

Policy Watch Singapore

Singapore Budget 2016

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The Singapore Budget 2016 was delivered on 24 March 2016. Aside from improving the social fabric of the country, one key objective of the Budget is to transform the economy through enterprise and innovation for Singapore to maintain its competitive edge. In this report, we will touch on two topics pertaining to real estate, namely the future development of the Jurong Innovation District and the absence of relief of market cooling measures.

The Jurong Innovation District (JID)



The Jurong Innovation District will be an industrial park of the future, where learning, research, innovation and production converge and coexist in a connected and collaborative environment. (Source: JTC)

The Jurong Innovation District (JID) was one of the three government measures announced in the Singapore Budget 2016 to boost innovation. Envisaged as the industrial park of the future, it aims to integrate research, businesses, learning and technology in a single location. When fully matured, it could host over 100,000 people across student and soho residences, learning spaces and start-up and research facilities. The first phase of JID is targeted for completion around 2022.

The JID serves as an alternative location for budding tech and creative entrepreneurs to ride on the wave of big data, IoT (Internet of Things) and e-commerce. The creation of this infrastructure is in line with Singapore's long term vision of becoming a Smart Nation in the next decade. Similar to the JID, the Singapore government first initiated the Launchpad@one north with the idea of growing Singapore's startup ecosystem and housing them in a vibrant and nurturing environment.

As of today, the Launchpad@one north is already running at full capacity with aspiring startups, particularly the tech, media and telecommunication (TMT) companies.

With catalytic projects such as the High-Speed Rail connecting Jurong and Kuala Lumpur and Jurong Regional Line being underway, the move is strategic. JID, which will be well-connected via the Jurong Regional Line, will serve as a space for entrepreneurs, researchers and students to design, prototype, and test-bed their new innovations that could supplement the Smart National Trials at Jurong Lake District. Over time, the scale of the tech and creative clusters in the western part of Singapore could possibly rival that of Silicon Valley in San Francisco and will further attract regional and international tech and creative companies to set up offices here. In the medium to long term, the further transformation of Jurong into a "the industrial park of the future" will indefinitely help drive interest and demand into the surrounding residential, office, retail and hospitality sectors, bringing about a rise in real estate values around the industrial park.

Absence of relief of property cooling measures

Since the beginning of 2015, there have been calls for the government to tweak the cooling measures. The private residential transaction volume has been halved since the implementation of the Total Debt Servicing Ratio (TDSR) framework in 2013 whilst prices are 8.4% down from the peak.

However, the cooling measures were not lifted in the Singapore Budget 2016. This did not come as a surprise as price correction has been moderate and the government sees no risk of a "hard landing" in the residential segment. There is also "frustrated demand" in the market as buyers are deterred from entering the market due to the Additional Buyer's Stamp Duty (ABSD). Given that the only beneficiaries of the lifting of the cooling measures will be property developers, Singaporeans who can afford more than one property, permanent residents and foreigners, it does not serve the need of the masses. Nevertheless, there is still a possibility for the punitive measures, such as the ABSD, to be lifted over the medium term if circumstances change.



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