



**REDAS PRESIDENT'S REPORT
YEAR 2016**

2016 In Review

2016 was another challenging year. The Singapore's economy continued to move slowly due to a confluence of global uncertainties, social and political insecurity and tension in the international arena. Advance estimates from the Ministry of Trade & Industry showed that Singapore's economy grew 1.8% for the whole of 2016. This marked the weakest economic growth by the country since the aftermath of the global financial crisis in 2009.

Overall, there was growing concern among businesses as they faced rising business costs, restrictive labour policies, a shrinking and ageing local workforce, and weak economic prospects. As companies responded to the resulting loss of competitiveness by reducing headcounts, downsizing or relocating, many jobs were affected. There was anecdotal evidence of a growing number of professionals moving overseas and human capital outflow.

Amid these economic challenges, the real estate market was reeling from the compounding effects of an oversupply situation, rising vacancy rates, weak demand and increasing interest rates.

Office rentals across Singapore continued to slide under pressure of oversupply and lacklustre demand. The market saw the fifth consecutive quarter on quarter rental decline in Q3 2016. Over the same period, office vacancy levels worsened to 10.4%, which is the highest in four years since the Eurozone crisis in Q2 2012.

Retail leasing activity slowed considerably as it faced continued headwinds from poor retail sales and online competition. URA statistics showed that retail vacancy rates rose to 8.4% in Q3 2016 – the highest level since Q1 2011.

In the industrial sector, demand has lagged behind supply since 2014 on the back of weak rents and soft capital value. According to JTC statistics, the price index of industrial property was down 7.8% in Q3 2016 and rents have fallen 11% since 4Q2014.

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In 2016, the residential market continued to grapple with the compounding effects of increasing supply, high vacancy rates and weak demand. As of 3Q2016, there was a pipeline supply of 43,693 private residential units, of which 20,577 units remained unsold. Private home prices also softened further in the last quarter of 2016. URA flash estimates for 4Q 2016 showed that the price index registered thirteen consecutive quarters of decline, bringing home prices down 11.2% from the peak in 3Q2013.

Although in recent months, housing demand had seen some gains, in the long run, the numbers are marred by the substantial new supply in the pipeline and the prospect of a prolonged period of slow economic growth. It is too early to conclude that recovery in primary sales take-ups and current prices will be sustainable.

In Singapore, we are further challenged by our limited land mass and the attendant high cost of land which makes up a substantial part of the development budget. This further raised the risks for developers significantly. Like all businesses, property developers and real estate-related businesses seek to sustain operations and retain jobs.

Singapore is a small and open economy. Unforeseen external conditions could cause fluctuations and damage to the real estate market. REDAS had made repeated calls for action to bring stability and ensure a soft landing. We are therefore appreciative of the Government's emphasis that they are carefully watching the market and ready to pull levers on the measures.

A Stable and Sustainable Real Estate Market

As a partner in nation building, REDAS is aligned with the Government's long term objective – to maintain a stable and sustainable real estate market and financial prudence in real estate investment for purchasers, the business community and investors who have had the confidence to invest in Singapore.

Prices that move too sharply up or down have adverse consequences for all. Such price volatility creates an artificial market, distorting demand-supply equilibrium and increases the risks of boom and busts cycles. The impact of this is far-reaching and has significant knock-on effects and repercussions throughout the economy, such as employment, trade balance and inflation.

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The transformation of Singapore today has not been achieved by chance but as a result of visionary leadership, political will and good governance, as well as the coming together of all the stakeholders of the real estate development industry.

Even as we look for new ways to improve and adapt, remake and restructure, it is important to keep an eye on the many commonalities of successful economies - they all engage in the global economy, maintain macroeconomic stability, stimulate saving and investment, provide market-orientated incentives and are well governed.

The real estate industry needs to harness innovation and technology to build the infrastructure of the future that will be more sustainable, smart and responsive to the ever-rising expectations of Singaporeans and commercial realities. We must continue to work closely with all stakeholders, from researchers and academia, to the rising start-up ecosystem to create an environment for better living and working - a Singapore that generations, present and future, can and will call home.

In that same spirit, REDAS members fully support the Committee on the Future Economy's task of developing strategies to sustain economic growth vital to Singapore's future.

As REDAS continue to provide constructive feedback on real estate issues, it is timely that we step-up our co-operation with the public sector in view of the challenges ahead. As an association, REDAS with its resources and market expertise, is well placed to partner the public sector to collaboratively conceive ideas in various forms.

Growing Partnership

Some of the contributions that REDAS and its members have provided over the years include constructive inputs on the property market, legislations and policy initiatives. Embracing various government initiatives, REDAS and its members have also:

- Brought art into public spaces to continually enliven Singapore's busy urban Landscape;
- Actively promoted environmental sustainability programmes, as well as invest in ecologically-friendly design, technology and construction methods;
- Rolled out productivity programmes to strengthen capabilities of our members in the real estate value chain and help them adopt new technologies;
- Launched our first workplace safety seminar in October and will be embarking on a workplace good practice guide soon.

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REDAS Fraternity

REDAS has come a long way since its inception in 1959, the year Singapore attained self-governance. The Association started with a small group of visionary real estate developers who wanted to invest in the future of our fledging nation, raise standards and promote the industry's interests.

Since then, Singapore's focus has shifted from infrastructure development to creating an environment that promote economic growth, innovation, and quality living. This would not have been possible without the vision of our business leaders and the collaborative public-private sector partnerships that helped transform these plans into reality, turning Singapore into what it is now - one of the world's greenest and most liveable cities.

Today, the nation stands among a unique league of world cities that have successfully melded high density living in an urbanised high quality built environment. This is a salute to all our industry professionals, key stakeholders and partners, including the government and REDAS Members who have contributed significantly.

To honour distinguished and successful business leaders in the real estate development field who have made unstinting and on-going contributions to the community, environment and the Association over the years, REDAS presented the REDAS Lifetime Achievement Award to our Patron Mr Kwee Liong Keng at this year's dinner.

REDAS also conferred the REDAS Honorary Award to the late Mr Kwek Leng Joo for his dedication and contribution to the Association as well as his deep commitment for environmental sustainability and corporate social responsibility.

Since the founding of the Association in 1959, illustrious business leaders have come forward to serve in the REDAS Management Committee (MC). Among the current team of successful industry leaders, we have 5 MC Members who have served more than 15 years. REDAS is honoured to accord the REDAS Luminary Service Award to them. This award recognises their long service in the REDAS MC, marked by their unstinting dedication and consistent commitment to the Association. They are :

- Mr Chia Ngiang Hong, Group General Manager of City Developments Ltd. Mr Chia has dedicated 28 years to the REDAS MC since 1989;

REDAS AGM 2017 (Election Year) on 26 January 2017

- Mr Khor Thong Meng, Chief Executive Officer, Allgreen Properties Ltd. Mr Khor has served on the REDAS MC for 26 years since 1991;
- Mr Ng Chee Seng, Chief Executive Officer, Bukit Sembawang Estates Ltd. Mr Ng has dedicated 21 years to the REDAS MC since 1994;
- Mr Lim Ee Seng, former Group CEO of Frasers Centrepoint Ltd. Mr Lim held several appointments in the REDAS MC for 20 years since 1997;
- Mr John Khoo, Executive Director, Habitat Properties Pte Ltd. Mr Khoo served as MC Member for 16 years since 2001.

Thank You

On behalf of my fellow members of the REDAS Management Committee, I would like to express our sincere gratitude to every REDAS Member for your strong support for the Association over the years. In 2016, the Association had another year of net operating surplus of S\$269,848.

As we begin a new fiscal year in 2017, I wish all members good health, happiness and prosperity in the years ahead !

**AUGUSTINE TAN
PRESIDENT
REDAS**

6 January 2017