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# SINGAPORE MARKET'S FIRM FUNDAMENTALS

The property market and economy have remained resilient despite a slowdown.

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SINGAPORE is currently experiencing slow economic growth and a slowdown in its property market. However, long term positive demand for new homes reflect underlying economic and property market resilience.

Affin Hwang Asset Management Bhd senior portfolio manager Chow Kar Izen cited that Singapore's economy has been soft due to weak external demand.

Manufacturing activity has remained in contraction for 10 consecutive months, with the latest Purchasing Manager Index (PMI) for April coming in at 49.8, a slight increase from 49.4 in March.

The slow growth environment is expected to continue for Singapore's economy as cyclical factors continue to put a dampener on growth.

The government is still maintaining its 1-3% gross domestic product (GDP) growth target for 2016.

However, Monetary Authority of Singapore's (MAS) recent decision of shifting the Singapore dollar from a gradual appreciation stance to a zero appreciation stance took the market by surprise and this policy easing move signals that they are expecting slower growth for the foreseeable future.

Domestic demand is likely to remain soft as wage growth is also likely to slow amidst a tepid employment environment.

## Property market downturn

Chow commented that Singapore's property market is experiencing a down cycle with

home prices having declined by 9% from its peak in 2013 and rental rates having fallen for 10 consecutive quarters due to measures put in place by the government.

Further property price cuts by developers are expected with mixed take-up rates and ample supply in the market. Property prices are expected to fall by at least 15% before the government will step in to relax some of the cooling measures that they have put in place.

## Attractive to live and work in

Despite these challenges, Singapore remains an attractive place to live, work, invest and do business in.

Chow commented that the country is safe, liberal and developed. The ease of mobility within the country and connectivity to various other countries in the region make Singapore a key regional and global hub for companies to conduct business.

Singapore also has good education and healthcare systems and reasonable cost of living. This attracts foreign talents to work in the republic.

The government continues to be supportive of businesses, with the recent budget announcement in March revealing a number of measures in support of transformation and innovation of enterprises and specific industries.

"With a resilient Singapore economy and policies to support population and economic growth, demand for new homes in the long term remains positive. CapitaLand Singapore will continue to acquire well located sites through government land sales tenders and private



1 CapitaLand's Cairnhill Nine receives strong response from the market. It was the top-selling project in Singapore in March 2016.

2 Singapore remains an attractive place to live, work, invest and conduct business.

en bloc sales to build our pipeline for the long-term," CapitaLand Singapore chief executive officer Wen Khai Meng said.

Wen added, "We will also continue with our strategy to build well-designed smart homes of varying designs, layouts and sizes that cater to the needs and preferences of homebuyers from different market segments, based on the locations of the sites. We will also assess market conditions and tailor our marketing and sales strategies accordingly.

Citing good performance in CapitaLand's residential sales in Singapore in 1Q 2016, the developer received strong

interest for Cairnhill Nine in Singapore with 193 of the 268 units sold as at April 14, 2016.

Located in the heart of Orchard Road, the residential project offers a myriad of luxurious facilities conducive for recreational activities and community bonding.

"Buyers of Cairnhill Nine are drawn to the prime Orchard Road location, premium finishing and attractive pricing. About 50% of buyers are Singaporeans, while the remaining 50% are from Indonesia, Malaysia and China," Wen concluded. ☐

