

Policy Watch Singapore

Draft Master Plan 2019

A Cushman & Wakefield Research Publication

People-Centric Approach

The Draft Masterplan 2019 reflects Singapore planners' people-centric approach to achieving sustainable growth through continuous innovation to enhance the attractiveness of the city. The key strategies highlighted in the Draft Masterplan 2019 will move Singapore in the right direction towards a sustainable and livable city of the future.

Bring Work-Live-Play back to the CBD

A CBD Incentive Scheme will offer an increase in gross plot ratio to encourage conversion of existing office developments to hotel and residential uses. This could be beneficial for many office developments which face challenges when it comes to land use zoning. As residential and hotel use typically has a lower capital value, it does not make sense for land owners to downgrade to those development options without the increase in the plot ratio. With the new CBD Incentive Scheme in place, it will make commercial sense to look at various development options.

A wider implication could also be on the office sector. Given that there could be a wave of redevelopments into residential and hotel segments to tap onto the CBD Incentive Scheme, office supply in the medium term could be even tighter if there are more conversions of office developments into residential and hotels. This could potentially cause Grade A CBD office rents to rise further as supply is taken off the market. Nonetheless, there could be positive outcomes as some companies would shift out of the CBD, which is in line with the government's decentralisation strategy of commercial activities.

But in order for this CBD Incentive Scheme to take off, some tweaks might be required. For instance, current hotel development charge (DC) rates and the Additional Buyer's Stamp Duty (ABSD) for developers are seen to be too prohibitive for developers to consider these development options. This is especially so for residential properties in the CBD where a significant portion of demand are from foreigners whom face an ABSD of 20%.

Bringing residential developments back to the CBD is not new, but the earlier efforts have not yielded the desired outcome. Hence I am of the view that co-living should be extensively adopted when the developers consider redevelopment options in the CBD in the future. Currently, only the affluent expatriates and rich locals are able to afford living in the CBD. However, in order to make the CBD truly work-live-play, we should also bring in people from all walks of life to the CBD. Co-living may help to achieve the intended consequence. However, the current rules such as having no more than 6 related people in one unit should be allowed to relax in order to increase the attractiveness of city-living.

Increase in Plot Ratio in Raffles Place/Shenton Way/Tanjong Pagar

Plot ratios for numerous CBD land parcels saw significant increases. This is fantastic news for private owners who have been sitting on historical land sites but have held back redevelopment plans due to the lack of incentives. For example, the base plot ratios for land parcels in the heart of Raffles Place, in the vicinity of Raffles Place MRT station, rose from 12.6 to 15.0.



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This provides an impetus for landlords of ageing assets in prime locations such as The Arcade and Clifford Centre to redevelop their properties. This bodes well for investment activities, as landlords who were on the fence as to whether to divest their older assets for redevelopment are now more likely to do so.

There is also likely to be an increase in asset enhancement initiatives as landlords seize the opportunity to unlock the additional untapped GFA. It might be possible for landlords of assets which are currently undergoing AELs to revise their plans in order to unlock the additional untapped GFA. As a result, there could be a delay in these AELs as these landlords await the finalisation of the new Master Plan and apply for revised planning permissions.

The withdrawal of office stock from the potential wave of redevelopments and AELs will lead to lower vacancy rates and lend further support to rents, benefiting landlords. The state's coffers will also be buoyed due to the collection of development charge or differential premium.

Increase in Plot Ratio in Orchard

Plot ratios were also increased for many developments along the main Orchard Road shopping belt, which will incentivise landlords to push for rejuvenation of the tired shopping belt. Not all sites actually see a net increase in their development potential due to the removal of the bonus plot ratio. The increase in plot ratios could mainly benefit developments which are located along the main Orchard stretch (ie. Ngee Ann City, Tang Plaza, Lucky Plaza etc.).

Ageing retail shopping centres along Orchard Road are expected to see some interest from developers given the increase in development potential. This is especially so for the smaller developments which will not benefit as much from the bonus plus plot ratio due to their smaller size. However, the retail environment remains in flux and retail landlords are still experimenting on concepts which work best. As such, a redevelopment may not yield more retail space in the end but instead developers may choose to introduce other uses such as office or hotel space, given the low office vacancy rate of only 5.4% in Orchard in the first quarter of 2019 and brighter prospects of the hotel sector.

Tech Cluster Could Emerge in one-north

The one-north precinct is growing from strength to strength and could be expanding as many tech companies have already chosen to re-locate their HQs in one-north. For example, Razer's South-East Asia headquarters is planned to be in one-north. The HQ will be built to suit and has an estimated Gross Floor Area of 19,300 sqm. Ride-hailing giant Grab is also planning to build its new Singapore HQ in one-north.

There is a possibility that one-north will further expand in view of its popularity among the tech companies in Singapore. Three parcels have been rezoned from residential and reserve sites to white sites subject to detailed planning. We are of the view that these could be suitable for technology companies as they prefer a more campus like environment. As more commercial activities gravitate towards one-north, higher demand is expected for nearby residential properties. One upcoming new launch to watch would be Normanton Park Residences, which is located nearby.

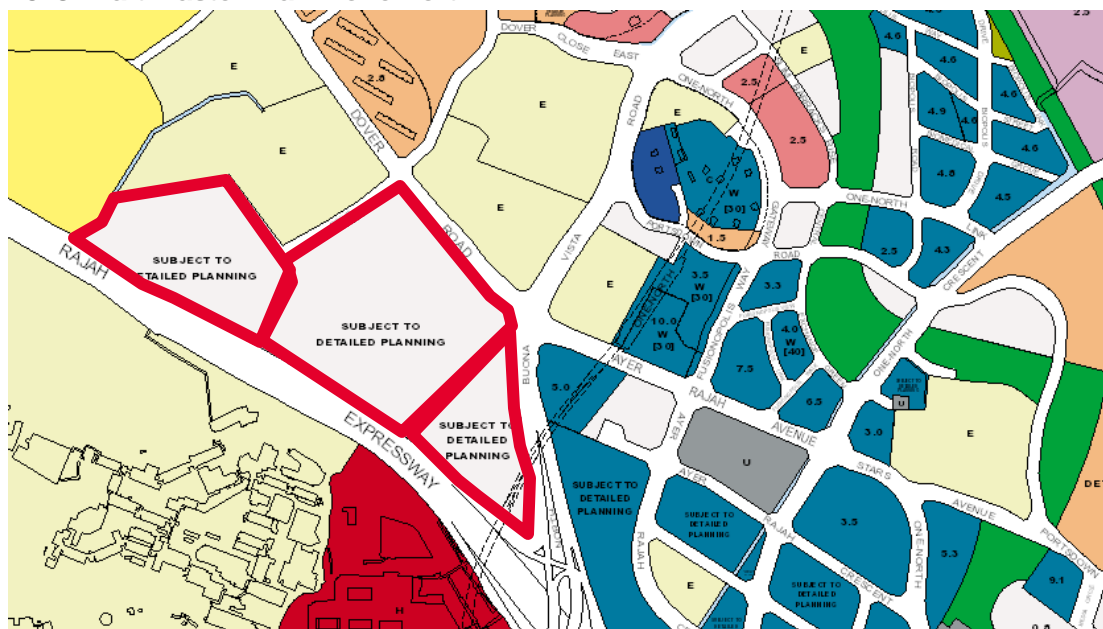


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