

Sharing Success: Partnering the Private Sector in Development



The private sector played a significant role in the development of Shenzhen's central business district and its river.
Source: SSDPenguin, English Wikipedia

Greater private sector participation can spur more innovation for the next stage of Singapore's urban development.

With a bigger say in the city's concept plans and development uses, as well as more involvement in upstream decision-making, real estate developers can harness a global pool of institutional capital and fresh ideas to transform Singapore, says Dr Seek Ngee Huat.

Speaking at a CLC lecture in October, the chairman of the National University of Singapore's Institute of Real Estate Studies laid out a model for success in urban development led by a rethinking of the public private partnership (PPP) in Singapore. While the city's development has been defined for decades by the public sector — which is its largest land owner and housing developer — Dr Seek said it is time for the private sector to play a bigger role.

"It is clear that the symbiotic relationship between the public and private sectors is a key success factor in transforming Singapore from what was in 1965, a poor Third World city, to a world-class metropolis," he said.



Dr Seek makes a case for why the private sector should have a bigger say in the development of a city and the ingredients required for a successful partnership. Source: The Centre for Liveable Cities

“But we’re in a different world from 20, 30 years ago... The public sector is so good at what it does and so dominant that we may run the risk of stifling new ideas and innovations from the private sector.”

Unlike in the past, private developers today are more sophisticated having seen the world. They are better equipped to harness market forces and tap market knowledge, as well as possess a greater capacity and willingness to take risks in real estate development.

According to Dr Seek, several factors are important for PPP to work in real estate. These include market timing, planning and urban design as well as the alignment of public and private sector interests. For instance, the Singapore government’s assurances then to limit new land supply in the vicinity of Suntec City and Marina Bay Financial Centre was important in reducing uncertainties for the developers of these two projects. However, he also noted that in the case of Suntec City, the developer’s choice of selling its offices as strata title units to quickly turn a profit may not have been aligned with the long-term objective of anchoring Singapore as an international convention hub.

While the private sector is motivated by profits, it is not always about short-term gains, added Dr Seek. Overseas developments, such as Canary Wharf in London and Yu Tian Village in Shenzhen, show how the private sector can successfully take the lead. The developer of Canary Wharf contributed to the

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Source: The Centre for Liveable Cities

building of a subway line and station and pursued long-term strategies that lasted for over 30 years. For Yu Tian Village, the developer took the initiative to pursue a master lease with property owners as well as upgrade lower-quality residences and create more common spaces. Such an “impact investment” allowed the developer to reap modest returns while also benefitting the community.

These examples demonstrate the importance of picking the right partner, says Dr Seek. “It’s pretty clear that we want partners to have strong financial resources and shared long-term values.”

To aid the successful partnership between the public and the private sector, Dr Seek suggested policy makers consider profit sharing models, which is currently not used in Singapore. He gave the example of the Queen Victoria building in Sydney, a former run-down site that was successfully restored into a shopping centre by a Malaysian developer. This arrangement ensures the developer will get back its money and investment, and beyond that, the revenue is split. The state also retains ownership of the building.



The lecture attracted a vast range of audience keen to learn about the symbiotic relationship between the public and private sectors in real estate. Source: The Centre for Liveable Cities

“This ensures the developer does a good job in turning this thing around and making it viable, and the government can keep an eye on the development to make sure the revenue is generating the way it should be,” he says. “If the two partners are sharing profit over a long period, their interests are much better aligned.”

About the Speakers



SPEAKER

Dr Seek Ngee Huat

Chairman,
Institute of Real Estate Studies,
National University of Singapore

Dr Seek Ngee Huat is Chairman of the Institute of Real Estate and Urban Studies at the National University of Singapore (NUS), where he is also Practice Professor of Real Estate. He is Chairman of GLP IM Holdings Ltd and a board member of Brookfield Asset Management Inc., Canada and the Centre for Liveable Cities. He is also a senior advisor to Frasers Property Ltd and the Canadian Pension Plan Investment Board. He was previously the Chairman of Global Logistic Properties Ltd, Chairman of ULI Asia Pacific, President of GIC Real Estate Pte Ltd and board director of GIC Private Limited. Before joining GIC, he was a Senior Partner at Jones Lang Wootton in Sydney.



MODERATOR

Sin Lye Chong

Group Director (Land Sales & Administration)
Urban Redevelopment Authority

Mr Sin Lye Chong graduated with a First Class Honours in Economics. He started his career as a Research Officer in URA, before doing a stint with Physical Planning Group. He was also seconded to the Ministry of Finance and Ministry of National Development. Mr Sin took on the current appointment of Group Director (Land Sales & Administration Group) in 2014. In this role, his main responsibilities are helping the Singapore Government formulate property market policies to promote a stable and sustainable property market, planning and implementing the Government Land Sales programme, as well as managing URA's car park operations.

About the CLC

The Centre for Liveable Cities was set up in 2008 by the Ministry of National Development and the Ministry of the Environment and Water Resources, based on a strategic blueprint developed by Singapore's Inter-Ministerial Committee on Sustainable Development. Guided by its mission to distil, create and share knowledge on liveable and sustainable cities, the Centre's work spans four main areas - Research, Capability Development, Knowledge Platforms and Advisory. The CLC Lecture Series is a platform for urban experts to share their knowledge with other practitioners. For more information, please visit us at <http://www.clc.gov.sg>