



Edmund Tie & Company

Real
Estate
Insight
Series

RESEARCH

Top 3 Sites that standout in H1 2017 Government Land Sales Programme



As the stakes become higher among developers, we have identified three prominent sites for the upcoming GLS programme in H1 2017 that are more likely to be popular.

Executive Summary

The residential market has softened since 2013 when the Government announced the Total Debt Servicing Ratio (TDSR). According to the URA residential price index, prices for private homes have corrected by 10%, while transaction volume has plunged by half.

However, there are signs that the market is bottoming out as sales continued to trend upwards. The inventory of unsold units has also diminished from its peak in 2013. Despite the uncertain economic prospects, Singapore's economic fundamentals remain sound and there is still much hot money flowing from North America, Asia and Middle East.

To maintain stability in the market, the Government continued its measured approach in the Government Land Sales (GLS) programme amid keen interest for land, which has spilled over to the private market.

There are several land parcels in the 1H 2017 GLS programme that possess the locational attributes of projects with higher take-up rates.

2017

At a glance

- Signs of market bottoming out
- Sales volume improving
- Inventory of unsold units shrinking
- Targeted GLS approach to maintain stability

This insight report offers a quick analysis of selected sites in the Confirmed List and the Reserve List, as we identify 3 sites based on potential take-up rate of each site.

1 An overview of the residential market in 2016

Residential sales picking up

Ever since the Government implemented the TDSR in June 2013, home prices have corrected by 10.8% as at Q4 2016 (Figure 1).

The implementation of TDSR also caused transaction volumes to fall drastically. There were 35,722 private homes, excluding Executive Condominiums (EC), that exchanged hands during the last peak in 2010. The figure dropped to 12,794 in 2014, which was less than half of what was transacted in 2010. While the decline in prices have yet to reach the same level experienced during the Global Financial Crisis (GFC) from 2008 to 2009 (25% drop in price from peak to trough), residential sales volume has settled at the same level as the old normal before low interest rates were introduced (Figure 1).

As the market becomes more uncertain due to Trump's Presidency in the US, Brexit and a slowing Chinese economy, buying sentiments continued to be weak.

Notwithstanding, there are signs that the market is recovering. Developers' sales rose by 11.4% to 8,359 units in 2016 and the secondary market's sales volume went up by 22.2% to 8,157 units. The decline in home prices moderated in 2016. Compared to the 4.5% and 3.7% fall in home prices in 2014 and 2015, home prices only fell by 3.0% in 2016.

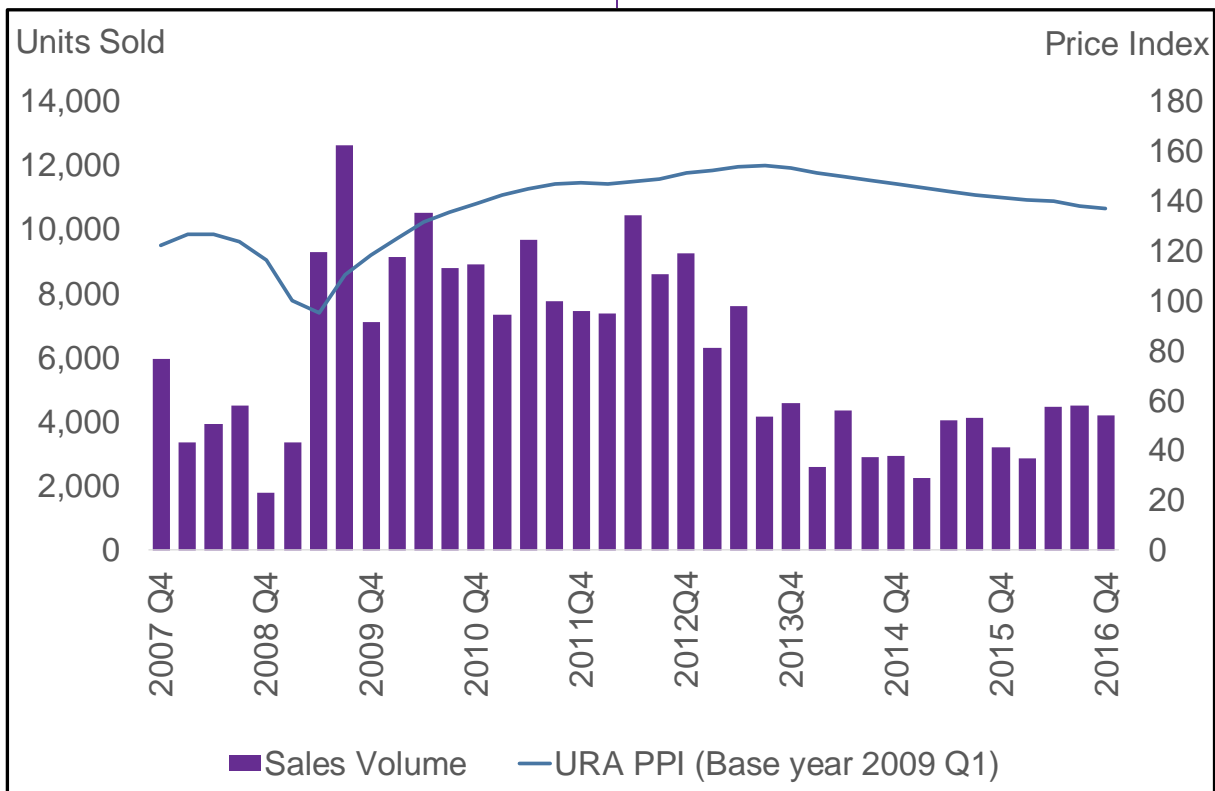


Figure 1: URA price index and Private Home Sales excluding EC

Source: URA, Edmund Tie & Company Research

Land bidding at the turn of the market

The potential number of units that can be launched bottomed out in Q2 at 20,251 units, and inched up slightly to 24,315 units as at Q4 2016. Nevertheless, the inventory of units that can be potentially introduced into the market as at Q4 2016 was about 61% of that in Q2 2012, when the Government introduced more supply to cool the market.

As the Government continued to introduce new land parcels at a measured pace, bidding has become more competitive during the GLS. The trend line for the unit price for land bids has remained stable (Figure 2), albeit with some fluctuations, but the number of bids have steadily increased since the tender in Nov 2015. Based on the 1H 2017 GLS programme, the government has offered five Confirmed List sites and 10 on the Reserve List. These sites are expected to yield 7,465 private homes and create 158,080 sq m of commercial space. The supply of private units was largely the same as in H2 2016.



Developers are in a catch-22 situation. The measured approach of the GLS helped support price levels as the number of unsold units reduced. However, land bids have become more competitive, especially for strategically located sites.”

Dr Lee Nai Jia

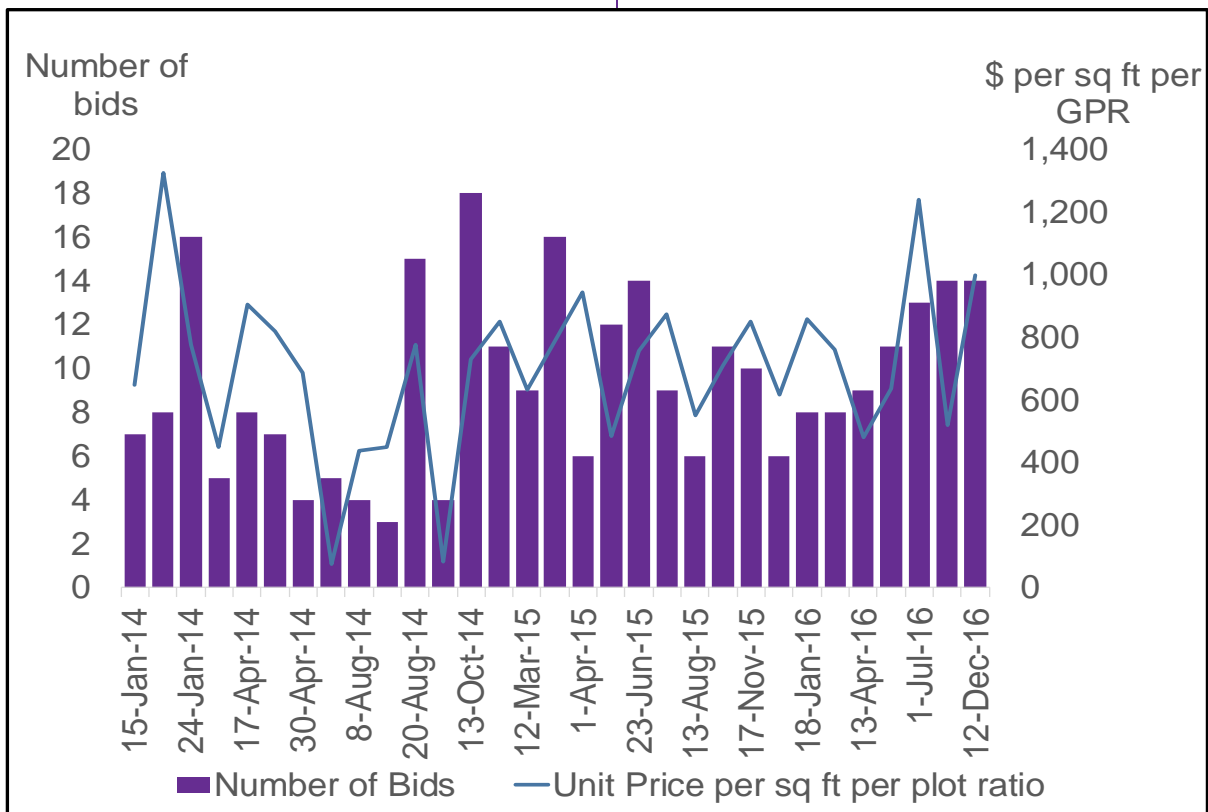


Figure 2: Number of bids and winning tender unit prices

Source: URA, Edmund Tie & Company Research

Attributes of projects with higher take-up rates

Given the uncertain external environment and the cooling measures in place, it is a challenging time for developers and investors who are seeking development projects. On one hand, the project needs to satisfy discerning buyers who are seeking value. These buyers are well-informed and sophisticated, given the availability of information on social media and government websites. On the other hand, land bids become more competitive as the developers' land bank depletes. Additionally, construction companies are also joining the fray, due to fewer construction projects.

As the stakes become higher for developers and investors, it is crucial for them to get a site with the attributes that are most likely to generate higher sales.

Analysing the sale transactions in 2016, we identify 4 attributes that are associated with higher take-up rates.

- **Location**

Most of the projects that did well were near upcoming or existing MRT stations, established schools, and other lifestyle or shopping amenities. For instance, The Poiz Residences was popular due to its proximity to the Potong Pasir MRT station and established schools.

- **Competition from existing and upcoming projects in the vicinity**

Projects that did well tend to have less competition in its vicinity. Take GEM Residences for example. It is the only new development in Toa Payoh.

- **Established neighbourhoods**

The demand for the project tends to emanate from residents living in the same district. Most buyers will prefer to buy somewhere near where they used to live or where their parents are currently at. Additionally, those living in the older private developments may want to move to new projects.

- **Upcoming areas under URA Plans**

Projects that are in areas earmarked for future development were well-received in 2016, as buyers were attracted to the potential capital appreciation when the plans come into fruition. For example, Lake Grande sold the most units (567 units) among the new projects launched in 2016. The announcement of the High Speed Railway Terminus in Jurong East and plans to make the area a second CBD helped pushed sales and support the prices (\$1,173 to \$1,541 per sq ft).

Ranking Criteria

The criteria were ranked based on a score of 5. Within the location criteria, we further broke them down into three sub-attributes: distance to MRT stations, established schools, and lifestyle amenities. Besides distance, we also examined the reputation of schools and the quality of amenities around the project. A score of 5 is awarded for each locational attribute that is less than a 5-minute walk to the amenity, and the score depreciates proportionately.

The competition criterion is established based on the number of existing and upcoming projects in the area. We allocate the site a score of 5 if there were no competing launches, and is scaled down proportionately.

How established the neighbourhood is depends on the history and cultural identity of the area. For projects proximate to HDB estates, the age of the HDB town will be taken into consideration.

Lastly, a score is given whenever the location is within an area under URA plans. If the site is in an area earmarked as the second CBD, we allocate a score of 5. If it is status quo, we allocate a score of 1.

Based on the scores, we have identified three sites with the highest potential in terms of sales rate with less competition.

Why the land parcel at Toh Tuck Road?

The land parcel at Toh Tuck Road is close to Beauty World MRT station and near to the Bukit Timah Nature Reserve and the Rail Corridor. It is also close to established schools such as Pei Hwa Presbyterian Primary School, Ngee Ann polytechnic and SIM University.

There are no new GLS sites launched in the vicinity since 1997. A recent project launched was the Creek @Bukit, which sold at \$1,230 to \$1,870 per sq ft.

The site is likely to attract young families staying in the area and mature families seeking to downsize. Additionally, the site is at the nexus of the growth clusters in Singapore. It is a short drive away from the future second CBD at Jurong East, Orchard Road, and the Clementi/Buona Vista area, which is teeming with startups and tech companies.

We expect bids to range from \$700 to \$900 per sq ft per plot ratio and the number of bids to hover from 10 to 15.

Why the land parcel at Jiak Kim Street?

The land parcel at Jiak Kim Street is extremely attractive as it is one of the last few GLS sites that offer a residential development with a view of the Singapore River, which is considered a unique selling point. The site is also a short distance away from Havelock MRT station and is ideal for young professionals and millennials who fits the lifestyle of the area.

Much interest is expected if the site is launched. We expect the bids to range from \$1,100 to \$1,300 per plot ratio and there should be about 10 to 15 bids.

Why the land parcel at Owen Road?

The land parcel is in a quiet neighbourhood, yet is a short distance away from the cultural hub of Little India. The site is also close to Kandang Kerbau Hospital, Tan Tock Seng Hospital, and Farrer Park Hospital, and the future development will offer units to medical staff for rent.

Units on this site is likely to attract young professionals who are like the culture and lifestyle of area, affordable food and transport amenities. Additionally, it will appeal to upgraders staying at HDB flats in the vicinity.

We expect at least 8 bids for the site and the bids are likely to range from \$750 to \$950 per sq ft per plot ratio.

Some close contenders

There are some other sites we consider as close contenders to the top 3.

Fourth Avenue Site

This is one of the rare sites in a prime district, with the MRT station at its door step. However, it lacks a river view as compared to the Jiak Kim site. Additionally, the land price is also likely to be high, making the design and pricing of the product more challenging.

Woodleigh lane site

The Woodleigh lane site is a door step to the Woodleigh MRT station and the Stamford American International School. However, the sites at Owen Road and Toh Tuck were selected in front of this site because of existing and upcoming units that can be launched in Serangoon. The upcoming launch of the Serangoon site opposite the Woodleigh Lane parcel will further add pressure on bids.

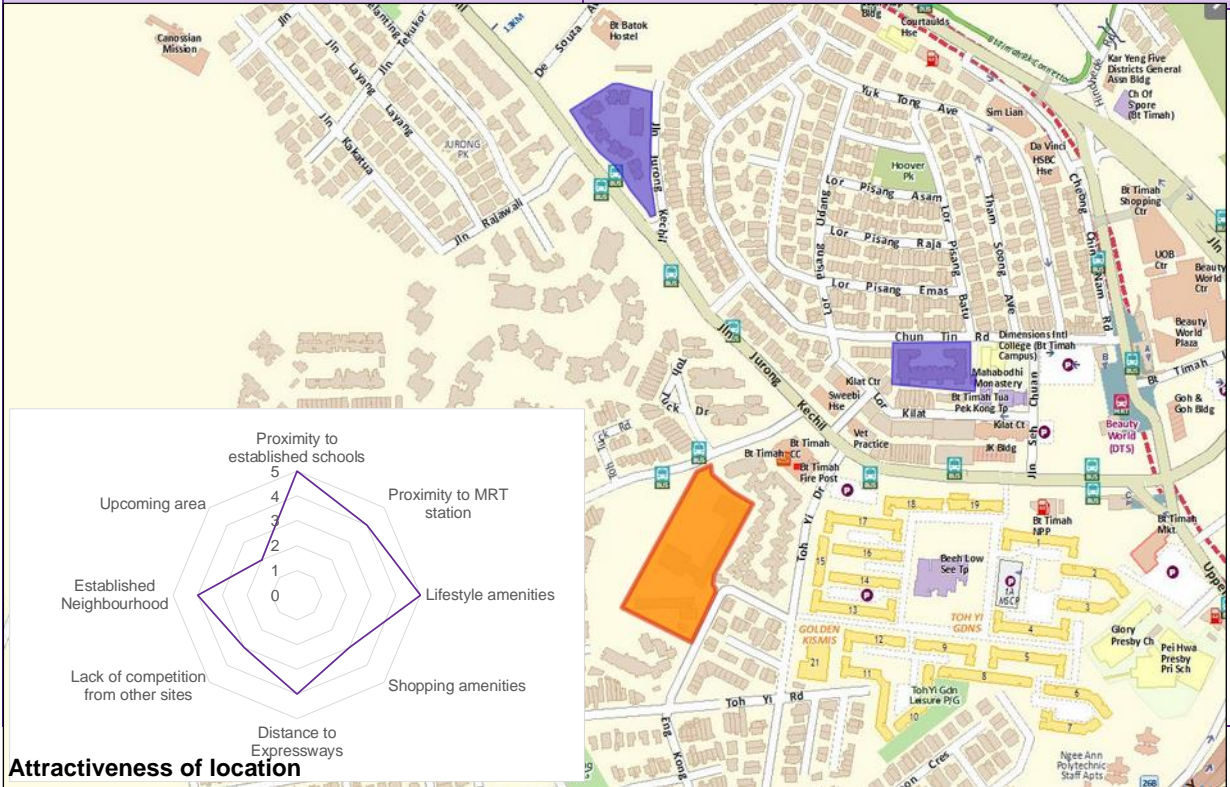
Top 3 Sites in 2017 GLS

LAND PARCELS

CONFIRMED LIST

TOH TUCK ROAD

<p>District 21 Site Area: 1.87ha GPR: 1.4 No height constraints</p>	<p>URA's estimated number of units: 325 Estimated Launch: Feb 2017</p>
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Likely buyers

- Young families staying in the area that like the natural amenities, the proximity to the Beauty World MRT station and established schools
- Mature families seeking to downsize
- Investors seeking to rent to expatriates

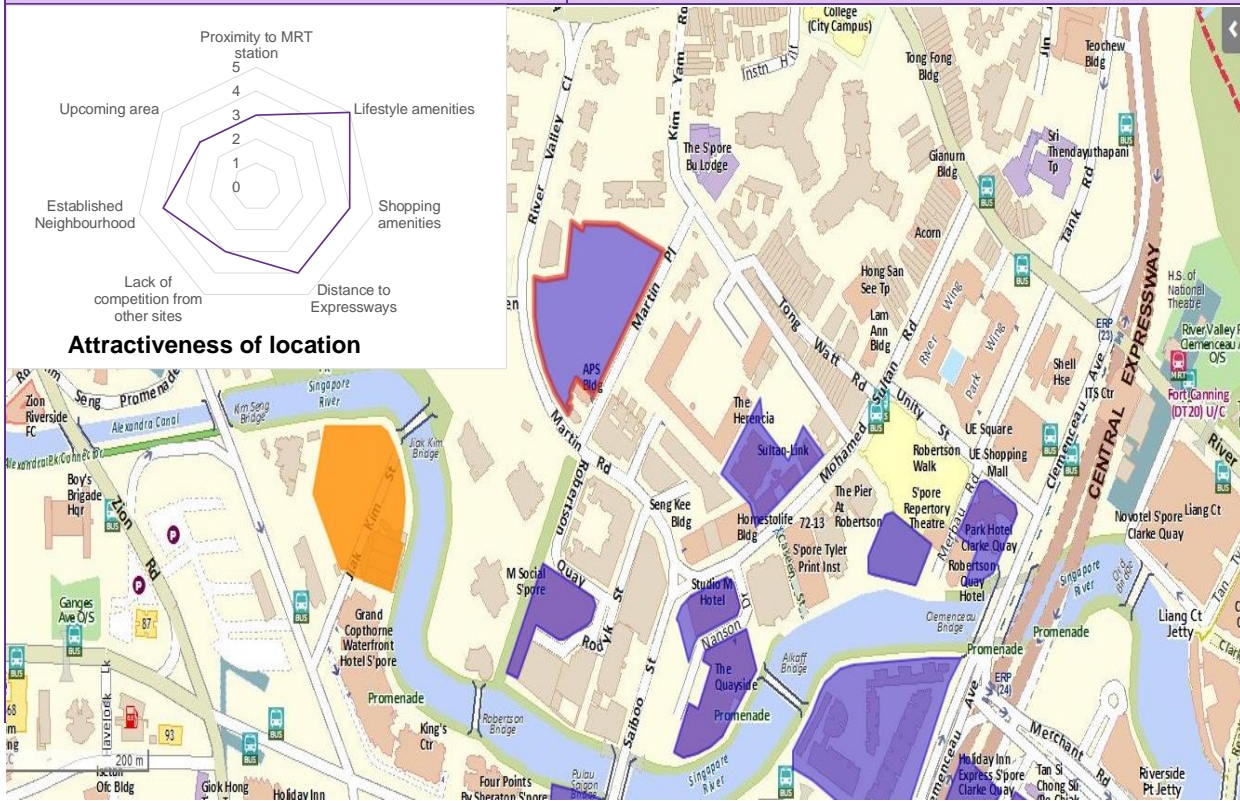
KEY FACTS

Total Stock of non-landed homes in District 21	13,485 units	Unit prices based on 2016 transactions	\$1,300- \$1500 per sq ft	
Total Transactions in District 21	391 units	Potential theme	Family oriented housing	
Amenities within Walking Distance (< 20mins)	Bukit Timah Market Bukit Timah Primary School Pei Hwa Presbyterian Primary School Beauty World Plaza Bukit Timah Shopping Centre Beauty World MRT Station Ngee Ann Polytechnic SIM University Bukit Timah Shopping Centre Rail Corridor	Projects recently launched	The Creek@ Bukit (freehold)	
		Last GLS site launched in the vicinity	1997(\$27.4m, \$288 per sq ft per plot ratio)	
		Resident working persons in Bukit Timah Planning Area (2015)	36,800	
Within short driving distance	PIE Expressway Bukit Timah Natural Reserves Bukit Batok Nature Park Memories at Old Ford Factory Singapore Quarry	Resident working persons earning more than \$8,000 in Bukit Timah Planning Area (2015)	20,100	
		Resident working persons driving car in Bukit Timah Planning Area (2015)	5,400	
Resident Households with no family nucleus (2015)	3,100	Developments and unit prices based on 2016 transactions		
Pros:	The location of the land parcel at Toh Tuck Road is strategic, given its proximity to natural amenities (Rail Corridor and Bukit Timah Nature Reserves), established educational institutions and MRT stations.	Development (Tenure)	Lowest Unit Price in 2016 (\$ per sq ft)	Highest Unit Price in 2016 (\$ per sq ft)
		Goodluck Garden (FH)	941	1,060
Cons:	The malls in the areas are dated, and there are limited shopping options.	High Oak Condominium (LH)	712	896
		Highgate (FH)	936	1,009
		Nottinghill Suites (FH)	1,372	1,581
		Signature Park (FH)	943	1,188
		The Beverly (FH)	668	1,219
		The Creek @Bukit (FH)	1,230	1,837
		Toh Tuck Lodge (FH)	780	855

Jiak Kim Street

District 9
Site Area: 1.33ha
GPR: 3.8
No Height Constraints
Residential with 1,500 sqm commercial

URA's estimated number of units: 515
Estimated Launch: June 2017



Likely buyers

- Young professionals, millennials who like the lifestyle in the area
- Families staying at older developments in the area
- Investors seeking to rent to expatriates working in the CBD

KEY FACTS

Total Stock of non-landed homes in District 9	23,016 units	Unit prices based on 2016 transactions	\$2,000-\$2,200 per sq ft																					
Total Transactions in District 19	1,102 units	Potential theme	Waterfront housing																					
Amenities within Walking Distance (< 20mins)	Great World City Great World MRT Station River Valley Primary School Night entertainment along Muhammed Sultan Road	Projects recently launched	Cairnhill Nine																					
		Last GLS site launched in the vicinity	2016 (\$595m, \$1,239 per sq ft per plot ratio)																					
		Resident working persons in Planning Area (2015)	NA																					
Within short driving distance	Clarke Quay The Central Orchard Road shopping district	Resident working persons earning more than \$8,000 in Planning Area (2015)	NA																					
		Resident working persons driving car in Planning Area (2015)	NA																					
Resident Households with no family nucleus (2015)	NA	Developments and unit prices based on 2016 transactions																						
Pros:	This site is a rare prime site in District 9 which includes a river front view. It is also proximate to Great World City, nightlife spots and River Valley Primary School. It is also within walking distance to the upcoming Havelock MRT station. It is also convenient to people who work in CBD and Orchard.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4a4a8a; color: white;">Development (Tenure)</th> <th style="background-color: #4a4a8a; color: white;">Lowest Unit Price in 2016 (\$ per sq ft)</th> <th style="background-color: #4a4a8a; color: white;">Highest Unit Price in 2016 (\$ per sq ft)</th> </tr> </thead> <tbody> <tr> <td>Cairnhill Nine (LH)</td> <td style="text-align: center;">1,726</td> <td style="text-align: center;">2,910</td> </tr> <tr> <td>Sophia Hills (LH)</td> <td style="text-align: center;">1,779</td> <td style="text-align: center;">2,130</td> </tr> <tr> <td>UP@Robertson Quay (LH)</td> <td style="text-align: center;">1,985</td> <td style="text-align: center;">2,652</td> </tr> <tr> <td>Alba (FH)</td> <td style="text-align: center;">2,615</td> <td style="text-align: center;">2,750</td> </tr> <tr> <td>Devonshire 12 (FH)</td> <td style="text-align: center;">1,858</td> <td style="text-align: center;">1,878</td> </tr> <tr> <td>Starlight Suites (FH)</td> <td style="text-align: center;">1,850</td> <td style="text-align: center;">2,454</td> </tr> </tbody> </table>		Development (Tenure)	Lowest Unit Price in 2016 (\$ per sq ft)	Highest Unit Price in 2016 (\$ per sq ft)	Cairnhill Nine (LH)	1,726	2,910	Sophia Hills (LH)	1,779	2,130	UP@Robertson Quay (LH)	1,985	2,652	Alba (FH)	2,615	2,750	Devonshire 12 (FH)	1,858	1,878	Starlight Suites (FH)	1,850	2,454
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Cons:	It is close to the site at Martin Place which was awarded in 2016. Hence, it is likely to lose first mover advantage.																							

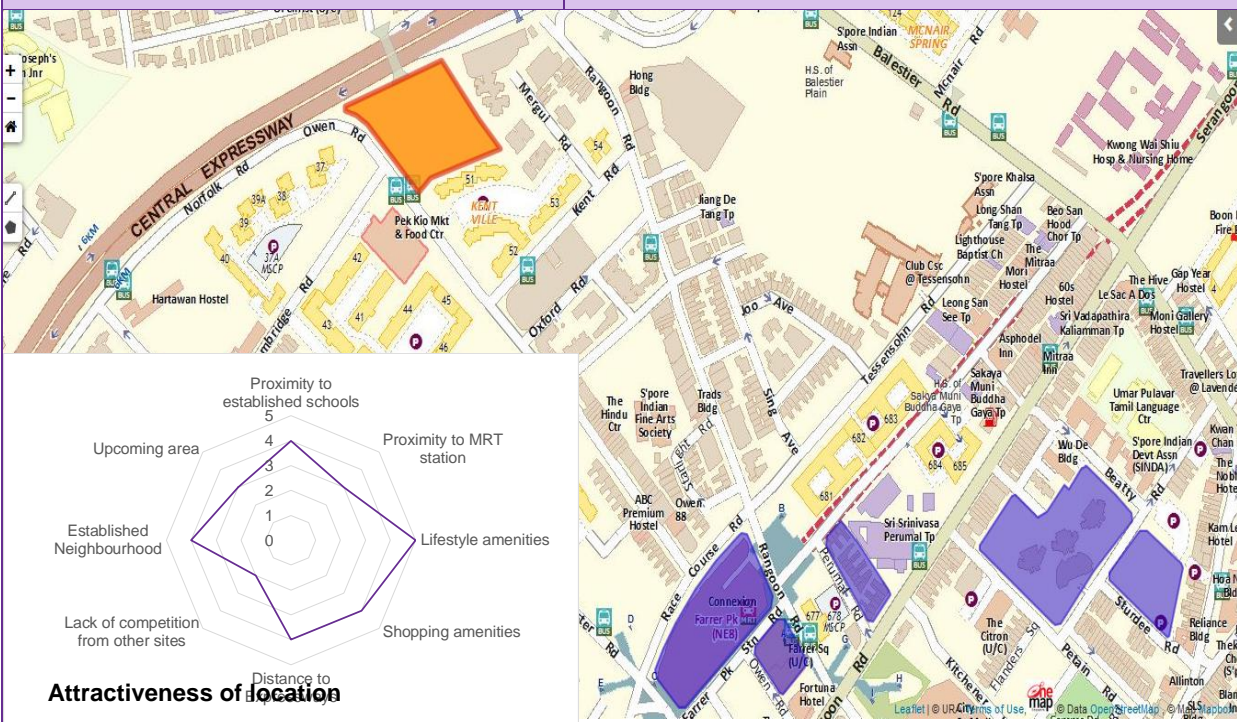
**LAND
PARCELS**

Reserved List

Owen Road

District 8
Site Area: 1.38ha
GPR: 3.5
Height Constraints: 104 AMSL

URA's estimated number of units:605
Estimated Launch: June 2017



Source: URA Space, Edmund Tie & Company Research

Likely buyers

- Young professionals that are attracted to the culture and lifestyle of area, affordable food and transport amenities.
- Upgraders or families living in the surrounding HDB estate.
- Investors seeking to rent to expatriates and doctors working in Kandang Kerbau Hospital, Thomson Hospital, Mount Elizabeth Novena Hospital, Tan Tock Seng Hospital, and Farrer Park Hospital.

KEY FACTS

Total Stock of non-landed homes in District 19	5,347 units	Unit prices based on 2016 transactions	\$1,400- \$1,500 per sq ft																		
Total Transactions in District 19	367 units	Potential theme	Lifestyle for millennials and professionals																		
Amenities within Walking Distance (< 20mins)	Farrer Park MRT Station Little India Kandang Kerbau Hospital Tan Tock Seng Hospital St Joseph Institution Junior Pek Kio Market and Food Centre	Projects recently launched	Sturdee Residences																		
		Last GLS site launched in the vicinity	2015 (\$181.2m, \$786.91 per sq ft per plot ratio)																		
		Resident working persons in Planning Area (2015)	NA																		
Within short driving distance	Malls in the Novena area Orchard Road Shopping area CTE Expressway Toa Payoh Hub PIE Expresswat	Resident working persons earning more than \$8,000 in Planning Area (2015)	NA																		
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Resident Households with no family nucleus (2015)	NA	Developments and unit prices based on 2016 transactions <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4a4a8a; color: white;">Development (Tenure)</th> <th style="background-color: #4a4a8a; color: white;">Lowest Unit Price in 2016 (\$ per sq ft)</th> <th style="background-color: #4a4a8a; color: white;">Highest Unit Price in 2016 (\$ per sq ft)</th> </tr> </thead> <tbody> <tr> <td>Sturdee Residences (LH)</td> <td style="text-align: center;">1,410</td> <td style="text-align: center;">1,799</td> </tr> <tr> <td>28 RC Suites (FH)</td> <td style="text-align: center;">1,528</td> <td style="text-align: center;">1,528</td> </tr> <tr> <td>8 Farrer Suites (FH)</td> <td style="text-align: center;">1,645</td> <td style="text-align: center;">1,648</td> </tr> <tr> <td>Forte Suites (FH)</td> <td style="text-align: center;">1,285</td> <td style="text-align: center;">2,025</td> </tr> <tr> <td>Ritz@Farrer (FH)</td> <td style="text-align: center;">1,426</td> <td style="text-align: center;">1,468</td> </tr> </tbody> </table>		Development (Tenure)	Lowest Unit Price in 2016 (\$ per sq ft)	Highest Unit Price in 2016 (\$ per sq ft)	Sturdee Residences (LH)	1,410	1,799	28 RC Suites (FH)	1,528	1,528	8 Farrer Suites (FH)	1,645	1,648	Forte Suites (FH)	1,285	2,025	Ritz@Farrer (FH)	1,426	1,468
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Pros:	The site is strategically located and is proximate to major shopping belts, hospitals and cultural amenities.																				
Cons:	The site is too close to CTE and will incur higher construction costs to ameliorate the noise pollution. There are some competing projects in Novena and Farrer Park.																				