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Ku Swee Yong, CEO of Century 21 and International Property Advisor, shares an insider's view of how seismic shifts in Singapore's residential real-estate market have affected the industry

| By Cecilia Chow |

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The place to meet Ku Swee Yong nowadays is The Connoisseur Concerto — better known as TCC — the coffee joint on the first level of International Building. This is because Ku, who is CEO of Century 21 and International Property Advisor, and his staff currently occupy a cosy 334 sq ft unit on the 11th floor of the building. "There isn't space for a meeting room here," he says, unlike their previous office in Wisma Atria, which was more than double in size and had the luxury of a meeting room.

Downsizing and moving to the new premises was aimed at helping the company's cash flow, says 44-year-old Ku. In the last three years, he has focused on high-net-worth investors, mainly in the core central region (CCR), which comprises the traditional prime districts of 9, 10 and 11, as well as Marina Bay, the CBD and Sentosa Cove. That segment of the market has seen the biggest drop in transaction volume.

Anecdotally, for the first nine months of 2014, transaction volume in the CCR had dropped about 60%, compared to the same period last year. Revenue has therefore been "difficult", Ku acknowledges.

He is not alone. Realtors across Singapore are facing a drop in income because of the falling number of transactions, and industry players are bracing for a sharp downturn. "I won't be surprised if 90% of all [real estate] companies this year are in the red," Ku remarks.

This has taken a toll on property agents' earnings. A property consultant who declined to be named says: "I sign the cheques for agents' commissions. In the past, the top performers could earn up to a few hundred thousand in commissions a month, especially those who sell bungalows and luxury apartments. These days, the cheques are down to just $3,000 to $5,000 a month, so quite a number of agents have dropped out of the industry."

A new low

DTZ's residential report released on Nov 20 brings that into stark relief: Primary home sales plunged 50% q-o-q in 3Q2014. Total sales in the first three quarters of 2014 were slightly over 5,100 units. Figures for the full year are projected to ring in at 6,500 to 7,500 units, "which is a new low since 2008", says Ong Choon Fah, chief operating officer of DTZ.

Despite the easing of price declines in 3Q2014, buying sentiment in the residential market remains weak, says DTZ. "Both investors and potential homeowners continue to adopt a wait-and-see approach, postponing buying decisions until market conditions are more favourable."

Ku adds: "You can't fight the market. If investor feedback is that they don't feel like investing, what can you do?" However, his concern is that if the slowdown drags on for another two to three years, even if the property cooling measures were removed, Singapore real estate may no longer be on the radar of high-net-worth investors. "The disinterest is even more fearful than loss of money in the market," he says.

Among the realtors, there has been a wave of mergers and acquisitions in the past two years. In early 2013, mainland Chinese-backed investment group Wen Way Investments purchased a majority stake in both C&H Realty and C&H Properties, along with $200 million worth of real estate, which included 22 commercial units at The Sail @ Marina Bay and units at Tung Centre. In the middle of last year, private equity firm Northstar Group purchased Singapore's largest real estate agency, ERA Realty Network.

Meanwhile, in June this year, DTZ was sold by Australia's UGL for US$1.1 billion ($1.4 billion) to a consortium made up of two private equity groups and a pension fund, namely TPG Capital, PAG Asia Capital and the Ontario Teachers' Pension Fund. UGL had purchased DTZ in December 2011 for £77.5 million ($158 million).

Likewise, Knight Frank Singapore has seen a change in its substantial shareholder in recent months. In 2011, L C Development purchased 80% of the shares in Cheong Hock Chye, which in turn owns 55% of Knight Frank Singapore. Last year, L C Development, a listed company focused primarily on hospitality and investment, changed its name to LCD Global Investments. In September this year, J Trust Co Ltd acquired a 29.5% stake in LCD Global Investments through its subsidiary, J Trust Asia. This makes J Trust Asia a substantial shareholder in Knight Frank Singapore.

Three months ago, JLL took a 20% stake in PropNex International, the project marketing arm of PropNex, which ranks among the top two agencies, in terms of number of agents.

'Loose alliances'

There has also been a series of "loose alliances" among the various brokerage firms, especially among the small and mid-sized firms to increase their heft to compete with the likes of ERA and PropNex in marketing developers' projects. Dennis Wee Realty, HSR International, OrangeTee and SLP International formed the Project Alliance Group in July.

Meanwhile, SLP International recently announced a partnership with property investment company IP Global that will "enable both companies to expand their overseas property investment portfolios, as well as the investor reach across Asia", according to a press release dated Nov 20. The partners will also work together on property exhibitions in Singapore and Hong Kong.

C&H Properties, MORE Property and Remax joined forces to create Real Alliance in August. "Such an alliance does help a bit," says Shawn Tan, CEO of MORE. "It's just that the market is generally slower, and sales have fallen a fair bit compared with the previous year."

Last year, Raymond Chow, founder and CEO of Ray International Property Consultants, formed Ray International Alliance. Today, it has 10 agencies in Singapore and 20 overseas, including those in Australia, Indonesia, Japan, Malaysia and the Philippines. "The alliance allows more economies of scale in terms of resources, and helps create better exposure for vendors," says Peter Lim of Pierre International, a boutique agency that is a member of the alliance.

Various companies had approached Ku to explore the possibility of joining forces as the market became increasingly challenging last year. After considering the various proposals, he felt that a tie-up with Century 21 would provide him with "the best merger possibility". Last October, he became the CEO of Century 21 Singapore Holdings Pte Ltd. Ku is able to retain his own agency, International Property Advisor (IPA), which is now a franchisee of Century 21. There are 25 other Century 21 franchisees in Singapore, with a combined sales force of 500.

The attraction for Ku is that he is able to keep IPA and leverage on the Century 21 global network. "Century 21 is an established name around the world — I don't have to explain to foreigners coming to Singapore what my name card says. And when we go overseas, we don't have a problem either," he says.

Property outlook

After securing the Century 21 franchise, Ku was able to tap the experience of and embark on cross marketing properties with his colleagues in Hong Kong, China, Indonesia, Japan and Australia. Therefore, he was able to offer overseas properties to investors in Singapore. The three markets where he sees the most potential for growth are Indonesia, Japan and Australia.

Ku feels Sydney is already a mature market, and with tight supply as well as healthy domestic demand, there is very little available for foreign investors in Singapore. Melbourne, he adds, has an issue with oversupply. He wonders if a lot of the high-rise luxury apartment towers in Melbourne that are being marketed in Singapore will be able to find buyers in the resale market in the future. "A lot of people forget that in Australia, you can only resell to an Australian citizen or permanent resident, and most of them prefer to live in houses rather than high-rise apartments," Ku says. He is more positive about Perth and Brisbane because of the mining activity and strong job market in those cities. Even though there is a slump in commodity prices and the mining investment boom appears to be over, Ku says “activity hasn’t stopped”.

Ku has been holding regular **property** investment seminars on Japanese resale **property**. He is able to source for assets through the various Century 21 brokers based in Tokyo. These apartments are generally freehold and tenanted, with rental yields of 4% to 4.5%. At the same time, he has been taking Japanese investors to Jakarta to **purchase property** there. Japanese companies such as Sumitomo Mitsui Construction, Shimizu Corp and Obayashi Corp, together with Indonesian firms, are part of a consortium that is building the mass rapid transit system in the Indonesian capital.

“The number of Japanese expatriates in Jakarta has trebled,” says Ku. Many new Japanese restaurants have opened in Jakarta, and there is strong leasing demand from Japanese expatriates. Ku has **sold** “about 30 apartments” in Jakarta to Japanese investors.

As for London, he feels that prices may have “gone up too much”. There are some macroeconomic headwinds, as well as the general elections in 2015, he says. Singaporeans who thought they could get a cheap loan in Singapore to **purchase property** in the UK now face constraints due to the total debt servicing ratio. “Because of TDSR, most people are taking financing from the UK banks,” he adds.

Ku is cautious about Malaysia. “You should go in at an attractive price and try to **buy** in the best locations in the capital city, in places such as KLCC (Kuala Lumpur City Centre), Bangsar [and] Bukit Bintang.” He reckons it would be a good proposition to **buy** freehold **property** in those areas at RM1,000 to RM1,500 psf, even though prices of some luxury condos in KLCC have crossed RM3,000 psf. He is also wary of the rental guaranteed schemes being offered. “Most people are under the impression that they can get a 6% to 7% gross yield on their **residential** properties in Malaysia,” he says. However, after factoring in the cost of loans at 4% to 4.5%, and taking into consideration the **property** maintenance and conservancy charges, a gross rental yield of 6% to 7% could still put the investor in a “negative cash flow” position, he estimates.

Political dreams

In the last three years, Ku, who also writes, has churned out three books on real **estate**, the latest entitled Real **Estate** Realities. He had entertained ambitions of going into politics, and applied to be a nominated member of parliament (NMP) in May. Had he been successful, Ku would have been the first **property** agent to become an NMP. His main motivation was to raise questions he has on public housing in parliament. “HDB shouldn’t allow so many public flats to be put up for rent. That allows people to treat HDB as an investment product. So, what is HDB’s role — to provide shelter or to enrich people?”

Because he is vocal in expressing his views, Ku has “a sort of love-hate relationship” with government officials, he says. “They can see that I stand up for them sometimes, but I also criticise them at times. That’s why I wanted to run for NMP.”

With the current policies in place, especially the **property** cooling measures, Ku says his concern is that Singapore may look less attractive as an investment destination over the next five years, compared with some of the other regional markets. The worst-case scenario, in his view, is a 2% q-o-q drop in prices, which translates into an 8% fall y-o-y. “That is a healthy correction, because during this period, people are paying down the principal on their home loans. From the policymakers’ point of view, today’s scenario, where prices are dropping about 1% to 1.5% q-o-q, is a very good situation.”

However, if Singapore is perceived as “uncompetitive”, and bracketed with **China** and Malaysia as a market where policies are deemed to be unfavourable to foreign investors, “we could lose some of our shine”, Ku adds.

RE singp : Singapore | austr : Australia | indon : Indonesia | jakar : Jakarta | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | seasiaz : Southeast Asia

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