

NUS Real Estate Public Lecture 2019

Real Estate Trends 2019 and Beyond

Date/Time: 21st March 2019, 12pm – 1.30pm

Venue: Shaw Foundation Alumni House Auditorium



Speaker: Ong Choon Fah

She is heavily involved in the real estate and scholarly community. She heads the executive leadership team for Edmund Tie and Company in her role as CEO. She has worked in different sectors of the real estate market, and she is able to work with clients from both the public and private sectors, for-profit and non-profit organisations, occupiers, investors, institutions and REITs. [Read more ...](#)

Key Messages:

- Demand for Real Estate is a derived demand: in the old days, our government's plan was that our GDP growth should come 25% from manufacturing, but now the GDP growth from manufacturing is less than 20%. We are currently trending towards a service industry.
- Demographics: Resident population grew by 0.9%, Compound annual growth rate (CAGR) while residents aged >65 years increased by 5.6% (CAGR).
- Household growth is outpacing population growth. Household growth was 1.9% (CAGR). Household size is shrinking. There is now an increasing number of smaller households. 1-2 are the fastest growing households.
- There is a current trend towards increased accessibility and connectivity. By 2030, 80% households are expected to live within a 10-min walk to an MRT station. 85% of public transport journeys to be completed within an hour, and 75% during peak hour. By 2040, it would be easy to travel to towns and cities on public, active and shared modes of transport: in the future: premium of living near MRT stations is likely to drop. Alternative forms of transport are up and coming: for example, increase in active transport like cycling and running.
- MRT lines used to converge in the city centre. Yet, today, you do not necessarily have to commute to the CBD. Companies are increasingly starting to organize and strategize their space outside the CBD.
- Based on the URA Private Residential Price Index, there is a trend that every peak is higher than the last peak. However, we would have to look at whether it can be supported by the growth in wages. Changes in policies, such as lower interest rates, would give rise to a lot of liquidity in the market.
- Prices of different asset classes move in tandem. Speculation on strata office, retail would lead to a response from developers. (There is a current trend of small retail places now that are not fit for purpose, causing a distortion of the market). Tenant mix is important to orchestrate the retail space and bring satisfaction to customers.
- Property cooling measures effective 6th July 2018 have led to a recalibration of land prices. Yet, we are still having a lot of residential en bloc sales, and reserve prices are still going up. To get the 80% majority voting, the reserve price is usually increased. So far, only one sale has been done.

- Based on the revision to guidelines on Maximum Allowable Dwelling Units in non-landed residential developments outside the Central Area. Average size of New Private Flats w.e.f. 17th January 2019 is now 915 sq ft, 85 sq m (about the size of a 4 Room HDB flat).
- Government is now relaxing CPF rules for buying older HDB flats (In the old days, you could only use your CPF for unexpired lease terms of over 75 years).
- Sales volume of non-landed properties declined by 11.6% in 2018. Bulk of non-landed sales are priced below \$1.5m. Due to rising interest rates, people are becoming a lot more concerned about the cost of borrowing.
- New repositioning of properties around trees and wellness. Eg: The Tre Ver
- Higher proportion of Singaporeans are buying properties, but the foreigners (40% of which are Chinese, global citizens) which are buying are purchasing large ticket items, for example lavish residential properties with double volume air space to hang their chandeliers.
- En bloc site sales collapsed since H2 2018, with only one transaction closed post-cooling measures. Eg: Phoenix Heights, a large part has to do with the ability to leverage and obtain new funding. Most of the proceeds from the en bloc sales are usually not that large, at most 2mil.
- Up to 60 potential new launches (>21,000 units) in 2019
- Trending: Co-living, popular among millennials. Tenants mostly foreigners, expatriates and singles with higher income, this is an emerging trend Eg: CDL investing in mamahome
- Demand for office space almost doubled in 2018, there are improving rents for the CBD and the city fringe, nowadays, people do not necessarily want to locate in to CBD, a sense of place and culture is more important.
- New office pipeline is limited
- Trending: the rise of co-working spaces, Justco has the largest market share, followed by Wework. However, their membership fees have been declining due to the competition.
- Supply and demand for private industrial spaces manufacturing has started to come down, demand for traditional industrial has been coming down, and it would continue to be a struggle: Growing supply in tandem with higher demand for business parks. Growth of data centres in Singapore: Singapore is well positioned to build new data centres. For example, Google is building its new Data Centre in 2020, and Facebook is also building a \$1.4 billion data centre in Singapore, forecasted to open in 2022.
- Upcoming retail offerings in 2019 include Jewel Changi Airport, Funan and Wild Rice Theatre. Malls have changed into a place whereby we spend time with our families and friends. In some ways, a mall has become a huge community centre, people do not necessarily hang out in the mall to shop.



Takeaways:

- There is a lot of push back from tenants for office space
- Many retailers have exited the market due to the small size of our market
- Beyond 2019, how relevant is the CBD? Most people gravitate to places with a lot of facilities. But would the CBD continue to remain relevant?
- With the growing need for flexibility, is there a case for more white sites? The question lies in how much flexibility we should give to accommodate change
- How is technology and the sharing economy going to impact the real estate market? Eg: Autonomous vehicles, Flying Cars: Air taxis to be tested in Singapore skies mid-2019

- With greater appreciation on environment, heritage and sense of place, do we need an overarching policy on conservation?
- Beyond 2019, there could be an increase in the number of smaller homes
- How do we respond to the silver tsunami? Will the ageing population be disoriented with so many new activities? Eg: Kampung Admiralty aimed at encouraging active living among the elderly
- Real Estate agents have this constant fear of being replaced by artificial intelligence. Yet, we need to understand that changes are for the better and humans still innately need somebody to trust

Takeaways from the Discussion:



- Future Asset Prices: Current concept plan can accommodate up to 6.8mil people. Globally, there will always be changes. Current mispricing due to the low interest rate environment has led to rising asset prices.
- Recommendation for millennials due to the reality of rising asset prices. For millennials, they should consider HDB flats which are value for money and seize the incentives provided, eg: such as subsidies

for those who buy flats near their parents.

- What is sustainable for housing? Housing can be used as a catalyst to change norms. Lifestyles are changing. Youth hostels and budget hotels are being accommodated by baby boomers. Our perceptions are likely to change in the future.
- For the future prices of older HDB flats, investigation into the Bala's Table is recommended. It is just a theoretical reality that one must face, just like our industrial leases. When one looks at the aging effect and studies shown controlling for location, lease etc, HDBs seem to hold up quite well in terms of aging.
- REITs: In the past, Singaporeans liked to invest in strata unit shophouses. This is no longer popular now. Currently, there is an increasing trend of people putting their money into REITs. This could impact investment prices. To build on top of this idea, one can explore the possibility of a residential rental REIT market in the future. Possible idea of selling residential property to the investor market. Younger people are more open to rental now due to the change in culture. In addition, it is more worthwhile for young people to rent.
- CBD could be viewed as an underutilization of real estate as it is not used 24 hours. In addition, there is an increasing trend for companies forming clusters outside of the CBD.
- New mindset of millennials. Most millennials want something small, and easy to maintain. They start to simplify their lives, and they do not want to handle the upkeep of such a large property. They would prefer a smaller, fuss free property.
- Merger of Edmund tie and Orange tee: difference between a prop tech company and a tech prop company. A tech prop company uses technology to come into property. A property tech company is a property company using tech to come into property. There is a difference in emphasis.