

Briefing Sales & investment

July 2014



Image: Prudential Tower and Equity Plaza, Cecil Street

SUMMARY

Private sector office investment deals boosted Q2's performance.

- Q2 chalked up a total of about S\$4.73 billion of investment sales, up 19.9% from S\$3.95 billion in Q1/2014.
- Thirteen state land parcels were sold under the Government Land Sales (GLS) programme, bringing the public sector's investment value to S\$2.03 billion, reflecting a 42.9% market share.
- Private sector investment rose by 61.3% quarter-on-quarter (QoQ) to S\$2.63 billion. The substantial increase was mainly due to a few large deals in the commercial segment.
- The office market was the star performer in Q2/2014. Major deals include Equity Plaza (S\$550.0 million), a 92.8% stake in Prudential Tower (S\$512.0 million) and Cecil House (S\$110.0 million).
- The outlook for the real estate investment market remains uncertain for the rest of 2014. The full-year investment volume will be weighed down further with fewer GLS sites sold compared with a year ago.

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 "Although acquisition capital is plentiful, yield compression and cooling measures are still dampening market activity."
 Alan Cheong, Savills Research

➔ **Market overview**

In Q2, thirteen state land parcels, comprising four residential sites, eight industrial sites and one commercial site, were sold under the GLS programme and brought the public sector's investment value to S\$2.03 billion. This represents a 12.2% decline from a quarter ago.

In contrast, private sector investment transactions rose by 61.3% QoQ to S\$2.63 billion in the April to June period. The substantial increase was mainly due to a few large deals in the commercial segment, including Equity Plaza (S\$550.0 million), a 92.8% stake in Prudential Tower (S\$512.0 million), Changi City Point (S\$305.0 million) and Cecil House (S\$110.0 million).

After two quiet quarters, the investment market has awakened from its slumber with a total of about S\$4.73 billion of investment sales recorded for the second quarter of 2014, up 19.9% from S\$3.95 billion in Q1/2014 and 21.7% from \$3.89 billion in Q4 of last year.

TABLE 1 **Top five land sales under the GLS programme, Q2/2014**

Location	Type of development allowed	Date of award	Successful tender price		Name of successful tenderer
			S\$ million	S\$ per sq ft per plot ratio	
Woodlands Avenue 5/ Woodlands Square	Commercial	Apr 2014	634.0	906	Far East Civil Engineering (Pte) Limited, Tannery Holdings Pte Ltd and Sekisui House, Ltd
Sims Drive	Residential	Apr 2014	530.9	688	First Changi Development Pte Ltd
Prince Charles Crescent (Parcel B)	Residential	Apr 2014	463.1	821	UOL Venture Investments Pte Ltd and Kheng Leong Company (Private) Limited
Yishun Street 51 (Parcel B) (EC)	Residential	May 2014	184.1	335	JBE Holdings Pte Ltd
Yishun Street 51 (Parcel A) (EC)	Residential	May 2014	178.5	330	Verwood Holdings Pte Ltd and TID Residential Pte Ltd

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

Residential

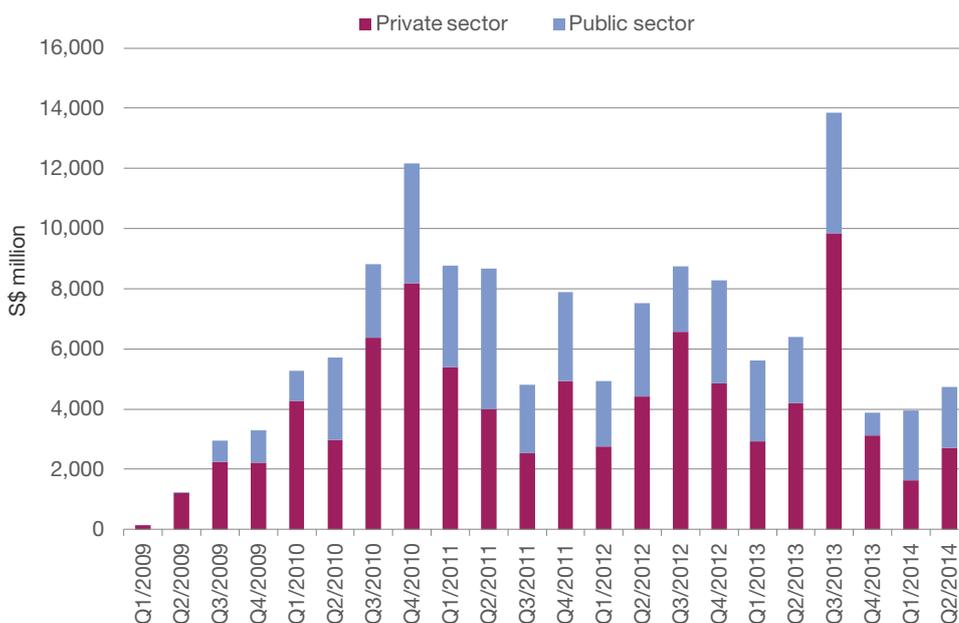
Investment sales in the residential segment amounted to S\$1.68 billion in Q2/2014, making up 35.5% of the

total transaction value.

Two non-landed residential sites located at Prince Charles Crescent and Sims Drive, and two adjoining executive condominium (EC) sites at Yishun Street 51 were sold under the GLS programme. Not surprisingly, more prudent tender bids were seen as a result of sluggish new home sales. The top bid of S\$821 per sq ft per plot ratio (psf ppr) by UOL and Kheng Leong for the site at Prince Charles Crescent (Parcel B) was almost 15.0% lower than the S\$960 psf ppr achieved for the neighbouring Parcel A in September 2012. Similarly, the winning bids for the two adjacent EC plots at Yishun Street 51 were at the lower end of market expectations. Nevertheless, the number of bids received (six for Parcel A and eight for Parcel B) is considered healthy.

Sales of luxury non-landed homes continued to lag because of the higher stamp duties and lending restrictions. The substantial number of completions over the next few

GRAPH 1 **Investment sales transaction values, Q1/2009–Q2/2014**



Source: Savills Research & Consultancy

years will add further downward pressure on prices. However, some transactions inked in the reviewed quarter were unexpectedly high, although still below the previous peak. For example, a 2,874-sq ft unit at Hilltops on Cairnhill Circle was sold for S\$3,927 per sq ft in June, while a 2,852-sq ft unit at The Orchard Residences on Orchard Boulevard changed hands at S\$3,699 per sq ft. With the softening prices, it may be that investors, particularly those from overseas, could return to the luxury market here having come to terms with all the restrictions, to take advantage of the lower prices.

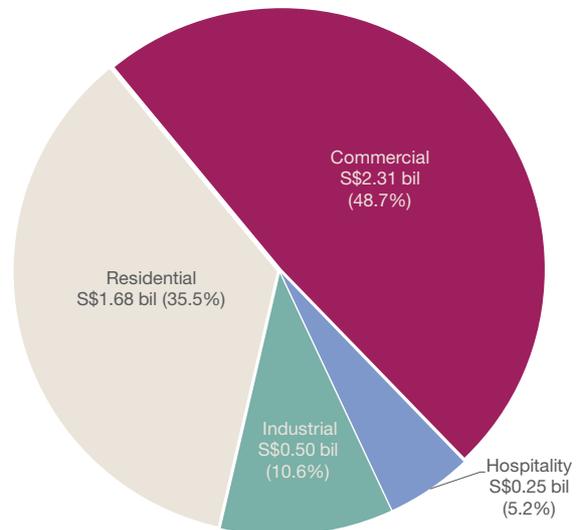
Commercial

The commercial segment, especially the office market, was the star performer in Q2/2014. The total tally of investment sales in this segment reached S\$2.31 billion, almost triple the S\$824.4 million in Q1. Private sector office investment deals contributed around S\$1.25 billion, the highest since Q1/2013. This compares with \$0.81 billion for Q1 this year and \$1.14 billion for Q2 last year.

Three major en-bloc office transactions were sealed in the reviewed quarter. In May, Keppel Reit divested its 92.8% stake in Prudential Tower for S\$512.0 million or S\$2,219 per sq ft of its strata area. Later in June, Cecil House was transacted for S\$110.0 million or S\$2,182 per sq ft NLA, while Keppel Land and its fund management arm Alpha Investment Partners sold Equity Plaza for S\$550 million or S\$2,181 per sq ft based on NLA. The buyers were mainly Singapore-based property firms.

Capital is plentiful in the market. In the last two years, due to the slate of cooling measures targeting the residential sector, investors have turned their interest to commercial properties. Investor confidence in the office property market also

GRAPH 2 **Investment sales transaction volumes by property type, Q2/2014**



Source: Savills Research & Consultancy

improved recently on the back of the upswing in rents. Most investors generally prefer investments which can generate an immediate cash-flow return rather than development sites. Existing income-generating office buildings, such as Equity Plaza, Prudential Tower and Cecil House, therefore meet their investment criteria. We can expect to see more transactions for office properties in the CBD in the near future.

Separately, Far East and Sekisui House won the bid for the commercial site located next to Causeway Point under the GLS programme in April. This was the first predominantly office site released in the Woodlands Regional Centre and the winning bid was S\$634.0 million or S\$906 psf ppr. The tender attracted almost all the major developers, a reflection of the market's optimism for the Woodlands Regional Centre.

The private retail segment saw the biggest investment sales deal in April when Frasers Centrepoint Trust paid S\$305.0 million for Changi City

Point, a shopping mall located in Changi Business Park, to inject into its portfolio.

Others

The industrial segment recorded S\$499.8 million in investment sales in Q2/2014, making up 10.6% of the total transaction value. Although the number of transactions dropped slightly from 14 in Q1 to 12 in Q2, the investment value was up by 37.0% QoQ. The increase was mainly attributed to A-REIT's acquisition of Hyflux Innovation Centre, a ten-storey high-specifications industrial building with a basement and surface car park located at Bendemeer Road for S\$170.0 million in June. The vendor, Hyflux Innovation Centre Pte Ltd has committed to lease back approximately 50% of GFA for 15 years.

The investment market in the hospitality segment remained quiet in Q2 with only one transaction. Grand Chancellor Hotel, a 328-room three-star in Little India, was sold for S\$248.0 million at the end of the quarter. ■

TABLE 2
Top five private investment sales, Q2/2014

Property	Sector	Transacted date	Price (S\$ million)	Buyer
Equity Plaza	Commercial	Jun 2014	550.0	Plaza Ventures Pte Ltd, a consortium of GSH Corporation, Vibrant DB2 Pte Ltd and TYJ Group Pte Ltd
Prudential Tower (92.8% stake)	Commercial	May 2014	512.0	Epic Land, a consortium of Lian Beng Group, KSH Holdings, KOP and Centurion Global
Changi City Point	Commercial	Apr 2014	305.0	Frasers Centrepoint Trust
Hotel Grand Chancellor	Hospitality	Jun 2014	248.0	Unknown
Hyflux Innovation Centre	Industrial	Jun 2014	170.0	Ascendas Real Estate Investment Trust (A-REIT)

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

Despite positive growth in the first two quarters of the year, the outlook for real estate investment market remains uncertain for the rest of 2014 due to continuing concerns over yield compression, cooling measures and rising interest rates. The full-year investment volume will be weighed down further with fewer GLS sites sold compared with a year ago. The fillip in this is the copious amounts of acquisition capital which has been building up during this period of low activity and this may have to be deployed sometime in the not too distant future.

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