July 2024

Investment Q2 2024: Back on track

Quarterly and Outlook | Singapore

INSIGHTS & RECOMMENDATIONS

- Around SGD 6.5 billion of investments were recorded in Q2 2024, boosted by a handful of large Government Land Sales (GLS) tenders, which accounted for SGD 3.2 billion (48.6%) of the total in the quarter. As a result, investment volume increased by 64.1%/71.1% QOQ/YOY.
- Excluding the GLS deals, investment volume this quarter would show a more modest increase of 23.2%/7.0% QOQ/YOY. This was supported by the Office (37.0%), Residential (27.0%), and Mixedl (14.6%) sectors.
- The pickup in transaction volumes during the quarter signals the confidence investors have in the Singapore real estate market and its assets, though significant gaps in price expectations between buyer and seller are still inhibiting some deals.
- For 2024, we estimate investment sales to be 5-15% higher than 2023, coming in at between SGD 22 to SGD 24 billion.

Key Figures

		QOQ / Q2 2024	YOY / 2024F	Historical CAGR / Average 2019–2023
Total Investment Sales	During Q2 2024, investment sales increased by 64.1% QOQ, or a 71.1% increase YOY.	64.1% ▲ SGD6.5bn	10.0% ▲ SGD22.9bn	-2.7% ▼ SGD22.8bn
Commercial	For Q2 2024, commercial sales grew by 7.1% QOQ or 102.1% YOY.	7.1% ▲ SGD1.2bn	15.0% ▲ SGD4.3bn	-19.4% ▼ SGD6.9bn
Residential	Residential sales increased by 125.3% QOQ, boosted by GLS transactions.	125.3% ▲ SGD4.1bn	10.0% ▲ SGD10.9bn	8.1% ▲ SGD9.2bn
Industrial	Industrial investment sales increased by 6.1% QOQ, during the quarter.	6.1% ▲ SGD0.32bn	10.0% ▲ SGD2.7bn	-6.4% ▼ SGD2.7bn

Source: Colliers. Note: 1)1 sq m = 10.7639 sq ft. 2) Investment sales transactions include: a) all private property sales at transaction prices of SGD10 million and above; and b) all successfully awarded state land tenders. 3) Deals mentioned in this report have been reported by the media.

Commercial

Commercial sales during Q2 2024 have grown by 7.1% QOQ, to come in at around SGD1.2 billion as the office sector made a comeback with the sale of several sizeable deals; Mapletree Anson was sold for SGD 775.0 million, 20 Harbour Drive for SGD 160.0 million, and 30 Prinsep Street was sold for SGD 147.0 million. In the retail sector, the Rail Mall was sold for SGD 78.5 million. There could be more retail deals materializing as more assets come to the market on the back of increasing investor interest.

Residential

Residential sales increased by 125.3% this quarter to come in at SGD 4.1 billion, although the bulk of this amount came from GLS sites. Excluding GLS, residential transaction volume would amount to around SGD 0.9 billion. The sale of four sites at River Valley Green, Holland Drive, Zion Road and Upper Thomson brought in about SGD 3.2 billion collectively, while there were no bids for Parcel A at Upper Thomson, possibly because it included an untested category of incorporating serviced apartments. With demand slowing and cooling measures in place, developers will continue to be cautious and selective in bidding for GLS sites.

Meanwhile, the luxury residential market remained active with six good-class bungalows changing hands and a penthouse unit at Skywaters Residence sold for a record SGD 6,100 per sq ft, or SGD 47.3 million.

Industrial

During Q2 24, industrial sales grew slightly by 6.1% to SGD 0.3 billion. Notable transactions include the sale of BHL factories for SGD 74.0 million, Kian Ann Building for SGD 63.0 million and a sales and leaseback deal with British American Tobacco (BAT) involving their factory at SGD 53.2 million.

The BHL factories sits on a freehold food factory development site, and the deal is conditional upon getting the authorities permission to redevelop the site into a strata-titled food factory. Another sales and leaseback deal involved Singapore Asahi Chemical & Solder Industries selling its factory for SGD 36.0 million. More sales and leaseback deals are expected as companies look to free up capital, while investors look for higher yielding assets.

Others

Delfi Orchard, a mixed-use development was transacted at SGD 439.0 million. This property is likely to be redeveloped with an adjacent site to take advantage of the URA Strategic Development Scheme and ride on the rejuvenation of that stretch of Orchard Road. Sin Ming centre, another mixed-use development was also sold for SGD 49.0 million, also to be redeveloped.

Other notable deals include the sale of several shophouses under receivership that were linked to a money laundering case. Meanwhile, Fraser Residence River Promenade was sold for SGD 140.9 million, while a workers dormitory, Homestay Lodge, was sold for SGD 63.5 million.

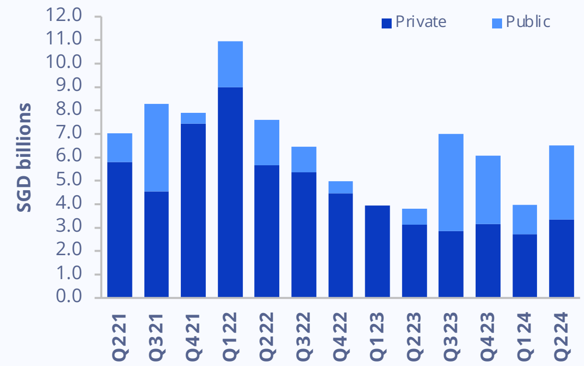
Capital values and yields

Prime office capital values have been marked down slightly due to the Mapletree Anson transaction, while prime logistics and retail capital values have remained unchanged due to the lack of transactional evidence.

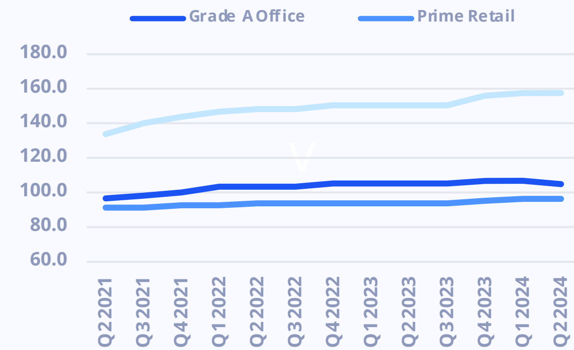
As a result, net yields for prime office have expanded slightly while that of prime retail and logistics remain unchanged. Net yields of these sectors are expected to remain stable, with capital values expected to remain well-supported due to the resilient demand for these assets.

However, limited yield expansion in Singapore might make assets here of less relative value compared to other markets, this could compel asset owners to sell their assets here to avoid losses overseas, thereby putting more pressure on capital values.

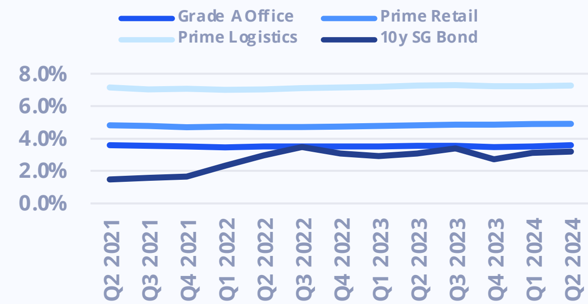
PRIVATE & PUBLIC SALES BY QUARTER



CAPITAL VALUE INDEX



NET YIELDS



Source: Colliers.
Note: Capital values and yields only from Q2 2020

Melvin Chay
Director | Capital Markets & Investment Services | Singapore

" Recent transactions show that more companies and institutions are willing to sell their stabilized and performing assets to lower leverage or free up capital, and to recycle the proceeds to acquire higher-yielding assets with more upside potential."

For 2024, we expect more deals to materialize as price expectation gaps narrow with the impending cut in interest rates.

As demonstrated by some of the transactions this quarter, investors are looking to redevelopment opportunities to provide higher returns in this low yield environment. It helps that this strategy does not add on too much risk in a stable market like Singapore. Consequently, there appears to be a ready pool of buyers and investors for assets with redevelopment potential.

In the second half of 2024, the pace of divestments is expected to pick up, especially for REITs to free up debt headroom, and that divestments in Singapore are likely to be accretive to shareholders, given that exit yields are still likely to be below the borrowing costs for floating rate debt.

As such, more REITs and institutional funds will look to recycle, redevelop and optimize their portfolios with higher yielding assets.

In the meantime, despite the government's efforts to ramp up housing supply in the latest 2H 2024 government land sales program, bidding enthusiasm for GLS sites has tapered as a result of slower sales, higher construction costs, changes in regulations reducing saleable GFA efficiency and more cautious developer appetite for high end properties post the imposition of the 60% ABSD for foreign buyers.

Nevertheless, there are still some plum sites which could attract competitive bids from developers closing in the second half of 2024.

Against a backdrop where there are more sellers than buyers, there will be more downward pressure on prices. In addition, with the impending interest rate cuts, the price expectation gulf between buyer and seller will narrow which could lead to more deals coming to fruition.

SIGNIFICANT PRIVATE TRANSACTIONS IN Q2 2024

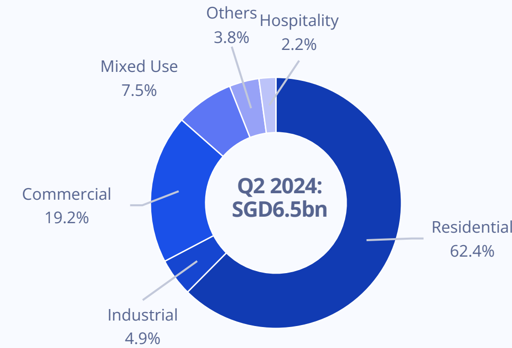
	Property	Price (SGD mi)	Unit Price (SGD/psf)	Buyer	Seller
1	Mapletree Anson	775.00	2,352 (NLA)	PAG Real Estate Partners Fund III	Mapletree Pan Asia Commercial Trust
2	Delfi Orchard	439.00	3,346 (GFA)	City Developments	Collective Sale
3	20 Harbour Drive	160.00	1,109 (NLA)	Keppel Education Asset Fund	Mapletree Investments Pte Ltd

Sources: Colliers, RCA.

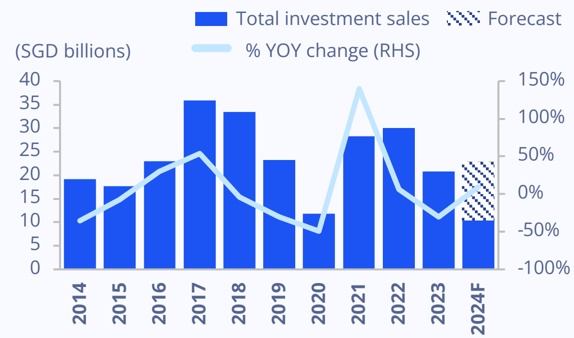
INVESTMENT SALES VOLUME BY SECTOR

	Q2 2024 (SGD million)	% Change QOQ	% Change YOY
Residential	4,058	125.3%	146.1%
Commercial	1,247	7.1%	102.1%
Mixed-use	488	na	448.9%
Hospitality	141	-74.7%	na
Industrial	317	6.1%	-63.5%
Others	249	77.0%	-56.7%
Total	**6,500**	**64.1%**	**71.1%**

INVESTMENT SALES BY SECTOR: Q2 2024 (SGD MILLION, %)



TOTAL INVESTMENT SALES BY YEAR



Source: Colliers.

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