

Introduction

February was the Budget Speech / Debate month and the new Finance Minister had made his maiden speech in Parliament. One important change, i.e. the abolition of the Estate Duty Act, will benefit real estate sales in the mid- to long-term. **[See Annex A for a short essay on 'Axing of Estate Duty']** However, the Finance Minister also said that in the short-term the real estate market would grow moderately and he did not expect Stamp Duty collections for this year to be as high as last year's \$3.8 billion.

For the month of February, investors and developers alike continued to be spooked by the on-going uncertainties in the global economy. Major developers were humbled into delaying the launches of many prestigious projects while buyers continued to stay home to watch the financial news on TV, which looked more like re-runs of the Winter Olympic skiing competitions – it's all the way down. In short, a downward spiral appeared to be in motion in the new home market segment in Singapore. **[See Annex C for recent transactions in the private resale market]**

The high consumer price inflation had prompted the government to explain to the public that the sudden surge in January inflation figure was caused by a one off revision of the Annual Value of public flats.

(A) Uncertainties reign in the larger market

▪ (A.1) MAS fears Asia will be hurt by the ailing US economy

In its first public comment on the global financial turmoil, the Monetary Authority of Singapore (MAS), warned Singaporeans to be 'vigilant' as the credit crisis has now started to have an impact on the real economy.

However, barring any sharp correction in the global economy, the short-term outlook for Asia remains generally positive. The current forecast is for Asia ex-Japan to grow at a fairly healthy pace of around 7.8% in 2008, one percentage point lower compared to last year.

Compared with the situation in 1997, Asian capital markets are now better developed and better primed to cope with sudden shock. But, due to Asia's economic linkages through trade, investment and finance with the US, the long-term decoupling of Asia from US is not possible.

Actually, there is an imminent risk of the US being caught in a negative spiral involving tighter credit standards, reduced credit availability and slowing down of the macro economy. As such, policy makers in Asian have to face up to the challenge of how to contain the spread of that negative spiral to their respective home economy.

▪ (A.2) New \$2.8 billion write-down by Credit Suisse spooks investors

Credit Suisse announced on 16 February a massive \$2.8 billion new write-down which gobbled up \$1 billion from the bank's profit.

The new revelation was shocking as the Swiss bank had earlier reported that it would suffer a smaller write-down of \$1.3 billion. In fact, at this moment, many banks are equally clueless about the true values of many of their assets which are linked to the on-going US housing problems.

Credit Suisse's total write-downs related to the global credit crisis have now reached about \$3.7 billion, while its neighbour UBS has written off about \$18 billion.

Some analysts have put the total figure of corporate write-downs relating to the US subprime crisis at near \$150 billion; but the German finance minister thought that the losses could snowball to as much as \$400 billion very quickly. And the truth is: anyone's guess can be right.

The dangers are still lurking in the banking system in the developed world, as it is extremely difficult for the lending institutions to conduct a realistic assessment of the complicated financial instruments under the current market turmoil. This episode serves as a stark reminder that the fallout of the US sub-prime housing woes are far from over.

▪ **(A.3) US housing woes at its worst in 2007**

The Bush administration has recently rolled out a rescue package, called 'Project Lifeline' for home owners facing foreclosure. Six of the largest financial institutions in the US, which service almost half of the country's mortgages, will provide distressed homeowners with refinancing assistance and suspend proceedings for 30 days. Most of the households to be helped would already have been more than 90 days overdue in mortgage repayments.

The six lending institutions include JPMorgan Chase, Bank of America, Countrywide Financial, Citigroup, Washington Mutual and Wells Fargo.

The current problem was made worse by earlier resetting of rates on many mortgages. Many home owners simply defaulted and walked away from the wreckage defiantly.

The cities which are hardest hit include Sacramento where 43.6% of homes on the market have been lowered in price. There are currently 36,097 homes on the market there, with genuine buyers nowhere in sight.

Home prices in Las Vegas had fallen 17.2% between November 2006 and November 2007. From December 2006 to December 2007, the number of homes on the market surged by 30%, and with home sales at a snail pace, it is likely that there will be more price depreciation down the road.

Florida has three cities on the list of 10 fastest-falling markets, with Tampa down 11.7%, Miami depressed by 10.6% and Jacksonville in an 8.7% decline from last year.

As for Detroit, there is not much further for the city's housing prices to fall. In some areas of Motor City, banks are literally giving homes away if the buyer agrees to offer a price.

▪ **(A.4) US January home resale close to 10-year low**

Sales of single-family homes and condominiums in the US dropped 0.4% in February 2008 to the slowest sales pace since 1999. The median price of a home sold in January slid 4.6% from a year ago to US\$201,100. And the median price has fallen for five straight months.

Supply of unsold homes is still aplenty on the market and it will take a long time to clear that up. It means that prices will continue to fall in the worst housing slump for the US in a quarter-century.

Sales were weak in all parts of the US except the Midwest, where sales posted an increase of 3.4%. Elsewhere, sales dropped by 3.6% in the North-east, 2.1% in the West and 0.5% in the South.

Both new home sales and resale tumbled for a second straight year in 2007 due to the on-going credit crunch. Lenders are more careful nowadays and the market for sub-prime mortgages has essentially dried up.

▪ **(A.5) Foreclosure rate of US homes up by 57%**

The number of US homes being repossessed by their lenders has increase 57% in January compared to the same period a year ago.

As of January 2008, a total of 233,001 homes received at least one notice from lenders related to overdue payments. This is a 63.7% increase in distress loans, compared with 148,425 a year earlier.

The number of house owners who received the default notices for the first-time increase almost 50%, suggesting that more and more house owners are starting to face difficulties making mortgage repayments. Technically, if these households receive two more default notices, they will be considered delinquents.

In January 2008, one in every 534 homes was foreclosed. It was an 8% increase from December last year.

▪ **(A.6) \$6.4b surplus a one-off phenomenon – Mr Tharman**

The Singapore government was pleasantly surprised by the sheer size of the Budget surplus of \$6.45 billion. It was the highest surplus since the last bull-run in 1994.

In fact, the unexpectedly huge surplus owes a huge part to last year's property bull-run which contributed a total of \$4.9 billion to the coffer, including \$3.8 billion in Stamp duty (\$2.3 billion higher than expected) and another \$1.1 billion in other property-related revenues.

However, the Finance Minister forecast that Stamp duty collection will be reduced by 36.8% or \$1.4 billion to \$2.4 billion in 2008, due to moderation in the property market and fewer en bloc deals. Property transaction volume is expected to be lower while prices appreciate more slowly. [See Annex B for a short essay on Stamp Duty]

▪ **(A.7) Ministry explained sudden surge in public housing costs**

MTI assured that the 6.6% jump in consumer prices last month, though high, was consistent with the official full-year inflation forecast of 4.5% to 5.5% as the sudden jump in consumer prices was in part caused by the significant 11.1% jump in housing costs due to the Government's one-off revision of the annual value of public flats.

MIT explained that the annual value of a public flat is the theoretical rental income that a house could fetch in a year. The rise in annual value does not actually affect expenditures of most Singaporeans, who own instead of rent the homes they live in.

The ministry also explained that price levels were especially low in January 2007 due in part to service and conservancy rebates given out that month. But for this year, the government had already given out the rebates in December.

▪ **(A.8) US credit crunch boosts Sing dollar debt market**

If anyone was searching for good news, this may be it. Ironically, the weakness in the US market is presenting Singapore with an opportunity to prosper. The Singapore dollar market is a sound alternative funding source as Singapore is a mature developed market with significant investor base and a stable pool of investors. Unlike the credit squeeze situation in the US, the liquidity situation in Singapore continues to be good for rated, good quality issuers.

Foreign banks and companies facing a liquidity squeeze from their traditional funding sources such as US dollars, euros and yen, are increasing turning their attention to Singapore's corporate bond market.

Official statistics showed that in 2007, foreign issuers made up 55% or \$6.9 billion of the total corporate bond issuance, compared with the 44% or \$5.8 billion issuance a year ago. There are now

more foreign bond issuers in Singapore – to be precise, 73 foreign issuers in 2007, up from 64 in 2006.

Since the onset of the US sub-prime crisis, local banks have teamed up with foreign players to arrange for such bonds, for example, the Morgan Stanley's \$510 million Singapore dollar issuance jointly led by OCBC and Morgan Stanley.

In February 2008, OCBC was the joint lead arranger for Lehman Brothers' bond issue to raise \$250 million, the largest Singapore dollar foreign investment bank issuance, at a coupon of 4.2%.

In fact, the corporate bond market in Singapore has outperformed the stock market so far this year.

(B) News on property sales in Singapore

All is quiet in the front line; and that may hurt developers' bottom line at the end of the day. A combination of negative factors had pushed back scheduled launches this year and the moves look more like a resignation to fate than a result of a strategic insight.

▪ **(B.1) No major new launches and those launched did not do well**

Now that the Chinese New Year is over, some property developers are starting to release some smaller new projects outside the prime areas to test the volatile market. However, the sale performance was not something the developers could shout about.

For example, a freehold 28-unit boutique project in Telok Kura, Costa Este, which was launched recently only sold 4 units at a price range of between \$873 and \$926, though its developer is asking for \$980 psf for some units.

Palm Galleria launched recently only sold one unit at \$871 psf. Another nearby project, Espira Spring, sold 10 at prices ranging from \$727 psf to \$884 psf.

Waterfront Waves' public launch received an indifferent response with only 20 units sold.

Frasers Centrepoint and Far East Organization have put up only 180 units to test the market, including the 80 units that were sold during the preview. The first weekend sale result brought the tally of 100 transactions. So far, 180 units at the 405-unit development have been released.

Recently, crowds at the show flats have dwindled to pockets of five to ten people at any one time. As such, there might not be any major new projects being launched until the bruised sentiment is nursed back to health.

▪ **(B.2) Weak market sentiment causes more major developers to delay launches**

More major developers have decided to delay launches following the indifferent showing at the showrooms.

City Developments (CDL) executive chairman Kwek Leng Beng said that, if necessary, he can hold off launches of new developments until next year.

If the market conditions did not worsen by the middle of the year, CDL will launch more than 400 units in four projects, including 77 units at Shelford Suites in Bukit Timah, 100 of the 228-unit Quayside Isle @ Sentosa Cove, and another 100 at a new development on the former Lock Cho Apartments in Balestier Road, which will have 336 units.

▪ **(B.3) Wheelock delays launches of prestigious projects to later dates**

Likewise, Wheelock Properties will delay the scheduled launch of Orchard View at Angullia Park to probably middle of the year, pending a more certain picture of the global economy.

The developer will launch Ardmore III next year. In the meantime, it would focus on the construction / completion works of The Sea View condo in the Amber Road area and The Cosmopolitan at the Kim Seng Road area. The two projects are slated for completion in the first-half of 2008 and mid 2008 respectively. Ardmore III is slated for completion in 2012.

No reasons were given for the delay in launches. However, it is not difficult to hazard a guess that it was the poor buying sentiment that has pulled the handbrake for the developer.

▪ **(B.4) Analysis of New home sale performance by Regions**

For the whole of January 2008, developers launched 410 new home units and sold 316 of them. The dismal sales figure is only a slight improvement over the 305 sold in December last year where 445 new units were launched.

The sale figure of 316 new private homes (excluding ECs) sold in January was the worst since URA started showing developers' monthly sales figures and prices in June 2007.

Prices also mirrored the tentativeness of the market and remained largely flat, with a slight dip in the overall median prices – due to more units selling at lower prices.

Only 103 new units were sold in the Core Central Region (CCR) in January. None of those units sold achieved above \$4,000 per sq ft (psf). The following projects in CCR sold only one unit in the whole of January 2008 and they include:

Table [1] – CCR Primary Sale performance (part 1)

	Project name	District	Psf price		Project name	District	Psf price
1	Estilo	9	1,735	5	Icon	2	2,141
2	Grange Infinite	10	3,292	6	Scotts Square	9	3,671
3	Helios Residences	9	3,389	7	Turquoise	4	2,658
4	Hilltops	9	3,636				

The following projects in CCR had more transactions and the details are as follows:

Table [2] – CCR Primary Sale performance (part 2)

	Project name	District	Units sold	Lowest psf	Highest psf
1	Martin Place Residences	9	5	\$1,639	\$1,889
2	Mount Sophia Suites	9	12	\$1,623	\$1,823
3	Parc Mackenzie	9	4	\$1,000	\$1,596
4	Wilkie 80	9	50	\$1,376	\$1,655
5	Wilkie Studio	9	3	\$1,670	\$1,814
6	Zenith@Zion	10	22	\$1,571	\$1,751
	Total		103 (including Table 1 figures)		

The total sale figure of 103 'units sold' was unimpressive and the sale prices were all below \$2,000 psf. Many so-called District 9 projects are actually bordering District 8 and are furthest away from the glamour, such as Estilo, Mt Sophia Suites, Parc Mackenzie, Wilkie 80, and Wilkie Studio.

Median prices for new private homes, excluding executive condos and landed homes, fell 3.2% from \$1,124 psf in December to \$1,088 psf last month.

The lowest transacted price was \$737 psf for a unit at Coastal View Residences in Jalan Loyang Besar, while Scotts Square in Scotts Road achieved the highest at \$3,671.

A dismal sale volume of 51 transactions were recorded in the Rest of Central Region (RCR).

Table [3] – Primary sale figures * in Rest of Central Region (RCR) in Jan 08 * [condos or apartments unless indicated]

sr	District	Project Name	Units Sold	Lowest psf	Highest psf
1	4	Reflections at Keppel Bay	3	1,558	2,098
2	5	The Rochester	5	1,251	1,551
3	8	Residences @ Somme	2	889	890
4	9	Floridian	1	1,735	1,735
5	9	The Cascadia	1	1,496	1,496
6	11	Jardin	1	1,693	1,693
7	12	D'Lotus	4	889	907
8	15	Aalto	3	1,678	2,209
9	15	Amber Residences	1	1,950	1,950
10	15	Casa Meya	10	952	1,053
11	15	Celestia	4	750	959
12	15	One @ Pulasan	1	873	873
13	15	Residences @ Stangee (Landed)	3	644	653
14	15	Suites @ Amber	3	1,132	1,270
15	15	The Seafront On Meyer	6	1,339	1,700
16	16	The Beacon Edge	1	1,087	1,087
17	21	West-N	2	918	960
Total			51		

Projects outside the central region (OCR) performed slightly better with 139 transactions. In all, 220 new units were launched in OCR - the highest since August 2007 when the bad news from the US started to surface.

Table [4] – Primary sale figures * in Outside Central Region (OCR) in Jan 08 * [condos or apartments unless indicated]

sr	District	Project Name	Unit sold	Lowest psf	Highest psf
1	5	Botannia	2	811	847
2	14	D'Oasia	2	925	960
3	15	Callidora Ville	8	900	977
4	15	Costa Este	4	873	926
5	15	Espira Residence	1	848	848
6	15	Espira Spring	10	727	884
7	15	Idyllic Residences	1	826	826
8	15	Mabelle	2	810	868
9	15	Residence 66	4	664	825
10	16	East Coast Residences	1	1,293	1,293
11	16	Palm Galleria	1	871	871
12	16	Waterfront Waves	79	656	909
13	17	Coastal View Residences	1	737	737
14	19	Kovana	1	880	880
15	19	The Quartz	3	729	759
16	22	The Lakeshore	9	798	928
17	23	Hillvista	1	1,088	1,088
18	23	La Casa	12	537	601

19	23	Park Natura	3	858	1,072
20	23	Pavilion Park (Phase 2)	24	751	951
21	23	The Linear	1	751	751
Total			139		

In the primary market, 15 (or almost 40%) out of the 38 projects which saw some transactions are located in District 15.

District 15 certainly has become the darling of investors and home owners alike. Its popularity can be seen from the number of units transacted in the primary as well as secondary market outside District 9, 10 and 11, when compared with other districts.

▪ **(B.5) Performance of private secondary market from 1 Jan 08 to 8 Mar 08**

In terms of secondary sale, out of the 1,235 units sold in the RCR and OCR for the first two months of 2008, 172 or about 14% are located in District 15. In other words, District 15 out-sold every other district in Singapore so far this year and has, without a doubt, become a high profile growth area.

The secondary market did not perform any better either. The resale volume of 1,235 units within the first two months of the year was a 26.66% slide from the 1,684 units transacted in the same period last year.

Table [5] – Secondary Sale Market Performance – by DISTRICTS

	Volume		Volume		Volume
D1	28	D10	99	D19	97
D2	24	D11	59	D20	35
D3	35	D12	32	D21	64
D4	32	D13	8	D22	39
D5	74	D14	49	D23	70
D6	0	D15	172	D25	17
D7	9	D16	70	D26	8
D8	45	D17	20	D27	13
D9	68	D18	56	D28	12

Total	1,235
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Table [6] – Secondary Sale Market Performance – by PRICE RANGE

Price range	Q1 SECONDARY Sale (So far)	Foreigner	% of Total
\$500k – \$999k	710 [same period last year = 723]	72	10.14%
\$1m – \$1.99m	376 [same period last year = 412]	83	22.07%
\$2m – \$2.99m	58 [same period last year = 124]	19	32.75%
\$3m – \$3.99m	36 [same period last year = 40]	12	33.33%
\$4m – \$4.99m	12 [same period last year = 21]	4	33.33%
\$5m – \$5.99m	11 [same period last year = 17]	1	8.33%
\$6m – \$50m	3 [same period last year = 21]	0	-
Total	1,207 [same period last year = 1,358]	191	15.82%

▪ Units at \$4million range

The 12 units at the \$4 million to \$4.99 million price range include three [3] District 10 Ardmore II units (between \$4.351m and \$4.395m), three [3] units at the Marina Collection at Sentosa Cove (between \$4.9m and \$4.95m), and one unit each at District 9 Cairnhill Plaza and St Thomas Suites, District 10 The Grange and The Marbella, District 5 Pepys Hill and The Coast at Sentosa Cove.

▪ Units at \$5million range

The 12 units at the \$5 million to \$5.99 million price range include three [3] units at District 10 The Grange (between \$5.52m and \$5.87m), and one unit each at the following projects including District 9 Ardmore II, District 10 Cuscaden Residences, D’Grove Villas, Regency Park and St Regis Residences, District 11 Sky@Eleven and District 4 Marina Collection.

- Units at \$6million range

Only 3 units were transacted at above the \$6m price level and they are: Helios Residences, The Grange and Ardmore II

- **(B.6) Fewer landed property transactions from January 2008 onwards**

The sale figures in the landed property segment mirrored those of the non-landed property segment. In fact, the 71.25% drop in volume was astounding. In absolute numbers, the total sale of landed properties in the first two months of the year was only slightly more than a quarter of the volume in the same period of last year.

Table [7] – Performance of Landed Property

	Primary Sale	Secondary Sale	Total
1 Jan 07 to 9 Mar 07	474	345	845
1 Jan 08 to 9 Mar 08	60	183	243

The table below shows the detailed breakdown of the sales by different house types and the comparison with last year’s performance.

Table [8] – Performance of Landed Property

House types	1 Jan 07 to 9 Mar 07			1 Jan 08 to 9 Mar 08		
	Primary	Secondary	Total	Primary	Secondary	Total
Detached	78	72	150	8	32	40
Semi-Detached	148	98	246	14	42	56
Terrace	248	175	423	38	109	147
Total	474	345	819	60	183	243

- Performance of Good Class Bungalows

Last year, a total of 96 GCBs were transacted in the whole year. However, 75% or 59 units were sold in the first half of the year before the revelation of the housing problems in the US. The transaction volume trickled down to 16 units done in the third quarter; and only 4 units sold in the last quarter of the year.

So far in 2008, only three GCBs, among the 250-odd CGB listings on the market, were sold. And they were transacted at \$774 psf, \$801psf and \$1,193 psf respectively.

Recently, a pair of recently completed Good Class Bungalows at 37 and 39 Leedon Road is being launched at an asking price of around \$35 million apiece.

With the land size of 22,000 square feet and 21,000 sq ft, the psf prices of the two properties work out to be \$1,591 psf and \$1,667 psf respectively. However, a check revealed that in July 2007, a smaller GCB at Leedon Park was transacted at \$13,880,000 or \$914.33 psf. Nearby, a 29,309 sq ft GCB at District 10 Belmont Road was sold for \$23.3 million or \$795 psf in August last year; a 25,802 sq ft GCB at District 10 Swettenham Road was sold at \$19 million.

It remains to be seen how potential buyers will react to the evaporation of the wealth effect following the sharp worldwide stock market correction in January 2008.

- **(B.7) Sub-sales may dominate secondary sale market again as projects near TOP**

With many high profile residential projects getting closer to their Temporary Occupation Permit (TOP) date, sub-sale activities are expected to hot up again, e.g. out of the 29 transactions recorded in Sentosa Cove from the first day of the year to the time of this report, 15 units or 52% of the transactions were sub-sale deals.

Many of the units bought in 2005 to 2007 period were leveraged on the Deferred Payment Scheme, before it was abolished in September 2007. Those buyers have up to the TOP date to secure financing if they need one. But, according to an earlier report in September 2007 by the Credit Bureau of Singapore (CBS), only four in ten loan applications were successful.

Given the current uncertainties, some of those who had taken advantage of the DP scheme may begin to review their options around five to six months ahead of TOP before the stampede begins.

It remains to be seen whether many sellers will come out in force to dispose of their units. If they do, the developers' pricing power will be clipped especially when the new projects are in nearby locations to those about to TOP. But it may be a different story altogether if sentiment in the high-end market picks up again.

(C) Rents should sustain in the first half of 2008

Since January 2008, there have been signs showing a slower and smaller growth in residential rents. Whether or not home rents will sustain its upward momentum or slide depends on a number of economic factors. Below shows the 'push-pull' factors affecting rents in general:

▪ **(C.1) Singapore is world's 7th most expensive office location**

Office rent at Singapore' Central Business District (CBD) leapfrogged four places to become the seventh most expensive prime office location in the world for the first time.

Singapore's occupancy costs hit an average of about US\$130 per square foot, according to a global market rent survey which compares office occupancy costs in 203 locations in 58 countries across the globe. Rents for prime office space soared 78% for the whole of 2007.

Office rents, the largest component of occupancy costs, rose 40% on average in the world's top 10 office locations. On the worldwide scale, rents climbed by 14% on average.

West London is the most expensive office location in the world, followed by Hong Kong, Bumbai, Moscow, Tokyo, Paris and then Singapore. None of the US cities have made the top 5 list this time round.

▪ **(C.2) Will office rents in Singapore surpass Hong Kong's**

Two rivalry reports show that the total occupancy cost in Singapore has hit US\$10.42 and US\$10.80 psf per month at the end of 2007.

The two differing reports put the total occupancy cost for Hong Kong at US\$9.74 and US\$19.90 psf pm during the same period. When one report said that the occupancy cost for office space in Singapore is higher than that of Hong Kong, the other said the exact opposite.

The Urban Redevelopment Authority (URA) commented that the discrepancy between the two sets of data arises from the different methods of comparison. However, the undisputable fact was that the median Grade A office rents in Singapore rose 96.5% last year to hit \$17.15 psf a month.

In the final analysis, with the advent of more foreign firms taking refuge from the troubled US and EU markets and parking their money in Singapore, rents for prime office space will continue to climb. Office rents in Hong Kong, on the other hand, are expected to rise by a slower 5% in 2008.

It is therefore widely expected that rents in Singapore will overtake rents in Hong Kong sometime this year.

▪ **(C.3) Competition for prime office space at Marina Bay**

Almost everyone is trying to take a slice of action at Marina Bay Financial Centre (MBFC) which will be fully completed by 2012.

American Express International (Amex) has been the latest new tenant at MBFC, which means that slightly more than half of the total 2.9 million square feet of offices in the entire development has been taken up.

Barclays will lease about 100,000 sq ft or four floors in the tower, Icap is taking 35,000 sq ft and Pictet around 25,000 sq ft. Standard Chartered is taking 24 floors or 508,298 sq ft out of its 600,000 sq ft of net lettable area at the first phase 33-storey Tower One.

DBS has leased about 700,000 sq ft in MBFC's Tower 3 - which will be in the project's second phase and slated for completion by early 2012.

▪ **(C.4) Record take up for ready-built industrial facilities**

Likewise, industrial landlords are also enjoying the fruits of other's labour.

The net take-up for JTC's ready-built facilities reached a new record high of 214,700 sq m in 2007. This beat the previous height of 179,600 sq m set in 2005. Similarly, the net take-up rate for JTC's prepared land was also the highest at 341 ha in 2007.

The demand and overall occupancy rate of flatted, stack-up and standard factory space rose to 92.7% in 2007, up from 87.8% in 2006.

In 2007, the gross allocation of ready-built facilities was higher by 42% to 399,900 sq m. A year ago, it was 281,000 sq m. However, as the termination level increased by 14% year-on-year to 185,200 sq m in 2007, the net allocation of facilities stood at 214,700 sq m last year.

The areas of growth are specialised parks (which accounted for 250 ha or 73% of the total net allocation of 342 ha), Jurong Island (156 ha) and Wafer Fab Park (42 ha).

The chemical sector made up half of the total gross allocation of prepared industrial land for 2007. Manufacturing related and supporting sectors (such as logistics and services) accounted for 13% and 12% respectively of total gross allocation.

Rents and occupancy rates for all industrial space are expected to hold firm this year.

▪ **(C.5) The Number of TOP issued will decide the fate of the rental market**

As for residential rents, the key factor affecting the movement of rents will be the supply of ready-built private condo units in the next couple of years. Experts reckon that with delays in new home launches and construction bottlenecks, the quantity of new home to be completed in these two years might be lower than earlier projected.

For the next three years, there will be about 8,300-plus private homes to be completed in 2008, about 13,400-plus units in 2009, and around 18,500 units in 2010.

However, the actual number of private home completions in 2009 and 2010 may be much lower because of the current delay and capacity bottlenecks due to the competition between private sector and public infrastructure projects.

With actual demolitions of en bloc developments still impending in the next nine to 12 months, net supply will remain low. These may cause the escalation of rents for private homes in these one to two years.

From the tight schedule, it appears that only around 9,000 to 11,000 new private homes will receive their TOP in 2010, way below the 18,509 units earlier estimated by URA.

(D) News on En bloc Sale

Ever since the passing of the new Collective Sale law on 4 Oct 2007, not a single en bloc sale project has been sold. This is because these deals are now getting more costly and time-consuming.

What used to be rather easy and inexpensive to initiate has become more expensive, complicated, tedious and requiring a lot of synchronisation. Among other things, the new rules now require a qualified lawyer to be present whenever a consenting resident signs the Collective Sale Agreement (the agreement that binds the whole estate to the sale) and to explain the details of the CSA at the same time.

After the Horizon Tower saga and the recent spate of disputes between minority owners and buyers, sellers nowadays are more careful with documents, such as the minutes of sale committee meetings, draft motions for the general meetings etc, which may later become a ground for contestation. They would require their lawyer to go through all the documents and help to keep them water-tight.

The significant increase in lawyer's workload consequently results in much higher legal costs.

Property consultants are now charging about 15% to 20% more to make up for the extra effort and longer time resulting from the requirements to explain the terms and conditions of the CSA, arranging for lawyers to witness the execution of the CSA etc.

▪ (D.1) En bloc sale news - 16 terrace houses up for collective sale

A row of 16 terrace houses at Fort Road in the East Coast has been put up for collective sale with an indicative price of \$95 million. The site has an area of 47,886 sq ft and a 2.1 plot ratio which ordinarily allows up to 24 storeys in height.

There will be an estimated development charge of \$23 million, as well as the cost to buy over an adjoining state land of 10,964 sq ft, which could cost about \$6.4 million. The plottage increment will increase the cost to \$1,238 per sq ft based on potential gross floor area.

Collective sales of landed properties are rare as it requires 100% consent from all the house owners, unlike strata-titled apartments and condominiums where an 80% majority by share value and floor area will suffice.

The collective sale of landed properties is not subject to the approval of the Strata Title Board.

▪ (D.2) En bloc sale news – Merchant Square

Merchant Square, a four-storey office building off Merchant Road, is up for sale with a guide price of \$73 million, which will work out to be \$1,450 psf of net lettable area of about 50,262 sq ft.

The property, which was developed by carpet manufacturer Jackson Carpet and completed in 1996, sits on a land area of approximately 28,083 sq ft and has two levels of basement car park for 76 vehicles.

▪ **(D.3) En bloc sale news – Waldorf Mansions**

Waldorf Mansions at Balestier Road has been put up for sale. The asking price is \$21 million, or \$659 per sq ft per plot ratio (psf ppr).

The freehold 11-storey block is sitting on a site area of 11,384 sq ft with a plot ratio of 2.8, which allows up to 36 storeys. Currently, it houses 16 apartments.

Based on the asking price, the en bloc sellers will make a premium of about 33% over the current market price for Waldorf Mansions.

▪ **(D.4) Eight owners of Gillman Heights sued**

Eight en bloc sale sellers of Gillman Heights Condominium are being sued by the buyer, the CapitaLand-led consortium, for alleged breach of contract.

The eight owners, who had earlier agreed to the collective deal, had applied to the High Court last Monday to contest the validity of a supplementary deal to the original collective sale agreement.

The developers who are clearly not amused by the action deemed it a detriment amounting to a breach of the owners' contractual obligations.

The group of eight claimed that some of the signatures on the supplementary agreement came in after the deadline and, if excluded, may reduce the mandatory 80% majority consent required in a collective sale. This by itself was seen as derogatory to the legitimacy of the collective sale which the eight had earlier endorsed.

(E) Foreign interest in commercial buildings in Singapore

▪ **(E.1) One Phillip Street - Foreign interest in Singapore's commercial buildings**

Lippo unit Auric Pacific has sold One Phillip Street in the Raffles Place area to UK-based New Star International Property Fund for \$99.02 million or \$2,736 per square foot of the 999-year leasehold building's net lettable area (NLA).

Auric's selling price is about 2.6 times the \$37.6 million it paid for the 16-storey building about two years ago when it bought the property from Kewalram Group, which in 1996 bought the same building from Lippon for \$76.8 million.

New Star's first major acquisition in Singapore was Parakou Building - a freehold office block at the corner of Robinson Road and McCallum Street last May for \$128 million or \$2,013 psf of NLA.

(F) News on Government Land Sale (GLS) Programme

The record take-up rate of ready-built industrial properties has prompted developers to bid keenly for industrial sites at the recent GLS tender exercises. Likewise, tenders for state-owned properties for residential uses were also exciting in February 2008.

- **(F.1) \$14m bid triggers tender of Ubi industrial site**

A 60-year leasehold industrial site at the corner of Ubi Avenue 4 and Ubi Road 2 will be released for public tender by the Urban Redevelopment Authority (URA).

The site was originally in the reserved list, which means it will not be released for sale until someone commits to purchasing it for at least the reserved price. However, URA has received a bid of \$14 million, or \$51.98 psf ppr from a developer whose name was not disclosed. With the minimum bid, the site has been unlocked for public tender.

The 134.663 sq ft plot is zoned for Business 1 use which can be developed for a range of clean and light industries.

- **(F.2) Industrial sites receive higher bids**

Reflecting a growing interest in industrial property and defying the lull in residential property segment, a 60-year leasehold 92,870 sq ft reserve industrial site at Playfair Road off Paya Lebar Road attracted 12 bids at the close of a URA tender exercise.

Sim Lian Development unit Trio Link Development emerged with the top bid of \$33 million or \$142 per square foot per plot ratio (psf ppr). The winning bid has set the new record price for such a site in the Ubi/Paya Lebar/Eunos area.

The plot is zoned Business 1, which include a range of clean and light industries. It is within a few minutes' walk from Upper Paya Lebar MRT Station.

- **(F.3) More black-and-white conservation bungalows for rental**

Singapore Land Authority (SLA) is offering more state-owned black-and-white conservation properties including four bungalows and two semi-detached houses in Seletar, Sembawang and Lornie Road for rent via bidding at the end of this month. The rents start at \$1,800 a month for a semi-detached house and between \$3,400 and \$6,600 for the bungalows.

The response to the previous round of bidding in January was very encouraging as 75 bids were received for five residential properties comprising two black-and-white bungalows and three apartments.

SLA currently manages about 2,360 residential state properties and will progressively place those with available tenancies for at least two years on the opening bidding system. Eight more similar properties will be up for rent in March and about 36 apartment units in total by the first half of this year.

- **(F.4) Quick take-up rate for state-owned apartments**

The quick take-up rate for state-owned apartments put for tender suggests that the rental market is not about to relent, regardless of the current global economic uncertainties. Certainly, the parties in Singapore are far from over.

Last month, the SLA rented out three apartments in Clemenceau Avenue North at between \$1,856 and \$2,500; and two more bungalows in Alexandra Road and Dover were let for \$20,258 and \$15,100. The successful rents of between \$1,856 and \$2,500 to secure the Clemenceau Avenue lease were actually double the SLA's guide rents of \$960 to \$1,110.

The SLA will release more such apartments in popular areas such as Sembawang, Alexandra Park, Adams Park, Telok Blangah, Bukit Timah and Woodleigh Park.

- **(F.5) China firm puts in top bid for Bishan HDB site**

China-based builder Qingdao Construction Group Corporation pips two rival construction firms with the winning bid of \$135,888,777 or \$237 per square per plot ratio (psf ppr) for the third Housing and Development Board (HDB) Design, Build and Sell Scheme (DBSS) site in Bishan.

The second DBSS site, City View @ Boon Keng received overwhelming response when it was launched in May 2007. The units were sold at an average of \$520 psf. In view of a better location, the eventual launch price of the Bishan development could be around \$550 psf.

(G) News on HDB Resale Market

- **(G.1) Close to ten thousand applications swamped 278 new flats**

The Housing and Development Board (HDB) has received 9,900 applications for 278 flats offered in its February bi-monthly sale. Most of the units offered are four-room flats, plus 64 five-room units and 20 executive flats in 13 estates. There are 119 units in Toa Payoh and 39 in Tampines.

In bid to allay the fear that prices for resale flats may become out of reach, HDB said that last month 25% of resale transactions were completed at prices no more than \$10,000 above valuation. (19 Feb)

- **(G.2) Summary of HDB resale transactions for February 2008**

Overall transactions of resale HDB flats dipped a little in February 2008 due to the long Chinese New Year holidays. The Woodlands estate continued to dominate the resale volume with 213 resale flats transacted in February 2008. It also topped the resale chart in January 2008 with 200 transactions and in December 2007 with 197 resale transactions.

Resale volume of 5-room and the large Executive flats was lower by 102 units or 1.66% and 46 units or 1.18% respectively, probably due to higher cash-over-valuation (COV) demanded by sellers. Besides with private condo sale dropping significantly and with the prospect of more new ready-built (units with Temporary Occupation Permit issued by the Building Control Authority) to be available soon, there has been no real urgency for prospective buyers to rush into the resale market. In other words, the market is calmer now though the economic fundamentals [i.e. full employment, wage increases etc] remain strong.

The demand for HDB resale flats will manifest itself when the asking prices are more realistic when a clearer picture of the global situation avails itself. More buyers would opt for larger flats to so as to shield themselves from the ongoing inflation. [See February 2008 HDB resale transactions in Annex D]

Annex A

Axing of estate duty good for high-end property segment

In the past, the rich minimised estate duty by holding more assets in residential property - rather than stocks, cash and insurance. With the hefty exemption of \$9 million for houses, the death tax tended to encourage people to channel money into property.

The super-rich would also set up a trust, a legal arrangement enabling them to give away their assets, such as shares and property, to named beneficiaries. A trustee, typically an institution, administers the trust.

On a broader level, one of the more significant impacts of scrapping the death tax is that it may attract new wealth to relocate to Singapore. Wealthy families may be encouraged to live in Singapore permanently, keep their assets here and own real estate here.

There appears to be more pros than cons for real estate agents, though the incentive to own more residential homes, except for the one that they are using at the moment, is no longer present with the abolition of the death tax.

This is because more wealthy individuals will be encouraged to move their wealth here and take up permanent residence here. And that means they would need a beautiful roof over their heads. The high-end property segment should be getting a shot in the arm when it needs it most. However, the inflow of funds will not happen suddenly but gradually, perhaps over two to three years.

Likewise, rich Singapore family enterprises used to invest their money overseas to avoid paying taxes such as the estate duty may now consider relocating their funds back home.

In fact, international wealth management experts, like UBS, have started receiving calls from foreign investors on possible fund relocation to Singapore. There is one less reason for anyone to have concern about coming to Singapore.

Annex B

Stamp duty

Stamp duty is a tax that is payable on legal documents recording a sale or mortgage of immovable property and shares, and a lease of immovable property.

Stamp duty collected on property comprises about 98% of total Stamp Duty collections. Of the Stamp Duty on property, about 76% is accounted for by private property sales and disposals.

Stamp Duty collection are expected to reach \$3.8 billion in Financial Year 2007, the highest ever recorded. This is due mainly to the buoyant private residential property market, which saw a record number of property transactions and a new high in prices in 2007. The total value of private residential properties transacted increased by 55% and the total value of private commercial properties transacted increased by 37% from 2006.

Stamp duty collections are much more volatile than other revenue sources and Stamp duty collections are highly subject to the fluctuations in prices and volume of property transactions. These are in turn strongly influenced by market sentiments, which make stamp duty collections volatile from year to year and difficult to project.

Stamp duty collections can be significant. However, given the volatile nature of stamp duty collections, the Government does not rely on it as a key source of funding for regular Government expenditures.

Annex C

Performance of secondary market so far in 2008

Table [9] – Secondary Sale Market Performance – by SELECTED PROJECTS

District	Project	Unit Sold	Price range		Psf range	
4	Marina Collection	9	\$4.90m	\$12.6m	-	
4	Carribean at Keppel Bay	5	\$1.24m	\$3.55m	\$1,397	\$1,691
4	The Oceanfront	5	\$2.13m	\$3.0m	-	
4	Harbour View Tower	2	\$1.36m	\$1.55m	\$965	\$1,133
4	Telok Blangah Hse	2	\$3.06m	\$3.33m	\$1,175	\$1,200
4	The Berth	2	\$2.9m	\$3.5m	\$1,702	\$1,738
4	The Pearl@Mt Faber	2	\$1.45m	\$1.78m	\$1,044	\$1,110
4	The Coast	1	\$4.43m	-	\$1,690	
4	The Azure	1	\$3.39m	-	-	
	Total	29				

Table [10] – Secondary Sale Market Performance – by SELECTED PROJECTS

District	Project	Unit Sold	Price range		Psf range	
9	8@Mt Sophia	4	\$659k	\$2.08m	\$766	\$1,470
9	Aspen Height	4	\$1.4m	\$1.83m	\$1,181	\$1,555
9	Parc Emily	4	\$1.08m	\$1.30m	\$1,200	\$1,459
9	The Cosmopolitan	4	\$1.43m	\$2.72m	\$1,082	\$1,950
9	UE Square	4	\$1.2m	\$2.2m	\$1,018	\$1,253
9	Watermark Robertson C	4	\$807k	\$1.6m	\$847	\$1,570
9	Rivergate	2	\$1.23m	\$1.76m	\$1,181	\$1,211
9	Robertson 100	2	\$1m	\$1.22m	\$1,273	\$1,400
9	Scotts Highpark	2	\$5.81m	\$9.97m	-	
9	The Metz	2	\$1.25m	\$1.49m	\$2,191	\$2,271
9	Urbana	2	\$1.67m	\$1.68m	\$1,609	\$1,650
9	Visioncrest	2	\$1.54m	\$3.31m	\$1,626	\$2,700
9	Cairnhill Plaza	1	\$4.6m		\$1,631	
9	Cairnhill Residences	1	\$2.17m		\$1,757	
9	Cavenagh Garden	1	\$1.78m		\$1,148	
9	Centrepoint apt	1	\$1.6m		\$1,429	
9	Claremont	1	\$1.56m		\$1,349	
9	Gambier Court	1	\$1.31m		\$1,127	
9	Helios Residences	1	\$6.03m		-	
9	La Crystal	1	\$1.28m		\$1,367	
9	Leonie Garden	1	\$3.95m		\$1,555	
9	Mackenzie Mans	1	\$910k		\$798	
9	Mirage Tower	1	\$765k		\$1,341	
9	One Oxley Rise	1	\$1.34m		\$1,928	
9	Paterson Residence	1	\$3.06m		\$2,050	
9	Ritz Residences	1	\$3.03m		-	
9	St Thomas Suites	1	\$4.44m		\$1,705	
9	The Inspira	1	\$1.49m		\$1,240	
9	The Paterson	1	\$2.48m		\$2,039	
9	The Paterson Edge	1	\$2.42m		\$2,400	
9	The Pier at Robertson	1	\$3.75m		\$1,914	

9	The Suites at Central	1	\$3.06m			
9	The Trillium	1	\$2.59m		\$1,851	
Total		57				

Table [11] – Comparison of sale performances of SELECTED D9 PROJECTS

District 9 Projects	First half 2007	Second half 2007	Jan – Feb 2008
Project Name	Units sold	Units sold	Units sold
Cairnhill Residences	46	10	1
Aspen Height	66	36	4
Leonie Garden	53	5	1
Leonie Parc View	21	5	0
Orchard Scotts	15	4	0
Richmond Park	25	5	0
Rivergate	154	63	2
Scotts Highpark	45	9	2
ST Thomas Suites	177	16	1
The Trillium	218	40	1
Tribeca	81	49	0

Table [12] – Secondary Sale Market Performance – by SELECTED PROJECTS

District	Project	Unit Sold	Price range		Psf range	
10	Zenith@Zion	8	\$774k	\$1.31m	-	
10	The Grange	6	\$2.8m	\$6.4m	-	
10	Ardmore II	5	\$4.35m	\$6.11m	-	
10	Duchess Crest	4	\$1.15m	\$2.03m	\$990	\$1,082
10	Cuscaden Residences	3	\$2.5m	\$5.19m	\$2,020	\$2,499
10	Spring Grove	3	\$1.52m	\$2.58m	\$1,498	\$1,792
10	The Serenade@Holland	3	\$1.09m	\$2.07m	\$951	\$1,158
10	The Sixth Ave Residences	3	\$1.83m	\$2.02m	\$1,350	\$1,490
10	Valley Park	3	\$1.09m	\$1.52m	\$1,257	\$1,360
10	Ardmore Park	2	\$7.55m	\$9.15m	\$2,617	\$3,172
10	One Jervois	2	\$1.22m	\$1.28m	\$998	\$1,400
10	One Tree Residences	2	\$1.63m	\$1.77m	-	
10	St Regis Residences	2	\$5.21m	\$8.84m	-	
10	The Ford@Holland	2	\$630k	\$712	\$1,407	
10	The Marbella	2	\$1.63m	\$4.05m	\$1,189	\$1,514
10	The Tessarina	2	\$1.26m	\$1.81	\$1,099	\$1,245
10	The Tresor	2	\$1.67m	\$2.21m	-	
10	Holland Hill	1	\$1.62m		\$1,067	
10	90 Holland Road	1	\$1.58m		\$1,203	
10	Avalon	1	\$2.8m		\$1,758	
10	Balmoral Hill	1	\$3.49m		\$1,900	
10	Corona Ville	1	\$1.4m		\$922	
10	D’Grove Villas	1	\$5.3m		\$1,962	
10	Draycott Eight	1	\$7.45m		\$2,573	
10	Duchess Manor	1	\$1.15m		\$1,425	
10	Gardenville	1	\$3.7m		\$2,046	
10	Gisborne Light	1	\$1.42m		\$1,147	
10	Holland Peak	1	\$2.3m		\$1,250	
10	Hollandswood Court	1	\$1.38m		\$648	
10	Holt Residences	1	\$3.23m		\$1,563	

10	Hoot Kiam Mans	1	\$750k		\$617	
10	Jervois Jade	1	\$1.38m		\$928	
10	Kellock Lodge	1	\$950k		\$1,063	
10	Montview	1	\$1.22m		\$720	
10	Palm Spring	1	\$3.8m		\$1,429	
10	Regency Park	1	\$5.1m		\$1,606	
10	Robin Regalia	1	\$1.1m		\$1,277	
10	Sommerville Grandeur	1	\$2.47m		\$1,350	
10	Stevens Loft	1	\$1.1m		\$1,597	
10	Tanglin Park	1	\$3.05m		\$2,285	
10	Tanglin Regency	1	\$1.0m		\$1,021	
10	The Balmoral Spring	1	\$1.68m		\$1,509	
10	The Cornwall	1	\$3.0m		\$1,557	
10	The Equatorial	1	\$2.53m		\$1,680	
10	The Legend	1	\$3.0m		\$1,387	
10	The Sierra	1	\$625k		\$880	
10	Viz@Holland	1	\$784k		\$829	

Annex D**Performance of HDB Resale market in February 2008**

Below shows the most current transaction figures of resale flats in February 2008 and the figures can be compared with previous months' transactions to gauge the prevailing market sentiment.

Table [13] – February 08 HDB Resale Transactions

	3-room	4-room	5-room	E-Flats	Total
Ang Mo Kio	62	26	9	1	98
Bedok	59	27	25	7	118
Bishan	4	25	10	5	44
Bt Batok	38	46	19	7	110
Bt Merah	39	26	14	0	79
Bt Panjang	15	28	25	5	73
Bt Timah	1	4	5	0	10
Central Area	10	6	0	0	16
Choa Chu Kang	1	40	28	9	78
Clementi	38	15	5	0	58
Geylang Aljunied	38	18	6	1	63
Hougang	20	43	20	13	96
Jurong East	21	10	9	4	44
Jurong West	27	70	43	11	151
Kallang Whampoa	42	18	10	1	71
Marine Parade	6	6	7	0	19
Pasir Ris	1	18	14	15	48
Punggol	0	13	31	5	49
Queenstown	54	11	8	1	74
Sembawang	0	17	25	3	45
Sengkang	0	35	47	9	91
Serangoon	11	25	7	5	48
Tampines	46	70	35	12	163
Toa Payoh	42	17	13	4	76
Woodlands	20	103	68	22	213
Yishun	40	51	12	6	109
Total	635 (31.1%)	768 (37.6%)	495 (24.22%)	146 (7.14%)	2044

Table [14] – January 08 HDB Resale Transactions

	3-room	4-room	5-room	E-Flats	Total
Ang Mo Kio	61	29	12	3	105
Bedok	58	26	25	7	116
Bishan	8	34	10	5	57
Bt Batok	39	53	12	13	117
Bt Merah	40	33	27	0	100
Bt Panjang	8	33	25	5	71
Bt Timah	1	3	0	1	5
Central Area	13	2	1	0	16
Choa Chu Kang	5	50	37	17	109
Clementi	27	17	10	3	57
Geylang Aljunied	35	19	6	4	64
Hougang	27	59	33	13	132
Jurong East	18	16	19	7	60
Jurong West	43	61	38	19	161
Kallang Whampoa	27	22	12	0	61

Marine Parade	13	9	9	0	31
Pasir Ris	0	21	28	27	76
Punggol	0	14	35	0	49
Queenstown	56	16	16	0	88
Sembawang	0	26	36	7	69
Sengkang	0	34	46	8	88
Serangoon	22	27	14	8	71
Tampines	37	58	48	17	160
Toa Payoh	51	21	13	3	88
Woodlands	30	87	67	16	200
Yishun	61	67	18	9	155
Total	680 (29.50%)	837 (36.30%)	597 (25.88%)	192 (8.32%)	2,306

Table [15] – December 07 HDB Resale Transactions

	3-room	4-room	5-room	E-Flats	Total
Ang Mo Kio	57	24	12	1	94
Bedok	51	30	22	3	106
Bishan	5	18	11	8	42
Bt Batok	32	34	14	4	84
Bt Merah	37	33	17	0	87
Bt Panjang	7	26	22	6	61
Bt Timah	1	2	1	3	7
Central Area	7	7	0	0	14
Choa Chu Kang	7	52	21	6	86
Clementi	36	12	3	3	54
Geylang Aljunied	26	16	3	2	47
Hougang	17	54	30	17	118
Jurong East	21	15	10	4	50
Jurong West	23	50	37	11	121
Kallang Whampoa	29	19	11	3	62
Marine Parade	5	8	3	0	16
Pasir Ris	0	20	15	15	50
Punggol	0	14	28	3	45
Queenstown	49	13	10	3	75
Sembawang	0	22	29	6	57
Sengkang	0	43	46	8	97
Serangoon	14	15	8	7	44
Tampines	22	62	33	10	127
Toa Payoh	41	11	14	0	66
Woodlands	15	101	62	19	197
Yishun	54	64	24	5	147
	556 (28.45%)	765 (39.15%)	486 (24.87%)	147 (7.52%)	1,954