

EXTRACT OF SPEECH BY MINISTER OF STATE FOR NATIONAL DEVELOPMENT DR KOH POH KOON AT BUDGET 2017 ON 8 MARCH 2017

Transforming our Real Estate Sector

The agriculture sector is not the only sector that has to transform itself to prepare for the future. The real estate sector also needs to change. Mr Chong Kee Hiong asked how the Ministry will help our real estate industry overcome the challenges that are posed by digital disruption. We are already seeing signs of such disruption in countries like the US, UK, and Australia, where sophisticated online platforms have enabled consumers to conduct property transactions themselves. They have used online property searches and viewing, as well as e-conveyancing and other value-added services.

We have also seen quite a number of DIY property portals sprouting up in Singapore in recent years. This has led to a growing number of Singaporeans choosing to complete their property transactions without the use of property agents. To survive and thrive, the industry must consider new ways of doing things. MND is therefore bringing together industry stakeholders across the entire real estate value chain. This includes property developers, estate agents, conveyancing and valuation firms, to collectively develop a Real Estate Industry Transformation Map or the Real Estate ITM. This is one of the 23 ITMs being developed under the Industry Transformation Programme. Through the ITM, we hope to create a resilient and future-ready real estate industry that will continue to provide good jobs for Singaporeans. This will involve three broad thrusts: (i) productivity; (ii) scale; and (iii) skills.

First, we must help our real estate companies maximise the potential of their workers and raise their productivity. This will allow them to remain competitive, and continue to provide good jobs. On our part, government agencies will consider how we can streamline processes to make the sector more productive, while providing consumers with added convenience and more positive experiences. HDB is already doing a review of its resale transaction processes with the aim of significantly reducing total transaction time. One possibility that we are considering is to do away with one of the HDB's resale appointments by leveraging on ICT technology. We will also explore how to streamline other transactions, such as for rentals or private properties.

Our second thrust is to help companies scale up and take advantage of new growth areas. With scale, companies can leverage on greater economies of scale, increase their value proposition, and better respond to market disruptions. Several real estate companies have done this by expanding into related areas in the property value chain, or by venturing overseas. One example is home grown company, LHN Group. They have enhanced their value proposition by expanding downstream — from their original focus in space optimisation, to facilities management and shared services. LHN's efforts, with support from SPRING and IE Singapore, have allowed the company to take advantage of new areas of growth, including expanding into China to manage mixed-use developments.

We need more of such examples. Expanding into new business areas or overseas markets is not easy. This is why, as part of the real estate ITM, we will work with the industry to identify new areas of growth, and see how to support their efforts to deepen their expertise, develop competitive niches and enter overseas markets.

The third thrust is to ensure that our workers are equipped with the right skills. As we work with the sector to raise productivity and pursue new areas of growth, there will be new ways of doing things and new jobs created. For example, with more information and services being online, it may be more important for property agents now to hone their skills in servicing clients and building up their credentials rather than just competing on marketing and closing transactions. We will be working with companies, industry associations and unions to ensure that there are training opportunities to help workers upskill and continuously refresh those skills throughout their careers.

Together, these thrusts will support a major transformation of the real estate industry. This will not be easy. But as the CEO of Netflix, Reed Hastings, said: “Companies rarely die from moving too fast, and they frequently die from moving too slow.” The time to transform is now. Over the next few months, colleagues from MND and the agencies will work closely with all stakeholders — companies, industry associations, workers, and unions — to develop the ITM and the way they should take forward.
