

SINGAPORE RESEARCH STRATA OFFICE SALES



Q3 2019 STRATA OFFICE SALES MARKET SNAPSHOT



The sale value of strata-titled offices declined by 64.3% to S\$192.3m in Q3 2019, as there were fewer sales of strata units less than 5,000 sq ft.

STRATA-TITLED OFFICE SALE DECLINED IN Q3 DESPITE UNDER- LYING INVESTMENT DEMAND



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“The demand for strata-office units with large floor plates remained robust from end-users and investors. Notwithstanding, the prices for the smaller units are likely to face downward pressure.”

Overview

- **While there was a pickup of investment sales of commercial buildings, the sale value of strata-titled office units** recorded a decline of 64.3% quarter-on-quarter (q-o-q), or 54.1% year-on-year (y-o-y), to S\$192.3 million in Q3 2019. The decrease was primarily due to the limited supply of strata office spaces with large floor plates in the market.
- **There were 62 strata-titled office transactions lodged in Q3 2019, lower than the 86 transactions for the whole of Q2 2019** (Exhibit 3). Eleven freehold strata-titled office units exchanged hands in Q3 2019, compared to the 29 units in Q2 2019, as the freehold strata office market becomes thinner. Most of the sales are in popular locations such as Peninsula Plaza and Sim Lim Tower. The leasehold strata-titled office market was more active, with 51 transactions recorded in Q3. The number of leasehold strata-titled office transactions lodged in Q3 was a shade lower than the 57 transactions in Q2. International Plaza, Paya Lebar Square, Shenton House and The Central were among the locations that recorded more sales in Q3.
- **The average price per square feet (psf) for both freehold and leasehold strata-titled office units eased in Q3 2019 after improving in Q2.** The average price for freehold units decreased by 15.3% q-o-q to S\$2,145 psf in Q3 2019, while the average price for leasehold declined by 4.6% q-o-q to S\$1,924 psf in the same quarter (Exhibit 3).
- **The Bukit Merah Planning Area recorded the highest sale volume of strata-titled office, amounting to S\$78.4 million, exceeding the sales volume in the Downtown Core and Singapore River Planning Areas (Annex A).** The sale of two floors of Southpoint (freehold) at 200 Cantonment Road contributed to the higher sales.
- **The two floors of the freehold development Southpoint sold in Q3 2019 for S\$78.4 million was the largest transaction in the quarter by quantum.**

Bukit Merah recorded the highest value of strata-titled office transactions in Q3 2019 at S\$78.4 million due to the transaction of Southpoint (freehold).

*Refer to Annex A for Exhibit 1

The largest deal in terms of quantum in Q3 2019 was the sale of two floors in Southpoint, which was transacted at S\$78.4 million.

EXHIBIT 1

Top 5 Deals in Q3 2019 (By Price Quantum)

Building	Address	Quantum (S\$ million)	Unit Price (S\$ psf)	Strata Area (sq ft)
Southpoint	200 Cantonment Road #11-00 ETC	78.4	2,444	32,076
Springleaf Tower	3 Anson Road #21-01	25.0	2,479	10,086
International Plaza	10 Anson Road #28-16	5.1	1,780	2,842
International Plaza	10 Anson Road #21-14	4.3	1,824	2,357
Suntec City	7 Temasek Boulevard #19-02A	3.4	2,451	1,367

Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

Three strata-titled office units in The Central yielded returns of 20% to 50% for a holding period of 8 to 9 years.

EXHIBIT 2

Property Gains from Notable Strata-Titled Office Transactions in Q3 2019

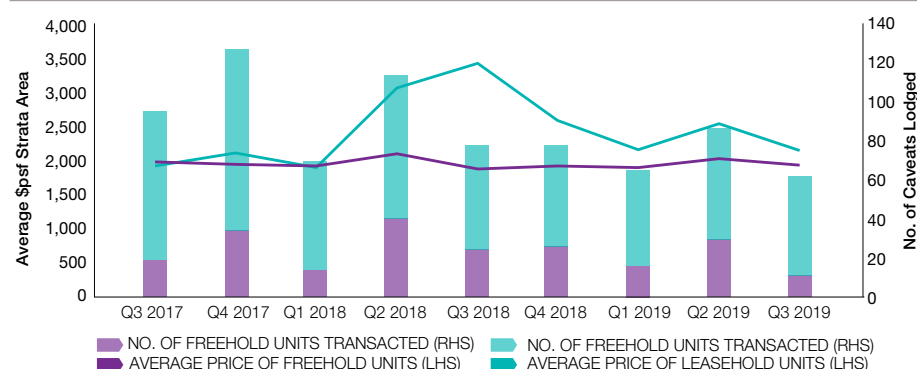
Building	Address	Transacted Price (S\$ million)	Strata Area (sq ft)	Return	Estimated number of years held
Peninsula Excelsior Hotel	5 Coleman Street #B1-11	0.5	344	60.0%	10
The Central	8 Eu Tong Sen Street #14-91	2.7	883	50.5%	9
The Central	8 Eu Tong Sen Street #12-95	2.6	883	46.3%	8
The Central	8 Eu Tong Sen Street #12-94	9.3	883	20.7%	8
Paya Lebar Square	60 Paya Lebar Road #07-26	5.1	517	20.6%	7

Source: REALIS (based on data as at 4 Sept 2019), Knight Frank Research

There were 62 strata-titled office units transacted in Q3 2019. The average unit price of strata-titled office units eased in Q3 after improving in Q2.

EXHIBIT 3

Number of Transactions and Average Price Psf of Freehold and Leasehold Strata-Titled Office Units

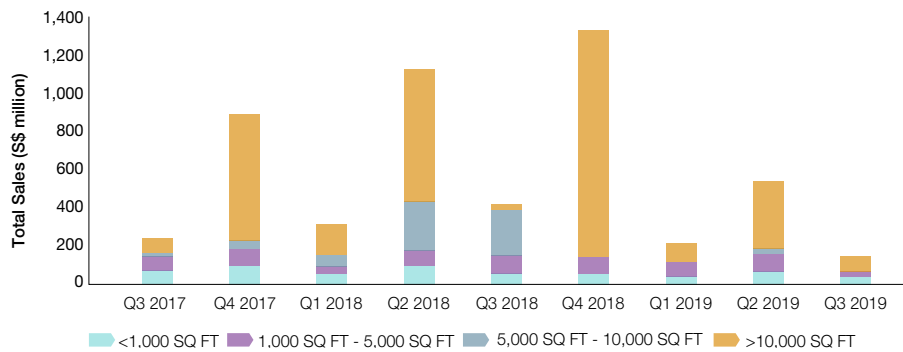


Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

The transactions of strata-titled office units larger than 10,000 sq ft declined by 70.6% q-o-q to S\$103.4 million despite accounting for 53.8% of total sales in Q3. The transactions of strata-titled office units for smaller floor plates (less than 5,000 sq ft) also decreased, as the demand emanating from speculative buys for en bloc reduced.

EXHIBIT 4

Total Transaction Volume by Strata Area

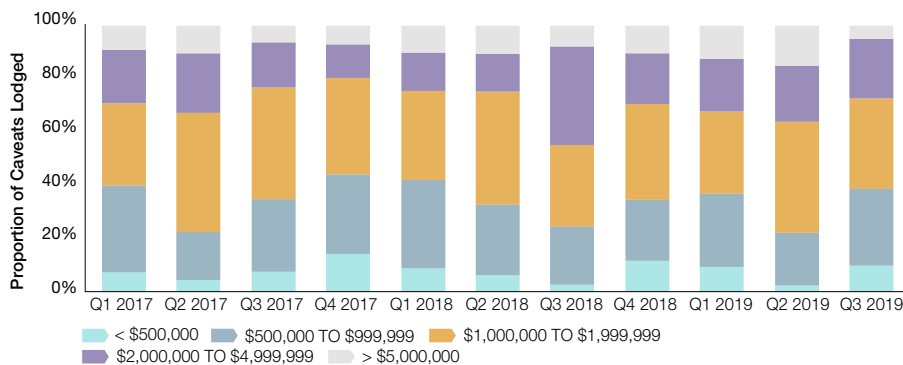


Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

About 36.2% of the strata-titled office transactions were between S\$1.0 to S\$2.0 million in Q3 2019.

EXHIBIT 5

Proportion of Strata Units Transacted by Price Quantum



Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

MARKET OUTLOOK

- The interest in large floor plate strata units remained keen, but the availability of such properties is likely to remain limited. The price gap is likely to widen too as the prospective buyers become more cautious.
- The slowing of the en bloc market for commercial properties also dampened the investors' interest in smaller office strata-titled developments.
- Despite the weakened sentiments, the asking prices for the office strata-titled units are unlikely to budge as most of the owners have strong holding power.

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Annex A

EXHIBIT 1

Total Value of Strata Office Sales by Planning Area

Planning Area	Total Sales (\$ million)	No. of Transactions
Bukit Merah	78.4	1
Downtown Core	62.5	22
Singapore River	20.6	10
Rochor	9.8	9
Geylang	5.3	4
Kallang	4.8	7
Woodlands	3.5	3
Orchard	2.5	2
Outram	1.8	1
Queenstown	1.4	1

Strata-titled Office Transaction Volume

