

The SiSAM Connect

Discover the opportunities

MARKET COMMENTARY

As 2016 draws to a close, we cannot help but reflect on a truly eventful year. Following the Brexit referendum, another “unthinkable” event has happened - Donald Trump as the next President of US. His stunning victory over Hillary Clinton on 8 November confounded experts and pollsters, sending initial shock waves across global markets. However, similar to the post-Brexit reaction, US stock markets went on to defy “doomsday” predictions for the shock election result and went on to hit record highs in a Trump-fuelled rally. In contrast, outside the US, massive outflows of capital from Asia emerging markets in anticipation of his economic policies have begun. Yields, especially on the longer end of the curve, have been moving higher together with a US dollar rally. How should investors prepare for a world with Donald Trump as the incoming US President? At SiSAM, we believe the world under President Trump will see unprecedented uncertainty and volatility, presenting greater likelihood of extreme events occurring. At the same time, we view this as an opportune moment for prepared investors looking to invest opportunistically with us.

Back home, Singapore’s economy continued to weaken in 3Q2016, weighed down by a significant drop in manufacturing output and a slight contraction in the services sector. The data reflected the impact of sluggish external conditions on the small, highly trade-dependent city-state economy, which is experiencing a cyclical downturn. Singapore’s seasonally adjusted unemployment stood at 2.1% in 3Q2016, unchanged from the previous quarter. Some 4,100 workers were made redundant in the third quarter, down from 4,800 in the preceding quarter but higher than 3,460 a year ago. Total employment is estimated to have contracted by 3,300 in the three months to September, following a slower growth in the previous two quarters. It was the second contraction since 2008/2009 recession and the weakest quarterly result since the March quarter 2015. Consistent with our earlier commentaries, we continue to remain bearish on the economy which is not expected to improve in 2017. The only relief we see is the current benign interest environment but that will not last for too long.

2016 has been a busy and eventful year for SiSAM. We successfully launched our inaugural real estate fund in February 2016 and had the first closing completed on 31 July 2016. We also launched SiS Intrepid Venture in May – our first venture fund that has invested in local broadband services company MyRepublic Group. Indeed, we look forward to 2017 with great anticipation to capitalise on more opportunities together with our investors and partners.

WHAT’S HAPPENING ON THE GROUND?

- There appears to be a strong surge in private home sales in October where 1,252 private homes were sold, more than twice m-o-m, led by CDL’s Forest Woods. We note that this is largely led by sub-urban transactions as CCR accounts for only ~5% of sales.
- However, 12 consecutive quarters of decline culminated in a 10.8% drop in prices since the peak of Q3 2013, for Q3 2016. Comparatively, prices had slipped by a more moderate 0.4% in Q2 2016.
- According to URA data, the price decline in private homes in Q3 was led by landed properties, which fell 2.7%, after a 1.5% decline in Q2, possibly a reflection of market turmoils, weak economic outlook for Singapore and softening employment market. Therefore, we believe a price recovery at this point is still too early.
- According to IRAS figures obtained by Straits Times, For the year ended March 31, 2016, stamp duty assessed totalled \$2.96 billion, a 28% slide from \$4.11 billion two years ago. The slowdown is likely the result of a raft of cooling measures, such as the Additional Buyer’s Stamp Duty (ABSD) introduced in late 2011 to help cool the red-hot market then. (Source: Straits Times)
- Singapore will get a fourth telco next year and the competition is between local broadband services provider MyRepublic and Australian telecom services provider TPG Telecom. They will bid for 60 MHz of spectrum from the 900 MHz and 2.3 GHz bands which have a reserve price of S\$35 million. (Source: Business Times)

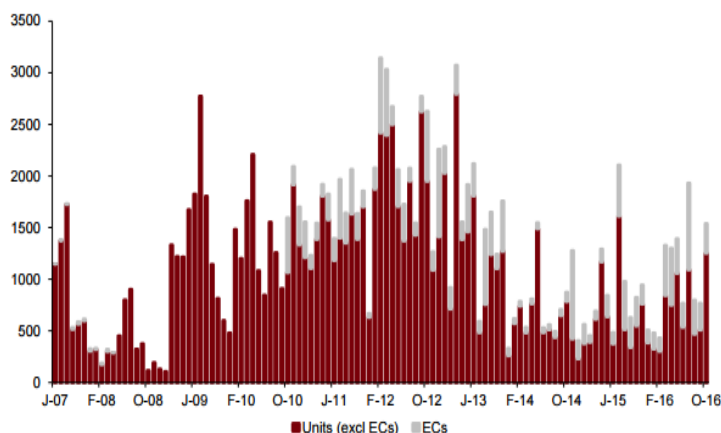
New home sales in October 2016 has surged to a 15-month high with CDL's Forest Woods leading the transactions as seen in data below (Table 1 and Chart 1). Queens Peak and Parc Riviera were launched in November with decent market response. While primary volumes appear to be recovering, we note that only ~5% of new home sales are in the CCR. There is an apparent bifurcation with the Private Residential Price Index and with several macroeconomic headwinds in play, we remain confident that more price cuts are looming ahead as the ABSD deadlines draw near, presenting opportunities for our real estate fund.

Table 1: Top-selling projects in October 2016

	Project Name	Location	Total no. of units	Total no. of unsold units	Units sold in the month	Media Price psf (SGD)
1	Forest Woods	OCR	519	155	364	1,412
2	The Alps Residences	OCR	626	292	334	1,078
3	Kingsford Waterbay	OCR	1,165	619	30	1,204
4	Stars of Kovan	OCR	395	218	30	1,432
5	The Triling	OCR	755	303	30	1,411
6	The Glades	OCR	726	134	28	1,456
7	Riverbank@Fernvale	OCR	555	64	26	988
8	Lake Grande	OCR	710	172	24	1,304
9	Symphony Suites	OCR	660	306	24	1,083
10	Sophia Hills	OCR	493	346	23	1,946
11	The Santorini	OCR	597	328	23	1,055

Source: URA

Chart 1: Monthly primary home sales



Source: CIMB

Table 2: Price Index for Q3 2016

Price index	ALL PRIVATE RESIDENTIAL	LANDED	NON-LANDED	NON-LANDED CCR	NON-LANDED RCR	NON-LANDED OCR
% change from last peak in 2013	-10.8	-14.8	-9.4	-10.1	-10.5	-9.4
% change from last trough in Q2 2009	44.7	59.9	41.6	33.9	45.6	58.5
Rental index						
% change from last peak in 2013/2014	-10.7	-13.8	-10.2	-10.6	-7.2	-13.7
% change from last trough in 2009	13.8	9.8	14.5	13.3	17.3	12.8

CCR - Core Central Region; RCR - Rest of Central Region; OCR - Outside Central Region

Source: URA

Current Funds by SiSAM

SiS Real Estate Opportunity Fund | SiS Intrepid Venture

To find out more, email enquiry@sisasset.com.