

Land Acquisition Act Impact on Singapore Hadrami Wealth: A Case Study of One Family

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ABSTRACT

Talib (1997) highlighted four factors for the decline of the Hadhrami wealth and influence in Singapore. One factor was the Land Acquisition Act. The purpose of this paper is to study and gain insight into how the compulsory land acquisitions affected the Hadhrami wealth and influence. This paper reviews the wealth lost thorough land acquisitions for one Singaporean Hadhrami family.

The Land Acquisition Act (LAA) gives the government power to acquire land for public use with a compensation determined by the acquirer according to the Act. The main features of LAA, (1) right to acquire land, (2) landowners cannot oppose the acquisition (3) the state pays compensation, and (4) An Appeals Board to appeal the amount of compensation paid.

Around beginning of the 20th century, the Hadrami Arabs owned about 75% of the land in Singapore alienated by the British (Zelin??). Many properties under the Arab family was being acquired, today the government is the biggest land owner. This decline in Hadrahmi land ownership is worth investigating.

INTRODUCTION

Talib, (1997) cited the compulsory acquisitions of land as one of the factors explaining the decline in wealth and influence of the Singapore Hadhrami community. This paper explores this proposition further by looking at one Hadhrami family. We hope to fill in the gap currently existing in the literature in compulsory land acquisitions impacts on one Singapore ethnic community.

The study analyzes the Sallim Taleb family settlement to obtain insight on the extent of the loss suffered by the Talib family due to land acquisition. The significance of this study is that it highlights the wealth redistribution that has occurred in Singapore at an expense of the previous land owners. The study of a Hadhrami family further highlights how an ethnic community has suffered through one policy.

LITERATURE REVIEW

Compulsory Land Acquisition Act has been described as essential for developing Singapore. Cheaply-acquired land was made available for housing, commercial and industrial projects of public agencies such as the Housing and Development Board (HDB), the Urban Redevelopment Authority (URA) and the Jurong Town

Corporation (JTC). (Oon & Lim, 2014). The LAA was amended and currently landowners receive better compensation equal or close to market value (Mok, 2014).

The LAA compensations had been below market value (The Straits Times, 1973). However, in a recent case the ruling stated:-

“It is one thing to say that land should not be valued with the benefit of planning permission which in fact it does not have. There can be no reasonable ground to disagree with that. It is altogether another thing to say that to find the market value of the acquired land its potential for development or for development along the lines envisaged in a proposal for an amendment to the original development proposal cannot be taken into account by reason only that written permission or provisional permission for such development has not been obtained. This is inconsistent with principles of valuation.” (Mustaq v. Collector of Land Revenue, 1996)

The Land Acquisition Act was implemented on 26th October 1966 and came into effect on 17th June 1967. The original LAA discounted any value increment in the preceding 7 years arising from public improvements to the vicinity. Ngiam (2007) argued that the authorities and the

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community pay for the infrastructures through tax revenue. Hence, any growth in land-value form public expenditures ought to accrue to the government. By 1984, Singapore government acquired a total of 77 square kilometers of land, constituting to approximately one-third of the total land area of Singapore then. Majority of the land in Singapore was acquired after 1967, thus resulting in the government becoming the biggest landowner by 1985.

The amended LAA computes the compensation as the lower of market value on November 30th, 1973, or on the date of an official notification, or declaration (Davidson, 1973). Only in 1985 an amendment was made. The acquisition needs were by then not as demanding and land prices had surged (Aleshire, 1986)

HDB cost of land was low as it was land acquired. This resulted in lower the housing costs for the public. Interventions such as LAA are vital in housing the poor (Yuen, 2005) The Land Acquisition Act was controversial but crucial and Prime Minister Lee Kuan Yew stated that,

“When we were confronted with an enormous problem of bad housing, no development, overcrowding, we decided that unless drastic measures were taken to break the law, break the rules, we would never solve it. We therefore took overriding powers to acquire land at low cost, which was in breach of one of the fundamentals of British constitutional law – the sanctity of property. But that had to be overcome, because the sanctity of the society seeking to preserve itself was greater. So we acquired at sub-economic rates.” (Public Service Division, 2015)

Mattar, (2004) was of the view that the Control of Rent Ordinance (1947) and the Land Acquisition Act (1966) had major impact on the Hadhrami Arabs.

DISCUSSION

Sallim Talib Family Settlement

Sheikh Sallim bin Mohamed bin Talib was among the wealthiest diaspora Hadramis in the early twentieth centuries. He was involved in the rubber business and bought many shophouses and a few steamships. He passed away in 1937 leaving behind the *Sallim Talib Family Settlement* (the family trust) for his descendants with about 400 shophouses, (Holmberg, 2010)

The family trust consisted of large real estate holdings in Singapore, only 10 properties remain with total fair value of approximately S\$578 million. The properties listed in *Table 1* below are now Talib court and Talib center.

The Talib land can be divided into Civic District and Central Business District. Conservative prices are being used to calculate the square feet of the land area so that it will be in line with the Land Acquisition Act philosophy of using the current value to calculate compensation amount.

Table1. List of Properties Removed as Part of Talib Centre and Talib Court

Removed as Part of Talib Centre and Talib Court	Area Sq Ft
2, 3, 4, 5 Purvis Street	6,761
24, 25 Seah Street 39, 40, 41 Purvis Street	8,945
1, 2, 3, 7, 8, 11, 12, 13 Seah Street	12,626
5 Seah Street	1,592
34, 35, 36, 37, 38 Purvis Street	8,956
16 Seah Street	1,726
Back portions of houses no. 2, 3, 4, 5 Purvis Street	1,471
Total	42,077

Civic District

Table2. List of Properties owned by Talib Family in Civic District

Civic District	
Properties	Area Sq Ft
171, 172, 173 Middle Road	3,023
612, 614, 616, 618, 620, 622, 624, 626, 628 North Bridge Road	12,878
630, 632, 634 North Bridge Road	4,277
497, 499, 501 North Bridge Road	2,641
32, 34, 36, 38 Bain Street	3,153
477, 479 North Bridge Road	1,716
503 North Bridge Road	917
511 North Bridge Road	863
581 North Bridge Road	1,072
547, 549 North Bridge Road	3,515
343, 344 Victoria Street	5,164
24 Beach Road	1,355
383, 384 Victoria Street	3,427
307 Beach Road	961
77 Bras Basah Road	23,095
6, 7 Bali Lane	1,976
562 North Bridge Road	879
290, 291 Beach Road	2,162
289 Beach Road	1,053
487, 489, 491, 493, 495 North Bridge Road	4,435
243, 245 Beach Road	2,761
223 Rochor Road	918
115 Beach Road	1,331
42 Bali Lane	1,699
36 Bali Lane	1,071
334 North Bridge Road	1,873
605 North Bridge Road	827
646 North Bridge Road	1,231
227 Rochor Road	856
35, 36, 37, 38 Ophir Road 39 Johore Road	4,240
459 North Bridge Road	825

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120 Orchard Road	2,278
Vacant Land @ Rochor Road	1,702
Vacant Land @ Victoria Street	1,530
Vacant Land @ Victoria Street	1,530
461 Beach Road	1,085
107, 108 Queen Street	2,866
545 North Bridge Road	1,571
33 Arab Street	639
Vacant Land @ Victoria Street	7,651
409 North Bridge Road	1,047
411 North Bridge Road	1,010
230, 231 Rochor Road	1,805
4 Hylam Street	963
5 Hylam Street	1,007
564 North Bridge Road	1,313
236 Beach Road	997
608 North Bridge Road	1,214

267 Jalan Besar	1,620
Total	128,022

Table 2 list the properties in the civic district owned by the Talib trust prior to acquisition and is outlined in Figure 1. This list does not include properties that are currently owned by the Talib family. They owned 128,022 square foot of land in Singapore in the Civic district. However, after the Land Acquisition Act was implemented, the properties remaining are as listed in Table 3, where they held only 103,823 square foot. This is excluding 7 Orange Grove Road as this property was only purchased later in 1953. This study is only looking at properties at the beginning of the trust, which was in 1936.

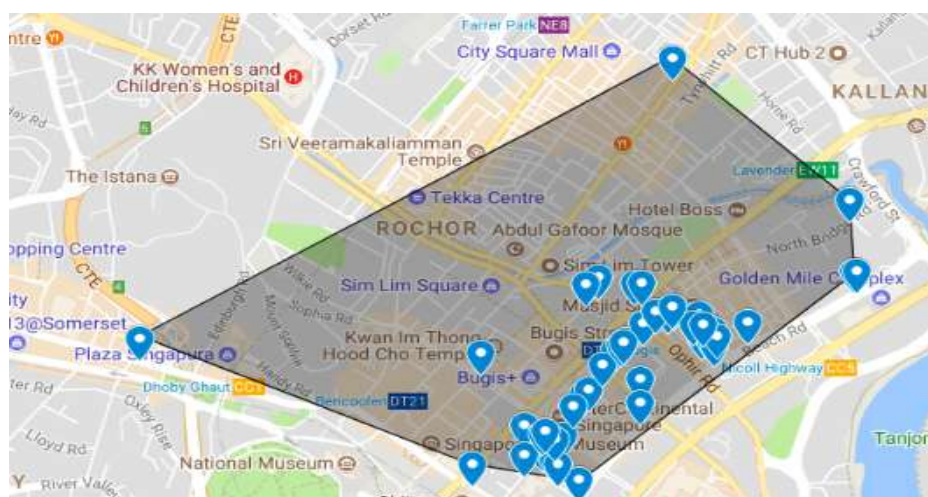


Figure 1. Outline of Properties in Civic District

The average cost per square foot is derived using the fair value valuations in the accounts of the trust for properties in same district. In order to calculate the average cost per square foot of the properties, the following formula was used:

$$\text{Average per SQF} = \frac{\text{Total Fair Value}}{\text{Total Gross Floor Area in SQF}}$$

Table 3. Average Cost per Square Foot of Properties

INVESTMENT PROPERTIES AS AT 2017			
Property/Land Title Type	Gross Floor Area in SQM	Gross Floor Area in SQF	Fair Value (2017)
39 Arab Street and 8 Haji Lane	592.01	6,372	\$16,400,000
43 Arab Street	128	1,378	\$3,900,000
71 Arab Street	105	1,130	\$3,200,000
243/245 Beach Road	553.48	5,958	\$14,000,000
267 Jalan Besar	262.27	2,823	\$4,400,000
39/41 Temple Street	512.69	5,519	\$11,400,000
5 Purvis Street	1,797.79	19,351	\$33,800,000
36 Purvis Street	4,623.03	49,762	\$71,700,000
25 Seah Street	1,071.20	11,530	\$24,000,000
7 Orange Grove Road	15,929.70	171,466	\$396,000,000
Total		275,289	\$578,800,000
Average per SQF			\$2,102.52

The fair value per the 2017 accounts was S\$578,800,000 and works out to be average of S\$2,102.52 per square feet. If we use this average price the total value of the acquired properties works out to be S\$269 million (128,022 sq. ft * S\$2,102.52). Recently a site in Beach Road was sold for S\$1.62 billion (Tanoto, 2017).

Central Business District

Table 4. List of Properties owned by Talib Family in Central Business District

Central Business District	
Properties	Area Sq Ft
23-1 - 23-8 Coleman Street 47, 48, 48-1 - 48-4 Hill Street	13,221
1 - 14 St. Gregory Place	27,161
13 Cecil Street	1,720
4 Robinson Road	2,524
117 Cross Street	852
118 Cross Street	1,695
1 Circular Road	767
46 Church Street	2,279
25 Robinson Road	1,898
27, 28 Robinson Road	3,810
26,29,30,35 Robinson Road	7,657
139, 140, 141 Cecil Street	7,788
148, 149, 150, 151, 152 Tanjong Pagar Road 10, 11, 12, 13, 14 Anson Road	11,035
115 Cross Street 35, 35-1 China Street	822
118, 119, 120 Amoy Street 106, 108, 110, 112, 120, 122, 124, 126, 128 Cross Street	16,743
5, 5A Change Alley	1,017
31, 33 Telok Ayer Street	2,565
5 Robinson Road	2,205
72 Cross Street	1,615
17, 19, 21 Upper Cross Street	3,713
73, 74, 75, 76 North Boat Quay 27 Read Street	8,189
12 Armenian Street	1,430
10 China Street	1,537
20 Change Alley	956
78, 80 Cross Street	3,908
56, 57 Tanjong Pagar Road	3,113
38, 39, 40 Perkin Street 138, 139 Amoy Street	3,603
24 North Boat Quay	1,781
111, 115 Amoy Street	4,787
Vacant Land @ Tanjong Pagar Road	1,516
198 Telok Ayer Street	2,043
8, 9 Chin Chew Street	2,579
111 Cross Street	1,356
23-9 Coleman Street	1,663
131 Cross Street	1,070
298, 299, 300, 301 Tanjong Pagar Road	4,059
16 Tras Street	1,289
39, 41 Temple Street	2,384
42 High Street	2,198
24 Coleman Street	13,061
54 China Street	1,150
137 Amoy Street	2,136
8 Chin Chew Street	79
9 Chin Chew Street	86
13 Sago Street	1,369
25 Sago Lane	1,272
24 Sago Street	1,228
22 Temple Street	1,425
32 Banda Street	1,487
63 South Bridge Road	810
113, 114, 115 South Bridge Road	5,081
1 South Bridge Road	482
Total	190,214

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The Central Business district (CBD) is the core financial and commercial hub. Table 4 lists the properties owned by the Talib family in CBD prior

to being acquired. This is outlined in Figure 2. They owned 190,214 square foot of land in Singapore in the Central Business district

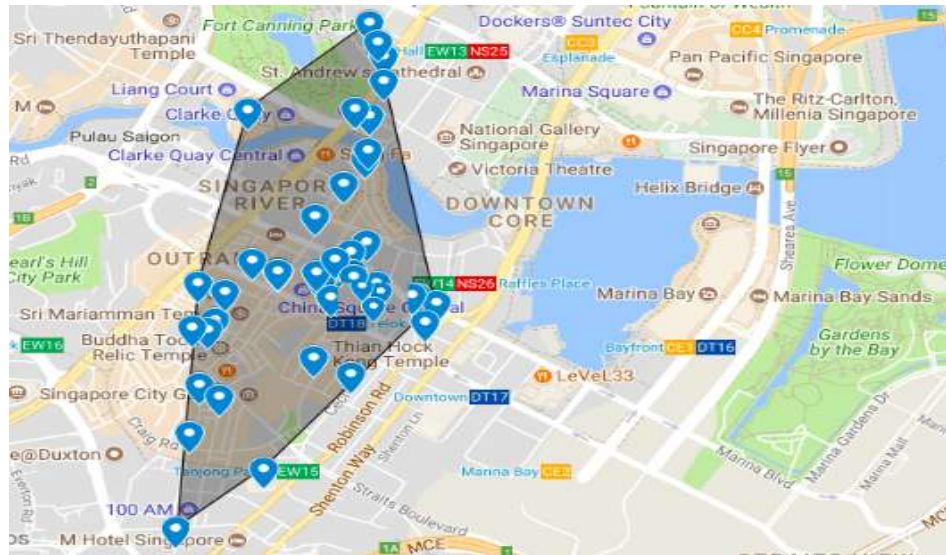


Figure2. Outline of Properties in Central Business District

We used property guru to estimate the prices. We took a king Albert Park property as a base. A land in King Albert Park was sold at S\$1,102.27 per square feet based on density ratio. It basically means that it is the land price allocation for each built up per square foot. The apartments were sold S\$2,602 per square feet. This implies that the developer margin on land cost was S\$1,500 (S\$2,602 – S\$1,102) per built up square feet. In a sense, if the building had a density 10:1, the land cost would have been S\$11,000 per square feet. The question then arises about how much would a CBD premium be.

Since we could not get specific prices for the land parcels/lotsthat were owned by the Talib family, the price of apartments and shophouses was used instead. A ratio will then be computed to derive the potential price of acquired land. The fair value of land can thus be extrapolated.

As shown in *Table 5*, apartments and shophouses at Robinson Road, Anson Road, Telok Ayer Street, South Bridge Road and Amoy Street was used to compare against the apartment in King Albert Park. For instance, if the price per square feet for King

Albert Park is S\$2,602.23 and Robinson Road is S\$3,491.74, the ratio of King Albert Park to Robinson Road would be 1 to 1.34 or 1:1.34 ($\text{S\$3,491.74} / \text{S\$2,602.23} = 1.34$). This is an approximate figure and shows that the price per square feet of the apartment at Robinson Road is 1.34 times higher than that at King Albert Park.

Taking this ratio, we assume that the price per square feet of apartments/shophouses is in proportion to the price of land in Singapore per square feet. This, however, is very conservative as the ratio of land is much higher than the price of apartments. Using a ratio of 1.34, the price of land at Robinson Road would have been S\$1,477.04 ($\text{S\$1,102.27} * 1.34$). As compared to the price of land in King Albert Park of S\$1,102.27, Robinson Road was worth much more. The estimated total fair value of the selected area in Singapore can be seen in *Table 6*, with a figure of S\$87,095,864 (Total Price of Land * Total Area Sq Ft). Furthermore, the property that Talib family used to own – 139 Cecil Street, was put up for sale with an indicative price of S\$210 million on a finalized basis. (Rashiwala, 2017)

Table5. Projected Price of Land in Singapore

<i>Central Business District</i>			
Area in Singapore	Area in Singapore	Area in Singapore	Area in Singapore
King Albert Park	King Albert Park	King Albert Park	King Albert Park
Robinson Road	Robinson Road	Robinson Road	Robinson Road
Anson Road	Anson Road	Anson Road	Anson Road
Telok Ayer Street	Telok Ayer Street	Telok Ayer Street	Telok Ayer Street
South Bridge Road	South Bridge Road	South Bridge Road	South Bridge Road
Amoy Street	Shophouses	\$3,809	1.46

Table6. Projected Fair Value of Land

Area in Singapore	Price of Land	Area Sq Ft	Projected Fair Value
Robinson Road	\$1,477.04	18,094	\$26,725,594
Anson Road	\$617.27	11,035	\$6,811,588
Telok Ayer Street	\$1,223.52	4,608	\$5,637,979
South Bridge Road	\$1,543.18	6,373	\$9,834,673
Amoy Street	\$1,609.31	23,666	\$38,086,030
Total			\$87,095,864

The column in Table 5 on price of land is based on density ratio price. The Anson Road is underestimated as the apartments in International Plaza are underpriced, as it is an old building. The prices are also underestimated as apartment prices were used when the Central Business District is more commercialized; there is a commercial premium. The estimated prices are thus amended by the following two principles:

- Having a commercial estimate adjustment
- Converting the density price to cost at land

In line to being conservative, the price at Anson Road was not altered. The developments in the Central Business District tend to be of a higher density, therefore, a conservative 30 times ratio was taken. This basically translates to a 30-storey development. A conservative 30% premium for commercial site was also added into calculation.

Table7. Amended Projected Fair Value of Land

Area in Singapore	Price of Land in Singapore	Commercial Premium (30%)	Density 30x	Area Sq Ft
Robinson Road	\$1,477.04	\$1,920.15	\$57,604.63	18,094
Anson Road	\$617.27	\$802.45	\$24,073.58	11,035
Telok Ayer Street	\$1,223.52	\$1,590.58	\$47,717.27	4,608
South Bridge Road	\$1,543.18	\$2,006.13	\$60,183.94	6,373
Amoy Street	\$1,609.31	\$2,092.11	\$62,763.25	23,666
Total				\$3,396,738,698

Referring to Table 7, this gives an estimated conservative market value of S\$3 billion (S\$87,095,864 * 1.3 * 30 = S\$3,396,738,698) today. Even if the commercial premium was removed and the density ratio of 30 was kept, the estimated market value would be over S\$2.5 billion (S\$87,095,864 * 30 = S\$2,612,875,921.50). A recalculation was done with a more conservative density ratio of 20. On that basis, the estimated market value would be S\$1,741,917,281. (S\$87,095,864 * 20 = S\$1,741,917,281) With this, it can be estimated that the Central Business district properties would have been worth in excess of S\$2 billion.

CONCLUDING REMARKS

The surplus on government acquisitions and sale of properties amounted to a figure of S\$25,872,600 as stated in the audited financial statements of the Sallim Talib family settlement as at year ended 31st December 2017. In order to derive the estimated compensation value that the Talib family received, S\$17 million, which was from the sale of Cecil Street, is to be subtracted. The Talib family was compensated with approximately S\$8 million only. Comparing to the potential earnings that the Talib family could have earned - S\$270 million from Civic District and S\$2 billion from the five

areas in Central Business District, they were inadequately compensated.

The Straits Times Index (STI) is used as a measure of what the compensation money value would be if invested in the stock market. The earliest historical price available was on December 1st, 1987, with a close price of 823.20. If the Talib family had invested the S\$8 million at this price, they would have been able to sell off their stocks and earn a profit of S\$28,587 million, with a close price of 3,573.38 as at April 20th, 2018.

Table 3 shows the list of properties currently owned (including Orange Grove Road) to be 275,289 square feet. If Orange Grove Road is removed from calculation, the area becomes 103, 823 square feet (275,289 – 171,466). The total area acquired is 190, 214 square feet in Central Business district (Table 4) and 128,022 square feet in Civic district (Table 2), making a total of 318,236 square feet. That is about three quarters of the total properties. Taking the current average market value per square feet of S\$2,102.52 (Table 3) and applying that to the total acquired and of 318,236 square feet, total market value of land will be S\$669,097,554.72 (S\$2,102.52 * 318,236). That is more than the current market value of S\$578,800,000 (Table 3).

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However, the current properties are in conservation areas except for Orange Grove Road. Taking the value per square feet of Orange Grove Road, S\$2,309 (S\$396,000,000 / 171,466), the market value amounted to S\$734,806,924 (318,236 * S\$2,309). A more realistic estimated was calculated as most of the acquired land was in the CBD area and the conservative estimate arrived at a market value of approximately S\$270 million for the civic district and around S\$2 billion for CBD. It seems the Talib family have suffered loss of potential market value of over S\$2 billion.

However, land acquisition policy might have had an effect of land on current market values. Future studies need to take exact compensation amounts and equate them to the open value at the point of the acquisition. The effects of LAA is a complex area that requires more of researchers time and effort.

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