

Investment



Award of state lands helps to boost Q1's numbers

Investment transactions in Q1/2019 amounted to S\$4.98 billion, up 10.6% from Q4/2018's S\$4.50 billion.

- Seven state land plots were sold under the Government Land Sales (GLS) programme for a total of approximately S\$2.13 billion.
- Investment sales in the residential sector rose 63.4% quarter-on-quarter (QoQ) to S\$1.22 billion in Q1/2019 and formed the highest share (24.6%) of total investment sales volume.
- After a wave of big-ticket block transactions that concluded in Q4/2018, investment demand for commercial properties slowed down significantly in Q1/2019. Total investment sales came in at S\$1.03 billion, down 67.2% QoQ.
- Total investment sales volume in the industrial property sector was S\$985.7 million in Q1/2019, representing a quarterly increase of 64.2%.
- In Q1/2019, investment sales in the mixed-use property sector totalled S\$820.0 million, arising from the sale of a GLS white site at Pasir Ris Central and the collective sale of Selegie Centre.
- In the hospitality sector, Ascott Raffles Place Singapore and a GLS hotel site at Club Street were both sold with a total transaction value of S\$915.5 million.

“Any investment sales activity arising from the Draft Master Plan 2019 may only take effect after 2019.”

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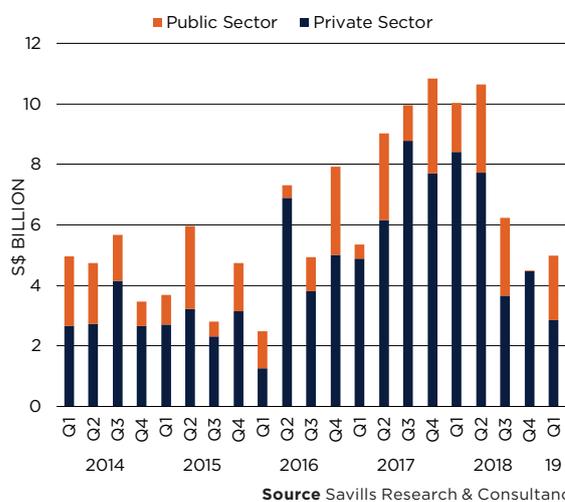
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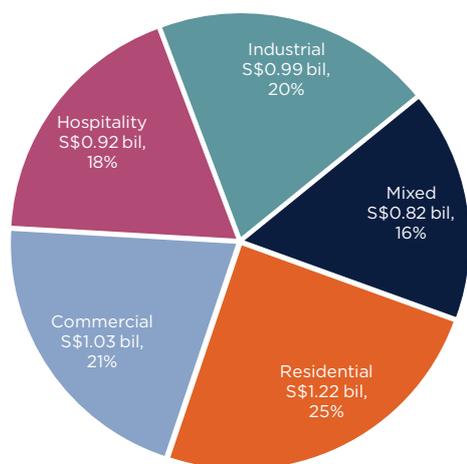
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GRAPH 1: Investment Sales Transaction Values, Q1/2014 to Q1/2019



GRAPH 2: Investment Sales Transaction Volumes By Property Type, Q1/2019



MARKET OVERVIEW

Investment transactions in Q1/2019 amounted to a total of S\$4.98 billion, up 10.6% from Q4/2018’s S\$4.50 billion. The public sector contributed to 42.7% of total investment sales in Q1/2019, in contrast to Q4/2018’s 1.0% share. Seven state land plots, including two residential sites, three industrial sites, one hotel site and one white site, were sold under the GLS programme for a total of approximately S\$2.13 billion. On the other hand, the share of sales in the private sector fell sharply from 99.0% in Q4/2018 to 57.3% in Q1/2019 with approximately S\$2.86 billion recorded. The quarterly decline of 35.9% in transaction value was caused mainly by subdued activity in both the residential and commercial property sectors.

RESIDENTIAL

Investment sales in the residential sector rose 63.4% QoQ to S\$1.22 billion in Q1/2019, largely due to the sales of two land parcels under the GLS programme. The sector also formed the highest share (24.6%) of Q1’s total investment sales volume.

The two GLS sites awarded in the reviewed quarter were a 99-year leasehold private residential site at Kampong Java Road and a 99-year leasehold executive condominium (EC) site at Tampines Avenue 10. Located in District 9 and within walking distance to Newton MRT Station, the Kampong Java Road site was clinched by Chip Eng Seng Corp’s unit, CELH Development, at a top bid of S\$418.4 million, or a land rate of S\$1,192 per sq ft per plot ratio (psf ppr). The price was a step down from other GLS sites in the Core Central Region (CCR) that sold in the past two years. The latter includes Jiak Kim Street, Fourth Avenue, Handy Road and Cuscaden Road. The price for the Kampong Java site is what it is because of developers’ cautious stance towards land banking, a mood resulting from the July 2018 cooling measures. On the other hand, the Tampines EC site’s highest bid of S\$434.5 million (or

S\$578 psf ppr) from Hoi Hup Realty and Sunway Developments was on par with EC sites at Anchorvale Crescent, Canberra Link and Sumang Walk, which were awarded in 2018. Limited supply and strong demand for this class of “sandwich” flats have supported developers’ confidence in this market segment, therefore land prices have held firm.

In the first quarter, 14 landed houses and 13 non-landed units, each worth at least S\$10 million, were transacted. Among these, 11 are units at Boulevard 88, a freehold luxury apartment complex located in the prime District 10. The psf price was in the range of S\$3,619 to S\$4,927. It was reported that this 154-unit project had sold 20 out of the 25 units released at an average selling price of S\$3,550 psf in less than two weeks’ time. While a sentiment of cautiousness has been hovering over the luxury market since July 2018, the encouraging take-up at Boulevard 88 could herald some buying potential in the super luxury segment of the market.

COMMERCIAL

The commercial sector recorded a total of S\$1.03 billion investment sales in Q1/2019. Compared with the high tally of S\$3.15 billion recorded in the previous quarter, this marks a drop of 67.2% QoQ.

After a wave of big-ticket block transactions that concluded in Q4/2018, investment activity for office properties slowed down significantly, with only four deals sealed in the period Jan-Mar 2019. The biggest transaction was the sale of six levels at Suntec City by ARA Asset Management. The buyer, which was reported to be a fund managed by Alpha Investment Partners, paid S\$160.0 million or S\$2,595 psf for the office space with a total strata area of about 61,666 sq ft.

In the retail sector, two shopping malls changed hands. The first deal was the purchase of Liang Court at S\$400.0 million by CapitaLand and City Developments Ltd.

TABLE 1: Top Land Sales In The Public Sector, Q1/2019

PROPERTY	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S\$ MILLION)	SUCCESSFUL TENDERER
Pasir Ris Central	White	Mar 2019	700.0	Phoenix Residential Pte Ltd & Phoenix Commercial Pte Ltd
Club Street	Hotel	Jan 2019	562.2	Midtown Development Pte Ltd
Tampines Avenue 10 (EC)	Residential	Jan 2019	434.5	Hoi Hup Realty Pte Ltd and Sunway Developments Pte Ltd
Kampong Java Road	Residential	Jan 2019	418.4	CELH Development Pte Ltd

Source HDB, URA, Savills Research & Consultancy

TABLE 1: Top Private Investment Sales, Q1/2019

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (\$\$ MILLION)	BUYER
20 Tuas South Avenue 14	Industrial	Jan 2019	585.0	LOGOS
Liang Court	Retail	Mar 2019	400.0	CapitaLand and City Developments Ltd
Ascott Raffles Place Singapore	Hospitality	Jan 2019	353.3	Private investor Cheong Sim Lam
Rivervale Mall	Retail	Mar 2019	230.0	SC Capital Partners
121 Banyan Drive	Industrial	Feb 2019	227.5	SGRE Banyan Pte Ltd

Source Savills Research & Consultancy

Located beside the Clarke Quay riverside area, the shopping mall is part of a mixed-use complex that includes the hotel Novotel Singapore Clarke Quay and the serviced residence Somerset Liang Court. The other transaction was AEW's S\$230.0 million sale of Rivervale Mall in Sengkang to SC Capital Partners, a Singapore-based private equity real estate firm. The price reflects S\$2,833 psf based on the mall's net lettable area of 81,193 sq ft. The price has gone up by some 20.7% from the S\$190.5 million that AEW paid in late 2015.

For shophouses, five deals worth a total of S\$135.6 million were recorded in Q1. The decreasing transaction volume compared with the last few quarters may not reflect any moderation in buying interest, but rather is due to the limited stock of properties available for sale. Among these sales, S\$80.0 million was paid for a row of six shophouses on Tanjong Pagar Road by 8M Real Estate, a boutique real estate investment firm focusing on shophouses. The price works out to around S\$2,600 psf based on a total built-up area of 30,800 sq ft. The upper level of these shophouses has approval from the authorities for a change of use to hotel.

INDUSTRIAL

Total investment sales volume in the industrial property sector came in at S\$985.7 million in Q1/2019. This came from twelve deals involving three industrial GLS sites and nine properties in the private sector. In total, the industrial sector accounted for 19.8% of real estate sales value for the quarter.

Compared with the previous quarter, industrial investment sales surged by 64.2% QoQ. The rise was driven mainly by the S\$585.0 million sale of an integrated industrial and warehouse facility at Tuas South Avenue 14 to logistics property specialist LOGOS. Built on a 25-ha site, the property has a total gross floor area (GFA) of 1.6 million sq ft and will be leased back to the vendor, solar firm REC, for 20 years.

Another notable transaction in the reviewed quarter was the sale of 121 Banyan Drive in Jurong Island at S\$227.5 million. Vibrant Group's subsidiary, LTH Logistics (Singapore), has entered a conditional put and call option agreement with SGRE Banyan for the sale and leaseback of this property.

MIXED USE

In Q1/2019, investment sales in the mixed-use property sector totalled S\$820.0 million, coming from the sale of a GLS white site at Pasir Ris Central and the collective sale of Selegie Centre.

Under the GLS programme, the 99-year leasehold Pasir Ris Central white site was awarded to a joint venture between Allgreen Properties and Kerry Properties. Through the same dual-envelope concept and price tender, the participation rate for the Pasir Ris Central site was low with only three tenderers involved, compared with the other two GLS sites, at Sengkang Central and Holland Village, where the tenders were closed prior to the revised private residential cooling measures. However, the winning bid for Pasir Ris Central of nearly S\$700.0 million or S\$684 psf ppr was in synch with current market conditions. Allgreen Properties and Kerry Properties

will develop a mixed complex consisting of a three-storey retail mall and 480 residential apartments, as well as a bus interchange, a polyclinic and a town plaza.

Selegie Centre, a freehold mixed development comprising 33 shops and 25 flats located at Selegie Road, was sold through a collective sale for S\$120 million to Peak Tower Group. The price was equivalent to a land rate of S\$1,942 psf ppr.

HOSPITALITY

In early January, Ascott Residential Trust (Ascott Reit) divested its Ascott Raffles Place Singapore to private investor Cheong Sim Lam for a sale consideration of S\$353.3 million. Located at 2 Finlayson Green, the serviced residence has 146 apartments and holds a 999-year lease.

Later in the same month, a hotel site at Club Street in the CBD was awarded to Worldwide Hotels Group's Midtown Development. This was the first GLS hotel site released for sale since end-2013. With its centralised location and a rosier outlook expected for Singapore's tourism market for the next few years, the site has drawn keen interest from several hotel groups. The top bid of S\$562.2 million, or S\$2,148.5 psf ppr, was much higher than market expectations and set a record price in terms of psf ppr for a 99-year leasehold hotel site under the GLS programme.

These two transactions totalled S\$915.5 million, making up 18.4% of the overall market transaction volume in the quarter.

OUTLOOK

On 27 March, the Urban Redevelopment Authority (URA) unveiled its Draft Master Plan 2019—a blueprint that charts out the government's plans for land use over the next 10 to 15 years. Two incentive schemes stood out as highlights—Strategic Development Incentive Scheme and CBD Incentive Scheme, both of which aim to rejuvenate the Central Area. The Strategic Development Incentive Scheme will review plot ratios, land use, use quantum and building height to encourage owners of adjacent commercial or mixed-use developments with predominantly commercial uses in Orchard Road, CBD and Marina Centre precincts to join forces and comprehensively redevelop innovative projects. The CBD Incentive Scheme offers an increase in gross plot ratio to encourage the conversion of existing, older office developments at Anson Road and Cecil Street into mixed-use developments with more residential features. The scheme will also foster mixed-use development within Robinson Road, Shenton Way and Tanjong Pagar. We expect that the investment sales market could benefit from these incentives as older office buildings in these identified areas would become more attractive to developers by offering redevelopment potential with higher plot ratios and mixed-use conversions.

Nevertheless, we are still sticking to our S\$20 – 25 billion total investment sales range prediction for 2019 because the URA's Draft Master Plan will take some time to take material effect. Any major activity arising from it may only come on stream after this year.