10-15% PRICE DROP IN S'PORE'S RESIDENTIAL SEGMENT EXPECTED OVER NEXT 3 YEARS: EXPERT

Oversupply by China developers sparks uncertainty over Iskandar's rental yield

But blaming them is unfair as there is already a glut in the market, says analyst

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SINGAPORE – The Iskandar region is facing a home supply glut due to a large number of projects led by Chinese developers, which could compress rental yields down the line, said the head of Malaysia's national representative body for property developers.

"Over the past 12 to 18 months, we've seen developers from a certain country introducing a lot more units than Malaysian and Singaporean developers usually introduce," said Mr FD Iskandar, president of Malaysia's Real Estate and Housing Developers' Association at KPMG's Global Real Estate and Construction Conference yesterday.

"On average, Singapore and Malaysian developers will launch between 400 and 600 units, but we've seen developers from China launching a few thousand units at one go," he elaborated.

Last month, Guangzhou R&F Properties launched more than 3,000 units at its Princess Cove development near the Causeway. This followed Country Garden's launch of more than 9,000 homes at its Danga Bay project last year.

"I understand that close to 30,000 strata units have already been sold (across Iskandar) and are now under construction, and a few thousand more will be launched in phases," Mr Iskandar noted. "Most of the buyers are from China ... so there will be some concern about these units being empty and whether there will be sufficient yield to sustain the rental market."

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Mr Iskandar's comments came as uncertainties continue to surface over the residential landscape in Iskandar Malaysia, with CapitaLand reportedly delaying its S$3.2 billion joint-venture project at Danga Bay. Bilateral bickering over Causeway toll charges and vehicle entry permit fees has also complicated Iskandar's outlook as a viable residential property market for Singaporeans.

But blaming the Chinese developers is unfair, said Century 21 Singapore chief executive Ku Swee Yong, "because there's already an untenable oversupply situation even if you exclude the Chinese developers, with housing supply coming in ahead of actual job growth. I don't see a robust growth of economic activity, which means rental demand simply isn't there".

He added: "Right now, the rental yield is hovering at around 4 to 5 per cent. I'm not sure how it'll dip going forward, but even at this level, it's already not worth it, considering the 4.5 per cent interest costs when you borrow in Malaysia."

Meanwhile, Singapore's property market is facing risks of its own, other speakers at yesterday's conference cautioned. "The residential segment in Singapore is at the top of its cycle ... we're looking at a 10 to 15 per cent price drop over the next three years," said Ms Kim Wright, global real estate strategist and head of Asia real estate research at UBS, adding that the normalisation of interest rates as the United States tapers its quantitative easing policies might hit housing markets across Asia, where household leverage is at a high level.