





A STRONG RECOVERY EXPECTED IN 2021

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Insights & Recommendations

Singapore investment sales in Q4 trebled QOQ and doubled YOY to SGD14.4bn (USD10.9bn) mainly on a REIT merger. The strong momentum in H2 2020 buoyed the full year 2020 to SGD24.7bn (USD18.7 bn), falling 16.7% YOY.

- > Investors continued to focus on commercial assets as FY2020 volumes grew 8.8% YOY, making up 52% of 2020 transactions.
- > Shophouses are the only other sector to grow in COVID-struck 2020. Industrial volumes fell from a high base in 2019.
- > We expect investment sales to grow 20% in 2021 to SGD29.7 billion. We recommend investors focus on assets with long term growth drivers, such as CBD office buildings with income or redevelopment potential, high-specs business space, logistics assets and shophouses.

		QOQ / Q4 2020	YOY / 2021F	Average Annual Growth / 2020-2025F Average
	> FY 2020 investment sales fell 16.7% YOY as investors delay investments amid heightened uncertainties in H1. Q4 2020 has seen a strong rebound and we expect 2021 volumes to recover to pre-pandemic levels, supported by Singapore's safe haven status, pro-business environment and economic growth.	243 % SGD14.4bn	20 % SGD29.7bn	10 % SGD33.2bn
	> FY 2020 commercial volumes grew 8.8% YOY on the CMT-CCT merger ² . Excluding the merger, we have seen increased institutional acquisition of prime office buildings, leveraging on more tech giants setting up bases in Singapore and the URA Incentive Scheme ¹ rejuvenation of older precincts.	228 % SGD8.69bn	10 % SGD14.1bn	10 % SGD17.2bn
	> Residential volumes jumped mainly on the revival of public and private land sales, including two collective sales. FY 2020 still fell 23.6% to SGD5.2bn on a weak H1 2020. With strong developer sales and a depleting pipeline, we expect private land sales via en bloc and collective sales to recover in 2021.	92.6% SGD1.97bn	50 % SGD7.9bn	20 % SGD9.4bn
	> Industrial investment sales fell 9.3% QOQ in Q4. FY 2020 transactions fell 43.3%, on the absence of REIT transactions. We see positive long-term growth as investors seek warehouses, data centres and hi-specs space to leverage growing ecommerce and technology trends.	-9.3 % SGD405mn	20 % SGD2.8bn	12.0 % SGD3.3bn

Source: Colliers International. Notes: 1) USD1 to SGD1.3221 as of 31 Dec 2020. 2) 1 sq m = 10.7639 sq ft. 3) Investment sales transactions include: a) all private property sales at transaction prices of SGD10 million and above; and b) all successfully awarded state land tenders. 3) All deals mentioned in this report have been widely publicised in the media. ¹URA Incentive Scheme. ²CapitaLand Mall Trust acquired CapitaLand Commercial Trust's six offices and two mixed-use developments.

COMMERCIAL, MIXED-USE ASSETS LED INVESTMENT SALES IN FY 2020

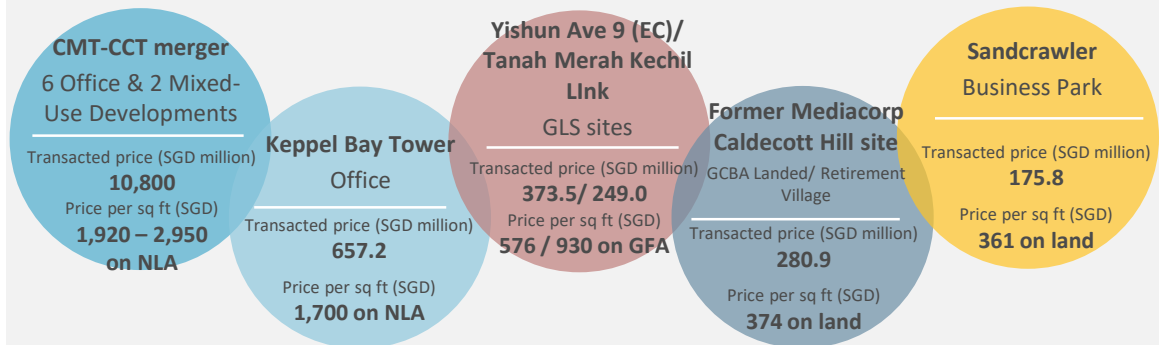
In Q4 2020, the Singapore economy contracted by 3.8% YOY, but grew a seasonally-adjusted 2.1% QOQ. This brings the full year 2020 GDP growth to -5.8%, the worst recession since independence. Nonetheless, 2021 should see a strong rebound, up 5.6% (Oxford Economics forecast on 18 December), with the virus contained domestically and vaccines to be made available by Q3 2021. Economists expect both manufacturing and service sector growth to gain traction.

REIT M&A deals drove real estate transaction volumes in 2020. Q4 saw the largest deal in 2020, with CapitaLand Mall Trust acquiring CapitaLand Commercial Trust's six offices and two mixed-use developments for SGD10.8 (USD8.2) billion in a merger of equals. Keppel REIT is acquiring Keppel Bay Tower for SGD657 (USD500) million.

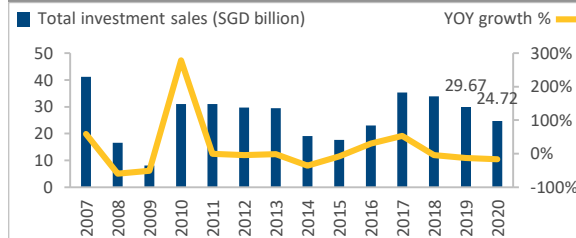
Residential also saw more activity after a pause in Government Land Sales (GLS) due to COVID, with two sites awarded in Q4. A large development site in the Good Class Bungalow Area in Caldecott Hill Estate was sold for SGD280.9 million. Blackstone is acquiring Sandcrawler, a business park at one-north for SGD176 (USD133) million.

It was a year of two-halves as we see H2 investment sales at SGD18.6 billion, making up three-quarters of the full year of SGD24.7 billion, signaling strong momentum going into 2021. For the second straight year, Singapore was ranked #1 by ULI and PWC³ for investment prospects in APAC, reinforcing Singapore's strong position as a favourable investment destination. Catalysts in 2021 include more tech companies setting up hubs and a global economic recovery.

The five largest transactions in Q4 2020



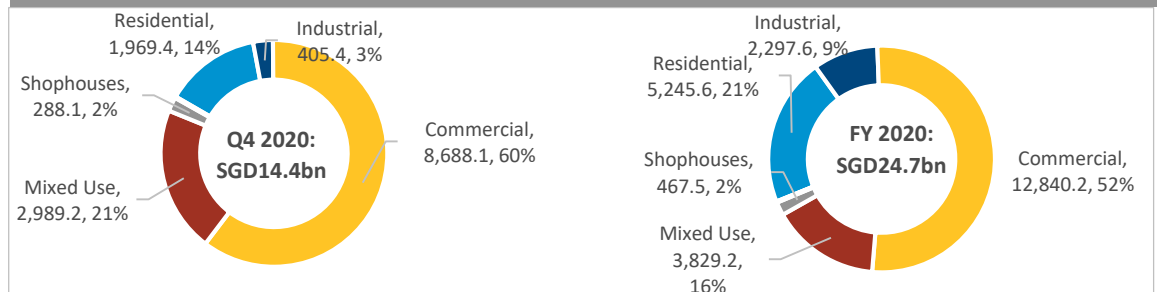
Snapshot of total investment sales



Investment sales volume by sector

	Q4 2020 (SGD mil)	% Change QOQ	% Change YOY
Residential	1,969.4	92.6%	94.2%
Industrial	405.4	-9.3%	-82.1%
Commercial	8,688.1	228.5%	508.6%
Mixed Use	2,989.2	N.M.	N.M.
Shophouses	288.1	380.4%	43.7%
Hospitality	27.0	N.M.	-98.1%
Total	14,367	242.8%	128.1%

Investment sales by sector: Q4 2020 and FY2020 (SGD millions, %)



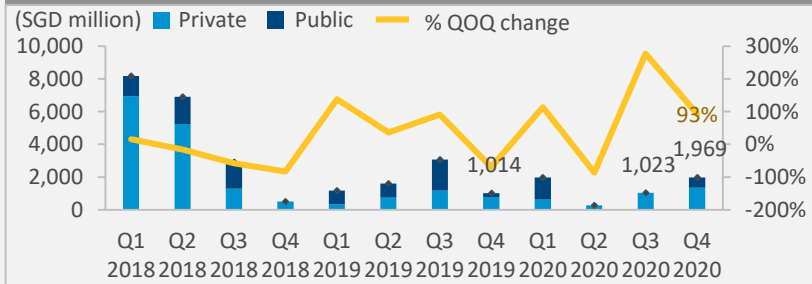
Source: Colliers International, Urban Redevelopment Authority (URA), JTC Corporation (JTC), Housing Development Board (HDB). Notes: 1) Information as of 5 January 2021. 2) Commercial includes office, retail and mixed-office and retail components in a development. Mixed-use refers to properties with two or more types of different uses. Others include properties such as medical centres, car parks, petrol stations, etc. 3) The percentage may not add up 100 due to rounding. 4) N.M. : Not Meaningful. ³ [Emerging Trends in Real Estate Asia Pacific 2021](#).

Residential



Residential investment sales in Q4 jumped 92.6% QOQ and 94.2% YOY to SGD1.97 (USD1.49) billion, mainly on the revival of public and private land sales, including two collective sales. FY 2020 volume fell 23.6% to SGD5.25 (USD3.97) billion on fewer public land sales awarded and luxury apartments sold due to COVID delays. 38 GCB sites worth SGD1.01 billion transacted in 2020, compared to 34 GCBs worth SGD1.05 billion in 2019.

Snapshot of total residential investment sales



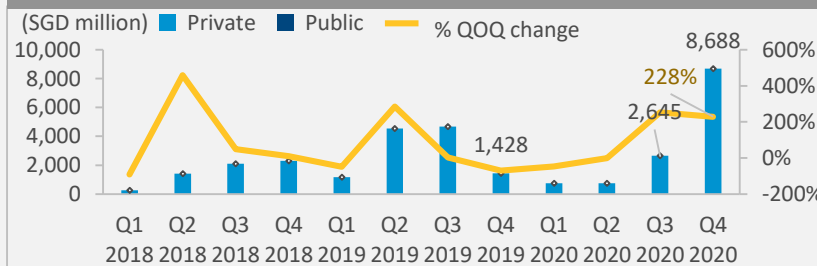
Source: Colliers International, URA REALIS (as of 5 January 2021)

Commercial & Mixed Use



Commercial investment sales in Q4 surged 228% QOQ and 509% YOY to SGD8.69 (USD6.57) billion, mainly due to CMT acquiring CCT's six office and two mixed-use developments on their merger. FY 2020 commercial deals rose 8.8% to SGD12.8 (USD9.71) billion, while FY 2020 mixed use quadrupled to SGD3.83 (USD2.90) billion, including AXA Tower in Q2 2020.

Snapshot of total commercial investment sales



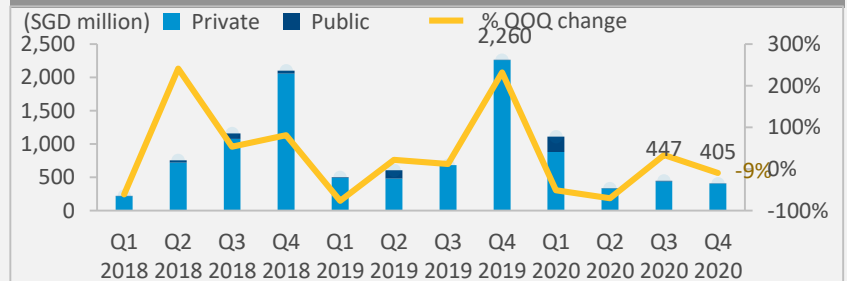
Source: Colliers International, URA REALIS (as of 5 January 2021)

Industrial



Industrial investment sales in Q4 fell 9.3% QOQ and 82.1% YOY to SGD405 (USD307) million, as ESR REIT's proposed merger with Sabana REIT fell through, while Q4 2019 was boosted by the SGD1.55 billion Mapletree Business City II acquisition. The two major industrial deals announced in Q4 2020 were the SGD176 million Sandcrawler business park and SGD118 million former Big Box retail-warehouse, planned to be redeveloped into a business park. FY 2020 industrial investment sales totalled SGD2.30 (USD1.74) billion, -43.3% YOY, notwithstanding earlier strength in the warehouse and data centre transactions in the first nine months of 2020.

Snapshot of total industrial investment sales



Source: Colliers International, URA REALIS (as of 5 January 2021)

Hospitality



Amber Katong Hotel, reported to have transacted for SGD27 (USD20.4) million in Q4, was the only hospitality deal in FY 2020, a far cry from the record level of SGD5.7 (USD4.1) billion in 2019. In the longer run, the hospitality sector's fundamentals are underpinned by planned new attractions and infrastructure projects between 2021 and 2030.

Shophouses



18 shophouses (each over SGD10 million) worth a total of SGD288 (USD218) million transacted in Q4, making it the best quarterly showing since Q1 2018's SGD401.7 million. This brings FY 2020 shophouse investment sales to SGD467 (USD354) million, up 16.1%, making it the only other segment after commercial and mixed-use to improve from 2019. Prime shophouses are sought-after as they offer capital preservation and stable rental income.

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