

Briefing Sales & investment

February 2016



Image: 7 & 9 Tampines Grande

SUMMARY

Although the full-year figure for investment sales came in at a respectable S\$17.5 billion, nevertheless, it was still the second lowest figure since 2008.

- S\$5.02 billion worth of investment transactions was recorded in the last quarter of 2015, representing a 79.9% increase from the previous quarter.
- In the public sector, three residential sites, three industrial sites under the government land sales (GLS) programme, and the sale of the CPF building, added another S\$1.58 billion to the pool from the first three quarters of the year.
- The private sector recorded a total of S\$3.44 billion worth of deals in Q4, a rise of 49.5% from S\$2.30 billion in the preceding quarter.
- At the last hour of 2015, the structured deal between City Developments and Alpha Investment Partners, and the share swap transaction between Keppel Corporation and Mapletree Investment, added another S\$1.48 billion – 42.9% of the total investment value in the private sector pool.
- Savills expects S\$15-17 billion worth of deals for 2016.

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 “2015 proved to be a tough year for the investment sales market as investors became concerned that low yields were not squaring off with their perception of interest rates rising significantly.” Alan Cheong, Savills Research

➔ **Market overview**

In the last quarter of 2015, S\$5.02 billion worth of investment transactions was recorded, representing a 79.9% increase from the previous quarter. In the public sector, Q4's transaction value surged 223.7% quarter-on-quarter (QoQ), as three residential sites, three industrial sites under the GLS Programme, and the sale of the CPF building added S\$1.58 billion to the pool from the first three quarters of the year. Similarly, the private sector recorded a total of S\$3.44 billion worth

of deals done in the last quarter, a rise of 49.5% from Q3's S\$2.30 billion. At the last hour of 2015, the structured deal between City Developments and Alpha Investment Partners, and the share swap transaction between Keppel Corporation and Mapletree Investment, contributed S\$1.48 billion, 42.9% of the total investment value in the private sector.

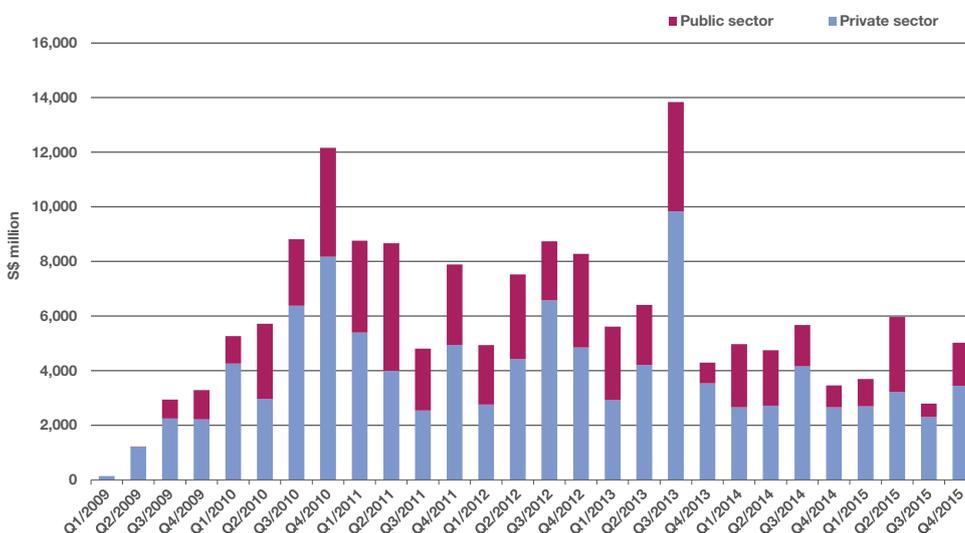
Although the full-year figure came in at a respectable S\$17.5 billion, it was nevertheless still a decline of 7.3% from 2014's S\$18.8 billion. This was

also the second lowest figure since 2008. Of the total, the public sector contributed S\$5.81 billion for 2015, mostly from the sale of government land. This was a drop of 12.7% year-on-year (YoY). On the other hand, the private sector's investment sales totalled S\$11.7 billion, down 4.3% from S\$12.2 billion in the preceding year.

2015's lacklustre performance in the local investment sales market is within market expectations, as unfavourable conditions, which have reined in the investment momentum since 2014, persisted throughout the year. These include economic uncertainties, the continuance of the property cooling measures (especially those related to the Additional Buyer's Stamp Duty and Total Debt Servicing Ratio), an expectation of the US interest rate hike that pervaded throughout the year, as well as high asking prices, compressed yields and oversupply concerns in some property sectors. The reduced number of sites under the GLS Programme also played a part.

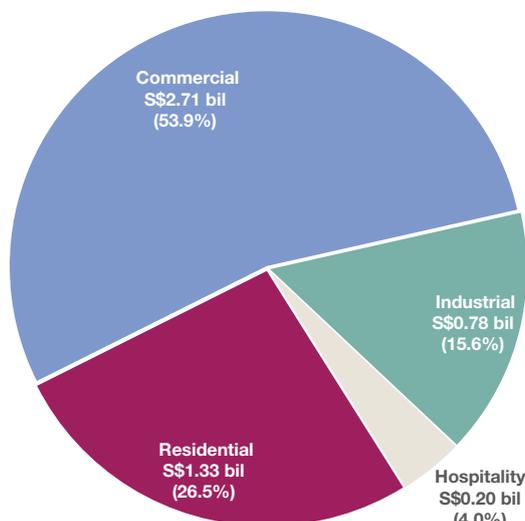
In addition, Singapore investors continued to shift their buying interest overseas in 2015. According to Real Capital Analytics' statistics, Singapore buyers invested a total of US\$27.6 billion in overseas properties, 47.9% higher than the US\$18.7 billion in 2014. The US, the UK and Australia are the top three destinations, accounting for nearly 80.0% of the total overseas real estate investments by Singapore investors.

GRAPH 1 **Investment sales transaction values, Q1/2009–Q4/2015**



Source: Savills Research & Consultancy

GRAPH 2 **Investment sales transaction volumes by property type, Q4/2015**



Source: Savills Research & Consultancy

Residential

In Q4/2015, the residential segment recorded S\$1.33 billion of investment sales, accounting for 26.5% of the total investment value. On a quarterly basis, sales rose 30.7%. The growth is mainly attributed to the sale of one more GLS residential site than Q3; in contrast, investment activities for private residential properties slowed down, with transaction volumes plummeting 39.8% QoQ.

For the whole of 2015, the residential segment reaped a total of S\$5.13 billion in investment sales, contributing a market share of 29.3%. However, compared to the S\$6.70 billion in 2014, sales volume was down 23.5%.

In the reviewed quarter, three private non-landed residential GLS sites were awarded: Lorong Lew Lian (S\$321.0

TABLE 1
Top land sales under the GLS programme, Q4/2015

Location	Type of development allowed	Date of award	Successful tender price		Name of successful tenderer
			S\$ mil	S\$ per sq ft ppr	
Alexandra View (Parcel A)	Residential	Nov 2015	376.9	851	Tang Skyline Pte Ltd
Lorong Lew Lian	Residential	Nov 2015	321.0	710	Verwood Holdings Pte Ltd, Intrepid Investments Pte Ltd and TID Residential Pte Ltd
Clementi Avenue 1	Residential	Dec 2015	302.1	615	Singland Homes Pte Ltd and UOL Venture Investments Pte Ltd

Source: URA, HDB, Savills Research & Consultancy

➔ million or S\$710 per sq ft per plot ratio (ppr); Alexandra View (Parcel A) (S\$376.9 million or S\$851 per sq ft ppr); and Clementi Avenue 1 (S\$302.1 million or S\$615 per sq ft ppr). Generally, the tenders attracted healthy participation from both local and foreign developers with firm bids. This will continue to be seen in 2016's tenders for the GLS sites. As the government continued to limit the sites under the Confirmed List in 2016, it may expect that more reserve sites with good locations will be triggered because of developers' need to replenish their land banks.

The private sector saw a turnover of S\$329.4 million over 19 transactions in Q4/2015. In the largest deal of the quarter, property developer Pinnacle Assets has purchased a freehold landed housing redevelopment site located at East Coast Avenue for S\$46.38 million, reflecting a unit price of S\$1,025 per sq ft based on its 45,249-sq ft footprint.

Eighty seven luxury homes (of not less than S\$10 million each), made up of 65 landed houses and 22 non-landed flats, changed hands in 2015, up slightly from the 82 recorded in the preceding year. Nevertheless, despite the softening prices and the increasing transaction numbers in the segment, market sentiment remained tepid over the year as caution prevailed.

Commercial

Investment sales of commercial properties rose 129.2% QoQ to S\$2.71 billion in the last three months of 2015. This segment remained the top among all property types, accounting for 53.9% of Q4's total consideration.

In November, Ascendas-Singbridge acquired the CPF Building at 79 Robinson Road, a 46-storey office building with a remaining lease of 51 years, for S\$550 million – S\$1,698 per sq ft based on the 24,000-sq ft net lettable area (NLA). In the same month, Suntec Real Estate Investment Trust (REIT) bought the 12th, 13th and 29th floors at Suntec Tower Two for S\$101.6 million, S\$2,648 per sq ft of strata area. According to media reports, the vendor, Maybank Kim Eng, will lease back the 38,352-sq ft space for at least two years. Based on the contracted rents, the acquisition is expected to generate a net property income yield of approximately 3.9%.

Later In December, City Developments Limited's (CDL) subsidiary, Bestro, and Alpha Investment Partners, entered into a structured deal worth S\$1.07 billion for the sale of three office properties, namely Central Mall office tower, Tampines Grande and Manulife Centre from CDL. At the last hour of 2015, Keppel Group completed a share swap with Mapletree Investments. In the deal, Keppel acquired the 30% interest in Keppel Bay Tower from Mapletree for S\$180.9 million. In turn, Mapletree paid S\$225.7 million for the 39% interest in Harbourfront Towers 1 and 2 from Keppel. Located in the Keppel Bay/Harbourfront precinct, all three office buildings were jointly developed by Keppel and Mapletree in 2002.

Two retail malls also changed hands in the said quarter. Rivervale Mall, situated in Sengkang New Town was sold to AEW Asia for S\$190.5 million (S\$2,347 per sq ft of NLA) by

CapitalLand Mall Trust. The Verge, previously known as Tekka Mall, in Little India, was transacted at S\$317.0 million (S\$1,329 per sq ft of the existing GFA). The buyer, Mr Keith Tang, is planning to redevelop the property into serviced apartments, a mall and a Signature block which is likely to cater to office, retail or medical suite needs.

Over the course of 2015, the commercial segment continued to dominate the investment sales market, constituting 51.9% of the overall market. Compared with a year ago, the transition activity remained relatively stable with 41 deals recorded, only two short of the 43 in 2014. On the other hand, the transaction value jumped 39.2% YoY from S\$6.51 billion in 2014 to S\$9.07 billion in 2015, mainly supported by a few deals worth more than S\$1.0 billion each.

Industrial

In the final quarter of the year, the industrial segment recorded S\$784.2 million worth of transactions, more than tripling the Q3 number. This constituted 15.6% of Q4's total investment sales. In the public sector, Jurong Town Corporation (JTC) awarded four B2-zoned industrial sites in the Confirmed List for a total of S\$28.7 million. Private sector investments collected a total of S\$755.5 million over 12 transactions. The most notable deal was One@Changi, a business park development located in the Changi Business Park, which was acquired by A-REIT for S\$420.0 million. Two other notable deals were 19 Tai Seng Avenue and 11 Ubi Road 1, which changed hands for S\$42.0 million and S\$80.7 million respectively. The

TABLE 2
Top five private investment sales, Q4/2015

Property	Sector	Transacted date	Price (S\$ million)	Buyer
Central Mall Office Tower, Tampines Grande and Manulife Centre	Office	Dec 2015	1,071.5	Golden Crest Holdings Pte Ltd, a joint venture by City Developments Limited and Alpha Investment Partners Limited
CPF Building	Office	Nov 2015	550.0	Ascendas-Singbridge
One@Changi	Industrial	Dec 2015	420.0	A-REIT
The Verge	Retail	Dec 2015	317.0	Keith Tang
Harbourfront Towers 1 and 2 (39% stake)	Office	Dec 2015	225.7	The Harbourfront Pte Ltd, a subsidiary of Mapletree Investments Pte Ltd

Source: Savills Research & Consultancy

buyer for both properties was Viva Industrial Trust.

In 2015, the industrial segment made up 12.4% of total investment sales, with a total transaction volume of S\$2.17 billion. On a YoY basis, it declined 9.2% from S\$2.39 billion in 2014, partly because there were no newly-listing industrial REITs in 2015. However, for 2015, the industrial REITs were still the most active buyers in the segment, contributing S\$812.9 million or 39.3% of total investment sales in the industrial segment.

Hospitality

There was only one hotel transaction in Q4/2015, which was the S\$203.0 million sale of the 308-room Big Hotel at Middle Road. The buyer, Hong Kong-based Gaw Capital Partners, is planning to rebrand and refurbish the property into a lifestyle hotel under its Hotel G brand.

The hospitality investment sales market was quiet in 2015 because of the high asking prices. Thus, only three hotels were sold in the year with a total turnover of S\$418.9 million, down 81.9% from 2014. ■

OUTLOOK

The prospects for the market

Savills expects S\$15-17 billion worth of deals for 2016. Challenges such as near-term growth prospects, volatility in the financial markets, and the uncertain direction of interest rates in the short- to mid-term, could leave institutional investors out of contention for many of the competitive tenders. The silver lining is that this creates opportunities for equity-rich investors with a lower cost of capital to make a foray into the market.

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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