

Singapore Property

NEUTRAL [Unchanged]

Surprise Review of Property Cooling Measures

Potential positives from change in policy measures

We believe surprise changes to the property cooling measures have positive implications for Singapore’s residential market. In particular, relief from changes to the Seller’s Stamp Duties could nudge the marginal buyer concerned with potential penalties to buy a new property. This could have positive impact on sales volumes and prices. However, we believe the market should curb their enthusiasm as home buying demand will remain constrained by the ABSD, LTV and TDSR requirements. At the margin, we see upside risks to our home sales volume and price assumptions. CDL and Wing Tai have the biggest exposure to Singapore’s residential market.

Surprise revision to property cooling measures

The Singapore Government [announced](#) a surprise revision to the property cooling measures. This is after an 11.3% decline in home prices since its peak in 3Q13. The last round of tightening was the implementation of the Total Debt Servicing Ratio (TDSR) measure, which marked the top of the home price rally.

- 1) No change to Additional Buyer’s Stamp Duties (ABSD) and Loan to Value (LTV) limits.
- 2) Implementation of Seller’s Stamp Duties (SSD) is cut from 4 to 3 years with quantum lowered by 4ppt. See below for details.
- 3) TDSR framework will no longer apply to mortgage equity withdrawal loans with LTV ratios of 50% and below. Note that this is meant to allow homeowners to monetise their properties for cash. Usual TDSR requirements still apply for new home buyers.
- 4) Stamp Duties (Amendment) will be tabled to impose usual property stamp duties when equity interests in property-holding entities are transferred. Essentially, this closes the loophole used by developers to offload unsold stock in projects facing QC deadlines.

Knee jerk positives for CDL and Wing Tai

We see the change in SSD as a positive for the property market. Home buyers concerned about potential penalties if they have to liquidate properties after purchase could be swayed. This has potential positive implications on sales volumes and prices. Nonetheless, any rebound in home buying demand will remain constrained by the ABSD, LTV and TDSR requirements. For developers under coverage, CDL and Wing Tai have the biggest exposure to Singapore’s residential market.

Analyst

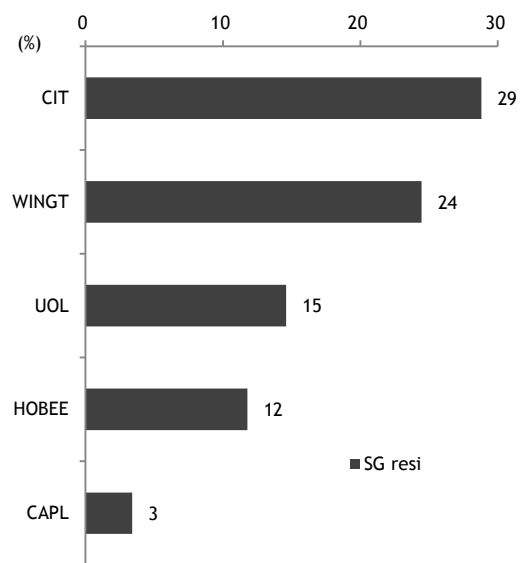
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Property Developers

BBG Ticker	Rating	Price (SGD)	TP (SGD)	Upside (%)	RNAV disc. (%)	P/BV (x)
UOL	Buy	6.62	7.68	16	(33)	0.66
CAPL	Hold	3.57	3.66	3	(31)	0.86
CIT	Hold	9.61	9.00	(6)	(19)	0.94
HOBEE	Hold	2.33	2.47	6	(43)	0.53
WINGT	Hold	1.79	1.67	(7)	(15)	0.44

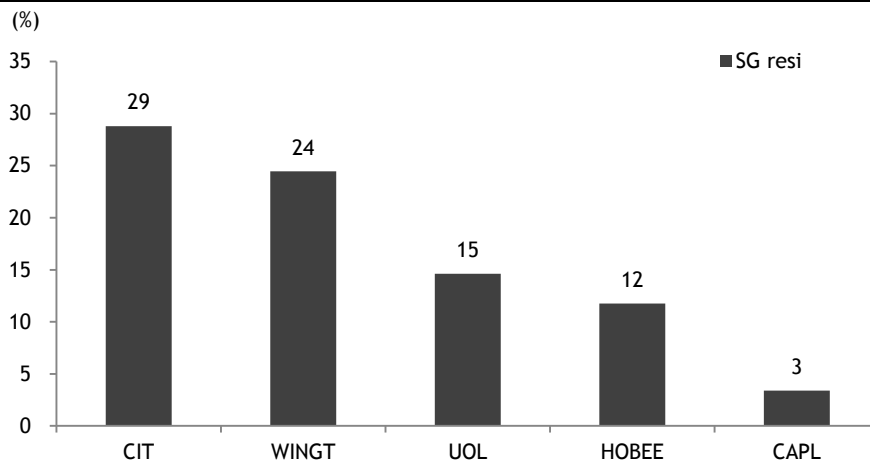
Source: Maybank Kim Eng

Exposure to SG residential market (% of current GAV)



Source: Company, Maybank Kim Eng

Fig 1: City Developments and Wing Tai have the biggest exposure to Singapore's residential market in our universe



Source: Companies, Maybank Kim Eng

Fig 2: Change in Seller's Stamp Duties

Holding Period	14 Jan 2011 to 10 March 2017 (both dates inclusive)		On and after 11 March 2017
	Up to 1 year	16	12
More than 1 year and up to 2 years	12	8	
More than 2 years and up to 3 years	8	4	
More than 3 years and up to 4 years	4	No SSD payable	
More than 4 years	No SSD payable	No SSD payable	

Source: Ministry of Finance

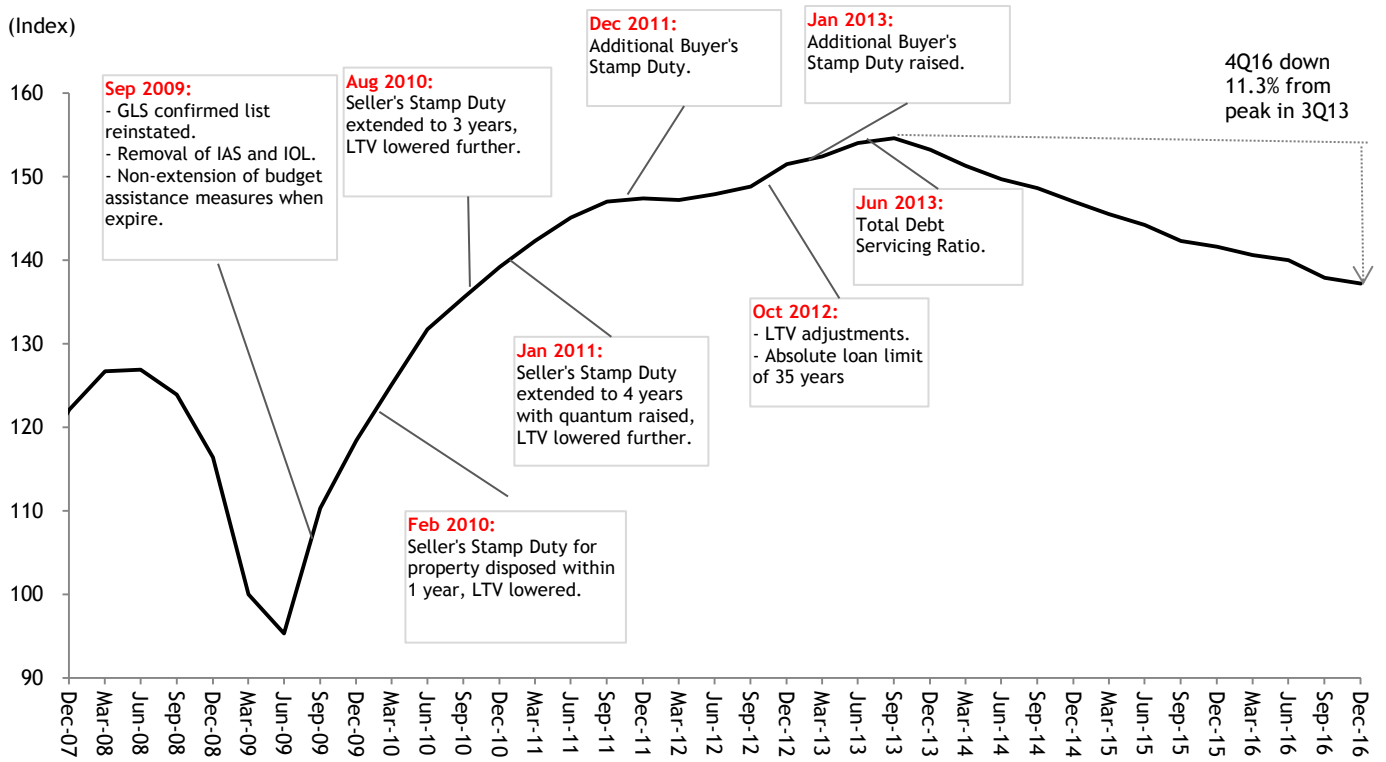
Fig 3: Property developers - valuation comparison

Company	Rating	Price (SGD)	TP (SGD)	Upside (%)	MC (SGD b)	ADTV (SGD m)	Free Float (%)	RNAV (SGD)	Curr. prem/ (disc) (%)	Target prem/ (disc) (%)	BVPS (LC)	P/BV (x)	P/E (x)			Yield (%)	Net gearing (ND/E) (%)
													15	16E	17E		
UOL	Buy	6.68	7.68	15	5.4	6.2	67	9.90	(33)	(22)	10.10	0.66	13.7	18.7	12.3	2.2	24
CapitaLand	Hold	3.61	3.66	1	15.3	39.2	59	5.18	(30)	(29)	4.15	0.87	14.4	12.9	10.0	2.8	41
City Developments	Hold	9.72	9.00	(7)	8.8	14.1	65	11.92	(18)	(24)	10.22	0.95	11.4	13.5	14.3	1.6	18
Ho Bee	Hold	2.37	2.47	4	1.6	0.3	25	4.06	(42)	(39)	4.39	0.54	6.5	7.3	16.8	2.5	44
Wing Tai	Hold	1.81	1.67	(8)	1.4	2.1	48	2.11	(14)	(21)	4.09	0.44	9.3	>100	85.4	3.3	20
HKLand (USD)		7.03			23.5	12.3	50				13.30	0.53	8.2	18.7	17.4	2.7	6
GLP		2.73			12.8	46.1	52				2.57	1.06	12.5	13.3	30.9	2.9	28
Frasers Centrepoint		1.68			4.9	0.4	12				2.38	0.71	6.3	6.4	8.5	5.1	64
UIC		2.96			4.2	0.3	14				4.39	0.67	n.a.	n.a.	n.a.	n.a.	16
Yanlord		1.73			3.3	2.9	25				2.26	0.76	10.4	9.5	8.0	1.3	17
Mand. Orient. (USD)		1.27			2.3	0.4	24				0.93	1.36	17.9	n.a.	n.a.	n.a.	25
Wheelock Properties		1.85			2.2	1.9	24				2.50	0.74	54.9	n.a.	n.a.	n.a.	(16)
GuocoLand		1.85			2.2	0.4	22				2.96	0.63	9.7	3.6	10.2	4.9	70
United Engineers		2.92			1.9	2.4	92				3.06	0.95	18.2	13.8	26.1	n.a.	26
Hotel Properties		4.00			2.1	0.1	15				3.45	1.16	25.5	n.a.	n.a.	n.a.	43
OUE		2.10			1.9	1.0	31				4.45	0.47	12.1	n.a.	24.0	2.4	54
Oxley		0.59			1.7	0.6	16				0.31	1.90	28.3	n.a.	5.3	n.a.	250
Perennial RE		0.85			1.4	0.3	21				1.63	0.52	41.3	39.9	46.9	0.5	71
Bukit Sembawang		6.18			1.6	1.0	74				4.92	1.26	n.a.	n.a.	n.a.	n.a.	(29)
Fragrance		0.17			1.1	0.1	14				0.15	1.10	n.a.	n.a.	n.a.	n.a.	77
Metro Holdings		1.11			0.9	1.0	52				1.64	0.67	n.a.	n.a.	n.a.	n.a.	(38)
Straits Trading		2.16			0.9	0.2	30				3.34	0.65	n.a.	n.a.	n.a.	n.a.	15
Total				1	101	133			(27)	(27)		0.85	17.7	14.3	22.6	2.7	38

Share prices as of 9 Mar 2017

Source: Bloomberg, Factset, Maybank Kim Eng

Fig 4: Property Price Index vs property cooling measures



Source: URA, MND, IRAS, MAS, Maybank Kim Eng

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