

## DIVERGENCE SEEN IN H1 2016 AS NEW PROJECT LAUNCH DROVE SALES OF STRATA RETAIL, WHILE SALES VALUE OF STRATA OFFICE AND SHOPHOUSES FALTERED

- **Strata-Titled Offices:** Total transaction value fell 20.1% in H1 2016 over the preceding quarter.
- **Strata-Titled Retail:** Demand was mainly boosted by bulk sale at Centrium Square.
- **Shophouses:** Average price for leasehold shophouses fell 23.8% to S\$3,804 psf in H1 2016 due to weaker demand.

## EXHIBIT 1

### Overview of Caveats lodged and Transaction Value for Strata-Titled Offices, Strata-Titled Retail, and Shophouses

	Strata Offices	Strata Retail	Shophouses
H2 2015	New Sale : 21 Sub Sale : 11 Resale : 87 Total Caveats : 119  Transaction Value: S\$500.9 mil	New Sale: 43 Sub Sale: 3 Resale : 61 Total Caveats: 107  Transaction Value: S\$199.8 mil	Total Caveats: 47  Transaction Value: S\$300.1 mil
H1 2016	New Sale : 30 Sub Sale : 3 Resale : 82 Total Caveats: 115  Transaction Value: S\$400.2 mil	New Sale: 60 Sub Sale : 4 Resale : 60 Total Caveats : 124  Transaction Value: S\$239.6 mil	Total Caveats: 35  Transaction Value: S\$227.3 mil

Source: REALIS (as at 03 August 2016), Knight Frank Research

## STRATA OFFICE SECTOR

### 20.1% Decline in Transaction Value of Strata-Titled ("Strata") Office Units in H1 2016 from Preceding Half

- Transaction volume of strata office units remained stable in H1 2016 from H2 2015. However, total transaction value fell 20.1% to \$400.2m. (Exhibit 1)
- Falls in resale and subsale transaction volumes were partially made up for by an increase in new sales volume. This was supported by sales of newly-launched Centrium Square. The freehold mixed development which has retail, office, and medical suite components, accounted for 90.1% (20 caveats) of the total caveats lodged for new sale freehold strata office units in H1 2016.

### Largest price improvement of 29.6% for resale freehold strata offices, while average island-wide strata office prices rose 1.7%

#### FREEHOLD STRATA OFFICE

- Average resale freehold island-wide prices in H1 2016 improved 29.6% to \$2,483 psf from half-year ago. It had declined in H2 2015, due to a significant number of large-sized office unit caveats lodged (above 1,000 sq ft) which transacted at relatively low psf prices. (Exhibit 2)
- Caveats of Centrium Square strata office transactions reveal an average price of \$2,513 psf, dragging the average price lower for new sale freehold strata offices to \$2,524 psf in H1 2016 compared to the preceding half-year where there was only one caveat recorded.
- Freehold new sale prices also helped to pull up average island-wide strata office prices, which rose 1.7% to \$2,437 psf in H1 2016.



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

"Projects with good locations and MRT connectivity see strong market interest. In addition, differentiation factors such as a more generous ceiling height or a strong concept and positioning can help a project stand out."

### LEASEHOLD STRATA OFFICE

- Only 8 caveats for new sale leasehold strata office units were recorded in H1 2016, down from 20 caveats in H2 2015. Meanwhile, average price escalated 5.1% to \$2,834 psf in H1 2016 compared to H2 2016. (Exhibit 3)
- The resale leasehold segment, the most active strata office segment with 54 caveats recorded in H1 2016 compared to 63 caveats H2 2015, saw average price decline to \$2,086 psf due to a softer market with more sellers moderating their price expectation. (Exhibit 3)

### BUYER PROFILE AND PRICE QUANTUM

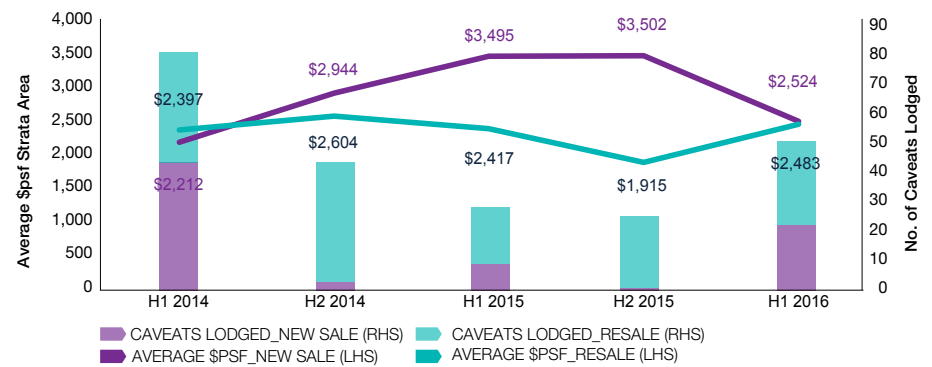
- Companies continue to dominate as top purchasers of office units, making up 80.3% of the total office transactions in H1 2016, while Singapore Citizens and Permanent Residents formed 13.7% and Foreigners represented 6.0% of total transactions.
- As more large-floor-plate office units were transacted in H1 2016, the proportion of office transactions of above S\$2 million surged to 33.1% in H1 2016, compared to 28.5% in H2 2015. (Exhibit 4).

### OUTLOOK

- The strata office market continues to face headwinds from the softer economic outlook, rising popularity of alternatives such as co-working spaces that appeal to tenants with smaller office needs, significant pipeline of office space supply, and rising competition from landlords offering incentives to retain or lure tenants.
- As more companies look towards cost sustainability on a long-term basis, however, some may consider purchasing office units for their own use.
- Transaction volume in H2 2016 is expected to remain relatively similar at 110 – 150 units.

EXHIBIT 2

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



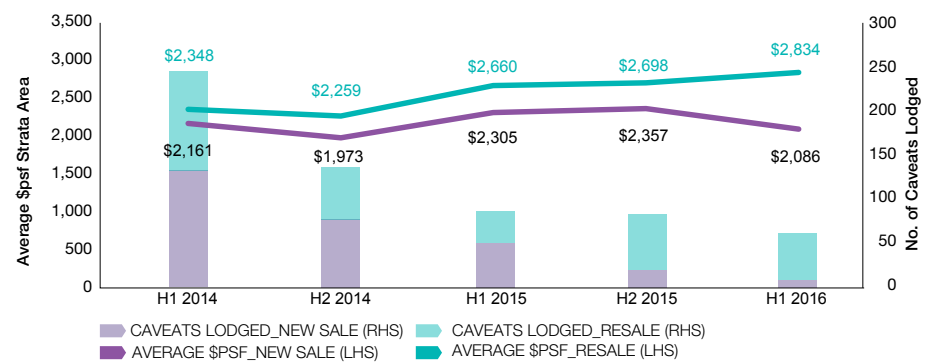
Source: REALIS (as at 03 August 2016), Knight Frank Research

\*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



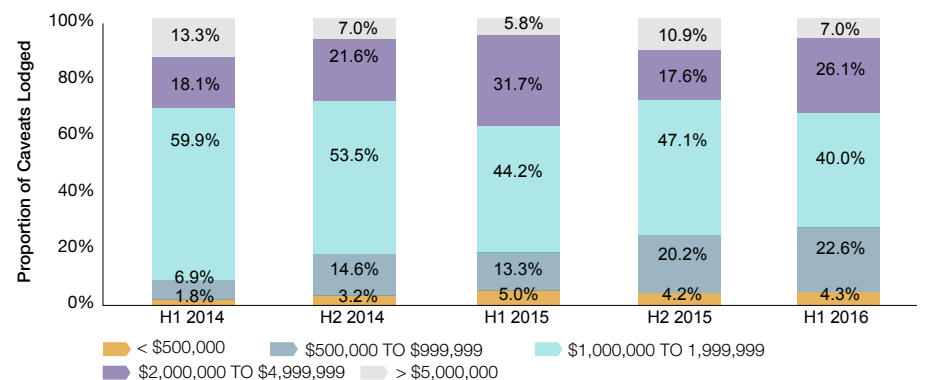
Source: REALIS (as at 03 August 2016), Knight Frank Research

\*Leasehold refers to properties with 99 years lease tenure.

\*\*Subsale transactions are not shown.

EXHIBIT 4

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



Source: REALIS (as at 03 August 2016), Knight Frank Research

## STRATA-TITLED RETAIL SECTOR

Transaction Value of Strata Retail Units Soared 19.9% in H1 2016 on the back of the Single Bulk Buyer Transaction at Centrium Square

- The number of caveats lodged rose 15.9% in H1 2016 compared to H2 2015, on the back of the launch of Centrium Square. A single-bulk-buyer transaction at Centrium Square significantly boosted the total transaction value, which rose 19.9% to S\$239.6million in H1 2016 compared to H2 2015.

Demand and price for new sale freehold units driven higher by Centrium Square, while new sale leasehold transaction volume nosedived 69.0%

### FREEHOLD STRATA RETAIL

- A total of 32 caveats were recorded for Centrium Square, understood to be lodged by Canali Logistics Pte Ltd, which amounted to S\$70.1 million in transaction value. This drove average price for new sale freehold strata retail units up by 32.6% to S\$3,741 psf, while the total number of caveats lodged ballooned 263% in H1 2016 compared to H2 2015.
- Meanwhile, average price and transaction volume stayed fairly stable for resale freehold strata retail units.

### LEASEHOLD STRATA RETAIL

- With limited new launches, demand for new sale leasehold strata retail units dived 69.0% to 9 caveats in H1 2016 compared to H2 2015. Conversely, average prices rebounded to S\$3,903 psf after declining in H2 2015.
- Demand for resale leasehold strata retail units contracted 17.9% to 23 caveats in H1 2016, with average price declining 3.6% in H1 2016 compared to H2 2015.

### BUYER PROFILE

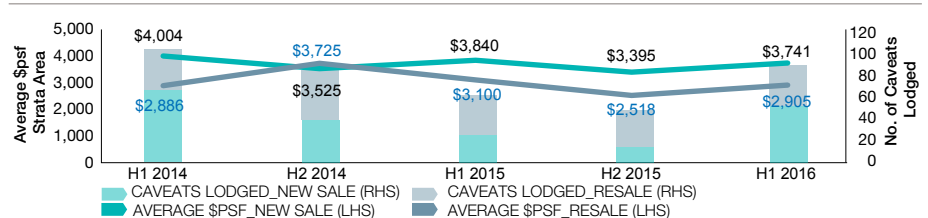
- The proportion of Foreigners buying retail units shrunk to 6.5% in H1 2016 compared to 11.9% in H2 2015.

### OUTLOOK

- The overall retail space sector is faced with falling occupancy rates, and many landlord-owned retail malls are seeking to enhance performance by re-positioning. A key strategy of several landlords is to refresh their tenant mix.
- The availability of good quality spaces in landlord-owned malls is expected to pose a threat to the occupancy of strata retail units. Rental yields could also fall, as the overall retail market softens.
- Total transaction performance for H2 2016 is expected to be similar to that seen since H1 2015, at between 100 and 120 units per half-year, as no significant change in buyer sentiment is expected. Freehold strata retail spaces in good locations are expected to remain highly sought-after due to their scarcity.

EXHIBIT 5

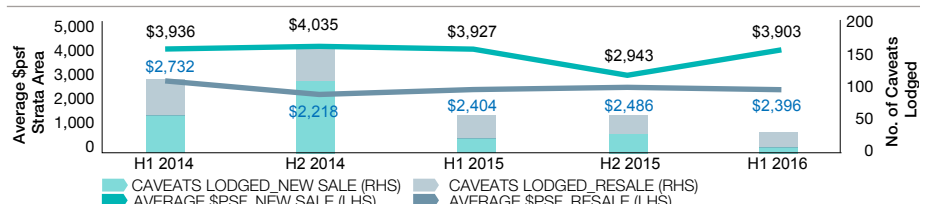
#### Caveats Lodged and Average Prices of Freehold Strata Retail Units



Source: REALIS (as at 03 August 2016), Knight Frank Research

EXHIBIT 6

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

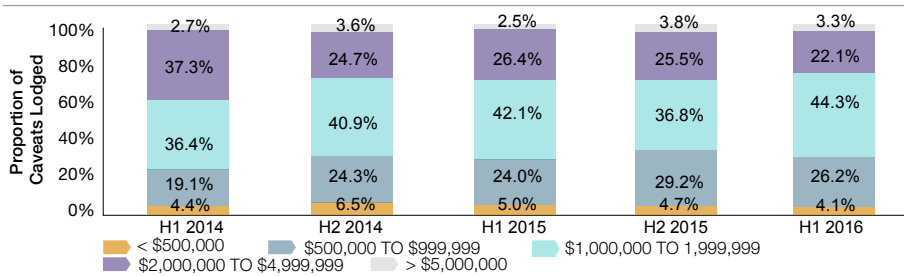


Source: REALIS (as at 03 August 2016), Knight Frank Research

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

EXHIBIT 7

Retail Transactions by price quantum, by proportion (%)



Source: REALIS (as at 03 August 2016), Knight Frank Research

SHOPHOUSES

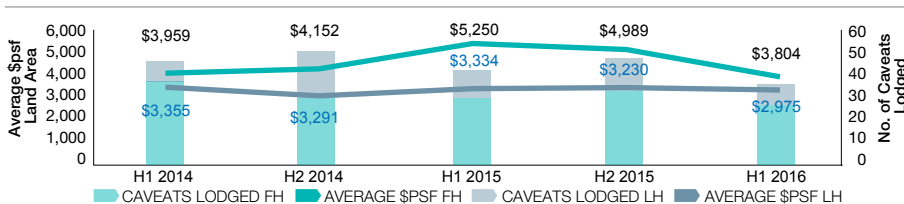
- Demand for shophouses weakened in H1 2016. 35 caveats were lodged in H1 2016, down from 47 caveats in H2 2015. As a result, the total transaction value contracted 24.3% to S\$227.3 million in H1 2016.
- Demand and average price for freehold shophouses remained firm in H1 2016, whereas demand for leasehold shophouses slowed, with only 9 caveats lodged in H1 2016 compared to 14 in H2 2015.
- Average price for leasehold shophouses fell to S\$3,804 psf in H1 2016, compared to S\$4,989 psf in H2 2015. District 1 (Raffles Place, Cecil, Marina, People’s Park), 2 (Anson, Tanjong Pagar), 8 (Little India) and 14 (Geylang, Eunos) remained popular with buyers in the last twelve months.

OUTLOOK

- The muted economic sentiments has not spared the shophouse segment as prices and transactions fell in H1 2016.
- Shophouse transactions are expected to remain relatively muted at 30 to 40 units in H2 2016.

EXHIBIT 8

Caveats Lodged and Average Land Prices of Shophouses



Source: REALIS (as at 03 August 2016), 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.

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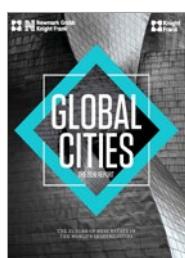
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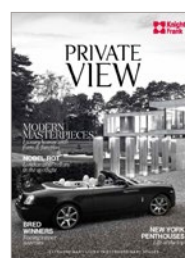
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