



Centre for Liveable Cities Lecture Series 2018

# Public-Private Partnership in Real Estate

## - A Model for Success in Urban Development

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# OUTLINE



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01  
PPP in Real  
Estate



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02  
Lessons  
Learnt - Local  
& Overseas  
cases -



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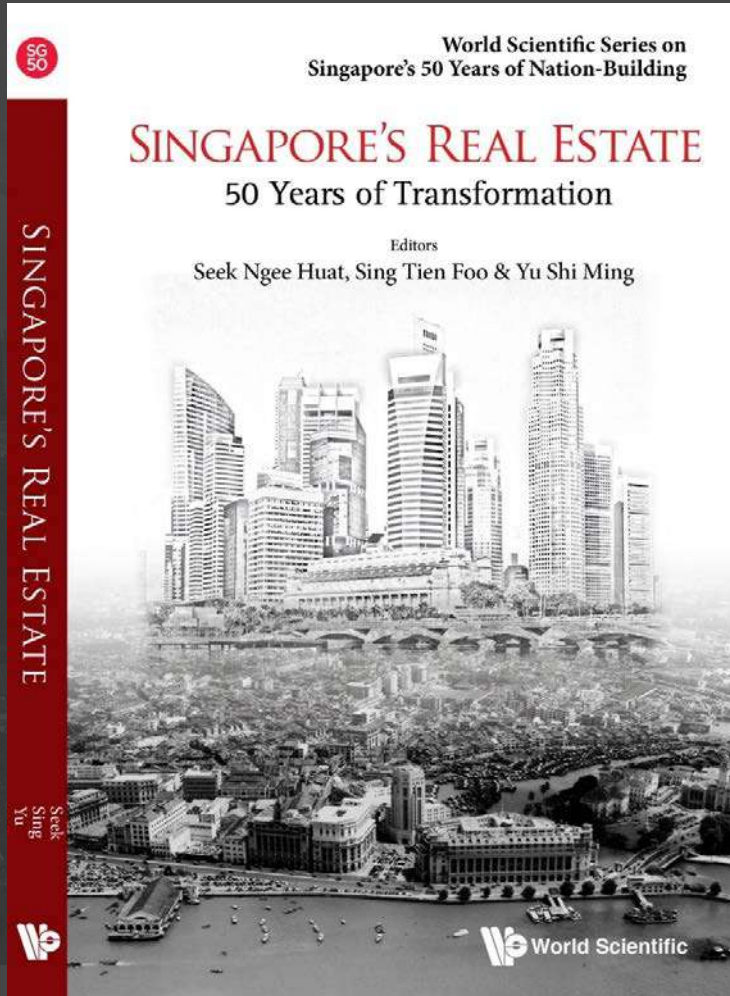
03  
Future  
Challenges &  
Opportunities

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# 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

MRT & LRT System map



Transport  
Development

Master & Concept Planning

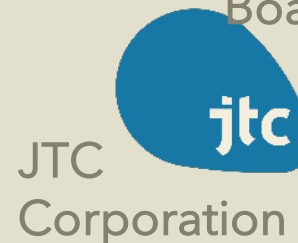
Land  
Management &  
Development



Infrastructure  
Development



Housing Development  
Board



Industrial Development

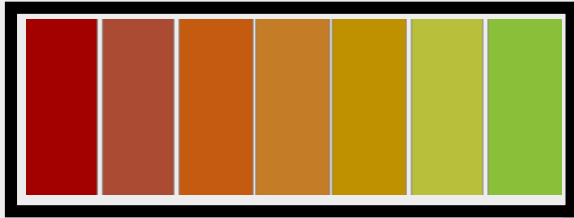
Public  
housing  
development

# Public-Private Partnership

## Evolution of Public and Private Sectors

### PUBLIC

Increasing flexibility to developers



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

### PRIVATE

Increasing capital & sophistication



- Under-capitalized developers
- Commercial strata-titles
- Public listed developers
- Global market
- Private REITs and private funds



# Public-Private Partnership

## Role of Government

— To meet social and environmental needs —

### Urban Renewal Department:

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

Driven by urban planning objectives & policies

### Urban Renewal Programme

### 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)

# Public-Private Partnership

## 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

Public



Private

### Private Developer

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



## Public-Private Partnership

### Small Single-Use GLS sites

A “partnership” works only if the following factors exist:



In the early years . . .

- Land sales were straight forward
- Some incentives were given to promote development

# Land Sale Methods in Singapore



# GLS Programme



## "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



# Large-scale Integrated Development

## Suntec City

### 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:

5 Office Towers	212,445 $m^2$	1994-1997
Convention Centre	100,000 $m^2$	1995
Shopping & Entertainment	85,326 $m^2$	1995-1997





# 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  $m^2$  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:

3 Office Towers	271,277 $m^2$	2010-2012
Retail Mall	16,676 $m^2$	2012
Residential Space	150,047 $m^2$	2010-2013



# Public-Private Partnership

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

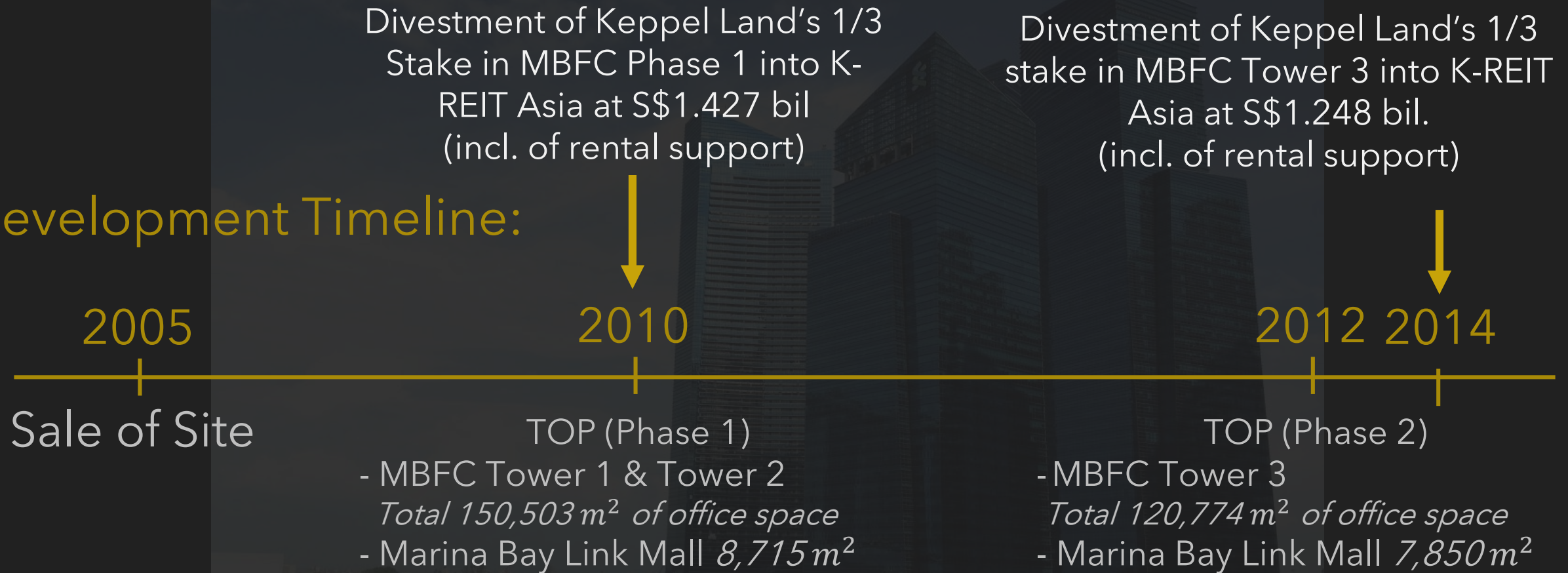
Master Developer Model



## 02 Alignment of Interests

# Marina Bay Financial Centre

### Development Timeline:





# 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



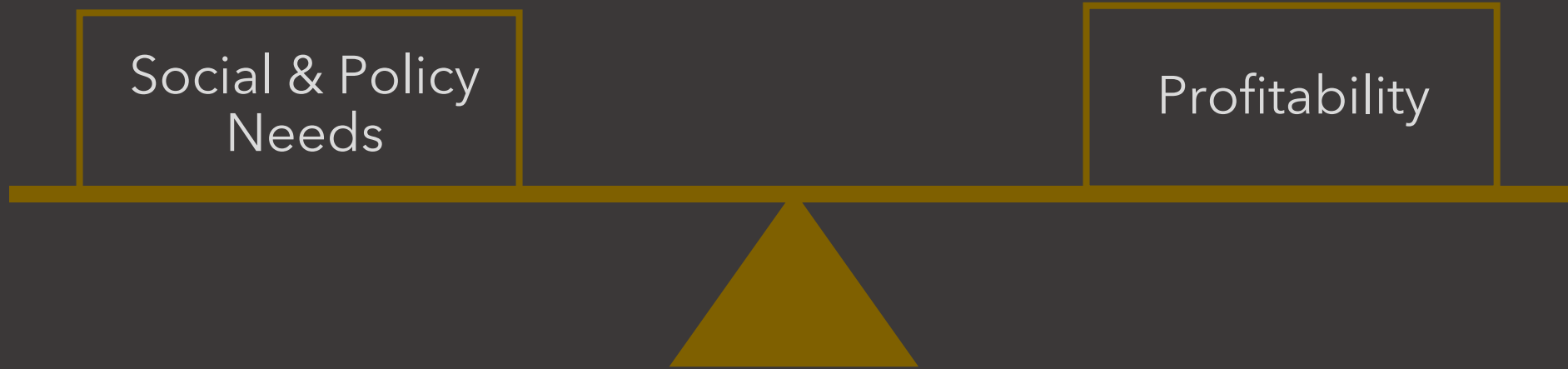
*Source: URA Singapore*



# Public Private Partnership

## A More Effective PPP Model for Large Sites

### Key Objective: Alignment of Interests



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.



## 3Ps in Overseas

# Melbourne Docklands – Development Process

### 1<sup>st</sup> 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

### 2<sup>nd</sup> 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



## 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



O&Y acquired  
sites in 1987



Constructions  
began in 1988



4.5 mil  $m^2$  created in  
1<sup>st</sup> phase in 1991;

Jubilee Line  
Extension not  
approved; failed to  
attract tenants due to  
lack of accessibility



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



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



A thriving  
employment  
and retail  
hub

## 3Ps in Overseas

# Canary Wharf – transformation of docklands

2018

DLR | Jubilee Line

120,000 Working

Population

2.2 million sqm of space





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*

## 3Ps in Overseas

# Public Private Partnership in Real Estate

*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

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

## 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



Source: China Vanke Co.



# 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.



# 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.*



# Public-Private Partnership

## Learning Points from Overseas Cases

01 Degree of Private Participation

02 Choice of Partners

03 Alignment of Interests

04 Reliability in delivery

“ 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!