Public-Private Partnership in Real Estate
- A Model for Success in Urban Development

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01 PPP in Real Estate

02 Lessons Learnt - Local & Overseas cases -

03 Future Challenges & Opportunities
Public-Private Partnership

Strong Symbiotic Public Private Relationship in Singapore

“...This 50 year journey, made not without trials and tribulations, reflects in many ways the successful public-private partnership, combining pragmatic government policies with the entrepreneurship of the private sector.”
Public-Private Partnership

Roles of Government

Policy Maker

Provider of Soft & Hard Infrastructure

Regulator

Land Owner

Developer
Public-Private Partnership

Key Public Agencies’ Roles in 3Ps Model

- Master & Concept Planning
  - Urban Redevelopment Authority
  - Singapore Land Authority
- Land Management & Development
  - JTC Corporation
- Infrastructure Development
  - MPA Singapore
- Public Housing Development
  - Housing Development Board
- Industrial Development
  - Civil Aviation Authority of Singapore
- Transport Development
  - Land Transport Authority
- Urban Redevelopment
  - Housing Development Board
- Public-Private Partnership
Public-Private Partnership

Evolution of Public and Private Sectors

PUBLIC

- Sale of Sites
- White Site
- Large-scale Integrated Development
- Two-envelope Tender System
- Master Developer

PRIVATE

- Under-capitalized developers
- Commercial strata-titles
- Public listed developers
- Global market
- Private REITs and private funds
Role of Government
To meet social and environmental needs

Urban Renewal Programme
Driven by urban planning objectives & policies

Urban Renewal Department:
- to handle the physical, social and economic revamp of Central Area
- replaced by URA since 1974.

Roles of URA:
- Land Use Planning
- Development Control
- Land Sales
- Conservation
- Urban planning & design

Assisted by regulations:
- Land Acquisition Act (1966)
- Controlled Premises (Special Provision) Act (1969)
- Planning Act (Ch 232)
Promote development through GLS

**Government**
- Release state lands every 6 months
  - Confirmed List
  - Reserve List
- Regulate land development through:
  - detailed planning
  - zoning regulations
  - detailed sales conditions

**Through GLS Programme**

**Private Developer**
- Purchase lands through tenders
  - Commercial
  - Residential
  - Industrial
- Design and build developments while abiding by planning rules & regulations

Public-Private Partnership
A “partnership” works only if the following factors exist:

1. **Alignment of Interests**
2. **Sharing of Risks**
3. **Adding Value**

In the early years . . .

- Land sales were straightforward
- Some incentives were given to promote development
3Ps in Singapore

Land Sale Methods in Singapore

GLS Programme
Eg: Suntec City, MBFC

“White” Site
Eg: Guoco Tower, The Sail, One Raffles Quay

Large-scale Integrated Development
Eg: Suntec City, MBFC

Two-Envelope Tender System
Eg: Holland Village site, Collyer Quay site

Master Developer
Eg: Kampong Bugis, Jurong Lake District
Development Objective: Anchoring Singapore’s position as an international exhibition and convention hub.

Plot Size & Year of Sale of Site: 11.7 ha; 339,000 $m^2$ GFA (min of 60,000 $m^2$ to be apportioned to MICE); 1988

Conditions of Sale: Project Completion Period of 10 years

Developer & Tender Price: Private consortium led by private developers; S$208 million

GFA Distribution & Completion Year:

<table>
<thead>
<tr>
<th>5 Office Towers</th>
<th>212,445 $m^2</th>
<th>1994-1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convention Centre</td>
<td>100,000 $m^2</td>
<td>1995</td>
</tr>
<tr>
<td>Shopping &amp; Entertainment</td>
<td>85,326 $m^2</td>
<td>1995-1997</td>
</tr>
</tbody>
</table>

Source: Centre for Liveable Cities Singapore, Suntec REIT IPO Prospectus, Factiva
Large-scale Integrated Development
Marina Bay Financial Centre

Development Objective:
Enhance Singapore’s competitiveness against other global financial centers.

Plot Size & Year of Sale of Site:
3.55 ha; 438,000 m² GFA; 2005

Conditions of Sale:
Option Payment Scheme; Price-only Tender; Project Completion Period – up to 18 years

Developer & Tender Price:
CK Asset Holdings, Hongkong Land, Keppel Land; S$1.92 billion

GFA Distribution & Completion Year:

<table>
<thead>
<tr>
<th>Type</th>
<th>GFA</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Office Towers</td>
<td>271,277 m²</td>
<td>2010-2012</td>
</tr>
<tr>
<td>Retail Mall</td>
<td>16,676 m²</td>
<td>2012</td>
</tr>
<tr>
<td>Residential Space</td>
<td>150,047 m²</td>
<td>2010-2013</td>
</tr>
</tbody>
</table>

Source: Centre for Liveable Cities Singapore
Forging a win-win partnership in real estate development

01 Market Timing
02 Alignment of Interests
03 Planning and Urban Design
04 Marketing
05 Risk and Profit Sharing
06 Master Developer Model
Development Timeline:

2005
- Sale of Site

2010
- TOP (Phase 1)
  - MBFC Tower 1 & Tower 2
  - Total 150,503 m² of office space
  - Marina Bay Link Mall 8,715 m²
- Divestment of Keppel Land’s 1/3 Stake in MBFC Phase 1 into K-REIT Asia at S$1.427 bil.
  (incl. of rental support)

2012
- TOP (Phase 2)
  - MBFC Tower 3
  - Total 120,774 m² of office space
  - Marina Bay Link Mall 7,850 m²
- Divestment of Keppel Land’s 1/3 stake in MBFC Tower 3 into K-REIT Asia at S$1.248 bil.
  (incl. of rental support)

2014
- 02 Alignment of Interests
  - Marina Bay Financial Centre

Source: Centre for Liveable Cities Singapore & Keppel Land Official Website
Public Private Partnership
New Master Developer Model – Kampong Bugis

Plot size: 17.4ha

Development Objective:

• Car-lite precinct with comprehensive walkways and well-connected cycling paths
• Maximize use of alternative transportation modes
• People-centric developments
• Water-sensitive and sustainable urban design

Source: URA Singapore
Public Private Partnership
New Master Developer Model – Jurong Lake District

Plot size: Option 1: 4.3 ha; Option 2: 7 ha

Development Objective:

• To anchor Jurong Lake District as Singapore’s 2nd Central Business District

• To build high-density mixed-use developments with urban sustainable features

• To promote car-lite urban mobility, maximize street-scape and create optimized infrastructure

• To repurpose and incorporate existing heritage buildings with new developments

Source: Centre for Liveable Cities Singapore
A More Effective PPP Model for Large Sites

Key Objective: Alignment of Interests

Social & Policy Needs  Profitability

Would long term interests be better aligned, if the master developer is a special purpose statutory entity?
Public-Private Partnership

Overseas Experience

Melbourne Docklands
Canary Wharf
Yu Tian Village
3Ps in Overseas
Melbourne Docklands

Location: Adjacent to central city of Melbourne

Plot size: 190 ha (140ha land; 44ha water)

Development Objective:
To redevelop derelict industrial wasteland into vibrant waterfront precinct that would extend the western edge of Melbourne’s CBD.

Development timeline: 25 years (completion approx. 2025)

Development Principle:
- “No cost to government”
- All design and funding of infrastructure was to be undertaken by developers.
### 1st Decade of Development (2000-2010)

- Development agreements:
  - Set on 10-year plans, development timeline is fixed and strictly enforced
  - Proposals reviewed and selected by international and national experts
  - Market-driven approach

- Focused on initiating development process & delivery of developments

- Few community-oriented initiatives

### 2nd Decade of Development (2010~)

- A change from market-driven approach to community-oriented development

- Provision of more community infrastructure and open space

- Public engagement included in the development process

Source: Azadeh Hadizadeh Esfahani, Exploring People-centred Development in Melbourne Docklands Redevelopment
3Ps in Overseas
Canary Wharf – transformation of docklands

Location: Central London
Plot size: 29 ha; 567,000 $m^2$ GFA

Development Objective: To redevelop docklands that had high concentration of unemployment and large areas of derelict industrial spaces.

Docks closed in 1980

A thriving employment and retail hub

O&Y acquired sites in 1987

Constructions of JLE started in 1993; Canary Wharf Ltd bought the scheme in 1995

Constructions began in 1988

Commercial property market collapsed, O&Y filed for bankruptcy in 1992

4.5 mil $m^2$ created in 1st phase in 1991;

Jubilee Line Extension not approved; failed to attract tenants due to lack of accessibility.
3Ps in Overseas

Canary Wharf – transformation of docklands

2018

DLR | Jubilee Line
120,000 Working Population
2.2 million sqm of space

Source: Canary Wharf Group
3Ps in Overseas

Canary Wharf – transformation of docklands

2025

DLR | Jubilee Line
Up to 200,000 Working Population
3.2 million sqm of space

Source: Canary Wharf Group
3Ps in Overseas
Lessons from Canary Wharf

**FAILURE** – the stepping stone to **SUCCESS**

- Unfavorable market timing
- Over-optimism on market perception towards the project.
- Lack of government support in infrastructure provision
- Inflexible agreement of project development in an uncertain environment
- Government’s incapability in fulfilling its role dampened market confidence

- Strong demand for modern and large office space
- Well-planned infrastructure and complementary uses in the development
- Construction of underground rail line improved accessibility
- Rental subsidy scheme in early phase helped to attract tenants
- Proactive participation in public infrastructure

Source: George Iacobescu & Howard Dawber, Canary Wharf Group
In a Public Private Partnership, the most important thing is to get the incentives and objectives aligned. The public sector must get the best result when the private sector side is successful and vice versa. Whether it is on the basis of sharing profits, reducing costs, or creating jobs, a good PPP is a win-win for both parties.

George Iacobescu,
Chairman and CEO of Canary Wharf Group
Vanke’s Redevelopment in ShenZhen

Location: Yu Tian Village, Shen Zhen Futian District

Development Objective:
To revitalize the village in a sustainable manner, and thus achieve a win-win outcome between villagers and private entity.

Project Features:
• Enterprise-led urban village upgrading project
• Government provides support through improving public infrastructure, access road, services and facilities
• No government subsidies given directly to the developer Vanke
3Ps in Overseas - Redevelopment & Co-Living Space

Vanke’s Redevelopment in ShenZhen

BEFORE
3Ps in Overseas – Redevelopment & Co-Living Space

Vanke’s Redevelopment in ShenZhen

AFTER

Development Scope:
1) To upgrade basic facilities and living environment.
2) To bring in commercial properties, long-term rental apartments and property management services.

Source: China Vanke Co.
3Ps in Overseas – Redevelopment & Co-Living Space
Vanke’s Redevelopment in ShenZhen

Project Period: starting from October 2017

Master Lease Term & Rental: 10-12 years, RMB$ 75-85/ \( m^2 \)

Total Land Site Area: 25,194 \( m^2 \)

Total Gross Floor Area: 126,430 \( m^2 \)

No. Buildings secured for Redevelopment: 40 out of 114 buildings

No. Units launched for rental: 44

Rental of refurbished units: RMB$ 100-140/ \( m^2 \) (including management fees)

* Information as of June 2018

Source: China Vanke Co.
The MBFC site’s high plot ratio and tightness left little scope for the developer to vary the height of the buildings. In contrast, the Canary Wharf site was large enough to allow more flexibility in distributing the floor area and varying the height.

CLC Fellow Michael Koh, Master Developer Projects in Singapore: Lessons from Suntec City and Marina Bay Financial Centre, Centre for Liveable Cities Singapore
Public-Private Partnership

**Learning Points from Overseas Cases**

05 Realistic Targets and Built-in Flexibility

06 Synergistic Risk Management

07 Cooperation and Interaction throughout Project Duration

08 Regulatory Transparency

09 Singapore Inc’s Unique Advantage
Public-Private Partnership in Singapore
Future Challenges & Opportunities

01 Fostering Greater Private Participation
02 Changing Demographics & Housing Needs
03 Reallocation of Government’s Resources
04 Impact of New Technologies
Thank you!