



Sentosa Cove Price Drop



Sentosa Cove is regarded as one of Singapore's most upscale locales, duly distinguished as an exclusive island haven by the sea. Properties on this prime piece of real estate have always tended to be on the expensive end; since it was first developed, homes in the area could only be afforded only by the incredibly wealthy. Lately however, Colliers International noted a significant trend that Singapore home buyers should take note of: Prices at Sentosa Cove are becoming more affordable.

Lower Demand, Lower Price

About 30% of Sentosa homes remain unoccupied, which points to the low demand. In addition, only 29 home have been purchased in the area this year. That's a big drop compared to last year's

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70, and even bigger compared to the record high of 497 in 2006.

The decline in demand is mainly due to two reasons: lesser foreign investors since 2008's global economic crisis, and the new property regulations recently introduced by the Singapore government. While the financial crisis interrupted Sentosa's momentum, the new government measures continue to slow the pace. In addition, a new TDSR framework was introduced earlier this year, which affects the sale of luxury property.

In order to make good on their assets, many investors have opted to lower their prices. In effect, Sentosa Cove homes are no longer so exorbitant, and may now be obtained by those who aren't so rich.

Price Differences are Closing Up

According to Colliers, the price difference between condos in Sentosa and those in mainland Singapore is getting smaller. About a decade ago, property prices at the island were about 78% higher than those in the Outside Central Region. Sentosa was touted as an elite locale for the rich, and it was seen as an excellent investment due to its paradise-like appeal. Prices shot up drastically in the first quarter of 2008, when there was a growing market for luxury items and an influx of



foreigners interested in buying a Singapore home. Between 2004 and 2008, property prices in Sentosa Cove increased by 214%. In the beginning of 2008, Sentosa Cove condos were up to 300% more expensive than those in the mainland. However, the global financial crisis led to lower prices. In 2008, prices were halved in a span of 9 months.

Currently, the price difference between Sentosa and mainland homes is at an all-time low of 26%. In fact, some high-end apartments in the mainland are even more expensive than Sentosa units. Colliers observed that between the first and third quarters of this year, the average price of a 99-year unit in Sentosa Cove has decreased from S\$2,950 /sq ft to S\$1,646 /sq ft. Upscale 99-year units in the mainland (particularly in the Central Area and Districts 9, 10 and 11) average at S\$1,311 /sq ft.

Colliers also notes that first-time home buyers can purchase a resale unit at Sentosa for a little less than S\$2 million. For instance, a few apartments at The Berth and The Oceanfront, each measuring over 1,000 sq ft, were recently sold at prices between S\$1.7 and 1.9 million. That's even more affordable than similarly-sized upmarket units on the mainland.

Weighing the Risks and the Returns

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A Sentosa Cove home is a great asset, but it comes with risks. For instance, with the new property regulations, you might have a hard time maximizing your profits. You also have to remember that Sentosa units tend to be bigger - a smaller one measures about 1,000 sq ft, which can come up to S\$2 million.

Even so, Colliers notes that Sentosa Cove has an unrivaled advantage: the delightful island milieu will always be attractive to buyers and renters. City people are always looking for a relaxing haven near the metropolis, where they can enjoy the sun, sea and fresh air that they can't get on the mainland. Returns from rentals can be expected to remain high. As of now, returns are nowhere near the all-time high garnered in the fourth quarter of 2008, but Colliers believes things will be more lucrative soon, as economies regain strength.

Furthermore, there will always be a good number of foreigners seeking a Singapore home. In fact, half of this year's purchases were made by foreigners. Sentosa Cove is the only place where they can buy landed property without prohibitions.

Many developers believe their assets in Sentosa Cove will remain valuable. A number haven't even dropped their prices yet, choosing instead to postpone their launch dates until the luxury market



regains its strength. A few, such as Ho Bee (Cape Royale) have decided to put their units up for rent.

A Good Time to Buy

When you think of Sentosa Cove, you'd think of extravagant living and the high price tag that comes with it. But with the current price drop, home buyers have a chance to acquire a seaside home in an exclusive neighborhood. Colliers suggests it's wiser to buy resale units in completed developments, since owners tend to be willing to resell their properties at lower prices, compared to developers selling newly-built apartments.

Sentosa Cove is expected to be in full bloom by next year, with a host of commercial developments and recreational centers, and more than 2,000 residences. The island offers luxury condominiums, terrace houses and detached homes, all on a 99- or 103-year leasehold.

A mass-market apartment on mainland Singapore is now just a little bit cheaper than a posh condo unit at Sentosa. And if you consider prices per square foot, Sentosa properties aren't really that much more expensive. With the right financial planning, you can acquire property in the lovely



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