

# The SiSAM Connect

*Discover the opportunities*

## MARKET COMMENTARY

The new year, 2017 began with much attention centred on Donald Trump taking office as the 45<sup>th</sup> President of the United States. As discussed in our December issue, equity markets in the United States had initially reacted positively to his election win on expectations that some of his plans will help boost the domestic economy. To recap, Trump's plans to "make America great again" include the following:

- Increase infrastructure investment;
- Increase defence expenditure;
- Cut corporate taxes and introduce an attractive repatriation tax to lure United States companies to repatriate capital from overseas;
- Deregulate the banking sector and repeal Dodd-Frank Act; and
- Remove restrictions in the energy sector

Of note, the renown investor Warren Buffet has purchased some US\$12b worth of equities since the election.

However, markets have somewhat softened following the new Trump administration's recent steps to implement his more controversial plans. President Trump has followed up on his campaign promise and abandoned the Trans-Pacific Partnership (TPP), effectively reversing his predecessor's free-trade strategy. He has also enacted a highly controversial ban on travellers from seven Muslim-majority countries. This move raised deep concerns that his administration may implement further isolationist policies, resulting in further economic and geopolitical uncertainty despite having advocated a pro-business and growth strategy for the country.

The price action of global markets since Trump taking office has indeed mirrored the business and investment community's sentiments of uncertainty as well as diverse expectations of his future plans. Given the uncertain business climate, coupled with lacklustre economic data in Singapore, we continue to be cautious in our investment evaluations but remain highly optimistic that great uncertainty presents great investment opportunities.

## WHAT'S HAPPENING ON THE GROUND?

- According to recent URA data, private residential property index fell 0.6 point from 137.9 points in 3Q 2016 to 137.3 points in 4Q 2016. This represents a decline of 0.5%, compared with the 1.5% decline in the previous quarter. For the whole of 2016, prices have fallen by 3.0% YoY, compared with a 3.7% decline in 2015. With reference to non-landed residential property, for the whole of 2016, prices in CCR, RCR and OCR declined YoY by 1.2%, 2.8% and 3.4% respectively (2015: declined YoY by 2.5%, 4.5%, 3.7% respectively)
- According to MTI's advance estimates, Singapore's GDP grew by 1.8% YoY in 4Q16 (3Q16: 1.2% YoY), mainly driven by the manufacturing sector which grew 6.5% YoY. GDP grew by 1.8% for the full 2016 exceeding MTI 2016 forecast of 1.0 - 1.5%.
- Mr Wee Cho Yaw, Chairman Emeritus of UOB has bought all 45 unsold units at a District 10 condominium, The Nassim, for S\$411.6m (S\$2,300 psf) from CapitaLand. CapitaLand commented that the price represents a bulk sale discount of 18% from current sale price. (Source: Business Times)
- SGX-listed Fragrance Group announced that it has entered into an agreement to purchase a 4-star hotel (The Imperial Hotel) in Blackpool, UK for GBP 12.8m. The free-hold hotel has 180 rooms and sit on a land area of 9,388 sqm. (Source: Business Times)

- SGX-listed UOL has purchased a site at 45 Amber Road (land area of about 70,000 sqf) from developer Sin Lian Huat for S\$156m. The site currently houses a landscaping and nursery business. UOL commented that the site is able to develop about 190 apartment units in a 22-storey block. (Source: Strait Times)
- A 3-storey freehold District 10 residential development, One Tree Hill Garden, is currently put up for enbloc sale. The development consists of 6 maisonettes and 7 apartments on a land area of 39,063 sqf. According to marketing agent Knight Frank, the owners are expecting offers of at least S\$72.8m (S\$1,864 psf). The tender closes on 28 Feb 2017 (Source: Straits Times)

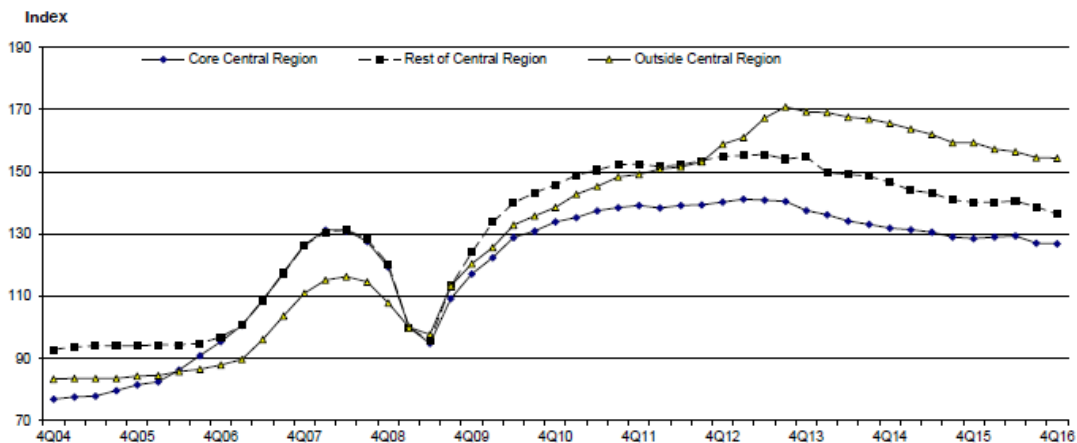
**Table 1: Notable Bulk Sale Transactions in District 9 & 10**

	Starlight Suites (River Valley Close)	Nouvel 18 (Anderson Road)	iLiv@Grange (Grange Road)
Total units in the project	105	156	30
Developer	Meadows Property (Tiong Aik Group)	Summervale Properties (Wing Tai and City Developments)	Heeton Residence (Heeton Holdings)
Buyer	Evia Capital	City Developments	Group of Singaporean investors
Transaction date	May 2016	July 2016	September 2016
Units sold	23	156	30
Strata area	2,670 sq m	32,614 sq m	5,438 sq m
Purchase price (psf price)	\$48 million (\$1,670)	\$410.96 million (\$2,342)	\$95 million (\$1,623)
Individual unit sale price (psf)	\$2,140*	\$2,800**	\$2,100***
Bulk deal price discount	22%	16%	23%

Note: \*Average individual unit sale price achieved for Starlight Suites prior to bulk deal. \*\*Average individual unit sale price for 46 units sold in Ardmore Three (a comparable condominium to Nouvel 18) from its recent relaunch in April 2016 to December 2016. \*\*\*Average resale price for 7 units sold in 2016 in Paterson Suites, Paterson Residence and Paterson Linc, which are comparable condominiums to iLiv@Grange.

Source: Straits Times

**Table 2: Property Price Index of Non-landed Residential Property**



Source: URA

### Current Funds by SiSAM

SiS Real Estate Opportunity Fund | SiS Intrepid Venture

To find out more, email [enquiry@sisasset.com](mailto:enquiry@sisasset.com).