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Savills World Research
Singapore

Briefing
Sales & investment

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Image: Pearl Bank Apartment at Pearl Bank

SUMMARY

The frenzy of collective sales continues as more developers join in the fray.

- Fuelled by developers' active acquisitions of residential sites, investment sales recorded about S$9.96 billion worth of activity in the first quarter of 2018.

- About S$7.96 billion worth of transaction value has been generated from investment sales of residential sites and end-units, accounting for 80.0% of market share.

- For the first quarter alone, 17 collective sales of residential sites raked in total proceeds of S$5.92 billion.

- Compared with 2017, developers' buying interests have clearly shifted to the mid-tier and high-end markets, especially the latter. In terms of tenure, for the quarter in review, buyers favoured freeholds and 999-year leaseholds over 99-year leasehold properties.

- Investment sales of shophouses picked up in Q1/2018 with demand coming mainly from high-net-worth individuals, family offices and boutique property funds.

- In light of the continued rolling thunder of collective sales and the possibility of a sale this year of a large retail or office building, we expect full-year investment sales to come close to the S$36 billion recorded in 2017.

"Investment sales levels may match last year's as the collective sales juggernaut rolls on with no end in sight."
Alan Cheong, Savills Research

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Market overview

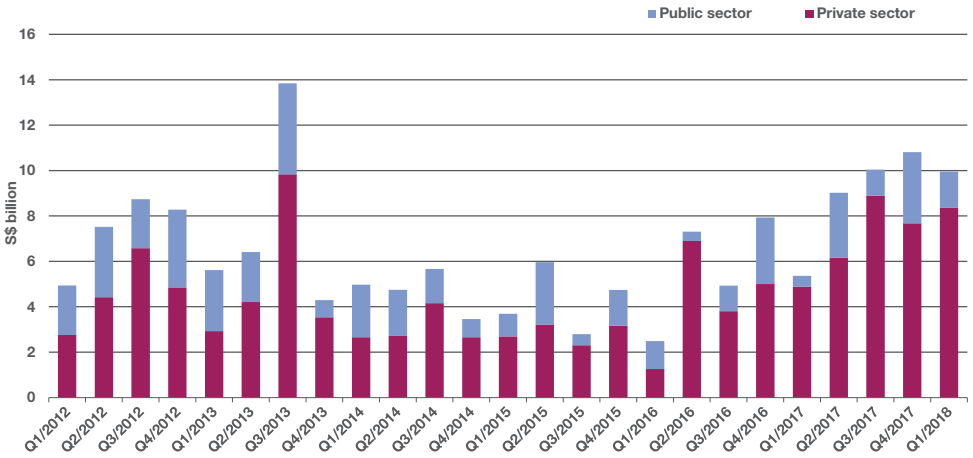
Fuelled by developers' active acquisitions of residential sites, about S$9.96 billion worth of investment sales were recorded in the first quarter of 2018. Although this was down 7.9% from the preceding quarter, it nonetheless represents a surge of 85.8% compared with the same period last year and could be the highest first-quarterly number recorded with reference to Savills database.

Under the Government Land Sales (GLS) programme, four residential sites and an industrial site were sold. In addition, Ascendas-Singbrige won the Concept and Price Tender by JTC for a mixed-use executive centre (MEC) in one-north. All total, S$1.61 billion was transacted in the public sector. This is 48.8% lower than the high base of S$3.14 billion recorded in the previous quarter.

Investment sales in the private sector increased 8.8% quarter-on-quarter (QoQ) to S$8.35 billion in Q1/2018. The residential segment continued to be the star performer on the back of 17 successful collective sales in the reviewed quarter. In contrast, investment activity in the commercial and industrial segments has slowed down. Coupled with a dearth of big-ticket deals, the investment value in these two segments registered a significant decline compared with a quarter ago.

GRAPH 1

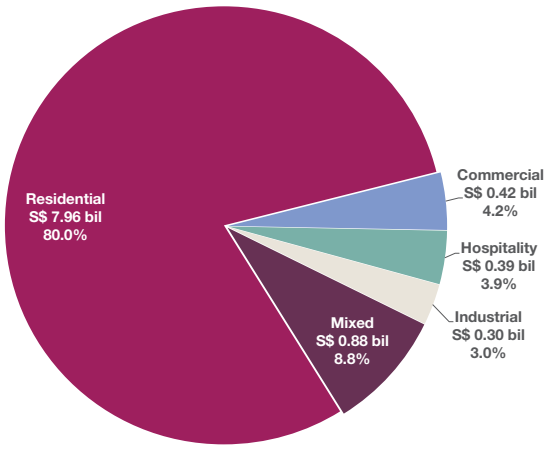
Investment sales transaction values, Q1/2012 – Q1/2018



Source: Savills Research & Consultancy

GRAPH 2

Investment sales transaction volumes by property type, Q1/2018



Source: Savills Research & Consultancy

Residential

Investment sales in the residential segment continued to dominate the market in the first quarter. About S$7.96 billion worth of transaction value was generated from investment sales of residential sites and end-units, accounting for 80.0% of the market share. At the same time, the investment value rose by 11.6% from the preceding quarter.

With about 50 private residential projects sold collectively since mid-2016, the collective sales fever continues to rage. For the first quarter alone, 17 collective sales raked in total proceeds of S$5.92 billion. The amount constitutes 71.7% of the total proceeds of S$8.24 billion generated from 29 en-bloc sale sites for the whole of last year. Together with another two sites acquired from a single vendor (company or organisation), a total of 19 private residential sites changed hands for S$5.97 billion in the first three months of 2018, making up 60.0% of Q1's total investment sales.

The top transaction was the S$980.0 million acquisition of Pacific Mansion, a freehold residential site at River Valley Close, through a collective sale to a joint venture formed by GuocoLand, Intrepid Investments and Hong Realty. This is also the second most expensive en-bloc sale in Singapore's history. The price reflects a land rate of S$1,987 per sq ft per plot ratio (psf ppr). Other significant en-bloc deals above S$500 million included Park West in Clementi (S$840.9 million or S$850 psf ppr[1]), Pearl Bank Apartment at Outram (S$728.0 million or S$1,514 psf ppr[2]), Goodluck Garden off Upper Bukit Timah (S$610.0 million or S$1,210 psf ppr) and Brookvale Park at Sunset Way (S$530.0 million or S$932 psf ppr[3]).

Compared with 2017, developers' buying interests have clearly shifted to the mid-tier and high-end markets, especially the latter. In terms of tenure, for the quarter in review, buyers favoured freeholds and 999-year leaseholds over 99-year leasehold properties. Out of the 19 sites sold in the first quarter, ten are located in prime Districts 9 and 10; while 14 sites are either freehold or have a 999-year lease.

1 Including different premium and lease upgrading premium
2 Including lease upgrading premium
3 Including development charge

Price-wise, although developers continued to put in aggressive bids for some of the sites transacted in the reviewed quarter, the bid-ask price gap has narrowed. For example, among the 17 successful en-bloc sales, three were done at only 0.7% to 0.9% premium over the owners' asking prices, while four were sold exactly at asking prices. With another two projects, the winning bids were 4.0% and 9.5% lower than their respective reserve prices. In short, although a flurry of sites have launched for collective sales, developers - though continuing to replenish their land banks - have become more selective and cautious.

At the same time, developers are also vying for fresh land from the GLS programme. Three 99-year private residential sites located at Chong Kuo Road, Handy Road and West Coast Vale, together with an executive condominium (EC) site at Sumang Walk, were sold, totalling S$1.24 billion in Q1/2018. A joint venture between Lian Soon Holdings and OKP Land bagged the Chong Kuo Road site, while City Developments (CDL) won the other three sites. Although the URA used a batched tender exercise for the three private residential sites on Jan 30, the top bids in terms of psf ppr (Chong Kuo Road – S$681, Handy Road – S$1,722 and West Coast Vale – S$800) were still bullish, exceeding or equalling the higher end of market expectations. Later, in March, the high participation rate of 17 bids and the record price seen in the tender of the Sumang Walk EC site (S$583 psf ppr) again surprised the market. Compared to a collective sale process, the transfer of titles of state lands is faster and less complicated. This could be one major reason behind the positive tender results for the state lands mentioned above.

Record land prices for both private collective sales sites and state land parcels under the GLS programme, and the expectation of higher future selling prices have pushed high-net-worth individuals to take a position at current price levels. As a result, 27 landed houses and 20 condominium units, each worth at least S$10 million, were transacted in Q1/2018. This activity is 80.8% higher than the 26 transactions recorded in Q1/2017, and on par with the 49 seen in the previous quarter. The most expensive landed house sold in the reviewed quarter was a freehold bungalow located in the Leedon Park Good Class Bungalow (GCB) area. The sale price was S$57.5 million or S$1,309 psf based on the land area. For high-end non-landed properties, The Nassim - a freehold condominium at Nassim Hill - provided popular with buyers. Ten units sold at prices ranging from S$2,576 psf to S$3,593 psf in Q1/2018 alone.

Commercial

The frenzied sale of residential sites and the lack of investment-grade commercial properties resulted in a quiet market for the commercial segment in the reviewed quarter. Investment sales of commercial properties plunged 86.4% QoQ to S$420.8 million in Q1/2018, accounting for only 4.2% of total investment sales. The most notable transaction was 8M real estate's S$82.5 million acquisition of a portfolio of nine conservation shophouses and a commercial building from Lee Brothers (Wee Kee).

Investment sales of shophouses have picked up, with 14 deals concluded in Q1/2018, significantly higher than the transaction volume recorded in each quarter of last year. The demand is coming mainly from high-net-worth individuals, family offices and boutique property funds. Investors expect long-term capital appreciation for this asset class because of the limited supply, in spite of the current relatively low yield in a range of 2.0% - 3.0%.

Mixed

In Q1/2018, two deals closed with a total investment value of S$879.0 million, accounting for about 8.8% of total investment sales. Ascendas-Singbridge has won the Concept and Price Tender by JTC for a 2.4-ha white site at Rochester Park of one-north at a winning bid of S$365.0 million. Ascendas-Singbridge will develop a mixed-use project on the site comprising Singapore's first shared executive learning centre dedicated to the development of talent and leadership for the next generation; an upscale hotel; Grade-A office space; and F&B outlets. Perennial Real Estate Holdings bought Pontiac Land Group affiliate Chesham Properties' 50% stake in the Capitol Singapore. Based on the property price of S$1.028 billion, the 50% stake works out to S$514.0 million.

TABLE 1

Top land sales in the public sector, Q1/2018

Location	Type of development allowed	Date of award	Successful tender price (S$ million)	Name of successful tenderer
Sumang Walk (EC)	Residential	Mar 2018	509.4	CDL Constellation Pte Ltd and TID Residential Pte Ltd
West Coast Vale	Residential	Feb 2018	472.4	CDL Pegasus Pte Ltd
VX3-1 Rochester Park	White	Feb 2018	365.0	Ascendas Vista Property Pte Ltd
Handy Road	Residential	Feb 2018	212.2	CDL Regulus Pte Ltd
Chong Kuo Road	Residential	Feb 2018	43.9	Lian Soon Holdings Pte Ltd and OKP Land Pte Ltd

Source: JTC, URA, Savills Research & Consultancy

TABLE 2

Top five private investment sales, Q1/2018

Property	Sector	Transacted date	Price (S$ million)	Buyer
Pacific Mansion	Residential	Mar 2018	980.0	GuocoLand Limited and Hong Leong Investment Holdings Pte Ltd
Park West	Residential	Jan 2018	840.9	Sing-Haiyi Gold Pte Ltd
Pearl Bank Apartment	Residential	Feb 2018	728.0	CapitaLand Limited
Goodluck Garden	Residential	Mar 2018	610.0	Qingjian Group
Brookvale Park	Residential	Feb 2018	530.0	Hoi Hup Realty and Sunway Developments

Source: Savills Research & Consultancy

Hospitality

Three transactions in the hospitality sector were recorded in Q1/2018. In January, Far East H-REIT acquired the 314-room Oasia Hotel Downtown in the Tanjong Pagar area of the CBD for S$210.0 million for a 65-year leasehold. Later in February, Singapore Telecommunications Limited (Singtel) sold its Hill Street property to EL Development for S$118.0 million. As Singtel has been granted provisional permission to redevelop the property into a hotel project with a plot ratio of 3.5, EL Development is planning to develop the site in to a mid to high-end business hotel with more than 300 rooms from July next year. Finally, Porcelain Hotel, a boutique hotel in Chinatown was sold for S$64.8 million in March. Altogether these three deals contributed a total transaction value of S$392.8 million, almost six times more than the S$67.0 million registered a quarter ago.

Industrial

Investment activity in the industrial sector remained anaemic with only S$302.0 million of transaction value recorded in Q1/2018. This accounted for only 3.0% of Q1's total investment sales, a decline of 41.5% from Q4/2017.

Although the manufacturing sector has been showing signs of a rebound in activity in recent quarters, the demand for industrial space continued to be weak with high vacancy rates island-wide. This could be one of the reasons behind the low number of bids and prices received in the tenders of several Industrial GLS (IGLS) sites. In Q1, the tenders for three sites under the IGLS programme, namely Jalan Lam Huat (Plot B), Tampines North Drive 3 (Plot 2) and Tuas South Link 3 (Plot 27), were not awarded because the single-bid prices offered for each site were too low.

OUTLOOK

The prospects for the market

Notwithstanding increased Development Charge Rates and the increased likelihood for traffic studies for large sites, it appears that the collective sales market's momentum could carry on for the rest of the year. Though developers have become more circumspect in their expressions of interest in such sales - offering bids closer to the sellers' reserve prices - the deal sizes are surprisingly still high in value, above S$500 million. Primarily due to the continued rolling thunder of collective sales and the secondary possibility of a sale this year of a large retail or office building, our earlier forecast of a S$25–27 billion target for 2018 looks increasingly likely to surpass or equal the S$36 billion recorded in 2017.

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