

SELL, BUY OR PAY?

QUALIFYING CERTIFICATE RULES

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At least 5 developments have less than a year's time to clear their unsold units or be hit by penalties imposed by the Qualifying Certificate (QC) rules. What cards would the developers play in this bearish market?

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Against the Clock

At least 5 developments affected by the Qualifying Certificate Rules are running out of time to dispose their remaining unsold units.

These developments were completed in 2013 and have less than a year to meet stringent QC requirements.

Under the Residential Property Act's Qualifying Certificate (QC) rules, all developers with non-Singaporean shareholders or directors are required to obtain the Temporary Occupation Permit (TOP) for their housing developments within 5 years and to sell all dwelling units within two years from the date of TOP.

To extend the deadline,

developers will have to fork out an additional 8 per cent, 16 per cent and 24 per cent of the land purchase price for the first, second and subsequent years respectively. The amount is pro-rated accordingly to the proportion of unsold units.

Should developers fail to comply with the QC rules, their banker's guarantee of 10 per cent of the land purchase price that they put up will be forfeited.

Interestingly, all Sentosa Cove projects and developments by Far East Organization are not affected by the QC rules.

Developments completed in 2013 and affected by QC Rules

With an outstanding 169 unsold units remaining, The

Interlace by CapitaLand tops the chart with the most number of unsold units. This, however, is consequential to its massive supply of 1,040 units in total. Contrary to beliefs that the developer will cut price, prices of The Interlace have actually seen a gradual increase over time. The price in the primary market, however, is noticeably lower than recent transaction prices in the secondary market on a per-square-foot basis. With more than 80% of the units sold, the developer should have profited from the development and may not see the need to reduce prices immediately. The estimated fees payable to extend its deadline to sell also does not appear to be substantial.

Table 1: Developments Completed in 2013 that are affected by QC Rules

Project Name	TOP	Land Price ² (\$m)	D/	Region	Total Units	Unsold Units ¹	% Unsold	Developer	Est. QC Charge (\$m)			1 st Year Estimated QC Charge / Unsold Unit (\$'000)
									1 st Year	2 nd Year	3 rd Year	
THE INTERLACE	Sep 13	548.0	4	RCR	1,040	169	16%	CapitaLand	7.0	14.0	21.0	41.5
GOODWOOD RESIDENCE	Dec 13	278.7	10	CCR	210	49	23%	GuocoLand	5.1	10.3	15.4	104.7
ILIV @ GRANGE	Oct 13	72.8	10	CCR	30	30	100%	Heeton Holdings	5.8	11.6	17.5	194.1
URBAN RESORT CONDO	Mar 13	161.0	9	CCR	64	22	34%	CapitaLand	4.4	8.8	13.1	199.1
8 RAJA	May 13	15.5	12	RCR	26	19	73%	Popular Land	0.9	1.8	2.7	47.6

Source: URA, Square Foot Research

1. The number of unsold units is taken from the last reported developer sales figure or derived from reported caveats as of 30th December 2014, whichever higher.
2. Land Price excludes development charges or differential premium

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Figure 1a. Historical Price Chart of The Interlace

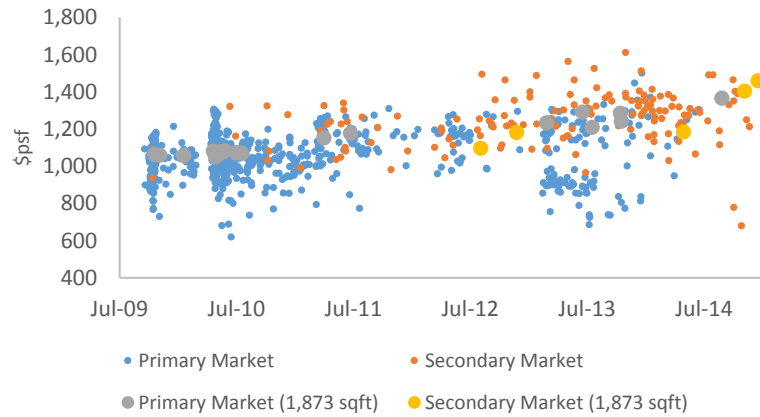


Figure 1b. Historical Price Chart of Urban Resort Condo

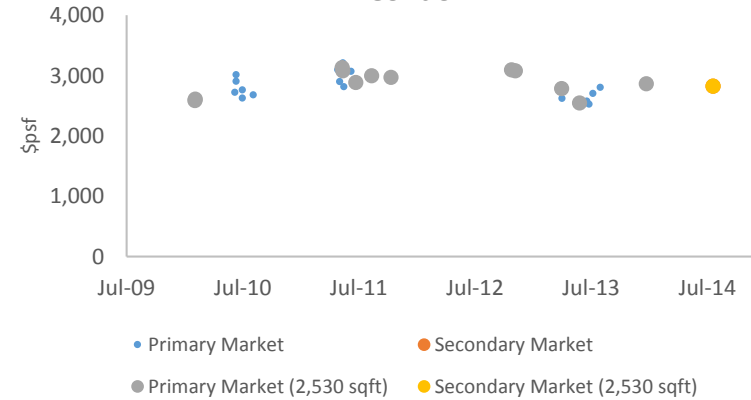


Figure 1c. Historical Price Chart of Goodwood Residence

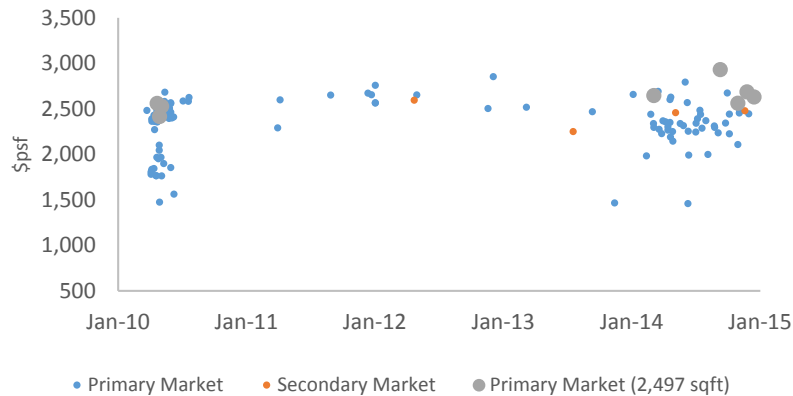
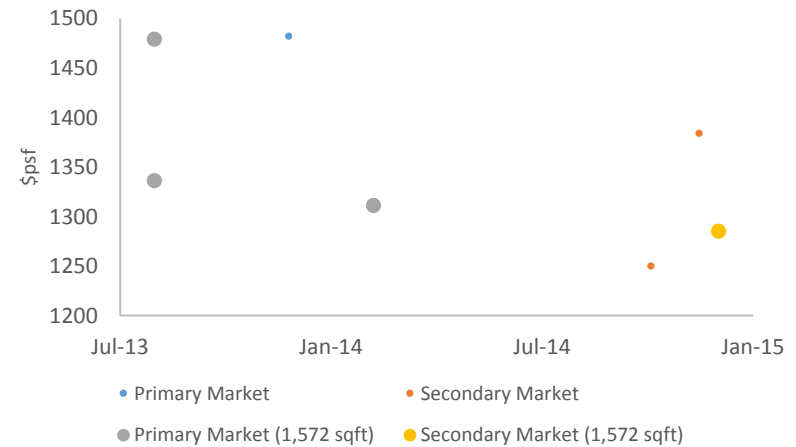


Figure 1d. Historical Price Chart of 8 Raja



Source: URA, Square Foot Research

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Another project affected by the QC rule, iLiv @ Grange has yet to launch since its completion in 4Q13. Heaton Holdings, the developer, has expressed interest in selling the development en-bloc to a single buyer at \$2,200 to \$2,300 psf, about 25% below its original intended sale price of \$3,000 psf. With an estimated breakeven price of about \$2,200 psf, the developer might be hoping to just break even on this project.

Heaton Holdings might face a \$5.82m extension charge should they fail to meet the stipulated deadline by end of the year. Should they choose to buy back the development at \$2,200 psf, they will have to fork out an estimated \$150m, including Additional Buyer Stamp Duty (ABSD), which would not really make sense for the developer.

Developers' Woes

Due to poor market sentiment and weak demand, the number of unsold completed units swelled for the fifth consecutive quarter since the implementation of Total Debt Servicing Ratio on 29 June 2013 to a record high in 3Q14 (Figure 2).

Excluding Executive Condominiums (EC), the

Figure 2: Unsold Completed Units in the Private Residential Market (excluding EC)

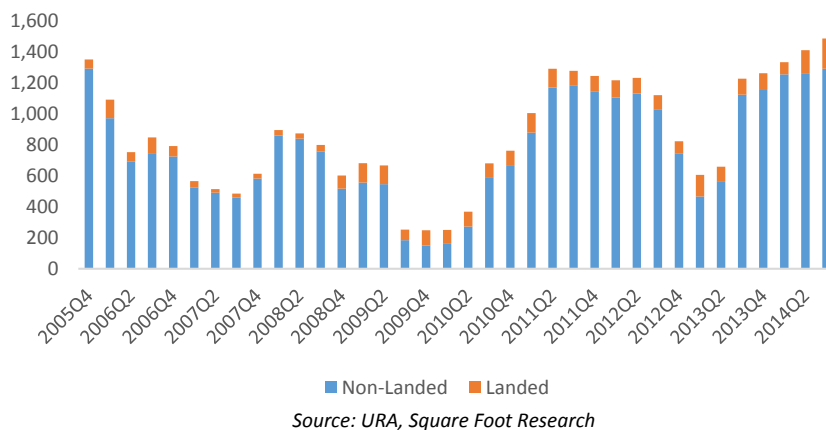
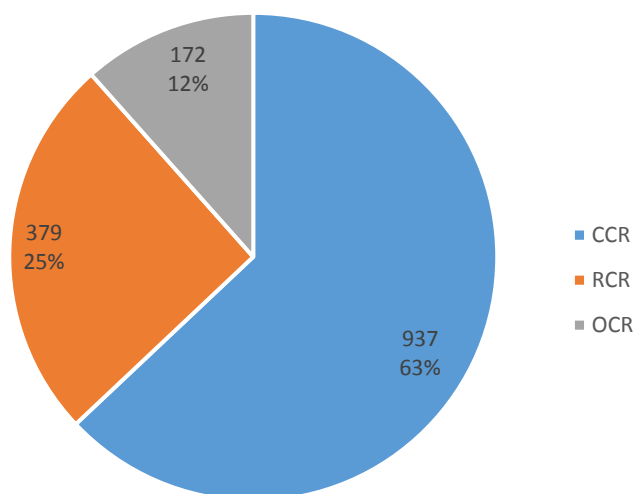


Figure 3: Distribution of unsold units in the Private Residential Market (3Q14)



number of completed unsold units increased by 5.4% q-o-q and 21.2% y-o-y to a record high (since 4Q15) of 1,488 units in 3Q14. Notably, 63% of the total unsold completed units are located in the Central Core Region (CCR) (Figure 3).

Apart from throwing in discounts and incentives to entice buyers and improve sales, a few developers have opted to put up their developments for bulk purchase or sell off their shares in the company (for example 111 Emerald Hill by Lian Beng Group and Hamilton Scotts by

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KOP Properties) as an alternative to avoid the extension charges, presumably the sale price of the shares would have taken into account the expected extension charges. Getting a sole buyer to purchase the entire development in bulk, however, may prove to be a challenge especially in today's bearish market.

While some companies are willing to pay the extension fees, the majority shareholder of SC Global has decided to take the company private to become a Singapore company within the meaning of the Residential Property Act, which are exempted from QC rules. In some cases, it may make sense for the company to buy back the remaining unsold units, even if it has to pay 15% Additional Buyer Stamp Duty

(ABSD). This is especially true for developers with projects located in CCR, in view of the limited supply and high replacement cost in that area. This would give developers greater control and flexibility in managing the unsold units by either leasing them out or selling them when the property market recovers.

UNSOLD UNITS

DEVELOPMENTS COMPLETED IN 2013

Project Name	Region	D/	Developer	Total Units	# Unsold ¹	6-month Average (\$psf) ²	Last Transaction Price (\$psf) ²	Last Transaction Date ²
CAPE ROYALE	CCR	4	Ho Bee Investment Ltd & IOI Properties (Singapore) Pte Ltd	302	302	-	-	-
THE INTERLACE	RCR	4	CapitaLand	1,040	169	1,270	1,458	18-Dec-14
ARDMORE RESIDENCE	CCR	10	Pontiac Land	58	58	-	-	-
GOODWOOD RESIDENCE	CCR	10	GuocoLand	210	49	2,405	2,683	26-Nov-14
ILIV @ GRANGE	CCR	9	Heeton Holdings	30	30	-	-	-
SEVEN PALMS SENTOSA COVE	CCR	4	SC Global	41	29	-	4,131	20-Nov-14
THE SOUND	OCR	15	Far East Organization	104	25	-	1,901	23-May-13
URBAN RESORT CONDO	CCR	9	CapitaLand	64	22	2,672	2,521	14-Nov-14
MARINA BAY SUITES	CCR	1	Keppel Land	221	19	2,699	2,699	27-Oct-14
THE OLIV	CCR	10	TG Development	23	19	-	2,488	20-Sep-10
8 RAJA	RCR	12	POPULAR LAND PTE LTD	26	19	1,306	1,285	05-Dec-14
ESPADA	CCR	9	Novelty Group	232	16	2,601	2,685	10-Dec-14
ST PATRICK'S RESIDENCES	OCR	15	TG Development	102	13	1,276	1,351	28-Nov-14
BOULEVARD VUE	CCR	10	Far East Organization	28	12	-	3,986	18-Mar-14
SIGLAP V	OCR	15	DB2 REALTY PTE LTD	114	5	1,566	1,548	14-Nov-14
THE BLISS	RCR	8	LR PROPERTIES PTE LTD	7	5	1,375	1,363	18-Sep-14

Source: URA, Square Foot Research

1. The number of unsold units is based on the last reported developer sales figure or derived from caveats lodged as of 30 December 2014, whichever is higher.
2. Average and last transaction prices are calculated based on caveats lodged as of 30 December 2014. Bulk purchases are excluded from the calculation of 6-month average price.
3. Developments with fewer than 5 unsold units are excluded.

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DEVELOPMENTS COMPLETED IN 2014

Project Name	Region	D/	Developer	Total Units	# Unsold ¹	6-month Average (\$psf) ²	Last Transaction Price (\$psf) ²	Last Transaction Date ²
D'LEEDON	CCR	10	CapitaLand	1,715	231	1,668	1,662	16-Dec-14
CONCOURSE SKYLINE	RCR	7	Hong Fok Group	360	119	-	1,895	28-May-14
THE MEYERISE	RCR	15	Hong Leong Holdings	239	97	2,112	2,356	26-Nov-14
WATERSCAPE AT CAVENAGH	CCR	9	Hiap Hoe	200	50	1,978	1,978	01-Dec-14
ALTEZ	CCR	2	Far East Organization	280	48	2,166	2,082	10-Nov-14
STARLIGHT SUITES	CCR	9	Melodies Limited	105	46	-	2,214	28-Jun-13
TWENTYONE ANGULLIA PARK	CCR	9	China Sonangol	54	45	-	4,704	23-Aug-13
RIVERBAY	RCR	12	Allgreen Properties Limited	147	41	1,315	1,399	09-Dec-14
LE NOUVEL ARDMORE	CCR	10	Wing Tai	43	40	-	-	-
TOMLINSON HEIGHTS	CCR	10	Hotel Properties Limited	70	36	3,140	3,092	24-Sep-14
RIVERSIDE MELODIES	RCR	12	Melodies Limited	41	35	1,308	1,308	20-Aug-14
THE COTERIE @ HOLLAND	CCR	10	Heritage group	36	27	-	1,948	07-Nov-12
CENTRO RESIDENCES	OCR	20	Far East Organization	329	26	1,480	1,525	08-Sep-14
THE PEAK @ CAIRNHILL I	CCR	9	TG Development/ Tee Development	52	21	2,567	2,567	05-Aug-14
FORESQUE RESIDENCES	OCR	23	Wing Tai	496	20	1,116	1,052	27-Oct-14
SUITES AT ORCHARD	CCR	9	Allgreen Properties Limited	118	16	-	2,090	01-Apr-14
LINCOLN SUITES	CCR	11	Koh Brothers Development Pte Ltd/Lian Beng Realty Pte Ltd/Kim Seng Heng Realty Pte Ltd/ Heeton Homes Pte Ltd	175	11	2,587	2,342	09-Dec-14

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DEVELOPMENTS COMPLETED IN 2014

Project Name	Region	D/	Developer	Total Units	# Unsold ¹	6-month Average (\$psf) ²	Last Transaction Price (\$psf) ²	Last Transaction Date ²
NATHAN SUITES	CCR	10	Hong Leong Holdings	65	10	1,845	2,000	06-Nov-14
SILVERSEA	RCR	15	Far East Organization	383	10	1,675	1,659	17-Dec-14
THE LANAI	OCR	23	Far East Organization	214	10	1,486	1,435	02-Dec-14
OCEAN FRONT SUITES	OCR	17	Regal Group	58	10	1,366	1,239	09-Dec-14
CYAN	CCR	10	Far East Organization	278	9	2,045	2,075	24-Sep-14
RANGOON 88	RCR	8	Kay Lim Holdings	48	8	-	1,421	30-May-14
THE CAPE	RCR	15	Far East Organization	76	8	2,114	2,114	27-Oct-14
THE BOUTIQ	CCR	9	Heeton Holdings/KSH Holdings/TEE International	130	7	2,170	2,229	20-Oct-14
THE SANCTUARY @ GEYLANG	RCR	14	TSG Properties	21	7	1,186	1,121	29-Sep-14
CENTRAL IMPERIAL	RCR	14	G28 Development Pte Ltd	63	6	-	1,252	16-Jan-14
MODA	RCR	15	Hor Kew Corporation	56	6	1,409	1,409	14-Oct-14
HORIZON RESIDENCES	RCR	5	Far East Organization	72	5	1,920	1,920	31-Jul-14

Source: URA, Square Foot Research

1. Other than Centro Residences, the number of unsold units is obtained from figures reported by the developers in November 2014. The number of unsold units for Centro Residences is obtained from the list of available units for sale released by Far East Organization.
2. Average and last transaction prices are calculated based on caveats lodged as of 30 December 2014. Bulk purchases are excluded from the calculation of 6-month average price.
3. Developments with fewer than 5 unsold units are excluded.

APPENDIX

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