

Singapore Property

7th Round of Measures: Bringing Out The Big Guns This Time

■ Industry Overview

- **The most significant to-date** – The government announced on 11 Jan, the most comprehensive set of measures to-date, aimed at further cooling the property market. The measures (see page 6 for summary) were wide-ranging and broad-based, and predominantly demand-side in nature – including the raising of Additional Buyer's Stamp Duty (ABSD) rates and the continued lowering of Loan-To-Value (LTV) limits. Notably, the measures calibrate (by way of extending) the scope of virtually every category of cooling measure that had been introduced pre-Round 7 (see page 6), including seller's stamp duties (SSD) for industrial properties, which was something we had flagged earlier. While the timing of the new measures was expected, the measures surprised by being more severe than our expectations.
- **Rationale for the 7th salvo** – These measures come just three months after Round 6, and notably even extends the scope of measures introduced then, suggesting that physical market activity in the intervening 3-month period continued to be more buoyant than what the authorities had intended. The rationale remains pre-emptive in intent – to bring market activity in line with broad economic fundamentals and reduce the risk of a significant correction in future – though structural measures addressing PRs' ownership of public housing and size of EC units hint at continued socio-political concerns relating to the perceived affordability of public housing.
- **What has the most bite?** – In our view, the increase in ABSD rates is likely to have the most bite, given that the ABSD has arguably been most effective in reducing demand – when a 10% ABSD was levied on foreigners in Dec 2011 (Round 5), it led to a 64% YoY decline in units bought by foreigners in 2012. The introduction of a 7% ABSD for locals buying a second property suggests the government is eager to curb investment demand from domestic buyers leveraging on record-low interest rates.
- **What's different this time?** – For the first time, authorities have hinted that some degree of price correction would be a measure of the effectiveness of the policies, with the Minister of Finance indicating that some of the cooling measures would only be reviewed "once markets cool and prices soften". Historically, the introduction of ABSD (Round 5) had led to the sharpest one-day drop (-4.6%) in share prices of developers post-measures (page 8). This time round, we would expect a sharper drop than post-Round 5, given the severity of the measures and the outperformance of the developers since 1 Dec (+10%, vs +5% for STI and +4% for the S-REITs).
- **Changing of assumptions for 2013** – We now expect primary sales volumes of 13-15k for 2013 (16-18k previously). Developers may attempt to hold prices initially, but once demand trails off, both an enlarged pool of developers in the primary market and high inventory (landbank) levels could force some to bring prices down. We now expect private residential prices to fall by 5% in 2013 (+2% previously).

Adrian Chua, CFA

+65-6657-1171
adrian.chua@citi.com

Ivan K Lim, CFA

+65-6657-1167
ivan.lim@citi.com

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Round 7: Bringing out the Big Guns

A comprehensive slate of new measures. The Singapore government, in a multi-agency-directed salvo (involving the Ministry of Finance, Ministry of National Development, the Monetary Authority of Singapore (MAS), and the Ministry of Trade & Industry) announced on 11 Jan 2013, a wide-ranging and most comprehensive set of cooling measures to-date. A summary of the key measures (effective 12 Jan 2013), alongside previous measures, can be found in Figure 6 (on page 6). A summary of the expected impact on owner-occupation, investment and speculation demand, arising from the changes announced, can be found in Figure 7 (on page 7). The rationale remains pre-emptive in intent – to bring market activity in line with economic fundamentals and reduce the risk of a significant correction in future – though we believe the short 3-month gap between Round 6 and 7 was due to the recent re-acceleration in prices as shown by the flash estimates for 4Q12 (private residential: +1.8% QoQ vs +0.6% QoQ in 3Q12; HDB resale: +2.5% QoQ vs +2% QoQ in 3Q12).

The measures are wide-ranging and target all segments of the residential market. From now, ABSD would be raised between 5-7ppt across the board, and imposed on PRs purchasing their first residential property in Singapore, as well as Singaporeans purchasing their second residential property. The lending regime would also be tightened, with LTV limits on housing loans granted by MAS-regulated financial institutions tightened across the board. The minimum cash down-payment for individuals obtaining a second or subsequent housing would also be raised from 10% to 25%. These changes essentially target the current propensity to leverage on the availability of cheap debt in order to obtain an investment property asset, by raising the barriers to entry by requiring prospective buyers to put in higher levels of equity (including cash).

Measures specific to public housing, Executive Condominiums (ECs) and industrial properties were also introduced. Public housing measures were aimed at moderating the demand for HDB resale flats, by reducing the Mortgage Servicing Ratios (MSR) for housing loans granted by HDB (from 40% to 35%), and introducing an MSR cap of 30% for housing loans granted by MAS-regulated financial institutions. Stricter regulations were also introduced for PR owners of HDB flats – with the most biting being the new rule that PRs who own a HDB flat must now sell their flat within six months of purchasing a private residential property.

New measures were also introduced for ECs, though these are mainly structural in nature. Following concerns about “super-sized” EC units in recent weeks, the government has now capped the maximum strata floor area of new EC units at 160 sqm. In addition, developers of future EC sale sites will only be allowed to launch units for sale 15 months from the date of award of the sites or after the physical completion of foundation works, whichever is earlier. We believe that this measure would force greater cashflow discipline amongst bidders of EC sites (and potentially reduce the land prices of EC sale sites). Private enclosed spaces and private roof terraces would also now be treated as part of GFA in the overall GFA computation for all non-landed residential developments (including ECs), and this is likely to force developers to be more prudent in bidding of land sites.

Lastly, seller's stamp duties (SSD) were extended to industrial properties, in an effort to curb speculation. SSD of 15%/10%/5% will now be levied for properties sold within the 1st/2nd/3rd year of purchase. Notably, in 2011 and 11M2012, 15% and 18% respectively of all transactions of multiple-user factory space were resale transactions carried out within three years of purchase (vs an average of 10% from 2006 to 2010). We believe this could help rein in the increase in capital values for the industrial sector as cap rates mean-revert. This could potentially make it easier for the industrial REITs to acquire properties at higher initial yields.

Figure 1. Changes to ABSD rates

ABSD Rates		SC	PR	Foreigner
1 st Purchase	Dec-11	n/a	n/a	10%
	Jan-13	n/a	5%	15%
	Chg	-	+5%	+5%
2 nd Purchase	Dec-11	n/a	3%	10%
	Jan-13	7%	10%	15%
	Chg	+7%	+7%	+7%
3 rd or more	Dec-11	3%	3%	10%
	Jan-13	10%	10%	15%
	Chg	+7%	+7%	+5%

Source: URA, Citi Research (SC – Singapore Citizens; PR – Permanent Residents)

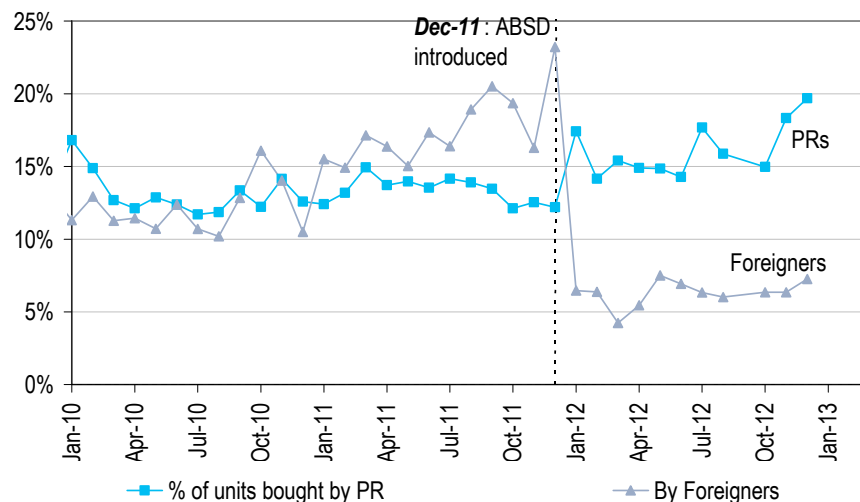
What has the most bite? In our view, the extension of the ABSD regime in terms of both reach and scope is (see Figure 1) likely to have the most bite on the physical market. The introduction of the ABSD in Dec 2011 (Round 5 measures), resulted in a sharp decline in the number of home purchases made by foreigners in 2012 (-64% YoY, see Figure 2). On the other hand, purchases by locals and PRs remained robust (+16% and +19% YoY respectively). As a percentage of home sales, buying by foreigners dropped from 18% in 2011 to just over 6% in 2012 (see Figure 3). Given the slight pick-up since Nov 2011 (potentially due in part to the introduction of a 15% ABSD for non-locals in HK in end-Oct 2011), we expect foreigner participation to moderate slightly since the Singapore ABSD levy for foreigners has now been aligned to that of Hong Kong's.

Figure 2. Annual Private Home Sales (excluding ECs) by Residential Status

Year	Private Home Units Purchased by				% chg YoY			
	Citizen	PR	Foreigner	Company	Citizen	PR	Foreigner	Company
Primary and Secondary Sales								
2006	16,148	3,080	2,576	1,289	37%	62%	44%	53%
2007	25,483	5,151	5,055	2,682	58%	67%	96%	108%
2008	9,721	1,688	1,513	564	-62%	-67%	-70%	-79%
2009	24,316	4,072	3,003	772	150%	141%	98%	37%
2010	26,680	4,853	4,401	1,300	10%	19%	47%	68%
2011	21,097	4,243	5,543	756	-21%	-13%	26%	-42%
2012	24,568	5,039	1,999	284	16%	19%	-64%	-62%
Primary Sales only								
2006	6,757	1,024	1,212	344	26%	37%	9%	84%
2007	8,453	1,459	1,928	1,053	25%	42%	59%	206%
2008	3,251	307	398	159	-62%	-79%	-79%	-85%
2009	10,659	1,201	1,170	178	228%	291%	194%	12%
2010	10,792	1,461	1,900	512	1%	22%	62%	188%
2011	10,560	1,608	2,523	217	-2%	10%	33%	-58%
2012	13,480	2,105	1,138	31	28%	31%	-55%	-86%

Source: URA, Citi Research

Figure 3. Percentage of Private Home Units (excluding ECs) Purchased by PRs and Foreigners



Source: URA, Citi Research

More significantly, we believe that the extension of the ABSD regime, such that citizens would now have to pay 7% ABSD for their second property (and 10% for third and subsequent properties), and PRs would now have to pay 5% ABSD for their first property, and 10% ABSD for their second and subsequent properties, would likely result in overall transaction volumes declining on a YoY basis. On the back of the Round 7 measures, **we now expect 2013 primary sales volumes of 13-15k**, a 30-40% decline from the estimated 22-23k figure of 2012.

We now expect residential prices to decline by 5% in 2013. For the first time, the authorities have hinted that some degree of price correction would be a measure of the effectiveness of the policies, with Deputy Prime Minister and Minister of Finance Tharman Shanmugaratnam indicating that some of the cooling measures would only be reviewed “once markets cool and prices soften”, suggesting that the policy overhang is likely to remain until and unless prices start to correct. As such, we now expect prices to fall by 5% for the year ahead. This could come in the form of either price discounting upfront or more aggressive rebates or incentives upon completion of the property.

While we acknowledge that developers have strong balance sheets and could theoretically be able to hold prices, there are now a larger number of players (including smaller boutique developers) in the market, coupled with high landbank levels (44,500 units out of forward completions of around 92,000 are unsold), and softer volumes going forward could push some smaller developers to cut prices in order to move inventory. That said, we do not expect too sizeable a price decline, given that the current low interest rate environment is likely to attract buyers back into the market upon a slight price correction. This would also mean that the current universe of cooling measures could be in place until interest rates mean-revert.

Share price performance. Historically, the introduction of ABSD (Round 5) had led to the sharpest one-day drop (-4.6%) in share prices of developers post-measures (see Figure 14 on page 8). This time round, we would expect a sharper drop than post-Round 5, given the severity of the measures and the outperformance of the developers since 1 Dec (+10%, vs. +5% for STI and +4% for the S-REITs). Given the renewed focus by the government to moderate volumes and soften prices, we believe the underperformance for Singapore-centric residential developers could stretch out for longer than that seen in previous policy measures. Amongst our coverage names, City Dev has the highest exposure to Singapore residential (28% of RNAV) with Keppel Land and CapitaLand having about 15% and 11% of RNAV exposed to Singapore residential respectively.

For the industrial segment, capital values have outpaced rental growth in the past three years, due to cap rate compression mainly attributed to speculative and investment buying of strata industrial space. With the SSD introduced for the industrial segment, we believe that capital values should start to fall, aided by cap rate expansion (rentals being more resilient than capital values, by virtue of having increased at a less aggressive pace). This could aid the industrial REITs in asset acquisitions at higher initial NPI yields, as the REITs have often cited compressing cap rates as one of the difficulties that have faced in acquiring assets. We believe that should the industrial REITs be sold down (by virtue of sector association), it could present a good buying opportunity. We like A-REIT and MIT.

Figure 4. Singapore Developers – Valuations Table as of 12-Jan-13

RIC	Name	CCY	Last	Mkt Cap	Citi	TP	ETR	RNAV		P/E (x)		P/B (x)		ROE (%)		Yield (%)	
			Price	(\$M)	Rating	\$	(%)	Per Shr	P / RNAV	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
RATED																	
CATL.SI	CapitaLand	SGD	3.89	16,612	2	3.28	-13.6	4.37	0.89	43.6	29.7	1.11	1.09	2.2	3.5	2.1	2.1
CMAL.SI	CMA	SGD	2.14	8,320	1	2.48	17.3	2.31	0.93	33.9	29.7	1.26	1.23	6.7	4.2	1.6	1.2
CTDM.SI	City Dev	SGD	12.60	11,457	3	11.38	-8.9	13.4	0.94	18.0	14.3	1.56	1.42	9.4	10.9	0.8	0.8
KLAN.SI	Keppel Land	SGD	4.28	6,610	3	3.38	-19.2	4.97	0.86	15.6	18.6	1.19	1.17	7.6	6.4	1.9	1.9
YNLG.SI	Yanlord	SGD	1.60	3,118	1	1.90	18.8	2.72	0.59	14.5	12.0	0.99	0.92	7.1	7.9	0.0	0.0
HKLD.SI	HK Land	USD	7.50	21,627	1	7.55	2.8	9.36	0.80	25.6	21.4	0.70	0.69	2.8	3.3	2.1	2.4
GLPL.SI	GLP	SGD	2.74	13,036	1	3.24	19.7	3.24	0.85	24.8	21.1	1.26	1.22	5.3	5.9	0.6	0.7
NON-RATED																	
HBEE.SI	Ho Bee	SGD	1.97	1,453	-	-	-	-	-	9.9	12.6	0.79	0.75	8.6	6.6	1.9	1.9
OVES.SI	OUE	SGD	2.78	2,729	-	-	-	-	-	25.7	22.2	0.85	0.84	3.2	3.8	2.1	2.3
SCGO.SI	SC Global	SGD	1.80	747	-	-	-	-	-	38.3	10.5	1.11	1.05	2.6	9.6	1.1	1.1
SLND.SI	Singland	SGD	7.55	3,114	-	-	-	-	-	14.2	14.1	0.67	0.65	4.8	4.7	2.6	2.6
UTOS.SI	UOL	SGD	6.24	4,804	-	-	-	-	-	13.3	12.4	0.88	0.83	6.9	6.7	1.8	1.9
WPSL.SI	Wheelock	SGD	2.00	2,393	-	-	-	-	-	20.8	17.7	0.82	0.80	4.0	4.7	3.0	3.0
		SGD	2.02	1,604	-	-	-	-	-	9.5	9.1	0.72	0.69	7.7	7.3	1.6	1.7

WTHS.SI Wing Tai

Source: Company Reports, Citi Research Estimates, IBES for non-rated stocks. *FY13/14E for GLP (March-yr end) and Wing Tai (June year-end)

Figure 5. Singapore REITs – Valuations Table as 12-Jan-13

RIC	REIT	CCY	Last	Mkt Cap	Citi	TP	ETR	NAV	Prem / (Disc)	DPS (LCY)		Trading Yield (%)		Yield at Citi TP (%)		FYE	Segment
			Price	\$m	Rating		(%)	Latest	(%)	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E		
RATED																	
CMLT.SI	CMT	SGD	2.13	7,362	1	2.30	12.5	1.64	29.9	0.10	0.10	4.6	4.8	4.2	4.5	Dec	Retail
FCRT.SI	FCT*	SGD	2.00	1,647	1	2.08	9.4	1.53	30.7	0.11	0.11	5.4	5.5	5.2	5.3	Sep	Retail
CACT.SI	CCT	SGD	1.68	4,762	2	1.53	-3.9	1.60	4.7	0.08	0.08	4.8	4.8	5.2	5.2	Dec	Office
KASA.SI	K-REIT	SGD	1.37	3,605	2	1.12	-12.8	1.25	9.6	0.07	0.08	5.5	5.6	6.7	6.9	Dec	Office
SUNT.SI	Suntec	SGD	1.70	3,821	1	1.70	5.6	1.97	-13.7	0.09	0.09	5.6	5.5	5.6	5.5	Dec	Retail/Office
MACT.SI	MCT*	SGD	1.22	2,273	1	1.35	16.1	0.95	27.9	0.06	0.06	5.0	5.2	4.5	4.6	Mar	Retail/Office
AEMN.SI	A-REIT*	SGD	2.43	5,441	1	2.68	16.1	1.88	29.3	0.14	0.15	5.8	6.0	5.3	5.4	Mar	Industrial
MAPL.SI	MLT*	SGD	1.15	2,779	1	1.25	15.0	0.90	27.2	0.07	0.07	6.2	6.4	5.7	5.8	Mar	Industrial
MAPL.SI	MIT*	SGD	1.39	2,258	1	1.60	22.0	1.02	35.8	0.09	0.09	6.5	6.6	5.6	5.7	Mar	Industrial
PWLR.SI	Plife	SGD	2.26	1,367	2	2.05	-4.8	1.48	52.7	0.10	0.11	4.5	4.7	4.9	5.2	Dec	Healthcare
AIN.T.SI	aiTrust*	SGD	0.79	716	1	0.88	18.3	0.64	22.7	0.04	0.05	5.5	6.9	4.9	6.1	Mar	IT Parks (India)
PCRT.SI	PCRT	SGD	0.62	706	1	0.70	17.7	0.65	-4.6	0.04	0.02	5.8	2.4	5.1	2.2	Dec	Retail (China)
NON-RATED																	
ASHP.SI	ahTrust*	SGD	0.97	775	-	-	-	0.82	17.7	0.07	0.07	7.5	7.7	-	-	Mar	Hotel
AART.SI	Aims AMP	SGD	1.58	706	-	-	-	1.44	9.1	0.11	0.12	6.9	7.4	-	-	Mar	Industrial
ASRT.SI	ART	SGD	1.42	1,617	-	-	-	1.37	3.3	0.09	0.09	6.4	6.6	-	-	Dec	Serviced Apts
CALT.SI	Cache	SGD	1.26	885	-	-	-	0.92	37.0	0.09	0.09	6.9	7.1	-	-	Dec	Industrial
CMIT.SI	Cambridge	SGD	0.68	821	-	-	-	0.61	10.3	0.05	0.05	7.6	7.7	-	-	Dec	Industrial
CDLT.SI	CDL HREIT	SGD	1.98	1,913	-	-	-	1.57	25.8	0.12	0.12	6.1	6.3	-	-	Dec	Hotel
CRCT.SI	CRCT	SGD	1.67	1,247	-	-	-	1.28	30.1	0.10	0.10	5.7	6.1	-	-	Dec	Retail (China)
FAEH.SI	FEHT	SGD	1.00	1,596	-	-	-	0.93	7.0	0.06	0.06	6.0	6.1	-	-	Dec	Hotel
FRCR.SI	FCOT	SGD	1.33	863	-	-	-	1.53	-13.1	0.07	0.08	5.5	6.2	-	-	Sep	Office
FRET.SI	First	SGD	1.06	702	-	-	-	0.79	33.4	0.07	-	6.9	-	-	-	Dec	Healthcare
FORT.SI	Fortune	HKD	6.43	1,728	-	-	-	8.34	-22.9	0.34	0.36	5.3	5.6	-	-	Dec	Retail (HK)
LMRT.SI	LMIR Trust	SGD	0.52	1,129	-	-	-	0.56	-7.6	0.03	0.04	6.4	7.0	-	-	Dec	Retail (Indonesia)
SABA.SI	Sabana	SGD	1.16	740	-	-	-	1.06	9.0	0.09	0.09	8.1	7.9	-	-	Dec	Industrial
STHL.SI	Starhill	SGD	0.81	1,574	-	-	-	0.95	-14.7	0.05	0.05	5.7	5.9	-	-	Dec	Retail

Source: Company Reports, Citi Research Estimates, IBES for non-rated stocks *FY13/14E for companies with March/Sept year-end

Singapore Property - Summary of Key Measures Introduced Since Sept 2009

Figure 6. Key Measures Introduced Since Sept 2009

Round	Date	Loan-to-Value (LTV) Limits	Additional Buyer's Stamp Duty (ABSD)	Seller's Stamp Duty	Pte Property / HDB ownership	Executive Condominiums	Loan Tenure and Loan-Related Policies	Others
1	Sep-09	-	-	-	-	-	- Removal of Interest Absorption Scheme (IAS) and Interest-Only Housing Loans (IOL)	- Reinstatement of the Confirmed List for the 1H10 GLS program (supply side measures which have continued since)
2	Feb-10	- Lowered to 80% (from 90%) for all borrowers (except for loans granted by HDB for HDB flats)	-	- First introduced for properties sold within 1 year of purchase at the standard ad valorem stamp duty rates	-	-	-	-
-	Mar-10	-	-	-	- Minimum Occupation Period (MOP) increased to 3 years (from 1 - 2.5 years) - Lower subsidies for SC/SPR households - SPR quota introduced for HDB estates	-	-	-
3	Aug-10	- Lowered to 70% for 2nd or more mortgage - Minimum cash balance increased to 10% (from 5%) for 2nd or more mortgage	-	- Holding period increased to 3 years	- MOP increased to 5 years - Buyers of non-subsidised HDB flats disallowed from concurrently owning both HDB and pte property	-	-	-
4	Jan-11	Lowered to 60% for 2nd or more mortgage and 50% for non-individuals	-	Holding period increased to 4 years, SSD rates increased to 16%, 12%, 8% and 4% for properties sold in the 1st, 2nd, 3rd and 4th yr of purchase respectively	-	-	-	-
-	Aug-11	-	-	-	- Monthly income ceiling for new HDB flats raised to S\$10k (from S\$8k)	- Monthly income ceiling for new ECs raised to S\$12k (from S\$10k)	-	-
5	Dec-11	-	- ABSD first introduced at 10% for foreigners, 3% for PRs buying 2nd or more property and citizens buying 3rd or more property	-	-	-	-	-
6	Oct-12	LTV for non-individuals lowered to 40%	-	-	-	-	- Maximum loan tenure capped at 35 years and lower LTV limits for loans exceeding 30 years or beyond retirement age	-
7	Jan-13	- Lowered to 50% for 2nd mortgage, and 40% for 3rd or more mortgage - LTV for non-individuals lowered to 20%	- ABSD rates raised by 5-7ppt, and also introduced for PRs (1st property) and citizens (2nd property)	- Introduced for industrial properties (15%, 10% and 5% for properties sold in the 1st, 2nd and 3rd yr of purchase respectively)	- PRs not allowed to sublet whole flats - PRs required to sell their HDB flats after purchasing of private residential property in Singapore - Lowered mortgage servicing ratios for HDB flats	- Maximum strata area capped at 160 sqm/unit - Dual-key EC units restricted to multi-generational families - Developers can only launch 15 months after award of tender or completion of foundation works, whichever earlier	- Lower LTV limits for loans exceeding 30 years or beyond retirement age (30% for second mortgage, 20% for third mortgage) - Minimum cash downpayment for second and subsequent mortgage raised from 10% to 25%	- Private enclosed spaces and private roof terraces will be treated as gross floor area (GFA) for private residential and EC developments

Source: MND, URA, MAS, HDB, Citi Research (SC – Singapore Citizens; SPR – Singapore Permanent Residents)

Figure 7. Round 7 of Property Tightening Measures – Expected Impact on Owner-Occupation, Investment and Speculative Demand

	Pre-Round 7	Now	Expected Impact
OWNER-OCCUPATION			
Singapore Citizens	<p><u>HDB New/Resale Flats:</u></p> <ul style="list-style-type: none"> - HDB loans granted with Mortgage Servicing Ratio (MSR) of up to 40% of a borrower's gross monthly income - No MSR limit set for loans granted by financial institutions <p><u>EC:</u> No restriction on launch date</p>	<p><u>HDB New/Resale Flats:</u></p> <ul style="list-style-type: none"> - HDB loans granted with MSR of up to 35% of gross monthly income - MSR limit of 30% for loans granted by financial institutions <p><u>EC:</u> Future EC sale sites can only be launched for sale 15 months from award of site or after physical completion of foundation works (whichever earlier)</p>	<p><u>HDB New/Resale Market:</u> Likely to reduce the demand (particularly in resale market) and slow down the rate of price appreciation</p> <p><u>EC:</u> Increases need for cashflow planning by EC developers as there can be less reliance on pre-sales; could lead to a moderation in land bids and land prices</p>
PRs	<p><u>HDB Resale Flats:</u></p> <ul style="list-style-type: none"> - PR households can retain their HDB flats and invest in private residential property after meeting Minimum Occupation Period (MOP) - Allowed to sublet whole HDB flat after MOP - HDB loans granted with Mortgage Servicing Ratio (MSR) of up to 40% of a borrower's gross monthly income - No MSR limit set for loans granted by financial institutions <p><u>Private Residential:</u> No ABSD payable for first residential property</p>	<p><u>HDB Resale Flats:</u></p> <ul style="list-style-type: none"> - PR households must dispose of their HDB flats within 6 months of purchasing a private residential property - Disallowed to sublet whole flat, only subletting of rooms is allowed - HDB loans granted with MSR of up to 35% of gross monthly income - MSR limit of 30% for loans granted by financial institutions <p><u>Private Residential:</u> 5% ABSD payable for first residential property</p>	<p><u>HDB Resale Market:</u> Could increase the supply of HDB resale flats as PR households wanting to upgrade would have to sell their current HDB properties</p> <p><u>Private Residential:</u> 5% ABSD for first residential property would likely reduce owner-occupation demand from PRs; this may lead to a temporary boost for housing rentals</p>
Foreigners	<p><u>Private Residential:</u> 10% ABSD payable for first residential property</p>	<p><u>Private Residential:</u> 15% ABSD payable for first residential property</p>	<p><u>Private Residential:</u> Likely to further reduce owner-occupation demand from foreigners; this may lead to a temporary boost for housing rentals</p>
INVESTMENT DEMAND			
Singapore Citizens	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - No ABSD payable for second residential property; 3% ABSD for third and subsequent residential property - 60% LTV for second and subsequent housing loan (40% if loan tenure >30 years or if loan period exceeds retirement age of 65) - Minimum 10% cash downpayment for second and subsequent housing loan - 40% LTV for non-individual borrowers 	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - 7% ABSD payable for second residential property; 10% ABSD for third and subsequent residential property - 50% LTV for second housing loan (30% if loan tenure >30 years or if loan period > retirement age); 40% LTV for third housing loan (20% for loan tenure >30 years or loan period > retirement age) - Minimum 25% cash downpayment for second and subsequent housing loan - 20% LTV for non-individual borrowers 	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - Investment demand from locals would fall, as even first investment property (ie. second residential property) would now incur ABSD - Prices for upcoming land tenders are likely to fall, to factor in the additional ABSD payable by the end-user
PRs	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - 3% ABSD for second and subsequent residential property - 60% LTV for second and subsequent housing loan (40% if loan tenure >30 years or if loan period exceeds retirement age of 65) - Minimum 10% cash downpayment for second and subsequent housing loan - 40% LTV for non-individual borrowers 	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - 10% ABSD for second and subsequent residential property - 50% LTV for second housing loan (30% if loan tenure >30 years or if loan period > retirement age); 40% LTV for third housing loan (20% for loan tenure >30 years or loan period > retirement age) - Minimum 25% cash downpayment for second and subsequent housing loan - 20% LTV for non-individual borrowers 	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - Investment demand from PRs is likely to fall, given the higher ABSD rates for second and subsequent properties as well as lower LTV rates
Foreigners	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - 10% ABSD for second and subsequent residential property - 60% LTV for second and subsequent housing loan (40% if loan tenure >30 years or if loan period exceeds retirement age of 65) - Minimum 10% cash downpayment for second and subsequent housing loan - 40% LTV for non-individual borrowers 	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - 15% ABSD for second and subsequent residential property - 50% LTV for second housing loan (30% if loan tenure >30 years or if loan period > retirement age); 40% LTV for third housing loan (20% for loan tenure >30 years or loan period > retirement age) - Minimum 25% cash downpayment for second and subsequent housing loan - 20% LTV for non-individual borrowers 	<p><u>Private Residential:</u></p> <ul style="list-style-type: none"> - Investment demand from foreigners is likely to fall further, given the higher ABSD rates for second and subsequent properties as well as lower LTV rates - Any expected recovery in the high-end market is likely to be delayed
SPECULATIVE DEMAND			
Singapore Citizens / PRs / Foreigners	<p><u>Industrial:</u> No Seller's Stamp Duty (SSD)</p>	<p><u>Industrial:</u> SSD for properties and land sold within 3 years of purchase (15%/10%/5% for property sold within 1st/2nd/3rd year of purchase)</p>	<p><u>Industrial:</u> Likely to reduce the sale volumes of strata industrial properties, could subsequently lead to a decline in capital values as cap rates expand - this could potentially make it easier for industrial REITs to acquire properties at higher initial yields</p>

Source: MND, URA, MAS, HDB, Citi Research

Historical Stock Performance during Previous Rounds of Property Measures

Figure 8. Round 1 (Sep 2009) - Abolished IAS. Restored Confirmed List

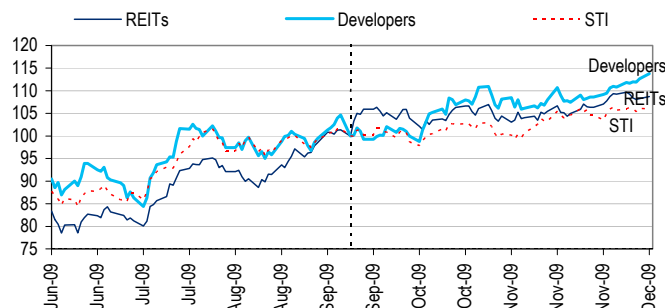


Figure 9. Round 2 (Feb 2010) - Introduce Sellers' Stamp Duty. LTV lowered to 80%

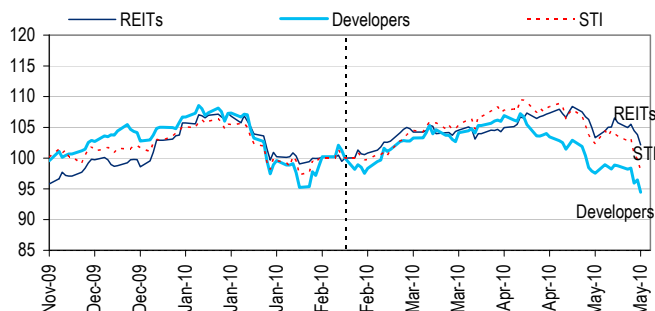


Figure 10. Round 3 (Aug 2010) - LTV lowered to 70%, increased holding period for SSD

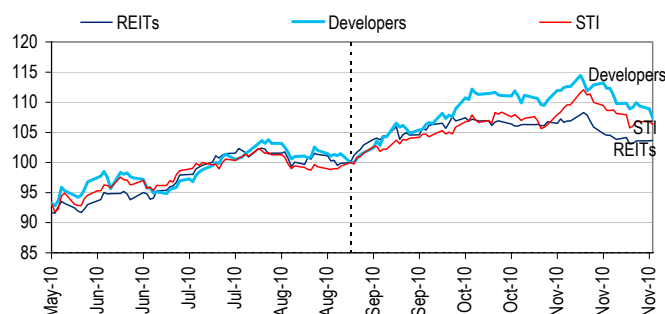


Figure 11. Round 4 (Jan 2011) - SSD Raised, LTV lowered to 60% for 2nd or more mortgage

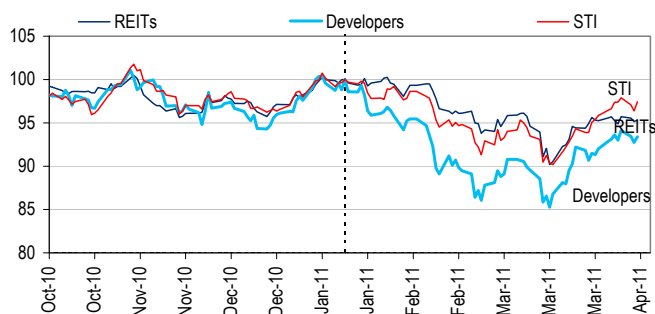


Figure 42. Round 5 (Dec 2011) - Introduced Additional Buyer's Stamp Duty

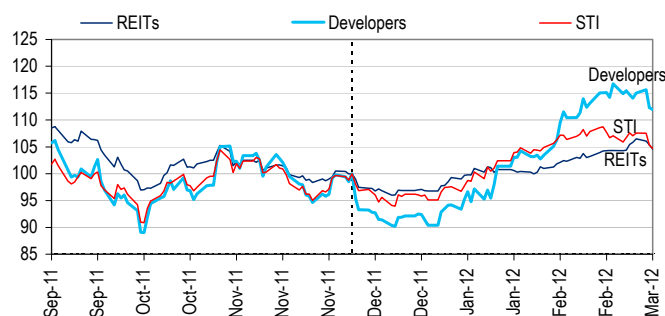


Figure 13. Round 6 (Oct 2012) - Loan tenure capped at 35 years and other loan-related restrictions

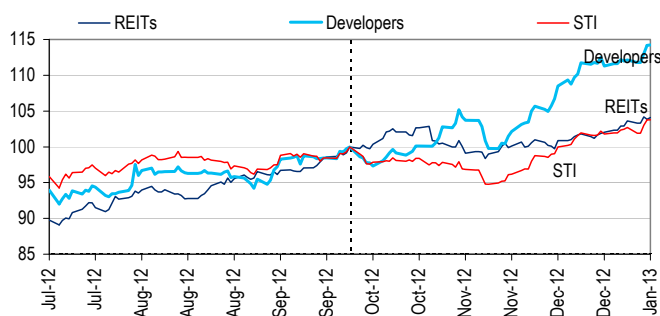


Figure 54. STI, Developers and REITs - % Price Change Post Measures

	Round 6 (Oct-12)			Round 5 (Dec-11)			Round 4 (Jan-11)			Round 3 (Aug-10)			Round 2 (Feb-10)			Round 1 (Sep-09)		
	STI	Develo pers	REIT	STI	Develo pers	REIT	STI	Develo pers	REIT	STI	Develo pers	REIT	STI	Develo pers	REIT	STI	Develo pers	REIT
1 day	-1.0%	-1.4%	-0.2%	-1.9%	-4.6%	-1.0%	-0.3%	-1.4%	-0.4%	-0.2%	0.0%	1.1%	0.0%	-1.8%	0.0%	-0.1%	0.2%	3.3%
1 wk	-2.1%	-2.7%	0.3%	-4.0%	-7.3%	-3.2%	-1.5%	-3.6%	-0.7%	2.6%	2.4%	3.8%	-0.2%	-1.7%	0.8%	0.3%	-0.7%	5.9%
1-mth	-2.5%	2.7%	0.0%	-2.4%	-5.8%	-0.7%	-5.5%	-10.9%	-3.4%	4.7%	7.3%	5.7%	5.8%	4.6%	4.0%	2.6%	8.4%	4.7%
3-mth	3.8%	14.2%	4.1%	4.7%	11.9%	4.6%	-2.6%	-6.6%	-4.7%	6.3%	7.4%	3.7%	0.6%	-4.0%	4.5%	6.1%	13.8%	8.7%

Source: Datastream, URA, Citi Research

Singapore Developers – Premium / (Discount) to RNAV

Figure 65. Premium (Discount) to RNAV – Singapore Developers*

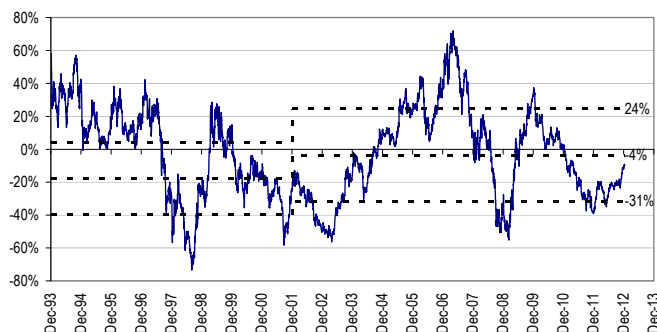


Figure 76. Premium (Discount) to RNAV – Capitaland

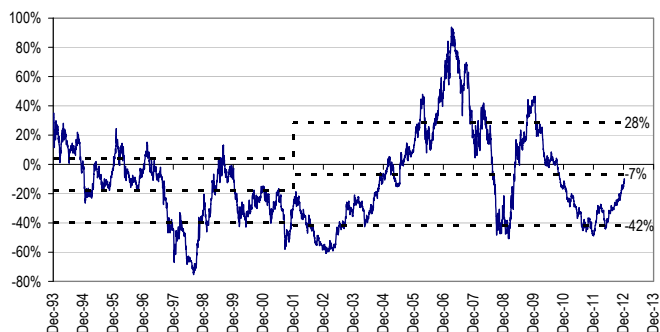


Figure 87. Premium (Discount) to RNAV – City Dev

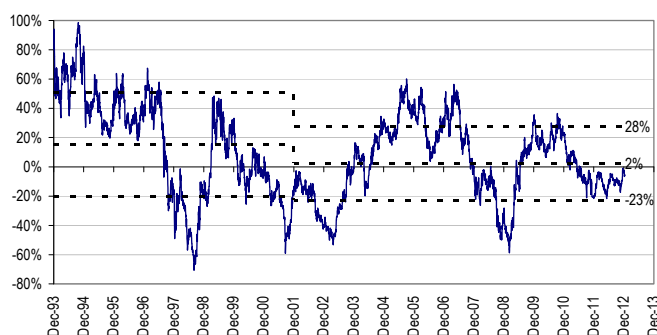
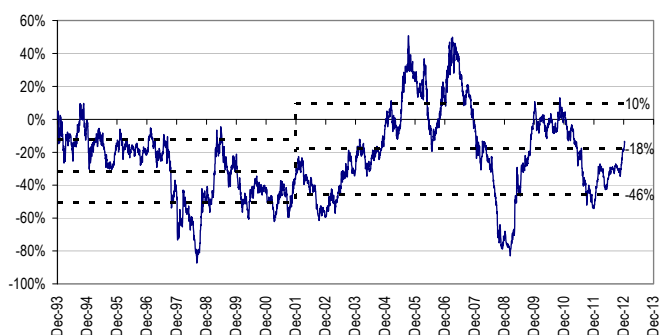


Figure 98. Premium (Discount) to RNAV – Keppel Land



*Sector figures calculated using market-cap weighted average. Source: Datastream, Citi Research

Appendix A-1

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