SUMMARY

Over the last few years, Singapore’s investments in China real estate have been a subject of much attention and publicity in both countries. Among those investing in China real estate are not only corporations backed by the Singapore government but also many local individuals who search for overseas investment opportunities. During the period 1993 to 1995, Singapore investors committed some S$500 million in China properties. In view of these substantially committed and proposed investments, it is of momentous significance now to conduct a systematic study to evaluate and investigate these investment opportunities, particularly compared with those local property investment opportunities available in Singapore.

This study examines and compares the risk-return profile of some real estate investment projects in Beijing and Singapore. The BERI indices are employed to identify and quantify a universe of risk variables systematically depicting the respective socio-political environments in China and Singapore. Using a range of the risk ratio, which could be updated constantly, the risk premium required for investing in China properties is computed based on that required in Singapore. The required risk premium on investing in Singapore properties is derived from the historical returns in the market.

In this thesis, eight cases on real estate investment opportunities in Beijing, four residential and the other four office/commercial, have been selected for analysis and comparison with eight similar investment projects selected based on their location and quality in Singapore. Furthermore, two cases, one from each of the two property sectors in Beijing, are chosen to demonstrate a thorough analysis with detailed presentation in comparison with two comparative cases in Singapore. Various methods have been applied to analyse and evaluate the risk vs. return of these investment opportunities by case study.
The case studies revealed that most high-standard residential and office properties in Beijing could be expected to generate much higher returns than most comparable projects in Singapore. However, from the market point of view, the risk of investing in Beijing properties is in general also significantly higher than the risk of investing in Singapore. Nevertheless, through analyses of both quantitative economic factors and quantified non-economic factors, it appears that at present Beijing real estate commands higher risk-adjusted returns than Singapore real estate. Furthermore, based on a review of current market conditions, the attractive returns achievable from the Beijing real estate projects should be high enough to compensate for the higher risks involved, and more likely to exceed the risk premium required in that market.