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MARKET IN MINUTES

Savills Research

Sales & Investment

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Mega deals drive investment sales value

As the third quarter began, the expectations of an interest rate cut by the Federal Reserve in September delayed investment decision making among investors. Many chose to wait for the actual cut before hurrying to execute any plans.

- Investment sales increased for a second consecutive quarter, rising 22.7% quarter-on-quarter (QoQ) to S$8.05 billion in Q3/2024. This also reflected a 25.4% year-on-year (YoY) increase.
- Despite the rise in investment sales value, the private side of the market saw a notable decline in transaction volume, dropping 21.1% QoQ to 71 deals in the reviewed quarter.
- Investment sales in the residential segment fell by 22.0% QoQ from S$4.04 billion in Q2/2024 to S$3.15 billion in Q3/2024. Nevertheless, the Good Class Bungalow (GCB) market remained active, recording nine deals during the quarter.
- Investment sales value in the commercial sector recorded a substantial quarterly growth of 51.7% QoQ, reaching S$2.45 billion in Q3/2024.
- In Q3/2024, the industrial sector logged an investment sales value of S$2.45 billion, marking an over sevenfold increase from the previous quarter's low of S$282.8 million.
- For the first three quarters of this year, investment sales totalled S$18.85 billion, a 32.6% YoY increase over the S$14.21 million recorded for the same period last year. Given that the big-ticket items transacted in Q3/2024 are unlikely to be repeated in Q4/2024, along with the rejection of the Jurong Lake District land bid by the authorities (about S$2.5 billion), we maintain our forecast of S$22.0 to S$23.0 billion for the full year. Looking ahead to 2025, the broader investment market may be driven by the return of ultra high net worth individuals.

"Although interest rates have fallen, it may be the return of less rate sensitive ultra high net worth individuals which will drive future investment."

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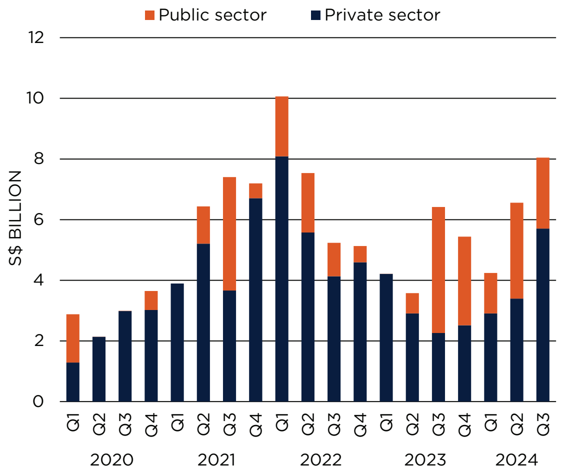
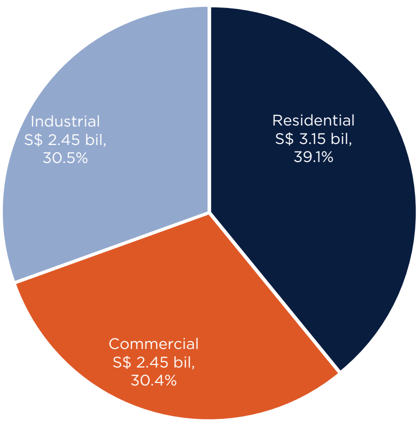
GRAPH 1: Investment Sales Transaction Values, Q1/2020 to Q3/2024



Source Savills Research & Consultancy

GRAPH 2: Investment Sales Transaction Volumes by Property Type, Q3/2024



Source Savills Research & Consultancy

MARKET OVERVIEW

Investment sales increased for a second consecutive quarter, rising 22.7% QoQ and 25.4% YoY to S$8.05 billion in Q3/2024. Private investment sales were boosted by a few mega deals, including the sale of a 50% interest in ION Orchard (S$1.85 billion) and a portfolio of industrial assets (S$1.60 billion). These private deals accounted for 70.9% of Q3's total investment value, contributing to a 67.9% QoQ increase in the private sector's value. Despite this rise in value, momentum in private market slowed, with transaction volume dropping 21.1% QoQ to 71 deals in the reviewed quarter. The drop was mainly attributed to weak activity observed in the residential segment throughout much of the quarter. As the market anticipated a Federal Reserve interest rate cut in September, some investors adopted a cautious stance and refrained from making investment decisions until the cut took place. Additionally, the persistent price gap between buyers and sellers combined with the impact of the Hungry Ghost month, further stymied market activity.

The remaining 29.1% of total investment sales for the quarter comprised of five state sites sold under the Government Land Sales (GLS) Programme, which fell by 25.9% QoQ from the previous quarter to S$2.34 billion. The public sector's struggle to achieve higher investment sales was exacerbated by the unsuccessful tender for a 99-year leasehold master developer site in the up-and-coming Jurong Lake District. The bidding price of S$640 per sq ft (psf) of gross floor area (GFA) from the shortlisted proposal for this 6.5-hectare White site was assessed to be too low by the authority.

In terms of sectorial breakdown, the residential sector continued to make up the largest proportion, at 39.1%. However, this was substantially down from the 61.5% recorded in the previous quarter. In contrast, the share of commercial and industrial investment sales expanded by 5.8 percentage points (ppts) QoQ to 30.4% and 26.2 ppts QoQ to 30.5% respectively during the quarter.

RESIDENTIAL

Investment sales in the residential segment declined by 22.0% QoQ from S$4.04 billion in Q2/2024 to S$3.15 billion in Q3/2024.

In August, five GLS residential sites were awarded for a total of S$2.34 billion. Among these, four private condominium plots received only two to three bids each, with the winning bids generally falling below market expectations. In contrast, the top bid submitted by the Qingjian-led consortium for the executive condominium (EC) site at Jalan Loyang Besar translated to a land rate of S$729 psf per plot ratio, setting a new record for EC land prices in Singapore.

From January to August 2024, a total of 2,668 new private homes (excluding ECs) were sold, representing a 48.6% YoY drop from the 5,190 units sold during the same period in 2023. Furthermore, the unsold inventory of private residential units with planning approval rose significantly by 17.6% YoY to 20,566 as of the end of Q2/2024, compared to 17,484 units a year ago. The lacklustre performance in new sales in recent months, coupled with the growing unsold stock, has casted a shadow over whether the sales momentum is running out of steam. As a result, developers' interest in GLS private residential sites remained lukewarm.

The sales volume for luxury homes priced at S$10 million and above fell significantly in Q3/2024, with 36 units transacted in the quarter, down from 51 units in Q2/2024. Nevertheless, the GCB market had been active in the quarter, with nine deals recorded. This is the highest quarterly transaction volume since Q4/2021. The most expensive GCB sold in the quarter was a freehold bungalow in Tanglin Hill for approximately S$93.9 million. Its price of S$6,197 psf based on a land area of 15,150 sq ft also set a record land rate for a GCB. Another sizable deal involved two adjoining freehold bungalows on Belmont Road situated within the Belmont Park GCB Area, which changed hands for a total of S$131.4 million. This amount included S$57.7 million for the bungalow with the smaller plot and S$73.7 million for the larger

TABLE 1: Top Land Sales in the Public Sector, Q3/2024

LOCATION	TYPE OF DEVELOPMENT ALLOWED	DATE OF AWARD	SUCCESSFUL TENDER PRICE (S$ MILLION)	SUCCESSFUL TENDERER
Zion Road (Parcel B)	Residential	Aug 2024	730.1	Valerian Residential Pte. Ltd.
Jalan Loyang Besar (EC)	Residential	Aug 2024	557.0	CNQC Realty (Progressive) Pte. Ltd., Forsea Residence Pte. Ltd. and ZACD Laserblue Pte. Ltd.
Margaret Drive	Residential	Aug 2024	497.0	Intrepid Investments Pte. Ltd., Hong Realty (Private) Limited and GuocoLand (Singapore) Pte. Ltd.
Canberra Crescent	Residential	Aug 2024	279.0	Peak Nature Pte Ltd and Huatland Development Pte. Ltd.
De Souza Avenue	Residential	Aug 2024	278.9	SL Capital (8) Pte Ltd

Source Savills Research & Consultancy

TABLE 2: Top Private Investment Sales, Q3/2024

PROPERTY	SECTOR	TRANSACTION DATE	PRICE (S$ MILLION)	BUYER
ION Orchard (50% interest)	Retail	Sep 2024	1,848.5	CapitaLand Integrated Commercial Trust
A portfolio of industrial assets, including West Park Bizcentral, 2PS1, Solaris@Kallang 164, Solaris@one-north, Qualcomm Building, Eightrium@Changi Business Park, and Tuas Connection	Industrial	Aug 2024	1,600.0	A joint venture platform by Warburg Pincus and Lendlease
20TSA (51% interest)	Industrial	Jul 2024	428.4	ESR-LOGOS REIT
Elementum (49% interest)	Industrial	Aug 2024	272.0	Fermium 257 Pte Ltd, owned by Perpetual Capital VCC
A Good Class Bungalow in Tanglin Hill	Residential	Jul 2024	93.9	-

Source Savills Research & Consultancy

one, averaging about S$3,000 psf on land area for both properties. In addition, a freehold two-storey bungalow in Cluny Hill was sold for S$52.0 million, translating to a S$3,434 psf on land area.

COMMERCIAL

Investment sales in the commercial sector recorded a sharp quarterly increase of 51.7% QoQ, reaching S$2.45 billion in Q3/2024.

In the wake of the Republic's largest money laundering scandal in August 2023, sales of strata title offices in Singapore initially declined. However, after hitting a low in the first quarter of 2024, sales activity rebounded rapidly in the second quarter and the momentum carried on into the third, with nine transactions (each priced at S$10 million and above) totaling S$286.3 million. Among these, the largest deal was the purchase of two levels of office units in Tong Building by luxury watch retailer The Hour Glass for S$68.5 million, or S$4,987 psf based on the strata area. Buyers have shown greater enthusiasm for freehold office projects, such as Solitaire On Cecil, 108 Robinson Road, and 6 Raffles Quay in Singapore's CBD, as well as Tong Building on Orchard Road. The limited supply of these properties supports capital preservation and appreciation, enhancing their appeal to long-term investors.

In Q3, the biggest transaction in the retail sector involved the sale of a 50% interest in ION Orchard. This was acquired by CapitaLand Integrated Commercial Trust (CICT) from its sponsor, CapitaLand Investment Limited (CLI). ION Orchard is a premier shopping destination located on Orchard Road, featuring nearly 300 international and local brands, ranging from luxury to necessity trades, across eight storeys of retail space. Based on the agreed property value, the 50% stake represented a price of S$1,848.5 million, or S$5,928 psf based on the net lettable area. Other major transactions included the sale of the single-storey Sceneca Square mall next to Tanah Merah MRT station to 8M Real Estate for S$64.0 million, and supermarket chain Sheng Siong's acquisition of eight strata units at the freehold condominium Siglap V in Bedok together with an HDB retail unit located in Toa Payoh Central for S$50.2 million.

Investment sales in the shophouse segment grew by 28.1% QoQ to S$182.3 million in Q3/2024. Investment interest in this type of property remains strong, as the absence of Additional Buyer's Stamp Duty for commercial shophouses makes this asset class appealing to foreign and corporate investors. Additionally, the sales of mortgaged shophouses owned by individuals connected to the S$3.0 billion money laundering case had reignited buying interest in recent months.

INDUSTRIAL

In Q3/2024, the industrial sector logged in a sales value of S$2.45 billion, a sevenfold jump from the previous quarter's low of S$282.8 million. This significant rebound was driven by several large private industrial deals.

Notable transactions included a S$1.6 billion acquisition of a portfolio of business parks and specialist facilities by a consortium consisting of US-based global investment firm Warburg Pincus and Australian real estate group Lendlease; ESR-LOGOS REIT's purchase of a 51.0% interest in a high-specifications manufacturing facility with ramp-up logistics warehouses at 20 Tuas South Avenue 14 (20TSA) for S$428.4 million; and Ho Bee Land's divestment of a 49.0% interest in Elementum, its landmark biomedical life-science development in one-north, for nearly S$272.0 million.

OUTLOOK

Although the US Federal Reserve lowered its target rate to 4.75% to 5% in September, down from 5.25% to 5.5%, financial markets reacted nonchalantly as they had already priced in the rate cut. Thereafter, mainstream market observers expected further cuts on the way for 2024, believing that inflation was under control. However, a stronger than expected US payrolls figures in September caused financial investors to readjust their views on the path of interest rates moving forward. The tech laden NASDAQ and S&P500 indices peaked on 10 July 2024 and 30 September 2024 respectively, they are now hovering just below those levels. Concerns now have turned to whether inflation is truly subdued and if a recession is looming beyond the 2024 horizon.

While financial markets grapple with predicting interest rates and economic directions, the property market at this juncture, in our opinion, is driven more by other factors. These factors include a relative scarcity of prime investible assets and non-economic considerations like capital safety. On the institutional end of the business, the availability of prime income producing commercial buildings for sale remains low. Many CBD Grade A office buildings and prime shopping malls around the island are held by REITs or landlords who intend to hold them for the long term. If ever there was a trophy asset for sale, a suitor would likely be found, even if the yield happens to be marginally below the total cost of debt.

For properties that fall off the radar of institutional investors, their target audience is often less sensitive to the yields versus interest rate trade-off, focusing instead on the need for capital preservation or the need to buy for own use. With the impact of the money laundering crackdown of August 2023 fading, ultra high net worth investors are returning to the market, particularly for non-residential properties. Thus, we expect to see further momentum building on the strata offices, hospitality and conservation shophouses front. The industrial sector, however, may see limited transactions due to stringent government regulations regarding to asset trading and the short-term nature of industrial land leases.

For the first three quarters of this year, investment sales totalled S$18.85 billion, a 32.6% YoY increase over the S$14.21 million recorded for the same period last year. The big-ticket items transacted in Q3/2024 are unlikely to be repeated in Q4/2024, along with the rejection of the Jurong Lake District land bid (which was about S$2.5 billion), we maintain our forecast of S$22.0 to S$23.0 billion for the full year. Although interest rates have fallen, there is still a large spread between net yields and total borrowing costs. While one or two mega deals may conclude in the coming quarters, investment sales would generally be driven by the return of ultra-high net worth individuals, setting the narrative for 2025.