

12-Mo. Forecast

\$6.10B
Q1 Investment Volume (SGD) ▲

\$3,090
Office Capital Value (SGD/sf) ▲

3.15%
Office Net Yield ▼

ECONOMIC INDICATORS Q4 2021

12-Mo. Forecast

6.1%
Real GDP Growth ▼

3.7%
Inflation Growth ▼

2.4%
Unemployment Rate ▼

1.7%
10-Yr Government Bond Yield ▲

Source: Ministry of Trade & Industry (MTI), Moody's Analytics

Stable Growth Trajectory

Singapore's economy grew 6.1% during Q4 2021, bringing full-year growth to record rate of 7.6% in 2021. This marked a rebound from 2020's 4.1% contraction - Singapore's worst recession since independence. GDP growth in 2021 was driven by the manufacturing, information and communications as well as finance and insurance sectors which expanded by 13.2%, 12.2% and 7.4%, respectively. Despite rising downside risks due to global supply bottlenecks, rising energy prices, geopolitical tensions and inflationary pressure, the Ministry of Trade and Industry have maintained their GDP forecast of 3%-5% for full-year 2022.

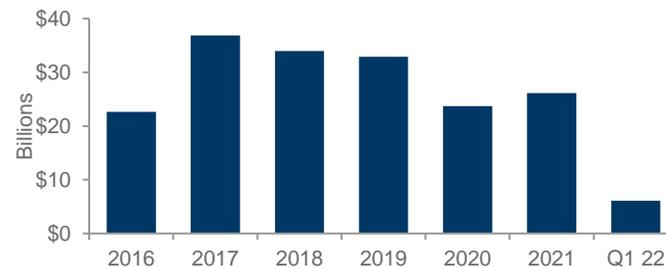
Residential Market Sentiment Stays Cautiously Optimistic

Q1 2022 investment volume amounted to \$6.1 billion (b), marking a 17.5% qoq drop over Q4 2021. However, on a yearly basis, investment volume during the first quarter of this year registered a substantial increase of almost 40% as compared to that in Q1 2021, driven by robust activities in both the residential and commercial markets.

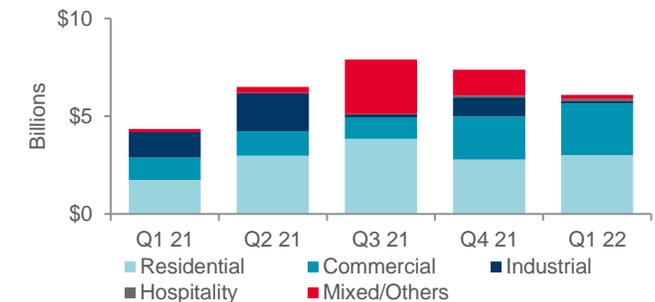
Being accounted for almost half of Q1 2022's investment sales, total residential investment volume rose from \$2.8b clocked in during the last quarter of 2021 to \$3.0b registered in Q1 2022, driven mainly by the conclusion of government land sales (GLS) deals. There was no residential GLS tender closing during Q4 2021 while four residential GLS sites were sold in Q1 2022 for around \$2.0b, comprising Lentor Hills Road (Parcel A) with top bid of \$586.6 million (m) or \$1,060 per sq ft per plot ratio (psf ppr), Jalan Tembusu (\$768m or \$1,302 psf ppr), Dairy Farm Walk (\$347m or \$980 psf ppr) and Bukit Batok West Avenue 8 executive condominium (EC) site (\$266m or \$662 psf ppr). Most of these sites attracted keen interests from developers despite the recently implemented cooling measures as unsold inventory stayed at record low of only 14,333 units as at end 2021.

On the other hand, private residential investment sales inched down by more than 60% as activities in the private residential investment market slowed down in Q1 2022. Developers became more selective and cautious following the latest round of cooling measures and higher construction costs and development risks. Hence, the residential collective sale market mainly witnessed the sales of small sites such as Gloria Mansion (\$70.3m), Vicenta Lodge (\$27.2m) and Baode Building (\$27m) during the first quarter of this year. Nevertheless, we expect developers' land acquisition activities to pick up in subsequent quarters as unsold stock continues to run low and a clearer picture of cooling measures' impact on home buying demand emerges.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



Robust Interest for Commercial Assets

There was significant pick-up in commercial investment sales during the quarter with Q1 2022's volumes surging to \$2.6b – around 19% higher than sales volumes registered in the previous quarter.

This could be attributed to the conclusion of several large commercial deals in Q1 2022. The largest deal was the successful collective sale of freehold Tanglin Shopping Centre for \$868m in its fourth en bloc attempt to Pacific Eagle Real Estate - a Singapore-based real estate investor and developer privately held by the Tanoto family. The tender for the development was said to have drawn relatively keen interests with 5 bids and sale price concluded was about 10% above the reserve price.

The quarter's second largest commercial investment deal involved the divestment of Cross Street Exchange by Frasers Logistics and Commercial Trust for \$810.8m to PAG. The price tag represents a 28.3% premium to Cross Street Exchange's book value of \$632m as of 30 September 2021. Also, 55 Market Street was recently sold to Kajima unit by AEW for nearly \$287m. These transactions have indicated investors' strong confidence and preference for quality assets in Singapore's CBD amid the expected strong growth for the office market this year.

Q1 2022 also witnessed the sale of two suburban malls including JCube in Jurong East and Wisteria Mall in Yishun. CapitaLand Integrated Commercial Trust (CICT) divested JCube to CapitalLand for \$340m - representing a premium over the property's latest valuation of \$278m and \$280m by different real estate consultancies as of 31 December 2021. The sale of JCube is for CICT to "unlock value" and recycle its capital through reinvesting the proceeds into other investment opportunities.

The other deal was the purchase of Wisteria Mall for \$208m by UK private equity firm Schroders which sees the acquisition as providing opportunities to complement online channels. Schroders aims to upgrade the mall by boosting its environmental, social and corporate governance (ESG) credentials. Despite challenges faced by the general retail sectors in recent years due to the pandemic and e-commerce boom, suburban malls catering to a healthy residential catchment as well as large-scale malls which can integrate both offline and online users' experiences remain appealing to investors.

Mega-deals in The Making

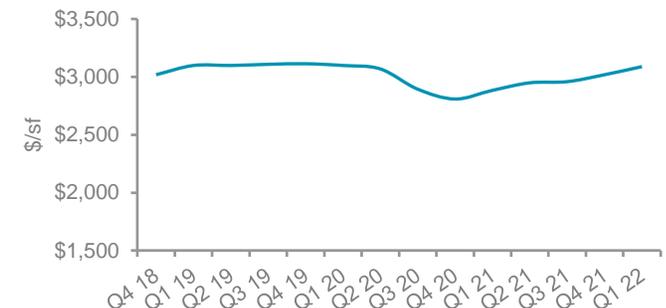
Investment sales momentum is expected to stay robust this year amid stable economic growth and the gradual resumption of various economic activities. Investment sales volumes could surge in the upcoming quarter as various mega-deals are expected to be completed by then.

One of the largest deals is Lendlease Global Commercial REIT's (LREIT)'s acquisition of the remaining interest in Jem Mall at an agreed property value of \$2.08b. LREIT currently indirectly holds a 31.8% stake in the mall. Another large deals projected to be finalized in Q2 2022 is the acquisition of 79 Robinson Road - a Grade A office building with remaining land tenure of around 45 years by CICT and CapitaLand Open End Real Estate Fund for almost \$1.3b. Other deals include the merger between ARA LOGOS Logistics Trust and ESR-REIT as well as the potential sale of Golden Mile Complex via the collective sale market. Far East Organization and Perennial Holdings have made a \$700m offer for the iconic development at Beach Road which was put up for collective sale in 2021 at a reserve price of \$800m.

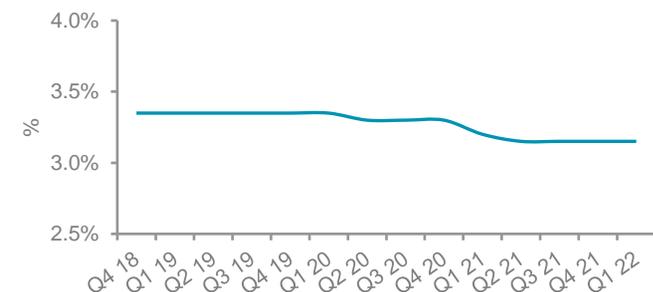
Outlook

- Stable economic growth could continue to boost investors' confidence in acquiring quality commercial assets despite downside risks such as rising interest rates and inflation
- Private residential investment sales will continue to drive volumes as developers replenish their landbanks
- Hospitality deals could return as Singapore tourism recovers amidst a relaxation of border restrictions
- Healthy performance is expected for the investment sale market in 2022 amid expected completion of large commercial deals, land tenders as well as corporate mergers and acquisitions

GRADE A CBD OFFICE CAPITAL VALUE



GRADE A CBD OFFICE NET YIELD



MARKETBEAT SINGAPORE

Investment Q1 2022



INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	1,967.6	1,059.6	3,027.2	8%
Commercial	0.0	2,627.4	2,627.4	19%
Industrial	6.2	115.8	122.0	-88%
Hospitality	0.0	102.8	102.8	14%
Mixed/Others	0.0	216.3	216.3	-84%
TOTAL	1,973.7	4,121.9	6,095.7	-18%

Note: Figures may not tally precisely due to rounding

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE (\$ Million)	SUBMARKET
Tanglin Shopping Centre	Retail	Pacific Eagle Real Estate	CDL and other strata owners	868.0	Tanglin / Orchard
Cross Street Exchange	Office	PAG	Frasers Logistics and Commercial Trust	810.8	Raffles Place
JCube	Retail	CapitaLand Development	CapitaLand Integrated Commercial Trust	340.0	Jurong East
55 Market Street	Office	Kajima Corporation	AEW	286.9	Raffles Place
Wisteria Mall	Retail	Schroders	Hexacon, BBR Holdings, AHPL (Investments), MUSE Capital and Santarli	208.0	Yishun

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

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