

[JULY 2011]

CREDO RESEARCH SNAPSHOTS

RESIDENTIAL COLLECTIVE SALES UPDATE FOR 1H2011

The first half of 2011 saw a modest pick-up in collective sales with \$1.81 billion worth of deals concluded, exceeding the \$1.77 billion done in 2010. Sites worth less than \$50 million were easiest to sell as 85% (by value) of those put up for tender were sold. Those worth \$50 million to less than \$100 million achieved a 43% success rate while 36% of sites with a value of \$100 million to less than \$300 million found buyers. However none of the sites having indicative or estimated values above \$300 million were disposed. They included 11 sites with a combined value of \$8.1 billion.

Price range	2010				1H 2011			
	Available		Sold		Available		Sold	
\$	Total value* (\$mil)	No. of sites	Total value (\$mil)	No. of sites	Total value* (\$mil)	No. of sites	Total value (\$mil)	No. of sites
0 - <50million	990	34	730 (74%)	26 (76%)	589	23	499 (85%)	20 (87%)
50 - <100million	754	10	564 (75%)	7 (70%)	1,245	16	532 (43%)	7 (44%)
100 - <300million	983	7	473 (48%)	3 (43%)	2,133	15	774 (36%)	6 (40%)
300 - <500million	Nil	Nil	Nil	Nil	1,085	3	Nil	Nil
≥500million	2,890	4	Nil	Nil	7,010	8	Nil	Nil
Total	5,617	55	1,767 (31%)	36 (65%)	12,062	65	1,805 (15%)	33 (51%)

*Based on indicative prices or estimated values
(%) Success rate

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Average Deal Size Remains Small

In 2010, the average deal size for collective sales was \$49 million. As the demand for affordable sites continued in 2011, the average deal size in 1H2011 was only slightly higher at \$55 million. In contrast the average value of available sites in 1H2011 was \$186 million, indicating bigger sites being placed on the market. The large sites with high absolute values include Tulip Garden, Pine Grove, Pearlbank Apartments, Elizabeth Tower, Laguna Park, Hawaii Tower and Brookvale Park.

Lower Success Rate in 1H2011

The launch of more and larger collective sales sites in 2011 has resulted in a lower overall success rate in deal conclusion. Demand for these larger and more expensive sites has been soft based on their asking prices. The \$1.81 billion sales value for 1H2011 is only 15% of the total value of sites vying to be sold while in 2010, the success rate was 31%. In terms of the number of sites sold, the success rate at 51% for 1H2011 is more positive than that based on total value. Success rate based on sites sold in 2010 was 65%.

While overall success rate declines, smaller sites of below \$50 million continue to do well. 20 out of 23 sites (87%) offered for sale in this price category found buyers but their total sales value of \$499 million is only 28% of the total for 1H2011.

The lack of success for the larger collective sale sites is due to several factors:

- The aggressive Government Land Sales (GLS) programme has attracted major developers in tendering for its sites. As the GLS residential sites are typically large with high absolute values, successful bidders would be left with less appetite for the larger high-value collective sale sites.
- The suburban mass market where most GLS sites are located is relatively more active than the prime and mid-prime markets where the larger collective sale sites are located.

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- The smaller developers who are priced out from the GLS market tend to favour smaller collective sale sites which they find more viable.
- The larger collective sales sites, already disadvantaged by their high absolute values tend to be priced optimistically as well, resulting in interested parties being deterred.

Implications

According to URA's flash estimates, prices of private residential properties rose by 1.9% in 2Q2011, a slower pace than the 2.2% of 1Q2011. The continued moderation of prices would mean that the residential property market is at the upper end of its market cycle. This is likely to be a more challenging period for the collective sales market as buyers become more selective while sellers still hope to dispose at optimistic prices. There has been a trend of collective sale sites, especially the larger ones, being unsuccessful, having to review their asking prices and re-launching for sale again. The current momentum of collective sales is likely to continue in 2H2011, with smaller sites finding more favourable response while larger ones remain price-sensitive. New sites entering the market would have to be more decisively priced to secure buyers as they are presented with more options.