

Briefing sales & investment

July 2012



Image: Keypoint, Beach Road

SUMMARY

Both strata sales and block transactions in the commercial segment rebounded in Q2/2012.

- The total value of investment sales increased by 52.4% from S\$4.9 billion in Q1/2012 to S\$7.4 billion in Q2/2012.
- The public sector contributed S\$3.1 billion or 41.7% of all investment sales in the reviewed quarter.
- Under the Government Land Sales (GLS) programme, 15 state land parcels were sold for a total of S\$2.9 billion.
- Investment sales in the private sector rebounded, with the transaction volume surging 59.9% quarter-on-quarter (QoQ).
- The residential segment continued to dominate, contributing 54.0% of Q2's total transaction value.
- Transaction volume in the commercial segment rose by 123.7% QoQ to S\$2.3 billion.
- In the near term, the investment market may hit a plateau given the worsening macro conditions and a squeeze on buyers' financing.

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 "Undeterred by red flags fluttering in the eurozone and renewed concerns about a slowing global economy, the investment sales market, especially in the private sector, was reinvigorated by a spate of acquisitions on the back of low interest rates and the still optimistic outlook for the property market." Alan Cheong, Savills Research

➔ **Market overview**

There was about S\$7.4 billion worth of investment transactions in Q2/2012, representing a 52.4% increase over Q1's S\$4.9 billion, and bringing the total volume in the first half of 2012 to S\$12.3 billion.

The private sector accounted for S\$4.3 billion or 58.3% in Q2/2012. Undeterred by red flags fluttering in the eurozone and renewed concerns about a slowing global economy, the investment sales market, especially in the private sector was reinvigorated by a spate of acquisitions on the back of low interest rates and the still optimistic outlook for the property market.

The public sector contributed S\$3.1 billion or 41.7% of the total investment sales in Q2/2012. Fifteen state land

parcels, comprising 11 residential sites, three industrial sites and one hotel site, were sold for a total of about S\$2.9 billion. In addition, JTC's Fusionopolis Phase 5 was sold for S\$172.8 million through a concept and price tender.

Residential

In Q2/2012, the residential property market saw a total of S\$4.0 billion worth of investment sales, representing 54.0% of the overall investment sales. On a quarterly basis, investment sales in the public and private sector increased by 44.5% and 93.4% respectively.

The level of participation in recent GLS land tenders showed that developers have become more selective due to the ample supply of land released by the government and sensitive to competition from existing/pipeline projects in the vicinity.

The collective sales market remained lukewarm with six deals totalling S\$392.5 million in the reviewed quarter. As with the previous quarter, these sites mainly carried smaller price tags while some can be redeveloped with a commercial component. Meanwhile, boutique developers and contractors-cum-developers continued to be active in this market, favouring sites located in the suburban areas and city fringe. This trend is likely to persist as smaller developers are generally priced-out of the large-ticket sites under the GLS tenders. Smaller sites also mean that developers can complete and sell the new project within a shorter time frame than the big developments.

In the strata-sales market, high-end non-landed homes returned to investors' radars, partly due to the softening prices compared with the previous peak in 2007/2008. A total of 11 transactions above S\$10 million each were recorded in Q2/2012, significantly higher than the three transactions in the previous quarter. In addition, two block purchases were made in the reviewed quarter – 14 units at Paterson Suites for S\$65 million and 17 units at 8 Napier for about S\$100 million.

Commercial

Investment sales in the commercial property market amounted to S\$2.3 billion in Q2/2012, accounting for 31.2% of the total investment sales, a two-fold increase from the S\$1.0 billion in the previous quarter.

A plethora of government measures introduced to keep residential prices

at bay continued to edge investors towards non-residential investments such as strata-titled offices and shophouses. In the office property sector, there were eight transactions of strata-titled offices above S\$10 million each in Q2/2012. Owing to a slew of new launches in recent months and limited supply in the market, the strong take-up in new projects such as EON Shenton and Oxley Tower had a spill-over effect on older buildings, like The Adelphi, Tung Centre and The Arcade. In the meantime, the sales of shophouses also remained healthy. A total of six transactions worth S\$119.9 million were recorded in Q2/2012, 73.0% higher than the S\$69.3 million in the previous quarter.

Block sales also picked-up. Keypoint on Beach Road was sold for S\$360.0 million in April, while May saw 66 strata office units in Burlington Square on Bencoolen Street sold en bloc for S\$89.3 million and Tower 15 on Hoe Chiang Road changing hands for S\$360 million. Most recently, in June, K-Reit bought another 12.39% interest in Ocean Financial Centre for S\$285.7 million, increasing its stake to 99.9%. In the retail market, three properties were sold in the reviewed quarter – McDonald's Place for S\$150.0 million, Hougang Plaza for S\$119.1 million and Compass Point for S\$519.0 million.

It was noted that several properties were acquired with a redevelopment intention, such as Keypoint, Tower 15, McDonald's Place and Hougang Plaza. Their redevelopment plans have been reported to include both residential and commercial components to capitalise on the current buoyancy in these two property sectors.

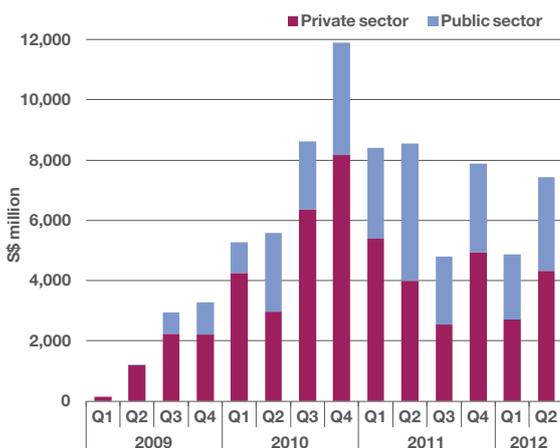
Industrial

Industrial investment sales totalled S\$951.8 million in Q2/2012, making-up 12.8% of the overall investment sales. It was down 15.7% QoQ, partly due to the high base in Q1/2012. Notable deals include StarHub Green and Technopark @ Chai Chee, which were sold for S\$210.0 million and S\$193.0 million respectively.

Hotel

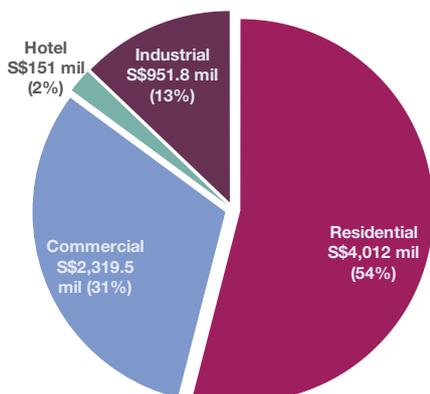
The hotel sector made-up the remaining 2.0% of the total value of investment transactions in Q2/2012. A GLS hotel site located at Rangoon Road/Farrer Park Station Road was awarded to the highest bidder, RB Capital for S\$151.0 million or S\$1,079 per sq ft per plot ratio, a record-high, again reflecting developers' confidence in Singapore's tourism industry. ■

GRAPH 1 **Transaction value of investment sales, Q1/2009–Q2/2012**



Source: Savills Research & Consultancy

GRAPH 2 **Transaction volume of investment sales by property type, Q2/2012**



Source: Savills Research & Consultancy

TABLE 1
Major land sales under the GLS Programme, Q2/2012

| Location | Type of development allowed | Date of award | Successful tender price | | Name of successful tenderer |
|---|-----------------------------|---------------|-------------------------|-------------------|---|
| | | | S\$ mil | S\$ per sq ft ppr | |
| Senkang Square/Compassvale Drive | Non-landed residential | Jun 2012 | 383.3 | 528 | EL Development Pte Ltd |
| Boon Lay Way | Non-landed residential | May 2012 | 369.4 | 705 | MCL Land Ltd |
| Buangkok Drive/Sengkang Drive | Non-landed residential | Jun 2012 | 301.0 | 508 | White Haven Properties Pte Ltd |
| Tampines Avenue 10/Tampines Avenue 1 (Parcel A) | Non-landed residential | May 2012 | 252.8 | 418 | F.E. Lakeside Pte Ltd, FCL Topaz Pte Ltd and Sekisui House, Ltd |
| Woodlands Avenue 5/Woodlands Drive 16 (EC) | Executive condominium | May 2012 | 247.0 | 318 | Hao Yuan Investment Pte Ltd |

Source: Savills Research & Consultancy

TABLE 2
Major private investment sales, Q2/2012

| Property | Sector | Transacted date | Price (S\$ mil) | Buyer |
|---------------------------------|------------|-----------------|-----------------|---|
| Compass Point | Commercial | May 2012 | 519.0 | Prudential's Asia Property Fund and Frasers Centrepoint |
| Keypoint | Commercial | Apr 2012 | 360.0 | Fragrance Group Ltd and World Class Land Pte Ltd |
| Tower 15 | Commercial | May 2012 | 360.0 | Fragrance Group Ltd |
| Ocean Financial Centre (12.39%) | Commercial | May 2012 | 285.7 | K-REIT |
| StarHub Green | Industrial | May 2012 | 210.0 | Blackstone Group |

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

Looking ahead, investment volume may hit a plateau in the near term, given that macro conditions have worsened in recent months. A squeeze on buyers' financing cannot be ruled out, which in turn will affect transaction volume. The government has continued to release a substantial amount of residential sites under the 2H/2012 GLS Programme to stabilise the prices. Therefore, the market in 2H/2012 may still be dominated by the public sector, and we expect investment sales to reach a full-year total of S\$21 billion to S\$25 billion in 2012.

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