



Market Update

Q2 2023

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Q2 2023

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Tepid auction market in 2023 might turn active towards the end of the year

► “More listings can be expected in H2 2023, with the trend of more owner than mortgagee listings. Sellers could move towards more realistic price levels to mitigate fiscal stress.”

SHARON LEE, HEAD, AUCTION & SALES

82

(Q2 2023)

Total Number of Auction Listings
9.3% ▲ Q-O-Q | 30.5% ▼ Y-O-Y

S\$4.8

MILLION (Q2 2023)

Gross Sales Value
16.0% ▲ Q-O-Q | 84.2% ▼ Y-O-Y

AUCTION SALE LISTINGS AND SUCCESS RATES

Auction listings rose 9.3% q-o-q to 82 (including repeat listings and excluding properties sold outside of auction) in Q2 2023 from the 75 in Q1 2023*.

Despite the quarterly gain, the total auction listings dropped 30.5% y-o-y from the 118 recorded in Q2 2022. Nevertheless, the total gross sales value amounted to S\$4.8 million in Q2 2023, 16.0% higher than the S\$4.1 million gross sales value in the previous quarter (Exhibit 1).

Beyond mortgagee and owner sales, listings from other type of sales (including estate, receiver, and bank sales) fell 50.0% q-o-q to three in Q2 2023 from the six in the previous quarter*, and a 50.0% y-o-y drop from the six listings in Q2 2022.

Residential properties made up 45.1% (37) of the total in Q2, with 12 mortgagee listings, 24 owner listings and one listing from estate sales. The sole residential estate sale listing was a two-storey freehold semi-detached house located along Happy Avenue Central. This landed home was listed for auction on six different occasions, with the last attempt in April 2023 at an opening price of S\$7.5 million. This was down from the opening price of S\$7.8 million in February 2023, and lower than the highest opening price of S\$9.88 million when the property was first listed for auction in August 2022.

The success rate in Q2 2023 was 4.9%, with four properties knocked down, a decrease from the six properties sold in Q1, which accounted for a success rate of 8.0% then.

MORTGAGEE SALES

There were 22 mortgagee listings in Q2 2023, an 8.3% q-o-q drop from the 24 in Q1 2023* and less than half the 50 in Q2 2022. This is the ninth consecutive quarter after Q1 2021 where there were less mortgagee listings to owner listings, with the exception of Q1 2022. Of these, there were 12 residential mortgagee listings in the quarter, comprising of four landed homes and eight non-landed residences.

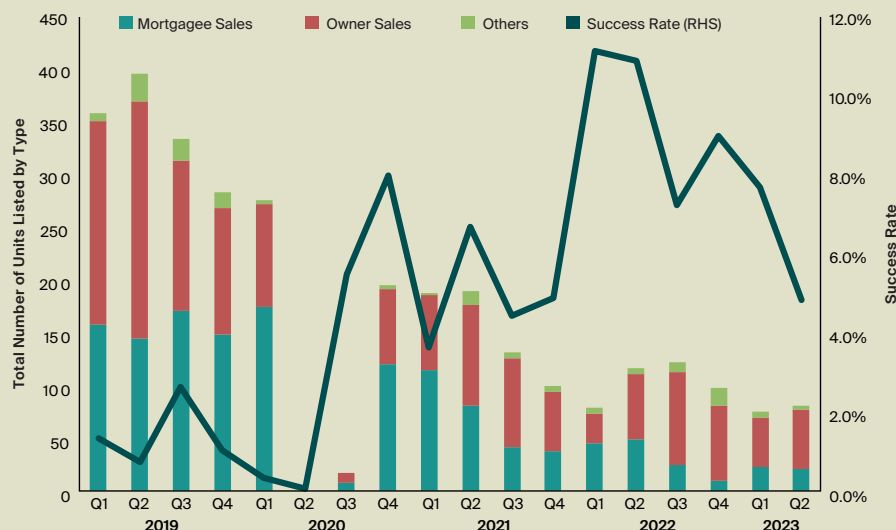
Apart from residential mortgagee listings, there were four retail and six industrial mortgagee listings in Q2 2023, with no office listings. The retail listings were freehold properties in suburban areas. The lack of buyer interest could have been due to the increasingly tough business climate fraught with rising labour costs, inflation, and interest rates which have made retailers more cautious about business expansions.

The four successful properties auctioned in Q2 2023 comprised four industrial mortgagee listings. A freehold industrial property in Tong Lee Building transacted at S\$1.89 million, some 8.7% higher than the opening bid of S\$1.74 million, and a strata-industrial space at Midview City was sold at the opening price of S\$850,000. The remaining two other units at Enterprise Hub were knocked down at some 11% below the respective opening prices.

OWNER SALES

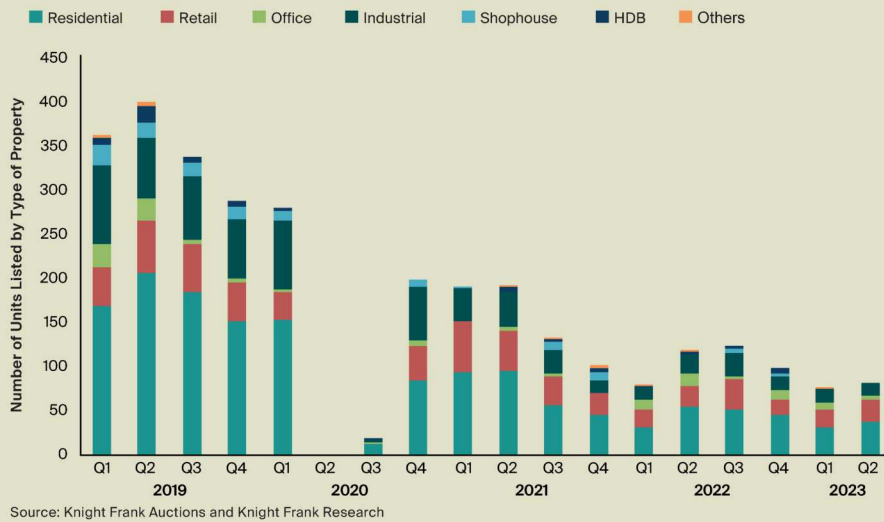
In Q2 2023, there were 57 owner listings, a 26.7% q-o-q gain from the 45 in Q1 2023*, but an 8.1% y-o-y decrease from the 62 in Q2 2022.

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



Even though the number of owner listings in the quarter did not come close to the high of 242 owner listings recorded in Q4 2018, the generally higher proportion of owner listings to mortgagee listings since 2021 suggests that the auction platform has grown popular among owners, especially as a means to garner more public interest for their properties.

The auction platform's public reach was useful and in some cases pivotal in bringing buyers and sellers into a deal, especially for properties that were on auction lists for several months. During the quarter, two-adjoning shops in The Midtown were listed for auction on seven different occasions before eventually catching the attention of a buyer in April 2023 who purchased outside of auction. Another property that sold before auction was a 99-year leasehold semi-detached home located along Casuarina Walk. These examples, together with other properties sold before or after an auction, highlight the growing popularity of the auction platform among owners.

There were 24 residential owner listings in Q2 2023, higher than the 11 in the previous quarter*, and the 21 in the same period last year. There was a combined total of 26 commercial owner listings (21 retail and five office owner listings), marginally higher than the 24 in Q1 2023* and 25 in Q2 2022. The increasing number of retail owner listings suggest that the elevated interest rates that affected the affordability of business loans and increased operational cost, has made the cost of running a business in Singapore much more expensive. Apart from residential and commercial owner listings, there were also seven industrial owner listings in Q2 2023.

MARKET OUTLOOK

In a time when inflation and interest rates remain stubbornly high, business owners are under stress, navigating through the tough economic environment. According to the Ministry of Law, a total of 1,574 bankruptcy applications were received between January and May 2023, some 13.9% higher than January to May 2022, and 21.4% more than the same period in 2021. While the impact in the real estate sector typically lags economic indicators, the increasing number of bankruptcy applications filed could translate into more mortgagee listings in the second half of the year.

Property owners under stress can sometimes be encouraged by their lending

institutions to sell on their own before the property is seized for mortgagee sale, and make the attempt to sell themselves before credit pressures come due. Additionally, estate sales have become regular in the auction lists, and may also increase given the advantages of transparency of the process. As such, more listings could appear in the remainder of 2023, attracting the attention of opportunist buyers.

Given the uncertain economic outlook, a manufacturing sector under pressure from poor global demand, a retail sector beset by inflation and escalating business costs, owners of business and personal assets would likely move towards more realistic pricing, with the trend of owner listings continuing to outnumber mortgagee listings as owners use the proceeds to mitigate current financial challenges.

Therefore, Knight Frank maintains the overall success rates at auction for the whole of 2023 to stabilise between 5% and 7%.

* Revisions were made to the earlier count of listings in Q1 2023

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Q2 2023

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Lacklustre manufacturing resulted in a quiet industrial market in Q2 2023

► “The industrial market remains stable in spite of the present difficult manufacturing environment, with international firms confident in Singapore as a suitable location to expand their operations and market presence in the region.”

NORISHIKIN KHALIK, DIRECTOR, OCCUPIER STRATEGY AND SOLUTIONS

SINGAPORE'S MANUFACTURING SECTOR IN THE DOLDRUMS

According to advance estimates released by the Ministry of Trade and Industry (MTI), the Singapore economy expanded by 0.7% y-o-y and 0.3% q-o-q in Q2 2023. However, the manufacturing sector shrank 7.5% y-o-y and 1.3% q-o-q, recording a second straight quarter of contraction.

According to the Monthly Manufacturing Performance Report by the Economic Development Board (EDB), Singapore's total manufacturing output decreased 13.0% y-o-y in May 2023, despite output growth in the transport engineering cluster at 28.4% and rebound from the biomedical manufacturing cluster at 4.4%. This resulted in the continued decline in demand for factory spaces and subdued activity in the industrial

sector in Q2 2023. Nevertheless, business sentiment for the manufacturing sector as reported by the Singstat Q2 2023 Business Expectations Survey turned positive for the period April to September 2023, suggesting that the bottom might be near with some possibility of stabilisation on the horizon.

In the same vein, the overall Singapore Purchasing Manager's Index (PMI) in June 2023 showed a slight improvement as it inched up by a marginal 0.2 points to 49.7 from 49.5 in May, even though this remained below 50 and in contraction for the fourth consecutive month. However, the electronics PMI continued to languish in June at 49.0, under 50 for 11 straight months now and at the penultimate lowest point for the period.

3,298 LEASES

Number of Industrial Tenancies ¹
2.1% ▲ Q-O-Q | 6.1% ▲ Y-O-Y

\$S\$1.0 BILLION

Total Industrial Sales
6.7% ▲ Q-O-Q | 4.8% ▲ Y-O-Y

38.0 MILLION SF GFA

Upcoming Supply (Q2 2023 to 2027)

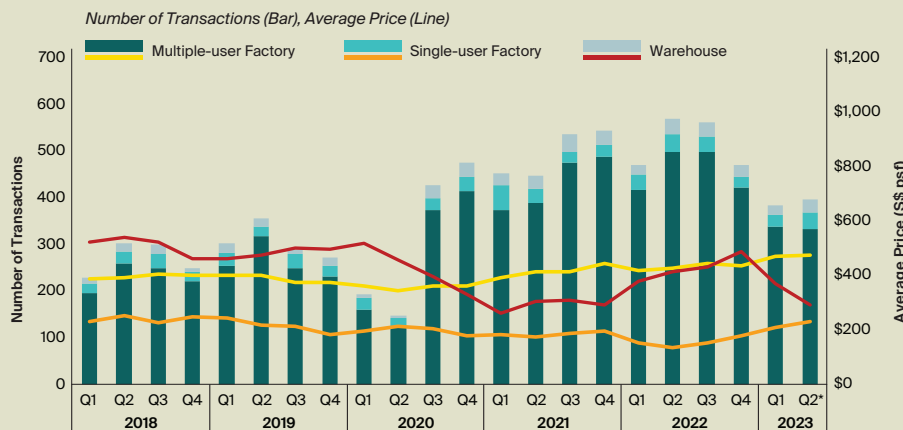
MODERATE INCREASE IN BOTH SALES AND LEASING ACTIVITY

In Q2 2023, a total transactional value of \$S\$1.0 billion in industrial sales was recorded, an increase of 6.7% q-o-q and 4.8% y-o-y (Exhibit 1). Among the notable industrial deals closed during the quarter was the sale of The Shugart in May at \$S\$218.2 million that will be leased back for ten years, as well as the sale of Jurong Districentre in June at a price of \$S\$95.0 million. Other deals that took place during the quarter were of smaller quantum with 95.8% of the caveats lodged under \$S\$10 million.

The pace of leasing in Q2 2023 picked up slightly, even though average rents for certain property types slowed. Islandwide leasing activity improved, as the volume for multiple-user factories increased 5.7% q-o-q to 2,522 tenancies, and median rent grew 3.8% q-o-q to \$S\$2.09 psf pm compared to Q1 2023 (Exhibit 2). Despite the electronics sector shrinking, there remains demand for factory spaces as transport engineering and biomedical manufacturing both recorded growth.

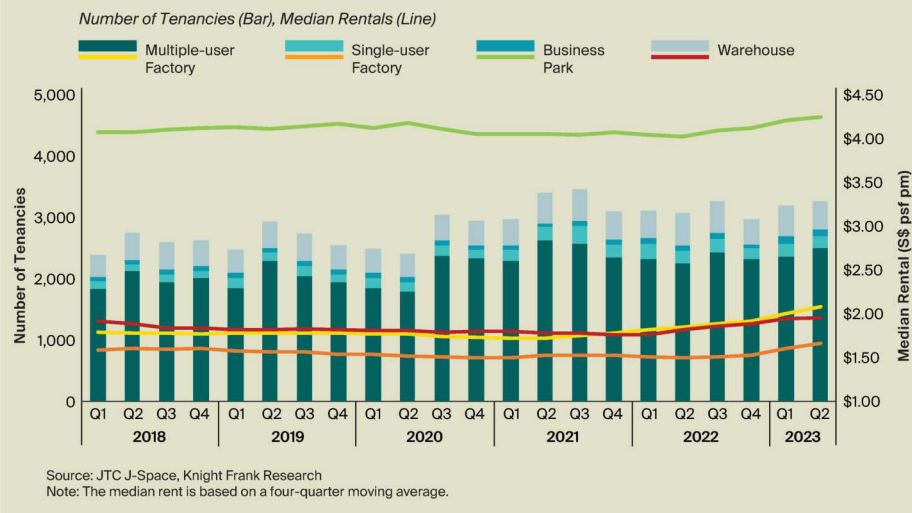
Moreover, there remains a shortage of quality warehouse spaces and facilities due to the persistently strong demand for the storage of inventory and material, as a result of global supply chain disruptions. Median rents for warehouses increased to \$S\$1.96 psf pm in Q2 2023, despite the smaller number of warehouse leasing deals in the current quarter compared to the previous, with the limited quantity of quality logistics spaces available in the market for lease.

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.
*Q2 2023 data is based on transactions downloaded as at 18 July 2023.

Exhibit 2: Industrial Leasing Volume and Median Rentals



INTERNATIONAL FIRMS SET UP PLANTS IN SINGAPORE TO TAP ON EXPANSION INTO SOUTHEAST ASIAN MARKETS

There was a total of S\$2.0 billion in fixed asset investment (FAI) commitments in Q1 2023 according to EDB, a decrease of 10.5% q-o-q and 84.9% y-o-y, as global manufacturers turned tentative, waiting for stability to return to the global economy and for China to recover from the aftereffects of the pandemic. Even so, the electronics cluster contributed to more than 50% of the total investment inflow, with international companies eyeing expansion into Southeast Asian markets.

Despite the lower amount of FAI commitments, Singapore remained an attractive location for international firms to expand their manufacturing operations, given its access to talent, proximity to the rest of the Southeast Asian market, political and legal stability, free trade agreements with many countries, and a government-led emphasis on sustainability. As such, Siemens will build a new high-tech factory estimated to cost S\$290 million for its industrial automation division that is set to open by 2026, and Procter & Gamble (P&G) announced the construction of a new manufacturing plant that is expected to cost more than S\$100 million. Cell therapy firm Biosyngen opened a 16,146-sf cell manufacturing plant at Tai Seng Avenue, while Finnish energy giant Neste expanded its Tuas South refinery that can now produce up to a million tonnes of sustainable aviation fuel annually. British drugmaker GSK expanded their vaccine facility in Tuas with a S\$300 million injection, and Thermo Fisher launched a new sterile drug factory in May.

Other firms have also unveiled redevelopment plans to meet the high demand

for quality industrial spaces, especially for warehousing purposes. For example, Boustead Projects will be redeveloping 36 Tuas Road by maximising the plot ratio of the property to better support demand for high-quality logistics and warehousing facilities.

MARKET OUTLOOK

Despite the gloom in the manufacturing sector, stability for most property types in the industrial real estate market can be expected for the rest of 2023, with prices and rents improving at a conservative rate of 1% to 3% for the whole year. Growth of prices and rents in the warehouse sector is likely to increase by 3% to 5% as demand for quality logistics spaces remains strong against limited quality supply.

Characterised as a modern, neutral and innovative business hub, Singapore's fundamentals offer international firms a flight-to-safety and flight-to-quality destination for investment and expansion that will facilitate growth when stability returns to the global economy.

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Q1 2023 INDUSTRIAL REPORT

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Muted investment activity expected for the rest of 2023

► “Despite the prevailing gloom, freehold properties are a popular investment choice for capital preservation with a view to legacy planning, as private wealth remains poised to take advantage of long-term value opportunities.”

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

Amid persistent economic uncertainties and ongoing geopolitical tensions, investment sales visibly slowed down in Q2 2023, recording an estimated S\$3.2 billion (Exhibit 1) in total, a decrease of 29.4% q-o-q and 66.1% y-o-y.

As with the previous quarter, investors remained in a wait-and-see posture, despite Singapore’s position as a safe haven for investment in the midst of global uncertainties. Residential deals comprised the bulk of investment sales in Q2 2023, amounting to S\$1.5 billion, inclusive of the sale of Government Land Sale (GLS) sites and collective sales. Freehold properties in the Central Region remained a popular choice for buyers and investors as High-Net-Worth (HNW) individuals made cautious opportunistic purchases for reasons of capital and wealth preservation for long-term legacy planning. In Knight Frank’s Wealth Report 2023, 32% of respondents from Singapore in the Attitudes Survey prioritised income generation as the

top wealth goal while capital preservation came in second among 30% of those surveyed.

Commercial property deals totalled S\$1.1 billion in Q2 2023, with the majority comprising Solitaire on Cecil transactions that added up to some S\$472.7 million. Solitaire on Cecil was reported to be sold out, demonstrating pent-up demand for new freehold strata offices, especially as there has not been a new launch of such projects for about seven years since Centrium Square and Woods Square in 2016. Also, during the quarter, Lendlease Global Commercial REIT purchased strata lots at Parkway Parade by acquiring 10% shares in Parkway Parade Partnership valued at S\$1.38 billion in June (Exhibit 2).

In Q2 2023, the performance of industrial properties was similar to the previous quarter, with deals reaching S\$651.3 million. The most notable industrial property transacted was The Shugart, that was acquired from Seagate

TOTAL INVESTMENT SALES

S\$3.2 BILLION IN Q2 2023

S\$4.5 BILLION IN Q1 2023

S\$9.4 BILLION IN Q2 2022

by CapitaLand Ascendas REIT for S\$218.2 million in May. It was reported that The Shugart has a remaining tenure of 20 years. Increasingly, investors of industrial properties in Singapore are becoming more accepting of leasehold industrial properties with shorter leases of less than 30 years remaining on the land tenure.

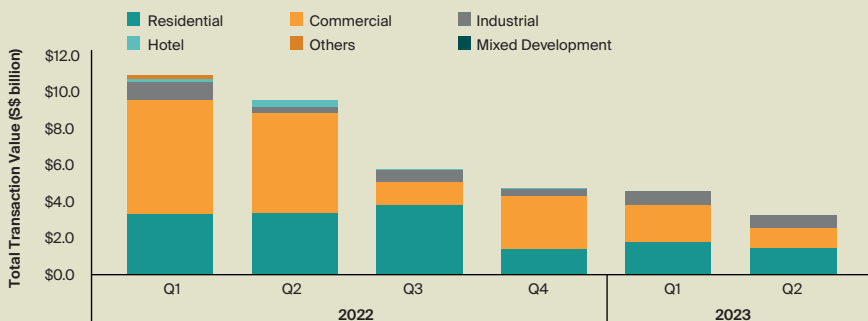
Overall, the pace of investment deals slowed in Q2 2023, recording the lowest quarterly total since Q2 2020 during the circuit breaker period, in the early days of the pandemic. In the first six months of 2023, buyers and investors, especially institutional investors, are remaining on the sidelines waiting for the stabilisation of interest rates and consequent price discovery of assets. Many Asian HNW families and individuals with liquid sources of funds have the patience to wait for signs of repricing and long-term value opportunities amid the current cautious climate.

COLLECTIVE SALES

There was only one successful collective sale this quarter. The landed residence of Kew Lodge in the Core Central Region (CCR) was sold for S\$66.8 million in May, after the Additional Buyer’s Stamp Duty (ABSD) was increased at the end of April.

The enbloc environment continues to get even more challenging as price expectations for homeowners get higher with replacement costs and interest rates still on the rise, while the risks and costs for developers have also increased in addition to the stepped-up ABSD rates. “Sellers who are committed to obtaining the 80% agreement in any

Exhibit 1: Total Investment Sales, by Property Sector



Source: Knight Frank Research (based on data available as at 30 June 2023)
 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.

Exhibit 2: Top 5 Transactions in Singapore, Q2 2023

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (\$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (\$PSF)	BUYER	DATE OF SALE
Residential Site at Lentor Gardens	Residential	\$486.8	494,289*	\$985*	GuocoLand (Singapore) Pte. Ltd. And Intrepid Investments Pte. Ltd.	Apr-23
The Shugart	Industrial	\$218.2	440,028**	\$496**	CapitaLand Ascendas REIT	May-23
Three Good Class Bungalows at Nassim Road	Residential	\$206.7	45,937***	\$4,500***	First Resources	Apr-23
Levels 17, 18 and 20 at Solitaire on Cecil	Commercial	\$162.8	37,857****	\$4,300****	Undisclosed	Apr-23
Parkway Parade (10% Stake)	Commercial	\$138.0	56,261**	\$2,453**	Lendlease Global Commercial Reit	Jun-23

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
 *** Land area and corresponding price per land area
 **** Strata area and corresponding price per strata area

collective sales process, **must** be prepared to set the reserve price realistically, in order to have any chance of success in such a challenging environment.” said **Chia Mein Mein, Head, Capital Markets (Land & Collective Sale)**.

With realistic pricing, residential collective sales can remain viable, especially in areas where there is a smaller proportion of foreign homeowners who may be less affected by the recent round of increase in ABSD. At the same time, developers might shift their focus to commercial developments. This asset class is not affected by the recent imposition of government cooling measures, and commercial developments in Singapore’s Central Area locations that are undergoing gentrification might prove to be a value proposition for income generation, capital preservation and appreciation.

OUTBOUND INVESTMENT FROM SINGAPORE

Akin to the domestic investment market, outbound investment from Singapore decreased significantly in Q2 2023. According to Real Capital Analytics (RCA), a total of S\$3.5 billion was recorded, a decrease of 81.2% q-o-q and 51.2% y-o-y (Exhibit 3). This could be attributed to the continued economic uncertainties and geopolitical tensions in global markets, such as the ongoing Russia-Ukraine war and rising interest rates.

For the period of April to June 2023, a noteworthy deal was the acquisition of a data centre in Osaka by Mapletree Industrial Trust for approximately S\$500.1 million.

MARKET OUTLOOK

Overall, with economic and geopolitical volatility increasing across the globe and in the region, both institutional and private capital investors have been cautious and are expected to remain so until interest rate increases peak and plateau, and the economic outlook stabilises and becomes clearer. Therefore, investment activity in Singapore will likely remain muted in the coming months with a tentative cautious optimism that a turnaround would be on the cards before the end of the year.

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



Source: RCA, Knight Frank Research
 Note: Based on transactions available as at 30 June 2023 (excludes transfer and refinancing of real estate assets).

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Q2 2023

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Healthy occupancy rate in the office sector despite economic volatility

► “Office rents continued to show upward gravity with resilient occupancy rates supported by flight-to-safety and flight-to-quality moves, despite global and domestic economic uncertainties.”

CALVIN YEO, MANAGING DIRECTOR, OCCUPIER STRATEGY AND SOLUTIONS

RENTS AND OCCUPANCY

Prime Grade office rents in the Raffles Place / Marina Bay precinct increased 1.2% q-o-q and 5.8% y-o-y in Q2 2023, averaging S\$10.96 psf pm. This brought rental growth to 2.5% in the first half of 2023 amid escalating geopolitical tensions, inflationary pressures, and prevailing economic gloom. Nevertheless, with office inventory remaining tight, prime office rents are expected to remain firm.

Occupancy levels in the Raffles Place / Marina Bay precinct, and in the overall CBD remained healthy at 95.8% and 94.4% respectively in Q2 2023, marginally higher than the corresponding 95.4% and 94.1% in Q1. Despite growing rents, businesses were

not deterred from continuing to seek quality spaces in the CBD, supporting the strong occupancy levels in the office market.

DEMAND DRIVERS

Despite the reporting of business contractions and/or employee layoffs around the world, many international corporates continued to relocate functions to Singapore alongside local start-ups. According to business registry statistics from the Accounting and Corporate Regulatory Authority (ACRA), the number of entities registered in Singapore grew from 570,992 to 579,221 in the first five months of 2023. This increase of 8,229 is higher than the 4,649 new entities registered

4.6 MILLION SF
(GROSS FLOOR AREA)

Estimated CBD New Supply
(Q2 2023-2027): ▼ Q-O-Q

94.4%

CBD Occupancy: ▲ Q-O-Q

S\$10.96 PSF PM

Prime Office Rents: ▲ Q-O-Q

over the same period in the previous year. It was also reported that 203 foreign companies established new set ups in Singapore since 2021. While the rising costs of operations and escalating rents might lead some businesses to delay or to cancel expansion plans, Singapore remains a destination of choice for many foreign multinational corporations (MNCs) and family offices (FOs), with the flight-to-safety dynamic a sustained demand driver as firms prioritise business continuity amid the ongoing geopolitical and economic tensions.

Although a survey conducted by Knight Frank and Cresa cited that half the international respondents that had around 50,000 employees, had plans to reduce global office footprint by 10% to 20% in the next few years, net increases are still being observed in Singapore. An example of expansion is Morgan Stanley, which was reported to be moving to IOI Central Boulevard Towers, with business expansion key to their operational strategy. Morgan Stanley is expected to occupy about 100,000 sf of space when the development completes in late 2023.

In the same survey, again nearly half of the 350 respondents planned to move their corporate headquarters within the next few years. Such relocations could translate to net expansion spaces, with occupiers seeking the right workplaces that enhance productivity, and at the same time pursue corporate sustainability goals in the long term. One example is

Exhibit 1: Average Office Rentals, by Key Precincts in Q2 2023

LOCATION	GROSS EFFECTIVE MONTHLY RENTS (\$ PSF PM)	Q-O-Q% CHANGE	VACANCY (%)	Q-O-Q CHANGE (PERCENTAGE POINTS)
Raffles Place / Marina Bay Grade A+	\$11.85 - \$12.35	0.9%	3.3%	-0.5
Raffles Place / Marina Bay Grade A	\$9.85 - \$10.35	1.4%	6.2%	-0.3
Marina Grade A	\$9.70 - \$10.20	0.8%	5.8%	-0.2
Beach Road / Middle Road Grade A	\$9.60 - \$10.10	0.9%	2.9%	-0.1
Shenton Way / Robinson Road / Tanjong Pagar Grade A	\$9.70 - \$10.20	0.4%	6.2%	0.6
Orchard Grade A	\$8.50 - \$9.00	0.8%	1.1%	-0.2
City Fringe West - Alexandra / Harbourfront	\$6.80 - \$7.30	0.6%	2.7%	0.2
City Fringe North - Novena / Newton	\$7.05 - \$7.55	0.3%	2.1%	-0.4
City Fringe East - Paya Lebar	\$6.85 - \$7.35	1.4%	2.9%	-0.5
Suburban East	\$4.60 - \$5.10	0.4%	5.8%	-5.1
Suburban West	\$5.55 - \$6.05	1.4%	9.3%	-0.7

Source: Knight Frank Occupier Strategy and Solutions

the recent announcement of Publicis Groupe moving to Guoco Midtown, occupying 55,000 sf of space. The completed office development offers a wide array of lifestyle trends including end-of-commute facilities. With landlords being more conscious of the Environment, Social and Governance (ESG) framework and are increasingly advocates themselves, new builds, redevelopment or asset enhancement initiatives (AEIs) are incorporating sustainability features so that buildings stay competitive and attract blue-chip international tenants.

ECONOMIC SENTIMENT AND OUTLOOK

The pipeline supply of new office space in the last few years has been few and far between, and inventory remains tight especially in the CBD. Between 2019 and 2022, office stock in the Central Region declined from some 79.6 million sf to 78.8 million sf, before rising to 79.7 million sf in 2021, due to the completion of CapitaSpring and Afro-Asia. At the same time, office demand was fuelled by a steady combination of flight-to-safety moves from the region and around the world, especially during the pandemic, and on the domestic front, office occupiers upgraded their workplaces in flight-to-quality relocations.

Even though economists downgraded Singapore's Gross Domestic Product (GDP) growth forecast as a result of the softening global demand affecting the export-oriented industry, persistently high inflation rate, and the possibility of a technical recession, Singapore's labour market remained tight with the rate of re-employment at 71.7% in Q1 2023, higher than the pre-pandemic level of 65.9%, and overall unemployment at a low of 1.8%. With the dual dynamic of flight-to-safety and flight-to-quality underpinning occupancy levels, Knight Frank has revised the outlook for prime office rents to grow 3% to 5% for the whole of 2023, an improvement from the earlier estimated 3% growth projection made at end-2022.

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Exhibit 2: Selected Upcoming Office Supply Islandwide

PROJECT NAME	STREET NAME	PLANNING AREA	TOTAL OFFICE SPACE GFA (SF)	DEVELOPER
IOI Central Boulevard Towers	Central Boulevard	Downtown Core	1,492,825	Wealthy Link Pte Ltd
One Holland Village	Holland Road	Queenstown	62,754	Commons Residential Pte Ltd / Commons SR Trustee Pte Ltd / Commons Commercial Trustee Pte Ltd
Surbana Jurong Campus	Cleantech Loop	Western Water Catchment	130,082	SJ Capital (JID) Pte Ltd
Total Key Supply 2023			1,685,661	
Keppel South Central	Hoe Chiang Road	Downtown Core	613,468	K-Commercial Pte Ltd
Labrador Tower	Labrador Villa Road / Pasir Panjang Road	Queenstown	807,293	SP Group
Extension of Odeon Towers	North Bridge Road	Downtown Core	46,425	UOL Group Limited
Paya Lebar Green	Jalan Affi	Geylang	388,943	RBC Investor Services Trust Singapore Limited (Trustee Of CLPT)
Total Key Supply 2024			1,856,129	
Punggol Digital District	Punggol Way	Punggol	421,450	JTC Corporation
Shaw Towers Redevelopment	Beach Road / Middle Road / Nicoll Highway	Downtown Core	476,604	Shaw Towers Realty Pte Ltd
Total Key Supply 2025			898,055	
Solitaire On Cecil	Cecil Street	Downtown Core	216,484	Solitaire Cecil Pte Ltd
Total Key Supply 2026			216,484	

Source: URA, Knight Frank Research

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OFFICE Q1 2023

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Prime Non-Landed and Landed Residential

H1 2023

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Slower sales but prices of prime homes continued to climb in H1 2023

► “Despite the latest round of cooling measures, local ultra-high-net-worths, newly naturalised citizens and younger nouveau riche, have been and will continue to pursue prime homes throughout the year.”

NICHOLAS KEONG, HEAD, PRIVATE OFFICE

Exhibit 1: Overview of Transactions, H1 2023

	PRIME NON-LANDED RESIDENTIAL ¹	LANDED RESIDENTIAL ²	GCB ³
H1 2023	Total Sales Volume S\$1.1 billion No. of Transactions 126 Average Price S\$2,580 psf	Total Sales Volume S\$2.7 billion No. of Transactions 257 Average Price S\$1,996 psf	Total Sales Volume S\$424.3 million No. of Transactions 8 Average Price S\$2,952 psf
H2 2022	Total Sales Volume S\$1.4 billion No. of Transactions 163 Average Price S\$2,464 psf	Total Sales Volume S\$2.7 billion No. of Transactions 284 Average Price S\$1,817 psf	Total Sales Volume S\$414.5 million No. of Transactions 10 Average Price S\$2,108 psf

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 5 July 2023. Unit prices for landed homes are based on land area.

Prime Non-landed Residential

DEMAND FOR EXCLUSIVE RESORT LIVING MOVED PRIME NON-LANDED SALES IN H1

Luxury non-landed home sales in the first half of 2023 eased to S\$1.1 billion, a half-yearly decline of 23.0% in total sales value from H2 2022. Despite the fall in overall sales value, the average unit price of prime non-landed homes gained 4.7% to S\$2,580 psf in H1 2023 from S\$2,464 psf in H2 2022. In the first six months of

Exhibit 2: Top 5 Prime Non-Landed Residential Transactions, H1 2023

PROJECT NAME	ADDRESS	AREA (SF)	TRANSACTION PRICE (\$ MIL)	UNIT PRICE (\$ PSF)	SALE DATE
Les Maisons Nassim	14B Nassim Road #01-02	8,633	\$45.0	\$5,213	May-2023
Les Maisons Nassim	14B Nassim Road #04-02	6,286	\$36.0	\$5,727	Feb-2023
Klimt Cairnhill	71 Cairnhill Road #35-01	5,920	\$27.5	\$4,645	Feb-2023
Nassim Park Residences	21 Nassim Road #01-20	4,822	\$22.0	\$4,562	Mar-2023
Nassim Park Residences	21 Nassim Road #02-21	4,284	\$20.5	\$4,785	Feb-2023

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 5 July 2023.

the year, 126 luxury non-landed homes were sold, with 31 out of 48 transactions in Postal District 4 (D4) coming from Sentosa. Interestingly, non-landed homes in Sentosa gained traction, resulting from spillover demand of such homes in the prime districts from the main island as the number of homebuyers continued to outweigh the limited inventory of saleable stock in the prime districts.

Overall, the total prime non-landed home sales in H1 2023 slowed from six months ago when 163 transactions were recorded in H2 2022. Much of the activity went into a state of pause in Q2, largely attributed to the initial impact of the cooling measures, as the Additional Buyer's Stamp Duty (ABSD) rate doubled from 30% to 60% for foreigner homebuyers, Nevertheless, demand for uncompleted homes remained evident with Les Maisons Nassim achieving top sales in the H1 2023, as two new units transacted between S\$5,213 psf (S\$45.0 million) and S\$5,727 psf (S\$36.0 million) (Exhibit 2).

MARKET OUTLOOK

The drop in foreigner homebuyer participation will characterise the slowing market for prime homes in the remainder of 2023. Together with the supply of new completions in the Core Central Region (CCR) of about 2,640 units from April to December 2023, the government could perhaps consider easing some of the ABSD rates, perhaps for foreigners, so as to bring back activity to the prime housing segment once demand and supply balances out. Additionally, this would be an added catalyst that would promote Singapore's growing reputation as a global wealth hub, an oasis for private capital investment and preservation.

In the meantime, the recent measures also resulted in potential sellers withdrawing their properties from the market, even though demand from wealthy locals, permanent residents and naturalised citizens remains.

¹ Prime residential apartments are defined as non-landed private residential units with a floor area greater than or equal to 2,500 sf and fall within Districts 1, 2, 4, 9, 10 and 11. These districts constitute prime areas such as the Central Business District (CBD), Orchard Road, Sentosa, Bukit Timah as well as Thomson.

² Landed residential houses include homes transacted at S\$5.0 million and above.

³ Good Class Bungalows (GCB) include bungalow developments larger than or equal to 1,400 sm located within Good Class Bungalow Areas (GCBA), or are designated GCBs by the authorities.

Landed Residential

LANDED HOME PRICES MOVED UP WITH CONSISTENT DEMAND AMID LIMITED SALEABLE INVENTORY

According to flash estimates released by URA, the Property Price Index (PPI) for landed homes rose 0.1% q-o-q in Q2 2023**, bringing the total increase to 6.0% in the first half of 2023**.

In H1 2023, 257 landed homes changed hands, accounting for S\$2.7 billion in total sales value. This was similar to the S\$2.7 billion in H2 2022 (Exhibit 3). Unit land prices rose 9.9% to S\$1,996 psf in H1 2023 from S\$1,817 in H2 2022, as buyers were still willing to pay a premium to secure landed homes. In March 2023, three adjoining detached houses situated along Chancery Hill Road and Dyson Road were sold for a combined total of S\$61.1 million, translating to S\$1,900 psf on land. More than 10 offers from High-Net-Worth-Individuals (HNWIs) and developers were made for these bungalows, illustrating the persistent demand for landed homes in high-rise Singapore.

In the Good Class Bungalows (GCBs) segment, the total transaction value rose 2.4% to S\$424.3 million in H1 2023, after a 13.7% half-yearly increase between H1 and H2 2022. Unit land prices grew as well, from S\$2,108 psf in H2 2022 to S\$2,952 psf in H1 2023, setting a new land price benchmark for this pinnacle class of landed

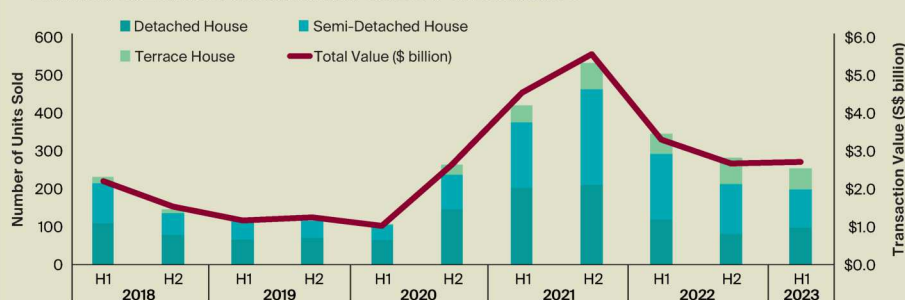
properties. Although transaction volume fell from 10 units in H2 2022 to eight in H1 2023, three bungalows in the Nassim Road GCB Area (GCBA) made the headlines in June 2023 when the Fangiono family paid a combined total of S\$206.7 million for these homes. This translated to S\$4,500 psf on land, with a total land area of 45,937 sf.

MARKET OUTLOOK

In H1 2023, landed home sales continued to move despite economic volatility as wealthy individuals and a new breed of younger high-net-worths remained drawn to the exclusivity of these niche homes. Much like in H1 2023 when prices in the landed residential market increased 6.0%**, this growth is likely to continue in a steady fashion with more buyers than sellers in the second half of the year.

**based on flash estimates announced on 3rd July 2023.

Exhibit 3: Landed Residential Sales Performance



Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 5 July 2023.

Exhibit 4: Top 5 Landed Residential Transactions, H1 2023

PROJECT NAME	ADDRESS	AREA (SF)	TRANSACTION PRICE (\$ MIL)	UNIT PRICE (\$ PSF ON LAND)	SALE DATE
N.A.	42,42A,42B Nassim Road	45,937	\$206.7	\$4,500	Apr-2023
N.A.	Nassim Road	22,470	\$88.0	\$3,917	Early 2023
N.A.	14,14A,10,10A,12 Dyson Road/ Chancery Hill Road	32,149	\$61.1	\$1,900	Mar-2023
N.A.	61 Wilkinson Road	25,681	\$55.5	\$2,161	Jan-2023
Capitol Park	6 Jalan Asuhan	16,396	\$42.0	\$2,562	May-2023

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 5 July 2023

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Q2 2023

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Highly anticipated launches support new price benchmarks

► “New private residential products continued to set new price benchmarks at launch. Local buyers with aspirations and financial resources will remain active at the upcoming new launches in remainder of 2023.”

NICHOLAS KEONG, HEAD, 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)) fell 0.5% q-o-q in Q2 2023**, after four consecutive quarters of gains. It appeared that the latest cooling measures announced in April 2023 combined with rising interest rates that limited affordability reined in price growth of private homes, in a similar manner to Q1 2022 when measures announced in December 2021 led to a 0.3% q-o-q decline in the Non-landed Private Residential Price Index. Nevertheless, non-landed home prices rose 2.1% in the first six months of 2023**.

Even though the recent measures might have led residential investors to become price resistant and adopt a wait-and-see attitude from the sidelines before deciding on their next move, total sales in Q2 2023* grew 20.9% to 4,630 transactions from the 3,830 sales

recorded in Q1 2023*. This was fuelled by a series of new launches from April to June that was supported by demand from Singaporean and Permanent Resident buyers purchasing homes mostly for their own stay.

New sales rose 73.6% q-o-q to 2,080 transactions in Q2 2023*, with the increment largely attributed to the launch of new projects in May and June when 99-year leasehold projects in fringe and suburban locations chalked up significant sales at the first weekend of launch. However, in the secondary market, sales volume declined 3.1% q-o-q to 2,550 units in Q2 2023*, representing a 32.7% y-o-y drop when compared against the 3,788 resale transactions in Q2 2022*.

CORE CENTRAL REGION (CCR)

The total sales in the CCR decreased 19.3% q-o-q to 834 non-landed transactions in Q2 2023*, with new sales falling 20.2% q-o-q to 411 units and resale transactions shrinking 18.3% q-o-q to 423. The share

185.9

(Q2 2023**)

Non-landed Private Residential Property Price Index (Flash Estimate)
0.5% ▼ Q-O-Q | 6.9% ▲ Y-O-Y

4,630

UNITS (Q2 2023*)

Total Non-landed Transaction Volume excluding ECs
20.9% ▲ Q-O-Q | 24.2% ▼ Y-O-Y

of foreign homebuyers in this market segment declined from 15.7% in Q1 2023* to 12.0% in Q2 2023*, reflecting the impact of the doubling of Additional Buyer's Stamp Duty (ABSD) rate for this category of buyer, as these potential buyers reassessed their budgets and options.

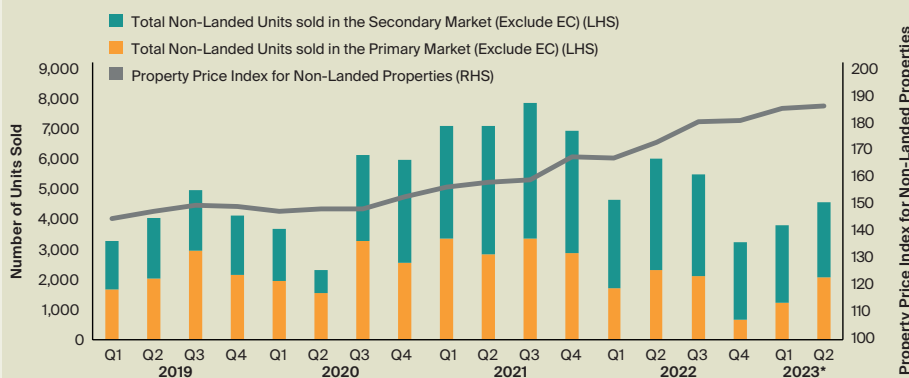
Despite the newly implemented cooling measures, more new non-landed homes were sold compared to the resale market, indicating the popularity of new product in the CCR despite the longer waiting period prior to completion. The demand and price premiums paid for new homes contributed to the 0.3% q-o-q price gain in the CCR during the quarter**.

REST OF CENTRAL REGION (RCR)

Non-landed home prices in the RCR fell 2.6% q-o-q in Q2 2023**. The fall in prices was surprising given that three high profile projects that included Blossoms By The Park, Tembusu Grand and The Reserve Residences, sold a substantial percentage of their total units upon the first weekend of launch. This could be due to the freehold Terra Hill being the major launch in the RCR in Q1 with an average selling price of over S\$2,650 psf, while the combination of three 99-year leasehold launches in Q2 had slightly lower average selling prices between S\$2,423 psf and S\$2,465 psf at launch.

Despite the decline in the price index, the RCR was the best performing segment in Q2 2023 with 2,421* non-landed transactions. Primary transaction volume rose more than six times to 1,575 non-landed residences while secondary sales increased 5.0% q-o-q to 846 transactions in Q2 2023*.

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 7 July 2023

OUTSIDE CENTRAL REGION (OCR)

Among the three market segments, the OCR had a quieter quarter, with total sales shrinking 21.2% q-o-q to 1,375 sales in Q2 2023*. Primary sales fell 78.5% q-o-q to 94 units in Q2* as there were no new projects launched during the quarter. In tandem, secondary sales dropped 2.1% q-o-q to 1,281 non-landed homes transacted in Q2*.

Despite the lacklustre sales activity during the quarter, non-landed home prices in the OCR increased by a moderate 1.2% q-o-q in Q2 2023**.

RENTAL MOVEMENTS

Rental increases in the mass market, mid-end and high-end segments slowed to between 1% and 3% in Q2 2023, easing notably from the 9% to 12% increments recorded in Q1 2023. However, rents in the ultra luxury segment dropped almost 4% q-o-q in Q2 against the 9% gain in Q1. The slowdown in rental growth signalled resistance by tenants combined with the steady completion of new inventory. Even expatriates with accommodation allowances were reconsidering their leasing options as the cost of living in Singapore had grown exceptionally due to the modern city-state's safe haven reputation in a time of uncertainty.

as heightened construction costs.

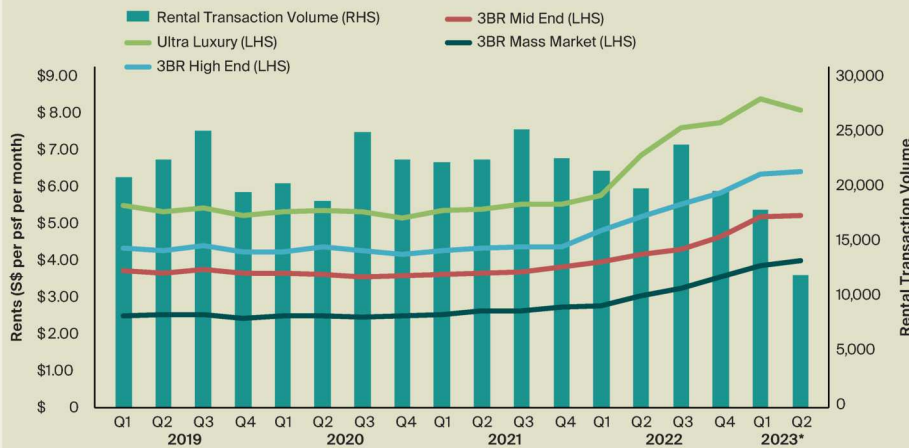
Demand for such units in the remaining months of 2023 will continue to be underpinned by homebuyers purchasing for their own occupation, as household balance sheets remain healthy. Many of these new families are also often backed by recycled capital from earlier generations of Singaporeans who had benefited from asset appreciation as Singapore progressed from a developing to a developed nation.

With overall private home prices increasing 2.9% in the first six months of 2023**, this is on track to fall within Knight Frank's projection of a more muted 3% to 5% price increase for the whole of 2023, which was less than the original projection of a 5% to 7% growth made at the end of 2022.

* based on data available as at 7 July 2023. Figures exclude Executive Condominiums (ECs).

**based on flash estimates announced on 3 July 2023.

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



Source: URA Realis, Knight Frank Research

*Q2 2023 includes the number of transactions for April and May 2023 only (RHS-axis)

Islandwide leasing contracts in Q2 2023 were at its lowest since the pandemic, with volume for non-landed private homes totalling 11,962 in April and May 2023, a 5.7% decrease when compared to January and February 2023, and 9.2% lower than the same period in 2022. With more homeowners expected to receive keys in the second half of the year, units currently occupied by interim renters would be released into available inventory resulting in further easing of rental increases in the remainder of the year.

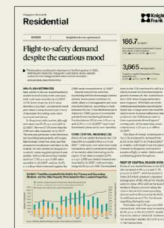
MARKET OUTLOOK

With the possibility of a technical recession looming in the minds of homebuyers, private home prices are expected to grow in a more subdued fashion. While potential investors and foreign buyers might adopt a wait-and-see attitude, new units will likely be even more sought after than resale units, selling at new benchmark prices that reflect the land costs committed 12-18 months ago, as well

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Q2 2023

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Uncertainty creeping into the retail sector's recovery

► “Despite the growing economic uncertainty, Singapore’s retail sector remains resilient as visitor arrivals continued to track steady improvement. Global brands continue set up shop here, tapping on Singapore’s popularity to draw regional crowds and audiences.”

ETHAN HSU, HEAD, RETAIL

PRIME RETAIL RENTAL GROWTH SLOWED IN POST PANDEMIC SINGAPORE

The Singapore Tourism Board (STB) reported a total of 6.28 million visitor arrivals in the first six months of 2023, with four consecutive months from March to June chalking up more than a million each month. This was not yet at the monthly levels of the pre-pandemic record year of 2019, where monthly arrivals averaged above 1.5 million. Nevertheless, the increasing number of visitors to Singapore has increased the need for more manpower in a retail sector that is already under pressure from the tight labour conditions symptomatic to the service industry. The ongoing labour crunch, rising business costs and high interest rates impacting business loans have

created an uncertainty where more retailers and F&B operators are treading cautiously, with some holding back on expansion plans.

As such, the growth of retail rents that accompanied post-pandemic recovery showed signs of slowing in Q2 2023. The average gross rent of prime spaces island-wide increased 0.8% q-o-q and 5.4% y-o-y to S\$26.60 psf pm from April to June (Exhibit 1), a narrowing increment compared to the 1.2% q-o-q gain in the previous quarter. The Marina Centre, City Hall and Bugis micromarket recorded the largest increase of 1.4% q-o-q and 6.0% y-o-y to \$24.50 psf pm, while other micromarkets saw increases ranging between 0.6% q-o-q and 1.0% q-o-q, and 3.9% y-o-y and 5.9% y-o-y.

S\$29.70

 PSF PM

Orchard Prime Retail Rent

S\$26.30

 PSF PM
Suburban Prime Retail Rent¹

4.1

 MILLION SF GFA

Upcoming Supply (Q2 2023 to 2027)

RETAIL SALES PERFORMANCE

Retail sales in the first two months of Q2 2023 remained stable with moderate gains, as retail sales (excluding motor vehicles) increased 3.4% to S\$3.6 billion in May from S\$3.5 billion in both April and March (Exhibit 2). This can likely be attributed to the substantial ongoing monthly increase in the number of visitor arrivals in Q2 2023 compared to the first three months of the year.

A year after the permanent, sustained lifting of Covid-19 restrictions, online retail sales was also impacted with the 13.3% proportion in May, which was a decline of 0.1 percentage points (pp) and 1.9 pp lower than the 13.4% in April and the 15.2% in March respectively.

Two new malls, Sengkang Grand Mall at Buangkok and The Woodleigh Mall in Woodleigh opened during the quarter, benefitting from the shopper traffic as more consumers opt for the tangibility of a physical and experiential shopping experience after shopping online for much of the pandemic.

REVIVAL OF HOSPITALITY CONCEPTS IN SINGAPORE

With the increase in travel volume, more live entertainment events such as concerts and festivals have been held in Singapore, with more being organised. These included international and regional acts and artists

Exhibit 1: Average Gross Rents of Prime Retail Spaces*, Q2 2023

LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (\$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	\$26.60	0.8%	5.4%
Orchard	\$29.70	0.6%	5.9%
Marina Centre, City Hall, Bugis	\$24.50	1.4%	6.0%
City Fringe	\$22.80	1.0%	5.4%
Suburban ¹	\$26.30	0.6%	3.9%

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 Q2 2023

Exhibit 2: Monthly Retail Sales as at May 2023



such as BlackPink, NCT Dream, WayV and A-Mei, with an upcoming stellar lineup including Jacky Cheung, Coldplay, and Taylor Swift. Some of these acts captured both domestic and regional audiences with overwhelming tickets sales such that more dates were added to the original schedules. With Singapore being a magnet for such performers, this provides a shot in the arm for the tourism, hospitality and retail sectors.

As Singapore reestablishes itself as a venue for business, entertainment and lifestyle events post-pandemic, older shopping centres such as the strata-subdivided ones along Orchard Road are under pressure to update and upgrade. Strata malls are often a mishmash of trades due to owners who operate their own retail or F&B concept as well as others who lease out their units based on rent rates without sufficient consideration for concept type or trade synergies. This often leads to a weak retail experience due to the non-complementary trade-mix which in turn fails to attract shoppers. In a post-pandemic landscape, these malls would benefit from a re-design in terms of mall positioning and trade-mix strategy so as to provide a holistic shopper experience and appeal to a new generation of customers.

Although economic headwinds and labour worries have made the retail trading environment more challenging, a stream of international brands continued to make inroads into Singapore. New brands included M5 Coffee from Taiwan, and Sun & Sand Sports from the United Arab Emirates, while brands that have returned included English chain Ben’s Cookies that previously shuttered its doors in 2021. Stores with special concepts also landed here, such as Coach’s first ever café and Gashapon Bandai, a speciality store from Japan that offers a wide range of specially designed vending machines dispensing capsule toys, expanding variety in the retail sector.

MARKET OUTLOOK

Despite the clouded economic outlook, a silver lining remains for the retail sector in Singapore with the steady recovery of visitor arrivals, the influx of major international events and the return of domestic and tourist shopper crowds. With more visitors expected at live events in the coming months, such as the Singapore Grand Prix in September, retailers and F&B operators, especially in the tourist zones of Orchard Road, the civic centre, and the Singapore River, will likely be presented with more opportunities for growth in the second half of 2023. Hence, prime retail rents remain on course to increase between 3% to 5% for the whole of 2023.

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H1 2023

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Shophouse market undeterred by economic uncertainty

► “Commercial shophouses are even more highly sought after now, after the recent residential cooling measures and removal of “commercial and residential” from the list of land-use zones in the Residential Property Act.”

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

The shophouse market in Singapore continued to be attractive to buyers in the first half of 2023, especially after the April 2023 implementation of increased Additional Buyer’s Stamp Duty (ABSD) rates for the residential sector. As ABSD is not applicable for commercial properties, interest in shophouses expanded with private wealth buyers comprising high-net-worth (HNW) investors and family offices with goals of capital preservation. A total of 75 shophouse transactions amounting to S\$711.6 million was recorded in H1 2023, an increase of 7.2% compared to H2 2022. And it is more than likely that even more shophouses exchanged hands between January and June that were not reported nor were caveats lodged. For some of these transactions that occurred in H1 2023, many of these

wealthy buyers favoured low-key profiles, prioritising privacy.

Despite the increased sales volume in H1 2023 compared to the S\$663.5 million sales representing 72 transactions in H2 2022, this was nonetheless below the S\$962.8 million sales recorded in H1 2022 with 119 shophouse deals. Were it not for the current high interest rate environment, there might have been more transactions. Instead, some institutional buyers that are more dependent on debt financing and recurring rental income for positive carry, treaded with more caution before making acquisitions.

Out of all the shophouses transacted in H1 2023, 78.7% or 59 units had 999-year or freehold tenures, making up the majority of the total. This was 1.7% higher or one unit more compared to

H1 2023

Total Sales Value : S\$711.6 million
No. of Units Sold : 75
Average Price : S\$5,454 psf on land

H2 2022

Total Sales Value : S\$663.5 million
No. of Units Sold : 72
Average Price : S\$4,610 psf on land

H1 2022

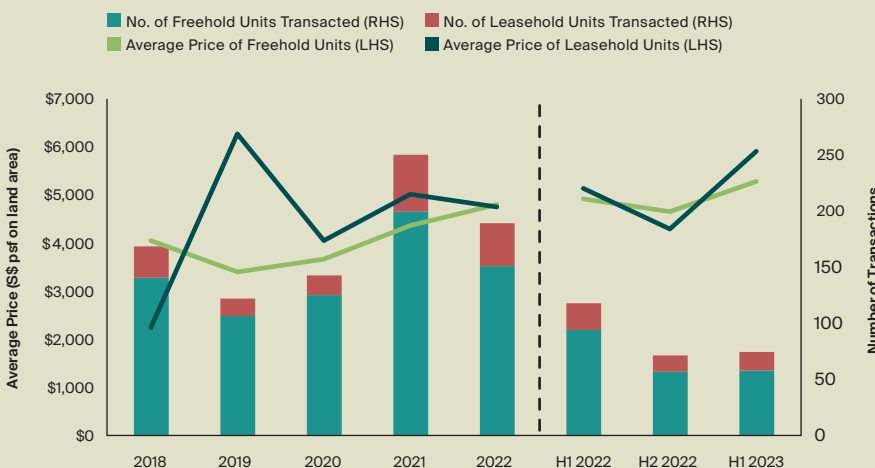
Total Sales Value : S\$962.8 million
No. of Units Sold : 119
Average Price : S\$5,032 psf on land

the previous half year of H2 2022 when a total of 58 transactions were recorded. In the first six months of 2023, transactional sales value for freehold shophouses added up to S\$572.6 million, with an average price of S\$5,338 psf on land that had moved up 13.4% from the previous half year (Exhibit 1), as private wealth squeezed into the limited investible market for this niche real estate asset class.

Leasehold shophouses did not perform as well in H1 2023, with the transactional value 15.7% lower at S\$139.0 million compared to S\$164.9 million in H2 2022. However, a total of 16 transactions were recorded, reflecting an increase from the 14 units that were sold in H2 2022. Even though the transaction and sales volumes in H1 2023 were fairly similar to H2 2022, the average price of S\$5,983 psf on land represented a substantial 37.6% increase from an average of S\$4,348 psf on land in H2 2022, with shophouse prices running against the grain of tentative caution that is characteristic of other real estate sectors at the moment. Among the leasehold shophouse transactions, the most noteworthy was the sale of 11 New Bridge Road for S\$23.8 million in May.

District 8 remained popular among shophouse buyers, with 27 shophouses selling for a total of S\$259.4 million from January to June 2023. It was also the only district that registered more than ten shophouse transactions, with

Exhibit 1: Sales Volume and Average Unit Prices of Shophouses



Source: URA Realis (based on data downloaded as at 18 July 2023), Knight Frank Research

demand driven by the continued gentrification and growing popularity of Little India as a hip tourist destination. The sale of the six adjoining freehold shophouses along Serangoon Road for S\$62.5 million made up the bulk of sales volume in District 8, taking the top spot in the top five deals of H1 2023 (Exhibit 2).

Exhibit 2: Top 5 Deals in H1 2023

DEVELOPMENT NAME	ADDRESS	LAND AREA (SF)	SALES PRICE (S\$ MIL)	UNIT PRICE (S\$ PSF)	SALE DATE
N.A.	322, 324, 330 etc Serangoon Road	9,042	\$62.5	\$6,912	Jan-23
Boat Quay Conservation Area	37 Boat Quay	1,426	\$30.0	\$21,034	May-23
N.A.	433, 435 Geylang Road	4,518	\$30.0	\$6,641	Jun-23
Telok Ayer Conservation Area	28, 28A, 28B, 28C Stanley Street	1,729	\$29.0	\$16,776	Apr-23
N.A.	301 Jalan Besar	3,798	\$26.0	\$6,847	May-23

Source: URA Realis (based on data downloaded as at 18 July 2023), Knight Frank Research

As conservation shophouses are highly coveted for their heritage value, cultural qualities and limited quantity in the market, supernormal profits from capital appreciation are regularly observed the longer the asset is held. Between January and June 2023, 15 shophouse sales made returns of more than 100%. The sale of 37 Boat Quay located within the Boat Quay Conservation Area at S\$30.0 million after being held for 23 years translated to a 631.7% profit, the highest in H1 2023 (Exhibit 3). Other notable deals with sizable returns included the sale of two shophouse units along Geylang Road for S\$30.0 million which gained 605.9% after being held for a similar 23 years.

Exhibit 3: Property Gains for Shophouses Transacted in H1 2023

DEVELOPMENT NAME	ADDRESS	SALES PRICE (S\$ MIL)	DATE OF SALE	LAND AREA (SF)	RETURN	EST. NO. OF YEARS HELD
Boat Quay Conservation Area	37 Boat Quay	\$30.0	May-23	1,426	631.7%	23
N.A.	433, 435 Geylang Road	\$30.0	Jun-23	4,518	605.9%	23
Kampong Glam Conservation Area	10 Bussorah Street	\$4.5	Apr-23	662	592.3%	16
Sembawang Hills Estate	122, 122A Casuarina Road	\$5.7	Jun-23	2,005	533.3%	20
N.A.	750 Upper Serangoon Road	\$11.2	Apr-23	2,794	443.7%	18

Source: URA Realis (based on data downloaded as at 18 July 2023), Knight Frank Research

MARKET OUTLOOK

Buyer/investor interest is expected to continue with foreign private wealth sources turning from residential assets to shophouses, driving demand and the growth of prices to new levels. In addition, more locals in Singapore are also on the lookout for shophouses in trendy dining and tourist locations with entrepreneurial intentions to create greater diversity and epicurean choices in the food and beverage scene. The ongoing gentrification of conservation areas in Singapore as culinary hotspots, has been and will continue to pull in the growing tourist throng as international visitor arrivals normalise to pre-pandemic levels.

Given the positive momentum in the shophouse market in the first half of 2023, the earlier projected sales volume of S\$1.3 billion to S\$1.5 billion is likely for the whole of the year.

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“Interest in the strata commercial market remains stable despite economic headwinds. With the recent property cooling measures and amendment in the Residential Property Act, some focus will be channelled to investible strata commercial units.”

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

Exhibit 1: Snapshot of the Overall Strata Office and Strata Retail Performance

	STRATA OFFICE	STRATA RETAIL
H1 2023	Total Transacted Value S\$652.9 million No. of Transactions 149 Average Price S\$3,107 psf	Total Transacted Value S\$184.2 million No. of Transactions 113 Average Price S\$2,499 psf
H2 2022	Total Transacted Value S\$814.1 million No. of Transactions 160 Average Price S\$2,713 psf	Total Transacted Value S\$351.5 million No. of Transactions 120 Average Price S\$2,427 psf
H1 2022	Total Transacted Value S\$340.0 million No. of Transactions 149 Average Price S\$2,237 psf	Total Transacted Value S\$336.2 million No. of Transactions 139 Average Price S\$2,076 psf

Source: URA Realis, Knight Frank Research

Note: Transactions are based on data available as at 18 July 2023 and exclude big-ticket deals of S\$100 million and above.

Strata Office

OVERALL PERFORMANCE

The strata office market slowed down in H1 2023 compared to H2 2022, with 149 transactions that translated to S\$652.9 million, a 19.8% drop from the S\$814.1 million sales in H2 2022 when 160 transactions were recorded. The sale of units at Solitaire on Cecil dominated the top strata office unit transactions providing a

Exhibit 2: Top 5 Strata Office Transactions, H1 2023

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (S\$ MIL)	UNIT PRICE (S\$ PSF)	SALE DATE
Solitaire on Cecil	148 Cecil Street #18-01	13,487	\$57.9	\$4,295	Apr-23
Solitaire on Cecil	148 Cecil Street #17-01	13,132	\$56.3	\$4,285	Apr-23
Solitaire on Cecil	148 Cecil Street #16-01	13,132	\$56.2	\$4,280	May-23
Solitaire on Cecil	148 Cecil Street #20-01	11,238	\$48.6	\$4,325	Apr-23
PLUS	20 Cecil Street #07-06, 07, 08, 09	5,059	\$15.0	\$2,955	Mar-23

Source: URA Realis, Knight Frank Research

Note: Transactions are based on data available as at 18 July 2023.

strong indication that the market has been starved of new strata office units.

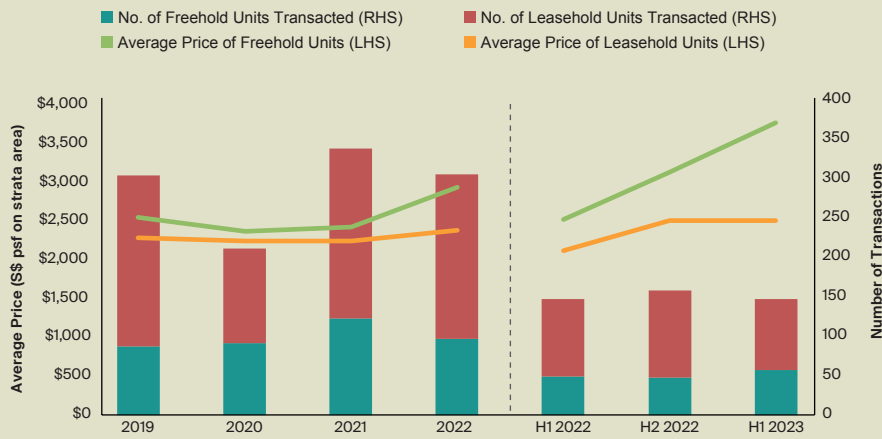
The Downtown Core Planning Area recorded a total sales value of S\$521.5 million with 61 units sold, mainly consisting of strata office units at Solitaire on Cecil (Exhibit 2). Amid the geopolitical tensions, economic uncertainties and increasing interest rates, demand for strata offices eased. Despite this, the addition of new strata office stock as a result of the launch of Solitaire on Cecil spurred sales activity, with evident pent-up demand, as the introduction of new bite-sized freehold office assets of investment quality in a CBD location had been absent from the market for several years. This demand is very likely to be understated, as some purchases at Solitaire on Cecil were not reported nor were caveats lodged, as certain buyers/investors preferred to keep a low profile.

COMPARING FREEHOLD AND LEASEHOLD STRATA OFFICE PERFORMANCE

Out of the 149 transactions in H1 2023, 61.7% or 92 were leasehold properties, amounting to S\$267.7 million (Exhibit 3). This was lower than the 112 units sold at a total transaction value of S\$491.8 million in H2 2022. In addition, a lower average price of S\$2,495 psf was recorded in the first half of 2023, a marginal decrease of about 0.2% from the S\$2,499 psf recorded in the second half of 2022.

In H1 2023, 57 transactions that totalled S\$385.2 million were recorded for freehold properties, an increase against H2 2022 when 48 transactions were registered with a total sales value

Exhibit 3: Transaction Volume and Average Prices of Strata Office Units



Source: URA Realis, Knight Frank Research
 Note:
 a. Freehold refers to properties with freehold tenure or tenure of more than 900 years.
 b. Subsale transactions are not shown.
 c. Big-ticket transactions (greater than S\$100 million) are excluded from our analysis.
 d. Based on data available as at 18 July 2023.

of S\$322.3 million. The average unit price increased by a substantial 20.0% to S\$3,746 psf in H1 2023 from S\$3,120 psf in H2 2022. This was due to Solitaire on Cecil selling out all units with a total sales value of S\$321.8 million at an average price of S\$4,239 psf based on the caveats that were lodged.

MARKET OUTLOOK

Uncertainty has slightly dampened the market in the first half of 2023. In addition, no new products are expected to be launched in the second half of 2023.

Therefore, strata office sales activity is expected to slow down in the months ahead. Nevertheless, freehold strata office units remain in high demand, as local businesses and foreign private wealth investors acquire these units as a hedge against rental cycles, for the operational flexibility, for capital preservation and subsequent appreciation. Buyers/investors also show a strong preference for quality strata offices in locations that have convenient access to MRT stations.

Notwithstanding the likely slowdown in activity, the projected total transaction value of S\$1.1 billion to S\$1.2 billion is likely to be achieved due to the spillover from residential property investors deterred by the recent cooling measures and the amendment to the Residential Property Act.

Strata Retail

OVERALL PERFORMANCE

Headwinds such as the labour crunch in the service industries, rising business costs and interest rates in the retail sector, led to a quieter strata retail market. Transaction volume declined with 113 transactions translating to a total sales value of S\$184.2 million in H1 2023, compared to the 120 transactions reflecting S\$351.5 million in H2 2022. The most notable transaction in H1 2023 was the sale of two freehold strata units at Oxley Tower in the Downtown Core Planning Area for

S\$21.0 million in June (Exhibit 4). Apart from this sale, the other 112 strata retail unit sales completed in H1 2023 were under S\$10 million with 44 transactions under S\$1 million.

Among the planning areas in Singapore, the Downtown Core and Rochor Planning Areas remained the preferred location for buyers/investors of strata retail units in H1 2023. The former recorded 17 transactions with a total transaction value of S\$46.6 million, while the latter registered 16 transactions amounting to S\$23.5 million. In addition, strata retail units at Fortune Centre in the Rochor Planning Area received more interest compared to other buildings. However, as some buyers/investors preferred to keep a low profile and not disclose their purchases, demand could likely be under-reported.

Exhibit 4: Top 5 Strata Retail Transactions, H1 2023

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (\$ MIL)	UNIT PRICE (\$ PSF)	SALE DATE
Oxley Tower	138 Robinson Road #04-01, 02	14,650	\$21.0	\$1,433	Jun-23
Solitaire on Cecil	148 Cecil Street #01-01	936	\$5.1	\$5,397	Apr-23
The Adelphi	1 Coleman Street #04-36	2,250	\$4.5	\$2,000	May-23
Vision Exchange	2 Venture Drive #01-38	646	\$4.2	\$6,503	Feb-23
Jalan Besar Conservation Area	203 Lavender Street	1,475	\$3.9	\$2,645	Jun-23

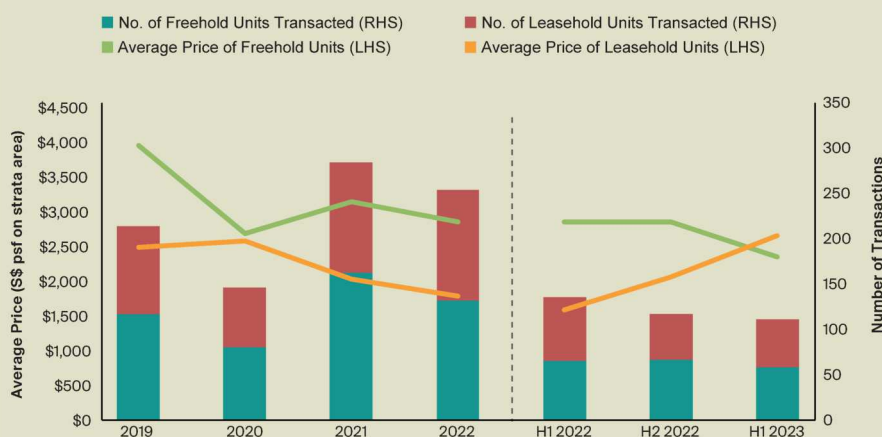
Source: URA Realis, Knight Frank Research
 Note: Transactions are based on data available as at 18 July 2023.

COMPARING FREEHOLD AND LEASEHOLD STRATA RETAIL PERFORMANCE

From January to June 2023, 60 out of 113 sales were freehold strata retail units (Exhibit 5), with a total transaction value of S\$101.8 million reflecting an average price of S\$2,373 psf. The most noteworthy freehold deal recorded was the sole new sale of a unit at Solitaire on Cecil for S\$5.1 million in April (S\$5,397 psf).

There were 53 leasehold strata retail units sold at a total transacted value of S\$82.4 million in H1 2023, one unit more than the 52 sales at a total of S\$167.7 million in the second half of 2022. The average price increased 29.3% half-yearly, from S\$2,070 psf in H2 2022 to S\$2,675 psf in H1 2023.

Exhibit 5: Transaction Volume and Average Prices of Strata Retail Units



Source: URA Realis, Knight Frank Research

Note:

- Freehold refers to properties with freehold tenure or tenure of more than 900 years.
- Subsale transactions are not shown.
- Big-ticket transactions (greater than S\$100 million) are excluded from our analysis.
- Based on data available as at 18 July 2023.

MARKET OUTLOOK

Buyer/investor interest in strata retail units is expected to remain stable despite the higher interest in shophouses and strata office units, as this is a rather niche asset class. Individual retail investors with modest appetites as well as established corporate companies that include shop and F&B chain operators eyeing a larger strata retail component in an integrated mixed development, will continue to be on the lookout for strata retail investment opportunities. However, the inventory of available strata retail space is admittedly limited, as Singapore's retail sector is largely dominated by sizable malls under REIT management.

As the retail sector continues to navigate its way to recovery amid the current market headwinds alongside the aftereffects of the pandemic, a projected total sales value between S\$400 million and S\$500 million can be expected for the whole of 2023.

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