

Q1 2019 INVESTMENT MARKET SNAPSHOT

Total Transaction Value

Q1 2019

S\$ 6.3 billion (52 transactions)

Q4 2018

S\$ 4.7 billion (71 transactions)

2018

S\$ 33.2 billion (370 transactions)

2017

S\$ 35.5 billion (342 transactions)

INVESTMENT SALES IMPROVES IN Q1 2019

Total investment sales in Q1 2019 rose by nearly 34% quarter-on-quarter (q-o-q) to \$6.3 billion



IAN LOH

**Executive Director & Head,
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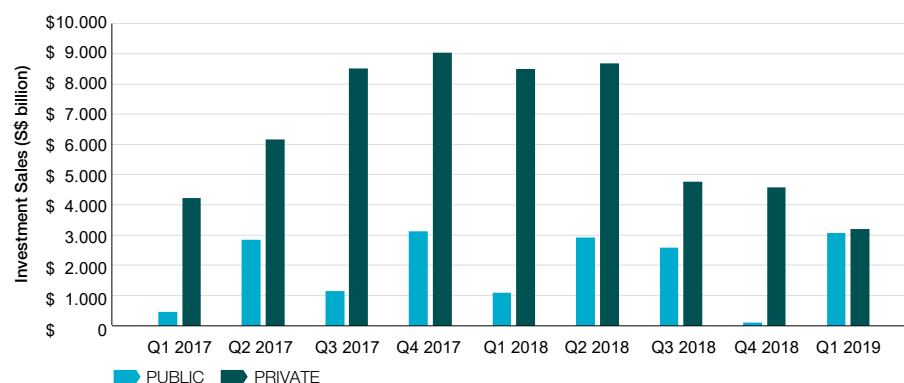
“The announcement of the Draft Master Plan and the package of incentives to rejuvenate the Central Business District implies there are more opportunities for investors and landlords with aging commercial buildings”

- Despite the slowdown in en bloc market, total investment sales went up by nearly 34% to S\$6.3 billion in Q1 2019 from S\$4.7 billion in Q4 2018. The increase in sales was partly attributed to the closing of State tenders in Q1, with public sales surging to S\$ 3.1 billion in Q1 2019 from S\$110 million in Q4 2018.
- Although the outlook for private residential market was more subdued after the announcement of the eighth round of cooling measures in July 2018, developers were still actively seeking sites that have great connectivity and potential for future growth. For example, the Government Land Sale (GLS) site at Middle Road drew 10 bids from developers.
- The sale of the Pasir Ris white site to the joint venture between Allgreen Properties and Kerry Properties for nearly S\$ 700 million (S\$684.50 per sq ft per plot ratio) was the largest deal sold through State tender.
- Separately, commercial property sales came down from S\$3.0 billion Q4 2018 to S\$ 1.9 billion in Q1 2019. Notable deals in 2018 included the sale of the GLS hotel site along Club Street (S\$ 562.2 million), Liang Court (S\$400 million), and Rivervale Mall (S\$230 million).
- The interest in hotels and serviced apartments was keen because of the more optimistic outlook of the hospitality sector. A case in point was the State tender for the hotel site along Club Street that attracted eight bids.
- While there was no major office building sales in Q1 2019, the strata office market remained active. ARA Asset Management sold 6 levels at Suntec City for S\$ 160 million and the Oversea-Chinese Banking Corporation sold three levels of The Octagon along Cecil Street for S\$45.5 million.

- The strong performance of office rental market also contributed to the growing interest in commercial properties. For example, Oxley Holdings reportedly received a S\$1.025 billion offer for Chevron House after owning for a year when they acquired the building for S\$ 660 million.
- Investors continued to seek opportunities in overseas market in Q1 2019, albeit at a slower pace. Outbound investment from Singapore dropped to about S\$12.4 billion in Q1 2019 from S\$20.7 billion Q4 2018.
- Notable overseas investments included ARA Asset Management's acquisition of Seoul Square in South Korea, CapitalLand's acquisition of 70% of Pufa Tower in Shanghai, China in a 50:50 joint venture, and Keppel Corporation purchase of Shanghai Yi Fang Tower Complex at Shanghai's Hongkou District.

EXHIBIT 1

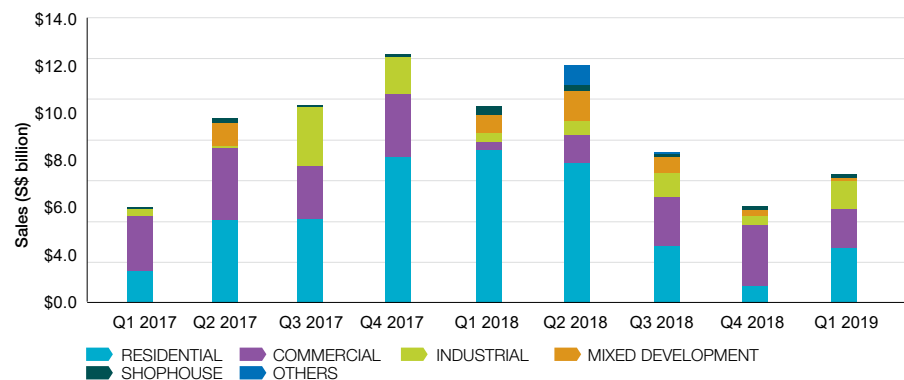
Total Investment Sales, by Public and Private Sales



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

Notable Transactions in Singapore in Q1 2019

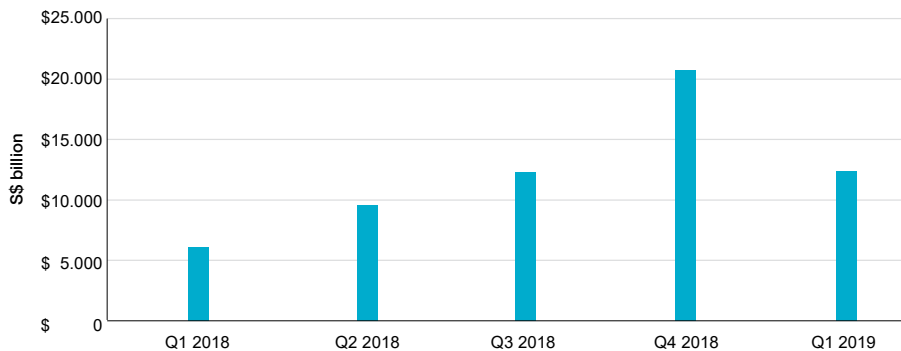
Building	Price (\$ mil)	Area (sq ft)	Estimated unit price (\$ psf)	Buyer
White Site at Pasir Ris Central	700.0	1,002,700 (gfa)	684.5 (ppr)	Allgreen Properties Limited & KerryProperties
Hotel Site at Club Street	562.2	261,700 (gfa)	2,148.5(ppr)	Wordwide Hotels Group
Land Parcel at Middle Road	492.0	337,400 (gfa)	1,458.3 (ppr)	Wingtai Group
EC site at Tampines Avenue 10	434.5	751,500 (gfa)	578.1(ppr)	Hoi Hup & Sunway Developments
Liang Court	400.0	447,400 (nla)	894 (per nla)	-

Source: Knight Frank Research

Notes: ppr refers to per plot ratio; nla refers to net lettable area ;gfa refers to maximum permissible gross floor area

EXHIBIT 4

Singapore cross-border investments (including pending and refinancing) in overseas market



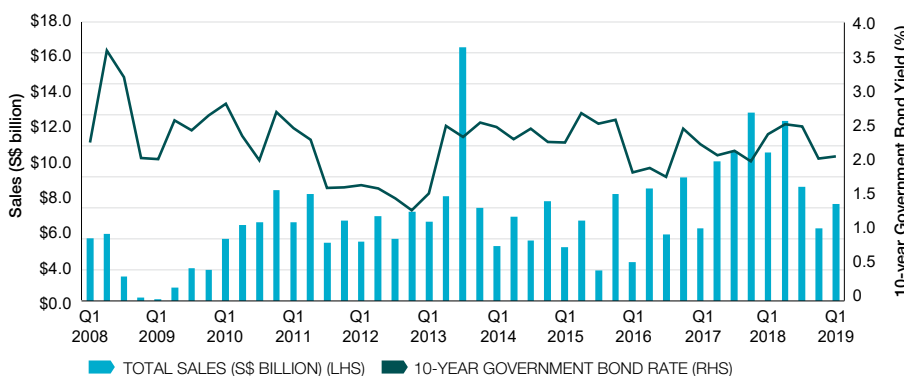
Source: Real Capital Analytics, Knight Frank Research, 31 March 2019

Market Outlook

- The 10-year Singapore Government bond yields fluctuated between 2.0% to 2.5% between Q1 2018 and Q1 2019, and there were signs that the bond yields would be under pressure to decline. With the United States Federal Reserve announcing that they are unlikely to increase interest rates in 2019, we expect the rental and capital return of Singapore real estate to outperform the 10-year Singapore Government Bond rates. Demand for Singapore real estate assets is likely to increase as a result.
- The draft Master Plan 2019 and the rolling out of the CBD Incentive Scheme and Strategic Development incentive schemes will offer opportunities for investors and landlords that own aging office or retail buildings to redevelop. The new incentives and draft master plan are likely to trigger investment sales in the commercial market.
- We anticipate the cross-border investments from Singapore continue to grow, especially for gateway cities and cities that show upside growth potential.

EXHIBIT 5

Singapore Investment Sales and Average 10-Year Singapore Government Bond Yield



Source: Monetary Authority of Singapore, Knight Frank Research

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