

Welcome to My “Mickey Mouse” Home

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The appetite for “Mickey Mouse” homes is growing. In the first nine months of 2009 alone, more than 700 units have changed hands, exceeding even the previous high of 587 transactions in 2007 by 20%.

What are “Mickey Mouse” homes and why are they in such hot demand? How much do they cost and where can they be found? What are the risks and merits of owning such a property? This paper aims to provide some insights into these issues.

What are “Mickey Mouse” homes?

These refer to mini-apartments with floor areas of below 50 sq m, or 538 sq ft, which with time have further shrunk in size.

Sales of mini-units measuring 500 sq ft to 538 sq ft in the primary market, accounted for 54% and 47% of total sales in 2006 and 2007, respectively. By 2008, most transactions (68%) involved smaller units of 400 sq ft to 499 sq ft.

Sales records for the first nine months of 2009 indicate a further reduction in unit size. While the majority or 42% of “Mickey Mouse” homes transacted measured 400 sq ft to 499 sq ft, the proportion of transactions involving units with sizes ranging from 300 sq ft to 399 sq ft has jumped to 28%, from less than 10% in the past three years.

Today, Singapore’s smallest apartment can be found in the recently launched Suites@Guillemard at Lim Ah Woo Road. At 258 sq ft, this tiny unit is even smaller than the 280-sq ft units found in older developments such as Mountbatten Lodge at Mountbatten Road and Seletaris at Sembawang Road.

PROPORTION OF “MICKEY MOUSE” UNITS SOLD BY DEVELOPERS – BY UNIT SIZE

Unit Size	2006	2007	2008	Year-to-date (YTD)*
300 – 399 sq ft	3%	9%	7%	28%
400 – 499 sq ft	43%	44%	68%	42%
500 – 538 sq ft	54%	47%	25%	30%

*as of 12 October 2009

Source: URA Realis/Colliers International Singapore Research

Nevertheless, Singapore’s smallest home to date is still larger than the 100-plus sq ft type of apartments in Hong Kong and almost four times larger than a 62-sq ft flat in London that was formerly a storage cupboard.

Why “Mickey Mouse” Homes?

While many may scorn the minuteness of “Mickey Mouse” homes, they are not without their attractions.

The main draw of “Mickey Mouse” homes lies in their affordability.

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Although the cost of such apartments may vary widely from as little as \$130,000 for a 280-sq ft freehold unit at the 328-unit Seletaris development in Sembawang transacted in February 2005, to as much as \$1.368 million for a 527-sq ft freehold apartment in the 137-unit VIDA development situated on Peck Hay Road (district 9) transacted in July 2007, most units cost between \$250,001 and \$750,000, based on caveats lodged since 2006.

Of late, though, an increasing number of sales are being concluded at prices ranging from \$250,001 to \$500,000, in line with the rise in number of smaller-sized units of 300 sq ft to 399 sq ft.

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This relative affordability of “Mickey Mouse” homes adds to the housing choices of the young and single Singaporeans who aspire to be independent and live on their own, instead of with their parents. Ownership of a private apartment, albeit tiny in size, would not only free them from the conditions attached to the ownership

of a public housing flat, but would also provide them with the advantage of access to recreational facilities (such as swimming pool, gymnasium, etc.) at their door step.

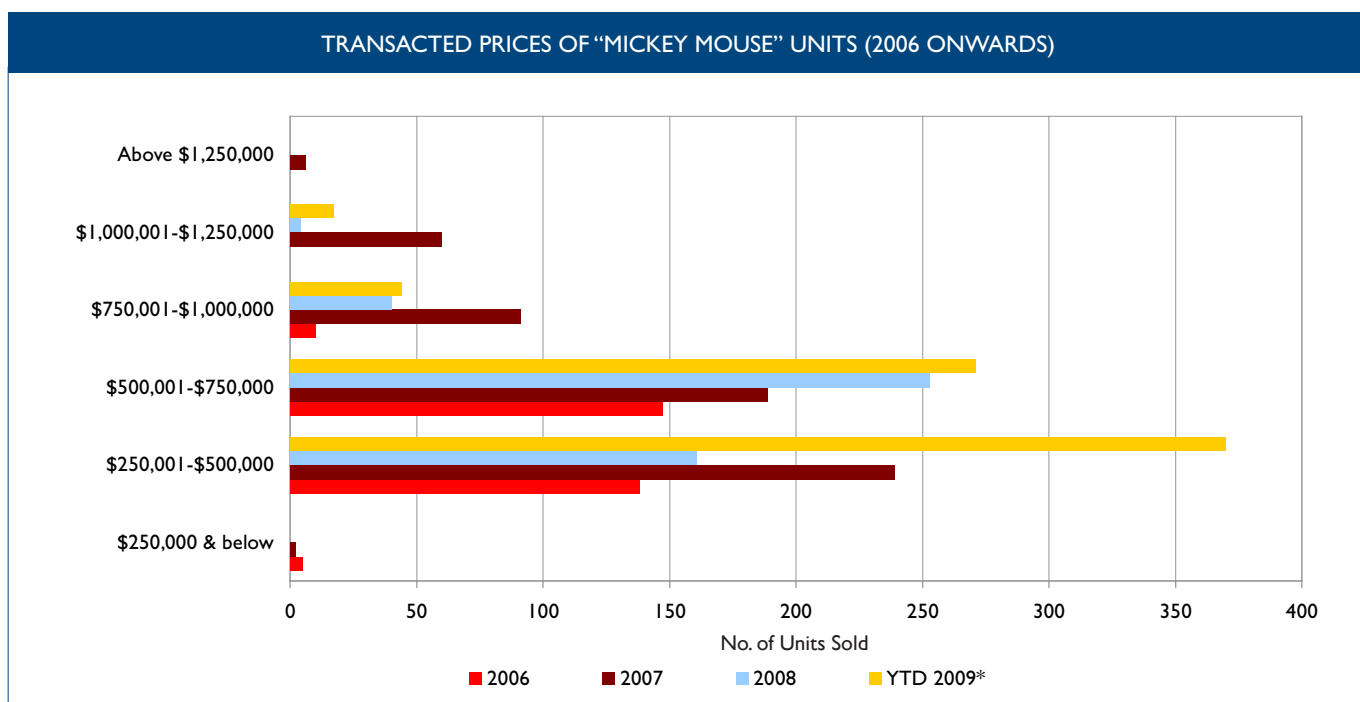
Small apartments also widen the choices for single foreigners working in Singapore. Their relative affordability could mean that they are able to enjoy the privacy of their own little space instead of having to share an apartment with many others.

Such could also be the advantage to foreign students pursuing an education in Singapore.

Additionally, the cheaper price tag attached to a “Mickey Mouse” apartment could help single adult Singaporeans or foreigners, as well as foreign students, who relish city living but are constrained by budget, to realize their aspirations. For them, scaling down the size of their place of residence may be a small price to pay for the advantages of residing within close proximity of all the action in town.

The availability of affordable private apartments within a development could also be a boon for extended families who wish to have their parents residing in close proximity yet, at the same time, want to be able to enjoy their own nuclear family space.

Another advantage of “Mickey Mouse” homes which



*Year-to-date 2009 (as of 12 October 2009)

Source: URA Realis/Colliers International Singapore Research

should not be overlooked is the ease of upkeep for small apartments.

Hence, “Mickey Mouse” homes do fulfil a need, and have a place in Singapore’s housing market structure. After all, small may not necessarily mean claustrophobic. With creative layout designs and choice of furniture and furnishings, such mini-homes can actually be functional and “liveable”, and yet look spacious as well.

Do “Mickey Mouse” Homes Generate Good Rental Returns?

According to latest available rental records sourced from Info-tools for the period from January to April 2009, these “Mickey Mouse” homes can fetch rentals ranging from \$1,200 per month to \$3,500 per month. This translates into indicative current net initial yields of around 2% to 5%, comparable to that for the larger apartment types.

Prospective investors should, however, take note that the actual rents that their “Mickey Mouse” units can fetch may vary from these indications due to numerous factors, including the floor level and views, proximity

to amenities, demand and supply conditions at that point in time, and whether their units are unfurnished, partially furnished or fully furnished.

What about Capital Gains?

While this is highly dependent on the timing of the buy and sell decision, an analysis of individual sub-sale transactions since 1997 shows that these “Mickey Mouse” units can reap pretty handsome short- to mid-term capital gains¹ of above \$100,000, if the buyers have the holding power to wait for the right time to

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RECENT RENTAL TRANSACTIONS OF “MICKEY MOUSE” UNITS

Property Name	Location	Unit Size (sq ft)	Rents (\$ per sq ft per month)	Monthly Rents
International Plaza	Anson Road	500	\$5.60	\$2,800
MacKenzie 138	MacKenzie Road	480	\$4.79	\$2,300
Mill Point	Zion Close	500	\$5.60 - \$6.23	\$2,800 - \$3,300
Mountbatten Lodge	Mountbatten Road	400	\$3.00	\$1,200
Pearl Bank Apartment	Pearl Bank	400 – 500	\$2.80 - \$3.78	\$1,400 - \$1,800
People's Park Complex	Park Road	409	\$3.18 - \$3.91	\$1,300 - \$1,600
R66 Apartments	Rangoon Road	452	\$3.98	\$1,800
Regency Suites	Kim Tian Road	480	\$5.42	\$2,600
Residences @ Somme	Petain Road	431 – 506	\$4.18 - \$4.35	\$1,800 - \$2,200
Robertson Edge	Tong Watt Road	430 – 506	\$4.70 - \$7.00	\$2,300 - \$3,500
SOHO 188	Race Course Road	419 – 460	\$4.77 - \$4.78	\$2,000 - \$2,200
The Foliage	Pasir Panjang Road	506	\$4.94	\$2,500
The Merlot	Keng Lee Road	517	\$4.74	\$2,450
UE Square	River Valley Road	506 – 507	\$4.34 - \$5.34	\$2,200 - \$2,700
Viz At Holland	Queensway	500	\$5.20 - \$5.80	\$2,600 - \$2,900

Source: Transactools/Colliers International Singapore Research

SUB-SALE CAPITAL GAINS OF PROJECTS LAUNCHED IN 2009

Project Name	No. of Sub-Sales	Capital Gains	Price Growth (%)
Alexis	6	\$28,000 - \$78,000	6.4% - 7.3%
Attitude At Kim Yam	6	\$35,000 - \$75,000	6.7% - 16.7%
Caspian	2	\$45,320 - \$56,490	13.0% - 14.9%
Double Bay Residences	1	\$54,990	13.1%
Kembangan Suites	1	\$52,000	13.1%

Source: URA Realis/Colliers International Singapore Research

offload their units.

To date, the highest gain from the sub-sale of “Mickey Mouse” homes amounted to \$568,030 for a 506-sq ft unit at The Cliff at Maccallum Street, which was bought in August 2006 for \$579,970 and sold in September 2008 at \$1,148,000.

However, as with any form of investment, there are risks involved and losses can happen. For example, the largest sub-sale loss so far, of \$89,500, was for a 517-sq ft unit in Tribeca at Kim Seng Road, which was bought in December 2006 for \$709,500 and sold in March 2009 for \$620,000.

For “Mickey Mouse” homes located in developments launched in 2009, investors have been able to realize sub-sale gains ranging from \$28,000 to \$78,000. The return on the investment, however, would hinge on the amount of money that buyers have to fork out before selling the property. This would vary from one

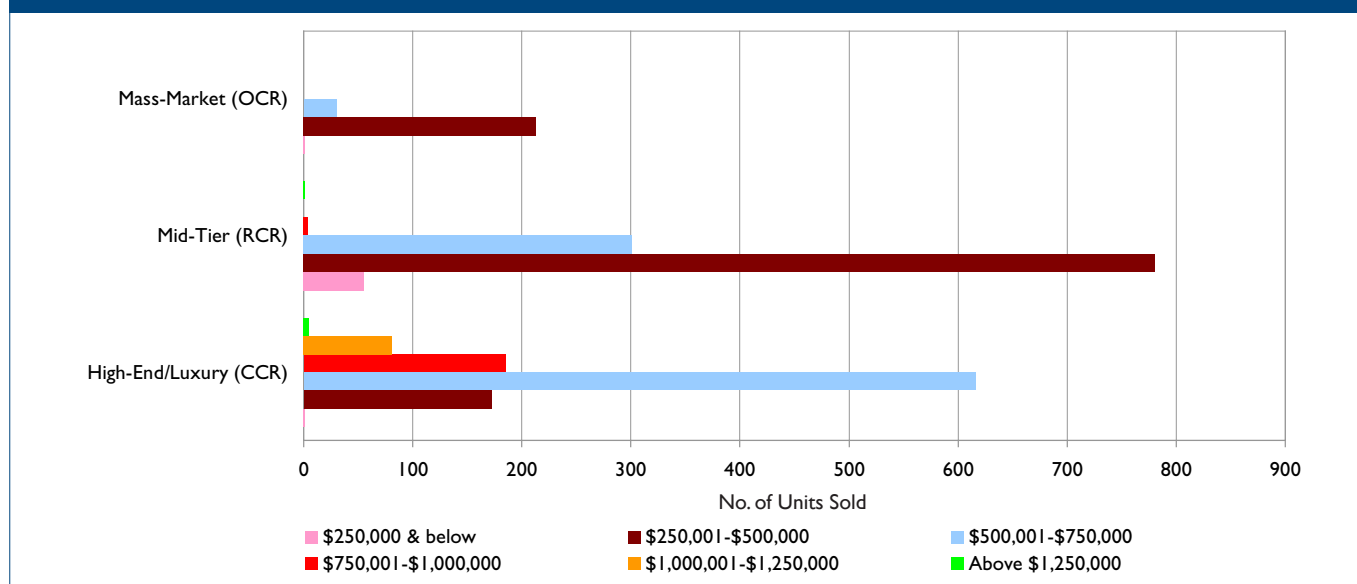
individual to another, depending on factors such as the amount of downpayment, the loan terms if he or she took up a bank loan, the stamp fees, legal fees and agency fees, as well as the stage of construction for those on the normal progressive payment scheme.

So, Where should One Start to Look?

Prospective buyers may wish to begin their search in

“Prospective buyers may wish to begin their search in the Rest of Central Region (RCR), which has the highest number of developments with “Mickey Mouse” homes amongst all sub-markets... Prices typically ranged from \$250,001 to \$500,000.”

TRANSACTIONED PRICES OF “MICKEY MOUSE” UNITS (FROM 1995 ONWARDS*)



*as of 12 October 2009

Source: URA Realis/Colliers International Singapore Research

PRICE RANGE OF "MICKEY MOUSE" UNITS SOLD IN 2009 (AS OF 12 OCTOBER 2009)

Price Range	Core Central Region (CCR)	Rest of Central Region (RCR)	Outside Central Region (OCR)
\$250,001-\$500,000	Attitude At Kim Yam* Robertson Edge The Axis	8@Woodleigh* 833 M B residences Airstream* Alexis* City Regency City Studios* Domus* Esterina* Imperial Heights Moonstone Royale Mountbatten Lodge Nova 88 One @ Pulasan Parc Imperial* People's Park Complex Prestige Heights* R66 Apartments Residences @ Somme SOHO @ Farrer SOHO 188 Spring @ Langsat* Studios @ Marne The Foliage The Plaza The Silver Fir* Thomson V Two Tyrwhitt 139 Ventura View*	Avila Gardens Balcon East* Caspian* D' Almira* Double Bay Residences* Kembangan Suites* One Rosyth* Optima @ Tanah Merah* Palm Galleria The Scenic @ Braddell
\$500,001-\$750,000	Attitude At Kim Yam* Estilo Illuminaire On Devonshire* Lumiere* Mackenzie 138 Mackenzie 88 Medge Mill Point Mount Sophia Suites Mulberry Tree Newton Edge Nomu One North Bridge Parc Sophia Robertson Edge RV Suites Soleil @ Sinaran Sophia Lodge Strata The Clift The Ford @ Holland Tribeca UE Square Viz At Holland Waterford Residence	Airstream* Alexis* Casa Fortuna City Regency Domus* Imperial Heights Jubilee Residence Nova 88 One-North Residences Parc Imperial* R66 Apartments Residences @ Somme Studios @ Marne The Foliage The Merlot Thomson V Two Trevista* Tyrwhitt 139	D'Ecosia Meadows @ Peirce* Optima @ Tanah Merah* The Lucent
\$750,001-\$1,000,000	Illuminaire On Devonshire* Lumiere* The Clift The Ford @ Holland Tribeca VIDA	Nil	Nil
Above \$1,000,000	The Clift VIDA	Nil	Nil

*Launched in 2009

Source: URA Realis/Colliers International Singapore Research

KNOWN POTENTIAL LAUNCHES WITH “MICKEY MOUSE” UNITS*

Project Name	Location	Planning Area	Postal District
<i>High-End/Luxury Projects (Core Central Region)</i>			
Vivace	Tong Watt Road	River Valley	9
Lincoln Suites	Khiang Guan Ave	Novena	11
Starlight Suites	River Valley Close	River Valley	9
<i>Mid-Tier Projects (Rest of Central Region)</i>			
City Loft	Race Course Road	Kallang	8
<i>Mass-Market Projects (Outside Central Region)</i>			
Siglap V	Siglap Road	Bedok	15
Wemply Residences	Yio Chu Kang Road	Hougang	19

*as of 12 October 2009

Source: Colliers International Singapore Research

the Rest of Central Region (RCR), which has the highest number of developments (64 projects) with “Mickey Mouse” homes amongst all sub-markets. In addition to being conveniently located at the fringe of the city centre, these mid-tier units are also usually more affordable than projects in the Core Central Region (CCR). Prices typically ranged from \$250,001 to \$500,000.

However, buyers interested in properties in the high-end/luxury segment in the CCR, where there are 46 developments offering “Mickey Mouse” homes, have a wide range of properties with different price levels to choose from. Based on caveats lodged since 1995, transacted prices ranged from as low as \$250,000 for a 463-sq ft unit in Sommerville Park in 1998 to as high as \$1.368 million for a 527-sq ft unit in VIDA in 2007. Most of these mini-apartments, however, usually cost from \$500,001 to \$750,000.

Outside the Central Region (OCR), there are 33 mass-market projects with “Mickey Mouse” homes, with most transacting at \$250,001 to \$500,000.

For those who cannot find their choice unit in the secondary market or in recently launched developments, there are still opportunities to pick up these mini-apartments in some of the upcoming project launches. Some of these projects understood to be offering “Mickey Mouse” unit sizes and which are likely to be launched within the next six months include Vivace, Lincoln Suites, City Loft and Siglap V.

Conclusion

Whilst demand for “Mickey Mouse” apartment may be buoyant today, the question remains as to whether there would be sufficient demand to absorb the increasing supply that the market is seeing, especially since developers are likely to continue to roll out more of such “Mickey Mouse” homes and condominiums in the coming months.

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However, one thing is for sure. The future viability of these “Mickey Mouse” homes will be supported by the potential rise in demand from the affluent elderly looking for a retirement home. Future demand for such units may also come from foreign students, in light of the increasing number of foreign universities and schools setting up their campuses in Singapore. With more Singaporeans marrying later, having kids later or staying single, demand from this group of buyers may also grow. At the same time, the number of Permanent Residents and foreigners (particularly singles or

couples without kids) working and living in Singapore is expected to rise, in line with the Government's continued push to attract more foreign talent to the country.

Although demand prospects look promising, prospective buyers of such "Mickey Mouse" homes should still carry out their due diligence, do their sums and understand the merits and risks involved before committing to a purchase. Owner-occupiers would probably take some time to adjust to the smaller space. As for investors, whether one will be able to profit from these "Mickey Mouse" units is highly dependent

on the timing of the buy and sell decision - plus an element of luck.

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¹ This is based on the difference between the purchase price and the selling price.

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