



## Speeches

**SPEECH BY MR MAH BOW TAN, MINISTER FOR NATIONAL DEVELOPMENT, AT THE REAL ESTATE DEVELOPERS' ASSOCIATION OF SINGAPORE (REDAS) 49TH ANNIVERSARY DINNER ON 26 NOVEMBER 2008, 26 NOVEMBER 2008, 7:30 PM AT SHANGRI-LA HOTEL SINGAPORE**

Mr Simon Cheong, President of REDAS  
 Distinguished Guests  
 Ladies and Gentlemen

Good Evening,

I am pleased to join you here this evening to celebrate the 49th anniversary of the Real Estate Developers' Association.

### Recent Developments

2 We are now in the midst of possibly the most severe economic crisis in recent times. Many countries throughout the world are already seeing slower growth or are now in recession. Even the mighty economic locomotives of China and India are showing signs of slowing down.

3 The Singapore economy has not been spared. Our GDP contracted by 0.6 percent in 3rd Quarter 2008 on a year-on-year basis. MTI has revised the GDP growth forecast for the whole of 2008 down to 2.5% from 3.0%. For 2009, Singapore's GDP growth is expected to range from a negative 1.0% to positive 2.0%.

4 The financial market turmoil has also taken its toll on the property market in Singapore. In 3rd Quarter 2008, prices and rentals of private residential, office, and shop properties fell for the first time in more than 4 years. Demand across all the property sectors has been affected as businesses and home-buyers adopt a cautious stance given the uncertain economic outlook. In October, the number of uncompleted private residential units sold by developers fell sharply to about 110 units as compared to the average of 440 units sold per month between January and September this year.

### Government measures

5 The Government will do whatever that is within its means to help the various economic sectors cope with the crisis and mitigate the impact on businesses. Earlier this month, the Prime Minister has announced that Budget 2009 would be brought forward to January next year. This will enable the Government to introduce timely fiscal and policy measures to help businesses and households to weather the difficult year ahead.

6 In the meantime, MTI has announced its enhanced business financing schemes to support an additional S\$2.3 billion in loans to help local firms, including developers and building contractors. These schemes, which include the Local Enterprise Financing Scheme and the Loan Insurance Scheme, were originally restricted to smaller firms.

MTI has now extended the schemes to all local companies to help them cope with the adverse economic conditions. In addition, the Ministry of Manpower has put aside \$600 million as subsidies for employers who send their workers for training.

7 The Government has also acted swiftly to help stabilize the property sector. Last month, MND announced the suspension of the Confirmed List of the Government Land Sales Programme for 1st Half 2009 and the cancellation of most of the remaining Confirmed List tenders scheduled for the rest of 2008. By placing all sites in the Government Land Sales Programme on the Reserve List system, we can provide greater flexibility for the market to respond to the current dynamic economic conditions as the supply will only be triggered when the market is ready to do so.

8 Since this policy announcement in October, we have received various suggestions from REDAS and other stakeholders on how to help the property sector. We will study these suggestions as we continue to monitor the property market closely.

### **Government's Role in the Property Market**

9 I would like to take this opportunity to explain how Government sees its role in the property market as well as some of the key considerations and principles underlying our land supply and other related policies.

10 Let me first highlight why the real estate sector is important to us. There are 3 key reasons. First, it is a major economic sector in Singapore. The real estate services and construction sectors together accounted for about 9.6 percent of overall GDP and 13 percent of total employment in Singapore in 2007. Second, the health of the property market affects other major sectors of the economy. Third, as a country with the highest rate of home-ownership of more than 90%, the property sector is where most of us have invested our hard-earned lifelong savings.

11 In view of the importance of the property market, the Government needs to ensure that it functions smoothly and efficiently, and that property prices move in tandem with underlying economic fundamentals. Property markets all over the world do sometimes behave erratically. We see wide swings in prices that are out of sync with economic fundamentals occurring from time to time. Given its close linkages with other economic sectors, property markets can also be hit by contagion effects in times of economic crises. So we cannot assume that property markets will function smoothly and efficiently at all times.

12 The special characteristics of the supply and demand factors affecting the property market have also contributed to its behaviour. On the supply side, a long lead-time is needed for new property developments to be completed, which results in a time lag in supply changes in response to demand movements. For example, in 2004 and 2005, our market was slow in responding to the anticipated build-up in demand for office space as the economy began its turn around and did not initiate many new office developments. As a result, there was a shortage in supply of office space in 2007, as many of the office developments were still under construction then.

13 On the demand side, market sentiments and expectation of price movements may affect demand as much as, if not more than, economic fundamentals. For example, when housing prices are going up, speculation and fear of missing the boat can cause home buyers to pay more for their property than what is justified based on economic fundamentals. This can lead to bubbles being formed. On the flip side, when the market turns down, buyers may choose to remain on the sidelines, even when prices are attractive, in the expectation that it will go down further.

For example, in the US, there are reports that people are not buying properties even though some may be at or below replacement level. Such behaviour patterns, whether the market is going up or down, amplify swings in price cycles.

14 The Government therefore has an important role in ensuring the long-term stability and smooth functioning of the property market. We seek to achieve this through several means. Firstly, by ensuring that the supply of land released for development is well calibrated and sufficient to meet demand over the medium to long term. Secondly, by using a pre-dominantly market-led approach through the use of the Reserve List, which gives developers the flexibility to activate Government Land Sales supply according to market demand. Thirdly, by providing detailed real estate information to enhance market transparency and allow informed decision-making by market players. Fourthly, by putting in place policies that ensure that systemic risks to both the demand and supply sides are minimised, thus safeguarding the overall health of the property market. Finally, by guarding against irrational market behaviour such as excessive speculation that is not in sync with economic fundamentals.

15 For example, on a half-yearly basis, the Government reviews and adjusts the Government Land Sales Programme and ensure that sufficient supply is available to support the medium to longer- term needs of the economy. From time to time, it is necessary for us to take timely actions such as suspending the Confirmed List, as we have just done, to allow the market to make adjustments to changes in economic conditions. URA and HDB have also released more detailed and timely property market statistics over the years to improve market transparency and help market participants make better informed decisions. When the market was showing signs of overheating last year, the Government removed the Deferred Payment Scheme to encourage greater financial prudence. This was to ensure that buyers have sufficient funds or are able to secure adequate loans from banks before they commit to new property purchases. Such moves are needed to ensure that the property market remains stable and healthy.

16 However, there are limits to what the Government can and should do. For instance, we cannot dictate to banks that they should extend loans to companies or individuals with weak financial standing. We also cannot work against market forces and try to prop up property prices artificially. Such efforts are not sustainable and will not be beneficial to the health of the property market in the long-run. In addition, actions would have to be carefully calibrated.

Any measure seen to be knee-jerk or excessive might even weigh market sentiment down further. It is in our interest to ensure that the property prices move in line with economic fundamentals, as it affects home ownership, asset values, retirement savings and other sectors of the economy.

17 With slower economic growth, it is inevitable that demand will be lower and prices will soften. Private housing prices have declined by 2.4% in 3Q2008. Going forward, price movements will depend on the severity of the economic slowdown and the ability of the industry to make adjustments in response to the changes in economic conditions. For example, as many developers have done well over the last 2 to 3 years, they may have sufficient financial holding power and may not build or sell when demand is low. Some developers have indeed announced that they would defer their projects till demand improves. This would allow the market to adjust in a more orderly manner.

18 Going forward, the Government will continue to keep a close watch on the situation and will not hesitate to adopt further measures if necessary. In this regard, I would like to urge REDAS and other stakeholders to continue to

work closely with the Government, and provide us with timely market feedback to enable us to better assess the state of the property market.

19 It is not all gloom and doom. We are fortunate in having secured a number of major projects in the last few years when the conditions were more favourable. These committed pipeline projects will create a steady stream of job opportunities and sustain capital spending in the economy in the next few years.

### **Key infrastructure to continue**

20 The Government will also continue with several key infrastructure and housing projects to support our medium to long term economic growth and social needs, as well as rejuvenate our older estates.

21 In Marina Bay alone, we have invested close to S\$5.7 billion in infrastructure and we will continue to invest to support the future growth of Marina Bay and to enhance connectivity with the existing city. These include the Common Services Tunnel, bridges, promenade, new road and rail network.

22 The plans for Marina Bay are taking shape steadily despite the current economic uncertainties. The new vehicular and pedestrian double helix bridge connecting Marina Bayfront to Raffles Boulevard, the Art Park and the waterfront promenade at Marina Bay are on schedule and due to be completed by end 2009. When completed, the 3.5 km waterfront promenade will form part of the longer 11.7km waterfront route around Marina Reservoir, which will link up the Gardens by the Bay, the Marina Barrage and the new Sports Hub.

23 Besides projects in Marina Bay, the Government had earlier deferred some \$4.7 billion worth of public sector projects over the past year or so. These include the construction and upgrading of schools, civic and community institutions, and other public infrastructure.

We will not hesitate to reactivate some of these deferred projects at an appropriate time, if necessary, to boost the industry when construction costs come down and manpower and materials shortages are less serious.

24 Not only will these projects help to sustain capital spending and provide some cushion in this downturn, they will also help to enhance Singapore's attractiveness to talent and investments in the long term.

### **Conclusion**

25 Although there may be tough challenges ahead, I am optimistic that Singapore will continue to do well. Our economic prospects in the medium term and our fundamentals remain strong. I urge you to continue building up capabilities within the industry and use this period to strengthen your competitive advantages so that you are well prepared to capitalise on opportunities that may emerge when the current economic uncertainties subside.

26 On this note, I congratulate REDAS' on its 49th Anniversary and am certain that it would be able to weather the current economic crises and come out much stronger and more successful as it has done so in the past.

27 Thank you.



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