

INVESTMENT MARKETBEAT

SINGAPORE

A Cushman & Wakefield Research Publication



Q1 2015



EXECUTIVE SUMMARY

Total real estate investment sales remained steady at S\$3.83 billion for the first quarter of 2015. Among all sectors, the residential sector was the highest at S\$1.27 billion. This was closely followed by the commercial sector at S\$1.26 billion. The industrial and hospitality sector trailed behind at S\$652.38 million and S\$203.40 million respectively.

The commercial sector continued to outperform as it was boosted by the acquisition of AXA Tower at S\$1.17 billion. Active bulk purchases in the strata office segment was recorded in prime buildings such as HUB

Synergy Point and Samsung Hub while renewed investment interest was also seen in the shophouse segment. Even though investment sales in the industrial sector was less positive, REIT activity was still present in industrial acquisitions.

Going forward, uncertainty over the timing of the US rate hike and further yield compressions may result in fewer acquisitions in the commercial sector.

Nevertheless, assets with established cash flows and strong capital appreciation potential should be able to attract continued interest from foreign institutional investors.

MARKET SNAPSHOT

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OVERVIEW

Total real estate investment sales remained steady at S\$3.83 billion for the first quarter of 2015. The private sector continued to dominate the market at 74% of sales while the public sector contributed to the remaining 26%.

Among all sectors, the residential sector was the highest at S\$1.27 billion. This was closely followed by the commercial sector at S\$1.26 billion. The industrial and hospitality sector trailed behind at S\$652.38 million and S\$203.40 million respectively.

Investment sales attributed to residential Government Land Sales (GLS) sites increased by 14.9% this quarter, mainly boosted by the tender of Jurong West Street 41 (Parcel B) site. On the contrary, we have seen a decline in investment interest especially in the GLS industrial sector since the Ministry of Trade and Industry tapered supply on the Industrial GLS Program. Industrial investment sales experienced a sharp decline of 27.5% from the S\$121.93 million registered in the previous quarter.

COMMERCIAL SECTOR

The commercial sector continued its pace of growth in the first quarter of 2015 with an investment volume of S\$1.26 billion, an increase of 19.4% as compared to the previous quarter. The acquisition of AXA Tower by Perennial Real Estate Holdings-led consortium at S\$1.17 billion helped to boost the attractiveness of the commercial assets.

Active bulk purchases in the strata-titled office segment were recorded in prime buildings such as HUB Synergy Point and Samsung Hub. The top three floors of HUB Synergy Point were transacted at S\$29.97 million with the 26th floor transacting at S\$2,400 per square foot (psf) while the 27th and 28th floors were sold at a lower price of S\$1,512 psf (strata areas of 27th and 28th floors included a large amount of roof terrace space).

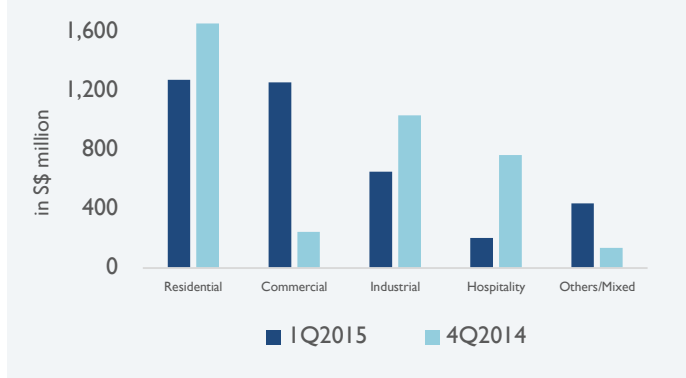
At Samsung Hub, the 8th floor was transacted at S\$3,250 psf, slightly lower than the S\$3,280 psf achieved last quarter for the 21st floor in the same building. Total transaction price of S\$42.60 million for the 8th floor translates to a gross yield of approximately 3.2%.

INDUSTRIAL SECTOR

Investment sales in the private industrial sector was less positive with S\$652.38 million, a 36.7% decrease from last quarter's S\$1.03 billion.

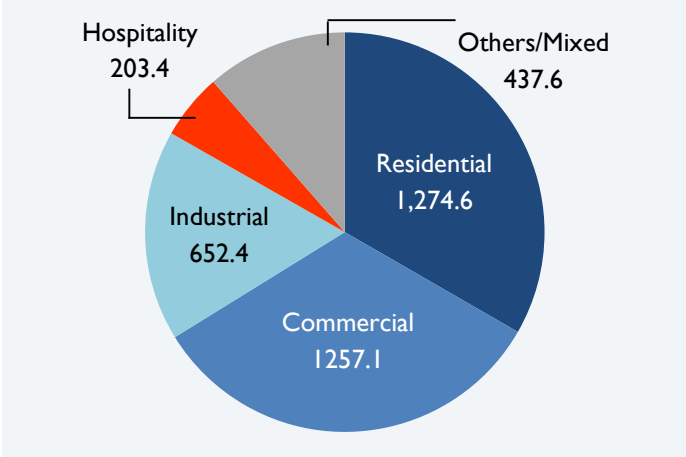
Despite the weak investment sentiment, REIT activity was still present in industrial acquisitions. Ascendas REIT acquired The Kendall at Science Park II from its sponsor Ascendas Group in March 2015 for S\$112 million or S\$618

SALES VALUE BY SECTOR



Source: Cushman & Wakefield Research

DISTRIBUTION OF INVESTMENT SALES BY SECTOR



Source: Cushman & Wakefield Research

Note: All values in S\$Mil

MAJOR OFFICE DEALS IN IQ2015

PROPERTY NAME	ADDRESS	PRICE (\$\$MIL)	BUYER
AXA Tower	8 Shenton Way	1,170.0	Perennial Real Estate Holdings-led consortium
Samsung Hub (8 th Floor)	3 Church Street	42.6	Hong Kong-based property investment firm
Hub Synergy Point (26 th – 28 th Floors)	70 Anson Road	30.0	Hub Synergy (S) Pte Ltd

Source: Cushman & Wakefield Research, URA

AVERAGE TRANSACTED VALUE (\$\$ PSF) IN IQ2015

TENURE	COMMERCIAL TYPE	PRICE (\$\$PSF)
Freehold	Strata Office	\$2,694 psf
99-Yr LH	Strata Office	\$2,409 psf

Source: Cushman & Wakefield Research, URA

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psf over NLA. The facility has a remaining tenure of 64 years and is expected to have a yield of 6.8%. In the same month, Soilbuild REIT acquired 72 Loyang Way for S\$97 million or S\$477 psf over GFA via a sale-and-leaseback arrangement with Technics Offshore Engineering for 15 years. The integrated facility has a remaining lease tenure of approximately 23 years.

Other acquisitions by non-REIT players include the collective sale of Irving Industrial Building for S\$160.00 million or S\$930 psf per plot ratio to Nanshan Group and the transaction of Cyberhub for S\$88 million or S\$503 psf over NLA.

HOSPITALITY SECTOR

The hospitality sector registered the largest decline of 73% to S\$203.4 million this quarter, a significant decrease from the S\$765 million in the preceding quarter. Only one notable transaction was done in the quarter. The Capri by Fraser, Changi City was acquired by Frasers Centrepoint for S\$203.4 million. Comprising of 313 rooms, this translates to an acquisition cost of approximately S\$650,000 per key.

MIXED/OTHER SECTOR

Renewed investment interest was seen in the shophouse segment which helped to lift investment sales in the mixed/other sector. Investment sales for this quarter S\$437.63 tripled the amount recorded in the previous quarter.

Six shophouses at Peck Seah Street were acquired by Phoenix Property Investors at S\$42.80 million or S\$2,155 psf over GFA. A freehold shophouse block at Sultan Gate changed hands at S\$20.8 million or S\$2,618 psf over GFA while two adjoining 999-year leasehold shophouses at Pagoda Street were transacted at S\$20 million or about S\$3,500 psf over GFA. Over at Hong Kong Street, a 99-year leasehold shophouse was sold for S\$17.21 million or S\$1,900 psf over GFA.

OUTLOOK

The commercial and shophouse sectors have experienced yield compression in recent times due to robust demand from both local and foreign investors scouting for stable assets in core markets.

Moving forward, uncertainty over the timing of the US rate hike and further yield compressions might result in fewer acquisitions especially in the commercial sector. In addition, the removal of stamp duty concession for REITS may lead to lower investment volumes for the whole of 2015 based on the fact that the REITs have accounted for a significant portion of investment sales in 2014.

MAJOR INDUSTRIAL DEALS IN 1Q2015

PROPERTY NAME	ADDRESS	PRICE (\$\$MIL)	BUYER
Irving Industrial Building	3 Irving Road	160.0	Nanshan Group
The Kendall	50 Science Park Road	112.0	Ascendas REIT
72 Loyang Way	72 Loyang Way	97.0	Soilbuild REIT
Cyberhub	20 Bendemeer Road	88.0	BS Capital Group
26 Senoko Way	26 Senoko Way	24.8	JTC Corporation
6 Tuas View Circuit	6 Tuas View Circuit	22.4	Starburst Holdings
160A Gul Circle	160A Gul Circle	16.2	Cambridge Industrial Trust

MAJOR HOSPITALITY DEALS IN 1Q2015

PROPERTY NAME	ADDRESS	PRICE (\$\$MIL)	BUYER
Capri by Fraser, Changi City	3 Changi Business Park Central I	203.4	Frasers Centrepoint

MAJOR MIXED/OTHER DEALS IN 1Q2015

PROPERTY NAME	ADDRESS	PRICE (\$\$MIL)	BUYER
Homestay Lodge	Kaki Bukit Avenue 3	127.0	Pamfleet Group
Peck Seah Street Shophouses (6)	48, 48A, 52, 54, 56 Peck Seah Street	42.8	Phoenix Property Investors
Sultan Gate Shophouse Block	32, 34, 34A Sultan Gate	20.8	Investment Holding Firm
Pagoda Street Shophouses (2)	75 Pagoda Street	20.0	Gudang Garam family member
Hongkong Street Shophouse	39 Hongkong Street	17.2	Singaporean investor

Source: Cushman & Wakefield Research, URA

Recently established REITs in the industrial sector may be less aggressive in acquiring properties, while the more established REITs could divert their attention to foreign markets as they aim to seek higher yields.

Nevertheless, assets with established cash flows and strong capital appreciation potential should be able to attract continued interest from foreign institutional investors.

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