



# SG RESIDENTIAL SECTOR | NEUTRAL

2 Apr 2019  
Sector Update

## A SMALL DOWNWARD TRICKLE

- **1Q19 URA flash est: -0.6%**
- **CCR the main drag**
- **HDB resale price index also fell 0.3%**

### URA's 1Q19 flash estimate slipped 0.6% QoQ

URA's flash estimate (transactions up till mid-Mar) for the private residential property price index (PPI) showed a dip of 0.6% on a QoQ basis for 1Q19. This was the second consecutive sequential dip given that 4Q18 had registered a mild 0.1% decline. The landed property segment was resilient during 1Q19, with an uptick of 1.1% QoQ, while the non-landed property segment suffered a decline of 1.0%.

### CCR the main contributor to price dip

Within the non-landed segment, the Core Central Region (CCR) fared the worst, with a deterioration of 2.9%. This was the largest quarterly negative magnitude registered since 2Q09, when prices fell 5.2% QoQ. This weakness does not come as a surprise to us, given that the CCR was most likely to be adversely impacted by the set of property cooling measures introduced in Jul last year. For the Rest of Central Region (RCR) and the Outside Central Region (OCR), prices came in at -0.2% and 0.0% QoQ, respectively. Meanwhile, on the public housing front, HDB's flash estimate for the 1Q19 Resale Price Index (RSI) also slipped 0.3% QoQ, marking the third consecutive quarter of decline. The current premium between the URA private residential PPI and the HDB RSI now stands at 13.5%, versus the historical average gap of 11.3% since 1Q05.

### Recent URA land tenders showing more rational bids

URA recently closed the tender for two sites. The first is a residential land parcel at Sims Drive, with a maximum permissible GFA of 523,944 sq ft. There were only 5 bids, with the top bid of S\$383.5m (~S\$732.0 psf ppr) being submitted by a JV between Hong Leong Holdings and City Developments Ltd. This site is adjacent to GuocoLand's Sims Urban Oasis project, which was secured with a bid of S\$687.9 psf ppr on 30 Apr 2014. The average ASP based on all transactions for this project was ~S\$1,404 psf. The second tender was for a residential land parcel with commercial at first storey at Middle Road. This was more hotly contested, with 10 bids submitted. The highest bid came from Wing Tai, at S\$492.0m, or S\$1,458.3 psf ppr. The nearby Duo Residences registered average ASPs of ~S\$2,211 psf for transactions done after the Jul 2018 cooling measures, while the higher-end South Beach Residences garnered average ASPs of ~S\$3,371 psf. Next up, the URA land tender at the Tan Quee Lan Street site (residential with commercial at first storey) which was recently launched under the 1H19 GLS programme is likely to whet developers' appetite, in light of its good location beside the Bugis MRT station. This site has a maximum GFA of 521,296 sq ft and can potentially yield up to 580 residential units. The tender will only close on 5 Sep this year. We keep our private residential price growth forecast of -3% to 2% for 2019, but highlight that the full-year figure is likely to come in at the lower-end of our projection. Maintain **NEUTRAL** on the Singapore residential sector, with **UOL Group (UOL SP)** [BUY; FV: S\$8.45] and **CapitaLand (CAPL SP)** [BUY; FV: S\$3.98] as our preferred sector picks.

## NEUTRAL (maintain)

### Analysts

Andy Wong Teck Ching, CFA (Lead) • +65 6818 4808  
andywong@ocbc.com  
Deborah Ong • +65 6818 4807  
deborahong@ocbc.com  
Joseph Ng • +65 6818 4810  
josephng2@ocbc.com

Relative total return	1m	3m	12m
Sector (%)	5	16	-1
STI-adjusted (%)	4	9	0

### Price performance chart



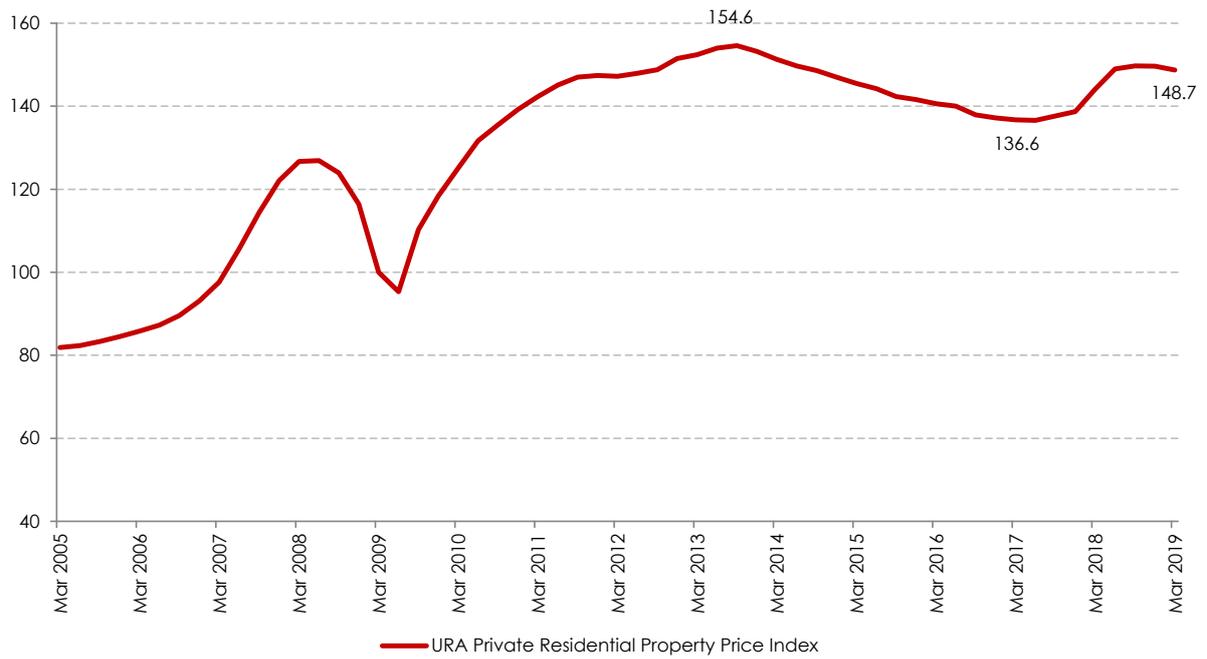
Sources: Bloomberg, OIR estimates

### Stock coverage ratings

BBRG Ticker	Price	Fair Value	Rating
CAPL SP	3.69	3.98	BUY
CIT SP	9.40	10.68	BUY
HPL SP	3.77	4.74	BUY
KSHH SP	0.515	0.81	BUY
OUE SP	1.72	2.32	BUY
ROXY SP	0.395	0.41	HOLD
UOL SP	7.11	8.45	BUY
WINGT SP	2.04	2.41	BUY
YLLG SP	1.40	1.75	BUY

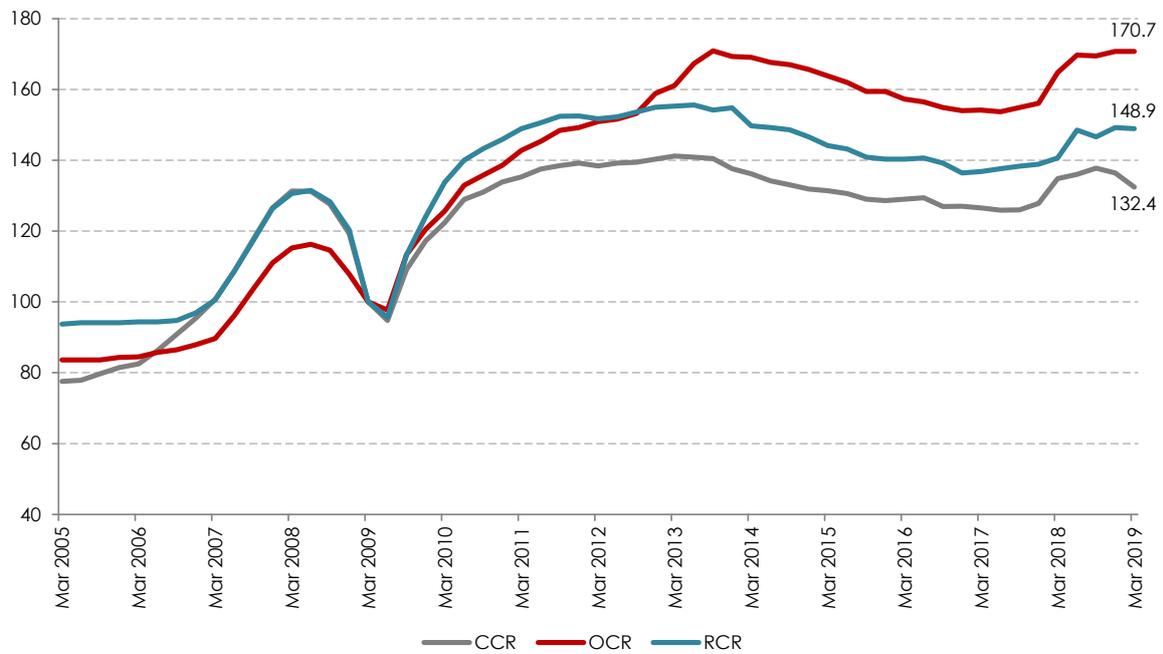


**Exhibit 1: URA Private Residential Price Index trend (flash estimate for 1Q19)**



Source: URA, OIR

**Exhibit 2: URA non-landed Private Residential Price Index trend by market segment (flash estimate for 1Q19)**



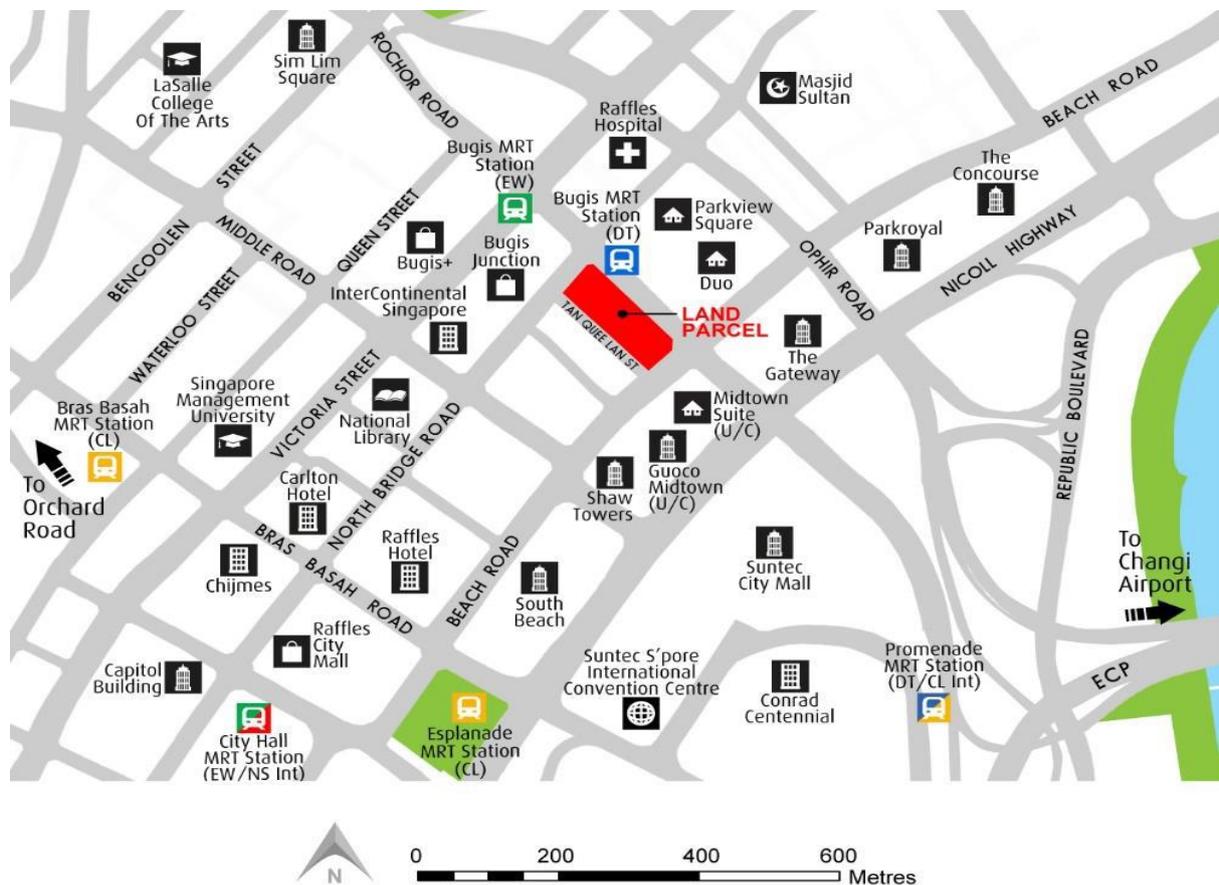
Source: URA, OIR

**Exhibit 3: Trend between URA Private Residential Price Index and HDB Resale Price Index (flash estimate for 1Q19)**



Source: URA, HDB, OIR

**Exhibit 4: Location plan for land parcel at Tan Quee Lan Street which recently opened for tender**



Source: URA

ANALYST DECLARATION:

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

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Carmen Lee  
Head of Research  
For OCBC Investment Research Private Limited

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