12 September 2019

Property | Real Estate

Real Estate

Neutral (Maintained)

Measures To Boost Public Housing Market

Stocks Covered	2
Ratings (Buy/Neutral/Sell):	1 / 1 / 0
Last 12m Earnings	Negative

- **Stay NEUTRAL; prefer diversified plays and real estate agencies.** The Government's latest announcement to support first-time HDB buyers should prop up HDB resale market volumes and stabilise prices which have been trending south. While the move is slightly negative for the private property market, we note the renewed buying interest in recent new launches – which we believe is driven by GSW and the URA draft master plan 2019 announcements, and persistently low interest rates.
- **Housing and Development Board (HDB) resale prices to stabilise; slightly negative for private property.** The Ministry of National Development (MND) yesterday announced various measures to increase the affordability of public housing. These include enhancing housing grants and raising the income ceiling by SGD2,000 for first-time home owners (Figures 2 and 3). We believe the measures are more targeted towards supporting the HDB resale market, which has seen some pressure lately. This is due to higher supply and the Government's clarification that only a small proportion of flats are suitable for redevelopment, and the remainder are to be surrendered upon lease expiry. With a higher ceiling and enhanced grants, the pool of buyers is set to widen – which should help stabilise HDB unit resale prices, which have been declining. The measures are slightly negative for the private property market, as some first-time buyers may shift their attention to public housing post changes. Overall, however, we do not expect this shift in demand to be significant (<5%).
- **Strong response for recent new launches points to robust September sales.** Recent launches of Parc Clematis (324 of 465 units sold on launch weekend) and Avenue South Residences (276 of 300 units sold on the first day) saw strong buying demand – which we believe were mainly fuelled by draft master plan announcements and redevelopment plans for the Greater Southern Waterfront (GSW) region. We also think the lack of new launches in the area and reasonable pricing helped in propping up some demand. Upcoming new launches to watch out for include Meyer Mansion, Sengkang Grand Residences and The Antares. We expect private new home sales for September at >1,200 units (Sep 2018: 932 units) on the back of strong buying demand.
- **Volumes to stay resilient; prices to stay flattish in 2019.** Despite the recent optimism in new launches, property prices should not climb steeply, as the worsening macro-economic outlook and more choices from higher supply will dampen demand. In 1H19, the Urban Redevelopment Authority (URA) private property price index rose 0.8%, and we maintain our full-year price growth estimate of 0-2% for 2019. We expect full-year sales volumes at 9,000-10,500 units (YTD August: 5,628 units), vs 2018's 9,300 units.
- **Margins to stay thin.** The challenging market conditions mentioned above are likely to compel developers to focus more on volumes, and less on margins. As such, we expect margins to remain squeezed, at around 5-15%, vs c.15-25% seen in 2010-2015. Our preference is for developers with well-diversified geographical exposure and high recurring income, along with volume related plays (real estate agencies). We see APAC Realty as a key beneficiary of the pick-up in property sales volumes.

Company Name	Rating	TP (SGD)	% Upside (Downside)	P/E (x) Dec-19F	P/BV (x) Dec-19F	Yield (%) Dec-19F
APAC Realty	Buy	0.65	30.0	10.0	1.2	5.7
City Developments	Neutral	9.20	(4.8)	17.6	0.9	2.1

Source: Company data, RHB

Top Picks	Target Price
APAC Realty (APAC SP) – BUY	SGD0.65

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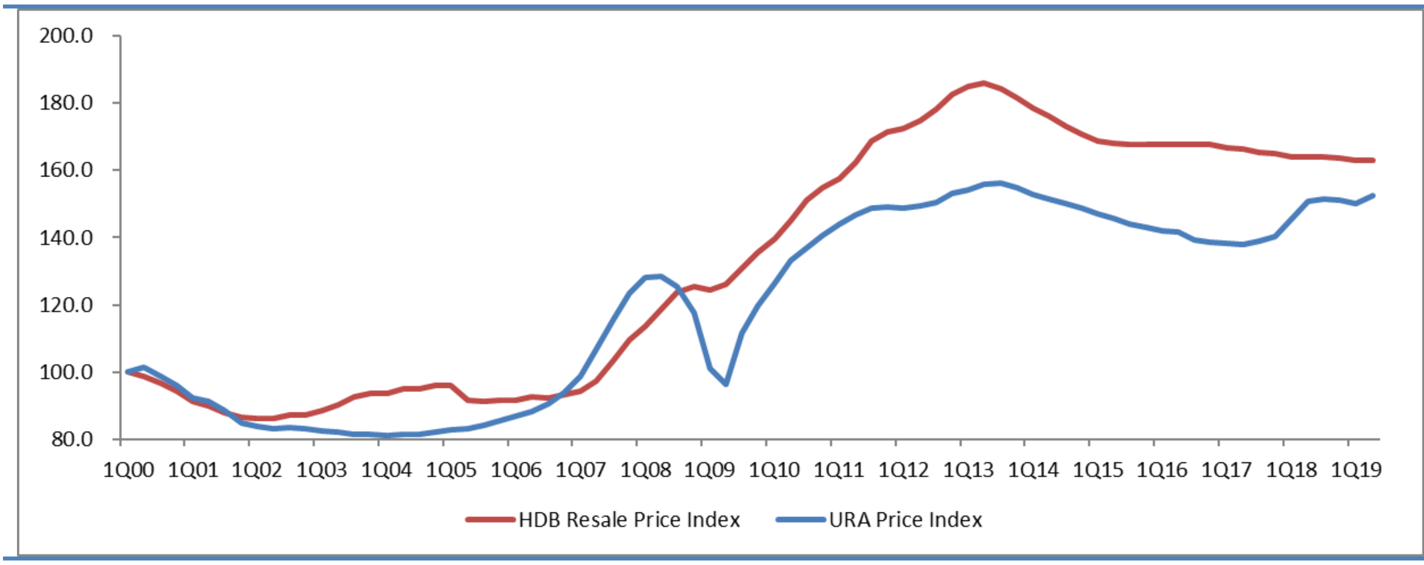
Figure 1: Public and private property price indices (1Q00 as base 100)



Source: URA, HDB, RHB

Figure 2: Enhanced housing grants

Enhanced CPF Housing Grant

First-time buyers can get more support under the Enhanced CPF Housing Grant (EHG), which replaces the Additional CPF Housing Grant (AHG) and the Special CPF Housing Grant (SHG) from Sept 11, 2019.

Grants for first-timer families with EHG

Before

Up to $80,000 in grants for new flats, comprising:
- $40,000 AHG, income ceiling: $5,000
- $40,000 SHG for 4-room or smaller flats in non-mature estates, income ceiling: $8,500

Up to $120,000 in grants for resale flats, comprising:
- $50,000 CPF Housing Grant, income ceiling: $12,000
- $40,000 AHG, income ceiling: $5,000
- $30,000 Proximity Housing Grant

After

Up to $80,000 in grants for new flats, comprising:
- $80,000 EHG for any flat type and estate, income ceiling: **$9,000**

Up to $160,000 in grants for resale flats, comprising:
- $50,000 CPF Housing Grant, income ceiling: **$14,000**
- **$80,000** EHG, income ceiling: **$9,000**
- $30,000 Proximity Housing Grant

Source: MND, The Straits Times

Figure 3: Revisions to income ceilings

Higher income ceilings

	Before	After
HDB flats	families $12,000	families $14,000
	singles $6,000	singles $7,000
Executive Condominiums	$14,000	$16,000

Source: MND, The Straits Times

Figure 4: Parc Clematis Show flat – the balloting crowd

Source: Edgeprop

Figure 5: Avenue South Residences – the balloting crowd

Source: Edgeprop

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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