

Q4 2023

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Stirrings of investment activity at year-end after a mostly quiet year

► “More investors are preparing to move higher up the risk curve and undertake value-adding schemes after positive returns were eroded by elevated interest rates in 2023. In the meantime, private wealth remains patient, waiting to deploy when conditions are favourable.”

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

Year 2023 was a tepid one for real estate investments in Singapore due to an inflationary environment where interest rates were constantly on the rise, the increase in Additional Buyer's Stamp Duty (ABSD) rates from April, as well as geo-political tensions that erupted with the outbreak of the Israel-Gaza conflict.

Despite this, the sales transaction value crossed the S\$20 billion mark, totalling S\$21.1 billion and exceeding Knight Frank's Q3 2023 adjusted projection of S\$18 billion to S\$20 billion. This was 31.8% lower than the S\$30.9 billion recorded in 2022 (Exhibit 1).

Residential deals comprising mostly government land sales (GLS) amounted to S\$10.3 billion, making up the majority of investment sales activity in 2023 at 47.7%. This translated to a decline of 13.3% from S\$11.9 billion in the previous year, which can be partly attributed to elevated interest rates and cooling measures. In Q4 2023, total

residential transactions declined 1.0% q-o-q to S\$3.4 billion.

Commercial property deals declined 61.4% to S\$6.1 billion from S\$15.8 billion in the previous year. Despite the challenges, several large deals were inked, such as the acquisition of a 50% stake in Nex by Frasers Centrepoint Trust and Fraser Property Limited for S\$1.0 billion in January, and the collective sale of Far East Shopping Centre to Glory Property Developments for S\$908.0 million in September.

There were 14 Government Land Sale (GLS) sites awarded in 2023 amounting to S\$7.7 billion, 39.9% higher than 2022 when 11 sites totalling S\$5.5 billion were sold. This was the highest since 2012 when 51 GLS sites adding up to S\$10.6 billion were awarded. And notwithstanding the risks, developers were willing to pay over S\$1 billion for sites at Tampines Avenue 11 and Marina Gardens Lane, which were sold for S\$1.2 billion and S\$1.0 billion

TOTAL INVESTMENT SALES

S\$21.1 BILLION IN 2023

S\$5.4 BILLION IN Q4 2023

S\$30.9 BILLION IN 2022

S\$4.8 BILLION IN Q4 2022

respectively. Despite the currents of uncertainty that characterised 2023, the appetite of developers in the local market remained intact.

Although investment activity slowed in 2023 as private wealth investors remained patient, public deals increased in both the number of transactions and value as the government launched more sites, increasing pipeline residential housing supply to address housing demand.

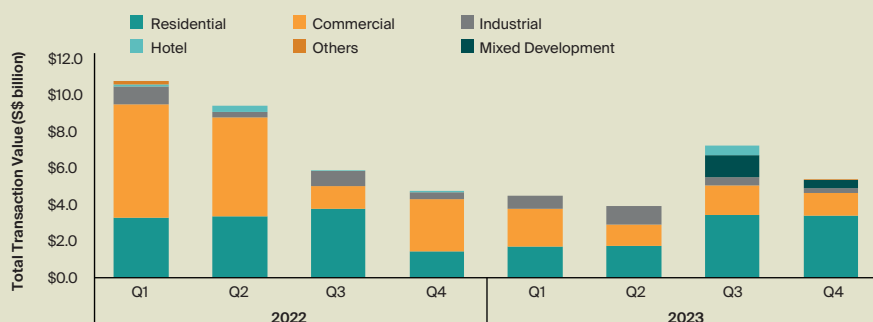
COLLECTIVE SALES

Only seven collective sale deals amounting to S\$2.1 billion were successful in 2023, a decline of 44.0% compared to the previous year when 16 collective sale deals translating to S\$3.8 billion were done.

Meyer Park was sold at S\$392.2 million in the first quarter of the year, and since then, due to the imposition of the cooling measures in April, sales activity was relegated to much smaller deals, such as Kew Lodge for S\$66.8 million in May, and Kartar Apartments for S\$18.0 million in October, with widening price gaps as a result of higher expectations from sellers weighed against the heightened risks for developers. Single owner sites were also acquired by developers such as 132 Sophia Road (S\$33.6 million) for boutique residential redevelopment, and 43/45 Gentle Road (S\$30.8 million) for new landed homes.

Nevertheless, collective sales activity in the commercial sector stirred with the sale of Far East Shopping Centre to Glory Property Developments for S\$908.0 million in September and the sale of Shenton House to IOI

Exhibit 1: Total Investment Sales, by Property Sector



Source: Knight Frank Research (based on data available as at 29 December 2023)

Private investment sales are:-

- Investment transactions that comprise an entire building or property with a total worth of S\$10.0 million and above; OR
- Bulk sales within a development amounting to S\$10.0 million or more;
- Institutional transfers that represent a change of legal ownership.

Exhibit 2: Top 5 Transactions in Singapore, Q4 2023

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (\$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (\$PSF)	BUYER	DATE OF SALE
GLS site at Lorong 1 Toa Payoh	Residential	\$968.0	711,720*	\$1,360*	CDL Constellation Pte Ltd, Frasers Property Phoenix Pte Ltd and Sekisui House, Ltd	Nov-23
GLS site at Pine Grove (Parcel B)	Residential	\$692.4	565,998*	\$1,223*	Golden Ray Edge 3 Pte Ltd	Nov-23
GLS site at Clementi Avenue 1	Residential	\$633.4	506,753*	\$1,250*	CSC Land Group (Singapore) Pte Ltd and Caspian Residential 3 Pte Ltd	Nov-23
GLS site at Tampines Street 62 (Parcel B)	Residential	\$543.3	753,484*	\$721*	Sim Lian Land Pte Ltd and Sim Lian Development Pte Ltd	Oct-23
Shenton House	Commercial	\$538.0	508,900**	\$1,885**	Shenton 101	Nov-23

Source: Various sources, Knight Frank Research

* Refers to the estimated maximum permissible GFA and corresponding reported price psf ppr.

** Based on reported estimates of plot ratio 14.0, land betterment charges and lease top-up premium

Properties Group for S\$538.0 million in November, taking the top two en bloc spots in 2023.

“With the current geo-political and economic headwinds, the challenge remains for sellers to maintain reasonable selling prices. Small and bite-sized residential plots remain attractive to developers who are facing obstacles such as bullish asking prices for larger plots of land. Landed home plots for redevelopment are also sought after by boutique developers, given the longstanding stable domestic demand for this limited prestige property type in land scarce Singapore.” said **Chia Mein Mein, Head, Capital Markets (Land & Collective Sale)**.

OUTBOUND INVESTMENT FROM SINGAPORE

According to Real Capital Analytics (RCA), outbound investment from Singapore totalled an estimated S\$1.5 billion, a decline of 57.2% q-o-q and 87.0% y-o-y (Exhibit 3). Market sentiment remains tentative and cautious, and perhaps global investors intend to wait until interest rate cuts materialise in the year ahead.

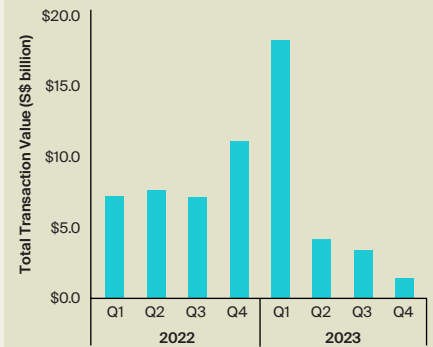
Despite the muted market activity in Q4 2023, a few noteworthy deals included the purchase of a pair of Sydney school campuses for S\$125.0 million in October by a fund of Keppel Corporation, and the acquisition of a 261-unit freehold private rented sector (PRS) project in Manchester by City Developments Ltd (CDL) for S\$125.7 million.

MARKET OUTLOOK

In 2024, more older developments might undergo value-adding works as investors mitigate risks and maintain revenue streams while the building is being improved. In addition, with the potential cut in interest rates, a pickup in the acquisition of core properties such as industrial assets may also increase. While redevelopment is susceptible to volatile variables such as construction costs and schedules, other investors could be more prepared to move up the risk curve and choose this route.

With a more positive outlook for the capital markets space, total investment sales for 2024 is projected to add up to S\$23 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 29 December 2023 (excludes transfer and refinancing of real estate assets).

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