

Property Market Update for the Month of August 2008

Table of Contents

Introduction

Section A – The big picture in the larger economy

- [A.1] Bleak outlook for global economy
- [A.2] More bad news for the US housing crisis
- [A.3] Singapore is in a 'U-shape' slowdown

Section B – Performance of Private Residential Property Segment

- [B.1] Only 897 new home units sold in July
- [B.2] Price trend of new home market between June and July 2008
- [B.3] Slower secondary home sales

Section C – Performance of Non–Residential Property Segment

- [C.1] JTC Ready-build facilities keen sought after
- [C.2] Office occupancy costs in Singapore stagnate
- [C.3] More state properties for International schools here

Section D – Performance of Collective Sales

- [D.1] En bloc sale news: Maison Royale in Newton
- [D.2] Thomson collective sale faced a 'road block'

Section E – Foreign Interest in Singapore Real Estate

- No article

Section F – News on Government Land Sale (GLS) Programme

- [F.1] URA rejected the sole bid for Tampines site
- [F.2] Balestier hotel plot went on the cheap
- [F.3] SLA releases 8 infill sites for lease
- [F.4] Lukewarm response expected for Mohd Sultan Road office site

Section G – Overall Performance of HDB Resale Flats

- [G.1.] Flat owners enjoying spill-over from high private home rents
- [G.2] Condo-style HDB flats at AMK four times oversubscribed
- [G.3] Upside for HDB resale prices still good
- [G.4] The overall performance of HDB resale flats in August 2008
- [G.5] Case study on Resale Price Trend

Annex [A] - Skill Enhancement Training

How to react to tough questions using the latest market information/knowledge

- Part One: "I am not sure whether this is a good time to buy?"
- Part Two: "Real Estate Financial Planning for young buyers"
- Part Three: "Why should I pay you 2% - your work is not worth even 1%"

Introduction

At the time of writing this report, I was struck by the front page news on 6 September 2008 about the 'bloodletting in Asia bourses'. A particular statement sent chills to my spinal cord and it reads: "The New York Times reported that China's central bank was looking to shore up its capital base because of its US\$1 trillion (S\$1.4 trillion) exposure to US treasury bonds and debts issued by troubled mortgage giants Fannie Mae and Freddie Mac." My question is: if China spent US\$1 trillion, how much did Singapore government spend on the same thing?"

There are other telltale signs that point to a highly precarious situation. One is the upping of stake in Merrill Lynch by Singapore's Temasek Holdings.

It was reported on 28 August that Temasek Holdings has received the approval from the US Federal Trade Commission to increase its stake in the 94-year old embattled banking giant, Merrill Lynch. The fact that Temasek is still able to buy into the third largest bank in the US means that it is still bleeding and needs urgent capital infusion. Whether what the Singapore sovereign wealth fund did is right or wrong, the current crisis is fast reaching an epic proportion.

The other telltale sign is the downgrading of world's growth forecast by the International Monetary Fund (IMF) for this year to 3.9%, down from 4.1%. The IMF has further warned that the world economy will degrade further in the second half of this year, being particularly pessimistic about the EU zone economies.

The IMF has cut its forecast for euro zone growth this year to 1.4% from the 1.7% predicted and estimated next year's growth at 0.9%, down from 1.2%.

So, let us all keep our fingers crossed while we await the event unfold.

(A) The big picture of the larger economy

Another US bank collapsed in the midst of the credit crisis and more US households are falling behind on mortgage repayments. Locally in Singapore, more people fear losing their jobs and the stock market blood-letting has just begun. Property developers are getting the double whammy of increased unsold inventories and the embattled company share prices. Compassionately, the government has rolled out more measures to ensure that the truly needy have a place to live. All the indicators are pointing towards more uncertainties in the real estate market in the near term.

[A.1] Bleak outlook for global economy

Despite the US\$100 billion in tax rebates given by the US government as part of the economic rescue plan, Americans are not spending like they should. US retail sales have been dipping this year. Reportedly, about 80% of the rescue package has been saved for tougher times ahead. The implications are clear – when the US is saving (when it should be spending), the exporting economies all around the world will suffer, including Singapore.

A panel of 50 US economists polled in early August 2008 predicted that the sluggish US economy will push the jobless rate to 6% in December and to 6.1% by the end of next year.

[A.2] More bad news for the US housing crisis

In August, the US continued to be beset by more bad news including the following:

- [A2.1] Sub-prime losses cross half-way mark of US\$1trillion

Sub-prime losses incurred by banks worldwide have crossed the US\$500 billion mark with the announcement by UBS AG of a US\$6 billion in write-downs.

With that, losses incurred by banks have reached the half-way mark of the US\$1 trillion. It is now anybody's guess as to whether the losses could reach US\$2 trillion as more revelations are being made by banks affected by the crisis.

Banks and brokers have raised US\$353 billion of capital to cope with the massive write-downs but the current economic slum might frustrate them further.

- [A2.2] Delinquencies among prime mortgages rise in US

Actually, what was hard to believe was the fact that sub-prime loans only made up of less than 10% in the US. Right now, the percentage of other mortgages in arrears, such as alternative-A mortgages has quadrupled to 12% in April from a year earlier. Unlike sub-prime mortgage loans, Alt-A loans refers to loans with high loan-to-value ratio.

The vast majority of housing loans belonged to prime loans which make up of about 50% of the mortgages. However, delinquencies among prime loans, which account for most of the US\$12 trillion market, doubled to 2.7% during the same period. In fact, it will be a scarier news if prime mortgages are also in trouble.

- [A2.3] Another bank bites the dust

On 29 August 2008, Georgia regulators closed down an Alpharetta-based Integrity Bank, which has become the tenth US bank to be ravaged by the ongoing credit crisis and had to be taken over by another bank, i.e. Regions Bank of Birmingham, Alabama.

The Federal Deposit Insurance Corp (FDIC) estimated the impact of Integrity on the US\$45.2 billion insurance fund to be between US\$250 million and US\$350 million.

Integrity Bank ran into trouble in an all-too-familiar circumstance. It pursued aggressive loan growth in the metropolitan Atlanta real estate market and was badly hit by falling real estate prices. The Bank's inadequate risk management and poor lending practices led to significant loan losses and erosion of its capital.

So far, a total of 117 banks are on the FDIC's watch list. US banking regulators are prepared for more banks to collapse in this year and next as there are no signs to suggest that the current credit crisis may be near its end.

[A.3] Singapore is in a 'U-shape' slowdown

Singapore's economy was said to be in a 'stretched-U' slowdown, which means slow growth and no quick rebound in sight. Unlike a V-shape slowdown where the economy fell sharply and rebound quickly, a U-shape slowdown is protracted, which means that the current economic sluggishness will continue into 2009.

Singapore is at the verge of a technical recession as its GDP has fallen 6% in adjusted annualized terms in the second quarter when compared with the previous quarter. Another negative GDP in the third quarter will mean the island city is in a technical recession.

The MTI is not ruling out such a scenario as an unexpected turn in any of the industry or sector can bring about another quarter of negative growth. As it is, the negative growth in the second quarter was a result of a sharp fall in biomedical manufacturing as the pharmaceutical companies here switched to products with lower value in the quarter. Manufacturing has slumped 21.9% in July 2008 compared to a year ago.

Exactly when Singapore will get out of the bind depends on the state of global credit and asset markets in the next one to one-and-a-half years. The most decisive factor is how the United States will pick itself up from the current financial turmoil.

- [A3.1] Market capitalisation fell to 20-month low in Singapore

The present economic uncertainties have led to Singapore stocks shedding \$237.8 billion or 28% of market capitalisation from its peak of \$847.5 billion in October 2007.

The fall in market values in August 2008 from a month ago coincided with the second quarter (Q2) reporting season. Some 30% of the companies disappointed in their earnings and this is a large jump from the 14% in Q1.

According to analysts from the Citigroup, the current bear market is probably only two-thirds through and may drag on until early 2009. It added that the present bear market may last as long as the 2000/01 dot.com bust which was 91 weeks, or the 1997/1998 Asian financial crisis, which lasted 82 weeks.

- [A3.2] Jobless rates in Singapore set to rise

The latest data from the Singapore Manpower Ministry shows that unemployment rate increased for two straight quarters. The rate stands at 2.3% in Q2 2008, up from 1.7% in Q1 2008.

It seems that only the construction sector is still bringing in more jobs. In fact, most of the 70,600 jobs created in Q2 have been contributed by the construction sector. Even that, the job growth in Q2 was lower than the 73,200 gained in Q1.

- [A3.3] HDB rental flats to go to the truly needy

In a sign to show that the Singapore government is really concerned about probable massive layoffs in the near term, it has reiterated its resolve to ensure that rental flats are allocated to the truly needy.

The government is adamant that they will make the necessary checks to ensure that only the poor and less-fortunate will be granted flats to rent.

- [A3.4] Major property developers reporting smaller profits in Q2

The current slowdown in the property market is reflected in the lower earnings of major developers, e.g. CapitaLand, CDL, Keppel Land etc.

CapitaLand's Q2 profit fell to \$515.2 million which is a tumbling of 43.5%. City Developments' Q2 net profit dropped to \$165.2 million, which is a 15.1% slide; while Keppel Land's Q2 profit was \$52.7 million, a worrying 16.4% drop.

Likewise, Wing Tai's fourth-quarter net profit fell 60% to \$96.3 million, dragging down full-year net profit 40% to \$229.4 million. The listed firm found its revenue more than halved in the fourth quarter to \$107.3 million, and in the full year, to \$428.2 million. It is not going to launch its keenly-watched Ardmore Park and Anderson 18 anytime soon.

(B) The overall performance of Private Residential Property segment

In the real estate scene, the government land sale programme which raked in billions of dollars last year has been given the cold shoulders in recent months. Private new home sales, though handed in a better-looking report card of 897 sales (compared with 801 sales in June), are having higher unsold inventories with developers rolling out more units than they could possibly dispose of (3,379 in June as compared with 3,841 in July).

[B.1] Only 897 new home units sold in July

In July, new home sales volume was down 35% year-on-year with 897 units sold, but does better month-on-month with 12% rise compared to June.

The worrying sign is that the ratio of new home sales to newly launched units increased to 1:1.47 compared to 1:0.9 a year ago and 1:1.33 in the previous month. As a result, the stock of unsold homes in the developers' inventory will gradually increase. This also means that the take-up rate was disappointing.

Still, the improved sales volume for July does suggest that there is underlying demand from owner-occupiers. This demand came from the Outside Central Region (OCR) in which 636 units were launched which accounted for 48.1% of launches in July.

The Core Central Region (CCR), in comparison, saw launches fall 40.7% month-on-month and accounted for only 9.9% of all launches in the month.

[B.2] Price trend of new home market between June and July 2008

A case study was done on the price trend of new homes to ascertain the gravity of the situation and here are the findings.

- [B2.1] Central Core Region (comprising e.g. Districts 9, 10, 11 & Sentosa Cove)

Table [1] – New home projects in CCR with LOWER median sale prices

| CCR / Total units | | Comparison of Sales (by units) | | Comparison of Median PSF Prices | |
|------------------------------|-------|--------------------------------|-----------|---------------------------------|--------|
| Project Name | Total | JUNE 2008 | JULY 2008 | JUNE | JULY |
| 1 Jia | 22 | 2 | 1 | 1,637 | *1,582 |
| 2 Nassim Park Res | 100 | 15 | 7 | 3,000 | *2,974 |
| 3 Orchard Scotts | 387 | 2 | 1 | 3,042 | *2,438 |
| 4 Parc Sophia | 152 | 61 | 25 | 1,543 | *1,503 |
| 5 Vutton | 102 | 25 | 4 | 1,263 | *1,162 |
| 6 Villas @ Gilstead (Landed) | 18 | 1 | 1 | 1,090 | *1,078 |

Note: Units in Six (6) new home projects were sold for marginally lower median prices.

What's NEW in the REAL ESTATE Market
From 1 August to 31 August

Table [2] – New home projects in CCR with HIGHER median sale prices

| Project Name | Total | JUNE 2008 | JULY 2008 | JUNE | JULY |
|-------------------|-------|-----------|-----------|-------|--------------|
| 7 Lucida | 62 | 2 | 2 | 1,415 | 1,450 |
| 8 Shelford Suites | 77 | 10 | 2 | 1,537 | 1,688 |
| 9 Viz at Holland | 165 | 2 | 1 | 1,260 | 1,349 |

Note: Three (3) out of nine (9) projects enjoyed higher median sale prices for the units launched so far. Other projects in CCR not included in the table did not have any sales in July 2008.

- [B2.2] Rest of Central Region (comprising e.g. Katong, Bt Merah, Toa Payoh etc.)

Table [3] – New home projects in RCR with LOWER median sale prices

| RCR / Total units | | Comparison of Sales (by units) | | Comparison of Median PSF Prices | |
|----------------------|-------|--------------------------------|-----------|---------------------------------|---------------|
| Project Name | Total | JUNE 2008 | JULY 2008 | JUNE | JULY |
| 1 Celestia | 39 | 1 | 4 | 955 | *835 |
| 2 Citigate Residence | 28 | 28 | 1 | 1,034 | *970 |
| 3 Clover By The Park | 616 | 197 | 100 | 765 | *753 |
| 4 Dakota Residences | 348 | 144 | 31 | 978 | *968 |
| 5 Ivory | 20 | 2 | 6 | 866 | *825 |
| 6 Ola Residences | 50 | 8 | 2 | 1,145 | *1,014 |
| 7 The Adara | 16 | 1 | 3 | 968 | *929 |
| 8 The Verve | 106 | 9 | 4 | 950 | *923 |
| 9 Vogx | 29 | 7 | 4 | 950 | *897 |

Note: Units in the nine (9) new home projects were sold for marginally lower median prices.

Table [4] – New home projects in RCR with HIGHER median sale prices

| Project Name | Total | JUNE 2008 | JULY 2008 | JUNE | JULY |
|----------------------|-------|-----------|-----------|-------|--------------|
| 10 Bliss Regalia | 8 | 1 | 1 | 933 | 968 |
| 11 Oasis Garden | 134 | 1 | 2 | 869 | 909 |
| 12 D'Lotus | 83 | 2 | 4 | 910 | 976 |
| 13 Sunflower Regency | 14 | 5 | 3 | 548 | 560 |
| 14 The Rochester | 366 | 1 | 7 | 1,230 | 1,300 |
| 15 Versilia On Haig | 128 | 1 | 1 | 1,018 | 1,062 |

Note: Six (6) out of 15 projects enjoyed higher median sale prices for the units launched so far. Other projects in RCR not included in the table did not have any sales in July 2008.

- [B2.3] Outside Central Region (comprising e.g. Hougang, Woodlands, Yishun etc)

Table [5] – New home projects in OCR with LOWER median sale prices

| OCR / Total units | | Comparison of Sales (by units) | | Comparison of Median PSF Prices | |
|------------------------|-------|--------------------------------|-----------|---------------------------------|--------|
| Project Name | Total | JUNE 2008 | JULY 2008 | JUNE | JULY |
| 1 Aston Residence | 28 | 8 | 4 | 512 | *505 |
| 2 Blu Coral | 79 | 4 | 4 | 768 | *752 |
| 3 Breeze By The East | 88 | 5 | 1 | 979 | *953 |
| 4 Charlton Villas | 43 | 12 | 3 | 583 | *577 |
| 5 Eastbay | 40 | 6 | 6 | 1,049 | *1,027 |
| 6 Espira Residence | 16 | 4 | 1 | 752 | *624 |
| 7 Espira Spring | 30 | 1 | 2 | 780 | *752 |
| 8 Hillvista | 127 | 1 | 2 | 1,094 | *1,029 |
| 9 Kiara Ten | 10 | 4 | 2 | 408 | *403 |
| 10 Kovan Residences | 521 | 29 | 87 | 887 | *882 |
| 11 Palm Galleria | 40 | 5 | 2 | 777 | *712 |
| 12 The Ambrosia | 39 | 4 | 3 | 875 | *850 |
| 13 The Amery | 78 | 28 | 7 | 890 | *877 |
| 14 The Lakeshore | 848 | 16 | 14 | 896 | *812 |
| 15 The Scenic@Braddell | 18 | 3 | 4 | 810 | *699 |
| 16 Waterfront Waves | 405 | 13 | 4 | 764 | *737 |

Note: The vast majority of the new home projects launched in July had marginally lower median sale prices.

Table [6] – New home projects in OCR with HIGHER median sale prices

| Project Name | Total | JUNE | JULY | JUNE | JULY |
|-------------------|-------|------|------|-------|-------|
| 17 D'Casita | 39 | 7 | 5 | 870 | 900 |
| 18 Evania | 35 | 1 | 1 | 767 | 809 |
| 19 Ferraria Park | 472 | 1 | 1 | 694 | 704 |
| 20 Park Natura | 192 | 2 | 1 | 1,035 | 1,064 |
| 21 The Quartz | 625 | 11 | 21 | 728 | 732 |
| 22 The Florentine | 34 | 2 | 8 | 730 | 817 |
| 23 Idyllic East | 34 | 3 | 2 | 736 | 836 |

Note: Seven (7) out of the 23 projects enjoyed higher median sale prices for the units launched so far. Other projects in OCR not included in the table did not have any sales in July 2008.

- [B2.4] Findings of the Case Study

A vast majority of the new homes launched in all the three regions in July 2008 were sold at lower prices. Below are other observations:

- (a) OCR enjoys strong underlying demand from the HDB heartlands
The demand from Outside Central Region (OCR) remains healthy, probably due to many HDB dwellers living in the same or nearby neighbourhood taking advantage of the lower prices to upgrade themselves to better housing.

(b) Sub-sale prices will be affected

The trend of lower launched prices for new home projects in OCR will affect sub-sale prices later on in OCR, as well as the Rest of Central Region (RCR) if the location of the projects is not too ideal.

(c) CCR's future remain uncertain

As for the Core Central Region (CCR), both the volume and prices have come down by a big margin; and with the global recession looming larger each day, the future performance of this particular region remains highly uncertain.

With more than 30,000 new private condominiums and apartments coming on stream in the next couple of years, prices of private non-landed properties in the outlaying areas are not expected to rise by a big margin, if at all.

[B.3] Slower secondary home sales

The sale performance of secondary private homes is tracked by caveat searches and as such is affected by the inherent time lag in the caveat lodgement system. However, from the 3-week tally of the August sales figure, the situation does not look promising.

▪ [B3.1] Secondary non-landed home sale performance

The three-week total for the month of August was lacklustre with only 470 caveats recorded. In the same three-week period in July 2008, 662 caveats were lodged.

The full month sales figure in July 2008 was 972 resale transactions. The July sales figure was as follow:

Table [7] July secondary non-landed property transactions (by districts)

| | Transactions | | Transactions | | Transactions | | Transactions |
|----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|
| D1 | 31 | D8 | 48 | D15 | 111 | D22 | 30 |
| D2 | 9 | D9 | 67 | D16 | 49 | D23 | 55 |
| D3 | 24 | D10 | 77 | D17 | 16 | D24 | 0 |
| D4 | 6 | D11 | 36 | D18 | 53 | D25 | 6 |
| D5 | 46 | D12 | 25 | D19 | 62 | D26 | 8 |
| D6 | 0 | D13 | 5 | D20 | 76 | D27 | 23 |
| D7 | 5 | D14 | 71 | D21 | 29 | D28 | 4 |

Total secondary sales in July (by caveat lodged) = 972

District 15 enjoyed the highest transaction volume with 111 caveats lodged in July; followed by District 10 with 77, District 20 with 76, District 14 with 71, and District 9 with 67 caveats lodged in July 2008.

▪ [B3.2] Secondary landed home sale performance

As for the secondary landed home sale market, the number of landed homes sold in the secondary market in July 2008 is as follows:

- Detached houses = 13 (compared with 11 in June)
- Semi-detached houses = 27 (compared with 29 in June)
- Terrace houses = 73 (compared with 69 in June)

As for the three-week total in August [up to 22 August 2008], the number of landed homes sold in the secondary market is as follows:

- Detached houses = 7
- Semi-detached houses = 18
- Terrace houses = 43

Judging from the above statistics, it seems that landed homes have not lost their lustre. Though the sale volume might be marginally lower, the sales figures are still respectable given the current economic backdrop.

(C) The performance of Non-Residential Property segment

In the industrial space segment, the demand and supply situation mirrored that of the global economic situation. The economic slowdown in the developed economies has impacted the traditional manufacturing segment; however, demand for space in the Research & Development (R&D) and high-tech segments remains robust.

[C.1] JTC Ready-build facilities keen sought after

According to the latest JTC data, the occupancy level for ready-built facilities (RBF) rose to a record 94.9% in the second quarter (Q2) of 2008. Out of this increase, a hefty 51% was contributed by the Business Park segment. The biggest contribution has come from newly built spaces such as Fusionopolis.

However, in the traditional manufacturing segment, demand for flatted factory space fell due to surrendering of leases by the electronics sector, which has been badly hit by the economic slowdown in the US and EU.

[C.2] Office occupancy costs in Singapore stagnate

Average occupancy cost of Grade A prime office space in Raffles Place grew only 1.1% quarter-on-quarter to \$19 per square foot per month (psf pm) in Q2 2008. Apart from Raffles Place, Shenton Way/ Robinson Road/Cecil Street and decentralised areas, growth in occupancy costs in other areas like Marina Centre and Orchard Road was flat.

As more new supply comes on stream, office occupancy is likely to ease, thus thwarting growth in occupancy costs in the Central Business District (CBD) for the rest of 2008.

Besides, the cautious business outlook, the current market trend of companies gravitating towards cheaper premises like decentralised office buildings, industrial properties, business parks and disused state properties is also putting a downward pressure on office occupancies.

[C.3] More state properties for International schools here

The continuing influx of expatriates into Singapore in recent years has resulted in an increased demand for places in foreign schools. In August, four state buildings and three land parcels were released to help alleviate the limited supply of places at the 19 International Schools which have been having long waiting lists.

The buildings are the former Upper Serangoon Secondary School in Upper Serangoon Road, Nan Chiau High School in Kim Yam Road, Fuchun Primary School in Woodlands Centre Road and Jurong Town Primary School in Hu Ching Road. The land parcels - at Yishun Avenue 1, Hougang Avenue 1 and Bukit Batok Road - have lease periods of 30 years.

Usually, residential properties near international schools tend to enjoy higher rents.

(D) The performance of Collective Sales

[D.1] En bloc sale news: Maison Royale in Newton

Owners of the 20-unit Maison Royale, a freehold residential site in Newton, are asking at least \$50 million, including an estimated \$300,000 development charge (DC). If the deal is successful, the collective sale price will work out to be \$1,273 per square foot per plot ratio (psf ppr).

The breakeven cost will be around \$1,665 psf. The successful developer could launch the apartments in the new development at around \$1,915 psf.

[D.2] Thomson collective sale faced a 'road block'

The collective sale of five small estates near Thomson Road is stopped by a 'road block', in every sense of the word. The developer, KSH Holdings, which tried to buy a 1,000sq m section of a road from the Singapore Land Authority (SLA), has found out that the price of the road is \$16 million - double what it had estimated.

While waiting for the outcome of KSH Holdings' appeal to SLA, the collective sale contract may lapse. This means that the flat owners will keep the \$12 million deposit while the buyer will be left with nothing but a little more wisdom.

The five small estates include Norfolk Court, Mergui Lodge, Northern Mansion, Mergui Court and The Mergui. The collective sale deal was concluded in November 2007 for \$120 million.

(E) Foreign Interest in Singapore Real Estate

There have been no major new developments in this market segment in August 2008.

(F) News on Government Land Sale (GLS) Programme

The soaring construction costs are cutting too deep into the developers' profit margin. Coupled with the deteriorating market situation, developers of mass-market projects, which traditionally yield a smaller profit margin, will have to be more cautious in their land-banking strategies. On the other hand, many big-timers have stayed out of the government land sale programme altogether.

It can be seen in recent times that small-time developers are trying their luck with opportunistic bids at URA tender, for example, in April 2008 an obscure construction/property development firm bid \$61 million, or about S\$1,750 per square metre per plot ratio (psm ppr), for a residential site at Ten Mile Junction at Choa Chu Kang Road/Woodlands Road; and the bid was roundly rejected by URA.

Earlier in March 2008, the top bid of \$11.8 million or \$77.80 psf ppr for a landed housing plot at Westwood Avenue in Jurong West was also rejected by the URA for being too low.

It is believed that, if the current situation persists, the developers will stick to the cautious policy towards the Government Land Sale (GLS) program.

[F.1] URA rejected the sole bid for Tampines site

The same firm which was snubbed twice by URA this year, tried its luck again in August and put in the sole bid of \$118 psf ppr for a 99-year leasehold plot at Tampines; and apparently despite the drastic change in the market climate, there was no change in the firm's luck.

As such, it remains interesting to see whether the 1.39ha choice condominium site in Serangoon Avenue 3, next to the Lorong Chuan MRT Station will receive any bid, and if at all, the quantum of the bid price.

[F.2] Balestier hotel plot went on the cheap

In the first week of August, the URA awarded the Balestier Road hotel site to HH properties for \$73.3 million or \$172.09 psf which was below analysts' earlier estimate of \$350.470 psf.

The award despite the low bid could be because the URA has taken into consideration the high construction costs, and also due to the improvement plan the government has for the Balestier road area.

[F.3] SLA releases 8 infill sites for lease

Eight infill sites were offered by the Singapore Land Authority (SLA) for lease and the bidding was done on 28 August with a disappointing outcome. Usually, infill sites are released during a housing boom to ease the tension of low market supply.

However, the SLA seemed to have over-estimated the demand this time around. Only four of the eight sites were taken. The poor bidding result can be interpreted as a resounding pronouncement of the end of the property market boom.

Of the eight parcels, one received considerable attention. A 15,461 sq ft good class bungalow plot in Ridout Road attracted 34 bids, which drove the opening price of \$7.31 million up steadily. BreadTalk chairman George Quek eventually won the site for \$8.96 million or \$579.50 psf - the highest psf price of the four sites sold.

So, when it comes to property investment, it always boils down to three critical attributes, i.e. location, location and nothing but location.

[F.4] Lukewarm response expected for Mohd Sultan Road office site

The URA tender for the 0.62 ha office site at Mohamed Sultan Road is expected to receive a lukewarm response from developers due to the projection of four million sq ft of new office space to be ready in the Central Business District (CBD) by 2010.

Meanwhile, the URA also launched tenders for two industrial sites on the reserve list. This came after two developers applied to bid for the two 60-year leasehold sites. One of the firms has committed to a minimum bid of \$10.8 million for the Kallang Pudding Road site; while another firm eyeing the Ubi Avenue 4 site has committed to at least \$21.6 million bid.

(G) Overall performance of the HDB resale market

The Singapore government has announced a plan to allow owners of small flats who are 62 years or older to sell part of their flat's lease, in excess of 30 remaining years, back to the HDB. The proceeds from the sale will go to a Central Provident Fund Life annuity plan, which gives the elderly sellers a stream of monthly payouts of \$500 per month for retirement. With the remaining 30-year lease, the elderly owners will continue to stay in their homes.

About 25,000 households can sign up for the 'lease sale' scheme. Should the owners die prematurely; their estate will receive refund for the residual lease.

[G.1.] Flat owners enjoying spill-over from high private home rents

As rents for private homes in many popular private condo projects reached an unrealistic height, more expatriates are settling for cheaper alternatives of HDB rental flats.

Owners of four-room HDB flats set to gain the most from the current trend. According to HDB data, average monthly rents for 4-room flats have climbed from \$1,600 to \$1,750 – almost 10% rise in the previous three months.

Between April and June, eight out of every 10 towns saw higher rents for four-room flats, with Jurong East experiencing jumps of up to 21%.

The priciest place to rent a four-room flat is now Bukit Merah, where the average monthly rent is \$2,300. Close behind are flats in the Central area, Toa Payoh and Bishan, which command \$2,000 or more.

[G.2] Condo-style HDB flats at AMK four times oversubscribed

The recently launched Design, Build and Sell Scheme (DBSS) project Park Central @ AMK received over 2,300 applications - or four times the 578 units on offer. The average selling price for units in Park Central @ AMK is \$490-\$500 per square foot (psf).

This encouraging sign points to the underlying strengths in the demand for better housing in choice locations.

[G.3] Upside for HDB resale prices still good

Prices of HDB resale flats are still rising due to a number of factors:

- the continuing demand from new families and permanent residents (PRs); and,
- the economic uncertainties and the cautious mood in the private property segment nudging prospective condo buyers back to the resale flat arena.

In 2007, there were about 78,000 new citizens and PRs who may be buying HDB flats which they may not have been eligible to buy previously. Currently, there are no negative factors to prevent these new citizens and PRs from owning instead of renting the flats as rental prices are still high due to the continued arrivals of expatriates.

In the first half of 2008, the HDB resale prices had already climbed 8.2%. It appears that the resale prices will continue its upward trend.

To prevent a running away housing inflation, HDB will supply 8,400 new BTO flats for the whole of this year. This is an increase from the 6,000 flats offered last year and just 2,400 BTO flats in 2006.

[G.4] The overall performance of HDB resale flats in August 2008

The overall HDB resale transactions in August dropped to 2,186 from the previous month's total transactions of 2,456. This could be due to the more subdued activities during the traditional Hungry Ghost Month on the Chinese lunar calendar and the generally higher asking prices by flat owners.

Table [8] – Resale HDB flat Transactions in July 2008

| | 3-room | 4-room | 5-room | E-Flats | Total for Month of August 2008 |
|------------------|------------|------------|------------|------------|--------------------------------|
| Ang Mo Kio | 89 | 27 | 14 | 1 | 131 |
| Bedok | 65 | 47 | 15 | 8 | 135 |
| Bishan | 4 | 25 | 7 | 7 | 43 |
| Bt Batok | 41 | 39 | 14 | 7 | 101 |
| Bt Merah | 41 | 27 | 18 | 0 | 86 |
| Bt Panjang | 7 | 34 | 28 | 10 | 79 |
| Bt Timah | 0 | 1 | 1 | 3 | 5 |
| Central Area | 17 | 2 | 0 | 0 | 19 |
| Choa Chu Kang | 5 | 48 | 31 | 12 | 96 |
| Clementi | 40 | 14 | 5 | 6 | 65 |
| Geylang/Aljunied | 31 | 12 | 3 | 2 | 48 |
| Hougang | 23 | 64 | 33 | 13 | 133 |
| Jurong East | 21 | 17 | 17 | 4 | 59 |
| Jurong West | 25 | 51 | 55 | 18 | 149 |
| Kallang Whampoa | 32 | 17 | 14 | 0 | 63 |
| Marine Parade | 7 | 5 | 3 | 0 | 15 |
| Pasir Ris | 0 | 26 | 26 | 15 | 67 |
| Punggol | 0 | 17 | 41 | 6 | 64 |
| Queenstown | 47 | 10 | 6 | 0 | 63 |
| Sembawang | 0 | 18 | 32 | 8 | 58 |
| Sengkang | 0 | 46 | 57 | 9 | 112 |
| Serangoon | 11 | 8 | 13 | 6 | 38 |
| Tampines | 39 | 56 | 42 | 21 | 158 |
| Toa Payoh | 37 | 19 | 11 | 1 | 68 |
| Woodlands | 21 | 84 | 73 | 20 | 198 |
| Yishun | 50 | 55 | 18 | 10 | 133 |
| Total | 653 | 769 | 577 | 187 | 2186 |

[G.5] Case study on Resale Price Trend

The sample group used in the Price Trend survey made up of the TOP 10 most populous public housing estates which happen to be the TOP best selling housing estates in Singapore.

Table [9] – comparison of resale prices of 3-room resale flats by districts

| HDB Estates | Comparison of 3-room Resale flat Prices between July and August | | | | | |
|-----------------|--|--------|------------------------|--------|-------------------------|--------|
| | Median (\$,000) | | Lowest (\$,000) | | Highest (\$,000) | |
| | July | August | July | August | July | August |
| [1] Ang Mo Kio | \$230 | ✓\$235 | \$150 | \$188 | \$308 | \$354 |
| [2] Bedok | \$215 | ✓\$216 | \$175 | \$190 | \$286 | \$277 |
| [3] Bishan | \$278 | \$278 | \$158 | \$190 | \$290 | \$290 |
| [4] Bt Batok | \$212 | ✓\$217 | \$155 | \$178 | \$252 | \$255 |
| [5] Hougang | \$210 | ✓\$218 | \$170 | \$185 | \$256 | \$253 |
| [6] Jurong West | \$195 | *\$188 | \$164 | \$143 | \$260 | \$266 |
| [7] Queenstown | \$240 | ✓\$260 | \$182 | \$180 | \$340 | \$495 |
| [8] Tampines | \$245 | \$245 | \$155 | \$178 | \$292 | \$295 |
| [9] Woodlands | \$178 | ✓\$190 | \$156 | \$155 | \$232.5 | \$246 |
| [10] Yishun | \$194 | ✓\$202 | \$165 | \$140 | \$260 | \$246 |

[()] means the median price is higher [*] means lower or same median prices

Table [10] – comparison of resale prices of 4-room resale flats by districts

| HDB Estates | Comparison of 4-room Resale flat Prices between July and August | | | | | |
|-----------------|---|--------|------------------------|--------|-------------------------|--------|
| | Median (\$,000) | | Lowest (\$,000) | | Highest (\$,000) | |
| | July | August | July | August | July | August |
| [1] Ang Mo Kio | \$322 | (\$330 | \$283 | \$270 | \$430 | \$513 |
| [2] Bedok | \$301 | *\$300 | \$205 | \$238 | \$412 | \$420 |
| [3] Bishan | \$403 | *\$382 | \$305 | \$303 | \$495 | \$430 |
| [4] Bt Batok | \$310 | ✓\$356 | \$230 | \$240 | \$468 | \$475 |
| [5] Hougang | \$298 | *\$293 | \$205 | \$218 | \$420 | \$350 |
| [6] Jurong West | \$282 | *\$280 | \$215 | \$191 | \$355 | \$358 |
| [7] Queenstown | \$458 | (\$460 | \$335 | \$315 | \$606.5 | \$505 |
| [8] Tampines | \$325 | *\$316 | \$225 | \$266 | \$415 | \$418 |
| [9] Woodlands | \$266 | (\$275 | \$176 | \$203 | \$333 | \$330 |
| [10] Yishun | \$238 | (\$248 | \$175 | \$168 | \$338 | \$337 |

Table [11] – comparison of resale prices of 5-room resale flats by districts

| HDB Estates | Comparison of 5-room Resale flat Prices between July and August | | | | | |
|-----------------|---|----------|-----------------|--------|------------------|---------|
| | Median (\$,000) | | Lowest (\$,000) | | Highest (\$,000) | |
| | July | August | July | August | July | August |
| [1] Ang Mo Kio | \$440 | (\$493 | \$405 | \$364 | \$645 | \$590 |
| [2] Bedok | \$416 | (\$435 | \$293 | \$300 | \$545 | \$482 |
| [3] Bishan | \$510 | (\$545 | \$456 | \$445 | \$630 | \$560 |
| [4] Bt Batok | \$448.888 | (\$450 | \$323 | \$270 | \$568 | \$490 |
| [5] Hougang | \$382 | (\$389 | \$280 | \$285 | \$460 | \$468 |
| [6] Jurong West | \$348 | (\$355 | \$217 | \$220 | \$404 | \$425 |
| [7] Queenstown | \$638 | *\$618 | \$590 | \$533 | \$695 | \$689.8 |
| [8] Tampines | \$392 | *\$392 | \$295 | \$335 | \$550 | \$502 |
| [9] Woodlands | \$327 | (\$328.5 | \$263 | \$277 | \$378 | \$375 |
| [10] Yishun | \$327 | (\$340 | \$268 | \$300 | \$430 | \$394 |

Table [12] – comparison of resale prices of Executive resale flats by districts

| Selected HDB Estates | Comparison of Executive Resale flat Prices between July and August | | | | | |
|----------------------|--|--------|-----------------|--------|------------------|---------|
| | Median (\$,000) | | Lowest (\$,000) | | Highest (\$,000) | |
| | July | August | July | August | July | August |
| [1] Ang Mo Kio | \$588.88 | *\$570 | \$570 | \$570 | \$595 | \$570 |
| [2] Bedok | \$460 | (\$470 | \$400 | \$430 | \$480 | \$562 |
| [3] Bishan | \$580 | (\$590 | \$510 | \$545 | \$665.8 | \$645 |
| [4] Bt Batok | \$460 | *\$450 | \$400 | \$383 | \$620 | \$560 |
| [5] Hougang | \$478 | *\$446 | \$390 | \$385 | \$575 | \$650 |
| [6] Jurong West | \$393 | ✓\$408 | \$335 | \$338 | \$469 | \$493.5 |
| [7] Queenstown | \$800 | - | \$800 | - | \$820 | - |
| [8] Tampines | \$486 | ✓\$490 | \$428.288 | \$408 | \$615 | \$618 |
| [9] Woodlands | \$410 | *\$408 | \$382 | \$340 | \$458 | \$500 |
| [10] Yishun | \$373 | ✓\$388 | \$335 | \$349 | \$515 | \$500 |

- [G5.1] The Findings of the Case Study

The case study has yielded the following observations:

(a) 3-Room Resale Flats

- Smaller flats are definitely enjoying a very healthy up-swing in resale activities and prices. The total 3-room flat resale transactions in August 2008 were 10 better than the 652 transactions in July 2008. Obviously, it is due to more permanent residents (PRs) committing to 'buying decisions', rather than just renting the flats.
- Seven (07) out of the 10 survey areas experienced price increases in 3-room flats; and the median prices of two (02) survey areas had the same median prices as the previous month. That means, only one (01) survey area experienced a dip in median prices for the 3-room flats there.

(b) 4-Room Resale Flats

- The 4-room resale transactions drop more than 15% in August from the 910 transactions in July to only 769 deals in August.
- Five (05) out of the 10 survey areas experienced higher median prices. Two (02) out of the five survey areas which did not experience any price rise had marginally lower median prices, such as Bedok's median price for 4-room resale flats was \$301,000 in July and \$300,000 in August; while Jurong West had a median price of \$282,000 in July and \$280,000 in August.

(c) 5-Room Resale Flats

- Though the 5-room resale transactions drop 15% in August from the 680 transactions in July to only 577 transactions in August, resale prices remain stable.
- Eight (08) out of the 10 survey areas experienced higher median prices. Of the two (02) survey areas which did not experience higher median prices, Tampines estate has the same median price; while Queenstown saw a drastic drop in resale prices in August, probably due to the already inflated resale prices there.

(d) Executive Flats

- The executive flat resale transactions drop around 12% in August from the 214 transactions in July to only 187 transactions in August.
- Resale prices remain stable with half the survey areas experiencing marginally higher resale prices and the other half marginally lower resale prices. This could be due to the fact that resale prices for E-flats had increased by a bigger quantum in the last few months.

Conclusion

Taken together, the case study ascertains that the resale prices of HDB resale flats are 'steadily climbing and they fit a description of an up-swing market'. Though the volume of resale transactions had dropped, the resale prices are generally rising.

Annex [A] - Skill Enhancement Training

How to react to tough questions using the latest market information/knowledge

Part One: "I am not sure whether this is a good time to buy?"

| | |
|-------------------|---|
| Experienced Agent | Mr Buyer sir, I can tell that you and your wife love this house very much. <u>What is stopping you from buying it today?</u> |
| Young buyer | <i>I think I should wait for a while longer and buy at a lower price. In times of great uncertainties, patience is a virtue.</i> |
| Experienced Agent | Indeed, you are wise beyond your age, sir. Patient may be a virtue; but I am not sure whether I should agree with you about letting go something you like so much at such an opportune time. May I ask you an obvious question? <u>Do you like this house?</u> If I can assure you that it is <u>absolutely safe</u> to own this house, <u>would you like to know how you can own your dream house when you are younger, rather than older?</u> |
| Young buyer | <i>Like I said earlier, we will wait for a while. After all, prices are dropping across the board. I believe we can pick and choose for a while longer.</i> |
| Experienced Agent | But sir, every house is different. When you miss one that you really love, you may not be able to find a substitute property that you will love as much. What if I can <u>prove</u> to you that after five years you will thank me for advising you to buy today? <u>Has anyone explain to you how wage inflation will affect your housing plan later?</u> |
| Young buyer | <i>What has wage inflation have to do with buying a house now? I don't see any wage inflation in Singapore now.</i> |
| Experienced Agent | Do you agree that we are going through the worst inflation in 26 years? I bet you do. But have your wages, as well as private home prices, increased lately? No, right? Don't you think that it is illogical when there is a massive inflation, but home prices have come down, instead of going up like other commodities? And the Manpower Ministry has recently said that it is not recommending wage increase for fear of wage inflation. <u>Do you know how 'wage inflation' will affect your plan to own a home, sir?</u> |
| Young buyer | <i>I don't know.</i> |
| Experienced | Once the present economic uncertainties are blown over and when the dust settles, employers will hire again, especially |

Agent companies from the US and Europe. This will push wages up to the next higher level much faster than now, taking into account the massive inflation now. In short, cost-of-living adjustments and inflation adjustments will follow suit when the economy is back on track.

As far as housing developers are concerned, they will also adjust their selling prices so as to compensate for the losses they incurred now.

Young buyer I get the picture. But why should I pay more if I know that I can pay 5% to 10% lower, given that the economy is not going to come back so fast?

Experienced Agent You are right, sir. But how do you know which price level will be the lowest? Did you remember the 2007 bull-run market? If you do, you should remember that once the time is ripe, everybody rushed in. There is no way you can pick and choose a unit like now, because all 'good units' are somehow booked before you even entered the Show Room.

For your age, I strongly believe that you should take advantage of the low interest rate now and build up your cash savings. Do you want to know how it works for young couple like both of you?

Young buyer Why not?

Continued in
Part Two: "Real Estate Financial Planning for young buyers"

Experienced Agent For a young family like yours, a property allows you to build up your wealth quickly and surely, through your monthly savings. This is because you can utilise your CPF savings, which otherwise will be sitting idly in accounts and earning very low interest, to pay for the house.

You can opt for the maximum repayment term of 30 years and choose to pay a lower monthly repayment sum. In this way, you can free up some cash for other enjoyments, but still will not compromise the wealth building through the monthly repayments.

Young buyer I know this part. What is so different whether I buy now or later?

| | |
|-------------------|--|
| Experienced Agent | <p>Do consider what I am going to tell you next.</p> <p>First of all, wage inflation has not set in yet; property inflation has not set in yet; and the interest rate is still at historical low. If you buy today, I am sure you are buying at one of the lowest price point in history. So I am very sure, your monthly instalments for the next few years are going to be very <u>affordable</u>; and because the interest rate is low, you will get to pay back more of the principal sum, and less interest. This means your strategy of 'creating wealth through debt reduction' is more effective if you buy now, rather than later when the interest rate is higher.</p> <p>By the time the global economy recovers, which may be in two to three years time, you will experience huge capital appreciation in this property because you buy it today, rather than later.</p> |
| Young buyer | <p><i>But what if in the three to five years, the property prices continue to fall? Where would I stand?</i></p> |
| Experienced Agent | <p>It is possible but unlikely because of the nature of our economy. Despite repeated crisis over the past decades, property prices in Singapore went 'up and down' and not 'down-and-down'.</p> <p>When the economy recovers, wage inflation and home prices will shoot skyward. That's where you will be able to <u>refinance your asset</u> and <u>bring out cash from the property</u>. By then, your income would have gone up and the ratio between your wages and the costs of property ownership will drop from the initial 50% to maybe 30% or even lower. You would then be living in a very <u>affordable</u> property and enjoying <u>a lot of cash</u> from re-financing your asset.</p> <p>But you will not be able to enjoy those benefits if you buy your property later because all the financial packages have time bar that will restrict you from re-financing or selling the property in the first few years of the term.</p> |

Part Three: "Why should I pay you 2% - your work is not worth even 1%"

A conversation to avoid

| | |
|--------|---|
| Seller | <p><i>Tell me Sam, why are you suing me? Do you know that I don't think that you work is even worth 1%?</i></p> |
|--------|---|

What's NEW in the REAL ESTATE Market
From 1 August to 31 August

Sam But sir, I had done so many things for you and was the agent who brought the buyer to you. Moreover, you had agreed to the sale price.

Seller *You are not wrong by saying that. You did advertise in the newspaper on FIVE occasions and I have kept all the newspaper records. That should cost you less than \$300.*

Sam But sir, it wasn't just the advertisements that cost me money. I had conducted two Show house for you.

Seller *And how much did that cost you?*

Sam It cost me \$1,000 for one Show House.

Seller *Prove it to me!*

Sam My brochures cost me \$500 to print and the labour cost to distribute was \$500 each time I engage workers to distribute the brochures.

Seller *Even if I don't argue with you on this, you are still not worth so much money. What else did you do?*

Sam I engaged someone to distribute 10,000 flyers in the immediate neighbourhood.

Seller *And that cost you how much money?*

Sam I paid some polytechnic students \$38 per block for 'door-to-door' distribution and I distributed 10,000 'for sale' brochures to 100 blocks in this manner, and it cost me a total of \$3,800.

Seller *I didn't see the brochures. But, I will not argue with you on this and I take it that you did what you said you did. And what else did you do?*

Sam I answered all phone enquiries for you and qualified all prospective buyers for you before I brought them to see your property.

Seller *How much would that cost you?*

Sam That should cost me \$1,000 for the past one month.

Seller *And how many prospective buyers are we talking about here?*

Sam I brought 15 groups of prospective buyers to view your property and I spent with each group about an hour on the

whole; and eventually, one of them bought your property after some negotiation which I did on your behalf.

Seller *Oh, you were just bringing them into the house, walked one round and left. And how much do you think I should pay for that?*

Sam That should be around \$3,000 for all the work I had done for you.

Seller *So, if I add all that together, that would be \$9,000. But you are claiming \$12,000 from me for all that work that I could have done myself! Let me tell you Sam, you are grossly overpaid for the work.*

Note: if you have to defend your commission this way, you probably do not deserve it!

If the above scenario had happened to you (which I doubt because most house owners do not have any idea on costing), and assuming you really put in all the above efforts (which I also doubt you would), you had not shown your customers your skills and continuous hard work which result in your network of contacts.

Make no mistakes about it - your skills and your network earn you the commission – not your service. And your skills and network take years to acquire and build upon. You cannot do it with only a few advertisements (or with a lot of money, *unfortunately*) – you need to put in a long period of diligent work at the grass-root level, whether it is a HDB heartland or an affluent neighbourhood. This is how you can achieve the competitive advantage over property sellers who want to sell their own property themselves and your less experienced competitors.