

# HOME SWEET HOME?

ARE BRICKS AND MORTAR INVESTMENTS EVER SAFE?  
ROWENA EVERSON HAS HER DOUBTS

**B**lind optimism. There can only be one explanation for the developers out there bravely erecting billboards to announce the latest life-changing condominium. You know the sort of image: idealised couples of blurry ethnicity, grinning manically from the balcony of a “living concept” that will redefine the way we exist, while their über-kinder skip through a lush tropical paradise beside a happy gardener and a satisfied maid. When Lippo Group announced “Fully sold. Thanks be to God” for the Newton One development, most dismissed the notice as an over-zealous marketing ploy by devout president Stephen Riady. Few could have imagined that just months later the growth phenomenon in Singapore’s luxury condominium market would begin to grind to a halt and that message would become a heartfelt cry from over-gearred developers. As their share prices tumble, rumours of deal collapses and an estimated fall of up to 70 per cent in home prices have investors running for the hills of Bukit Timah.

Since October last year, sales of new properties have declined from a high of 1,234 per month to just 185 in February 2008. Matters are getting so bad that the en bloc madness, which seemed to have held the island’s homeowners in a grip of selling fury, has all but vanished. Only one significant new en bloc was completed in the first quarter of 2008. Compare that to the 25 completed in each month of 2007, then factor in the news that none of 30 en

blocs announced in the dying months of 2007 have yet found takers, and that agents are slashing asking prices by up to 20 per cent, and the stage is set for a run on high end property.

The outlook for developers ready to launch is grim. En bloc zeal in 2006 coupled with swift construction means that an estimated 7,000 new private homes should be ready in 2008, and that’s net of demolitions. The inventory of unsold premium housing looks set to rise as the remaining sites complete, and that’s beginning to have major impacts on land sales and property prices in Singapore. Of two high profile en blocs called off in

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the last few weeks, one developer admitted that they preferred to cut their losses rather than complete. Cutting their losses meant foregoing a S\$12m downpayment they had already made to homeowners.

Changes to the en bloc rules coupled with expiry dates on many existing collective sales that have not found buyers means that the flood of new condominium developments should start to slow down. Unfortunately for developers, the lead time for completing a new property means that the effect will take some time to trickle through; and in the meantime, supply of new premium

housing will just keep on growing.

Every cloud has a silver lining. However, this particular lining is likely to benefit only those who are looking to buy. For the first time in two years, real estate analysts are talking about a fall in the capital value of new property. New housing has been overselling second-hand properties by a 55 per cent premium in recent years, and a fall in one will affect the other. Resale values have already fallen by 12 per cent in prime districts and with en blocs failing, there’s a good chance that many of the existing property owners may want to sell up anyway, particularly if the market outlook continues

to deteriorate.

And while there’s still talk of a credit squeeze, local banks, together with a few of the regionals, have begun offering zero rate mortgages in an effort to woo customers. Consider that desperate developers are offering non-cash incentives, such as free renovations, and the market for prospective buyers is beginning to look better than it has in years. Strange then that I can’t help wondering why this all sounds terribly familiar: cheap credit, inflated prices and naive investors – echoes of the US housing market, perhaps?