

DEAL OR NO DEAL

PRIVATE RESIDENTIAL EN-BLOC SALES

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En-bloc sales plunged by 88.4% y-o-y to \$28.8m in 1Q14, the lowest since 3Q09. The grim outlook of collective sales is likely to persist as developers struggle amidst tepid buying demand in the private residential market, risk of further rounds of cooling measures, and additional penalties for not completing the project within the stipulated time period.

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Tepid Performance

Languishing in doldrums, the total transaction value from private residential en-bloc sales plunged by 88.4% y-o-y to \$28.8m in 1Q14 (Table 1), the lowest since 4Q09 (Figure 1). As the process of a private en-bloc sale becomes increasingly cumbersome and expensive, sites acquired from the private residential sector has taken the backseat as developers propel towards the Government Land Sales (GLS) programme to replenish their land bank.

Table 1: Q1 en-bloc sales

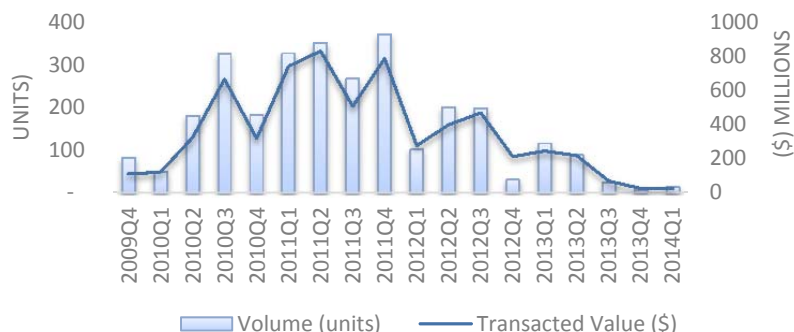
Quarter	\$m	% y-o-y
2011Q1	744.0	-
2012Q1	279.7	-62.4%
2013Q1	247.8	-11.4%
2014Q1	28.8	-88.4%

Source: URA, Square Foot Research

Based on publicly reported tenders, the success rate of developments sold en-bloc fell from 46.7% in 2012 to 22.7% in 2013. 14 out of a total of 30 developments put up for sale in 2012 were sold as compared to 3 out of 11 in 2013.

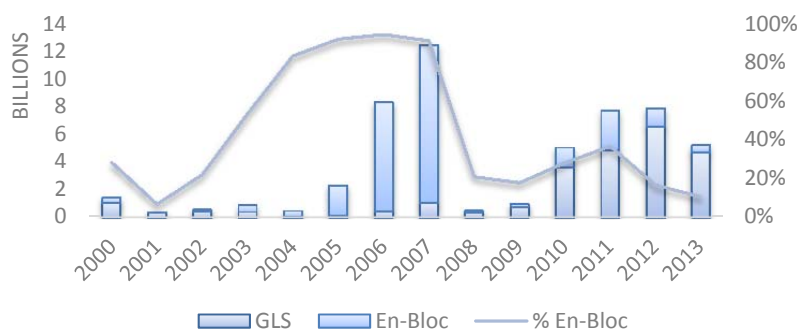
Overall, a total of \$569m was sold via en-bloc sales based on caveats lodged in the private residential segment last year as compared to a total of \$4,701.2m (\$2,263.6) from 17 land parcels (including 10

Figure 1: Volume and Transaction Value of En-Bloc Sales



Source: URA, Square Foot Research

Figure 2: En-Bloc Sales as a percentage of Total Land Sales



Source: URA, Square Foot Research

Executive Condominium sites) launched and sold in the same year via the GLS programme. Proportion of en-bloc sales (relative to total land sales, including both private and GLS) has fallen to an all-time low of 7% since 2002 as seen in Figure 2.

En-Bloc Cycle

As evident from the run in en-bloc sales from 2005 to 2008, en-bloc sales pick up during the early phase of an up cycle and peaks around the middle, where the market has

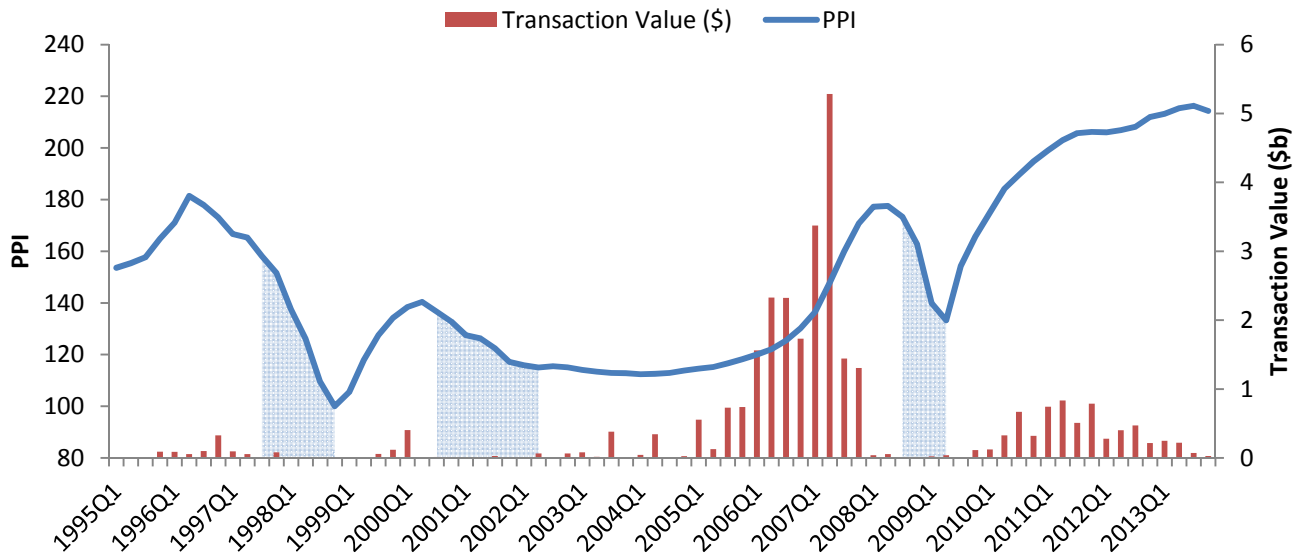
consistently risen for about a year and developers are fairly confident that the run will continue, before tapering off. In this particular cycle, en-bloc sales were as if a leading indicator of the property market.

A total of \$19.3b worth of en-bloc sales were done during 2006 and 2007, compared to \$5.7b from 2010 to 2012. The significant drop in value between the two periods

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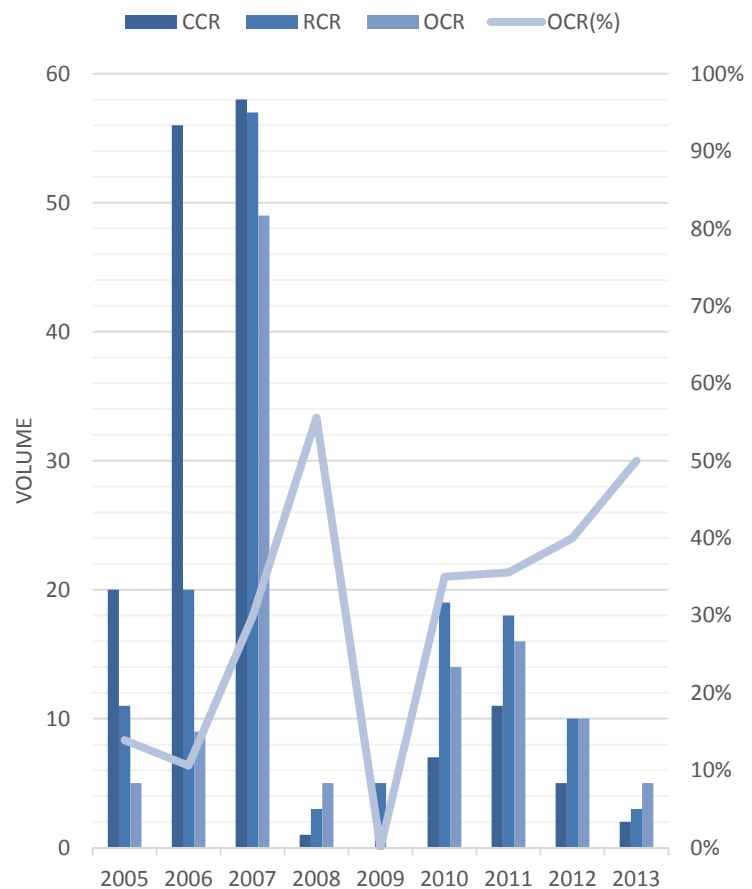
Figure 3: Property Price Index (PPI) vs. En-bloc Sales Value (\$b)



Source: URA, Square Foot Research

could be due to a few reasons. There was a drop in supply of projects that were available for en-bloc sale due to the large acquisition by developers over 2005 to 2008. The market rose sharply in a very short period of time reaching all-time high prices, projects that were put up for sale pegged their asking prices to unprecedented levels. The aggressive reinstatement of the GLS programme in 2010 flooded the market with supply of GLS sites in numbers far exceeding prior years, providing developers with an alternative option to replenish their land banks without having to acquire in the private market. The implementation of cooling measures, especially the ABSD in 2011, also dampened demand for en-bloc sites.

Figure 4: Regional Distribution of En-Bloc Sales by Volume



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Table 2: Regional Distribution of En-Bloc Sale

	CCR		RCR		OCR	
	(#)	(\$b)	(#)	(\$b)	(#)	(\$b)
2005-2008	135	15.22	91	4.14	68	2.25
2010-2013	25	2.05	50	2.41	45	1.79
% Change	-81%	-87%	-45%	-42%	-34%	-20%

Source: URA, Square Foot Research

The softening of the en-bloc market during the second cycle (from 2010 to 2013) was most significant in CCR where volume and transaction value fell by 81% and 87% respectively as seen in Table 2. Market share by transaction value in CCR similarly fell from 70% to 33% in the second cycle. The least impacted segment was OCR, where volume and transaction value fell by 34% and 20%, respectively.

The drastic drop of en-bloc sales in CCR may be due to the large acquisitions from 2005 to 2008 that led to an oversupply in the prime areas, where many projects have by now completed construction but have not yet fully sold. In addition, the lacklustre performance in the high-end property market may have also dampened developer interest to acquire lands in prime locations. On the other hand, demand for OCR remains relatively healthy as prices remain affordable to HDB

upgraders and first-time buyers.

GLS vs En-Bloc Sale

Unlike GLS, the process of acquiring land via the private market is more cumbersome. Developers need to take into consideration the cost of Development Charge (DC) or Development Premium (DP), one of which is applicable if there is a change in the intensity of land use, i.e. higher plot ratio or a change to higher-value land use, when there is a lease top-up, or both. In addition, the cost of demolishing the existing building and the financing cost while the en-bloc process is on-going, which typically includes a rent-free period for existing residents to relocate,

add to the total cost consideration. There is also the risk of objection by the minority.

In addition, the introduction of Additional Buyer Stamp Duty (ABSD) since 2011 (15% as of 2013) payable by corporate entities that acquire land for redevelopment (where the new project consists of 4 or more residential units) and fail to complete and sell off all residential units in the new development within 5 years further reduces the appeal of an en-bloc sale as compared to a GLS site, though a GLS site is subject to its own extension premium scheme if the project is not completed within the stipulated Projection Completion Period (PCP). It is often riskier in the private market as there is a greater uncertainty to the duration it takes for legal completion, especially if the en-bloc sale receives objections from minority owners. In addition, there needs to be time set aside for demolition works.

Table 3: Comparison between GLS & En-bloc Sales

	GLS	En-bloc
Legal Completion	By 90 Days from date of award	At least 6 months from date of award (by Sales Committee)
Demolition	No	Yes
Development Charge / Premium	No	Yes

Source: Square Foot Research

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Tenure & Location

The upside of acquiring sites in the private market is that the developer has a choice of leasehold or freehold sites, whereas all GLS sites are 99-year leasehold. Apart from tenure, the developer can choose projects with strategic / growth locations, whereas location of GLS sites are determined by the government's remaining land supply, which is mostly located in the suburbs.

Out of 366 projects sold en-bloc since 1995 based on caveats lodged, only 7 projects are 99-year leasehold projects, of which 4 are privatized HUDC estates. In terms of planning region, the bulk of en-bloc sales within the central region, making up 74.6% of the market share. Table 4 shows a breakdown by tenure and planning region of the number of developments sold en-bloc since 1995.

Conclusion

Given the current market conditions, chances of a sizeable en-bloc sale perking up anytime soon remains unlikely. Although the market is experiencing a slowdown in demand and is showing signs of a minor price correction, sellers in an en-bloc deal may

not be willing to lower their price expectations and the developer will find it difficult to justify the purchase given the implied thin margin, the risk of further cooling measures, and the potential 15% ABSD.

Table 4: Breakdown of En-bloc Sales by Tenure and Planning Region since 1995

Planning Region	Leasehold	Freehold	Total
CCR	2	158	160
OCR	2	91	93
RCR	3	110	113
Total	7	359	366

Source: URA, Square Foot Research

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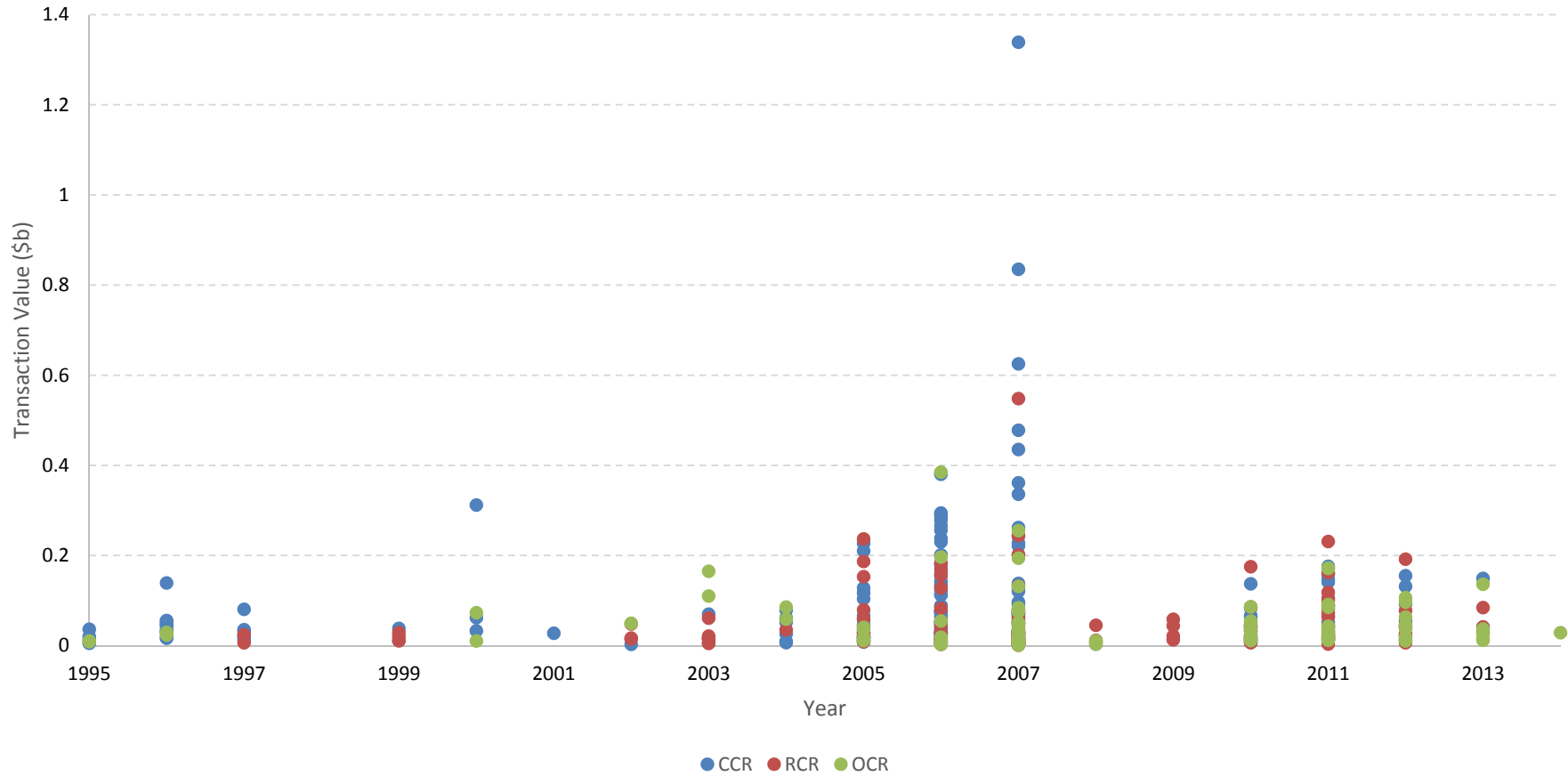
EN-BLOC SALES SINCE 2012

Date	District	Project name	Completion (Year)	No. of Units	Tenure	Price (\$)
10-Jan-14	15	KATONG OMEGA APARTMENT	1984	15	FREEHOLD	28,787,180
5-Dec-13	5	N.A.	UNKNOWN	7	FREEHOLD	29,000,000
6-Aug-13	14	SINGA COURT	1985	17	FREEHOLD	36,800,000
23-Jul-13	12	SHAN COURT	1975	10	FREEHOLD	41,400,000
24-Jun-13	11	CHANCERY GARDEN	1982	10	FREEHOLD	41,000,000
20-Jun-13	19	MINTON COURT	1992	8	FREEHOLD	11,988,210
17-Jun-13	19	YI MEI GARDENS	1984	48	FREEHOLD	136,000,000
1-Jun-13	15	SUNNYVALE APARTMENTS	1992	22	FREEHOLD	25,000,000
23-Mar-13	21	KISMIS LODGE	UNKNOWN	64	FREEHOLD	84,180,000
13-Feb-13	19	HUA COURT	1988	8	FREEHOLD	14,499,996
24-Jan-13	11	ULTRA MANSION	1978	45	FREEHOLD	149,130,000
18-Dec-12	10	HAMPTON COURT	1991	12	FREEHOLD	154,999,998
3-Dec-12	8	N.A.	UNKNOWN	8	FREEHOLD	41,762,000
18-Oct-12	15	WEDGEWOOD MANSIONS	1990	12	FREEHOLD	18,399,993
13-Sep-12	21	GREEN LODGE	1984	80	FREEHOLD	191,888,000
13-Sep-12	19	N.A.	1985	2	FREEHOLD	37,500,000
7-Sep-12	9	CHATEAU ELIZA	1992	37	FREEHOLD	92,200,000
28-Aug-12	8	N.A.	UNKNOWN	10	FREEHOLD	22,800,000
27-Aug-12	8	SAM LEONG MANSION	1978	24	FREEHOLD	40,308,000
14-Aug-12	19	HILLSIDE GARDENS	1988	9	999 YRS FROM 01/09/1876	18,499,995
8-Aug-12	19	BARTLEY COURT	1986	8	FREEHOLD	10,700,000
16-Jul-12	9	SOPHIA MANSION	1989	19	FREEHOLD	43,300,000
13-Jul-12	12	MAR THOMA MANSIONS	1995	10	999 YRS FROM 02/06/1882	13,923,984
18-Jun-12	12	KEMAMAN VIEW	UNKNOWN	30	FREEHOLD	45,500,000
18-Jun-12	5	WESTVALE	UNKNOWN	32	FREEHOLD	77,500,000
13-Jun-12	19	NAM PENG CENTRE	1995	8	FREEHOLD	13,299,228
24-May-12	11	NOVENA VILLE	1980	43	FREEHOLD	131,523,800
26-Apr-12	19	JADE TOWER	1981	72	FREEHOLD	106,272,000
13-Apr-12	19	KOVAN COURT	1981	16	FREEHOLD	27,100,000
31-Mar-12	19	BARTLEY GROVE	1976	25	FREEHOLD	63,195,098
31-Mar-12	19	N.A.	UNKNOWN	3	FREEHOLD	10,904,902
7-Mar-12	28	SELETAR GARDEN	UNKNOWN	30	FREEHOLD	96,188,000
2-Mar-12	14	PADDY GREEN	1998	7	FREEHOLD	6,349,000
21-Feb-12	10	YING MANSIONS	UNKNOWN	8	FREEHOLD	54,000,000
19-Jan-12	12	N.A.	UNKNOWN	12	FREEHOLD	23,500,000
5-Jan-12	14	N.A.	1974	18	FREEHOLD	25,580,000

Source: URA, Square Foot Research

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EN-BLOC SALES SINCE 1995



Source: URA, Square Foot Research

APPENDIX

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