

A SOFT END TO 2018, BUT 2019 STARTS STRONG

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Summary & Recommendations

Singapore investment sales declined 17% qoq and 47% yoy to SGD6.7bn (USD4.9bn) in Q4 2018. This brings the total volume in 2018 to SGD38.0bn (USD27.9bn), down 5.1% yoy.

- > The commercial and industrial sectors led investment sales for the second quarter in a row. The hospitality sector ended 2018 on a high note while shophouses hit an all-time high on a yearly basis.
- > The residential sector has continued to slump since the cooling measures. However, full-year residential sales hit another record high in 2018 thanks to a strong first half.
- > We recommend investors to remain focused on commercial, industrial and hospitality assets as their underlying markets recover.

	QOQ / Q4 2018	YOY / 2019F	Average Annual Growth / 2018-2023F Average
 <p>Total Investment Sales</p> <p>> We expect 2019 investment sales to rise slightly from 2018's level of SGD38.0 billion as stronger non-residential deals mitigate the slower residential market. Total investment sales should grow 6% per annum on average from 2018 to 2023 on healthy rental growth.</p>	<p>-17.1%</p> <p>SGD6.7bn</p>	<p>+0.7%</p> <p>SGD38.3bn</p>	<p>+6.0%</p> <p>SGD45.5bn</p>
 <p>Commercial</p> <p>> We expect 2019 commercial (office, retail) investment sales to rise 31% yoy on a low 2018 base. Longer term demand should be steady on investors' interest to ride a strong rental market recovery amid tightening new office supply.</p>	<p>+8.6%</p> <p>SGD2.3bn</p>	<p>+30.7%</p> <p>SGD8.1bn</p>	<p>+10.0%</p> <p>SGD8.3bn</p>
 <p>Residential</p> <p>> We expect residential investment sales to decline after 2018's record level of SGD22.1 billion as developers and investors remain cautious in the near term after the cooling measures. Volume should pick up by mid-2019 as confidence recovers.</p>	<p>-67.4%</p> <p>SGD1.1bn</p>	<p>-37.9%</p> <p>SGD13.7bn</p>	<p>+2.0%</p> <p>SGD23.4bn</p>
 <p>Industrial</p> <p>> 2019 has a strong start with CapitaLand acquiring Ascendas-Singbridge's predominantly-industrial assets, according to their announcement. This also signals the bottoming of the industrial market and we expect stronger interest going forward.</p>	<p>+70.1%</p> <p>SGD2.1bn</p>	<p>+88.5%</p> <p>SGD8.2bn</p>	<p>+15.0%</p> <p>SGD6.8bn</p>

Note: 1 sq meter = 10.7639 sq feet; USD1 = SGD1.365 (end of quarter). 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 have been widely publicized in the media.

Source: Colliers International

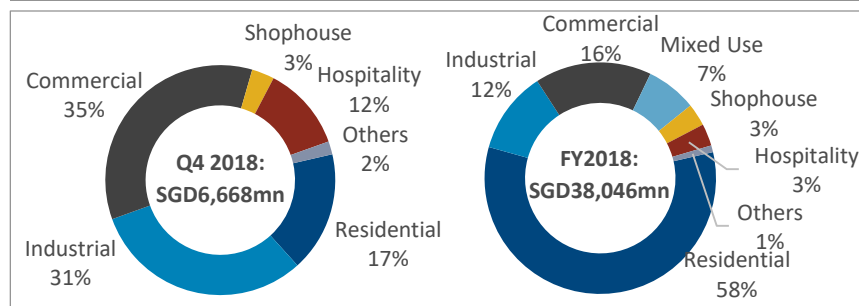
STRONG START TO 2019

Based on Colliers International's data as of 3 January 2019, total property investment sales in Singapore fell 17% qoq and 47% yoy to SGD6.7 (USD4.9) billion in Q4 2018, mainly due to a sharp decline in residential investment sales and a lack of public land sales across all sectors. The weaker residential contribution was partially offset by stronger commercial, industrial and hospitality sectors. For the full year, total investment sales in 2018 declined slightly by 5.1% from a very strong 2017 to SGD38.0 (USD27.9) billion.

2019 started strongly with the announcement of CapitaLand's acquisition of Ascendas-Singbridge for SGD11.0 (USD8.0) billion together with a few major office and hospitality deals, signalling investors' interest and confidence in Singapore's real estate market.

In the longer term, investors should continue their portfolio rejuvenation through selective acquisitions of commercial, industrial and hospitality assets which are offering attractive yields or strong income growth. We expect the residential sector to pick up after mid-2019 as developers focus on their new launches.

Total investment sales by sector: Q4 2018 and FY2018



Source: Colliers International

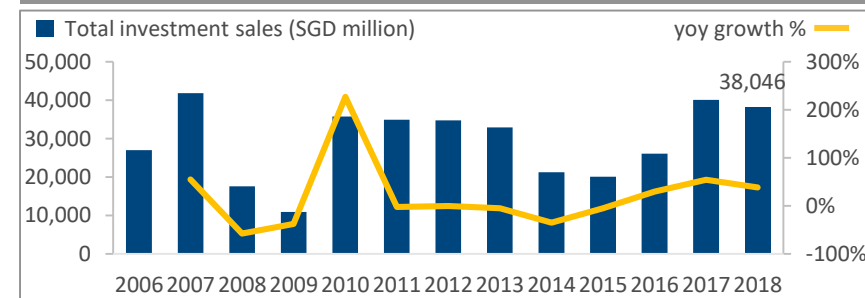
- Notes:
- Information as at 3 January 2019
 - Investment sales transactions include a) all private property sales at transaction prices of SGD5 million and above; and b) all successfully awarded state land tenders.
 - Commercial includes office, retail and mixed-office and retail components in a development. 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 at the end of the quarter, USD1: SGD1.365.
 - The percentage may not add up due to rounding.

2019 GDP GROWTH TO MODERATE

According to advanced estimates from the Ministry of Trade and Industry (MTI), Singapore's GDP grew 2.2% yoy in Q4 2018, easing slightly from the 2.3% in Q3. The manufacturing sector remained the growth driver, rising to 5.5% yoy from 3.7% in Q3, mainly due to expansion in biomedical and electronics. For the full year 2018, Singapore's GDP grew by 3.3%. Oxford Economics forecasts GDP growth to moderate to 2.5% in 2019 due to a potential slowdown in China's domestic economy, trade protectionism and concerns for a trade war. This is in line with MTI's earlier November 2018 outlook which forecast 2019 GDP growth in a range of 1.5–3.5%.

The five largest deals in 2018 comprised two public land sales (one mixed-use and one residential), one industrial transaction, one residential transaction and one commercial transaction.

Snapshot of total investment sales



Source: Colliers International, URA, JTC, HDB

The five largest transactions in 2018

Name of property	Sector	Quarter	Transacted price (SGD million)
Holland Road GLS	Mixed-use	Q2 2018	1,213.3
Viva Industrial Trust's portfolio of 9 assets*	Industrial	Q4 2018	1,208.0
Silat Avenue GLS	Residential	Q2 2018	1,035.3
Pacific Mansion	Residential	Q1 2018	980.0
OUE Downtown (office component)	Commercial	Q3 2018	908.0

*For industrial assets only. Source: Colliers International, URA REALIS, The Business Times

COMMERCIAL

Q4 saw the highest volume in 2018, with institutional investors remaining key players

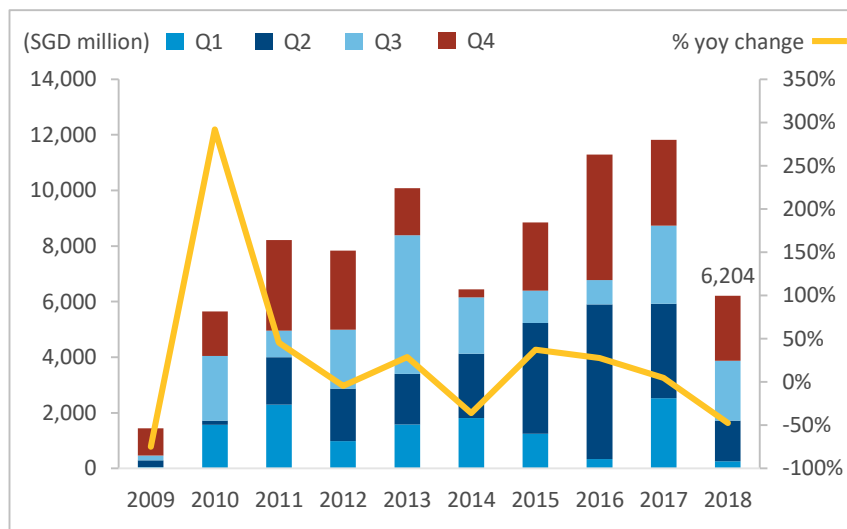
The commercial sector continued its strong momentum since Q2 2018, with total commercial investment sales in Q4 2018 at SGD2.3 (USD1.7) billion, up 8.6% qoq. This is the highest volume on a quarterly basis in 2018, driven mainly by a few big-ticket office transactions. Institutional investors remained active sellers and buyers in Q4, and were the key players for all major commercial deals during the quarter. The Business Times reported a few major transactions during the quarter:

- > In the largest office property transaction in Q4, Hong Kong-based private equity group Gaw Capital Partners acquired Robinson 77 from CLSA Real Estate, a real estate investment fund, for SGD710 (USD520) million in December 2018. The purchase price translates to SGD2,308 (USD1,691) per sq foot on net lettable area (NLA).
- > US-based PGIM Real Estate bought 78 Shenton Way from Alpha Investment Partners – in a deal co-brokered by Colliers International – for a headline price of SGD680 (USD498) million. Completed in November, this transaction reflects a price of SGD1,878 (USD1,376) per sq foot on NLA.

For the full year 2018, total commercial investment sales in 2018 were SGD6.2 (USD4.6) billion, a 47% drop from a very strong 2017 which saw landmark transactions such as Asia Square Tower 2 and Beach Road GLS site.

We expect the momentum to continue and more major commercial deals to materialize in 2019. Leasing demand for office space should remain firm from the finance, tech, flexible workspace and professional services sectors. As a result, commercial properties should continue to attract investors, supported by steady office rental growth averaging about 5% over 2018-2023F, tightening new office supply in the next three to five years and Singapore's status as a global business hub.

Snapshot of total commercial investment sales



Source: Colliers International, URA REALIS (as of 3 January 2019)

Major commercial transactions in Q4 2018

Property	Price (SGD million)	Price on NLA (SGD psf)	Purchaser
Private Investment Sales			
Robinson 77	710.0	2,308	Gaw Capital Partners
78 Shenton Way	680.0	1,878	PGIM Real Estate
Ocean Financial Centre (20% stake)	537.3	3,061	Allianz Real Estate
Capital Square (25% stake)	270.0	2,783	Kenedix
112 Katong (77.6% stake)	56.6	N.A	Keppel Land

Source: Colliers International, URA REALIS, The Business Times

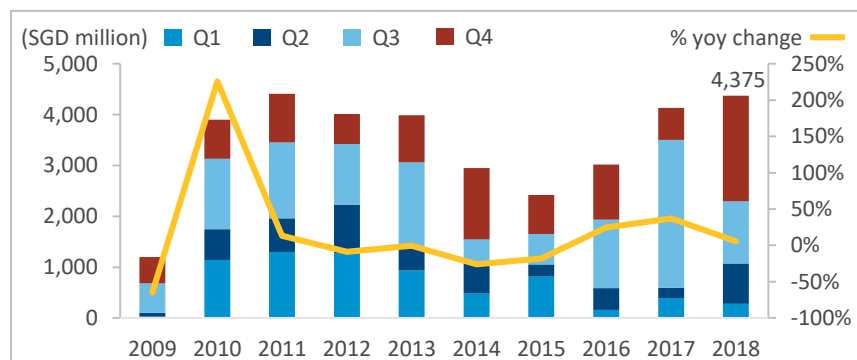
INDUSTRIAL

M&A activities boost industrial investment sales

Total industrial investment sales value jumped 70% qoq and 229% yoy to SGD2.1 (USD1.5) billion in Q4 2018, mainly due to ESR-REIT's acquisition of Viva Industrial Trust's properties following their merger. Full-year industrial investment sales in 2018 totalled SGD4.4 (USD3.2) billion, a 5.8% increase yoy. This is the highest volume since 2011, which saw a total of SGD4.4 (USD3.2) billion worth of industrial investment sales, as institutional investors and REITs restructure or expand their portfolios.

As Singapore's industrial market bottoms, the attractive yields of these assets offer diversification and accretive returns to qualified investors.

Snapshot of total industrial investment sales



Source: Colliers International, JTC, URA REALIS (as of 3 January 2019)

Major industrial transactions in Q4 2018

Property	Price (SGD million)	Price psf (SGD)	Purchaser
Viva Industrial Trust's portfolio	1,208.0	N.A	ESR-REIT
REC building	585.0	366 on GFA	Logos Property
8 Tai Seng Link	60.0	N.A	Charles & Keith Group

Source: Colliers International

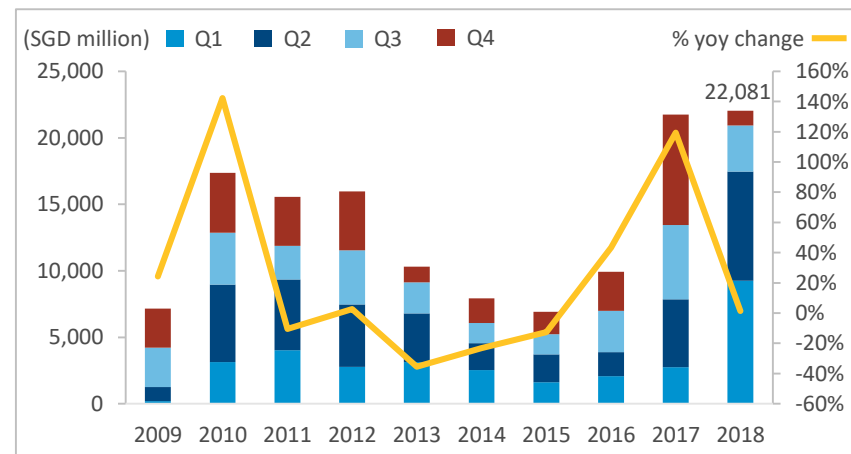
RESIDENTIAL

2018 residential investment sales at all-time high

Total residential investment sales continued their downward trend, slumping 67% qoq and 86% yoy to SGD1.1 (USD0.8) billion in Q4 2018, mainly as a result of the cooling measures in July 2018 that raised taxes for investors and developers in the residential sector, and the absence of residential public land sales during the quarter. However, due to the record level witnessed in the first half, 2018 full year residential investment sales still surpassed 2017 by 1.4% to register the highest residential investment volume on a yearly basis, at SGD22.1 (USD16.2) billion.

We expect residential investment sales to remain subdued in the first half of 2019 as developers adopt a cautious approach and focus on their new launches instead. Facing a quiet collective sales market, owners of some en-bloc projects with the potential to be sold have become more measured recently, adjusting their asking prices down. With healthy take-up in new launches, we believe the private residential investment volume and sentiment will pick up towards the middle of 2019.

Snapshot of total residential investment sales

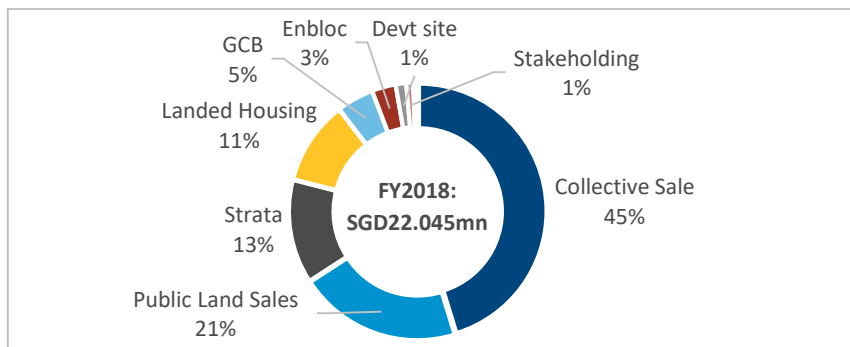


Source: Colliers International, URA REALIS (as of 3 January 2019)

GCBs soared to record level since 2012

In Q4 2018, the Good Class Bungalow (GCB) segment saw volumes decline by 28% qoq and 15% yoy to SGD256 (USD188) million from a total of 12 transactions. This brings the full-year 2018 tally to 42 transactions in GCB Areas worth SGD1.0 (USD0.8) billion, up 16% from 2017. Based on our research, this is the highest level since 2012 when 50 GCBs totalling SGD1.1 (USD0.8) billion were transacted.

Total residential investment sales by type in 2018



Source: Colliers International, URA REALIS (as of 3 January 2019)

HOSPITALITY

Strongest hospitality sales volume in four years

Total hospitality investment sales surged to SGD792 (USD580) million in Q4 2018, up by 445% qoq and 421% yoy. This brings full-year hospitality sales volume for 2018 to SGD1.2 (USD0.9) billion, the highest since 2014.

We notice a few commercial and residential properties were sold collectively in Q4 for redevelopment into hotels. In November 2018, Hotel 81 owner Worldwide Hotels acquired the Golden Wall Centre for SGD276 (USD202) million, or SGD2,331 (USD1,708) per sq foot per plot ratio (psf ppr), and applied to the Urban Redevelopment Authority (URA) for approval to change to hotel use. Similarly, Waterloo Apartment was sold to Fragrance Group in a collective sale for SGD131 (USD96) million, reflecting a price of SGD2,172 (USD1,591) psf ppr, with a plan for redevelopment into a hotel.

The growth momentum in hospitality sector should spill over into 2019. According to [Colliers International's Asia Pacific Hotel Sector 2019](#), Singapore hotels' revenue per available room (RevPAR) should grow at a pace of circa 3.5% yoy in 2019 with tourism arrivals in the region reaching record level amid tightening supply in the next few years. As such, interest for hotel assets should remain healthy and the hospitality sector is poised for further acceleration.

MIXED-USE

Full-year tally more than doubled YOY

Based on Colliers International's research, no mixed-use property or site was transacted in Q4. Nevertheless, the total mixed-use investment sales for the whole year 2018 more than doubled yoy, to reach SGD2.7 (USD1.9) billion. This is the highest level on a yearly basis since 2013, mainly comprising a few very large GLS sites – the commercial and residential sites at Holland Road in Q2, Sengkang Central in Q3, and the white site at Rochester Park in Q1. The concept-and-price tender for Pasir Ris Central, which is another large commercial and residential plot, closed on 14 December 2018 with 3 bids submitted and final award pending.

SHOPHOUSES

Record high on a yearly basis

Based on Colliers International's research, shophouse transactions with a value of SGD5 million and above grew 7% qoq and 23% yoy to SGD212 (USD156) million in Q4 2018. Total shophouse transactions in 2018 hit an all-time high of SGD1.2 (USD0.9) billion, following a rising trend which started in 2015 and indicating strong demand for this class of asset in the aftermath of the cooling measures in the residential sector.

We foresee demand for shophouses to remain consistent in the next three years, especially from boutique investors due to the low capital quantum required. Shophouses, which are hybrids of the residential, commercial and hospitality sectors, are not subject to the recent tax hikes in residential sector and should remain attractive as a safe haven with intrinsic value due to their vintage charm.

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