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HD **Singapore investors' $58bn spree gathers Australian sites**

BY FLORENCE CHONG

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Singaporean investors spent $US47 billion ($58bn) on overseas property in the last two years — a large chunk of which was on Australian real estate — making it the biggest international property buyer from the Asia Pacific.

More capital flowed out of Singapore to global real estate than from China or Japan, the world's second and third largest economies respectively.

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About $US6.7bn was spent in Australia by buyers from Singapore, compared with $US2.7bn by China groups and a negligible amount (about $US175m) from Japan, says JLL's head of research, Asia Pacific capital markets Megan Walters.

Many global private equity groups and fund managers have offices in Singapore, which could account for the city-state's dominance, Dr Walters noted.

At least 12 Singapore-listed companies are looking for Australian property investments but are yet to buy, including the likes of the Tong Eng Brothers, Koh BrothersGroup, Cambridge Industrial Trust, Hong Fok Corp and Bonvest Holdings, according to analysts in Singapore.

Singapore's property market has weakened, pushing many developers offshore. Virtually all the listed property companies in Singapore have reported lower profits and shrinking margins, due to high land costs, rising labour costs, falling demand and increasing inventories.

At the end of June, official figures showed that nearly a third of completed units, largely in the luxury segment, remained unsold.

"You can't run fast like in the past. In the past perhaps you can sell 100 units within one or two months. Now, to sell 100 units, you take nine months," Koh Wee Meng, CEO of Fragrance Group, told Forbes magazine recently.

Mr Koh, who has splashed $156m on sites in Melbourne, believes conditions "will continue to be tough".

Meanwhile, the falling Australian dollar is making investing here more attractive.

In August, Frasers Centrepoint paid $2.6bn to take over Australand, while City Development (CDL), Singapore's second largest developer, looked at Leighton Properties, now reported to be in due diligence with Stockland.

CDL's executive chairman Kwek Leng Beng has told the market CDL was seeking property platforms in Japan and Australia.

CDL, which already has acquired hotels in Perth and Brisbane for $175m, is believed to be looking for sites in Australia.

Land prices in sought after areas in Singapore have been rising at three times the pace of apartment costs, with plot values rising by an average 30 per cent a year since early 2011, according to agents in Singapore.

During a briefing last year Mr Kwek said buying land at the prevailing high prices would be “suicidal”.

Alistair Meadows, JLL’s international group head in Asia, said offshore investors generally started with direct investments, and it was a natural progression to look at potential corporate targets.

“It is inevitable that if they are committed to the long term (in Australia), they will look at establishing a platform or a joint venture which will give them operational capability around development,” said Mr Meadows.

He points to the tie-up between Far East Organisation, controlled by brothers Robert and Philip Ng, and Toga Group, as an example.

Singapore’s luxury apartment developer Hiap Hoe, which has spent more than $300m on acquisitions in Melbourne, formed a joint venture with Australian developer Probuild last year.

Many others are going it alone, and Australian site prices are increasing rapidly, making it more difficult for groups without local knowledge.

“It is hard to replicate the same returns when buying land at today’s prices,” said Marc Giuffrida, executive director, CBRE’s global markets group. “If they are unable to build up a land bank, they are not able to expand.” The latest crop of Singapore buyers includes small to mid-sized companies — several venturing offshore for the first time. Unlike big players, like CDL, which have gone further afield (mostly to Britain), smaller companies are deterred by the distance and high cost of entry to western markets.

In the past, smaller Singaporean companies would have invested in Malaysia, Hong Kong or even China.

But Mr Giuffrida says: “They are faced with the same issues in all those markets. It is a magnification of the same problems in Singapore. These countries will not provide the diversification that they seek.” Ironically, they are bidding up prices in Australia — just as Chinese developers are bidding up land prices in Singapore, he said.

The Singapore listed Figtree Holdings, an industrial property developer, set a record price for a site without development approval in Melbourne.Even at that price, Patrick Callaghan, director DTZ Melbourne, told The Australian: “The big thing to the purchaser is that the cost of acquisition (in Australia) is the same as that of the construction cost (in Singapore).”

CO camndt : Cambridge Industrial Trust | hfok : Hong Fok Corporation Ltd | kohbro : Koh Brothers Group Ltd

IN ireest : Real Estate | icre : Real Estate/Construction | i501 : Building Construction | i81502 : Trusts/Funds/Financial Vehicles | i8150206 : Investment Trusts/Funds | i815020602 : Real Estate Investment Trusts | i85 : Real Estate Transactions | iconst : Construction | ifinal : Financial Services | iinv : Investing/Securities

NS ccat : Corporate/Industrial News

RE austr : Australia | singp : Singapore | jap : Japan | melb : Melbourne | victor : Victoria (Australia) | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | easiaz : Eastern Asia | seasiaz : Southeast Asia

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