

## Investment sales transactions dwindle in size

Pearl Lok Manager | Research

Singapore investment sales totalled SGD5.90 billion in Q3 2016, with star performers in residential and industrial sectors. We expect the commercial sector to re-dominate in Q4 with a few highly anticipated closings at the Central Boulevard government land tender and 77 Robinson Road. The year is likely to conclude above the total investment value of SGD20.10 billion in 2015.

### Forecast at a glance



#### Total Investment Sales for 2016

We expect the investment sales market to conclude in the range of SGD21-23 billion as real estate continues to be attractive in a low growth and low yield environment



#### Commercial

Commercial will set the record for 2016 in terms of both size and value with Asia Square and Straits Trading Building in Q2. The keenly watched GLS tender site at Central Boulevard and private sale of 77 Robinson Road in Q4 will weigh in for a commercial dominance



#### Residential

Transaction value is likely to fall in Q4 2016 with only one GLS site in the Confirmed List to be awarded



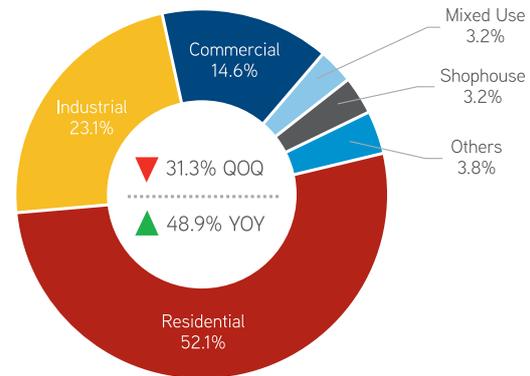
#### Industrial

Industrial investment sales for Q4 2016 are likely to decline with the potential slowdown of sales activities

After an outstanding performance in Q2 2016 led by the SGD3.38 billion Asia Square Tower 1 transaction, the investment sales market fell 31.3% quarter on quarter (QOQ) to SGD5.90 billion in Q3 2016. This is 12.0% below the five-year quarterly average of SGD6.71 billion.

Nonetheless, the investment sales market enjoyed its second consecutive year-on-year (YOY) increase (up 48.9%), indicating a pick-up in Singapore investment sales activities in 2016. This brings year to date (YTD) 2016 investment sales to SGD17.12 billion, 17.4% above the same period in 2015. We expect the transaction value for the whole of 2016 to be in the range of SGD 21 to 23 billion, above the total investment sales value of SGD20.10 billion in 2015. Q3 was supported by seven significant deals of more than SGD100 million which totalled SGD3.63 billion or 61.6% of total investment sales.

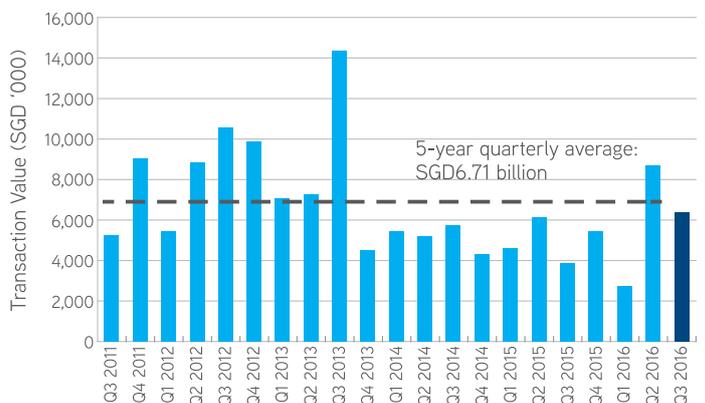
#### Total Investment Sales by Sector: Q3 2016



Note: Information as at 18 October 2016

Source: Colliers International Singapore Research

#### Total Investment Sales Value



Source: Colliers International Singapore Research

# Commercial

## Commercial investment sales decline as transaction size dwindles in Q3 2016

The overall commercial investment sales sector plunged 84.6% QOQ to SGD861.1 million in Q3 2016, after a bumper Q2 with huge transactions of Asia Square Tower 1, CapitaGreen and Straits Trading Building.

Nonetheless, the YTD commercial investment sales is at SGD6.74 billion, reflecting an 11.7% to increase above the same period last year. The transaction of Asia Square Tower 1 for SGD3.38 billion in Q2 2016 accounted for slightly more than half of this transaction value.

### Commercial Investment Sales Value by Type of Sale



Source: Colliers International Singapore Research

The commercial sector continued to attract non-institutional investors with smaller investment appetites in the quarter, with acquisitions such as a 60% stake in DB2Land Building and seven ground floor retail units at Holland Road Shopping Centre.

After acquiring Straits Trading Building in the preceding quarter for SGD560 million (SGD3,520 per sq ft on Net Lettable Area (NLA)), the Indonesian businessman, Mr Tahir bought 110 Robinson Road, a freehold office building at SGD45.1 million (SGD3,169 per sq ft on NLA) in Q3 2016. Economic uncertainty and low interest rate environment will continue to drive such investors' interest in freehold or long leasehold office assets located in Central Business District (CBD).

### Major Commercial Transactions in Q3 2016

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
Mapletree Business City (Office)	571.9	1,360 on NLA	Mapletree Commercial Trust
110 Robinson Road	45.1	3,169 on NLA	Mayapada Group
DB2Land Building (60% stake)	84.0	1,221 on GFA	Ze Qi Investment Holdings Pte Ltd & Heng Bo International Investments Pte Ltd
7 ground floor retail units in Holland Road Shopping Centre	61.0	4,976 on Strata Area	Loi Keong Kuong

Note:

(1) Mapletree Business City (Phase 1) comprises three business park blocks and one office tower. The total purchase consideration is SGD1.78 billion.

Source: Colliers International Singapore Research

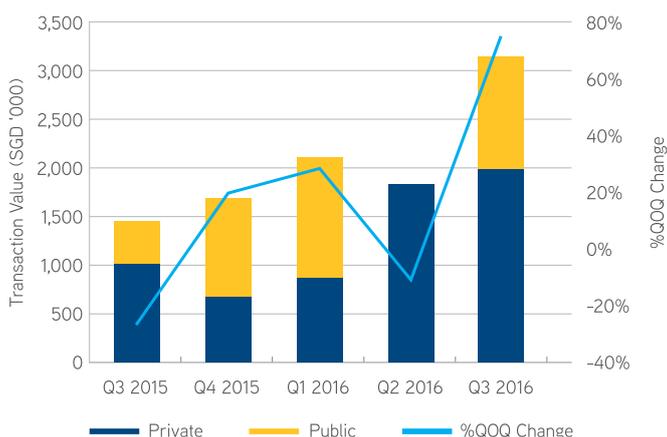
The commercial investment sales sector will drive the uptick for a positive conclusion in Q4 2016. The Central Boulevard site is already underwritten by a developer who has committed to bid SGD1.536 billion or SGD1,010 per sq ft per plot ratio. There are also a few private commercial assets currently undergoing negotiations including 77 Robinson Road and Capital Square.

# Residential

## Strong interest from developers at Government Land Sales (GLS)

Total residential investment sales value increased significantly to SGD3.07 billion in Q3 2016, an increase of 71.5% QOQ and 108.9% YOY respectively. Three residential Government Land Sales (GLS) sites totalling SGD1.12 billion were sold, representing 36.6% of total residential investment sales sector in Q3 2016, while the private residential sector sales saw an 8.8% QOQ increase to SGD1.95 billion.

## Residential Investment Sales Value by Types of Sale



Source: Colliers International Singapore Research

## Keen interest from developers for GLS sites

Three residential GLS sites on the Confirmed List were awarded during the quarter. All three land parcels were hotly contested, attracting 13-16 bids each, with top bids at the upper range of expectations. The two sites at North East suburban part of Singapore - Anchorvale Lane and Fernvale Road attracted 16 and 14 bids respectively, with both bid differences between the top and last bidders at less than 40% margin. The strong interest of developers for development sites, as well as confidence in the local residential market were further demonstrated with narrow bidding margins between the top and second bidder for each tender exercise. For instance, the differences between top and second bids for the Anchorvale Lane and Fernvale Road were at 2.5% and 0.01% respectively.

The most interesting of the three sites was the Core Central Region (CCR) residential site located at Martin Place. This prime site attracted 13 bids, and was sold at SGD595.1 million, or SGD1,239 per sq ft per plot ratio to GuocoLand Limited. The winning bid is a record for a pure GLS residential site, exceeding the SGD1,163 per sq ft per plot ratio for the Highline Residences site in April 2013 and the SGD1,157 per sq ft per plot ratio for the Sophia Hills plot in September 2013.

### Bid Spreads of Residential Government Land Sale Sites in Q3 2016

Land Parcel	No. of bidders	% premium above 2nd bidder	% premium above last bidder
Martin Place	13	1.2%	47.7%
Anchorvale Lane (EC)	16	2.5%	36.9%
Fernvale Road	14	0.01%	28.6%

Note: EC: Executive Condominium

Source: Colliers International Singapore Research

## Increased activities in GCB market after a quiet Q2 2016

The Good Class Bungalows (GCBs) market stood out after a quiet Q2 2016 with 12 GCBs transacted in Q3 2016 at a total transaction value of SGD288.6 million, or 3.2x the preceding quarter's value of SGD89.7 million.

Including the 14 GCBs transacted in H1 2016, 26 GCBs with a total investment value of SGD586.9 million were sold in the first three quarters of 2016. It is 57.1% higher in value and 2x that of the 13 GCBs comparing to the same period in 2015.

According to Colliers International's research, the average price of GCBs has come off 23.9% YOY from a high of SGD1,614 per sq ft on land area in Q2 2015 to SGD1,228 per sq ft on land area in Q2 2016. As at Q3 2016, the average price increased slightly by 2.1% QOQ to SGD1,254 per sq ft on land area.

GCBs will remain a favoured asset for the well-heeled individuals. We expect activities to continue in the next quarter with more potential buyers looking into the GCB market for good buys or to upgrade their existing properties.

### Average transaction price of GCBs: Q3 2011 - Q3 2016



Source: Colliers International Singapore Research

One of the notable transactions for Q3 2016 was the sale of 50% stake in Nouvel 18 from Wing Tai Holdings Limited to its joint venture partner, City Developments Limited (CDL) at SGD410.96 million (or SGD2,341 per sq ft on strata area). Meanwhile, Wing Tai Holdings still owns 100% stake in 43-unit Le Nouvel Ardmore, a freehold project located next to Nouvel 18.

In the same prime District 10, Heeton Holdings, the developer of the 30-unit iLiv@Grange, sold the project at SGD95 million (or SGD1,624 per sq ft on strata area) to a group of Singaporean private investors, after a year of sourcing for suitable buyers. With this sale, the developer will be able to avoid paying 16% of the land purchase price (or approximately SGD11.65 million) for the second Qualifying Certificate (QC) extension of the sale deadline that is due in October 2016.

## Transaction value of strata-titled residential units fell in Q3 2016

Total investment sales of residential units with transaction prices of SGD5 million and above dipped 22.9% QOQ to SGD466.2 million in Q3 2016. According to Realis information as of 18 October 2016, total caveats lodged fell from 87 to 64 in Q3 2016. Ardmore Three saw the highest drop in caveats lodged from 35 in Q2 2016 to eight in Q3 2016. The slowdown in take-up could be due to the absorption of initial demand after the introduction of discount package in the earlier quarter. Another contributing factor could be the competition from other developments, which are offering creative financing schemes to attract potential buyers. On the other hand, Gramercy Park sold nine units in Q3 2016, a slight increase from the five units sold in the preceding quarter.

## Landed housing segment continued to climb in Q3 2016

The landed housing segment continued to climb, albeit at a slower growth rate from 60.0% QOQ in Q2 2016 to 30.0% QOQ to reach SGD494.3 billion in Q3 2016. The most notable transaction was the sale of a bungalow located at 181 Ocean Drive in Sentosa Cove at SGD28 million (SGD2,923 per sq ft on land area). The price is a record high for landed housing transactions that has taken place in the locality within the first three quarters of 2016. However, it is short of the highest record price set by the sale of 73 Ocean Drive at SGD32.5 million (SGD3,214 per sq ft on land area) in October 2012.

## Collective sale market saw one transaction at SGD33.25 million

We have started to see a revival in the residential collective sales market. After the SGD638 million Shunfu Ville collective sale, Harbour View Gardens was sold at SGD33.25 million (or SGD766 per sq ft per plot ratio) in Q3 2016. With the sale of Raintree Gardens at SGD334.2 million (or SGD797 per sq ft per plot ratio) in Q4 2016, the collective sale market is set to cross SGD1 billion by end of 2016.

## Major Residential Transactions in Q3 2016

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
Nouvel 18 (50% stake)	410.96	2,341 on Strata Area	City Developments Limited
iLiv@Grange	95.0	1,624 on Strata Area	Chew Gek Khim, Choo Chee Onn, Michael Tan and Diana Goh
28 Nassim Road	56.58	1,652 on Land Area	OUE Reef Development
2 Queen Astrid Park	44.5	1,271 on Land Area	Family of Goh Hup Jin
Harbour View Gardens	33.25	766 per plot ratio	Roxy-Pacific Holdings
<b>Government Land Sale Sites</b>			
Land parcel at Martin Place	595.1	1,239 per plot ratio	GuocoLand Limited
Anchorvale Lane (Executive Condominium)	240.95	355 per plot ratio	Hoi Hup Realty Pte Ltd & Sunway Developments Pte Ltd
Land parcel at Fernvale Road	287.1	517 per plot ratio	Sing Development (Pte) Ltd & Wee Hur Development Pte Ltd

Source: Colliers International Singapore Research

## Industrial

### Industrial investment sales value crossed SGD1 billion mark in Q3

The total industrial investment sales more than tripled QOQ to hit a high of SGD1.36 billion in Q3 2016. This was the first quarter that the total value crosses the SGD1 billion mark, since Q4 2014's quantum of SGD1.41 billion.

The first three quarters of 2016 amounted to SGD1.95 billion, 18.1% above the total transaction value during the same period last year.

## Industrial Investment Sales Value by Types of Sale



Source: Colliers International Singapore Research

Two Industrial Government Land Sale (IGLS) sites suitable for end-users were awarded in Q3 2016. The sites attracted 5 bids each, with wide bid spreads of more than 85%. However, the margin narrowed as unsuccessful bidders for Tuas South Link 2 (Plot 7) bid more aggressively for the second plot- Tuas South Link 2 (Plot 8). We also note that three bidders in the construction business made unsuccessful bids for both sites.

Both plots attracted more bidders as compared to Plots 5 and 9 along Tuas South Link 2, which attracted less than four bidders each and sold earlier this year. This could indicate that there is an increased demand for IGLS sites in the locality, catering to end-users.

### Bid Spreads of Industrial Government Land Sale Sites in Q3 2016

Land Parcel	No. of bidders	% premium above 2nd bidder	% premium above last bidder
Tuas South Link 2 (Plot 7)	13	8.6%	168.0%
Tuas South Link 2 (Plot 8)	16	0.3%	85.8%

Source: Colliers International Singapore Research

## Sale of Mapletree Business City was the largest investment sales transaction for Q3 2016

Mapletree Commercial Trust's (MCT's) acquisition of the Mapletree Business City (Phase 1) (MBC) at a consideration price of SGD1.78 billion (or average price of SGD1,042 sq ft on NLA) was the largest investment sales transaction for Q3 2016. MBC comprises three blocks of business park blocks and an office tower. The business park component was valued at SGD1.208 billion (or SGD938 psf on NLA). This amount attributed to 88.7% of the total industrial investment sales for Q3 2016.

## Industrial investment sales projected to decline in Q4 2016

If MBC is excluded, private industrial investment sales dipped by 60.8% QOQ to SGD147.8 million in Q3 2016, comprising predominantly transactions of landed industrial facilities for end-users.

According to Colliers International's research, sales of such properties with value of SGD5 million and above, fell by 52.0% QOQ to SGD136.8 million in Q3 2016. This could be due to the cautious future economic and business outlook undertaken by the industrialists, resulting in an extended decision time-frame. Hence, we anticipate a slowdown in sale activities for such industrial facilities in Q4 2016, as industrialists continue to be watchful of the business sentiments.

Despite the proposed acquisition of a 90% stake in Keppel DC Singapore 3 (data centre) by Keppel REIT in Q4 2016 for SGD202.5 million, we expect total investment sales value for the industrial sector to decline in Q4 2016 QOQ, due to the likely absence of transaction deals as large as MBC in Q4 2016.

### Major Industrial Transactions in Q2 2016

Property	Price (SGD /Million)	Price per sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
Mapletree Business City (Business Park)	1,208.1	938 on NLA	Mapletree Commercial Trust
118 Pioneer Road	26.03	61 on GFA	Radha Exports
53 Ubi Avenue 3	19.28	148 on GFA	Travelite Holdings Pte Ltd
62 Burn Road	16.1	679 on GFA	Singapore Shenguan Pte Ltd
75 Tuas South Street 5	16.0	322 on GFA	N.A.
<b>Industrial Government Land Sales</b>			
Tuas South Link 2 (Plot 7)	2.68	33 per plot ratio	SE Global Group Pte Ltd
Tuas South Link 2 (Plot 8)	3.21	36 per plot ratio	Aik Leong Plumbing Construction Pte Ltd

Source: Colliers International Singapore Research

# Other key transactions

## Investment sales activities of shophouses remain buoyant in Q3 2016

After a surge in shophouse investment sales activities in the preceding quarter, total sales value increased 7.6% QOQ and 48.0% YOY to SGD188.3 million in Q3 2016. As of Q3 2016, 34 shophouses with a total value of SGD427.7 million was transacted, a 6.0% increase from SGD403.4 million during the same period in 2015.

### Major Shophouse Transactions in Q3 2016

Property	Price (SGD /Million)	Price per sq ft (SGD)	Purchaser
<b>Private Investment Sales</b>			
161 Lavender Street	55.56	1,229 on GFA	Broadway Textile
11/13 Bukit Pasoh Road	25.0	2,940 on GFA	Leung Kai Fook Medical Company
205/207 New Bridge Road	20.5	3,534 on GFA	Fragrance Foodstuff

Source: Colliers International Singapore Research

## Sale of The Verge was the sole mixed use redevelopment site transaction for Q3 2016

The Verge, a retail mall located in the Little India vicinity has finally found a buyer after being on the market for close to two years. A joint venture between Lum Chang and a close-end opportunistic fund managed by LaSalle Investment Management will be paying SGD189.75 million for the property with a remaining lease of about 80 years. The buyers plan to redevelop the white site into a mixed development comprising serviced apartments with some office and retail components.

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