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Singapore, where big money flows

Even with its cooling property market, the Singaporean real estate sector's future, according to Alexander Karolik Shlaen, is bright

ALEX KAROLIK SHLAEN
is an economist and holds an Executive MBA from Kellogg School of Management and HKUST. He is the founder of Panache Management Pte Ltd, which represents Aston Martin Interiors, Tonino Lamborghini Casa, Formitalia design lines in Asia.
www.PanacheManage.com

Those who want to know more about the prospects of property investments in Singapore, the only Asian economy with triple-A ratings from all three major credit-grading agencies, may find the latest research and data quite confusing.

On the one hand, the Singaporean government has enforced strict cooling measures to bring down local property prices in the last few years. Despite these draconian measures, however, price declines were not as sharp as expected by many analysts, or even the government.

Transaction values and volumes have been reduced to a trickle, and many local and international investors, as well as self-stayers, have taken a wait-and-see stance to investing, resulting in a property freeze and subsequent decline in inbound investment.

According to CBRE Research, there has been a reversal in the investment trend: Singapore was the top Asian outbound investor in real estate in 2014, with USD11.9 billion worth of properties acquired overseas. This corresponds to a wider trend in Asia: Asian outbound real estate investment hit a record of USD40 billion last year, an increase of 23 percent from 2013.

It's clear that due to the slump and subsiding yields over the past few years in the Lion State's residential market, Singaporean investors have started to look for property investments elsewhere, hence becoming the number one source of outbound capital in the region, beating Mainland China and Hong Kong.

On the other hand, there are brighter prospects in store for Singapore as the country is increasingly seen as a centre for the super-rich focused on investing domestically over the next 10 years.

According to Knight Frank's *The Wealth Report 2015*, Singapore is on track to see the largest increase in ultra-high-net-worth individuals (UHNWI) than any other global city over the next decade. This will catapult Singapore into the top 10 league of countries with the largest concentration of UHNWIs, or those with assets of USD30 million or more, excluding their principal residences.

UHNWI growth is significant for the real estate sector, especially for a first world economy like Singapore, because as their numbers swell, their appetite to acquire high-end properties increases, making a substantial influence on the real estate sector.

At present, a large number of HNWIs from China, India and Indonesia are relocating to Singapore, and this will eventually affect the city-state's high-end residential and commercial markets.

Some of the most important super-rich groups today are arguably the Mainland Chinese, whose business decisions directly and indirectly affect the Southeast Asian region and many parts of the globe.

Case in point is the recent decline in the Chinese yuan, which reflects the outflow

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of money from the Mainland. The wealthy Chinese are moving large sums overseas, due to concerns over anti-corruption campaigns and the slowing Chinese economy. And a large percentage of this money is finding its way to property markets, including Singapore's.

I have mentioned the importance of the money outflows from Singapore for the whole Southeast Asia region, including for the neighbouring property markets of Malaysia and Thailand. Unfortunately these emerging markets have their own domestic issues and are not yet mature enough to capitalise on all the billions of dollars that are coming in from Singaporean outbound investors.

For now, the top investment targets for Singapore, as well as for offshore investors from Hong Kong and China, remain London, New York and Australia, and increasingly, Paris, Los Angeles and Japan. Another potential investment target in our region is the developing economy of the Philippines. Secondary cities, too, will become investment targets, where hundreds of thousands of residential units are needed to house an estimated 100 million population.

Back in Singapore, it is obvious that in the longer term, the government should start to ease their cooling measures after achieving a more moderate price increase trajectory. When that time comes, I hope that the local property market will shine bright again and the republic will eventually regain its place as one of the major property investment centres in the world. ■