MARKET IN MINUTES
Savills Research

Investment

savills

Q2's real estate investment sales rise 49.2%

The strong showing was bolstered mainly by the commercial property sector, which saw a few block transactions of privately-owned properties concluded in the reviewed quarter.

- The investment sales value for residential lands and units reached S$1.85 billion in Q2/2019, up nearly 50% quarter-on-quarter (QoQ).
- A check of URA's statistics for buyers' nationality, as well as ground information from agents, pointed to increased demand by Chinese nationals (including permanent residents) for the super-luxury category of private non-landed properties.
- In Q2/2019, the commercial property sector raked in a total of S$3.84 billion in investment sales, surging 270.8% from the previous quarter.
- In recent months, the market has witnessed efforts by institutional investors—private equity funds or corporate entities—to deploy capital into the Singapore office market.
- Investment sales in the industrial property sector totalled S$615.9 million in Q2/2019, down 37.5% QoQ.
- In the quarter, the mixed-use and hospitality property sectors contributed S$605.3 million and S$360.0 million of investment sales, respectively.

"This time, souring economic conditions worldwide are not having any deleterious impact on investment sales because investors are looking for stability when deploying capital."

ALAN CHEONG, SAVILLS RESEARCH

Savills team

Please contact us for further information

SINGAPORE

Christopher J Marriott
CEO (South East Asia)
+65 6415 3888
cjmarriott@savills.asia

Marcus Loo
CEO, Singapore
+65 6415 3893
marcus.loo@savills.com.sg

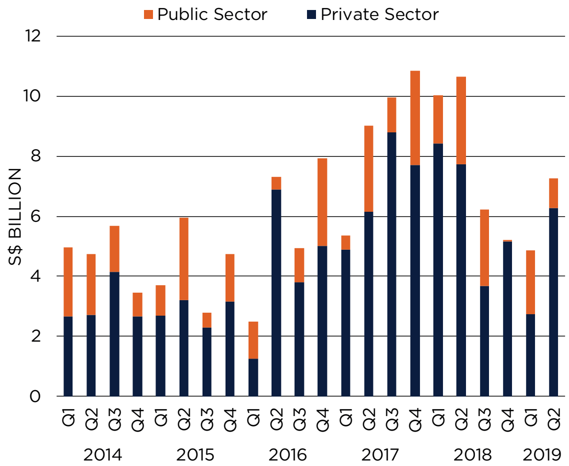
RESEARCH

Alan Cheong
Executive Director
Singapore
+65 6415 3641
alan.cheong@savills.com.sg

Simon Smith
Senior Director
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk

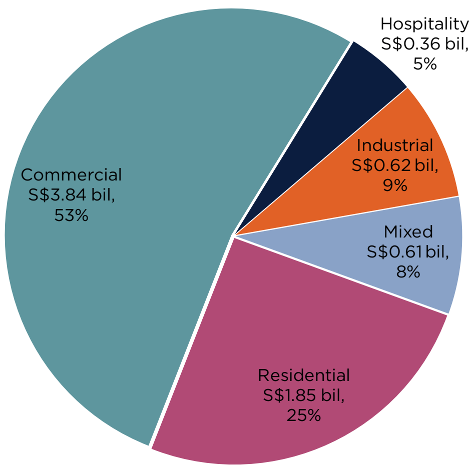
MCI (P) No. 060/08/2018
Company Reg No. 198703410D

GRAPH 1: Investment Sales Transaction Values, Q1/2014 to Q2/2019



Source Savills Research & Consultancy

GRAPH 2: Investment Sales Transaction Volumes By Property Type, Q2/2019



Source Savills Research & Consultancy

MARKET OVERVIEW

Real estate investment sales rose 49.2% QoQ to S$7.26 billion in the second quarter of 2019. The strong showing was bolstered mainly by the commercial property sector, which saw a few block transactions of privately-owned properties concluded in the reviewed quarter. The increase in activity also pushed up the transaction value generating from the private sector by 128.4% QoQ to S$6.26 billion, accounting for 86.2% of Q2's total investment sales. The remaining 13.8% or about S$1.0 million of investment sales came from the sale of two private residential sites and three industrial sites under the Government Land Sales (GLS) Programme. Because the government has maintained limited supply under the GLS programme, coupled with the batch tender closing, the transaction volume in the public sector fell significantly, by 52.9% from a quarter ago.

RESIDENTIAL

The investment sales value for residential lands and end units reached S$1.85 billion in Q2/2019, up 49.9% QoQ. The growth is supported largely by the active sale of luxury non-landed private properties.

In the reviewed quarter, a total of 34 condominium and apartment units (each worth at least S$10 million) found buyers, the highest quarterly number since Q3/2008. Among these, 27 units were priced above S$3,000 per sq ft (psf), the minimum price for what we term "super luxury". The greatest quantum recorded was for the 21,108-sq ft triplex super penthouse at Wallich Residence in Tanjong Pagar of the CBD. This penthouse, the largest in Singapore, was acquired by billionaire inventor Sir James Dyson for S$73.8 million, or S$3,496 psf of strata area. A few more penthouses were also transacted in the quarter, including one at Boulevard Vue for S$52.0 million (S$4,686 psf), one at 3 Orchard By-The-Park for S$31.5 million (S$4,805 psf) and three at Boulevard 88 from S$28.0 million to S$31.0 million (S$4,899 psf to S$5,125 psf). All three of these projects are freehold developments located in District 10, the traditional luxury housing area.

A check of URA's statistics for buyers' nationality, as well as agents' feedback, pointed to increased demand by Chinese nationals (including permanent residents) for the super-luxury category of private non-landed properties. Non-landed residential units with high absolute prices in the Core Central Region (CCR) have seen increased activity by Chinese buyers. The US-China trade war, recent political unrest in Hong Kong, and the stability of the Singapore dollar could have made these buyers choose Singapore as an alternative safe haven to park their money.

In May, two sites from the confirmed list of the second-half 2018 GLS programme were sold. The private residential site at Sims Drive attracted five bidders with the top bid coming from a tie-up between Hong Leong Holdings and City Developments Ltd for S$383.5 million or S$732 psf per plot ratio (ppr). Modest participation by developers and a relatively conservative land price were expected by the market, given the site is further from the MRT station and will be subject to a larger minimum average unit size of 85 sq m compared to the previous 70 sq m. In addition, an ample pipeline of supply in the Geylang area was also a reason behind the subdued response. In contrast, the Middle Road site for private residential with commercial at first-storey use was keenly contested and drew a total of ten bids. Wing Tai Holdings' Wingcharm Investment Pte Ltd clinched the site after submitting the highest bid of nearly S$492.0 million or S$1,458 psf ppr. The sale showed developers' confidence in this area on the back of the rapid transformation of the Beach Road/Ophir-Rochor Corridor over the last few years.

TABLE 1: Top Land Sales In The Public Sector, Q2/2019

PROPERTY	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S$ MILLION)	SUCCESSFUL TENDERER
Middle Road	Residential	Apr 2019	492.0	Wingcharm Investment Pte Ltd
Sims Drive	Residential	Apr 2019	383.5	Intrepid Investments Pte Ltd and CDL Constellation Pte Ltd
Woodlands Avenue 12	Industrial	Apr 2019	82.0	Soon Hock Investment Group Pte Ltd
Plot 2, Gambas Way	Industrial	Jun 2019	40.0	Soilbuild Group Holdings Ltd
Woodlands Industrial Park E2/E5	Industrial	May 2019	3.4	Whye Wah Development & Construction Pte Ltd

Source JTC, URA, Savills Research & Consultancy

TABLE 2: Top Private Investment Sales, Q2/2019

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (S$ MILLION)	BUYER
Chevron House	Commercial	Apr 2019	1,025.0	AEW
Frasers Tower (50% interest)	Commercial	Jun 2019	982.5	South Korea's National Pension Service
Chinatown Point Mall and four strata office units above the mall	Commercial	Apr 2019	520.0	A joint venture between Mitsubishi Estate Co and CLSA
Marina Square retail and commercial complex (24.27% interest)	Mixed	Apr 2019	485.3	United Industrial Corporation Limited
Waterway Point (33⅓% interest)	Commercial	May 2019	433.3	Frasers Centrepoint Trust

Source Savills Research & Consultancy

COMMERCIAL

In Q2/2019, the commercial property sector raked in a total of S$3.84 billion in investment sales, rising 270.8% from a quarter earlier. The growth is attributed mainly to the sales of Chevron House and a 50% interest in Frasers Tower. Total transaction value for these two deals was slightly above S$2.0 billion, accounting for 52.3% of Q2's investment sales tally in this sector.

In recent months, the market has witnessed the efforts of institutional investors—private equity funds or corporate entities—to deploy capital into the Singapore office market. Therefore, after a relatively quiet Q1, a few big-ticket office block transactions were concluded in the April-June quarter. The largest deal was AEW's S$1.025 billion acquisition of Chevron House, a 32-storey commercial development at Raffles Place comprising 27 levels of office space and a five-storey retail podium. The second biggest transaction was for Frasers Tower, a newly completed 38-storey premium Grade A office development with a three-storey adjacent retail podium at Cecil Street. A 50% interest in the property, which is worth S$982.5 million based on the agreed property value, was divested by Frasers Property to South Korea's National Pension Services. Other major deals included the S$395.0 million sale of 7 & 9 Tampines Grange to a consortium consisting of Metro Holdings and Evia Real Estate, and the collective sales of Realty Centre for S$148.0 million to Singapore-listed The Place Holdings, which intends to redevelop the freehold property into a mixed-use commercial and residential tower.

In the retail sector, there were also two major block transactions recorded in the quarter. In April, a joint venture between Mitsubishi Estate Co and CLSA bought Chinatown Point Mall (including four strata office units above the mall) for S$520.0 million from a Perennial Real Estate Holdings-led consortium. Later in May, Frasers Centrepoint Trust acquired a one-third stake in Waterway Point, a suburban mall located in Punggol, from its sponsor Frasers Property. Based on the agreed value of S$1.3 billion, the price for the one-third interest was S$433.3 million.

INDUSTRIAL

Investment sales in the industrial property sector totalled S$615.9 million in Q2/2019 and included the award of three industrial plots through state tenders and seven deals in the private sector. This represents a 37.5% decline from the previous quarter. The largest transaction was ESR REIT's S$225.0 million acquisition of a newly redeveloped six-storey ramp-up warehouse located at 48 Pandan Road through a newly formed joint venture with Poh Tiong Choon Logistics (PTCL). After the acquisition is completed, the property will be leased back to PTCL as tenant for ten years.

Generally, buying activity in the industrial sector has remained tepid in the last few years, in spite of some blips in certain quarters due to big-ticket deals. In the first half of 2019, demand from developers and end-users for industrial properties and land plots continued to wane in line with lacklustre prospects for Singapore's manufacturing sector, while industrial S-REITs have focused on portfolio reweighting and geographical diversification.

OTHERS

In the mixed-use property sector, one notable deal was recorded in Q2/2019: United Industrial Corporation's (UIC) S$485.3 million acquisition of a 24.27% stake in Marina Square retail and commercial complex located in the Marina Centre area. The site comprises Marina Square Shopping Mall, Pan Pacific Singapore, Marina Mandarin Singapore and the Mandarin Oriental, Singapore, and vendors include OUE Limited, Finnegan Investments Limited and Mackmoor Pte Ltd. Together with the S$120.0 million collective sale of Selegie Centre located near Little India, this sector contributed a total of S$605.3 million worth of investment sales in Q2 this year.

The hospitality sector also witnessed two transactions in Q2/2019, contributing S$360.0 million or 5.0% of total investment sales. The two deals were the purchase of a 25% interest in Marina Mandarin Singapore at S$190.0 million by UIC; and Alpha Investment Partners' S$170.0 million sale of Ibis Novena to an entity linked to Mohammed Saiful Alam, who controls Bangaldeshi conglomerate S Alam Group.

OUTLOOK

In the first half of 2019, total investment sales amounted to $12.13 billion. Despite increasing global and local uncertainties, as well as reduced supply coming from the GLS programme, the investment sales market in Singapore is expected to remain healthy for the rest of the year. Private equity funds and family offices with newly raised capital are all looking for investment opportunities in countries endowed with political stability, a strong currency and healthy property fundamentals. We therefore do not believe that the global economy's rapidly souring conditions will have the same negative impact on the real estate market here. So, come hell or high water, investment activity is likely to remain healthy, and we maintain our forecast of S$20-25 billion for total investment sales in 2019.