

SINGAPORE RESEARCH COMMERCIAL SALES



2017 STRATA-COMMERCIAL & SHOPHOUSE MARKETS ANNUAL SNAPSHOT

OFFICE



Total caveats lodged : **331**
 ▲ 23.5% y-o-y
 Transaction Value : **S\$769.0mil**
 ▼ 13.3% y-o-y

RETAIL



Total caveats lodged : **207**
 ▼ 14.1% y-o-y
 Transaction Value : **S\$453.6mil**
 ▼ 23.5% y-o-y

SHOP-HOUSE



Total caveats lodged : **135**
 ▲ 48.4% y-o-y
 Transaction Value : **S\$997.5mil**
 ▲ 49.9% y-o-y

RESALE TRANSACTION VOLUME SAW EXUBERANCE IN THE STRATA-COMMERCIAL SECTOR IN 2017 AMIDST THE COLLECTIVE SALES FEVER



MARY SAI
Executive Director & Head,
Commercial Sales

“Resale transactions saw a huge uptick in volume in the second half of the year, possibly buoyed by the collective sales fever as buyers saw rising prospects for long-term capital upside with limited supply.”

EXHIBIT 1

Caveats Lodged and Transaction Value for Strata-Titled Offices, Strata-Titled Retail, and Shophouses

	Strata Offices	Strata Retail	Shophouses
2016	New Sale : 96 Sub Sale : 7 Resale : 165 Total Caveats : 268 Transaction Value: S\$887.1 mil	New Sale: 97 Sub Sale: 6 Resale : 138 Total Caveats: 241 Transaction Value: S\$593.2 mil	Total Caveats: 91 Transaction Value: S\$665.3 mil
2017	New Sale : 39 Sub Sale : 6 Resale : 286 Total Caveats : 331 (+23.5% change) Transaction Value: S\$769.0 mil (-13.3% change)	New Sale: 26 Sub Sale : 3 Resale : 178 Total Caveats : 207 (-14.1% change) Transaction Value: S\$453.6 mil (-23.5% change)	Total Caveats: 135 (+48.4% change) Transaction Value: S\$997.5 mil (+49.9% change)

Source: REALIS (as at 1 February 2018), Knight Frank Research

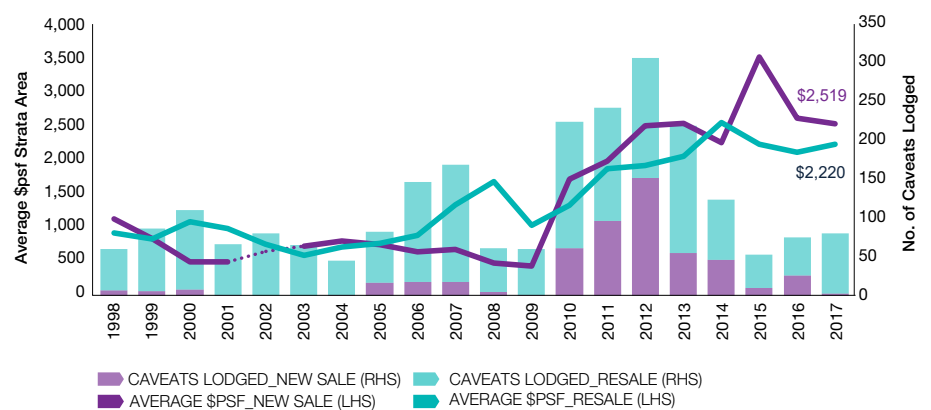
STRATA OFFICE SECTOR

Total caveats lodged for resale strata-titled (“strata”) office recorded highest growth in 2017

- The spike in the number of caveats lodged were largely attributed to more resale transactions in older office and mixed-use developments such as Golden Mile Complex and People’s Park Centre. In total, the number of resale caveats for strata office soared 73.3% y-o-y to reach 286 records in 2017.
- In spite of the higher number of caveats lodged, total transaction value declined 13.3% to S\$769.0 million in 2017.
- The markedly fewer new sale caveats lodged was largely attributed to few new sale project launches, with projects such as Woods Square in the market in 2017.
- The proportion of strata offices transacted at below the S\$1.0 million price quantum increased 7.2% in 2017.
- In terms of the profile of buyers, the proportion of Singaporean buyers increased to 39.6% in 2017, from 17.9% seen in 2016.
- The exuberance seen in the residential collective sales market was seen spreading into the strata office market since the second half of 2017. Some opportunistic investors have bought into units in aging strata office and mixed-use developments with the hope that such developments will be put up for collective sale attempts.

EXHIBIT 2

Caveats Lodged and Average Prices of Freehold Strata Office Units



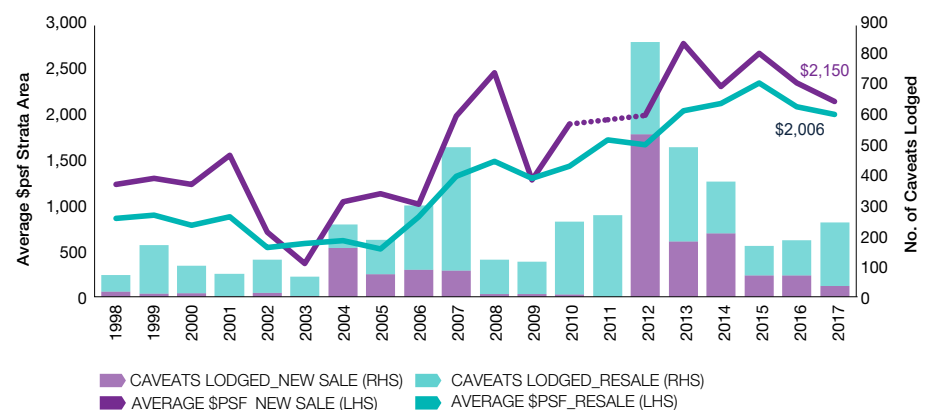
Source: REALIS (as at 1 February 2018), Knight Frank Research

*Freehold refers to properties with freehold tenure or tenure of more than 900 years.

**Subsale transactions are not shown.

EXHIBIT 3

Caveats Lodged and Average Prices of Leasehold Strata Office Units



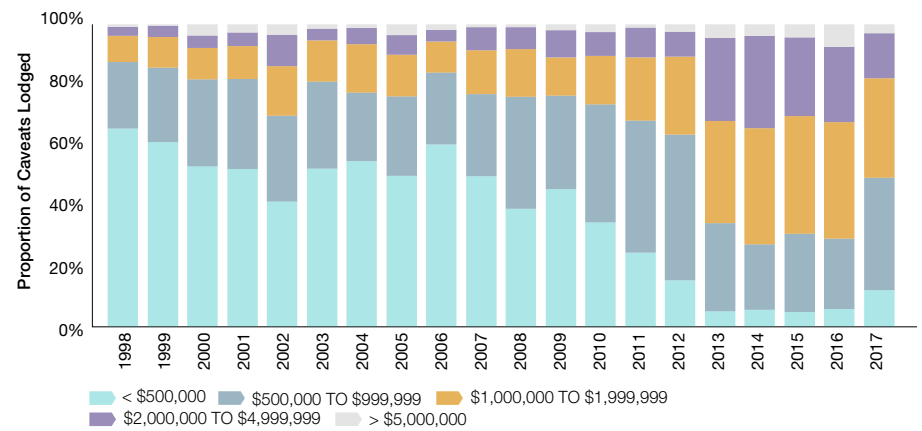
Source: REALIS (as at 1 February 2018), Knight Frank Research

*Leasehold refers to properties with 99-year leasehold tenure.

**Subsale transactions are not shown.

EXHIBIT 4

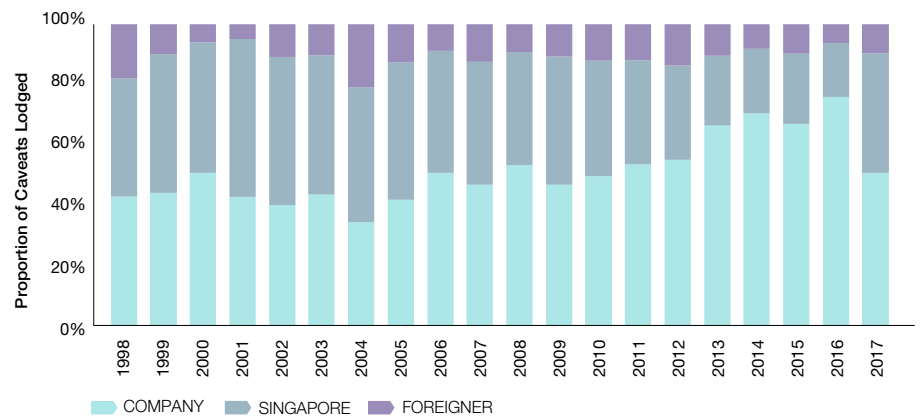
Office Transactions by price quantum, by proportion (%)



Source: REALIS (as at 1 February 2018), Knight Frank Research

EXHIBIT 5

Office Transactions by buyer profile, by proportion (%)



Source: REALIS (as at 1 February 2018), Knight Frank Research

OUTLOOK

- Strata office stock is projected to remain relatively unchanged with no new office project launch envisaged in the short term. With the support of rising office rentals especially in the Central Area, we could see higher enquiries for strata office purchases from interested buyers who desire to own office spaces instead of rent. However, the elevated office capital values, advent of the gig economy and the burgeoning availability of co-working spaces could moderate the appeal of office space ownership. strata office price is likely to register a marginal upside of 2.0% to 3.0% by end 2018.
- The interest in strata office market will continue into 2018 amid better economic prospects and positive office leasing market, with a sizable proportion coming from developments with redevelopment potential following the ongoing collective sales fever.

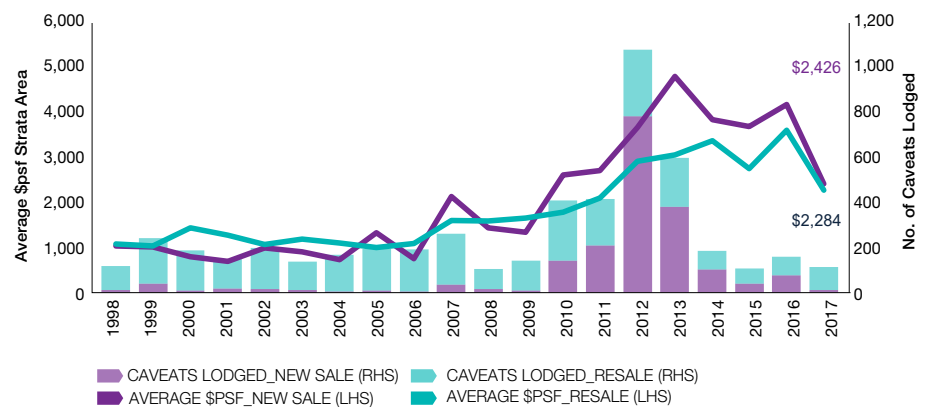
STRATA RETAIL SECTOR

Demand for strata retail sector remained depressed

- With the trend of falling retail rents, onslaught of e-commerce and rising competition among landlords for tenants, demand for strata retail units remained subdued, falling 14.1% y-o-y in number of caveats lodged in 2017.
- Correspondingly, the total transaction value fell by 23.5% y-o-y to S\$453.6 million in 2017 compared to S\$593.2 million in 2016.
- Average price psf for new sale leasehold strata units climbed 4.7% y-o-y due to transactions made in the mixed-use development Stars of Kovan, whilst average price psf for freehold strata retail units and resale leasehold strata units fell 40.5% and 33.9% y-o-y in 2017 respectively.
- With no new projects launched in 2017, the number of caveats lodged for new sale retail units stayed low.
- Yet, notable interest was seen in the resale leasehold retail segment where higher numbers of caveats lodged were recorded for older developments such as Bukit Timah Plaza and Sim Lim Square.
- Companies remained as the top purchaser of retail units (47.7%) in 2017, with Singaporeans fast catching up at 45.8%.
- The highest proportion of strata retail units (by price quantum) that was achieved in 2017 is \$500,000 to \$999,999.

EXHIBIT 6

Caveats Lodged and Average Prices of Freehold Strata Retail Units



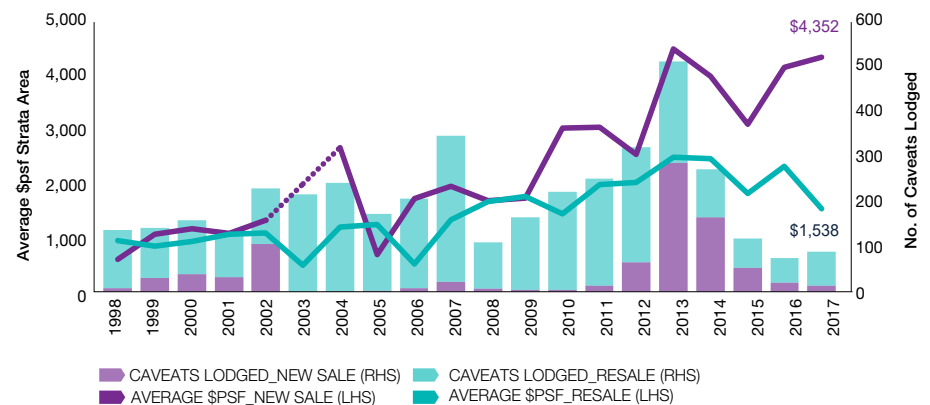
Source: REALIS (as at 1 February 2018), Knight Frank Research

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**Subsale transactions are not shown.

EXHIBIT 7

Caveats Lodged and Average Prices of Leasehold Strata Retail Units



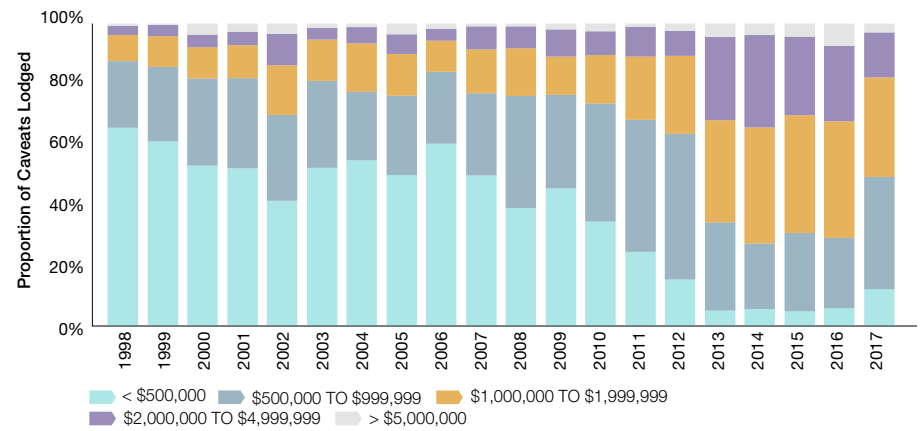
Source: REALIS (as at 1 February 2018), Knight Frank Research

*Leasehold refers to properties with 99-year lease tenure.

**Subsale transactions are not shown.

EXHIBIT 8

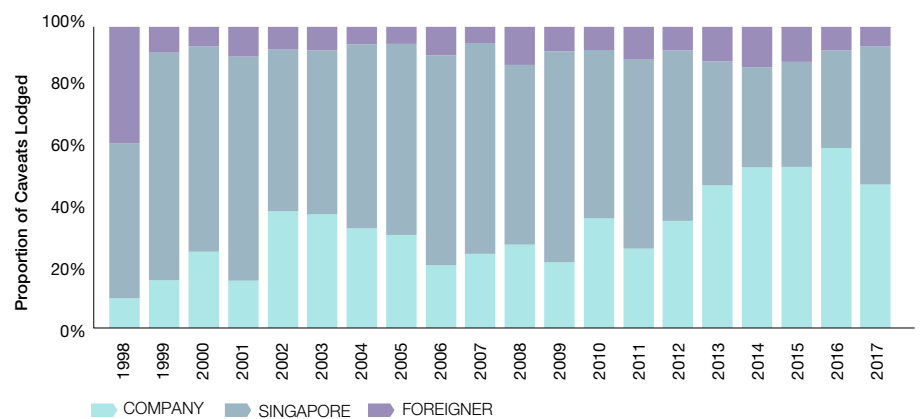
Retail Transactions by price quantum, by proportion (%)



Source: REALIS (as at 1 February 2018), Knight Frank Research

EXHIBIT 9

Retail Transactions by buyer profile, by proportion (%)



Source: REALIS (as at 1 February 2018), Knight Frank Research

OUTLOOK

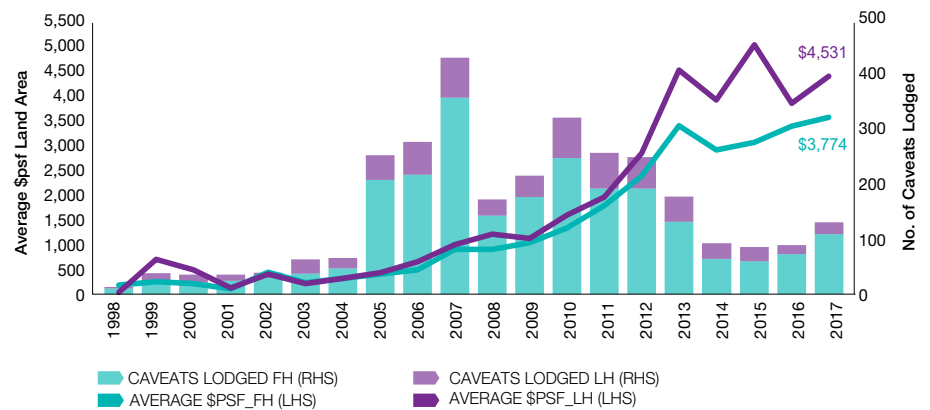
- The strata retail segment continues to face weaker occupancy, as the retail sector grapples with ongoing challenges such as threats from e-commerce, influx of new retail space and manpower challenges, and is likely to persist in 2018.
- Small units of lower price quantum at \$1.5 million and below are expected to see sustained interest from individual investors.
- Demand for retail units, especially in older developments with redevelopment potential such as Beauty World Shopping Centre and Golden Mile Complex will likely be sustained in the short term due to the ongoing collective sales fever as buyers sought quick capital gains from them.
- Total transaction volume for H1 2018 is projected to range from 80 units to 100 units.

SHOPHOUSES

- A total of 135 caveats were lodged for shophouses in 2017, higher than the 91 caveats in 2016. Meanwhile, total transaction value also increased by 49.9% y-o-y to \$997.5 million in 2017.
- Small transactions of below \$10 million apiece contributed 52.8% of total transaction value in H2 2017. Majority of those transactions were located in District 8 (Little India, Rochor)
- The average price for freehold shophouses stood at \$3,774 psf in 2017, 4.5% higher y-o-y compared to \$3,611 psf in 2016.
- District 8 (Little India, Rochor) was the most sought-after district for shophouses in 2017, making up 23.7% of the total transactions.
- Companies continued to dominate as top buyers of shophouses, representing 62.8% of the buyers in 2017. Singaporeans made up 29.7% of the buyers, with Foreigners making up the remaining 7.6% of the buyers.

EXHIBIT 10

Caveats Lodged and Average Land Prices of Shophouses



Source: REALIS (as at 1 February 2018), Knight Frank Research

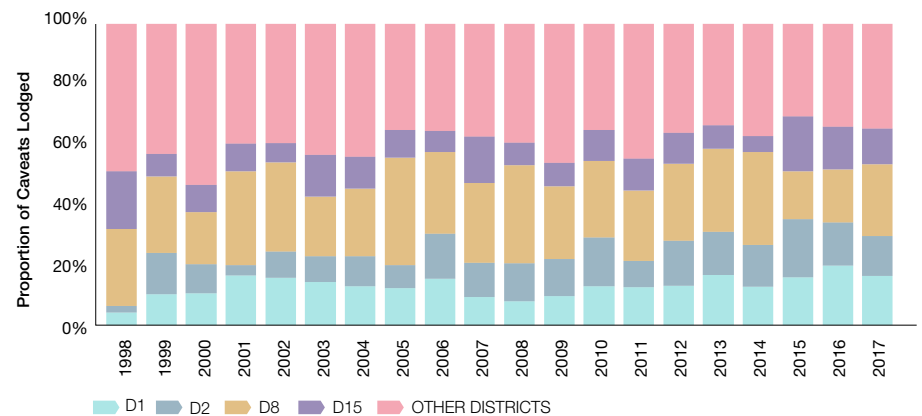
*Freehold refers to properties with freehold tenure or tenure of more than 900 years.

**Leasehold refers to properties with 99-year lease tenure.

***Subsale transactions are not shown.

EXHIBIT 11

Popular districts based on number of shophouse caveats lodged



Source: REALIS (as at 1 February 2018), Knight Frank Research

*Subsale transactions are not shown.

EXHIBIT 12

Shophouse Transactions by buyer profile, by proportion (%)



Source: REALIS (as at 1 February 2018), Knight Frank Research

OUTLOOK

- The limited stock and lack of well-located shophouses will continue to drive buyer interests in Singapore into 2018.
- Shophouses is a unique asset property class that will likely remain highly sought-after by high net-worth individuals, foreign investors and boutique property funds, who are looking for longer term capital appreciation.

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