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Straits Trading Building may fetch record psf price

Indonesia tycoon said to be nearing deal to buy property at over S\$3,520 psf on NLA - a new high for an entire office building

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Singapore

A NEW per square foot record price for an entire Singapore office building could be set if a deal that is brewing for Straits Trading Building on Battery Road materialises.

Indonesian tycoon and philanthropist Tahir is said to be in exclusive due diligence with a view to purchase the 28-storey, 999-year leasehold building for S\$560 million. This translates to slightly more than S\$3,520 psf based on the net lettable area (NLA) of 158,897 sq ft .

The psf price would bust the current record of S\$3,125 psf set in April 2008 for Commerz Real's purchase of 71 Robinson Road, while it was still under construction; at the time, the site had a balance lease term of only about 85 years. Moreover that transaction came with a coupon payment by the seller to Commerz Real amounting to 4.5 per cent for the duration of construction.

If Mr Tahir proceeds to wrap up an acquisition of Straits Trading Building based on the current price at which advanced negotiations are taking place, the seller, Sun Venture Group, will reap handsome gains for a holding period of less than two years. It bagged the property in September 2014 for S\$450 million or slightly over S\$2,800 psf from The Straits Trading Company.

The S\$560 million that Mr Tahir is expected to pay for the property is understood to translate to a gross property yield of slightly above 3.5 per cent; the net yield works out to around 2.8 per cent, market watchers estimated.

Law firm Rajah & Tann is the anchor tenant in the building. Other occupiers include VTB Capital, Hang Seng Bank and The Straits Trading Company.

Boasting a Grade A office location in the traditional Raffles Place financial district, Straits Trading Building has 41 car parking lots; it also has sky gardens. Completed in 2009, the existing 28-storey tower is a redevelopment of the original 21-storey block on the site that was built in 1972.

Quillion Global is believed to be brokering the building's sale. If a deal materialises, Mr Tahir is expected to hold the property for long-term investment. His Singapore real estate portfolio includes MYP Plaza at 135 Cecil Street and ABI Plaza (formerly known as RCL Centre) along Keppel Road - both held through Singapore-listed MYP Ltd, which is controlled by Mr Tahir's family. He also owns a dozen units at the Grange Infinite condo.

Mr Tahir is the founder of the Mayapada Group, an Indonesia-based conglomerate with interests in the banking, retail, property and healthcare businesses. Born to working-class parents in Surabaya, he came to Singapore for his education, earning a business degree from the then-Nanyang University. Mr Tahir is a son-in-law of Indonesian magnate Mochtar Riady.

Sun Venture is a real-estate developer and investor with a portfolio of commercial assets. Besides Straits Trading Building, these include an office building at 50 Scotts Road and three floors at Samsung Hub; in addition, Sun Venture jointly owns Westgate Tower next to Jurong East MRT Station and the retail podium of Paya Lebar Square with Low Keng Huat.

Based in Singapore, Sun Venture is said to have funding mainly from Taiwanese investors.

Market watchers do not believe the potential deal marks a return of investment fervour to the Singapore office market.

Shaun Poh, executive director of capital markets, Singapore, at Cushman & Wakefield, said: "Assuming this transaction happens, it reflects Mr Tahir's penchant for freehold or long-leasehold properties in Singapore - especially a landmark property such as Straits Trading Building. However such investors can be seen as unique."

Mainstream institutional investors such as property funds from overseas are more returns-driven and cautious about investing in the local office market in the short term, given weak office rentals amid substantial new completion - "unless they secure a decent entry price".

"Mr Tahir on the other hand, is probably taking a long term view on Singapore. And he sees in Straits Trading Building a rarely available office asset, with a coveted address of 9 Battery Road. Also noteworthy is that while he may be paying a record psf price, the overall deal size is not humongous."

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