

Sales & Investment



Investment value and buying volumes up

The quarter was noted for the divestment of non-core income producing assets by S-REITs and larger developers to reduce leverage and to redeploy capital to new growth areas.

- Investment sales rose 52.6% quarter-on-quarter (QoQ) to S\$6.48 billion in the second quarter of 2024. The strong growth was mainly powered by higher proceeds from the sale of state land under the Government Land Sales (GLS) Programme.
- Transaction volume in the private sector increased 30.8%, rising from Q1's 65 deals to Q2's 85.
- In Q2/2024, the residential sector recorded S\$4.06 billion in investment sales, surging 115.8% QoQ. Transactional activity in the private residential market for deals worth no less than S\$10 million each have also shown signs of revival.
- Commercial investment sales expanded by 16.7% QoQ to S\$1.52 billion in Q2/2024. After a quiet Q1, office block transactions regained the market's attention in the April-June quarter.
- In Q2/2024, investment sales in the mixed-use property sector totalled S\$628.9 million, coming from the sales of three properties, naming Delfi Orchard, Fraser Residence River Promenade and Sin Ming Centre.

- For the industrial property sector, investment sales declined 32.1% QoQ to S\$272.0 million in Q2/2024.
- If the sale of big-ticket commercial properties continues, the investment sales market will find a new momentum. While any cuts in the Fed rate could be small, they would help to reduce uncertainty, reassuring investors that rates have peaked. We maintain our forecast of S\$22.0 – S\$23.0 billion of total investment for 2024, up from S\$19.7 billion recorded last year.

“Even though expected Fed rate cuts may be nominal, they would remove uncertainty and boost sentiment for the sale of income producing real estate.”

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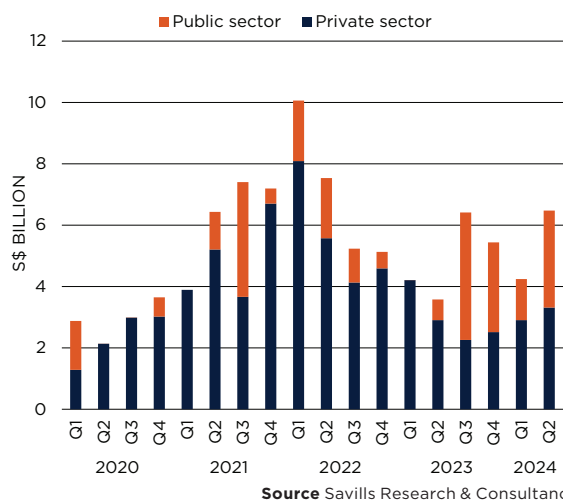
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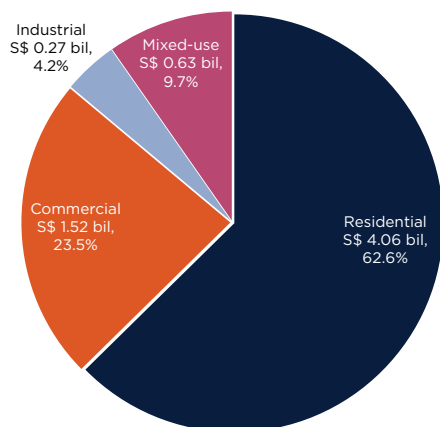
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GRAPH 1: Investment Sales Transaction Values, Q1/2020 to Q2/2024



GRAPH 2: Investment Sales Transaction Volumes by Property Type, Q2/2024



MARKET OVERVIEW

Investment sales rose 52.6% QoQ to S\$6.48 billion in the second quarter of 2024. The increase was mainly driven by higher proceeds from the sale of state land under the GLS Programme. Four residential sites and one industrial site have been awarded for S\$3.16 billion during the reviewed period, more than doubling the value from the prior quarter.

In the private sector, the transaction value of investment sales increased by 14.0% QoQ to S\$3.32 billion in Q2/2024. In terms of transaction volume, the quarterly growth was higher by 30.8%, rising from 65 deals in Q1 to 85 in Q2. The increase was mainly attributed to the residential property sector with 52 luxury homes (each priced at S\$10 million and above) sold in Q2, up from 40 a quarter ago. It may suggest some recovery in the luxury housing market. On the other hand, the transaction volume in other property sectors, such as commercial and industrial, remained relatively stable compared with the previous quarter. Due to higher financing costs and delays in Fed rate cuts, divestment of non-core assets to reduce leverage and support growth by vendors, including S-REITs and listed developers, continued on the commercial and industrial property front.

RESIDENTIAL

In Q2/2024, the residential sector recorded S\$4.06 billion in investment sales. This was a sharp 115.8% QoQ increase and constituted the highest proportion of investment sales (62.6%) for the reviewed quarter.

Under the GLS Programme, four private residential sites were awarded for nearly S\$3.16 billion in Q2, the highest proceeds from state residential land sales so far in a single quarter. In April, a joint venture between City Developments Limited (CDL) and Mitsui Fudosan won the plot at Zion Road (Parcel A), which is the first GLS site to pilot a new class

of long-stay serviced apartments, for nearly S\$1.11 billion or a land rate of S\$1,202 per sq ft per plot ratio (per sq ft ppr). On the same day, another site at Upper Thomson Road (Parcel B) was awarded to GuocoLand and Hong Leong Holdings unit Intrepid Investments for. S\$779.6 million or S\$905 per sq ft ppr. Later in May, a Holland Drive site was sold to CapitaLand and a UOL-led consortium with the winning bid of S\$805.4 million or S\$1,285 per sq ft ppr. The last GLS site awarded in the quarter was a site at River Valley Green (Parcel A). Wing Tai Holdings submitted the top bid of S\$464.0 million, translating to S\$1,325 per sq ft ppr.

Nevertheless, lower-than-expected participation rates and bids prevailed in the tenders, particularly for the sites on Upper Thomson Road (Parcel B) and Zion Road (Parcel A) each of which attracted just a single bid. This yet again hints at developers' risk-aversion and their decreasing appetite in replenishing their land banks amidst an uncertain macro backdrop, slowing new sales, a ramp-up land supply by government and recent cooling measures. In addition, the market was further surprised by the tender result of the private residential land plot at Upper Thomson Road (Parcel A). Zero bids were received for this second GLS site which is required to incorporate long-stay serviced apartments. Together with the single low bid for the first such site at Zion Road (Parcel A), it has signalled developers' lower confidence in an accommodation rental category located in an untested part of the suburbs.

In the private sector, buying activity of private residential properties worth no less than S\$10 million each have shown signs of revival. Under this category, a total of 52 deals, including 40 landed houses and 12 high-end apartments were recorded in Q2/2024. This is on par with the 53 transactions seen in the same period of last

TABLE 1: Top Land Sales in the Public Sector, Q2/2024

LOCATION	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S\$ MILLION)	SUCCESSFUL TENDERER
Zion Road (Parcel A)	Residential	Apr 2024	1,106.9	CDL-MFA Vega Property Pte. Ltd. and CDL-MFA Altair Property Pte. Ltd.
Holland Drive	Residential	May 2024	805.4	Holly Development Pte. Ltd.
Upper Thomson Road (Parcel B)	Residential	Apr 2024	779.6	GuocoLand (Singapore) Pte. Ltd. and Intrepid Investments Pte. Ltd.
River Valley Green (Parcel A)	Residential	Jun 2024	464.0	Winchamp Investment Pte. Ltd.
Plot 8 Jalan Papan	Industrial	May 2024	5.5	Guan Peng Hardware Pte. Ltd

Source Savills Research & Consultancy

TABLE 2: Top Private Investment Sales, Q2/2024

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (S\$ MILLION)	BUYER
Mapletree Anson	Office	May 2024	775.0	PAG
Delfi Orchard	Mixed	May 2024	439.0	City Developments Limited
20 Harbour Drive	Office	Jun 2024	160.0	An entity linked to Keppel Education Asset Fund
Income At Prinsep	Office	Apr 2024	147.0	An entity linked to the Lim family of Midview group
Fraser Residence River Promenade	Mixed	May 2024	140.9	Tuan Sing Holdings Limited

Source Savills Research & Consultancy

year. It may suggest that the buying sentiment has gradually returned to the level before the negative impact caused by the latest increase in Additional Buyer's Stamp Duty (ABSD) and also in the aftermath of the anti-money laundering investigations which began last year. The greatest quantum for landed houses recorded in the quarter was for a brand-new bungalow in the Bin Tong Park Good Class Bungalow (GCB) Area. The purchase price was S\$84.0 million or S\$2,988 per sq ft based on the land area of 28,111 sq ft. While the most expensive non-landed residential property changed hand in the quarter was a 7,761-sq ft penthouse on the 57th floor of Skywaters Residences, the residential component of the redevelopment of the former AXA Tower in Tanjong Pagar. The price was S\$47.3 million or S\$6,100 per sq ft. It was reported that the buyer could be a US citizen.

COMMERCIAL

Commercial investment sales expanded by 16.7% QoQ to S\$1.52 billion in Q2/2024, making up 23.5% of the quarter's total transaction value.

After a dearth of office block transactions in the first three months of 2024, investment sales in this sector livened up with four deals sealed in the April-June quarter. The largest one was for Mapletree Pan Asia Commercial Trust (MPACT)'s S\$775.0 million divestment of Mapletree Anson, a 19-storey office building located on Anson Road in Tanjong Pagar. The price was S\$2,352 per sq ft based on a net lettable area (NLA) of 329,487 sq ft and represents a gain of S\$10.0 million over the property's valuation in March this year. The other three block transactions involved smaller office buildings located outside the core CBD. They are the sales of 20 Harbour Drive for S\$160.0 million, Income At Prinsep for S\$147.0 million and Wilmer Place for S\$26.5 million. 20 Harbour Drive is an eight-storey office building located near the Haw Par Villa MRT station, while both Income At Prinsep, an 11-storey 999-year leasehold property and Wilmer Place, a four-storey non-conservation building at Armenian Street, are located in the Bras Basah, Bugis Arts and Heritage District.

In contrast, investment activity for retail malls slowed significantly with only one deal recorded in

the second quarter of 2024. That was for PARAGON REIT's divestment of The Rail Mall for S\$78.5 million or S\$1,574 per sq ft on an NLA basis. Located along Upper Bukit Timah Road, the property is a strip mall with 43 shop units and has a balance lease of less than 22 years. The divestment is part of the REIT manager's portfolio management strategy and in line with its objective to unlock value in the REIT's portfolio. The decreasing transaction volume may not reflect any moderation in buying interest, but rather is due to the limited stock of properties available for sale.

MIXED-USE

In Q2/2024, investment sales in the mixed-use property sector totalled S\$628.9 million, coming from the sales of three properties, naming Delfi Orchard, Fraser Residence River Promenade and Sin Ming Centre. The sector contributed 9.7% of the total transaction value in the reviewed quarter.

Through a collective sale, CDL acquired Delfi Orchard, a freehold strata-titled building comprising 127 shops and 23 apartments located on Orchard Road, for S\$439.0 million. The sale price works out to about S\$3,346 per sq ft ppr based on the existing gross floor area of approximately 131,186 sq ft. Despite of the recent rescission of S\$908.0 million en-bloc deal for Far East Shopping Centre, the successful closure regarding the sale of Delfi Orchard reconfirms developers' strong interest in prime sites along Orchard Road.

Tuan Sing Holdings Limited acquired Fraser Residence River Promenade for S\$140.9 million from Frasers Property. This property is located in Robertson Quay, along the Singapore River, and comprises a four-storey block of 72 serviced apartments, three adjoining conservation warehouses and 47 carpark lots. This acquisition marks Tuan Sing's first hospitality asset in Singapore.

Apex Asia Development, a Singapore-based real estate development firm, bought Sin Ming Centre for S\$49.0 million. Located on Sin Ming Road, Sin Ming Centre is a four-storey freehold tower comprising five commercial shops on the first storey and 22 residential units on the upper floors. The buyer intends to redevelop it.

INDUSTRIAL

For the industrial property sector, in Q2/2024, investment sales declined 32.1% QoQ to S\$272.0 million. The total amount came from eleven deals involving one industrial GLS site and ten properties in the private sector. Overall, the industrial sector accounted for only 4.2% of investment sales value for the quarter.

Notable transactions in the quarter included the sales of BHL Factories located at Mandai Estate for S\$74.0 million and Kian Ann Building at Changi South Lane for S\$63.0 million. In addition, Mapletree Logistics Trust also divested two more properties from its portfolio in the quarter. They are two factories at 30 Tuas South Avenue 8 and 119 Neythal Road, which were transacted at S\$10.5 million and S\$13.8 million respectively.

OUTLOOK

If the sale of large ticket commercial properties continues, the investment market will see a return of momentum. This would bring us back to pre-March 2022 when the Fed first raised interest rates and created expectations of more increases to come. Presently, the market expects at least one rate cut for 2024. Although this may just be a symbolic 25 basis points reduction, the mood is now one which believes rates have peaked. While the all in borrowing costs are still well above commercial cap rates, the prospect that interest rates are now not likely to rise further gives hope to landlords and investors who now have one less uncertainty to consider.

On the residential front, more foreigners are beginning to re-enter the market. We believe that because permanent residents (PR) buying their first home only pay 5% ABSD, they would form the bulk of foreign buyers. However, with the 60% ABSD payable by foreigners buying private residential properties still in place, until it is recalibrated down, the non-PR foreign content is still likely to stay low.

On the GLS front, the possible award of the mega Jurong Lake District should lift the top line numbers further this year. We maintain our forecast of S\$22.0 to S\$23.0 billion in total investment sales for 2024, up from S\$19.7 billion recorded last year.