

# Briefing Sales & investment

August 2015



Image: One Raffles Place, Raffles Place

## SUMMARY

The second quarter of 2015 saw the highest investment sales value since Q3/2013.

- S\$6.02 billion worth of investment deals were inked in Q2/2015, up 65.7% quarter-on-quarter (QoQ).
- Investment activity in the private sector in Q2 was moderate, with only 47 transactions recorded. However, a few large-ticket deals concluded in the quarter have boosted this sector with a positive quarterly growth of 24.3%.
- Under the GLS programme, proceeds from the sale of three residential sites, three industrial sites and one commercial site amounted to S\$2.75 billion, a sharp rise of 174.8% from a quarter ago.
- The sales of residential properties worth more than S\$10.0 million each improved significantly in Q2/2015, with 29 residential homes transacted for a total of S\$561.7 million. This is more than double the S\$249.0 million from the sales of 14 homes in the preceding quarter.
- The commercial sector was the best performer, with S\$3.96 billion worth of properties sold in Q2/2015, a near three-fold increase from the S\$1.35 billion of the previous quarter.

“Although weak economic conditions could retard investment activity in the second half of the year, the sale of large ticket assets which are now on the market, could propel total investment sales value to the higher end of our S\$17 billion to S\$20 billion forecast.”

Alan Cheong, Savills Research

➔ **Market overview**

Property investment transactions in Q2/2015 amounted to S\$6.02 billion, up 65.7% from S\$3.63 billion in the preceding quarter and bringing the total investment sales value to S\$9.65 billion for the first half of 2015. This reflects an increase of 5.7% from the S\$9.13 billion in 2H/2014 and 10.8% from the S\$8.71 billion in 1H/2014.

Investment activity in the private sector in Q2 was moderate, with only 47 transactions recorded. Individual

buyers in the residential sector are generally adopting a wait-and-see approach, either looking out for bargain deals, waiting for prices to drop further, or for some cooling measures to be removed. In addition, the tepid new-sales market has put a dampener on developers' penchant for private residential land. For the industrial and commercial sectors, concerns over the impending glut coming head-to-head with the already elevated prices and compressed yields are deferring investment decisions. Nevertheless,

a few large-ticket deals done in the reviewed quarter, such as One Raffles Place (assumed to have been concluded at the minimum value of S\$1.29 billion for a 61.16% stake) and Park Mall (S\$411.8 million), have boosted this sector; with a positive quarterly growth of 24.3% to S\$3.27 billion. This constitutes 54.4% of the total market in Q2.

The remaining 45.6%, or S\$2.75 billion, was attributable to the public sector, generated by the sale of three residential sites, three industrial sites and one commercial site under the GLS programme. Compared with the previous quarter, the public sector's investment sales value surged 174.8%. This was mainly due to the S\$1.67 billion winning bid for the commercial site at Paya Lebar Road/ Sims Avenue.

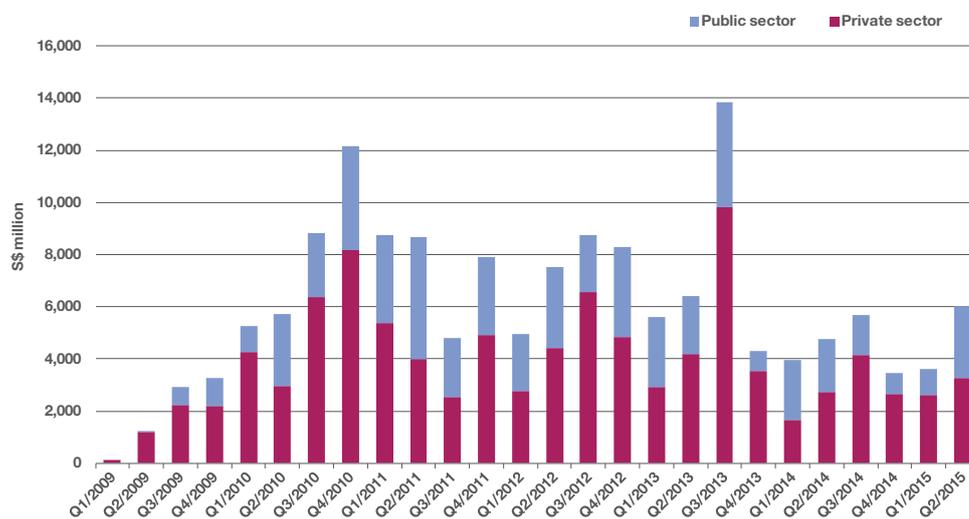
**Residential**

The residential segment chalked up S\$1.62 billion of investment sales in Q2/2015, rising 46.5% on a quarterly basis and accounting for 26.9% of the total investment value.

In a situation where the government has been reducing the number of sites under the Confirmed List while developers are still actively trying to replenish their depleting land banks, land prices should, by economic reasoning, be trending up. However, it has not panned out as such. Evidence of developers' keen demand can be seen from the high number of bids received for the three GLS residential sites in the reviewed quarter. Despite their fervent interest, tender bids have generally stayed realistic, due to the weak sales market.

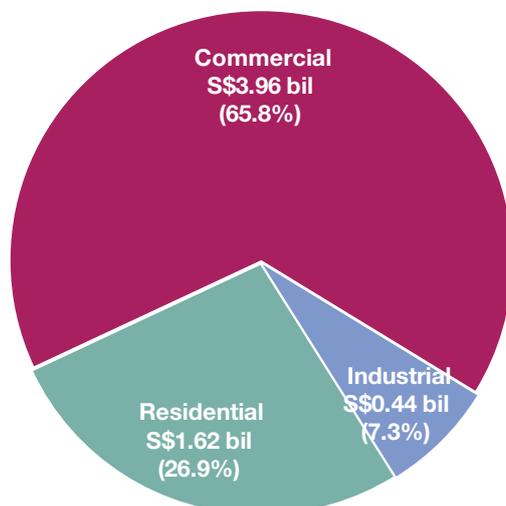
In May, the land plot at Tampines Avenue 10 (Parcel D), which received 12 bids, was awarded to MCC Land for S\$227.8 million, or around S\$483 per sq ft per plot ratio (psf ppr). This is 14.1% lower than the S\$562 psf ppr that MCC Land paid in July 2013 for its Santorini site located nearby. Later in June, the land parcel at Lorong 6/Lorong 4 Toa Payoh was also hotly contested by 14 bidders, of which a consortium comprising Evia Real Estate (7) Pte Ltd, Maxdin Pte Ltd and Gamuda Berhad emerged with the highest bid of S\$345.9 million, or around S\$755 psf ppr.

GRAPH 1 **Investment sales transaction values, Q1/2009–Q2/2015**



Source: Savills Research & Consultancy

GRAPH 2 **Investment sales transaction volumes by property type, Q2/2015**



Source: Savills Research & Consultancy

TABLE 2  
**Top five land sales under the GLS programme, Q2/2015**

Location	Type of development allowed	Date of award	Successful tender price		Name of successful tenderer
			S\$ mil	S\$ psf ppr	
Paya Lebar Road/Sims Avenue	Commercial	Apr 2015	1,671.7	943	Roma Central Pte Ltd, Milano Central Pte Ltd and Verona Central Pte Ltd
Dundee Road	Residential	Jun 2015	483.2	871	HY Realty Pte Ltd
Lorong 6 Toa Payoh/Lorong 4 Toa Payoh	Residential	Jun 2015	345.9	755	Evia Real Estate (7) Pte Ltd, Maxdin Pte Ltd and Gamuda Berhad
Tampines Avenue 10 (Parcel D)	Residential	May 2015	227.8	483	MCC Land (Singapore) Pte Ltd
Plot 43, Tuas South Street 11	Industrial	Apr 2015	7.0	77	Ho Lee Construction Pte Ltd

Source: URA, HDB, JTC, Savills Research & Consultancy

→ The latest GLS site at Dundee Road in Queenstown received a total of nine bids, with Chinese developer HY Realty Pte Ltd winning the tender with a top bid of S\$483.2 million, or S\$871 psf ppr. The price was 8.4% higher than the next highest bid of S\$804 psf ppr. Given the substantial unsold inventory from new launches in Redhill and Queenstown precincts, HY Realty's bid seems to suggest its urgency to replenish its land bank in the face of reducing land supply.

Sales of residential properties worth more than S\$10.0 million each have improved significantly in Q2/2015, with 29 residential homes transacted for a total of S\$561.7 million. This is more than double the S\$249.0 million from the sales of just 14 homes recorded in the previous quarter. Some notable deals were: a Good Class Bungalow (GCB) at 35 Ridout Road which was transacted at S\$91.7 million, or S\$1,251 psf of land area; and a 13,875-sq ft penthouse unit at Le Nouvel Ardmore, purchased by Alibaba Group's co-founder Sun Tongyu at S\$51.0 million, or S\$3,676 psf. That said, market sentiment in the luxury residential segment is gradually looking up as cash-rich purchasers have switched their interests back to Singapore, seeing that prices have become more attractive compared with other destinations world-wide.

### Commercial

With S\$3.96 billion worth of properties transacted in Q2/2015, the commercial sector was clearly

the best performer, registering a near three-fold increase from the S\$1.35 billion of the previous quarter.

The 3.9 ha site at Paya Lebar Road/Sims Avenue is the second land parcel in Paya Lebar Central that was put up for sale by tender under the GLS programme. This mega site drew six bids from all the established developers, reflecting a good degree of optimism in the site's location and allowable mixed-use development comprising office, retail and residential uses. A joint venture set up by developer Lend Lease and sovereign wealth fund Abu Dhabi Investment Authority won the site with a top bid of S\$1.67 billion, or S\$943 psf ppr, about 8.8% higher than the second highest bid of S\$867 psf ppr from a consortium comprising Keppel Land, Cheung Kong Holdings, Hutchison Whampoa and Singapore Press Holdings.

On the private sector front, OUE Commercial REIT's acquisition of One Raffles Place, a commercial development comprising two Grade A office blocks and a shopping mall situated right beside Raffles Place MRT Station, was the biggest deal in Q2. The purchase was indirectly done through an acquisition of interest in OUB Centre Limited (OUBC), which owns 81.54% of the property. Based on the minimum 75% interest in OUBC or 61.16% stake in One Raffles Place, the price is estimated to be S\$1.29 billion (S\$2,382 psf NLA).

Q2's private sector investment sales were also boosted by another three block deals done in June. CapitaLand divested its 30.0% stake in PWC building to DBS Group at S\$201.9 million (S\$1,892 psf NLA), inclusive of the debt quantum. With this transaction, the latter will own 100% of the 28-storey office building at Cross Street. On 29 June, Suntec REIT announced its divestment of Park Mall, an integrated office, lifestyle and home furnishing mall located opposite Dhoby Ghaut MRT Station, to Park Mall Pte Ltd for S\$411.8 million (S\$1,541 psf NLA). Suntec Reit will use part of the proceeds of the divestment to secure its 30.0% stake in a joint venture company that will redevelop the property. On the same day, Alpha Investment Partners sold 158 Cecil Street, a 14-storey CBD office building, for S\$240 million (S\$2,100 psf NLA). It was reported that the buyer is a company linked to low-profile investor Denis Jen who owns shopping malls in Australia.

### Industrial

Industrial investment sales totalled S\$441.8 million in Q2/2015, declining 33.0% from a quarter ago and making up the remaining 7.3% of the overall investment sales value.

The public sector accounted for S\$18.5 million, which was contributed by two industrial sites at Tuas South and one site at Tampines Industrial Drive. The lukewarm response and relatively low tender prices received for these sites were

TABLE 3  
**Top five private investment sales, Q2/2015**

Property	Sector	Transacted date	Price (S\$ million)	Buyer
One Raffles Place (61.2% stake)	Commercial	Jun 2015	1,286.3	OUE Commercial REIT (OUE C-REIT)
Park Mall	Commercial	Jun 2015	411.8	Park Mall Pte Ltd
StarHub Green	Industrial	Jun 2015	260.0	Basil Property Trust
158 Cecil Street	Commercial	Jun 2015	240.0	A company linked to low-profile investor Denis Jen
PWC Building (30% stake)	Commercial	Jun 2015	201.9	DBS Group

Source: Savills Research & Consultancy

not surprising in the light of the impending glut, current weak demand and the short land tenures.

At the same time, seven private sector deals worth a total of S\$423.3 million were inked. The largest transaction was the sale of StarHub Green at Ubi Avenue 1 by BlackStone Group to Basil Property Trust, a private property fund managed by Singapore-based AEP Investment Management at around S\$260 million. The vendor had acquired this light industrial property for S\$215 million in 2012.

**Outlook**

The rest of the year is still plagued by the factors that retarded investment

activity in the first half of 2015 – expectations of an interest rate rise in the US, a slowing economy, the slew of cooling measures, and supply-led issues.

New residential projects coming on-stream at a time of falling rents are making developers wary of bidding for sites or triggering the GLS Reserve List. Aware of the increased supply of completed units, the government has reduced the 2H/2015 Confirmed List which now has only four residential sites (including one executive condominium site). With reduced supply of development sites, investment sales in the residential sector will inevitably be subdued.

However, the market could spring a surprise should Asia Square Tower 1, CPF Building, and Keppel Land’s 50.0% stake in Capital Square that are on the market, find buyers this year. This would propel the total investment sales for 2015 to the top-end of our forecast range of S\$17 billion to S\$20 billion. ■

**Please contact us for further information**

Savills Singapore



**Christopher J Marriott**  
 CEO  
 Southeast Asia  
 +65 6415 3888  
 cjmarriott@savills.asia



**Steven Ming**  
 Managing Director  
 Head, Investment & Residential Services  
 +65 6415 3624  
 sming@savills.com.sg



**Alan Cheong**  
 Senior Director  
 Singapore  
 +65 6415 3641  
 alan.cheong@savills.com.sg



**Simon Smith**  
 Senior Director  
 Asia Pacific  
 +852 2842 4573  
 ssmith@savills.com.hk

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