

Briefing Sales & investment

October 2017



Image: Tampines Court at Tampines Street 11

SUMMARY

The bull-run continues into the third quarter.

- S\$9.84 billion of real estate investment sales was inked in Q3/2017. This was a strong 9.2% increase from a quarter ago and also the most active on record since Q4/2013.

- A few big-ticket assets such as Asia Square Tower 2's office and retail space at Marina Bay, Jurong Aromatics Complex in Jurong Island and the privatised HUDC estate Tampines Court changed hands, therefore fuelling the investment sales market.

- The residential property segment made up the lion's share at 43.1% of Q3's total investment value.

Developers continued to show their hunger for lands by acquiring a dozen residential sites in the quarter with aggressive bids.

- In Q3/2017, the industrial sector contributed a total of S\$2.87 billion in investment sales or 29.1% of the total transaction value. This is the highest transaction value recorded for a quarter since Savills database was started in Q1/2008 and was due to a one-off seldom transacted deal of a petrochemical plant on Jurong island.

- In the first three quarters of 2017, the investment sales market had already registered S\$24.21 billion

in transaction value, surpassing the whole of last year that totalled to about S\$22.66 billion. The full year numbers will almost come close to or even exceed S\$30.0 billion.

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 "The investment fever for residential and commercial properties continues and if it runs unabated for a few more quarters, may even spillover to the moribund industrial segment." Alan Cheong, Savills Research

➔ **Market overview**

Based on Savills figures, S\$9.84 billion of real estate investment sales was inked in Q3/2017. This was a strong 9.2% increase from a quarter ago and indeed proving to be the most active quarter on record since Q4/2013.

There are 79 transactions originating from the private sector that contributed a total of S\$8.68 billion. Compared with a quarter ago, this represented a robust growth of 41.2%. A few highly prominent deals, such as CapitaLand Commercial Trust's acquisition of Asia Square Tower 2's office and retail

space at S\$2.094 billion, ExxonMobil's S\$1.971 billion purchase of Jurong Aromatics Complex in Jurong Island and the S\$970 million en-bloc sale of privatised HUDC estate Tampines Court to Sim Lian Group, fuelled the market.

Under the government land sales (GLS) programme, in Q3, only five land parcels were awarded, totalling S\$1.16 billion in value. These include two private residential sites and three industrial sites. On a quarterly basis, the sales value was nearly 60.0% lower than the previous quarter.

Residential

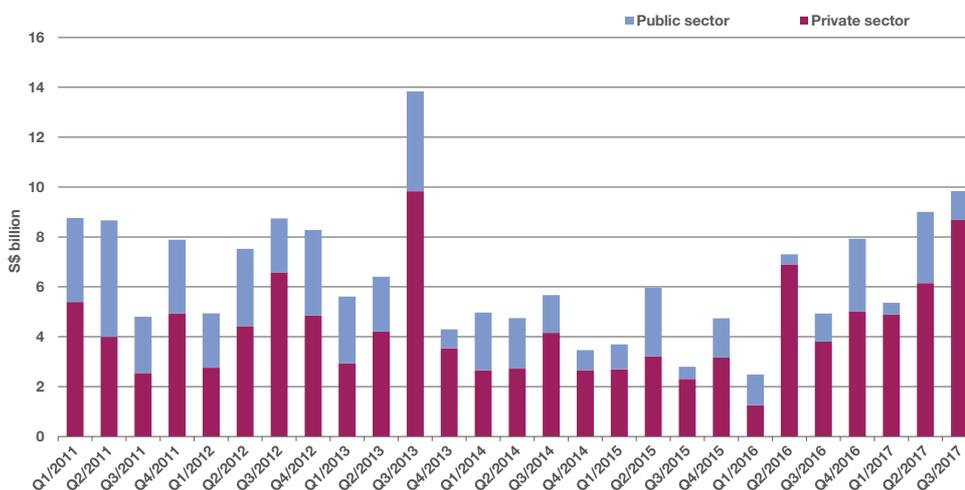
Investment value for residential sites and properties amounted to S\$4.24 billion in Q3/2017. Developers continued to show their hunger for lands by acquiring a dozen residential sites in the quarter. This helped the residential segment make up the lion's share of 43.1% of Q3's total investment value.

Under the GLS programme, the two 99-year private residential housing sites along Woodleigh Land and Serangoon North Avenue 1 were awarded. Aggressive bidding was again evident in these two tenders. On 11 July, with 15 bidders taking part, Chip Eng Seng, Heeton and KSH teamed up to place the top bid of S\$700.7 million for the Woodleigh Lane site. The price works out to S\$1,110 per sq ft per plot ratio (psf ppr). Later in the same month, a joint venture of Keppel Land and Wing Tai beat another 15 rivals for the site along Serangoon North Avenue 1 with a top bid of S\$446.28 million or S\$965 psf ppr.

On the private front, thirteen residential sites were acquired by developers in the reviewed quarter. Among these, there were eight collective sales worth slightly over S\$2.1 billion. Besides Tampines Court, the others were The Albracca (S\$69.1 million), Serangoon Ville (S\$499.0 million), Toho Green (S\$8.4 million), Sun Rosier (S\$271.0 million), Jervis Gardens (S\$72.0 million), Nanak Mansions (S\$201.1 million) and six townhouses at Sembawang Hills Estate (S\$25.7 million). The prices offered by the successful developers were well above what the owners had set as the reserve price, with some 15-16% higher. For example, Serangoon Ville's highest bid price was 16.0% more and Sun Rosier was 15.3% higher. All of these have reinforced that the collective sale fever is heating up in Singapore.

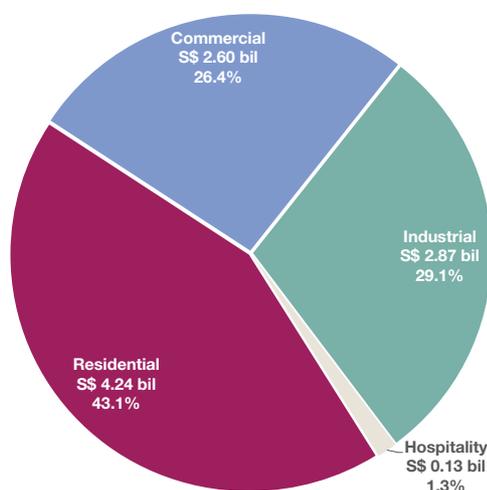
Aggressive bids have now become the market norm, as improved confidence levels from developers have morphed into one of aggressiveness. Deep-pocket developers are now urgently trying to replenish land banks to maintain businesses continuity. The cutback in the number of sites on the GLS

GRAPH 1 **Investment sales transaction values, Q1/2011–Q3/2017**



Source: Savills Research & Consultancy

GRAPH 2 **Investment sales transaction volumes by property type, Q3/2017**



Source: Savills Research & Consultancy

→ programme have also increased pressure on them to look to collective sale sites for development lands. This in turn intensifies competition for the en-bloc sites, rapidly pushing up the land prices. However, the bullish prices paid for these collective sale sites have raised some concerns about the unsustainability of such rapid land price increases. Although the overall market is showing signs of price recovery, with URA's flash estimate of private residential price index posting a first uptick in Q3 after 15 straight quarters of decline, land prices are rising well ahead of current end product prices. The sustainability of developers' sales numbers and buyers' affordability to future launches on these, recently sold, en-bloc sites in the next year will decide how long this collective sale fever and aggressive land prices can last.

For the luxury segment, after a pick-up in Q2, sales of high-end residential properties slowed down in the Jul-Sep period with 19 landed houses and 10 condominium units, each worth at least S\$10 million, being transacted. Some reasons include the "hungry ghosts" month effect and the other is that sellers, upon realising the stark improvement in market sentiments have raised their offer prices, which

buyers need time to come to terms with. Nevertheless, buying momentum in the high-end residential property market remains healthy. The most notable deal in the reviewed quarter is the sale of the super penthouse at Sculptura Ardmore. It was reported that this penthouse, with a strata area of about 10,300 sq ft, was sold for over S\$60.0 million, the most expensive transaction in terms of quantum price.

Commercial

Commercial investment sales totalled S\$2.60 billion in Q3/2017, making up 26.4% of the overall investment sales. It was down 28.3% QoQ, partly due to the high base in the previous quarter.

CapitaLand Commercial Trust (CCT) was active in the reviewed quarter and involved in two transactions. After divesting a 50% stake in One George Street in May, in early July, CCT sold the commercial component at its Wilkie Edge at Wilkie Road to a joint venture of Lian Beng Group and Apricot Capital for S\$280.0 million. The price works out to S\$1,812 psf based on the combined net lettable area (NLA) of 154, 528 sq ft and a net property yield of 3.39% per annum. Later in September, CCT announced

its S\$2.094 billion acquisition of Asia Square Tower 2 (excluding the hotel component) from BlackRock Asia Property Fund III. Using 753,445 sq ft as the net lettable office space with 25,274 sq ft of retail space, the price translates to S\$2,689 psf per NLA. The deal of Asia Square Tower 2 is the biggest office investment sales deal in Singapore so far this year. With this acquisition, CCT finally expanded its portfolio into the Marina Bay area where most prime office developments are located.

For block transactions, there was another notable deal in the reviewed quarter. That is the collective sale of Elite Building, a six-storey freehold property along Aljunied Road, for S\$52.0 million (or S\$1,401 psf of strata area) in August. The buyer, The Tabernacle Church and Missions Limited, plans to move its corporate office and the church's Asian Pastoral Institute into the building.

In the strata-sales market, the activity picked up to five deals in Q3 from three in Q1 and two in Q2. Two floors (21st and 22nd) at Springleaf Tower changed hands at S\$25.9 million (S\$2,566 psf) and S\$25.1 million (S\$2,338 psf) respectively. Compared with the psf price of S\$2,338 in their

TABLE 1
Top land sales in the public sector, Q3/2017

Location	Type of development allowed	Date of award	Successful tender price (S\$ million)	Name of successful tenderer
Woodleigh Lane	Residential	Jul 2017	700.7	CEL Unique Development Pte Ltd
Serangoon North Avenue 1	Residential	Aug 2017	446.3	Corson Pte Ltd and Wingjoy Investment Pte Ltd

Source: HDB, URA and Savills Research & Consultancy

TABLE 2
Top five private investment sales, Q3/2017

Property	Sector	Transacted date	Price (S\$ million)	Buyer
Asia Square Tower 2	Commercial	Sep 2017	2,094.0	CapitaLand Commercial Trust
Jurong Aromatics Complex	Industrial	Aug 2017	1,971.1	ExxonMobil
Tampines Court	Residential	Aug 2017	970.0	Sim Lian Group Limited
Serangoon Ville	Residential	Jul 2017	499.0	Oxley Serangoon Pte Ltd
Citimac	Industrial	Jul 2017	430.1	A foreign developer

Source: Savills Research & Consultancy

previous transactions in October 2013, only one floor gained a price appreciation of about 9.8%. In Suntec Towers, a small unit on the 32nd floor of Tower 2 was sold at S\$11.5 million (S\$2,550 psf) while listed company Nam Cheong Limited divested the whole 41st floor at Tower 3 for S\$25.0 million (S\$2,480 psf). A 5,715-sq ft retail unit on ground floor of Prudential Tower was also sold in September for S\$18.95 million, translating to S\$3,315 psf of strata area.

Industrial

In Q3/2017, the industrial sector registered S\$2.87 billion in investment sales, or 29.1% of the total transaction value. This is the highest transaction value recorded for a quarter since the Savills database was started in Q1/2008.

On 28 August, ExxonMobil acquired Jurong Aromatics Corporation’s Jurong Island plant, one of the largest aromatic facilities in the world, at S\$1.971 billion. It is the biggest deal of industrial properties in Q3 and therefore boosted up the quarter’s investment sale. However, we treat this deal as a one-off that seldom repeats

itself. Another notable transaction in Q3 is the S\$430.1 million collective sale of Citimac near Tai Seng MRT Station. It was reported that a foreign developer, who said to be linked to the Zhao family from China, had acquired this freehold industrial complex at S\$1,047 psf ppr, after including an estimated development charge of S\$82 million.

Hospitality

Two transactions were recorded in Q3/2017. One is for Chinatown Hotel, a boutique hotel with 42 rooms located in three adjoining freehold shophouses on Teck Lim Road. The hotel has been sold to Hilltop Capital, an entity linked to Aw & Sons and Aw Kim Cheng Realty for S\$31 million. The other is the serviced residence component in Funan, an upcoming integrated development located on the former Funan DigitaLife Mall at North Bridge Road. CapitaLand Mall Trust divested the property to a joint venture of The Ascott Limited and Qatar Investment Authority for S\$101.8 million. When completed in 2019, the serviced residence will become the flagship of Ascott’s millennial-focused lfy brand in Singapore. ■

OUTLOOK

The prospects for the market

In the first three quarters of 2017, the investment sales market has already registered S\$24.21 billion in transaction value, surpassing the whole of last year that totaled about S\$22.66 billion. The full year numbers will almost come close to or even exceed S\$30.0 billion. This factors in, the award of Beach Road commercial site and the 99-leasehold residential sites on Jiak Kim Street and Chong Kuo Road on the GLS programme, as well as collective sales of more residential developments and mixed-use buildings, which have been put up for sale or in the midst of preparing to launch for sale.

Although the investment fever is concentrated in the residential and commercial segments of the market, over time, it may spill over to the moribund industrial segment where the market is currently being hamstrung by the poor performance in the oil, gas and ship building sectors. However, for investment sales activity in the industrial market to be revived, we probably need to see another couple of quarters of heated activity in the residential and commercial segments.

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