

ROBUST COMMERCIAL TRANSACTIONS

















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Summary & Recommendations

Singapore investment sales saw improvements across all major sectors in Q2, rising 56% QOQ to SGD8.2bn (USD6.1bn). This brings H1 2019 volume to SGD13.5bn (USD10.0bn), still a 42% drop YOY as H1 2018 saw a record level of residential collective sales.

- > The commercial sector led total transactions in Q2, up 283% QOQ and 211% YOY to SGD4.5bn (USD3.3bn), the highest level since Q2 2016.
- > Residential and industrial deals also saw a volume rise QOQ, sustained by healthy public land sales, and helped to offset the decline in hospitality and shophouses.
- > We recommend investors to stay focused on commercial and hospitality assets, supported by favorable fundamentals and outlook in their underlying markets.

	QOQ / Q2 2019	YOY / 2019F	Average Annual Growth / 2018–2023F Average
 Total Investment Sales	56.5 %  SGD8.2bn	0 %  SGD38.2bn	6.0 %  SGD45.6bn
 Commercial	283 %  SGD4.5bn	66.7 %  SGD10.3bn	10.0 %  SGD8.3bn
 Residential	40.0 %  SGD2.3bn	-45.1 %  SGD12.2bn	2.0 %  SGD23.6bn
 Industrial	18.2 %  SGD656mn	81.5 %  SGD7.9bn	15.0 %  SGD6.8bn

Source: Colliers International

Note: USD1 to SGD1.3535 at the end of Q2 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.

COMMERCIAL INVESTMENT SALES ACCELERATED IN Q2

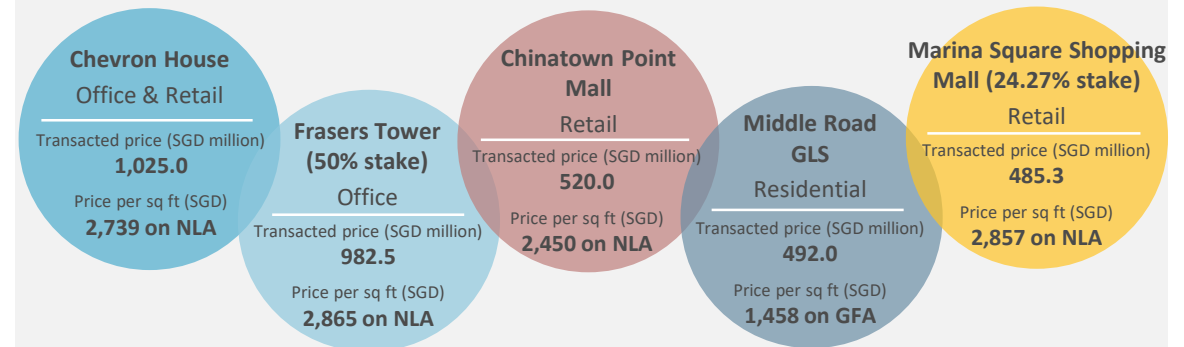
Based on advanced estimates from the Ministry of Trade and Industry (MTI), Singapore’s GDP grew by only 0.1% YOY in Q2 2019, slower than the 1.1% in Q1, and the lowest in a decade. As of 22 July 2019, Oxford Economics has downgraded Singapore’s GDP growth forecast for the year from 1.9% to 0.7%, as momentum in manufacturing and trade-dependent services continued to be weighed down by weaker Chinese import demand and persistent trade war uncertainties.

The commercial and residential sectors remained the main drivers of Singapore investment sales in Q2 2019, altogether accounting for almost 83% of total investment volume, with the commercial sector increasing its share in total investment volume to 55%, up from 22% in Q1.

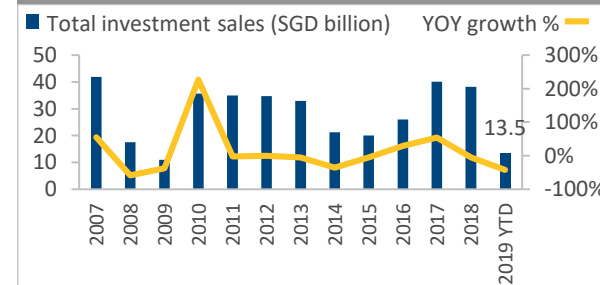
Institutional investors continue to dominate private investment sales, which include the acquisition of Chevron House by the US-based real estate fund AEW for SGD1.0 (USD0.8) billion, Frasers Tower by Korean pension fund NPS for SGD983 (USD726) million, Chinatown Point Mall by PA Realty for SGD520 (USD384) million, and a 24.27% stake of Marina Square Shopping Mall by local investment holding company UIC for SGD485 (USD359) million.

We expect the flurry of commercial investment activities to continue for the rest of the year and into 2020 as REITs and institutional investors grow or reconstitute their portfolios. For qualified investors, industrial assets in niche segments such as data centres, high-spec facilities, food manufacturing and cold storage can offer rewarding returns.

The five largest transactions in Q2 2019



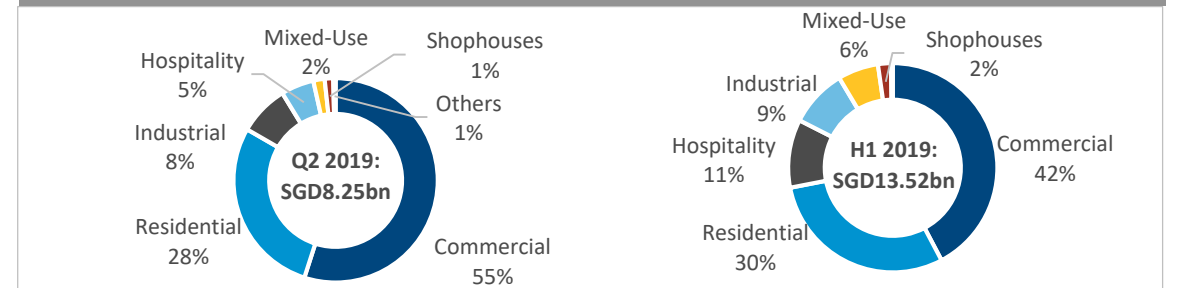
Snapshot of total investment sales



Investment sales volume by sector

Sector	Q2 2019 (SGD mil)	% Change QOQ	% Change YOY
Commercial	4,532	283.2%	210.8%
Residential	2,339	40.0%	-71.5%
Industrial	656	18.2%	-17.7%
Hospitality	430	-56.8%	n/m
Mixed-Use	148	-78.9%	-90.2%
Shophouses	112	-30.0%	-63.5%

Investment sales by sector: Q2 2019 vs H1 2019 total volume

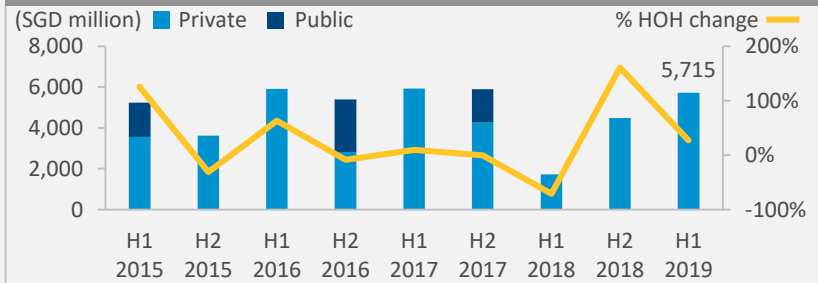


Source: Colliers International, Urban Redevelopment Authority (URA), JTC Corporation (JTC), Housing Development Board (HDB)
 Notes: 1) Information as of 1 July 2019. 2) Commercial includes office, retail and mixed- office and retail components in a development. Mixed-use refers to properties with two 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.

Commercial

Commercial investment sales in Q2 surged by 283% QOQ and 211% YOY to SGD4.5 (USD3.3) billion, anchored by Chevron House and Frasers Tower. This brought H1 2019 volume to SGD5.7 (USD3.1) billion, up 27.4% HOH and 232% YOY. Given Singapore’s status as a global financial hub, we forecast investible office assets to garner stronger demand in the next 3 to 5 years, supported by healthy CBD Grade A rental growth of 8% in 2019 and 5% in 2020, tight vacancy and limited new supply.

Snapshot of total commercial investment sales

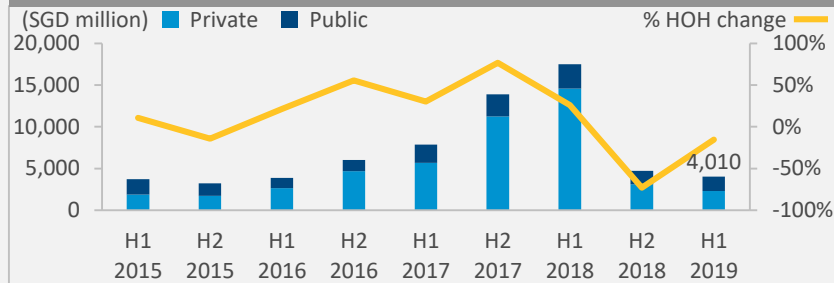


Source: Colliers International, URA REALIS (as of 1 July 2019)

Residential

Q2 residential investment sales increased across all sub-segments to SGD2.3 (USD1.7) billion, up 40.0% QOQ, with the high-end condominium segment more than doubling QOQ and accounting for 37% of Q2 residential sales. However, H1 2019 volume was down by 15.3% HOH and 77.1% YOY, compared to before the July 2018 cooling measures. As inventory wears down, developers will continue to replenish land, whether through public tenders or the collective sale market.

Snapshot of total residential investment sales

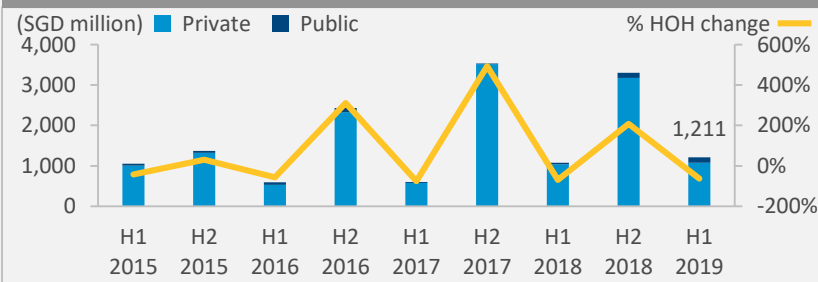


Source: Colliers International, URA REALIS (as of 1 July 2019)

Industrial

Industrial investment sales in Q2 increased 18.2% QOQ to SGD656 (USD485) million, mainly on Poh Tiong Choon Logistics Hub and StorHub’s self-storage portfolio. We expect industrial assets to remain attractive to investors as they can offer stable incomes and accretive yields.

Snapshot of total industrial investment sales



Source: Colliers International, URA REALIS (as of 1 July 2019)

Hospitality

Hospitality deals in H1 2019 increased by 52.1% HOH and more than six times YOY to SGD1.4 (USD1.1) billion, its highest half-yearly level since H2 2013. Given the recent hike in development charges for hotel use, we expect developers to refocus their interest on existing hospitality assets, supported by healthy tourist arrivals growth of 3.5% in 2019 and 3.0% in 2020, according to [Colliers International’ Hotel Insights Q2 2019](#).

Shophouses

Total shophouse transactions with a value of SGD5 million and above fell 30.0% QOQ and 63.5% YOY to SGD112 (USD82) million in Q2. This brings H1 volume to SGD271 (USD200) million, a drop of 34.1% HOH and 65.5% YOY. Nevertheless, we expect shophouses to stay in demand due to their scarcity value and the relatively lower investment quantum.

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