

Singapore Flash Note

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DBS Group Research . Equity

9 May 2022

Singapore Property

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Winning at Monopoly with Piccadilly!

- City Developments makes headlines again with overwhelming sales take-up (77% sold) at record high price
- Buyers are 90% Singaporeans, with interests on smaller units
- Latest measure – government imposing ABSD on living trusts is not expected to have a major impact but authorities have closed the gap
- Residential market to take a breather and moderate in the near term amid uncertainty, however, some pockets could do well

What's New

First record breaking non-landed property launch in 2022.

Piccadilly Grand almost fully sold at record price! City Developments (City Dev) making headlines again with Piccadilly Grand (JV with MCL Land), recording a sale of 77% of a total of 405 units on the first weekend of its launch on 7-8 May 2022. This is probably the best selling non-landed residential property launch since the start of the year, a significant achievement, in our view. Post the latest property cooling measures that were implemented in Dec21, 1Q22 residential transaction volumes moderated and North Gaia, the latest executive condominium (EC) showed lackluster interest. With an average selling price of S\$2,150psf, we believe this sets a record price in the Farrer Park vicinity.

The overwhelming response to Piccadilly Grand and strong take-up further reinforces City Dev's strong track record throughout the various cycles in the Singapore residential

market. The upcoming property launches by City Dev in 2022 are Tengah Garden Walk (EC; 639 units) and Fuji Xerox redevelopment (256 units), both expected to be launched in 2H22.

We have a BUY rating on City Dev with a TP of S\$10.50. After trading ex-dividend, City Dev's share price continues to stay stable and we believe that the strong sales momentum for its residential projects to be further support share price in the medium term.

Buyers are 90% Singaporeans with interests on smaller units. Buyers of Piccadilly Grand comprised of 90% Singaporeans while the remaining 10% were Permanent Residents and foreigners from China, India, Malaysia, USA, Hong Kong, Indonesia, and others. The smaller one-to-three bedroom units were the most popular though there was some interest in four-bedroom dual-key units, four-bedroom flexi units and five-bedroom units too.

Piccadilly Grand priced at ASP of S\$2,150psf, outshines newer condo transactions in the vicinity by c.20%.

Piccadilly Grand's ASP of S\$2,150psf sets a record high in the Farrer Park vicinity. The ASP is c.20% above the average price of newer condo projects (Uptown@Farrer - launched in 2019 - and Sturdee Residences - TOP in 2019) that have been transacted at S\$1,820psf in the past one year.

Latest property measure announced overnight.

Government imposes ABSD on living trust; do not anticipate a major impact. On Sunday (8 May 2022) night, the Ministry of Finance announced that the Additional Buyer's Stamp Duty (ABSD) of 35% will apply on any transfer of residential property into a living trust, effective 9 May 2022. Currently, ABSD is payable, depending on the



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profile of the beneficial owner(s) of the residential property transferred into a living trust, and as such, ABSD does not apply where there is no identifiable beneficial owner.

Arising from its periodic policy review, the Government will introduce ABSD at 35% even if there is no identifiable beneficial owner at the time the residential property is transferred, to address and close this gap.

While this may be seen as a new and latest property cooling measure, we do not anticipate a major impact as the measure is likely applicable to a select group of buyers. Moving forward, ABSD will apply to all applicable buyers and investors of residential properties in a more equitable manner, with less avenues to circumvent ABSD.

Property market may take a breather, moderating to a slower pace given increased uncertainty. Despite the strong sales take up seen at Piccadilly Grand, we expect the residential property market may take a breather and moderate to a slower pace compared to a robust 2021. Property investors are likely to take a “wait and see” approach given increased uncertainties led by i) rising interest rates environment, ii) concerns of recession / stagflation risks, iii) property cooling measures.

However, pockets of the residential market may see stronger performance given limited new launches. That said, there will be pockets of the residential market that could remain more resilient and continue to fare well in this uncertain environment, given the limited new launches in 2022. Based on media and various sources, we understand that there are c.9k units in the 2022 launch pipeline, of which a majority (73%) are in the OCR and RCR regions. Launches that could continue to do well are i) residential project launches offering unique proposition such as close to transport connectivity and / or schools, ii) properties targeting the mass market to meet owner occupier demand, iii) high-end segment with potential demand led by foreigners / expatriates relocating to Singapore.

Projects to watch. Key project launches in 2022 that we will keep our eyes on are **Ang Mo Kio 1 Residences by UOL** (372 units) which is expected to be launched sometime in June 2022 and **GuocoLand's Lentor Modern** (605 units) soon after.

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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

Completed Date: 9 May 2022 07:08:01 (SGT)

Dissemination Date: 9 May 2022 07:22:42 (SGT)

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