MARKET IN MINUTES
Savills Research

Sales & Investment

The year starts on a relatively quiet note

However, investment sales in the retail and hospitality property sectors have regained strength and contributed significantly to the total number in the quarter.

- Real estate investment sales value fell 23.8% quarter-on-quarter (QoQ) to S$4.13 billion in the first quarter of 2024.
- In Q1/2024, the residential sector clocked in a total of S$1.79 billion in investment sales, making up 43.3% of the total market. Compared with a quarter ago, this was a decrease of 48.5%.
- The commercial property sector recorded a total of S$1.30 billion worth of investment sales in Q1/2024, falling 20.9% from a quarter earlier. Nevertheless, well-located suburban malls continued to attract strong interest on the back of resilient rents, consistent footfall and therefore demand from retailers.
- Investment interest for hospitality assets were high by both established and new market players, with three transactions totalling S$556.0 million done in Q1/2024.
- Investment sales in the industrial property sector totalled S$375.4 million in Q1/2024, representing a 25.0% growth from the previous quarter.
- Although borrowing costs are expected to dip, the number of commercial deals and the size of deals are still likely to remain below pre-pandemic levels. On the residential front, the other major contributor to investment sales, although recent conservative bids by developers of GLS sites in March and April could signal a period of consolidation on investment deals for the year, there was still the mega Jurong Lake District site, which if awarded, would add significantly to the overall investment sales numbers for the year. We maintain our forecast of S$22.0 – S$23.0 billion of total investment sales this year.

"A significant decline in interest rates would help to rev up the investment sales market."

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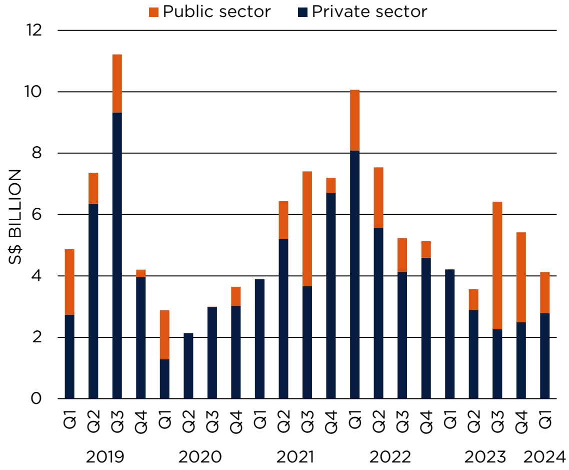
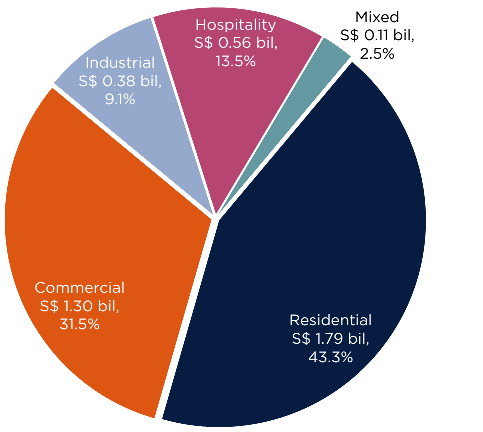
GRAPH 1: Investment Sales Transaction Values, Q1/2019 to Q1/2024



Source Savills Research & Consultancy

GRAPH 2: Investment Sales Transaction Volumes by Property Type, Q1/2024



Source Savills Research & Consultancy

MARKET OVERVIEW

As expected, Singapore's real estate investment market started the year on a relatively quiet note with the transaction value in the first quarter falling 23.8% QoQ to S$4.13 billion. The decline was partly due to the unsuccessful award of the white site at Marina Gardens Crescent under the Government Land Sales (GLS) Programme. The sole bid of S$770.5 million was submitted by a consortium comprising GuocoLand (Singapore), Intrepid Investments and TID Residential, was assessed to be too low by the Urban Redevelopment Authority. However, investment sales in the retail and hospitality property sectors have regained strength and contributed significantly to the total number in the quarter.

In the public sector, transaction values fell 54.3% QoQ to S$1.34 billion with three residential sites and one industrial plot being awarded under the GLS Programme. The private sector, on the other hand, posted a quarterly increase of 11.9% with a total of S$2.79 billion worth of investment sales. This sector took the lion's share in the quarter by accounting for 67.6% of the total investment sales.

RESIDENTIAL

In Q1/2024, the residential sector registered S$1.79 billion in investment sales, or 43.3% of the total market. Compared with a quarter ago, this was a decrease of 48.5%.

Three land parcels under the GLS programme were awarded in the reviewed quarter. These added to S$1.25 billion. Among these, the tender of the private non-landed residential site at Media Circle attracted three bids and was awarded to a joint venture of Qingjian Realty and Forsea Residence at S$395.3 million or S$1,191 per sq ft per plot ratio (psf ppr). UOL and Singapore Land submitted the top bid of S$428.3 million or S$1,617 psf ppr for the other private non-landed residential site at Orchard Boulevard, beating three other bidders. The lower number of bidders and conservative tender prices were not unexpected amid sluggish new private home sales and increasing unsold stock and reaffirmed that developers have turned more cautious when replenishing their landbank.

In contrast, developers' appetite for executive condominium (EC) sites remained relatively resilient. In February, Hoi Hup Realty and Sunway Development was awarded the EC site at Plantation Close with a top bid of S$423.4 million or S$701 psf ppr. The land price was on par with the S$703 psf ppr that the same joint venture paid for the adjacent GLS EC site in last September.

Investment activity in the landed housing segment (each worth at least S$10 million) for the January-March quarter remained stable with 31 such properties changing hands. The greatest quantum recorded was for a Good Class Bungalow (GCB) located at 15 Ford Avenue in the Ford Avenue GCB area. The GCB was transacted at S$39.5 million or S$2,020 psf based on a land area of 19,554 sq ft. On the other hand, transactions of high-end condominium and apartment units were still lacklustre during the same period. Six units worth at least S$10 million each found buyers. The most notable deals are for a pair of adjacent 3,057-sq ft, four-bedroom units at The Ritz-Carlton Residences Singapore Cairnhill, which were sold at S$16.5 million each or S$5,397 psf. The buyers are reported to be the chairman of Chinese manufacturing company Suzhou Dongshan Precision Manufacturing Co and his wife.

TABLE 1: Top Land Sales in the Public Sector, Q1/2024

LOCATION	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S$ MILLION)	SUCCESSFUL TENDERER
Orchard Boulevard	Residential	Feb 2024	428.3	United Venture Development (No.7) Pte Ltd
Plantation Close (EC)	Residential	Feb 2024	423.4	Hoi Hup Realty Pte Ltd and Sunway Developments Pte Ltd
Media Circle	Residential	Feb 2024	395.3	CNQC Realty (Clementi) Pte Ltd and Forsea Residence Pte Ltd
Tuas Link Close	Industrial	Mar 2024	89.0	Soon Hock Land Pte Ltd

Source Savills Research & Consultancy

TABLE 2: Top Private Investment Sales, Q1/2024

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (S$ MILLION)	BUYER
The Seletar Mall	Retail	Mar 2024	550.0	Allgreen Properties Limited
NEX (24.5% stake)	Retail	Jan 2024	521.1	Frasers Centrepoint Trust
Hotel G Singapore	Hospitality	Jan 2024	238.0	A joint venture between Ascott Ltd and CapitaLand Wellness Fund
Capri by Fraser, Changi City	Hospitality	Mar 2024	170.0	TPG Angelo Gordon, Far East Consortium and Atelier Capital Partners
Citadines Mount Sophia Singapore	Hospitality	Feb 2024	148.0	A joint venture between Weave Living and BlackRock

Source Savills Research & Consultancy

COMMERCIAL

The commercial real estate sector recorded S$1.30 billion in investment sales in Q1/2024. This was a drop of 20.9% from the previous quarter. The absence of mega deals and a dull market for strata-titled commercial units and shophouses were the main causes.

Nevertheless, in the retail property sector, well-located suburban malls continued to attract strong interest on the back of improving rents, consistent footfall and therefore demand from retailers. Two big-ticket transactions of such properties were inked in Q1/2024. One is Frasers Centrepoint Trust (FCT)'s acquisition of an additional 24.5% effective interest in Nex located at Serangoon Central from its sponsor Frasers Property. The acquisition valued this largest suburban mall in the north-east region at S$2,127.0 million or S$3,352 psf on a net lettable area (NLA) basis, which includes the area for Community / Sports Facilities Scheme uses. The other is the S$550.0 million purchase of The Seletar Mall by Allgreen Properties from Cuscaden Peak Investments and United Engineers. The agreed price translates to about S$2,900 psf NLA. The addition of this suburban shopping mall located next to Fernvale LRT Station in the Sengkang Area extended Allgreen's presence in the retail landscape into the heartland.

Conversely, investment sales of other commercial properties, including strata-titled office and retail units, as well as shophouses, remained tepid in the reviewed quarter. The most notable transaction is the sale of three adjoining shophouses with commercial zoning located at 70, 71 and 72 Duxton Road. It was reported that the wife of Alibaba Group co-founder Jack Ma paid about S$45 million to S$50 million for these 99-year leasehold properties.

HOSPITALITY

Singapore's strategic position as a global business and tourism hub, together with supportive policies and initiatives aimed at boosting tourism by the government, have bolstered the hospitality sector's recovery after the pandemic setback. The number of international visitors arriving in Singapore more than doubled to 13.6 million in 2023 and is expected to rise further to 15 to 16 million in 2024. This will keep interest levels for hospitality assets high by both established and new market players.

As a result, the hospitality sector witnessed three transactions totalling S$556.0 million or 13.5% of total investment sales in Q1/2024. In January, the Ascott Limited and CapitaLand Wellness Fund (C-WELL) acquired Hotel G located along Middle Road for S$238.0 million. The 308-room freehold hotel is within walking distance to both the Bugis and Bencoolen MRT stations and will be upgraded and rebranded as lyf Bugis Singapore by mid-2024. Later in February, CapitaLand Ascott Trust divested Citadines Mount Sophia Singapore for S$148.0 million to a joint venture between Hong Kong-headquartered rental accommodation brand Weave Living and a fund managed by BlackRock. The serviced apartment property on Wilkie Road will undergo a renovation and reopen under Weave Living's serviced accommodation brand, Weave Suites, in early 2025. Towards the end of the quarter, TPG Angelo Gordon teamed with Far East Consortium and Atelier Capital Partners to purchase the Capri by Fraser, Changi City serviced residence from Frasers Property for S$170.0 million. The property is a 313-room serviced apartment near Singapore's Changi airport.

INDUSTRIAL

Investment sales in the industrial property sector totalled S$375.4 million in Q1/2024 and this included the award of one industrial GLS plot through state tender and six deals in the private sector. This represented a 25.0% growth from the previous quarter.

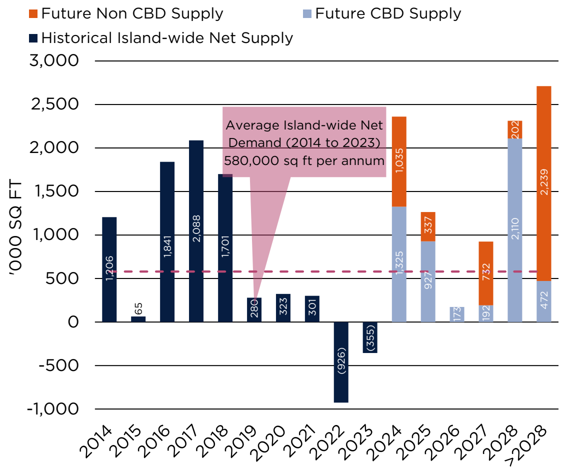
The largest transaction from the private sector was the S$140.0 million sale of OneTen Paya Lebar, a freehold eight-storey high-tech industrial building fully housing a data centre, by HWA Hong Corporation. The buyer is an entity linked to Big Data Exchange (BDx), which is operating the data centre facility in the property. High-quality data centre assets in Singapore are well sought after by investors and operators, as the city-state consistently ranks as one of the most desirable data centre locations in the world due to its reliable infrastructure, strong cyber-security framework, availability of cloud services and a dense telecommunication network connecting it to other parts of the world.

OUTLOOK

As we go to print, the US Federal Reserve is expected to cut rates by three times this year. However, strong performance in employment and CPI numbers, as well as the ISM index (this is a purchasing managers index) if maintained, may reduce those expectations to two reductions. Nevertheless, the market still expects some reduction in the Fed rate in 2024. A rate cut in the US would be welcome news to our real estate market here, especially the institutional grade income producing stock. Unfortunately, for those looking for bigger and more sustained cuts, that position is increasingly looking tenuous because the US economy is showing exceptional resilience. Layered on top of this current to near term development is the advent of Generative Artificial Intelligence (AGI) and its substitutive impact on labour. In the background, hybrid-working and the rapid manpower restructuring amongst technology companies has reduced demand for office space, leading to heighted vacancies for office buildings in the US and many developed nations.

Should interest rates begin scaling back, we do not expect it to return to the anaemically low levels in early 2022. The normalised global and more importantly, the US target inflation rate is likely to stay above the 2% mainly because of supply side issues. These are the rewiring of global supply chains, heightened geopolitical risks

GRAPH 3: Pipeline Supply of Office Space, Q1/2024



Source URA, Savills Research & Consultancy

that raises cross border and cross continent transportation costs, the transition from fossil fuel uses to more expensive alternative energy sources and resilience of the US economy keeping demand levels up.

Locally, what may transpire is that borrowing costs may decline throughout the course of this year and perhaps into next. But the level at which it finally settles may still be higher than where it left off in 2022. While this reduces the friction to transactions for income producing properties, the reality is that institutional money may still find it challenging to underwrite deals with negative carry. Conversely, we may see transactional activity from the same group who is not on a path of acquisition but rather divesting. Buyers may still surface because the relative lack of supply for Grade A offices and prime retail malls in Singapore. In today's market, we are likely to see buyers, such as ultra-high net worth individuals or companies, who have a different mandate from institutional ones.

In summary, although borrowing costs are expected to dip, the overall number of commercial deals and the size of deals are still likely to remain below pre-pandemic levels. On the residential front, the other major contributor to investment sales, although recent conservative bids by developers of GLS sites in March and April could signal a period of consolidation on investment deals for the year, there was still the mega Jurong Lake District site, which if awarded, would add significantly to the overall investment sales numbers for the year. We maintain our forecast of S$22.0 – S$23.0 billion of total investment sales this year.