

SINGAPORE RESEARCH INVESTMENT



H1 2019 INVESTMENT MARKET SNAPSHOT

Total Investment Sales (H1 2019)
S\$11.4 billion

Total Investment Sales (H2 2018)
S\$12.6 billion

COMMERCIAL TRANSACTIONS IMPROVED IN H1 2019

Despite the decline in total investment sales volume in H1 2019, there was a 12.9% increase in commercial transactions compared to H2 2018.



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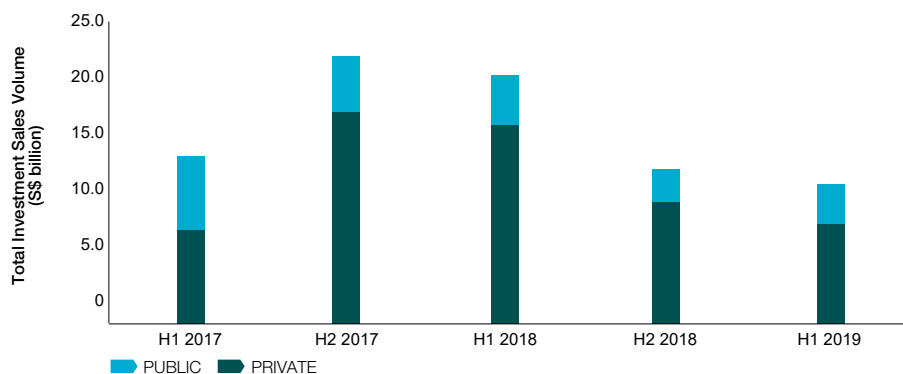
“The uncertain external environment and the low interest rates will offer firms opportunities to recalibrate their portfolio. We expect commercial investment sales in Singapore to pick up in H2 2019.”

- The uncertainties emanating from geopolitical tensions continued to weigh down global economic growth prospects, which inadvertently affected Singapore’s economy. There were many twists and turns in the US-China trade war in H1 2019. A trade deal was reportedly imminent before the United States imposed more tariffs and placed Huawei on the blacklist. Both countries then agreed to continue talks to have a trade deal during the G-20 summit. As a result, the financial markets have been volatile and investment sentiments weakened. The recent tanker attacks at the Strait of Hormuz further heightened uncertainty in the global economy as the potential conflict between US and Iran will have likely pose risks to global oil markets. Slower global economic growth also prompted possible cuts in interest rates by the Central Banks across major economies.
- The uncertain external environment and the low interest rates, hence, encouraged investors to seek real estate assets in gateway cities that offer political stability and long run economic growth.
- In Singapore, office rents are projected to increase due to limited supply while hotel room rates and occupancies are expected to improve due to projections of robust visitor growth.
- Correspondingly, investment sales volume for commercial properties were up by 12.9% to S\$6.1 billion in H1 2019 from S\$5.4 billion in H2 2018. The largest commercial transaction in H1 2019 was the sale of Chevron House. Mainboard-listed property group Oxley Holdings Limited filed to SGX in March 2019 that its wholly-owned subsidiary accepted an expression of interest from Golden Compass, a US real estate fund, and inked the deal in April 2019. Chevron House was sold for S\$1.0 billion, translating to approximately S\$3,923 per sq ft based on existing NLA of 261,280 sq ft, or S\$2,739 per sq ft based on a proposed increase in NLA to 374,165 sq ft.

- Other notable deals in H1 2019 were the divestment of a 50% stake in the newly completed Frasers Tower for S\$982.5 million in June 2019 by Frasers Property to Korea's National Pension Service, the partial divestment of Marina Square Complex (S\$485.3 million), the partial divestment of Waterway Point (S\$440.6 million), and the sale of Tampines Grande (S\$395.0 million)
- Separately, the investment sales of residential properties stayed largely the same in H2 2018. Most of the residential investment sales came from the Government Land Sales (GLS), and the supply from the GLS programme tend to be similar. Residential sales in H1 2019 went up slightly to S\$3.7 billion from S\$3.6 billion in H2 2018. The Government Land Sale residential sites awarded in the first half of 2019 included the land parcels Kampong Java (S\$418.4 million), Middle Road (S\$492.0 million), Pasir Ris (S\$700.0 million), Sims Drive (S\$383.5 million) and the Executive Condominium site at Tampines Avenue 10 (S\$434.5 million). We anticipate residential land sales to be stable over the year, as the government continues to provide a stable supply of land parcels for sale through GLS.
- Activity in the luxury residential market has stayed largely consistent. In H1 2019, 75 caveats were lodged amounting to S\$1.1 billion. In H2 2018, there were 64 caveats lodged of luxury residential properties transacted, with the sales amounting to S\$1.1 billion.
- Separately, industrial investment sales volume in H1 2019 was down to S\$874.6 million from S\$2.2 billion in H2 2018, as the investment sentiments weakened due to a slower electronics sector, which saw a drop in demand for output.

EXHIBIT 1

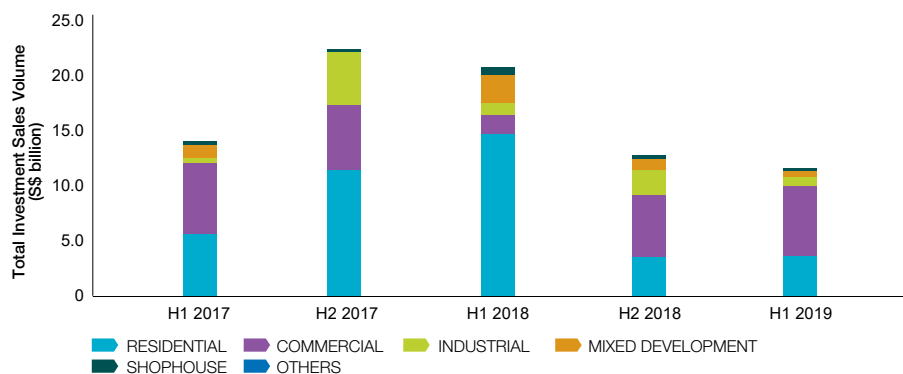
Total Investment Sales, by Public and Private Sales



Source: Knight Frank Research

EXHIBIT 2

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 3

Top 5 Transactions in Singapore, H1 2019

Building Site / Development	Price (\$ mil)	Current Net Lettable Area (sq ft)	Estimated unit price (\$ psf)	Buyer	Transaction Date
Chevron House	1,025.0	261,280	2,739*	Golden Compass	Mar 2019
Frasers Tower (50% stake)	982.5	685,886	2,865	National Pension Service	Jun 2019
White Site at Pasir Ris Central	700.0	-	-	All Green Properties JV Kerry Properties	Mar 2019
Hotel site at Club Street	562.2	-	-	Worldwide Hotels Group	Jan 2019
Chinatown Point & 4 Office Units	520.0	-	-	Mitsubishi JV CLSA	Apr 2019

Source: Knight Frank Research

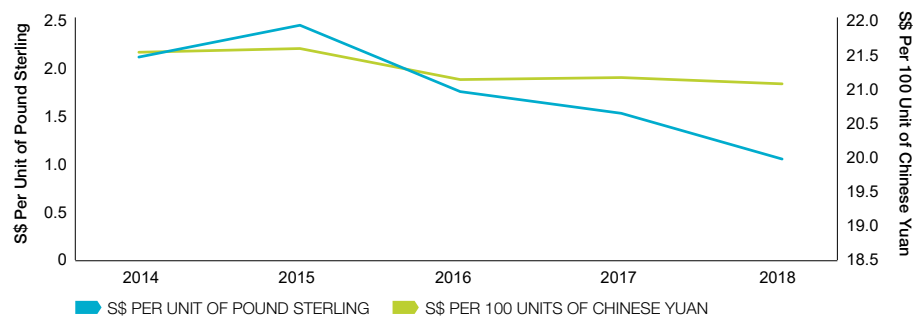
*Estimated unit price based on proposed increase in NLA

Outbound investment sales from Singapore-based investors

- Based on preliminary figures from Real Capital Analytics as at 1st July 2019, total outbound investment sales from Singapore in H1 2019 amounted to US\$7.1 billion, less than the US\$13.5 billion in H2 2018. Out of which, office properties accounted for the highest investment sales volume amongst other asset classes at US\$4.7 billion. This is followed by US\$1.7 billion worth of industrial properties transacted in H1 2019.
- About US\$4.5 billion of outbound investments were to China, while acquisitions of United Kingdom assets made by Singapore-based investors amounted to US\$962.0 million in H1 2019. Some notable outbound investments deals include ARA Asset Management's purchase of Seoul Square building for approximately US\$874.8 million, and Keppel Land and Alpha Investment Partners' acquisition of Shanghai Yi Fang Tower for approximately US\$687.6 million.

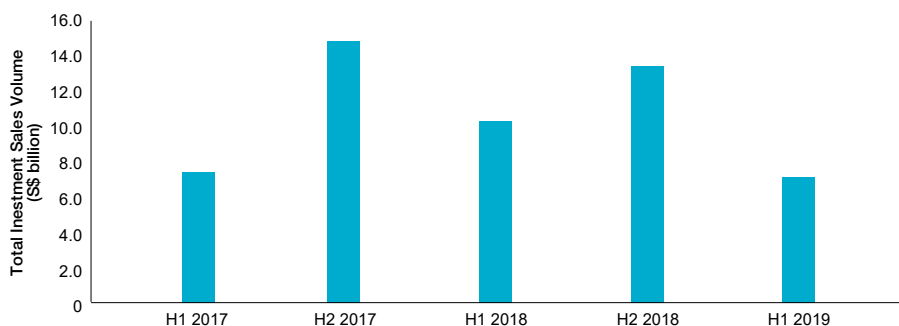
EXHIBIT 4

Singapore Dollar Per Unit of Foreign Currency



Source: MAS, Knight Frank Research

EXHIBIT 5

Cross-Border Investments by Singapore-Based Entities
(Including Pending and Refinancing Deals)

Source: Real Capital Analytics, Knight Frank Research, 1 July 2019

Market Outlook

- Despite the uncertain external environment, the low interest rate and Singapore's stable exchange rate are likely to encourage both Singapore and overseas investors to rationalise their portfolio to improve returns while managing the risk.
- Commercial properties are likely to account for the bulk of the investment sales, with several properties in the market. Separately, the sales of land parcels through the GLS Programme is likely to account for the bulk of residential investment sales.
- Despite the additional buyers' stamp duties, foreign buyers continue to be attracted to Singapore properties due to its political stability and its potential upside. The trend is likely to continue, as more investors seek a safe haven.
- We expect cross border investments from Singapore-based investors to continue, especially for those who already have a substantial portfolio in Singapore. More opportunities with higher returns could show up in some of the gateway cities that face political or economic uncertainty.
- The Monetary Authority of Singapore is considering to raise the current leverage limit of Singapore real estate investment trust of 45.0%. If the leverage limit is recalibrated upwards, it will likely boost acquisitions, especially overseas.

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