

## **Challenging Times Ahead For the Singapore Property Investment Sales Market**

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Even though there was an uncertainty over the global economic impact of the sub-prime crisis and the limping US economy, the Singapore property investment sales market stayed unexpectedly active in the first two and half months of 2008, with a total of \$5.91 billion of investment sales registered to-date.

Strong economic basics and the encouraging long-term outlook in Singapore encouraged property investment activity even in the confused global economic environment. Investment sales usually include real estate sales with a minimum value of \$5 million consisting of government and private sales, buildings and land, strata and enbloc. It also comprises the transfer of ownership of real estate through the sale of shares.

The private sector was the major source of investment sales in the first quarter of 2008, responsible for 55 per cent or \$3.27 billion (to-date) of the quarter's total investment sales. Public land sales have so far accounted for the remaining 45 per cent or \$2.64 billion. The most notable public land sale in the first quarter as yet was the allotment of a hospital site at Novena Terrace/Irrawaddy Road for \$1.25 billion (\$1,600 psf/plot ratio). A commercial site consisting of 17 conservation shop houses at Jalan Sultan, was allotted for \$14.80 million (\$974 psf/plot ratio).

A handsome total of 20 bids were submitted for this site, showing investors' strong demand for commercial development sites. The purchase of sites has been up until now restricted to specific choice sites because of the subdued response to recent new launches.

Apart from this, the issuing of more affordable 99-year leasehold residential sites by the Government for sale in the first half of 2008 may deviate some buying interest away from prime freehold residential sites in the private sector. The only successful collective sale deal in the first quarter of 2008 was Ban Guan Park which was captured for \$31.10 million (\$870 psf/plot ratio). In March, there was a purchase of 53 units at Grange Infinite for almost \$400 million (\$2,600 - \$2,700 psf).

The office sector was extremely competent during the first three months of 2008, contributing for 34 per cent of total investment sales or \$2.01 billion up until now. Even though there were signs of increasing caution due to the effect of the US sub-prime mortgage problems, decent office leasing momentum and Singapore's strong economic basis remained to fuel substantial investment activity in the office sector.

REITs control investment in the industrial sector - related purchases was responsible for 6 per cent of total investment sales or \$333.66 million in the first quarter up until now. The chances are that the investment sales market will face a challenging year in 2008.

Despite the global financial turmoil as a result of the US sub-prime crisis, real estate investors are likely to take a longer period to analyze the market prospects before going for an investment deal. In this scenario, the investment market is not expected to witness a high volume of transactions in the first half of 2008.

However, continued strong growth in Asia, added with Singapore's image as a financial services hub and sought after business destination for MNCs will help to maintain a competitive level of investment activity in the Singapore property market.

**Source: Gregory Smyth**