

INVESTMENT MARKETBEAT

SINGAPORE

A Cushman & Wakefield Research Publication



Q4 2014



EXECUTIVE SUMMARY

Total real estate investment sales amounted to S\$3.83 billion as at the fourth quarter of 2014 compared to S\$5.88 billion recorded in the third quarter. Of the S\$3.83 billion, sales from the private sector accounted for S\$3.03 billion, while Government Land Sales (GLS) sites contributed the balance amount of S\$0.80 billion.

In terms of property sectors, the residential sector accounted for the highest with S\$1.66 billion worth of sales. The industrial sector was next, contributing S\$1.03 billion, of which private sector sales accounted for S\$911.11 million. The commercial sector contributed S\$244.56 million. The balance investment sales came from the hospitality sector (S\$765.00 million) and others (S\$135.26 million).

Accordingly, investment sales for 2014 amounted to S\$21.09 billion, a decline of almost a third from the S\$30.64 billion of investment sales in 2013. This is attributed to the impact of the Total Debt Servicing Ratio (TDSR), particularly on the residential sector which saw a fall from S\$11.94 billion in 2013 to S\$7.69 billion in 2014.

For the next three months, we expect the commercial and retail sectors to continue to draw interest from the market. The limited supply of prime freehold industrial properties is expected to bode well for freehold standalone and en-bloc buildings particularly those which are located near to the city and with good transport connectivity.

MARKET SNAPSHOT

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OVERVIEW

For the fourth quarter of 2014, real estate investment sales amounted to S\$3.83 billion compared to S\$5.88 billion recorded in the third quarter. Of the S\$3.83 billion, sales from the private sector accounted for S\$3.03 billion, while the Government Land Sales (GLS) sites contributed the balance amount of S\$0.80 billion.

In terms of property sectors, the residential sector recorded the highest with S\$1.66 billion worth of sales. The industrial sector was next, contributing S\$1.03 billion, of which private sector sales accounted for S\$911.11 million. The commercial sector contributed S\$244.56 million. The balance investment sales came from the hospitality sector (S\$765.00 million) and others (S\$135.26 million).

Investment sales attributed to residential GLS sites amounted to S\$679.72 million this quarter, down from S\$908.53 million in the preceding quarter. Investment sales from Industrial GLS sites experienced a smaller decline this quarter to S\$121.93 million from S\$134.36 million in the previous quarter.

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COMMERCIAL SECTOR

The commercial sector recorded a total investment value of S\$244.56 million in the fourth quarter of 2014. This was substantially lower than the S\$2.53 billion recorded in the third quarter of 2014. Of the S\$244.56 million, the office sector accounted for the majority with S\$146.49 million and the balance S\$98.07 million was from the retail sector. The sharp decline in investment sales for the office sector was due to the lack of acquisitions by REITs in this quarter.

Nevertheless, strata office investment sales remained healthy this quarter with Church Street Holdings completing its divestment of its remaining Samsung Hub floor.

In October, Samsung Hub's 21st floor was transacted at S\$42.10 million or \$3,280 per square foot (psf) to a Korean family office. This is higher than the previous price of S\$3,225 psf paid for a unit on the 18th floor of the 999-year leasehold office building in the third quarter.

In the same month, half of the 11th floor at Prudential Tower was sold to a Chinese construction group for S\$16.40 million or S\$2,750 psf over the strata floor area. This floor unit was sold following the en-bloc sale of Prudential Tower

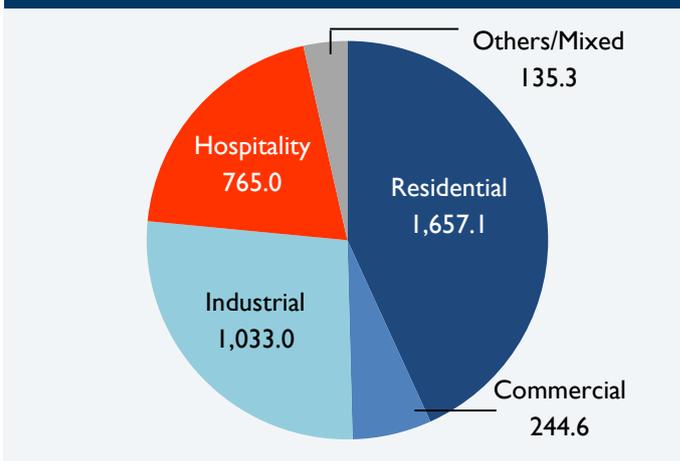
in the second quarter of this year for S\$2,316 psf over the net lettable area.

DISTRIBUTION OF SALES VALUE BY SECTOR

4Q2014	PUBLIC SECTOR (\$ MILLION)	PRIVATE SECTOR (\$ MILLION)	TOTAL (\$ MILLION)
Residential	\$679.7	\$977.4	\$1,657.1
Commercial	\$0.0	\$244.6	\$244.6
Industrial	\$121.9	\$911.1	\$1,033.0
Hospitality	\$0.0	\$765.0	\$765.0
Others/Mixed	\$0.0	\$135.3	\$135.3
Total	\$801.6	\$3,033.3	\$3,834.9

Source: Cushman & Wakefield Research

DISTRIBUTION OF INVESTMENT SALES BY SECTOR



Source: Cushman & Wakefield Research

Note: All values in S\$Mil

MAJOR OFFICE DEALS IN 4Q2014

PROPERTY NAME	ADDRESS	PRICE (\$MIL)	BUYER
Samsung Hub (21 st Floor)	3 Church Street	42.1	Korean family office
Prudential Tower (Half of 11 th Floor)	30 Cecil Street	16.4	Chinese construction group

Source: Cushman & Wakefield Research, URA

AVERAGE TRANSACTED VALUE (\$ PSF) IN 4Q2014

TENURE	COMMERCIAL TYPE	PRICE (\$PSF)
Freehold	Strata Office	\$2,724 psf
99-Yr LH	Strata Office	\$2,459 psf

Source: Cushman & Wakefield Research, URA

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INDUSTRIAL SECTOR

For the fourth quarter, the industrial sector recorded investment sales of S\$1.03 billion, which was higher than the S\$948.77 million recorded in the third quarter of 2014. The majority of industrial investment sales in this quarter was once again attributed to acquisitions by various industrial REITs.

In October, two adjacent factories at 61 & 71 Tuas Bay Drive were acquired by Soilbuild REIT for S\$55.00 million or S\$264 psf based on its gross floor area (GFA) over the balance lease term of approximately 51 years.

In November, Mapletree Logistics Trust acquired a food distribution center at 190A Pandan Loop for S\$34.00 million or S\$303 psf over the GFA. The property, situated in a JTC Food Zone in the Pandan Loop industrial estate, has a remaining lease tenure of 40 years and is reported to have the potential for asset enhancement or redevelopment due to its under-utilized plot ratio.

In November, Irving Industrial Building was reported to have received a bid of S\$160.00 million for the site from Nanshan Group. If the deal is successful, the price is expected to translate to S\$930 psf per plot ratio (ppr). The freehold industrial property at Tai Seng was notable for having a white component which permitted retail or other allowable uses in addition to its predominant industrial BI use. The sale is currently pending approval by the Strata Titles Board.

In December, Cambridge Industrial Trust acquired 16 International Business Park in Jurong East for S\$28.00 million or S\$404 psf over GFA via a sale-and-leaseback arrangement with M+V Singapore for 11.6 years. The build-to-suit property has a remaining lease tenure of around 41 years.

In December, slimming specialist Bottomslim New York acquired 243 Alexandra Road for S\$32.0 million or S\$867 psf per plot ratio. This represents a 28% capital appreciation over three years for the freehold BI industrial property, which had been previously transacted at S\$25.00 million in December 2011.

December also saw the IPO of Keppel DC REIT, which resulted in the acquisition of the S25 and T25 data centers in Serangoon and Tampines for S\$262.80 million and S\$162.00 million respectively. This translates into S\$2,398 psf for S25 and S\$4,391 psf for T25 over the net lettable area of the buildings. Our research noted that S25 has an occupancy rate of 86.0% and 100.0% (occupancy) for T25. Both data centers have less than 20 years balance tenures with S25 at 11 years and T25 at seven years, but with an option to extend the lease for another 30 years.

HOSPITALITY SECTOR

There were a couple of significant hospitality investment sales in the fourth quarter. Investment sales for this segment totaled S\$765.00 million, a significant increase from the S\$133.10 million in the preceding quarter.

In November, OUE Hospitality Trust acquired Crowne Plaza Changi Airport hotel, along with its extension, for S\$495.00 million from its sponsor OUE Limited. The completion of its extension in 2015 will bring the hotel to 562 rooms, resulting in an overall acquisition cost of approximately S\$881,000 per key.

In the same month, Nanshan group completed its purchase of the former Midlink Plaza site, which is currently being redeveloped into a 396-room hotel for S\$270.00 million or around S\$682,000 per key. The interest in hotel acquisitions could be attributed to the dearth of new hotel sites for sale under the GLS program and the recent policy by the URA to tighten the approval for hotel, boarding house and hostel uses for sites not zoned for such uses in the Central Area.

MAJOR INDUSTRIAL DEALS IN 4Q2014

PROPERTY NAME	ADDRESS	PRICE (\$MIL)	BUYER
S25 Data Centre	25 Serangoon North Avenue 5	262.8	Keppel DC REIT
T25 Data Centre	25 Tampines Street 92	162.0	Keppel DC REIT
61 & 71 Tuas Bay Drive	61/71 Tuas Bay Drive	55.0	Soilbuild REIT
190A Pandan Loop	190A Pandan Loop	34.0	Mapletree Logistics Trust
243 Alexandra Road	243 Alexandra Road	32.0	Bottomslim New York
16 International Business Park	16 International Business Park	28.0	Cambridge Industrial Trust

Source: Cushman & Wakefield Research, URA

MAJOR HOSPITALITY DEALS IN 4Q2014

PROPERTY NAME	ADDRESS	PRICE (\$MIL)	BUYER
Crowne Plaza Changi Airport and Extension	75 Airport Boulevard	495.0	OUE Hospitality Trust
Former Midlink Plaza site	122 Middle Road	270.0	Nanshan Group

Source: Cushman & Wakefield Research, URA

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OUTLOOK

With the volatility in the economy and in the market to continue this year, we expect investment sales activity in 2015 to remain slow and may stay within the lower range of between S\$20 – S\$30 billion, which is close to that achieved in 2014.

With the recent new guidelines for industrial properties which include the provision of more amenities in industrial properties in the suburbs, we expect investors such as the REITs to continue to show a healthy interest in this sector of the market. Industrial REITs were known to account for approximately 50% of private industrial investment sales volume in 2014.

For the next three months, we expect the commercial office and retail sectors to continue to draw interest from

investors. With the regional market anticipating the US to raise interest rate by June this year, we believe the first half of this year is likely to be a better time for REITs and other real estate investors to look for investment opportunities in the market.

With the cooling measures and TDSR still in place, we expect investors to remain cautious towards the purchase of residential and industrial sectors. However with the future Government Industrial Land Sales sites mainly on 20 to 30-year leasehold tenure, the limited supply of freehold industrial properties is likely to continue to draw interest from investors. This is particularly for those which are located in well-sought after industrial estates, good transport connectivity and within close proximity to the city.

AVERAGE TRANACTED VALUE (INDUSTRIAL) IN 4Q2014

TENURE	INDUSTRIAL TYPE	AVERAGE TRANACTED VALUE (\$PSF)
30-year Leasehold expiring leases on land	Land-Based Factories	\$178 psf (over land area)
60-year Leasehold expiring leases on land	Land-Based Factories	\$230 psf (over land area)
Freehold	Strata	\$740 psf (over strata area)
	Land-Based Factories	\$811 psf ppr (over land area)

Source: Cushman & Wakefield Research, URA

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