TIME TO ENTER THE S'PORE, INDON & UK MARKETS NOW?

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Q1 Is now the right time to invest in Singapore's private residential market in view of the oversupply? Or should I wait for prices to come down further?

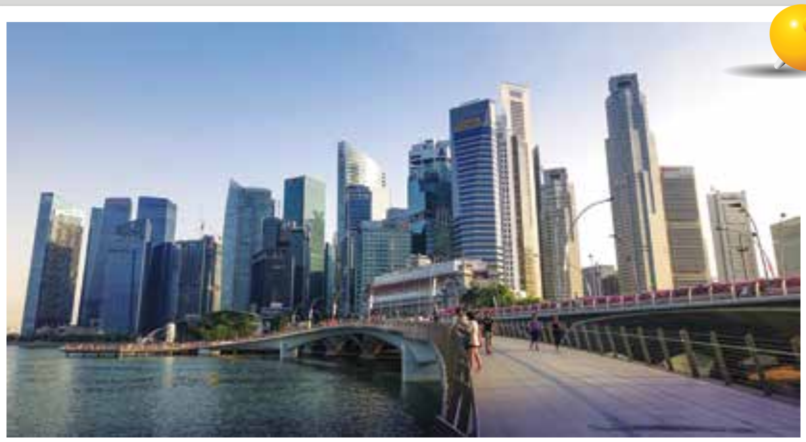
A1 Prices in Singapore have certainly come off over the last 12-24 months although I would not deem it as an oversupply problem as much as it is a matter of price regulation efforts by the government. The years of unrestrained growth both in population and price have taken a toll on Singaporeans which led to socio-political issues prompting the cooling measures which then started the downward trend.

Rentals are now 70% of what they were generally and prices on the whole have dropped between 15-20%. More so for premium assets in city areas.

We do see fundamental risks in the Singapore market. The economy, after a boom driven by the financial sector and the integrated resorts now seem to be having trouble finding its feet. There seems to be a lack of sustainability and relevance which is challenging the Singapore economy today and if the economy goes into the doldrums, then we will have trouble justifying the price levels.

Interest rates have yet to rise significantly as forecast. If that happens, we do see the possibility of mortgage distress given the current weak rental market. Holding power might be significantly affected.

All in all, we do see headwinds for the Singapore market persisting for the next 12 months to come. Investors might want to be very savvy and negotiate hard, but again it will be hard to get a good price given the low interest rate environment currently.



Q2 Now that the UK pound sterling has depreciated following Brexit, should I enter the market now or wait till things are more settled there?

A2 Investors will do well to remember that while the Brexit decision has been made, the Brexit execution has yet to begin. We do expect further pressure on GBP once UK triggers Article 50 of the EU Lisbon treaty to commence the exit. We are particularly concerned also about the European economy at the moment. Germany narrowly avoided recession recently and the banking sector is looking very dicey at the moment. Our call on the UK market now is to hold purchases until early 2017, when things will have further clarity.

City of London skyline from London City Hall

Q3 Is it time to enter the Indonesian market now that the Rupiah has fallen? Or should I just buy in Bali or even Lombok regardless of the Indonesian economy?

A3 The Rupiah is one of the most unstable currencies and one which we do find very difficult to understand at the moment. While the Indonesian economy has seen good growth over the last decade, the Rupiah has been going further and further south. Policies to allow foreigners to buy properties remain unclear especially when it comes to obtaining a mortgage. We are of the opinion that unless the government gives very clear long term indications of a strong commitment to support foreign investors, stay clear of markets where major policy U-turns are rampant.

Lounging in Gili Meno, Lombok (pix by Jan Yong)

While many buy in Bali and Lombok, we do feel that the lack of policy clarity, currency instability and the lack of economic diversification do not make them good investments. Retirement planning and personal pleasure are a different story though. ■