ABSTRACT

The hypothesis guiding this study is that commercial real estate securitisation (CRES) is a suitable vehicle for developers in Singapore to tap into the capital markets. Current commercial property loan agreements are made as indirect loans from investors to the developers. The main disadvantage of current loan agreements is the inability or reluctance of lenders to provide medium or long term fixed-interest loans because of Singapore’s banking regulations or because of liquidity considerations and uncertain interest rates.

Based on a case study of Goldenview Properties Limited, CRES has been found to be a convenient vehicle with a good growth potential. CRES is an innovation that generates direct loans from investors, including the general public, to developers. It was found that CRES generates one disadvantage to developers in the form of slightly higher cost of funds. However, the longer term financing at a fixed interest rate is favourable to developers. Other benefits, particularly the ability to tap a large source of funds suggests that CRES is a suitable vehicle for developers in Singapore to tap into the capital markets.