

“ With the onset of Phase Two, pent-up demand for properties across the various sectors could result in increased investment sales in the coming months upon the resumption of business activities in Singapore, especially in an environment of low interest rates and ample liquidity. ”



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Singapore Research

Investment

Q2 2020

BIG-TICKET COMMERCIAL PROPERTIES CHANGED HANDS IN Q2 2020, WHILE OVERALL MARKET ACTIVITY WAS MUTED

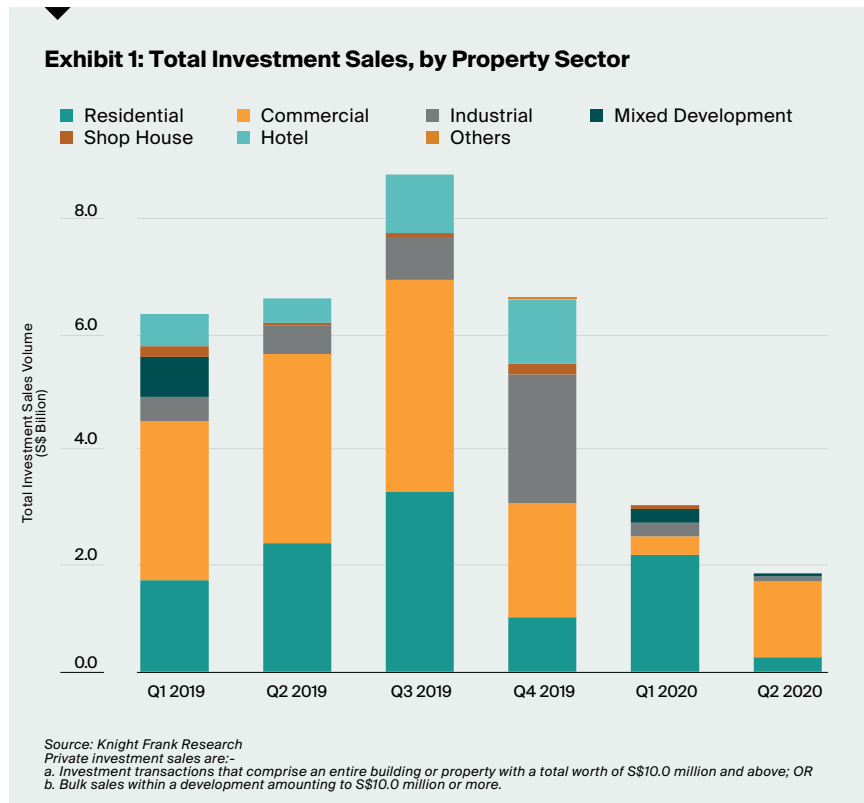
MARKET SNAPSHOT

S\$1.7 BILLION
TOTAL INVESTMENT SALES IN Q2 2020

S\$6.4 BILLION
TOTAL INVESTMENT SALES IN Q2 2019

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- Investment sales in Q2 2020 totalled S\$1.7 billion, signifying a 73.4% year-on-year (y-o-y) drop from S\$6.4 billion in Q2 2019 or a 41.4% quarter-on-quarter (q-o-q) decline from S\$2.9 billion in Q1 2020, with no transactions recorded in the public sector.
- While the general activity in the real estate market was muted, the presence of several big-ticket commercial deals bolstered investment sales in the second quarter totalling S\$1.4 billion. The divestments of Perennial Real Estate Holdings' 30% stake in TripleOne Somerset to Shun Tak Holdings (S\$155.1 million) and the 50% stake in AXA Tower to Alibaba Group's Singapore subsidiary (S\$840.0 million) formed a substantial proportion of the deals inked. More recently, Oxley Holding and Oxley Beryl, owners of the former Chevron House, are in the midst of selling the retail and commercial units of the development to Siriti R Pte Ltd and Siriti C Pte Ltd for S\$315.0 million.
- In the residential sector, S\$245.4 million worth of deals were sealed. Prior to the start of Phase Two of Re-opening on 19 June 2020, strict measures hindered both buyers and sellers from carrying out viewings. Nonetheless, five bungalows in Good Class Bungalow Areas (GCBA) changed hands in Q2 2020 as viewings were held before the onset of the circuit breaker on 7 April 2020. Notable deals included the sale of GCBs within the Windsor



Park Estate, namely detached homes situated at 53 Windsor Park Road (S\$21.7 million) and 76 Windsor Park Road (S\$21.3 million).

- The industrial sector registered S\$84.1 million in investment sales as many manufacturers delayed or put on the backburner expansion or relocation plans. Given the upward change in direction in the Purchasing Managers' Index (PMI) in May at 46.8, driven by output growth in the biomedical manufacturing cluster, specifically pharmaceutical goods, production

could increase as manufacturers prepare for the rise in demand as the stringent restrictions ease.

- With the travel restrictions enforced in Q2 2020, the hospitality sector struggled in the first six months of the year relying mostly on government fiscal support. While hotel stays by local residents are still not allowed in Phase Two, other hotel facilities such as dine-in food and beverage (F&B) establishments and bars can resume business from late June onwards.

Exhibit 2: Top 5 Transactions in Singapore, Q2 2020

SITE/ DEVELOPMENT	PROPERTY TYPE	PRICE (S\$ MIL)	AREA (SQ FT)	ESTIMATED UNIT PRICE (S\$ PSF PPR)	BUYER	SALE DATE
AXA Tower (50% stake)	Commercial	840.0	767,358	2,189	Alibaba Group Holding Limited	May 20
Fmr Chevron House (Retail & Commercial)	Commercial	315.0	N.A	N.A	Siriri R Pte Ltd & Siriri C Pte Ltd	May 20
TripleOne Somerset (30% stake)	Commercial	155.1	560,266	2,250	Shun Tak Holdings Limited	Apr 20
Luxasia Building	Industrial	66.1	85,573	772	PGIM Real Estate	May 20
1 St Martin's Drive	Commercial	43.0	9,375	4,587	D'League Pte Ltd	Apr 20

Source: Various Sources, Knight Frank Research
 *All floor areas cited refer to the net lettable area (NLA) of existing development unless otherwise stated

Outbound investment sales from Singapore-based investors

Based on available data from Real Capital Analytics (RCA), Singapore outbound investment sales in the second quarter amounted to S\$3.0 billion, narrowing by 30.2% y-o-y from S\$4.3 billion in Q2 2019. Key deals included City Developments Limited's (CDL) acquisition of 51.01% stake in the Chongqing-based developer, Sincere Property Group, for some S\$880.0 million (RMB4.39 billion) earlier in April 2020 as well as the purchase of KSH Infra's upcoming logistics park in Pune, India, by Mapletree Investments Pte Ltd for about S\$56.3 million (Rs 300 crore) in June 2020.

Market Outlook

- Despite the global economic downturn caused by the spread of the COVID-19 pandemic, there is little evidence of distress sales, even though there is a distinct decrease in investment sales volume in Q2 2020. Sellers in the market are not in a hurry to sell their properties, and buyers are waiting on the sidelines for potential bargains. As a result, a widening price gap is emerging reflecting the differing price expectations among the interested parties.
- With the end of the circuit breaker and Phase One of the Re-opening, investment sales are expected to increase in the coming months with the onset of Phase Two. Pent-up demand for properties across the various sectors could result in transactions upon

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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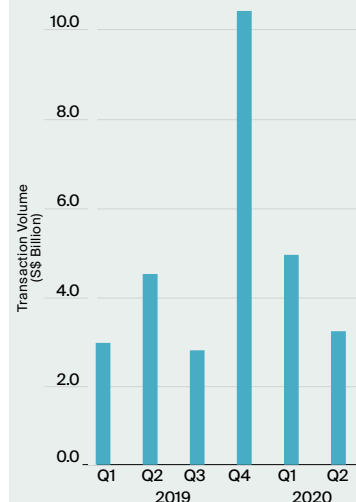
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the resumption of business activities in Singapore, especially in an environment of low interest rates and ample liquidity.

Exhibit 3: Cross-border Investments by Singapore-based Entities



Source: RCA, Knight Frank Research
 Note: Based on transactions available as at 24 June 2020 (excludes transfer and refinancing of real estate assets).

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