MARKET IN MINUTES
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Investment market set for a rebound

Notwithstanding Singapore reverting to the more restrictive Phase 2 (Heightened Alert) mode, investor sentiment continued to improve, leading to higher investment sales in the second quarter.

- The investment sales volume rose for a fifth consecutive quarter, up by 62.0% quarter-on-quarter (QoQ) to S$6.18 billion in the second quarter of the year. Compared with the same period last year, investment sales nearly tripled from the low base established when Singapore was under the Circuit Breaker period.
- Residential investment sales constituted the largest proportion of total investment sales of 48.6% in the quarter, increasing by 60.0% to S$3.0 billion.
- Investment sales in the commercial segment continued to grow by 57.5% to S$2.24 billion, with the increment largely attributed to the 75.7% expansion in office investment sales due to more block transactions.
- With stronger performance of the manufacturing sector and growth in the e-commerce and logistics sectors, the industrial segment registered close to S$924.0 million in Q2/2021, up 88.2% from the previous quarter.
- As the vaccination program progresses and with Covid-19 infections in Singapore under control, investor sentiment is expected to remain strong, and this may lead investment sales to return to pre Covid-19 levels in the near future. Yields will compress further as capital piles into the limited stock of investable assets.

"Investors are looking beyond the pandemic with yield compression as the thematic play in the new investment cycle."

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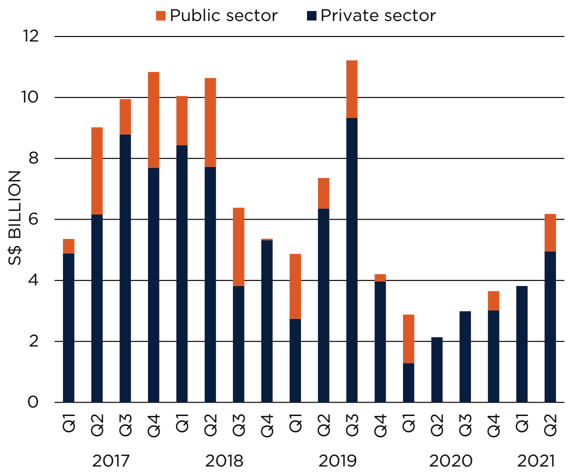
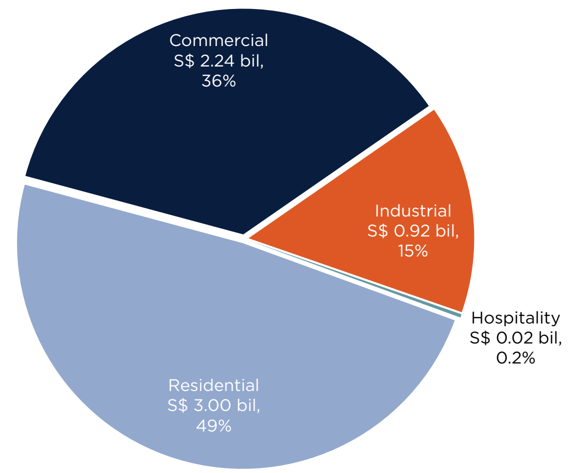
GRAPH 1: Investment Sales Transaction Values, Q1/2017 to Q2/2021



Source Savills Research & Consultancy

GRAPH 2: Investment Sales Transaction Volumes By Property Type, Q2/2021



Source Savills Research & Consultancy

MARKET OVERVIEW

Due to an improvement in investor sentiment in tandem with global economic recovery, total investment sales rose for a fifth consecutive quarter, up by 62.0% QoQ to S$6.18 billion in Q2/2021. On a year-on-year (YoY) basis, investment sales nearly tripled from the S$2.14 billion registered in the same period a year ago. This is understandable because a year ago, Singapore was under the Circuit Breaker period. Despite the implementation of tighter measures under the Phase 2 (Heightened Alert) from 16 May to 13 June 2021, investment interest remained strong. Apart from a QoQ increase of 29.8% in private investment sales, the surge in total investment sales was also attributed to the sale of sites under the Government Land Sales (GLS) Programme in the quarter. In contrast, no GLS sites were sold in the previous quarter.

Breaking down the Q1/2021 investment sales by segment, residential made up the largest proportion at 48.6%. This was a slight QoQ decline of 0.6 of a percentage point (ppt) from 49.2% in Q1/2021. There was also a decline in the proportion of commercial investment sales from 37.2% to 36.2%, while the share of investment sales in the industrial sector grew 2.1 ppts QoQ to 15.0% in the quarter.

RESIDENTIAL

In the quarter, investment sales in this segment grew 60.0% QoQ to S$3.0 billion. This quantum was more than eight times the S$345.2 million worth of transactions recorded in the same period a year ago. Understandably so, in the same period last year, sales galleries and home viewings were prohibited as the country was in the Circuit Breaker phase. Although investment sales in the private sector declined by 5.4% QoQ to S$1.78 billion, the sale of three sites under the Government Land Sales Programme (GLS) managed to increase in total investment sales for the quarter. In the first quarter, no GLS sites were sold.

Prior to the sale of the three GLS sites in Q2/2021, the last residential site sold under the GLS Programme was the site at Tanah Merah Kechil Link in November 2020. The fact that the tender attracted a total of 15 bids showed developers' appetite to replenish their landbanks and their inventory of unsold units.

Among the three sites that were awarded in the quarter, both the residential sites at Northumberland Road and Ang Mo Kio Avenue 1 respectively attracted at least 10 bids each, while the executive condominium (EC) site at Tengah Garden Walk attracted seven bids. Moreover, the bid prices of all three sites were deemed relatively high. The Northumberland Road site is slated for residential use but with commercial use over the first storey. This was the first residential GLS tender in 2021 and the highest bid of nearly S$445.9 million (S$1,129 psf ppr) came from a joint venture between CDL and MCL Land. This joint venture was also awarded the EC site in Tengah with a bid price of S$400.3 million (S$603 psf ppr). This was a record land rate for an EC site, surpassing the previous record of S$583 psf ppr set by the site at Sumang Walk in March 2018. The remaining GLS site at Ang Mo Kio Avenue 1 attracted the highest number of bids at 15 and the top bid of S$381.4 million (S$1,118 psf ppr) was submitted by a joint venture among UOL Group, Singapore Land Group and Kheng Leong.

In the private sector, while there were no collective sales or bulk purchases in Q2/2021, the transaction volume of luxury homes (each priced S$10 million and above) remained strong, with investment sales quantum growing by 15.6% QoQ to S$1.8 billion. Out of the 79 luxury homes transacted in the quarter, 52 were landed homes while the remaining 27 were strata units. Among the 27 strata units that exchanged hands, 10 were from Park Nova, an ultra-luxury development which saw its maiden launch in Q2. All three duplex penthouses at the development were fully sold, with two of the biggest five-bedroom penthouses transacted at S$34.4 million (S$5,838 psf) and S$26 million (S$5,784 psf) respectively, signalling that the demand for ultra-luxury developments is strong amid uncertainties led by the COVID-19 pandemic.

The Good Class Bungalow (GCB) market also remained active with demand coming from ultra-high-net-worth citizens and affluent local families. One of the more notable GCB transactions in the quarter was at Cluny Hill, which was reportedly sold to Tommy Ong, who recently sold the Singapore-based e-commerce marketing platform Stamped.io to Canada-

TABLE 1: Top Land Sales In The Public Sector, Q2/2021

LOCATION	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S$ MILLION)	SUCCESSFUL TENDERER
Northumberland Road	Residential with Commercial at 1st storey	May 2021	445.9	Maximus Residential SG Pte. Ltd. and Maximus Commercial SG Pte. Ltd.
Tengah Garden Walk (EC)	Residential	Jun 2021	400.3	Taurus Properties SG Pte. Ltd.
Ang Mo Kio Avenue 1	Residential	Jun 2021	381.4	United Venture Development (2021) Pte. Ltd.

Source Savills Research & Consultancy

TABLE 2: Top Private Investment Sales, Q2/2021

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (S$ MILLION)	BUYER
Jem (28.05% stake)	Commercial	Jun 2021	582.6	Lendlease Global Commercial Reit
Galaxis (75% stake)	Industrial	May 2021	534.4	Ascendas Reit
9 Penang Road (30% stake)	Commercial	Jun 2021	295.5	Haiyi Holdings
Maxwell House	Commercial	May 2021	276.8	Chip Eng Seng Corporation, SingHaiyi Group and Chuan Holdings
Westgate (40% stake)	Commercial	Jun 2021	244.0	Sun Venture Homes Pte. Ltd.

Source Savills Research & Consultancy

listed WeCommerce Holdings. The property was bought for S$63.7 million (S$4,291 psf on land area), exceeding the previous record of S$4,005 psf on land area for the S$128.8 million sale of a GCB in Nassim Road in the previous quarter.

COMMERCIAL

Investment sales in the commercial sector maintained a positive momentum in the quarter, increasing for a second consecutive quarter by 57.5% to S$2.24 billion. While growth in investment sales volume was observed in both the office and retail sectors, there was a significant expansion in office investment sales, rising 75.7% QoQ from S$992.6 million to S$1.7 billion. This was mainly attributed to more block transactions, with five concluded in Q2/2021 compared to only three in Q1/2021. The largest office deal, which was also the largest deal in the quarter, was the acquisition of an effective indirect interest of up to 28.05% in Jem for nearly S$582.6 million. This was based on the agreed property value of S$2,077 million. Separately, the collective sales momentum continued in the quarter, with the first commercial collective sale of 2021, that of Maxwell House, being done. This was its second collective sale attempt with the asking price reduced to S$268 million from its initial reserve price of S$295 million in September 2020. The 13-storey commercial development was eventually sold to subsidiaries of Chip Eng Seng Corporation, SingHaiyi Holdings and Chuan Holdings for S$276.8 million, 3.3% higher than the reserve price. The joint tenderers are expected to seek approval from URA for redevelopment into a commercial and residential development with a gross plot ratio of at least 5.6 and a gross floor area (GFA) of at least 234,072 sq ft, of which up to 20% of the total GFA is zoned for commercial use.

Similarly, investment sales in the retail sector rose 15.4% QoQ to S$492.2 million in Q2/2021. This was largely attributed to an increase in shophouse transaction volumes from 12 in Q1/2021 to 20, leading to a QoQ growth of 65.7% in shophouse investment quantum to S$308.0 million. For the past three quarters, there has been a hike in investors venturing into the shophouse market, given its limited supply and absence of Additional Buyer's Stamp Duty. Demand for shophouses came from a mix of foreign and local investors (in terms of high-net-worth individuals). Some of the foreign investors were motivated to buy because they were setting up family offices here. Apart from shophouse transactions and a strata transaction, there was a block transaction for a 45% stake in Paya Lebar Square totalling S$162.0 million based on the agreed property value of S$360 million to Low Keng Huat.

INDUSTRIAL

After two consecutive quarters of decline, investment sales in the industrial segment rebounded, increasing by 88.2% QoQ to nearly S$924.0 million in the quarter. The improvement in investment sales came amid a stronger performance of the manufacturing sector. The good long-term growth prospects in the e-commerce and logistics sectors drove demand for warehouses. In the quarter, there were four warehouses which changed hands, the most notable of which was ESR-REIT's acquisition of Global Trade Logistics Centre at 46A Tanjong Penjuru for S$112.0 million (S$214 psf GFA) from Montview Investments. The five-storey ramp-up logistics facility is currently fully committed with six tenants and is highly sought after by potential higher rental tenants handling high-valued goods. According to ESR-REIT, the property will be upgraded into an air-conditioned warehouse to capture higher paying tenants.

The largest industrial deal in the quarter was the sale of a 75% interest of Galaxis from CapitaLand to Ascendas Reit for S$534.4 million. With this acquisition, Ascendas Reit will have full ownership of the business park, which will enlarge its business and science park portfolio in Singapore by 18% to S$4.9 billion and increase the number of its properties in one-north to five. As at 31 March 2021, the development was almost fully occupied at 98.6%, with well known tenants such as Sea, Canon and Oracle.

OUTLOOK

As the number of COVID-19 cases in the community trend down, Singapore moved to Phase 3 (Heightened Alert) on 14 June 2021. With the government's ongoing efforts to control the local COVID-19 pandemic through active vaccination exercises, along with government incentives and strong market fundamentals, investor sentiment is expected to remain strong locally. Many foreigners still view Singapore as a stable and attractive place to invest, start up a regional business or family office. Furthermore, with more in developed economies being vaccinated, global economic growth is projected to be higher than expected as businesses gradually return to work.

Amongst the different asset classes, the office sector is beginning to look attractive again for investors. This is shown by the increase in the transaction volume of office properties in the quarter in review. With rents expected to bottom out in 2H/2021 and borrowing costs at all-time lows, prices of office developments are beginning to firm up. In addition, there may be a slight slowdown in shophouse activity as many sellers have withdrawn their properties in anticipation of attaining higher prices due to the scarcity of such assets.

For the residential sector, as prices continue rising and developers rapidly deplete their inventories of unsold units, their appetite to replenish their landbanks is increasing. This was evident from the aggressive winning bids received in the recent public land tenders. Given a limited supply of GLS sites, the collective sales market is expected to be more active in the second half of the year. While there is a 24.6% increase in the supply of private homes under the Confirmed List of 2H/2021 GLS Programme to 2,000 units, up from the 1,605 units in 1H/2021, this may not be sufficient to meet the needs of land-hungry developers. Nevertheless, development sites which are smaller should prove more attractive to developers. This is because given the current cooling measures developers may not wish to put too many eggs into one large basket (site).

In first half of the year, the investment sales volume totalled close to S$10 billion, not far from the S$11.7 billion for the whole of 2020. As investor confidence improves in Singapore's real estate market, together with the safe haven environment of Singapore, investment sales are forecast to return to pre COVID-19 levels. Although passing yields are presently low, this should not deter investors as capital is now seeking safe havens. Further yield compression is expected, and this is likely to be the theme for this new investment cycle.