

# The SiSAM Connect

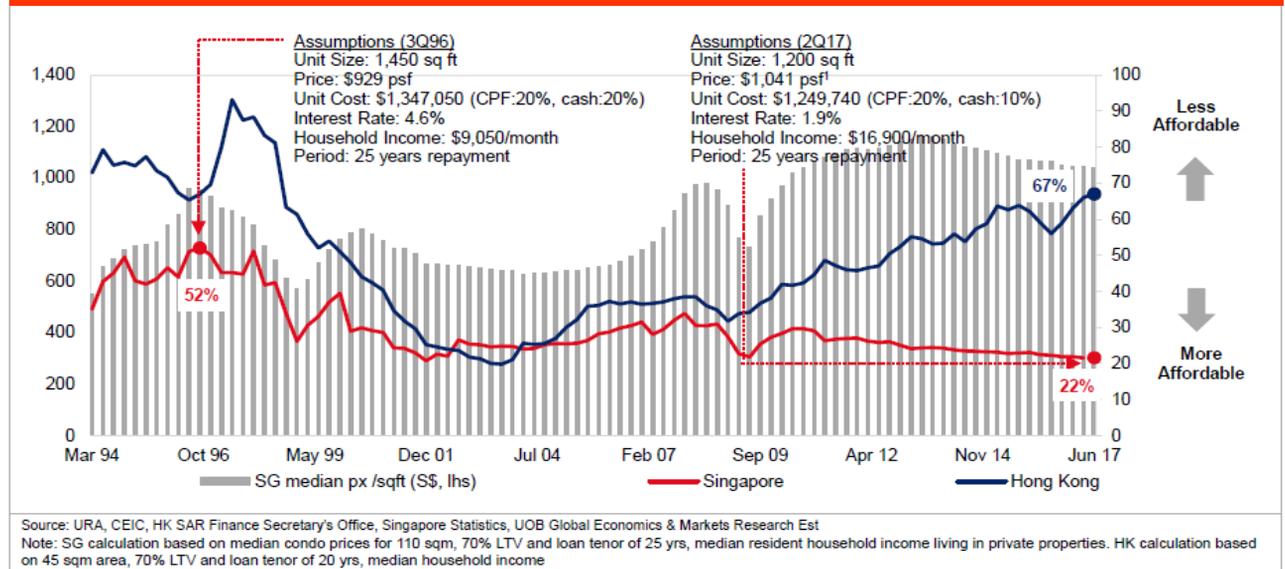
*Discover the opportunities*

## MARKET COMMENTARY

Collective sales in Singapore property market continue to hog the headlines, with each successful bid drawing more questions than answers on the current residential property climate. To date, there is an estimated over S\$5b worth of transactions as compared to S\$1b in 2016. This recent activity coincides with the strong equity markets as well as an uptick of 0.5 per cent quarter-on-quarter in the 3Q 2017 Property Index after 15 consecutive quarterly declines. As such, has the market acted irrationally considering that global economic growth and employment market have not been stellar? Below are several factors that may explain the current resurgence:

- Feedback from property developers that it is “business as usual” land-banking which is essential to their business
- Pent-up demand of homebuyers waiting on the side-lines because of property cooling measures
- Low interest climate
- Launches of smaller unit sales (more affordable in terms of quantum)
- Strong equity markets
- Housing affordability ratio in Singapore has improved since 2009 (Source: UOB Research)

Housing Affordability Ratio Comparison



As before, we shall continue to play the devil’s advocate. The current global macroeconomic climate remains clouded by uncertainties over sustainable recovery and growth of major economies as well as geopolitical risks. The level of asset inflation growth experienced over recent years continues to raise questions of increasing irrational exuberance as fundamental growth in the economy does not match up. In our deal origination work on the ground, we continue to see SMEs facing challenging business conditions. We also pour caution by asking whether land-banking activity is sustainable at current lofty prices. With higher land prices and rising development charges, new housing units will have to be launched by developers at unprecedented price levels in Singapore. It will be interesting to see how primary sales of new units in these collective sale sites will be going forward. In summary, we advocate remaining cautious while staying nimble and tactical to seize investment opportunities.

## WHAT'S HAPPENING ON THE GROUND?

- Property developers have grown more optimistic about the current and future state of the Singapore property market, but they worry about the government introducing more cooling measures. The Real Estate Sentiment Index (Resi), jointly developed by the Real Estate Developers' Association of Singapore (Redas) and the Department of Real Estate at the National University of Singapore, had a composite reading of 6.6 in the third quarter, from 6.1 in the second (Source: Business Times, 26 Oct 2017)
- Singapore's economy grew by 4.6 per cent compared to a year ago for the third quarter of 2017, based on advance estimates of gross domestic product (GDP) growth by the Ministry of Trade and Industry (MTI). This comes in higher than the 2.9 per cent growth seen in the preceding quarter, and higher than market consensus. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 6.3 per cent, an improvement from the 2.4 per cent growth in the second quarter (Source: Business Times, 13 Oct 2017)
- Kingsford has been awarded the Normanton Park collective sale site at a price of S\$830.1 million. This works out to S\$969 per square foot per plot ratio inclusive of differential premium and lease upgrading premium. Normanton Park, which is near Science Park and Kent Ridge Park, is on a 660,999 sq ft site that has a balance lease term of about 59 years. Under the Urban Redevelopment Authority's Master Plan 2014, the site is zoned for "residential" use with a gross plot ratio of 2.1 (Business Times, 5 Oct 2017)
- Over US\$8 billion in venture capital (VC) and private equity (PE) investments was recorded in Southeast Asia in between Q1 and Q3 this year. The figure exceeds gross investments in the region for the whole of last year (US\$7.1 billion), said the Singapore Venture Capital Association (SVCA). Total VC and PE investments for Q1 to Q3 last year amounted to US\$5.1 billion (Business Times, 17 Oct 2017)
- Amber Park, a 200-unit development at Katong, has been sold via a collective sale to a joint venture between a City Developments (CDL) subsidiary and Hong Realty, the private real estate arm of Hong Leong Group. The S\$906.7 million price tag makes it Singapore's largest freehold collective sale by dollar value to-date, knocking Leedon Heights off the spot. The latter had fetched S\$835 million from developer GuocoLand in 2007. The successful sale price of S\$906.7 million reflects a land rate of about S\$1,515 per sq ft per plot ratio, based on the allowable gross plot ratio of 2.8 (Source: Business Times, 5 Oct 2017)
- 3Q flash estimates for private home prices have showed the first uptick after four years - 15 straight quarters - of decline. The private residential property index of the Urban Redevelopment Authority (URA) rose 0.5 per cent in Q3, compared to a 0.1 per cent dip in Q2. The index had fallen more than 11 per cent since Q3 2013. Analysts had already anticipated the change in direction from tracking the higher sales volumes and transaction prices this year. The moderating decline in private home prices over the past quarters had also hinted at an imminent turnaround (Source: Business Times, 3 Oct 2017)

### Current Funds by SiSAM

SiS Credit Fund | SiS Intrepid Venture | SiS Real Estate Opportunity Fund

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