

Singapore

Highlighted Companies

**APAC Realty Ltd**  
**ADD, TP S\$1.00, S\$0.645 close**  
 An early-mover in the property brokerage industry and a one-stop holistic property service provider. The stock is trading at 6.5x FY21F P/E but the property tax could lead to some knee-jerk reaction in share price.

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**City Developments**  
**ADD, TP S\$8.97, S\$7.34 close**  
 In our view, City Development's land restocking activities, with a potential launch pipeline of c.2,000 units, would extend the visibility of its residential earnings. Value-unlocking activities and the nascent recovery of the global hospitality industry could catalyse share price. The stock is trading at a 56% discount to RNAV.

# Singapore Strategy

## Crazy rich Singaporeans

- We expect some rental yield erosion and impact on selling prices for higher end properties on the back of higher property tax with effect from Jan 23.
- A staggered introduction of GST from 7% to 8% in 2023 and 9% in 2024 may give some relief to the low-income earners amidst inflationary environment.
- Near-term reliance on foreign semi-skilled labour remains; pro-local hiring with higher qualifying salary for mid-skilled/skilled foreign workforce.
- Property tax looks negative for CIT, UOL, Propnex and Apac Realty. Extended help for aviation sector is slightly positive for SIA, SIE and SATS.

### Taxing the rich – property tax

We are surprised by the increase in property tax especially after the recent hike in Additional Buyers' Stamp Duty rates and tightening Total Debt Service Ratio announced in Dec 21 ([see our report](#)). Property taxes for non-owner occupied residential properties will be raised from 10-20% currently to 11-27% with effect from 1 Jan 2023 and higher to 12-36% with effect from 1 Jan 2024 (Fig 1). Meanwhile, property taxes for owner occupied residential properties with an annual value in excess of S\$30,000 will also be increased from the current 4-16% to 5-23% from 1 Jan 2023 and to 6-32% from 1 Jan 2024 (Fig 2). The government expects the increased rates to impact the top 7% of owner-occupied residential properties. We expect some erosion in the rental yield on investment property, particularly for high-end segment. In our view, this could negatively impact demand and selling prices for larger properties in the high end in the near-term. However, with the rental rates rising by c.10% since 3Q20 (URA data) and island-wide residential vacancy lowered to 6% in 4Q21 (6.4% in 3Q21), we believe that rental rates could trend up to offset the increase in tax. On selling prices, we think there could be more impact for the high-end segment and larger sized properties vs. smaller units. See page 2 for more analysis.

### Taxing the rich – higher income earners and luxury goods

Luxury cars will also be imposed an additional registration fee of 220% for the portion of Open Market Value in excess of \$80,000. Finally, w ef Year of Assessment 2024, personal income tax rates will be raised for the top 1.2% personal income taxpayers from 22% currently to 23% for S\$500k –S\$1m p.a. and 24% for above S\$1m p.a.

### Staggered GST and top-up in relief packages

GST will be raised from 7% but staggered with 8% from 1Jan 23 and 9% from 1Jan 24. Historically, the government tends to zoom in on lower-income group. As expected, there is a top-up in government relief packages by S\$640m to S\$6.6bn to cushion the higher GST on households. We believe the impact of the hike on private consumption is expected to be confined to the months immediately before and after implementation. In the medium to longer term, private consumption should remain a function of the state of the local economy, less so of consumption taxes.

### Pro-local hiring for PMETs; still relying on foreign skilled labour

Our impression is that the government will not worsen the current labour shortage situation by keeping the foreign workforce with DRC (Dependent Ratio Ceiling) for construction and process sectors unchanged at 87.5% now. This will only be lowered to 83.3% in 2024. Singapore corporates should also brace for higher operating costs as the government addresses grouses on the ground to protect the PMETs (Professionals, managers, executives and technicians). Qualifying salary for Employment Pass is raised from S\$4.5k to S\$5k (S\$5.5k for financial services) and mid-skill S pass is up from S\$2.5k to S\$3k (S\$3.5k for financial services) and eventually S\$3.3k to S\$3.8k by 2025. There will also be an extension of targeted assistance for the aviation sector. Details will be announced later but we think that the quantum of help is likely to be maintained at the current 10% (w age subsidy for Jan-Mar 22), offering a slight reprieve in costs for SATS, SIE and SIA.

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## Getting more aggressive in building a greener Singapore

Carbon tax (introduced in 2019 at S\$5/tonne) will be raised to S\$25/tonne in 2024-25 and S\$45/tonne in 2026-2027, and a further S\$50-80/tonne by 2030 to achieve net-zero emissions by 2050. Most of the carbon taxpayers (power plants, refineries, logistic companies) generally have carbon emission reduction targets, hence this could accelerate the race of decarbonisation plans and switch to renewable energy. We believe end-users will still bear the brunt in the medium term as costs are passed through.

## Property tax impact

We believe that the higher property taxes could potentially erode rental yield on investment property, particularly for high end segment and could negatively impact demand for larger properties in the high end in the near term. Based on our example below, the revised property tax rates for owner-occupied properties with an annual value of S\$30,000-100,000 could increase annual property taxes by 0-118.6% by 1 Jan 2024, from the present level, assuming all else unchanged. Being a form of wealth tax, the increase accelerates as annual values increase.

From a non-owner occupier residential property perspective, the change in tax rates for properties with an annual value of S\$30,000-100,000 could increase by 10-80% by 1 Jan 2024 or by S\$300-11,200 p.a. On a monthly basis, this translates to S\$25-933.3/mth. Given the smaller quantum for properties with lower annual values, we believe that property owners could potentially absorb this difference or pass it onto tenants in the form of a slightly higher monthly rent. Hence, we think demand for smaller or properties with lower annual values could be less impacted than the larger or more expensive counterparts. We think this change in property taxes could impact selling prices for the high-end segment and larger sized properties more while prices for smaller units may be less impacted. With rental rates rising by c. 10% since 3Q20 (based on URA data) and island-wide residential vacancy rates declining to 6% at end-4Q21, we believe rental rates could continue to trend up and offset some of these increases.

**Figure 1: Changes to property taxes payable for owner occupied residential property**

Annual value (\$)	Current rates p.a. (\$)	New rates p.a. (\$)		% chg in annual rates		S\$ chg in annual rates		S\$ chg in rates (\$/mth)	
		w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024	w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024	w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024	w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024
30,000	880	880	880	0.0%	0.0%	0	0	0.0	0.0
40,000	1,280	1,380	1,480	7.8%	15.6%	100	200	8.3	16.7
50,000	1,680	2,080	2,480	23.8%	47.6%	400	800	33.3	66.7
60,000	2,180	2,930	3,680	34.4%	68.8%	750	1,500	62.5	125.0
70,000	2,780	3,930	5,080	41.4%	82.7%	1,150	2,300	95.8	191.7
80,000	3,580	5,330	7,080	48.9%	97.8%	1,750	3,500	145.8	291.7
90,000	4,480	6,930	9,380	54.7%	109.4%	2,450	4,900	204.2	408.3
100,000	5,480	8,730	11,980	59.3%	118.6%	3,250	6,500	270.8	541.7

SOURCES: CGS-CIMB RESEARCH estimates

**Figure 2: Changes to property taxes payable for non-owner occupied residential property**

Annual value (\$)	Current taxes p.a. (\$)	New taxes p.a. (\$)		% chg in property taxes		S\$ chg in property taxes p.a.		S\$ chg in property taxes (\$/mth)	
		w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024	w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024	w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024	w.e.f. 1 Jan 2023	w.e.f. 1 Jan 2024
30,000	3,000	3,300	3,600	10.0%	20.0%	300	600	25.0	50.0
40,000	4,200	4,900	5,600	16.7%	33.3%	700	1,400	58.3	116.7
50,000	5,500	6,750	8,000	22.7%	45.5%	1,250	2,500	104.2	208.3
60,000	6,900	8,850	10,800	28.3%	56.5%	1,950	3,900	162.5	325.0
70,000	8,500	11,550	14,400	35.9%	69.4%	3,050	5,900	254.2	491.7
80,000	10,200	14,250	18,000	39.7%	76.5%	4,050	7,800	337.5	650.0
90,000	12,000	16,950	21,600	41.3%	80.0%	4,950	9,600	412.5	800.0
100,000	14,000	19,650	25,200	40.4%	80.0%	5,650	11,200	470.8	933.3

SOURCES: CGS-CIMB RESEARCH estimates

Overall, we think the latest news could cause some downward knee-jerk reaction in developers and property agency stocks given that the market is still digesting the impact of the recent ABSD hike. While property stocks may trade range-bound in the near term, we retain our Overweight stance given the sector's cheap valuations, at 47% discount to RNAV.

**Figure 3: Property tax rates for owner-occupied residential property**

Current property tax rates		New property tax rates		
Annual value	Property tax rate	Annual value	Property tax rate	
			w.e.f. 1Jan 2023	w.e.f. 1Jan 2024
First S\$8,000	0%	First S\$8,000	0%	0%
Next S\$47,000	4%	Next S\$22,000	4%	4%
Next S\$15,000	6%	Next S\$10,000	5%	6%
Next S\$15,000	8%	Next S\$15,000	7%	10%
Next S\$15,000	10%	Next S\$15,000	10%	14%
Next S\$15,000	12%	Next S\$15,000	14%	20%
Next S\$15,000	14%	Next S\$15,000	18%	26%
Above \$130,000	16%	Above \$100,000	23%	32%

SOURCES: CGS-CIMB RESEARCH, MOF

**Figure 4: Property tax rates for non-owner occupied residential properties**

Current property tax rates		New property tax rates		
Annual value	Property tax rate	Annual value	Property tax rate	
			w.e.f. 1Jan 2023	w.e.f. 1Jan 2024
First S\$30,000	10%	First S\$30,000	11%	12%
Next S\$15,000	12%	Next S\$15,000	16%	20%
Next S\$15,000	14%	Next S\$15,000	21%	28%
Next S\$15,000	16%	Above \$60,000	27%	36%
Next S\$15,000	18%			
Next S\$90,000	20%			

SOURCES: CGS-CIMB RESEARCH, MOF

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent

n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.