

Singapore Company Focus

APAC Realty

Bloomberg: APAC SP | Reuters: APAC.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

9 Nov 2017

BUY

(Initiating Coverage)

Last Traded Price (8 Nov 2017): S\$0.89(STI : 3,421.25)

Price Target 12-mth: S\$1.03 (16% upside)

Potential Catalyst: Stronger growth in property transaction values

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Forecasts and Valuation

FY Dec (\$m)	2016A	2017F	2018F	2019F
Revenue	288	344	361	378
EBITDA	20.8	27.7	31.2	33.2
Pre-tax Profit	18.1	25.6	29.1	31.1
Net Profit	15.9	21.3	24.3	25.9
Net Pft (Pre Ex.)	15.9	21.3	24.3	25.9
EPS (S cts)	4.47	6.00	6.83	7.28
EPS Pre Ex. (S cts)	4.47	6.00	6.83	7.28
EPS Gth (%)	87	34	14	7
EPS Gth Pre Ex (%)	87	34	14	7
Diluted EPS (S cts)	4.47	6.00	6.83	7.28
Net DPS (S cts)	0.0	0.75	3.41	3.64
BV Per Share (S cts)	22.2	35.1	38.5	42.1
PE (X)	19.9	14.8	13.0	12.2
PE Pre Ex. (X)	19.9	14.8	13.0	12.2
P/Cash Flow (X)	13.9	13.8	11.9	11.2
EV/EBITDA (X)	15.2	9.8	8.2	7.3
Net Div Yield (%)	0.0	0.8	3.8	4.1
P/Book Value (X)	4.0	2.5	2.3	2.1
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
ROAE (%)	22.4	20.9	18.6	18.1

ICB Industry : Financials

ICB Sector: Real Estate Investment & Services

Principal Business: APAC owns ERA Realty Network Pte Ltd ("ERA Realty"), which is one of the largest real estate agencies in Singapore, with approximately 6,176 agents registered with the industry's regulator, the Council for Estate Agencies ("CEA"), as at 10 July 2017.

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Right place at the right time

- Leading real estate brokerage in Singapore with regional ambitions
- Pure play to leverage into the potential upturn in Singapore property market in coming years
- Experienced management team; 50% dividend payout till end FY2018F
- Initiating coverage with BUY recommendation and TP of S\$1.03

One of the largest real estate agencies in Singapore. ERA Realty, a wholly-owned subsidiary of APAC Realty, is one of Singapore's largest real estate agencies with approximately 6,176 registered agents, as at 10 July 2017.

Sizeable scale and leading market share a winning formula in our view. Having a sizeable agent base is important for ERA to perform well as it enables the agency to have a strong and wider reach to a diverse base of potential property buyers, renters and allows the group to capture a lion's share of market transactions in Singapore. In 2016, ERA's market share was approximately 38% in terms of transaction value in the Singapore residential market, up from approximately 32% in 2015 and 29% in 2014.

Riding on the property upcycle. APAC Realty offers a pure-play exposure to the recovering Singapore property market. We believe that the Singapore property market is entering the end of a period of over-supply amid a stable operating environment. We are expecting transaction values to hit S\$36.0b (+25% y-o-y) in FY2017, S\$37.7b in FY2018 (+5% y-o-y) and S\$39.6b in FY2019 (+5% y-o-y) for the private residential market, including both primary and secondary markets. We see multiple catalysts for residential prices to head higher in the next two years.

Valuation:

Blended DCF and PE valuation methodology. Our TP is S\$1.03, which is based on the average of discounted cash flow (DCF) valuation (8.5% weighted average cost of capital, 0% terminal growth assumption), and PE valuation that is pegged to the peers' historical average of 15x FY18F earnings.

Key Risks to Our View:

It is dependent on Singapore's residential property market and macroeconomic conditions.

At A Glance

Issued Capital (m shrs)	355
Mkt. Cap (S\$m/US\$m)	316 / 232
Major Shareholders (%)	
Choon Hong Tan	72.0
Free Float (%)	28.0
3m Avg. Daily Val (US\$m)	1.0

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Investment Summary

One of the largest real estate agencies in Singapore. ERA Realty Network Pte Ltd (ERA Realty), a wholly-owned subsidiary of APAC Realty Limited (APAC), is one of Singapore's largest real estate agencies with approximately 6,176 agents registered with the industry's regulator, the Council for Estate Agencies (CEA), as at 10 July 2017. APAC believes ERA Realty is the industry pioneer with a track record of 35 years of growth, innovative contributions and service excellence in Singapore.

Sizeable scale with leading market share a winning formula.

In our view, having a sizeable agent base is important for ERA to perform well as it enables the agency to have a strong and wide reach to a diverse base of potential property buyers, renters and allows the group to capture a lion's share of market transactions (primary, secondary and rental) in Singapore. In 2016, ERA's market share was approximately 38% in terms of transaction value for the Singapore residential market, up from approximately 32% in 2015 and 29% in 2014.

Fig 1a. Market share, transacted value of residential units, 2016

Brokerage	Market size (\$m)	ERA's market share
Residential	45,809.0	38%
Sales	38,460.3	41%
HDB resale	8,516.4	52%
Private (incl. ECs)	9,943.8	38%
Primary residential	2,642.0	43%
Secondary residential	7,301.8	35%
Leasing	7,348.7	18%
HDB	n.a.	n.a.
Private residential	7,348.7	18%

Source: URA REALIS, Cushman & Wakefield, DBS Bank

Fig 1b. Market share, number of residential units transacted, 2016

Brokerage	Market size (No. of units)	ERA's market share
Residential	159,958.0	30%
Sales	39,663.0	48%
HDB resale	19,410.0	53%
Private (incl. ECs)	20,253.0	43%
Primary residential	11,565.0	41%
Secondary residential	8,688.0	45%
Leasing	120,295.0	25%
HDB	44,530.0	24%
Private residential	75,765.0	25%

Source: URA REALIS, Cushman & Wakefield, DBS Bank

One of the market leaders in project marketing. Given its track record and large agency base, we believe ERA offers developers a wide potential buyer base which attracts developers to want to partner them in new project launches.

As such, ERA has established itself as one of the market leaders in project marketing, alongside Huttons, whose strength is in mass market projects, and Savills and Knight Frank, who are strong in luxury developments. In terms of project launches, ERA secured 12 projects out of 19 (47%) in 2015; 14 out of 23 (66%) in 2016 and 8 projects or 91% for projects launched in January to July this year.

Fig 2. Projects with ERA appointed as marketing agent

No.	Project	No. of units
2016		
1	Cairnhill Nine	268
2	The Wisteria	216
3	Wandervale (EC)	534
4	Sturdee Residences	305
5	The Visionaire (EC)	632
6	Gem Residences	578
7	Northwave (EC)	358
8	Treasure Crest (EC)	504
9	Victoria Park Villas	109
10	Forest Woods	519
11	The Alps Residences	626
12	Parc Rivera	752
13	Straits Mansions	25
14	Terra Villas	7
		5,433
2015		
1	Kingsford Waterbay	1,165
2	Marine Blue	124
3	Signature at Yishun (EC)	525
4	Symphony Suites	660
5	The Brownstone (EC)	638
6	The Criterion (EC)	505
7	The Poiz Residences	731
8	The Vales (EC)	517
9	Thomson Impressions	288
10	Westwood Residences (EC)	480
11	Neem Tree	84
12	Ardmore Tree	84
		5,801

Note: Appointment includes both sole and joint marketing

Source: Company, Cushman & Wakefield, DBS Bank

Riding on the property upcycle. In our view, APAC Realty offers a pure-play exposure to the recovering Singapore market. DBS Group Research believes that the Singapore property market is entering the end of a period of over-supply amid a stable operating environment. 1H17 transaction sales for the private residential market posted a strong 47% rebound to S\$15bn, after a gradual increase in the last two years. We are expecting transaction values to hit S\$36.0b (+25% y-o-y) in FY2017, S\$37.7b in FY2018 (+5% y-o-y) and S\$39.6b in FY2019 (+5% y-o-y), for the private residential market, including both primary and secondary markets. We see multiple catalysts for residential prices to head higher in the next two years. Residential prices could rise by 6% to 10% by 2019.

According to Cushman & Wakefield, buying activity is forecast to improve in the next few years. Long term prospects of the Singapore residential market remain positive, and transaction volumes are expected to be driven by improved market sentiment resulting from government policies and initiatives

Several macro trends are pointing towards a recovery in the property market: -

- **Low unsold inventories.** Unsold inventories are at a 16-year low at 29k units as of 1Q2017, following the supply restrictions in the past two years.
- **High resident home ownership rate in Singapore.** Singapore has one of the highest resident home ownership rates in the world, at above 90%. The sustainability of this trend is driven by younger families' aspiration to own their own homes while the mature families tend to go for investment properties.
- **Increasing demand from foreigners.** Foreign buying volumes in 1H17 rose 49% y-o-y (largely in the secondary market; 1H2017 primary market: +69% y-o-y). The proportion of foreign buying remains low at 6%, below the historical average of 9%. The historical peak was 19% in 2011 when foreign buying volumes peaked at 5.7k units.
- **Government policies and initiatives.** Real estate transaction volumes are expected to be driven by improved market sentiment arising from various government policies and initiatives including (i) property

cooling measures, (ii) plans for decentralisation, and (iii) increase in housing grants.

Franchising allows the group to build regional presence in a cost-efficient way. APAC acquired the exclusive ERA regional master franchise rights for certain countries in the Asia Pacific region, including Australia, Brunei, Cambodia, China (including Hong Kong and Macau), Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Korea, the Philippines, Papua New Guinea, Singapore, Taiwan, Thailand, and Vietnam, from Realogy in 1999. APAC now has one of the largest brand footprints in Asia-Pacific with more than 15,300 agents in 660 offices across 8 countries through its ERA franchisees.

The franchise model arms the group with the ability to build its regional presence and network in a capital-efficient manner. It also allows greater cross-selling opportunities with its overseas franchisees.

Diversified business model

Proportional contribution from three segments. ERA's brokerage transaction value is derived from three main segments in roughly equal proportions in 2016 – private primary residential (29%), private secondary residential (32%), and leasing and HDB resale (32%). The balance is from commercial resale and leasing (7%). The diversified nature minimises any adverse impact from a particular property segment.

No seasonal effect for new launches; 2H is typically stronger for resale and rental. Brokerage income for rental and resale transactions is typically stronger in the last two quarters of the year. The lower brokerage income in the first two quarters of the year can be attributable to the year-end and Chinese New Year festive season, and the time lag required for the completion of the transactions. New launches generally do not have seasonality effect.

Initiating with BUY recommendation and TP of S\$1.03

BUY, TP: S\$1.03. We initiate coverage on APAC with a BUY rating and S\$1.03 TP, which is based on the average of discounted cash flow (DCF) valuation (8.5% weighted average cost of capital and 0% terminal growth assumption) and PE valuation pegged to the peer historical average of 15x FY18F earnings.

SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> • One of the largest real estate agencies in Singapore with strong brand name in ERA In our view, a successful brokerage model is also dependent on having a sizeable agency workforce, which APAC has given its commanding sales force of ~6,176 agents, taking up ~20% market share of agents as at July 2017. We believe it is important to have scale, and its track record of 35 years of growth and service excellence will enable APAC to continue to attract talents and new salespersons to bolster its positioning. • Diversified and resilient business model Transaction value from three main segments was in roughly equal proportions in 2016 – private primary residential (29%), private secondary residential (32%), and leasing and HDB resale (32%). • Franchise model Provides the group with the ability to build its regional presence and network in a capital-efficient manner and provide cross-selling opportunities. • Experienced management team with an average of ~20 years of real estate experience. 	<ul style="list-style-type: none"> • Earnings could be subject to volatility in the property market Residential property market is a major contributor to total income, accounting for 97% of the Group's total income in 1Q2017. Therefore, any changes in the macro environment will impact demand for property which will have a direct impact on APAC's earnings potential.
Opportunities	Threats
<ul style="list-style-type: none"> • Riding on the property upcycle Benefit from the recovery of the Singapore residential property sector driven by higher volumes and prices in the coming few years. • Increasing demand from foreigners Based on our estimates, 1H2017 foreign buying volumes rose 49% y-o-y (largely in the secondary market), but the proportion of foreign buying remains low at 6%, below the historical average of 9%. The historical peak was 19% in 2011 when foreign buying volumes peaked at 5.7k units. • High resident home ownership rate in Singapore Singapore has one of the highest resident home ownership rates in the world, at above 90%. The sustainability of this trend is driven by younger families' aspiration to own their own home while the mature families tend to go for investment properties. • Government policies and initiatives Including (i) property cooling measures, (ii) plans for decentralisation and (iii) increase in housing grants. 	<ul style="list-style-type: none"> • High level of competition There are >10 real estate agencies in Singapore offering similar services as APAC. • Rapid changes in technology and customer preferences Competition from disruptive technology and more widespread adoption of websites that facilitates private sales could lead to more Do-It-Yourself transactions that may not require the assistance of agents.

Source: DBS Bank

Valuation

- Blended DCF and PE valuation methodology.** We use a combination of two valuation methodologies - the P/E multiple (peer comparison) and the DCF methodology - to value APAC. We derive our TP of S\$1.03, based on the average valuations using 15x FY18F and DCF (S\$1.04). Our PE component of 15x target is pegged to the selected peers' historical average, while our DCF component assumes WACC of 8.5% and 0% terminal growth.

A) Discounted Cash Flow

Fig 3. DCF and WACC

Assumptions		FYE Dec (S\$m)	FY17F	FY18F	FY19F	FY20F	FY21F	Terminal value
Risk Free Rate (Rf)	3.0%*	Operating profit	26.1	29.6	31.6	32.4	33.2	
Market Return (Rm)	10.0%**	Add Depreciation and Amortisation	1.6	1.6	1.6	1.6	1.6	
Equity risk premium	7.0%	Less Tax Provision	(4.3)	(4.9)	(5.4)	(5.5)	(5.7)	
Beta	1.00	Less Capex	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	
Cost of Equity (Ke)	10.0%	Changes in working capital	(0.1)	0.2	0.4			
Proportion of debt financing	18.6%	Total FCF to the Firm	22.4	25.5	27.3	27.5	28.2	333.0
After-tax cost of debt (Kd)	1.8%	Terminal Growth (assumed)	0%					
WACC	8.5%	Sum of PV of FCF	102.3					
		PV of Terminal Value	221.7					
		Enterprise Value	324.0					
		Add : Net Cash (Debt)	46.1					
		Equity Value (S\$m)	370.2					
		No of shares (diluted)	355.2					
		Equity Value Per Share (S\$)	1.04					

Source: DBS estimates

* we have used a 3.0% risk free rate that is in line with DBS' economist 1-year view of the 10-year government bond yield

** 10% market return is pegged to a 20-year STI return based on internal DBS models

B) Relative Valuation: Price-to-Earnings Multiple

There are a number of globally-listed real estate brokerages. Though not all have similar business models or operate in similar geographical areas, and are at different property cycles, we believe that these comparables provide us a good representation of a fair valuation for APAC. We have chosen

peers that derive a substantial portion of their income through residential / commercial brokers, which offer some similarities to APAC. Some of the notable peers include Jones Lang Lasalle Inc, Realogy Holdings Group, Sinyi Realty Co, Century 21 Real Estate-Japan, among others.

Fig 4. Selected Peers

Company	BBG Ticker	Listed on	Business
Sinyi Realty Co	9940 TT	TWSE	- One of the two largest real estate brokerage in Taiwan - c.35% of revenue from real estate brokerage
Midland Holdings Ltd	1200 HK	SEHK	- One of the largest property agency groups in Hong Kong, provides residential, industrial, commercial property brokerage in Hong Kong, Macau, PRC - Residential brokerage formed c.62% of operating income in FY16
Hopefluent Group Hlds Ltd	733 HK	SEHK	- Real estate agent for primary and secondary property markets in Guangzhou with property financial and management services - c.75% of operating income derived from real estate agency
Century 21 Real Estate Japan Ltd	8898 JP	TSE	- Largest real estate franchise system throughout Japan
Japan Living Service Co Ltd	8854 JP	TSE	- Japan-based real estate company with businesses in brokerage, leasing and development - c.75% of operating income in FY16 derived from real estate commissions and fees
McGrath Ltd	MEA AU	ASE	- One of the largest residential real estate service providers in Australia, with strong market presence in New South Wales and Australian Capital Territory
CBRE Group Inc	CBG US	NYSE	- World's largest commercial real estate services and investment firm providing broad range of integrated services - c.29% and 28% of fee revenue from occupier outsourcing and leasing in 1Q17
Jones Lang Lasalle Ltd	JLL US	NYSE	- Leading provider of real estate services and investment management - c.30% of fee revenue derived from leasing in 1Q17
Realogy Holdings Corp	RLGY US	NYSE	- Largest full-service residential real estate services company in the US - c.20% of EBITDA derived from real estate franchise business (residential) and US residential real estate brokerage in FY16
Marcus & Millichap Inc	MMI US	NYSE	- Specialises in commercial real estate investment sales, financing, research and advisory services in the US and Canada - Real estate brokerage commissions contributed c.90% of 1H17 revenue (c.30% of transactions are for multifamily units)
RE/MAX Holdings INC	RMAX US	NYSE	- One of the largest franchisors of real estate brokerage services operating in over 100 countries and territories - c.48% and c.17% of revenue in 1Q17 derived from franchise fees and broker fees respectively
Savills PLC	SVS LN	LSE	- Offers broad range of global specialist advisory, management and transactional services - Commercial and residential transactions form c. 11% of 1H17 revenue respectively, rest from property management, consultancy and investment management
Countrywide PLC	CWD LN	LSE	- One of the largest residential estate agency in the UK with estate agency, lettings, financial services, amongst other surveying and advisory services - Estate agency and letting operations contribute to c.55% of EBITDA in FY16
Foxtons Group PLC	FOXT LN	LSE	- Estate agency specialising in London focused on higher-volume and higher-value property markets in London
LSL Property Services PLC	LSL LN	LSE	- Provides range of estate agency, surveying and valuation services - Residential estate agency and related services contributes to c.40% of underlying operating profit derived from estate agency business (FY16)
M Winkworth PLC	WINK LN	LSE	- Franchisor of residential real estate agencies with pre-eminent position in the mid to upper segments of sales and lettings markets
FLETCHER KING PLC	FLK LN	LSE	- Provides range of property services and expert advice throughout UK, including property fund management, property asset management, rating, valuations and investment broking

Source: Companies, DBS Bank

Fair value based on 15x historical PE multiple for selected peer group

Based on our peer group review, we have divided them out into 2 distinct groups – the large to mid-caps which have a global franchise, and a selected group of closer peers which derive a substantial portion of their revenues from residential broking.

The large-to-mid cap peers are trading at a trailing-twelve-months (TTM) mean P/E of 22.7x which is close to its average historical mean of 24.8x. On a forward basis, this group is trading at a forward P/E of 13.0x-32.5x (average of 18.2x and median of 15.8x). The large-to-mid cap peers are trading at a premium to the second group i.e. a selected group of closer peers which operate a residential brokerage business model. We believe that the reason for this could be due to the

diversified earnings profile in different business segments coupled with multi-geographical exposure. We however note that this large-to-mid-cap group of companies currently trade at 20% discount to their historical averages of 24.8x.

Our selected peer group, which derive a substantial contribution from residential broking, trade at a mean TTM P/E of 12.4x and a 1-year forward P/E of 7.5x-25.2x (mean of 12.3x). We note that this peer group is trading at about 10% below its historical mean of 15.0x.

As such, given expectations of a recovery in the Singapore property market, we believe that a fair P/E multiple for APAC will be 15.0x on par with the selected peer historical average.

Fig 5. Global large-mid-cap

Companies	Listed on	Price (LC)	Mkt Cap (\$m)	TTM P/E (x)	CY P/E (x)	Fwd P/E (x)	EPS 2Y CAGR (%)	Hist Mean P/E (x)	Hist - 1 SD P/E (x)	Hist + 1 SD P/E (x)	PEG (x)	P/B (x)	Net margin (%)	Fwd EV/EBITDA (x)
Large-to-mid caps														
CBRE Group	NYSE	40.0	18,389.6	22.5	15.7	14.9	25.2	22.2	13.9	30.4	0.5	3.8	4.4	45.8
Jones Lang Lasalle	NYSE	131.7	8,118.2	17.6	16.3	14.9	12.2	22.9	5.2	40.7	1.2	2.0	4.7	47.9
Realogy Holdings	NYSE	33.3	6,172.6	20.1	19.4	17.2	14.7	21.8	13.9	30.4	1.2	1.9	3.7	29.1
Savills Corp	LSE	9.5	2,394.9	13.0	13.6	13.0	22.1	14.6	6.3	22.8	0.3	3.5	4.6	9.1
RE/MAX Holdings INC	NYSE	67.0	1,611.5	45.3	35.3	32.5	26.3	30.8	25.6	35.9	1.0	2.5	12.9	37.6
Marcus & Millichap Inc	NYSE	27.2	1,410.7	17.7	19.0	16.7	(1.0)	36.3	4.9	77.5	(1.3)	3.6	9.0	n.a.
Average				22.7	19.9	18.2	16.6	24.8	11.6	39.6	0.5	2.9	6.5	33.9
Min				13.0	13.6	13.0	(1.0)	14.6	4.9	22.8	(1.3)	1.9	3.7	9.1
Median				18.9	17.6	15.8	18.4	22.6	10.1	33.2	0.7	3.0	4.7	37.6
Max				45.3	35.3	32.5	26.3	36.3	25.6	77.5	1.2	3.8	12.9	47.9

Source: Company, Bloomberg Finance L.P., DBS Bank

Fig 6. Selected Peers

Companies	Listed on	Price (LC)	Mkt Cap	TTM P/E	CY P/E	Fwd P/E	EPS 2Y CAGR (%)	Hist Mean P/E (x)	Hist - 1 SD P/E (x)	Hist + 1 SD P/E (x)	PEG (x)	P/B (x)	Net margin (%)	Fwd EV/ EBITDA (x)
			(\$m)	(x)	(x)	(x)	(%)	(x)	(x)	(x)	(x)	(x)	(%)	(x)
Residential brokerage peer comps														
Sinyi Realty Co	TSE	35.0	1,025.0	13.3	9.1	n.a.	n.a.	16.6	10.8	22.4	0.1	2.3	12.1	n.a.
Countrywide PLC	LSE	1.2	501.1	8.9	8.3	7.5	40.3	21.4	13.7	29.1	0.1	0.5	2.4	n.a.
Foxtons Group PLC	LSE	0.8	384.2	20.7	27.9	25.2	(26.3)	17.5	11.7	23.4	(0.4)	1.5	11.8	13.4
LSL Property Services PLC	LSE	2.4	438.4	9.9	9.7	9.3	(27.4)	17.6	2.6	32.6	(0.2)	1.8	16.4	6.9
Hopefluent Group Holdings Ltd	HKSE	3.6	420.3	7.4	n.a.	n.a.	n.a.	7.4	4.3	10.5	n.a.	1.0	7.6	n.a.
Midlands Holdings Ltd	HKSE	2.2	272.8	6.2	11.8	11.5	n.a.	20.8	(9.3)	50.9	0.0	1.2	0.2	5.4
Century 21 Real Estate Japan	Nikkei	1,365.0	185.6	15.6	n.a.	n.a.	n.a.	15.0	9.7	20.2	n.a.	2.7	22.6	n.a.
McGrath Ltd	ASE	0.6	88.7	n.a.	13.2	10.4	25.1	9.7	7.2	12.2	n.a.	n.a.	6.9	4.9
Belvoir Lettings PLC	LSE	1.1	68.3	13.4	11.8	9.9	39.5	21.3	17.7	25.0	0.2	2.1	18.4	8.9
Japan Living Service Co Ltd	Nikkei	2,515.0	60.1	14.3	20.9	n.a.	n.a.	18.8	8.3	29.4	(0.3)	9.3	5.5	n.a.
M Winkworth PLC	LSE	1.1	23.9	13.8	13.6	12.5	(2.5)	13.7	9.2	18.3	(1.1)	2.5	20.2	10.4
Average				12.4	14.0	12.3	8.1	15.0	9.5	22.3	(0.2)	2.5	11.0	8.3
Min				6.2	8.3	7.5	(27.4)	7.4	2.6	10.5	(1.1)	0.5	0.2	4.9
Median				13.3	11.8	10.4	11.3	17.1	9.5	22.9	(0.1)	2.0	11.8	7.9
Max				20.7	27.9	25.2	40.3	21.4	17.7	32.6	0.2	9.3	22.6	13.4

Source: Company, Bloomberg Finance L.P., DBS Bank

Corporate Profile

- Real estate services provider operating one of the largest real estate brokerages (by number of agents) in Singapore under the ERA brand. APAC operates in three main segments: (1) real estate brokerage services, (2) training, valuation, and other ancillary services and (3) franchise arrangements.

APAC operates in three main segments:

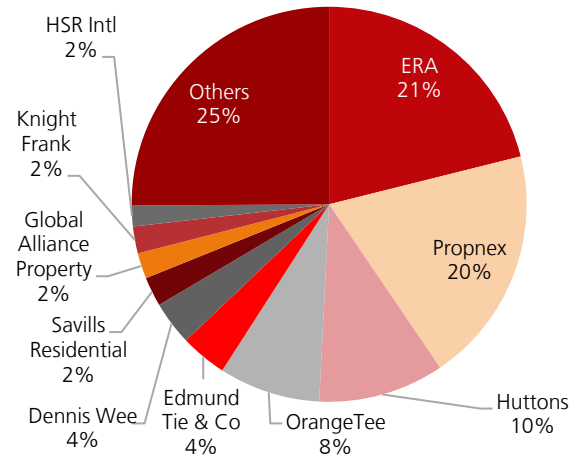
1) Real estate brokerage services. The real estate brokerage services are operated by its subsidiary, ERA Realty, under the ERA brand. ERA Realty is one of Singapore’s largest real estate agencies with approximately 6,176 agents registered with the industry’s regulator, the CEA, as at 10 July 2017. APAC believes ERA Realty is an industry pioneer with a track record of 35 years of growth, innovative contributions and service excellence in Singapore.

2) Training, valuation, and other ancillary services. APAC’s subsidiary, Realty International Associates (RIA), operates training programmes and courses for real estate agents in preparation for professional certification exams and as part of Continuing Professional Development (CPD) regulations. RIA also undertakes valuation work on behalf of clients such as financial institutions, government agencies and property owners, and provides management services for real estate developments.

3) Franchise arrangements. APAC also holds the franchise licence in Singapore for Coldwell Banker, one of the oldest and most established real estate companies in the United States. As at 31 March 2017, through its subsidiary Coldwell Banker Singapore, APAC has 21 sub-franchisees in Singapore which collectively have over 100 agents registered with them.

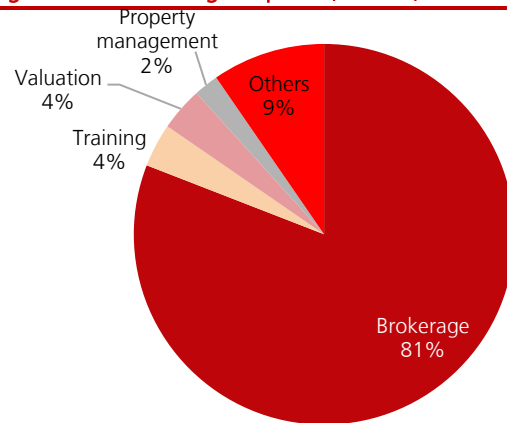
APAC acquired the exclusive ERA regional master franchise rights for various countries in the Asia-Pacific region from Realogy in 1999 pursuant to the Regional Master Franchise Agreement (MFA). APAC has licensed the ERA brand and the use of certain ERA Marks to sub-franchisees in Japan, Korea, Taiwan, Thailand, Malaysia, Vietnam, and Indonesia, and also to its subsidiary, ERA Singapore, in Singapore. The franchise model provides the group with the ability to build its regional presence and network in a capital-efficient manner. With a business network comprising more than 15,300 agents in 660 offices across 8 countries through its ERA franchisees, APAC has one of the largest brand footprints in Asia-Pacific, and significant presence in Singapore, Japan, and Indonesia.

Fig 7. Market share by no. of agents (as at 31 Mar 2017)



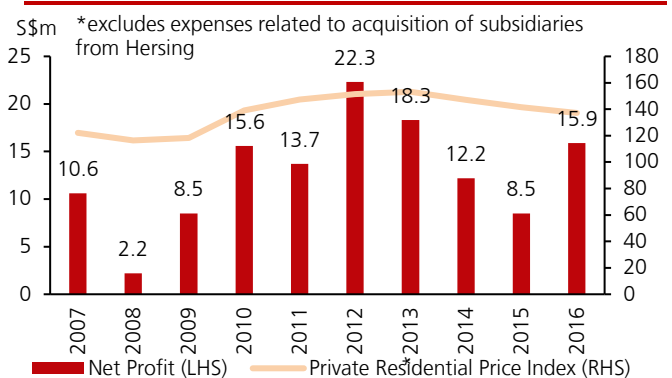
Source: Company, DBS Bank

Fig 8. Breakdown of gross profit (FY2016)



Source: Company, DBS Bank

Fig 9. Net profit trend (S\$m)

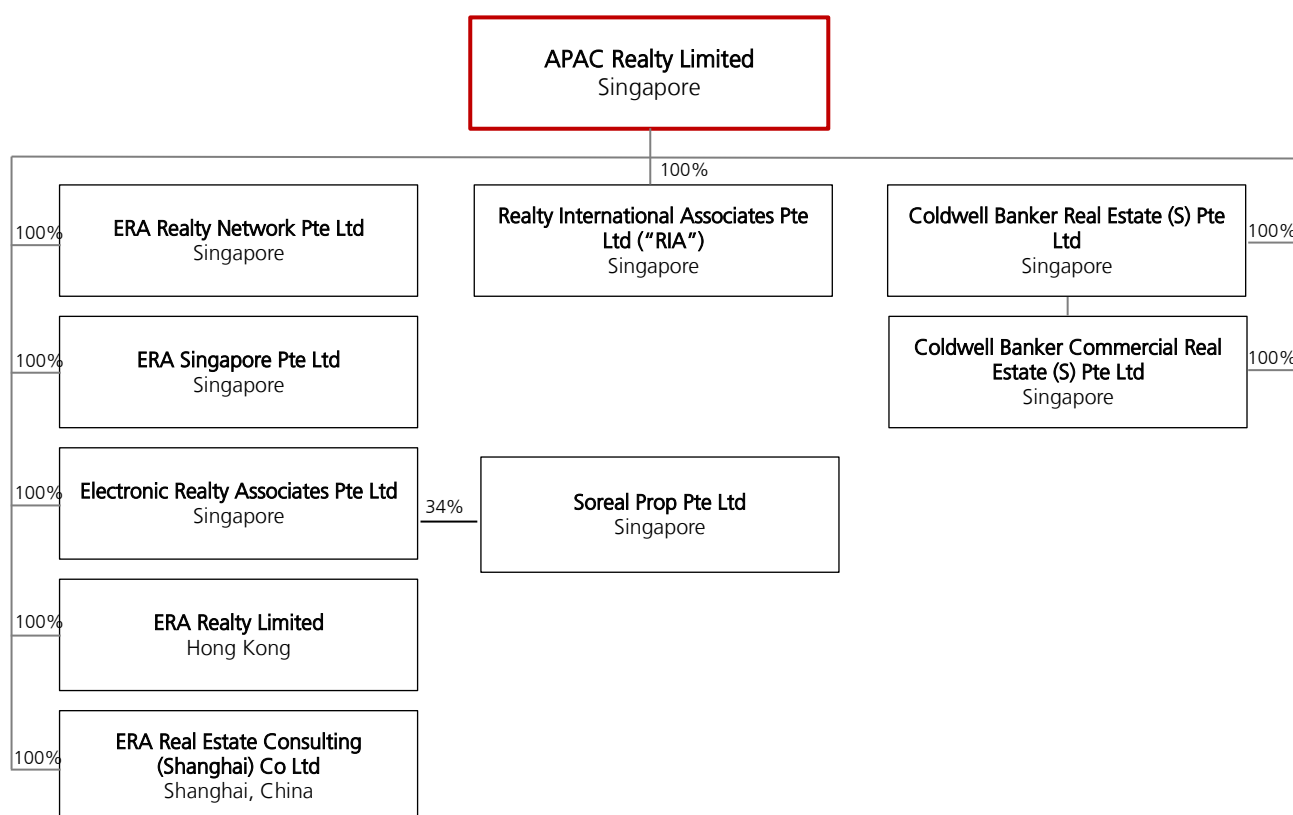


Source: Company, DBS Bank

Corporate Structure

- Eight wholly-owned subsidiaries. APAC, the holding company, has 100% effective ownership interest in 8 subsidiaries

Fig 10. Corporate structure



Source: Company, DBS Bank

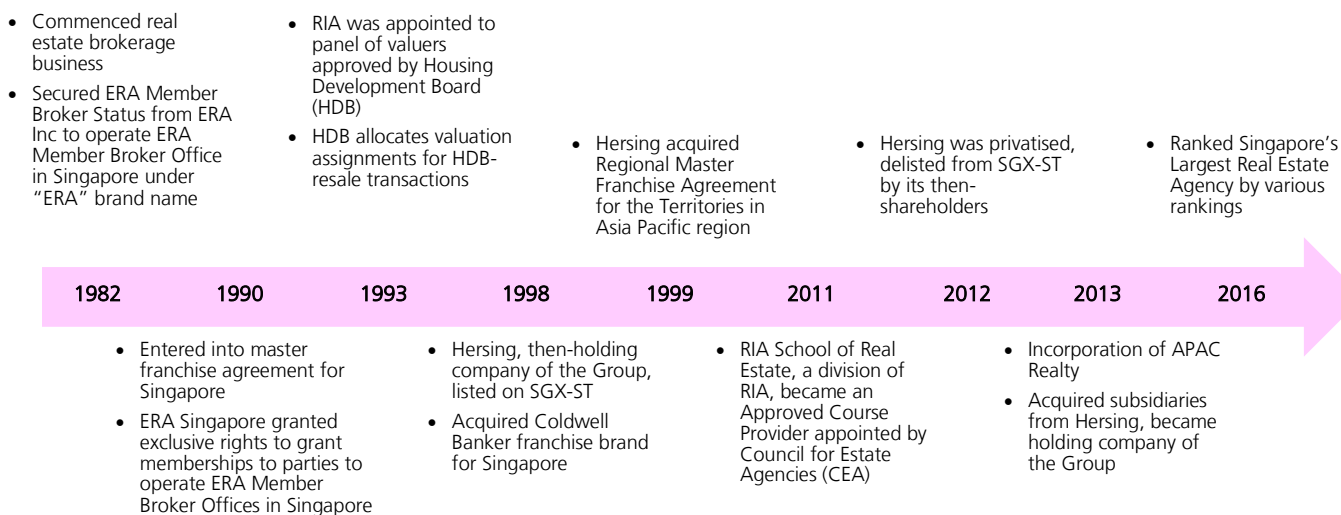
Subsidiaries and associated companies	General nature of business
ERA Realty Network Pte Ltd	Real estate brokerage & consultancy services, real estate training to real estate agents, and sale of marketing materials.
ERA Singapore Pte Ltd	Master franchisee of the "ERA Real Estate" franchise for the territory of Singapore
Electronic Realty Associates Pte Ltd	Real estate brokerage and related services.
Realty International Associates Pte Ltd	Property management, valuation and consultancy services, training and the publication and distribution of real estate periodicals.
Coldwell Banker Real Estate (S) Pte Ltd	Offers membership of the "Coldwell Banker" franchise to housing agents.
Coldwell Banker Commercial Real Estate (S) Pte Ltd	Dormant
ERA Realty Limited	Dormant
ERA Real Estate Consulting (Shanghai) Co. Ltd	Inactive
Soreal Prop Pte Ltd	Inactive

Source: Company, DBS Bank

Corporate History

- **Real estate brokerage business commenced in February 1982.** ERA Realty (formerly known as Realty Network Pte Ltd until 3 July 1992), APAC’s wholly-owned subsidiary, secured ERA Member Broker status from Electronic Realty Associates, Inc. (ERA Inc) in February 1982, to operate an ERA Member Broker Office in Singapore under the brand name “ERA”. The founder of Hersing Corporation Pte Ltd (formerly known as Hersing Corporation Ltd, Hersing), the then-holding company of the Group, acquired the ERA franchise for Singapore. ERA Realty was granted the right to offer real estate brokerage services and other related services under the ERA System.
- **Exclusive right to grant memberships to operate ERA Member Broker Offices in Singapore.** In 1990, ERA Singapore was granted the exclusive right to grant memberships to parties to operate ERA Member Broker Offices in Singapore pursuant to a master franchise agreement for Singapore with ERA Inc.
- **Hersing was listed on SGX-ST in 1998.** In 1998, Hersing completed its initial public offering and listing on the SGX-ST. The Coldwell Banker franchise brand for Singapore was also acquired in the same year. Coldwell Banker is one of the oldest and most established real estate companies in the United States. As at 31 March 2017, through Coldwell Banker Singapore, the group has 21 Coldwell Banker sub-franchisees in Singapore which collectively have over 100 agents registered with them.
- **Obtained exclusive ERA master franchise rights for the Territories in Asia Pacific region in 1999.** The following year, Hersing acquired the exclusive ERA master franchise rights for the Territories in the Asia-Pacific region. The countries covered under this master franchise are Australia, Brunei, Cambodia, China (including Hong Kong and Macau), Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Korea, the Philippines, Papua New Guinea, Singapore, Taiwan, Thailand, and Vietnam. This franchise has an initial term of 30 years, which expires in 2029, and is renewable for a term of 30 years, subject to certain conditions.
- **Hersing was privatised in 2012.** Hersing was privatised and delisted from the SGX-ST by its then-shareholders in 2012.
- **Incorporation of APAC in 2013.** In 2013, APAC was incorporated and acquired the current subsidiaries from Hersing, hence becoming the holding company of the Group. All of Hersing’s rights, title and interest were assigned and duties and obligations were delegated to APAC under the Regional MFA.
- **APAC was ranked as Singapore’s Largest Real Estate Agency.** In 2016, APAC was Singapore’s Largest Real Estate Agency for the sixth consecutive year according to the CEA Public Register and was ranked #1 Largest Real Estate Agency by Singapore Business Review for the third consecutive year.

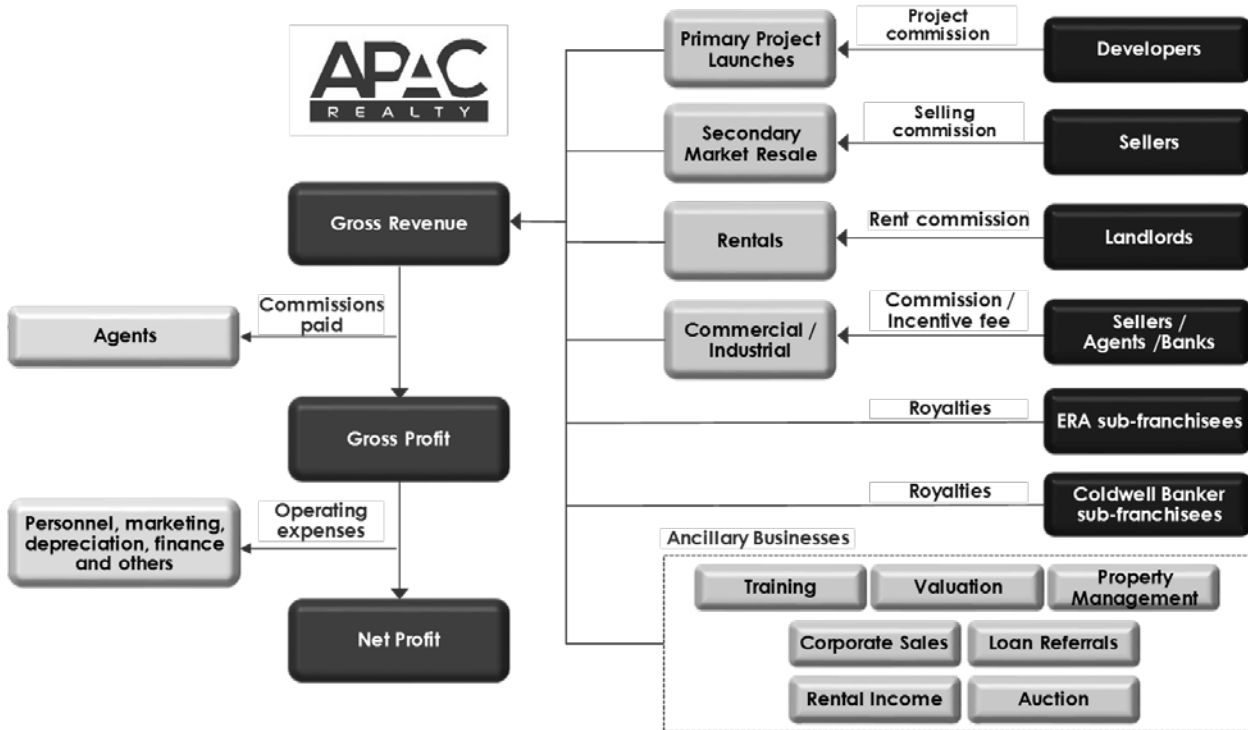
Fig 11. Key milestones



Source: Company, DBS Bank

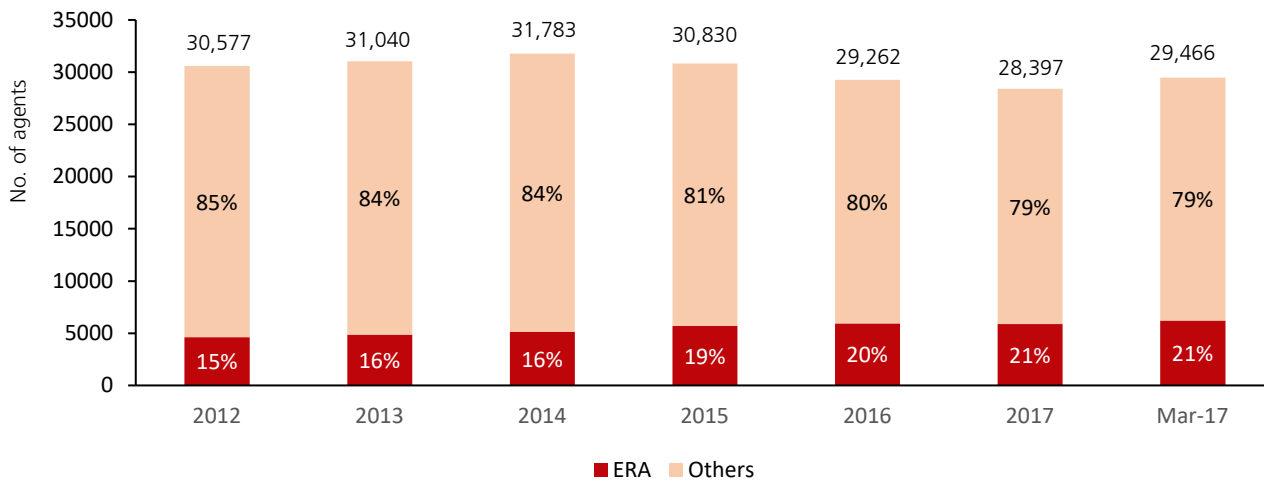
Business Model

Fig 12. Overview of business model



Source: Company, DBS Bank

Fig 13. No. of agents



Source: Company, DBS Bank

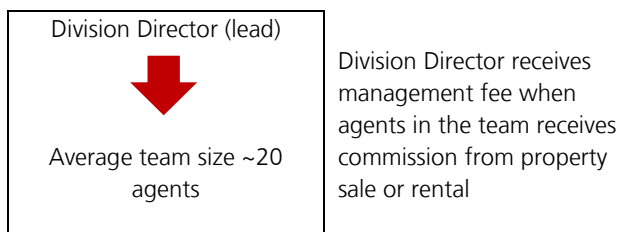
Business model

Real estate brokerage services

(i) Agency structure

Agents are not employees of the group. A new agent would enter into an agreement with the agency before undertaking real estate brokerage services. On-the-job training would be given to the new agent through a chosen or assigned manager. Agents are subsequently divided into divisions. There are currently 184 divisions. Each division is headed by a Division Director who is a senior agent. Senior agents are agents who have met certain criteria in terms of total gross commissions earned and have also recruited at least 30 agents for the firm. Division Directors are incentivised to recruit and train junior agents through the commission structure outlined below:

Fig 14. Structure within a division



Source: Company, DBS Bank

(ii) Commission structure

Commissions earned by agents from property sales or rentals are paid directly to ERA Realty. Subsequently, the agent's share of commission is deducted and paid out to the agent. The split of commission depends on the type of transaction as well as the seniority of the agent. However, for project sales, all agents receive 90% of commissions regardless of cumulative Gross Broker Commission (GBC).

Fig 15. Commission structures

Fig 15a. Applies in respect of internal and external co-broking sale/ purchase transactions closed by the agent for properties that are not HDB resale flats (i.e. private properties, Housing and Urban Development Company flats, HDB shophouses, commercial and industrial properties):

Type of Agent	If GBC paid by seller (excl. GST) is 1.0% or more of sale price	If GBC paid by seller (excl. GST) is less than 1.0% of sale price
Agent serving seller	Seller's commission less GST less 0.5% of sale price	Half of seller's commission less GST
Agent serving buyer	0.5% of sale price	Half of seller's commission less GST

Source: Company, DBS Bank

Fig 15b. Applies in respect of internal and external co-broking rental/assignment transactions closed by the agent for all types of properties. Internal co-broking refers to where the listing or selling agents are from ERA Realty and external co-broking refers to where the listing or selling agents are not from ERA Realty:

Type of Agent	GBC paid by landlord/ assignor if tenant is not required to pay commission	GBC if tenant is required to pay commission
Agent serving landlord/assignor	Half of landlord/ assignor's commission less GST	Landlord/assignor's commission less GST
Agent serving tenant/assignee	Half of landlord/ assignor's commission less GST	Tenant/assignee's commission less GST

Source: Company, DBS Bank

Fig 15c. Split of commission between ERA Realty and agent:

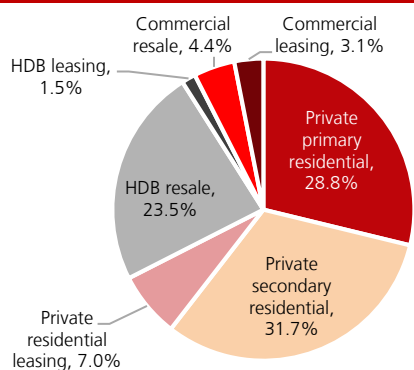
Commission to Agent	Criteria, GBC cumulative
70%	Up to S\$18,000
75%	S\$18,001 – S\$38,000
80%	S\$38,001 – S\$68,000
85%	S\$68,001 – S\$88,000
90%	>S\$88,001

Source: Company, DBS Bank

Revenue derived from the real estate brokerage services include brokerage income from the brokerage of (a) resale and rental of residential, commercial and industrial properties, and (b) new home sales.

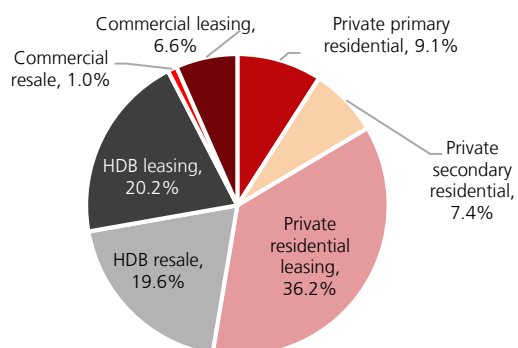
Brokerage income for rental and resale transactions is typically stronger in the last two quarters of the year. The lower brokerage income in the first two quarters of the year can be attributable to the year-end and Chinese New Year festive seasons, and the time lag required for completion of the transactions. New launches generally do not have seasonality effect.

Fig 16. Brokerage transaction value by property segment (\$m)



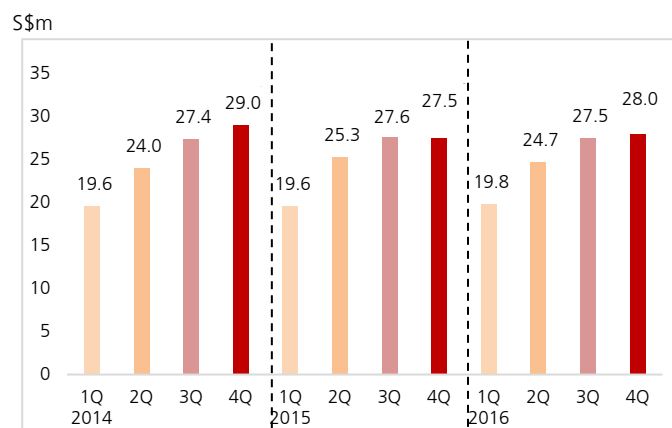
Source: Company, DBS Bank

Fig 17. Brokerage transaction volume by property segment (\$m)



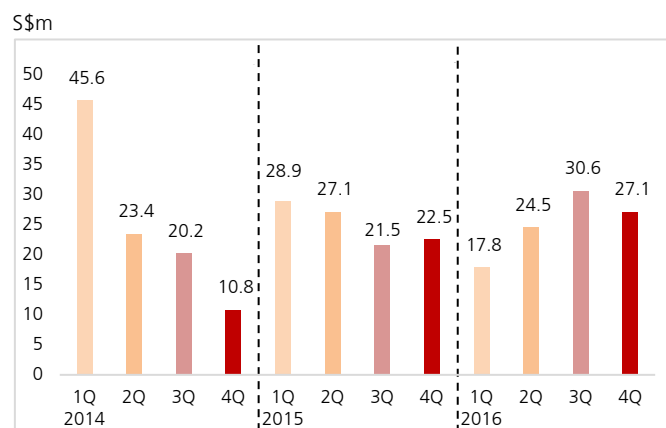
Source: Company, DBS Bank

Fig 18. Quarterly contribution of rental and resale brokerage income –stronger 2H



Source: Company, DBS Bank

Fig 19. Quarterly contribution of new brokerage income – no seasonality effect



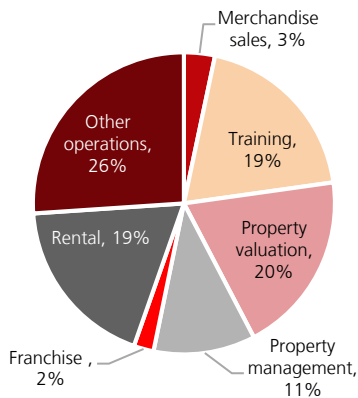
Source: Company, DBS Bank

Non-brokerage services

Non-brokerage services revenue includes merchandise sales, training fees from courses conducted, property valuation fees, property management fees, consultancy services fees, franchise fees, rental income and others (which include incentive, referral, administration fee income and professional indemnity insurance fees).

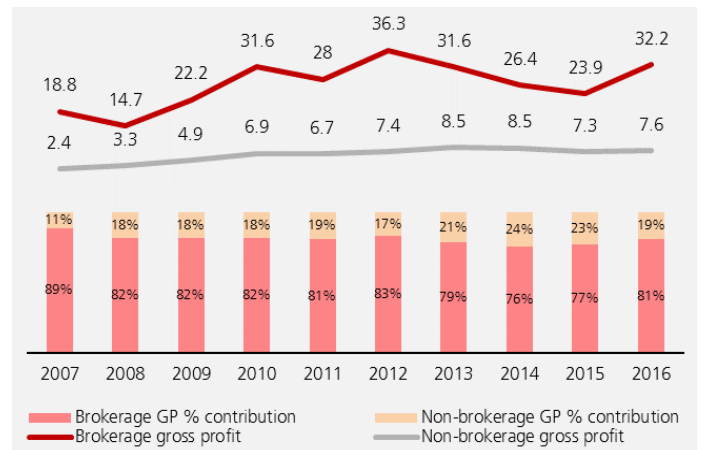
This segment contributes ~3% to total revenue but in terms of earnings, it contributes about ~19% to gross profit as of FY2016 due to higher margins for non-brokerage services (FY2016 margin for non-brokerage services was 88.5% versus 11.5% for brokerage services). Approximately half of the non-brokerage gross profit consists of services offered to agents.

Fig 20. Brokerage transaction value by property segment (\$m)



Source: Company, DBS Bank

Fig 21. Brokerage transaction value by property segment (\$m)



Source: Company, DBS Bank

(i) Training

RIA School of Real Estate, a division of RIA, is an Approved Course Provider appointed by the CEA. It conducts courses for the preparation of the entry level Real Estate Salespersons Examination on top of other in-house training courses and collects course fees as the Estate Agents (Estate Agency Work) Regulations 2010 requires agents to complete six credit hours of mandatory Continuing Professional Development (CPD) every year. The group's agents are required to pay for these training courses separately.

Fig 22. In-house training programmes conducted by ERA Realty



Source: Company

(ii) Property valuation

RIA is appointed as an approved valuer by HDB to provide valuation consultancy services for HDB resale residential properties. RIA has employed 4 licensed valuers as of 31 Mar 2017 to provide valuation services to customers. Other than HDB, other customers include government agencies, financial institutions, companies and individuals with professional valuation services for various purposes, including the sale of properties, mortgages, insurance and company listings.

(iii) Rental

All properties used for operations are leased. Lease agreements are typically between two to three years (see Appendix A for more details). The group sublets part of the offices to its agents and collect rental income.

(iv) Property management

Property management fees are generally contract-based, recurring fees. RIA is an Accredited Managing Agent as certified by the Singapore Institute of Surveyors and Valuers and the Association of Property and Facility Managers. Its Property Management Department manages various condominium developments in Singapore, including Park Natura, 7 Nassim, The Paterson, The Aston, Villas La Vue. RIA is responsible for maintenance, administration and general upkeep. Property management services is also provided for individual property owners.

(v) Franchise fees

In particular, franchise fees are earned when sub-franchisees pay royalties, computed as a percentage of their respective gross revenues. On 12 May 2017, the group had entered into a sub-franchisee agreement to appoint a sub-franchisee in Vietnam.

Fig 23. Sub-Franchisees covered by the Regional MFA

Country	Number of agents	Number of brokerage offices
Singapore	6,223	1
Indonesia	5,500	140
Japan	2,630	483
Thailand	500	25
Taiwan	250	7
Malaysia	104	3
Korea	94	1
TOTAL	15,301	660

As at 31 March 2017

Source: Company, DBS Bank

Fig 24. Segmental breakdown between brokerage and non-brokerage revenue and gross profit

Segment	FY 2014		FY 2015		FY 2016		1Q 2016		1Q 2017	
	S\$m	%	S\$m	%	S\$m	%	S\$m	%	S\$m	%
Revenue										
Brokerage										
Resale and rental of properties	152.6	69.9	183.2	78.8	213.7	74.3	42.3	75.4	49.9	74.4
New home sales	56.4	25.8	41.1	17.7	65.4	22.7	11.6	20.7	15.0	22.3
Total	209.0	95.8	224.3	96.5	279.1	97.0	53.9	96.1	64.9	96.7
Training, valuation and other ancillary services										
Training	1.5	0.7	1.7	0.7	1.9	0.7	0.4	0.7	0.3	0.4
Property valuation	0.9	0.4	1.4	0.6	1.6	0.5	0.3	0.6	0.3	0.4
Property management	0.6	0.3	0.8	0.3	0.8	0.3	0.2	0.4	0.2	0.3
Rental	2.2	1.0	1.4	0.6	1.4	0.5	0.4	0.6	0.3	0.5
Merchandise sales	0.7	0.3	0.7	0.3	0.5	0.2	0.1	0.1	0.1	0.1
Other operations	2.8	1.3	1.7	0.7	2.0	0.7	0.7	1.3	0.9	1.3
Total	8.7	4.0	7.7	3.3	8.2	2.9	2.1	3.7	2.1	3.1
Franchise arrangements										
Franchise	0.4	0.2	0.6	0.3	0.4	0.1	0.1	0.2	0.2	0.2
Total	0.4	0.2	0.6	0.3	0.4	0.1	0.1	0.2	0.2	0.2
Total Revenue	218.2	100.0	232.6	100.0	287.7	100.0	56.1	100.0	67.2	100.0
Gross Profit										
Brokerage	26.4	75.7	23.9	76.6	32.2	80.9	5.6	74.3	8.1	79.8
Training	1.2	3.6	1.3	4.0	1.5	3.7	0.3	4.2	0.2	2.3
Property valuation	0.9	2.5	1.4	4.3	1.5	3.7	0.3	3.9	0.3	2.5
Property management	0.6	1.8	0.8	2.5	0.8	2.1	0.2	2.9	0.2	2.3
Rental	2.2	6.2	1.4	4.4	1.4	3.6	0.4	4.7	0.3	3.2
Merchandise sales	0.6	1.7	0.5	1.6	0.3	0.6	(0.0)	(0.3)	0.0	0.5
Other operations	2.7	7.9	1.7	5.4	2.0	5.0	0.7	9.6	0.9	8.8
Franchise	0.2	0.6	0.3	1.0	0.2	0.4	0.1	0.7	0.1	0.7
Total Gross Profit	34.8	100.0	31.3	100.0	39.9	100.0	7.5	100.0	10.2	100.0
Gross Profit Margin %										
Brokerage	12.6		10.7		11.5		10.4		12.6	
Training	80.0		75.5		76.7		78.0		79.0	
Property valuation	96.8		96.3		96.3		95.8		96.6	
Property management	99.5		100.0		99.4		100.0		100.0	
Rental	100.0		100.0		100.0		100.0		100.0	
Merchandise sales	81.6		70.7		52.8		(28.6)		66.2	
Other operations	99.8		99.8		100.0		99.9		99.9	
Franchise	47.6		53.5		39.6		43.5		47.4	
Total Gross Profit Margin	16.0		13.4		13.9		13.4		15.1	

Source: Company, DBS Bank

Industry Outlook

Singapore has one of the highest resident home ownership rates. Singapore has one of the highest resident home ownership rates in the world, at above 90%. The Singapore housing market comprises two distinct markets – (i) the public housing market, otherwise known as the Housing and Development Board (HDB) flats, and the private property market.

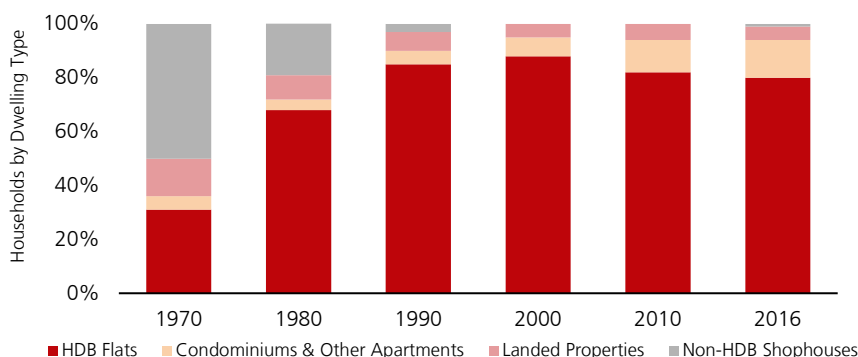
There are 1.0 million HDB flats as of 2016 and the public housing market (HDB flats) provide homes to 82% of the resident population. The private housing market comprises 372,000 units, including Executive Condominiums catering to households with income not exceeding S\$14,000 per month, amounting to 27% of the entire housing stock in Singapore.

Long term prospects of Singapore residential market remain positive. Over 2000-2016, housing prices have risen 2.3%

CAGR. Population has also grown from 4.0 million to 5.6 million (2.1% CAGR) during the same period. Singapore has one of the most open economies in Asia in terms of trade, capital inflows and foreign labour inflows, and is also home to the largest number of multinational companies in the Asia-Pacific region, housing approximately 4,200 regional headquarters.

Smaller households could drive household formation to grow at a higher rate. Household formation, a primary driver of demand for homes have been growing strongly over the past few years, outpacing the growth in population since 2013. According to Cushman & Wakefield, a longer trend that will drive this growth will be a shifting trend in household formation where smaller nuclear families are becoming smaller over time, resulting in decreasing heads per household.

Fig 25. Households by dwelling type

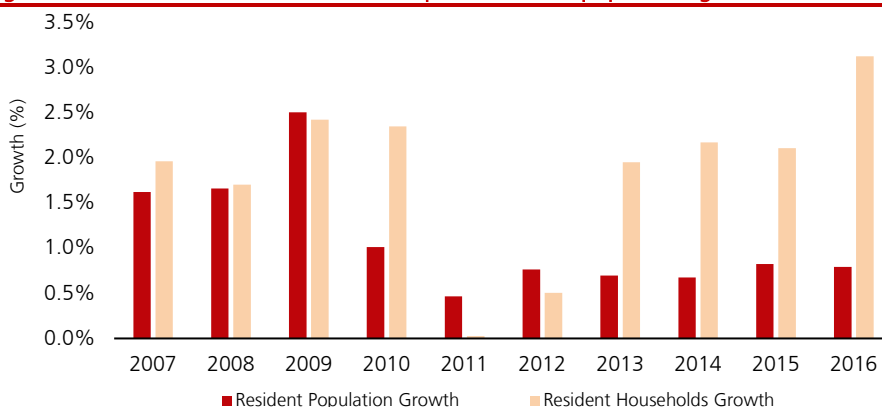


Remarks

The composition of condominiums & other apartments, landed properties have been increasing over time. In 2016, these housing types accounted for c.27% of total household dwelling types.

Source: Department of Statistics Singapore, Cushman & Wakefield, DBS Bank

Fig 26. Increase in resident households outpaced resident population growth



Remarks

Singapore household formation growth has been outpacing growth in residence population

Source: Department of Statistics Singapore, Cushman & Wakefield, DBS Bank

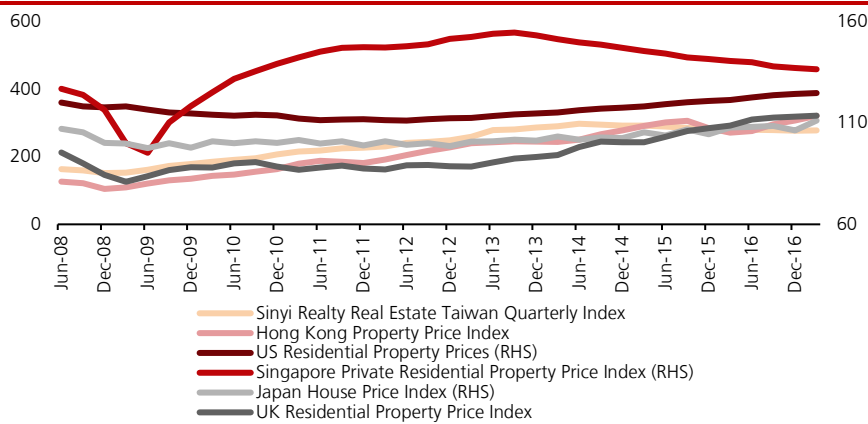
Singapore property prices. Given government property curbs, Singapore property prices have been on a steady decline for fourteen straight quarters since the second quarter of 2013. The property price index has fallen by c.12% from the peak. Conversely, property prices for major other cities have been increasing over the same period, making the relative price in Singapore as more attractive when compared to property prices in the regions.

In terms of affordability, according to Cushman & Wakefield, Singapore’s housing to income ratio of 4.8 in 2016, is also at the lowest compared to other global cities like Hong Kong

(18.1), New York City (5.7), and London (8.5). This could mean that transactions in Singapore will likely to remain robust and international investors could look to invest in Singapore given the relative affordability of houses in the city-state.

Deep and liquid real estate market. According to Cushman & Wakefield, Singapore is the sixth largest real estate market in the Asia-Pacific region, after China, Australia, Japan, Hong Kong, and South Korea. Its residential real estate transaction value and volume was S\$45.8bn and 159,958 units in 2016.

Fig 27. Singapore home prices have been on a decline

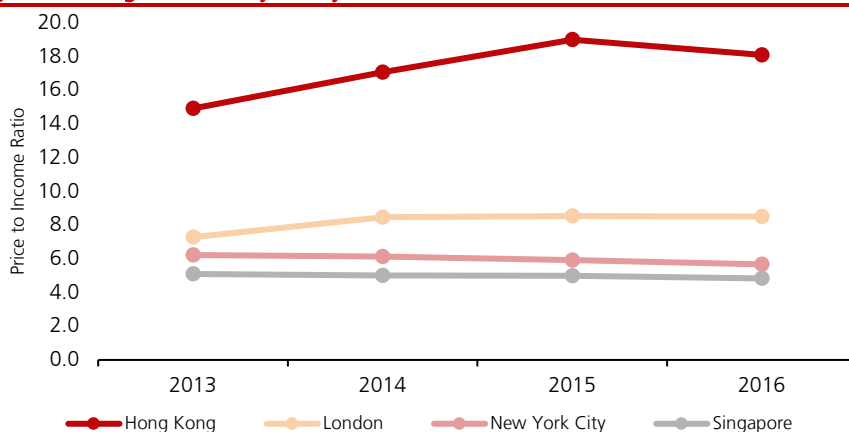


Remarks

Singapore property prices have been declining because of government property curbs while property prices in other cities have been rising.

Source: Department of Statistics Singapore, Bloomberg Finance L.P., Cushfield & Wakefield, DBS Bank

Fig 28. Housing Affordability of Key Cities



Remarks

Singapore’s home price to income ratio is lowest when compared to other global cities.

Source: Annual Demographia International Housing Affordability Survey, Cushman & Wakefield, DBS Bank

Real estate brokerage business in Singapore

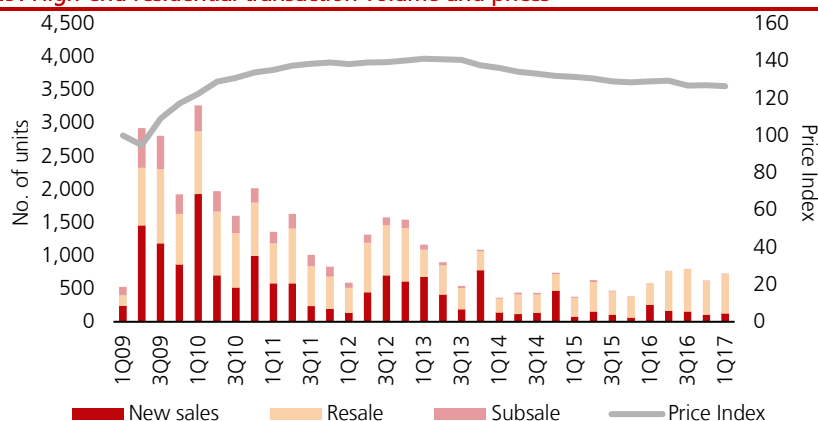
Brokerage business driven by transaction volume and value.

The key driver for the real estate brokerage business would be transaction volume and value, as revenue of the business is derived from the commission that agents earn per transaction. Real estate brokerage services providers in Singapore are expected to benefit from the recovery in primary and secondary residential market transaction volumes. Cushman & Wakefield forecasts a gradual increase in primary transaction volumes over the next five years, in line with increased investor confidence in the market.

Sustainable medium-term GDP growth supports transaction volumes in primary residential market.

Singapore's economic growth in 2016 exceeded general expectations. Gross domestic product (GDP) in 2016 grew 2%, and 3Q2017 saw GDP growth of 4.6%. Cushman & Wakefield is of the view that Singapore is capable of achieving a sustainable medium-term GDP growth of 3% which will help to support transaction volumes in the primary residential market. In the secondary residential market, Cushman & Wakefield expects buying activity to improve due to positive outlook carrying over from 2016, as well as easing of cooling measures announced in March 2017.

Fig 29. High-end residential transaction volume and prices



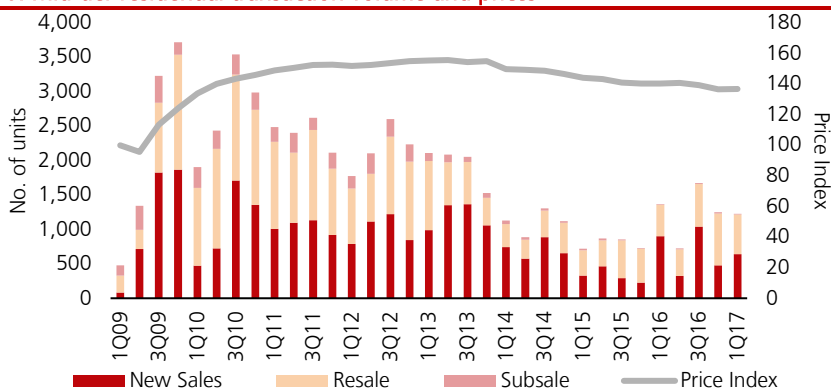
Remarks

Demand for high-end residential properties has revived since beginning of 2016, price decline continued at slowest pace compared to mass market and mid-tier segments.

In 3Q2017, sales momentum continued in Core Central Region (+63% no. of units sold y-o-y).

Source: URA REALIS, Cushfield & Wakefield, DBS Bank

Fig 30. Mid-tier residential transaction volume and prices

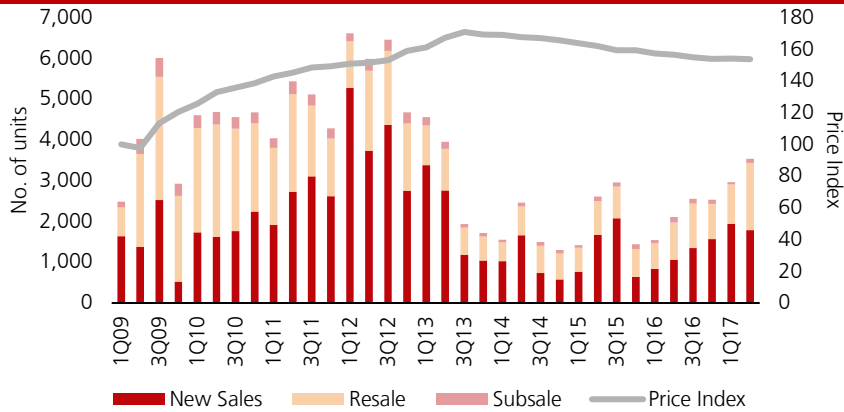


Remarks

"Green shoots" of recovery observed: price index for Rest of Central Region (RCR) increased by 0.3% q-o-q in 3Q2017, transaction volumes increased by 22.4% q-o-q and 57% y-o-y.

Source: URA REALIS, Cushfield & Wakefield, DBS Bank

Fig 31. Mass market residential transaction volume and prices



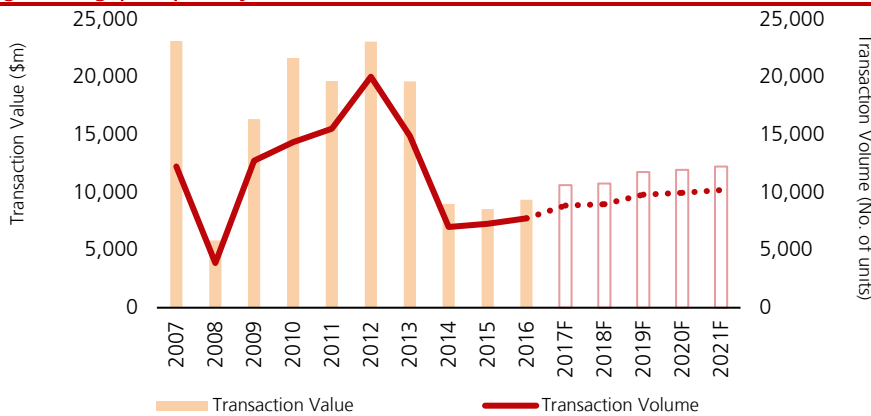
Remarks

Growth in transaction volumes resilient, expanded by 2.7% y-o-y in 2016.

However, enlarged stock of units completed in Outside Central Region (OCR) put pressure on rental index for the segment which decreased by 15.1% in 1Q2017 from the peak in 2Q2013.

Source: URA REALIS, Cushfield & Wakefield, DBS Bank

Fig 32. Singapore primary residential market forecast (excl. ECs)

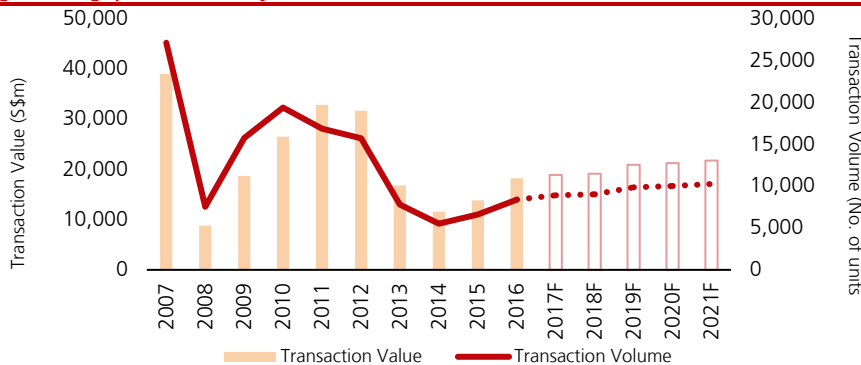


Remarks

Cushman & Wakefield forecasts gradual increase in primary transaction volumes over the next five years, in line with increased investor confidence in the market (+16% y-o-y in 2017, +6.7% y-o-y in 2018).

Source: URA REALIS, Cushfield & Wakefield, DBS Bank

Fig 33. Singapore secondary residential market forecast (excl. ECs)



Remarks

Cushman & Wakefield forecast buying activity to pick up from the level in 2016, alongside easing of cooling measures in 1Q2017

Source: URA REALIS, Cushfield & Wakefield, DBS Bank

We outline key developments in the five broad markets in recent years below and provide a summary of the overall market size and ERA's market share:

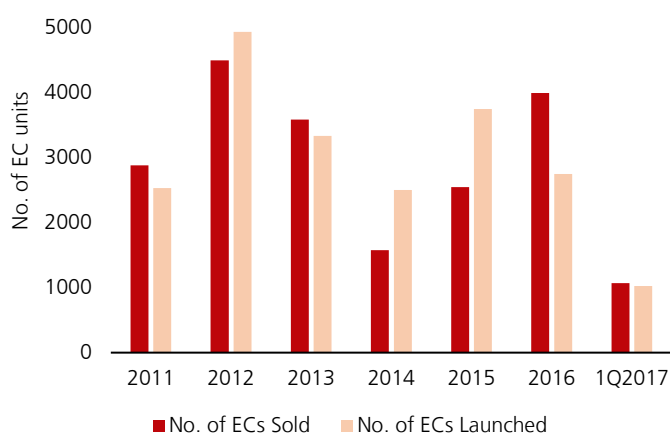
1. Private primary residential market
2. Private secondary residential market
3. Private residential leasing market
4. HDB resale market
5. HDB leasing market

1. Private primary residential market

Private new home sales market has seen a revival in demand since 2014. Private primary residential sales increased from 8,211 in 2014 to 9,987 and 11,565 in 2015 and 2016 respectively. 3Q2017 saw 4,214 units transacted, a 30% increase from 3Q2016.

Demand for Executive Condominiums (ECs) has staged a strong comeback after 2011. Before 2011, take-up rates were poor. In 2016, demand has improved as seen in the healthy take-up rates. There were 4,085 units sold in 2016, higher than the 2,749 units launched in the same year, mainly due to take-up of older stock.

Fig 34. EC launches and sales

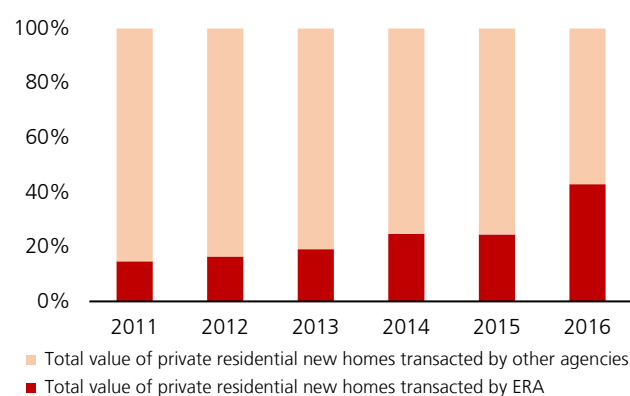


Source: URA REALIS, Cushman & Wakefield, DBS Bank

ERA: Market share in terms of transaction volume has grown over the past six years led by network expansion, from 16% in 2011 to 41% in 2016. Market share based on value increased from 15% in 2011 to 43% in 2016. ERA has established itself as one of the market leaders in project marketing, alongside Huttons, whose strength is in mass market projects, and Savills and Knight Frank, who are strong in luxury developments. Out of the 19 projects launched in 2015, 12 projects (representing 47% of the total number of units) were awarded to ERA either as sole

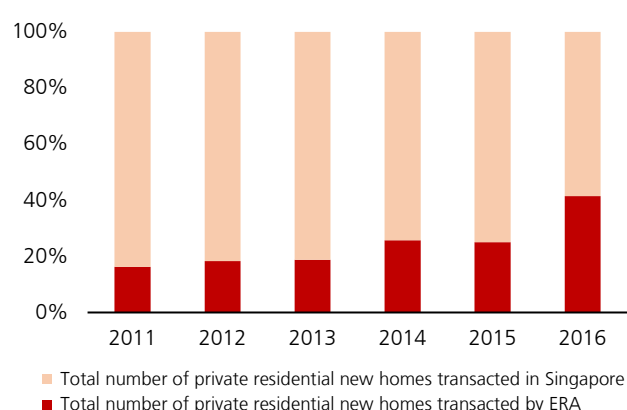
or joint project marketing agent. Out of the 23 projects launched in 2016, 14 projects (representing 66% of the total number of units launched) were awarded to ERA either as sole or joint project marketing agent. In 2017, ERA acted as sole or joint project marketing agent for 91% of the total number of units in all new project launches from January to July 2017 which have engaged marketing agents.

Fig 35. Market share of ERA, private residential primary market (by transaction value)



Source: URA REALIS, Cushman & Wakefield, DBS Bank

Fig 36. Market share of ERA, private residential primary market (by number of units)



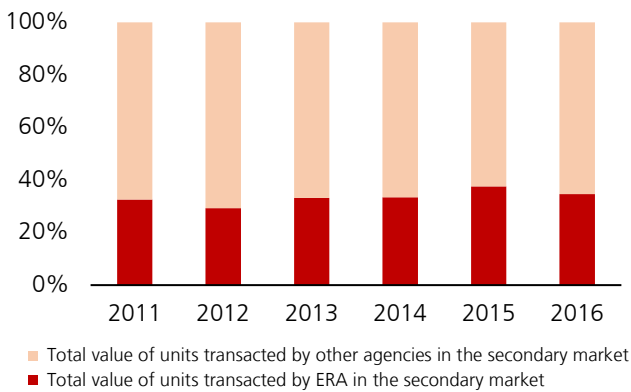
Source: URA REALIS, Cushman & Wakefield, DBS Bank

2. Private secondary residential market

Secondary market transactions increased from 5,770 in 2014 to 6,954 and 8,688 in 2015 and 2016 respectively. 1Q2017 saw 2,346 units being transacted, a 51% increase from 1Q2016. Total market value of transactions was S\$17.3bn.

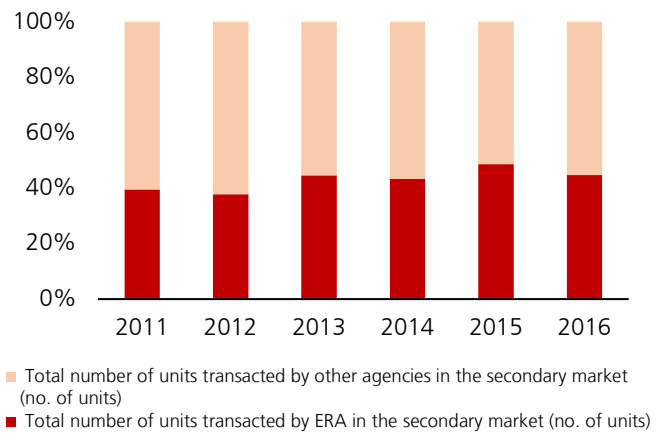
ERA: Through its larger network of agents, between 2011 and 2015, ERA grew its market share steadily from 33% to 38% in terms of transaction value and from 40% to 49% in terms of transaction volume. The decline in market share in terms of transaction value and volumes in 2016 was likely due to more resources allocated to primary market segment for project marketing.

Fig 37. Market share of ERA, private residential secondary market (by transaction value)



Source: URA REALIS, Cushman & Wakefield, DBS Bank

Fig 38. Market share of ERA, private residential secondary market (by number of units)



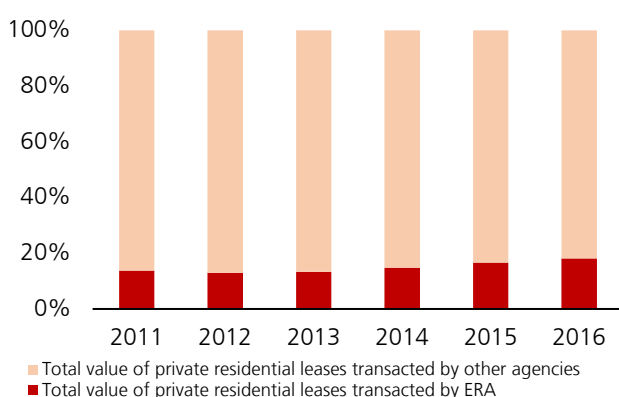
Source: URA REALIS, Cushman & Wakefield, DBS Bank

3. Private residential leasing market

Lease transactions increased from 62,962 in 2014 to 70,329 and 75,765 in 2015 and 2016 respectively. 1Q2017 saw 18,896 units being transacted, 9% increase from 1Q2016. Total market value of transactions was S\$7.4bn.

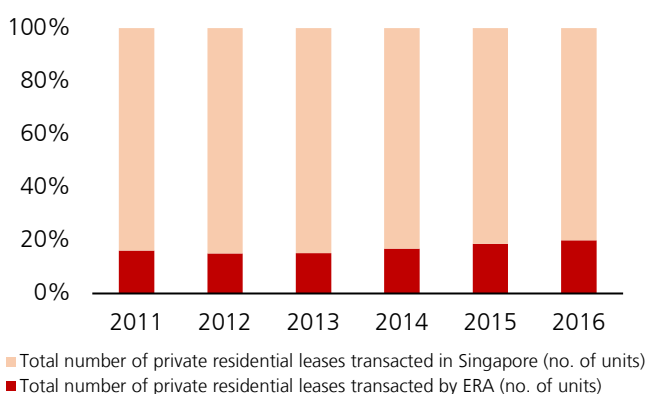
ERA: Market share of 25% in 2016.

Fig 39. Market share of ERA, private residential leasing market (by transaction value)



Source: URA REALIS, Cushman & Wakefield, DBS Bank

Fig 40. Market share of ERA, private residential leasing market (by number of units)



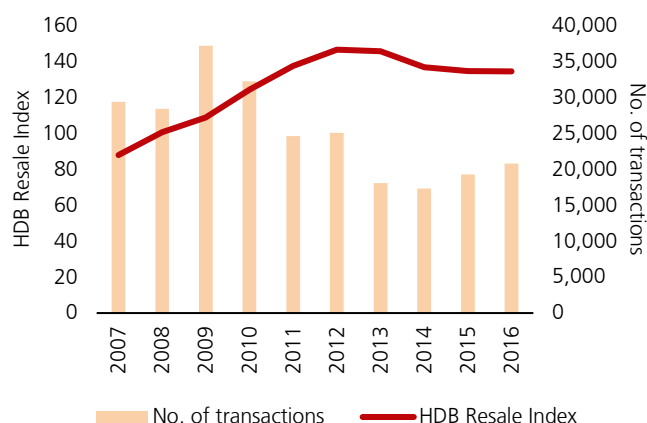
Source: URA REALIS, Cushman & Wakefield, DBS Bank

4. HDB resale market

Following the roll-out of a series of cooling measures in 2013, demand for HDB resale units has dampened. One such cooling measure is the Mortgage Servicing Ratio (MSR) which instilled a cap of 30% on a borrower's gross income and a maximum loan tenure of 25 years for HDB housing loans (30 years for private bank loans taken to buy HDB flats). The authorities also implemented a 3-year waiting period for new PRs before they were allowed to buy resale flats. Coupled with a large supply of BTO flats, 17,318 resale flats were transacted in 2014, down by 31.0% from the peak of 25,094 units in 2012. Prices of resale HDB flats also fell by 6.6% over the same period.

Resale HDB transactions rose for a second consecutive year in 2016, from 16,096 in 2014 to 19,033 and 19,410 in 2015 and 2016 respectively. 1Q2017 saw 4,530 units transacted, a 1.8% increase from 1Q2016. The higher number of resale transactions in 2016 could also be attributed to the large number of BTO flats entering the resale market as they reach the end of the 5-year Minimum Occupation Period (MOP). From 2011 to 2013, ~25,000 BTO units were released by the government each year, in anticipation of higher demand from first time buyers which could create more opportunities for transactions moving forward.

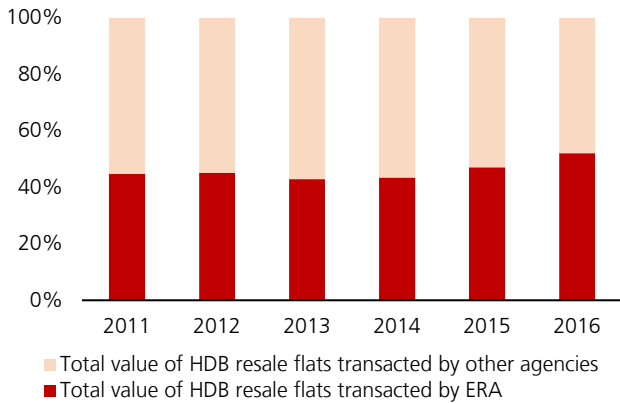
Fig 41. HDB Resale Index and transaction volume



Source: HDB, Cushman & Wakefield, DBS Bank

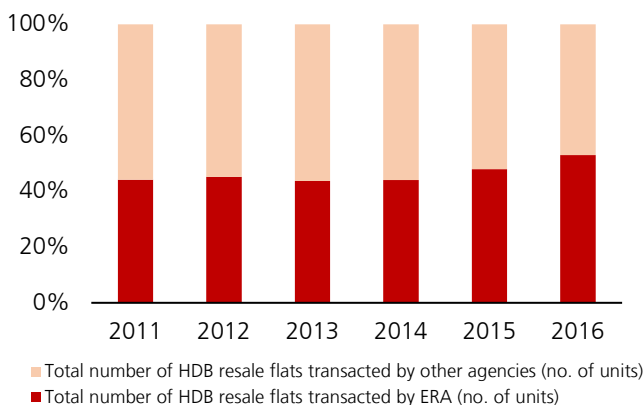
ERA: Market share in terms of value increased from 47% in 2015 to 52% in 2016. Market share by transaction volume increased from 48% in 2015 to 53% in 2016.

Fig 42. Market share of ERA, HDB resale market (by transaction value)



Source: HDB, Cushman & Wakefield, DBS Bank

Fig 43. Market share of ERA, HDB resale market (by no. of units)



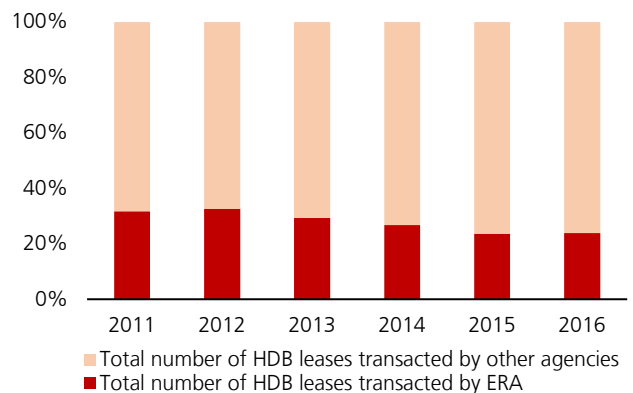
Source: HDB, Cushman & Wakefield, DBS Bank

5. HDB leasing market

The HDB leasing market has been relatively active for last 3 years. Subletting applications increased from 36,228 in 2014 to 41,531 and 44,530 in 2015 and 2016 respectively. Leasing momentum weakened in 1Q2017 with 9,981 applications approved, down 11% from 1Q2016.

ERA: Market share is lower at 24% in 2016, from 32% in 2011. Volume of HDB rentals transacted through ERA increased at CAGR of 5.1% from 2011 to 2016, lower than overall market growth of 11.3% CAGR as resources were allocated to more profitable segments like project marketing.

Fig 44. Market share of ERA, HDB leasing market (by number of leases)



Source: HDB, Cushman & Wakefield, DBS Bank

Historical market position

ERA has sizeable market shares across the five broad market segments. ERA has established its presence in various segments of the residential brokerage market as well as one of the market leaders in project marketing. Notably, Huttons has strength in mass market projects, while Savills and Knight Frank are stronger in luxury developments.

Fig 45. Market share based on value of residential units transacted in 2016

Brokerage	Market size (S\$m)	ERA's market share
Residential	45,809.0	38%
Sales	38,460.3	41%
HDB resale	8,516.4	52%
Private (incl. ECs)	9,943.8	38%
Primary residential	2,642.0	43%
Secondary residential	7,301.8	35%
Leasing	7,348.7	18%
HDB	n.a.	n.a.
Private residential	7,348.7	18%

Source: URA REALIS, Cushman & Wakefield, DBS Bank

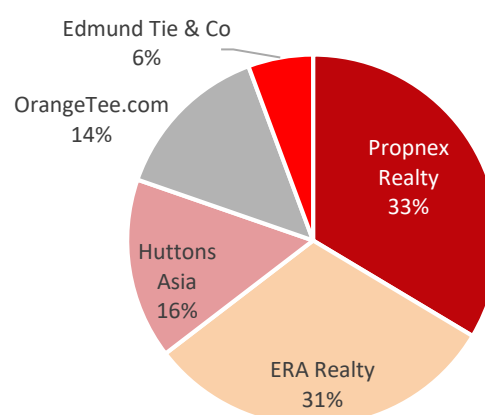
Fig 46. Market share based on number of residential units transacted in 2016

Brokerage	Market size (No. of units)	ERA's market share
Residential	159,958.0	30%
Sales	39,663.0	48%
HDB resale	19,410.0	53%
Private (incl. ECs)	20,253.0	43%
Primary residential	11,565.0	41%
Secondary residential	8,688.0	45%
Leasing	120,295.0	25%
HDB	44,530.0	24%
Private residential	75,765.0	25%

Source: URA REALIS, Cushman & Wakefield, DBS Bank

ERA has one of the largest number of registered real estate agents. As of March 2017, a total of 1,319 agencies and 29,466 agents in Singapore are registered with the Council of Estate Agents (CEA), and 75% of all agents are from the top ten largest real estate agencies. ERA's agent base grew by 17.1% between 2013 and 2015 while other real estate agencies saw decline in agency strength as agency market become less favourable over the last three years due to property cooling measures being put in place. As of 31 March 2017, ERA had 21% agent market share. Subsequently, PropNex overtook ERA in terms of agent count after merging with Dennis Wee Group, with a total of 6,688 agents, compared to ERA which has 6,176 agents as of 10 July 2017. Refer to Appendix B for more details.

Fig 47. Market share of top 5 agencies (number of agents) as of 10 July 2017



Source: CEA public register, Cushman & Wakefield, DBS Bank

Factors affecting the property market

1. Government policies and initiatives

Real estate transaction volumes are expected to be driven by improved market sentiment arising from various government policies and initiatives including (i) property cooling measures, (ii) plans for decentralisation, and (iii) increase in housing grants.

(i) Property cooling measures

In 2014, transaction volumes and prices saw a sharp decline (~48% decline from 2013's transaction volume), largely due to the cumulative effect of cooling measures introduced as well as the implementation of Total Debt Servicing Ratio (TDSR) framework where monthly repayment of buyer's debts are limited to 60% of income. In March 2017, the Singapore government eased the property cooling measures, by shortening the Seller's Stamp Duty (SSD) from four years to three years with reduced rates, instilling greater confidence in investors, according to Cushman & Wakefield. Cushman & Wakefield also believes that with the introduction of the Additional Conveyance Duty (ACD) on residential property-holding entities, and imminent deadlines for developers for Qualifying Certificate (QC) and Additional Buyer's Stamp Duty (ABSD), developers would be incentivised to step up marketing activities on their unsold units, which should boost secondary residential market volumes and real estate brokerage fees for secondary residential market transactions over the medium term.

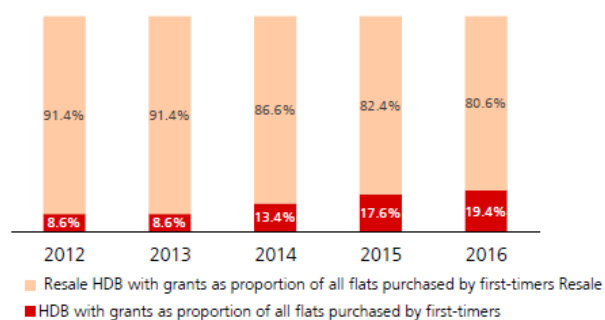
(ii) Decentralisation plan

As Singapore's economy grows and population expands, the government has plans to achieve growth through decentralisation by distributing commercial activities throughout the island and offering businesses alternative and more affordable business locations. As part of the government's long term strategy, Jurong, Paya Lebar and Woodlands have been identified for development as they are considered strategic locations well served by public transport networks. In particular, with the addition of two new lines and extension of existing lines, rail network is expected to double by 2030. Woodlands, for instance, is expected to have almost 10,000 new dwelling units under HDB's Remaking Our Heartland programme, which is part of the Master Plan.

(iii) Increase in Housing Grants

Under the 2017 Budget, the government extended more grants for first timer couples purchasing resale HDB flats. The CPF Housing Grant was raised from S\$30,000 to S\$50,000 for couples purchasing resale four-room or smaller flats and to S\$40,000 for couples purchasing resale five-room or bigger flats. According to Cushman & Wakefield, one in five new HDB flat buyers purchased resale flats in 2016, doubling the proportion in 2011, and this can be attributed to larger number of flats in desirable locations and price moderation in the resale market.

Fig 48. Breakdown of all flats purchased by first-timers



Source: *The Straits Times, Cushman & Wakefield, DBS Bank*

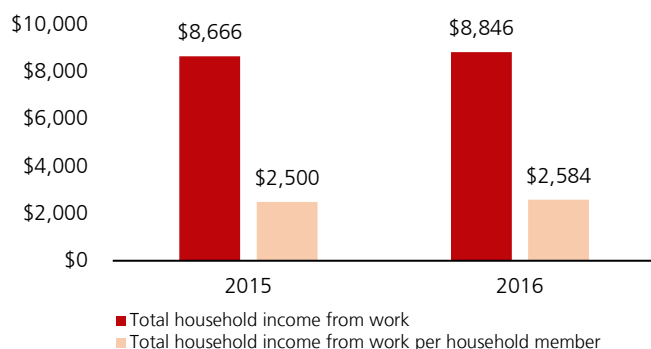
2. Buyer profile (Demand factors)

(i) Resident population income growth, (ii) changing demographics, and (iii) foreign demand continues to propel demand for residential properties.

(i) Population income growth

According to Cushman & Wakefield, steady income growth and rising household net worth have led to higher demand for residential properties. The median monthly household income for resident employed households grew from S\$8,666 in 2015 to S\$8,846 in 2016 (+2.6%, real terms). From 2011 to 2016, the average household income per household member of the top 10% households grew 2.7% per annum in real terms, while that for the other income groups was between 2.4% to 4.2%.

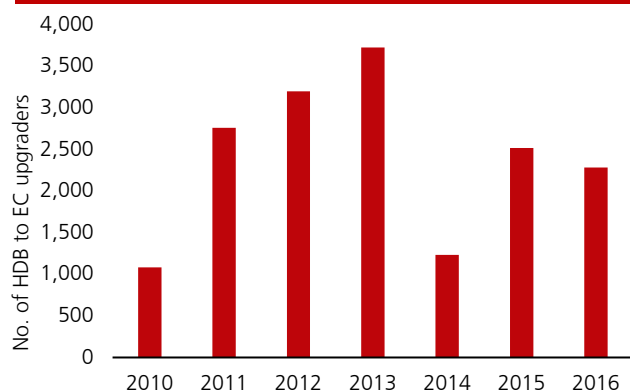
Fig 49. Breakdown of all flats purchased by first-timers



Source: Department of Statistics Singapore, Cushman & Wakefield, DBS Bank

HDB upgraders or second-timers contribute to the bulk of demand for ECs. Cushman & Wakefield also notes that demand for HDB upgraders (to ECs) tend to be supply-led.

Fig 50. Number of upgraders from HDB to EC

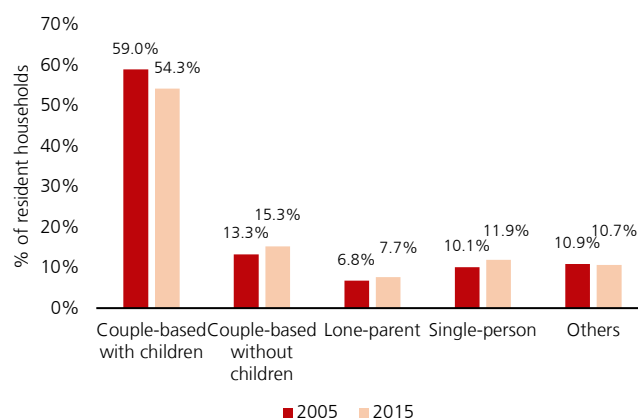


Source: URA REALIS, Cushman & Wakefield, DBS Bank

(ii) Changing demographics

The proportion of couple-based households without children and single-person households is rising. Cushman & Wakefield estimates that there will be increased demand for housing and that Singapore will need between 131,000 to 153,000 private housing units by 2030 assuming the average current household size of 3-3.5 and population growth rates remain unchanged in the longer term, which should benefit the overall agency business. In recent years, an increase in resident households has outpaced resident population growth.

Fig 51. Resident households by household living arrangement

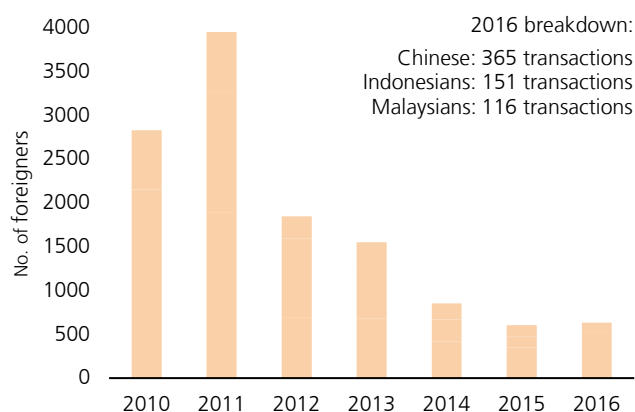


Source: Department of Statistics Singapore, Cushman & Wakefield, DBS Bank

(iii) Demand from foreigners

According to the CSRI Global Wealth Report, total global wealth in 2016 edged upwards by US\$3.5 trillion to US\$256 trillion. The growth in the number of high net worth individuals and wealth per capita, coupled with increased liquidity arising from the low interest rate environment, has led to substantial capital inflows into Asian property. Singapore's private residential market has seen an increasing number of foreign purchasers capitalising on the potential upside after the moderation in Singapore's property prices over the past four years. In 2016, there were 1,080 private residential units purchased by foreigners, representing a 17.5% increase from 2015.

Fig 52. Number of foreigners purchasing private residential properties in Singapore

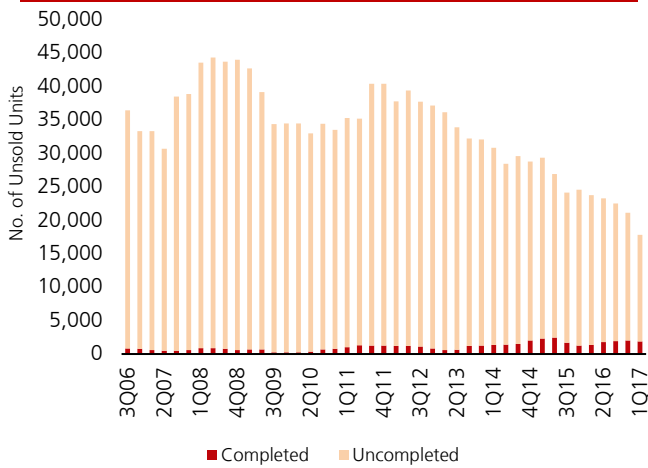


Source: URA REALIS, Cushman & Wakefield, DBS Bank

3. Supply of residential units

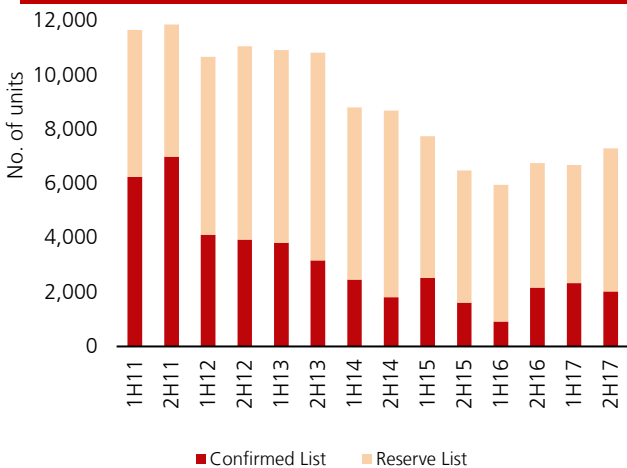
Property developers are turning to the private en-bloc market due to depleting unsold landbank from listed developers, and declining availability of government land sales for residential units. Cushman & Wakefield thinks these factors are likely to put upward pressures on primary market home prices.

Fig 53. Total unsold units (completed and uncompleted) declining



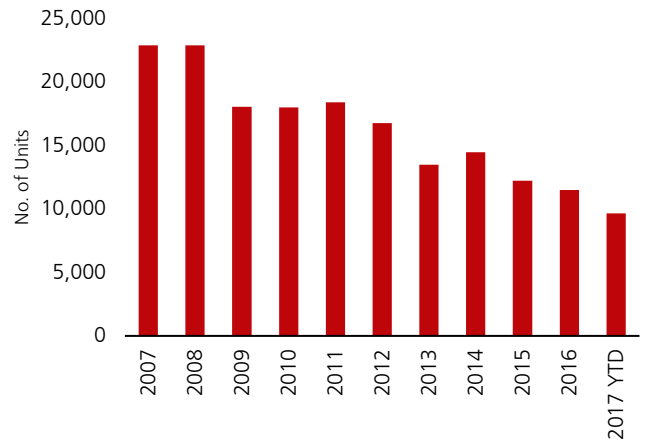
Source: URA REALIS, Cushman & Wakefield, DBS Bank

Fig 54. Declining GLS residential units available (Non-EC)



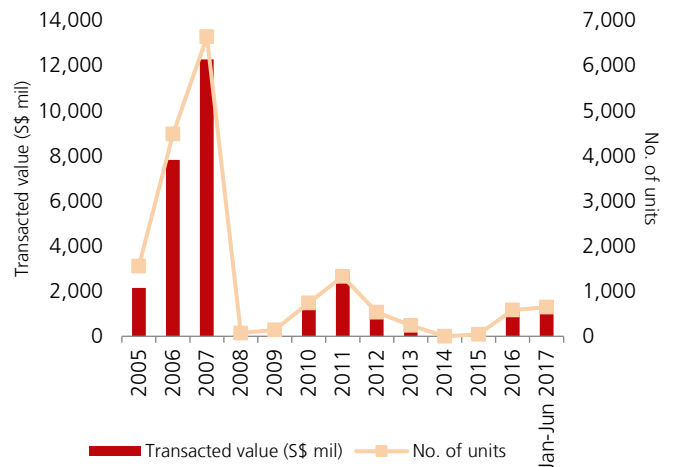
Source: URA, Cushman & Wakefield, DBS Bank

Fig 55. Listed developers' annual unsold landbank declining



Source: Cushman & Wakefield, DBS Bank

Fig 56. Pick-up in en-bloc momentum since 2015



Source: URA REALIS, Cushman & Wakefield, DBS Bank

Brokerage services sector in other geographies

In Singapore, Vietnam and Indonesia, agents have a variable salary and are incentivised by commissions. Profit margins in Singapore are relatively thin compared to regional counterparts, as the existing commission structure pays out 70-90% to the agents. Refer to Appendix C for other differences between the regional markets.

Other real estate-related sectors

1. Training

CPD Programmes in Estate Agents (Estate Agency Work) Regulations was introduced in 2010, where every Key Executive Officer (KEO), practising director/partner and salesperson is required to undertake CPD - a minimum of 6 credit hours of learning activities for each CPD cycle, of which at least 3 CPD credit hours must be on core subjects - in order to renew his registration license for the following year. This has spurred the growth of demand for training. Real Estate Salesperson (RES) and CPD courses have to be approved by CEA and major players today consist of property agencies, and professional training providers.

Prior to performing any transactions, property agents must register for RES course and sit for the relevant exams. Examination and registration fees are collected on behalf of CEA, but course providers can earn additional income from RES courses (~\$600 - \$850 per agent per course).

Fig 57. Approved course providers

Approved Course Providers	Type	Course Provider
Realty International Associate (RIA) – APAC Realty's subsidiary	Training Provider	RES, CPD
Life Mastery Academy	Training Provider	RES, CPD
Real Centre Network	Training Provider	RES, CPD
Benchmark Realpro	Training Provider	RES, CPD
Pioneer Training & Consultancy	Training Provider	RES, CPD
Institute of Estate Agents (IEA), Singapore	Association	RES, CPD
Singapore Estate Agents Association (SEAA)	Association	RES, CPD
Real Estate School	Training Provider	RES, CPD
Hastor Property Services	Training Provider	RES, CPD
C&H Properties	Property Agency	CPD
ORANGETEE.COM PTE LTD	Property Agency	CPD
PTO Property Services - C21	Property Agency	CPD
Singapore Institute of Surveyors and Valuers (SISV)	Association	CPD
Housing & Development Board (HDB)	Government Agency	CPD
Singapore Institute of Management (SIM)	School	CPD
Capelle Academy	Consultancy	CPD

Source: CEA, Cushman & Wakefield, DBS Bank

2. Commercial and industrial leasing

Commercial and industrial leasing is dominated by international consultancies such as CB Richard Ellis, Cushman & Wakefield, Jones Lang Lasalle, Savills, Colliers, and Knight Frank. These international consultancies have global network of offices and strong market reputation. Commercial leasing typically takes a significantly longer time than residential property leasing, where leasing brokers or agents are generally required to provide substantial analytical data and financial information. Brokers are involved in locating the right property, negotiating the lease on behalf of the landlords/tenants, coordinating the paperwork formalities, and other technical aspects of the lease process.

Leasing brokers' remuneration are in the form of base salary plus commission. The split between brokers and brokerage firms can range from 20:80 to 50:50. The higher the gross commission amount earned, the more favourable the commission split will be.

Fig 58 Types of commercial and industrial leasing brokers

	Representation	
	Landlord	Tenant
Job scope	designs a marketing programme to convince or persuade network of brokers to bring tenants to the building, conducts tours and showings, and represents the landlord in lease negotiations	helps tenants in locating and negotiating of spaces for lease
Fees	Retainer fee equiv. to a % of monthly rental value is typically received for every leasing transaction the building gets	Commission is paid by landlord, unless it is a lease renewal. Landlords typically do not pay commissions to brokers for renewals, a tenant representative gets the commission from the tenant should the rental negotiations with the landlord translate to significant cost savings for the tenant

Source: Cushman & Wakefield, DBS Bank

3. Auction

Commissions derived from auction transaction ranges between 0.8% to 1% of the transacted price. Major clients include banks, financial institutions, government and statutory bodies, liquidators, public companies, trustees, and individuals. Banks typically pay the top end of the range.

In Singapore, the major auction players are Jones Lang LaSalle, Knight Frank, Colliers and Edmund Tie & Co. (former DTZ). Auctioneers are generally remunerated; APAC takes approx. 90% of the commission paid, while the remaining 10% goes to the auction team. Other expenses include booking of auction venues and advertisement fees. Advertisement fees are typically borne by the private property owner.

As more investors find it difficult to finance their assets, total sales of auctioned units have been on an uptrend since 2013, with value of transactions almost doubling from S\$57.1m in 2013 to S\$105.7m in 2016. The number of auctions, including mortgagee sales which are becoming more apparent at property auctions, is expected to rise.

4. Research

Real estate brokerage services providers typically have research platforms, providing client-facing resources and extra level of support for agents. Some brokerage firms are leveraging on their in-house research capabilities to generate fee-earning activities such as consultancy and data services. Researchers are typically paid fixed salaries, but there is an industry practice to take a small percentage of the revenue from consultancy services.

5. Property valuation

Property valuation or real estate appraisal is generally required to obtain financing for real estate transactions and assessment of property tax and stamp duties in Singapore. A range of services including residential valuation, investment portfolio valuation and consultancy, as well as statutory valuations can be provided by valuers who must have a license from Inland Revenue Authority of Singapore (IRAS), and must be a member of Singapore Institute of Surveyors and Valuers (SISV).

In Singapore, the major players are CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle, Savills, Knight Frank, and Colliers.

Valuers are typically employees paid fixed salaries by real estate brokerage services providers. HDB flat's valuation is carried out by a valuer from HDB's panel of valuers.

Fig 59. Range of valuation fees

	HDB	Private properties
Fees	1- 2-room flat: ~\$140 3 room flat and bigger: ~\$200	~\$94 to ~\$5,000, depending on type and size of property

Source: IRAS, Cushman & Wakefield, DBS Bank

6. Property management (condominium)

The Building Maintenance & Strata Management Act 2004 outlines duties and responsibilities for property management agents which include provision of maintenance, upkeep/upgrading, managing the accounts and costs, and administrative services of the entire estate of a project. Property management agents work closely with the Management Corporate Strata Title (MCST), also known as the Managing Council of the condominium. Property management agents are appointed for up to three years. In between, the Managing Council is mandated to review managing agents of strata-titled properties annually.

Property developers of new developments typically appoint a property management agent within 2 months of Temporary Occupation Permit (TOP). After formation of Managing Council and the first Annual General Meeting, it is free to re-appoint a new property management agent. Currently, property management firms do not have to be accredited, though SISV and Association of Property and Facility Managers (APFM) have campaigned for such accreditation.

MCST will pay for staff to be stationed on site, which may cost \$1,500 for a part-time administrator to \$4,500 for a condominium manager.

Fig 60. Fees involved

Types of fees	
Management fee	Charged by property management agent on monthly basis Amount dependent on no. of units and condominium's prestige Suburban condominiums: ~S\$100 - S\$150 per unit per annum High-end projects: ~S\$200 - S\$250 per unit per annum
Maintenance fee	Collected by property management agent from residents through MCST, apportioned according to share value of their units Maintenance fee contributes to sinking fund which covers long term asset replacement costs

Source: Cushman & Wakefield, DBS Bank

There are currently 37 accredited property management firms, including Knight Frank Property Asset Management, Jones Lang LaSalle Property Consultants, Edmund Tie & Co, Chambers Property Management Services, Realty International Associate, and CPG Facilities Management.

Management & Strategy

Management

- **Led by experienced management team.** APAC's Executive Officers have an average of approx. 20 years of experience in the real estate industry. Mr Jack Chua, Executive Director and Chief Executive Officer, has been with the group since 1990 under the previous holding company and was the President before becoming the Chief Executive Officer in 2013, while Mr Eugene Lim, Key Executive Officer, has been with the group since 2003. Collectively, the eight heads of department for each business segment have an average of approx. 17 years with the group
- **The Board consists of six members, of which half are independent directors.** Half of the Directors are non-executive and independent of the management, which should enable the Board to interact and work with management through an open exchange of ideas and sharing of diverse views to help the strategic process. Two of the non-executive non-independent directors are from Northstar Advisors Pte Ltd.

Strategy

- **Deepen presence in Singapore with centralised business centre.** APAC intends to deepen its presence in Singapore to further benefit from the expected recovery of the Singapore residential property market through establishing a centralised business centre. The new business centre will serve as a hub for its agents to interact, exchange ideas, attend training and easily access senior management, resulting in greater synergies and more efficient knowledge sharing. APAC could also lease part of the business centre as private office space to its agents, providing a stream of recurring income.
- **Develop new technological capabilities to drive operational efficiencies.** APAC currently offers various tools such as mobile applications (i-ERA, ERA SG Projects), website (ERA.com.sg), customer relationship and management system (ERA 24/7 PropWatch), and internal portals (MyERA) which it has developed for its agents and customers and to facilitate the execution of real estate transactions. APAC intends to continue developing its technological capabilities, create and/or acquire new tools to enhance its business efficiency and offer better levels of services to its customers.

Fig 61. Key management team and roles of respective heads of department

Name	Position	Profile*
Mr Jack Chua	Executive Director and Chief Executive Officer	<ul style="list-style-type: none"> 1990 – current: Chief Executive Officer, APAC Realty Limited. Prior to 2013, President, APAC Realty Limited. 1984 – 1990: Head of building management and building development services Bachelor of Science (Building) (Hons), Master of Science (Project Management), University of Singapore Diploma in Computer Studies, National Centre for Information Technology Certified Diploma in Accounting and Finance, Chartered Association of Certified Accountants
Mr Poh Chee Yong	Chief Financial Officer	<ul style="list-style-type: none"> 2011 – current: Chief Financial Officer, APAC Realty Limited 2003 – 2011: Financial Controller, Raffles Education Corporation Limited 2000 – 2003: Auditor, KPMG Singapore Chartered Accountant of Singapore Bachelor of Accountancy, Nanyang Technological University
Mr Eugene Lim	Key Executive Officer	<ul style="list-style-type: none"> 2003 – current: Key Executive Officer, APAC Realty Limited 1996 – 2003: Marketing Manager, CapitaLand Limited 1995 – 1996: Assistant Marketing Manager, Edmund Tie & Company (SEA) Pte Ltd 1991 – 1995: Marketing Manager, ERA Singapore Pte Ltd Bachelor of Science (Estate Management), Master of Science (Real Estate), National University of Singapore

* Profile depicts last position held at mentioned firms

Source: Company, DBS Bank

Fig 62. Organisational structure



See Appendix D for more details.

Source: Company, DBS Bank

Fig 63. Board members' profile

Name	Position	Profile*
Mr Stewart Yen Se-Hua	Non-Executive Chairman and Non-Executive Independent Director	Executive Chairman and Executive Director of SECOM (Singapore) Pte Ltd; Non-Executive Independent Director of Huatong Global Limited, STT Communications (Shanghai) Co. Ltd, Verint Systems (Singapore) Pte Ltd <ul style="list-style-type: none"> • 1988 – 199: General Manager, Unicorn International Pte Ltd • 1982 – 1988: Assistant General Manager, CDC-Construction & Development Pte Ltd • 1980 – 1982: Regional Sales Manager, Duce International Pte Ltd • Bachelor of Engineering, McMaster University
Mr Jack Chua	Executive Director and Chief Executive Officer	See Fig 61.
Mr Tan Choon Hong	Non-Executive Director	Chief Executive Officer, Northstar Advisors Pte Ltd Serves on board of Thai Credit Retail Bank Public Company Limited, Nera Telecommunications Ltd <ul style="list-style-type: none"> • 2007 – 2011: Director for special projects, C S Partners Pte Ltd • 2005 – 2007: Vice president, GIC Special Investments Pte Ltd • 2001 – 2005: Corporate finance advisory, Deutsche Bank • Chartered Financial Analyst • Master of Engineering, Bachelor of Arts, Cambridge University
Mr Tommy Teo Zhi Zhuang	Non-Executive Director	Executive Director, Northstar Advisors Pte Ltd Serves on board of commissioners, PT Multi Adiprakarsa Manunggal, Indonesia <ul style="list-style-type: none"> • 2011 – 2012: Investment banker, Citi Global Investment Banking Singapore • 2009 – 2011: Perella Weinberg Partners, New York • 2008 – 2009: Analyst, Capital Z Asset Management • 2007 – 2008: Bear, Stearns & Co Inc, New York • Bachelor of Business Administration, Stephen M Ross School of Business, University of Michigan
Mr Tan Bong Lin	Non-Executive Independent Director	<ul style="list-style-type: none"> • 2007 – 2016: Independent Director, Chairman of Audit Committee, Parkway Life REIT • 1990 – 2007: Managing Director, Citigroup Global Markets Singapore • 1997 – 2002: Member of the Finance Committee of the Singapore Broadcasting Authority • Bachelor of Accountancy, University of Singapore
Mr Hee Theng Fong	Non-Executive Independent Director	Independent Director of First Resources Limited, Straco Corporation Limited, YHI International Limited, Tye Soon Limited, China Jinjiang Environment Holding Company Limited and Datapulse Technology Limited (SGX-ST listed companies) <ul style="list-style-type: none"> • 2011 – 2014: Senior Partner, RHTLaw Taylor Wessing LLP • 2008 – 2011: Partner, KhatterWong LLP • 1982 – 2008: Partner, Hee Theng Fong & Co • Bachelor of Laws, University of Singapore • Diploma in PRC Law, Suzhou University

* Profile depicts last position held at mentioned firms
Source: Company, DBS Bank

Competitive Strengths

Market leading position

One of the largest real estate agencies in Singapore

ERA Realty is one of Singapore's largest real estate agencies with approximately 6,176 agents registered with the industry's regulator, the CEA, as at 10 July 2017. APAC believes ERA Realty is the industry pioneer with a track record of 35 years of growth, innovative contributions and service excellence in Singapore.

Market share in terms of volume expanded from 16% in 2011 to 41% in 2016 led by network expansion over the past 6 years. Market share based on value increased from 15% in 2011 to 43% in 2016. ERA has established itself as one of the market leaders in project marketing, alongside Huttons whose strength is in mass market projects, and Savills and Knight Frank who are both strong in luxury developments.

In terms of project launches, ERA secured 12 projects out of 19 (47%) in 2015; 14 out of 23 (66%) in 2016 and 8 projects or 91% for projects launched in January to July this year.

Franchise arrangements allows the group to build on its regional presence in a cost-efficient way.

APAC acquired the exclusive ERA regional master franchise rights for 17 countries in the Asia Pacific region from Realogy in 1999. APAC is now one of the largest brand with footprints in Asia with more than 15,300 agents in 660 offices across 8 countries (Japan, Korea, Taiwan, Thailand, Malaysia, Vietnam, Indonesia, and Singapore) through its ERA franchisees.

The franchise model provides the group with the ability to build its regional presence and network in a capital-efficient manner. It also allows greater cross-selling opportunities with its overseas franchisees, and to leverage on the ERA system to offer a full range of products and services.

Diversified business model

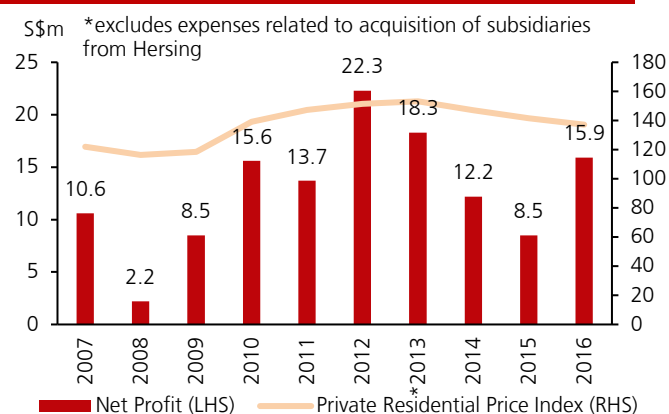
Proportional contribution from three segments is roughly equal.

ERA's brokerage transaction value is derived from three main segments in roughly equal proportions in 2016 – private primary residential (29%), private secondary residential (32%) and leasing and HDB resale (32%). The balance is from commercial resale and leasing (7%). The diversified nature minimises any adverse impact from a particular property segment.

Cyclical industry but still profitable during GFC; minimal seasonal effect

Profitable even during market trough. Though the property market is cyclical in nature, APAC was still able to remain profitable in the past 10 years, despite the Global Financial Crisis (GFC) in 2008-2009.

Fig 64. Net profit trend (\$m)



Source: Company, DBS Bank

Minimal seasonal effect. There is no seasonal effect for new launches; though resale and rental markets are typically stronger in 2H. New launches generally do not exhibit any seasonality effect. The brokerage income for rental and resale transactions is typically stronger in the last two quarters of the year. The lower brokerage income in the first two quarters of the year can be attributable to the year-end and Chinese New Year festive season and the time lag required to complete the transactions.

Growth Prospects

- **Increasing property sales volumes, values, and rental transactions.** Increasing primary and secondary residential property sales volumes, values, and rental transactions will add to APAC's earnings (assuming market share remains constant) from commissions derived from such transactions. For instance, APAC has been growing its project marketing segment and has secured project marketing agent roles in eight projects in 2017. The pipeline of new condominium launches arising from various government land sales and enbloc deals could continue to drive APAC's project sales should APAC be appointed as the marketing agent. According to Cushman & Wakefield, the increasingly bullish bids by developers in recent land tenders may be a testament that home prices will increase when these projects reach the market.
- **Inorganic acquisitions.** APAC may also explore opportunities to increase its network of agents in Singapore through recruiting and/or acquiring individual agents or networks of agents, which the management believes will help drive the group's topline, as agents are the channels through which sales are completed. There are also possibilities of acquiring sub franchises within the Asia-Pacific region.
- **Expand range of real estate-related services.** The brokerage business contributed 79.8% of gross profit in 1Q2017, while training, valuation and property management business contributed 2.3%, 2.5% and 2.3% respectively. In addition, as the residential real estate brokerage business is cyclical in nature, increasing exposure to other sources of income such as commercial and industrial leasing and purchasing, auction, research and facilities management would lead to greater stability in the group's cash flows and improved profitability.
- **Growing geographical footprint in the Asia Pacific region.** APAC intends to expand and deepen its presence in key markets in the Asia Pacific region either by setting up a brokerage office, entering into a sub-franchise arrangement with a local operator or acquiring an existing network of agents. This would allow the group to grow an additional source of income, create synergies with the Singapore operations and diversify its exposure to the Singapore residential property market, which currently contributes 99% of the group's revenue and profit. One potential opportunity is to grow its footprint in China where it currently has limited presence. According to Cushman & Wakefield, the housing market in China experienced rapid growth in 2016 with average prices of new developments across the 70 major cities in China growing 12.4% year-on-year in 2016, particularly in first-tier cities such as Shanghai, Shenzhen and Beijing.

Key Risks

- Dependent on Singapore's residential property market and macroeconomic conditions.** The residential property market accounted for 97% of the group's total income in 1Q2017. If the Singapore economy, or parts of it, stagnates or contracts, average property prices and volume of activity in the Singapore residential property market could decrease, thereby impacting the group's business. Significant increases in interest rates would also generally decrease the number of home sales.
- Change in government policies.** Any change in government policies might affect the property market, which will in turn affect APAC. For example, residential transaction volumes and values suffered a sharp decline in 2014 due to the cumulative effective of various measures introduced by the government, including a series of cooling measures, as well as implementation of the Total Debt Servicing Ratio (TDSR) framework in mid-2013, which limits the monthly repayment of a buyer's debts to 60% of income. Back in 2014, transaction volume for both primary and secondary private residential market declined by close to 50% to 13,981 units. Subsequently, in March 2017, the government eased the property cooling measures by shortening the Seller's Stamp Duty (SSD) from four years to three years with reduced rates, which Cushman & Wakefield believes has instilled greater confidence in investors since.
- High level of competition.** The real estate brokerage industry is highly competitive and there is substantial competition for high-performing agents in the industry. Loss of high-performing agents can potentially affect the group's business, financial position, and operations.
- Key man risk.** APAC's management team has a combined average experience of 18 years with the group. Loss of any key management team member may have interim impact on the group's operations. However, according to the management, the group has various programs to train and nurture individuals across the various corporate levels.
- Rapid changes in technology and customer preferences.** Competition from technology disruption and more widespread adoption of websites that facilitate private sales could lead to more Do-It-Yourself transactions that may not require the assistance of agents. According to numbers provided by HDB, the proportion of resale flat buyers and sellers who have engaged in DIY transactions rose to 24% in 2016, from 11% in 2010. However, the group believes that number of sales of residential property in Singapore made without the involvement of an estate agent is currently not substantial and limited mostly to resale of HDB units.
- Execution risk.** While the group has plans to expand its range of services and geographical presence outside of Singapore, within the Asia-Pacific region, there may be execution risk, i.e. the group may be unable to identify and complete attractive acquisition targets, or successfully replicate its business model in other geographic markets.
- Highly dependent on the strength of and availability of ERA brand.** Firstly, the group is dependent on the strength of the ERA brand and the reputation and goodwill behind the brand, which may be affected by litigation, agent and employee misconduct and negative publicity amongst other factors. Secondly, there are restrictive provisions for franchise agreements. The Regional MFA has an initial term of 30 years, which expires in 2029. Similarly, for the Coldwell Banker franchise rights, it has an initial term of 30 years which expires in 2028. While the option to renew the Regional MFA upon the same terms and conditions (except that payment of the initial franchise fee does not apply) for additional 30-year terms is available, there must be timely notice of the intent to renew and no material default of any of the provisions of the Regional MFA. The Regional MFA may be terminated by either party upon a material and unsecured breach by the other party of a material provision of the Regional MFA or of any other agreement or document entered into or delivered pursuant to the Regional MFA. The prior written consent of Realogy (such consent not to be unreasonably withheld or delayed) is required for an assignment by the group of the agreement or any of its rights, privileges, duties or obligations thereunder or in the event APRH's ownership of the Shares, PGA Realty Partners Ltd's ownership of the Class A voting shares of Asia Pacific Realty Holdings Ltd or Mr. Tan Choon Hong's ownership of the shares in PGA Realty is diluted to below 51.0%, subject to exceptions. Non-compete restriction under the Singapore MFA also applies to the group and ERA Singapore for two years after the Singapore MFA is terminated under certain circumstances.

Key Assumptions

- **Transaction value for the residential market to grow 20% in FY2017F and 4.6% in FY2018F and FY2019F.** We are expecting transaction value to hit S\$36.0b (+25% y-o-y) for FY2017F and S\$37.7b for FY2018F (+5% y-o-y) and S\$39.6b for FY2019F (+5% y-o-y) for the total private residential market, including both primary and secondary markets. We see multiple catalysts for residential prices to head higher in the next two years. Prices in the residential market could rise by 6% to 10% by 2019. The rise in prices in the HDB resale segment is lower, at 10% and 4% for FY2017F and FY2018F respectively. Overall, for the whole residential market,

including HDB segment, we expect transaction value to grow 20% in FY2017F and 4.6% p.a. in FY2018F and FY2019F.

- **Sensitivity Analysis:** Earnings for APAC are highly dependent on the transaction activities in the property market. Another 5% increase in transaction value for the whole market could lead to a 3% increase in net earnings for FY2017F and 11% for FY2018F and 18% for FY19F, from our earnings estimate of S\$21.3m for FY17F, S\$24.3m for FY18F and S\$25.9m for FY19F.

Fig 65. Sensitivity Analysis

	FY17F	FY18F	FY19F
+ another 5% growth in transaction value for :-			
Whole Market			
Revenue	6%	14%	23%
Net profit	3%	11%	18%
+ another 8% growth in transaction value for :-			
Whole Market			
Revenue	6%	14%	23%
Net profit	5%	19%	30%

Source: DBS Bank

Key Assumptions

FY Dec	2014A	2015A	2016A	2017F	2018F	2019F
Transaction value growth (%)						
Private residential - primary	(42.8)	7.50	103	25.0	5.00	5.00
Private residential - secondary	(24.5)	28.1	17.0	25.0	4.86	4.87
HDB resale	(6.8)	27.1	15.6	10.0	4.00	4.00
Average	(24.7)	20.9	45.3	20.0	4.62	4.62

Segmental Breakdown

FY Dec	2014A	2015A	2016A	2017F	2018F	2019F
Revenues (S\$m)						
Brokerage	209	224	279	335	350	367
Training, valuation and other ancillary services	8.73	7.67	8.21	9.03	9.93	10.9
Franchise arrangements	0.45	0.61	0.41	0.45	0.50	0.55
Total	218	233	288	344	361	378
Gross profit(S\$m)						
Brokerage	26.4	23.9	32.2	40.2	42.8	44.0
Training, valuation and other ancillary services	8.20	7.00	7.50	8.13	8.94	9.83
Franchise arrangements	0.21	0.33	0.16	0.18	0.20	0.22
Total	34.8	31.3	39.9	48.5	51.9	54.1
Gross profit Margins (%)						
Brokerage	12.6	10.7	11.5	12.0	12.2	12.0
Training, valuation and other ancillary services	93.9	91.3	91.4	90.0	90.0	90.0
Franchise arrangements	47.6	53.5	39.6	40.0	40.0	40.0
Total	15.9	13.4	13.9	14.1	14.4	14.3

Source: Company, DBS Bank

Financials

Income Statements

- Earnings growth on potential upturn in property market.** We project net profit to grow by a strong 34% in FY2017F and 14% in FY2018F, followed by another 7% in FY2019F, after 87% rise in FY2016 on the back of a strong pick up in transaction value in 2H2016. DBS Group Research believes that the Singapore property market is entering the end of a period of over-supply amid a stable operating environment. 1H2017 transaction sales for the private residential market posted a strong 47% rebound to S\$15bn, after a gradual increase in the last two years.
- Margins improvement on operational efficiencies.** APAC currently offers various tools such as mobile applications for its agents and customers to facilitate the execution of real estate transactions. It intends to continue to develop its technological capabilities and this should drive efficiencies and lead to better margins. We are expecting gross margins to improve from 13.9% in FY16 to 14.1% in FY2017F and 14.4% in FY2018F.

Income Statement (\$m)

FY Dec	2014A	2015A	2016A	2017F	2018F	2019F
Revenue	218	233	288	344	361	378
Cost of Goods Sold	(183)	(201)	(248)	(296)	(309)	(324)
Gross Profit	34.8	31.3	39.9	48.5	51.9	54.1
Other Opng (Exp)/Inc	(19.0)	(19.8)	(20.7)	(22.4)	(22.3)	(22.5)
Operating Profit	15.8	11.5	19.2	26.1	29.6	31.6
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(1.1)	(1.2)	(1.1)	(0.5)	(0.5)	(0.5)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	14.7	10.3	18.1	25.6	29.1	31.1
Tax	(2.5)	(1.8)	(2.2)	(4.3)	(4.9)	(5.2)
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	12.2	8.49	15.9	21.3	24.3	25.9
Net Profit before Except.	12.2	8.49	15.9	21.3	24.3	25.9
EBITDA	17.1	13.0	20.8	27.7	31.2	33.2
Growth						
Revenue Gth (%)	nm	6.6	23.7	19.7	4.8	4.8
EBITDA Gth (%)	nm	(23.7)	59.6	33.0	12.8	6.3
Opg Profit Gth (%)	nm	(27.4)	67.3	35.7	13.6	6.6
Net Profit Gth (Pre-ex) (%)	nm	(30.7)	87.2	34.1	13.8	6.7
Margins & Ratio						
Gross Margins (%)	16.0	13.4	13.9	14.1	14.4	14.3
Opg Profit Margin (%)	7.3	4.9	6.7	7.6	8.2	8.3
Net Profit Margin (%)	5.6	3.6	5.5	6.2	6.7	6.8
ROAE (%)	30.8	11.9	22.4	20.9	18.6	18.1
ROA (%)	16.3	5.6	9.8	11.3	11.3	11.2
ROCE (%)	21.1	6.9	14.3	17.3	16.5	16.1
Div Payout Ratio (%)	0.0	0.0	0.0	12.5	50.0	50.0
Net Interest Cover (x)	14.2	9.8	17.1	52.1	59.2	63.1

Expect slight improvement in margins from operational efficiencies

Management guided for dividend payout ratio of 50% for FY17F (from listing date to 31 Dec 17) and FY18F; assume same ratio for FY19F

Source: Company, DBS Bank

Balance Sheet

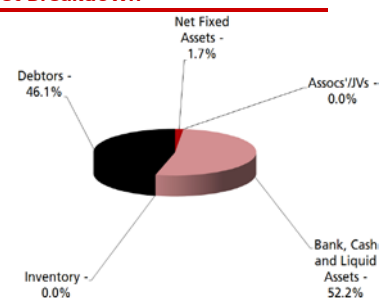
- **Intangibles, include goodwill and franchise rights, account for the bulk of total assets.** Goodwill amounted to S\$75.6m as December 2016, derived from ERA Realty Network Pte Ltd, ERA Singapore Pte Ltd, Realty International Associates Pte Ltd and Coldwell Banker Real Estate (S) Pte Ltd. Franchise rights are held for the exclusive right of use of the brand names "ERA" and "Coldwell Banker". The group acquired the exclusive ERA Regional master franchise rights

for certain countries in the Asia-Pacific region for an initial term of 30 years from 19 November 1999, expiring in 2029, with option for renewal for another 30 years. The group also holds the ERA sub-franchise rights in Singapore for an initial term of 30 years from 28 June 1990, which expires in 2020, also with option for renewal for another 30 years.

Balance Sheet (\$m)

FY Dec	2014A	2015A	2016A	2017F	2018F	2019F
Net Fixed Assets	1.08	2.14	1.44	1.74	2.05	2.36
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0	0.0
Other LT Assets	103	103	102	101	99.6	99.5
Cash & ST Invt	18.2	14.2	17.8	55.1	68.6	83.0
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	25.8	33.6	47.8	48.7	51.1	53.5
Other Current Assets	1.81	2.04	1.63	1.63	1.63	1.63
Total Assets	150	155	170	208	223	240
ST Debt	0.50	6.00	6.00	6.00	6.00	6.00
Creditor	35.1	39.0	55.6	56.5	59.0	61.9
Other Current Liab	9.52	10.5	13.2	13.0	13.6	13.9
LT Debt	20.5	31.0	12.0	3.00	3.00	3.00
Other LT Liabilities	5.11	5.14	4.67	4.67	4.67	5.56
Shareholder's Equity	79.5	63.0	78.9	125	137	150
Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0
Total Cap. & Liab.	150	155	170	208	223	240
Non-Cash Wkg. Capital	(16.9)	(13.9)	(19.4)	(19.1)	(19.9)	(20.6)
Net Cash/(Debt)	(2.8)	(22.8)	(0.3)	46.1	59.6	74.0
Debtors Turn (avg days)	21.6	46.6	51.6	51.1	50.5	50.5
Creditors Turn (avg days)	35.1	67.6	70.1	69.5	68.6	68.4
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	2.9	1.5	1.8	1.8	1.7	1.6
Current Ratio (x)	1.0	0.9	0.9	1.4	1.5	1.7
Quick Ratio (x)	1.0	0.9	0.9	1.4	1.5	1.7
Net Debt/Equity (X)	0.0	0.4	0.0	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.0	0.4	0.0	CASH	CASH	CASH
Capex to Debt (%)	3.6	4.9	0.8	11.1	11.1	11.1

Asset Breakdown



Mainly intangibles, including goodwill and franchise rights

Source: Company, DBS Bank

Cash Flow Statement

- **Cashflow turned positive in FY16.** The improvement in activities in 2H16 led to APAC returning to a cashflow positive position. Going forward, we expect the group to

remain cashflow positive, barring any major capital expenditure.

Cash Flow Statement (\$m)

FY Dec	2014A	2015A	2016A	2017F	2018F	2019F
Pre-Tax Profit	14.7	10.3	18.1	25.6	29.1	31.1
Dep. & Amort.	1.28	1.56	1.62	1.62	1.62	1.62
Tax Paid	(1.5)	(2.6)	(1.6)	(4.2)	(4.3)	(4.9)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	1.07	(3.8)	3.35	(0.1)	0.16	0.44
Other Operating CF	2.70	1.58	1.22	0.0	0.0	0.0
Net Operating CF	18.3	7.12	22.7	23.0	26.6	28.3
Capital Exp.(net)	(0.8)	(1.8)	(0.1)	(1.0)	(1.0)	(1.0)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.04	(0.3)	0.0	0.0	0.0	0.0
Net Investing CF	(0.7)	(2.1)	(0.1)	(1.0)	(1.0)	(1.0)
Div Paid	0.0	0.0	0.0	(2.7)	(12.1)	(12.9)
Chg in Gross Debt	(13.5)	16.0	(19.0)	(9.0)	0.0	0.0
Capital Issues	0.0	0.0	0.0	27.1	0.0	0.0
Other Financing CF	0.0	(25.0)	0.0	0.0	0.0	0.0
Net Financing CF	(13.5)	(9.0)	(19.0)	15.4	(12.1)	(12.9)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Cash	4.02	(4.0)	3.53	37.4	13.5	14.3
Opg CFPS (S cts)	4.83	3.06	5.44	6.48	7.45	7.83
Free CFPS (S cts)	4.92	1.50	6.34	6.18	7.21	7.68

Capital Expenditure



Strong operating cashflow

Net proceeds from issue of new shares

Source: Company, DBS Bank

Appendices

Appendix A: Details of APAC's material leases

Address	Lessor	Lessee	Existing use/ type	Built-up area (sq ft)	Tenure (years)
229 Mountbatten Road #03-01 Singapore 398007	Mezzo Properties Pte Ltd	APAC Realty Pte Ltd	Office	34,100	3
510 Thomson Road #B2-00 SLF Building Singapore 298135	SLF Properties Pte Ltd	ERA Realty Network Pte Ltd	Office	3,444	~3
510 Thomson Road #14-01 SLF Building Singapore 298135	SLF Properties Pte Ltd	ERA Realty Network Pte Ltd	Office	7,230	3
18 Ah Hood Road Level 8 Zhongshan Park Singapore 329983	HH Properties Pte Ltd	ERA Realty Network Pte Ltd	Office	5,403	2
490 Lorong 6 Toa Payoh #03-13 HDB Hub Singapore 310490	Housing and Development Board	Realty International Associates Pte Ltd	Training centre for RIA School of Real Estate	1,573	2
490 Lorong 6 Toa Payoh #03-14 HDB Hub Singapore 310490	Housing and Development Board	APAC Realty Pte Ltd	Office	1,573	2
490 Lorong 6 Toa Payoh #03-17 HDB Hub Singapore 310490	Asia Law Corporation	ERA Realty Network Pte Ltd	Business centre for agents	778	3

Source: Company, DBS Bank

Appendix B: Historical market position

No. of Registered Agents		January						Mar 2017
Real Estate Agency		2012	2013	2014	2015	2016	2017	
1	ERA Realty	4,613	4,874	5,138	5,707	5,947	5,885	6,223
2	Propnex Realty	3,919	4,438	5,151	5,357	5,506	5,560	5,706
3	Huttons Asia	2,162	2,623	3,199	3,179	2,852	2,919	3,024
4	Orangetee.com	2,362	2,414	1,978	1,850	2,348	2,343	2,444
5	Edmund Tie & Company Property Network	1,982	2,048	1,934	1,835	1,387	1,152	1,123
6	Dennis Wee Realty	1,946	1,415	1,321	1,331	1,186	1,005	1,054
7	Savills Residential	869	895	766	738	700	732	708
8	Global Alliance Property (C21 / GA)	493	557	644	466	666	709	626
9	Knight Frank Property Network	586	1,027	928	792	621	765	662
10	HSR International	1,971	1,707	1,372	1,056	578	478	492
Total for Top 10 Agencies		20,903	21,998	22,431	22,311	21,791	21,548	22,062
Others		9,674	9,042	9,352	8,519	7,471	6,849	7,404
Total		30,577	31,040	31,783	30,830	29,262	28,397	29,466

% of Total Agents		January						Mar 2017
Real Estate Agency		2012	2013	2014	2015	2016	2017	
1	ERA Realty	15%	16%	16%	19%	20%	21%	21%
2	Propnex Realty	13%	14%	16%	17%	19%	20%	19%
3	Huttons Asia	7%	8%	10%	10%	10%	10%	10%
4	Orangetee.com	8%	8%	6%	6%	8%	8%	8%
5	Edmund Tie & Company Property Network	6%	7%	6%	6%	5%	4%	4%
6	Dennis Wee Realty	6%	5%	4%	4%	4%	4%	4%
7	Savills Residential	3%	3%	2%	2%	2%	3%	2%
8	Global Alliance Property (C21 / GA)	2%	2%	2%	2%	2%	2%	2%
9	Knight Frank Property Network	2%	3%	3%	3%	2%	3%	2%
10	HSR International	6%	5%	4%	3%	2%	2%	2%
Total for Top 10 Agencies		68%	71%	71%	72%	74%	76%	75%
Others		32%	29%	29%	28%	26%	24%	25%
Total		100%	100%	100%	100%	100%	100%	100%

No. of Registered Agents (y-o-y Change)		January						Mar 2017
Real Estate Agency		2012	2013	2014	2015	2016	2017	
1	ERA Realty		6%	5%	11%	4%	-1%	5%
2	Propnex Realty		13%	16%	4%	3%	1%	4%
3	Huttons Asia		21%	22%	-1%	-10%	2%	6%
4	Orangetee.com		2%	-18%	-6%	27%	0%	4%
5	Edmund Tie & Company Property Network		3%	-6%	-5%	-24%	-17%	-19%
6	Dennis Wee Realty		-27%	-7%	1%	-11%	-15%	-11%
7	Savills Residential		3%	-14%	-4%	-5%	5%	1%
8	Global Alliance Property (C21 / GA)		13%	16%	-28%	43%	6%	-6%
9	Knight Frank Property Network		75%	-10%	-15%	-22%	23%	7%
10	HSR International		-13%	-20%	-23%	-45%	-17%	-15%
Total for Top 10 Agencies			5%	2%	-1%	-2%	-1%	1%
Others			-7%	3%	-9%	-12%	-8%	-1%
Total			2%	2%	-3%	-5%	-3%	1%

Source: CEA public register

Appendix C: Fees for brokerage services in other geographies

	Singapore	Hong Kong	China	Indonesia	Japan	Vietnam
Fee for Primary/Secondary Market Transaction	Primary					
	Up to 5%, depending on developer	Typically 2-7%	Typically 1-3%	Typically 2-3%	Typically 3%+ ¥60k + Consumption tax (8%)	Typically 2-5%
	Secondary					
	Typically 1-2%	Typically 1%	Typically 1%	Typically 2-3%	Same as primary	Typically 1-1.5%
Fee for Rental Market Transaction	1 month rental for 2-year lease	1 month rental for 2-year lease	Shanghai: 0.35 of monthly rental for a 6-month lease. Other cities: 0.5 monthly rental for 6-month lease	4-5% of total rent for a 2 or 3-year lease	1 month rental for 1-year lease	1 month rental for 1-year lease
Co-broke	Split based on negotiation	Typically 25% for co-broke agent & 75% for primary agent	Split based on negotiation	Typically 50% for each party	Split based on negotiation or referral fee	Split based on negotiation
Commission Payout	70 - 90% to agent	Typically fixed salary + 25-30% of commission	Fixed salary + bonus	Typically 60% to agent	Fixed salary + bonus	0.2 – 0.8% of property price goes to agency, remainder to agent
Brokerage License	Required	Required	Required, but low barriers to entry	Not required, agents can be independent	Required	Required
Major Players	ERA, Propnex, Huttons, Orangetee, Edmund Tie & Co	Centaline, Midland Realty, C&W, JLL, Savills	Lianjia, Centaline, Century 21, I Love My Family, Sinyi Realty	Raywhite, ERA Knight Frank, Century 21, Savills	Mitsui Fudosan Realty, Sumitomo Real Estate Sales, Tokyu Livable, Nomura Real Estate Group, Mitsubishi UFJ Real Estate Services	Green Land Real Estate and Service, Saigon Sacomreal Real Estate, CBRE, Savills, Hai Phat Investment
Operating business model	Main office with "mobile" agents	Traditional retail shop	Traditional retail shop	Main office with "mobile" agents	Traditional retail shop	Main office with "mobile" agents

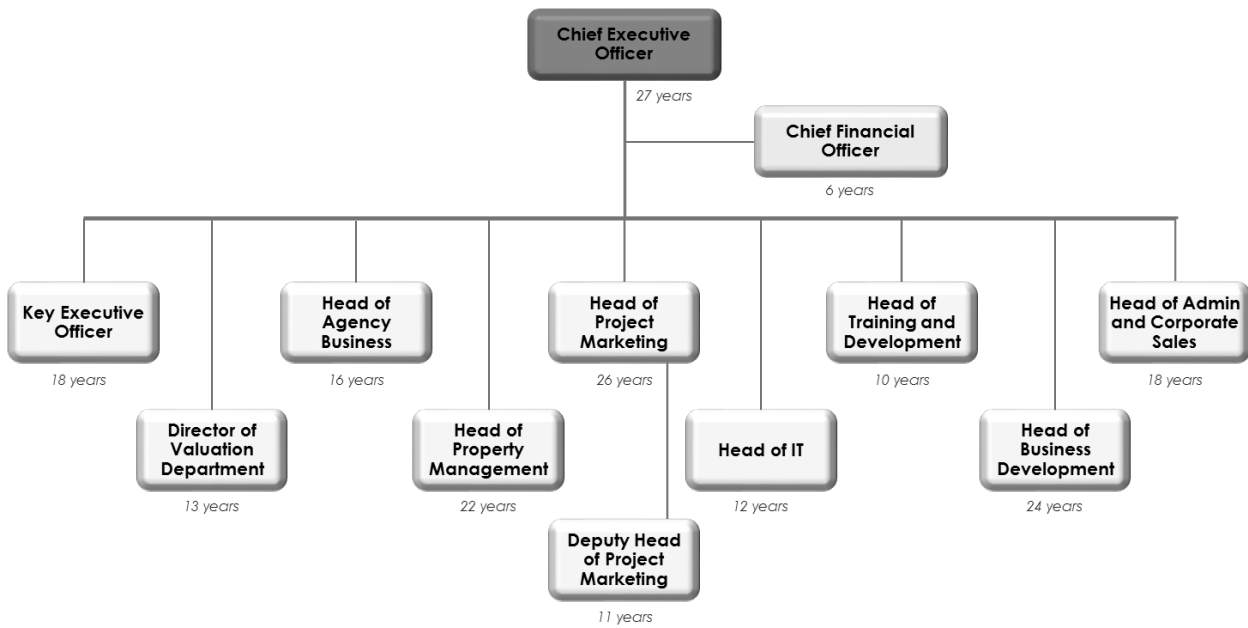
Source: Company, DBS Bank

Appendix D: Details to organisational structure and roles

Role	No. of years with Group	Description
Chief Financial Officer	6	The Chief Financial Officer heads the finance and commission team comprising a total of 29 employees. The finance team is responsible for financial management and implementing controls to safeguard the assets, integrity of data and financial information. The commission team handles enquiries from and payment of commissions to agents.
Key Executive Officer	18	The Key Executive Officer ensures that the company and the agents' the business dealings are in compliance with the Estate Agents Act (as defined herein) and the relevant subsidiary legislation. He oversees the legal and compliance team which is the first point of contact that investigates any customer feedback. The team also ensures adherence to procedures and work ethics that comply with prevailing rules and regulations that govern real estate agency work.
Head of Agency Business	16	The agency business team oversees daily operations and works closely with the team leaders and agents. They also manage marketing campaigns to retain a high level of brand awareness and sustain ERA as the preferred real estate brand. The team also undertakes recruitment activities such as career fairs to recruit new agents to join us.
Head of Project Marketing	26	The project marketing team takes charge and manages developer sales. The team also provides real estate consultancy services to the growing list of developer clients, from privately owned companies to public listed multi-national companies.
Deputy Head of Project Marketing	11	
Head of Administration and Corporate Sales	18	The administration team supervises the daily operations across all offices. The team ensures maintenance of facilities, offering agents a conducive environment to host meetings and complete their real estate transactions. The corporate sales team manages the career merchandise and the eStore, allowing agents to represent the ERA brand with a professional image to customers.
Director of Valuation Department	13	The valuation team offers a full suite of real estate valuation services encompassing mortgage, sale and purchase valuations. They have experience in valuing properties from HDB flats to en bloc sales, commercial shop houses and factories for government agencies, financial institutions, companies and private individuals.
Head of Property Management	22	The property management team provides management services to ensure new development units' handover to buyers and oversees works to upkeep the value of various residential and commercial management committee strata title properties. They also offer specialised services in rental and asset management to property owners, trustees and corporations.
Head of Training and Development	10	The Training and Development team plays a critical role in ensuring that agents continue to excel in the ever changing real estate market. Agents can upgrade their knowledge and skills to provide better customer service to their clients. The team constantly reviews and infuses new ideas to the programmes to groom agents in their career and maintain the company's position as the agency of choice.
Head of Information Technology	12	The IT team leads the development of technology tools and services to support business operations. It manages websites, agent service portals, mobile applications, email, commission and invoicing systems. IT infrastructure support of servers, networks and availability of hardware resources also come under their care. In addition, the team undertakes in-house trainings to ensure that the agents have a smooth adoption of new technology. This team also handles corporate alliances with real estate service vendors.
Head of Business Development	24	The Business Development team oversees the growth and development of the company's business reach, and leads partnerships with other organisations to drive revenue. It works towards establishing ERA as an iconic regional brand and providing Asia-Pacific franchisees and agents with the best brand experience and support for strong returns. Other areas of focus include exploring new investments, technology and other strategic opportunities.

Source: Company, DBS Bank

Appendix D: Details to organisational structure and roles (cont'd)



Source: Company, DBS Bank

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 8 Nov 2017 19:46:34(SGT)

Dissemination Date: 9 Nov 2017 08:46:32(SGT)

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