



SG RESIDENTIAL PROPERTY | NEUTRAL

18 Mar 2019
Sector Update

A NEW TRAIN LINE, A BOOST TO SALES

- Share prices have rebounded
- Feb private home sales +4.4% MoM
- Top picks: UOL and CAPL

SG developers have seen a recovery YTD, but what lies ahead?

Following a turbulent year in 2018 whereby SG developers under our coverage registered average total returns of -20.4%, a more risk-on market sentiment this year has aided a recovery in share prices YTD, with total returns of +7.0%. This was led by OUE and CapitaLand, which delivered total returns of 16.8% and 10.6%, respectively. Overall, the FTSE ST Real Estate Holding & Development Index (FSTREH) has seen total returns of +12.4% YTD, in-line with the STI but an outperformance against the MSCI AxJ Real Estate Index (+4.7%). During our strategy report in Dec, we had highlighted that valuations for Singapore developers were cheap, and hence this share price recovery does not surprise us. However, we remain wary of the near-term outlook.

Feb home sales boosted by Cross Island MRT line announcement

In terms of demand YTD, Jan private home sales were weak as expected, with 436 units (excluding ECs) sold (-17.3%). Feb sales data, which was released last Friday, showed a more encouraging uptick of +4.4% QoQ and +18.5% YoY to 455 units. This was driven in part by the government's announcement in late-Jan on the new Cross Island Line. This will be Singapore's eighth MRT line, with a targeted completion in 2030. It will serve the Eastern, Western, and North-Eastern corridors and link major hubs such as Changi region, Jurong Lake District and Punggol Digital District. Developers with projects near the line took the opportunity to launch more units. There were 596 units launched in Feb, and the three best-selling projects were The Affinity (88 units sold at a median ASP of S\$1,494 psf), Riverfront Residences (49 units sold at a median ASP of S\$1,322 psf) and The Tre Ver (48 units sold at a median ASP of S\$1,574 psf).

Maintain NEUTRAL

Looking ahead, we expect transaction volumes to gather momentum with more new projects to be launched. The launch by end-March of Sim Lian Group's Treasure at Tampines would be a big litmus test for the market, given the massive scale of the project with 2,203 units. This project is expected to reap ASPs of ~S\$1,280 psf according to media reports. Its preview launch started last Friday. We visited the showflat over the weekend, and noticed a decent crowd size. In terms of valuation for the sector, the FSTREH is trading at a forward P/B ratio of 0.57x, which is 1.5 standard deviations below its 10-year average of 0.78x. However, in light of the softer macroeconomic outlook and sizeable launches expected in 2019 which may stymie price growth, we maintain **NEUTRAL** on the Singapore residential sector. Our preferred sector picks are **UOL Group (UOL SP) [BUY; FV: S\$8.45]** and **CapitaLand (CAPL SP) [BUY; FV: S\$3.98]**.

NEUTRAL (maintain)

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Relative total return	1m	3m	12m
Sector (%)	1	10	-6
STI-adjusted (%)	3	5	0

Price performance chart



Sources: Bloomberg, OIR estimates

Stock coverage ratings

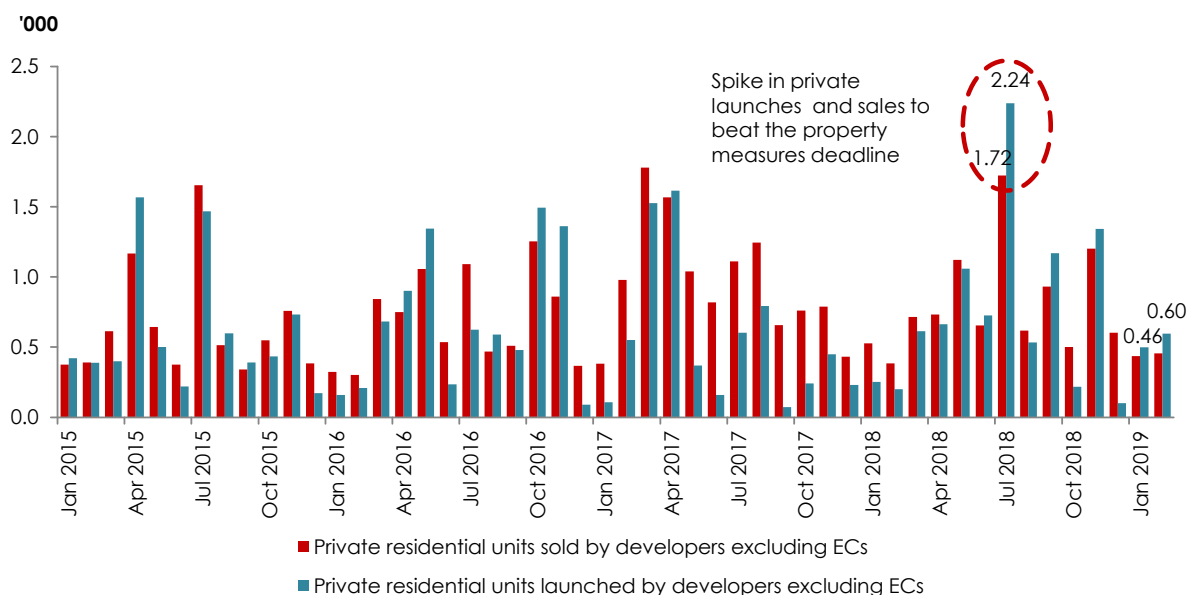
BBRG Ticker	Price	Fair Value	Rating
CAPL SP	3.44	3.98	BUY
CIT SP	8.88	10.68	BUY
HPL SP	3.72	4.74	BUY
KSHH SP	0.510	0.81	BUY
OUE SP	1.67	2.32	BUY
ROXY SP	0.400	0.41	HOLD
UOL SP	6.45	8.45	BUY
WINGT SP	2.02	2.41	BUY
YLLG SP	1.34	1.75	BUY

Exhibit 1: Total returns for SG-listed developers under OIR's coverage

Company / Index	Total Returns YTD (%)	Total Returns in 2018 (%)
FSTREH	12.4	-15.7
STI	12.5	-8.9
MSCI AxJ Real Estate Index	4.7	-6.5
OUE Ltd	16.8	-22.2
CapitaLand	10.6	-9.0
Yanlord Land Group	9.8	-21.6
City Developments Limited	9.4	-33.8
Wing Tai Holdings	4.7	-11.8
UOL Group	4.2	-28.8
Hotel Properties Ltd	3.3	-5.7
Roxy-Pacific	2.6	-18.4
KSH Holdings	2.0	-32.5
Simple average (developers)	7.0	-20.4

Source: Bloomberg, OIR

Exhibit 2: Private residential units launched and sold monthly by developers excluding ECs



Source: URA, OIR

Exhibit 3: Top ten selling private projects for the month of Feb (excluding ECs)

Project Name	Locality	Total Number of Units in Project	Cumulative Units Launched to-date	Cumulative Units Sold to-date	Units Launched in the Month	Units Sold in the Month	Median Price (\$psf) in the Month
AFFINITY AT SERANGOON	OCR	1,052	650	437	250	88	1,494
RIVERFRONT RESIDENCES	OCR	1,472	930	894	70	49	1,322
THE TRE VER	RCR	729	350	308	50	48	1,574
STIRLING RESIDENCES	RCR	1,259	680	553	0	31	1,777
PARC BOTANNIA	OCR	735	552	495	0	28	1,311
PARC ESTA	RCR	1,399	450	450	0	26	1,706
THE GARDEN RESIDENCES	OCR	613	156	95	0	19	1,509
WHISTLER GRAND	OCR	716	300	263	0	16	1,347
MARGARET VILLE	RCR	309	158	153	0	14	1,822
RV ALTITUDE	CCR	140	63	26	0	14	2,847

Source: URA, OIR

Exhibit 4: OIR's valuation on the major developers listed on SGX-ST

Company	Share price (S\$)	FY19F P/B	FY20F P/B	RNAV (S\$)	P/RNAV (x)	Discount to RNAV	Fair Value (S\$)	Discount to RNAV applied	Potential Upside	Rating
CapitaLand Limited	3.44	0.72	0.69	4.98	0.69	30.9%	3.98	20%	15.7%	BUY
City Developments	8.88	0.78	0.75	16.43	0.54	46.0%	10.68	35%	20.3%	BUY
UOL Group Limited	6.45	0.54	0.51	13.00	0.50	50.4%	8.45	35%	31.0%	BUY

Source: Bloomberg, OIR estimates

Exhibit 5: Forward P/B ratio trend of FSTREH



Source: Bloomberg, OIR

Exhibit 6: Showflat photos from Sim Lian Group's Treasure at Tampines



Source: OIR

Exhibit 7: Potential private residential and EC projects launched/to be launched in 2019

Potential Launch Period	Project Name	Location	Developer	Estimated Number of Units
1H19	Uptown@Farrer	Perumal Road	Low Keng Huat	116
1H19	Parkwood Collection	Lorong 1 Realty Park	Fantasia Investment	53
1H19	RV Altitude	River Valley Road	Roxy Pacific	140
1H19	Dunearn 386	Dunearn Court	Roxy Pacific	35
1H19	Normanton Park	Normanton Park	Kingsford Development	1,862
1H19	Parc Clematis	Jalan Lempeng	Singhaiyi Group	1,468
1H19	One Meyer	Meyer Road	Sustained Land	60
1H19	Jervois Prive	Jervois Road	Spring Court owner-led consortium	50
1H19	Lattice One	Seraya Crescent	Tea Land	40
1H19	Amber Park	Amber Gardens	CDL/Hong Leong	592
1H19	Treasure at Tampines	Tampines St 11	Sim Lian	2,203
1H19	Haus on Handy	Handy Road	CDL	188
1H19	Changi Garden	Upper Changi Road North	Chip Eng Seng	300
1H19	The Gazania	How Sun Drive	Singhaiyi Group	250
1H19	The Lilium	How Sun Road	Singhaiyi Group	80
1H19	The Antares	Mattar Road	Tiong Aik/Hock Lian Seng	250
1H19	Avenue South Residence	Silat Avenue	UOL/UIC/Kheng Leong	1,074
1H19	Kemaman Point	Balestier Road	Soilbuild Group	120
1H19	Sumang Walk (EC)	Sumang Walk	CDL/TID	820
1H19	35 Gilstead	Gilstead Road	Tea Land/TG Development	70
1H19	Cairnhill Mansions	Cairnhill Road	Low Keng Huat	200
1H19	Dairy Farm Road	Dairy Farm Road	UED Residential	589
1H19	Jalan Jurong Kechil	Jalan Jurong Kechil	COHL SG and CSC Land	284
1H19	Casa Meyfort	Meyer Road	Guocoland	310
1H19	Cairnhill Heights	Carinhill Rise	Tiong Seng and Ocean Sky	50
1H19	Boulevard 88	Orchard Boulevard	CDL	154
1H19	Dunearn Gardens	Dunearn Road	EL Development	348
1H19	Eunos Mansion	Bedok Reservoir Road	Fragrance Group	230
1H19	Katong Park Towers	Arthur Road	Bukit Sembawang	390
1H19	Makeway View	Makeway Avenue	Bukit Sembawang	150
1H19	The Essence	Chong Kuo Road	Lian Soon Holdings/OKP Land	80
1H19	Kismis View	Lorong Kismis	Roxy Pacific Holdings/Tong Eng	160
1H19	City Towers	Bukit Timah Road	Japura Development	290
1H19	Pearl Bank Apartments	Pearl Bank	Capitaland	810
1H19	Riviera Point	Kim Yam Road	Macly Group	60
1H19	Holland Road	Holland Road	Far East Organisation	850
1H19	Cuscaden Road	Cuscaden Road	SC Global/New World/Far East Consortium	220
1H19	Royalville	Bukit Timah Road	Allgreen Properties	320
1H19	Juniper Hill	Ewe Boon Road	Allgreen Properties	115
1H19	Parkway Mansions	Amber Road	Sustained Land	140
1H19	FYVE Derbyshire	Derbyshire Road	Roxy Pacific	71
1H19	Chancery Court	Dunearn Road	Far East Organisation	480
1H19	Royal Oak Residence	Anderson Road	Far East Consortium	110
1H19	Park House	Orchard Boulevard	Shun Tak Holdings	170
1H19	Nassim	Nassim Road	Shun Tak Holdings	123
1H19	Jiak Kim Street	Jiak Kim Street	Fraser Property Limited	455
1H19	MEYERHOUSE	Meyer Road	UOL/Kheng Leong	56
1H19	Hillview Rise	Hillview Rise	Hong Leong	570
1H19	Lodge 77	Upper East Coast Road	KTC Group	50
1H19	Rezi 24	Lorong 24 Geylang	KSH Holdings/Lian Beng Group/Heeton Holdings	90
1H19	Petit Jervois	Jervois Road	SC Global Developments	55
1H19	Toho Mansion	Holland Road	Koh Brothers Group	90
1H19	Fourth Avenue Residences	Fourth Avenue	Allgreen Properties	476
1H19	1953	1 Tessensohn Road	Oxley Holdings	58
1H19	Parkwood Residences	Yio Chu Kang Road	Oxley Holdings	18
1H19	Asia Gardens	Everton Road	Sustained Land	264
2H19	Sengkang Central	Sengkang Central	Capitaland/CDL	680
2H19	Pomex Court	Lorong 101 Changi	K16 Development	40
2H19	Goh & Goh Building	Upper Bukit Timah Road	ZACD Group/MCC Land/Sin Soon Lee Realty	120
2H19	Landmark Tower	Chin Swee Road	K16 Development	530
2H19	Goodluck Garden	Toh Tuck Road	Qingjian Group/Perennial Real Estate Holdings	669
2H19	The Florence Residences	Florence Road	Logan Property	1,410
2H19	Phoenix Height	Phoenix Road	OKP/USB Holdings	79
2H19	Pacific Mansion	River Valley Close	Guocoland/Hong Leong	720
2H19	Hollandia and The Estoril	Holland Road	FEC International	310
2H19	Anchorvale Crescent (EC)	Anchorvale Crescent	Evia Real Estate/Gamuda	550
2H19	Canberra Link (EC)	Canberra Link	Hoi Hup/Sunway Developments	580
2H19	Brookvale Park	Brookvale Walk	Hoi Hup/Sunway Developments	790
POTENTIAL PRIVATE RESIDENTIAL UNITS (Ex. ECs) TO BE LAUNCHED IN 2019				23,185

Source: Company filings, PropNex, various media, OIR estimates

ANALYST DECLARATION:

For analysts' shareholding disclosure on individual companies, please refer to the latest reports of these companies.

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