

Singapore Property

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Orchard Road home prices to hit S\$4,000 psf ?

- Shun Tak invests S\$0.6bn in two prime residential sites in Singapore
- Potential launch price could be close to S\$4,000 per square foot
- Supply is picking up in the core central region; a unique offering from Shun Tak to differentiate its product is key to drive sales

What's New

Shun Tak pays top dollar for prime Orchard Road sites

- Hong Kong-listed Shun Tak reported that it has purchased two prime residential sites in Orchard Road for S\$593.5m in total.
- The first site is **21 Orchard Boulevard (Park House)**, acquired via a collective sale for S\$375.5m, which translates to a new record of S\$2,910 per square foot per plot ratio (psf ppr). The 60-unit Park House development is a freehold site of c.46,084 square feet (sqft) with a plot ratio of 2.8 and can be redeveloped into a new luxury residential development with gross floor area of 129,035 sqft with no development charge.
- The public tender was understood to have seen "overwhelming responses" from developers in Hong Kong, Singapore, Malaysia, China, and Indonesia.
- The second site, **14 & 14A Nassim Road**, purchased by Shun Tak for S\$218m is located at one of Singapore's most coveted addresses in Singapore. This site was acquired at S\$218m, or S\$2,744 psf ppr with development charge. The property sits on a 66,452 sqft freehold site and has a plot ratio of 1.4x and can be redeveloped into a luxury project with GFA of 93,033 sqft.

Bold bids indeed with potential selling price of close to S\$4,000 psf?

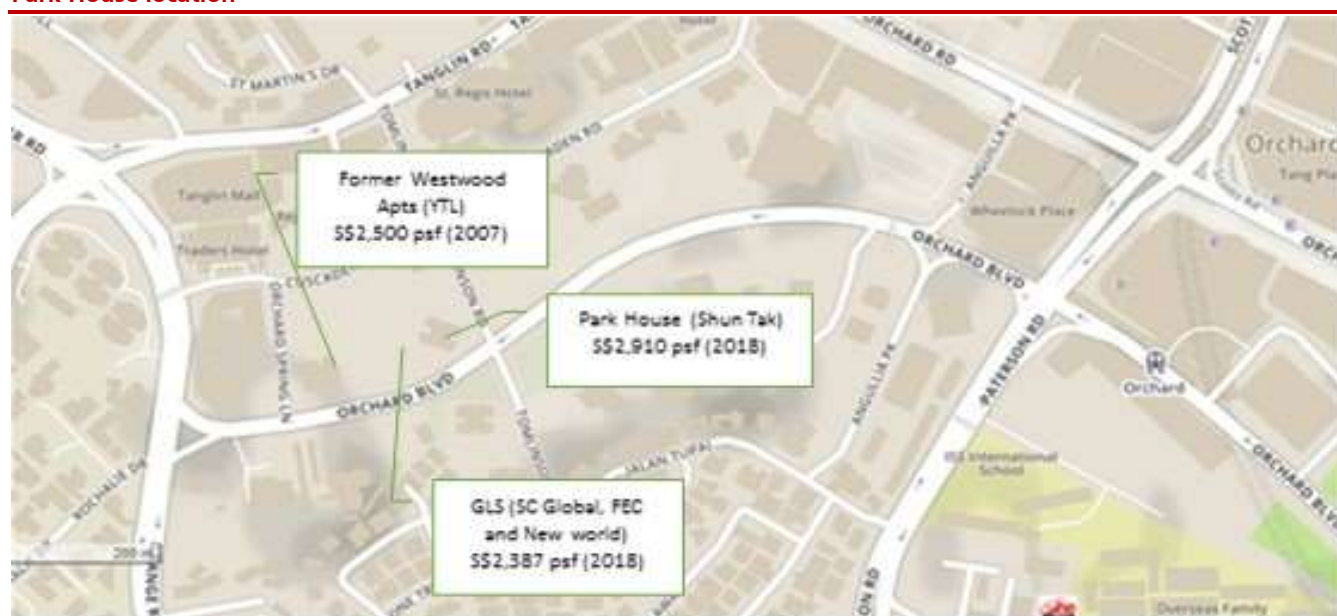
- These are bold bids placed by Shun Tak as the bid prices imply that selling prices will test new highs in the Orchard vicinity. Based on our estimates, after assuming a 10% balcony bonus, the break-even levels for Park House, and 14 & 14A Nassim Road are S\$3,300 psf and S\$3,100 psf respectively.
- This implies that these projects could potentially be launched near or even breached the S\$4,000 psf mark.
- Shun Tak has till now only invested selectively in Singapore through commercial and hospitality projects and these two sites will widen the group's real estate exposure.
- While such land sites are generally rare in Singapore, the group could look to launch these projects to Hong Kong buyers, who might be keen to invest in a residential home in Singapore, which is at the start of a property upcycle.
- **The entire stretch of Cuscaden Road is for sale.** While the Nassim site will attract its own niche of high end buyers, we note with over 20 sites sold within the core central region (CCR) year to date, supply in the CCR for new developments is building up in the near term and competition for buyers' attention is also heating up.
- Together with YTL's 77-unit 3 Orchard by the Park (the former Westwood Apartments which was sold via en bloc in 2007 at S\$2,545 psf) and the government land sales (GLS) site won by the consortium of SC Global, Far East Consortium and New World Development (awarded at S\$2,387 psf), almost the entire stretch along Cuscaden Road opposite Regent hotel will be launched for sale over the coming few years.
- Will buyers bite at close S\$4,000 psf ? The upcoming launch of 3 Orchard by the Park by end June will provide us with an answer.

Site details summary

	Park House	14 & 14A Nassim Road	Total
Land (sqft)	46,084	66,452	112,536
Plot Ratio	3	1	
GFA	129,035	93,033	222,068
GFA (10% bonus)	141,939	102,336	244,275
			-
Land Bid Price (S\$'m)	376	218	594
Implied S\$ psf ppr	2,910	2,744	2,827
Implied S\$ psf ppr (with 10% balcony bonus)	2,646	2,450	2,548
Est. Breakeven (S\$ psf)	3,296	3,100	3,198
Est. Selling Price (S\$ psf)	3,800	3600	3,700
% Margin	15%	16%	15%
Gross Development Value	539	368	908

Source: company, DBS Estimates

Park House location



Source: company, URA, DBS Estimates

Park House location



Source: company, URA, DBS Estimates

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

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

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

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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