



Bricks & Mortar

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SINGAPORE has always been a favourite destination for Malaysians – whether we are looking to shop or going for a short holiday.

It is, after all, our closest neighbour and, especially for those of us living in Sabah or Sarawak, flying time to Singapore is even shorter than to Kuala Lumpur.

It therefore comes as no surprise that Singapore is also a favourite place for Malaysians looking to invest, especially when it comes to property.

Going by available data, Malaysians used to account for the largest portion of foreign investors in Singapore properties until early this year, when we were eased into second place by the Chinese.

Word from DTZ Research, a global real estate advisory services group, is that Malaysia, Indonesia, China and India together accounted for 75% of all property transactions in Singapore by foreigners and permanent residents in the first quarter of 2011.

Buyers from China made up 24% of all foreign buyers in the quarter, surpassing Malaysians who had held the top position since second quarter of 2008. In the first three months of 2011, Malaysians accounted for 21% of buyers, down from 24% in the previous quarter.

Real estate investing - attraction across the Causeway

According to the Urban Redevelopment Authority (URA) of Singapore, the demand for private housing remained strong in 2011, with 4,200 new private residential units being sold in the first quarter of the year.

The URA, which is the island republic's land use planning and conservation authority, said in its website that a total of 43 sites had been made available under its Government Land Sales (GLS) Programme for the second half of 2011 in order to ensure an adequate supply of private residential, commercial and hotel sites to meet the demand.

It said that as developers continued to acquire land for residential development, 17 private residential sites had been injected into the GLS Programme Confirmed List for the second half of 2011 to meet this demand. These new sites should yield about 8,100 new residential units.

Going by the statistics, Malaysians will account for a substantial number of the potential buyers.

What are the factors that attract Malaysians to invest in property across the Causeway?

One of the main factors, I believe, is the close proximity of Singapore to Malaysia. For most investors, it is preferable to purchase a property that is close to home.

Given the choice, most of us would rather buy a house in a place where we can visit quickly and at

short notice, rather than a place that is too far away. It is reassuring to know that you can always go and look at the property that you have invested in easily and quickly.

Singapore and Malaysia also share a long history and we even belonged as one nation not too long ago. As a result, cross border ties are strong. Many of us have relatives and families living across the Causeway, so for some it is only natural that they would also purchase property in the neighbouring country. Many Malaysians are therefore inclined to invest in property in Singapore because of these ties, just as many Singaporeans have invested in property in Malaysia for the same reason.

These personal and sentimental factors aside, Malaysians have a slew of other reasons to park their money in properties down south.

We see Singapore as the financial hub of not only South-East Asia, but potentially for the Asian region as well. The country now offers a wide range of financial services such as banking, insurance, investment banking and treasury services, and it serves not only its domestic economy but the Asia-Pacific region as a whole.

It is also one of the more well-established capital markets in Asia-Pacific and the Singapore Exchange (SGX) has become the preferred location to list for nearly 800 global companies. The decision by the owners of the Manchester United

Football Club to seek a listing on SGX, as reported recently, is a case in point. Singapore has also become the largest real estate investment trust (REITs) market in Asia outside Japan.

These, coupled with a policy to attract foreign talent to the island nation, have helped to make the property market an attractive investment option.

Singapore has among the world's highest ratio of foreigners in its population. In fact expatriates and permanent residents together make up 42% of the island nation's population.

The large number of foreign residents has been a boost for the rental market. Property owners can be assured that their newly acquired apartment or home can be rented out within a month or so after they advertise its availability. Compare that to Malaysia where it could take up to six months to find a suitable tenant.

Yields from rental vary depending on the location of the property. In or near the central business district, where initial investments are already quite high, rental yields are in the region of 2% to 3%. On the other hand, yields from locations such as Geylang, can be as high as 6%.

More than rental yields, capital gains are what investors look for. Records show that properties purchased about five years ago are selling at double their original prices

today. A 100% gain in just five years!

The keen interest in Singapore among property investors from South-East Asia and other parts of Asia is also driven by many initiatives taken by the Singapore government, among which are the opening of two casinos and the introduction of the Formula One night racing.

It is also being promoted as a medical hub and a centre for higher education, apart from being touted as a tourist destination and shopping haven.

The island nation will always be an attractive option for Malaysian investors even as the exchange rate is now approaching RM2.50 to a Singapore dollar. Given that an average apartment in Singapore now costs in the region of S\$1 million, a Malaysian investor will have to fork out close to RM2.5mil for an apartment of less than 1,000 sq ft there. That amount of money could probably buy him a detached house of at least 4,000 sq ft plus an additional 2,500 sq ft of garden not far from Kuala Lumpur.

This fervour to invest in Singapore, despite the high prices, is certainly good news for developers who are looking to venture across the Causeway.

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