Singapore Research

Investment

Q1 2024 | knightfrank.com.sg/research

Investment sales environment continues to be challenging

> “The investment sales environment in the first half of the year is expected to remain in a holding pattern as investors wait for more favourable market conditions before making their next moves. That said, many are already preparing and are exploring possibilities.”
>
> DANIEL DING, HEAD, CAPITAL MARKETS (LAND & BUILDING, INTERNATIONAL REAL ESTATE)

TOTAL INVESTMENT SALES

S$4.3 BILLION IN Q1 2024

S$5.8 BILLION IN Q4 2023

S$4.5 BILLION IN Q1 2023

S$21.5 BILLION IN 2023

With real estate investment activity ending 2023 on a quieter note, hamstrung by elevated interest rates, the doubling Additional Buyer’s Stamp Duty (ABSD) rate for foreign buyers, and the outbreak of military conflict that has escalated geo-political tensions, 2024 started off in a similar fashion as sales activity remained subdued. Total investment sales value declined 25.2% to S$4.3 billion q-o-q from S$5.8 billion in the last quarter (Exhibit 1).

In Q1 2024, residential deals constituted the largest proportion of investment sales activity at 47.1% with a total sales value of S$2.0 billion. A large proportion consisted of awarded government land sales (GLS) sites for residential uses located at Orchard Boulevard, Plantation Close, and Media Circle, totalling S$1.2 billion. Compared to the previous quarter, residential investment sales activity declined 41.9% from S$3.5 billion as foreign buyers stayed away due to the prohibitive ABSD rate that was implemented in April 2023.

Commercial property deals recorded a similar sales value of S$1.3 billion in Q1 2024 compared to the previous quarter, with a decrease of 0.1%. Despite the slowdown in activity, January was an active month for the commercial sector as several sizable deals changed hands. The acquisition of The Seletar Mall by Allgreen Properties for S$550.0 million and the purchase of a 24.5% stake in Nex by Frasers Centrepoint Trust for S$521.9 million take the top two spots in the top five investment sale transactions during the quarter (Exhibit 2).

Transactional activity in the industrial sector grew 39.4%, with several notable deals that took place in the quarter. For instance, the sale of a data centre named OneTen Paya Lebar to BDx Data Centres from Hwa Hong Corporation Group for S$140.0 million in March and the award of a GLS site at Tuas Link Close to Soon Hock Land Pte Ltd for S$89.0 million in March.

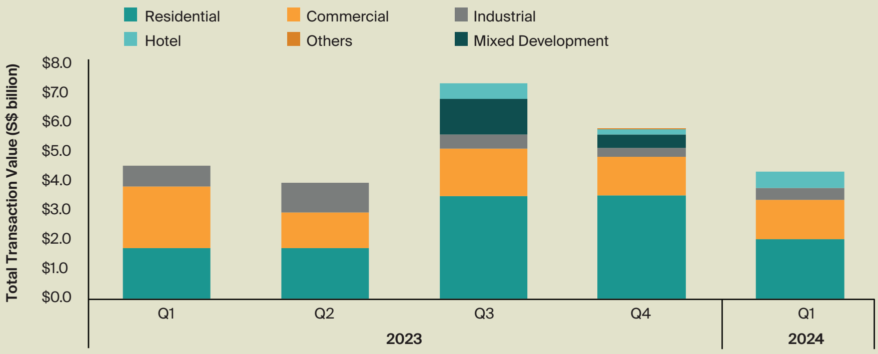
Additionally, three hotels successfully changed hands in Q1 2024, leading to an increase of 208.9% q-o-q. For example, Hotel G was transacted in January for S$238.0 million to The Ascott Limited and CapitaLand Wellness Fund (C-WELL). Additionally, Capri by Fraser, Changi City was purchased by TPG Angelo Gordon, Hong Kong’s Far East Consortium and Atelier Capital Partners for S$170.0 million in March.

COLLECTIVE SALES

In the first quarter of 2024, there was a total of five collective sale launches, with four in the Central Region and one in the West Region. This is a substantial decline compared to the same quarter in the previous year, where 12 developments were launched for collective sale. The doubling of Additional Buyer’s Stamp Duty (ABSD) in late April 2023 deterred homeowners, especially foreigners, from selling, as replacement costs have increased greatly.

The doubling of the ABSD rate for foreign buyers, and challenges when seeking alternative options for redevelopment have also dampened developers’ appetites in the collective sales arena. “Despite lowered asking prices for some projects, the collective sales environment remains challenging with the gulf in expectations between owners and developers exacerbated by the ABSD payable when purchasing a replacement property. Notwithstanding, realistically priced collective sale sites with positive attributes such as a favourable location in proximity to MRT stations, sites with non-residential components

Exhibit 1: Total Investment Sales, by Property Sector



Source: Knight Frank Research (based on data available as at 31 March 2024)
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 2024

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (S$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (S$PSF)	BUYER	DATE OF SALE
The Seletar Mall	Commercial	$550.0	189,500**	$2,902**	Allgreen Properties	Jan-24
Nex (24.5% Stake)	Commercial	$521.9	155,683**	$3,352**	Frasers Centrepoint Trust	Jan-24
GLS site at Orchard Boulevard	Residential	$428.3	264,902*	$1,617*	United Venture Development (No.7) Pte Ltd	Feb-24
GLS site at Plantation Close	Residential	$423.4	603,930*	$701*	Hoi Hup Realty Pte Ltd and Sunway Developments Pte Ltd	Feb-24
GLS site at Media Circle	Residential	$395.3	331,894*	$1,191*	CNQC Realty (Clementi) Pte Ltd and Forsea Residence Pte Ltd	Feb-24

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

that are not affected by ABSD, as well as sites with redevelopment parameters that can appeal to developers, have a higher chance of concluding successfully." said **Chia Mein Mein, Head, Capital Markets (Land & Collective Sale)**.

OUTBOUND INVESTMENT FROM SINGAPORE

In the first quarter of 2024, MSCI Real Assets reported an estimated S$911.0 million of outbound investment from Singapore, reflecting a decline of 54.3% q-o-q and 94.9% y-o-y (Exhibit 3). With market sentiment remaining tentative and cautious, global investors are likely waiting for a reduction in interest rates or for global tensions to ease before making their next move. At the same time, many are in the process of discovery, evaluating potential acquisitions in order to pursue a deal when the time is right.

Nonetheless, there were a few significant deals that took place in the quarter, and these included the acquisition of five assets for S$403.0 million by StorHub in Australia to facilitate their expansion plans in March, and the purchase of Yardhouse in Central London by City Developments Ltd (CDL) for S$148.6 million in February.

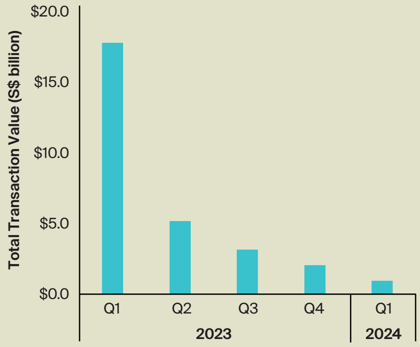
MARKET OUTLOOK

With the pandemic all but relegated to history, there is expectation that the hospitality and retail sectors will do better as tourism numbers pick up. Commercial shophouses that are not liable for ABSD will continue to be in demand due to its rarity. Investors will also be on the lookout for core and core-plus assets in the industrial sector, with the nascent return of positive business sentiment in manufacturing.

Collective sales will continue to be challenging, with success factors hinged on favourable site locations with attractive development parameters, and a reasonable price tag.

For the rest of 2024, the capital markets space is expected to get better, with more activity anticipated in the second half of the year pending interest rate cuts. As such, the total investment sales for 2024 is projected to range between S$23 billion and S$25 billion.

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



Source: MSCI Real Assets, Knight Frank Research
Note: Based on transactions available as at 31 March 2024 (excludes transfer and refinancing of real estate assets).

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