Singapore property Super high-end developments are still being built and bought. By Jeremy Grant

Singapore bling

It's the smell of leather that hits you first. Riding up in the elevator at The Marq, a svelte grey residential tower near Singapore's Orchard Road, you notice that the elevator walls are lined with expensive black cowhide.

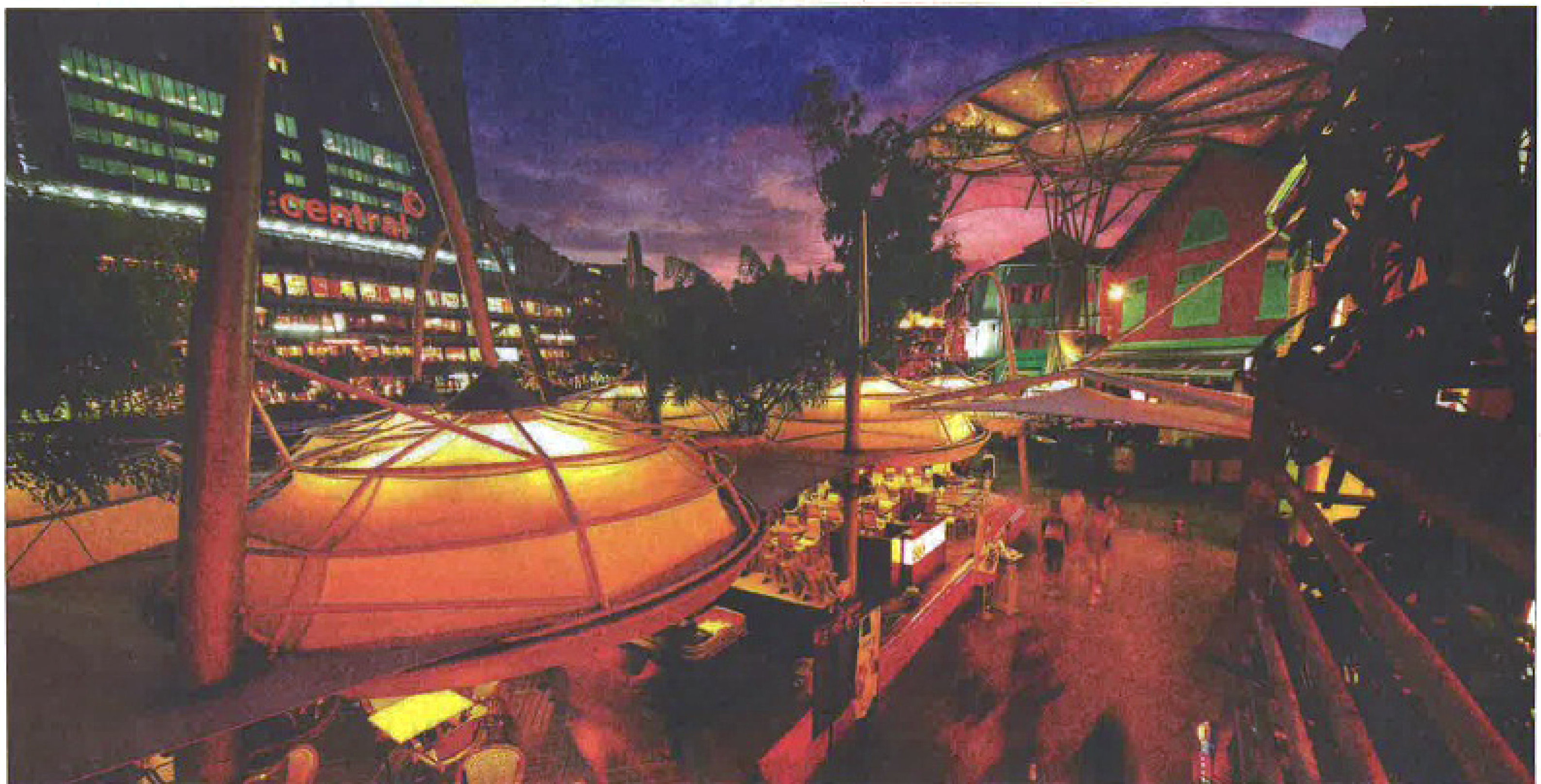
This is the first hint that the development is not merely high end, but seems to be pushing the boundaries of exclusivity.

Inside one of the project's two "signature towers", developer Simon Cheong has turned one unit into a "private hospitality apartment", entirely decorated by Hermès, the French fashion house, and retained it for use by his company SC Global.

Featuring a combination of Hermès furniture, wallpapers, carpets and made-to-order leather upholstered items, the idea is to "echo the spirit of the tradition of French *décorateurs ensembliers*", says Hélène Dubrule, general manager of Hermès Maison, the company's home division.

Cheong is a former Citi banker and one of Singapore's richest people. He is known locally for taking a somewhat unique approach to property development. It takes some doing to combine the stylish élan of a name like Hermès with the clinical efficiency that one often associates with high-rise Singapore.

At ground level, there are spacious courtyards dotted with sculptures from SC Global's corporate art collection, including a curvy bronze horse by Colombian artist Fernando Botero.



Plans are under way to link Clarke Quay, above, by walkways to two other waterside spots, Boat Quay and Robertson Quay

Tan Cheng Tong Mike

An apartment at The Marq, decorated by Hermès

Few developers would devote square footage to this "dead" space, given how land is at such a premium in Singapore, a cramped city' state of 5.2m people. Such uncompromising insistence on exclusivity is a bold strategy at a time when Singapore has been aggressively implementing measures to cool its property market since a speculative bubble emerged in 2009. In July this year, a 6,232 sq ft apartment sold for S$30.4m (£15.3m), but of the 66 units at The Marq, more than half remain unsold.

In December the government slapped a 10 per cent "additional buyer's stamp duty" on all transactions involving foreigners, on top of an existing rate of 3 per cent. That had an immediate effect. Buying interest from mainland Chinese investors, which agents say had driven much of the bubble, fell away sharply. Prices are off by about 10 per cent at the luxury end.

Foreign buyers of Singapore property are restricted to an island-wide stock of roughly 200,000 apartments and condominiums in the many high-rises that crowd the urban core.

Most of the other high-rise residential developments that visitors would see otherwise are drab, government-sponsored "HDBs", built by the Housing & Development Board.

Detached, semi-detached and terraced houses are also available to buy – so-called "landed" property – but only to Singaporean citizens or "approved foreigners", in real estate jargon. Quite how one qualifies as an approved foreigner is unclear. Technically you apply to the "land dealings unit" at the Singapore Land Authority, under the ministry of law.

In reality whether that application gets any further "depends on many things, like your status – let's say you are a private banker. It's really not that clear," says one agent. The bottom line is it's difficult.

In addition the bulk of property in Singapore is leasehold, typically for 99 years. Freehold properties are rare. Savills estimates that the high watermark of foreign buying of private residences was 31 per cent of overall transactions in the third quarter of last year, dropping to 20 per cent in the first quarter of this year, thanks largely to the new stamp duty.

But there are signs of a slight bounceback. The proportion of foreign buying crept up to 21 per cent in July, and August numbers are around 24 per cent, Savills estimates.

Most of those are Indonesians, Malaysians and Indians – three groups that, along with the mainland Chinese, have for some time accounted for the bulk of foreign buying interest. The rest are Russians and some western Europeans.

"Volumes are low but that's no surprise because buyers have been waiting to see what the impact of the [stamp duty] would be, and the smart money is coming back now that the market's settled," says Christopher Marriott, chief executive for Savills in south-east Asia.

Even though Singapore is vulnerable to government market cooling measures, and not immune to the global economic chill, its property market does seem to have some in-built protections against big downsides.

One reason for the enduring interest on the part of foreign buyers is Singapore's political stability, ultra low crime rate and growing importance as an Asian financial hub. Indonesians in particular have had a long love affair with Singapore property, and started investing in the River Valley area as far back as the 1970s.

Recent efforts by Singapore to build the city-state up as a wealth management centre – rivalling global leader Switzerland by assets under management – have increased its allure to wealthy individuals. A cluster of world-class hospitals, many specialising in complicated treatments, is drawing "medical tourists" – especially from Indonesia.

Singapore's river, which flows past such landmarks as the Fullerton Hotel – once an imposing post office in British colonial times – is getting a makeover under a new public-private partnership, known as Singapore River One. It is headed by Tyrone Tabing, a former town planner at the city of Chicago, who says one aim is to tackle touting by restaurateurs and bar owners along the waterfront.

The project also plans to link three waterside spots popular with tourists – Boat Quay, Clarke Quay and Robertson Quay – by incorporating walkways that should also bring benefits to the 10,000 residents of Robertson Quay, where many workers in the central business district reside, Tabing says. "We're going to 'clean house' a little bit."

The Marq's two 'signature towers'

A decade of growth in the sophistication of Singapore's softer side – the arts, music and restaurants – is also giving the city-state's property market some staying power.

This month Singapore made a pitch to become a hub for contemporary art in Asia with the opening of Gillman Barracks, a restored former British military compound dating from 1935, and scene of some of the fiercest fighting against Japanese invaders in the second world war.

Its 2,200 sq m site will house 13 art galleries from 10 countries by the time it is fully operational in the second half of next year. One anchor tenant is the Sundaram Tagore Gallery, which chose to make Singapore its fourth outlet after Beverly Hills, New York and Hong Kong.

Touch a biometric pad and your Lamborghini is automatically whisked aloft to the desired floor level

Another factor supporting prices in Singapore is the limited land left for development. While it is true that a lot of supply was built in the past two years, developers reluctant to drop their prices are sitting on unsold inventory, or renting it out.

Indeed, as many as 4,000 upmarket condominiums were built over the past year, representing about 7 per cent of so-called "non-landed" stock in the luxury market, Savills says. Of this, 16 per cent remains unsold.

Marriott points out that developers are far less leveraged than their counterparts in the west, which gives them "a high degree of holding power". That may explain Cheong's patient approach to filling The Marq.

Among completed upmarket projects with the most unsold units are Reflections, a vast development at Keppel Bay on the south coast, Hilltops at Cairnhill Circle and The Ritz Carlton Residences.

Knight Frank says there is evidence that developers have been offering 10-15 per cent discounts to offset the effect of the additional stamp duty in an attempt to shift units. Png Poh Soon, head of research, says: "It is likely that buyers are taking the additional stamp duty as the norm and they are getting to accept it as part of the transaction cost."

Bargain hunters have snapped up some deals. Nineteen units at Paterson Suites – opposite The Marq – went for S$2,619 (£1,315) per sq ft this year, 15 per cent below the price peak of 2007. Twelve units at Orchard View nearby changed hands at an average price of S$2,604 per sq ft.

Png acknowledges that the high end of the market is "still soft". Knight Frank says developers sold 403 units in the second quarter in the core central region of Singapore, still a long way off the first quarter of 2009 when 1,386 were sold, and still off an average of 500 units from 2009 until the first half of last year.

But Singapore's gradually appreciating currency will give prices some support, agents believe. "There is still demand from people who are looking to invest for the long term, and one of the major drivers is still Singapore as a financial centre," says Png.

Still, it is hard to imagine that prices will reach last year's record, when a European buyer paid an eye-popping $6,842 per sq ft to secure one of the 21 top-end units at The Marq. Even if it did come with a 15m pool cantilevered outside the building.

Indeed it may have to be that capricious feature designed to catch the eye – and wallet – of a cash-rich buyer that shifts the really high-end properties. This month developer KOP Properties started unashamedly targeting a growing number of millionaires in Singapore who own "supercars".

The company is marketing a luxury development near Orchard Road that allows owners to keep their cars next to their living rooms in "en suite sky garages". Touch a biometric pad in the basement after you've driven your Maserati or Lamborghini in, and it's automatically whisked aloft to the desired floor level.

"It's done in such a way that it's a museum showcase," says Leny Superman, KOP chief executive.

They'll try anything in Singapore.

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