

INSIDE THIS ISSUE

PG. 2

Singapore's Proactive Healthcare measure behind real estate success.

PG. 3

Demand for Core Central Region Properties Heats up

PG. 4

Country's two-tiered property pricing attracts different types of Investors.



WHY COMMERCIAL BUILDINGS IN SINGAPORE ARE STILL SELLING DESPITE THE COUNTRY-WIDE COVID-19 LOCKDOWN

The Coronavirus pandemic has been one of the worst global health crises to hit the world. Countries have come to a screeching halt, and country-wide lockdowns have been initiated. The Singapore Government too has mandated an indefinite Work From Home policy for companies.

This mandate for remote working initially led many real estate professionals in the country to believe that the industry would be terribly hit. With no employees coming into the office, demand for commercial real estate would dwindle. After all, this is what happened during the SARS epidemic and the Swine Flu pandemic when global [real estate sales were in the negative](#).

However, as current trends show, Singapore's commercial real estate market is not only healthy amidst the COVID-19 pandemic, but it's thriving beyond expectations.



SINGAPORE'S PROACTIVE HEALTHCARE MEASURES BEHIND REAL ESTATE SUCCESS.

The primary reason why Singapore's commercial real estate market is booming during the coronavirus pandemic is the country's fast reaction to the crisis.

Unlike other Asian nations, Singapore was one of the first countries to take active steps in managing their virus hot spots and restrict the movement of people within the country. On April 7th 2020, the Singapore Government issued new safety regulations called the "2020 Singapore circuit breaker measures" (CB). These measures outlined the specific stay-at-home orders, work from home orders and retail/commercial/industrial operations orders that residents of the country needed to follow for the duration of the COVID-19 pandemic. The Government also announced a Disease Outbreak Response System Condition (DORSCON) of Level Orange, which intimated citizens of the severity of the crisis. The Government then tightened health measures in public places and commercial spaces to prevent community outbreak.

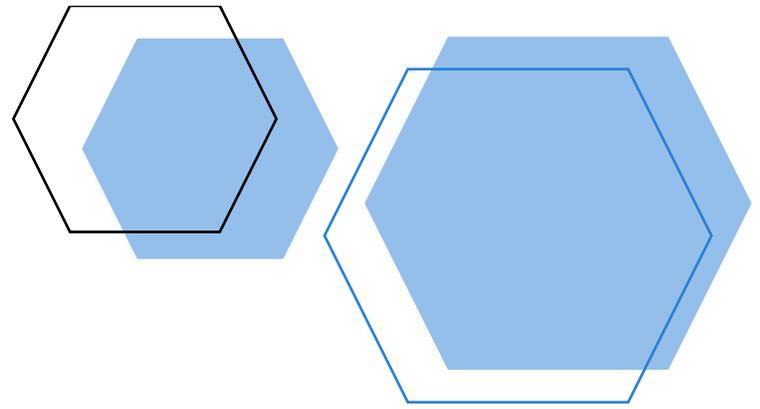
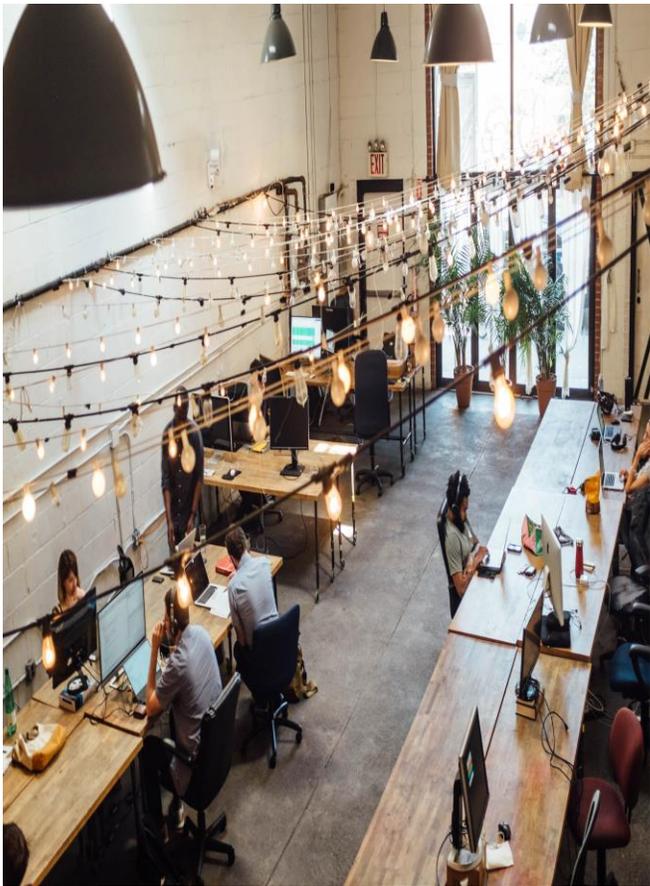
All of these have made Singapore the [4th safest country](#) to live/work in during the COVID-19 pandemic. The country's world-class buildings, cutting-edge technology, financial stability, friendly business/investment regulations and leading medical care make it the perfect place in the world to re-start commercial operations after the coronavirus pandemic passes.

According to many real estate experts, this is the reason why many Chinese investors have already purchased expensive real estate properties in Singapore.

In early May, Chinese e-commerce giant Alibaba acquired a 50% stake in the AXA Tower in Singapore's Central Business District (CBD). Alibaba has plans to re-develop the AXA Tower to include a brand new suite of office spaces, residential apartments and a world-class hotel.

A few weeks before the Alibaba deal, another major acquisition occurred in Singapore. Hong Kong-based businessman Stanley Ho's Shun Tak Holdings acquired a 30% stake in 111 Somerset, a premium high-rise shopping mall and commercial building in Orchard Road for S\$155.1 million.

Both of these deals showcased investors' votes of confidence in the Singapore real estate market. It is forecasted that in the coming months, more investors from across Asia will buy big in Singapore's commercial real estate.



DEMAND FOR CORE CENTRAL REGION PROPERTIES HEAT UP

The Core Central Region (CCR) in Singapore covers districts 9, 10 & 11 and the Central Business District (CBD) – which constitutes Marina South, Marina East, Outram, Downtown Core, Newton, Rochor, Straits View, Raffles Place, Orchard, the Singapore River, River Valley and the Museum Planning Area.

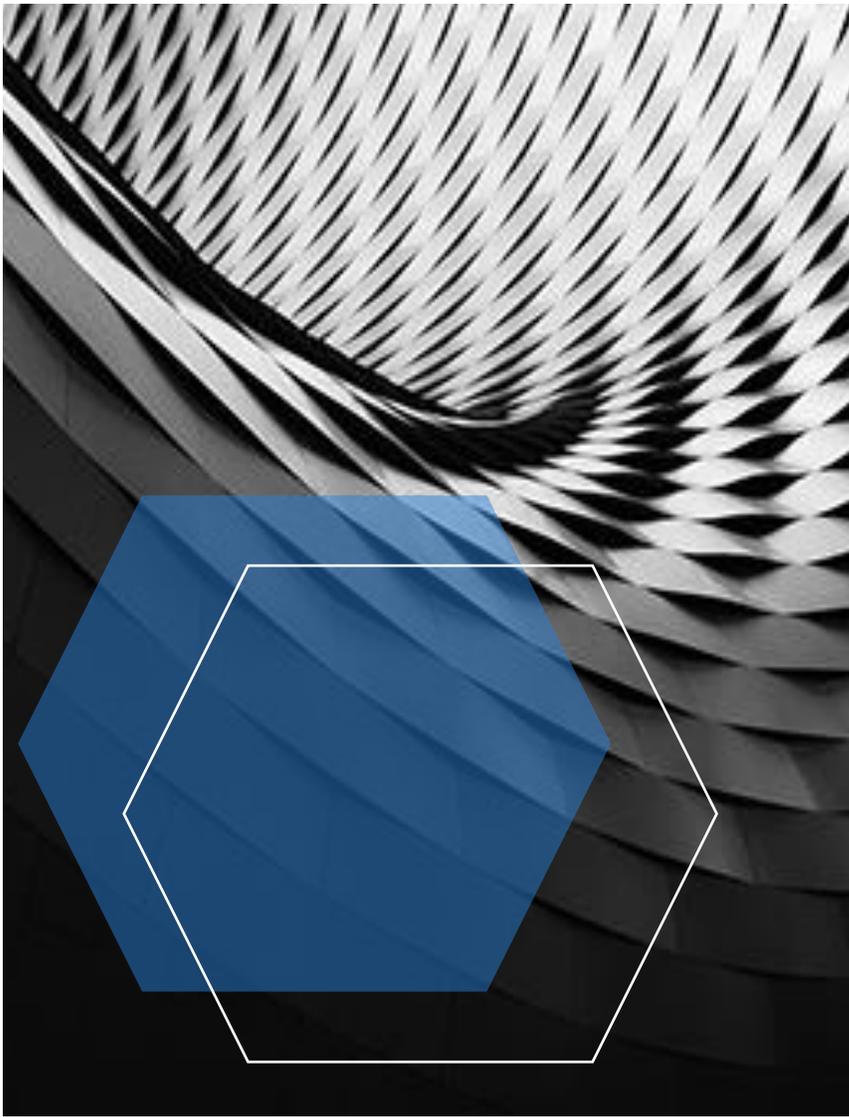
Although the number of commercial sales in the CBD this year is not as high as in 2019, it's forecasted that real estate expansion planning will resume in full swing by the end of 2020. Right now, there is greater interest in renting out co-working spaces in the CBD, as companies support in office working for select terms. Investors investing in co-working spaces will find it very rewarding as there are many takers for the same.

INVESTORS ON THE HUNT FOR REAL ESTATE FIRE SALES.

Globally, the stock market has taken a terrible hit, and many investors are using the opportunity to invest in expensive stocks. Many real estate investors are hoping to do the same with commercial properties in Singapore (some planning to invest in buildings worth up to \$100 million) through any fire sale opportunities they can get.

As far as pricing forecasts go, things may be in their favor. Already, residential properties in the country have taken a price tumble. It's expected that prices may be corrected by as much as 8%. People planning to purchase residential properties can expect a fair few fire sale in Singapore.

However, commercial buildings are yet to see such a massive fall in sale prices. In fact, leading valuation agencies believe that while a property valuation dip is in the offing, these adjusted prices will be nowhere near as low as the commercial real estate prices seen during other pandemics or even the 2009 financial crisis.



COUNTRY'S TWO-TIERED PROPERTY PRICING ATTRACTS DIFFERENT TYPES OF INVESTORS.

Singapore's commercial real estate industry is a two-tiered market, boasting of both new developments and existing developments. While new developments are priced upwards of S\$3,000 psf ppr, existing developments are priced significantly lower. Currently, there is a huge demand to purchase existing developments, for their high en bloc potential.

Existing developments are great because they allow investors to merge multiple properties and sell them en bloc at a higher price, much later in the future, for either commercial use or residential use. This has attracted investors who don't mind the long wait, in exchange for the high rewards the investment will offer.

In fact, in 2019, the number of commercial en bloc sales surpassed residential en bloc sales. This trend is expected to be seen even during 2020 and for some time after the pandemic ends.

GOVERNMENTAL INITIATIVES ARE THE CHERRY ON TOP.

In addition to all of the above reasons, the Singapore Government's tech industry initiatives (like the National AI Strategy) and the setting-up of Digital Industry Singapore have increased the attractiveness of commercial real estate investments. Many global tech giants are keen to invest in Singapore's workforce and are buying properties in the country for development post-COVID-19.

Then here are Governmental property market cooling measures that have made investments possible during the pandemic. Commercial properties in Singapore are exempt from Additional Buyers Stamp Duty (ABSD) or Seller's Stamp Duty (SSD), which make it very profitable to invest in these buildings.

Additionally, the Central Business District (CBD) Incentive Scheme and the Strategic Development Incentive (SDI) Scheme have replaced the old Bonus Plot Ratio Scheme. These new schemes are meant to rejuvenate and revitalize the CBD by encouraging developers to build newer commercial and residential properties and create multi-experiential neighborhoods in the CBD. Buildings that are 20 years or older than their TOP dates need to be upgraded as well (this includes mixed-use developments that are used for commercial purposes). With newer and upgraded developments possibly up for sale, many commercial property investors are taking an active interest in buying buildings.

Finally, with Singapore's e-commerce industry projected to grow [USD 100 billion by 2025](#), many e-commerce conglomerates are keen to capture a share of the market and are actively investing in commercial buildings.

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