

**\$20.36B**  
YTD Investment Volume (SGD)

12-Mo.  
Forecast

**\$2,685**  
Office Capital Value (SGD/sf)

**3.20%**  
Office Net Yield

### ECONOMIC INDICATORS Q2 2020

**-13.2%**  
GDP Growth

**-0.7%**  
CPI Growth

**2.9%**  
Unemployment Rate

**0.9%**  
10-Yr Government Bond Yield

Source: MTI, MAS, Oxford Economics

### Singapore's GDP Contracts Due To Circuit Breaker

Singapore's GDP contracted at -13.2% yoy in Q2 2020 as the circuit breaker period inflicted a toll on the economy. However, the decline was mostly due to the transportation & storage and accommodation & food services sectors. The information & communications sector was resilient, declining by only -0.5% yoy, while the finance & insurance sector expanded by 3.4% yoy. The government narrowed its full-year GDP growth forecast range to between -7.0 and -5.0%.

### Commercial REIT Activities Led to Surge in Investment Volume

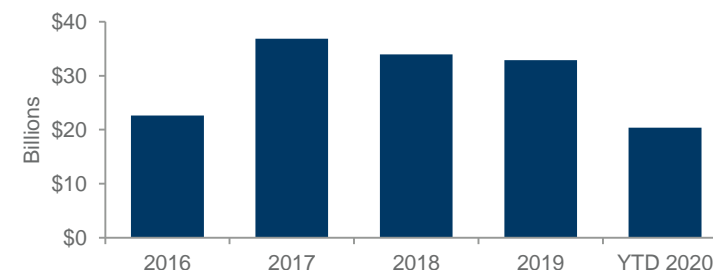
The Q3 2020 investment volume surged to \$14.14 billion, 4.5 times that of Q2 2020's volume of \$3.15 billion. This was predominantly due to commercial REIT activities, which bolstered the Q3 2020 commercial volume to \$12.76 billion, 6 times that of \$2.02 billion in Q2 2020. As a result, the commercial sector accounted for 90% of Q3 2020's total volume.

An uptick in REIT activity led to a surge in investment volume during the third quarter. The largest deal of the quarter was the merger between CapitaLand Mall Trust and CapitaLand Commercial Trust, structured as CapitaLand Mall Trust acquiring CapitaLand Commercial Trust. This resulted in \$10.01 billion worth of investment volume (by valuation) from the acquisition of CapitaLand Commercial Trust's office portfolio, which includes Asia Square Tower 2, CapitaGreen, Capital Tower, Six Battery Road, 21 Collyer Quay, a 60% stake in Raffles City Singapore, a 50% stake in One George Street, and a 45% stake in CapitaSpring. The merger between the two REITs will be accretive for the both sets of unitholders and result in greater economies of scale.

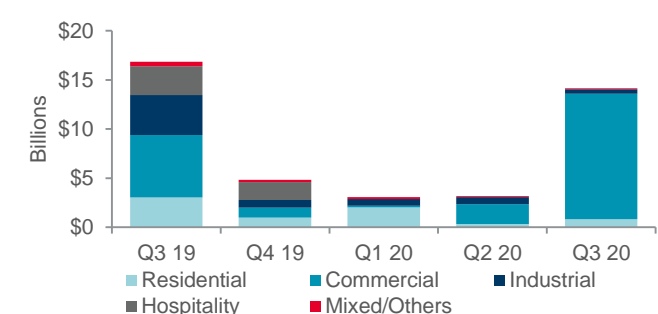
In the retail sector, Frasers Centrepoint Trust is acquiring the remaining 63.11% stake of AsiaRetail Fund which it already had a partial stake in. This resulted in \$1.93 billion of investment volume arising from 63.11% of the agreed property value of \$3.07 billion. This move will grant Frasers Centrepoint Trust full control over five suburban malls – Tiong Bahru Plaza, White Sands, Hougang Mall, Century Square, Tampines 1, along with the Central Plaza office property. This acquisition at a yield of 5.0% will strengthen the REIT as suburban malls have been resilient during the pandemic due to their high proportion of essential services and will continue benefiting in the future from the government's decentralisation initiative.

In addition, Frasers Centrepoint Trust is divesting Bedok Point to Frasers Property for \$108.0 million. The mall had a low NPI yield of 2.5%, and the divestment will enable the REIT to recycle capital into higher yielding assets.

### INVESTMENT SALES VOLUME



### INVESTMENT SALES VOLUME BY SECTOR



### Industrial REIT Acquisition in Logistics Segment

There was also activity by an industrial REIT in the logistics segment, which is heating up as demand for storage space increased significantly in recent times due to the government-led stockpiling of essential supplies to guard against future supply disruptions. AIMS Apac REIT is acquiring a ramp-up logistics facility at 7 Bulim Street for \$129.6 million. The property, which is located within Jurong Innovation District, is master-tenanted to freight forwarding and logistics firm KWE-Kintetsu World Express. According to the REIT manager, the acquisition at a yield of around 7% will be accretive for unitholders and the master lease will provide stability amidst the current challenging economic conditions.

### Non-REIT Transactions Hint at Optimism for Office Market

Non-REIT activities during the third quarter were sparse but hinted at some optimism for the office market. The largest transaction involved Tuan Sing divesting Robinson Point for \$500.0 million to One South Bay Group Company. The transaction value of the freehold property was 34% higher than the end-2019 valuation of \$374.4 million, which was conducted pre-pandemic. This hints at optimism for the office sector, with some investors still willing to shell out top dollar for freehold assets in prime locations.

In another significant transaction, Artemis Ventures, an investment holding company linked to CapitaLand Fund Management, acquired Abi Plaza for \$200.0 million from MYP. There could be redevelopment potential for the property under the CBD Incentive Scheme, under which the site could gain up to 25-30% GFA if redeveloped into a mixed-use project with hotel or residential components.

### Increased Transactions in Residential Sector

Increased transactions in the residential sector resulted in the sector's volume increasing from \$320.4 million in Q2 2020 to \$819.6 million in Q3 2020. There was enbloc activity with East Asia Geylang Development acquiring Yuen Sing Mansion for \$15.2 million. In addition, there have been sales of prime landed properties, with a Leedon Park GCB sold for \$73.0 million at the end of the quarter.

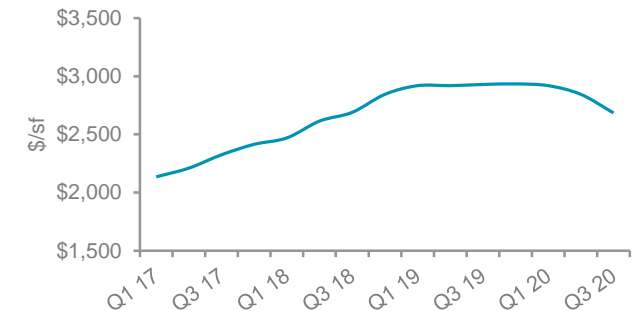
### K-Shaped Economic Recovery Has Potential to Boost Future Investment Volume

Economists have been touting a K-shaped economic recovery where the fortunes of the rich have increased due to the growth of the global stock markets while other segments of society are still stagnating. Firms in certain sectors such as tech have also experienced strong growth. These institutions and high networth individuals could be seeking to invest and expand their presence in Singapore. A prime example is Alibaba which acquired a 50% stake in AXA Tower during the previous quarter. An increase in such activities could lead to higher investment volumes in 2021.

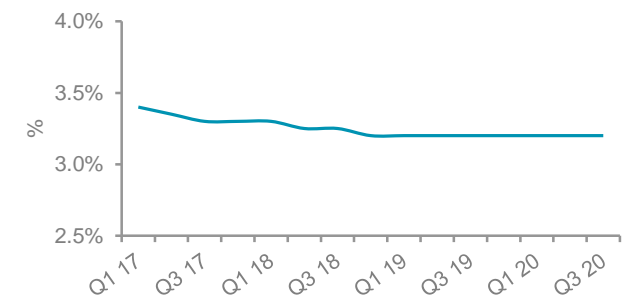
### Outlook

- The Q3 2020 YTD investment volume amounted to \$20.29 billion, 28% lower than the Q3 2019 YTD's volume of \$28.07 billion.
- With the merger between CapitaLand Commercial Trust and CapitaLand Mall Trust being a one-off transaction and due to its large scale which is unlikely to be matched by any other potential REIT mergers, it is likely that investment volume will be lower in subsequent quarters.
- The 2020 full-year volume is expected to be in the range of \$23-25 billion.

### GRADE A CBD OFFICE CAPITAL VALUE



### GRADE A CBD OFFICE NET YIELD



# MARKETBEAT SINGAPORE

## Investment Q3 2020



### INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	\$0.0	\$819.6	\$819.6	156%
Commercial	\$0.0	\$12,760.7	\$12,760.7	533%
Industrial	\$7.9	\$438.6	\$446.5	-39%
Hospitality	\$0.0	\$0.0	\$0.0	-
Mixed/Others	\$0.0	\$115.2	\$115.2	37%
<b>TOTAL</b>	<b>\$7.9</b>	<b>\$14,134.1</b>	<b>\$14,142.0</b>	<b>349%</b>

Note: Figures may not tally precisely due to rounding

### SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	SUBMARKET
CapitaLand Commercial Trust Office Portfolio	Office	CapitaLand Mall Trust	CapitaLand Commercial Trust	\$10,007,800,000	CBD
Robinson Point	Office	One South Bay Group Company	Tuan Sing	\$500,000,000	Shenton Way / Tanjong Pagar
Abi Plaza	Office	Artemis Ventures	MYP	\$200,000,000	Shenton Way / Tanjong Pagar
AsiaRetail Fund (63.11% stake)	Retail	Frasers Centrepoint Trust	Frasers Property	\$1,934,321,500	Suburban
Bedok Point	Retail	Frasers Property	Frasers Centrepoint Trust	\$108,000,000	East
7 Bulim Street	Industrial	AIMS Apac REIT	Titan (Wenya)	\$129,600,000	West

Sources: Real Capital Analytics, Cushman & Wakefield Research  
Significant transactions over \$10 million

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