

Revival of Investment Sales in Q2 2016

Pearl Lok Manager | Research

Singapore investment sales totalled SGD8.57 billion in Q2 2016, due to the stellar performance of the commercial sector. We expect uncertainty arising from Brexit will see capital flowing into property in mature and developed markets like Singapore, which offers 'flight to safety' options.

Investment sales rose sharply in Q2 2016 with total sales value recorded at SGD8.57 billion, 26.2% above the five-year quarterly average of SGD6.80 billion. The commercial sector took the lead in Q2 2016, and accounted for 65.1% of total investment sales value. The quarter was supported by the close of nine significant deals of more than SGD100 million each, with total deal worth close to SGD6.64 billion. This accounted for 77.4% of Q2 2016's total investment sales quantum.

Forecast at a glance



Total Investment Sales for 2016

We expect the investment sales market will continue to perform in H2 2016 and reach SGD18-20 billion.



Commercial

Building on the momentum from this quarter, interest in commercial assets is expected to remain robust.



Residential

Availability of collective sale sites is set to increase and transactions of strata-titled residential units at SGD5 million or more is also expected to pick up.

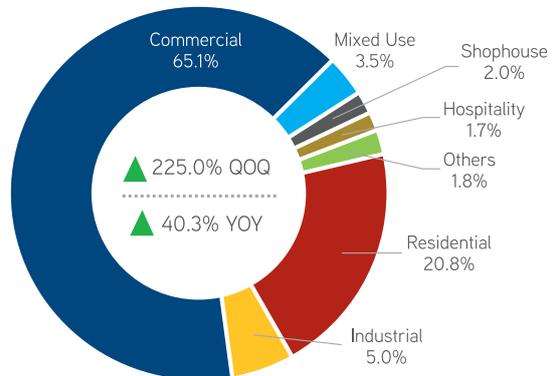


Industrial

Sizeable enbloc transactions will be limited as cautious sentiments continue in the industrial market.

Following the jump in investment sales in Q2 2016, the total investment sales value in H1 2016 amounted to SGD11.21 billion, a 5.6% increase from the same period last year.

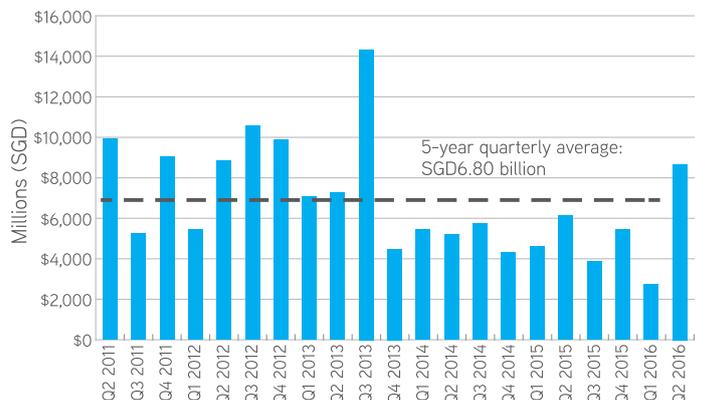
Total Investment Sales Value by Sector: Q2 2016



Note: Information as at 22 July 2016

Source: Colliers International Singapore Research

Total Investment Sales Value



Source: Colliers International Singapore Research

Commercial

Huge commercial investment deals led to a strong outcome

The landmark sale of Asia Square Tower 1 to Qatar Investment Authority (QIA) for SGD3.38 billion (SGD2,626 per sq ft on net lettable area or NLA) lead the market with three other significant office buildings in the private sector. The commercial sector outperformed other property sectors, and saw a total investment value of SGD5.58 billion in Q2 2016. This is the highest transaction value in the commercial sector since Q3 2013.

The sale of Straits Trading Building to MYP Limited, an investment holding company owned by Dr Tahir, an Indonesian tycoon, for SGD560 million (SGD3,520 per sq ft on NLA) is a trophy asset purchase. It is a rare opportunity to acquire a long leasehold (999 years) commercial office building in the heart of Raffles Place.

The other notable transactions were stackholding purchase in nature - Alpha Investment Partners acquired the remaining 50% stake of 78 Shenton Way and CapitaCommercial Trust acquired the remaining 60% stake of CapitaGreen for SGD960.3 million.

Solid demand from institutional investors continued in the commercial sector, where yield-driven investors are selective in acquiring high-yield investment grade assets located in the Central Business District (CBD).

This brought the total commercial investment sales quantum for H1 2016 to SGD5.88 billion, up 20.6% on the same period last year.

Commercial Investment Sales Value by Type of Sale



Note:
(1) All public investment sales include transactions below SGD5 million
Source: Colliers International Singapore Research

Major Commercial Transactions in Q2 2016

Property	Price (SGD Million)	Estimated Price per sq ft (SGD)	Purchaser
Private Investment Sales			
Asia Square Tower 1	3,380.0	2,626	Qatar Investment Authority
Straits Trading Building	560.0	3,520	MYP Limited
CapitaGreen (60% stake)	960.30	2,276	CapitaCommercial Trust
78 Shenton Way (50% stake)	301.50	1,665	Alpha Investment Partners

Note:
(1) Transactions stated above are based on price per sq ft on Net Lettable Area (NLA), unless otherwise stated.

Source: Colliers International Singapore Research

Interest in commercial assets to rise further in H2 2016

The pickup in commercial investment activities during the quarter continued to demonstrate that Singapore remains an investment destination for foreign investors.

While investment funds with expiring lifespans will be selling their assets, prime large-scale and trophy buildings are rare opportunities to come by. We expect the weight of local and foreign capital in chasing these types of opportunities to intensify.

Nevertheless, we envisage the total commercial investment transaction value for H2 2016 may be below that of H1 2016, due to limited sizeable investment opportunities available in the market.

Residential

Decline in total transaction value for Q2 2016 despite growth in private investment sales quantum

Total residential investment sales amounted to SGD1.78 billion in Q2 2016, a 13.6% decline from the preceding quarter.

Including the SGD2.06 billion transacted in the first three months of the year, total residential investment sales amounted to SGD3.85 billion in H1 2016, a marginal 3.7% increase from the SGD3.71 billion during the same period last year.

With the absence of residential site sales from the Government Land Sales (GLS) Programme, Q2 2016's residential sales quantum was contributed entirely by private sector sales.

Specifically, the private investment sales value saw a 113.3% quarter on quarter (QOQ) jump in Q2 2016, largely due to the successful collective sale of Shunfu Ville (SGD638 million) to Chinese developer, Qingjian Realty (South Pacific) Group.

Residential Investment Sales Value by Types of Sale



Note:

- (1) Residential public investment sales include only sites zoned as "Residential" and "Residential with First storey Commercial"
 - (2) All public investment sales include transaction value below SGD5 million
- Source: Colliers International Singapore Research

Returning interest of collective sales

The collective sale of Shunfu Ville (SGD638 million or SGD747 per sq ft per plot ratio) is the third largest successful private Housing and Urban Development Company (HUDC) en bloc sale since 2007. The land price paid by Qingjian Realty for Shunfu Ville is relatively on par with the land prices for two GLS sites that transacted in the vicinity in 2015. The sites at Lorong 6 Toa Payoh and Lorong Lew Lian were sold at SGD755 per sq ft per plot ratio and SGD710 per sq ft per plot ratio respectively last year.

Selected Residential GLS Transactions

Property	Site Area (sq ft)	Plot Ratio	Transacted Price (SGD /Million)	Estimated Price per sq ft per plot ratio (SGD)	Date of Award
Lorong 6 Toa Payoh/ Lorong 4 Toa Payoh	130,831	3.5	345.86	755	Jun 2015
Lorong Lew Lian	150,711	3.0	321.0	710	Nov 2015

Source: URA/HDB/Colliers International Singapore Research

The realistic price expectation of the owners at Shunfu Ville is a key factor for the successful sale. The whole transaction took the owners over three years to complete. After two launch attempts and months of negotiations, the owners were willing to accept an offer lower than their reserve price. However, each owner still received an average of SGD1.78 million, which is close to 50% more than what each unit would have been sold for individually in the market.

The successful sale of Shunfu Ville and the achieved pricing offers "hope" to owners and we expect this could spark a return of interest in collective sales and an increase in the number of collective sale sites available for sale by tender in the next two quarters. However, pricing expectation will remain a material success factor.

In addition to sites available under the GLS Programme, the wider availability of collective sale sites for sale will provide an alternative to developers. That said, developers will still remain cautious and selective, given the potential risk of delays in legal completion and obtaining necessary planning approvals. Their interest will be on sites with strong locational attributes either in prime districts or established residential estates, favoured by potential buyers and investors.

GCB market saw a quiet quarter in Q2 2016

The Good Class Bungalows (GCBs) sales declined by 57.0% QOQ to SGD89.68 million, with only five GCB transactions in Q2 2016. The most notable transaction was the sale of 11 Kingsmead Road at SGD29 million, recording the highest transaction price within the Victoria Park Good Class Bungalow Area (GCBA), since the sale of 20 Victoria Park Road (SGD48 million) in Q4 2011.

Buyers at the sidelines are entering the market gradually in Q2 2016

On the contrary, the rest of the landed housing segment saw a 57.8% QOQ increase in total transaction value to reach SGD374.84 million in Q2 2016, after experiencing declines in the past two consecutive quarters. This could be a result of a pent-up demand from buyers who have waited at the sidelines and entering the market in this quarter, after the government has provided clarity that the cooling measures will remain in place in the short term.

Meanwhile, investment sales activities of strata-titled residential units of SGD5 million and above continued with the growth momentum, albeit at a slower rate from last quarter. The total transaction value increased from SGD389.36 million in Q1 2016 to SGD601.22 million in Q2 2016. The increase was probably led by buyers re-entering the market as well as being attracted by news of some developers offering innovative sale packages for selected projects.

Generally, developers with strong balance sheets and holding power are reluctant to offer drastic price discounts on their unsold units. However, recently, some de-licensed developers have adopted creative financing/deferred payment schemes to attract buyers. The positive momentum for high-end residential properties is likely to persist over the next few months, if developers continue to offer attractive sales packages at affordable prices for their unsold inventory.

Major Residential Transactions in Q2 2016

Property	Price (SGD Million)	Estimated Price per sq ft (SGD)	Purchaser
Private Investment Sales			
Shunfu Ville	638.0	747 per plot ratio	Qingjian Realty
Starlight Suites (23 units)	48.0	1,670	Entity associated to Evia Capital
11 Kingsmead Road	29.0	1,065 on Land Area	Darwin Indigo
Unit at Le Nouvel Ardmore	21.0	4,006	Trihatma Kusuma Haliman
20 Lorong 35 Geylang	20.0	1,666 on Land Area	Tee Land Limited and KSH Holdings Limited

Note:

(1) Transactions stated above are based on price per sq ft on Strata Area, unless otherwise stated. Source:

Source: Colliers International Singapore Research

Industrial

QOQ growth in investment sales value driven by institutional investors

The industrial investment sales segment experienced a rebound from a 55.1% QOQ decline in Q1 2016 to a 175.4% QOQ increase in Q2 2016. The quarter ended with a total investment value of SGD432.91 million.

Demand for both public and private industrial properties saw an overall improvement as investment sales activities picked up during the quarter. However, in comparison to H1 2015 and H2 2015, total investment sales value fell 44.0% and 37.7% respectively to SGD590.09 million in H1 2016. This was largely due to a lower number of transactional activities with deal size of more than SGD50 million each in the first half of 2016.

Private industrial investment sales value grew significantly by 144.3% QOQ to reach SGD376.73 million in Q2 2016. Two notable enbloc transactions were the sale of GMTI Building and Soilbuild Business Space REIT's acquisition of Bukit Batok Connection. Additionally, Sime Darby's plans to monetise some of their assets as a bid to reduce the group's gearing led to the sale of 75% equity stake of two light industrial buildings in Q2 2016 to Blackstone Group. With the current relatively quiet industrial market, these three notable transactions accounted for 57.3% of the total private industrial investment sales for this quarter.

Industrial Investment Sales Value by Types of Sale



Note:

(1) All public investment sales include transaction value below SGD5 million

Source: Colliers International Singapore Research

Tepid interest in IGLS sites mainly from end-users

Public industrial investment sales grew almost 19x to reach SGD56.18 million in Q2 2016, due to a low base in the preceding quarter. A total of six sites were awarded through the Industrial Government Land Sales (IGLS) programme in Q2 2016. Moderate interest were seen in five of the six awarded sites which are on a 20-year lease tenure and primarily for end-users, with an average of three bidders per site.

Meanwhile, a 30-year leasehold site located at Tuas South Link 1 was awarded to the sole bidder – Diamond Land Pte Ltd, at SGD37.5 million (or SGD52 per sq ft per plot ratio). This site is the first 30-year leasehold land parcel in the Tuas South locality, offered through the IGLS programme. The land parcel can be developed into a multiple-user industrial development of up to a maximum Gross Floor Area (GFA) of 716,878 sq ft.

Although this site is one of the three 30-year leasehold tenure sites available in the H1 2016 IGLS programme, muted industrial demand and slow absorption of available industrial units probably explain the weak interest in this site.

Institutional investors will continue to source for yield-accretive industrial assets

The current cautious sentiments of the industrial market is likely to continue in the next two quarters, given that a total estimated supply of close to 25 million sq ft NLA will be ready by the end of 2016. With declining rents and rising vacancies, institutional investors will face more challenging times in searching for yield-accretive industrial assets in Singapore to enhance their portfolios.

Meanwhile, developer-sponsored REITs could consider acquiring high-performing industrial properties from their sponsors as an immediate source, typically for properties which enjoy high occupancies and stable rental income for the next few years.

Nevertheless, transactional activities for large enbloc transactions will be limited in H2 2016.

Major Industrial Transactions in Q2 2016

Property	Price (SGD /Million)	Estimated Price per sq ft (SGD)	Purchaser
Private Investment Sales			
Bukit Batok Connection	96.30	255	Soilbuild Business Space REIT
GMTI Building	42.35	N.A.	N.A.
Public Investment Sales			
Tuas South Link 1 (Plot 1)	37.50	52 per plot ratio	Diamond Land Pte Ltd
Woodlands Sector 2	6.18	30 per plot ratio	Yee Lee Development Pte Ltd

Note:

(1) Transactions stated above are based on price per sq ft on Net Lettable Area (NLA), unless otherwise stated.

Source: Colliers International Singapore Research

Other key transactions

Strong interest in mixed use GLS site

On the public investment sales front, the hotly contested commercial and residential land parcel at Bukit Batok West Avenue 6 attracted 11 bids and was awarded to Qingjian Realty at SGD301.16 million. The successful bid price was 8.3% and 60.2% above the second and last bidders respectively.

The strong interest and competitive tender bids demonstrated developers' appetite for land and their confidence in the Singapore market.

Sale of rare development site was the sole hotel transaction for H1 2016

In Q2 2016, a prime freehold redevelopment site located at Cuscaden Road was sold at SGD145 million (SGD2,145 per sq ft per plot ratio) to Shun Tak Holdings, a Hong Kong listed company owned by the casino tycoon, Stanley Ho. This is their first real estate acquisition in Singapore. The site is zoned as "Hotel" under the Master Plan 2014 with a base plot ratio of 4.2. Although the site can be redeveloped into a residential development, subject to the authorities' approval, it is believed that with the purchaser's

core expertise in the hospitality industry in Macau, they could be developing a hotel on the site as its long-term investment strategy in Singapore. There are also talks that they could be building a residential block to house the extended family.

Such private redevelopment sites are scarce in Singapore and according to Colliers' research, no other private hotel sites were sold for the past two years except for a redevelopment site, formerly known as 700 Beach that was transacted at SGD120 million (or SGD1,553 per sq ft per plot ratio) in Q1 2014. It has since been redeveloped into a 300-room economy hotel and will be operating under the hotel brand of Premier Inn in August 2016.

Total investment sales value of shophouses climbed in Q2 2016

The shophouses investment sales segment enjoyed a significant 171.0% QOQ growth from SGD64.55 million in Q1 2016 to reach SGD174.93 million in Q2 2016. However, the total investment sales value amounted to SGD239.48 million for H1 2016, a 13.3% decrease for the same period last year.

8M Real Estate, a boutique real estate investment company that invests in conservation shophouses, acquired numerous shophouses with a total worth of SGD87.9 million (or half of the overall shophouse investment sales value) during the quarter.

Going forward, shophouses especially those located in the Central Business District (CBD) will continue to appeal to boutique investment funds and investment holding companies such as family offices or ultra high net worth individuals (UHNWIs) with an investment preference for such an asset class.

Major Shophouse Transactions in Q2 2016

Property	Price (SGD /Million)	Price per sq ft (SGD)	Purchaser
Private Investment Sales			
37 Craig Road	6.5	N.A.	8M Real Estate
15 - 23 (Odd nos.) Tanjong Pagar Road	57.4	2,166	
18 Gemmill Lane	11.0	2,511	
71 Neil Road	13.0	1,912	
7/7A/8 Tan Quee Lan Street	23.6	N.A.	N.A.

Note:

(1) Transactions stated above are based on price per sq ft on Gross Floor Area (GFA), unless otherwise stated.

Source: Colliers International Singapore Research

554 offices in 66 countries on 6 continents

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EMEA: **112**

\$2.5

billion in
annual revenue

2

billion square feet
under management

16,000

professionals
and staff

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