



Knight Frank Singapore

Market Update October 2024

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Q3 2024

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More MCST sales at auctions

► “Distressed sales on the auction platform appear to be few despite the current economic cost pressures. Nonetheless, many owners are increasingly realising and harnessing the auction platform to test the market and attract buyers, with hopes of a favourable private treaty deal.”

SHARON LEE, HEAD, AUCTION & SALES

AUCTION SALE LISTINGS AND SUCCESS RATES

The number of auction listings declined 25.2% q-o-q to 86 (including repeat listings and excluding properties sold outside of auction) in Q3 2024, with an almost equal amount of mortgagee and owner sale listings at 40 and 41 respectively. At the same time, there were five listings of other types in Q3, consisting of three industrial units listed as MCST sales, one non-landed home listed as an Estate sale and one shophouse listed as a Trustee sale.

Residential properties made up 51.2% (44) of the total listings, lower than the 73 residential homes listed in the previous quarter. There were 16 commercial properties listed in Q3 made up of 14 retail units (16.3%) and two office units (2.3%), up from the 12 retail shops and one

office that were listed in Q2. Meanwhile, industrial properties comprised 26.7% (23) of the overall listings, decreasing from the 27 three months ago. There were three shophouses listed in the quarter, or 3.5% of the total listings.

Compared to a year ago when no properties were listed as an MCST sale, there were four MCST sale listings recorded in the first nine months of 2024, a rare sight as there were more non-residential than residential property MCST listings. Likely, these properties were listed due to unavailable owners, feuding owners and/or owners who left the country and efforts to trace them have been futile.

As it is usually not possible to view properties listed under MCST sale due to a lack of access, these units are typically priced lower when compared

86

(Q3 2024)

Total Number of Auction Listings
25.2% ▼ Q-O-Q | 15.7% ▼ Y-O-Y

S\$6.0

(Q3 2024)

Gross Sales Value
16.4% ▼ Q-O-Q | 66.2% ▼ Y-O-Y

to mortgagee and owner listings.

Nevertheless, a property being auctioned as an MCST sale can still present an opportunity for buyers. In Q3 2024, two freehold industrial properties in Mactech Building listed as MCST sale listings were sold for S\$1.78 million and S\$2.68 million, a premium of around 20% to 34% from the opening price of S\$1.48 million and S\$2.0 million. At the same time, a 60-year leasehold industrial unit at Gordon Warehouse Building was sold with a 9% discount from its opening price of S\$330,000.

Two properties that were listed as mortgagee sale listings sold in the quarter as well, making for a total of five properties (out of a total of 86 auction listings) knocked down at auction. This translated to a success rate of 5.8% and a total gross sale value of S\$6.0 million in Q3 2024. In the past nine months of 2024, 13 properties were knocked down with a total transaction value of S\$26.4 million, representing a success rate of 4.5% to-date.

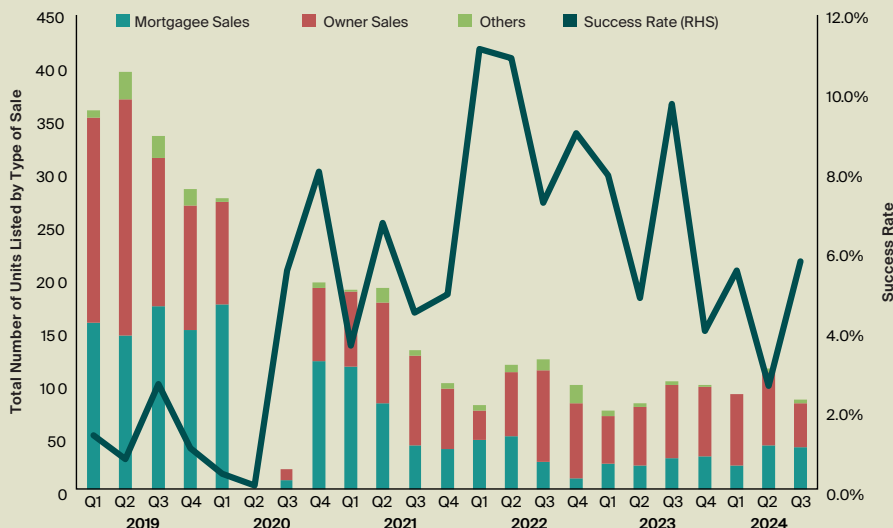
MORTGAGEE SALES

During the quarter, residential mortgagee listings decreased from 24 to 19, with these listings stemming from non-landed homes only against the previous quarter when 20 non-landed homes and four landed residences were listed.

There were nine commercial mortgagee listings in Q3, all comprising of retail shops with no office units. This was four more than the five retail shops listed but one fewer than the sole office mortgagee sale listing in Q2.

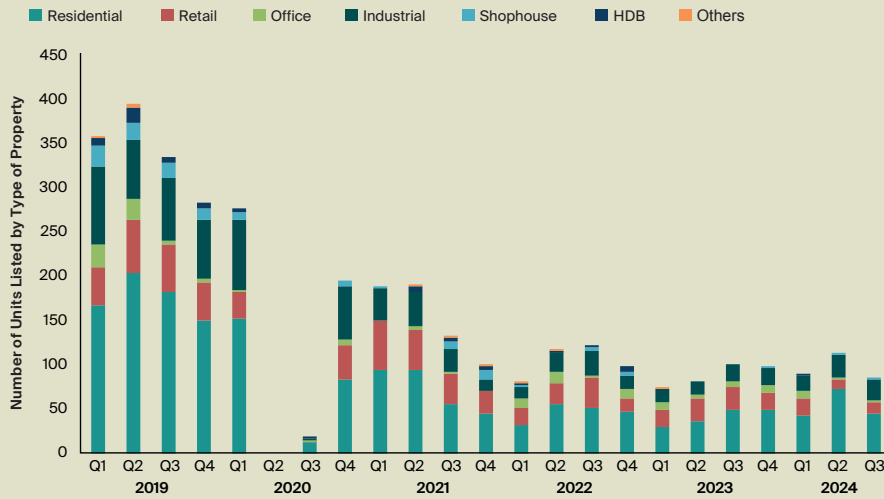
Meanwhile, there were 12 industrial mortgagee listings in Q3, unchanged from the previous quarter.

Exhibit 1: Total Number of Listings by Type of Sale and Percentage Success Rates



Source: Knight Frank Auctions and Knight Frank Research

Exhibit 2: Total Number of Listings by Property Type



Source: Knight Frank Auctions and Knight Frank Research

Against the run in expectations, mortgagee listings eased despite the prevailing credit stress on underperforming properties given the high interest rates. Perhaps with the arrival of a long-awaited interest rate cut by the US Federal Reserve (Fed) and the likelihood of reducing interest rates in the months ahead, property owners were motivated by a knee-jerk reaction to make good on non-performing loans with the promise of relief in sight.

OWNER SALES

There were 24 residential owner listings in Q3 2024, almost half the 47 in the previous quarter. The 24 listings comprised of 14 non-landed residences and 10 landed homes. More than half the non-landed residential owner listings were freehold units. The decrease in residential owner listings could be attributed to some homeowners trying to hold out until the impact of the interest rate cuts materialises in the home loan market, in hopes that there will be more buyer interest in their property when the financing environment becomes more benign.

There were five retail and two office owner listings in Q3 2024, two fewer retail and two more office owner listings recorded in Q2 2024. The retail units were mostly from Hoa Nam Building and Sim Lim Square.

There were also eight industrial owner listings between July and September 2024, lower than the 15 between April and June 2024. The eight listings comprised of five freehold industrial units and three 60-year leasehold factories. Despite the fall in industrial owner listings, these assets continued to be highly sought after, especially the freehold ones, as owners can purchase with options either for own-use or for investment, or a combination of both.

MARKET OUTLOOK

According to the Ministry of Law, there were 3,227 bankruptcy applications made in the first eight months of 2024, 23.3% higher than the 2,617 applications made between January and August 2023, as the number of bankruptcy applications remained elevated. However, business cessation figures fell 3.3% to 14,975 entities in Q3 2024 from the 15,487 business closures in Q2 2024. On a yearly basis, the number of business closures between Q3 2023 and Q3 2024 rose by 12.3%, slower than the 20.6% y-o-y increase in Q2 2024. Although the number of business closures appears to be abating, industrial and commercial listings will continue to

make the auction listings in the remaining months of 2024 and into 2025. Hopefully, the reduction of interest rates and with Singapore's economy growing by 4.1% in Q3 2024 based on advanced estimates, a turn in fortunes is around the corner where investors and owners can offload underperforming assets and reinvest the freed up capital in new opportunities in the year ahead.

Despite the fall in Q3 2024, mortgage listings might increase in the next few quarters before diminishing numbers became a trend, with the count of distressed properties getting worse before getting better. This can favour buyers and investors on the lookout for opportunities at more affordable levels especially in a time when interest rates are coming down. With more activity expected in the real estate market in the remaining months of 2024, Knight Frank envisages a success rate for the whole year to come in just under 6%, at the lower end of the 5% to 7% range originally projected at the start of the year.

* All statistical information described in this report represent the entire auction market in Singapore, and not merely those under the purview of Knight Frank Singapore.

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Q3 2024

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Electronics driving manufacturing rebound

► “With the electronics sector leading manufacturing growth, market activity in the industrial sector is expected to increase alongside interest rate cuts.”

CALVIN YEO, HEAD, OCCUPIER STRATEGY AND SOLUTIONS

THE MANUFACTURING SECTOR LEADS THE ECONOMY BACK TO GROWTH

The Q3 2024 advance estimates announced by the Ministry of Trade and Industry (MTI) reported that the Singapore economy grew 4.1% y-o-y and 2.1% q-o-q. The manufacturing sector led the expansion with an increase of 7.5% y-o-y and 9.9% q-o-q in the third quarter of 2024, supported by increases in output across all manufacturing clusters, apart from biomedical manufacturing.

Singapore’s total manufacturing output grew in August 2024, 27.5% y-o-y and 21.0% y-o-y (excluding biomedical manufacturing), according to the Economic Development Board (EDB). The electronics cluster expanded the most by a significant 49.1%, followed by chemicals at 11.1%, 7.9% from precision engineering, 3.9% in transport engineering,

and 2.5% in general manufacturing. Biomedical manufacturing recorded the sole decline of 16.1%. The improved performance was underpinned by the increased demand for electronics, and a low semiconductor production base in August last year. In tandem with the increasing manufacturing output, business expectations for the manufacturing sector remains optimistic. An overall net weighted balance of 23.0% of manufacturers anticipate favourable business situations for all manufacturing clusters except for biomedical engineering for the period between July and December 2024.

Both the overall and electronics Singapore Purchasing Manager’s Index (PMI) expanded in Q3 2024, indicating manufacturing resilience, despite the economic uncertainties and ongoing geopolitical tensions. The overall PMI increased 0.3 percentage points (pp) to

3,304 LEASES

Number of Industrial Tenancies
5.8% ▲ Q-O-Q | 2.3% ▲ Y-O-Y

S\$3.1 BILLION

Total Industrial Sales
199.6% ▲ Q-O-Q | 205.6% ▲ Y-O-Y

47.3 MILLION SF GFA

Upcoming Supply (Q3 2024 to 2028)

50.7 in July, 50.9 in August, before reaching 51.0 in September. The electronics PMI has been in expansion mode for 11 consecutive months, at 51.0 and above for five straight months. Despite declining 0.2 to 51.0 in July, the electronics PMI rose to 51.3 in August and 51.5 in September. Notwithstanding the optimism in Q3, factory activity may start to abate in the new year, as global supply chains slow due to challenges from the strain of Middle East tensions. Additionally, electronics order backlogs might ease, despite the current healthy expansion levels.

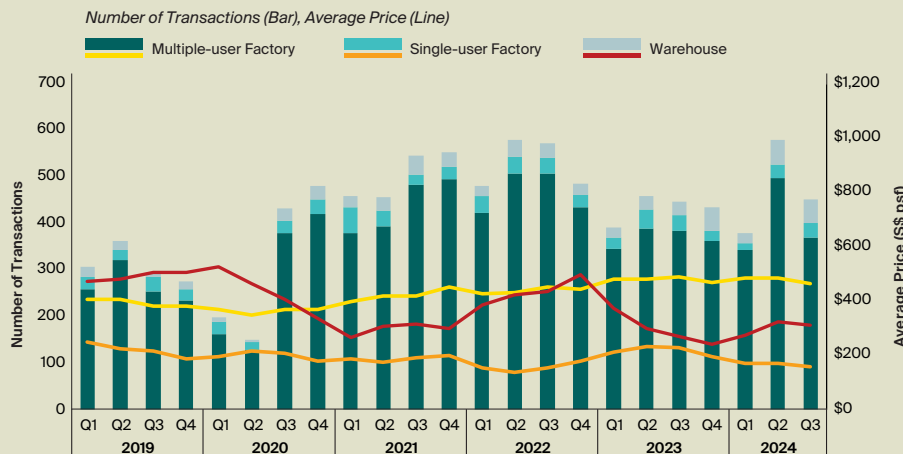
RESILIENT PRICES AND RENTS

On the back of expectations and the eventual announcement of a long-awaited interest rate cut by the US Federal Reserve (Fed), sales activity of industrial properties picked up. The increase in manufacturing activity amid a positive outlook for the sector will likely drive demand and result in increased sales volume of industrial properties.

Industrial property sales activity in Q3 2024 surged, with the total sales value growing 199.6% q-o-q and 205.6% y-o-y to reach S\$3.1 billion from a total of 456 transactions (Exhibit 1).

Majority of the large sales took place in August, as investors pulled the trigger on deals expecting interest rate cuts and a return of positive carry. The prominent transactions included the sale of the S\$1.6 billion portfolio comprising seven industrial properties by Lendlease and Warburg Pincus from a portfolio owned by Blackstone and Soilbuild, the 51% stake sale of 20 Tuas South Avenue 14 for S\$444.6 million by ESR LOGOS REIT, and the 49% stake sale of Elementum for S\$272.0 million to a sovereign

Exhibit 1: Industrial Sales Performance



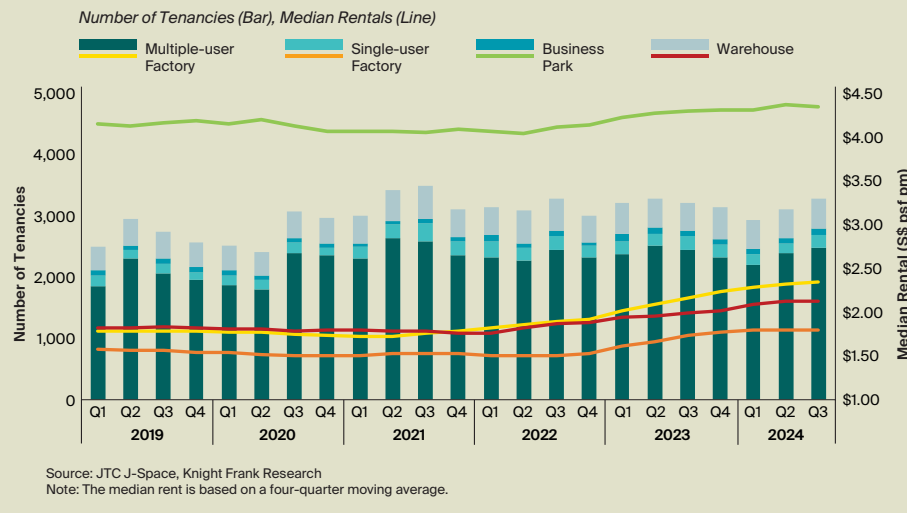
Source: JTC J-Space, Knight Frank Research
Note: The average unit price is based on a four-quarter moving average of strata transactions.
*Q3 2024 data is based on transactions downloaded as at 15 October 2024.

wealth fund from Brunei, making up the bulk of industrial sales activity during the quarter.

In Q3 2024, there were 3,304 industrial leasing transactions, a growth of 5.8% q-o-q and 2.3% y-o-y. With the increase in leasing activity, the total value of rental transactions grew 1.6% q-o-q to S\$29.1 million.

Rents of all industrial properties island-wide showed marginal quarterly growth of 0.8% and 0.9% in the 25th percentile and median categories, but fell 3.6% quarterly in the 75th percentile. With improving manufacturing output and sentiment, island-wide rents for single-user factory spaces rose across all rental percentiles, increasing from S\$1.52 psf pm, S\$1.79 psf pm, and S\$2.22 psf pm in the previous quarter to S\$1.55 psf pm, S\$1.80 psf pm, and S\$2.47 psf pm in the 25th, median, and 75th percentiles respectively.

Exhibit 2: Industrial Leasing Volume and Median Rentals



SINGAPORE CONTINUES TO BE ATTRACTIVE AS A GLOBAL MANUFACTURING HUB FOR ELECTRONICS

Fixed asset investments (FAI) in the second quarter of 2024 increased to S\$3.7 billion, a quarterly growth of 117.6% compared to S\$1.7 billion in Q1 2024. The surge in FAI was supported by a S\$3.4 billion injection into the manufacturing sector, with the electronics cluster receiving S\$1.8 billion out of the total for manufacturing. Following closely behind is the biomedical manufacturing cluster which received S\$1.5 billion in investment commitments.

Singapore remains a global production hub for semiconductors and chips due to its stability amid ongoing geopolitical tensions in other parts of the world. There are more chipmakers and related businesses expanding by setting up new production plants and research and development (R&D) campuses in Singapore to boost their supply chain resilience. Production capacity of electronics swelled as demand escalated during the Covid-19 pandemic. And although this global demand cooled as the

world normalised after, the increasing production of electric vehicles (EV) and solar panels, alongside the growing demand for chips for artificial intelligence (AI) have continued to propel the manufacturing sector. The construction of Changi Airport Terminal 5 as well as the government's push towards green buildings and infrastructure will support domestic demand for sustainability components and supporting equipment in the growing ESG-related economy in the short- to medium-term.

MARKET OUTLOOK

With the borrowing environment expected to become more benign, individual buyers purchasing for business use and private equity funds acquiring assets for investment will increasingly start to make their move, and transaction volume of multiple-user factory spaces and warehouses will gain momentum. The stability of Singapore continues to attract international firms looking for a safe and resilient location for expansion, and this in turn bolsters local enterprises that support these international conglomerates. Factory rents and prices for the industrial sector are likely to remain stable with some measure of moderate increase for the rest of the year, primed for more growth in 2025.

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Q3 2024

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Fortune favours the brave with the start of rate cuts

► “Deals that have been brewing prior to the interest rate cut announcement are now likely to surface, especially industrial properties and living sector assets. As the bid-ask gap narrows and the prospect of positive carry returns, the brave will increasingly pull the trigger on deals.”

DANIEL DING, HEAD, CAPITAL MARKETS (LAND & BUILDING, INTERNATIONAL REAL ESTATE)

With the end of the year closing in, the arrival of a long-awaited interest rate cut by the US Federal Reserve (Fed) is creating a growing buzz in the investment market in the second half of 2024. In September, the Fed announced that interest rates will be lowered by half a percentage point to a targeted rate of 4.75% to 5.00%. In anticipation, investment activity showed some nascent signs of a pick up in September with a growth of 24.8% q-o-q to reach a total transacted value of S\$8.3 billion in Q3 2024¹. Public sales amounted to S\$2.3 billion and private sales totalled S\$6.0 billion.

During the quarter, the total sales value of residential deals added up to S\$3.2 billion, a decline of 24.7% q-o-q

(Exhibit 1). Out of this total, S\$2.3 billion (74.2%) comprised government land sales (GLS) sites zoned for residential use. In August, some of the GLS sites that were awarded included Zion Road (Parcel B) and Jalan Loyang Besar at S\$730.1 million and S\$557.0 million respectively (Exhibit 2). In addition to these GLS sites, the sale of several good class bungalows (GCBs) located at areas such as Tanglin Hill and Belmont Road also contributed substantially to the total sales value of residential investment deals. In July, a GCB at Tanglin Hill was sold for S\$93.9 million and two GCBs at Belmont Road were sold for S\$73.7 million and S\$57.7 million.

The acquisition of a 50% interest in

TOTAL INVESTMENT SALES

S\$8.3 BILLION¹ IN Q3 2024

S\$6.7 BILLION IN Q2 2024

S\$6.4 BILLION IN Q3 2023

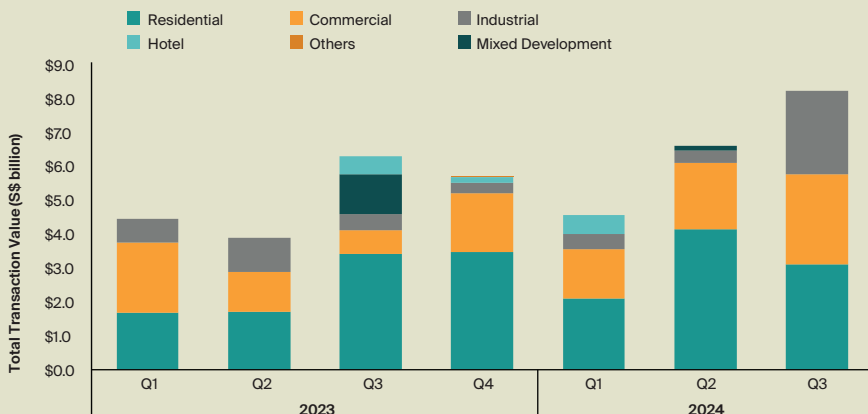
ION Orchard (includes ION Orchard, ION Orchard Link, ION Art Gallery, and ION Sky) by CapitaLand Integrated Commercial Trust (CICT) from CapitaLand Investment (CLI) for S\$1.8 billion in September brought the total sales value in the commercial sector to S\$2.7 billion, a quarterly increase of 37.2% in Q3 2024 (Exhibit 2). Other notable sales of retail assets included Stamford Court that was sold for S\$132.0 million in August, and Sceneca Square that changed hands for S\$64.0 million in September.

The biggest surge in sales activity was in the industrial sector as total sales value skyrocketed 567.6% q-o-q and 426.6% y-o-y to S\$2.5 billion. This was due to the acquisition of a huge S\$1.6 billion portfolio consisting of seven industrial properties by Lendlease and Warburg Pincus from a REIT owned by Blackstone and Soilbuild in August. Several other notable industrial deals included the 51% stake sale of 20 Tuas South Avenue 14 for S\$444.6 million by ESR LOGOS Reit, and the stake sale of 49% for Elementum at S\$272.0 million to a sovereign wealth fund from Brunei. Both deals took place in August.

COLLECTIVE SALES

There was a mixed bag of five collective sales launches in Q3 2024, one less compared to the previous quarter. However, no successful collective sale deals were closed. Collective sales for larger sites continued to be challenging, especially for residential developments.

Exhibit 1: Total Investment Sales, by Property Sector



Source: Knight Frank Research (based on data available as at 30 September 2024)
 Private investment sales are:-
 a. Investment transactions that comprise an entire building or property with a total worth of S\$10.0 million and above; OR
 b. Bulk sales within a development amounting to S\$10.0 million or more;
 c. Institutional transfers that represent a change of legal ownership.

¹ Inclusive of the S\$1.8485 billion sale of ION Orchard (Includes ION Orchard, ION Orchard Link, ION Art Gallery, and ION Sky) from CapitaLand Investment (CLI) to CapitaLand Integrated Commercial Trust (CICT), subject to the approval of CICT's unitholders at an extraordinary general meeting that will be held in Q4 2024.

Exhibit 2: Top 5 Transactions in Singapore, Q2 2024

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (\$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (\$PSF)	BUYER	DATE OF SALE
ION Orchard ¹	Commercial	\$1,848.5	623,607**	\$5,928**	CapitaLand Integrated Commercial Trust	Sep-24 ¹
GLS site at Zion Road (Parcel B)	Residential	\$730.1	559,744*	\$1,304*	Valerian Residential (Allgreen Properties)	Aug-24
GLS site at Jalan Loyang Besar	Executive Condominium	\$557.0	764,388*	\$729*	CNQC Realty (Progressive) Pte Ltd (CNQC International), Forsea Residence Pte Ltd (China Communications Construction Company) and ZACD Laserblue Pte Ltd (ZACD)	Aug-24
Solaris @ one-north	Commercial	\$501.4	441,322**	\$1,136**	Lendlease and Warburg Pincus	Aug-24
GLS site at Margaret Drive	Residential	\$497.0	430,491*	\$1,154*	Intrepid Investments Pte Ltd (Hong Leong Holdings), Hong Realty (Private) Limited and GuocoLand (Singapore) Pte Ltd	Aug-24

Source: Various sources, Knight Frank Research

* Refers to the estimated maximum permissible GFA and corresponding reported price psf ppr.

** Net lettable area (NLA) and corresponding price per NLA

With GLS sites being a direct competitor of collective sales, some evidence of easing land prices currently have GLS presenting a better opportunity for developers.

“With developers reticent towards the larger collective sale plots, landed houses with sizeable land areas or “mini landed enblocs” of several adjoining houses continue to be sought after by boutique developers, especially in prime areas where the land size has the flexibility to be subdivided and redeveloped into multiple homes.” said **Chia Mein Mein, Head, Capital Markets (Land & Collective Sale)**.

OUTBOUND INVESTMENT FROM SINGAPORE

With the ongoing global tensions and high interest rates, outbound investment activity from Singapore slowed down to S\$3.2 billion according to MSCI Real Assets (Exhibit 3). This represented a quarterly decrease of 29.3% and yearly decline of 39.1%. However, the announcement of interest rate cuts by the Fed is expected to spur more activity before the end of the year.

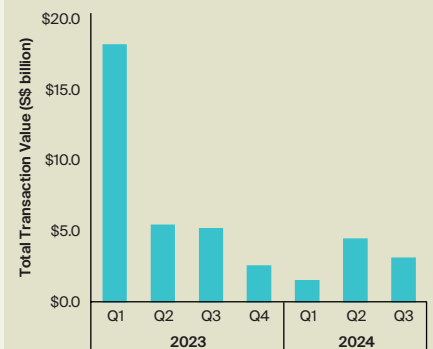
MARKET OUTLOOK

The first of the interest rate cuts will be the stimulus for deals that were simmering to surface, with a positive carry narrative emerging for properties currently in due diligence. More industrial deals can be expected, as well as in the living sectors (particularly serviced and co-living residences) as tourist and transient cross border worker volumes increase.

While the collective sales arena remains challenging, commercial and mixed-used developments have a higher chance of success in the prevailing market conditions.

Investment sales momentum is expected to improve in the coming months with the annual total projected to fall within Knight Frank’s S\$23 billion to S\$25 billion target.

Exhibit 3: Cross-border Investments by Singapore-based Entities



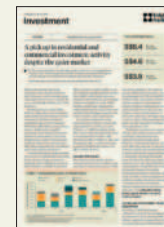
Source: MSCI Real Assets, Knight Frank Research

Note: Based on transactions available as at 30 September 2024 (excludes transfer and refinancing of real estate assets).

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Efficiency from flexible working results in reduced space upon renewal or relocation

► “While occupiers are still leaning towards renewal, some take the opportunity of flexible working to relocate to efficiency and quality.”

CALVIN YEO, HEAD, OCCUPIER STRATEGY AND SOLUTIONS

RENTS AND OCCUPANCY

Prime Grade office rents in the Raffles Place / Marina Bay precinct increased by a marginal 0.6% q-o-q in Q3 2024, averaging S\$11.35 psf pm, a cumulative rental increment of 2.0% in the first nine months of 2024. This rate of growth was slower than the 3.4% increase recorded over the same period in 2023.

Despite the addition of the newly completed IOI Central Boulevard Towers, occupancy levels of prime buildings in the Raffles Place / Marina Bay precinct and in the overall CBD remained healthy at 93.4% and 93.5% respectively in Q3 2024, as most occupiers continued to prefer renewal upon lease expiry. In tandem, landlords

are becoming more negotiable, prioritising occupancies in the uncertain economic climate.

DEMAND DRIVERS

During the pandemic, the focus on information technology (IT) spurred the rapid growth of IT companies that aggressively took up space in the CBD. However, post-pandemic, with consumer dollars moving towards travel and lifestyle, the current technology slowdown and global fears of a possible US recession, these firms have been and will continue to reduce their office footprints. Alongside international banks that have long been in the process of reducing office space requirements

4.1 MILLION SF
(GROSS FLOOR AREA)

Estimated CBD New Supply
(Q3 2024 - 2028): ▼ Q-O-Q

93.4%

CBD Occupancy: ▼ Q-O-Q

S\$11.35 PSF PM

Prime Office Rents: ▲ Q-O-Q

over the past ten years due to technology, office users are creatively increasing the quality and experience of the workplace post-pandemic while at the same time using less space.

During the quarter and throughout most of the year, relocations and expansions from larger office occupiers both domestically and cross border were few and far between. The lack of available larger optimal floorplates of around 30,000 sf coupled with an uncertain economic climate, impeded the movement of such occupiers looking to consolidate all the various business functions under one roof. Instead, smaller space occupiers were more active with modest demand stemming from companies such as those from North Asia establishing new offices in Singapore. The former Meta space at South Beach Tower comprising 115,000 sf has broadly been backfilled by smaller occupiers.

The city-state also remained attractive among companies in the investment and wealth management sectors, with many citing Singapore as a stable and modern established gateway city. One example included US-based electronic trading company Millennium Advisors that was reported to have recently opened a new office in Singapore in Marina Bay Financial Centre Tower 1.

As of August 2024, it was reported that Singapore had a total of 1,650 of single family offices (SFOs), an increase from the 1,400 at end-2023. Although SFOs do not take up large tracts of office space (typically less than 5,000

Exhibit 1: Average Office Rentals, by Key Precincts in Q3 2024

LOCATION	GROSS EFFECTIVE MONTHLY RENTS (\$ PSF PM)	Q-O-Q% CHANGE	VACANCY (%)	Q-O-Q CHANGE (PERCENTAGE POINTS)
Raffles Place / Marina Bay Grade A+	\$12.20 - \$12.70	0.2%	7.1%	3.5
Raffles Place / Marina Bay Grade A	\$10.25 - \$10.75	0.1%	5.4%	-1.6
Marina Grade A	\$10.10 - \$10.60	0.0%	3.3%	0.2
Beach Road / Middle Road Grade A	\$9.85 - \$10.35	0.0%	8.4%	-2.7
Shenton Way / Robinson Road / Tanjong Pagar Grade A	\$10.10 - \$10.60	0.5%	2.9%	-0.8
Orchard Grade A	\$8.85 - \$9.35	1.1%	2.7%	0.1
City Fringe West - Alexandra / Harbourfront	\$6.90 - \$7.40	0.4%	4.7%	0.4
City Fringe North - Novena / Newton	\$7.10 - \$7.60	0.5%	0.9%	-0.3
City Fringe East - Paya Lebar	\$7.15 - \$7.65	0.0%	2.3%	0.0
Suburban East	\$4.70 - \$5.20	0.0%	1.0%	-0.4
Suburban West	\$5.60 - \$6.10	-0.8%	9.4%	0.2

Source: Knight Frank Occupier Strategy and Solutions

sf), the increase in the number of SFOs contribute to boutique demand in the office leasing market, as wealthy families are drawn to the city-state due to the predictable and robust regulatory regime, a world-class education system and an ecosystem of professional service providers and wealth managers.

ECONOMIC SENTIMENT AND OUTLOOK

Singapore's Gross Domestic Product (GDP) increased 2.9% y-o-y in Q2 2024, with the yearly growth supported by the finance & insurance, information & communications, and wholesale trade sectors. With interest rate cuts, growth of the services sectors, particularly finance and insurance are expected to remain firm, supporting Singapore's projected economic expansion of between 2.0% and 3.0% for the full year 2024.

On the domestic front, the office leasing market is unlikely to witness substantial relocation, except for natural lease expiries by large space users. For leases that are expiring in the next 12 to 18 months, corporates may not relocate or renew the same amount of space due to flexible working. Companies with sustainability goals in mind, should also consider retrofitting and greening their interior workspace designs to foster ESG operational workplace practices, taking that extra step after having benefitted from the green building specifications from the majority of buildings in the CBD that have already achieved green certification.

With the above dynamics likely to stay, rents in the remaining months of 2024 is expected to be largely unchanged, with full year rents growing about 3%.

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Exhibit 2: Selected Upcoming Office Supply Islandwide

PROJECT NAME	STREET NAME	PLANNING AREA	TOTAL OFFICE SPACE GFA (SF)	DEVELOPER
Labrador Tower	Labrador Villa Road / Pasir Panjang Road	Queenstown	807,293	SP Group
Paya Lebar Green	Jalan Afifi	Geylang	388,879	RBC Investor Services Trust Singapore Limited (Trustee Of CLPT)
Total Key Supply 2024			1,196,172	
Keppel South Central	Hoe Chiang Road	Downtown Core	613,468	K-Commercial Pte Ltd
Punggol Digital District	Punggol Way	Punggol	339,918	JTC Corporation
Shaw Towers Redevelopment	Beach Road / Middle Road / Nicoll Highway	Downtown Core	476,604	Shaw Towers Realty Pte Ltd
Total Key Supply 2025			1,423,990	
Solitaire On Cecil	Cecil Street	Downtown Core	216,484	Solitaire Cecil Pte Ltd
Total Key Supply 2026			216,484	
Newport Tower	Anson Road	Downtown Core	257,494	CDL Pisces Commercial Pte Ltd / CDL Pisces Serviced Residences Pte Ltd / Hong Leong Properties Pte Ltd
Total Key Supply 2027			257,494	
Clifford Centre Redevelopment	Raffles Place	Downtown Core	510,005	SL Properties Ltd
One Sophia	Sophia Road	Rochor	252,564	Sophia Residential Pte Ltd / Sophia Commercial Pte Ltd
Singtel Comcentre Redevelopment	Exeter Road	Orchard	882,221	Singtel Somerset Pte Ltd
The Skywaters	Shenton Way	Downtown Core	876,710	Ace Shenton Development Pte Ltd / Shenton Commercial Property Pte Ltd / Shenton Hotel Property Pte Ltd / Shenton Office Property Pte Ltd / Shenton Residential Property Pte Ltd
Total Key Supply 2028			2,521,500	

Source: URA, Knight Frank Research

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Q3 2024

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Interest rate cuts to jolt the residential market into more activity

► “The interest rate cut could signal the end of a long night of buyer indecision, motivating those waiting on the sidelines into a purchase. Nonetheless, the impact on sales volume is unlikely to be instantaneous.”

NICHOLAS KEONG, HEAD, RESIDENTIAL & PRIVATE OFFICE

URA FLASH ESTIMATES

According to flash estimates by the Urban Redevelopment Authority (URA), prices of non-landed private homes (excluding Executive Condominiums (ECs)) decreased by a marginal 0.3% q-o-q in Q3 2024**, a contrast to the 0.6% q-o-q increase in the previous quarter. In the first nine months of the year, non-landed home prices grew 1.3%**, and 3.6% y-o-y**.

Overall sales in the non-landed residential market fell 9.9% q-o-q to 3,930 units in Q3 2024*. On a yearly basis, non-landed home sales declined 18.6%, and this fall was greater than the 13.4% y-o-y decrease in Q3 2023* when 4,830 sales were transacted. Even though sales momentum in the same period a year ago was selective and tentative, buyer reticence grew more pronounced for most of 2024.

Despite newly launched projects

from July to September 2024 being few, new sales grew 48.0% q-o-q to 1,033*. The bulk of the new sales comprised units being made available for sale in phases from projects that were already launched. At the same time, homebuyers looking for new homes remained cautious and would only purchase a new home that checked off most of the boxes in their lifestyle list. Otherwise, the majority of buyers continued to sit on the fence held back by high interest rates. In Q3 2024*, there were 2,897 secondary transactions*, a 20.9% q-o-q and a 1.0% y-o-y decline.

CORE CENTRAL REGION (CCR)

Non-landed home transactions in the CCR remained lacklustre, with 526 in Q3 2024*, a 27.5% fall from the previous quarter. New sale transactions fell 39.8% q-o-q to 53 in Q3*, the sixth consecutive quarter since Q2 2023

196.7

(Q3 2024**)

Non-landed Private Residential Property Price Index (Flash Estimate)
0.3% ▼ Q-O-Q | 3.6% ▲ Y-O-Y

3,930

UNITS (Q3 2024*)

Total Non-landed Transaction Volume excluding ECs
9.9% ▼ Q-O-Q | 18.6% ▼ Y-O-Y

when new sales started to decline, and the second consecutive quarter with less than 100 units transacted. While the fall in transactions was due to the lack of new projects launched in the region, it was the doubling of the Additional Buyer's Stamp Duty (ABSD) rate for foreign homebuyers from end-April 2023 that put in place a key roadblock, effectively quelling foreign homebuyer demand in Singapore. In the same period, secondary sales decreased 25.9% q-o-q to 473 in Q3*.

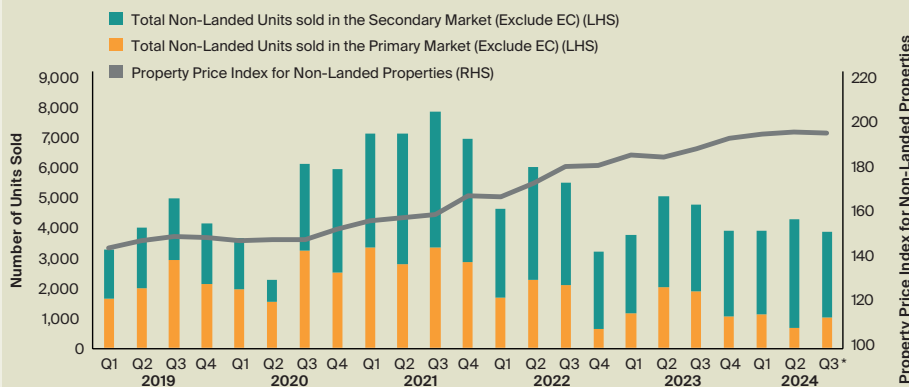
The poor transaction volume also resulted in non-landed home prices in the CCR falling 1.5% q-o-q in Q3 2023**. On a yearly basis, prices grew 5.5%**.

REST OF CENTRAL REGION (RCR)

Prices of non-landed homes in the RCR increased 0.2% q-o-q and 1.3% y-o-y in Q3 2024**. Newly launched project, 8@BT, defied the prevailing mood in the private residential market to achieve a reported average price of S\$2,719 psf for the 83 units (or about 53%) sold on the launch weekend. This also contributed to a 44.2% q-o-q increase to 333 new sales in Q3* and provided some underlying evidence that despite the current quiet market conditions, there are buyers with the means as well as the hunger to trigger a purchase.

Although new sales increased in the RCR, the total transaction volume decreased 10.1% q-o-q to 1,252* units, with the decrease largely attributed to the decline in secondary sales which fell 20.9% q-o-q to 919*.

Exhibit 1: Total Non-Landed Units Sold in the Primary and Secondary Markets, and the URA Property Price Index for Non-Landed Properties



Source: URA Realis, Knight Frank Research, *based on data available as at 1 October 2024

OUTSIDE CENTRAL REGION (OCR)

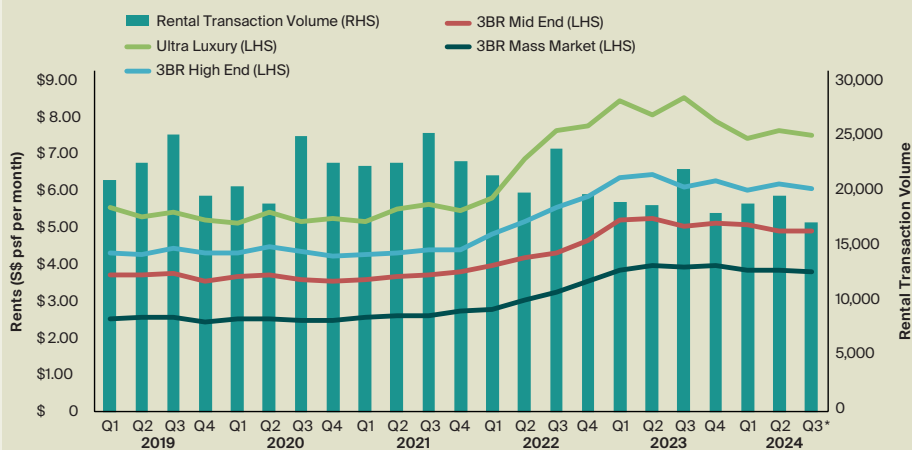
There were two new projects, Kassia and Sora, that launched in the OCR during the quarter. Kassia achieved a median selling price of S\$2,049 psf for the 154 units (or about 56%) sold in August, capturing the interest of the buyers due to competitive pricing coupled with a freehold tenure. Freehold project launches have generally been limited in the OCR. This led to new sale transactions jumping 70.7% q-o-q to 647 in Q3*, a rebound from the 51.9% q-o-q decline in Q2*.

However, the increase in new sales was unable to move the sentiment in suburban areas with total sales dipping 4.0% q-o-q with 2,152* units. Meanwhile, secondary sales posted a 19.2% q-o-q decrease to 1,505 transactions in Q3 2024*.

RENTAL MOVEMENTS

Islandwide leasing contracts for non-landed private homes totalled 17,121 in July and August 2024, a 35.8% increase when compared to April and May 2024, and 10.4% higher than the same period in 2023. The increase in transaction volume was partly a function of falling rents, with an increasing shift in the balance of power to tenants after over 22,000 new homes were completed in the past 18 months.

Exhibit 2: Average Rents and Rental Transaction Volume of Non-Landed Private Residential Properties (excluding EC)



Source: URA Realis, Knight Frank Research
*Q3 2024 includes the number of transactions for July and August 2024 only (RHS-axis)

Rents fell across all market segments between 1% and 2%. Smaller units of one- and two-bedroom types, which are more proliferate, were observed to be under the most pressure where landlords had to adjust their rental expectations in order to continue to keep these units occupied. However, rents at family-sized units with three- and four-bedrooms generally remained supported due to the smaller available inventory.

MARKET OUTLOOK

The announcement of a 50-basis point interest rate cut in September 2024 by the US central bank could prove to be the shot-in-the-arm needed to move the private residential market. Notwithstanding that the effects of the interest rate cut are not likely to be immediate, but will mostly be felt from next year onwards, this might

just be the impetus to tip homebuyers who are presently sitting on the fence into a purchase, especially those buying for their own occupation.

With the mood tentative and selective among homebuyers for most of 2024, transaction momentum in the past nine months of the year is on track to fall between Knight Frank's expectations of 14,000 and 16,000 units. With the number of new sales likely to be about 4,000 units, 2024 could have the poorest showing since 2008 (4,264 new sales) during the Global Financial Crisis. It is now probable that private home prices will likely end the year gravitating towards the lower end of Knight Frank's 3% to 5% projection, with growth due to the prices at new launches that are a function of land costs committed some 12 to 18 months ago and high construction costs.

* based on data available as at 1 October 2024. Figures exclude Executive Condominiums (ECs).
**based on flash estimates announced on 1 October 2024.

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Collaboration and innovation in the face of retail challenges

► “In an increasingly challenging environment with higher costs and demands from changing consumer behaviour, retailers that think out-of-the-box and innovate through collaborative partnerships can overcome the hurdles to survive and thrive.”

ETHAN HSU, HEAD, RETAIL

RETAIL RENTS BEGIN TO PLATEAU AMID COST PRESSURES

According to the Singapore Tourism Board (STB), visitor arrivals totalled 12.6 million in the first nine months of 2024, with arrivals reaching 1.6 million in July and 1.5 million in August, only to decline to 1.3 million in September. Nevertheless, STB mentioned that visitor arrivals in 2024 are closing in on pre-pandemic levels. Chinese visitor arrivals peaked in July and August during China’s summer travel period, reaching 412,949 and 403,137 respectively. These two months represent the highest monthly record for Chinese visitors, outpacing the previous highs of 389,503 and 397,070 in July and August 2019 respectively, a year where the highest number of arrivals in Singapore’s history was recorded at 19.1 million. Chinese tourists were drawn to Singapore for many reasons, including cultural similarities, accessibility to high quality experiences and a mutual

30-day visa-free entry arrangement.

However, the improving visitor and Chinese arrivals were not able to overcome the prevailing challenges of high operating costs in the retail environment, as retail rents started to flatten. In Q3 2024, the growth of the average gross rent of prime retail spaces island-wide was relatively unchanged from the previous quarter at S\$27.40 psf pm, with a marginal 0.1% quarterly gain (Exhibit 1). Prime retail rents in the City Fringe micromarket showed the highest quarterly growth of 0.4% to S\$23.80 psf pm. In contrast, the Suburban micromarket recorded S\$26.40 psf pm, displaying a mild contraction of 0.5% on a quarterly basis as a result of new malls that opened during the quarter¹.

RETAIL SALES PERFORMANCE

Retail sales exhibited signs of levelling off as tourism expenditure per capita in Singapore might be declining despite

S\$30.70 PSF PM

Orchard Prime Retail Rent

S\$26.40 PSF PM

Suburban Prime Retail Rent¹

5.0 MILLION SF GFA

Upcoming Supply (Q3 2024 to 2028)

the increasing number of visitor arrivals. The strong Singapore dollar and high prices have also diverted spending of local households to overseas destinations. Total retail sales (excluding motor vehicles) increased slightly from S\$3.3 billion in June to S\$3.4 billion and S\$3.5 billion in July and August respectively. Online retail sales stayed at similar levels in July and August after increasing 0.6 percentage points (pp) to 14.1% in June.

CALL FOR INNOVATION AND COLLABORATION FOR SUSTAINABLE RETAIL CONCEPTS

Singapore has been and remains the natural destination for international brands on the path to regional expansion into the Southeast Asian market. In tandem with the rising number of Chinese visitors, more Chinese brands made Singapore the first stop before fully establishing their presence and network in other Southeast Asian economies with steadily growing middle class demographics. Many of these Chinese brands carved inroads into the food & beverage (F&B) sector. Examples of new Chinese F&B brands that have set foot into Singapore were Chamoon Hot Pot, a popular hotpot chain, and Bingxue, a famous ice cream and tea chain. At the same time, Singapore also welcomed some returning brands back to its shores, such as Chinese beverage brand Chagee which re-opened in August, after announcing its departure in January earlier this year. It has since expanded its footprint to three stores in

Exhibit 1: Average Gross Rents of Prime Retail Spaces*, Q3 2024

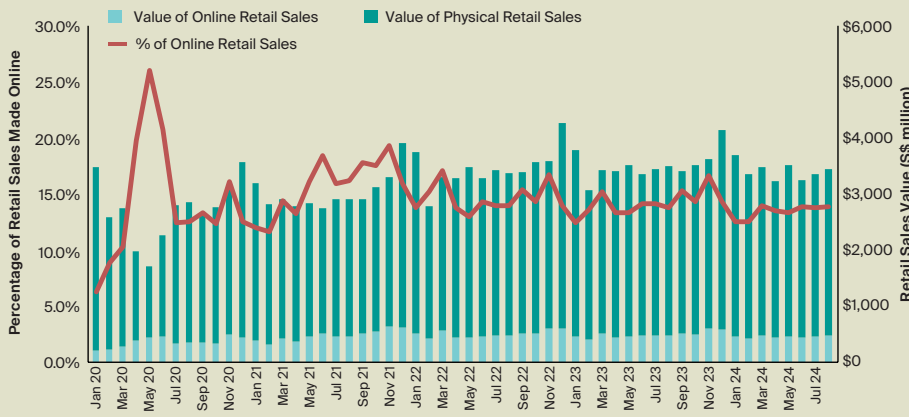
LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (\$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	\$27.40	0.1%	2.7%
Orchard	\$30.70	0.2%	2.6%
Marina Centre, City Hall, Bugis	\$25.50	0.1%	3.3%
City Fringe	\$23.80	0.4%	3.1%
Suburban ¹	\$26.40	-0.5%	1.9%

Source: Knight Frank Research

*Prime retail spaces refer to rental-yielding units between 350 sf and 1,500 sf with the best frontage, connectivity, footfall and accessibility in a mall, typically located on the ground level and/or the basement level of a retail mall that is linked to an MRT station or bus interchange. Average gross rents of prime retail spaces are rounded to the nearest S\$0.10.

¹ Suburban malls were re-basketed to account for the inclusion of new malls that opened in Q3 2024

Exhibit 2: Monthly Retail Sales as at August 2024



Source: Department of Statistics Singapore (as released on 4 October 2024), Knight Frank Research
 Note: Monthly retail sales exclude motor vehicles.

Singapore, namely, Plaza Singapura, orchardgateway, and Raffles City Shopping Centre.

The substantial number of new overseas brands making their way into the Singapore retail market is creating pressure for local F&B brands. Many homegrown F&B operators are forced to innovate and/or consolidate in order to keep business operations at sustainable levels in what is a very Darwinian retail environment. With more entrants vying for the same physical spaces, rents have been driven up, amid other cost pressures of material and labour. In the nine months of 2024, 2,465 F&B businesses have ceased operations at an average of 274 closures per month. This represents an increase of 19.7% over the whole of 2023 where the average F&B business closures per month was 229. What is more worrying is the trend that F&B cessations have increased to an average of over 200 per monthly last year and in the nine months of the current year, while in the pandemic year of 2020, the average monthly F&B closures was 170 when movement restrictions crippled dining out.

Competition with e-commerce platforms, fickle consumer behaviour, ever changing trends, increasing costs, labour shortage pressures and growing occupational costs have all led to an extremely unforgiving retail and F&B operating environment, leading to the need for collaborative innovation for survival and longevity. Retailers such as Muji and Pazzion enhanced their customer experience by including complementary offerings of F&B options within their retail spaces, diversifying income streams, and engaging a wider field of customers. Landlords have to work harder at improving the retail trade-mix and offer more assistance to new and creative concepts that show potential for growth. Otherwise, we may risk Singapore’s retail sector becoming more homogenous and one-dimensional with only the financially strong brands appearing in our malls instead of those that shoppers would like to have.

MARKET OUTLOOK

While prime retail rents are expected to end 2024 with between 2% and 4% growth, rental growth has started to ease and flatline as the high-cost environment takes its toll on many retailers and eateries. And although visitor arrivals progressively normalise to pre-pandemic numbers with Singapore being attractive to middle class and high-net-worth visitors from Southeast Asia and beyond, not all is well in the retail space.

In a challenging environment where consumer trends change as quickly as social media movements, collaboration and innovation could perhaps be key to overcoming some of the hurdles. Retailers (of non-competing or complementary trades) can band together to form alliances, leverage synergies, enjoy economies of scale as well as to offer the consumer a wider range of experiences at any one location.

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