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## CREDO RESEARCH SNAPSHOTS

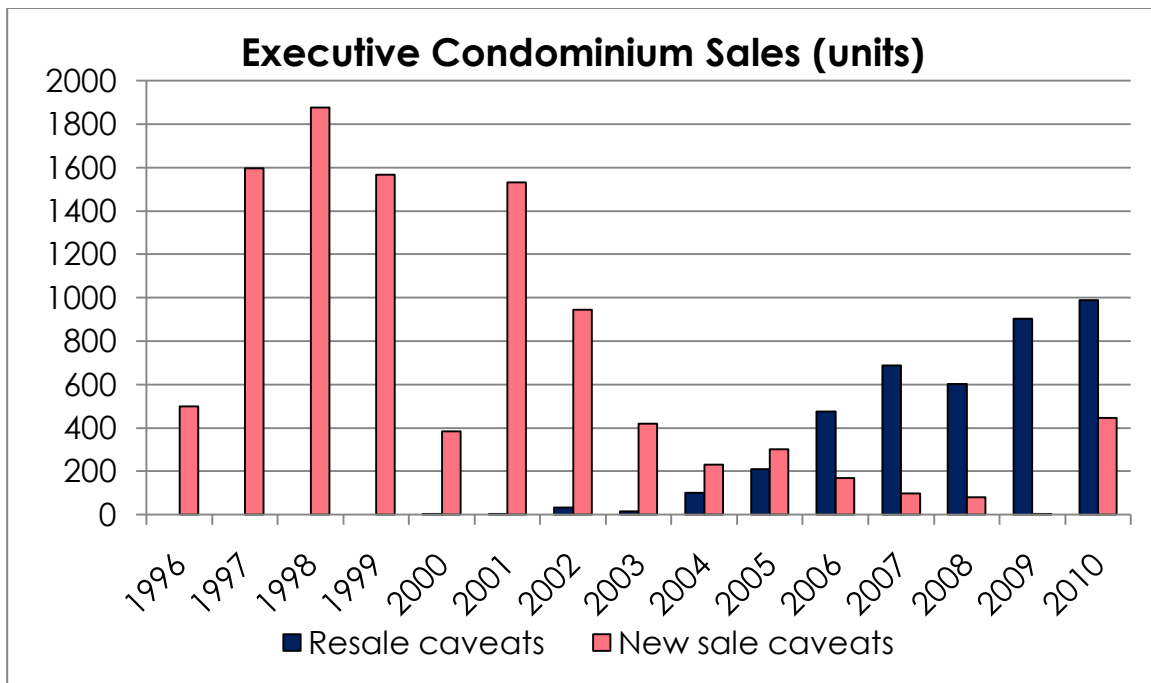
### EXECUTIVE CONDOMINIUM MARKET UPDATE

Executive Condominiums (ECs) were introduced to the housing market in 1996 to cater to the “sandwich class” – those who could not qualify for public housing (HDB flats) nor afford private housing which is more expensive. However there are eligibility requirements for new EC buyers. For example, only citizens can purchase a new EC, their monthly household income must be within the ceiling of \$10,000, new EC buyers are subject to a minimum occupation period (MOP) of 5 years after which they are able to sell on the open market to citizens or permanent residents and MOP of 10 years for sale to any buyer (including foreigners and companies). Over time, the resale market for ECs has grown, their prices have appreciated and new EC developments have come onto the market after a lull of several years.

#### **A Growing Resale Market**

Today, there are 23 EC developments with 10,430 completed units ranging in age from 3 to 12 years. Therefore many of the original owners who have fulfilled at least the 5 year MOP are selling their ECs on the open market. The EC resale market is active judging by the number of transactions. In 2010, there were 989 EC resale transactions (based on caveats lodged) or 9.5% of the total existing EC stock. By comparison, resale transactions in the private residential market were 7.4% of total private residential stock in 2010.

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Source: URA REALIS/Credo Real Estate

The graph above illustrates the volume of new sale and resale transactions of ECs from 1996 to 2010. The strong new sale transaction numbers from 1996 to 2003 were due to the launch of numerous EC projects following the implementation of the EC scheme. New projects moderated after 2003 as the residential property market went through a sluggish period. However the buoyant market in 2010 led to the resumption of new EC projects coming on to the market. The EC resale market started to pick up perceptibly in 2005 with 209 transactions and has been gaining momentum (except 2008 due to the downturn) till 2010 when 989 re-sales were recorded.

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## **Better Than Expected Performance**

### **Existing Completed EC Developments**

<b>Project</b>	<b>Location</b>	<b>Year of launch</b>	<b>Average Launch Price (\$psf)</b>	<b>Year of Completion</b>	<b>2011 Average Resale Price (\$psf)</b>	<b>% capital appreciation</b>
EASTVALE	Pasir Ris Drive 3	1996	405	1999	671	65.7%
WESTMERE	Jurong East Street 13	1996	400	1999	707	76.8%
CHESTERVALE	Bangkit Road	1997	433	1999	603	39.3%
PINEVALE	Tampines Street 73	1997	456	1999	622	36.4%
SIMEI GREEN CONDOMINIUM	Simei Street 4	1997	414	1999	686	65.7%
WINDERMERE	Choa Chu Kang Street 64	1997	449	1999	621	38.3%
NORTHOAKS	Woodlands Crescent	1998	387	2000	593	53.2%
SUMMERDALE	Boon Lay Drive	1998	373	2000	589	57.9%
THE FLORIDA	Hougang Avenue 7	1998	433	2000	662	52.9%
THE RIVERVALE	Rivervale Link	1998	459	2000	653	42.3%
WOODSVALE	Woodlands Drive 72	1998	380	2000	600	57.9%
YEW MEI GREEN	Choa Chu Kang North 6	1998	432	2000	589	36.3%
THE FLORAVALE	Westwood Avenue	1999	375	2000	594	58.4%
BISHAN LOFT	Bishan Street 11	2001	421	2003	918	118.1%
LILYDALE	Yishun Avenue 6	2001	363	2003	595	63.9%
THE DEW	Bukit Batok Street 21	2001	385	2003	728	89.1%
THE EDEN AT TAMPINES	Tampines Street 34	2001	401	2003	701	74.8%
NUOVO	Ang Mo Kio Avenue 9	2001	395	2004	746	88.9%
PARK GREEN	Rivervale Link	2002	365	2004	697	91.0%
THE ESPARIS	Pasir Ris Drive 4	2002	380	2005	665	75.0%
WHITEWATER	Pasir Ris Street 72	2002	370	2005	700	89.2%
THE QUINTET	Choa Chu Kang Street 64	2003	371	2006	580*	56.3%
LA CASA	Woodlands Drive 16	2005	399	2008	NIL	

Source: URA REALIS/Credo Real Estate

\*One transaction recorded

The table above lists the 23 existing EC developments and provides an estimate of their capital appreciation from the year of launch to 2011. An analysis comparing ECs with similar private condominium projects in different locations and over different time frames throws up interesting findings.

From the time Westmere was launched in 1996 at \$400 psf, till 2011, when its resale transactions averaged \$707 psf, prices had appreciated 77%. In its vicinity, Parc Oasis,

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a private condominium saw its average price of \$666 psf in 1996 rise to \$760 psf in 2011, a 14% increase, but well below what Westmere had achieved.

In Woodlands, Northoaks may be compared to Woodgrove Condominium, a private development. The former had an average price of \$385 psf in 1998 which rose to \$593 psf in 2011, an appreciation of 53%. Over the same period, the latter's average price rose 27% from \$464 psf in 1998 to \$590 psf in 2011, less than that of Northoaks.

Bishan Loft was launched in 2001 at an average price of \$421 psf. Its average resale price in 2011 was \$918 psf, a 118% increase. Bishan 8, a nearby private condominium saw only a 65% increase in average resale prices from \$643 psf in 2001 to \$1064 psf in 2011, well below Bishan Loft's appreciation.

Over at Ang Mo Kio, Nuovo was launched in 2001 at an average price of \$395 psf which rose to \$746 psf in 2011, an 89% increase. Castle Green, a private condominium next door, saw its average resale prices increase from \$534 psf in 2001 to \$729 psf in 2011, a 37% increase but much below Nuovo's upside.

In Bukit Batok, The Dew came on the market in 2001 averaging \$385 psf. In 2011, the average resale price was \$728 psf or 89% higher. Guilin View, a nearby private condominium fetched an average of \$529 psf in 2001 and \$719 psf in 2011, a 36% increase but underperforming the Dew.

By 2005 many of the earlier EC projects had fulfilled the 5 year MOP resulting in numerous units entering the resale market. In 2005, resale units in the Florida, in Hougang, averaged \$338 psf, rising 96% to \$662 psf in 2011. Rio Vista, a private condominium next door registered \$433 psf as average resale price in 2005 and \$719 psf in 2011, a 66% increase but short of Florida's gains.

In 2006, resale ECs in the Summerdale in Boon Lay, averaged \$305 psf, but climbed 93% to \$589 psf in 2011. Lakeholmz, a private condominium in the vicinity saw its resale prices averaging \$456 psf in 2006 and \$722 psf in 2011, an appreciation of 58% but below Summerdale's increase.

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## More EC opportunities for buyers

The foregoing analysis has examined situations when ECs achieved attractive capital appreciation. This is mainly due to their much lower initial purchase price (typically around 20% cheaper than private condominiums) and the increase in value when they can be sold on the open market after fulfilling the MOP. The buoyant property market has prompted the Government to step up the supply of EC sites. Since 2010 to date, ten EC sites have been sold by the Government, of which five have been launched for sale by their developers. These are Esparina Residences, The Canopy, Prive, Austville Residences and Belysa.

### **ECs Recently Launched For Sale**

<b>Project</b>	<b>Location</b>	<b>Total No of units</b>	<b>Units Sold*</b>	<b>Median price*</b>
Esparina Residences	Buangkok Drive	573	566	\$766 psf
The Canopy	Yishun Avenue 11	406	328	\$662 psf
Prive	Punggol Road	680	669	\$700 psf
Austville Residences	Sengkang East Avenue	540	248	\$719 psf
Belysa	Pasir Ris Drive 1	315	162	\$691 psf

Source : URA REALIS (\*as at May 2011)

The HDB income ceiling is currently under review and is expected to be revised upwards so that more first-timers can qualify for new HDB (Built-to-order) BTO flats. As the policy of catering to the “sandwich class” is likely to continue, the income ceiling for EC flats is expected to be raised in tandem with that for HDB BTO flats. This should bode well for the EC market, leading to sustained demand and growth of this particular housing segment.

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