

SINGAPORE RESEARCH STRATA RETAIL SALES



Q3 2019 STRATA RETAIL SALES MARKET SNAPSHOT



Strata-titled retail property sales* in Q3 2019 declined 52.3% year-on-year.

*Sales exclude big-ticket transactions valued S\$100.0 million and higher.

STRATA-TITLED RETAIL MARKET EASED IN Q3 2019 AMID WEAKENED ECONOMIC OUTLOOK



MARY SAI
Executive Director,
Investment & Capital Markets

“There are pockets of opportunities for yield-seeking investors under current market conditions. To extract higher yields, buyers need to own larger units or the whole floor to curate better offerings to attract the crowd.”

Overview

- **The transacted value of strata-titled retail units declined 55.3% quarter-on-quarter (q-o-q), or 52.3% year-on-year (y-o-y) to S\$64.3 million in the third quarter of 2019.** The market for strata-titled retail properties eased as investors turned cautious amid slower economic growth and weaker leasing activity of strata-titled malls.
- **There were 46 caveats lodged in Q3 2019, about 36.1% lower q-o-q than the 72 caveats lodged in the previous quarter.** Amongst the caveats recorded, there were 26 caveats lodged for freehold strata-titled units and 20 caveats lodged for leasehold units. The number of caveats lodged for freehold and leasehold strata-titled retail units declined 29.7% and 42.9% q-o-q respectively.
- **The price of units with freehold tenure was more resistant to downward pressure than the price of the leasehold units.** The average price of freehold units fell by 11.9% q-o-q to S\$3,432 psf in Q3 2019, while the average price of leasehold units fell 17.1% q-o-q to S\$2,072 psf over the same period. More investors purchased freehold units as the value of the freehold units are not affected by lease expiry.
- **Despite the q-o-q decline in Q3 2019, average prices of freehold strata-titled retail units are now 29.4% higher than the last bottom in Q4 2018.** In contrast, prices of leasehold units are only 3.0% higher than the previous trough of the cycle in Q4 2018.
- **In the third quarter of 2019, investors bought smaller freehold units.** The average size of strata-titled retail units purchased in Q3 2019 was 445 sq ft, smaller than an average size of 614 sq ft in Q2 2019, and 697 sq ft in Q3 2018. With smaller units, investors can limit capital outlay to a manageable quantum in times of economic uncertainty.

- The largest retail property transacted in Q3 2019 was the transfer of 313 @ Somerset recorded in Q3 2019.** The retail complex was sold to Lendlease Global REIT for over S\$1.0 billion in preparation for its IPO in October 2019. The price translated to S\$3,478 per sq ft, based on 288,277 sq ft net leasable area. Other notable transactions in the quarter included the six ground-level retail units in Queensway Shopping Centre. They were sold for an average unit price of S\$6,098 per sq ft of strata area. In the previous quarter, no units from Queensway Shopping Centre was transacted.

EXHIBIT 1

Top 5 Deals in Q3 2019 (By Price Quantum)

Building	Address	Transacted Price (\$million)	Unit Price (\$ psf)	Strata Area (sq ft)
Queensway Shopping Centre	1 Queensway #01-14	3.4	6,639	517
Queensway Shopping Centre	1 Queensway #01-42	3.1	6,923	452
International Plaza	10 Anson Road #21-15	2.7	1,875	1,453
SQUARE 2	10 Sinaran Drive #09-25	2.5	3,687	678
Telok Mansion	239 Telok Kurau Road	2.5	2,679	926

Source: REALIS, Knight Frank Research

EXHIBIT 2

Property Gains from Strata Retail Units Transacted in Q3 2019

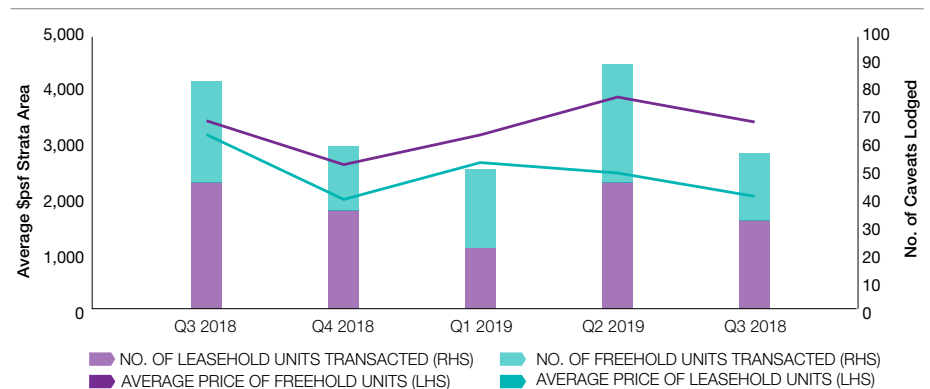
Building	Address	Strata Area (sq ft)	Return	Estimated no. of years held
Textile Centre	200 Jalan Sultan #02-43	1,066	113.7%	9
Sunshine Plaza	91 Bencoolen Street #01-63	258	53.5%	9
Square 2	10 Sinaran Drive #09-25	678	44.6%	9
Far East Plaza	14 Scotts Road #05-77	312	43.1%	2
Suites At Bukit Timah	68 Jalan Jurong Kechil #01-03	32	20.2%	0

Source: REALIS, Knight Frank Research

The price per sq ft of freehold strata-titled retail units was more resilient to pressure from the external environment than the average unit price of leasehold strata units.

EXHIBIT 3

Number of Transactions and Average Price per sq ft of Freehold and Leasehold Strata Retail Units

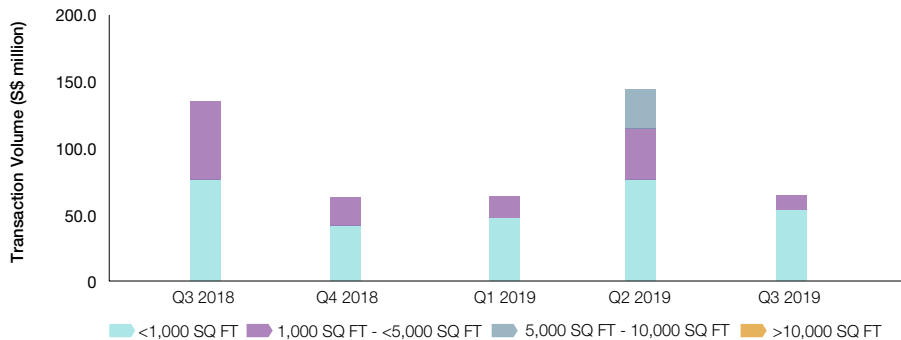


Source: REALIS, Knight Frank Research

Excluding big-ticket deals, transaction volume dropped 52.3% y-o-y in Q3 2019.

EXHIBIT 4

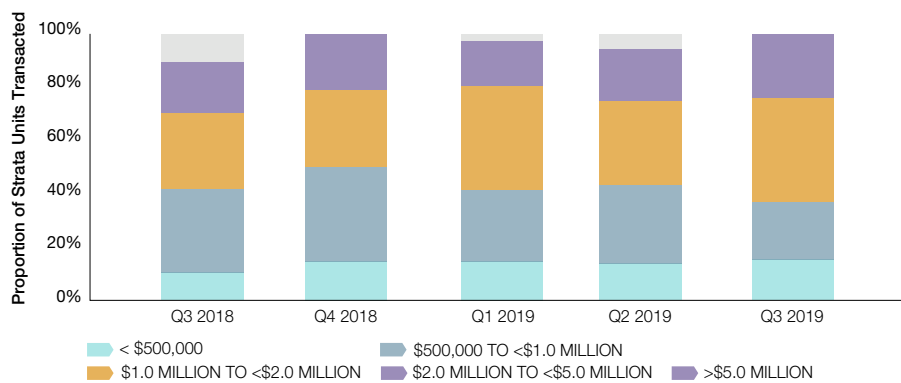
Total Value of Transactions by Strata Area



Source: REALIS, Knight Frank Research

EXHIBIT 6

Proportion of Strata Units Transacted by Price Quantum



Source: REALIS, Knight Frank Research

OUTLOOK

- **Moving forward Knight Frank envisages transaction sales of the smaller strata retail units to ease further.** The slower economic outlook and the continuing challenges faced by brick and mortar retailers, especially the increased competition from the e-commerce retailers, weighed sentiments and outlook of retail investors.
- **That being said, collective sales of strata-titled retail malls are likely to draw some interest from investors.** Such malls are rarely available in the market and have potential to be redeveloped into higher yielding assets.

FOR COMMERCIAL SALES ENQUIRIES, PLEASE CONTACT:

Mary Sai
Executive Director
Investment & Capital Markets
6228 6886
mary.sai@sg.knightfrank.com

FOR FURTHER INFORMATION, PLEASE CONTACT:

Lee Nai Jia
Head
Research
6228 6878
naijia.lee@sg.knightfrank.com

Lucy Zhu
Analyst
Research
6228 6584
lucy.zhu@sg.knightfrank.com



© Knight Frank Singapore 2019

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Pte Ltd and its subsidiaries for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Pte Ltd and its subsidiaries in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Pte Ltd to the form and content within which it appears. Knight Frank Pte Ltd is a private limited company which is incorporated in Singapore with company registration number 198205243Z and CEA licence number L3005536J. Our registered office is at 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315.

Annex A

EXHIBIT 1

Top 10 Planning Area by Sales Volume, Q3 2019

Planning Area	Total Sales (\$ million)	No. of Transactions
Queenstown	14.79	7
Downtown Core	11.41	9
Orchard	8.46	7
Kallang	7.33	6
Novena	4.72	2
Bukit Timah	4.25	5
Bedok	3.42	2
Rochor	2.56	2
Marine Parade	2.30	1
Geylang	2.05	2

Strata-titled Retail Transaction Volume

- Below S\$2.5 million
- S\$2.5 to S\$5.0 million
- S\$5.0 to S\$7.5 million
- S\$7.5 to S\$10.0 million
- S\$10.0 to S\$12.5 million
- S\$12.5 million and above

