

This report has been updated as of 9 May 2018 and supercedes all previous versions.

## Still robust

Tricia Song Director and Head | Research

Nathan Nguyen Assistant Manager | Research

**Despite concerns over a global trade war and heightened equity market volatility, the Singapore investment sales market grew 89% YOY to SGD11.0 billion (USD8.4 billion) in Q1 2018, driven by residential land acquisitions by developers. We expect the overall investment sales momentum to pick up further over the rest of 2018 as Singapore remains attractive as a safe haven in uncertain times. While most property sectors have bottomed, we believe residential and office property would be the most attractive sectors for investors, supported by an expected multi-year upcycle in the underlying residential sales and office leasing markets, and an increased availability of choice properties.**

## Forecast at a glance



### Total Investment Sales

After growing 54% in 2017, we expect the investment sales market to maintain its positive momentum and grow 15% YOY to SGD46 (USD35) billion in 2018, and grow a further 5-10% YOY in 2019.



### Commercial

Commercial (office, retail) investment sales made up just 4% of the pie in Q1 2018. We expect more deals in the next few quarters given rising office rents.



### Residential

Residential sector made up 83% of the investment sales in Q1 2018. We expect developers to continue replenishing their land banks.



### Industrial

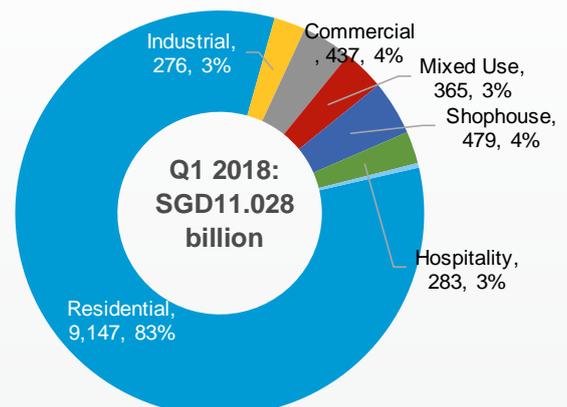
Industrial sector made up 3% of investment sales in Q1 2018. We expect interest in industrial properties to pick up as rents bottom out.

## Q1 boosted by residential land sales

Based on Colliers International's data as of 13 April 2018, total property investment sales in Singapore grew 89% YOY to SGD11.0 billion (USD8.4 billion) in Q1 2018, driven by significantly higher residential land sales. However, this is 12% below a very strong Q4 2017 as commercial deals declined 86% QOQ. In Q1 2018, residential collective sales continued their strong momentum since Q2 2017, rising 29% QOQ to SGD5.83 billion. As a result, the residential segment dominated investment sales in Q1 with an 83% share. In contrast, commercial transactions only made up 4% of the pie in Q1, compared to 30% for the whole of 2017. We have seen keen interest and expect more commercial property transactions to materialise over the course of the year, supported by a strengthening leasing market.

Industrial investment sales remained relatively soft during the quarter but we note increasing interest from industrialists and institutional investors as rents bottom. There is also improved interest in the hospitality segment as local hotel occupancy and daily rates improved.

## Total Investment Sales by Sector: Q1 2018



### Notes:

- Information as at 13 April 2018
  - 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.
  - 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.
  - Exchange rate as at 31 March 2018 stands at USD1: SGD1.31.
  - The percentage does not add up due to rounding effect.
- Source: Colliers International Singapore Research

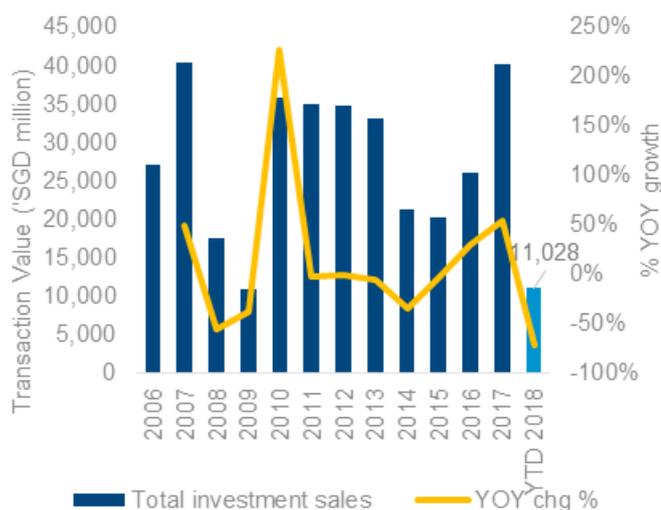
# Global market volatility in Q1

In early March, President Trump announced a plan to implement 25% tariffs on steel imports and 10% tariffs on aluminium imports, igniting the risk of escalating trade tensions and sparking a trade war. Following these developments, equity markets have been more volatile. According to SGX, the 30-day historical volatility of the Straits Times Index (STI) rose to a two year high of 17% as of 6 April. Equity markets mostly registered declines: Dow Jones -4.1%, MSCI Asia Pacific Index -2.1%, while the benchmarks of Japan, Hong Kong and Australia declined 1.2-6.0% for the 2018 year through to 6 April.

Despite these signs of uncertainty, Singapore's GDP growth was strong and its property sector remained buoyant in Q1 2018. Singapore's GDP (advanced estimates) grew 4.3% YOY, faster than the 3.6% in Q4, driven by the twin engines of manufacturing and services, which grew 10.1% and 3.8% respectively.

Singapore's property sector continued its positive momentum with total investment sales reaching SGD11.0 billion (USD8.4 billion), on track for another strong year. Developers' appetite for residential sites remained high, demonstrated by keen participation in both the collective sales market and state land tenders. The five largest deals in Q1 2018 were all residential collective sales.

## Snapshot of total investment sales



Source: Colliers International Singapore Research, URA, JTC, HDB

<sup>1</sup> sale of properties that are under multiple ownership to a single buyer

## The five largest transactions in Q1 2018

Period (Quarter)	Name of Property	Transacted Price (SGD million)	Price psf (SGD)
Q1 2018	Pacific Mansion	980.00	1,987
Q1 2018	Park West	840.90	850
Q1 2018	Pearl Bank Apartments	728.00	1,515
Q1 2018	Goodluck Garden	610.00	1,210
Q1 2018	Brookvale Park	530.00	932

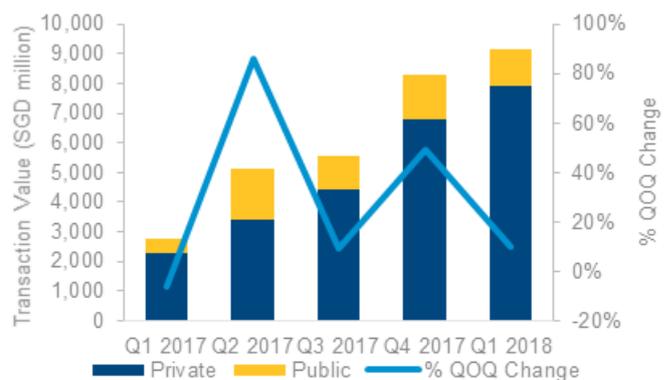
Source: Colliers International, URA, The Business Times

# Residential

## Residential investment sales highest since Q2 2007

The residential sector grew 10% QOQ and 233% YOY to SGD9.1 (USD6.9 billion) in Q1 2018, driven mainly by strong private investment sales and state land tenders. Following the revival of collective sales<sup>1</sup> from mid-2017, developers continued to search aggressively for suitable sites to replenish their depleting land banks, leading to an active collective sales market and keen bidding for sites offered through state land tenders in Q1 2018.

## Residential Investment Sales Value by Type



Source: Colliers International Singapore Research, URA

## Public land sales: Benchmark prices for GLS sites

In Q1 2018, the public investment sales segment fell 18% QOQ but grew 166% YOY to SGD1.24 (USD0.94) billion. The tender exercise for the Executive Condominium (EC) site at Sumang Walk in Punggol, in



particular, drew strong interest from developers and attracted 17 bids in total. Two other sites awarded through the Government Land Sales (GLS) at Chong Kuo Road and West Coast Vale drew eight and six very competitive bids with narrow winning margins of 0.1% and 0.7% respectively.

### Bid Spread of Residential GLS Sites Awarded in Q1 2018

Land Parcel	No. of bidders	Top bid % premium over 2nd bidder	Top bid % premium above last bidder
Sumang Walk	17	4.8%	36.3%
Handy Road	10	12.3%	76.7%
Chong Kuo Road	8	0.1%	92.7%
West Coast Vale	6	0.7%	13.6%

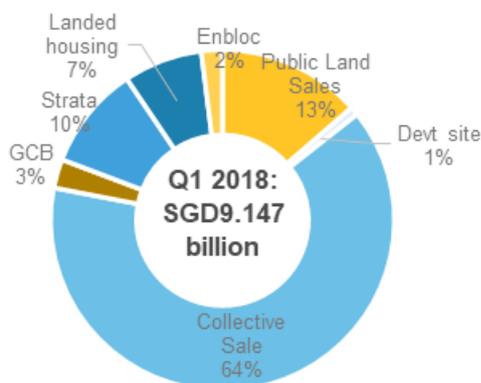
Source: Colliers International Singapore Research, URA

The Sumang Walk site was eventually awarded to CDL Constellation and TID Residential for SGD509.3 (USD388) million or SGD583 (USD445) per sq ft per plot ratio (psf ppr), a record price on psf for an EC site. CDL also beat nine other bidders for the prime District 9 Handy Road tender with SGD212.2 (USD162) million or SGD1,722 (USD1,314) psf ppr. The psf price was a record for the location and 12.3% above the next highest bidder. These reflect the developers' hunger for land as well as their confidence in the residential market across mass market to the high-end segments.

### Private sector: collective sales fever continues

In Q1, the private residential segment grew 16% QOQ and 247% YOY to SGD7.9 (USD6.0) billion, mainly driven by collective sales, which accounted for more than 73% of private residential segment and 64% of total residential investment sales.

#### Total residential investment sales by type



Source: Colliers International Singapore Research

### Collective sales volume in 2018 will trump 2017

A total of 17 residential collective sales with a combined value of SGD5.8 billion (USD4.4) billion were transacted in Q1 2018. This quarter alone accounted for about 72% of SGD8.13 (USD6.2) billion generated from the 27 residential collective sale transactions during 2017, making Q1 2018 the best showing since Q2 2007 when SGD6.5 (USD5.0) billion was transacted.

According to Business Times on 20 March, GuocoLand Limited, Intrepid Investments and Hong Realty jointly acquired a prime freehold collective sale site at Pacific Mansion for SGD980 million (USD744 million), reflecting SGD1,987 psf ppr. This is the largest collective sale transaction since the SGD1.34 (USD1.0) billion Farrer Court deal in 2007.

Developers' interest in collective sale sites has shifted from suburban to prime locations. In Q1 2018, eight sites worth SGD2.32 (USD1.77) billion were sold in the prime Core Central Region, compared with eight sites worth SGD1.05 (USD0.79) billion transacted in all of 2017.

While premiums appeared to have weakened, from an average of 10.5% in 2017 to 4.9% in Q1 2018, it does not mean that the collective sale market is starting to cool. We think this could have been due to higher indicative prices, higher development charges and more selective bidding by developers. Attractive sites with realistic asking prices still find ample bidding interest.

### Solid demand for GCBs in Q1

In line with the rising optimism and strong momentum in 2017, the Good Class Bungalow (GCB) segment saw volumes down 17% QOQ but up 116% YOY to SGD250 (USD191) million transacted in Q1 2018. In terms of the number of bungalows, nine bungalows were transacted in Q1, compared to 13 in Q4 2017 and five in Q1 2017.

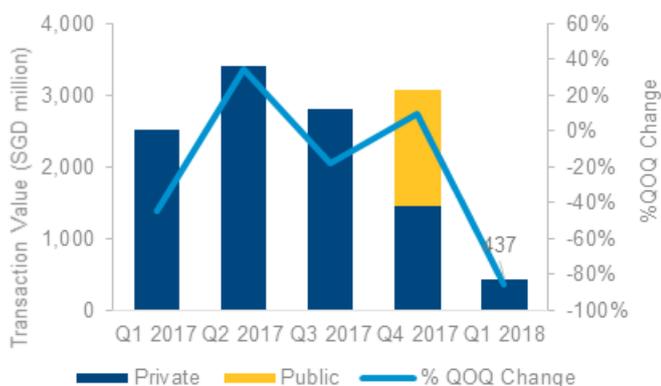
## Commercial

### Fewer commercial deals in Q1

In Q1 2018, total commercial investment sales declined 86% QOQ to SGD437.4 million (USD334 million). The only major transaction in Q1 2018 was Perennial Real Estate Holdings buying Pontiac Land affiliate Chesham Properties' 50% stake in Capitol Singapore for SGD528 million, of which we attribute the retail component to be worth SGD349.5 (USD266.8) million. Based on Colliers International research, Q4 2017 was boosted by the sales of a SGD1.622 billion Beach Road public tender, as well as Chevron House and Pomo.

On a year-on-year basis, the volume was 78% lower as Q1 2017 saw major private deals such as the PwC Building, GSH Plaza and a 70% stake in TripleOne Somerset.

### Commercial Investment Sales Value by Type



Source: Colliers International Singapore Research

### Major Commercial Transaction in Q1 2018

Property	Price (SGD million)	Price psf (SGD)	Purchaser
<b>Private Investment Sales</b>			
Capitol Piazza & Capitol Theatre (Retail) (50%)	349.49	2,628 on NLA	Perennial Real Estate Holdings

Sources: Colliers International Singapore Research, URA

# Industrial

## Industrial investment sales remained soft in Q1 2018

### Industrial Investment Sales Value by Type



Source: Colliers International Singapore Research, JTC

The total industrial investment sales value in Q1 2018 declined 56% QOQ and 30% YOY to SGD276.1 (USD210.8) million. Private industrial investment sales remained relatively soft, though REITs appear to have gained traction in divesting their non-core assets to recycle their capital.

## Lukewarm demand for IGLS sites

Industrial Government Land Sales (IGLS) sites targeted at end-users with 20-30 years land tenure received lukewarm bids.

In January, JTC awarded the industrial site at Tuas South Link 3 (Plot 16) to Soilbuild Construction Group Ltd. at a tendered price of SGD2.6 million. However, three other land tenders received bids earlier but were eventually not awarded as the bidding prices offered were below reserve prices. These are the industrial sites at Jalan Lam Huat (Plot B), Tampines North Drive 3 (Plot 2) and Tuas South Link 3 (Plot 27).

For some sites that were available for tender on the Confirmed List for H1 2018, such as Tuas South Link 3 Plot 18 and Plot 21, there were no bids.

### Major Industrial Transactions in Q1 2018

Property	Price (SGD million)	Price psf (SGD)	Seller
<b>Private Investment Sales</b>			
40 Alps Ave	73.80	239 on GFA	Cache Logistics Trust
9 Bukit Batok Street 22	23.9	151 on GFA	ESR-REIT
6 Woodlands Loop	13.8	178 on GFA	Sabana REIT
10 Soon Lee Road	8.17	105 on NLA	AIMS AMP Capital Industrial REIT

Property	Price (SGD million)	Price psf (SGD)	Purchaser
<b>Industrial Government Land Sales</b>			
Tuas South Link 3 (Plot 16)	2.63	35 on GFA	Soilbuild Construction Group Ltd

Source: Colliers International Singapore Research, JTC, company data

## Private industrial investment sales dominated by REITs' divestments

The total private industrial investment sales value dipped 56.2% QOQ and 29.5% YOY to SGD273.5 million (USD209 million) in Q1 2018. The largest transaction in the quarter was Cache Logistics Trust's sale of 40 Alps

Ave to a property fund for SGD73.8 million or SGD239 psf per GFA. ESR-REIT, AIMS AMP Capital Industrial REIT and Sabana REIT also divested properties during Q1 2018.

As industrial rents bottom out, we note increasing interest from industrialists in acquiring prime space for their operations. We also foresee increasing interest in logistics and high-specifications industrial properties from qualified institutional investors seeking higher yields.

## Mixed use

In Q1 2018, mixed use investment sales stood at SGD365 (USD279) million, comprising the public land sale of a white site at Rochester Park located in the one-north precinct. The site will be Singapore's first dedicated shared executive learning centre. A total of five bidders competed in the Concept and Price process. Ascendas - Singbridge was first shortlisted for its concept and was subsequently awarded the site based on its highest price of SGD365 million. According to Ascendas-Singbridge, the centre is envisioned to be a co-shared facility that is equipped with state-of-the-art interior furnishings and fittings, as well as innovative smart technologies. The development will also comprise an upscale hotel, Grade-A commercial office spaces and boutique F&B outlets to support the learning centre.

## Shophouses

### Q1 2018's shophouse transactions achieved record high

Based on Colliers International's research, shophouse transactions with value of SGD5 million and above grew 177% QOQ and 281% YOY to reach a record level of

SGD478.6 (USD365) million in Q1 2018, surpassing the previous peak of SGD363.4 (USD277.4) million witnessed in Q1 2013. Demand for such properties has been strong from local and foreign high net worth individuals (HNWIs) as well as property funds and investment companies.

In March, local investment property company 8M Real Estate bought 10 shophouses in prime District 1 near the Singapore River for a total of SGD82.5 (USD63.0) million. According to Business Times on March 28, The acquisition will boost 8M's portfolio to more than 40 conservation shophouses, all in Districts 1 and 2, worth about SGD500 (USD382) million.

With a positive outlook for residential, commercial and hospitality property sectors, shophouses which are hybrids of these sectors and are scarce in supply, could continue to appeal to boutique investors.

### Major Shophouse Transactions in Q1 2018

Property	Price (SGD million)	Price psf (SGD)	Purchaser
<b>Private Investment Sales</b>			
17/45/46/61/77 Circular Road/Boat Quay	45.5	3,150	8M Real Estate
23/27/29/31/33 New Bridge Road	37.0	N/A	8M Real Estate
273,275 South Bridge Road	26.5	2,643	Silkroad Property Partners

Source: Colliers International Singapore Research, URA REALIS (as of 24 April 2018)

#### For more information:

**Tang Wei Leng**  
Managing Director  
weileng.tang@colliers.com

**Tricia Song**  
Director and Head  
Research  
tricia.song@colliers.com

**Govinda Singh**  
Executive Director  
Consulting, Valuation &  
Advisory Services  
govinda.singh@colliers.com

#### Colliers International | Singapore

1 Raffles Place, #45-00  
One Raffles Place  
Singapore 048616  
Tel: +65 6223 2323  
Fax: +65 6222 4901  
RCB No. : 198901352R  
CEA Licence No: L3004691J

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