

MARKETBEAT SINGAPORE

Capital Markets Q1 2023



\$3.51B
Q1 Investment Volume (SGD)

12-Mo.
Forecast

\$3,265
Office Capital Value (SGD/sf)

3.15%
Office Net Yield

ECONOMIC INDICATORS Q4 2022

2.1%
Real GDP Growth

12-Mo.
Forecast

6.6%
Inflation Growth

2.0%
Unemployment Rate

3.2%
10-Yr Government Bond Yield

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

Investment Landscape Remains Challenging

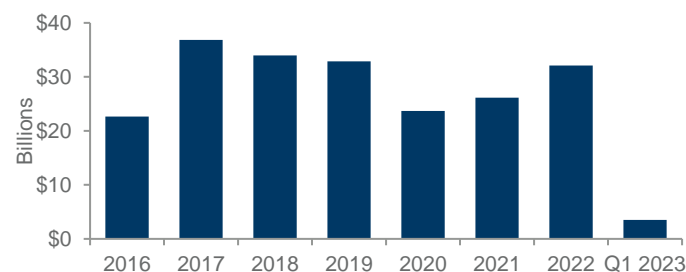
Singapore's economic growth is expected to slow to about 0.5% to 2.5% yoy in 2023, from 3.6% yoy in 2022. The Federal Reserve delivered a small rate hike by a quarter of a percentage point in late March, providing a signal that the rate-hiking cycle may be near its end. While China's unexpected reopening may be a shot in the arm, investors remain cautiously optimistic. Amid the recent banking turmoil in the United States and fears of contagion, business confidence may dampen, limiting capital expenditure and investors' ability to deploy capital. Given increasing economic uncertainties, flight to safety for global capital is expected to continue, and this could benefit 'safe havens' such as Singapore.

Q1 2023's Investment Volume Lowest Since Q4 2020

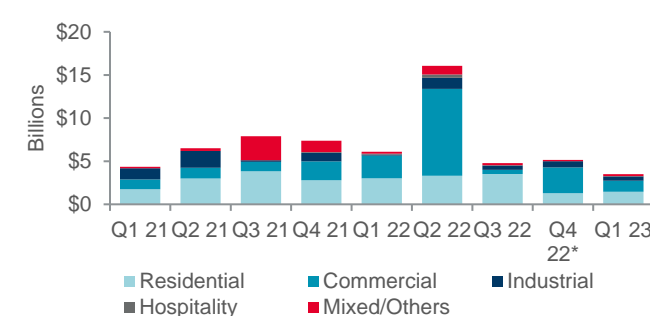
Total investment volumes in Q1 2023 fell by 32.2% qoq to \$3.5 billion (b). Investment volumes were led by the private residential (\$1.5b), followed by commercial (\$1.3b) and industrial (\$0.5b) sectors. As caution prevailed amid elevated financing costs and economic uncertainties, Q1 2023's total investment volume was the lowest figure recorded since Q4 2020 (\$3.3b). The largest deal in the quarter was Mercatus' sale of 50% stake in NEX to Frasers Property and Frasers Centrepoint Trust for \$652.5 million (m). Another significant deal was the acquisition of 39 Robinson Road for \$399m by a subsidiary of Yangzijiang Shipbuilding. While the sale of 39 Robinson Road was done at a significant discount, we believe this to be a one-off event. Office capital values are broadly expected to remain unchanged.

Despite the lack of awarded Government Land Sales (GLS) sites in the quarter, total residential transaction volume rose by 12% qoq to \$1.5b, which is expected to witness a further uptick during the next quarter in line with tender closing of the Marina Gardens Lane and Lentor Gardens sites. The residential en bloc market witnessed a pick-up in activity with three successful deals sealed in the quarter, namely, Meyer Park (\$392.2m), Bagnall Court (\$115.3m) and Holland Tower (\$76.3m). This is evident of developers' appetite to replenish their depleting land banks despite heightened development risks. That said, developers remain largely cautious and selective in their bids. Nonetheless, prime residential sites remain highly sought after as seen from the robust tender for three adjoining freehold bungalows at Chancery Hill Road and Dyson Road, which were eventually sold for \$61.1m.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



Note: * Q4 22's volumes have been updated to include Jardine Cycle & Carriage portfolio sale as more information emerged

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Bite-sized Deals Continue to Transact

More investors have adopted a wait-and-see approach in the face of rising interest rates and widening buyer-seller expectations gap. However, family offices and high-net-worth individuals with deep pockets remained active in acquiring or seeking out bite-sized opportunities such as CBD strata offices and shophouses. Total transaction volume of CBD strata offices rose by 6.2% qoq, to record \$158.1m in Q1 2023. In particular, the entire 12th floor of the upcoming Solitaire on Cecil office project was sold for \$52.3m or S\$4,196 psf, a record price on a \$PSF basis for a full office floor.

While islandwide shophouse total transaction volume fell 43.1% qoq to \$265.8m in the quarter, it remains about 16% higher as compared to the pre-pandemic quarterly average of \$229.0m (2019 average). Notable deals in Q1 2023 included the sale of 52 Boat Quay for \$37m and a portfolio of six adjoining freehold shophouses at 322 to 332 Serangoon Road for \$62.5m.

Investors remained keen on industrial assets due to their positive yield spreads and potential for capital appreciation. Significant deals included Ho Bee Land's \$115m sale of HB Centre 1 and 2 as well as the joint acquisition of J'Forte Building for \$98.8m by Boustead Industrial Fund.

Cautious Optimism Among Investors

In general, investors will understandably adopt a more cautious approach given the current elevated interest rate environment. Following the increase in Buyer's Stamp Duty (BSD) for higher-value properties with effect from 15 February, the buyer-seller expectations gap is expected to widen. As such, large ticket deals remain challenging to transact. Family offices and high-net-worth individuals are still on the look out for deals as they seek out real estate opportunities for wealth preservation and diversification.

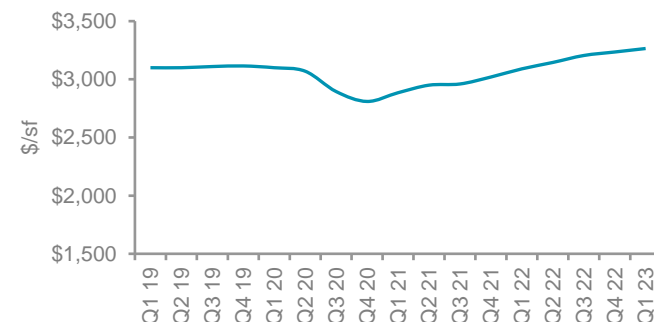
However, developers will still be on a lookout to replenish their land banks as their unsold inventory remains low and market sentiments remains healthy. Bite-sized en bloc projects with palatable quantum and favorable physical attributes should continue to garner strong developer interest. However, given a continued rise in private residential prices and rents, the supply on Government Land Sales programme may potentially be boosted to pre-emptively cool the market. This would create more competition for the enbloc market.

Greater investor interest could be diverted towards hospitality assets as China's faster-than-expected relaxation of border restrictions and international air travel recovery provide an uplift to their investment prospects. Amid increasing global uncertainties and geopolitical tensions, Singapore continues to be attractive to investors due to her strong fundamentals and safe-haven status.

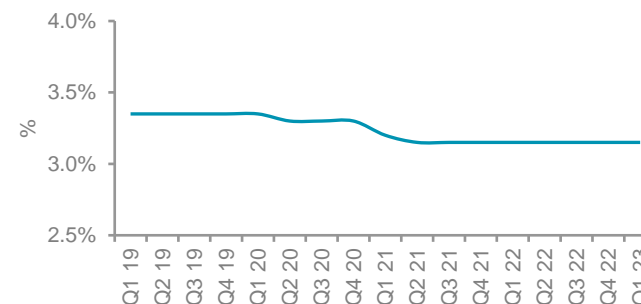
Outlook

- Investor sentiment remains cautious amid tighter financing conditions and likelihood of further Fed rate hikes, as capital gravitates towards safe haven assets amid flight to safety and wealth preservation
- Despite higher interest rates, property cap rates and capital values in Singapore have largely remained stable
- Brighter investment prospects for hospitality assets is anticipated, banking on China's reopening and international air travel recovery

GRADE A CBD OFFICE CAPITAL VALUE



GRADE A CBD OFFICE NET YIELD



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INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	0.0	1,459.5	1,459.5	12%
Commercial	0.0	1,291.3	1,291.3	-57%
Industrial	42.8	443.1	485.8	-34%
Hospitality	0.0	46.6	46.6	-
Mixed/Others	0.0	222.2	222.2	44%
TOTAL	42.8	3,462.6	3,505.4	-32.2%

Note: Figures may not tally precisely due to rounding

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE (\$ Million)	SUBMARKET
NEX (50% stake)	Retail	Fraser's Centrepont Trust and Fraser's Property	Mercatus Co-operative Limited	652.5	Serangoon
39 Robinson Road	Office	Yangzijiang Realty	Viva Land	399.0	Downtown Core
Meyer Park	Residential	United Venture Development	Collective Sale	392.2	Marine Parade
Bagnall Court	Residential	Consortium led by Roxy-Pacific Holdings	Collective Sale	115.3	Bedok
HB Centre 1 & 2	Industrial	Unrelated third party	Ho Bee Land	115.0	Geylang

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

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