

SINGAPORE RESEARCH STRATA OFFICE SALES



Q1 2019 STRATA OFFICE SALES MARKET SNAPSHOT



Sales of Strata-titled offices decreased to S\$171.8 million in Q1 2019 from S\$1.3 billion in Q4 2018.



MARY SAI
Executive Director,
Investment & Capital Markets

“There was a growing demand for Strata Offices because of the improvement in office rents in Q1 2019.

Notwithstanding, the higher prices dampened buyers’ interest. The Draft Master Plan 2019 and the rolling out of the incentives may spark more strata office sales, with investors encouraged by the plans for the CBD.”

STRATA-TITLED OFFICE SALES EASED IN Q1 2019 DESPITE STRONGER OUTLOOK IN THE OFFICE LEASING MARKET

Snapshot

Sales of strata-titled offices were down by 87.0% quarter-on-quarter (q-o-q) to S\$171.8 million in Q1 2019, partly due to fewer big-ticket item sales. In Q4 2018, OUE Property Group divested Downtown 1 & 2 to OUE C-REIT for S\$ 908 million, and Worldwide Hotels unit acquired Golden Wall Centre through en bloc sale for S\$276.2 million. While sales of strata-titled offices declined in Q1, the average unit prices of offices in the Core Central Region (CCR) continued to trend upwards.

In 2018, some purchases of the strata-titled offices were speculative, and buyers were purchasing office units in projects that have redevelopment potential. On the other hand, firms were also buying strata office spaces as a hedge against the rising office rents. The sales in strata-titled offices, however, started to diminish, as there were fewer choice units in the market and the higher asking prices dampened buyers’ interest.

Sales of strata offices were the highest in Downtown Core in Q1 2019.

*Refer to Annex A for Exhibit 1

EXHIBIT 2

Top 5 Deals in Q1 2019 (By Price Quantum)

Building	Address	Quantum (\$million)	Unit Price (\$ per sq ft)	Strata Area (sq ft)
The Octagon	105 Cecil Street #14-01/02/03/04 etc	45.5	2,450	18,568
The Central	8 Eu Tong Sen Street #24-89	42.0	3,150	13,336
N.A.	45/45A Macpherson Road	11.0	1,062	10,366
Suntec City	9 Temasek Boulevard #15-02A	8.0	2,280	3,509
Chinatown Point	133 New Bridge Road #25-01/02	4.5	1,900	2,347

Source: URA, REALIS (as at 24 March 2019), Knight Frank Research

EXHIBIT 3

Property Gains for Strata Office Owners that Sold in Q1 2019

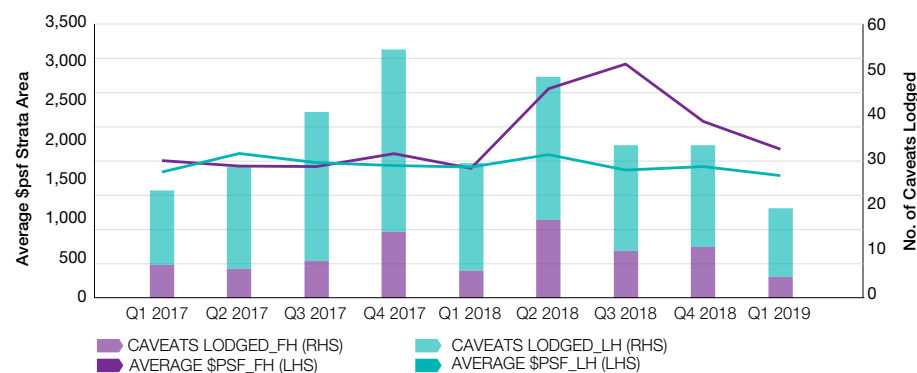
Building	Address	Quantum (\$million)	Strata Area (sq ft)	Return	Estimated number of years held
Fook Hai Building	150 South Bridge Road #02-30	1.7	1,496	88.9%	12
The Central	8 Eu Tong Sen Street #16-81	2.9	1,216	73.9%	11
Paya Lebar Square	60 Paya Lebar Road #05-07	1.6	721	29.2%	8
Tong Eng Building	101 Cecil Street #16-12	3.2	1,227	27.6%	7
SBF Centre	160 Robinson Road #16-06	4.3	1,324	21.5%	7

Source: URA, REALIS (as at 24 March 2019), Knight Frank Research

Drop in sales of strata offices due to a high base in Q4 2018.

EXHIBIT 4

Caveats Lodged and Average Land Prices of Strata Office Units by Tenure



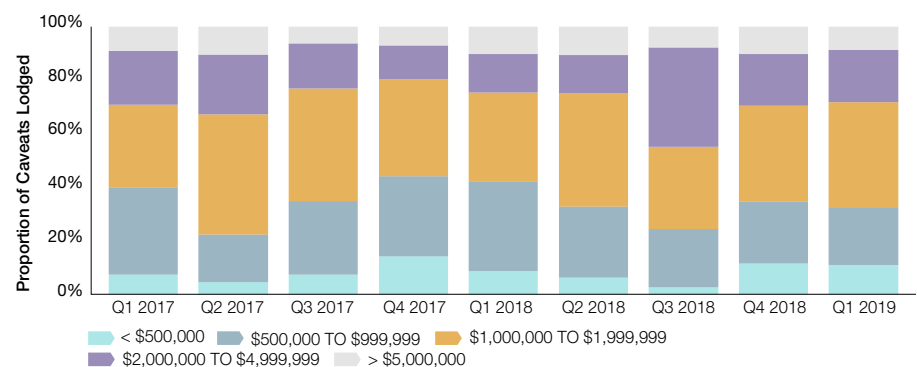
Source: URA, REALIS (As at 24 March), Knight Frank Research

*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 5

Office Transactions by Price Quantum, by Proportion (%)

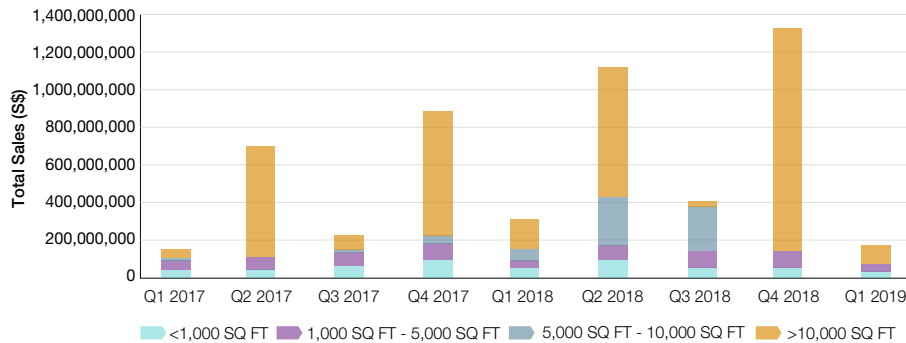


Source: URA, REALIS (as at 24 March 2019), Knight Frank Research

Sales of smaller strata offices primarily diminished due to limited availability and higher asking prices.

EXHIBIT 6

Total Value of Transactions by Strata Area in Singapore



Source: URA, Knight Frank Research

OUTLOOK

URA introduced Strategic Development Incentive and CBD Incentive scheme, together with the Draft Master Plan 2019, to encourage the rejuvenation of Singapore CBD and other strategic areas. In the short term, we are likely to see interest in the older strata-titled developments given the enhanced development potential. In the next 3 to 10 years, the stock of strata-titled offices is expected to be reduced further with the redevelopment of the older strata-titled developments. The limited availability of strata-titled offices will provide much scope for future price appreciation.

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



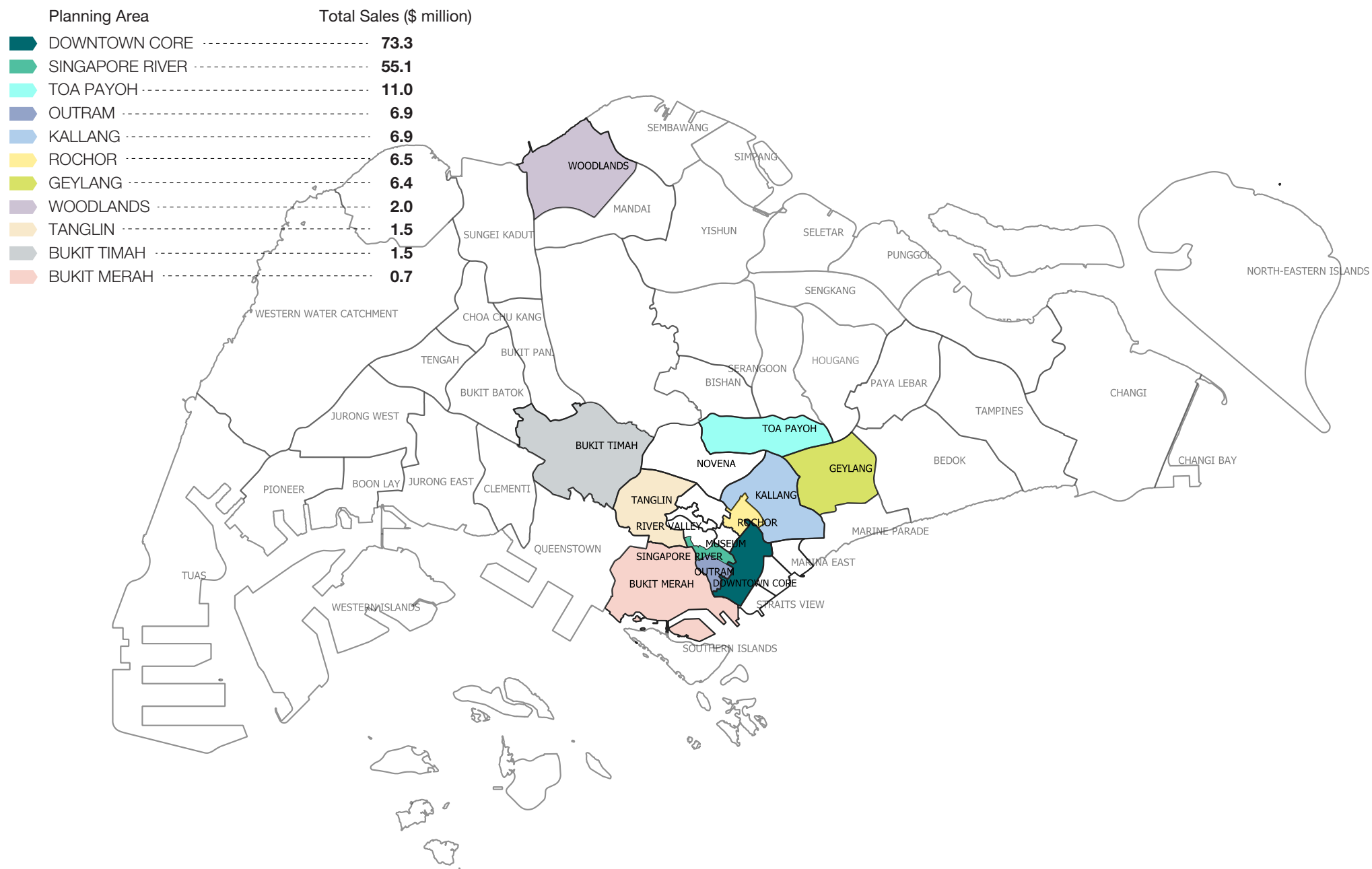
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Annex A

EXHIBIT 1

Total Value of Strata-titled Office Sales by Planning Area



Source: URA, REALIS (As at 24 March), Knight Frank Research