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# Financial *focus*

March 20, 2019 | Volume 8

ADDRESSING THE NEEDS OF INDIVIDUAL INVESTORS AND PLANTING THE SEEDS FOR A SECURE FUTURE

*This article will analyse the overall economy of Singapore, analyse the past performances of real estate industry and predict future growths across different sectors of the industry, such as residential property, office and hotel.*

## Market Overview:

# Why Invest Real Estate in Singapore?

**SINGAPORE** has been widely recognized as one of the most advanced economies in the world and a main financial hub in the Asia Pacific region due to its robust economy, high-quality talent and highly educated workforce, and excellent connectivity. Political and regulatory stability provide businesses a safe heaven to invest with confidence. Singapore economy grew steadily at 3.2% in 2018 but is expected to moderate to 2.7% in 2019 due to a slowdown in Singapore's major demand markets affected by the trade conflict between US and China as well

as the uncertainties in global market such as a March 29 deadline for Brexit.

Nonetheless, Singapore is still an attractive country to invest in with positive economic growth outlook as the manufacturing sector, finance, and insurance sector, and the information and communications sector expanded by 7.2%, 5.9%, and 6.0% respectively in 2018. With the government's continuous shifts towards a finance and technology centre and pursuit of investment commitments, these favourable trends are likely to be sustained in 2019.



Property in picture: Chevron House, 32-storey 99-year leasehold office building located at 30 Raffles Place

## Latest Transaction Highlights

### Chevron House

- ✚ Property type – Office
- ✚ Tenure – 99-year | District 1
- ✚ NLA – 261,280 sq. ft (374,165 sq. ft After AEI)
- ✚ Transacted price – S\$1,025,000,000
- ✚ PSF – S\$2,739.43
- ✚ Number of Floors: 32

### Rivervale Mall

- ✚ Property type – Retail
- ✚ Tenure – 99-year | District 19
- ✚ NLA: 81,193 sq. ft
- ✚ Transacted price – S\$230,000,000
- ✚ PSF – S\$2,833
- ✚ Number of Floors: 3



## “Is real estate in Singapore still attractive for investors?”



SECTORAL GROWTH RATES							
	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018
	Year-on-Year % Change						
Total	3.7	3.9	4.7	4.2	2.4	1.9	3.2
Goods Producing Industries	3.4	5.7	6.4	7.6	2.3	3.8	5.0
Manufacturing	5.8	10.4	10.1	10.6	3.5	5.1	7.2
Construction	-5.3	-10.2	-6.0	-4.2	-2.3	-1.0	-3.4
Services Producing Industries	3.3	3.2	4.4	3.0	2.7	1.8	3.0
Wholesale & Retail Trade	0.4	1.9	2.8	2.4	1.8	-0.6	1.5
Transportation & Storage	5.5	5.2	2.6	1.1	1.9	0.5	1.5
Accommodation & Food Services	4.9	3.0	0.9	3.1	4.0	2.9	2.7
Information & Communications	9.5	4.5	6.1	6.4	5.4	6.1	6.0
Finance & Insurance	6.9	5.6	9.5	6.4	3.9	4.1	5.9
Business Services	2.1	1.8	3.4	2.6	3.3	2.8	3.0
Other Services Industries	2.3	2.9	3.8	0.5	0.9	1.6	1.7

Singapore economy sectoral growth rates  
Source: Ministry of Trade and Industry (MTI)

Real estate is a valuable asset in Singapore’s capital markets for both wealth creation and wealth preservation. It provides rental cash flow income as well as profit from capital appreciation for various investors. Singapore’s real estate investment market is competitive as it was ranked second in the Asia Pacific region in Urban Land Institute (ULI) and PricewaterhouseCoopers (PwC) Emerging Trends in Real Estate Asia Pacific 2019 Survey.

With current global volatility, investors tend to invest in defensive assets which ensure a stable cash flow income, such as office real estate. The **office market** in Singapore is experiencing positive growth with steady demand from technology companies and co-working office operators but tapering supply in the pipeline. This resulted in a 14.9% increase and 7.9 % growth of CBD Grade A office average rent and capital value respectively.

In contrast, although **residential market** recovered in the first half of 2018 with a 7.4% increase in price, overall transaction volumes for private properties slumped after the government imposed further cooling measures in July 2018. As a result, investors and second-home buyers are discouraged by increased ABSD and lowered LTV for subsequent home purchases, thus, home prices are unlikely to stage a rapid rebound in 2019.

On the other hand, Singapore **hotel industry** is experiencing a stable growth from 2018 onwards similar to the office industry. The hotel demand in Singapore is boosting steadily due to strong growth in tourist arrivals. According to Singapore Tourism Board (STB), International Visitor Arrivals (IVA) risen 6.21% in 2018 and is expected to grow at a greater extent in 2019 and onwards. However, Singapore’s new hotel supply growth is predicted to slow down from 2018 onwards and decrease dramatically to 737 rooms

in 2018 and 1,425 rooms in 2019. This ensures that the hotels will enjoy high occupancy rate and revenue per available room (RevPar).

In overall, Singapore real estate industry is still very attractive for investors despite economy slowdown. Recent high-value transactions such as Chevron House, Liang Court Mall and Rivervale Mall, sold for 1.025 billion, 400 million and 230 million respectively, imply that Singapore real estate assets are resilient to attract cash inflow even under global uncertainties. Therefore, we could expect the market to be on the rise and more investment opportunities for such assets.



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