

SINGAPORE RESEARCH STRATA RETAIL SALES



Q4 2019 STRATA RETAIL SALES MARKET SNAPSHOT



Strata-titled retail property sales* in Q4 2019

S\$67.2 mil

Strata-titled retail property sales* in 2019

S\$341.1 mil

*Sales exclude big-ticket transactions valued S\$100.0 million and higher.

STRATA RETAIL SALES DECLINE IN 2019 AMID RETAIL HEADWINDS

Overview

- **The value of strata retail sales in 2019, excluding big-ticket items, amounted to S\$341.1 million, 14.4% lower than the sales value in 2018.** Notwithstanding this, the transacted value of strata retail sales saw a slight uptick in Q4 2019, increasing by 1.3% quarter-on-quarter (q-o-q) or 6.5% year-on-year (y-o-y).
- **There were also fewer strata retail transactions in 2019 as compared to the number of deals in 2018.** In 2019, there were 203 caveats lodged, a 20.4% decline from 255 transactions lodged in 2018. The drop in retail sales, together with the increasingly uncertain external environment, impacted both the retailer and investor sentiments. Singapore retail sales were down for the tenth consecutive month in November 2019.
- **The number of freehold strata-titled retail property transactions in 2019 went down by 23.0% y-o-y to 107 deals, while the number of leasehold strata-titled retail transactions went down by 17.2% y-o-y to 96 deals.** Interestingly, the value of leasehold strata-titled transactions, which amounted to S\$135.3 million, was only marginally lower than the S\$135.7 million recorded in 2018. In contrast, the transaction value of freehold strata-titled properties was significantly lower at S\$205.8 million in 2019, as compared to the S\$262.9 million worth of transactions in 2018.
- **The average unit price of strata-titled retail units was about S\$3,378 per sq ft (psf) in 2019, 4.4% higher than the S\$3,236 psf in 2018.** The higher average price is partly due to smaller units being transacted. In 2019, the average size of the transacted retail units was 528 sq ft, 3.6% lower than the 548 sq ft in 2018. The average size of units transacted in Q4 2019 was the lowest at 393 sq ft since Q2 2012, when the average size of units transacted was 355 sq ft.
- **There were several big-ticket item deals, which included the transfer of 313@ Somerset (S\$1.0 billion), Liang Court (S\$400.0 million) and The Star (S\$296.0 million).** Other notable transactions included the sale of units in Thong Teck Building and Lucky Plaza for S\$29.4 million (S\$4,560 psf) and S\$11.5 million (S\$7,368 psf) respectively.



MARY SAI
Executive Director,
Investment & Capital Markets

“Given the uncertainties arising from the Wuhan virus, the demand for strata-titled retail properties will be subdued. Notwithstanding this, it is the prime time to enter for opportunistic investors as owners will be more flexible.”

Given the uncertain external environment and retail headwinds in Q4 2019, buyers of strata-titled retail properties are more inclined to purchase in Orchard or central areas that have higher foot traffic.

* Please refer to Annex A

Out of the top five deals in 2019, based on transacted price, three units were transacted in Lucky Plaza.

EXHIBIT 1

Top 5 Deals in 2019 (By Price Quantum)

Building	Address	Transacted Price (\$ million)	Unit Price (\$ psf)	Strata Area (sq ft)
Thong Teck Building	15 Scotts Road #01-01/02/03/04	29.4	4,560	6,437
Lucky Plaza	304 Orchard Road #01-95/96/97	11.5	7,368	1,561
The Centrepoint	176 Orchard Road #04-08/09/10/11	10.7	2,905	3,692
Lucky Plaza	304 Orchard Road #02-77/78	9.5	11,927	797
Lucky Plaza	304 Orchard Road #01-65	8.5	16,801	506

Source: REALIS, Knight Frank Research

Most owners that had higher returns held their properties for at least 16 years.

EXHIBIT 2

Property Gains from Strata Retail Units Transacted, 2019

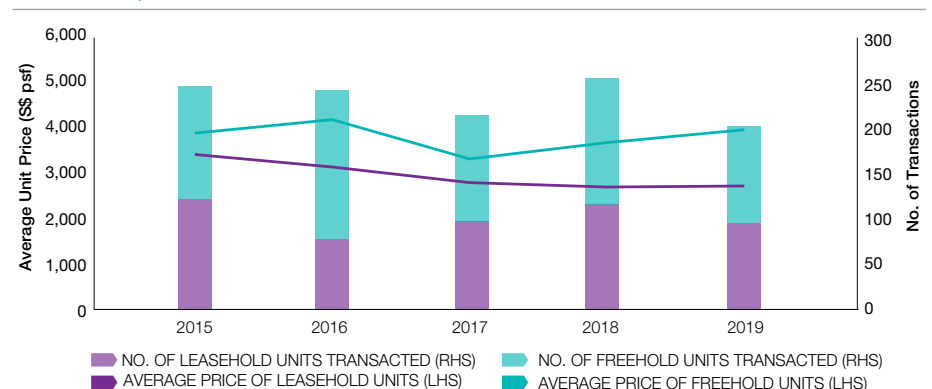
Building	Address	Strata Area (sq ft)	Return	Estimated no. of years held
Concorde Hotel and Shopping Mall	100 Orchard Road #02-13	603	546%	16
Concorde Hotel and Shopping Mall	100 Orchard Road #02-14	603	546%	16
Selegie Centre	189 Selegie Road #B1-05	409	455%	13
Fortune Centre	190 Middle Road #01-24	183	353%	20
Beauty World Centre	144 Upper Bukit Timah Road #02-09	495	300%	13

Source: REALIS, Knight Frank Research

The average unit price went up in 2019 despite the decline in transactions.

EXHIBIT 3

Number of Transactions and Average Price Psf of Freehold and Leasehold Strata Retail Units, 2019

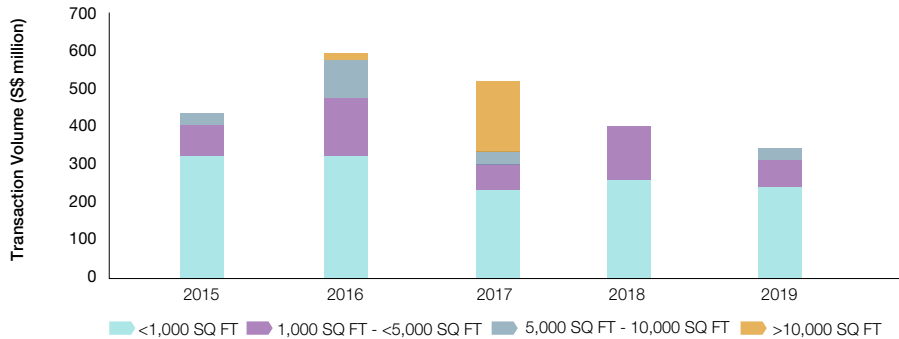


Source: REALIS, Knight Frank Research

The higher proportion of transactions of smaller strata-titled retail units (less than 1,000 sq ft) in 2019 resulted in higher average unit prices.

EXHIBIT 4

Total Value of Transactions by Strata Area, 2019

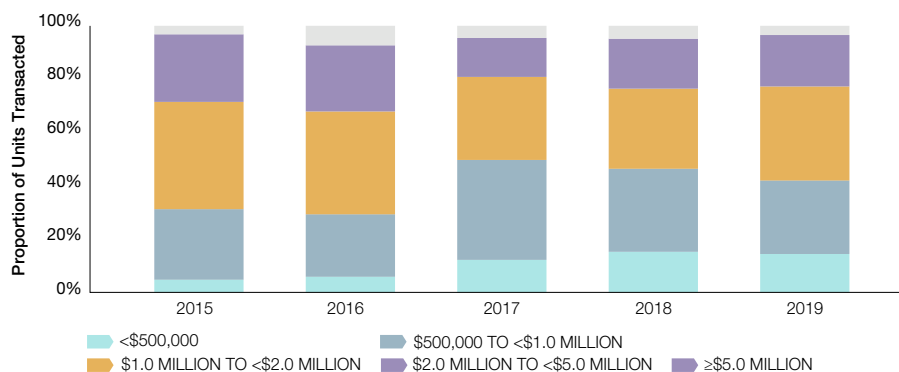


Source: REALIS, Knight Frank Research

Close to 35.5% of the transactions lodged were for units priced between S\$1.0 to S\$2.0 million, higher than the 30.2% recorded in 2018.

EXHIBIT 6

Proportion of Strata Units Transacted by Price Quantum, 2019



Source: REALIS, Knight Frank Research

MARKET OUTLOOK

- Given the headwinds faced by retailers, we anticipate interest in retail properties to be subdued. The spread of the Wuhan coronavirus is likely to impact retailers and Food & Beverage owners, which will further dampen the already weak strata retail market.
- Investors are likely to be interested in the units of strata-titled projects that have the potential for redevelopment or are available for a collective sale. However, there is a mismatch in price expectations between sellers and individual owners, making it difficult for an en bloc to go through.

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

Nor Adila Rahim
Analyst
Research
6228 7376
nor.adila@sg.knightfrank.com



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Annex A

EXHIBIT 1

Top 10 Planning Area by Sales Volume, Q4 2019

Planning Area	Total Sales (\$ million)	No. of Transactions
Orchard	29.8	7
Rochor	13.0	8
Downtown Core	6.3	7
Geylang	4.3	6
Outram	3.2	2
Bukit Timah	2.0	2
Singapore River	1.6	1
Hougang	1.6	2
Queenstown	1.4	3
Kallang	1.2	1

Strata-titled Retail Transaction Volume

- Below S\$2.5 million
- S\$2.5 to S\$5.0 million
- S\$5.0 to S\$7.5 million
- S\$7.5 to S\$10.0 million
- S\$10.0 to S\$12.5 million
- S\$12.5 million and above

