

# The SiSAM Connect

*Discover the opportunities*

## MARKET COMMENTARY

At SiSAM, we remain concerned with the growing threat of an imminent recession, and our bearish house view is supported by the recent trends in equity markets, further declines seen in local property prices and worsening sentiments in the private markets. Indeed, the recent 1.5% dip in private home prices seen from URA's flash estimates on 3 Oct 2016 underpins our investment thesis, and opportunity windows are appearing for our real estate fund. In particular, we highlight the following potential hotspots that may trigger further declines in asset pricing going forward:

1. Given the divergent stances of the two US Presidential candidates, the upcoming US Presidential election continues to present uncertainty to an already less-than-optimistic business climate in the US. The US Federal Reserve has left interest rates unchanged in September amidst concerns over the global economy coupled with uninspiring business growth. Any premature and higher-than-expected hike may likely dampen business and consumer sentiments, putting a drag on overall growth
2. In China, the economic slowdown and rising debt levels amongst local companies pose the threat of more Non-Performing Loans (NPLs) building in the books of Chinese banks. This comes amidst a housing bubble scenario as reportedly commented by renown Chinese real estate magnate, Wang Jianlin
3. In the European Union (EU), economic recovery has since surpassed 2008 pre-crisis levels. However, recovery has not been consistent across the board for all its members. Spain and Italy continue to experience sluggish growth, mainly due to austerity measures. Brexit has also cast a clout upon the political and economic climate in the region; it remains to be seen the extent of the various trade deals UK has to negotiate with other EU members. NPLs have remained a concern since the last financial crisis and have never been resolved completely
4. Closer to home in Singapore, recent market talk has focused on the default risk of bonds issued by SGX-listed companies, exemplified by the Swiber case. This concern was also supported by our findings on the ground, which reveal an increasing slump in business activities as well as rising non-performing corporate loans in the SME sector

## WHAT'S HAPPENING ON THE GROUND?

- At the start of September 2016, MAS refined rules behind the TDSR for more flexibility in refinancing mortgage loans. Loans for all investment properties can now be refinanced above the threshold of 60% as long as the borrower commits to repay at least 3% outstanding balance over a maximum of three years.
- According to URA data, private home sales slumped in August. Developers sold 473 units, down 56.6% m-o-m and 7.8% y-o-y. This could be partially due to the Hungry Ghost Festival, on top of tepid market conditions. Top selling projects were all ECs.
- According to DBS Research, total transactions (including resale and subsale) however, were one of the best since 2013, with a 30% y-o-y increase in August 2016 to 1,621 property transactions. This was mainly driven by selected major re-launches in the central region such as OUE Twin Peaks and D'Leedon.
- From September 2016, URA will be using net prices for delicensed projects sold by developers to compute the property price index from Sep 2016. Pricing data captured from units sold in de-licensed projects could have been slightly inflated as they include incentives offered to buyers (such as OUE Twin Peaks and Ardmore Three). There may be downward pressure to the index, especially for CCR where some of these projects are located.
- MyRepublic, airYotta, TPG Telecom submitted bids to become Singapore's 4th telco. IDA will announce the identities of the pre-qualified applicants for the New Entrant Spectrum Auction (NESA) after assessing the bids. MyRepublic stated that its goal was to roll out a network that is "Pre-5G" and HetNet technologies are an important part of its plan, which it has conducted a trial in Jurong in October 2015. (Source: Channel NewsAsia)

**Weak new home sales** in August 2016 due to a lack of major launches by developers as seen in data below (Table 1 and Chart 1) but developers are releasing more units such as The Glades, Kingsford Waterbay and The Triling, possibly anticipating a rebound in the months to come. We remain confident that more price cuts are looming ahead as the ABSD deadlines draw near, presenting opportunities for SIS Real Estate Opportunity Fund.

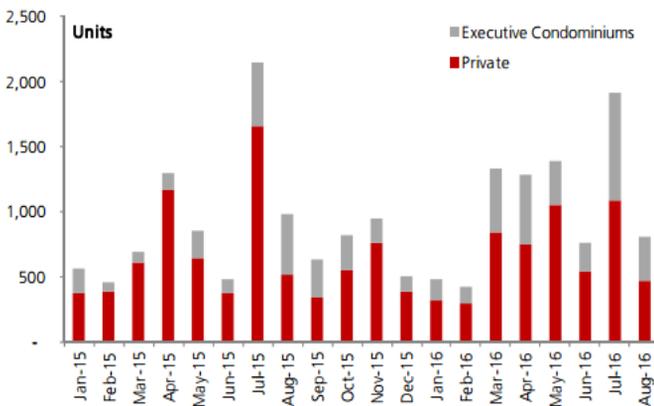
**Table 1: New home sales (Ex-EC) in August 2016**

	Project Name	Location	Total no. of units	Total no. of unsold units	Units sold in the month	Media Price psf (SGD)
1	Lake Grande	OCR	710	223	35	131
2	The Triling	OCR	755	361	30	1,413
3	The Glades	OCR	726	182	22	1,415
4	Sims Urban Oasis	RCR	1,024	469	20	1,383
5	Kingsford Hillview Peak	OCR	512	38	19	1,282
6	Symphony Suites	OCR	660	337	19	1,055
7	Kingsford Waterbay	OCR	1,165	668	18	1,202
8	The Poiz Residences	RCR	731	189	18	1,472
9	Principal Garden	RCR	663	366	17	1,594
10	Thomson Impressions	RCR	288	115	14	1,495

Source: URA

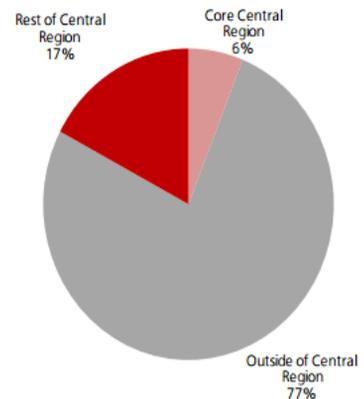
**Chart 1: Monthly primary home sales**

**805 units sold in August 2016**



Source: URA, DBS Bank

**% Sold by regions**



Source: URA, DBS Bank

Source: DBS Research

**Current Funds by SiSAM**

SiS Real Estate Opportunity Fund | SiS Intrepid Venture

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