

# DOUBLE TROUBLE

TWIN TENDER – A FRESH APPROACH

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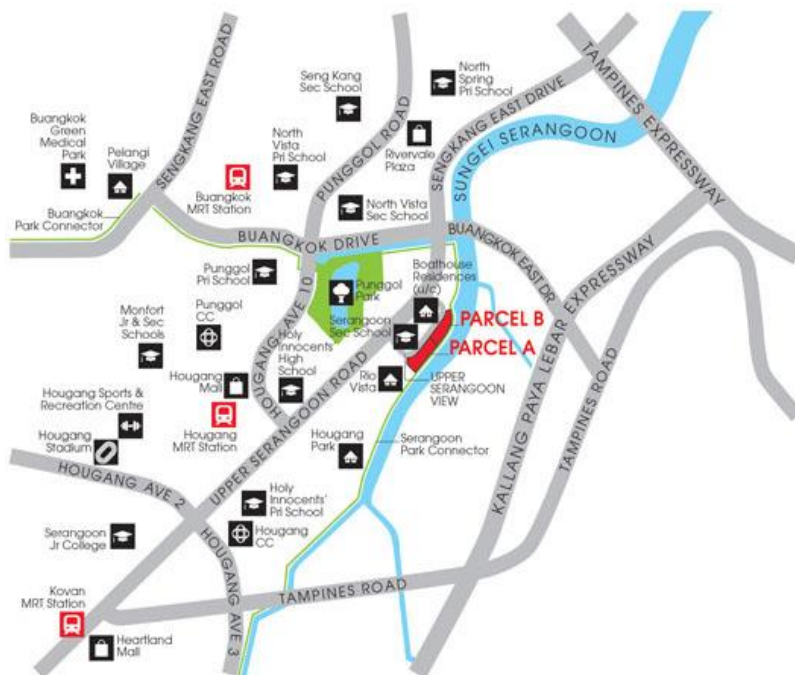
Two pairs of adjacent sites are up for sale this year in an initiative to promote prudent bidding among developers. The adjacency and similarity of the pairs may have a far-reaching influence on the outcome of the tenders as developers have more than just market conditions to consider.

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## TWIN TENDER – A FRESH APPROACH

As announced in the 2H2013 Government Land Sales (GLS) Programme, two pairs of adjacent sites will be up for tender this year in an initiative to promote prudent bidding among developers. The tender for the first pair (released in September) at Upper Serangoon View will close on 28 November 2013. Contrary to the previous batch release of 3 Executive Condominium (EC) sites, the adjacency and similarity of the two land parcels may have a far-reaching influence on the outcome of the tender as developers have more than just market conditions to consider.

Although there is no restriction on the launch date once the sites are sold, all GLS sites are given a period of 5 years to complete construction, after which a fee is imposed on any subsequent extensions. The winning developer is faced with the challenge of selling an estimated 920 units (based on an estimated average size of 90 sqm) should it win both sites or alternatively face stiff competition from the developer next door should it acquire only one of the two sites. Overbidding has never been more dreaded given that developers not only have to take into account market



Location of Residential Sites at Upper Serangoon View  
Source: URA

conditions but price competition from a next-door development sharing very similar qualities such as nearby amenities, location and land area.

Tendering a pair of sites under the batch tender closing system requires astute strategising. Ideally, developers would prefer to win both sites as it gives them greater control over the price and staging of launch should market slows. Bidding for both plots also increases the chances of winning either one should the developer fails to acquire both. However, this comes at a price. With a higher cost, developers would have to work on a tighter budget,

which leaves less room for overbidding. The high entry price for both sites may also deter small developers from participating. If the developer decides to bid for only one site, it has to ensure that the tender price is competitive, yet hopefully lower compared to its competitor next door. Either way, the batch tender closing system effectively encourages prudent bidding by indirectly increasing the penalty of overbidding.

A quick scan within 500m radius of the sites at Upper Serangoon View shows 5 developments of which 3 are still under construction. Looking at Boathouse Residences, a private

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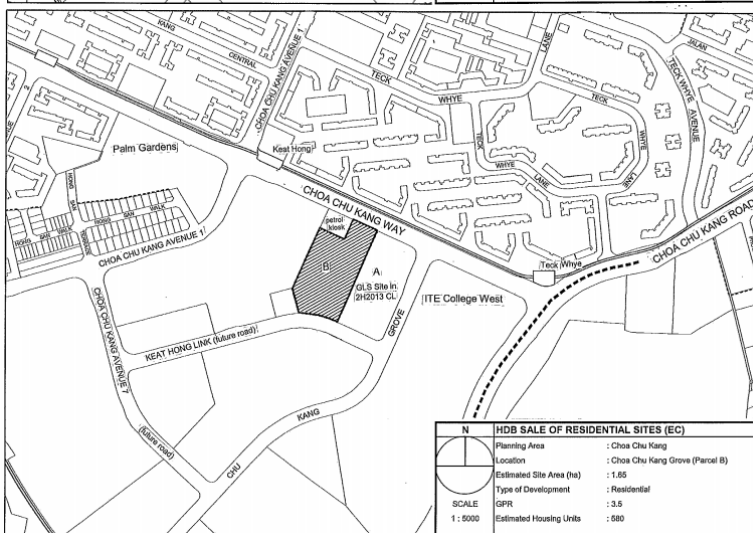
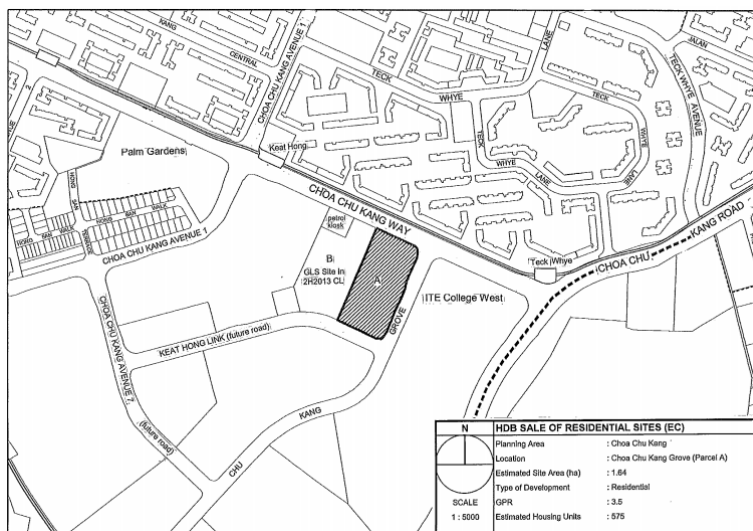
residential project currently under construction and is located just beside the two sites, the average selling price of a 900-1,000 sq ft unit is around \$950 psf. Assuming the new developments can fetch \$1,000 psf, the estimated breakeven is in the region of \$870 psf assuming a 15% profit margins for the developer. This implies a land cost of \$450-\$480 psf (see breakdown in Table 1). The total tender amount for both sites add up to an estimated \$410 million.

Unlike the first pair, the second pair scheduled for release under the batch tender closing system is a pair of EC sites. In view of the strong demand for EC, developers may still bid competitively for the pair of EC sites at Choa Chu Kang, due for release in December this year. The result of the batch tender for 3 EC sites carried out earlier this year is evident of the confidence developers have for EC developments. The plot at Yuan Ching Road set a new record price for an EC site and the other two plots at Punggol fetched prices at the higher end of their anticipated price range.

	PARCEL A	PARCEL B
<b>SITE USE</b>	RESIDENTIAL	RESIDENTIAL
<b>SITE AREA (SQM)</b>	15,342.10	11,953.20
<b>GFA (SQM)</b>	46,027.00	35,860.00
<b>ESTIMATED LAND COST (\$M)</b>	229.6	178.9
<b>CONSTRUCTION (\$M)</b>	148.6	115.8
<b>LAND FINANCING (\$M)</b>	16.1	12.5
<b>PROFESSIONAL / LEGAL / TAXES (\$M)</b>	31.6	24.6
<b>MARKETING / OTHERS (\$M)</b>	5.1	4
<b>EST. TOTAL COST (\$M)</b>	431	335.8
<b>EST. LAND COST (\$PSF PPR)</b>	<u>463.4</u>	<u>463.4</u>
<b>EST. BREAKEVEN (\$PSF PPR)</b>	<b>870</b>	<b>870</b>

Table 1: Estimated Land Prices at Upper Serangoon View

Source: URA, Square Foot Research



Location of EC sites at Choa Chu Kang

Source: MND

# GOVERNMENT LAND SALES

## DEVELOPMENTS NEAR UPPER SERANGOON VIEW

Location	Project	Type	Tenure	Land Size (sqm)	GFA (sqm)	Tender price (\$m)	\$psf	Developer	No. of Units	Avg. Size <sup>(1)</sup> (sq ft)	Avg. Selling Price <sup>(2)</sup> (\$psf)
<b>Sengkang East Avenue / Buangkok Drive</b>	Austville Residences	Executive Condominium	99 Yrs From 24/08/2010	17001.3	51003.9	176	320.6	UE / Lee Carriers	540	1,017	705
<b>Upper Serangoon View</b>	Boathouse Residences	Residential	99 Yrs From 09/02/2011	13000.3	45501.1	156.8	320.1	Frasers / Far East	493	993	919
<b>Buangkok Drive / Sengkang East Drive</b>	Riversound Residence	Residential	99 Yrs From 26/08/2011	19549.2	58647.6	247	391.3	Qingdao	590	1,070	865
<b>Upper Serangoon Crescent / Upper Serangoon Road</b>	Riversails	Residential	99 Yrs From 07/12/2011	24620.5	86171.8	270.28	291.4	Allgreen	921	1,007	870
<b>Upper Serangoon View / Upper Serangoon Road</b>	Heron Bay	Executive Condominium	99 Yrs From 04/06/2012	12392.2	43372.7	141.48	303.0	Ho Lee / Evia Real Estate	394	1,185	733
<b>Upper Serangoon View (Parcel A)</b>	-	Residential	-	15342.1	46027	-	-	-	-	-	-
<b>Upper Serangoon View (Parcel B)</b>	-	Residential	-	11953.2	35860	-	-	-	-	-	-

Source: URA, Square Foot Research

(1) The average size is estimated based on the gross floor area divided by the total number of units

(2) The average selling price is estimated based on caveats lodged

# GOVERNMENT LAND SALES

## RESIDENTIAL SITES IN THE CONFIRMED LIST

S/N	Location	Type	Site Area (ha)	Proposed GPR	Est. no. of Residential Units	Est. Commercial Space (m <sup>2</sup> )	Est. Launch Date
<b>Residential Sites</b>							
1	Upper Serangoon View (Parcel A)	Non-Landed Residential	1.53	3	510	-	Sep-13
2	Upper Serangoon View (Parcel B)	Non-Landed Residential	1.20	3	410	-	Sep-13
3	Westwood Avenue	Executive Condominium	1.74	2.8	485	-	Oct-13
4	Canberra Drive	Executive Condominium	2.86	2.1	600	-	Nov-13
5	Upper Paya Lebar Road	Non-Landed Residential	2.15	2.8	670	-	Nov-13
6	Anchorvale Crescent	Executive Condominium	1.81	3	545	-	Nov-13
7	Choa Chu Kang Grove (Parcel A)	Executive Condominium	1.64	3.5	575	-	Dec-13
8	Choa Chu Kang Grove (Parcel B)	Executive Condominium	1.65	3.5	580	-	Dec-13
9	Sims Drive	Non-Landed Residential	2.4	3	900	-	Dec-13
10	Yishun Avenue 9	Non-Landed Residential	2.2	2.8	685	-	Dec-13

Source: URA

# APPENDIX

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