

# Briefing Sales & investment

August 2016



Image: Straits Trading Building

## SUMMARY

Investment sales have sprung to life in the second quarter with the completion of some 'mega deals'.

■ A total of S\$7.26 billion worth of deals was recorded in Q2, almost tripling the S\$2.46 billion in the previous quarter.

■ The S\$638.0 million collective sale of Shunfu Ville is the first pure residential en-bloc sale since 2014 and the largest such transaction after the sale of Farrer Court for S\$1.3 billion in June 2007.

■ Qatar Investment Authority's (QIA) S\$3.38 billion acquisition of Asia Square Tower 1 is the largest

transaction ever for a single building in Singapore.

■ Indonesian tycoon Mr. Tahir bought the Straits Trading Building for S\$560.0 million or S\$3,524 per sq ft of net lettable area (NLA). This price per sq ft is also a record price paid for an office building in Singapore.

■ After a 6-month lull, the hotel segment roared back to life when Hong Kong-listed Shun Tak Holdings acquired a freehold site at 9 Cuscaden Road for S\$145.0 million.

■ Savills has lifted our full year total sales value forecast to S\$17–19 billion, up from S\$15–17 billion previously.

.....  
 “The investment sales market witnessed a flow of much bigger deals in the second quarter, far beyond the reach of traditional investors.”  
 Alan Cheong, Savills Research  
 .....

➔ **Market overview**

After falling asleep in Q1/2016, the investment sales market sprang to life in the second quarter. A total of S\$7.26 billion worth of deals was recorded in Q2, almost tripling the S\$2.46 billion in the previous quarter.

In the reviewed quarter, the biggest deal was QIA's S\$3.38 billion acquisition of Asia Square Tower 1, a premium office building at Marina Bay. This deal alone accounted

for 46.6% of the quarter's total investment sales. Other major deals in the private sector include: CapitaLand Commercial Trust's (CCT) purchase of the remaining 60% stake in CapitaGreen (S\$960.3 million<sup>1</sup>), the collective sale of Shunfu Ville by Qingjian Realty (S\$638.0 million) and Indonesian tycoon Mr. Tahir's purchase of Straits Trading Building (S\$560.0 million).

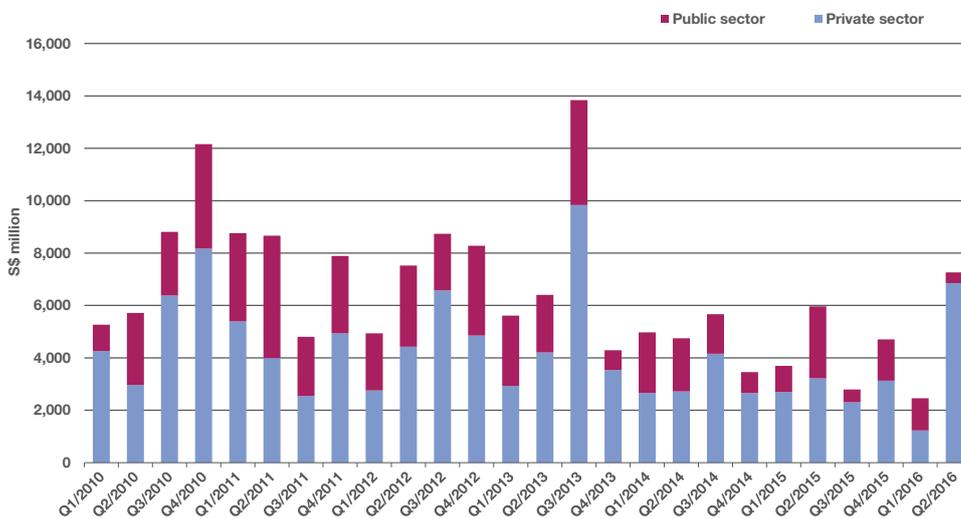
<sup>1</sup> Based on the agreed market value (100%) interest of CapitaGreen of S\$1,600.5 million

Although there were eight land parcels awarded under the Government Land Sales (GLS) Programme, five of these sites were industrial Business 2-zoning with values less than S\$10 million each. The most expensive GLS site sold in the quarter was a commercial and residential site located on Bukit Batok West Avenue 6 which was awarded to Qianjian Realty for S\$301.2 million.

As a result, it was these few big-ticket deals that lifted Q2's investment sales quantum. Of all the transactions in the quarter, the private sector contributed S\$6.85 billion or 94.4% of the market, while the public sector made up the remaining 5.6% with S\$408.4 million.

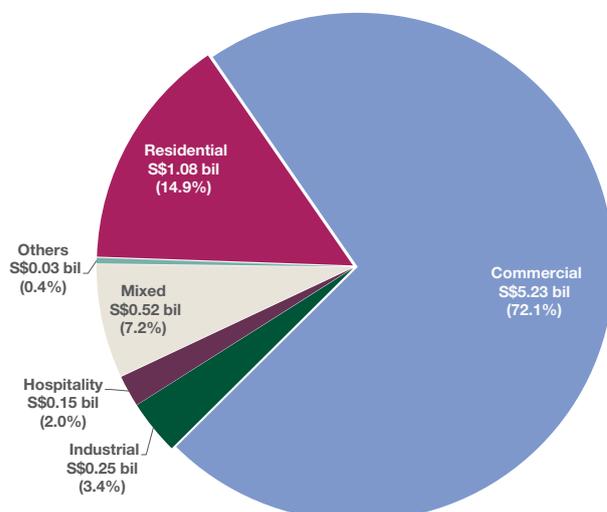
The S\$7.26 billion of investment sales in the second quarter is the highest quarterly transaction figure recorded since Q4/2013. However, it may not yet be the case that the investment market has fully turned around. The reason is that given a slate of negativities such as global economic uncertainties, volatile financial markets and property cooling measures abound, the buy side, made up of institutional and high net worth investors turned cautious, but on the other hand sellers have strong holding power and are not that willing to move asking prices. Consequently, the negotiation process may take longer. For those deals which did get done, their prices were at significant discounts to the vendors' original asking price. For instance, Shunfu Ville had been put up for sale in September last year at an asking price of at least \$688 million, while Blackrock sought to divest Asia Square Tower 1 in June 2015 with a price tag of S\$4.0 billion. Ultimately, these were transacted at a discount to what was asked.

GRAPH 1 **Investment sales transaction values, Q1/2010–Q2/2016**



Source: Savills Research & Consultancy

GRAPH 2 **Investment sales transaction volumes by property type, Q2/2016**



Source: Savills Research & Consultancy

**Residential**

The sales volume in the residential segment amounted to S\$1.08 billion, or 14.9% of Q2's total investment sales. This is a 35.5% quarterly decline from the S\$1.67 billion recorded in Q1/2016.

Under the GLS programme, there was only one residential site at Jalan Kandis awarded. The tender drew a total of nine bids, with the highest bidder, Tuan Sing Holdings, putting in S\$51.1 million or S\$481.0 per sq ft per plot ratio. Although the site is located in a relatively remote part of

→ the Sembawang area, there was still keen interest and this was probably attributable to the manageable price quantum and a smaller number of housing units that will be derived from this 0.7-ha land plot. Given developers' strong balance sheets, such attributes are sure to appear on their investment radar.

The private sector saw S\$1.03 billion worth of transactions, more than doubling the S\$447.0 million recorded a quarter ago. The growth was mainly attributed to the collective sale of Shunfu Ville, the first pure residential en-bloc sale since 2014 and the largest after Farrer Court was sold for S\$1.3 billion in June 2007. Qianjian Realty paid S\$638.0 million for this 358-unit former Housing and Urban Development Company (HUDC) estate which sits on a 408,927 sq ft site with a plot ratio of 2.8. Including the estimated S\$217.0 million in

differential premium payable for topping up the lease back to 99 years and also for intensifying the land use, the price works out at S\$747 per sq ft per plot ratio.

The success of Shunfu Ville reignited interest in the collective sales market and soon after, a few properties were put up for collective sale. These properties include Harbour View Gardens, Jalan Besar Plaza and Katong Shopping Mall. However, under current gloomy market conditions, in the short term, we don't expect a pick-up in activity in this segment of the market.

### Commercial

In the reviewed quarter, the commercial segment ended on a high note with a total value of S\$5.23 billion worth of investment sales. This accounted for 72.1% of Q2's total investment value. On a quarter-on-quarter (QoQ) basis,

the value recorded in the commercial segment saw a sharp 705.4% rise from Q1's S\$649.7 million.

The highest quantum deal in the quarter and also the highest transaction price done for a single building ever in Singapore was QIA's S\$3.38 billion acquisition of Asia Square Tower 1. This works out at S\$2,674 per sq ft based on more than 1.2 million sq ft of NLA.

There were another two big-ticket transactions of office properties in Q2. In May, CCT proposed to exercise its call option to buy the remaining 60% of CapitaGreen from CapitaLand Group and Mitsubishi Estate Asia Pte Ltd. Based on the agreed market value of S\$1,600.5 million or S\$2,276 per sq ft of NLA, the 60% share is worth about S\$960.3 million. Later in June, Indonesian tycoon Mr. Tahir bought Straits Trading Building for S\$560.0

TABLE 1  
Top land sales under the GLS programme, Q2/2016

Location	Type of development allowed	Date of award	Successful tender price		Name of successful tenderer
			S\$ million	S\$ per sq ft per plot ratio	
Bukit Batok West Avenue 6	Commercial & Residential	May 2016	301.2	634.6	Qingjian Realty (BBR) Pte Ltd and Qingjian Realty (BBC) Pte Ltd
Jalan Kandis	Residential	Apr 2016	51.1	481.0	Dillenia Land Pte Ltd
Plot 1, Tuas South Link 1	Industrial	May 2016	37.5	52.3	Diamond Land Pte Ltd

Source: URA, HDB, Savills Research & Consultancy

TABLE 2  
Top five private investment sales, Q2/2016

Property	Sector	Transacted date	Price (S\$ million)	Buyer
Asia Square Tower 1	Office	Jun 2016	3,380.0	Qatar Investment Authority
CapitaGreen (60% stake)	Office	May 2016	960.3	CapitaLand Commercial Trust
Shunfu Ville	Residential	May 2016	638.0	Qianjian Realty Pte Ltd
Straits Trading Building	Office	Jun 2016	560.0	Indonesian tycoon Tahir, through listed MYP Ltd
Sime Darby Centre, Sime Darby Enterprise Centre and Sime Darby Business Centre (75% stake)	Commercial & Industrial	May 2016	225.0	Blackstone

Source: Savills Research & Consultancy

million or S\$3,524 per sq ft of NLA through listed MYP Ltd. This price per sq ft is also a record price for an office building in Singapore and 24.4% higher than the S\$2,832 per sq ft paid by the vendor, Sun Venture, in September 2014.

Separately, the biggest investment sale of retail property was completed in Q2 with the S\$135.0 million purchase of all 49 freehold strata units on the first two levels of the upcoming Centrium Square in Little India. The buyer is Canali Logistics, a company controlled by Bangaldeshi conglomerate S Alam Group. Based on a total strata area of 27,179 sq ft, the price works out to S\$4,967 per sq ft.

**Mixed**

In Q2, two transactions were concluded under this property segment, contributing S\$526.2 million or 7.2% of Q2's total investment sales.

One is the 1.5-ha commercial and residential GLS site located at Bukit Batok West Avenue 6, which was awarded to Qingjian Realty for S\$301.2 million or S\$634.6 per sq ft per plot ratio. Although the site is located some distance from the nearest MRT station, the allowable mixed development attracted strong interest from both local and

foreign developers. In tandem with developers' depleting land banks, the tender attracted a total of 11 bids. In addition, Qianjian's bid was quite aggressive compared with the other 10 bidders.

The second transaction was from the listed Malaysian plantation-based company Sime Darby. It divested of a 75% stake in three Singapore properties to private equity firm Blackstone for about S\$225.0 million. These three properties included one office-retail development called Sime Darby Centre at Dunearn Road and two light industrial buildings, Sime Darby Business Centre at Alexandra Road and Sime Darby Enterprise Centre at Jalan Kilang.

**Industrial**

In Q2/2016, the industrial segment recorded a total of S\$250.1 million in investment sales, a rise of 85.7% on a quarter-on-quarter basis. Nevertheless, of all the property types, the market share for industrial properties in the quarter was merely 3.4%. The most notable deal was Bukit Batok Connection, a 9-storey light industrial development at Bukit Batok which was acquired by Soilbuild Business Space REIT for S\$96.3 million.

**Hospitality**

After a 6-month lull, the hotel segment came back to life when Hong Kong-listed Shun Tak Holdings acquired a freehold site at 9 Cuscaden Road for S\$145.0 million. This 25,741-sq ft site, currently being occupied by a two-storey bungalow, is zoned "hotel" under Master Plan 2014 with an allowable gross plot ratio of 4.2. ■

**OUTLOOK**

The prospects for the market

Moving forward, the fistful of mega deals concluded in the office and hotel sectors may win over more investors who have been deliberating for too long as to whether to allocate more capital to Singapore. However, because large investment finds like Asia Square Tower 1 are a rarity and seldom repeated, we expect total investment sales for the remaining part of 2016 to return to a steady state. Nevertheless, the mega deals that were consummated in the first half of this year should lift the full year total sales value to S\$17–19 billion, up from our previous forecast of S\$15–17 billion.

**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

Savills Research

**Savills plc**

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.