

## OFFICE AND RETAIL STRATA MARKETS REMAINED MUTED, WHILE SHOPHOUSES RECEIVED SUSTAINED BUYING INTEREST IN H1 2017

- **Strata-Titled Offices:** Total transaction value fell to \$307.5 million in H1 2017, its lowest since H1 2009.
- **Strata-Titled Retail:** While the new sale retail market remained fairly muted due to fewer new launches, the resale market saw steady transaction volume.
- **Shophouses:** Sustained interest in shophouses seen in H1 2017 with higher transaction volume and value.

EXHIBIT 1

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

	Strata Offices	Strata Retail	Shophouses
H2 2016	New Sale : 65 Sub Sale : 1 Resale : 86 Total Caveats : 152  Transaction Value: S\$473.3 mil	New Sale: 14 Sub Sale: 2 Resale : 71 Total Caveats: 87  Transaction Value: S\$253.3 mil	Total Caveats: 55  Transaction Value: S\$435.3 mil
H1 2017	New Sale : 18 Sub Sale : 4 Resale : 93 Total Caveats: 115  Transaction Value: S\$307.5 mil (-35.0% change)	New Sale: 11 Sub Sale : 2 Resale : 80 Total Caveats : 93  Transaction Value: S\$176.4 mil (-30.4% change)	Total Caveats: 61  Transaction Value: S\$497.1 mil (+14.2% change)

Source: REALIS (as at 31 July 2017), Knight Frank Research



**MARY SAI**  
Executive Director & Head,  
Commercial Sales

“The shophouse segment saw a pickup in transaction volume since H2 2016, in spite of a higher psf pricing, citing sustained interest from investors.”

### STRATA OFFICE SECTOR

Lower transaction volume in the strata-titled (“strata”) office market with fewer new launches

- Transaction volume of strata office units declined 24.3% to 115 caveats in H1 2017 from 152 caveats in H2 2016. The decline is largely attributed to fewer new project launches.
- In H1 2017, total transaction value also decreased 35.0% to \$307.5 million from \$473.2 million in H2 2016, marking its lowest since H1 2009.
- Average strata office price remained fairly stable at \$2,092 per square foot (“psf”) in H1 2017 compared with \$2,077 psf in H2 2016.

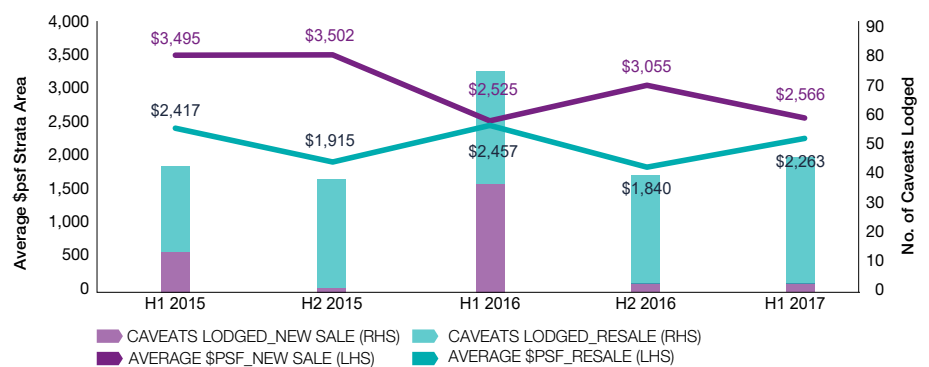
Largest price improvement of 23.0% for resale freehold strata offices, while leasehold office prices ink its downward trend.

### FREEHOLD STRATA OFFICE

- Only two new sale freehold office transactions were recorded in H1 2017. Both transactions were from Centrium Square and totalled \$3.8 million. The Centrium Square average price of \$2,566 psf in H1 2017 is 2.3% higher from average \$2,509 psf recorded during its initial launch in H1 2016.
- Average prices of resale freehold strata offices improved by 23.0% to average \$2,263 psf on an island-wide basis in H1 2017 compared to H2 2016. The higher price for resale freehold offices was lifted by the transaction of a 13,132 square feet (“sq ft”) unit in Samsung Hub for \$3,280 psf. A total of 28 caveats were lodged for resale freehold offices in H1 2017.

EXHIBIT 2

#### Caveats Lodged and Average Prices of Freehold Strata Office Units



Source: REALIS (as at 31 July 2017), Knight Frank Research

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

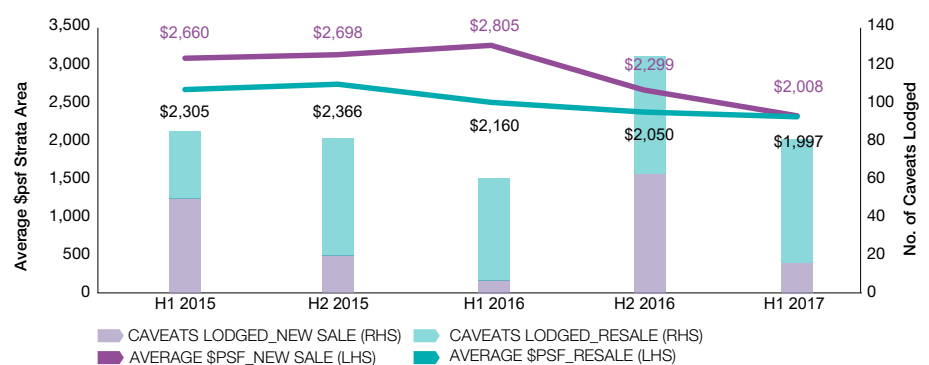
\*\*Subsale transactions are not shown.

### LEASEHOLD STRATA OFFICE

- As a result of fewer new project launches in H1 2017, only 16 caveats were lodged for new sale leasehold office units compared to 63 caveats lodged in H2 2016. Of which, 13 of these caveats were contributed by Woods Square, which dragged the average price for new sale office units to \$2,008 psf in H1 2017 compared to \$2,299 psf in H2 2016.
- The resale leasehold office market continues to see stable transaction demand, recording 65 caveats in H1 2017 compared to 62 caveats in H2 2016. The average price for leasehold office market declined to \$1,997 psf in H1 2017 from \$2,050 psf in H2 2016, largely influenced by lower psf pricing of larger floorplate sizes.
- International Plaza emerged as the top leasehold resale office project in H1 2017, recording 11 caveats or a total transaction value of \$42.1 million. International Plaza accounted for 23.1% of leasehold resale office transaction value in H1 2017.

EXHIBIT 3

#### Caveats Lodged and Average Prices of Leasehold Strata Office Units



Source: REALIS (as at 31 July 2017), Knight Frank Research

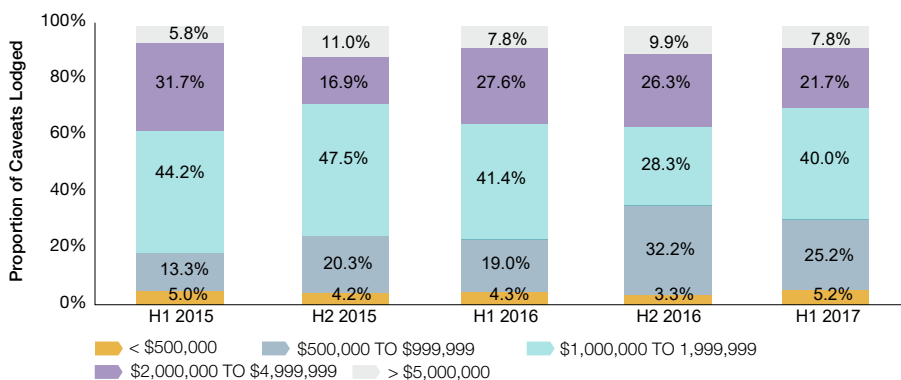
\*Leasehold refers to properties with 99 years lease tenure. \*\*Subsale transactions are not shown.

## BUYER PROFILE AND PRICE QUANTUM

- In H1 2017, companies made up 66.7% of purchasers for office units. This is followed by Singapore Citizens at 27.3% and Foreigners at 6.0%.
- In H2 2016, the proportion of total office transactions below \$1.0 million price quantum rose to 35.5%, mainly due to higher sale volume of lower price quantum office projects such as Woods Square. The trend has normalised in H1 2017, with 40.0% formed by transactions between \$1.0 million and \$2.0 million, and 30.4% from transactions below \$1.0 million.

EXHIBIT 4

### Office Transactions by price quantum, by proportion (%)



Source: REALIS (as at 31 July 2017), Knight Frank Research

## OUTLOOK

- According to Business Expectations Survey of Services Sector released by Department of Statistics on 31 July 2017, an increased number of firms in the services sector envisage more favourable business conditions for H2 2017. Improving business sentiment could trigger a growing interest from owner-occupiers and support stable demand for strata offices going forward.
- Meanwhile, strata office stock is projected to remain unchanged with no new office project launch envisaged in the short term. Strata office price is likely to remain flat with a marginal upside of 0% to 2% in H2 2017.
- Transaction volume in H2 2017 is likely to mirror that of H1 2017, with about 110 to 130 units projected to change hands.

## STRATA-TITLED RETAIL SECTOR

Total transaction value declined for the H1 2017 half-year, despite an increase in transaction volume

- The number of caveats lodged for strata retail units improved by 6.9% to 93 transactions in H1 2017 compared to H2 2016. Conversely, the total transaction value for strata retail market declined by 30.4% to \$176.4 million in H1 2017 compared to \$253.3 million in H2 2016.

Demand and transaction value picked up for resale leasehold units, while resale freehold transaction value shrank 50.9% despite an improvement in demand.

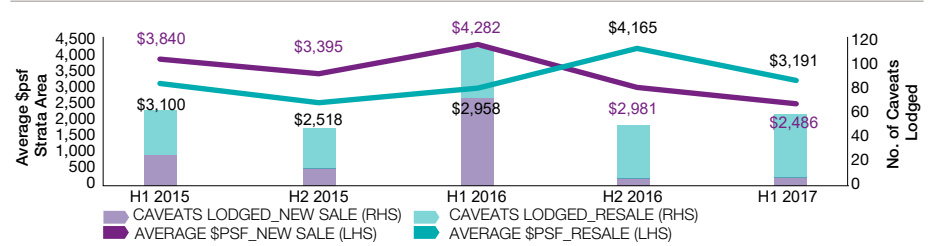
## FREEHOLD STRATA RETAIL

- Only seven caveats were lodged for new sale freehold retail units and this amounted to a total transaction value of \$9.9 million in H1 2017. In particular, a 657 sq ft ground floor unit at ARC 380 was sold for \$3.2 million or \$4,803 psf in H1 2017.
- While the number of caveats lodged for resale freehold retail units rose to 51 caveats during H1 2017 compared to 43 caveats lodged in H2 2016, the total transaction value halved in H1 2017 (\$64.6 million) compared to \$131.7 million in H2 2016. The average price declined to \$3,191 psf in H1 2017 from \$4,165 psf in H2 2016.

- The spikes in transaction value and average price of resale freehold retail units in H2 2016 were mainly contributed by a flurry of purchase at Holland Road Shopping Centre. A total of ten caveats were lodged for that freehold development in H2 2016 at an average price of \$5,109 psf. The trend has normalised in H1 2017.

EXHIBIT 5

**Caveats Lodged and Average Prices of Freehold Strata Retail Units**



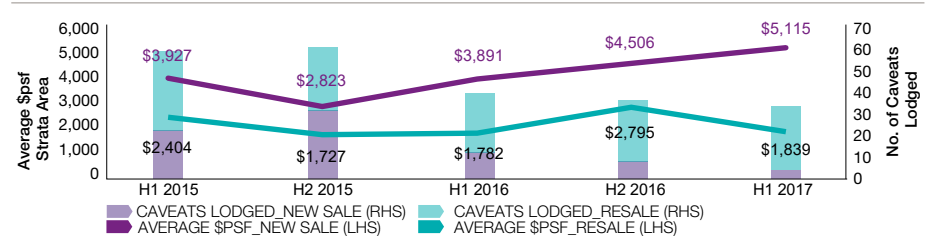
**Source:** REALIS (as at 31 July 2017), Knight Frank Research  
 \*Freehold refers to properties with freehold tenure or tenure of more than 900 years.  
 \*\*Subsale transactions are not shown.

**LEASEHOLD STRATA RETAIL**

- A total of four caveats were lodged for new sale leasehold retail units and recorded a total transaction value of \$9.3 million in H1 2017. The higher average price of \$5,115 in H1 2017, which was largely pull up by two transactions at Stars of Kovan, which transacted at an average price of \$6,207 psf during this period.
- Another 29 caveats were lodged for resale leasehold retail units at a total transaction value of \$91.1 million during H1 2017. The average price stood at \$1,839 psf in H1 2017. During H2 2016, average resale leasehold prices improved to \$2,795 psf mainly due to the sales of two retail units at Golden Village – Yishun at an average of \$3,630 psf.

EXHIBIT 6

**Caveats Lodged and Average Prices of Leasehold Strata Retail Units**



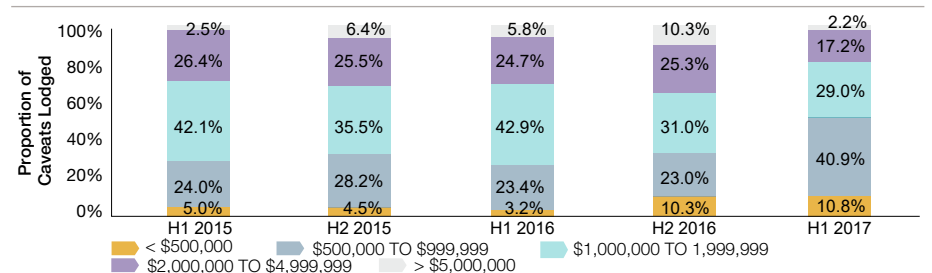
**Source:** REALIS (as at 31 July 2017), Knight Frank Research  
 \*Leasehold refers to properties with 99 years lease tenure. \*\*Subsale transactions are not shown.

**BUYER PROFILE AND PRICE QUANTUM**

- Singapore Citizens emerged as the top purchaser of strata retail units (50.0%) in H1 2017. This is followed by Company and Foreigners which represented 44.0% and 6.0% respectively.
- In H1 2017, the proportion of transactions between \$500,000 and \$1.0 million increased to 40.9% from 23.0% recorded in H2 2016.

EXHIBIT 7

**Retail Transactions by price quantum, by proportion (%)**



**Source:** REALIS (as at 31 July 2017), Knight Frank Research

OUTLOOK

- The Singapore retail market is expected to remain challenging in the medium term amid weaker retail spending, shortage of manpower, high business cost and threats from e-commerce. Downward pressure on retail rents and weak occupancy will therefore persist through H2 2017.
- Despite a pessimistic retail outlook in the short term, small units lower price quantum of \$1.5 million and below are expected to see sustained interest from individual investors.
- Demand for freehold retail units in the Central Region is envisaged to be sustained in the short term. Popular freehold retail developments including Lucky Plaza, Holland Road Shopping Centre and Sim Lim Tower could remain highly sought after in H2 2017.
- Total transaction volume for H2 2017 is projected to range from 80 units to 100 units.

SHOPHOUSES

- A total of 61 caveats were lodged for shophouses in H1 2017, higher than the 55 caveats in H2 2016. Total transaction value increased in tandem to \$497.1 million in H1 2017 compared to \$435.3 million in H2 2016
- Large transactions of above \$10 million apiece contributed 58.3% of total transaction value in H1 2017. Majority of those transactions were located in District 1 (Raffles Place, Cecil, Marina, People’s Park).
- The average price for freehold shophouses stood at \$3,750 psf in H1 2017, 16.2% higher than \$3,228 psf in H1 2016. This is largely due to an increase in the number of transactions along Amoy Street and Ann Siang Road in Outram Planning Area which generally commanded a higher psf pricing compared to other districts.
- District 1 (Raffles Place, Marina, People’s Park), District 2 (Anson, Tanjong Pagar) and District 8 (Little India) were the top three most sought-after districts for shophouses in H1 2017.
- Companies continued to dominate as top purchasers of shophouses, representing 66.7% of the buyers in H1 2017. This is followed by Singaporeans at 24.6% and Foreigners at 8.7%.

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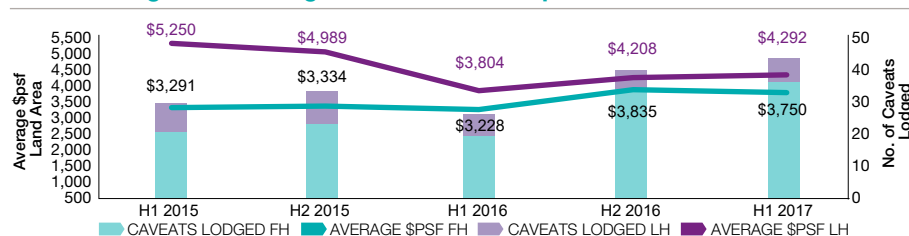
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EXHIBIT 8

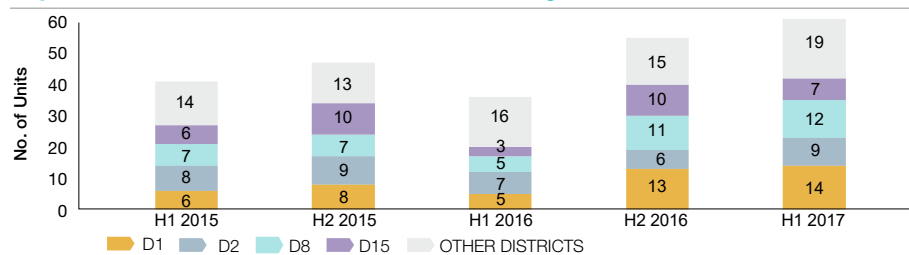
Caveats Lodged and Average Land Prices of Shophouses



Source: REALIS (as at 31 July 2017), Knight Frank Research  
\*Freehold refers to properties with freehold or more than 900 years lease tenure.  
\*\*Leasehold refers to properties with 99 years lease tenure. \*\*\*Subsale transactions are not shown.

EXHIBIT 9

Popular districts based on number of caveats lodged



Source: REALIS (as at 31 July 2017), Knight Frank Research \*\*Subsale transactions are not shown.

OUTLOOK

- The finite stock and scarcity of well-located conservation assets will continue to drive the buying interest for shophouses in Singapore. Although investors may be faced with possibility of limited capital upside in the short term, shophouses is a unique asset property class that is poised to remain highly sought-after by high net-worth individuals, foreign investors and boutique property funds.



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