

12-Mo.
Forecast

\$23.69B
2020 Investment Volume (SGD)



\$2,650
Office Capital Value (SGD/sf)



3.20%
Office Net Yield



ECONOMIC INDICATORS Q3 2020

12-Mo.
Forecast

-5.8%
GDP Growth



-0.3%
CPI Growth



3.6%
Unemployment Rate



0.8%
10-Yr Government Bond Yield



Source: MTI, MAS, Oxford Economics

Singapore's Recovery Expected to be Long and Uneven

Singapore's GDP contracted by 5.8% in 2020 amid disruptions from the pandemic, according to the advanced estimates released by Ministry of Trade and Industry (MTI). This is an improvement from the 6-6.5% contraction previously expected, signalling the recovery is on the horizon. However, the recovery could still be long and uneven, given the strong reliance on the vaccine roll-out and the discovery of the new variant of Covid-19. MTI data also showed that manufacturing in Q4 2020 grew 9.5% y-o-y, slightly less than the 10.8% growth in the previous quarter.

Residential Investment Volume Doubled in Q4

The total investment volume in Q4 came up to \$3.33 billion, a 76% decline from the previous quarter due largely to the absence of the REITs merger. The residential investment volume doubled to \$1.57 billion, up from Q3 2020's volume of \$0.82 billion. According to the URA's advanced estimates, private property prices accelerated in the fourth quarter to end the full year with a price increase of 2.2%, the highest since the recent peak in Q3 2013.

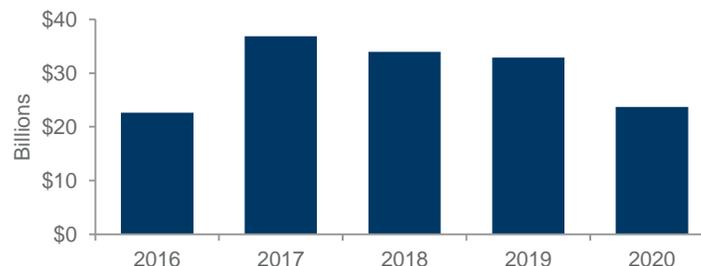
The uptick in the residential market has resulted in the sale of the Guillemard-Jalan Molek site at \$93 million, as well as the sale of Sophia Ville and Fair Haven at \$62 million. The success of these transactions has sparked a wave of interest by residential developers, particularly mid-sized ones, to look at sites that will help them ride the current cycle.

Good Class Bungalows (GCBs) have also ended the year with healthy sales and higher transaction values despite the Covid-19 challenges. Transactions in the final quarter of 2020 included Tanglin Hill GCB at \$31.5 million and Chatsworth Park GCB at \$44.0 million.

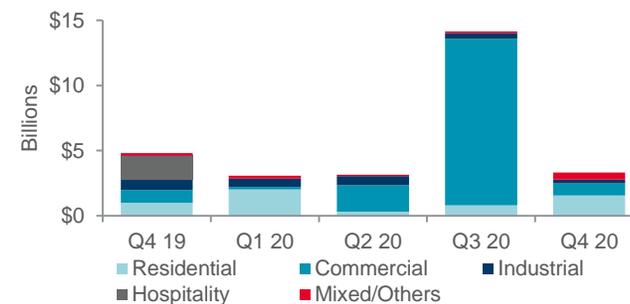
The largest non-landed transaction during the quarter was the Wallich Residence superpenthouse, which was sold for \$62 million. This was the unit bought by British billionaire James Dyson slightly over a year ago at \$73.8 million.

During the quarter, the former Caldecott Broadcast Centre in Andrew Road, currently zoned for civic and community institution use under the URA's masterplan 2019, was also sold for \$280.9 million. Mediacorp had been granted an outline approval by the URA to redevelop the site into two-storey bungalows with a minimum land area of 800 sqm per house. The site will have to be re-zoned to residential use.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



Largest Transaction in Commercial Sector

Commercial sector saw an overall decline of 93% in transaction volume in Q4 to 0.92 billion in the absence of REITs mergers. Nevertheless, there is still some optimism in the office market against the backdrop of the imminent recovery. For instance, Keppel REIT is acquiring a 100% stake in Keppel Bay Tower from Keppel Land for \$657.2 million (approximately \$1,700 psf), as the prevalence of work-from-home trend post-COVID-19 is incentivising companies to look outside the CBD for regular touchpoints for staff who do not wish to commute to the CBD. This is the largest transaction in 2020 if REITs mergers are excluded. Keppel Bay Tower has a total net lettable area (NLA) of about 386,600 sf and comprises an 18-storey tower block and a six-storey podium block. The initial net property income yield is estimated to be 4%, taking into account rental support.

Shophouse Transactions Surged by More Than Four-Fold

There was a strong pick-up in the shophouse investment sales in the final quarter of the year, totalling \$232 million, nearly a five-fold increase from the \$44 million in Q3 2020. Q4 recorded 12 shophouse transactions above \$10 million, up from only 3 in the preceding quarter. The wealth preservation theme to protect capital amidst heightened geopolitical uncertainties has continued to support the shophouse sector despite the rental weaknesses given social distancing measures and economic woes.

Nascent Recovery Seen in Industrial Sector

Industrial sector showed some nascent recovery in Q4, despite a 34% decline in transaction volume compared to Q3. The biggest deal during the quarter was the acquisition of Big Box in Jurong by Perennial Real Estate consortium for \$118 million. The property is expected to be redeveloped into a business park. In the second biggest industrial deal during the quarter, Metro Holdings is acquiring a 26% stake in a portfolio of 14 properties for an investment amount of up to S\$76.6 million. The portfolio comprises 6 industrial properties, one business park, 4 high-spec industrial properties and 3 logistics properties located in various parts of Singapore and within proximity to transportation nodes. These two deals boosted the industrial transaction volume to \$296.6 million in Q4. For the whole of 2020, industrial transactions were muted at \$2.1 billion, a 64% decline from the \$5.9 billion in 2019.

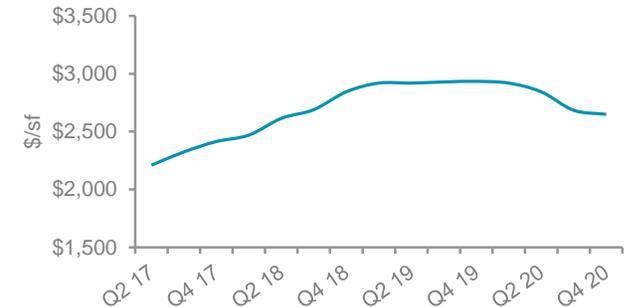
Vaccine Optimism and Hunt for Yield Bodes Well for Investment Sales Recovery

Vaccine optimism is giving a push for the overall economic growth for 2021. The risk-on mode bodes well for the recovery in the investment sales market in 2021, as investors are ready to deploy more capital in anticipation of growth and better returns in the new year. Given the prolonged low interest rate environment, investors who are flushed with liquidity will continue to look out for opportunities to acquire assets in search of higher returns. More buzz is expected in the residential investment activity, as residential sales continues to keep pace. Older CBD office assets could therefore take advantage of the CBD Incentive Scheme to increase exposure to this market segment.

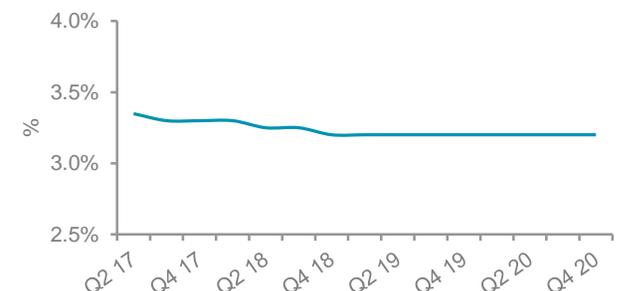
Outlook

- Big-ticket transactions are still challenging, but could see the return of these in the second half of 2021.
- Residential collective sales and older CBD office assets could see renewed interest given the resilient residential market segment.
- The 2021 full-year volume is expected to be in the range of \$18-20 billion.

GRADE A CBD OFFICE CAPITAL VALUE



GRADE A CBD OFFICE NET YIELD



MARKETBEAT SINGAPORE

Investment Q4 2020



INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	\$622.5	\$952.4	\$1,574.9	92%
Commercial	\$0.0	\$924.0	\$924.0	-93%
Industrial	\$0.0	\$296.6	\$296.6	-34%
Hospitality	\$0.0	\$0.0	\$0.0	-
Mixed/Others	\$0.0	\$532.5	\$532.5	362%
TOTAL	\$622.5	\$2,705.5	\$3,328.0	-76%

Note: Figures may not tally precisely due to rounding

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	SUBMARKET
Keppel Bay Tower	Office	Keppel Reit	Keppel Land	\$657,200,000	Harbourfront
Caldecott Broadcast Centre	Civic and community institution	PRE 10	Mediacorp	\$280,900,000	Suburban
Big Box	Industrial	Perennial Real Estate Consortium	TT International and JV partners	\$118,000,000	West
Anchorpoint	Retail	-	Frasers Centrepoint Trust	\$110,000,000	Suburban
Guillemard-Jalan Molek	Residential	Roxy-Pacific	SL Cheong	\$93,000,000	East
Industrial portfolio of 14 properties (26% stake)	Industrial	Metro Holdings	Boustead Industrial Fund (BIF)	\$76,600,000	Various submarkets

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

WONG XIAN YANG

Associate Director, Research
Singapore & Southeast Asia
+65 6232 0885 / xianyang.wong@cushwake.com

SHAUN POH

Executive Director
Capital Markets
Singapore
+65 6232 0882 / shaun.poh@cushwake.com

cushmanwakefield.com

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