

*REDAS AGM 2019 (Election Year) on 17 January 2019*

**REDAS PRESIDENT'S REPORT  
YEAR 2018**

Singapore is a highly developed urbanised city-state. It ranks amongst the world's most attractive and vibrant cities which are environmentally and economically sustainable for present and future generations. Real estate sector is very much a relevant part of the bold strategy and various government initiatives to remake the Singapore economy towards becoming a global city.

This year, the changes to regulations, global risks and trends, as well as actions taken to transform the Singapore property market will continue to influence Singapore's economic development and the stability of the real estate sector.

In the first half of 2018, we saw brighter forecasts for the broader economy and a pickup in the property market after a long lull of 4 years since 2013. The private residential market then was perceived to be "exuberant" as home prices jumped by 3.9% and 3.4% in the first two quarters of 2018, the biggest leaps since 2010. The market also saw continued increased appetite by developers for residential land and record prices for some of the sites.

In the second half of the year, major changes to regulations affecting real estate were introduced. We noted a fundamental shift in the Government's policy governing the property market – advocating market stability over the long term while deterring sentiment-driven fluctuations and changes. As developers, we take a long-term view of real estate development and support a business environment which provides stability and growth.

Below are 8 key factors affecting Singapore's property market in 2018 and likely in 2019 as well:

**1. 6 July 2018 Cooling Measure: Higher ABSD for Home Purchasers and Developers**

In the middle of 2018, ABSD was raised by 5 percentage points for citizens and permanent residents (PRs) buying second and subsequent homes, and by 10 percentage points for entities. For developers purchasing residential properties for housing development, they are also required to pay a higher remittable ABSD of 25 percentage points, an increase of 10 percentage point as well as a new non-remittable

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ABSD of 5 percentage points. With the new ruling, housing developers are now subject to 30% ABSD of which, 25% ABSD may be remitted.

Notably, with higher cost of development from the 5% non-remissible ABSD and higher risk from a 25% ABSD payment, the measures have dampened developers' appetite for land in Singapore. The collective sales fervor has also cooled noticeably.

Since the July property curbs, private residential sale transactions have been uncertain and URA's data confirmed the impact. In November this year, 1,198 private residential units were sold compared to 487 units in October, 932 units in September and 617 units in August. Although the November sales is lower than the 1,724 units sold in July, it should not be taken as an indication of true market demand as the performance in these two quarters have been erratic. Responses to new launches have been mixed and buyers are price sensitive. Challenges still lie ahead given the substantial supply in the pipeline and with the cooling measures in place. There is no visibility on how the demand will pan out in 2019.

Resale transaction volumes have also slowed down. 2,672 units were sold in 3Q2018, compared with 4,700 units in the previous quarter, a significant drop of 43%. Volume remained flattish with an estimated 694 units sold in October 2018 and 662 resale units sold in November 2018.

Vacancy rate for 3Q2018 showed a slight improvement of 6.8%, compared with 7.1% in the previous quarter, with 25,105 units available in the market.

With the July cooling measures in place, prices of private residential prices remained subdued. Based on URA flash estimate, home prices dipped 0.1% in 4Q2018 reversing from an increase of 0.5% in 3Q2018. For the whole of 2018, prices increased by 7.9% compared with 1.1% increase in 2017. Analysts see that this year, the prices of private homes would be supported by a stable volume of transactions of the many new launches of projects which were purchased at relatively high land prices.

## **2. Revised Guidelines from 17 Jan 2019: Bigger Minimum Average Unit Size Outside Central Area**

The Government further revised the residential development guidelines, raising the minimum average size of units for non-landed housing development outside the Central Area from 70sqm to 85sqm. With this new ruling, developers have to build

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bigger units which may affect the affordability of buyers who want to retire and downsize, and millennials who want smaller dwelling units.

### **3. Housing Supply Remains High**

As at the end of 3Q2018, there was a total supply of 50,330 uncompleted private residential units, an increase of 11.8% (50,330 versus 45,003) from 2Q2018. Of this number, 30,467 units remained unsold, up from 26,943 units in 2Q2018 reflecting an increase of 13%.

In addition, there is a potential supply of 14,200 units from GLS sites and awarded en-bloc sale sites that have not been granted planning approval. In total, 44,667 private residential units are estimated to be available for sale in the next 2 years.

Analysts estimated the total private home sales for 2018 to be between 9,000 and 10,000 units. Barring tighter regulations, it will take up to 5 years for these units to be fully absorbed.

### **4. Global Impact On Politics And Economies**

On the international stage, headwinds persist. Rising economic and political tensions piqued by globalisation are reshaping politics and economies. The ripple effects of interest rate hikes and unemployment continue to weigh on local and foreign demand

for real estate in Singapore. There are clear signs that financial conditions are beginning to tighten as central banks start raising rates and reversing their quantitative easing policies that had injected much liquidity into the financial markets.

### **5. Non-Residential Sectors Remain Positive**

The office sector showed positive growth in 3Q2018. Based on URA data, office prices and rents rose by 0.1% and 2.5% respectively in 3Q2018. Over the same period, office vacancy rate dropped to 12% from 12.2%. Outlook for the office sector remains reasonably positive as the sector aligns itself to a wide spectrum of industries, like co-working operators and technology.

For the retail sector, prices inched up 0.3% in 3Q2018 while rents dipped 1.2% in 3Q2018 and vacancy rates rose to 7.6% compared to 7.3% in the previous quarter.

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Outlook for prime retail space and hospitality sector is expected to remain firm on the back of positive tourism outlook. Tourist arrivals are expected to go up on the back of big business events and sustained visitor growth of 3% over 2018 to 2020.

Moving to the industrial sector, we see rents and prices of the overall industrial property market remain relatively stable in 3Q2018. According to JTC data, industrial

rents decreased marginally by 0.1% while overall occupancy improved across most segments in 3Q2018 to 89.1%. This is the highest occupancy level since 1Q2017.

## **6. Adoption of Ecologically-Friendly Innovations And Smart Systems**

The landscape of Singapore today is testament to the resolve, resourcefulness and commitment of REDAS members to contribute to the economic development and stability of Singapore's real estate sector. To meet new challenges and demands in the last few years, some of the support provided as well as initiatives taken up include driving transformation in buildable design and the adoption of Building Information Modelling (BIM).

Climate change and sustainability issues are also big on the national and global agenda. Developers have been progressively adopting ecologically-friendly innovations and smart systems that optimise resource utilisation such as Pneumatic Waste Conveyance Systems (PWCS), dual chutes for refuse and recyclables (CCR), as well as energy efficient air-conditioning systems.

To stay relevant, developers have also been studying how our counterparts in other countries incorporate new innovations and solutions so that we can implement these systems and processes to help us build and maintain better, safer and sustainably.

## **7. Greater Emphasis on Building Safer and Healthier Workplaces**

Technological innovations, shifting economic demands and changes in consumer patterns are radically changing our workplaces and the way we work. As such, we must continue to incorporate new ways and processes to manage our existing developments or building new ones so that we can build and maintain better, safer and sustainably. As an active stakeholder in the built environment industry, REDAS is committed to the collective responsibility of protecting our workforce by keeping our work environment safe and healthy.

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Apart from working with the Ministry of Manpower to share learnings and good industry practices on workplace safety and health, REDAS has initiated a 'Design for Safety Good Practice' guide for developers. The guide reinforces our collective responsibility towards the entire value chain in the construction industry and presents the recommended practices to address risks at source and deliver safer solutions during a project's lifecycle.

## **8. Strengthening Alliances to Shape Singapore's Real Estate Transformation Journey**

We are at the crux of an industry evolution. Growth will inevitably slow down and give way to a more considered pace of development and towards quality. Our future depends on how, as industry players, we adapt to the changing environment and identify both dynamic and long-term opportunities. It is in our interest to have a stable policy framework while we advance the transformation of the city state and the real estate industry for the future.

In 2018, we initiated a REDAS Position Paper advocating among other recommendations, collaborative alliances with the various partners in the value chain as well as our counterparts in other countries. In July this year, we organised a forum with our counterpart in Jakarta to forge closer ties and better understand the challenges and the investment opportunities in Indonesia. We are working on the same with our other counterparts in the region, like the Real Estate Housing Developers Association (REHDA) in Malaysia, Real Estate Institute (REI) in Indonesia and Real Estate Association in Hong Kong, to name a few.

Given our land scarcity, and internationalisation playing a key role in Singapore's economy, REDAS has specially set up the REDAS International Committee to advocate an internationalisation programme which endeavours to bring together member-companies (large and small) to forge partnerships and collaboration with a network of cross-disciplinary real estate companies. This will enable us to conceive new growth areas including developing additional wings to grow, find fresh opportunities to add value and formulate winning strategies to keep Singapore in the premier league of global cities.

In this spirit, REDAS led a successful study and business trip to Australia in October 2018. Participants made useful contacts and had great conversations with the State governments in Melbourne and Sydney as well as our counterpart the Property Council

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of Australia. To support our members' interests and real estate needs as they extend their reach overseas, we will organize trips to different countries to harness strong relationships with the respective state governments and counterparts in these countries.

To play a part in shaping the transformation journey, we will continue to strengthen our collaboration with stakeholders, and support the Committee on the Future Economy (CFE) and the Industry Transformation Maps (ITM) to build a resilient and vibrant Singapore.

REDAS will also continue the existing conversations with the Ministry of National Development or through the URA-REDAS Committee, as well as set up new lines of communication with the authorities as set out in the Position Paper so that the real estate industry can continue to sustain growth and contribute to the economic, social and national agenda of Singapore as well as protect the long-term interests of asset owners and investors. We believe it is timely that the Government reviews the current 5-year completion and sale requirement and the ABSD remission for developers. These rules have led to unintended consequences as developers are forced to converge - rush into completing and selling in order to meet the 5-year completion and sale deadline.

***Thank You***

In 2018, REDAS maintained its tradition of honouring REDAS Management Committee Member who has dedicated more than 15 years of service to the Association. At this year's REDAS 59<sup>th</sup> Anniversary dinner, we presented the REDAS Luminary Service Award to Mr Chng Chee Beow, Executive Director, Logan Property (Singapore) Co. Pte Ltd.

We also continued to organise many events and activities like Spring Festival, Mid-Autumn Festival, Golf Tournament and Anniversary Dinner to engage and connect members to the various industry stakeholders.

In addition, REDAS partnered with URA to organize the inaugural URA-REDAS Spark Challenge Award Ceremony in July this year. This annual competition invites members of the public to submit innovative prototype design which help to enhance the quality of the urban environment. REDAS will continue to step up our efforts to engage the public through collaborative partnerships such as innovative awards, exhibitions and public art book.

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2019 marks the 60th year of REDAS' establishment in 1959. A series of programmes and activities will be rolled out to celebrate this significant milestone. The year 2019 also marks 200 years of history for Singapore. REDAS is honoured to be invited as a partner of the Bicentennial Singapore. To commemorate this landmark occasion with Singapore, REDAS will organize a 7-day immersive and interactive Bicentennial event.

REDAS looks forward to celebrate its Diamond Jubilee celebration with all REDAS Members and friends.

The Association has achieved credible performance in its revenue in a challenging 2018, with a surplus of \$323,516 for the financial year ended 30 September 2018.

As we begin a new fiscal year in 2019, REDAS' members' business interest and benefits will remain at the top of our priorities. Continued efforts will be made to strengthen the position of REDAS, enlarge its role and raise the profile of the real estate development industry in Singapore and beyond.

I would like to express my deepest gratitude to all members of the Management Committee for their unwavering commitment to the Association. To our honorary advisors and members of the various sub-committees, thank you for your hard work in driving the many new initiatives.

I wish all members good health, happiness and prosperity in the years ahead!

**AUGUSTINE TAN  
PRESIDENT  
REDAS**

3 January 2019