

SE Top Stories  
HD **London calling for mid-sized homegrown developers: OCBC**  
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Funding access is an ace in hand for Asian developers forming JVs abroad

[SINGAPORE] Mid-sized **property** developers in Singapore have joined the big boys in expanding overseas - particularly in London and Australia - and are expected to continue in pursuit of better margins amid stiff competition at home, said a senior executive from OCBC.

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Last year, 20 per cent of construction loans that OCBC extended to Singapore developers have been allocated to overseas projects, head of OCBC's global corporate banking George Lee told The Business Times.

The developers are driven by the promise of better yield, Mr Lee said. OCBC's loan book in London has fattened about five times since 2010, given the interest in **residential** and **commercial** properties from Singapore developers.

**Commercial** properties in London command a 5-per cent yield. "In the context of Singapore, it's very attractive," Mr Lee said, noting that **commercial** properties here have a yield of about 3 per cent.

Also, **commercial** leases in London can stretch up to 15 years, compared to a typical three-year rental agreement in Singapore - a source of comfort to developers, added Mr Lee.

Interest is strong in Australia too, where **commercial** yield is even higher at about 6 per cent, he said.

Listed **property** developers in Singapore have announced plans to expand into these two markets, given pressures on home ground.

Hiap Hoe said in February that it would continue its expansion into Australia, having bought an investment **property** in Perth. In the same month, Heeton Holdings said that it plans to refurbish its recent London **purchase**, the Enterprise **Hotel**.

Mr Lee expects more construction loans from these two markets - seeing the same growth in absolute-number terms this year - though he noted that these loans are a fraction of the bank's overall loan book. OCBC has the second-largest construction loan book in Singapore after DBS. It booked about \$25 billion in building loans last year, up 11 per cent over the year.

**Property** developers in Singapore see "intense competition and sluggishness in the market", said Mr Lee. Besides fending off competition from **Chinese** and Malaysian developers, **property** firms here have had their margins squeezed by the government's cooling measures.

"Given these dynamics, there is an impetus to go overseas," said Mr Lee.

While navigating unfamiliar territory, smaller **property** firms from Singapore and the region hold an ace in hand when negotiating joint-venture deals with foreign developers.

By bringing in a Singapore bank such as OCBC to the table, these developers offer a valuable credit line from Asian lenders when Western banks, particularly those from London, are shying from construction loans as they repair their balance sheets, said Mr Lee.

**Hotel** Properties sealed one such partnership with London developer Native Land and Malaysia's Amcorp Properties in 2012 to acquire an office building in London for £85 million (\$178.8 million) for redevelopment.

Malaysian developers have played the same hand. A consortium made up of the Employees' Pension Fund of Malaysia, SP Setia and Sime Darby, snagged a 400-million pound bid for London's Battersea Power Station in 2012, beating Chelsea Football Club, which planned to build a new stadium there.

Much attention has been drawn to the project, since the **site** of the idle building - which was featured on a Pink Floyd album cover - will be designed by famed architect Frank Gehry.

The **site** will become a **residential** area, with the redevelopment plans backed by funding from Asian banks such as CIMB **Group**, OCBC, and Maybank.

**ART** Mr Lee: **Property** developers in S'pore see 'intense competition and sluggishness in the market'

**RE** malay : Malaysia | singp : Singapore | austr : Australia | london : London (UK) | uk : United Kingdom | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | eecz : European Union Countries | eland : England | eurz : Europe | seasiaz : Southeast Asia | weurz : Western Europe

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