Singapore Property Investment Sales Market Hits All-Time High Of $50.78 Billion

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The Singapore property investment sales market went through an extraordinary year in 2007, experiencing the highest volume of annual transaction in the past decade. Property market fundamentals remained strong throughout the whole year, with total investment sales recorded at $50.78 billion to-date, setting a new benchmark. This was 66.0% higher than the historical high of $30.57 billion recorded in 2006. The robust momentum in the investment market was largely driven by active acquisitions of development sites by developers in both the private and public sectors.

The private investment sales market took the lead in 2007 to-date, accounting for 78% of total investment sales or $39.63 billion. Public sector land sales were also brisk, contributing the remaining 22% or $11.15 billion. This comprised purchases of government land sale sites (GLS) and the tender awards of luxurious waterfront residential land parcels. The most significant transaction in the fourth quarter so far was the award of a prime "white" site at Marina View (Land Parcel B) to Macquarie Global Property Advisors (MGPA) for $952.89 million ($779 per square foot per plot ratio).

Other notable public sector sales in the fourth quarter (todate) included two hotel sites at Upper Pickering Street and New Market Road/Merchant Road, which were awarded to Hotel Plaza Ltd for $253.20 million ($805 psf/plot ratio) and Park Regis Investments Pte Ltd for $100.70 million ($762 psf/plot ratio) respectively. The government also sold four residential sites in the fourth quarter (to-date) for a total of $760.62 million. Altogether, 36 government sites were bought by developers during the year so far, consisting of three "white" sites, nine residential sites, eight commercial sites, six hotel sites and 10 industrial sites. In addition, five residential sites at Sentosa Cove were sold for a total of $1.11 billion in 2007 year to-date. This included the recent award of the Pearl Island to Ximeng Asset Holdings, a China developer for $215.65 million ($1,350 psf).

In terms of sectoral performance, the residential sector took the lead in investment sales, both in the final quarter of 2007 and for the whole year, where development sites sold through collective sales made up the bulk. Total residential investment sales including Good Class Bungalow (GCB) sales amounted to $30.59 billion in 2007 (to-date), representing 60% of total investment sales and an increase of 94% y-o-y.

A total of 109 collective sales were transacted in 2007 todate, generating investment sales of $13.30 billion, exceeding the $8.20 billion concluded in 2006 and the highest in the past decade. The collective sale of Westwood Apartments set a new benchmark in the fourth quarter when it was sold to YTL Corporation Berhad for $435 million ($2,525 per square foot per plot ratio).

Other notable en bloc transactions in the fourth quarter included The Aspine which was sold to a joint venture between Hiap Hoe and Superbowl for $138 million ($1,870 psf/plot ratio), Makeway View which was sold to Bravo Building Construction for $162.80 million ($1,583 psf/plot ratio) and 15 terrace houses at Jalan Bunga Raya which were sold to a consortium comprising China and local developers. Apart from landbanking activities, there was the purchase of 44 units at Cliveden at Grange by a joint venture between

US-based Wachovia Group and City Developments Ltd for a total of $432.40 million ($3,750 psf).

Investment activity in the office sector remained strong throughout the year, supported by strong economic fundamentals. In 2007 so far, office investment sales have generated $14.89 billion worth of sales or 29% of the year's total investment sales. This was about triple the $4.79 billion recorded in 2006.

The most significant transaction of the year was the acquisition of Temasek Tower by Macquarie Global Property Advisors for $1.04 billion, representing the highest price for any private office investment transaction this year and in the last decade. Notable office sales in the fourth quarter included the Keypoint which was acquired by Allco Commercial Trust for $370 million ($1,186 psf) and Dapenso Building which was sold to KOP Capital for $120 million ($2,023 psf). In addition, 78 Shenton Way was sold to a German fund, Commerz Grundbesitz Investmentgesellschaft (CGI) for $650 million ($1,857 psf).

The industrial sector continued to enjoy good sales momentum in 2007, largely driven by REIT-related purchases and contributed $1.95 billion or 4% to total investment sales. MacarthurCook Industrial REIT (MI-REIT) contributed the bulk of industrial investment sales by acquiring 11 properties for a total of $300.5 million while Cambridge Industrial Trust (CIT) bought 12 properties for $242.8 million in all. Both A-REIT and MapletreeLog also continued to expand their portfolio size and value in the year by acquiring properties for a total of $81.7 million and $62.4 million respectively.

A total of $4.27 billion worth of properties was acquired by S-REITs in 2007 to-date, representing 8% of the year's total investment sales. Two new REITs were listed on the SGX in the fourth quarter - Saizen REIT and Lippo-Mapletree Indonesia Retail Trust (LMIR). Saizen REIT had an initial portfolio comprising 148 residential buildings located in 12 cities across Japan, valued at a total of $605.80 million.

LMIR Trust's initial portfolio of seven shopping malls and seven retail spaces found in other malls, all of which are located in Indonesia, were worth a total of $1.0 billion. The number of S-REITs has increased steadily, from seven in 2005 to 20 by end-2007 with a total market capitalization of more than $25 billion. The outlook for the SREIT market will remain favourable with the entry of more overseas REIT issuers. With the support of proactive initiatives of the Monetary Authority of Singapore, the number of S-REITs might rise to 30 by end-2008.

Despite some volatility resulting from the global credit crunch, investment sentiment would continue to remain positive in 2008, coupled with healthy economic development in Singapore. Investment activity in the office and residential markets are likely to continue to outperform other property sectors given the limited supply coming on stream in the short to-medium term. REIT related parties will also continue to lend support to the investment market, showing keen interest particularly in commercial and industrial assets.

Source: Wantanee Khamkongkaew

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