



**POSITION PAPER  
ON  
SINGAPORE REAL ESTATE**

By

**REAL ESTATE DEVELOPERS'  
ASSOCIATION OF SINGAPORE  
(REDAS)**

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## **ABOUT REDAS**

Established in 1959, the Real Estate Developers' Association of Singapore (REDAS) is Singapore's premier business association in the real estate and development industry. REDAS represents some 300 members comprising developers, builders, real estate consultancies and professionals, bankers, REITs and fund managers. The Association actively engages regulators, policy makers and private sector partners to promote best practices and to support the growth of a vibrant and progressive industry for the creation of quality real estate in Singapore.

## **FOREWORD by REDAS President**

### ***Changing Times***

Real estate has long development cycles spanning years, from planning to completion and management. During this timeframe, it can be affected by cyclical shifts and global events such as wars, financial crisis and political upheavals.

A tight labour market, ageing workforce and demographic shifts are on-going concerns. Coupled with rising business costs are technological advances that are changing the way consumers, tenants and buyers use real estate. This confluence of factors will continue to weigh heavily on REDAS' concerns.

Every challenge of the day is different. Today, we are faced with uncertain local real estate market conditions and slow economic growth. Regionally and globally, there are unpredictable economic risks and political developments.

REDAS supports the Committee on the Future Economy (CFE) and the Industry Transformation Maps (ITM) to remake Singapore. I am honoured to be invited to represent REDAS as member of the Built Environment Cluster Sub-Committee and the Real Estate Industry Tripartite Committee as well as participate in the many Construction ITM and Real Estate ITM dialogue sessions with fellow members to provide our views on the future of the real estate industry in Singapore. Such engagement sessions allow the real estate industry to identify opportunities or contingencies and enable us to face challenges together.

In line with these efforts, it is timely for us to initiate a REDAS Position Paper to put into perspective the contribution of real estate to the Singapore economy and to bring across our views and proposals.

### ***REDAS Fraternity***

Established in 1959, REDAS has evolved from a small group of real estate developers who had the vision of raising the industry's standards and promote the industry's interests to what it is today - an association of developers of quality real estate and cutting edge urban solutions that support the government's planning objectives and Singapore's urban needs. An institution of some 300 members, the Association is led by a committed team of Management Committee Members who are business leaders

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of established property companies. An advocate of pro-business environment, and championing excellence and sustainable developments in our built environment, REDAS also provides a platform for the sharing of views of everyone involved in this industry.

Over the years, we have honoured distinguished and successful business leaders in the real estate development field who have made unstinting and on-going contributions to the community and the nation. REDAS presented the REDAS Lifetime Achievement Awards to our Patrons Mr Kwek Leng Beng and Mr Kwee Liong Keng, and the REDAS Honorary Award to the late Mr Kwek Leng Joo for his deep commitment for environmental sustainability and corporate social responsibility.

### ***Collaborative Partnership***

REDAS engages in regular robust dialogues with many agencies including URA, BCA, SLA, LTA, NEA, NParks and JTC, to provide constructive input and feedback across major programmes and policy initiatives, from road-related guidelines to legislations and property tax issues, en-bloc sales rules, and International Accounting Standards.

Through dialogues with the Central Provident Fund (CPF) System Working Group and the Land Work Group, key input from REDAS were reflected in the 2002 Economic Review Committee's report. In 2009, REDAS was also co-opted into the Economic Strategies Committee (ESC) to provide input on land as a strategic resource and its optimal allocation to support the future economy.

REDAS continues to engage in discussions with the authorities to put forth our views and suggestions on pertinent matters which impact real estate development, including land use, underground space, car-lite precinct, vibrant streetscape, Traffic Impact Assessment guidelines, car parking provision and the Master Developers Scheme. These dialogues also address issues such as noise impact, overall safety of lifts and escalators, daylight reflectance of materials used on the exterior of buildings as well as buyers' feedback on show units and site plans. Since 2014, REDAS has been working closely with BCA to facilitate Building Information Modeling (BIM) & virtual design and construction (VDC) processes. Our Developer-centric BIM & VDC initiative is gaining traction with more developers coming on board.

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In support of MOM's workplace safety programmes to reduce the fatality rate to less than 1.8 per 100,000 workers by 2018, REDAS encourages our members to conduct regular senior management site walks as well as organise WSH Leadership seminars to share good practices guidelines on addressing risks at construction sites.

Many REDAS members are guided by robust corporate environmental sustainability principles to advance ecologically-friendly innovations for our developments like Pneumatic Waste Conveyance Systems (PWCS), dual chutes for refuse and recyclables (CCR) and energy efficient air-conditioning systems. Our members have received international and local accolades for environmentally friendly developments which promote good passive design, façade performance and effective natural ventilation that reduce carbon emission and enhance the well-being of occupants.

To stay on top of technological advancements, members make overseas study trips on their own or with government agencies and industry associations to gain insight and experience exemplary projects in the areas of urban renewal, transit-oriented developments, innovation/new economy districts, and community planning. These ideas and services are creatively adopted in many of our real estate products.

In addition, REDAS contributes actively to ITM engagement sessions to create a productivity roadmap which aims to keep construction cost low, progress on-site productivity, develop higher quality workforce and explore capital investment in technologies. The sessions also look into initiatives that can help transform businesses involved in property transaction services and facilities management as well as promote integrated value-added services and products through internationalisation.

The above are but some of the many areas of collaborative partnership which REDAS had and are still engaging with the various government agencies and industry stakeholders.

# FOREWORD

## ***REDAS Position Paper***

Real estate or the built environment is one of the key pillars of the Singapore economy. It has significant backward and forward linkages with multiple ancillary industries. Real estate developers have a pivotal role as a key stakeholder in the real estate value chain that provides support for the other stakeholders in transforming the nation's urban landscape and grow the economy. An employment generator in the country, the sector is expected to provide substantial employment opportunities to the population.

Developers have also taken on an expansionary role from the fundamental brick-and-mortar function of meeting the needs of shelter to one that ensures economic stability, social resilience and environmental sustainability. They build homes with their buyers in mind to offer dynamic lifestyle ("Live, Work & Play") spaces for businesses to fulfil their ambitions and home owners, their lifestyle aspirations.

Today, Singapore is among the world's most attractive and liveable cities with a high quality living as well as a regional hub for financial and various skill oriented services.

## ***Action Plans***

The recommendations in this paper delve into areas of enhancing collaboration and partnership to sustain growth in the real estate sector in Singapore through a 3-pronged approach.

- i) Work with the Government through forming a platform with a lead agency to deliberate on strategic and/or policy issues pertaining to the real estate industry in Singapore and how it can continue to sustain growth and contribute to the economic, social and national agenda of Singapore;
- ii) Work with the many agencies and partners on Industry Transformation Maps (ITMs) and SMART City initiatives that will advance the industry resulting in enhanced built environment and communal living;

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- iii) Work with our members to advocate for a business-friendly environment, and propose recommendations (immediate- and long term) to address challenges, transform operations, and conceive new growth areas / ideas / opportunities to promote a stable and sustainable real estate market in Singapore;

REDAS will also continue to step up our efforts to engage the public through collaborative partnerships such as the URA-REDAS Innovative Awards, joint exhibitions and a public art book.

**AUGUSTINE TAN**  
**PRESIDENT**  
**REDAS**

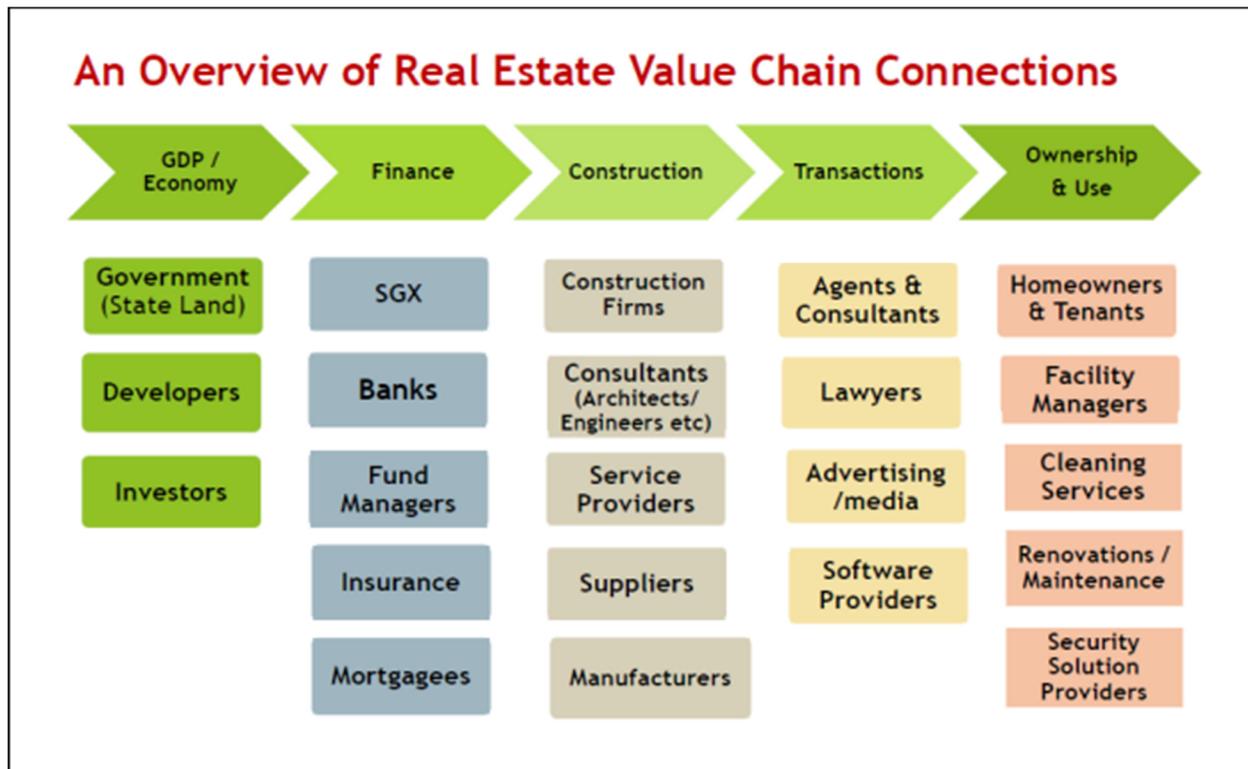
**13 October 2017**

# SINGAPORE REAL ESTATE

## The Contribution of Real Estate to the Singapore Economy

1. Singapore is a highly developed urbanized city-state. Based on data from International Monetary Fund, 2016, Singapore's GDP per capita of S\$87,855 ranks the country among the top 4 in the world. The category "Residential Buildings" comprised 28% of all Gross Fixed Capital Formation (GFCF) \* for 2015, i.e. S\$28.8 billion out of S\$102.7 billion in Gross Fixed Capital Formation. That amounts to 7.2% of the S\$402.5 billion in GDP in 2015.
2. Real estate in Singapore comprises many distinct businesses. The real estate industry value chain is one of the most extensive eco-system amongst Singapore's economic sectors, comprising financiers, investors, fund managers, builders, professionals, consultants and various service providers. (Table A)

Table A



\* GFCF refers to the net increase in physical assets (investment minus disposals) within the measurement period. It does not account for the consumption (depreciation) of fixed capital, and does not include land purchases but includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Net acquisitions of valuables are also considered capital formation.

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3. This varied cross-section of representation, which encompasses all activities associated with property development and transactions from the land sale stage through to end users, has been a significant pillar to the nation's transformation into one of the world's most attractive and liveable cities.
4. Developers have been pushing the envelope, transforming Singapore's skyline dramatically and offering varied lifestyle living over the past decades for all sectors of the real estate (residential, commercial, retail, industrial, integrated developments and hospitality). For example,

Residential	<ul style="list-style-type: none"> <li>• Gentrifying the area and transforming ageing flats to modern homes with the latest amenities;</li> <li>• Spectacular super high-rise skyscrapers;</li> <li>• Luxury waterfront living;</li> <li>• Buildings of international standing - winners of the prestigious FIABCI Prix d'Excellence, Urban Land Institute and other awards.</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• Changing Singapore's skyline with mega integrated developments and dynamic prime offices for banks, financial institutions, law firms and other businesses in the core Central Business District;</li> <li>• Decentralisation efforts to bring new-generation workplace to the residential heartlands and grow the suburban regional centres;</li> <li>• Co-sharing working space to support FinTech start-ups and budding businesses.</li> </ul>
Retail	<ul style="list-style-type: none"> <li>• Developing integrated communities, lifestyle mega-complexes, world class mega malls in the city and family-oriented urban retail malls in the city fringe and suburbs.</li> </ul>
Industrial	<ul style="list-style-type: none"> <li>• Developing modern industrial spaces with landscaping and recreational amenities, business parks and Science Parks.</li> </ul>
Hospitality	Developing distinctive hotels at prime waterfront sites in the core Central Business District.

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5. Real estate sector is very much a part of the Singapore Story, driving economic growth, providing jobs to a significant number of Singaporeans and permanent residents, and developing talents to prepare for the future. Based on data from International Monetary Fund, 2016, in the last 5 years (2011-2016), the construction industry contributed on average about 51% of Gross Fixed Capital Formation (GFCF). For residential property, it accounted on average a 24% contribution to GFCF while non-residential real estate contributed on average another 19%. These figures reflect the importance of the real estate sector to the economy.
6. Of the 448 companies listed on the SGX Mainboard as of 12 April 2017, 33% or 149 of them are property companies and real estate related companies covering commercial, industrial, residential, retail, hotels, serviced apartments and real estate financial services – Property (54); Hotels (10) Construction (39) & REITs (46). Singapore is one of the first countries in the region to develop a framework for listing REITs and business trusts, and this segment has been a contributor to the vibrancy of the Singapore market
7. Within the top 20 listed companies in Singapore, by market capitalisation, 20% of them are property companies covering commercial, industrial, residential, retail, hotels, service apartments and real estate financial services. As at the 2nd quarter of this year, the combined market capitalisation of the top ten listed property companies stood at \$102.6 billion. Among the best dividend paying stocks, key for CPFIS investors and pensioners, are stocks generated by real estate investment trusts (REITS).
8. A significant number of Singaporeans are employees of property and real estate related companies. Based on the data from the Ministry of Manpower, as of March 2017, about one in five persons or 18.8% in the employed workforce is directly involved in real estate, and its ancillary or the construction industry.
9. The real estate sector has expanded rapidly in the past decades. According to the Department of Statistics, 2015, the sector comprising developers and sub-sectors like REITs, facility management, property agencies and valuation & conveyancing

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services, employed around 97,460 workers and contributed an estimated S\$19.5 billion in value-added. In terms of productivity, developers ranked the highest with 9,000 workers (around 0.9%) and some S\$9.2 billions (47%) in value-added.

10. Real estate developers have also added to the country's GDP and the national reserves. Significant revenue of S\$60.8 billion was generated through Government Land Sales from 2010-2017.
11. With home ownership at over 90% of all households, residential property is a major asset class for Singaporeans, it is the bedrock of the Singapore economy. Based on the Government's statistics (April 2017), household wealth stood at S\$1.58 trillion.
12. On average, Singapore households do not have a substantial amount of mortgage debt taken out against their homes. According to the Yearbook of Statistics Singapore 2016, in 2015, there were S\$224.8 billion in mortgages outstanding, that is about 27% aggregate loan-to-value ratio on homes for the household sector overall. In the same year, Residential Property Assets were worth S\$833.5 billion and the housing's share of the net worth of Singaporean households is high – at 55%, although home equity's share of net worth is only about 40%. These numbers clearly indicate the importance of housing wealth in the Singapore economy. With significant wealth tied up in property, the nation's economic health is increasingly intertwined with real estate.
13. As of 2016, about 82% of Singapore's resident population lived in HDB flats. Private landed and non-landed housing units are much more limited, but providing a variety of choice for middle- and high-income households, talents and investors who are attracted to the nation's excellent infrastructure planning and capability building.

## RECOMMENDATIONS

A city state with very limited land resources, Singapore is well ahead of many countries in its infrastructure planning and capability building. The nation has also positioned itself as an investment destination, attracting talents with an abundance of jobs, good education for their children, a safe and clean environment and high-quality private properties for the long-term store of value and steady rental. With home ownership well over 90%, housing is an incredibly important asset in Singapore. It is thus imperative for the real estate sector to remain a strong partner with the Government to build a Singapore of global relevance, a value-creating economy which is open and connected to the world, offering new opportunities for its people to enjoy sustainable wage growth and meaningful career.

It is equally imperative for the Government to continue building confidence in the real estate market through a continuous policy of promoting a more business-friendly environment.

As a key stakeholder in the real estate industry and major contributor to the real estate sector's growth and job creation, REDAS advocates collaborative alliances with the various partners in the value chain, including the Government, to move the industry forward.

Our recommendations address immediate and medium term to long term challenges and seek to achieve the outcome of

- \* Growing the economy
- \* Business sustainability
- \* Healthy employment growth
- \* Competent workforce with deep skill sets
- \* Protecting long term interests of asset owners and investors.

### 1. **Immediate Term Recommendations**

- a) Further collaboration with the Government in setting up a committee with a lead agency. This forms a platform for regular dialogues on a strategic and/or policy level and develop partnerships for new ideas or programmes to advance the transformation of the city state and the real

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estate industry. This includes the refinement and development of outcome-based policies and regulatory guidelines.

- b) Deeper engagement with all related agencies. Expand discussion issues to include macro and long-term policies such as land sale quantum, new land sale models, quality of developments, product development and cost management (e.g. Master Developers Scheme, Business Improvement Districts, development of retirement homes which provides congregate living facilities and continuing care retirement communities).

### 2. Medium to Long Term Recommendations

- a) As one of the leading international financial centres, Singapore is among the largest foreign exchange trading centres in Asia and a major treasury centre in the region attracting international real estate fund managers to Singapore. REDAS can contribute to regular reviews of all relevant policies, so as to support Singapore's growth as a financial hub.
- b) Internationalisation - A formalised process to help real estate companies develop additional wings to grow and look for value in international markets. GIC and Government-Linked investment companies (GLCs), which are already in overseas markets, can consciously open opportunities and invite qualified private real estate companies to participate. Examples of potential projects will be the KL-Singapore High Speed Rail (HSR) and the "One Belt, One Road" in China.
- c) While it is good to encourage companies to venture overseas, the national agenda should continue to focus on sustaining growth of the local real estate industry and property market.

To achieve these recommendations, REDAS will continue to seek the invaluable input and support from members. Regular sessions will be organised to closely follow and review the recommendations with the desired outcome.

## CONCLUSION

Globally, the real estate sector is invariably a key index of measuring the economic growth of a society. It is a sector that mirrors the economic viability and sustainability of an economy and its poverty level. In general, the level of infrastructure development in a country epitomises its economic status.

Decades of strong economic growth and relatively limited supply of land has made Singapore a hotspot for real estate investments. This has led Singapore to host a dynamic and diversified real estate sector which accommodates the different segments of society. Options are available for citizens to buy a HDB flat or from the private market which make up less than 15% of the housing market in Singapore. It has also earned its place among the top financial centres of the world.

It is thus of utmost importance to the Singapore leadership to maintain a stable and sustainable real estate market in Singapore.

The Association has stayed relevant to the business needs of its members over the course of the last 58 years. The timely publication of this position paper will strengthen its standing as a representative body of the real estate industry and enable it to offer value-added services to its members. More importantly, its expanded role will sharpen its effectiveness in fostering closer cooperation amongst stakeholders. This is essential for elevating our industry to greater heights and to transform.

It bears repeating as well that the Government is cognisant of the importance of maintaining the confidence of international investors and companies in Singapore and its international standing as a vibrant city of opportunities.

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