

Q1 2023

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## Slow start to 2023 amid market uncertainties

“Although rising interest rates and economic disruptions have resulted in a more cautious market, high-net-worth buyers are purchasing properties for capital preservation and long-term appreciation, as well as income generation.”

DANIEL DING, HEAD, CAPITAL MARKETS (LAND & BUILDING, INTERNATIONAL REAL ESTATE)

The first quarter of 2023 was off to a slow start with a total of just S\$4.2 billion of investment sales, a decrease of 61.0% y-o-y compared to the total of S\$10.8 billion (Exhibit 1) in Q1 2022.

Despite the current wait and see posture of investors, Singapore continues to appeal as a haven for investment, due to the safe and stable political and economic environment amid the escalating global uncertainty. During the quarter, residential deals amounted to S\$1.6 billion, comprising collective sales that amounted to some S\$583.8 million. At the same time, there was also interest from buyers and investors for freehold properties in prime locations in the Core Central Region (CCR) in Q1 2023, with wealth and capital preservation for succession planning in view. For Singapore buyers and investors, income generation was also a priority as 32% of wealthy survey respondents in The Wealth Report 2023

stated this as their chief goal in 2023.

Although the commercial market was quiet for most of Q1 2023, the sale of 39 Robinson Road announced in the last week of March pushed the total to S\$1.9 billion. Topping the list was the acquisition of a 50% stake in Nex at just over S\$1.0 billion by Frasers Centrepoint Trust and Frasers Property Limited, with the acquisition of 39 Robinson Road by Yangzijiang, a Singapore-listed shipbuilding group, for S\$399 million following in second place (Exhibit 2).

The sale of industrial properties increased 62.8% q-o-q to S\$681.1 million in comparison to Q4 2022, attributed to the market shifting its focus while waiting tentatively on the sidelines for adjustment and possible repricing largely in the commercial sector. Four Cycle & Carriage properties were acquired by M&G Real Estate at approximately S\$333 million, while Ho Bee Land disposed of 12 Tannery

**TOTAL INVESTMENT SALES**

**S\$4.2** BILLION IN Q1 2023

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**S\$4.7** BILLION IN Q4 2022

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**S\$10.8** BILLION IN Q1 2022

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**S\$30.6** BILLION IN 2022

Road and 31 Tannery Lane for a combined S\$115 million. Additionally, JForte Building at 26 Tai Seng Street was sold to Boustead Industrial Fund for almost S\$100 million.

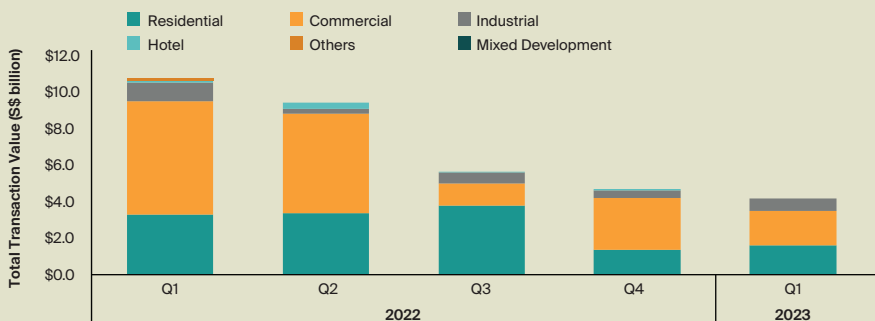
Overall, the momentum of investment deals slowed in Q1 2023, registering the lowest quarterly total since Q2 2020 when Singapore imposed the circuit breaker in the early days of the pandemic. Following the collapse of Silicon Valley Bank (SVB) and the merger of Credit Suisse and UBS Group that were announced in March 2023, and with interest rates not yet stabilised, the investment market in Singapore will likely remain cautious, monitoring for signs of repricing before investors decide on their next move.

### COLLECTIVE SALES

The three residential collective sales in Q1 2023 totalled S\$583.8 million comprising Meyer Park, Bagnall Court and Holland Tower (Exhibit 2). Holland Tower was also the first successful residential collective sale in the CCR since the imposition of the property cooling measures back in December 2021, suggesting a nascent return of interest for prime location development sites after China opened its borders.

Nevertheless, the enbloc environment remains challenging with a seeming gulf in sellers’ and developers’ price expectations. Although developers are still hungry for land, the current collective sales cycle of 2021/2023 presently only has a success rate of around 33% compared to the 63% during the cycle of 2017/2018. “Even if owners achieve an 80%

**Exhibit 1: Total Investment Sales, by Property Sector**



Source: Knight Frank Research (based on data available as at 31 March 2023)  
 Private investment sales are:-  
 a. Investment transactions that comprise an entire building or property with a total worth of S\$10.0 million and above; OR  
 b. Bulk sales within a development amounting to S\$10.0 million or more;  
 c. Institutional transfers that represent a change of legal ownership.

## Exhibit 2: Top 5 Transactions in Singapore, Q1 2023

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (\$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (\$PSF)	BUYER	DATE OF SALE
Nex (50% Stake)	Commercial	\$1,038.9	317,316**	\$3,274**	Frasers Centrepoint Trust (51%) / Frasers Property Limited (49%)	Jan-23
39 Robinson Road	Commercial	\$399.0	134,362**	\$2,970**	Yangzijiang Shipbuilding Group	Mar-23
Meyer Park	Residential	\$392.2	289,628*	\$2,707*	UOL-Singland JV	Feb-23
Jardine C&C Regional HQ	Industrial	\$142.0	107,611***	\$1,320***	M&G Real Estate	Feb-23
Mercedes-Benz Centre	Industrial	\$131.0	100,183***	\$1,308***	M&G Real Estate	Feb-23

Source: Various sources, Knight Frank Research  
 \* Refers to the estimated maximum permissible GFA and corresponding reported price psf ppr.  
 \*\* Net lettable area (NLA) and corresponding price per NLA  
 \*\*\* Land area and corresponding price per land area

agreement to sell collectively, this does not guarantee a successful sale. Ultimately, the key for the collective sales mechanism to work in the current cycle lies with owners adopting reasonable expectations on price in order to pique the interest of developers, and for developers to appreciate that replacement costs for owners have increased substantially.” said Chia Mein Mein, Head, Capital Markets (Land & Collective Sale).

Notwithstanding the challenges, more new launches and relaunches are expected for the rest of 2023 with the East Region being a popular choice.

### OUTBOUND INVESTMENT FROM SINGAPORE

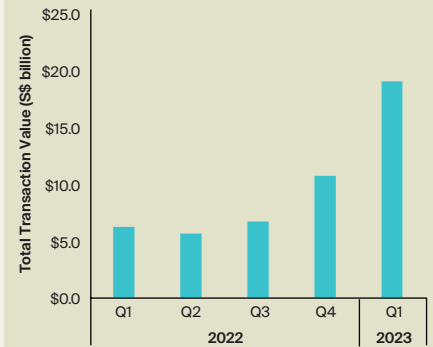
Despite the cautious domestic mood, outbound investment from Singapore was active in Q1 2023, with a total of S\$19.3 billion according to Real Capital Analytics (RCA). This was an increase of 76.7% q-o-q and 201.6% y-o-y (Exhibit 3). The increase could be attributed to emerging opportunities from assets in gateway locations becoming attractively priced due to the stormy global economic situation.

Between January and March 2023, notable deals included the acquisition of St Katharine Docks development in London by City Developments Limited (CDL) for S\$636 million, as well as the purchase of Suning Life Plaza in Beijing for S\$553 million by CapitaLand Investment.

### MARKET OUTLOOK

On the heels of the collapse of SVB and the takeover of the Credit Suisse Group by the UBS Group in March 2023, the pace of investment activity in Singapore is expected to get worse before it gets better. Financing has become more challenging for buyers, investors, developers and banks, and will remain so until there are visible signs of the global economy and financial conditions stabilising. Therefore, investment sales are projected to range from S\$20 billion to S\$22 billion for the whole of 2023, more conservative than the earlier projection of \$22 billion to S\$25 billion.

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



Source: RCA, Knight Frank Research  
 Note: Based on transactions available as at 31 March 2023 (excludes transfer and refinancing of real estate assets).

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