

# Briefing Sales & investment

April 2015



Image: AXA Tower, Shenton Way

## SUMMARY

The real estate investment market saw a relatively slow start to the year.

- Investment sales totalled S\$3.63 billion in Q1/2015, 5.0% ahead of the previous quarter, but a decline of 8.4% year-on-year (YoY).

- The private sector chalked up 40 transactions worth S\$2.63 billion, accounting for 72.5% of the market share. The remaining 27.5% was contributed by the public sector, with ten sites under the Government Land Sales (GLS) programme being sold at a total value of S\$999.5 million.

- Deals originating from the commercial segment accounted for the biggest market share of 37.2% in

Q1/2015 at S\$1.35 billion, mostly driven by the S\$1.17 billion sale of AXA Tower.

- Investment in shophouses picked up in the last six months. S\$125.5 million worth of full commercial-zoned shophouses were transacted in Q1/2015, up from S\$90.1 million in Q4/2014 and S\$10.1 million a year ago.

- Looking forward, investment activity is expected to remain lacklustre in Singapore as long as the series of property cooling regulations remain in place against a backdrop of concerns over rising interest rates and lack of investment-grade assets.

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 “The impasse between sellers, who generally have the holding power, and buyers, who are low balling the offers, has set in place a great chasm, preventing the market from functioning normally; with sales numbers affected more than prices.” Alan Cheong, Savills Research  
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➔ **Market overview**

The investment market experienced another slow quarter in Q1/2015 as the value of transactions totalled S\$3.63 billion, just 5.0% above that of the previous quarter. The market waited in vain for the government to lift or relax some of its property cooling measures, in particular the additional buyer's stamp duty (ABSD) and total debt serving ratio (TDSR). High capital values, yield compression and the recent interest rate spike have also continued

to exert pressure on the market, the residential segment being the greatest casualty. As a result, investment sales in Q1/2015 declined 8.4% from the same period last year.

The private sector chalked up 40 transactions worth S\$2.63 billion (72.5% of the market share). The number of deals plummeted by 33.3% from the 60 recorded in Q4/2014. However, the transaction value, boosted up by the big-ticket deal of AXA Tower which was sold

for S\$1.17 billion in January, declined marginally by 0.9% from the previous quarter's S\$2.66 billion.

On the public sector front, ten sites (four residential, five industrial and one commercial & residential) under the GLS programme were sold at a total value of S\$999.5 million, accounting for 27.5% of Q1's total investment value.

**Residential**

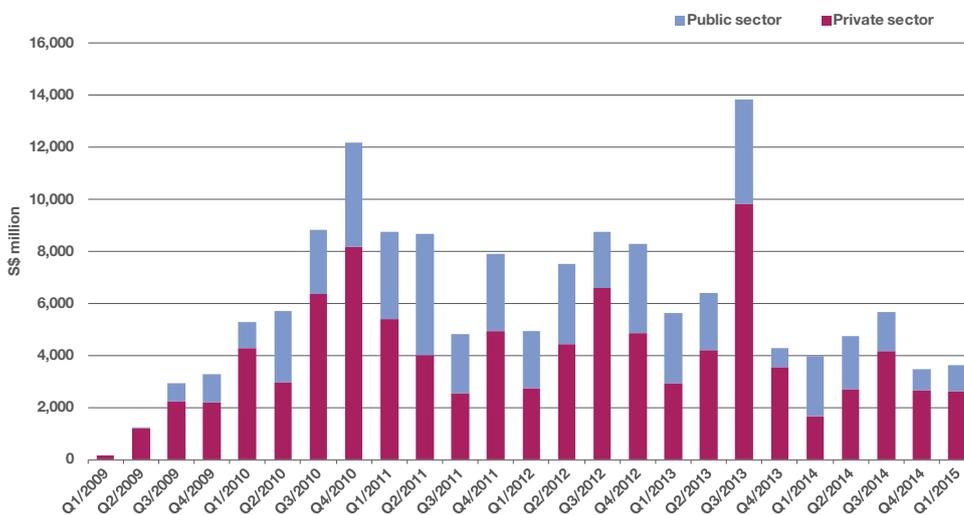
In Q1/2015, investment sales in the residential segment amounted to S\$1.1 billion, representing 30.4% of the total investment value. The quarterly drop of 24.9% was due to the weak performance in the private sector.

The 30% Mortgage Servicing Ratio (MSR) cap on executive condominium (EC) units has crimped demand at recent project launches. This, together with concerns over the excess supply in some locations, has reduced developers' confidence and interest in such sites. Consequently, the top bids for the latest two EC sites in Sengkang (S\$280 per sq ft per plot ratio) (psf ppr) and Woodlands (S\$278 psf ppr) were the lowest seen in the last few years.

In contrast, market response to the two condominium sites launched in Q1 was surprisingly better than expected given the backdrop of tepid market sales activity thus far. The site at Jurong West Street 41 (Parcel B) attracted a healthy number of bids (nine) and the top bid of S\$338.1 million (S\$630 psf ppr) by MCL Land, was considered reasonable. However, it pales in comparison with the adjacent land parcel which received 12 bids in January 2013 and went to the winning bid of S\$651 psf ppr submitted by the same developer, a reflection of developers' growing cautiousness in the area.

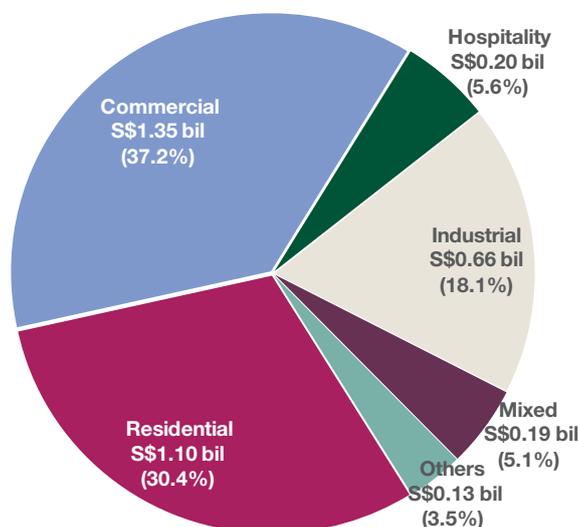
That said, the tender of the other site at Sturdee Road was undoubtedly the bright spark in the reviewed quarter. Located near Farrer Park MRT Station, this 65,784-sq ft condominium site drew a whopping 16 bids. Sustained Land's top bid of S\$181.2 million (S\$787 psf ppr) exceeded market expectations of S\$700-S\$750 psf ppr. The good

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



Source: Savills Research & Consultancy

GRAPH 2 **Investment sales transaction volumes by property type, Q1/2015**



Source: Savills Research & Consultancy

TABLE 2  
**Top five land sales under the GLS programme, Q1/2015**

Location	Type of development allowed	Date of award	Successful tender price		Name of successful tenderer
			S\$ mil	S\$ psf ppr	
Jurong West Street 41 (Parcel B)	Residential	Mar 2015	338.1	630	MCL Land (Vantage) Pte Ltd
Yishun Avenue 4	Commercial & residential	Jan 2015	185.1	629	Northern Resi Pte Ltd and Northern Retail Pte Ltd
Sturdee Road	Residential	Mar 2015	181.2	787	SL Capital (1) Pte Ltd
Anchorvale Crescent (Executive Condominium)	Residential	Feb 2015	157.8	280	Sim Lian Land Pte Ltd
Woodlands Avenue 12 (Executive Condominium)	Residential	Feb 2015	103.8	278	Hao Yuan Investment Pte Ltd

Source: Urban Redevelopment Authority, Housing & Development Board, Savills Research & Consultancy

→ result can be attributed to the site's attractive city-fringe location which has seen limited new launches in recent years, as well as the bite-sized price quantum.

Fourteen private residential properties worth at least S\$10 million each changed hands in the first quarter, down from 23 in Q4 last year. This quarter also saw the bulk purchase of 16 balance units at 111 Emerald Hill for about S\$75 million (S\$1,700 psf on strata area). Generally, developers are still reluctant to cut prices to clear the unsold units in their high-end projects because of their strong holding power. Unlike them, some individual investors or funds have started to offload their investments in residential units at discounted prices in view of rising interest rates, a tougher leasing market ahead and the approaching end of the fund life which necessitates the disposal of assets. Therefore, we expect that there may be more attractively-priced high-end residential properties becoming available in the coming quarters.

### Commercial

Deals originating from the commercial segment accounted for the biggest market share of 37.2% in Q1/2015. The transaction value amounted to S\$1.35 billion, an astounding four-fold increase from the S\$269.7 million recorded in the last quarter and 64.1% higher than Q1/2014's S\$824.4 million.

There were only three office transactions recorded in the quarter.

A consortium led by Perennial Real Estate Holdings Limited bought AXA Tower, a 50-storey office tower located on Shenton Way, for S\$1.17 billion—S\$1,735 psf based on its net lettable area of 674,000 sq ft. The other two transactions were strata office sales, both at topish prices. The 41st level at Suntec City Tower One was transacted at S\$14.5 million (S\$3,009 psf), while the 8th level at Samsung Hub was sold for S\$42.6 million (S\$3,250 psf).

Investment activity in shophouses picked up in the last six months. S\$125.5 million worth of full commercial-zoned shophouses were transacted in Q1/2015, up from S\$90.1 million in Q4/2014 and S\$10.1 million a year ago. Shophouses, being the prevalent building type in Singapore's architectural and built heritage, have been conserved, albeit in limited numbers. Although the yields of such properties are relatively low at around 1.5-2.0%, prices have stayed firm mainly because of their scarcity and appeal to investors, including overseas buyers, as they do not attract ABSD and Sellers Stamp Duty. As a result, full commercial-zoned shophouses have remained a popular investment alternative among investors, especially the conservation shophouses.

### Industrial

Industrial investment sales totalled S\$659.1 million in Q1/2015, plunging 46.2% from the high of S\$1.2 billion in the previous quarter. In terms of transaction value, the top

two deals were acquisitions made by industrial Real Estate Investment Trusts (REIT) in March. Soilbuild Business Space REIT purchased 72 Loyang Way for S\$97 million while Ascendas Real Estate Investment Trust (A-Reit) acquired The Kendall at 50 Science Park Road for S\$112.0 million.

### Hospitality

In the hospitality segment, Capri by Fraser Changi City, a hybrid serviced apartment/hotel in Changi Business Park, was sold to a unit of Frasers Centrepoint Limited for S\$203.4 million. The price works out to S\$649,840 per key for this 313-room property.

### Outlook

Looking forward, investment activity is expected to remain lacklustre in Singapore as long as the series of property cooling regulations remain in place against a backdrop of concerns over rising interest rates and lack of investment-grade assets. Meanwhile rising real estate prices and consequently diminishing yields in the overseas markets have led some local developers to preserve their financial resources for opportunities that may arise locally. On a brighter note, the tender of the commercial site at Paya Lebar, which closed on 31<sup>st</sup> March with a top bid of S\$1.67 billion, may revive interest in what otherwise looks to be a dull market in the second quarter of 2015. ■

TABLE 3  
**Top five private investment sales, Q1/2015**

Property	Sector	Transacted date	Price (S\$ million)	Buyer
AXA Tower	Commercial	Jan 2015	1,170	A consortium led by Perennial Real Estate Holdings
Capri by Fraser Changi City	Hospitality	Mar 2015	203.4	A unit of Frasers Centrepoint Ltd
Homestay Lodge	Others	Mar 2015	127.0	Pamfleet Group
The Kendall	Industrial	Mar 2015	112.0	A-Reit
72 Loyang Way	Industrial	Mar 2015	97.0	Soilbuild Business Space REIT

Source: Savills Research & Consultancy

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