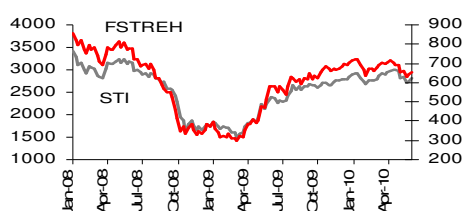


16 June 2010

# Neutral



## Property

### Residential demand still healthy

**New property launches fell 44% MoM in May.** For the month of May, property developers launched fewer non-landed property units in comparison to April. The number of new launches fell 44% MoM to 1,119 units. Decline in new launches were seen in all three regions. The Rest of Central Region (RCR) saw the steepest MoM decline of 66.9% but this was after an exceptional month in April, when a record number of 1,128 units were launched in the region. Mass market projects dominated the new launches as 48.4% of the units launched were in the Outside Central Region (OCR). Some of the key launches in OCR included The Minton (Developers: Kheng Leong/Low Keng Huat; 300 units launched) and Flamingo Valley (Developer: Frasers Centrepoint; 120 units launched).

**50% MoM decline in new units sold.** A total of 1,065 non-landed property units were sold by developers in May, a sharp MoM decline of 50%. We view this as a result of the fewer units launched by developers, as well as the euro-zone crisis, which could have dented buying sentiments in the market. Nevertheless, the take-up rate in May was still strong at 95.2%, but the number of launched but unsold units edged up by 3.5% MoM to 3,365 units. In RCR, the large supply of new units that entered the market in April continued to be well-absorbed by the market. Sales of luxury properties (>S\$2,500 psf) were also slower, with just 49 units sold (April: 91 units sold) and the most expensive property sold in May was a unit at Orchard View that fetched S\$3,641 psf. Projects that achieved the highest sales in May were The Minton (Developers: Kheng Leong/Low Keng Huat; 204 units sold), Casa Aerata (Developer: Ecco Realty; 78 units sold) and The Cascadia (Developer: Allgreen Properties; 72 units sold).

**Demand to remain healthy but euro-zone crisis a potential dampener.** The sharp decline in property sales is not a major concern. We view the take-up rate as a more meaningful figure that reflects the supply-demand dynamics and unsold inventory trend in the property market. The strong take-up rate in May supports our view of healthy demand for new property launches and we expect this trend to continue in the coming months, supported by the low interest rate environment. However, with memories of the global financial crisis still fresh in people's minds, we are wary that any worsening of the euro-zone crisis could lead to a sharp slow down in property sales. We reiterate our **NEUTRAL** rating on the overall property sector, with a positive view on the residential segment.

(\$)	CapitaLand	City Dev	Keppel Land	UOL	Soilbuild
Price	3.75	10.90	3.83	3.76	0.64
Rating	BUY	HOLD	BUY	BUY	BUY
Fair Value	4.97	11.11	4.18	5.37	0.88
Price/ NAV (x)	1.18	1.62	1.58	0.70	0.99
RNAV	4.97	11.11	4.18	5.33	0.88
Premium/ (Discount) to RNAV (%)	-24.55	-1.89	-8.37	-29.46	-27.27
Div Yield (%)	2.8%	0.7%	2.1%	2.7%	4.7%

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Exhibit 1: Key launches in May 2010

Project	Developer	Region	Total units in the project	No. of units launched in May	No of units sold in May	Median transacted price (\$\$ psf)	Monthly Take-up rate (%)	No of units sold in to date	Project Take-up rate (%)
The Minton*	Kheng Leong/ Low Keng Huat	OCR	1145	300	204	849	68.0	204	17.8
Flamingo Valley*	Frasers Centrepoint	OCR	393	120	46	1,259	38.3	46	11.7
The Cascadia	Allgreen	RCR	536	90	72	1,464	80.0	259	48.3
Casa Aerata*	Ecco Realty (TeamBuild)	RCR	78	78	78	939	100.0	78	100.0
Suites De Laurel*	Sustained Land	RCR	72	72	20	1,351	27.8	20	27.8
The Laurels	Sing Holdings	CCR	229	50	6	3,046	12.0	181	79.0
Trevista	NTUC Choice Homes	RCR	590	41	20	1,038	48.8	560	94.9
Horizon Residences*	FEO	RCR	72	40	21	1,366	52.5	21	29.2
Gilstead 2*	Selangor Dredging	CCR	110	40	30	1,995	75.0	30	27.3
Lincoln Suites	Koh Brothers/Heeton/ KSH/ Lian Beng	CCR	175	38	4	2,039	10.5	94	53.7
Waterbank at Dakota	UOL	RCR	616	36	52	1,092	144.4	614	99.7
Kovan Residences	Centurion Kovan	OCR	521	33	13	873	39.4	413	79.3
Centro Residences	FEO	OCR	329	24	4	1,305	16.7	120	36.5
Sanctuary @ 813*	SunHuan Holdings	OCR	23	23	5	1,239	21.7	5	21.7
Dunearn Suites*	World Class Property (Aspial)	CCR	26	20	3	1,870	15.0	3	11.5
The Sound	FEO	OCR	104	19	7	1,450	36.8	11	10.6
Elliot at East Coast	GuocoLand	OCR	119	13	2	842	15.4	104	87.4
Shelford Suites	City Developments	CCR	77	12	5	1,419	41.7	70	90.9
Centennia Suites	Lippo Group	CCR	97	12	9	1,982	75.0	89	91.8

\* New Launch

Source: URA, OIR

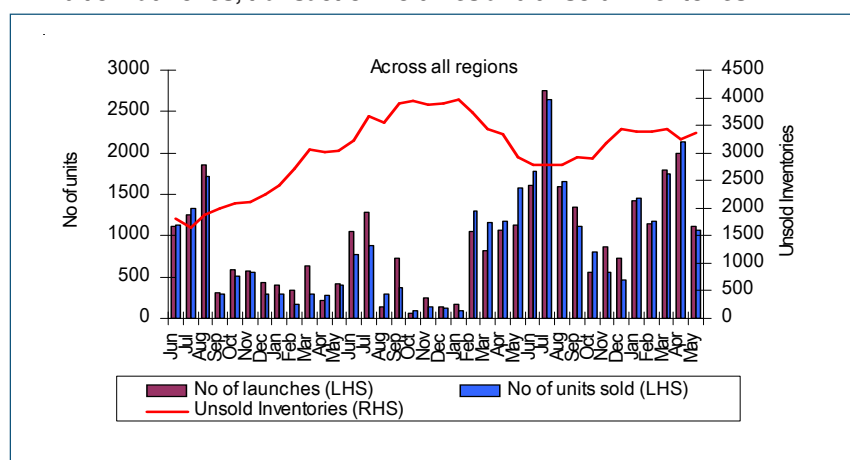
**Exhibit 2: Projects with the highest sales in May (Top 10)**

Project	Developer	Region	No of units sold	Median price (S\$ psf)
The Minton*	Kheng Leong/ Low Keng Huat	OCR	204	849
Casa Aerata*	Ecco Realty (TeamBuild)	RCR	78	939
The Cascadia	Allgreen	RCR	72	1,464
Waterbank at Dakota	UOL	RCR	52	1,092
Tree House*	CDL/Hong Leong	OCR	52	831
Flamingo Valley*	Frasers	OCR	46	1,259
The Interlace	CapitaLand/HPL	RCR	44	1,019
Floridian	Orchard Parade/ Wing Tai	RCR	31	1,536
Gilstead 2*	Selangor Dredging	CCR	30	1,995
Horizon Residences*	FEO	RCR	21	1,366

\* New Launch

Source: URA, OIR

**Exhibit 3: Launches, transaction volumes and unsold inventories**



Source: URA, OIR

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