

# Accelerating momentum

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**Firm investment demand from investors and developers pushed investment sales up 46% YOY in H1 2017. In particular, we have observed strong foreign, including Chinese, interest in the residential and commercial segments. As underlying trends in these market segments start to show signs of turning, we expect the strong investment demand to continue. Cap rates for commercial assets may still decline further, and we expect land bids in the residential segment to be bullish.**

## Forecast at a glance



### Total Investment Sales

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



### Commercial

Commercial remains one of the major movers in 2017, with more properties put up for sale as investment demand has surged.



### Residential

We expect continued strong bidding interest from local and foreign developers for plum residential sites in the GLS tenders and collective sales.



### Industrial

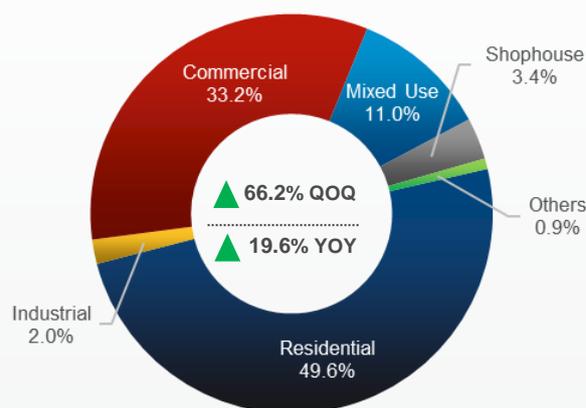
We expect modest activity in the industrial sector as REITs continue to reconstitute their portfolios with selective disposal and acquisition of assets.

## Residential led in Q2

Based on Colliers International's data, total investment sales soared 66.2% QOQ and 19.6% YOY to SGD10.3 billion (USD7.5 billion) in Q2. The residential and commercial sectors made up 49.6% and 33.2% respectively. Residential investment sales value jumped 76.5% QOQ to SGD5.1 billion (USD3.7 billion), as developers bid for several large sites via Government Land Sales (GLS) and Collective Sales. The commercial sector grew 24.8% QOQ to SGD3.4 billion (USD2.5 billion) in Q2, with three major transactions: Jurong Point, 50% stake in One George Street and Sime Darby Centre.

Reflecting the outstanding performance in Q2, the total investment value for H1 2017 expanded 46% YOY to SGD16.4 billion (USD11.9 billion). We note the increasing interest from foreign, including Chinese, developers in the residential land sales in Q2. This is in line with our regional research view that the focus of Chinese property investment overseas should shift gradually from this year onwards from the US to Asia, especially Southeast Asia.

## Total Investment Sales by Sector: Q2 2017

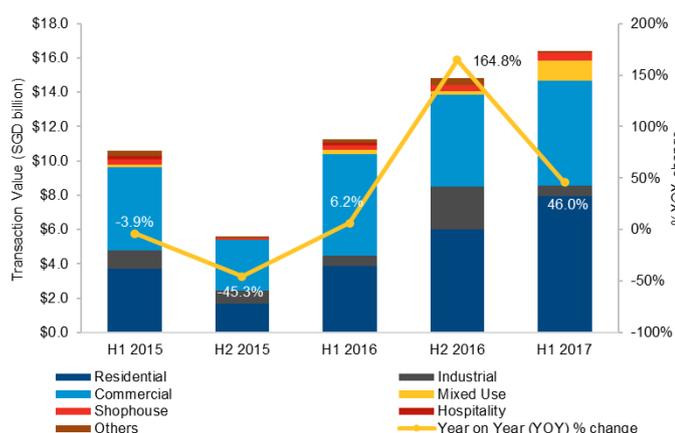


### Notes:

- 1) Information as at 11 July 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 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.
- 4) Exchange rate as at 30 June 2017 stands at USD1: SGD1.38.
- 5) The percentage does not add up due to rounding effect.

Source: Colliers International Singapore Research

## Snapshot of Total Investment Sales



Source: Colliers International Singapore Research

# Commercial

## Private commercial investment sales on a rise

The total commercial investment sales value comprising only private transactions grew for the third consecutive quarter, rising by 24.8% QOQ to reach SGD3.4 billion (USD2.5 billion) in Q2 2017.

As of H1 2017, the commercial investment sales totalled SGD6.1 billion (USD4.4 billion), up by 3.9% YOY, reflecting investors' continued strong interest in commercial properties.

### Commercial Investment Sales Value by Type



Source: Colliers International Singapore Research

In Q2, the highly-anticipated sale of Jurong Point, Singapore's largest suburban mall, was closed at about SGD2.2 billion (or SGD3,342 per sq ft on net lettable area (NLA)). The buyer was Mercatus Co-operative Limited, a real estate subsidiary of NTUC Enterprises. This major transaction contributed 65% of the total commercial investment value in the quarter.

Additionally, CapitaCommercial Trust (CCT) entered into a 50:50 limited liability partnership with a special purpose vehicle (SPV) owned by FWD Group, a Hong Kong Insurer group, to acquire One George Street, a Grade A office building which was owned by CCT. The implied transaction value of the 50% stake was at about SGD591.6 million (or SGD2,650 psf on NLA).

## Major Commercial Transactions in Q2 2017

Property	Price (SGD million)	Price/sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
Jurong Point	2,199.3	3,342 on NLA	Mercatus Co-operative
One George Street (50%)	591.6	2,650 on NLA	OGS (II) Ltd (FWD Group)
Sime Darby Centre	365.0	1,801 on NLA	Tuan Sing Holdings

Source: Colliers International Singapore Research

## Beach Road site triggered for sale

As a sign of bullish sentiment for prime office assets, a prime commercial site at Beach Road under the H1 2017's Government Land Sales (GLS) Reserve List<sup>1</sup> was triggered for tender after an unnamed developer agreed to bid at least SGD1.138 billion (USD0.8 billion) or SGD1,196 per sq ft per plot ratio (psf ppr) for it.

This site had been on the Reserve list since November 2014 and was triggered seven months after the landmark sale of a white site at Central Boulevard in Q4 2016. The site adjacent to the mixed South Beach development includes an old police station that is to be conserved. The Beach Road plot will have a maximum permissible gross floor area of 950,592 sq ft. At least 70% - or 665,424 sq ft - must be used for offices, with a maximum of 32,292 sq ft for retail space.

We expect competitive bids from both local and foreign developers with the top bid within the range of SGD1.2 - SGD1.25 billion (or SGD1,262- SGD1,315 psf ppr). The tender closes on 28 September.

## Strong sales expected in H2

We expect the strong investment momentum in the commercial property sector to continue into H2. Chevron

<sup>1</sup> 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 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.

House, a prime office and retail development in Raffles Place which was put up for sale in Q3 and could fetch a price of about SGD700 million (USD507 million), is one of the potential deals that could conclude in H2 2017.

## Mixed use plot awarded at a narrow bidding margin

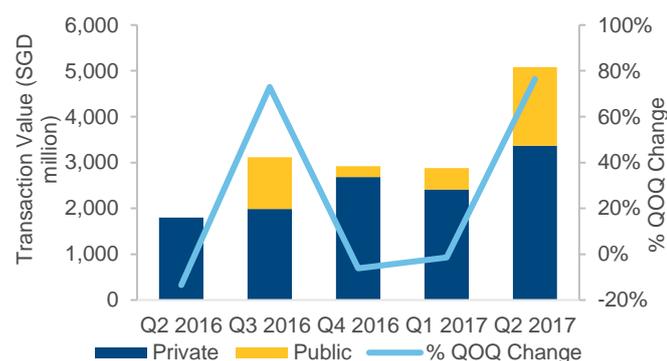
The first GLS commercial and residential site at the new Bidadari area drew 12 bidders and was awarded at SGD1.132 billion (USD0.8 billion), or SGD1,181 psf ppr. The joint venture between SPH and Kajima Overseas won the tender with a narrow margin of 1.3% above the second bidder. The new site is estimated to yield 875 homes and a maximum of 15,000 sq m for shop and restaurant uses. We consider this a bullish bid as it was about 50% higher than the SGD775 (USD554) psf ppr that MCC Land paid in August 2014 for The Poiz Residences and The Poiz Centre site nearby.

# Residential

## Substantial jump in total value

The residential investment sales market surged 75.6% QOQ and 182.4% YOY to SGD5.1 billion (USD3.7 billion) in Q2. Private residential segment made up 66.3% of the total value, while the rest was from state land tenders. Including deals from Q1, the sector more than doubled from SGD3.9 billion in H1 2016 to SGD8 billion (USD5.8 billion) in H1 2017.

### Residential Investment Sales Value by Type



Source: Colliers International Singapore Research, URA

## Foreign developers outbid local ones at public land tenders

The public investment sales segment totalled SGD1.7 billion (USD1.2 billion) with the award of four residential GLS sites in Q2. This represents a three-fold increase from Q1's SGD466.1 million, as more sites were awarded in Q2.

Notably, three out of the four sites were awarded to foreign developers, which included a newcomer entering the Singapore residential scene. Logan Property, a Hong Kong-listed Chinese developer, partnered with Nanshan Group, another Chinese developer with some properties in Singapore, to submit the winning bid of SGD1.0 billion (USD0.7 billion) for a large site at Stirling Road. The Lorong 1 Realty Park site was awarded to Fantasia Holding Group, another Chinese developer.

The land parcel at Toh Tuck Road surprised many, by drawing 24 bids, the highest number of bids received for a private residential non-landed site. It was awarded to S P Setia International (S) Pte Ltd, a Malaysian developer, at a narrow 1.9% margin for SGD265 million (SGD939 psf ppr).

The trend of heightened interest from foreign developers for GLS sites in Singapore, has led to more intense competition among the developers and higher land costs. This also reflects developers' optimistic outlook for the next 9-18 months when these sites will be ready for launch.

### Bid Spread of Residential GLS Sites Awarded in Q2 2017

Land Parcel	No. of bidders	% premium over 2nd bidder	% premium above last bidder
Toh Tuck Road	24	1.9%	68.5%
Tampines Avenue 10 (Parcel C)	9	5.7%	33.0%
Stirling Road	13	8.3%	40.5%
Lorong 1 Realty Park	11	22.2%	153.7%

Note: Land parcel at Lorong 1 Realty Park is allowed for landed housing

Source: Colliers International Singapore Research, URA

The H2 2017 GLS programme released in June, offers four and nine residential sites on the Confirmed List<sup>2</sup> and Reserve List respectively. The Confirmed List could yield 2,840 private homes and would be made available for tender from July to December 2017. The Reserve List could yield 5,285 private homes.

For the Reserve List, we have identified the following new sites that could draw keen interest from developers:

- **Mattar Road:** Within the Central Region and close to the upcoming Mattar MRT Station. Though it is situated close to the industrial cluster, it provides an existing rental catchment area. Additionally, condominium supply in the locality is limited, which

<sup>2</sup> Sites in Confirmed List are launched for sale at pre-determined dates. Most of these land parcels are sold through tenders.

could provide first-mover advantage for the successful developer.

- Cuscaden Road: It is a rare offering in District 10 that offers developers a speedier alternative to collective sales for luxury developments.

## Robust activities in the private residential market

The private residential segment totalled SGD3.4 billion (USD2.5 billion), up 39.5% QOQ and 87.2% YOY in Q2. Private redevelopment sites, comprising collective sales and single-seller redevelopment sites accounted for 48.6% of the total value.

Quarterly expansions were seen across strata unit sales worth SGD5 million or above (+29.8% QOQ), landed housing (+69.7% QOQ) and Good Class Bungalows (GCBs) (+200.8% QOQ) in Q2. This could be due to buyers riding on the positive sentiment of the residential market to enter the market and as prices have also moderated from the previous peak in Q3 2013. Based on URA's private residential property index in Q2, prices for non-landed and landed housing have come off 10.2% and 16.0% respectively from the peak in Q3 2013.

Consequently, the overall private residential segment aggregate sales value increased 118.0% YOY to SGD5.8 billion (USD4.2 billion) in H1 2017.

## GCB market rebounded in Q2

The GCB market rebounded and tripled QOQ from SGD115.7 million in Q1 to a total sum of SGD348.2 million (USD252.3 million) in Q2 2017. A total of 17 GCBs were transacted. The average price on land area is 22.8% QOQ higher in Q2, which may be attributed to the fact that more transactions of smaller GCB plots (i.e. less than 1,400 sq m) took place during Q2 than in Q1. In Q2, nine such GCBs were recorded, as compared to two in Q1.

Together with a lacklustre Q1, a total of 22 GCBs were transacted at an aggregate value of SGD463.9 million (USD336.2 million), a 55.5% YOY growth in H1 2017.

We expect transaction volume and prices for GCBs to remain stable for 2017 compared to 2016.

## Average prices and number of GCB transactions



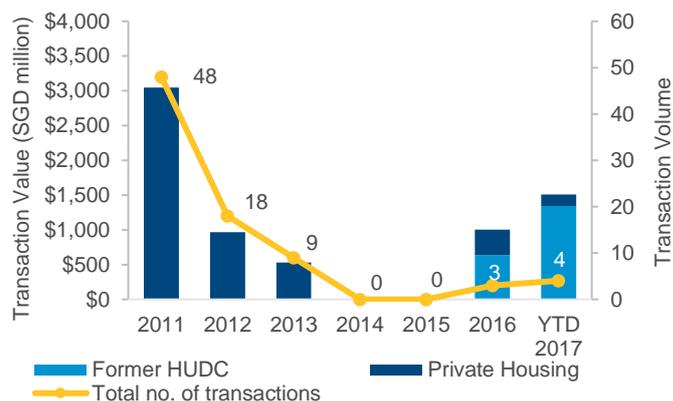
Note: Good Class Bungalows are detached houses including those with land areas smaller than 1,400 sq m (15,070 sq ft) that are located within the 39 Good Class Bungalow Areas.

Source: Colliers International Singapore Research, URA REALIS (11 July 2017)

## Surge in demand for private residential sites

The residential collective sale market surged from a zero-activity quarter in Q1 to conclude with the sale of four residential sites within a month in May 2017 at an aggregate of SGD1.5 billion (USD1.1 billion). This is the highest transactional value for the past five years for residential collective sale sites. Of these sites, Eunoville and Casa Rio were said to have sold for above sellers' asking prices.

## Residential Collective Sales Market since 2011



Notes:

- 1) Private housing includes landed and non-landed housing
- 2) Included sites that are zoned "Residential" and "Residential with commercial at first storey" only
- 3) Does not include en-bloc sales of sites by single sellers
- 4) Data as of 11 July 2017

Source: Colliers International Singapore Research

In addition, three residential sites at Draycott Park, Hillview and Upper East Coast Road were sold by single-sellers in Q2, with reported plans to redevelop the sites into new residential projects. These properties,

worth a total of SGD130.3 million (USD94.4 million), are in established residential enclaves, traditionally favoured by investors. The sites are slated for low to mid-density developments, which appeal to small to mid-sized developers, as capital outlays and holding costs tend to be lower.

## More collective sales in H2

We project that the residential investment sales market will continue to heat up and will probably perform better in H2 2017. We expect both local and foreign developers to participate actively in the GLS. In addition, we estimate more than 30 collective sales processes are under way and more deals could be concluded in H2 2017.

### Major Residential Transactions in Q2 2017

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
Eunosville	765.8	910 ppr	MCL Land Limited
Rio Casa	575.0	706 ppr	Oxley-Lian Beng Venture Pte Ltd
Goh & Goh Building	101.5	1,258 ppr	Alika Properties Pte Ltd
1 Draycott Park	72.0	1,787 ppr	Champsworth Development
One Tree Hill	65.0	1,664 on land area	Lum Chang Group

### Government Land Sale Sites

Stirling Road	1,002.8	1,051 ppr	Logan Property (Singapore) Company Pte Ltd & Nanshan Group Singapore Co. Pte Ltd
Tampines Avenue 10 (Parcel C)	370.1	565 ppr	Bellevue Properties Pte Ltd
Toh Tuck Road	265.0	939 ppr	SP Setia International (S) Pte Ltd
Lorong 1 Realty Park	75.8	526 on land area	Fantasia Investment (Singapore) Pte Ltd, Sun Renwang & Yang Xinping

Notes:

- 1) Development site at Lorong 1 Realty Park is zoned for three-storey landed housing
- 2) Goh & Goh Building's site is zoned as "Residential with commercial at 1st storey"
- 3) One Tree Hill Garden's site is zoned as "two-storey semi-detached"

Source: Colliers International Singapore Research, URA

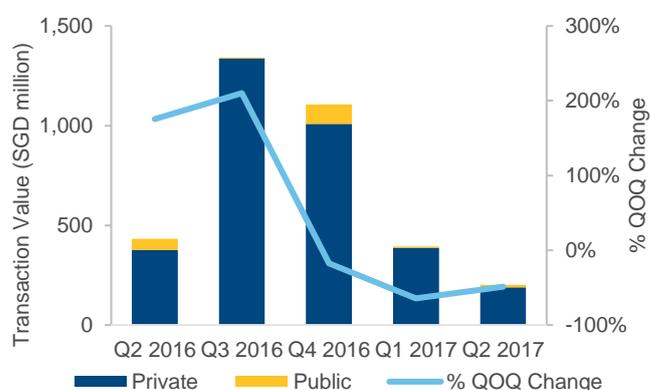
# Industrial

## Third straight quarter of decline

The total industrial investment sales declined for the third consecutive quarter, falling 48.8% QOQ to SGD201.8 million (USD146.2 million) in Q2 2017. On a YOY basis, sales dipped 53.4%.

Including Q1, the industrial investment sales segment for H1 2017 was flat at SGD596.1 million (US432 million). Three land parcels offered under the Industrial Government Land Sale (IGLS) programme were awarded successfully with a combined value of SGD12.1 million (USD8.8 million) in Q2 2017.

### Industrial Investment Sales Value by Type



Source: Colliers International Singapore Research, JTC

Tepid interest for IGLS sites continued with each site drawing three to five bidders. The wide bidding margins also indicated bidders' differing opinions of the market.

### Bid Spread of Industrial Government Land Sale Sites in Q2 2017

Land Parcel	No. of bidders	% premium over 2nd bidder	% premium above last bidder
Tuas South Link 3 (Plot 17)	3	34.0%	-
Tuas South Link 3 (Plot 15)	5	10.7%	115.2%
Tampines North Drive 3 (Plot 3)	3	97.8%	248.5%

Source: Colliers International Singapore Research, JTC

## Continued disposal by REITs

The total private industrial investment sales value fell 51.1% QOQ to SGD189.8 million (USD137.5 million), despite an increase in the number of properties sold from 14 to 20 sold in Q2. This is due to the absence of large private deals worth SGD100 million or more. This

brought the total to SGD577.7 million (USD418.6 million) for H1 2017, up by 8.8% from H1 2016.

During the quarter, some industrial REITs divested their non-core assets to end-users. For example, Mapletree Industrial Trust divested 65 Tech Park Crescent for SGD17.7 million. Ascendas REIT divested 10 Woodlands Link for SGD19.3 million. We view this as one of the viable avenues for industrialists to source suitable industrial properties for their own operations.

Based on Colliers International's research, most industrial properties transacted during the quarter were those with remaining tenures of more than 20 years. We believe this allows the industrialists longer term business and financial planning for their operations.

### Major Industrial Transactions in Q2 2017

Property	Price (SGD Million)	Price/sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
Super Continental Building	20.0	155 on GFA	N.A.
10 Woodlands Link	19.3	155 on GFA	Sengkang Import & Export Pte Ltd
65 Tech Park Crescent	17.7	165 on GFA	Concrete Innovators Co Pte Ltd
<b>Industrial Government Land Sales</b>			
Tuas South Link 3 (Plot 17)	2.35	32 ppr	Goh Sin Guan Huat Pte Ltd
Tuas South Link 3 (Plot 15)	2.71	36 ppr	Soilbuild Construction Group Ltd
Tampines North Drive 3 (Plot 3)	7.0	45 ppr	BHCC Construction Pte Ltd

Source: Colliers International Singapore Research, JTC

# Shophouses

## Renewed interest in shophouses

Based on URA Realis as of 11 July 2017, 20 caveats totalling SGD345 million (USD250 million) were lodged for shophouses with transaction value of SGD5 million and above in Q2 2017. This is a jump of 174.4%, reversing two consecutive quarters of declines. Including Q1, the total amount for H1 2017 of SGD470.7 million (USD341.1 million) is more than doubled H1 2016's SGD222.2 million.

8M Real Estate, a boutique fund reportedly bought a few adjoining shophouses to enhance their investment portfolio in Q2. The fund bought The Club Hotel, at Ann Siang Road and Naumi Loria, at Keong Saik Road for SGD52 million and SGD75.5 million, respectively.

We envisage more transactions in the near term as more sellers put up their shophouses for sale to ride on the recent investment buzz. On the current run rate, we expect the total transactions for shophouses of SGD5 million or more in value to surpass FY2016's value of SGD569.4 million (USD412.6 million).

### Major Shophouse Transactions in Q2 2017

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
The Club Hotel	52.0	2,167 on GFA	8M Real Estate
29/31 Tanjong Pagar Road	21.8	2,400 on GFA	Institutional buyer
Naumi Loria	75.5	2,800 on GFA	8M Real Estate

Source: Colliers International Singapore Research, URA REALIS (11 July 2017)

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