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Singapore property now less attractive to investors

Cheryl Marie Tay • April 5, 2016

While still considered a safe market, Singapore's popularity with property investors has fallen. (Photo: chenisyuan, Wikimedia Commons)

Singapore's appeal as a property investment destination for institutional investors has diminished this year, in comparison to other developed Asia Pacific cities, particularly in Australia and Japan.

This decline in popularity has been attributed to the property cooling measures, and the glut in office and logistics space amid softer consumer sentiment, said UBS in a report by *The Straits Times*.

In fact, property prices, as well as the volume of real estate deals and loans, would have been higher by around 33 percent if the cooling measures had not been introduced, said the central bank in November 2015.

Nevertheless, some institutional investors still view Singapore as a safe market, and there has been no exodus of property investors, according to Graham Mackie, UBS Asset Management's Head of Global Real Estate for Asia Pacific.

Inbound investment to Singapore also surged 157 percent to US$3.4 billion in 2015 on a yearly basis, based on data from Real Capital Analytics. But this is still a far cry from the outbound capital of US$28.7 billion, which posted a growth of 49 percent.

Meanwhile, more money is being pumped into Australia and Japan's property sectors, compared to those in Singapore, Hong Kong and China. Real estate yields in Australia are also significantly better than the risk-free rates in the market.

"Australia is a relatively efficient market with strong rule of law. The Australian dollar has depreciated significantly against the US dollar, and investors who are more swayed by currency considerations see Australia as relatively cheaper," added Mackie.