

The SiSAM Connect

Discover the opportunities

MARKET COMMENTARY

Macroeconomic indicators are pointing towards a continual challenging economic environment this year, as reflected by the side-way movement of the equity markets. Closer to home in Singapore, GDP grew 1.8% YoY in 1Q16 (1Q15: 2.6% YoY) amid manufacturing sector continuing to be a drag since 1Q15. On a QoQ seasonally adjusted annualised basis, GDP grew by 0.2% as compared to 6.2% in the preceding quarter. Our research team has also revealed that a significant number of SMEs are facing decline in business revenue as well as cash-flow constrains, resulting in significant dips in capex and expansion investment. Going forward, the sluggish global economic condition is likely to pose downside pressure domestically. A slowdown in economic growth is already underway but this will also present investment opportunities in the region.



Ong Kang Lin
CEO

In Singapore's real estate residential sector, with about half a year to go before certain projects incur Qualifying Certificate (QC) charges, a number of developers are starting to cut prices and aggressively market their projects. We have started seeing transaction volume pick up in the high end market from these campaigns but this does not signify a sharp U-turn in investors' sentiment and appetite amid the current global economic climate, which continue to pose uncertainties and downside risk. Further, cooling measures and upcoming record supply of 23,435 private residential units this year (according to URA) will likely suppress demand and price respectively. The secondary real estate luxury market has also seen a number of transactions at below expected prices. As such, we believe that undervalued/distressed investment opportunities will begin to emerge more visibly going forward, providing an attractive target pipeline for **SiS Real Estate Opportunity Fund**.

WHAT'S HAPPENING ON THE GROUND?

- According to LaSalle Investment Management, Singapore property is closer to cyclical bottom than Hong Kong. Actual price correction in Singapore is more pronounced although both countries have had property cooling measures in place for a few years
- According to URA data, developer sales in April (ex-EC) was relatively robust, with a decrease of 11.6% m-o-m to 745 and 36.2% y-o-y. Top selling projects include Sturdee Residences (private) at a median price of \$1,620 psf.
- According to JLL data, more newly completed and uncompleted units have been put up for mortgagee sales this year. (Refer to data on Page 2 for more details)
 - ✓ 4-bedroom unit at Silversea, Marine Parade, went for \$3.9m or ~\$1,529 psf
 - ✓ 3-bedroom unit at OUE Twin peaks went for auction for the first time
 - ✓ 3-bedroom unit at Sky Vue in Bishan
- According to SRX Property Data, rentals of private condominiums and apartments were flat m-o-m in April. City area rents were largely unchanged while city fringe rose by 0.1% and suburbs decreased by 0.1%
 - Developers are starting to offer price cuts in a bid to help boost their sales. (Refer to data on Page 2 for more details on sales)
 - ✓ Ardmore Three in Admore Park started giving a limited offer of 15% discount and a 15% ABSD rebate under the "ABSD assistance package" to offset the additional buyer's stamp duty. It has sold about 20 units so far at effective prices of ~\$2,600-\$2,700 psf (vs launch price of \$3,400-\$3,500)
 - ✓ OUE introduced a deferred payment scheme for OUE Twin Peaks. They have sold close to 80 units since the Good Friday weekend

Many **individual** direct real estate investors find it a challenge to service their mortgages due to unfavourable market conditions such as a weakening rental market.

Table 1: New properties up for mortgagee sales this year

Development	TOP year	Unit type
Jardin	2013	2br (1,098 sq ft)
18 Jalan Selamat*	2014	Detached house
Estrivillas*	2014	Cluster semi-D
Novelty Bizcentre	2014	B1 Industrial
Silversea	2014	3br (1,507 sq ft); 4br (2,551 sq ft)
The Greenwich	2014	1br (603 sq ft)
euHabitat	2015	1br (527 sq ft)
OUE Twin Peaks	2015	3br (1,604 sq ft)
Seletar Park Residences	2015	2br (1,077 sq ft)
60 Burghley Drive*	2016	Semi-detached house
62/62A Berwick Drive*	Uncompleted	Pair of semi-detached houses
122 Mimosa Crescent*	Uncompleted	Bungalow

NOTE: TOP from 2013 and uncompleted.

*To be presented at JLL May auction.

Source: JLL
STRAITS TIMES GRAPHICS

Opportunities are emerging from price cuts as developers are starting to clear their unsold inventory which has resulted in recent increases in transacted volumes.

Table 2: Top selling projects excluding ECs

Project	District	Total units	Sold in April 2016	Sold-to-date	Median PSF (\$)
Sturdee Residences	8	305	126	126	1620
Botanique at Bartley	19	797	52	713	1297
The Poiz Residences	13	71	42	443	1451
Kingsford Hillview Peak	23	512	39	358	1335
Cairnhill Nine	9	268	33	204	2668
Sims Urban Oasis	14	1024	31	466	1388
Lakeville	22	696	21	617	1240
Kingsford Waterbay	19	1165	20	392	1196
The Panorama	20	698	20	608	1220
Symphony Suites	27	660	19	258	1063

Source: URA

Current Fund by SiSAM

SiS Real Estate Opportunity Fund, to find out more, email enquiry@sisasset.com.