

Q4 2019 INVESTMENT MARKET SNAPSHOT

Total Investment Sales (Q4 2019)
S\$7.3 billion

Total Investment Sales (Q4 2018)
S\$5.2 billion

INVESTMENT SALES IN 2019 BOLSTERED BY THE COMMERCIAL SECTOR

Total investment sales in 2019 eased by 10.6% y-o-y to S\$30.0 billion.



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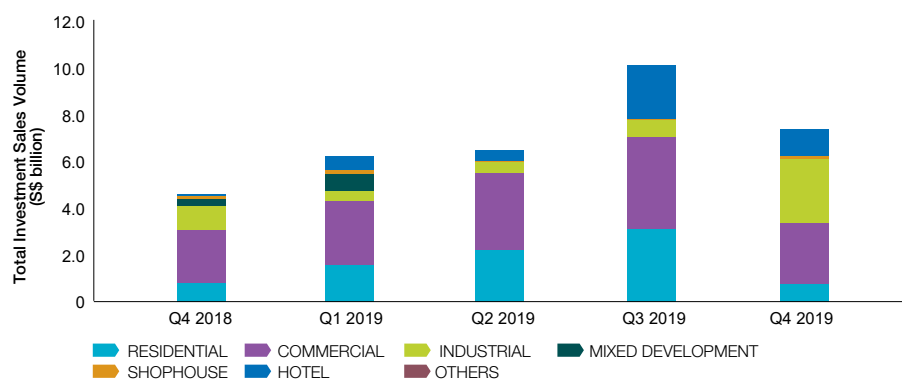
“Singapore’s stable political environment and its position as a regional hub will continue to attract investors. The CBD Incentive Scheme and Strategic Development Incentive (SDI) Scheme have also created some buzz in the market.”

- In 2019, the total investment sales declined by 10.6% year-on-year (y-o-y) to S\$30.0 billion, primarily due to fewer collective sales. Despite the decline in investment sales, there were several sizable commercial properties transacted. In Q4 2019, the investment deals totalled S\$7.3 billion, a 27.1% quarter-on-quarter (q-o-q) decrease, as the market often tends to slow down towards the end of the year.
- Commercial property investment sales grew by 2.06 times from S\$6.1 billion in 2018 to S\$12.5 billion in 2019. In Q4, the commercial investment sales eased to S\$2.6 billion from S\$3.9 billion in the previous quarter, although the slower pace of deals was due to a higher base in Q3 as well as a seasonality effect.
- Commercial properties continued to lead investment sales as investors were encouraged by a more positive outlook for the office and hotel sectors. Fund managers played an active role in the quarter as they purchased premium grade office properties. A notable deal concluded was the sale of the Bugis Junction Towers at a price of S\$547.7 million (S\$2,200 psf NLA) by Keppel REIT to Village Prop.
- The increasing tourist arrivals and limited hotel supply encouraged more hotel deals in 2019. Based on the Singapore Tourism Board’s (STB) data, Q3 2019 witnessed the highest number of international visitors for a quarter at 5.0 million visitors, a 3.5% y-o-y increase from 4.8 million in Q3 2018 or a 7.9% q-o-q rise from 4.6 million in Q2 2019.

- The hotel sector recorded a total sale amount of S\$4.4 billion in 2019, closing the year with S\$1.1 billion worth of transactions in Q4. Notable hotel deals in Q4 include the sale of the Andaz Singapore Hotel by M+S Pte Ltd to Hoi Hup Realty for S\$475.0 million (S\$1.4 million per key) as well as the divestment of the Novotel Clarke Quay hotel by CDL Hospitality Trusts (CDLHT) for S\$375.9 million (S\$0.9 million per key).
- Residential investment sales declined to S\$7.7 billion in 2019 from S\$18.0 billion in 2018 as the collective sales market slowed. There were also fewer land bids for Government Land Sales (GLS) sites. In 2019, each land parcel received 6 bids on average, lower than the average of 7.5 bids in 2018. On a q-o-q basis, the volume of residential investment sales were largely dependent on when the GLS sites were awarded. As a result, some S\$0.8 billion worth of residential investment deals were registered in Q4 2019, about 75.5% q-o-q lower than the S\$3.1 billion transacted in Q3. The string of deals was supported by the sale of good class bungalows (GCB) at 80 Belmont Road (S\$34.5 million), 5E Tanglin Hill (S\$31.5 million) as well as at 7 Maryland Drive (S\$30.0 million).
- Despite the ongoing US-China trade war and slowing manufacturing sector, the investment sale of industrial properties in 2019 posted a growth of 31.5% y-o-y to S\$4.4 billion, with some S\$2.6 billion recorded in Q4. While industrial properties with high-specifications are still in demand, the manufacturing sector, especially the electronics cluster, has also showed signs of recovery. The sale of the business park in Pasir Panjang by Mapletree Commercial Trust (MCT) from Heliconia Realty at S\$1.6 billion (S\$1,308 psf NLA) posed as the largest transaction in the quarter as S-REITs leveraged on a lower interest rate environment. Another key industrial development deal includes the acquisition of the seven-storey Nucleos biomedical research facility within the one-north business park by Ascendas REIT from CapitaLand for S\$289.0 million (S\$704 psf NLA).

EXHIBIT 1

Total Investment Sales, by Property Sector



Source: Knight Frank Research

To be considered as private investment sales under Knight Frank Research definition, it must fulfil either of the following pre-requisite:-
 a. Investment transactions should comprise an entire building or property with a total worth of S\$10 million and above; OR
 b. Any bulk sales within a development which amounts to S\$10 million or more

EXHIBIT 2

Top 5 Transactions in Singapore, Q4 2019

Building	Site / Development	Price (S\$ mil)	Area*	Estimated Unit Price (S\$)	Buyer	Transaction Date
Mapletree Business City (Phase 2) and Common Premises		1,550.0	1,184,704 sq ft	1,308 psf	Mapletree Commercial Trust	Nov 19
Bugis Junction Towers		547.7	298,417 sq ft	2,200 psf	Village Prop	Nov 19
Andaz Singapore		475.0	342 rooms	1.4 mil per key	Hoi Hup Realty	Oct 19
Novotel Singapore Clarke Quay		375.9	403 rooms	0.9 mil per key	CDL Hospitality Trusts	Nov 19
Nucleos		289.0	410,632 sq ft	704 psf	Ascendas REIT	Nov 19

Source: SGX, RCA, Knight Frank Research

*All floor area cited refers to the Net Lettable Area of existing development unless otherwise stated

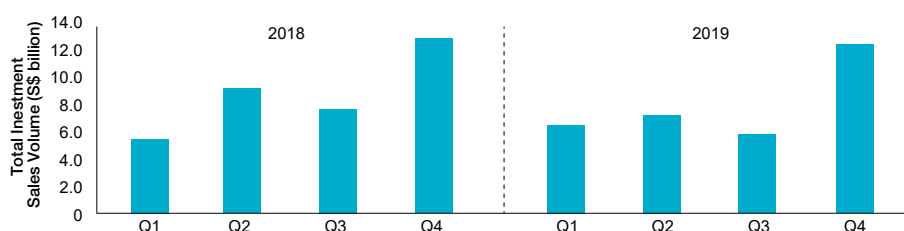
**Refers to the maximum permissible Gross Floor Area allowable by the URA. Correspondingly, unit price refers to price psf ppr.

Outbound investment sales from Singapore-based investors

- According to the Real Capital Analytics (RCA), Singapore outbound investment sales in 2019 totalled S\$32.4 billion, a 9.1% y-o-y decrease from S\$35.7 billion in 2018. From October to December 2019, the total capital outflow amounted to S\$12.6 billion, outpacing the S\$8.9 billion worth of outbound investment sales in Q3 2019.
- Interest in commercial and industrial assets overseas continued to remain keen in Q4 2019. Notable deals include the acquisition of 85.0% interest in Ronsin Technology Center, a Grade A office development in Beijing, China, by a joint venture between Alpha Investment Partners and Allianz Real Estate for approximately S\$1.5 billion in October. Simultaneously, Ascendas REIT purchased 30 business park properties for approximately S\$1.7 billion in November, of which 28 of these are located in the United States.
- Investors were also actively acquiring assets in the student housing market as student accommodation offers strong recurring income and is often considered as a counter-cyclical asset. The latest case in point was the acquisition of seven properties in the United Kingdom for S\$739.9 million (£411.0 million) by the Singapore Press Holdings (SPH) following its previous purchase of S\$236.5 million (£133.7 million) worth of assets in April for student accommodation.

EXHIBIT 3

Cross-Border Investments by Singapore-Based Entities



Source: Real Capital Analytics, Knight Frank Research

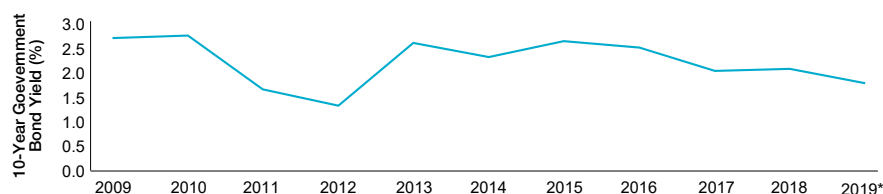
*As at 17 December 2019. Deals exclude transfer and refinancing of real estate assets

Market Outlook

- In 2019, the 10-year Singapore Government Securities (SGS) bond yields averaged at 1.9% on an annualised basis, lower than the average of 2.4% in 2018. The decrease is largely attributed to investors hopping on to the safety of bonds in a bid to flee risks from prolonged trade wars and fears of a global recession. The lower bond yields and increased volatility in equity markets make Singapore real estate more attractive.
- In light of the Central Business District (CBD) incentive scheme, Knight Frank envisages investors' appetite for commercial developments to remain keen in 2020 as they look for prime sites or developments for wealth preservation purposes or areas earmarked for increased plot ratios with the potential for redevelopment.
- Despite the appeal of Singapore properties, we expect cross-border investments from Singapore to increase at a sustainable rate as Singaporean investors seek diversification and see potential upsides in other gateway cities such as Australia and United Kingdom due to expectations that the economies will improve as well as Japan holding its position as a safe-haven for investments.

EXHIBIT 5

Average Buying Rates of Government Securities Dealers 10-Year Singapore Bond Yield



Source: MAS, Knight Frank Research *As at December

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