

## SLOW START TO 2019

**Tricia Song**

Director and Head | Research |  
Singapore  
+65 6531 8536  
[tricia.song@colliers.com](mailto:tricia.song@colliers.com)





**Nathan Nguyen**

Assistant Manager | Research |  
Singapore  
+65 6531 8692  
[nathan.nguyen@colliers.com](mailto:nathan.nguyen@colliers.com)

## Summary & Recommendations

Singapore investment sales declined 21% QOQ to SGD5.3bn (USD3.9bn) in Q1 2019. On a YOY basis, this is a drop of 52% as Q1 2018 saw record level of residential collective sales.

- > Transactions in the hospitality sector rose by 26% QOQ and more than quadrupled YOY to SGD1.0bn (USD0.7bn), the highest level since Q3 2013.
- > The sequential decline in private investment sales was partially offset by stronger public land sales in residential, hospitality and mixed-used sites.
- > We recommend investors consider the incentives offered in the recent URA Draft Master Plan 2019, especially redevelopment of older office buildings into mixed developments in the CBD.

	QOQ / Q1 2019	YOY / 2019F	Average Annual Growth / 2018-2023F Average
 <p><b>Total Investment Sales</b></p> <p>&gt; After a slow start in Q1, we expect investment activity to accelerate across all sectors from Q2 onwards. Total investment sales in 2019 should match 2018's level and grow 6% per annum on average from 2018 to 2023 on the back of healthy rent recovery.</p>	<p><b>-21.0 %</b></p> <p>SGD5.3bn</p>	<p>SGD38.0bn</p>	<p><b>6.0 %</b></p> <p>SGD45.5bn</p>
 <p><b>Commercial</b></p> <p>&gt; We expect to see more commercial (office, retail) deals to be concluded in the next few quarters. 2019 commercial investment sales should rise 27% YOY while longer-term growth should remain steady on favourable fundamentals in the office market.</p>	<p><b>-54.5 %</b></p> <p>SGD1.1bn</p>	<p>26.7 %</p> <p>SGD7.9bn</p>	<p><b>10.0 %</b></p> <p>SGD8.3bn</p>
 <p><b>Residential</b></p> <p>&gt; Residential transactions rose 48% QOQ on higher public land sales but fell 82% YOY due to the absence of collective sales. Full year volume should decline after 2018's record level before stabilising at an average growth rate of 2% per annum from 2018 to 2023.</p>	<p><b>48.2 %</b></p> <p>SGD1.7bn</p>	<p>-37.9 %</p> <p>SGD13.7bn</p>	<p><b>2.0 %</b></p> <p>SGD23.4bn</p>
 <p><b>Industrial</b></p> <p>&gt; We expect full year 2019 industrial investment sales to grow 89% upon completion of CapitaLand's acquisition of Ascendas-Singbridge's predominantly industrial assets. Longer-term demand should pick up as the underlying leasing market bottoms out.</p>	<p><b>-73.3 %</b></p> <p>SGD555mn</p>	<p>88.5 %</p> <p>SGD8.2bn</p>	<p><b>15.0 %</b></p> <p>SGD6.8bn</p>

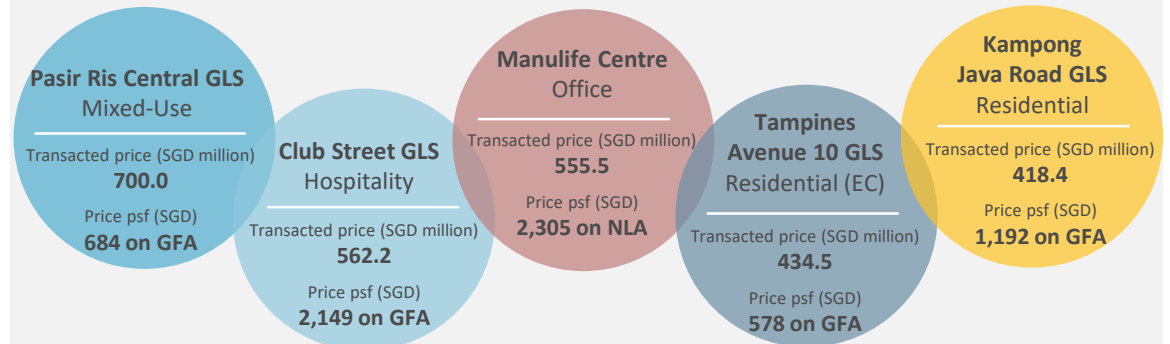
Source: Colliers International

Note: USD1 to SGD1.3559 at the end of Q1 2019. 1 sq m = 10.7639 sq ft. Investment sales transactions include a) all private property sales at transaction prices of SGD5 million and above; and b) all successfully awarded state land tenders. All deals mentioned in this report have been widely publicized in the media.

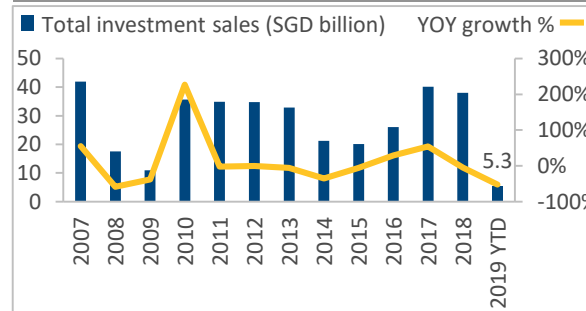
## A SLOWER START

- > Oxford Economics has revised Singapore’s GDP growth forecasts in 2019 to 2.3%, down slightly from 2.5% earlier; and Q1 GDP growth is forecast at 1.3% YOY on the back of softer exports and manufacturing activity amidst a challenging global trade landscape and slower Chinese import demand.
- > In Q1, major private investment sales in Singapore continued to be dominated by institutional investors, which include the acquisitions of Manulife Centre by ARA Asset Management and British group Chelsfield for SGD556 (USD410) million, Rivervale Mall by local private equity firm SC Capital Partners for SGD230 (USD170) million, and warehouse facilities on Jurong Island for SGD228 (USD168) million by SGRE Banyan.
- > Public or Government Land Sales (GLS) surged 17-fold QOQ and 32% YOY to SGD2.1 (USD1.6) billion, accounting for 40% of total investment value in Q1. A total of seven sites were awarded, with the largest being the Pasir Ris Central mixed development site. The winning bid of the Club Street GLS set the record price for a 99-year leasehold hotel site.
- > The announcements of the CBD Incentive Scheme and Strategic Development Incentive Scheme during the launch of the Draft Master Plan 2019 on 27 March aim to encourage rejuvenation and create more buzz in the city centre beyond office hours. Eligible buildings in selected areas could possibly see stronger demand from investors for conversion to mixed developments with hotel and residential components.

### The five largest transactions in Q1 2019



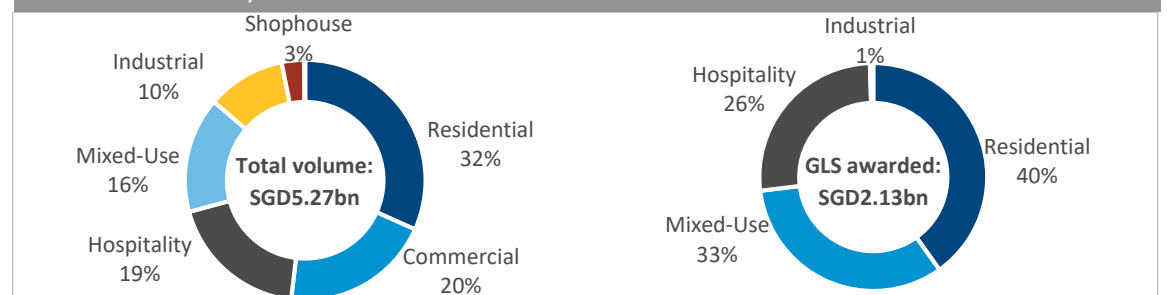
### Snapshot of total investment sales



### Investment sales volume by sector

Sector	Q1 2019 (SGD mil)	% Change QOQ	% Change YOY
Residential	1,671	48.2%	-82.0%
Commercial	1,063	-54.5%	306.9%
Industrial	555	-73.3%	101.0%
Hospitality	996	25.7%	322.3%
Mixed-Use	820	n/m	124.7%
Shophouses	159	-25.0%	-66.7%

### Investment sales by sector: Q1 2019 total volume and GLS awarded



Source: Colliers International, Urban Redevelopment Authority (URA), JTC Corporation (JTC), Housing Development Board (HDB)  
 Notes: 1) Information as of 31 March 2019. 2) Commercial includes office, retail and mixed- office and retail components in a development. Mixed-use refers to properties with two or more types of different uses. Others include properties such as medical centres, HDB shops, petrol stations, etc. 3) The percentage may not add up 100 due to rounding.

## Residential



Q1 private residential investment sales plunged 90% YOY on declines across all sub-segments including collective sales and Good Class Bungalows (GCBs), due mainly to the cooling measures in July 2018. Conservative bid prices and the number of bids at public land sales reflected developers' measured approach to land banking. We expect attractive sites in the upcoming GLS programme to garner healthy interest while collective sales may see more activity towards end-2019.



Source: Colliers International, URA REALIS (as of 31 March 2019)

## Hospitality



Transactions in the hospitality sector rose by 26% QOQ and more than quadrupled YOY to SGD1.0 (USD0.7) billion, its highest level since Q3 2013. According to [Colliers International's Asia Hotel Insights Q1 2019](#), Singapore remains a mature and popular destination in the region, with healthy growth in tourist arrivals likely supporting investors' interest into hospitality assets.

## Shophouses



Shophouse transactions with a value of SGD5 million and above fell 25% QOQ and 67% YOY to SGD159 (USD117) million in Q1 2019. Despite this, we expect shophouses, which are hybrids of the residential, commercial and hospitality sectors, should remain attractive to both local and overseas investors, on their vintage charm and scarcity value.

## Commercial



Commercial investment sales fell 54% QOQ on a strong Q4 2018 which was anchored by Robinson 77 and 78 Shenton, but still quadrupled YOY to SGD1.1 (USD0.8) billion on mainly Manulife Centre and Rivervale Mall. We expect favorable fundamentals in the Singapore office market, steady office rental growth and a supply shortfall over 2019-2021 to support investors' interest for commercial properties.

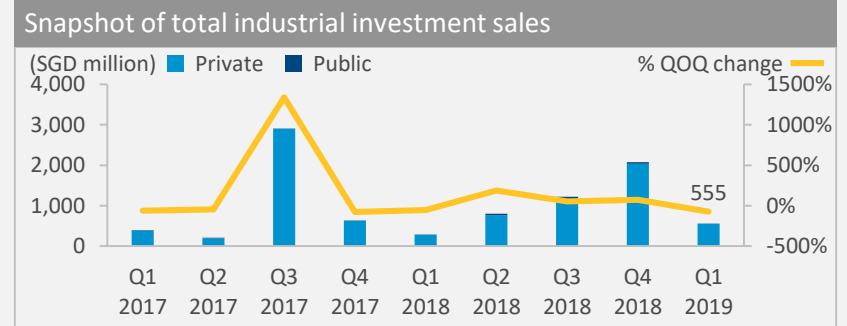


Source: Colliers International, URA REALIS (as of 31 March 2019)

## Industrial



Industrial investment sales fell 73% QOQ on a strong Q4 2018 boosted by ESR-REIT's acquisition of Viva Industrial Trust's properties. We expect the attractive yields of industrial assets to remain appealing to qualified investors and as the underlying leasing market bottoms out.



Source: Colliers International, URA REALIS (as of 31 March 2019)

## Primary Authors:

### Tricia Song

Director and Head | Research | Singapore

+65 6531 8536

[tricia.song@colliers.com](mailto:tricia.song@colliers.com)

### Nathan Nguyen

Assistant Manager | Research | Singapore

+65 6531 8692

[nathan.nguyen@colliers.com](mailto:nathan.nguyen@colliers.com)

## For further information, please contact:

### Tang Wei Leng

Managing Director | Singapore

+65 6531 8688

[weileng.tang@colliers.com](mailto:weileng.tang@colliers.com)

### Govinda Singh

Executive Director | Consulting, Valuation & Advisory Services | Singapore




+65 6531 8566

[govinda.singh@colliers.com](mailto:govinda.singh@colliers.com)

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