
- Bid tenders remain bullish; batched tenders did not deter some developers from submitting multiple bids; all eyes on 1H18 government land sales programme next!

What's New

The first batched government land sale (GLS) tender for Jiak Kim (former Zouk site) and Fourth Avenue sites, which closed yesterday, saw less bidders per site with 10 and 7 bidders respectively. This implies that the government's recent repeated effort to forewarn developers from bidding to aggressively was somewhat successful, though the bids were very competitive with very tight winning margins (0.6% and 2% respectively) seen thus far. Both sites will add another 980 units to upcoming supply at the end-2018 / 2019.

Key points to note from the bids:

- The bidders were largely Singapore property developers
- The Kwek / Quek group and Far East were the most aggressive, submitting bids for both sites and multiple bids for Jiak Kim, despite government's effort to batch land tenders
- This is the second time that City Dev is partnering Logan Property in submitting a bid

- Bukit Sembawang made its first bid after a long while and was second for the Fourth Avenue site
- Wheelock Properties also submitted a bid for the Jiak Kim site though the bid was much lower than its peers

Jiak Kim site – the return of FCL

Frasers Centrepoint Limited (FCL) won the Jiak Kim site for S\$955m or S\$1,733 per square foot per plot ratio (psf ppr). This is its first land tender win in two years (last site won was Seaside Residences in Nov15). Hong Leong Holdings & Hong Realty missed by a mere S\$5m (0.6% winning margin). The bid spread was 31%.

The estimated breakeven price for the residential component is S\$2,250psf ppr to S\$2,300 psf ppr. The site comes with commercial units on the first floor, with gross floor area (GFA) of 18k square feet (sqft), which could potentially be a pipeline asset for Frasers Centrepoint Trust (FCT), albeit small. The breakeven price is estimated to be at Martin Modern's launch price!

The Jiak Kim site sits in between two upcoming MRT stations, Great World and Havelock, next to the Singapore River in River Valley. The location is excellent, and the development would target the high-end market, especially those looking for a quiet location yet close to cafes and shops along Robertson Quay and overlooking THE River of Wealth! (map shown in Figure 2)

Once again, FCL has picked a site with a "water" view, which will hopefully bring great fortune just like Seaside Residences. This site marks the return of FCL in the Singapore property scene after the successful launch of its Seaside Residences though prices are somewhat lofty (as with all land bids now). However, we believe FCL should be able to design products which appeal to the market as it has

proven itself in the past with Seaside Residences, which was perceived to be “expensive” but met with strong demand. This acquisition may nudge FCL to relook at potential divestments of mature assets, such as Waterway Point into its REIT (FCT) to part fund this Jiak Kim development project and to maintain a comfortable debt level.

Fourth Avenue site – Allgreen plays defensive

Allgreen Properties won its third site along Bukit Timah Road within five days with its winning bid of S\$553m (S\$1,540 psf ppr) for the Fourth Avenue site. The price is 21% below what it paid for the collective sale of Royalville (closed last week), which is located less than 0.5km away. The site is located next to Sixth Avenue MRT station and is close to reputable schools such as Nanyang Girls’ High School, National Junior College, Hwa Chong Institution, and Raffles Girls’ Primary School. With these two sites, Allgreen

Properties probably dominates upcoming supply in the area (map shown in Figure 4).

What was interesting was that Bukit Sembawang submitted a bid after a long silence and was a close second. Its bid price was only S\$10m below Allgreen Properties (winning margin of 2%). The bid spread was 14%.

The estimated breakeven price is c. S\$2,000 psf ppr vs S\$1,400 psf average price of recent transactions nearby.

The next batched trio of sites closes on 30 Jan 18.

The next batched land tenders will close on 30 Jan 18 for Chong Kuo Road, Handy Road and Sumang Walk (Executive Condo) land sites. Given that attractive site attributes and locality, we believe that interest remain high for these sites.

Figure 1: List of tenders for Jiak Kim site

Developer	Tender bid (S\$'mn)	Price psf (S\$psf)
FCL	955.4	1,733
Hong Leong Holdings & Hong Realty	950.0	1,723
UOL & UIC	940.2	1,705
China Overseas Holdings and CSC Land	927.0	1,681
Allgreen Properties	926.4	1,680
City Dev & Logan Property	888.9	1,612
OUE & Far East Consortium Properties and New World Development	885.0	1,605
Far East Organisation	855.8	1,552
Guocoland	835.4	1,515
Wheelock Properties	731.0	1,326

Source: URA

Figure 2: Location map for Jiak Kim site



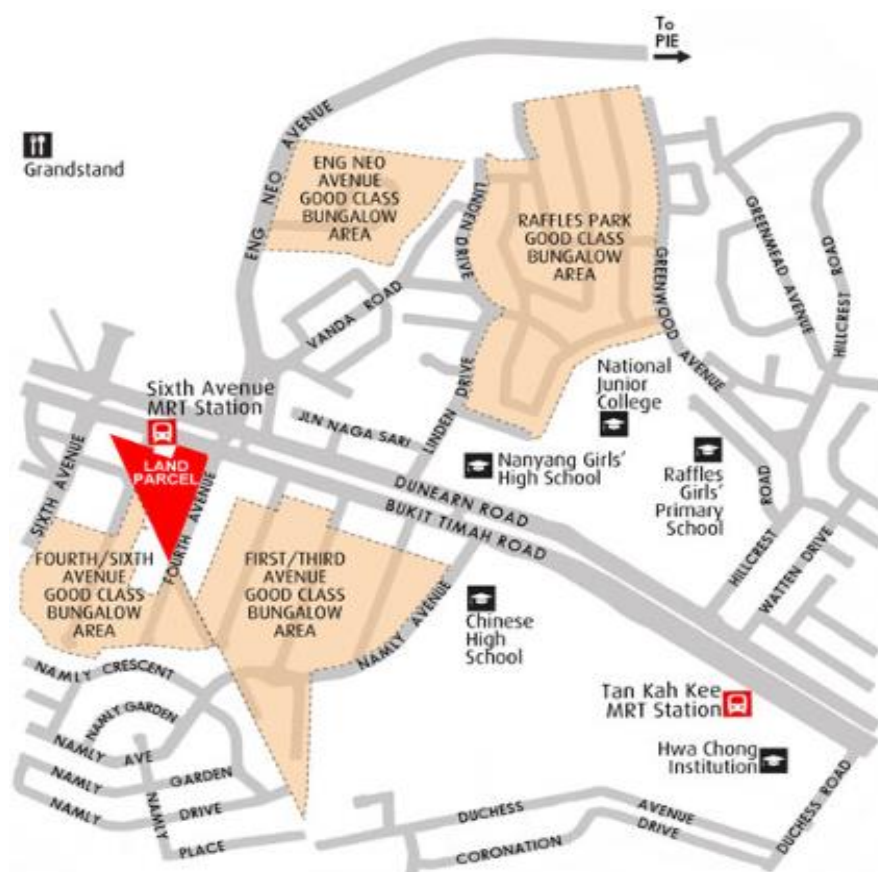
Source: URA

Figure 3: List of tenders for Fourth Avenue site

Developer	Tender bid (S\$'mn)	Price psf (S\$psf)
Allgreen Properties	553.0	1,540
Bukit Sembawang Estate	542.2	1,510
Hong Leong Holdings, CDL & Hong Leong Realty, Hong Leong Investment Holdings	531.4	1,480
Far East Consortium Properties	520.7	1,450
Wing Tai Holdings	509.0	1,418
Cheung Kong Properties	485.1	1,351
Hoi Hup Realty & Sunway Developments	485.0	1,351

Source: URA

Figure 4: Location map for Fourth Avenue site



Source: URA

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

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FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

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Share price appreciation + dividends

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