

INVESTMENT SALES WITNESSED YEAR-ON-YEAR (Y-O-Y) GROWTH

Commercial transaction activity in the private sector continued to drive Singapore’s big-ticket investment sales scene in Q1 2017; inbound investments remained stable with continued foreign interest for Singapore real estate.

- **Total investment sales value increased 89.9% y-o-y to S\$4.6 billion in Q1 2017**, albeit falling by 45.3% quarter-on-quarter (q-o-q) (Exhibit 1).
- **Subdued activity in both the public and private sectors compared to Q4 2016**; the former showed greater weakness with only two residential government land sales (GLS) plots (S\$466.1 million) and an industrial government land sales (IGLS) site (S\$3.0 million) transacted.
- **The commercial sector took the lead with S\$2.9 billion worth of transactions in Q1 2017** as investors continued their purchase of assets in the Central Region (Exhibit 2). Commercial investment sales value increased more than fourfold from a year ago but declined 41.0% q-o-q.
- **The residential sector dipped 43.9% q-o-q or 21.4% y-o-y to S\$1.3 billion in Q1 2017**. The implementation of the Additional Conveyance Duty (ACD) in March 2017 was a key policy that could impact on sales transactions going forward. The ACD was aimed at addressing the stamp duty rate differential between direct acquisition/ disposal of residential properties and indirect acquisition/ disposal of residential properties via a transfer of equity interest in a holding entity. Several collective sales were still underway by the end of the quarter.
- **Outbound investment activity more than doubled from Q4 2016 to clock S\$4.0 billion in Q1 2017**; Singapore investors’ interest in the United States seemed to have returned, with the latter attracting S\$3.3 billion worth of transactions in Q1 2017 (compared to S\$107.7 million in Q4 2016). **On the other hand, inbound investment fell 12.5% q-o-q but remained relatively high at S\$2.9 billion in Q1 2017.**

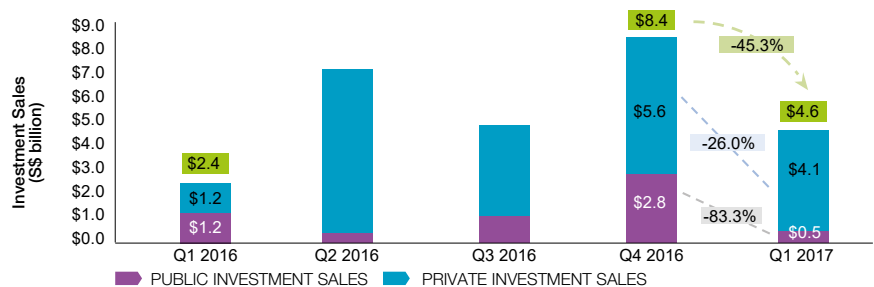


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“We expect to see healthy interest for development sites, with en-bloc providing alternative avenue for developers to secure land.”

EXHIBIT 1

Total Investment Sales, by Sector



Source: URA, Knight Frank Research

To be considered as private investment sales under Knight Frank Research definition, it must fulfil either of the following pre-requisite:-
a. Investment transactions should comprise an entire building or property with a total worth of S\$10 million and above; OR

b. Any bulk sales within a development which amounts to S\$10 million or more

¹ Public Investment Sales: The sale of a development site that is made available by the government to private entities.

² Private Investment Sales: Sales transaction of an existing development made between two private entities.

EXHIBIT 2

Top 5 Transactions in Q1 2017

Building	Sector	Price (\$\$ mil)	Current Net Lettable Area (sq ft)	Price psf (\$\$ psf)	Yield (%)	Buyer	Transaction Date
TripleOne Somerset (70% interest)	Mixed Office Retail	S\$880.6 mil ¹	571,818	S\$2,200 ¹	Not disclosed	Simply Swift Limited ¹	Mar 2017
PwC Building	Office	S\$747.0 mil ²	355,704 ²	S\$2,100 ²	Not disclosed	Manulife Financial Corporation	Feb 2017
GSH Plaza (office component)	Office	S\$725.2 mil ³	250,069	S\$2,900 ³	Not disclosed	Fullshare Holdings	Feb 2017
The Nassim (bulk sale of 45 units)	Residential	S\$407.2 mil ⁴	Not Available	S\$2,300 ⁴	Not disclosed	Kheng Leong Company (Private) Limited	Jan 2017
Prudential Tower (17 units)	Office	S\$206.6 mil ⁵	79,459	S\$2,600 ⁵	Not disclosed	One Tree Partners	Mar 2017

Source: Knight Frank Research

¹ The consideration was based on an agreed total property price (on a completed basis) of approximately S\$1.258 billion, which translates to a divestment price of S\$2,200 psf and subject to adjustment based on the net saleable strata area at TripleOne Somerset; Simply Swift Limited is a wholly owned subsidiary of Shun Tak Holdings Limited (Source: Perennial Press Release, 26 January 2017)

² Source: The Business Times, 11 February 2017

³ Source: The Business Times, 6 February 2017

⁴ The aggregate consideration of S\$411.6 million comprises the estimated net tangible assets value of S\$138.7 million as at 16 January 2017; it also takes into account the agreed property value of the 45 units in The Nassim of S\$407.2 million and an assignment of a shareholder's loan of S\$272.9 million (Source: CapitaLand Announcement, 16 January 2017)

⁵ Source: RCA, based on data downloaded on 12 May 2017

EXHIBIT 3

Top 5 Outbound Transactions in Q1 2017

Site / Development	Property Type	Destination of Capital	Price ¹ (\$\$ mil)	Yield (%)	Buyer	Transaction Date
Deutsche Bank HQ	Office	United States	\$1,408.7 mil	Not disclosed	GIC	Jan 2017
Lafayette Centre	Office	United States	\$553.3 mil	6.1% ¹	GIC, Korea Investment Corp	Feb 2017
Pentagon Center ³	Office	United States	\$525.6 mil	6.7% ¹	GIC, Korea Investment Corp	Feb 2017
Aston Student Villages	Student Accommodation	England	\$404.3 mil	5.0% ²	GIC, Unite Students REIT	Feb 2017
Terrell Place ³	Office	United States	\$209.5 mil	Not disclosed	GIC, Korea Investment Corp	Feb 2017

Source: Knight Frank Research

Outbound investments refer to all outbound capital flows relating to the direct and indirect acquisition (e.g. equity stake) of a property situated outside of Singapore, by Singapore-based entities. Only transactions with quantum of at least US\$2.5 million are captured.

¹ Underwritten net yield (Source: RCA, 19 May 2017)

² Quoted net yield (Source: RCA, 19 May 2017)

³ Part of a portfolio transaction comprising 2 office buildings

EXHIBIT 4

Key Statistics for Q1 2017, by Sector

	Residential	Retail	Office
Island-Wide Occupancy (%)	91.9% ↑ 0.3pp	92.3% ↓ 0.2pp	88.4% ↓ 0.4pp
Available Stock (sq ft, unless otherwise stated)	352,310 units	64.8 million	83.5 million
Upcoming Supply by 2021 (sq ft, unless otherwise stated)	36,519 units	4.9 million ¹	9.9 million ¹
Market Outlook for H1 2017	↓	↓	↓

Source: Knight Frank Research

¹ Upcoming supply for Retail Sector in terms of Net Lettable Area (NLA) and for Office Sector in terms of Gross Floor Area (GFA)

*Arrows indicate q-o-q movement from the preceding quarter, unless otherwise stated.

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