The 10-second briefing

Heading for a prolonged downturn

- We expect a residential-market downturn from end-2011 to end-2014, with prices declining overall by 22-26% ...
- ... triggered by short-term GDP weakness, external uncertainty, giving way to rising levels of unsold inventory, vacant units
- Sector view downgraded to Negative from Neutral

Singapore Residential Property

- Positive
- Neutral
- **Negative** (from Neutral)

How do we justify our view?

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What's new

We have become less positive on the outlook for Singapore property prices after reviewing our assumptions, in view of recent data and the latest developments in the sector.

What's the impact

We now expect a multi-year downturn in the residential market, with overall private home prices falling by 22-26% (from the end of 2011 to the end of 2014). We believe the decline in the mass-residential segment will hold up slightly better than the high-end residential segment, supported by better affordability and the resilience of public (Housing Development Board [HDB]) resale prices, though this would also depend on long-term factors, such as immigration and the overall rate of population growth. Our previous outlook was for home prices to remain flat YoY for 2012.

We believe the residential-property market could remain depressed for several years, triggered initially by a likely forthcoming GDP slowdown (in 2012) and lingering global economic uncertainty. By late 2012, we expect the sector's structural issues, the rapid build-up in unsold inventory in the primary market, and vacant units in the rental market, to take centre stage. We believe the likelihood that these imbalances would reach record levels would keep home prices and rents in check for several years.

We do not expect the peak-to-trough decline for this cycle to rival the Asian financial crisis plunge of 33-45%, but it could approach the global financial crisis-induced decline of 25-36%. We believe the structural imbalances could eventually overcome the healthy fundamentals of the Singapore home buyer, the holding power of developers, and the low-interest rate environment.

We are revising down our EPS forecasts for 2012-13 on our lower ASP assumptions for the property companies' unsold units, and the prolonged sales period that we see for their residential launches.

What we recommend

We are downgrading our sector view to Negative from Neutral. Even though the sector has underperformed the FSSTI year-to-date, we expect the residential market to weaken soon and head into a prolonged downturn. With an overall decline of 22-26% in home prices as our base scenario, it is hard for us to see the developer shares outperforming the FSSTI over the next six months.

We are cutting our rating for CapitaLand to Hold (3) from Outperform (2) after its recent share-price appreciation. We are also downgrading City Developments (CDL) to Underperform (4) from Hold (3), after lowering our SOTP-derived target price to S$10.00. Singapore residential accounts for 34% of our SOTP value for CDL, compared with 19% for CapitaLand.

The major upside risk to our Negative sector view would be evidence of stronger-than-expected resilience in the residential-property market, although QoQ price increases in excess of 2% would raise the risk of further government cooling measures and more supply.

How we differ

We believe we are one of the few brokers to forecast a prolonged downturn in home prices, though our overall forecast of a 22-26% decline in prices is not the most negative in the market.

Key stock calls

	New	Prev.
CapitaLand (CAPL SP)		
Rating	**Hold**	Outperform
Target price	**S$2.75**	S$2.79
Up/downside	▲ **1.9%**	
City Developments (CIT SP)		
Rating	**Underperform**	Hold
Target price	**S$10.00**	S$10.80
Up/downside	▼ **(5.3)%**	

Source: Daiwa forecasts
Note: Please refer to page 3 for details.

- Positive
- Neutral
- **Negative** (from Neutral)

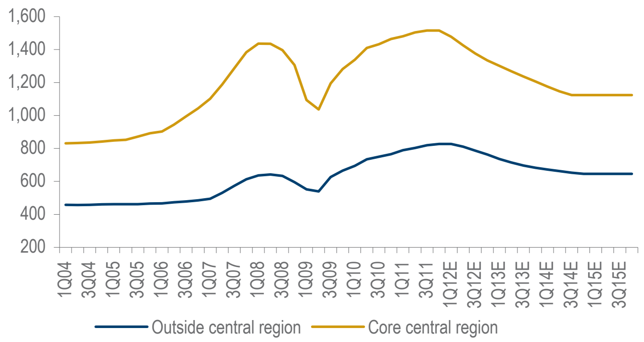
How do we justify our view?

- Growth outlook
- Valuation
- Earnings revisions

Growth outlook

We expect a subdued residential-property market to persist for several consecutive years. Initially, we expect the downturn to be triggered by external factors and the forthcoming cyclical economic slowdown, but from late 2012, we believe the sector's structural issues (rising levels of unsold inventory due to robust launch schedules coupled with a formidable pipeline of completions) will continue to depress rents and capital values.

Singapore: private residential prices and forecasts (S$/sq ft)



Source: URA, Daiwa forecasts

Valuation

CapitaLand is trading currently at a slight 2% discount to our SOTP valuation of S$2.75, while CDL is trading at a 5.6% premium to our SOTP valuation of S$10.00.

CapitaLand appears more attractive relative to its average premium to our SOTP of 16.9% since 2004, but has traded at steep discounts in recent troughs (global financial crisis and the 2011 bottom in early October). In contrast, CDL has consistently been more defensive on market sell-downs.

CapitaLand and CDL: average premiums/discounts to Daiwa SOTP value

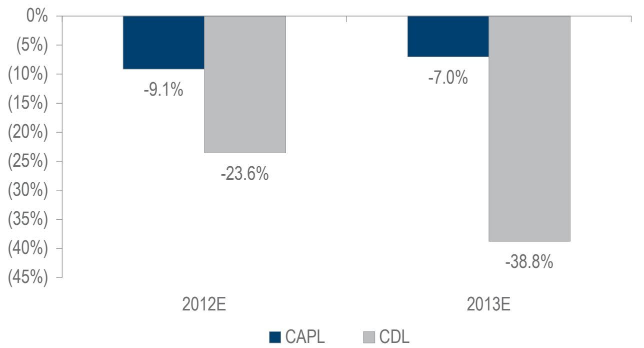
(%)	CapitaLand	CDL
Since 2004	16.9	5.8
Since 2007	1.5	7.9
Since 2008	(8.2)	2.9
Since 2009	(9.1)	(4.0)
GFC trough	(51.7)	(36.4)
2011 bottom	(36.6)	(23.2)

Source: Bloomberg, Daiwa estimates

Earnings revisions

Our 2012-13 EPS forecasts for CapitaLand and CDL, which capture our expectations for a prolonged decline in property prices, are considerably lower than those of the current Bloomberg consensus. If our forecasts pan out, we believe there is considerable downside risk to the street's earnings forecasts.

Daiwa EPS forecasts: relative to Bloomberg consensus



Source: Bloomberg, Daiwa forecasts

Executive summary

Heading for a prolonged downturn

Structural issues: rising levels of unsold inventory and a formidable pipeline of completions, which could lead to record vacancies

■ Investment thesis

We now expect a multi-year downturn in the residential market. Initially, we expect the downturn to be triggered by external factors and the forthcoming cyclical economic slowdown, but from late 2012 we believe the sector's structural issues (rising levels of unsold inventory due to robust launch schedules coupled with a formidable pipeline of completions) will continue to depress rents and capital values. We forecast overall private home prices to fall by 22-26% (from the end of 2011 to the end of 2014).

Home prices likely to fall by 22-26% by the end of 2014

■ Valuation

We believe past trading ranges have little use in the current uncertain market conditions (and near a possible turning point in the residential market). CapitaLand appears more attractive relative to its average premium to our SOTP of 16.9% since 2004, but has traded at steep discounts in recent troughs (global financial crisis and the 2011 bottom in early October). In contrast, CDL has consistently been more defensive on market sell-downs.

CapitaLand is trading currently at a slight 2% discount to our SOTP valuation of S$2.75, while CDL is trading at a 5.6% premium to our SOTP valuation of S$10.00.

■ Profit outlook

We believe we are one of the few brokers to forecast a prolonged downturn in home prices, though our forecast of a 22-26% decline in prices is not the most severe in the market. Our 2012-13 EPS forecasts for CapitaLand and CDL, which capture our expectations for a prolonged decline in property prices, are considerably lower than those of the current Bloomberg consensus.

Key stock calls

		Rating		Target price (local curr.)			EPS (local curr.) FY1			EPS (local curr.) FY2		
Company Name	Stock code	New	Prev.	New	Prev.	% chg	New	Prev.	% chg	New	Prev.	% chg
CapitaLand	CAPL SP	Hold	Outperform	2.75	2.79	(1.4)	0.192	0.187	2.7	0.155	0.175	(11.4)
City Developments	CIT SP	Underperform	Hold	10.00	10.80	(7.4)	0.866	0.866	0.0	0.579	0.591	(2)

Source: Daiwa forecasts

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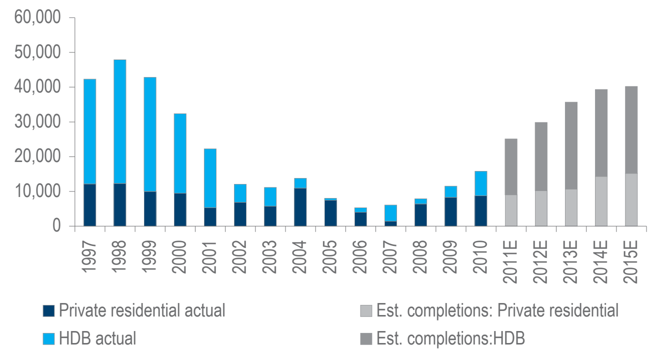
Heading for a prolonged downturn

Record launches, record completions for 2012-15

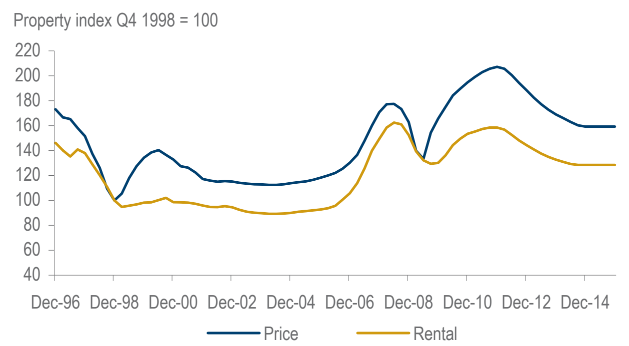
We believe the major risk in the private residential-property market is a build-up of imbalances in unsold inventory (by as early as the end of 2011) in the primary market, and vacant units in the rental market (leading to record high levels of vacant units from 2014). We believe these developments will dampen home prices and rents for several years.

■ **Total net completions: total units**



Source: URA, HDB, Daiwa forecasts

■ **Singapore residential: price and rental index**



Source: URA, Daiwa forecasts

The residential property sector suffered a severe, post Asian financial crisis supply glut (for both the public and private sectors), which depressed prices and incentives to build new units up to about late 2005. With the ramp-up of public and private residential construction to address the current shortage of housing units, as well as indirectly cool recent price increases, we believe the residential-property market could see a repeat of what occurred in the early 2000s.

■ **Singapore private residential: boom and bust periods**

		Magnitude* #	
Period		**URA (%)**	**JLL (%)**
4Q90-2Q96	Tiger-economy rise fuelled by FDIs	222	186^
2Q96-4Q98	Asian financial crisis	(45)	(33)
4Q98-2Q00	Post AFC rebound	40	25
2Q00-1Q04	Dotcom bust, 9-11, SARs	(20)	(22)
1Q04-2Q08	Pre GFC recovery	58	132
2Q08-2Q09	GFC	(25)	(36)
2Q09-3Q11	Post GFC recovery	54	39

Source: URA, Jones Lange LaSalle, Daiwa
*Note:*From trough to peak (or peak to trough)*
^Data from 1Q91 – 2Q96

Unsold inventory build-up

We expect private-residential launches to continue at a brisk pace (13,200-16,800 annually for 2012-15 compared with an annual average of 9,265 units for 1996-2010), with unit launches a product of 'forced supply' as a consequence of the government land sales (GLS) programme.

At the end of 3Q11, new private-residential development supply totalled 86,332 units, consisting of 44,371 units under construction and 41,961 'planned' units. The 'planned' units are evenly divided between those sites released under the GLS programme and those from private land projects.

■ **Supply of private residential units**

Type of project	Total	2011	2012	2013	2014	2015
Total potential supply	**86,332**	**1693**	**12,043**	**12,882**	**20,550**	**34,373**
GLS*	35,506	38	3,209	2,928	5,849	20,534
Private**	50,826	1655	8,834	9,954	14,701	13,839
Under Construction	**44,371**	**1693**	**12,043**	**10,441**	**12,436**	**7,758**
GLS*	14,494	38	3,209	2,924	4,888	3,435
Private**	29,877	1655	8,834	7,517	7,548	4,323
Planned***	**41,961**	**-**	**-**	**2,441**	**8,114**	**26,615**
GLS*	21,012	-	-	4	961	17,099
Private**	20,949	-	-	2,437	7,153	9,516

Source: URA
*Note: *government land sales projects; ** private land projects; ***projects not under construction with written permission, provisional permission, or 'others'*

Historically, the URA supply projections have not been a good predictor of future supply. To an extent, the URA's estimates reflect developers' expectations of prices – as price expectations rise, more units are proposed to be developed by developers; similarly, as price expectations fall, supply that had been 'planned' is often deferred by developers, resulting in actual completions being lower than those initially proposed. Given our assessment that capital values are likely to fall, we would expect developers to increasingly defer proposed projects. However, as noted below, the only potential supply that can be deferred meaningfully are private residential projects currently planned, as GLS sites are required to be completed within a specified period. This discretionary portion of supply equates to 20,949 units and represents 24% of future supply.

GLS, a key component of the supply-driven policy

The relatively high number of GLS units is a reflection of the government's resumption of the confirmed list (in 1H10) and the record number of units in the confirmed list (over 8,000 units each half year in 2H10-2H11) during the positive phase of this cycle.

Note: we expect the release of the government's 1H12 GLS programme in late November or early December. (The 1H11 GLS programme was announced on 25 November 2010, the 1H10 programme was announced on 6 November 2009, and the 1H09 programme was announced on 4 December 2008).

We believe the government is committed to addressing perceived 'imbalances' in the residential market and is likely to maintain the quantum of potential units to be delivered via the GLS programme. However, in view of the increased global uncertainty, we believe the government is likely to alter the mix, resulting in a more balanced delivery of supply between the confirmed and the reserve list. While this outcome would perhaps be preferred by the developers, it could easily be interpreted as evidence that the government is now concerned about the future impact on prices given the volume of new supply.

■ GLS programme: reserved and confirmed list

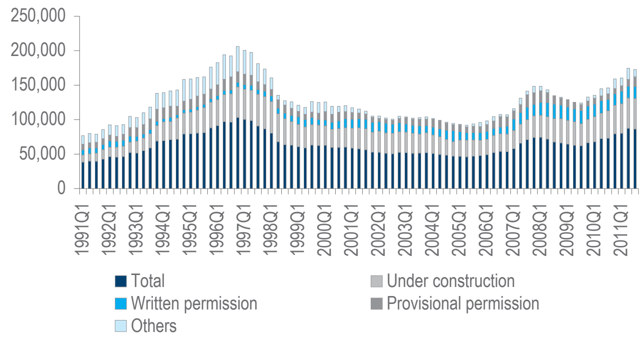
	Confirmed	Reserved	Total
2H2005	-	3,685	3,685
1H2006	-	4,320	4,320
2H2006	-	4,670	4,670
1H2007	3,014	5,020	8,034
2H2007	2,579	4,505	7,084
1H2008	2,839	4,990	7,829
2H2008	1,122	6,840	7,962
1H2009	-	7,962	7,962
2H2009	-	8,655	8,655
1H2010	2,925	7,625	10,550
2H2010	8,135	5,770	13,905
1H2011	8,125	6,185	14,310
2H2011	8,115	6,080	14,195

Source: URA

It appears that the government's preferred policy move to tackle rising home prices is to release an abundant amount of new supply through the GLS programme. So far, this tactic has had a limited impact in dampening private-home prices, given the time lag from when a site is available for auction to when the winning bidder actually launches new units for sale in the project.

That said, an immediate consequence of injecting new sites for sale is the build-up of the supply pipeline, which reached 86,332 units as at 30 September 2011, the highest level since the pre-global financial crisis period.

■ Supply pipeline trend



Source: URA

Strong pipeline a prelude to launches

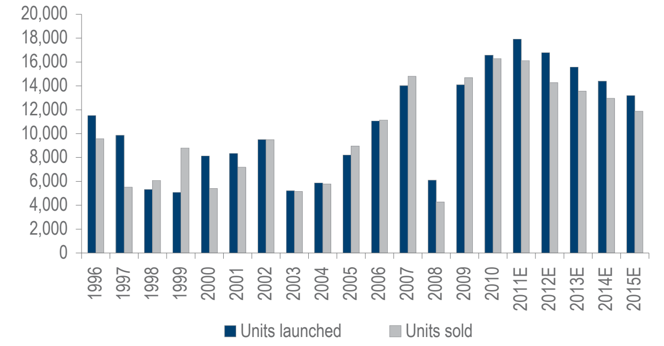
Of the current pipeline of 86,332 units, only 37,114 units (43%) have been sold (32,891 [74%] of the units under construction and 4,253 [10%] of the 'planned' units). This implies that developers still have to sell (or launch eventually) the remaining 49,188 unsold units (11,480 under construction and 37,708 'planned').

Although developers have the flexibility to hold back the launches of private land projects, GLS sites awarded to developers would have to be launched for sale eventually (the typical stipulated project completion period is 60 months from the award of the site, after which the government would impose onerous penalties for slippage), so there could be a considerable number of launches in the future even during weak market conditions.

In essence, during this cycle, the market's normal ability to temper new pre-sale launches by deferring construction starts will be impeded by the realities of 'forced supply' via the GLS programme.

Compared with the annual average launches of 9,265 units for 1996-2010, 12,374 units for 2006-10, and an estimated record of 17, 935 units for 2011 (based on our forecast), we expect private-residential launches to continue at a brisk pace of 13,200-16,800 annually for 2012-15.

■ Units launched and sold by developers



Source: Singapore URA, Daiwa forecasts

■ Units launched and sold by developers

	Launched	Sold	% sold
1996	11,520	9,565	83.0
1997	9,869	5,520	55.9
1998	5,324	6,096	114.5
1999	5,087	8,815	173.3
2000	8,143	5,406	66.4
2001	8,357	7,189	86.0
2002	9,507	9,485	99.8
2003	5,216	5,156	98.8
2004	5,881	5,785	98.4
2005	8,201	8,955	109.2
2006	11,069	11,147	100.7
2007	14,016	14,811	105.7
2008	6,107	4,264	69.8
2009	14,103	14,688	104.1
2010	16,575	16,292	98.3
2011E	17,935	16,137	90.0
2012E	16,784	14,267	85.0
2013E	15,588	13,562	87.0
2014E	14,392	12,953	90.0
2015E	13,196	11,878	90.0

Source: Singapore URA, Daiwa forecasts

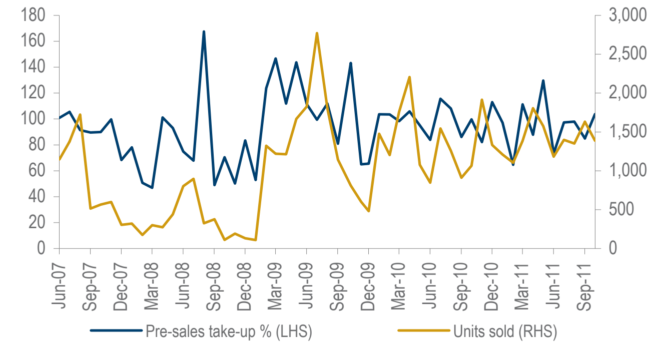
Uncertain take-up

Up to now, the take-up of new launches has been strong (from 1H09-1H11), leading to record private home sales in 2009 and 2010 (we estimate that home sales in 2011 will probably fall just short of last year's level), but the pace of take-up in the future is highly uncertain, in our opinion.

The sales performance in October 2011, with 1,387 private residential units sold, down from 1,631 units in September 2011, was still resilient, considering that the take-up rate (vs. 1,337 units launched) was 104%, the highest since May 2011, though the number of units launched was also the lowest in recent months since May 2011. The year-to-date take-up rate was 92.5% as at the end of October. If developers launch more units in the next two months than they did in October, we believe the take-up rate would fall below 100%, resulting in a further build-up of unsold inventory.

Demand for the most recent launches has been confined largely to the suburban, mass-market segment (with a preference for projects in close proximity to an MRT station), but even for these projects, sales have been for choice units during the soft-launch preview period, including affordable (shoebox) units for investment (with the buyer's expectation that these units can be rented out easily upon completion) and larger units for owner occupation (but but only those at attractive price points). With ASPs at all-time highs (except for the ultra-luxury segment) and slower take-up for the larger-area units, absolute affordability could be emerging as an issue.

■ Presale take-up and total units sold



Source: URA, Daiwa

We believe the risk of a system-wide build-up of inventory to unprecedented levels by as early as the end of 2011 would increase if the take-up rates for launches over the next two months weaken considerably.

Unsold inventory creeping up

One manifestation of the inventory build-up is the current tally of unsold inventory. We define this measure as the sum of: 1) the unsold units in completed developments, 2) unsold units that have been launched for sale for uncompleted developments, and 3) the remaining unlaunched units in uncompleted developments, which have been partially launched.

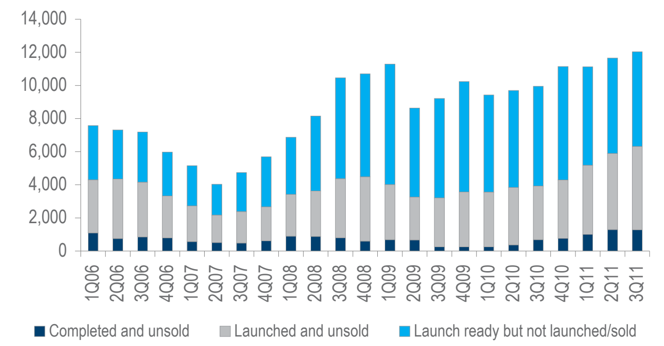
The unsold inventory, by our calculations, totalled 12,035 units as at the end of 3Q11, nearly back to the global financial crisis peak at the end of 1Q09. But unlike the previous peak, the build-up this time has been due to a rapid increase in units launched (we expect 17,935 units launched for 2011) and not a collapse in demand.

■ Singapore residential – unsold inventory

	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Unsold completed units	369	681	763	1,006	1,292	1,279
Launched and unsold units	3,468	3,248	3,528	4,179	4,603	5,044
Launch-ready" and unsold units	5,859	6,018	6,850	5,943	5,759	5,712
Total Unsold inventory (units)	9,696	9,947	11,141	11,128	11,654	12,035
Increase in inventory YoY (units)	1,059	732	908	1,700	1,958	2,088
Increase in inventory YoY (%)	12.3	7.9	8.9	18.0	20.2	21.0

Source: URA, Daiwa

■ Unsold inventory of residential units

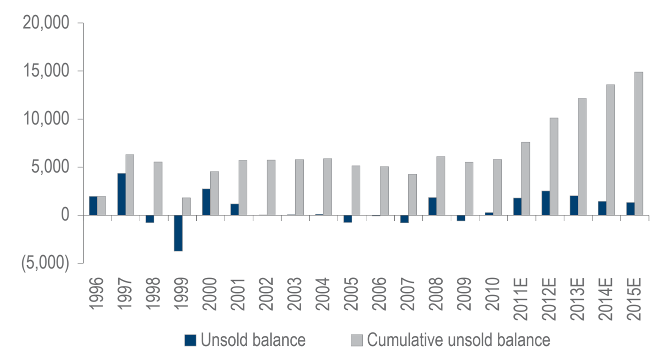


Source: URA, Daiwa

Unsold balance rising

Another measure of the rising inventory imbalance is the cumulative unsold balance, ie, the difference between the number of units launched annually and the number of units sold by developers annually. Since 1996, the first year the data was available, the cumulative unsold balance has been relatively stable at 5,000-6,000 units. Based on our forecast that 85-90% of all units launched in 2011-15 would be sold, we estimate that the cumulative unsold balance would reach an all-time high of about 7,600 units by the end of 2011, exceed 10,000 units by the end of 2012, and rise to about 14,900 units by 2015, equivalent to about 4.7% of outstanding private residential stock by then.

■ Unsold balance in the primary market

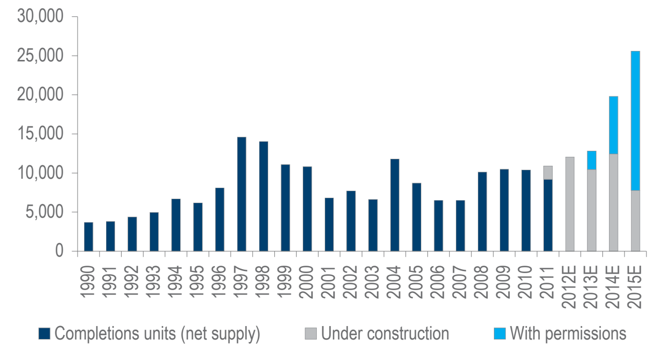


Source: Daiwa forecasts

Vacancies on the rise

We also expect considerable new supply of private residential stock to hit the market: 12,043-17,000 completed units annually from 2012-15. The robust pipeline of completions for 2012-15 is a reflection of record home sales in 2009-11, as well as the record new supply injected in recent GLS announcements.

■ Completions and future pipeline



Source: URA

Developers, specifically of private sector projects, have some leeway in deferring the completion of their projects, so our forecast completions for 2013-15 are 2-34% lower than the URA's totals, which include all development projects under construction and those with planning (written or provisional permission) approvals.

■ Residential supply pipeline (units)

	Daiwa forecast	URA total	Under construction	With approvals
2011E	10,889	10,889	1,693*	0
2012E	12,043	12,043	12,043	0
2013E	12,500	12,812	10,441	2,371
2014E	16,124	19,812	12,436	7,376
2015E	17,000	25,593	7,758	17,835

Source: Singapore URA, Daiwa forecasts
*Note: *for 4Q11; approvals refer to projects with written or provisional permission*

Subdued enbloc activity

In addition to expected completions (adjusted from the URA projections in the table above), our supply forecasts assume demolitions of 1,800 units per year. During the current property-market recovery from 2009, the number and scale of enbloc transactions (compared with the 2005-07 period) have been modest.

■ **Private residential: supply and demand (units)**

	Change in stock	Completions	Demolitions*	Chg in occupied stock
1997	12,159	14,582	(2,423)	6,954
1998	12,300	14,038	(1,738)	11,155
1999	9,978	11,079	(1,101)	10,880
2000	9,477	10,811	(1,334)	10,846
2001	5,326	6,817	(1,491)	2,460
2002	6,843	7,730	(887)	5,596
2003	5,737	6,619	(882)	6,852
2004	10,969	11,799	(830)	9,392
2005	7,453	8,697	(1,244)	6,093
2006	4,008	6,520	(2,512)	9,027
2007	1,448	6,513	(5,065)	2,571
2008	6,392	10,122	(3,730)	4,903
2009	8,285	10,488	(2,203)	10,520
2010	8,754	10,399	(1,645)	8,259
2011E	9,047	10,889	(1,842)	7,417
2012E	10,243	12,043	(1,800)	8,249
2013E	10,700	12,500	(1,800)	8,679
2014E	14,324	16,124	(1,800)	12,093
2015E	15,200	17,000	(1,800)	12,918

Source: Singapore URA, Daiwa forecasts
*Note: *implied from completions and change in stock*

Economy, immigration?

Conventional wisdom would suggest that the annual net absorption (occupation) of private-residential units would depend on the strength of the economy and pace of immigration. Unfortunately, we have found that annual changes in population appear to have little correlation with annual changes in occupied stock. For instance, the largest annual increase in occupied stock in recent years occurred in 2009 when Singapore was in a severe recession; and although population growth (both resident and overall) had been surprisingly strong for 2009, it was even stronger in 2008 when the increase in occupied stock was considerably lower.

Demand correlated with new supply

We have found, instead, that the annual increase in occupied stock is highly correlated (r=0.98) with new supply (the annual change in available private-residential units). As long as the population is growing and there is strong demand for newly-completed residential developments, it should be no surprise over the long term, in our view, that the change in occupied stock is highly correlated with the change in available stock. In essence, Say's Law that 'supply creates its own demand' to an extent is true, specifically if buyers retain a view that asset prices are likely to increase.

While such analysis is persistent over the long run, it perhaps is not helpful in predicting turning points in the cycle, specifically as price expectations change in light of rising supply.

Our forecast for net absorption is based primarily on a regression of the change in occupied private-residential stock on the change in available stock. However, since the total number of completions from 2013-15 will be the most over a three-year period since the pre-Asian financial crisis period (in 1995-98), we have assumed that the net absorption would fall slightly short of the change in available stock.

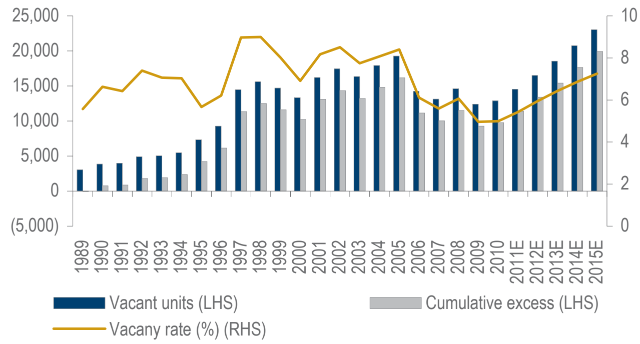
Vacancies rising

Similar to the build-up of imbalances in unsold inventory, we have tracked from 1989 the cumulative excess balance (the difference between the change in available stock and the change in occupied stock in any year). The cumulative excess balance peaked at 16,166 units at the end of 2005 and declined steadily to 9,278 units at the end of 2009. (Note the rapid decline in 'excess stock' was driven in part by the demolition of over 13,510 units, resulting in lower net completions over the period.)

However, we expect the figure to rise again and exceed 17,600 units by the end of 2014, and exceed 19,900 units by the end of 2015.

We expect the vacant stock to rise steadily from 12,388 units at the end of 2009, and surpass the previous all-time high of 19,276 units at the end of 2005 by 2014, when we expect over 20,700 vacant units. From 5.8% as at 30 September 2011, we expect the vacancy rate to rise gradually to 7.3% by 2015.

■ **Singapore residential: vacancy build-up**



Source: Singapore URA, Daiwa forecasts

Over the longer term, we believe population growth should underpin residential occupancy rates and the demand for housing (though in the short term it is a poor predictor of annual absorption). We are forecasting private net demand over 2012-15 of 10,485 units versus the 10- and 5-year average of 6,567 units and 7,056 units. Despite our higher demand forecasts compared with past absorption rates, we expect the volume of new supply to still place upward pressure on vacancy rates.

We have found that the potential amount of pent-up demand, based on forecasts for population growth and average household size, is highly sensitive to assumptions. Jones Lang LaSalle, in its report, *New stock arriving in the Singapore residential market*, estimates pent-up demand (for both public and private housing) of 82,372 units (or 16,474 units annually over five years) assuming that the average household size declines to 4.08 from 4.37 currently. However, if we applied average household size assumptions of 4.2 and 3.9, the estimated annual pent-up demand would range from 9,381 to 27,932 units.

After introducing two annual population-growth assumptions (of 0.8% and 1.5%) to the two average household-size assumptions (4.08 and 4.37), we have calculated four scenarios for annual demand (assumed over five years), which range from 9,421 units to 19,186 units.

■ **Pent-up demand scenarios (household size)**

Pent up demand	Current	Scenario 1 (JLL)	Scenario 2 (Daiwa)	Scenario 3 (Daiwa)
Current housing stock (units)	1,158,885			
Current population	5,064,327			
Household size	4.37			
Derived housing stock based on:				
- population		5,064,327	5,064,327	5,064,327
- avg household size		4.08	3.9	4.2
- avg household size reduction (%)		(6.6)	(10.8)	(3.9)
- required housing stock (units)		1,241,257	1,298,546	1,205,792
- est. pent-up demand (units)		**82,372**	**139,661**	**46,907**
Annual demand (over 5-years)		**16,474**	**27,932**	**9,381**

Source: JLL, Daiwa

Pent-up demand scenarios (population growth)

	Scenario 1	Scenario 1A	Scenario 2	Scenario 2A
Current housing population	5,064,327	5,064,327	5,064,327	5,064,327
Population growth (%)	0.80	0.80	1.50	1.50
Period (years)	5	5	5	5
Population in 2015	5,270,168	5,270,168	5,455,719	5,455,719
Increase in population	205,840	205,840	391,392	391,392
Household size	4.37	4.08	4.37	4.08
Total demand	47,103	50,451	89,563	95,929
Annual demand	**9,421**	**10,090**	**17,913**	**19,186**

Source: Daiwa

Short-term supply pipeline still formidable

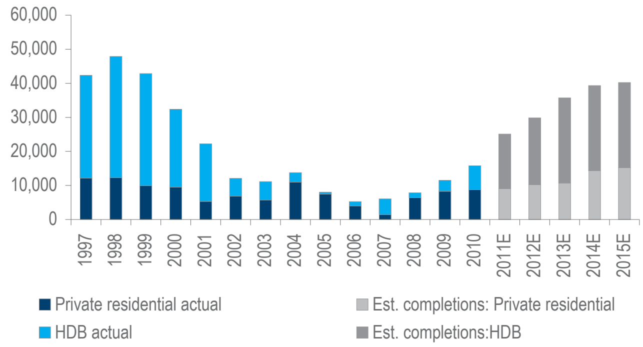
Although most of the pent-up demand scenarios imply annual demand in excess of the completion levels in the past for both the public, HDB, and private sectors, they are still considerably lower than the annual completion pipeline over the next 4-5 years, so our forecast for the (private) vacancy rate to rise to over 7% by the end of 2015 appears reasonable to us.

■ **Average annual supply – private and HDB (units)**

	Private residential	HDB	Total
Past average supply			
Past 14 years (1997-2010)	7,795	12,146	19,941
Past 10 years (2001-2010)	6,522	4,854	11,376
Past 5 years (2006-2010)	5,777	3,529	8,250
Past 3 years (2008-2010)	7,810	3,915	11,725
Forecast			
Next 5 years (2011-2015)	14,326	25,436	39,763
Next 4 years (2012 - 2015)	15,186	27,277	42,463

Source: CEIC, Daiwa

■ **Total net completions: total units**



Source: URA, HDB, Daiwa forecasts

Signs of strength or possible weakness

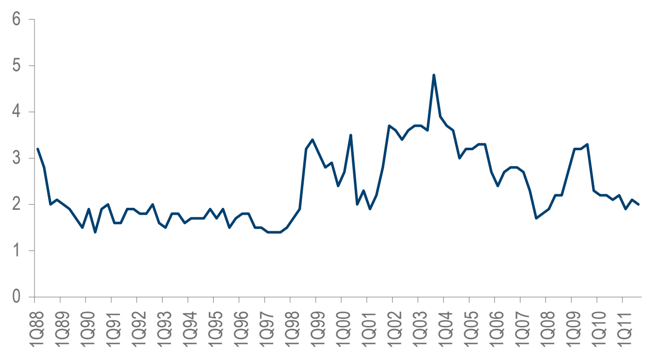
Inventory imbalances and higher vacancy rates are the major areas of concern, in our view, but these concerns could be offset by the benign outlook for interest rates and the ability to service mortgage obligations, with perceptions of job security, given the current unemployment rate of 2.0%.

Mortgage servicing helped by low rates

Low unemployment and low interest rates have enabled existing home owners, and possibly future home owners, to service mortgages even factoring in higher home prices.

The resident unemployment rate was 2.9% in September 2011, while the overall unemployment rate was 2.0% (both figures based on preliminary estimates by the Singapore Ministry of Manpower).

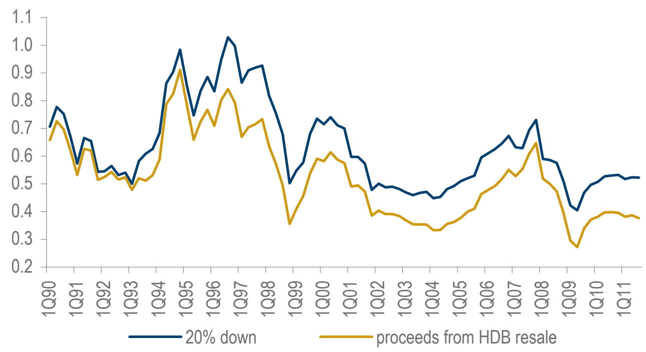
■ Singapore: unemployment (%)



Source: CEIC

Private homes at the moment remain affordable, by virtue of the current low-interest rate environment and the resilient prices to date of resale public housing. Note: Since December 2006, HDB resale prices have increased by 81%, with HDB prices seeing no declines during the global financial crisis. We estimate that the trend of affordability (the ratio of the monthly mortgage payment relative to the median monthly household income of S$5,000 [for 2010]) is still healthy relative to previous property-market peaks.

■ Daiwa: trend of Singapore affordability



Source: Daiwa estimates

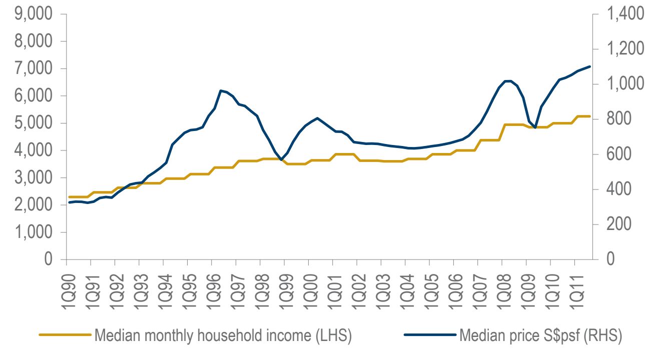
Note: 20% down - assumes 80% financing of the purchase of a condo based on the prevailing island-wide median price; proceeds from HDB resale - assumes that proceeds from the sale of 4-bedroom public (HDB) flat in the secondary market(at the prevailing resale price) is used entirely for the down-payment of the private condo unit

Household incomes lag asset price growth

While low interest rates have underpinned households' ability to service large mortgages given higher property prices, household incomes, however, have not kept pace with property price growth. Indeed, the recent shift in buyers towards smaller flats, and thus a lower capital sum and lower quantum in mortgages, is perhaps reflecting a view and or reality that: 1) mortgage rates won't remain low forever, and/or 2) household income growth has lagged property price growth.

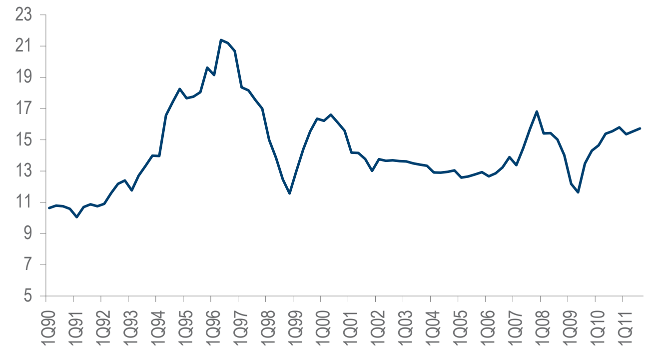
Certainly, the following charts and table, which reflect home prices as a multiple of annual household income (and thus the measure is not biased by the prevailing interest rates), suggest that the current multiple of 15.7x is 11% higher than the average multiple since 2000 (of 14.1x), 13% higher than the 5-year period (2003-08), and 4% higher than the post-global financial crisis multiple of 15.1x.

■ Median household income (S$ per month) and median condo prices (S$/sq ft)



Source: URA, Department of Statistics, Daiwa estimates

■ Home price multiple to annual median income



Source: URA, Department of Statistics, Daiwa estimates

■ Range of home price multiples to annual median income (x)

Average multiple	
Since 1Q00	14.1
5-years pre GFC	13.7
Post GFC	15.1
Past 12-months	15.6

Source: URA, Department of Statistics, Daiwa estimates

How affordable?

However, the key question is what does an 'affordability index' actually measure. In essence, an affordability index is a debt service multiple, measuring the capacity to meet a mortgage obligation based on prevailing interest rates at current incomes. Consequently, an affordability index, in our view, is a static measure.

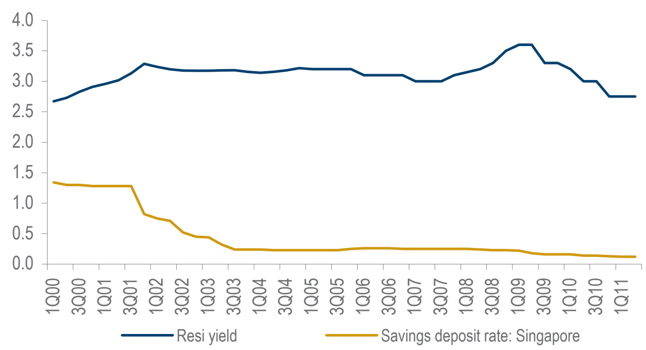
However, the decision to buy a property is a reflection of the buyer's expectations of servicing that mortgage and meeting the mortgage covenants in terms of: 1) cash flow: expectations for household income growth and job security, and 2) current and future equity in the underlying asset.

Here, price expectations are critical. Often buyers with stretched budgets and low affordability will look to buy an asset on the expectation that such a purchase would result in an increase in the underlying equity. The inverse, however, is also true, in that buyers with high affordability will potentially look to defer the purchase of an asset if their expectations are that asset prices are likely to fall adversely, impacting the value of their equity in the property.

Better than bank deposits, for the moment

From the perspective of cash-rich investors, the gross rental yield of about 2.75% compares favourably with Singapore deposit rates, which are close to zero. This has occurred despite capital values outpacing rentals.

■ Residential yield and savings deposit rate (%)



Source: Jones Lang LaSalle, Daiwa, Bloomberg

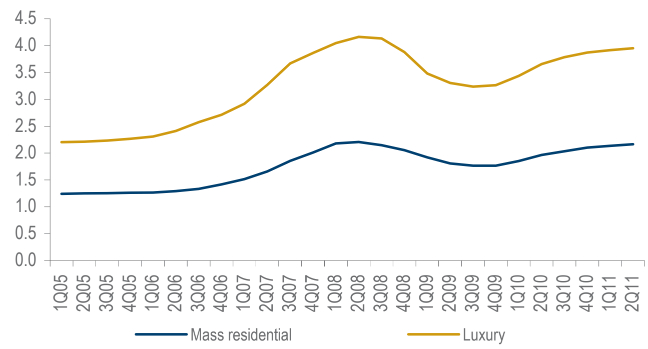
It might appear now that domestic interest rates are more likely to rise after the Monetary Authority of Singapore (MAS) indicated on 14 October 2011 that the slope of the policy band will be reduced, signalling a more gradual pace of currency appreciation, but we do not expect rates to spike (or the spread of rental yields over deposit rates to collapse) any time soon.

Even if interest rates were to rise, triggering higher monthly mortgage repayments for those home loans pegged to SIBOR or SOR rates, the adverse impact might be limited as property investors do not appear to be over-geared. The average loan-to-value (LTV) ratio of housing loans in the Singapore banking system was 44.1% as at 30 September 2011, unchanged from the previous quarter, according to MAS data. Private home buyers with no outstanding home mortgages can still obtain 80% financing, but those with one or more outstanding home loan would be limited to a maximum of 60% financing from financial institutions. This 60% LTV ceiling, part of the cooling measures announced by the government, has been in place since 14 January 2011.

There is little doubt, in our opinion, that Singapore-property investors have considerable holding power and that rental yields (and the spread over borrowing costs) are still attractive (all things equal) in the current low-interest rate environment.

However, while property investors will more than likely be able to secure an initial positive carry, the total return of a property investment will ultimately be determined by the outlook for rents and occupancy, and the resultant impact on underlying capital values.

■ Singapore private residential: rentals (S$/sq ft per month)



Source: URA
Note: mass residential= outside central region; luxury = core central region

■ Singapore residential: prices (S$/sq ft)

Source: HDB, URA

Understanding buyer behaviour

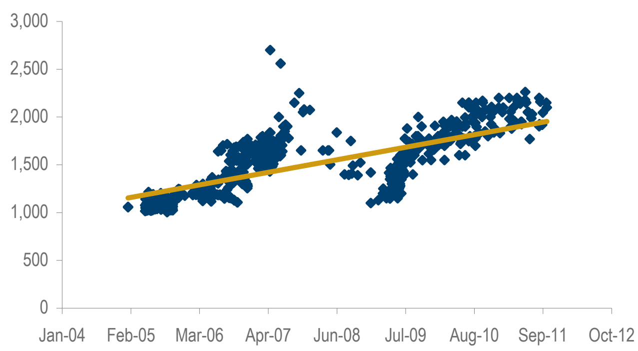
Investors, as yet, have not blinked

Over the 22-23 October 2011 weekend (see our 24 October 2011 report, Behavioural Economics II), we contacted some 10 property agents broking the same comparable developments (located within the prime Districts 9, 10 and 11), which we analysed in our 22 August 2011 report. At the time of our August report, one of the developments (Development A) had been completed and the other (Development B) was under construction. Two months later, Development B received its temporary occupation permit (TOP), enabling prospective owners to obtain their keys.

Asking prices still resilient

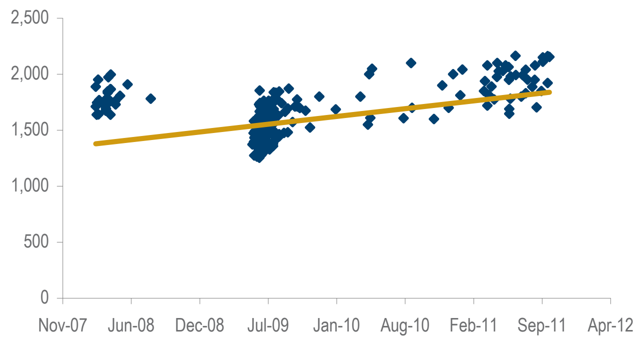
In summary, while the slowdown in transaction volumes over the past two months had been expected, the broader resilience among asking prices has perhaps been the biggest surprise, in our view.

■ Development A: transactions (Feb 2005 – Oct 2011)



Source: URA

■ Development B: transactions (November 2007 – Oct 2011)



Source: URA

While owners collectively are holding firm, the reality of: 1) current market yields of c2.4-2.7%, 2) a slowing rental market, and 3) the increase in inventory specifically for the recently completed development that has recently received its TOP, appears to have not gone unnoticed, with a couple of owners deemed by agents as 'motivated sellers'.

Over the 22-23 October 2011 weekend, most agents suggested that the asking prices in our sample of properties were broadly the same at cS$1,900-2,200/sq ft (unchanged from our end-August 2011 survey), with a couple of agents suggesting slightly lower prices with a wider band of S$1,800-2,200/sq ft.

As much as 35% of units in Development B up for sale/lease

While average asking prices on the whole had not moved significantly, selected owners, according to the agents we spoke with on 22 October, were deemed as 'motivated', and thus more flexible. Generally, owners in Development B were quite firm in their asking prices, confident that the quality of the completed development would sway buyers at their current asking prices. That said, it was evident in our discussions with agents that around 35% of units in Development B were available for sale and/or lease.

A downside risk if perceptions change

As owners appear to be collectively sticking to their asking prices, the potential inventory overhang, for the moment, was not having an impact on asking prices. The moment this (apparent) collective behaviour changes – whether driven by changing macro expectations, property dynamics, or simply the willingness of one owner versus the collective group to do a deal – the new transaction prices will deliver a pricing signal that could potentially be translated into a change in prices at comparable developments.

Indeed, one agent indicated that while there were only a few motivated sellers, he expected that it was only a matter of time before prices would start to slip, given the available inventory and the likely competition among owners.

Daiwa price and rental forecasts

We see negative pressures on rents and capital values in the short term from the global economic uncertainty and likely slowdown in GDP in 2012, and in the longer term from the rising imbalances in unsold inventory and vacant units (2012-15), though these negative factors should be tempered by the current capacity for Singapore home buyers to service mortgages, given low unemployment and historic low interest rates.

Gradual, multi-year declines

We do not expect sharp declines (in excess of 20%) in rents or capital values in any one year. Instead, we expect a subdued residential-property market to persist for several consecutive years. Initially, we expect the downturn to be triggered by external factors and the forthcoming cyclical economic slowdown, but from late 2012, we believe the sector's structural issues (rising levels of unsold inventory due to robust launch schedules coupled with a formidable pipeline of completions) will continue to depress rents and capital values. Multi-year declines in prices and rents are nothing new in Singapore, which experienced half a decade of gradual declines in the early 2000s, due to a major supply-demand imbalance (pre-Asian financial crisis overbuilding followed shortly by extremely weak demand in 2000-04). We believe the sector could see a repeat of a multi-year property-market downturn in 2012-14.

A 22-26% decline in private home prices

We forecast an overall decline in capital values of about 22% from the end of 2011 to the end of 2014 for the outside central region (a proxy for the private mass-residential market), and 26% over the same period for the core central region (a broad proxy for the high-end residential market).

We believe mass residential prices will hold up slightly better than the high-end segment because mass-residential demand will be better underpinned, to some extent, by affordability and public (HDB) resale prices, though we suspect that the resiliency of the resale-market in several years' time would depend on immigration and the overall rate of population growth.

The government's injection of new supply in the public, HDB, market could eventually moderate the resale market and affect demand for private units, but the resale market could still remain tight for several years, as homeowners of newly-built HDB flats would have to fulfil their minimum occupation requirement of five years before they can put their unit up for sale

■ Singapore: private-residential capital values (S$/sq ft)

End of year	Outside central region (OCR)	Chg YoY (%)	Core central region (CCR)	Chg YoY (%)
2004	461		842	
2005	466	1.0	892	6.0
2006	485	4.3	1,043	16.9
2007	613	26.4	1,384	32.7
2008	596	-2.9	1,306	-5.6
2009	666	11.8	1,282	-1.8
2010	765	15.0	1,465	14.2
2011E	828	8.1	1,515	3.5
2012E	763	-7.8	1,334	-11.9
2013E	683	-10.6	1,206	-9.6
2014E	646	-5.4	1,123	-6.8
2015E	646	0.0	1,123	0.0
Chg end 2011-15E		-22.0		-25.9

Source: URA, Daiwa forecasts

A 17-22% decline in rents

We forecast an overall decline in private-residential rents for the 2011-15 period of just below 17% for the outside central regional, and 22% for the core central region. We believe the combination of the brisk completion pipeline of residential units for 2012-14 and the uncertainty of immigration and population growth could drive down rents.

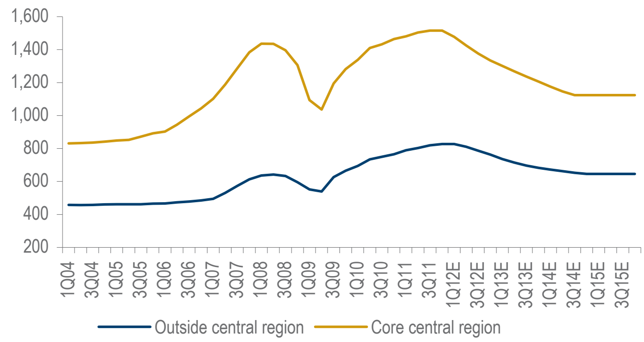
■ Singapore: private-residential rentals (S$/sq ft/month)

Rentals Annual average	Outside central region (OCR)	Chg YoY (%)	Core central region (CCR)	Chg YoY (%)
2004	1.22		2.19	
2005	1.25	2.5	2.23	1.6
2006	1.33	6.0	2.50	12.3
2007	1.76	32.7	3.43	37.0
2008	2.15	22.0	4.06	18.3
2009	1.82	(15.4)	3.32	(18.1)
2010	1.99	9.5	3.69	11.0
2011E	2.17	9.1	3.95	7.2
2012E	2.09	(3.6)	3.70	(6.3)
2013E	1.90	(9.4)	3.38	(8.8)
2014E	1.81	(4.5)	3.13	(7.3)
2015E	1.81	(0.3)	3.08	(1.5)
Chg 2011-15E		(16.8)		(22.0)

Source: URA, Daiwa forecasts

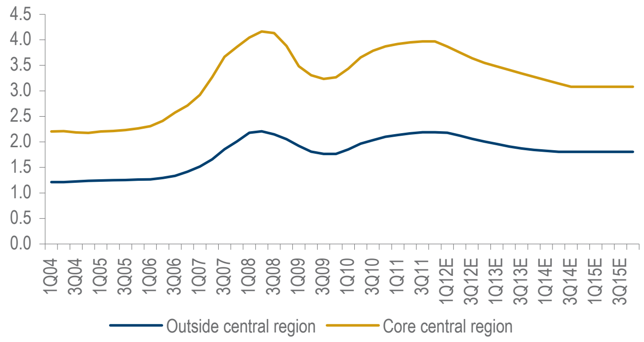
We expect the decline in capital values to exceed the decline in rents by 2014, after building in a conservative (in our view) assumption of a 15bps erosion in the yield spread (gross rental yields less deposit rates), given our expectation of a gradual rise interest rates. All else equal, capital values would have to fall at a faster pace to maintain the same yield spread as at 3Q11 for the property investor.

■ Singapore: private residential prices and forecast (S$/sq ft)



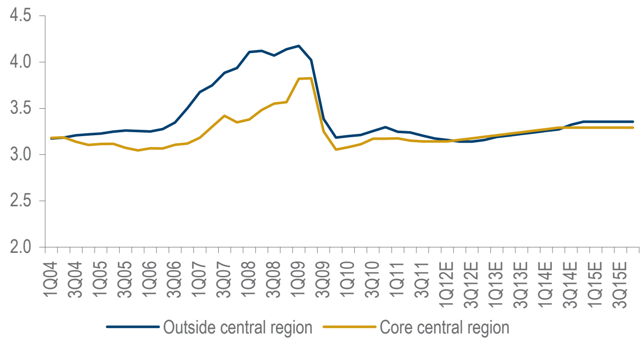
Source: URA, Daiwa forecasts

▪ Singapore: private residential rentals (S$/sq ft/month)



Source: URA, Daiwa forecasts

▪ Singapore: gross-rental yields and forecast (%)



Source: URA, Daiwa forecasts

Implications for developers

Our scenario of an overall decline of 22-26% in property prices from 2011-14 implies that developers would be better off launching their projects, in particular those won through recent government-land-sale tenders, as soon as possible and certainly before prices start to head south. Under such a scenario, however, we reckon that the decline we expect in asset prices could occur in a shorter time frame.

We are lowering our ASP assumptions for all unsold units in the developers' Singapore land banks to reflect a 22-26% decline in home prices by the end of 2014.

If private home prices start to decline (and we would expect this to occur in early 2012), it would be difficult for developers to sell away most of the units in their existing projects unless they cut prices.

Since most developers are in solid financial positions with low gearing, they have no reason to cut their prices at the first signs of market weakness.

The drawback of their holding power is that it might take developers many years before they adequately sell units in these newly-launched projects, unless they are willing to lower their prices.

We believe the choice units (20-25% of total) of new launches will still find ready buyers, assuming the pricing is reasonable. The difficulty would be to sell the remaining 75-80% of non-choice units.

We also assume the take-up rates (and revenue recognition) for the unsold units of existing launches will be prolonged. For projects that have not been launched, we have assumed that it could take 4-6 years (from the date of launch) before all units have been fully sold.

With the emergence of more selective buyers (including those adopting a wait-and-see attitude) evident even in recent launches, developers will have to price their future launches more judiciously to ensure that take-up rates remain respectable, while preserving their ASPs.

Those developers with the luxury of freehold land bank will have to wait until the next up-cycle (we reckon no earlier than 2015) to launch their projects.

2012-13 EPS forecasts lowered

For CapitaLand, we are revising down our 2012-13 EPS forecasts by 9.1-11.0% after lowering our ASP assumptions for its unsold units in view of our new forecasts for home prices. Our forecasts also assume a more prolonged revenue-recognition period (from about 3-4 years to 4-6 years) for its project launches.

▪ CapitaLand: unsold units at major projects (as at 30 Sep 2011)

	Stake	GFA	Total units	Launched to date	Sold to date	% of total sold	Unsold units
D'Leedon	35	2,347,766	1,715	650	441	26	1,274
Bishan Central	65	632,764	600	0	0	0	600
Bedok Town Centre	50	562,899	583	0	0	0	583
Interlace	50	1,830,956	1,040	900	691	66	349
Marine Point	100	107,488	150	0	0	0	150
The Nassim	100	171,598	55	0	0	0	55
The Urban Resort	100	160,278	64	34	25	39	39
Latitude	100	262,774	127	127	91	72	36

Source: Company, URA

For City Developments, we are cutting our 2012-13 EPS forecasts by 1.9-9.3%. This revision is on top of our downward revisions of 2.2-11.8% in our 10 November 2011 3Q11 results note, *A more cautious tone*, which assumed haircuts of 15-20% for unsold inventory.

■ CDL: unsold units of major developments (as at 30 Sep 2011)

	Stake	GFA	Ttl units	Launched to date	Sold to date	% of total sold	Unsold units
The Palette	51	912,430	892	0	0	0	892
Bartley Rd/Lor Sun How	30	665,909	700	0	0	0	700
Choa Chu Kang (EC)	50	530,138	474	0	0	0	474
The Residences at W	100	350,561	228	56	21	9	207
Hedges Park	33	462,320	501	501	325	65	176
Lucky Tower	100	355,297	174	0	0	0	174
Nouvel 18	50	313,867	156	0	0	0	156
H20 Residences	100	548,920	521	400	370	71	151
Blossom Residences (EC)	100	672,769	602	602	413	69	189
Robertson Quay	100	54,470	50	0	0	0	50
NV Residences	51	716,926	642	642	611	95	31
Cliveden at Grange	100	290,625	110	100	88	80	22
One Shenton	100	512,835	341	341	320	94	21
Buckley Classique	100	90,864	64	64	50	78	14

Source: Company, URA

Target-price changes

CapitaLand target: S$2.75

We are cutting our target price for CapitaLand, pegged to parity with our SOTP valuation, to S$2.75 (from S$2.79). After internalising our new residential-price forecasts (22-26% declines in residential prices by the end of 2014) into our financial forecasts, we have no longer applied a 20% discount to CapitaLand's Singapore land bank in our SOTP valuation.

However, our SOTP still assumes a 20% haircut on CapitaLand's China-asset exposure, except for its China assets under listed subsidiary CapitaMalls Asia (CMA SP, S$1.355, Buy [1]), which we have valued at our current target price of S$1.47. This target price is based on our SOTP value for CMA of S$1.58, assuming a 30% discount to its China malls exposure. Our SOTP also values subsidiary Australand (Not rated) at market value.

■ CAPL: SOTP valuation

S$m	Value
CL Residential Singapore	2,246
CL China Holdings	4,845
CL Commercial	1,955
Ascott	1,273
CapitaValue Homes/Surbana	737
CL Financial	828
Others, Liabilities	(4,817)
CapitaMalls Asia	3,734
Australand	1,158
Total value	11,709
Shares (m)	4,253
	2.75

Source: Daiwa estimates

CDL target: S$10.00

We are lowering our SOTP-derived target price for CDL to S$10.00 (from S$10.80) after assuming a decline of 22-26% (compared with haircuts of 15-20% for its unsold residential units previously in our 10 November 2011 note) for Singapore residential prices by 2014 in our ASP assumptions of its unsold inventory. We have also fine-tuned our assumptions for its investment-property portfolio to bring them in line with our view on the office segment. Our SOTP valuation also values hotel subsidiary Millennium & Copthorne (Not rated) at its current market value.

■ CDL: Daiwa SOTP valuation

Value of item	S$m	S$
54% of Millennium & Copthorne (MLC LN)	1,415	1.56
Share of City e-Solutions (557 HK)	22	0.02
Investment properties	5,791	6.37
Properties under development, land bank	3,674	4.04
Total	10,902	11.99
Net borrowings and adjustments	(1,807)	(1.99)
Daiwa SOTP value/target price	9,095	**10.00**

Source: Daiwa estimates

Ambiguous trading ranges

CapitaLand is trading currently at a slight 2% discount to our SOTP valuation of S$2.75, while CDL is trading at a 5.6% premium to our SOTP valuation of S$10.00.

CapitaLand appears more attractive relative to its average premium to our SOTP of 16.9% since 2004, but has traded at steep discounts in recent troughs (global financial crisis and the 2011 bottom in early October). CDL has consistently been more defensive on market sell-downs.

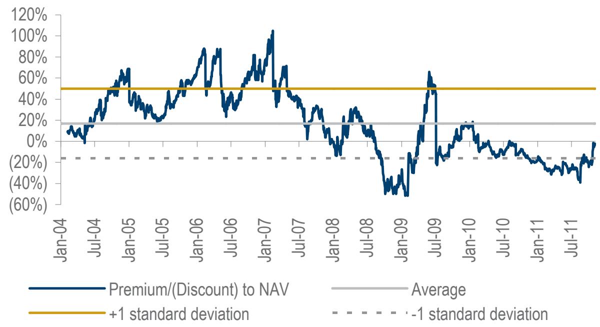
We believe past trading ranges have little use in the current uncertain market conditions (and near a possible turning point in the residential market). Nonetheless, between the two, we would give a slight nod to CapitaLand since it has underperformed the FSSTI in the year to date more severely, and as we believe a major pressure point for developers in 2012 could be their Singapore residential exposure, to which CDL has higher exposure (34% of group SOTP valuation vs. 19% for CapitaLand, based on our estimates).

■ CapitaLand and CDL: average premiums/discounts to Daiwa SOTP (%)

	CapitaLand	CDL
Since 2004	16.9	5.8
Since 2007	1.5	7.9
Since 2008	(8.2)	2.9
Since 2009	(9.1)	(4.0)
GFC trough	(51.7)	(36.4)
2011 bottom	(36.6)	(23.2)

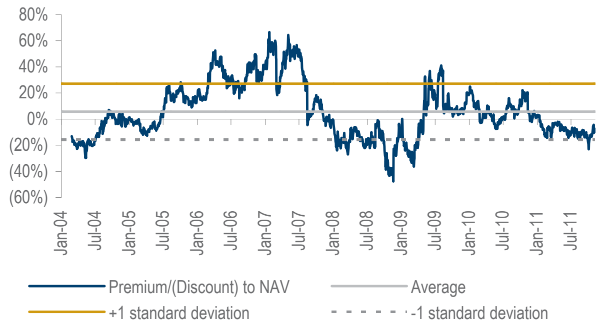
Source: Bloomberg, Daiwa estimates

■ CapitaLand: premium (discount) to Daiwa SOTP



Source: Bloomberg, Daiwa

■ CDL: premium (discount) to Daiwa SOTP



Source: Bloomberg, Daiwa

Sector downgraded to Negative

We are downgrading our sector view to Negative from Neutral. As we believe we are about to enter a multi-year downturn in the Singapore residential-property market, which would result in an overall decline of 22-26% in property prices from the end of 2011 to the end of 2014 (our new base scenario), it is hard for us to see the shares of developers outperforming over the next six months.

CapitaLand downgraded to Hold

We also see some risk (of slower sales and eventual ASP cuts) from CapitaLand's un-launched GLS sites on hand, including the 583-unit Bedok Town Centre and the 600-unit Bishan Central, as well as the 150-unit Marine Point (private acquisition). CapitaLand Residential Singapore (CRS) accounts for 19% of our SOTP valuation.

With the shares trading close to our SOTP-derived target price of S$2.75, we are lowering our rating to Hold (3) from Outperform (2).

The upside risk to our Hold rating would be evidence of stronger-than-expected home-price resilience, while the downside risks would be signs of deterioration or further government cooling measures.

CDL downgraded to Underperform

CDL is not immune to a residential slowdown, and with several GLS sites yet to be launched the property development business might not be as nimble if the residential market takes a turn for the worse.

We are downgrading our rating to Underperform (4) from Hold (3), in view of CDL's exposure to the increasingly risky Singapore residential sector (about 34% of our SOTP valuation) and with the shares trading over 5% above our SOTP-derived target price of S$10.00.

The major upside risk to our rating would be better-than-expected resilience in home prices, though if they rise too much, the risk of the government introducing even more supply could even worsen the sector's systemic risk, in our view.

Risks

The major upside risk to our Negative view for the sector would be evidence of stronger-than-expected resilience in the residential-property market (including rising property prices, strong take-up rates for new launches, or strong follow-through sales of existing launches) over the next 1-2 quarters. However, QoQ price increases of over 2% or other signs could trigger more government cooling measures, in our opinion, or even more residential supply.

The 10-second briefing

CapitaLand

CAPL SP | CLLDY US

Target price: **S$2.79 → S$2.75**
Up/downside: **+1.9%**
Share price (15 Nov): **S$2.70**

Residential in defensive mode

- Downgrade to Hold after recent price recovery; minor downward adjustment to our SOTP target price
- CRS accounts for 15-17% of group EBIT for 2011-13, and 19% of overall SOTP value, based on our forecasts
- 2012-13E EPS forecasts cut by 9.1-11.0%, and 7.0-9.1% lower than the consensus forecasts

1 Buy
2 Outperform
3 **Hold** (from Outperform)
4 Underperform
5 Sell

How do we justify our view?

David Lum, CFA
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What's new

We are now less positive on the outlook for property prices after reviewing our Singapore residential assumptions.

What's the impact

After incorporating our expectations that home prices will decline by 22-26% from end-2011 to end-2014, we are lowering our ASP assumptions for CapitaLand Residential Singapore's (CRS) unsold units, and cutting our 2012-13 EPS forecasts by 9.1-11.0%. Our forecasts also assume a more prolonged revenue-recognition period (from about 3-4 years to 4-6 years), as we believe it will take considerably longer to sell out the projects. We see some risk (of slower sales and eventual ASP cuts) from CapitaLand's unlaunched GLS sites on hand, including the 583-unit Bedok Town Centre and the 600-unit Bishan Central, as well as the 150-unit Marine Point (private).

CRS accounted for 8-24% of group EBIT for 2007-10, and we forecast it to make up 15-17% for 2011-13. We estimate that CRS accounts for about 19% of CapitaLand's overall SOTP value.

CAPL SOTP valuation

S$m	Value
CL Residential Singapore	2,246
CL China Holdings	4,845
CL Commercial	1,955
Ascott	1,273
CapitaValue Homes/Surbana	737
CL Financial	828
Others, Liabilities	(5,067)
CapitaMalls Asia	3,734
Australand	1,158
Total value	11,709
Shares (m)	4,253
	2.75

Source: Daiwa estimates

What we recommend

With the shares trading close to our new SOTP-derived six-month target price of S$2.75 (which we lower from S$2.79), we downgrade our rating to Hold (3) from Outperform (2). The upside catalyst to our rating would be evidence of stronger-than-expected home-price resilience, while the downside risks would be signs of a deterioration or further government cooling measures.

How we differ

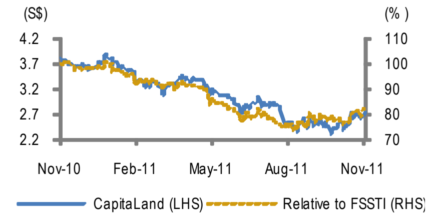
Our revised EPS forecasts for 2012-13, which capture our expectations for a prolonged fall in property prices, are 7.0-9.1% lower than the Bloomberg-consensus forecasts.

Forecast revisions (%)

Year to 31 Dec	11E	12E	13E
Revenue change	(4.0)	(12.5)	(12.9)
Net-profit change	2.9	(11.0)	(9.1)
EPS change	2.9	(11.0)	(9.1)

Source: Daiwa forecasts

Share price performance



12-month range	2.34-3.90
Market cap (US$bn)	8.87
Average daily turnover (US$m)	27.39
Shares outstanding (m)	4,235
Major shareholder	Temasek (40.9%)

Financial summary (S$)

Year to 31 Dec	11E	12E	13E
Revenue (m)	3,438	3,924	4,866
Operating profit (m)	1,797	1,555	1,780
Net profit (m)	816	658	835
Core EPS	0.192	0.155	0.197
EPS change (%)	(35.7)	(19.1)	26.8
Daiwa vs Cons. EPS (%)	16.4	(9.1)	(7.0)
PER (x)	14.1	17.4	13.7
Dividend yield (%)	1.5	1.5	1.9
DPS	0.040	0.040	0.050
PBR (x)	0.8	0.8	0.7
EV/EBITDA (x)	4.6	5.6	4.8
ROE (%)	5.7	4.5	5.4

Source: Bloomberg, Daiwa forecasts

Financial summary

■ Key assumptions

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
CapitaLand residential Singapore EBIT margin (%)		56.2	43.7	55.2	41.7	34.1	26.9	23.7
CapitaLand China Holdings EBIT margin (%)		40.9	267.4	85.2	119.0	37.3	29.5	26.2
CapitaMalls Asia EBIT margin (%)		239.7	144.5	196.2	192.5	184.0	141.9	130.7
Ascott EBIT margin (%)		73.4	29.9	8.0	42.5	57.2	26.1	29.7
CapitaLand Financial EBIT margin (%)		58.5	49.6	60.4	88.7	75.0	75.0	75.0
CapitaValue Homes EBIT margin (%)						15.6	32.0	23.6
Overall EBIT margin (%)	57.6	100.8	80.4	52.4	70.5	52.3	39.6	36.6

■ Profit and loss (S$m)

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Singapore residential	0	549	400	674	843	833	980	1,123
CapitaLand China Holdings	0	985	330	647	573	964	1,046	1,227
Others	3,148	2,259	2,022	1,637	1,966	1,641	1,898	2,516
Total revenue	**3,148**	**3,793**	**2,752**	**2,957**	**3,383**	**3,438**	**3,924**	**4,866**
Other income	1,160	3,066	1,706	1,508	1,714	1,088	704	632
COGS	(2,234)	(2,466)	(1,680)	(1,931)	(2,106)	(2,200)	(2,531)	(3,163)
SG&A	(302)	(521)	(412)	(351)	(430)	(362)	(375)	(388)
Other op. expenses	50	(47)	(153)	(634)	(175)	(167)	(167)	(167)
Operating profit	**1,822**	**3,824**	**2,213**	**1,549**	**2,384**	**1,797**	**1,555**	**1,780**
Net-interest inc./(exp.)	(328)	(404)	(516)	(454)	(448)	(450)	(466)	(481)
Assoc/forex/extraord./others	0	0	0	0	0	0	0	0
Pre-tax profit	**1,494**	**3,420**	**1,697**	**1,095**	**1,936**	**1,347**	**1,089**	**1,299**
Tax	(230)	(268)	(236)	(86)	(266)	(236)	(184)	(218)
Min. int./pref. div./others	(246)	(393)	(201)	44	(397)	(295)	(247)	(246)
Net profit (reported)	**1,018**	**2,759**	**1,260**	**1,053**	**1,273**	**816**	**658**	**835**
Net profit (adjusted)	**1,018**	**2,759**	**1,260**	**1,053**	**1,273**	**816**	**658**	**835**
EPS (reported) (S$)	**0.368**	**0.986**	**0.370**	**0.262**	**0.299**	**0.192**	**0.155**	**0.197**
EPS (adjusted) (S$)	**0.368**	**0.986**	**0.370**	**0.262**	**0.299**	**0.192**	**0.155**	**0.197**
EPS (adjusted fully-diluted) (S$)	**0.368**	**0.986**	**0.370**	**0.262**	**0.299**	**0.192**	**0.155**	**0.197**
DPS (S$)	**0.120**	**0.150**	**0.070**	**0.105**	**0.060**	**0.040**	**0.040**	**0.050**
EBIT	**1,822**	**3,824**	**2,213**	**1,549**	**2,384**	**1,797**	**1,555**	**1,780**
EBITDA	**1,903**	**3,903**	**2,324**	**1,672**	**2,500**	**1,897**	**1,655**	**1,880**

■ Cash flow (S$m)

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Profit before tax	1,494	3,420	1,697	1,095	1,936	1,347	1,089	1,299
Depreciation and amortisation	(76)	(160)	127	541	98	48	50	50
Tax paid	(84)	(90)	(168)	(128)	(176)	(236)	(184)	(218)
Change in working capital	345	(112)	429	(7)	144	(528)	(587)	(120)
Other operational CF items	(857)	(2,503)	(915)	(625)	(1,097)	(750)	(598)	(580)
Cash flow from operations	**822**	**555**	**1,170**	**876**	**905**	**(120)**	**(229)**	**431**
Capex	(64)	(210)	(358)	(206)	(88)	(88)	(88)	(88)
Net (acquisitions)/disposals	(848)	(221)	(628)	3,134	(1,454)	(88)	(92)	(93)
Other investing CF items	137	468	50	(547)	(275)	910	723	697
Cash flow from investing	**(775)**	**38**	**(936)**	**2,381**	**(1,817)**	**733**	**542**	**515**
Change in debt	1,639	1,795	932	365	191	53	79	85
Net share issues/(repurchases)	39	45	23	1,798	22	0	0	0
Dividends paid	(860)	(636)	(500)	(380)	(552)	(575)	(399)	(375)
Other financing CF items	(271)	(121)	(842)	(510)	(252)	(466)	(468)	(479)
Cash flow from financing	**547**	**1,082**	**(388)**	**1,272**	**(590)**	**(988)**	**(787)**	**(769)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**594**	**1,675**	**(154)**	**4,529**	**(1,502)**	**(374)**	**(474)**	**178**
Free cash flow	758	345	812	670	817	(208)	(317)	343

Source: Company, Daiwa forecasts

Financial summary continued ...

Balance sheet (S$m)

As at 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Cash & short-term investment	3,815	4,356	4,228	8,730	7,190	6,816	6,342	6,520
Inventory	3,916	3,541	3,347	3,590	5,667	6,175	6,741	6,841
Accounts receivable	1,494	2,064	1,715	1,302	2,134	2,130	2,130	2,130
Other current assets	300	302	254	196	203	203	203	203
Total current assets	**9,526**	**10,263**	**9,545**	**13,818**	**15,194**	**15,323**	**15,416**	**15,694**
Fixed assets	1,426	1,589	1,633	1,772	1,049	1,060	1,070	1,081
Goodwill & intangibles	40	38	589	518	460	460	460	460
Other non-current assets	12,379	13,952	13,317	14,057	15,184	15,588	16,059	16,540
Total assets	**23,371**	**25,841**	**25,084**	**30,166**	**31,887**	**32,430**	**33,005**	**33,774**
Short-term debt	1,614	1,803	1,871	1,394	1,762	1,756	1,756	1,756
Accounts payable	2,260	2,890	2,357	1,880	2,050	2,029	2,009	1,989
Other current liabilities	402	450	465	461	496	493	493	493
Total current liabilities	**4,275**	**5,142**	**4,693**	**3,735**	**4,308**	**4,278**	**4,258**	**4,238**
Long-term debt	7,279	8,067	7,919	8,881	8,596	8,655	8,734	8,819
Other non-current liabilities	679	767	484	670	1,117	1,117	1,117	1,117
Total liabilities	**12,234**	**13,976**	**13,096**	**13,286**	**14,022**	**14,050**	**14,109**	**14,174**
Share capital	9,307	9,941	10,682	13,408	14,032	14,533	15,020	15,693
Reserves/R.E./others	0	0	0	0	0	0	0	0
Shareholders' equity	**9,307**	**9,941**	**10,682**	**13,408**	**14,032**	**14,533**	**15,020**	**15,693**
Minority interests	1,831	1,924	1,306	3,471	3,833	3,848	3,875	3,907
Total equity & liabilities	**23,371**	**25,841**	**25,084**	**30,166**	**31,887**	**32,430**	**33,005**	**33,774**
EV	8,085	8,563	6,626	7,802	8,461	8,740	9,228	9,074
Net debt/(cash)	**5,077**	**5,513**	**5,561**	**1,545**	**3,168**	**3,595**	**4,148**	**4,056**
BVPS (S$)	**3.348**	**3.543**	**3.783**	**3.156**	**3.292**	**3.432**	**3.547**	**3.706**

Key ratios (%)

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Sales (YoY)	(18.1)	20.5	(27.4)	7.4	14.4	1.6	14.2	24.0
EBITDA (YoY)	89.5	105.1	(40.5)	(28.1)	49.5	(24.1)	(12.8)	13.6
Operating profit (YoY)	111.8	109.9	(42.1)	(30.0)	53.9	(24.6)	(13.5)	14.5
Net profit (YoY)	35.6	171.1	(54.3)	(16.4)	20.9	(35.9)	(19.4)	26.8
EPS (YoY)	30.0	168.2	(62.4)	(29.2)	14.0	(35.7)	(19.1)	26.8
Gross-profit margin	29.0	35.0	39.0	34.7	37.7	36.0	35.5	35.0
EBITDA margin	60.4	n.m.	84.4	56.5	73.9	55.2	42.2	38.6
Operating-profit margin	57.9	n.m.	80.4	52.4	70.5	52.3	39.6	36.6
ROAE	10.9	27.8	12.2	8.7	9.3	5.7	4.5	5.4
ROAA	4.4	10.7	4.9	3.8	4.1	2.5	2.0	2.5
ROCE	9.1	17.6	10.2	6.3	8.6	6.3	5.3	6.0
ROIC	9.5	20.3	10.9	7.9	10.4	6.9	5.7	6.3
Net debt to equity	54.6	55.5	52.1	11.5	22.6	24.7	27.6	25.8
Effective tax rate	15.4	7.8	13.9	7.9	13.7	17.5	16.9	16.8
Accounts receivable (days)	173.3	198.7	250.6	186.2	185.4	226.4	198.1	159.8
Payables (days)	262.0	278.1	347.9	261.5	212.0	216.5	187.8	149.9
Net interest cover (x)	5.6	9.5	4.3	3.4	5.3	4.0	3.3	3.7
Net dividend payout	32.6	15.2	18.9	40.1	20.1	20.8	25.7	25.4

Source: Company, Daiwa forecasts

Company profile

CapitaLand is one of Asia's largest integrated real-estate companies. Its real-estate and hospitality portfolio, which includes homes, offices, shopping malls, serviced residences, mixed developments, and affordable homes, spans more than 110 cities in over 20 countries. CapitaLand's geographic exposure by total assets includes Singapore (35%), China (35%), Australia (19%), the rest of Asia (9%), and Europe (2%) as at 30 September 2011.

The 10-second briefing

City Developments

CIT SP | CDEVY US

Target price: **S$10.80 → S$10.00**
Up/downside: **-5.3%**
Share price (15 Nov): **S$10.56**

Not immune to a residential slowdown

- With several GLS sites yet to be launched, CDL might not be as nimble if the residential market takes a turn for the worse
- Singapore property development accounts for about 40% of pre-tax profit and 34% of our SOTP valuation
- Downgrade to Underperform; new SOTP-based target price of S$10.00

1 Buy
2 Outperform
3 Hold
4 **Underperform** (from Hold)
5 Sell

How do we justify our view?

David Lum, CFA
(65) 6329 2102
david.lum@sg.daiwacm.com

▪ What's new

We are now less positive on the outlook for property prices after reviewing our Singapore residential assumptions.

▪ What's the impact

We are cutting our 2012-13 EPS forecasts by 1.9-9.3%. This is on top of the cuts of 2.2-11.8% we made in our 3Q11 results note published on 10 November, which applied haircuts of 15-20% for its unsold residential units. CDL's track record of winning and launching GLS sites since 2009 has been exceptional, but with unlaunched GLS sites on hand, including Serangoon Garden Way, Robertson Quay (mixed hotel, commercial, and residential), an executive condominium site at Choa Chu Kang Drive, and a residential site at Bartley Road/Lorong How Sun, it will not be immune to a residential-market slowdown. CDL has started construction of Nouvel 18, but has not decided on a launch date. As a percentage of total pre-tax profit, property development (almost exclusively Singapore residential) accounted for 40%, on average, from 2003-10. The proportion ranged from 15% for 2004 to 65% for 2009. Property development accounts for about 34% of our SOTP valuation.

▪ CDL: Daiwa SOTP valuation

Value of item	S$m	S$
54% of Millennium & Copthorne (MLC LN)	1,415	1.56
Share of City e-Solutions (557 HK)	22	0.02
Investment properties	5,791	6.37
Properties under development, land bank	3,674	4.04
Total	10,902	11.99
Net borrowings and adjustments	(1,807)	(1.99)
Daiwa SOTP value/target price	9,095	**10.00**

Source: Daiwa estimates

▪ What we recommend

We downgrade our rating to Underperform (4) from Hold (3), in view of CDL's exposure to the Singapore residential market, and due to the stock trading at just over 5% above our new SOTP-derived target price of S$10.00 (lowered from S$10.80). The major upside catalyst to our rating would be better-than-expected resilience in home prices, although if they rose too much the risk of the government introducing more supply would increase.

▪ How we differ

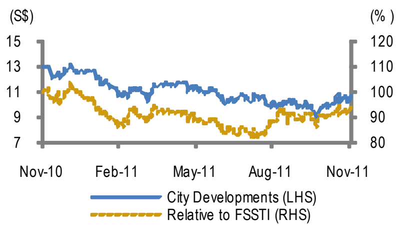
Our EPS forecasts for 2012-13, which capture our expectations for a prolonged fall in property prices, are 23.6-38.8% lower than those of the Bloomberg consensus.

Forecast revisions (%)

Year to 31 Dec	11E	12E	13E
Revenue change	0.0	0.0	(0.6)
Net-profit change	0.0	(1.9)	(9.3)
EPS change	0.0	(1.9)	(9.3)

Source: Daiwa forecasts

Share price performance



12-month range	8.76-13.18
Market cap (US$bn)	7.45
Average daily turnover (US$m)	10.92
Shares outstanding (m)	909
Major shareholder	Hong Leong (Kwek Leng Beng) (48.6%)

Financial summary (S$)

Year to 31 Dec	11E	12E	13E
Revenue (m)	3,471	3,978	4,001
Operating profit (m)	1,232	928	810
Net profit (m)	788	527	447
Core EPS	0.866	0.579	0.491
EPS change (%)	7.0	(33.1)	(15.2)
Daiwa vs Cons. EPS (%)	4.5	(23.6)	(38.8)
PER (x)	12.2	18.2	21.5
Dividend yield (%)	1.2	0.9	0.9
DPS	0.130	0.100	0.100
PBR (x)	1.5	1.4	1.3
EV/EBITDA (x)	8.8	10.4	10.8
ROE (%)	12.5	7.7	6.2

Source: Bloomberg, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Interest cover ratio	7.0	6.2	6.8	11.5	14.4	15.3	13.1	13.4
Property development margin (%)	46.6	58.8	61.6	37.6	33.6	32.1	21.6	15.7
Hotel operations margin (%)	21.5	14.4	13.1	8.9	13.0	21.9	17.7	17.9
Rental properties margin (%)	17.9	66.3	55.3	43.8	127.1	126.7	58.3	65.6
Overall pre-tax margin (%)	27.2	30.7	28.3	25.4	33.0	34.2	22.7	20.6

Profit and loss (S$m)

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Property development	485	862	773	1,447	1,150	1,447	1,801	1,762
Hotel operations	1,846	1,987	1,866	1,492	1,577	1,669	1,809	1,877
Others	215	258	306	334	401	355	368	362
Total revenue	**2,547**	**3,106**	**2,945**	**3,273**	**3,129**	**3,471**	**3,978**	**4,001**
Other income	188	29	138	8	291	256	10	11
COGS	(1,179)	(1,478)	(1,271)	(1,638)	(1,473)	(1,567)	(2,108)	(2,220)
SG&A	(461)	(523)	(505)	(461)	(484)	(509)	(523)	(538)
Other op. expenses	(421)	(396)	(528)	(376)	(470)	(419)	(430)	(443)
Operating profit	**674**	**738**	**780**	**807**	**993**	**1,232**	**928**	**810**
Net-interest inc./(exp.)	(96)	(70)	(85)	(38)	(33)	(51)	(39)	(27)
Assoc/forex/extraord./others	115	287	139	63	73	45	69	114
Pre-tax profit	**692**	**955**	**834**	**832**	**1,032**	**1,227**	**958**	**897**
Tax	(129)	(65)	(152)	(161)	(202)	(232)	(212)	(199)
Min. int./pref. div./others	(224)	(177)	(114)	(90)	(94)	(207)	(220)	(251)
Net profit (reported)	**339**	**712**	**568**	**581**	**736**	**788**	**527**	**447**
Net profit (adjusted)	**339**	**712**	**568**	**581**	**736**	**788**	**527**	**447**
EPS (reported) (S$)	**0.370**	**0.783**	**0.625**	**0.638**	**0.809**	**0.866**	**0.579**	**0.491**
EPS (adjusted) (S$)	**0.370**	**0.783**	**0.625**	**0.638**	**0.809**	**0.866**	**0.579**	**0.491**
EPS (adjusted fully-diluted) (S$)	**0.373**	**0.783**	**0.625**	**0.638**	**0.809**	**0.866**	**0.579**	**0.491**
DPS (S$)	**0.250**	**0.300**	**0.075**	**0.080**	**0.180**	**0.130**	**0.100**	**0.100**
EBIT	**674**	**738**	**780**	**807**	**993**	**1,232**	**928**	**810**
EBITDA	**944**	**1,161**	**1,050**	**1,004**	**1,206**	**1,418**	**1,137**	**1,065**

Cash flow (S$m)

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Profit before tax	692	955	834	832	1,032	1,227	958	897
Depreciation and amortisation	156	136	132	134	141	141	141	141
Tax paid	(62)	(98)	(79)	(72)	(106)	(217)	(222)	(205)
Change in working capital	(287)	(453)	(366)	116	(282)	(633)	112	(9)
Other operational CF items	(170)	(279)	(73)	(23)	(273)	(382)	(265)	(311)
Cash flow from operations	**329**	**260**	**448**	**986**	**512**	**136**	**723**	**513**
Capex	(13)	(10)	(19)	(242)	(42)	(508)	(100)	(50)
Net (acquisitions)/disposals	475	(631)	(325)	(55)	255	461	0	0
Other investing CF items	(15)	45	106	43	158	525	167	111
Cash flow from investing	**447**	**(596)**	**(237)**	**(254)**	**371**	**477**	**67**	**61**
Change in debt	(259)	725	158	(356)	104	(31)	(488)	(259)
Net share issues/(repurchases)	51	0	0	0	0	0	0	0
Dividends paid	(198)	(260)	(236)	(96)	(100)	(222)	(86)	(104)
Other financing CF items	(143)	(184)	(41)	(76)	30	(117)	(104)	(89)
Cash flow from financing	**(549)**	**281**	**(119)**	**(528)**	**35**	**(371)**	**(678)**	**(452)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**228**	**(55)**	**92**	**204**	**918**	**243**	**112**	**123**
Free cash flow	316	250	429	744	470	(372)	623	463

Source: Company, Daiwa forecasts

Financial summary continued …

■ Balance sheet (S$m)

As at 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Cash & short-term investment	777	712	776	981	1,874	2,092	2,179	2,277
Inventory	2,282	2,578	2,920	3,279	3,471	4,003	3,891	3,900
Accounts receivable	705	1,075	1,099	758	877	1,123	1,123	1,123
Other current assets	85	82	31	58	130	45	45	45
Total current assets	**3,849**	**4,447**	**4,826**	**5,076**	**6,351**	**7,263**	**7,239**	**7,345**
Fixed assets	3,893	4,258	4,162	3,617	3,410	3,230	3,230	3,230
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	3,262	3,514	3,536	4,600	4,361	4,227	4,227	4,227
Total assets	**11,004**	**12,219**	**12,524**	**13,292**	**14,123**	**14,720**	**14,696**	**14,802**
Short-term debt	1,034	799	862	818	780	1,163	1,163	1,163
Accounts payable	573	585	641	796	944	1,090	1,090	1,090
Other current liabilities	129	141	187	251	296	343	343	343
Total current liabilities	**1,736**	**1,525**	**1,690**	**1,865**	**2,020**	**2,596**	**2,596**	**2,596**
Long-term debt	2,317	3,235	3,287	3,198	3,425	3,011	2,523	2,263
Other non-current liabilities	571	542	525	566	563	488	488	488
Total liabilities	**4,624**	**5,302**	**5,501**	**5,628**	**6,009**	**6,094**	**5,606**	**5,347**
Share capital	785	785	785	785	785	785	785	785
Reserves/R.E./others	3,950	4,414	4,645	5,188	5,611	6,120	6,574	6,930
Shareholders' equity	**4,735**	**5,199**	**5,430**	**5,972**	**6,396**	**6,905**	**7,359**	**7,715**
Minority interests	1,646	1,718	1,593	1,692	1,718	1,721	1,731	1,741
Total equity & liabilities	**11,004**	**12,219**	**12,524**	**13,292**	**14,123**	**14,720**	**14,696**	**14,802**
EV	13,480	13,811	13,525	13,307	12,716	12,412	11,846	11,498
Net debt/(cash)	**2,574**	**3,322**	**3,373**	**3,035**	**2,332**	**2,082**	**1,506**	**1,149**
BVPS (S$)	**4.811**	**5.354**	**5.608**	**6.205**	**6.671**	**7.230**	**7.730**	**8.121**

■ Key ratios (%)

Year to 31 Dec	2006	2007	2008	2009	2010	2011E	2012E	2013E
Sales (YoY)	7.3	22.0	(5.2)	11.1	(4.4)	10.9	14.6	0.6
EBITDA (YoY)	35.4	23.0	(9.5)	(4.4)	20.1	17.6	(19.8)	(6.3)
Operating profit (YoY)	43.9	9.6	5.6	3.5	23.0	24.1	(24.7)	(12.6)
Net profit (YoY)	80.7	110.2	(20.2)	2.2	26.8	7.0	(33.1)	(15.2)
EPS (YoY)	78.0	111.6	(20.2)	2.2	26.8	7.0	(33.1)	(15.2)
Gross-profit margin	53.7	52.4	56.8	50.0	52.9	54.8	47.0	44.5
EBITDA margin	37.1	37.4	35.7	30.7	38.5	40.9	28.6	26.6
Operating-profit margin	26.5	23.8	26.5	24.7	31.7	35.5	23.3	20.3
ROAE	7.9	15.4	11.4	10.8	12.6	12.5	7.7	6.2
ROAA	3.1	6.1	4.6	4.5	5.4	5.5	3.6	3.0
ROCE	6.9	7.1	7.1	7.1	8.3	9.8	7.3	6.3
ROIC	6.1	7.2	6.2	6.2	7.6	9.4	6.8	5.9
Net debt to equity	54.4	63.9	62.1	50.8	36.5	30.2	20.5	14.9
Effective tax rate	18.7	6.9	18.2	19.4	19.6	18.9	22.1	22.2
Accounts receivable (days)	105.8	104.6	134.7	103.5	95.3	105.1	103.0	102.4
Payables (days)	83.3	68.0	76.0	80.1	101.5	106.9	100.0	99.4
Net interest cover (x)	7.0	10.5	9.2	21.1	30.0	24.3	23.8	29.8
Net dividend payout	67.6	38.3	12.0	12.5	22.2	15.0	17.3	20.3

Source: Company, Daiwa forecasts

■ Company profile

City Developments Limited (CDL) is a property and hotel company. Millennium & Copthorne Hotels plc (M&C), its London-listed hotel arm, owns and operates 104 hotels globally. CDL is one of the biggest landlords in Singapore with over 4m sq ft of lettable commercial and residential space. It also owns one of the largest private landbanks with the potential for 6.84m sq ft of developed GFA as at 30 June 2011.

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