

Q2 2024

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A pick up in residential and commercial investment activity despite the quiet market

► “In the current market, it would take uncanny bravery or foresightedness to buy or sell. Even though the number of sellers outnumber the buyers, the bid-ask gap for properties will remain until interest rates ease.”

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

Despite the subdued real estate investment sales climate in the first half of the year, total investment sales value improved 41.2% q-o-q and 63.3% y-o-y, reaching S\$6.4 billion in Q2 2024 (Exhibit 1).

Residential deals totalled S\$4.2 billion in sales value and continued to make up the bulk of investment activity. Compared to Q1 2024, residential investment sales activity increased 100.5% from S\$2.1 billion in the previous quarter. Additionally, awarded government land sales (GLS) sites for residential use located at Zion Road, Holland Drive, Upper Thomson Road and River Valley Green amounting to S\$3.2 billion topped the list of investment sales for the quarter (Exhibit 2).

Commercial property deals increased by 21.1% q-o-q to S\$1.8 billion in Q2 2024, led by the sale of large commercial buildings such as Mapletree Anson for S\$775.0 million and Delfi Orchard for

S\$439.0 million in May (Exhibit 2). As the prohibitive Additional Buyer's Stamp Duty (ABSD) culled much interest in properties with residential use by foreign investors and high net worth (HNW) families, shophouses remained the preferred asset type for these buyers who purchased such heritage properties with a view towards capital appreciation.

In contrast, momentum in the industrial sector slowed, as total sales value declined by 24.8% q-o-q and 67.2% y-o-y to S\$330.0 million in Q2 2024. Some industrial deals that closed in the quarter was the sale of BHL Factories for S\$74.0 million in May and Homestay Lodge, a worker dormitory located at 31 Kaki Bukit Avenue 3 for S\$63.5 million in June.

COLLECTIVE SALES

The collective sales market showed increased activity with six collective sale launches in the second quarter of 2024,

one more compared to the previous quarter. Delfi Orchard was sold to City Developments Ltd (CDL) for S\$439.0 million in May. Successful collective sales for residential developments remain extremely challenging in the current market due to the price gap between owners and developers, as well as the reluctance of foreign owners to sell as a result of the doubling of the ABSD rate that has greatly increased their replacement cost.

“Developers continue to be cautious, taking a wait-and-see posture when evaluating collective sales sites, especially those with large areas. However, “mini landed enblocs” that are in effect the joint sale of adjoining decently sized landed residential plots in good locations will appear attractive to developers. Boutique developers scour the island for adjoining landed homes in a row that can preferably be redeveloped to at least five new homes. As domestic demand for landed developments remains evergreen, this niche provides a more manageable risk profile for smaller developers catering to homebuyers that are less than willing to undertake reconstruction on their own.” said **Chia Mein Mein, Head, Capital Markets (Land & Collective Sale).**

OUTBOUND INVESTMENT FROM SINGAPORE

According to MSCI Real Assets, outbound investment from Singapore was reported to be an estimated S\$3.7 billion, a quarterly increase of 165.6% but a yearly decrease of 34.0% (Exhibit 3).

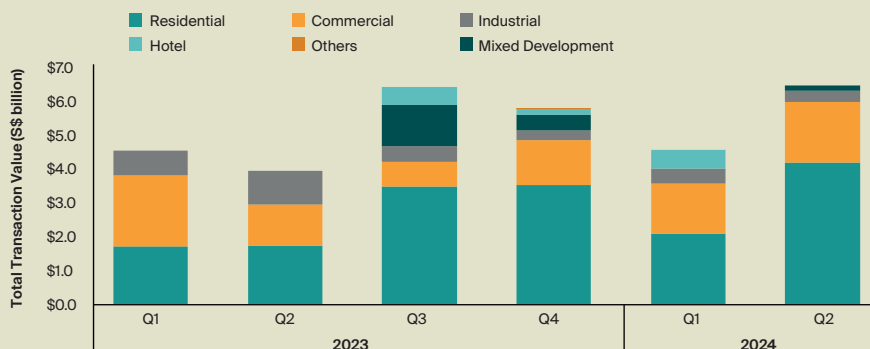
TOTAL INVESTMENT SALES

S\$6.4 BILLION IN Q2 2024

S\$4.6 BILLION IN Q1 2024

S\$3.9 BILLION IN Q2 2023

Exhibit 1: Total Investment Sales, by Property Sector



Source: Knight Frank Research (based on data available as at 30 June 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, Q2 2024

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (\$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (\$PSF)	BUYER	DATE OF SALE
GLS site at Zion Road (Parcel A)	Residential	\$1,106.9	920,862*	\$1,202*	CDL-MFA Vega Property Pte. Ltd. and CDL-MFA Altair Property Pte. Ltd. (City Developments Ltd, Mitsui Fudosan)	Apr-24
GLS site at Holland Drive	Residential	\$805.4	626,717*	\$1,285*	Holly Development Pte. Ltd. (CapitaLand Development, UOL, Singapore Land and Kheng Leong)	May-24
GLS site at Upper Thomson Road (Parcel B)	Residential	\$779.6	861,758*	\$905*	GuocoLand (Singapore) Pte. Ltd. and Intrepid Investments Pte. Ltd. (Hong Leong Holdings)	Apr-24
Mapletree Anson	Commercial	\$775.0	329,487**	\$2,352**	PAG	May-24
GLS site at River Valley Green (Parcel A)	Residential	\$464.0	350,117*	\$1,325*	Winchamp Investment Pte. Ltd. (Wing Tai)	Jun-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

Global investors are anticipated to delay their next actions until interest rates decrease and global tensions ease. Nevertheless, many are actively exploring opportunities and assessing potential acquisitions, preparing to initiate a purchase when conditions become more favourable.

More property groups and asset managers have also been expanding their portfolios to include purpose-built student accommodation (PBSA) across major markets as an asset class that is resilient amid weakening valuations for other asset types. PBSAs are typically counter cyclical with stable cash flows. As such, there were several major PBSA deals closed by various major property players. An example would be Mapletree Investments acquiring 31 student housing assets across 19 cities in the UK and Germany for S\$1.7 billion in April.

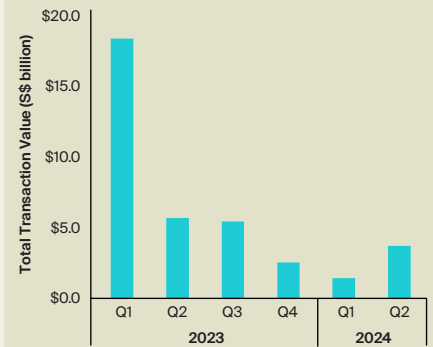
MARKET OUTLOOK

Market sentiments continue to remain at muted levels as buyers and investors continue to wait for interest rates to drop, and/or for prices to be rerated. As the hospitality and retail sectors show the greatest potential due to normalising tourist patterns, deals waiting in the wings can be expected once interest rates show signs of decrease.

Although residential collective sales will remain difficult, landed housing plots for redevelopment of landed homes in good locations will continue to be sought after by boutique developers with landed homebuyer demand consistently healthy.

There is every chance that deals can materialise in an environment where there are currently more sellers than buyers, once interest rate cuts begin that cause the expectations between buyers and sellers to narrow. This could set off the deals that are simmering below the surface. As such, investment sales momentum could improve in the second half of 2024, bringing the annual total to the projected range of S\$23 billion to 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 30 June 2024 (excludes transfer and refinancing of real estate assets).

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