

SINGAPORE AND BIG MONEY CURRENTS



by Alexander Karolik-Shlaen

The data from various researches which was published lately might be quite confusing to somebody who wants to figure out the prospects of property investing in Singapore – the only Asian economy with triple-A ratings from all three major credit-grading companies.

From one side, the local government is applying harsh cooling measures on the property market. The attractiveness of the Singapore property is so strong that despite draconian measures, the decline in prices was not as sharp as expected by analysts and the government. But the transaction values and volumes are low and most local and international investors are in a wait-and-see mode.

Meanwhile, as a result of local property freeze, lots of money is flowing into the overseas property markets. CBRE Research found the obvious – Singapore was the top Asian investor in real estate in 2014 with US\$11.9 billion worth of properties acquired across the world. Asian outbound real estate investment hit a record year of US\$40 billion, an increase of 23 per cent year-on-year. Singapore is the number one source of outbound capital, closely followed by China and Hong Kong. Clearly, Singaporean investors looked elsewhere, as the residential market investment disappeared and the yields in property investments subsided.

I mentioned the importance of the money outflow from Singapore for the

whole region and especially to the neighbouring property markets of Malaysia and Thailand – these markets may not be at their best to attract all these billions that are flowing out. The target investments from Singapore, as well as from Hong Kong and China, remains London, New York and Australia, but the new stars emerge, such as Paris and Los Angeles and especially Japan. The other upcoming investment target in our region is the Philippines. I prefer their secondary cities, where hundreds of thousands of units are needed in this upcoming economy which has a population of 100 million.

Back to Singapore, the Lion City maintained its third position in an annual world competitiveness ranking by Swiss business school IMD. The



Singapore



Hong Kong



Shanghai

Republic was leapfrogged by Hong Kong, which ranked second after coming in fourth last year. Switzerland went the opposite direction, falling two places from second. The United States maintained its lead position.

Studying a total of 61 countries, the rankings were based on indicators under four aspects namely economic performance, government efficiency, business efficiency and infrastructure. While its residential property is in deep freeze, commercial property is en vogue and in fact going from strength to strength.

Norway's sovereign wealth fund, which is the world's largest, is eyeing commercial real estate in Singapore as it makes final preparations for its first Asian property investment. It is a strong vote of confidence in Southeast Asia and Singapore property future. After looking throughout Asia for investment opportunities, the US\$870 billion fund, built from Norway's oil

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Kuala Lumpur



Sydney

revenue, has narrowed its search to Singapore and Tokyo.

Office property market in Singapore has become a darling of private and corporate investors in recent years. Companies' technology, social media and commodities are taking up space in the central business district and creating a demand for the already booming commercial market. Office rents in the CBD jumped 14 per cent last year, the biggest increase in the region amid limited supply, according to real estate agency Jones Lang LaSalle. This further upside attracted The Government Pension Fund Global – the official name of the Norwegian sovereign fund – to Singapore property as well. >>



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>> As we can see, there is money outflow from residential property but huge inflow into commercial property in Singapore. Yet, Knight Frank's Wealth Report 2015 reinforces my view of the solid future of residential property in the longer term. Singapore is expected to see the largest increase in ultra-rich individuals compared to other cities globally over the next 10 years. This is set to propel Singapore into the top 10 countries with the largest population of ultra-high net worth individuals (UHNWIs), those with assets of US\$30 million or more, excluding their principal residences.

This amazing growth of UHNWIs in Singapore is indication of trust in

Singapore's long-term fundamentals and stability as a global financial and business hub. Most recently and evidently, the strong positioning of the city state came up in a report by real estate firm JLL and The Business of Cities (a London-based intelligence and strategy group) confirming that Singapore is Asia's top-ranked city across a broad range of indicators, beating Hong Kong and Tokyo, which analyses over 200 globally recognised city performance studies. Singapore has overtaken Tokyo, Asia's leader, in higher education, mobility, science, broadband and technology. The Business of Cities study ranks Singapore in third place worldwide,

behind only New York and London, and also names it the number one city globally for business friendliness.

HNWIs from China, India and Indonesia migrating in large numbers to Singapore will eventually affect the high-end residential and commercial real estate. UHNWIs are of major significance because their numbers are swelling and they require high-end properties in droves, hence their influence on the high-end property market is substantial. The most important group that is affecting our region and the world are the Mainland Chinese. You might have noticed the recent Yuan's decline, which in part is reflection of the money flowing out of China. Wealthy Chinese are moving large sums overseas, due to concerns over anti-corruption campaign and the country's slowing economy. Much of this money is finding its way to property markets in the region and beyond.

It is rather obvious that in the longer term, the Singapore government will be removing the cooling measures after achieving more moderate price increase in the residential segment. The property will shine bright in Singapore and The Republic will regain its place eventually as one of the major residential property investment centres in the world along its shining commercial real estate. 🏰

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