

A roaring start

Pearl Lok Senior Manager | Research

The Singapore investment market continued its strong momentum as transactions in Q1 2017 totalled SGD6.1 billion, up 128% year on year (YOY). We expect demand for investment grade properties in the commercial sector to remain strong over the rest of 2017, while residential sector should continue to see intense interest from developers for development sites. Singapore remains one of our preferred investment property markets in Asia.

Forecast at a glance



Total Investment Sales

We expect the investment sales market to conclude in the range of SGD28-29 billion (USD20-21 billion) in 2017, up c. 8 - 12% YOY.



Commercial

Commercial sector remains as a bright spot for investors. We expect strong local and foreign interest for prime assets



Residential

We expect more intense competition from developers for suitable sites, while bulk purchase deals will be limited due to the implementation of Additional Conveyance Duty (ACD).



Industrial

We expect REITs to continue reconstituting their existing portfolios and recycle their capital by divesting lower-yielding non-core buildings.

Strong momentum continues

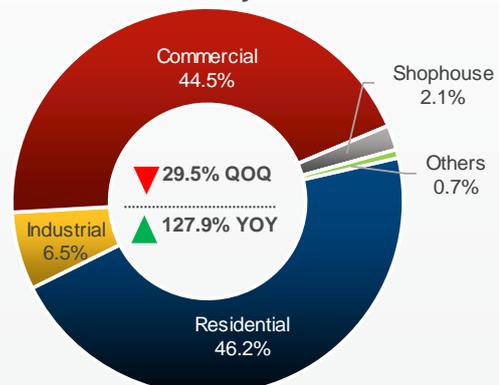
Based on Colliers' data, Q1 2017 investment sales more than doubled from Q1 2016 to SGD6.1 billion (USD4.4 billion). However, compared to the strong Q4 2016, it was a 29.5% sequential decline.

Of this, the commercial sector accounted for 44.5%. This includes prominent deals such as the sale of PwC Building, TripleOne Somerset (70% stake), GSH Plaza and 17 remaining units in Prudential Tower which totalled c.SGD2.5 billion (USD1.8 billion).

Backed by a few private residential bulk purchase deals which rushed to close before the Additional Conveyance Duty (ACD) rules came in on 11 March, and two state land tenders, the residential sector made up 46.2% of the total investment sales or SGD2.8 billion (USD2.0 billion).

Given the brightening economic outlook in Singapore and globally, we expect investment sales in 2017 to conclude at a new high, with the commercial sector continuing to be the bright spot for investors. The implementation of ACD is likely to limit private residential bulk sale deals. However, we expect active land sales, both government and private, as developers replenish their diminishing landbank to capitalise on any recovery in the residential market in the medium term.

Total Investment Sales by Sector: Q1 2017



Notes:

- 1) Information as at 12 April 2017
 - 2) 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.
 - 3) Commercial include office, retail and mixed-use properties of the two uses. Others include properties such as medical centres, HDB shops, petrol stations, etc.
 - 4) Exchange rate as at 31 March 2017 stands at USD1: SGD1.3954.
 - 5) The percentage does not add up due to rounding effect.
- Source: Colliers International Singapore Research

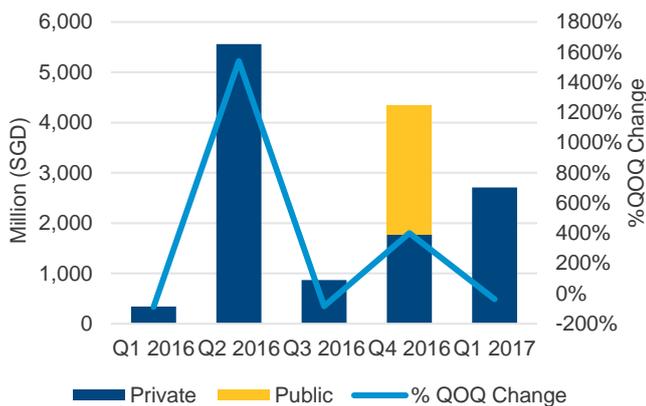
Commercial

Private commercial investment sales up for two consecutive quarters

Commercial investment sales activities reached a respectable SGD2.7 billion (USD1.9 billion) in Q1 2017. This represents an eight-fold YOY increase. However, in the absence of huge Government Land Sales (GLS) such as the Central Boulevard white site in Q4 2016 (SGD2.57 billion), commercial investment sales declined by 37.7% QOQ.

As there were no commercial sites available under the GLS programme, all commercial assets sold during Q1 were from the private sector.

Commercial Investment Sales Value by Type



Source: Colliers International Singapore Research

Private commercial investment sales grew for two consecutive quarters and surged by 52.2% QOQ to SGD2.7 billion (USD1.9 billion) in Q1 2017.

Foreign investors remained keen in acquiring prime assets in Singapore, as evidenced by the different nationalities of buyers for PwC Building (Canada), the remaining office component of GSH Plaza (China), and a 70% stake in TripleOne Somerset (Hong Kong).

Bright spot in commercial sector

We expect robust activity in the commercial investment sales segment to continue for the rest of 2017, especially

1 Asia Square Tower 2 comprises office and hotel components. Westin Singapore, the hotel component was sold to Daisho Group, a Japan-based developer and investor in 2013.

in Q2, with the announcements of the sale of Jurong Point at SGD2.2 billion to Mercatus Co-operative and the sale of Sime Darby Centre to Tuan Sing at SGD356 million in early April 2017. Reports were also made that CapitaLand is in negotiations to acquire the office component in Asia Square Tower 2¹, owned by BlackRock. This deal could be worth up to SGD2.2 billion (USD1.5 billion) i.e. SGD2,800 per sq ft on net lettable area (NLA).

Foreign investors are likely to be potential buyers for prime commercial assets as they look to Singapore as a favourable investment destination.

Major Commercial Transactions in Q1 2017

Property	Price (SGD million)	Price/sq ft (SGD)	Purchaser
Private Investment Sales			
PwC Building	747.0	2,100 on NLA	ManuLife Financial Corporation
GSH Plaza – Office (228,900 sq ft, approx)	663.7	2,900 on strata area	Five Seasons XXII Pte Ltd (Subsidiary of Fullshare Holdings Pte Ltd)
TripleOne Somerset (70%)	880.4	2,200 on NLA	Simply Swift Ltd (Subsidiary of Shun Tak Holdings)

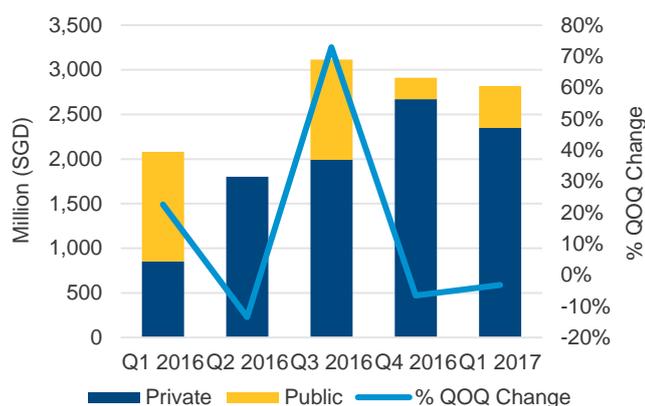
Source: Colliers International Singapore Research

Residential

Investment sales value eased slightly in Q1

Total residential investment sales value eased 3.2% QOQ to SGD2.8 billion (USD2.0 billion) in Q1 2017. Private residential investment sales fell by 12.0% QOQ to SGD2.4 billion (USD1.7 billion) in Q1 2017, partially offset by an increase in the public segment which awarded two residential GLS sites worth SGD466.1 million (USD334.0 million).

Residential Investment Sales Value by Type



Source: Colliers International Singapore Research

Developers expected to bid aggressively for upcoming GLS sites

Two GLS residential sites were awarded in Q1 2017, whereas only one GLS residential site was awarded in Q4 2016. This led to public sector residential investment sales doubling from SGD238.4 million (USD164.8 million) in Q4 2016 to SGD466.1 million (USD334 million) in Q1 2017.

Both residential sites attracted between 9 and 11 bidders, and the bid margins between the winning bid and the second bidder were both below 5%. In particular, the margin for the land parcel at West Coast Vale was a mere 0.7%. These indicate strong competition among the developers for residential land.

Bid Spread of Residential GLS Sites Awarded in Q1 2017

Land Parcel	No. of bidders	% premium over 2nd bidder	% premium above last bidder
Perumal Road*	11	4.4%	91.5%
West Coast Vale	9	0.7%	31.0%

Note: Land parcel at Perumal Road is zoned 'Residential with Commercial at first storey'

Source: Colliers International Singapore Research, URA

2 Sites in Confirmed List are launched for sale at pre-determined dates. Most of these land parcels are sold through tenders.
3 A site on the Reserve List will be put up for sale through application. The site will be put up for tender if 1) a developer's submitted minimum

We expect a buoyant Q2 for public residential sales given at least five GLS sites will close and be awarded. These include sites on the Confirmed List ²⁻

- A site at Toh Tuck Road which attracted 24 bids with a top bid of SGD939 per sq ft per plot ratio (psf ppr) on 11 April
- A site at Tampines Avenue 10 (Parcel C) which attracted nine bids with the highest bid at SGD565 psf ppr on 25 April
- A rare landed housing site at Lorong 1 Realty Park, whose tender will close on 1 June.

In early April 2017, a developer submitted a minimum bid of SGD685.25 million (or SGD718 psf ppr) to Urban Redevelopment Authority (URA) to trigger a site at Stirling Road in the Reserve List³. This is a relatively large site which could house 1,110 units. This site had been on the Reserve list since March 2010 and not been triggered until now. This demonstrated that some developers are now optimistic about the residential market, as the current supply is absorbed by the market. In addition, the strong monthly developer sales since January 2017, pointed to positive sentiment in the residential market. We expect a fairly strong turnout for this tender which will close on 18 June.

We also expect intense competition for the GLS tender of a mixed commercial and residential development site at Upper Serangoon Road, which will close on 13 June. This site is expected to yield an estimated 825 residential units, while up to 15,000 sq m (161,460 sq ft) gross floor area (GFA) will be for shop and restaurant uses and up to 12,427 sq m (133,763 sq ft) for commercial uses. In addition to its prime location next to Woodleigh MRT Station and the proposed Alkaff Lake, the tender conditions included a requirement of integrating a community club and a neighbourhood police centre. The successful developer could enjoy a first-mover advantage for developing the first mixed use development within the new Bidadari estate, providing retail options to the future residential population living nearby.

Private investment sales eased after four quarters of growth

After four consecutive quarters of growth, private residential investment sales declined 12.0% QOQ to

bid is acceptable to the Government; or 2) if the Government receives sufficient market interest for the site i.e. more than one unrelated party has submitted a minimum price that is close to the Government's Reserve Price, within a reasonable period.

SGD2.4 billion (USD1.7 billion) in Q1 2017. One of the most notable residential transactions was the sale of 45 units in The Nassim at SGD411.6 million (or SGD2,300 per sq ft on strata area).

However, some bulk purchase deals were aborted when the government suddenly introduced a new duty known as Additional Conveyance Duty (ACD) to address the differential treatment for indirect transfer of residential properties via an entity with effect from 11 March 2017.

A few bulk purchase deals were reported to have raced to complete before midnight on 11 March. These included Robin Residences, TwentyOne Angullia Park, Lumos and The Line@Tanjong Rhu.

Going forward, we expect this ACD to limit the bulk purchase deals via transfer of shares of a holding company. Developers with unsold units, facing Qualifying Certificate (QC) and Additional Buyer's Stamp Duty (ABSD) remission clawback deadlines will have to re-evaluate their options and probably take the opportunity of healthier housing demand to sell the remaining units individually.

Meanwhile, the residential strata unit sale segment grew 25.2% QOQ to SGD546.1 million (USD391.4 million) in Q1 2017. More private homes over SGD5 million per unit were transacted in Q1 2017, signalling a return of high net worth buyers possibly on improved sentiment, supported by attractive marketing schemes from developers such as deferred payment, ABSD absorption, furnishing vouchers, and discounts.

Landed housing of SGD5 million and above fell for two consecutive quarters. The segment dropped by 24.6% QOQ to SGD315.9 million (USD226.4 million) in Q1 2017.

Good Class Bungalow sales slowed for second consecutive quarter

The total transaction value for GCB market eased by a further 31.5% QOQ to SGD115.7 million (USD82.9 million) in Q1 2017. Only five GCBs were transacted during the quarter, compared to nine in Q4 2016 and 37 for whole of 2016.

With buyers still price-sensitive and selective, the continuing soft landed property price environment is unlikely to attract many owners to put their GCBs for sale. We expect 2017 volumes to remain stable, compared to 2016.

No activity in the collective sale market for Q1

In contrast to Q4 2016, no collective sales were recorded in Q1 2017. Although certain sites were put up for sale by tender, no firm deals were concluded. In view of the intense competition for development sites in the GLS programme, we expect more developers who have depleted their landbank to turn to collective sales. We believe more collective sale sites will be made available and announced over the rest of 2017. Given the potential lengthy negotiation and due diligence process, we foresee more transactions to take place in H2 2017.

Major Residential Transactions in Q1 2017

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
Private Investment Sales			
The Nassim (45 units)	411.6	2,300 on strata area	Kheng Leong Co.
45 Amber Road	156.0	1,063 per plot ratio ²	UOL Group
Government Land Sale Sites			
Perumal Road*	174.1	1,001 per plot ratio	Low Keng Huat (Singapore) Pte Ltd
West Coast Vale	292.0	592 per plot ratio	China Construction (South Pacific) Pte Ltd

Notes:

1) Land parcel at Perumal Road is zoned as "Residential with commercial at first storey".

2) Land price for 45 Amber Road excluded estimated development charge payable, if any.

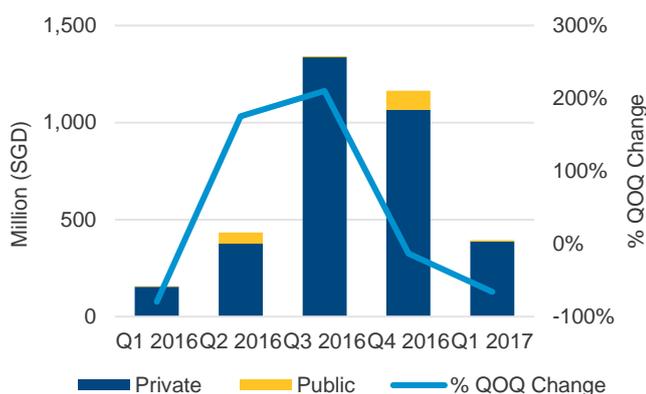
Source: Colliers International Singapore Research, URA

Industrial

Industrial investment sales plummeted in Q1

The total industrial investment sales fell 66.1% QOQ to SGD394.3 million (USD282.6 million) in Q1 2017. Comparing to Q4 2016 which saw two transactions above SGD100 million each in the industrial sector, there was only one transaction of over SGD100 million in Q1.

Industrial Investment Sales Value by Type



Source: Colliers International Singapore Research, JTC

Two land parcels offered under the Industrial Government Land Sale (IGLS) programme were awarded successfully with a combined value of SGD6.3 million (USD4.5 million) in Q1 2017.

The IGLS sites continued to see lukewarm interest from end-users during the quarter. Each site attracted three to four bidders.

Bid Spread of Industrial Government Land Sale Sites in Q1 2017

Land Parcel	No. of bidders	% premium over 2nd bidder	% premium above last bidder
Tuas South Link 3 (Plot 22)	3	7.7%	14.3%
Tampines Industrial Drive (Plot 1)	4	6.7%	31.7%

Source: Colliers International Singapore Research, JTC

However, a 20-year leasehold, Business 2 site in Woodlands Industrial Park E7/E8 with a land area of 8,824.9 sq m (94,990 sq ft) and a maximum allowable GFA of 22,062 sq m (237,473 sq ft) did not receive any bids when the tender closed in February 2017. This could be due to the stringent tender conditions for the site including a list of prohibitive uses that might have limited or deterred interested bidders.

Nonetheless, we expect end-users to bid cautiously for suitable land plots in IGLS as they remain concerned about costs.

Private industrial investment sales grew 152% YOY in Q1 2017

A total of 14 private industrial properties of SGD5 million and over were transacted in Q1 2017, down from 28 properties in the preceding quarter. Hence, the total private investment sales totalled SGD388.0 million (USD278.1 million), a significant 63.6% QOQ drop. This may partly reflect the Chinese New Year period in Q1 that resulted in a delay in acquisition commitments.

The most notable transaction that took place during the quarter was the sale of a cold store logistics facility located at 1 Buroh Lane for SGD193.8 million (USD139.0 million) i.e. SGD300 per sq ft on GFA. Subject to JTC's approval, a fund managed by US-based PGIM Real is buying the property from Warehouse Logistics Net Asia (WLNA) with a sale and leaseback arrangement for 10 years.

However, private industrial investment sales value grew 1.5x on a year on year basis. As business sentiment improved, together with the rapid growth reported by Singapore manufacturing sector since Q4 2016, some industrialists who were waiting at the sidelines could have entered the market to acquire suitable landed industrial properties for their operations.

Major Industrial Transactions in Q1 2017

Property	Price (SGD Million)	Price/sq ft (SGD)	Purchaser
Private Investment Sales			
1 Buroh Lane	193.8	300 on GFA	PGIM Real Estate
5 Tuas View Lane	54.2	232 on GFA	N.A.
7 Tuas South Street 5	23.0	137 on GFA	N.A.
Industrial Government Land Sales			
Tuas South Link 3 (Plot 22)	3.0	34 per plot ratio	Hexacon Construction Pte Ltd
Tampines Industrial Drive (Plot 1)	3.3	42 per plot ratio	Power Partners Pte Ltd

Source: Colliers International Singapore Research, JTC

Recycling by REITs offer opportunities

If the growth of the manufacturing sector is sustainable, we are likely to see more transactions taking place during the year, as industrialists who have been waiting at the sidelines start to acquire facilities for their operating needs.

Meanwhile, we expect REITs to continue reconstituting their existing portfolios and recycle their capital by divesting lower-yielding non-core buildings. These could create acquisition opportunities for industrialists and qualified investors.

Shophouses

A niche asset class

A total of 13 caveats totalling SGD125.7 million (USD 90.1 million) were lodged for shophouses with transaction value of SGD5 million and above in Q1 2017. This is a further decline of 20.9% QOQ but a 166.1% YOY jump.

We anticipate continuing interest in shophouses from investors. With more shophouses being put up for sale in the coming quarters, interested investors could take this opportunity to enhance their portfolios by acquiring suitable shophouses.

Major Shophouse Transactions in Q1 2017

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
Private Investment Sales			
26/26A/26B Temple Street	18.5	2,125 on floor area	Clifton Partners & HK Institutional Investor
97 Amoy Street	12.8	2,400 on floor area	N.A.
8 Stanley Street	12.3	3,015 on floor area	N.A.

Source: Colliers International Singapore Research, URA REALIS

For more information:

Jerome Wright
Director
Capital Markets & Investment Services
jereome.wright@colliers.com

Tricia Song
Head of Research
Research
tricia.song@colliers.com

Anthea To
Head of Consulting
Advisory & Consulting
anthea.to@colliers.com

Colliers International | Singapore

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

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