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Medium- to long-term prospects for S'pore property sector still strong

SINGAPORE: Singapore's commercial and residential property sectors will remain attractive to investors in the medium to long term.

Property watchers told Channel NewsAsia that is because of Singapore's status as an international financial hub.

2009 looks set to be a difficult year by all accounts, but market watchers said property investment fundamentals here remain strong.

As global financial institutions cut costs, they are likely to move operations out of expensive cities in the US and Europe to Asian countries such as Singapore, where the cost of doing business is cheaper.

For example, Singapore's corporate tax rate is 18 per cent, compared to 29 per cent in the UK and 40 per cent in the US.

And this could spur demand for office space in financial centres like Singapore, presenting investment opportunities for the commercial property sector.

Christopher Fossick, managing director, Southeast Asia, Jones Lang LaSalle, said: "Financial institutions are growing, in many cases from hundreds to thousands of jobs here in Singapore. The bigger these institutions become, the more real estate they need."

But there are opportunities in the residential market as well. The closing gap between debt servicing and rentals, as well as falling valuations in 2009, could see many investors looking for a good deal.

Eugene Lim, associate director, ERA Asia Pacific, said: "For example, those in district 9, 10, and 11, they tend to be more elastic, the prices. So when the economy is not doing too well, the prices come down quite a lot, especially amongst those who have, for example, bought from the developer and then now need to sell to raise cash flow. They are prepared to cut losses."

Observers said Singapore's property market will offer rich pickings to investors who have their eyes on long-term returns.