

SINGAPORE RESEARCH STRATA OFFICE SALES



Q4 2019 STRATA OFFICE SALES MARKET SNAPSHOT



Strata-titled office property sales*
totalled S\$1.2 billion in 2019.

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

PRIME LOCATIONS APPEALED TO BUYERS OF STRATA-TITLED OFFICES IN 2019



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“Strata titled offices appealed to investors who were buoyed by the rising office rents in 2019. The uncertain external environment and the low bond yields make Singapore offices appealing if they are available at the right prices.”

Overview

- **The total value of strata-titled office units transacted in 2019 increased by 30.4% year-on-year (y-o-y) to reach S\$1.2 billion.** Notably, Q4 2019 witnessed a 159.8% y-o-y jump in the value of transacted offices to S\$369.5 million.
- **Buyers bought more strata-titled offices in prime locations such as the Singapore River and Orchard planning area in 2019,** while a considerable proportion of units purchased are located within the Downtown Core planning area. Consequently, average prices of strata-titled offices transacted this year increased by 8.8% y-o-y despite fewer caveats lodged.
- **There were 303 caveats lodged for strata-titled office units in 2019, lower than the 332 caveats lodged in 2018.** Notwithstanding such, caveats lodged for strata-titled offices in the Singapore River planning area more than tripled y-o-y to 49 caveats in 2019, primarily led by sales of units of The Central. There were also more units in the Orchard and Rochor planning area sold in the year. In Q2 2019, there were 16 caveats lodged for office units in the Orchard planning area, higher than the 5 caveats submitted a year ago. Over at Singapore River planning area, buyers bought 10 to 15 units each quarter in 2019 compared to 3 to 5 units each quarter in 2018.
- **There was a divergence in sales activity between office units transacted below S\$2.0 million and office units transacted below S\$2.0 million and above.** There were 115 transactions of price quantum above S\$2 million in 2019, up from 97 deals in 2018. In contrast, the number of sales of office strata-titled units that are priced below S\$2 million dropped to 188 units from 235 units (Exhibit 5).

- **Interest in strata-titled office units located at prime areas rose in 2019**, possibly correlated with the encouraging growth in office rents in the Central Business District and Orchard Road in 2019. Median rents of office spaces at the Singapore River planning area increased by 3.0% y-o-y in the year, appealing to investors that seek safe assets that offer higher returns than government bonds. The limited supply of strata-titled units in the Central Business District and Orchard Road also means the values are likely to be kept up barring any economic shocks.
- **In contrast, sales activity in Kallang and Jurong East planning areas dwindled**, falling from 49 and 14 caveats lodged in 2018 to 29 and 3 caveats lodged in 2019 respectively.
- **Average prices of strata-titled offices increased by 9.7% and 9.1% y-o-y for freehold and leasehold units respectively in 2019**. The increase in average unit prices reflected the sudden jump in sales in the fourth quarter of 2019.
- **Most owners of strata-office properties that enjoyed phenomenal returns hold their properties for at least 10 years**. For example, freehold units at United House, Thong Teck Building, and Grandlink Square reaped 306%, 265%, and 154% returns respectively after being transacted in 2019. Notwithstanding, there are cases when investors profited by timing the market accurately. A case in point was the sale of Level 10 of Suntec Tower. Hong Realty bought in for S\$29.84 million in 2018 and reportedly sold it in January 2020 for S\$7.6 million or 26 per cent higher than what it paid previously.
- **Two big-ticket strata-titled office properties (defined as S\$100.0 million and above) were transacted in 2019**. In April, Realty Centre was sold collectively to The Place Holdings for S\$148.0 million, or S\$2,700 per sq ft per plot ratio (psf ppr). The Place Holdings is a Singapore-Listed company that deals in branding, events organising and tourism-related business development, and is backed by China's The Place Investment Group. Five months later, Bugis Junction Towers was sold by Keppel REIT to a fund led by Angelo Gordon, a New York-based fund manager, for nearly S\$547.5 million, or approximately S\$2,200 psf ppr.

Downtown Core and Singapore planning area continued to be favourites for their proximity to the Central Business District.

*Please refer to Annex A

Top deals in 2019 included KH Kea Building and the eleventh floor of Southpoint. Sales activity at The Central also surged in 2019, although the quantum of the transactions was smaller.

EXHIBIT 1

Top 5 Deals in 2019, by Price Quantum

Building	Address	Quantum (S\$ million)	Unit Price (S\$ psf)	Strata Area (sq ft)
KH KEA BUILDING	333 North Bridge Road	79.3	2,730	29,049
SOUTHPOINT	200 Cantonment Road #11-00 ETC	78.4	2,444	32,076
THE OCTAGON	105 Cecil Street #14-01/02/03/04 ETC	45.5	2,450	18,568
SAMSUNG HUB	3 Church Street #14-01/02/03/04	44.0	3,356	13,110
THE CENTRAL	8 Eu Tong Sen Street #25-89	42.7	3,200	13,336

Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

EXHIBIT 2

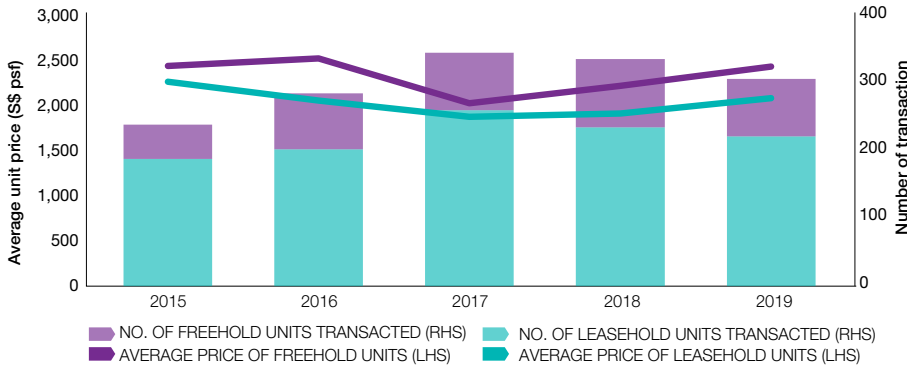
Property Gains from Strata-titled Office Units Transacted in 2019

Building	Address	Strata Area (sq ft)	Return	Estimated number of years held
UNITED HOUSE	20 Kramat Lane #05-01	1,399	306%	15
PARKLANE SHOPPING MALL	35 Selegie Road #10-24	624	269%	16
PARKLANE SHOPPING MAL	35 Selegie Road #10-30	764	267%	14
THONG TECK BUILDING	15 Scotts Road #03-03-08	5,769	265%	15
GRANDLINK SQUARE	511 Guillemard Road #02-34	312	154%	10

Source: REALIS, Knight Frank Research

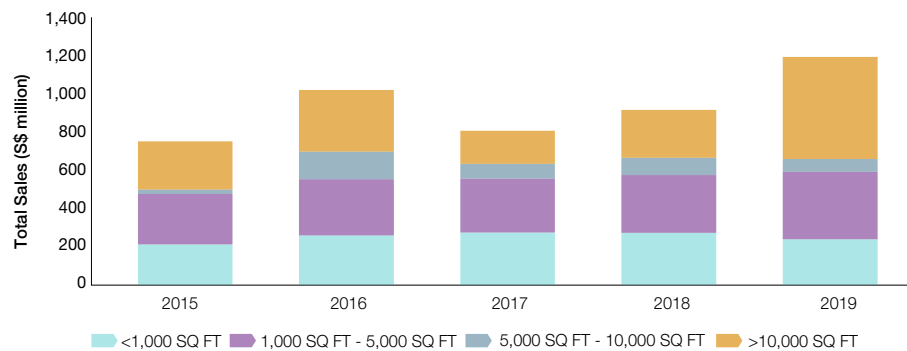
Price per square foot of strata-titled office units increased 8.8% y-o-y in 2019 amid heightened interest. While sales declined in 2019, there was a sharp jump in Q4.

EXHIBIT 3
Number of Transactions and Average Price per sq ft by Tenure, 2019



Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

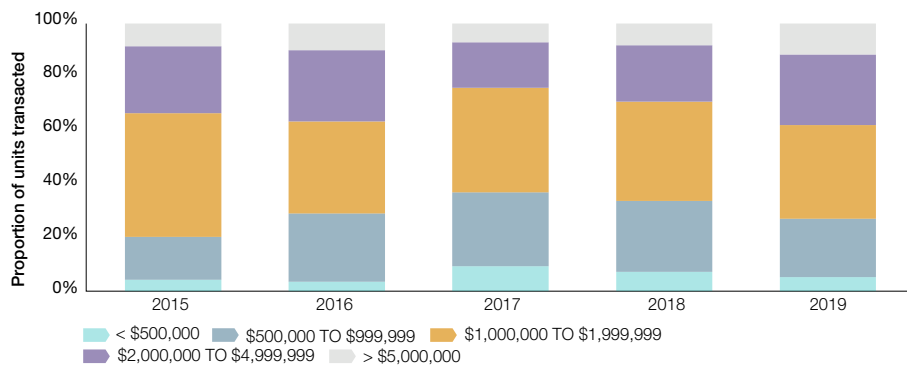
EXHIBIT 4
Total Transaction Volume by Strata Area, 2019



Source: REALIS, Knight Frank Research

In 2019, buyers purchased more strata-titled office units of higher price quantum.

EXHIBIT 5
Proportion of Units Transacted by Price Quantum, 2019



Source: REALIS (based on data as at 7 Oct 2019), Knight Frank Research

MARKET OUTLOOK

- Despite an uncertain global economic outlook, interest in strata-titled office units in Singapore has gone up in Q4 2019. We anticipate more sales as the office asset shows relatively stronger growth in rents than other real estate assets. Singapore's stable political environment, business-friendly ecosystem, and accommodative monetary policy will also continue to attract foreign investors and firms to buy office spaces.

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Annex A

EXHIBIT 1

Total Value of Shophouse Transactions by Planning Area

Planning Area	Total Sales Volume (\$ million)	Number of Transactions
Downtown Core	503.5	106.0
Singapore River	211.3	49.0
Orchard	179.6	22.0
Bukit Merah	79.6	4.0
Geylang	55.1	25.0
Rochor	40.4	25.0
Kallang	33.5	29.0
Outram	27.0	14.0
Woodlands	13.9	11.0
Toa Payoh	11.0	1.0

