

# Sales & Investment



## Investment sales contract in Q4

The year end festive season was a drag on investment activity.

- The investment sales figures for Q4/2023 came in at S\$5.4 billion, falling 26.6% from the S\$7.3 billion achieved in the previous quarter.
- For the whole of 2023, investment sales totalled S\$20.5 billion, down 26.8% from S\$28.0 billion in 2022. This was within our earlier full-year expectation of S\$19.0 billion to S\$21.0 billion.
- Mostly because of the four Government Land Sales (GLS) residential sites awarded, residential investment sales ended the year robustly with a transaction value of S\$3.5 billion in Q4/2023. This is on a par with the previous quarter.
- The commercial sector recorded a total of S\$1.6 billion worth of investment sales in Q4/2023, slipping a marginal 0.9% QoQ largely attributable to a few block transactions.
- The sales value for the industrial sector continued to contract for a second straight quarter to S\$278.2 million in Q4/2023.
- For this year, given a more active GLS market and the prospect of interest rate cuts in 2H/2024, total investment may come in at S\$22.0 to S\$23.0 billion.

“Although economic challenges persist, with the prospect of interest rate cuts and more Government Land Sales tenders closing within the year, investment sales value may outshine last year by 10%.”

ALAN CHEONG, SAVILLS RESEARCH

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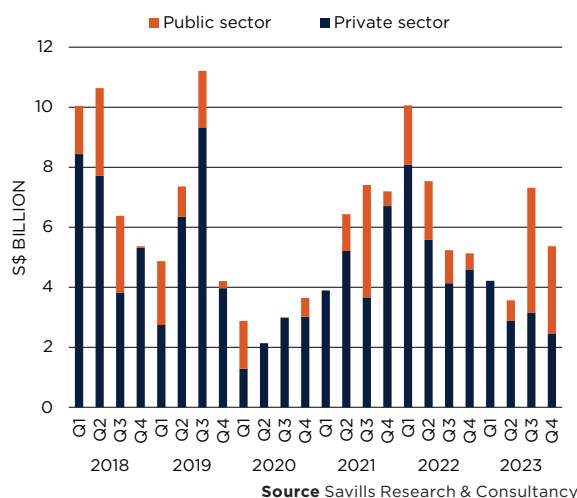
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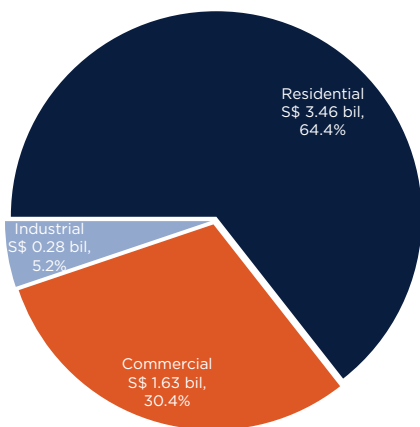


**GRAPH 1: Investment Sales Transaction Values, Q1/2018 to Q4/2023**



Source Savills Research & Consultancy

**GRAPH 2: Investment Sales Transaction Volumes by Property Type, Q4/2023**



Source Savills Research & Consultancy

**MARKET OVERVIEW**

The investment sales figures for Q4/2023 came in at S\$5.4 billion, falling 26.6% from the S\$7.3 billion achieved in the previous quarter. Besides the holiday season effect, other reasons for the sharp turnaround include weaker investor sentiment due to continuing uncertainties over global economic growth, the high interest rate environment, a mismatch of price expectations between buyers and sellers and rigorous due diligence checks to prevent money laundering.

The public sector contributed 54.5% of the quarter’s total investment value with six land parcels under the GLS Programme awarded for a total value of around S\$2.9 billion. Accounting for the remaining 45.5% of total investment value, the private sector recorded S\$2.4 billion of transactions in the quarter. This was 22.7% lower than the S\$3.2 billion in Q3/2023.

In terms of sales value by sector, the residential sector made up 64.4% of total investment sales. Next came commercial and then industrial with 30.4% and 5.2% of the total investment sales value respectively.

For the whole of 2023, investment sales totalled S\$20.5 billion, down 26.8% from S\$28.0 billion in 2022. This was within our earlier full-year expectation of S\$19.0 billion to S\$21.0 billion.

**RESIDENTIAL**

Residential investment sales ended the year robustly with a transaction value of S\$3.5 billion in Q4/2023. This is on a par with the previous quarter. Spurred by the ten GLS residential sites being awarded for S\$6.3 billion, the residential sector achieved S\$10.3 billion in 2023. However, it was still 11.3% lower than the S\$11.6 billion recorded in

2022. The decline was due to quieter private sector activity.

Like the previous quarter, the majority (82.0%) of the sales value in Q4 was from the award of four GLS sites. This was made up of three private non-landed residential parcels and one executive condominium (EC) site, totalling S\$2.8 billion. Among the three private non-landed residential sites, Clementi Avenue 1 drew the highest number of bids, at six, while the other two sites at Pine Grove (Parcel B) and Lorong 1 Toa Payoh each received three bids. In general, developers’ sentiment continued to be weighed down by concerns about global economic headwinds, elevated interest rates and falling new private home sales.

In the private sector, investment sales remained subdued with only S\$620.8 million of transactions. However, it was noted that three small private land parcels were sold in the quarter, including collective sales of the 7-unit Kartar Apartments at Thomson Road (S\$18.0 million), two adjoining freehold landed plots at Gentle Road (S\$30.9 million) and a residential redevelopment site on Sophia Road (S\$33.6 million). Small and boutique developers have reoriented their interests to smaller sites in prime districts to mitigate the risk of the high land cost outlay and the hefty stamp duty payment if they can’t sell off all the units in the new project within five years. In addition, transaction activity for residential homes worth no less than S\$10 million each shrank further in Q4/2023 with 25 landed houses and nine condominium units changed hands.

**COMMERCIAL**

The commercial sector recorded a total of S\$1.6 billion worth of investment sales in Q4/2023. These came from 13 transactions, all

**TABLE 1: Top Land Sales in the Public Sector, Q4/2023**

LOCATION	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S\$ MILLION)	SUCCESSFUL TENDERER
Lorong 1 Toa Payoh	Residential	Nov 2023	968.0	CDL Constellation Pte. Ltd., Frasers Property Phoenix Pte. Ltd. and Sekisui House, Ltd.
Pine Grove (Parcel B)	Residential	Nov 2023	692.4	Golden Ray Edge 3 Pte. Ltd.
Clementi Avenue 1	Residential	Nov 2023	633.4	CSC Land Group (Singapore) Pte. Ltd. and Caspian Residential 3 Pte. Ltd.
Tampines Street 62 (Parcel B) (EC)	Residential	Oct 2023	543.3	Sim Lian Land Pte. Ltd. and Sim Lian Development Pte. Ltd.
Plot 1 Tampines North Drive 4	Industrial	Nov 2023	85.8	Soilbuild Group Holdings Ltd.

Source Savills Research & Consultancy

TABLE 2: Top Private Investment Sales, Q4/2023

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (\$\$ MILLION)	BUYER
Shenton House	Commercial	Nov 2023	538.0	Shenton 101 Pte. Ltd.
VisionCrest Commercial	Commercial	Nov 2023	441.0	Dragon Peak II Pte. Ltd., a joint venture of Metro Holdings, TE Capital Partners and LaSalle Investment
Wilkie Edge	Commercial	Nov 2023	348.0	Alpha Asia Separate Account managed by Keppel Ltd
Jelita Shopping Centre	Commercial	Nov 2023	91.7	A low-profile property investor, Peter Koh Pang An, and his wife
Noel Building	Industrial	Nov 2023	81.2	An undisclosed developer

Source Savills Research &amp; Consultancy

from the private sector. Although the transaction volume declined 35.0% from a quarter ago, the sales value only slipped a marginal 0.9% QoQ largely attributed to a few block transactions. For 2023, investment sales more than halved from the high base of S\$12.8 billion in 2022 to S\$6.2 billion. The absence of mega deals has been a critical factor, along with the weakening confidence in commercial properties due to economic uncertainty and compressed yields caused by rapidly rising interest rates.

The biggest deal in the quarter was the collective sale of Shenton House to Shenton 101 Pte Ltd. Shenton House is a 25-storey office building with a three-level retail podium located at Shenton Way in the CBD. The 36,350-sq ft site is zoned for 'Commercial' use with a gross plot ratio (GPR) of 11.2 under the Master Plan 2019. Under the CBD Incentive Scheme, the site is eligible for a 25% bonus gross floor area (GFA) and can be redeveloped into a mixed-use commercial with residential development or a hotel at the GPR of 14.0. Therefore, at S\$538.0 million, and after accounting for an estimated land betterment charge and a lease top-up premium to a fresh 99-year lease, the land rate was reported to be about S\$1,885 per sq ft per plot ratio (psf ppr).

There were another two significant block transactions in the commercial sector. The larger of the two was for VisionCrest Commercial that a joint venture of Metro Holdings, TE Capital Partners and LaSalle Investment acquired for around S\$441.0 million. Located at 103 Penang Road within the Orchard Road tourist belt, this freehold commercial property comprises 10 office floors and 11 ground floor retail units with a net lettable area (NLA) of 148,854 sq ft. The other deal was the S\$348.0 million sale of Wilkie Edge to Alpha Asia Separate Account managed by Keppel from Lian Beng Group and Apricot Capital. Wilkie Edge is an eight-storey complex comprising six office floors and two retail floors

and located at the junction of Wilkie and Selegie roads. The price works out to S\$2,211 per sq ft based on a total NLA of about 157,400 sq ft.

In Q4/2023, investment sales of strata-titled office and retail units remained relatively stable. Six individual transactions that were priced S\$10 million and above were recorded in the reviewed quarter, one less than a quarter ago. On the other hand, shophouse sales activity continued to ease for a second consecutive quarter with only two transactions, the lowest since Q3/2020. Besides the reasons that we have mentioned repeatedly in our previous reports, the anti-money laundering investigation that started in August could have contributed to the poor sales.

#### INDUSTRIAL

The sales value for the industrial sector continued to contract for a second straight quarter to S\$278.2 million in Q4/2023. Nevertheless, for the full year, investment sales in the sector rose 41.8% YoY to S\$2.2 billion, thanks to the strong showing in the first half.

In the public sector, two industrial GLS sites located at Tampines North Drive 4 (Plot 1) and 11 Tuas Avenue 18 were awarded for a total of S\$89.0 million, significantly higher than the S\$7.0 million from the previous quarter. However, this increase was offset by a continuing decline in the private sector. Private industrial investment sales plummeted 58.1% on a QoQ basis to S\$189.2 million in Q4, as the weak manufacturing sector affected sentiment.

The largest deal in the quarter was the collective sale of Noel Building at 50 Playfair Road which was sold for S\$81.2 million to an undisclosed developer. The eight-storey industrial building sits on a 26,792 sq ft freehold site zoned for 'Business 1 - White' use. The purchase price reflects a unit land rate of about S\$895 psf ppr based on the maximum GFA with a plot ratio of 3.5.

#### OUTLOOK

For the bigger ticket income producing assets, sales activity this year depends heavily on the trajectory of interest rates. With the all-in borrowing costs for private equity buying income producing real properties sandwiched in the 5.2% to 5.7% range, this group will continue to find the notion of positive carry illusory when asking prices for prime office buildings carry a passing yield of 3.5%.

Retail assets however find better transactionary prospects this year as their yields are hovering at the high 4.0% level. Also, borrowing spreads may be tighter for prime suburban malls and this brings the likelihood of a deal higher when the scarcity of prime stock available for sale may motivate buyers to commit. Even for Orchard Road, the lack of new sites for retail development may bring about a sale or two landmark malls in 2024.

For the industrial sector, questions linger over the performance of the manufacturing sector here in 2024 and this may lead to the continuation of the conservative attitude exhibited by buyers which began in 2H/2023.

The collective sales market for residential is likely to see another year where developers exercise caution and be more inclined to replenish their landbanks from the GLS sites. For 2024, we will have eight sites from the 2023 GLS program closing their tenders. It is likely that for the full year, given the spillover tender closing from the 2023 program and those likely to close in 2H/2024 from the first half GLS program this year, the final number will likely be higher than last year. How much more will depend on whether the mega site at Jurong Lake District will be sold.

For 2023, our total investment sales value came in at S\$20.5 billion. This year, given a more active GLS market and the prospect of interest rates falling in 2H/2024, total investments may come in at S\$22.0 to S\$23.0 billion.