

Exceptional Q3; outlook still bright

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In Q3, the Singapore investment sales market hit SGD11.3 (USD8.3) billion, the highest since Q3 2013. This was boosted mainly by Singapore-based developers and investors in the residential and commercial sectors. This brings the year-to-date investment sales to SGD27.6 (USD20.3) billion. With Q4 likely to stay robust, we expect 2017 investment sales to be the highest since 2007's SGD40.2 (USD26.8) billion. In our view, Singapore remains one of the most attractive Asian investment destinations. Investor interest should stay firm given continued improvement in economic prospects, recovering occupier markets and relatively wider yield spreads compared to Hong Kong or Tier 1 Chinese cities.

Forecast at a glance



Total Investment Sales

We expect the investment sales market to conclude 2017 in the range of SGD36 - 38 billion (USD26 - 28 billion), up 38 - 46% YOY.



Commercial

Investment demand remains strong as both foreign and local investors are keeping an active lookout to acquire prime commercial assets.



Residential

We expect buoyant collective sales and land sales to continue in anticipation of a residential upcycle.



Industrial

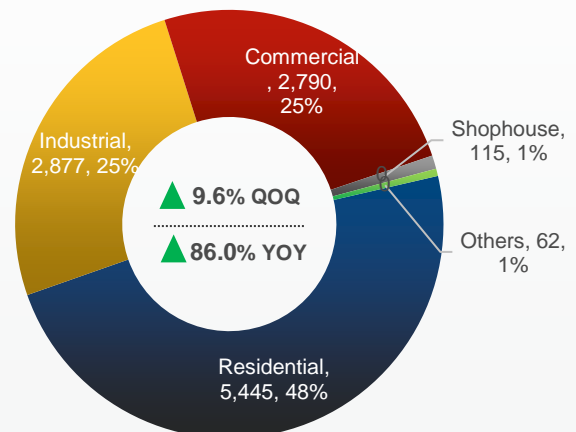
We expect interest in industrial properties to pick up as manufacturing growth is sustained.

Robust growth across sectors

Based on Colliers International's data as at 3 October 2017, total property investment sales in Singapore grew 9.6% QOQ and 86.0% YOY to SGD11.3 billion (USD8.3 billion) in Q3. The bulk of the sales came from the residential sector as developers replenished their land bank in anticipation of a residential upcycle. A couple of billion-dollar deals also boosted the commercial and industrial sectors- CapitaLand Commercial Trust acquired Asia Square Tower 2 for SGD2.09 billion and ExxonMobil acquired a petrochemical plant for SGD1.97 billion. On the residential front, the collective sale frenzy that started in May 2017 continued into Q3 and is set to make 2017 the record year for collective sales since 2007. We expect the collective sales wave to rise through to 2019.

This brings total investment sales in the first nine months of 2017 to SGD27.6 (USD20.3) billion. Coupled with an accelerated 4.6% GDP growth in Q3 2017 and the consequent potential recovery of the underlying occupier markets, we envisage investors to continue to be drawn to the Singapore property markets.

Total Investment Sales by Sector: Q3 2017



Notes:

- Information as at 3 October 2017
- 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 as at 30 September 2017 stands at USD1: SGD1.36.
- The percentage does not add up due to rounding effect.

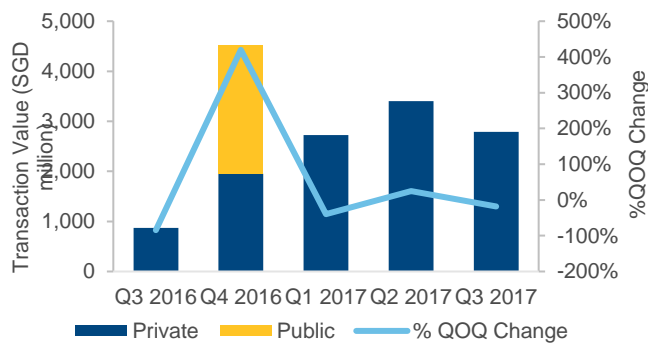
Source: Colliers International Singapore Research

Commercial

Investors' interest remains strong

Q3's commercial investment sales trebled YOY to SGD2.8 (USD2.1) billion. It was 18.1% lower QOQ as Q2 was boosted by the Jurong Point Mall transaction.

Commercial Investment Sales Value by Type



Source: Colliers International Singapore Research

Two major transactions contributed to the bulk of the achieved transaction value. Asia Square Tower 2 was sold to CapitaLand Commercial Trust (CCT) at SGD2.094 billion or USD1.5 billion (i.e. SGD2,689 per sq ft on net lettable area (psf on NLA)) in September, after months of negotiations. The deal is reported to have an initial yield of 3.6%¹. This came more than a year after the SGD3.5 (USD2.5) billion Asia Square Tower 1 was concluded in June 2016.

In early Q3, Wilkie Edge, a mixed development comprising office and retail components was sold for SGD280.0 million (or SGD1,812 psf on NLA).

Major Commercial Transactions in Q3 2017

Property	Price (SGD million)	Price/sq ft (SGD)	Purchaser
Private Investment Sales			
Asia Square Tower 2	2,094.0	2,689 on NLA	CapitaLand Commercial Trust (CCT)
Wilkie Edge (Office & Retail)	280.0	1,812 on NLA	Lian Beng (8) Pte Ltd

Note: 1) The sale of Asia Square Tower 2 excludes the hotel component that was sold to Daisho Group in 2013.

Source: Colliers International Singapore Research

Strong Q4 expected

In a land tender that closed on 28 September, five competitive bids were submitted for the government land sale (GLS) tender exercise for a commercial site at Beach Road. On 3 October, this site was awarded to the top bidder- a 70:30 tie-up between GuocoLand and its parent Guoco Group for SGD1.622 (USD 1.2) billion. The SGD1,706 per sq ft per plot ratio (psf ppr) land rate was a record for a commercial site, even higher than the winning bid of SGD1,689 psf ppr for the white site at Central Boulevard awarded in Q4 2016. Central Boulevard is arguably a more prime site in the new Downtown. This demonstrates the increased confidence in commercial assets within the past year.

Comparison of Bid Spreads

Land Parcel	No. of bidders	% premium over minimum bid price	% premium over 2nd bidder	% premium above last bidder
Central Boulevard	7	67.2%	16.4%	34.5%
Beach Road	5	42.5%	3.2%	25.3%

Source: Colliers International Singapore Research, URA

At least two major commercial assets are courting suitable buyers in the market. According to various reports by the Business Times, the consortium which owns AXA Tower is reportedly seeking buyers for at least SGD1.65 (USD1.2 billion). Meanwhile, the expressions of interest exercise for Chevron House which is seeking SGD700 (USD 515) million closed in September and could be undergoing negotiations.

Residential

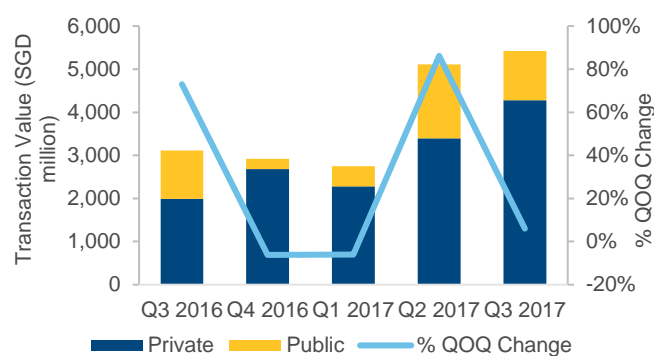
Developers bidding up land

Developers continued to bid aggressively for land via government land sale (GLS) tenders and private en bloc and collective sales, boosting residential investment sales to SGD5.4 (USD 4.0) billion in Q3, up 74.1% YOY and 6.1% QOQ.

¹ Based on annualised NPI for pro forma H1 2 017 & committed occupancy 88.7%, which includes signed leases with tenants that will

commence on 1 Mar 2018 and agreed property value (Source: CapitaLand Commercial Trust's SGX Announcement)

Residential Investment Sales Value by Type



Source: Colliers International Singapore Research, URA

Public residential investment sales were flat YOY, down QOQ

The public investment sales segment totalled SGD1.1 (USD0.8) billion, flat YOY but down 33% QOQ, with the awarding of only two residential GLS sites in Q3. The GLS tenders continued to draw strong bidding interest from both local and foreign developers, with local developers more aggressive. Both residential sites were awarded to local developers/joint ventures in Q3; Woodleigh Lane and Serangoon North Avenue 1 garnered 15 bids and 16 bids respectively. The top bids were SGD1,110 and SGD965 psf ppr respectively.

Bid Spread of Residential GLS Sites Awarded in Q3 2017

Land Parcel	No. of bidders	Top bid % premium over 2nd bidder	Top bid % premium above last bidder
Woodleigh Lane	15	0.8%	42.1%
Serangoon North Avenue 1	16	6.6%	32.0%

Source: Colliers International Singapore Research, URA

Triggering of GLS site in Q4

A residential with first storey commercial site at Jiak Kim Street, listed in the Reserve List² was triggered for tender when a party submitted a committed minimum bid of SGD689.353 million (or SGD1,250 psf ppr) in late September. The tender for sale opened on 19 October and will close on 5 December 2017.

We believe this site presents a unique opportunity to build a modern iconic and heritage-rich development near the Central Business District (CBD) and Orchard Road. The site housed the iconic nightclub Zouk until

² 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

December 2016, and it enjoys a waterfront view of the historic Singapore River, with direct access to the river promenade. The land parcel includes three conserved warehouses that were constructed around 1919, also an important part of Singapore history, and developers can adapt the voluminous warehouse space for lifestyle-related or other creative commercial uses.

Given the keen interest from both local and foreign developers alike for development sites, we expect this site to attract 8-12 bids, with the possibility of submissions from consortiums, due to the high minimum bid. We envisage the top bid to be in the region of SGD810 million (or SGD1,500 psf ppr).

Private residential investment sales jumped

In Q3, the private residential segment jumped 115% YOY and 25.8% QOQ to SGD4.3 (USD3.2) billion. Private redevelopment sites, comprising collective sales and single-owner redevelopment sites accounted for 58% of the total value of the private sector. The sale of private redevelopment sites grew 52% QOQ totalling SGD2.5 billion (USD1.8 billion) in Q3. With the lack of choices in government land sales, developers have turned to private sources.

Meanwhile, other segments grew an overall 1.7% QOQ, as the Good Class Bungalow (GCB) segment saw a dip of 74% QOQ with only five GCBs totalling SGD90.4 (USD 66.5) million transacted in Q3. Strata units of SGD5 million and above fell 7.7% QOQ in Q3, while the landed housing segment grew 0.6% QOQ marginally.

The collective sales wave

After four collective sales deals worth SGD1.5 (1.1) billion were done in May 2017, eight more worth SGD2.1 (USD1.6) billion were sold in Q3 2017. As of 27 October, five more deals worth SGD2.7 (USD2.0) billion have closed. Most collective sale tenders received numerous bids and successful bid prices were 0.5-28% above the asking prices.

According to a report by Colliers International's research³, a surge in collective sales transactions typically spans eight to 12 quarters. Compared to the collective sale fever in 2005 - 2007, we are less than a

has submitted a minimum price that is close to the Government's Reserve Price, within a reasonable period.

³ Colliers Radar: [The Collective Sales Wave: Impact on Singapore's residential market](#). Published on 16 October 2017

third of the way through and are still seeing very strong demand for land for developers.

We expect more prime freehold plots to come onto the market, as their values increase with the more aggressive land prices achieved in the mass market.

Difference in asking prices and transacted prices for residential collective sales in 2017 YTD

Name of Development	Asking Price (SGD million)	Transacted Price (SGD million)	% Difference	Date of Transaction
One Tree Hill Gardens	72.8	65.0	-10.7%	May 2017
Rio Casa	450.8	575.0	27.6%	May 2017
Goh & Goh Building	120.0	101.5	-15.4%	May 2017
Eunosville	643.0-653.0	765.8	17.3%	May 2017
The Albracca	62-65.0	69.1	6.3%	July 2017
Serangoon Ville	400-430	499.0	16.0%	July 2017
Tampines Court	962.0	970.0	0.8%	Aug 2017
Sun Rosier	235.0	271.0	15.3%	Sept 2017
Jervois Gardens	68.0	72.0	5.9%	Sept 2017
Nanak Mansions	200.0	201.08	0.5%	Sept 2017

Note: Excluded collective sales of Toho Green and 6 townhouses in Seraya Crescent as there were no reported asking prices
Source: Colliers International Singapore Research

Major Residential Transactions in Q3 2017

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
Private Investment Sales			
Tampines Court	970.0	676 ppr	Sim Lian
Serangoon Ville	499.0	854 ppr	Oxley-Serangoon Pte Ltd
Sun Rosier	271.0	1,325 ppr	Singhaiyi Properties Pte Ltd & Hua Jiang International Corporation
Nanak Mansions	201.1	1,427 ppr	Secure Venture Development (No.1) Pte Ltd (UOL)
231 Pasir Panjang Road	121.0	964 ppr	Oxley Amber Pte Ltd
Government Land Sale Sites			
Woodleigh Lane	700.7	1,110 ppr	CEL Unique Development Pte Ltd
Serangoon North Avenue 1	446.28	965 ppr	Corson Pte Ltd (Keppel Land) and Wingjoy Investment Pte Ltd (Wing Tai)

Notes:

1) Land cost for 231 Pasir Panjang Road excluded development charge payable, if any.

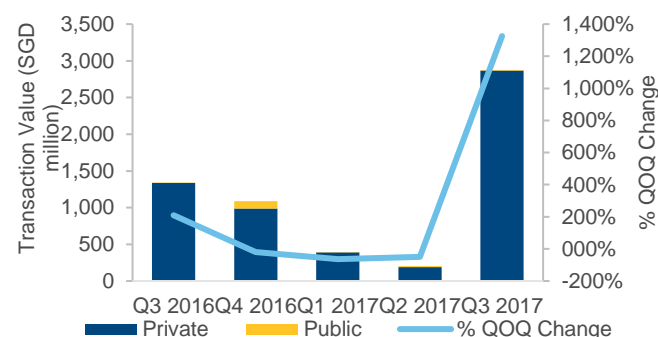
Source: Colliers International Singapore Research, URA

Industrial

Private industrial investment sales quantum soared in Q3

The total industrial investment sales quantum surged 14x QOQ to SGD2.9 (USD2.1) billion, largely due to ExxonMobil's acquisition of a petrochemical plant for SGD1.97 (USD 1.5) billion.

Industrial Investment Sales Value by Type



Source: Colliers International Singapore Research, JTC

Public industrial segment remained lacklustre

The public segment recorded a total of SGD11.1 (USD8.2) million in Q3, a 7.9% QOQ dip. Lukewarm interest continued for the three Industrial Government Land Sales (IGLS) tenders. These sites, that come with land tenure of 20 years and are targeted at end-users, continued to see varying and wide bidding margins.

Bid Spread of Industrial Government Land Sale Sites in Q3 2017

Land Parcel	No. of bidders	% premium over 2nd bidder	% premium above last bidder
Tuas South Link 3 (Plot 24)	4	2.0%	38.9%
Tuas South Link 3 (Plot 18)	1	-	-
Jalan Lam Huat (Plot A)	5	37.5%	193.5%

Source: Colliers International Singapore Research, JTC

First industrial collective sale transaction since 2014

The total private industrial investment sales value surged 15x to SGD2.9 (USD2.1) billion in Q3. This was due to two major deals that were concluded in the quarter.

The larger deal was ExxonMobil's acquisition of Jurong Aromatics Complex, one of the world's largest refining-petrochemical plants in Jurong Island for SGD1.97 (USD1.5) billion. In an earlier announcement, the integration of this facility with ExxonMobil's existing manufacturing facility will provide more synergies for the firm's continued growth and competitiveness.

The other was the collective sale of Citimac Complex, an industrial site which was sold for SGD430.1 million (or SGD1,047 psf ppr) to a foreign buyer reportedly with Chinese connections. It is the first industrial collective sale since 2014. We envisage that with this success collective sale, there will be more industrial developments that will join in the collective sale frenzy.

Major Industrial Transactions in Q3 2017

Property	Price (SGD Million)	Price/sq ft (SGD)	Purchaser
Private Investment Sales			
Jurong Aromatics Complex	1,971.1	-	ExxonMobil
Citimac Complex	430.1	1,047 ppr	Foreign buyer
7 Tai Seng Drive	68.0	265 on GFA	Mapletree Investments Pte Ltd
Datapulse Industrial Building	53.5	40 on GFA	-
Industrial Government Land Sales			
Tuas South Link 3 (Plot 24)	2.5	35 ppr	Pan Asian Flow Technology Pte Ltd
Tuas South Link 3 (Plot 18)	2.45	38 ppr	LNT Coating Pte Ltd

Jalan Lam Huat 6.16 29 ppr JC Development (Plot A) Pte Ltd

Note: 1) The Citimac Complex site is zoned "Business 1 - white". Source: Colliers International Singapore Research, JTC

Excluding the two major deals, the private segment grew 145% QOQ to SGD464.7 (USD341.7) million on strata unit and building sales. Some industrial REITs divested some of their assets which had limited potential for asset enhancements in Q3, as part of their constant evaluation of existing portfolios. For example, Mapletree Logistics Trust divested 7 Tai Seng Drive to its parent, Mapletree Investments.

Shophouses

Weaker shophouse transactions

Based on Colliers International's research, shophouses transactions with value of SGD5 million and above dipped 66.7% QOQ to SGD114.8 million (USD84.4) million in Q3.

Nevertheless, we envisage investors' interest in shophouses will remain strong and continue in the near term, as shophouses serve as an alternative investment for a niche group of investors.

Major Shophouse Transactions in Q3 2017

Property	Price (SGD Million)	Price per sq ft (SGD)	Purchaser
Private Investment Sales			
Chinatown Hotel	31.0	2,768 on GFA	Hilltop Capital
22 & 22A Jalan Mambong	16.2	4,830 on GFA	BreadTalk Group
18 Teck Lim Road	13.0	-	-

Source: Colliers International Singapore Research, URA REALIS (3 October 2017)

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