

Briefing Sales & investment

October 2015



Image: Draycott Eight, Draycott Park

SUMMARY

Market reports lowest sales value in Q3 since the Global Financial Crisis.

■ Investment transactions worth approximately S\$2.89 billion were recorded in Q3/2015, falling 53.5% quarter-on-quarter (QoQ).

■ Private sector investment sales constituted a bigger share of the total investment sales at 82.7% or S\$2.39 billion with over 38 deals done, while the public sector chalked up the remaining 17.3% or S\$499.6 million.

■ Deals of Good Class Bungalows (GCBs) again made the headlines this quarter. With the softening prices,

the buying interest in this property segment started reviving in the last few quarters.

■ Investment sales of commercial properties totalled S\$1.23 billion in Q3/2015. In spite of a 70.3% drop QoQ, this segment still accounted for the highest share (42.4%) of Q3's total investment sales.

■ For the full year of 2015, Savills has lowered our forecast to S\$15 to S\$18 billion.

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 "The third quarter's numbers may look disappointing but they mask the large deal flows in the pipeline which if consummated in the coming quarter will bring the investment market back on an even keel." Alan Cheong, Savills Research

➔ **Market overview**

Investment transactions worth approximately S\$2.89 billion were recorded in Q3/2015, falling 53.5% from the previous quarter's total of S\$6.22 billion. It was also the lowest sales value since Q2/2009.

Private sector investment sales continued to dominate the market, making up 82.7% or S\$2.39 billion in value with over 38 deals done. On a quarterly basis, the transaction value and volume in Q3 plunged 31.0%

and 25.5% respectively. By property type, the residential, commercial and industrial segments also saw declines in transaction values in the order of 18.0%, 50.2% and 30.4% QoQ respectively.

For the quarter in review, the public sector made up the remaining 17.3% or S\$499.6 million of total investment sales and these came from the sale of two residential sites and two industrial sites under the GLS Programme and a state land parcel

for car showroom-cum-workshop use by the Housing & Development Board (HDB). Transaction values in this sector also dived 81.8% from S\$2.75 billion in Q2. The sharp decline came because the Q2 numbers were exceptional as there was a large GLS sale at Paya Lebar which raked in S\$1.67 billion.

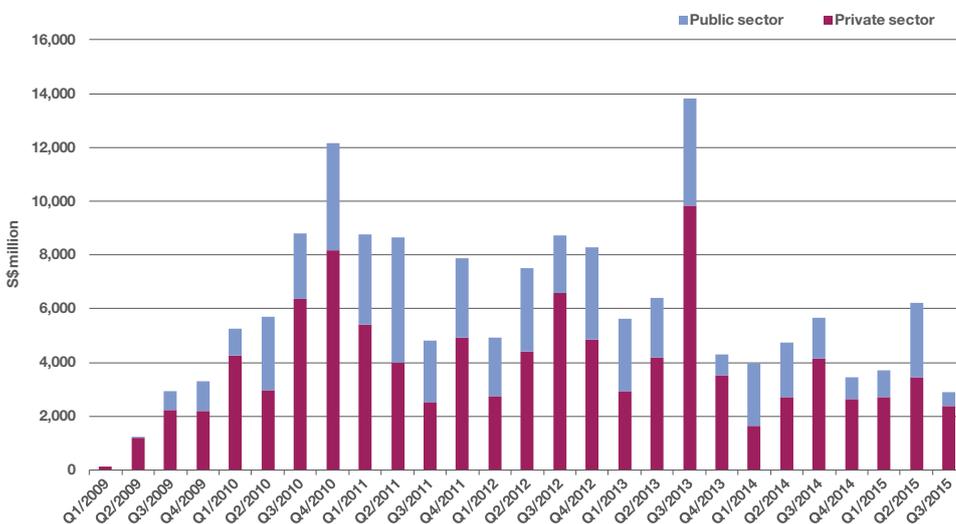
The quiet quarter is also attributed to weak global economic conditions and unexpected negative developments pertaining to the Chinese currency which translated to increased volatility in the global financial markets. The expected hike in US interest rates this September which did not materialise also persuaded markets that economic conditions in the US are still unstable. The slate of property cooling measures, such as those related to the ABSD and TDSR also continued to suppress transaction volumes. Aside from these reasons, the reduction of sites in the confirmed list of the GLS Programme also played a part.

Residential

Total investment sales in the residential property segment amounted to S\$950.8 million in Q3/2015. Compared with the S\$1.64 billion in Q2, sales fell 42.1%.

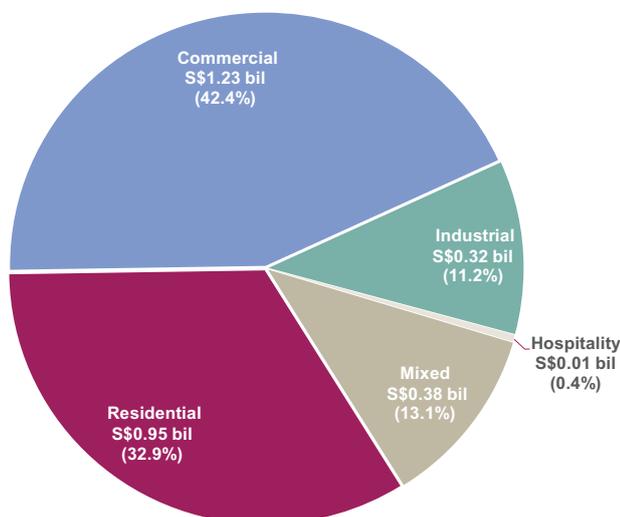
In August, two GLS residential sites were sold through public tenders. A private residential site at West Coast Vale which received six bids was awarded to EL Development for S\$314.1 million or S\$551 per sq ft per plot ratio (psf ppr). An Executive Condominium (EC) site at Choa Chu Kang Avenue 5 was hotly contested with 11 bids, where a Qingjian Realty-led consortium topped the bid with S\$156.2 million or S\$295 psf ppr. Regardless the sluggish sales market and possible supply glut from completing developments in the near to medium term, the healthier number of bidders seen in these two tenders re-confirmed developers' anxiousness to restock their land banks. In addition, the higher-than-expected number of bids received by the Choa Chu Kang EC site could be attributable to developers' anticipation of growing demand driven by an expected

GRAPH 1 **Investment sales transaction values, Q1/2009–Q3/2015**



Source: Savills Research & Consultancy

GRAPH 2 **Investment sales transaction volumes by property type, Q3/2015**



Source: Savills Research & Consultancy

TABLE 1
Top land sales under the GLS programme, Q3/2015

Location	Type of development allowed	Date of award	Successful tender price		Name of successful tenderer
			S\$ mil	S\$ psf ppr	
West Coast Vale	Private residential	Aug 2015	314.1	551	EL Development Pte Ltd
Choa Chu Kang Avenue 5	Executive condominium	Aug 2015	156.2	295	Qingjian Realty (Residential) Pte Ltd, Suntec Property Ventures Pte Ltd and Bohai Investments (Sengkang) Pte Ltd

Source: URA, HDB, Savills Research & Consultancy

→ increase of household income ceiling for new ECs which was subsequently announced on 23 August.

Twenty luxury residential homes worth at least S\$10 million each changed hands in the reviewed quarter. Among these, deals of Good Class Bungalows (GCBs), such as 15 Binja Rise, 21 Queen Astrid Park and 37 Chee Hoon Avenue, made the headlines this quarter. According to Savills statistics, there were 15 GCB transactions in the first three quarters of 2015, just two units shy of the 17 completed in the whole of 2014, while the average unit price based on land area slid 4.3% year-on-year. With the softening prices, the buying interest in this property segment started reviving in the last few quarters.

Separately, the Tang Group of Companies, part of Hong Kong's Far East Consortium International Ltd, purchased 23 units at Draycott Eight, a 99-year leasehold condominium, for around S\$150.0 million or S\$2,200 psf. The price is about 15.4% lower than the S\$2,600 psf paid by the vendor, a German core fund managed by Morgan Stanley, in late 2007.

Commercial

In Q3/2015, investment sales of commercial properties totalled S\$1.23 billion. In spite of a 70.3% drop QoQ, this segment still accounted for the highest share (42.4%) in Q3's total investment sales. The biggest deal is CapitaLand Mall Trust's acquisition of Bedok Mall at S\$780.0 million or S\$3,506 psf of net lettable area (NLA) in July.

Despite the market's gloomy sentiment, it was noted that Chinese investors remained active in acquiring office properties here. A Chinese businessman from Shanghai paid around S\$210-215 million for a newly-refurnished freehold office building at 137 Cecil Street in July. Based on its 67,550 sq ft NLA, the unit price was above S\$3,100 psf. Later in August, China Shipping snapped up three floors in Prudential Tower, an office building with a remaining tenure of about 80 years, for S\$100.6 million or S\$2,750 psf of strata area. Both prices are on the high side in today's market.

Meanwhile, there were only three shophouse transactions worth S\$47.5 million completed in Q3. Transaction activity in this property segment slowed down significantly compared with the previous quarters. However, we expect shophouse buying activity to pick up again in the last quarter of 2015, as a few shophouse properties have been put up for sale with tenders or expressions of interest exercises closing in October or November.

Industrial

The industrial segment witnessed ten transactions in Q3/2015, contributing about S\$323.9 million or 11.2% of the total investment sales. Sales value was down for the third straight quarter amid the impending supply glut, current weak demand and subdued industrial activity. However, Viva Industrial Trust paid a total of S\$167.7 million for three industrial properties located at Tai Seng, Ubi and Pioneer to further strengthen its portfolio in the reviewed quarter.

Others

In July, after almost 19 months of quiescence, the collective sales market came back to life with the first transaction. The last en-bloc deal was in December 2013 for seven townhouses along Pasir Panjang Road. Thong Sia Building located on Bideford Road was sold collectively for S\$380.0 million or S\$2,431 psf of gross floor area. This freehold development comprises seven levels of commercial space and a 19-storey residential tower with 37 units. The buyer is Sin Capital Partners, who is expected to redevelop the property. This deal is considered a one-off and we do not expect many large value deals in the near term.

Outlook

In the next six to twelve months, a generally weaker economic environment coupled with financial market volatility, on top of a scaling back of GLS supply will continue to weigh on the market. Therefore, Savills has lowered our full year transaction value forecast to S\$15 to S\$18 billion. Nevertheless, in the pipeline are some large-ticket deals, such as Asia Square Tower 1, CPF Building and a 50% stake of 78 Shenton Way, which if transacted are expected to fetch S\$4.0 billion, S\$450 million and S\$335 million respectively. As we head toward the final quarter of this year, these deals will determine whether we will end the year on the lower or higher side of our forecast range. ■

TABLE 2
Top five private investment sales, Q3/2015

Property	Sector	Transacted date	Price (S\$ million)	Buyer
Bedok Mall	Commercial	Jul 2015	780.0	CapitaLand Mall Trust
Thong Sia Building	Commercial & residential	Jul 2015	380.0	Sin Capital Partners
137 Cecil Street	Commercial	Jul 2015	212.5	A Chinese buyer
23 units at Draycott Eight	Residential	Aug 2015	150.0	Tang Group of Companies
Prudential Tower (25th to 27th floor)	Commercial	Aug 2015	100.6	China Shipping

Source: Savills Research & Consultancy

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

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