

# Singapore Flash Note

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DBS Group Research . Equity

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## Singapore Property

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### Strong property sales may be a double-edged sword

- Robust rebound in primary home sales in March 2021 make 1Q21 the best quarter in recent years
- Singaporean buyers remain dominant buyers, with a focus on smaller units
- Developers with dwindling unsold inventories and upcoming completions will be looking to redeploy capital to add to their land-bank
- Policy measures remain a key risk for the sector; buy on dips. Our picks are [CDL](#) and [Bukit Sembawang](#)
- 7 out of the 10 top prices of units sold have median prices implying a selling price of S\$1,700 per square foot (psf) and above.
- Momentum may continue in April given the strong sales in recent launches (Irwell Hill Residences - 278 units sold, 51% sell-through rate) while a good line-up of projects wait in the wings.

### What's New

**Singapore Property : Robust primary sales a double-edged sword for listed developers**

- March 2021 new private home sales soared to 1,296 units (1,373 including executive condominiums (ECs)), more than double that in Feb 2021.
- Developers launched 959 new units in March and sold 663 units, achieving a sell-through rate of 70%.
- Buyers scooped up units in the Core Central Region (CCR) with c.40% of units sold in the month.
- In March, Midtown Modern (by Guocoland) was the top selling project with 368 units sold while Amber Park (CDL and Hong Leong) saw an uptick of 64 units transacted in the month.

### Our thoughts

**Singaporeans majority of buyers; continue to focus on overall investment quantum.** Close to 82% of total units sold in March were purchased by Singaporeans. According to Mr Lee of Huttons Asia, overall transaction quantum was key with close to 44% of units sold priced below S\$1.5m, c.33% sold between S\$1.5m-S\$2.0m and the rest above S\$2.0m. In our view, judging by the high selling price on a psf basis for new homes this month, buyers are likely to be looking at smaller sized units. Units sold within the core central region (CCR) region transacted at an average of S\$2700psf while units in the rest of central (RCR) region transacted at an average of S\$2,000 psf, homes in the outside central region (OCR) transacted at an average of S\$1,500 psf.

**Record quarter for property market – positive for property agencies.** The strong rebound in sales volumes in March implies that 1Q21 sales of c. 3,400 units is one the strongest quarterly sales in recent years. This comes after a record quarter in



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transaction volumes for public Housing Development Board (HDB) resale homes coupled with a 5% rise in HDB prices. This strong transaction volumes are positive for property agencies (APAC Realty, BUY, TP S\$0.61 see: [Insights Direct](#)), as they are likely to report accelerating sales momentum, riding on the strong trends seen within the private and public markets.

**Developers – A time to relook at capital redeployment strategies.** Developers within our coverage (CDL, UOL, Bukit Sembawang) have seen their unsold inventory levels fall. With overall market inventory running low with close to c.23,000 units unsold (including ECs) and completions of ongoing developments over 2021-2023, developers will likely be closely looking at land-banking. We see opportunities from either the 1H21 government land sales (GLS) program where recent sites in Lentor and Tampines may yield up to c.1,200 units, or potentially the collective sales market (en-bloc sales) which has recently come back to life with a selected number of smaller developments sold en-bloc.

**Property price uptrend led by both “demand pull” and “cost-push” factors.** At an absorption rate of close to 2.3-2.5 years, the assumed primary sales rate of 9,000 to 10,000 units is low by historical trends. With ample liquidity, low interest rates, strong upgrader demand and a possible increase in foreigner interest looking at Singapore property market given its proven stability, we believe there is pent-up demand from buyers. This coupled with a hike in construction costs due to higher material and labour costs, we see both a “cost push” and “demand pull” on property prices in 2021.

**An eye on possible policy tweaks as PPI and HDB indexes rose 5% and 6% respectively over the past**

**6 months.** With 1Q21 flash estimate of a rise in the property price index by 2.9% (or c.5.0% in the past 6 months), at the current rate, we believe there is a possibility that the PPI may run ahead of our assumed 3%-5% increase for 2021 and outpace the projected Gross Domestic Product (GDP) growth of 6.3% for 2021. With HDB prices also rising by c.6% over same period, we believe the risk of possible policy tweaks to slow the pace of increases in the PPI and HDB resale indexes may be high. A look at tightening measures in the past 15 years indicate that authorities acted when these indexes (PPI and HDB) rose by more than 6% and 7% respectively.

**Policy to remain the key overhang on developers but we remain buyers on dips.** The property developers (FSTREH) index has rebounded strongly and is up 11.5% YTD, in line with the 11.8% rise in the Straits Times Index (STI). While developers tend to trade favourably on the back of strong volumes and price upticks, we believe the risk of a policy response is a cap on further share price re-rating opportunities. That said, while developers' share prices may dip (if a policy tightening measure is introduced), it is likely to be a knee jerk reaction and we remain buyers on any dips. This is given that most developers under our coverage (i) have substantially sold inventory that were sitting on their books, and (ii) are projected to deliver strong earnings recovery in 2021 led by the recovering commercial and hospitality segments.

Our preferred pick is **City developments Limited** (BUY, TP S\$10.50 see: [Insights Direct](#)) and amongst mid-caps, we like **Bukit Sembawang** (BUY, TP S\$5.44 see: [Insights Direct](#)).

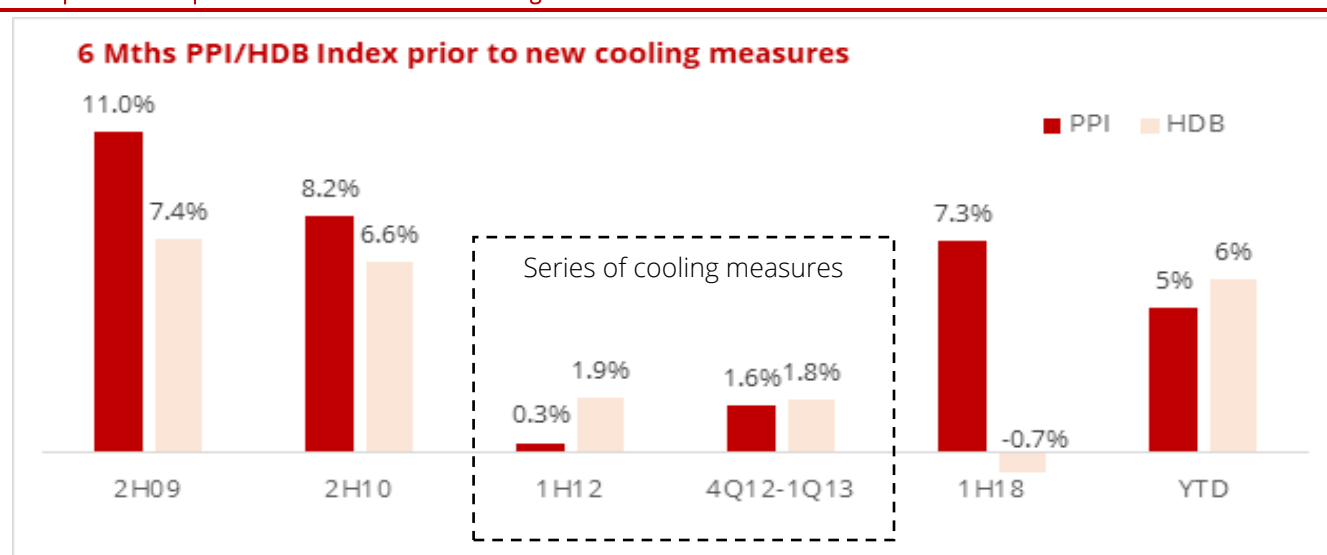
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### Summary of top selling projects in March 2021

Top projects	Region	Total Units	Units sold (Mar'21)	% project sold
MIDTOWN MODERN	CCR	558	368	66%
RV ALTITUDE	CCR	140	77	100%
TREASURE AT TAMPINES	OCR	2203	77	83%
AMBER PARK	RCR	592	64	57%
KI RESIDENCES AT BROOKVALE	OCR	660	60	48%
NORMANTON PARK	RCR	1862	50	39%
PARC CENTRAL RESIDENCES	OCR	700	47	74%
PARC CLEMATIS	OCR	1468	36	77%
THE REEF AT KING'S DOCK	RCR	429	33	80%
THE FLORENCE RESIDENCES	OCR	1410	31	71%

Source: URA, DBS Bank

### Index performance prior to introduction of fresh cooling measures.



Source: URA, DBS Bank

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\*Share price appreciation + dividends

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