

GLS bidding strategy during COVID-19

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Introduction

The Singapore government plans to launch three development sites for sale by tender in the first half of this year. Although the plan was announced in December, the first tender will only be launched in April. This will be the first time that the government will be launching Government Land Sale (GLS) tenders in the midst of the global pandemic.

Three land parcels

The government reduced the land supply it planned to sell in the first half of 2020 (1H 2020). The Confirmed List of the 1H 2020 GLS programme consists of only three land parcels, down from the five land parcels in each of the preceding two GLS programmes.

One GLS tender will be launched each month from April to June 2020. Each of the land parcels is designated for slightly different uses.

The site at Yishun Avenue 9 is meant for Executive Condominium, while the 1-hectare land parcel next to the Tanah Merah MRT Station is zoned for residential use with commercial space on first storey.

Table 1: Government Land Sale Confirmed List for 1H 2020

Location of site	Site area (ha)	No. of units	Commercial space (sqm)	Allowable use	Tender launch date
Yishun Avenue 9	2.15	600	0	Executive Condo	April 2020
Tanah Merah Kechil Link	1.01	310	2,000	Residential with commercial on first storey	May 2020
Jalan Anak Bukit	3.29	865	20,000	Commercial & Residential	June 2020

Source: Ministry of National Development

A mixed residential and commercial development could be built on the site at Jalan Anak Bukit. It is located near the Beauty World MRT station. It will likely be an apartment development with more than 860 units on top of a 20,000 sqm retail mall.

First GLS tender of the year

The first GLS tender of the year was launched on 30 April 2020. The land parcel is located at Yishun Avenue 9, next to the Symphony Suites condominium. The 99-year leasehold site is designated for Executive Condominium (EC) development.

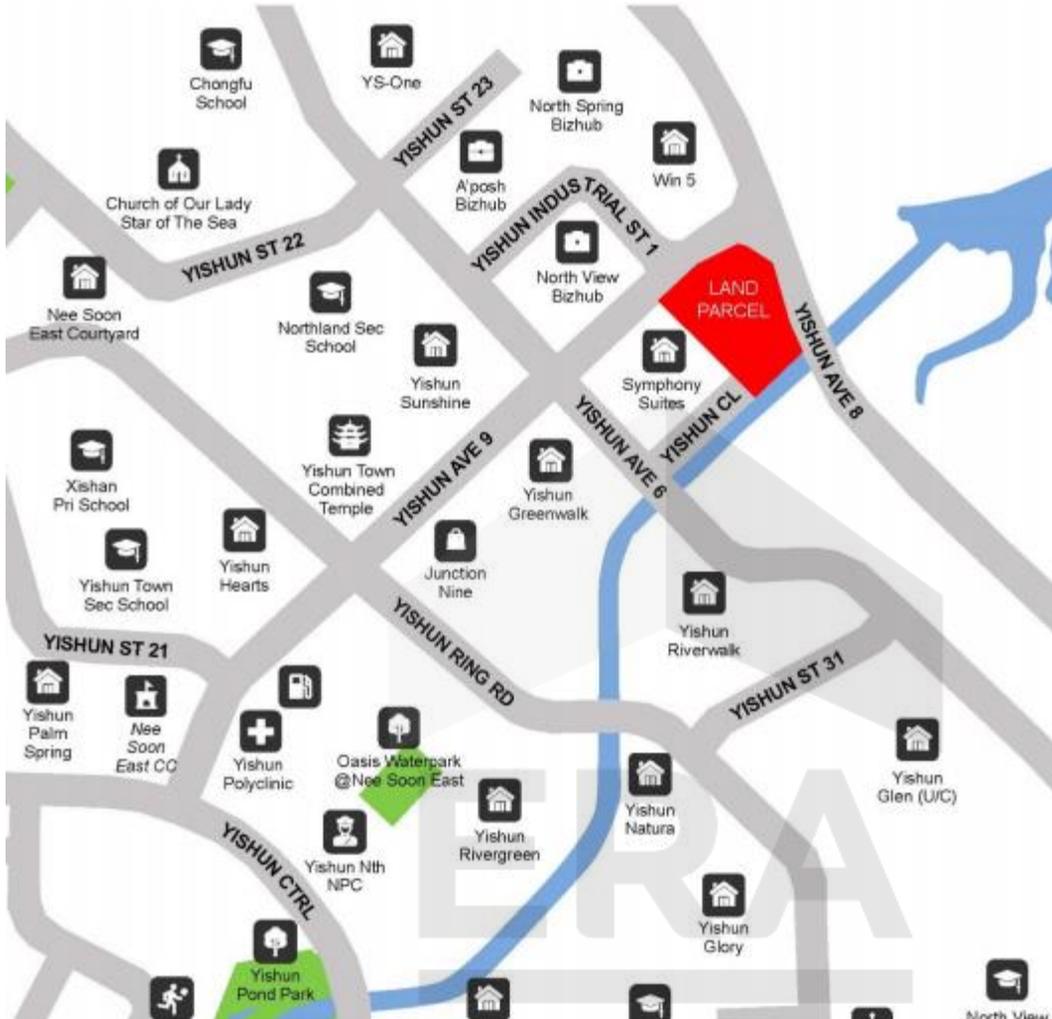
The land parcel measures 21,514 sqm in area and it could potentially be developed into homes for 600 families. The tender will close on 29 October this year.

Table 2: Details of EC Land Parcel at Yishun

Location	Yishun Avenue 9
Site Area	21,514.0 sqm
Maximum Permissible Gross Floor Area	60,240.0 sqm
Maximum Building Height	56 m Above Mean Sea Level
Lease Period	99 years

Source: HDB

Figure 1: Map of the land parcel at Yishun Avenue 9



Source: HDB

Bargain hunting and bottom fishing

The COVID-19 pandemic is expected to weaken market sentiments. If the land tenders were to close during the pandemic, it would attract bargain hunters and low bids.

Furthermore, when all the bids, including the low ones, in the GLS tender are published after the end of the tender, it would reinforce the impression of pessimism in the property market. The results would be even more low bids in the subsequent land tenders as some buyers try to bottom fish.

Therefore, the government stretched out this land tender period to a record 6 months.

Unprecedented tender period

In the 23-year history of the EC land tenders, the tender period of this EC site at Yishun is the longest at 182 days or almost 6 months. A large majority of the other earlier EC land tenders closed about 1 to 2.5 months after the tenders were launched. The longest previous tender period for an EC site was the 3-month tender for the land parcel at Punggol Central that closed in July 2013. That site was developed into The Amore executive condominium.

A likely reason for the long tender period of this Yishun site is to obtain the highest possible land price. The authorities may be hoping that when the tender closes near the end of October 2020, the COVID-19 pandemic may already be contained and the market sentiments would have improved.

Alternatively, the government could postpone this land tender until the market environment improves. However, this would send a negative message to the market as it could be perceived that the authorities are not confident of the property market.

Buy low, sell high

Although the land tender is launched when the market condition is uncertain, the new residential development would likely be launched for sale only one to two years after the tender closed. By that time, the COVID-19 pandemic should have ended. Hence, it is very likely that the developer would be able to launch the new development when the market sentiment is better than what it is today.

As a result, the more bullish developers would still submit bids that are close to the levels before the COVID-19 outbreak.

Conflicting policies

On one hand, the government had imposed the most severe cooling measures in the history of the Singapore property market with the aim of curbing the growth of residential real estate prices. On the other hand, it also aims to obtain the highest possible prices for the land that it sells. But these

are conflicting policies because high land prices will eventually lead to higher property prices when the new residential developments are launched for sale one to two years later.

Outlook

Although it is too early to predict the land supply from the GLS Programme for the second half of 2020 (2H 2020), there is a growing possibility that the government would reduce the land supply in that Confirmed List because of the expected lower housing demand due to the COVID-19 pandemic. As a result, there may not be any EC land parcel in the Confirmed List of the 2H 2020 GLS Programme. The EC land parcels in the 2H 2020 programme may only be found in the Reserve List.

Since developers are unlikely to trigger any sites in the Reserve List when the market is uncertain, this Yishun Avenue 9 EC site could be the only EC site to be sold this year. Such situation had happened before in 2016 and 2017 when only one EC development land parcel was sold in each of those years due to the weak market sentiments then.

Therefore, developers with more forward-looking perspective and are armed with sufficient financial capability may not hold back when bidding for attractive development land during this pandemic.

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