

MARKETBEAT
Investment Snapshot
Q4 2015
Singapore

- Total real estate investment sales amounted to S\$4.93 billion in the fourth quarter of 2015, a substantial increase of 53% as compared to the preceding quarter.
- The commercial sector saw S\$2.73 billion of investment volume in the fourth quarter, a significant boost of 84% from the previous quarter due to a multitude of office transactions.
- Fourth quarter industrial investment sales more than doubled to S\$594.2 million. Similar to the third quarter, activity was led by industrial REITs.
- Despite the uptick in the final quarter, the full-year investment tally amounted to just S\$17.62 billion, reflecting a 16% decrease from 2014 and the lowest volume since the Global Financial Crisis in 2009. The weak performance was attributed to significant turbulence in the global economy during the year.
- The sluggish global macroeconomic environment along with continued volatility in China's stock market has contributed to a slump in investor confidence. Accordingly, investment volumes are likely to remain flat in 2016.

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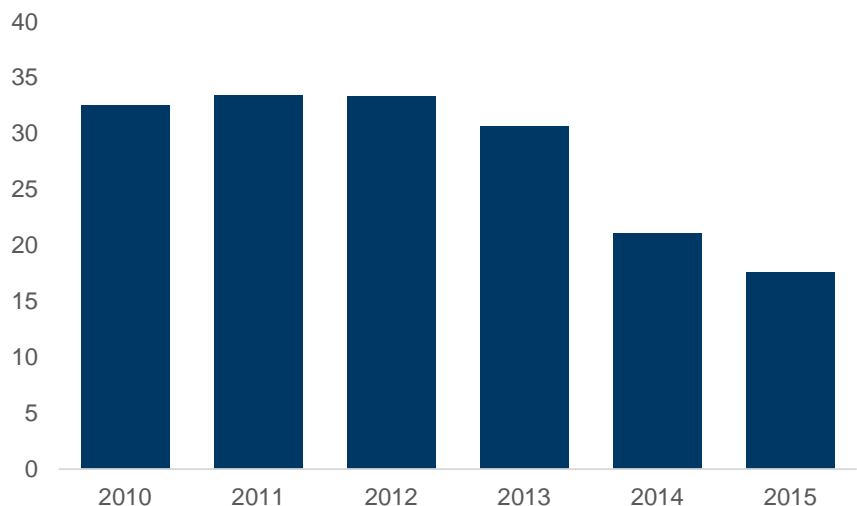
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Figure 1

Total Investment Volume (SGD bn)



Source: Cushman & Wakefield Research

Overview

Uptick in final quarter

Total real estate investment sales amounted to S\$4.93 billion in the fourth quarter of 2015, a substantial increase of 53% as compared to the preceding quarter. The uptick was due to a surge of activity in the office sector.

In the final quarter, the private sector accounted for the bulk of transaction volume at S\$3.35 billion, while the public sector made up the rest with S\$1.58 billion. Volume in the commercial sector was the highest at S\$2.73 billion, followed by the residential sector at S\$1.34 billion. The industrial sector recorded S\$594.2 million of sales, while the hospitality sector accounted for S\$203.0 million.

Commercial Sector

Developers lead the way

The commercial sector saw S\$2.73 billion of investment volume in the fourth quarter, a significant boost of 84% from the previous quarter due to a multitude of office transactions.

Ascendas acquired CPF Building for S\$550.0 million, with plans to redevelop the property to Grade A specifications when it receives vacant possession in the first quarter of 2017.

Keppel Group and Mapletree executed a share swap to unwind their cross-holdings and attain full ownership of their developments. The deal involved a 30% stake in Keppel Bay Tower and a 39% stake in Harbourfront Towers 1 & 2 changing hands at S\$180.9 million and S\$225.7 million respectively.

In the largest deal of the quarter, City Developments Limited (CDL) entered into a S\$1.07 billion Profit Participation Securities transaction with Alpha Investment Partners to jointly invest in CDL's Manulife Centre, 7 & 9 Tampines Grande, and Central Mall office tower. The deal structure enabled CDL to extract value from the assets now, and in the future when the properties are divested at a higher point in the market cycle.

Also, strata offices continued to draw interest, with Suntec REIT increasing its holdings by entering into a sale-and-leaseback arrangement with Maybank Kim Eng Properties for levels 12, 13, and 39 of Suntec Tower Two at S\$101.6 million.

Notable retail transactions include AEW Asia's acquisition of Rivervale Mall for S\$190.5 million, and Evolutyon Real Estate Investment Holding's purchase of The Verge for S\$317 million.

Industrial Sector

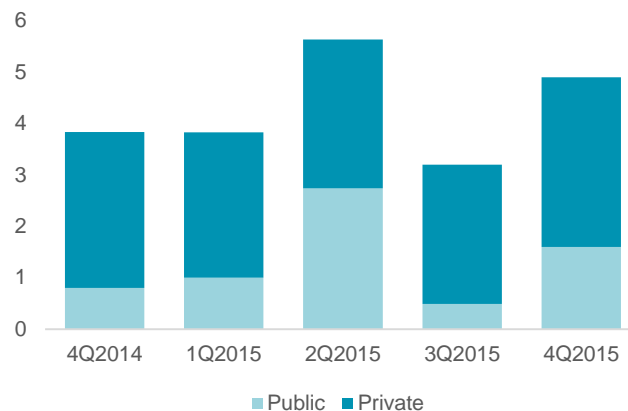
Activity continued to be led by REITs

Fourth quarter industrial investment sales more than doubled to S\$594.2 million. Similar to the third quarter, activity was led by industrial REITs.

Ascendas REIT continued to bolster its portfolio by acquiring One@Changi City, a large multi-tenanted business park property, for S\$420.0 million. Meanwhile, Sabana REIT divested Pantech 21 for S\$38.0 million.

Figure 2

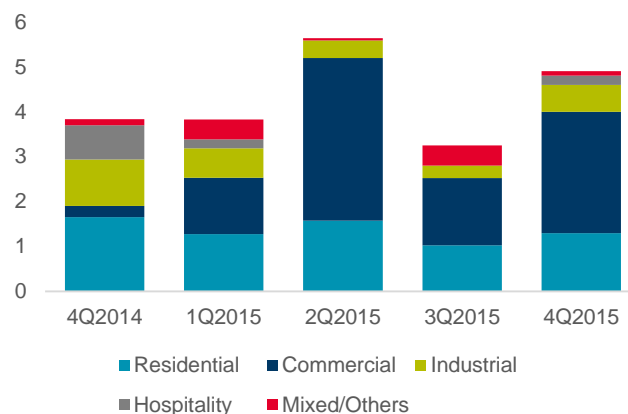
Investment Volume – Public vs. Private (SGD bn)



Source: Cushman & Wakefield Research

Figure 3

Investment Volume by Sector (SGD bn)



Source: Cushman & Wakefield Research

Outlook

Investment volume to remain flat in 2016

Despite the uptick in the final quarter, the full-year investment tally amounted to just S\$17.62 billion, reflecting a 16% decline from 2014 and the lowest volume since the Global Financial Crisis in 2009. The weak performance was attributed to significant turbulence in the global economy during the year.

Little improvement is expected in the short term. The oversupply situation in all sectors coupled with lackluster local economic growth does not bode well for rental growth. With capital values expected to track rental movements, the price gap between parties has widened as buyers sought more realistic pricing while sellers maintained high asking prices.

Meanwhile, the sluggish global macroeconomic environment along with continued volatility in China's stock market has contributed to a slump in investor confidence. Accordingly, investment volumes are likely to remain flat in 2016.

Significant investment transactions, Q4 2015

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE
Manulife Centre	City Developments Limited, Alpha Investment Partners JV	City Developments Limited	Office	S\$487,500,000
7 & 9 Tampines Grande	City Developments Limited, Alpha Investment Partners JV	City Developments Limited	Office	S\$366,000,000
Central Mall Office Tower	City Developments Limited, Alpha Investment Partners JV	City Developments Limited	Office	S\$218,000,000
Harbourfront Towers 1 & 2 (39% stake)	Mapletree	Keppel Group	Office	S\$225,700,000
Keppel Bay Tower (30% stake)	Keppel Group	Mapletree	Office	S\$180,900,000
Suntec Tower 2 (12 th , 13 th , 39 th Floors)	Suntec REIT	Maybank Kim Eng Properties	Office	S\$101,556,000
The Verge	Evolutyon Real Estate Investment Holding	Corwin Holding	Retail	S\$317,000,000
Rivervale Mall	AEW Asia	CapitaLand Mall Trust	Retail	S\$190,500,000
Compass Point (18.99% stake)	M&G Real Estate	Frasers Centrepoint	Retail	S\$80,300,000
One@Changi City	Ascendas REIT	Ascendas Frasers	Industrial	S\$420,000,000
Pantech 21	BS Pantech	Sabana REIT	Industrial	S\$38,000,000
BIG Hotel	Gaw Capital Partners	ERC Unicampus	Hospitality	S\$203,000,000

Source: Cushman & Wakefield Research

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