

REDAS AGM 2018 (Non-Election Year) on 8 February 2018



**REDAS PRESIDENT'S REPORT
YEAR 2017**

2017 In Perspective

2018 has started well with improved sentiments. Singapore's economic prospects in 2018 appear encouraging with expected brighter forecasts for the broader economy and the property market.

The same cannot be said for the start of last year, in 2017. Then, Singapore's economy moved slowly due to a confluence of global uncertainties, social and political insecurity and tension in the international arena. It regained some traction in the second half of 2017 as global trade volumes started to grow, gaining momentum through the rest of the year. By the end of 2017, the Singapore's economy expanded 3.5%, more than double the initial number forecasted.

2017 saw a broad market uptrend for the Singapore office sector and a wave of changes in the residential sector. The office sector outdid itself in 2017. Despite a record supply of 2.2 million sqft of new Grade A office space, new projects in the CBD enjoyed healthy occupancy rates and a rental growth of 6.6%, according to Cushman & Wakefield. Based on URA's data, prices of office space increased 0.4% in the third quarter compared to a 1.4% decline in the second quarter of 2017.

On the retail front, poor overall sales continue to impact leasing activity. URA statistics showed a moderate increase in retail vacancy rates to 8.2% at the end of the third Quarter 2017, from 8.1% at the end of the previous quarter.

While the manufacturing sector reported robust growth and the industrial market saw an improvement in demand, Jurong Town Corporation's data reflected that overall industrial rents slipped another 1.1% in the third Quarter of 2017, making this the 10th straight quarter of decline.

With increased participation by developers in Government Land Sales (GLS) tenders and the collective sale market, investment sales recorded bumper transactions in 2017. In a recent report by Colliers International, the year saw investment sales valued at an estimated S\$40.2 billion, compared with S\$22.66 billion in 2016, with the residential sector accounting for 54% of the deals. According to Colliers, this was the highest annual investment sales value since the 2007 property boom.

REDAS AGM 2018 (Non-Election Year) on 8 February 2018

Sales momentum at new property launches continue to pick up. An estimated 10,682 new private residential units (excluding ECs) were sold in 2017, compared to 7,972 units sold in 2016 and a high of 22,200 units in 2012.

Based on URA flash estimates for the whole of 2017, home prices gained 1%, compared with the 3.1% decline in 2016 and a 3.7% fall in 2015. While the rental index of private residential properties remained unchanged in the third quarter of 2017, vacancy rates of completed private homes rose to 8.4%, from 8.1% in the previous quarter. This translates to more than 30,000 unoccupied completed private homes.

On the supply side, as of 3Q2017, there was a pipeline supply of 35,022 private residential units, of which 16,031 units remained unsold. This represents a 22% drop from the 20,577 uncompleted unsold units a year ago in 3Q 2016.

In 2017, the Government injected a larger supply of residential sites through the GLS programme. The total 2017 supply of 11,225 residential units, from the Confirmed List sites and Reserve List sites, is 38% higher than the 8,135 private residential units in the 2016 GLS list.

The market also saw a spike in successful collective sales by developers in 2016 and 2017. There were 38 successful collective sales with a potential yield of some 14,945 new residential units. In addition, about 120 sites are at various stages of preparation for collective sales.

All in, almost 26,170 residential units could be available for sale in 2018 and 2019.

The Year Ahead

As we move into 2018, we need to be mindful of the longer term.

While positive buying sentiments are likely to continue, buyers are still price-sensitive. Residential supply in 2018 is expected to increase significantly. This is exacerbated by the slow growth in Singapore's population, higher interest rate, declining rents and increasing vacancies.

The market will also continue to see different risk appetites from developers for sites from the GLS programme or private collective sales.

REDAS AGM 2018 (Non-Election Year) on 8 February 2018

It is also prudent to keep an eye on the structural challenges in the global environment and investment behaviours that will pose risks for market stability in the long term.

The government is monitoring the overall property market trends closely. The Monetary Authority of Singapore, in its Financial Stability Review published in November, noted that there is “considerable uncertainty” on whether existing vacancies and the new supply can be fully absorbed by the market. They see “the remaining cooling measures were still necessary” and warned “that recent developments in the property market pose potential risks to stability, and that market players should take a medium-term view of demand-supply dynamics and act with caution.”

Transforming the real estate industry : Deeper Collaboration

In 2017, REDAS continued to engage 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.

REDAS is committed to its foundational values of focus, safety, quality and communication in promoting sustainable growth and driving effective programmes for its members. To this end, REDAS has been engaging in meaningful dialogues with various stakeholders and participated actively to the Built Environment Cluster Sub-Committee, the Real Estate Industry Tripartite Committee as well as ITM dialogue sessions to contribute our views on the future of the real estate industry in Singapore.

REDAS shares the Government’s views that real estate is one of the most important sectors of our economy. With the waves of change brought on by technology, demographic shifts and globalisation, and given our land scarcity, the real estate industry must find fresh opportunities to add value and continue to formulate winning strategies to keep Singapore in the premier league of global cities. We need innovative urban strategies to address challenges and market forces impacting business sustainability and growth in the real estate sector.

REDAS AGM 2018 (Non-Election Year) on 8 February 2018

In conjunction with this, we have put forth a REDAS Position Paper which includes proposals advocating the continuation of tripartite partnership to move forward as an industry on the city's masterplan, SMART City initiatives as well as ideas to enhance built environment and communal living. The ultimate objective is to work together for a stable and sustainable real estate market as well as protect the long-term interests of asset owners and investors.

REDAS will be working closely with a lead agency to deliberate on strategic and/or policy issues pertaining to the real estate industry in Singapore.

Internationalisation is set to play a key role in Singapore's future economy. To do so, it is essential for companies to develop additional wings to grow, look for opportunities and value-add in international markets. It is also important for companies to forge partnerships and collaboration with a network of cross-disciplinary real estate and land use experts to assimilate innovative ideas, solutions, upgrade and export their expertise. REDAS has therefore specially set up REDAS International Committee to crystalise this initiative.

REDAS will continue to step up efforts to introduce relevant training programmes to prepare our members to meet future challenges as well as engage the public through collaborative partnerships such as innovative awards, exhibitions and public art book.

REDAS Fraternity

The Association is led by a committed team of Management Committee (MC) Members who are business leaders of established property companies.

In 2017, REDAS maintained its tradition of honouring distinguished and successful business leaders in the real estate development field who have made unstinting and on-going contribution to the community and the nation over the years. At its 58th Anniversary dinner held in November 2017, REDAS presented the REDAS Lifetime Achievement Award to our Past President Mr Daniel Teo and the REDAS Luminary Service Award to Mr Tan Swee Yiow, Chief Executive Officer, Keppel REIT Management Limited.

REDAS AGM 2018 (Non-Election Year) on 8 February 2018

In Appreciation

With the strong and ongoing support from our members, the Association was able to achieve a net operating surplus of S\$227,591 for the fiscal year 2017. On behalf of my fellow members of the REDAS Management Committee, I would like to express our sincere gratitude to each and every REDAS Member!

As we look forward to a good year in 2018, I wish all members good health, happiness and prosperity!

**AUGUSTINE TAN
PRESIDENT
REDAS**

22 January 2018