Market Update

Q3 2023

Content

Singapore Research

Auction

Q3 2023 | knightfrank.com.sg/research

More properties listed and sold in the auction market despite the stressed economy

"More properties under distress may surface in the final quarter of the year, increasing the total number of listings, as higher interest rates and an uncertain economy begin to manifest in the auction market."

SHARON LEE, HEAD, AUCTION & SALES

102 (Q3 2023)

Total Number of Auction Listings
24.4% ▲ Q-O-Q | 17.1% ▼ Y-O-Y

S$17.8 MILLION (Q3 2023)

Gross Sales Value
273.6% ▲ Q-O-Q | 5.7% ▼ Y-O-Y

AUCTION SALE LISTINGS AND SUCCESS RATES

Auction listings rose 24.4% q-o-q to 102 (including repeat listings and excluding properties sold outside of auction) in Q3 2023 from the 82 in Q2 2023, owing to an increase in both mortgagee and owner sale listings. There were 29 mortgagee and 70 owner sale listings in Q3, up from the 22 and 57 listings respectively in Q2 (Exhibit 1). Despite the quarterly gain, the total number of listings declined 17.1% y-o-y from the 123 recorded in Q3 2022.

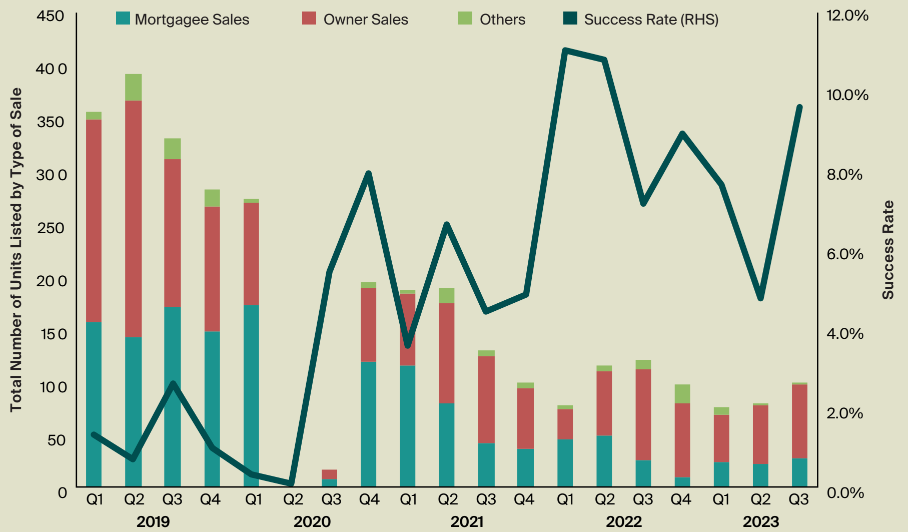
Listings increased across all property types in Q3, with residential properties accounting for 49.0% (50) of the total, higher than the 37 in Q2. **Retail properties made up 25.5% (26) of the overall listings,** slightly up from the 25 in the previous quarter. **Industrial and office units comprised of 19.6% (20) and 5.9% (6) respectively of the total listings in Q3,** increasing from a corresponding 15 and 5 in Q2.

Other type of sales (including estate, receiver, and bank sales) accounted for three listings in the quarter, with all three comprising residential properties. A 4-bedroom apartment at Signature Residence, which was newly listed as a sheriff sale listing in August 2023, was sold at the opening price of S$2.9 million.

A total of 10 properties were knocked down in Q3, translating to a success rate of 9.8% and accounting for S$17.8 million in total gross sales value. This was more than three times the S$4.8 million accumulated gross sales in Q2. Of all the properties sold, eight were newly listed, suggesting that despite the slowing economy, fresh inventory on the auction platform appealed to prospective buyers, especially those who had been following the market long enough to be able to identify opportunities.

Three out of the four industrial properties transacted were sold between 4% and 9% below opening price. Some industrial property owners might be under some pressure to either offload or right-size their assets given that their businesses might be underperforming, with interest rates remaining sticky and the manufacturing sector currently at a low point.

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



Source: Knight Frank Auctions and Knight Frank Research

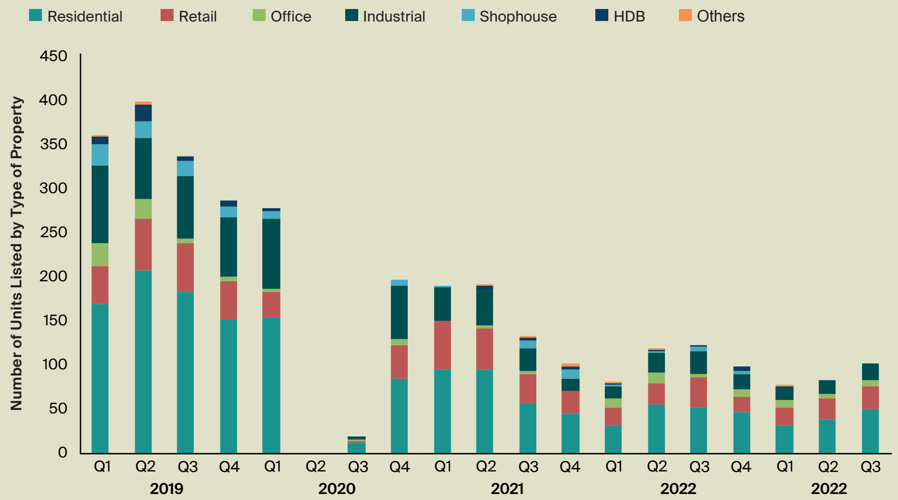
MORTGAGEE SALES

There were 29 mortgagee listings in Q3 2023, comprising two landed homes and 20 non-landed residences. These 22 residential listings represent an increase from 12 in the previous quarter, signalling that distress properties are now surfacing in the market due to the delayed effect of the elevated interest rates throughout the year. Buyer sentiment also turned cautious with the prevailing uncertainty and the increased Additional Buyer's Stamp Duty rates.

Apart from residential mortgagee listings, there was a combined total of seven commercial and industrial properties listed for mortgagee sale, comprising of two retail, one office and four industrial properties.

The five residential and three industrial properties which were successfully auctioned in Q3 were mortgagee sale listings. Among the five residences, four were sold at a premium of between 0.4% and 9.0% from the respective opening prices while

Exhibit 2: Total Number of Listings by Property Type



Source: Knight Frank Auctions and Knight Frank Research

another sold at a discount of 1.7%. Despite the tentative sentiment exhibited by residential homebuyers observed throughout the quarter, family-sized units were still sought after as most of the residences sold were three-bedrooms or larger. A strata-titled terrace house in The Teneriffe was sold for S$3.52 million recording the highest premium of 9.0% among all properties auctioned during the quarter.

OWNER SALES

In Q3 2023, there were 70 owner listings, a 22.8% q-o-q rise from the 57 in Q2 2023, but a 20.5% y-o-y decrease from the 88 in Q3 2022. This is the tenth consecutive quarter when owner sale listings surpassed mortgagee sale listings, with the exception of Q1 2022.

However, compared to mortgagee sale listings, only one property among the owner listings was sold in Q3. Despite the substantially lower success rate at auction, the higher proportion of owner to mortgagee sale listings suggests that owners are increasingly cognisant that the auction platform can focus wider public interest and the attention of buyers on the search for property. Many of the properties found on owner listings were sold outside of the auction process in private treaty deals after buyers had taken note of the opportunity.

The sole owner listing sold was a 60-year leasehold B2 landed factory located along Kaki Bukit Place. The industrial property was sold at S$5.0 million, some 3.8% below an opening price of S$5.2 million.

There were 25 residential and 24 retail owner listings in Q3, up from the 24 and 21 respectively in Q2. Office owner listings remained unchanged at five listings, with industrial listings recording the highest jump of 16 listings compared to the seven in the previous quarter. The stark jump in industrial owner listings suggest that the stressed economy compelled some industrial end-users to mitigate operational cashflows by offloading assets.

Even though rentals in malls are generally increasing, more strata-retail and ancillary retail spaces located in suburban locations are also gradually showing up in owner sale listings, with challenges in sustaining a consistent retail trading environment, especially in buildings that are not in the main thoroughfares along transport nodes, with access to a steady stream of pedestrians/shoppers. With the retail sector beset by inflation and escalating business costs, retailers might opt to list shops for sale so as to cut their losses and pivot to other alternatives.

MARKET OUTLOOK

In the remaining three months of the year, there would likely be a gradual increase in the total number of listings based on the current level of enquires, with more mortgagee sale listings as a symptom of the uncertain outlook, a slowing economy, high interest rates and rising inflation begin to show up as auction listings.

This presents a window of opportunity for prospective buyers who could ride on the possibility of growth in these assets when the economic situation turns more optimistic and values of real estate assets rebound. In the first nine months of 2023, an overall success rate of 7.7% was recorded. Moving into the last quarter of 2023, Knight Frank expects that the knock-down rate will improve slightly and has revised the overall success rate projection at auction upwards from 5% to 7% to between 7% and 10% for the whole of 2023.

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For further information on the report, please contact:

Sharon Lee
Head
Auction & Sales
+65 6228 6891
sharon.lee@sg.knightfrank.com

Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com

Koh Kai Jie
Analyst
Research
+65 6228 6857
kaijie.koh@sg.knightfrank.com

Industrial & Logistics

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Industrial market riding out manufacturing woes

“Sales and leasing activity in the industrial market has been relatively steady despite the poor manufacturing performance in 2023, setting the stage for when the manufacturing sector turns a corner and begins to pick up.”

NORISHIKIN KHALIK, DIRECTOR, OCCUPIER STRATEGY AND SOLUTIONS

3,230 LEASES

Number of Industrial Tenancies
2.1% ▼ Q-O-Q | 2.1% ▼ Y-O-Y

S$922.7 MILLION

Total Industrial Sales
13.9% ▼ Q-O-Q | 15.6% ▼ Y-O-Y

38.9 MILLION SF GFA

Upcoming Supply (Q3 2023 to 2027)

SINGAPORE’S MANUFACTURING SECTOR SHOWS SIGNS OF BOTTOMING OUT

Based on advanced estimates released by the Ministry of Trade and Industry (MTI) in October 2023, the Singapore economy expanded by 0.7% y-o-y and 1.0% q-o-q, despite the narrowing of GDP growth forecast from “0.5% to 2.5%” to “0.5% to 1.5%”. Although the manufacturing sector continued to contract by 5.0% y-o-y in Q3 2023, on a quarterly basis there was a turnaround with a very slight 0.2% growth from the 1.5% q-o-q decline in Q2 2023.

The Economic Development Board (EDB) reported that Singapore’s total manufacturing output decreased by 12.1% y-o-y in August 2023. The transport engineering cluster was the only one tracking positive growth with 16.2% in August, as tourism recovers to pre-pandemic numbers. However, other manufacturing clusters continued to decrease with the electronics cluster contracting the most, by 20.0%, followed by a 14.4% fall in the precision engineering cluster. The slowdown in the various manufacturing clusters resulted in the continued muted activity in the industrial real estate sector during the quarter. Despite the decreasing total manufacturing output, the Singstat Q3 2023 Business Expectations Survey showed that business sentiment for the manufacturing sector remained positive for the period July to December 2023, suggesting that recovery might be on the horizon.

The overall Singapore Purchasing Manager’s Index (PMI) finally registered an expansion in September, recording 50.1, an increase of 0.2 points from 49.9 in August and the fourth consecutive month of marginal improvement. Similarly, the electronics PMI also showed slight improvement even though it continued to be below 50 for 14 straight months since August 2022. Combined with the advanced GDP estimates, the PMI could be an early indication that the manufacturing sector will bottom out and the tide might turn in the next few months.

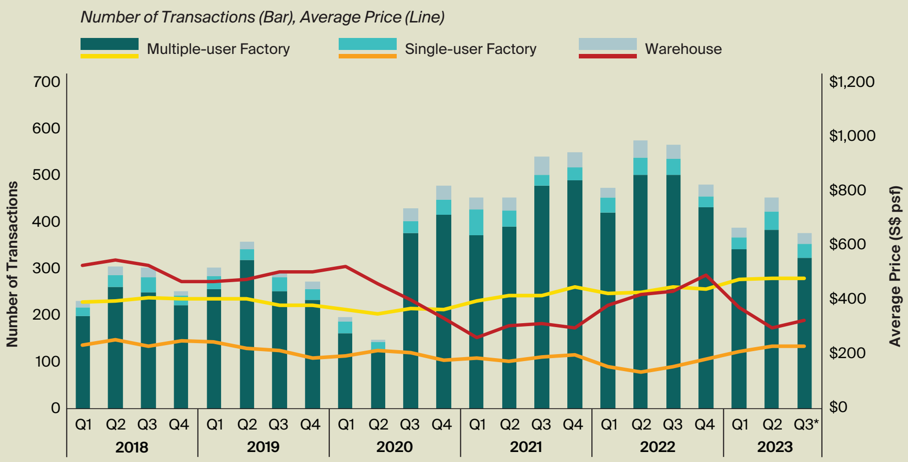
SLOWER SALES AND LEASING ACTIVITY IN THE QUARTER

Industrial sales activity in Q3 2023 slowed down, registering a quarterly decline of 16.4% with 381 sales transactions that amounted to S$922.7 million, a fall of 13.9% q-o-q. Notable sales included the sale of Sime Darby Business Centre for S$68.0 million (S$818 psf) in July, and Reebonz Building to the Tan family of Sunray Woodcraft Construction for S$39.0 million (S$453 psf) in August.

In contrast to industrial sales, leasing activity was more stable, registering a moderate pick up in average rents for all property types. However, islandwide leasing activity for multiple-user factories decreased 2.4% q-o-q to 2,461 tenancies even though the median rent grew 3.7% q-o-q to S$2.17 psf pm, after chalking up a similar increase in Q2 2023 (Exhibit 2). Despite the shrinking electronics sector, occupancy levels remain stable without noticeable signs of end-users giving up significant volumes of space.

Quality warehouse spaces and facilities remained steady in 2023. Warehouse median rents increased for the sixth consecutive quarter touching S$2.00 psf pm in the current quarter, while rental transaction volume was

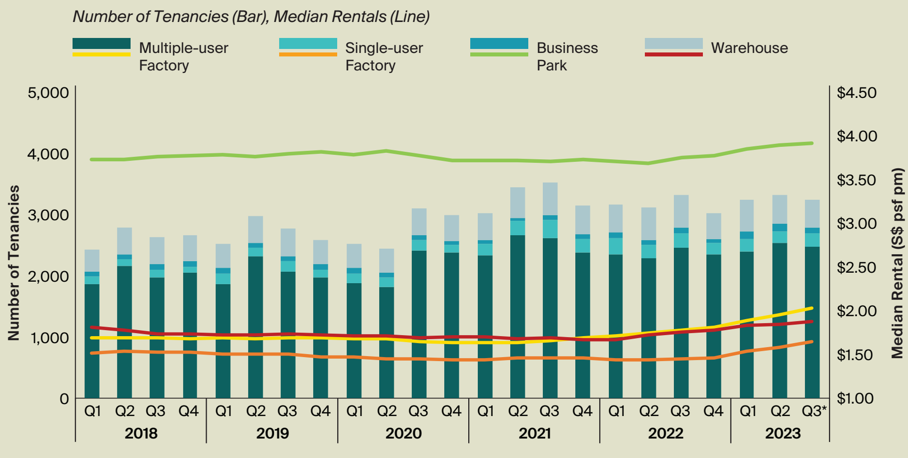
Exhibit 1: Industrial Sales Performance



Source: JTC J-Space, Knight Frank Research
Note: The average unit price is based on a four-quarter moving average of strata transactions.
*Q3 2023 data is based on transactions downloaded as at 16 October 2023.

fairly consistent with 456 units. The promise of soon-to-be completed stock, combined with inventory being cleared from existing storage spaces have eased some of the demand pressures for quality logistics facilities in Q3 2023.

Exhibit 2: Industrial Leasing Volume and Median Rentals



Source: JTC J-Space, Knight Frank Research
Note: The median rent is based on a four-quarter moving average.

SINGAPORE CONTINUES TO EXHIBIT STRONG POTENTIAL FOR MANUFACTURING CLUSTERS

According to EDB, Singapore received a total of S$1.6 billion in fixed asset investment (FAI) commitments in Q2 2023, a decrease of 20.4% q-o-q and 75.2% y-o-y as global manufacturers remained tentative on expansion amid the continuing uncertainty. Nonetheless, several clusters such as the chemical, biomedical manufacturing and transport engineering clusters received more forward-looking investment commitments compared to the previous quarter, as Singapore remained attractive to high-end international industrialists.

The first hydrogen-ready co-generation plant in Singapore will be built by Keppel together with a consortium comprising Mitsubishi Power Asia-Pacific and Jurong Engineering. This plant will be located in Jurong Island and is expected to be completed in H1 2026. Global logistics company DSV and logistics real estate specialist Logos will invest $200 million to develop a 720,000 sf built-to-suit warehouse facility that is expected to be completed by mid-2025. GlobalFoundries opened its 247,570 sf expansion of their fabrication plant in Woodlands in September at a cost of S$5.5 billion. Additionally, Hong Leong Asia opened a 409,029 sf construction and prefabrication facility at Punggol in July, the largest of its kind to mitigate the stress on supply chains that were the cause of delays in the aftermath of the pandemic.

Despite the new entrants, Disney's Lucasfilm announced its departure from Singapore in August as it shut its operations here due to changes in the industry and business conditions.

MARKET OUTLOOK

The industrial real estate sector has been in a holding pattern throughout 2023 and is likely to end the year in similar circumstances. Even though manufacturing output and contribution to GDP contracted during the year, industrial real estate indicators of occupancy levels, prices and rents generally remained stable for most industrial property types, from time to time even recording marginal gains. While not out of the woods yet, there are signs that the outlook by the end of 2023 will be more hopeful for manufacturing than at the start of the year, with early signals that the worst might have passed.

Although Singapore's key exports shrank by 13.2% y-o-y in September 2023, this has abated from the 22.5% slide in August. Added to the combination of the turnaround in sentiment from official business surveys, the PMI turning positive, and a slight quarterly gain in manufacturing GDP growth based on Q3 2023 advance estimates, the sector might start to recover in early 2024 with the industrial real estate market strengthening in tandem.

For further information, please contact:

Norishikin Khalik
Director
Occupier Strategy and Solutions
+65 6228 7347
norishikin@sg.knightfrank.com

Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com

Alvin Teng
Director
Occupier Strategy and Solutions (Industrial)
+65 6228 6893
alvin.teng@sg.knightfrank.com

Sim Li Wei
Analyst
Research
+65 6228 6856
liwei.sim@sg.knightfrank.com

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Investment

Subdued private investment sales

"Due to the current high interest cost, buyers find themselves having to move up the risk curve by adding value to their investments to obtain higher sustainable returns... and this includes acquisitions for enhancement and redevelopment."

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

TOTAL INVESTMENT SALES

S$6.9 BILLION IN Q3 2023

S$3.9 BILLION IN Q2 2023

S$5.7 BILLION IN Q3 2022

After five consecutive quarters of decrease since Q1 2022, real estate investment activity in Q3 2023 clocked an increase in total transacted value. A total transacted value of S$6.9 billion was recorded, an increase of 74.8% q-o-q with an improvement of 19.4% y-o-y (Exhibit 1). However, more than 60% comprised Government Land Sale (GLS) sites that were awarded. These amounted to almost S$4.1 billion. Some of the largest parcels awarded included sites at Tampines Avenue 11, Marina Gardens Lane and Jalan Tembusu showing that developers still have appetite for development in the local market despite the tepid economy.

As a result, the total amount of residential deals added up to S$3.3 billion this quarter, due to the five awarded residential GLS tenders. This represented an increase of 93.5% q-o-q, but a decrease of 12.0% y-o-y for this asset type. At the same time, there was also a decrease in sales activity for private residential properties, which can likely be attributed to the increase in Additional Buyer's Stamp Duty (ABSD) rates in April 2023 for local buyers, but more so for foreigners with a doubling from 30% to 60%.

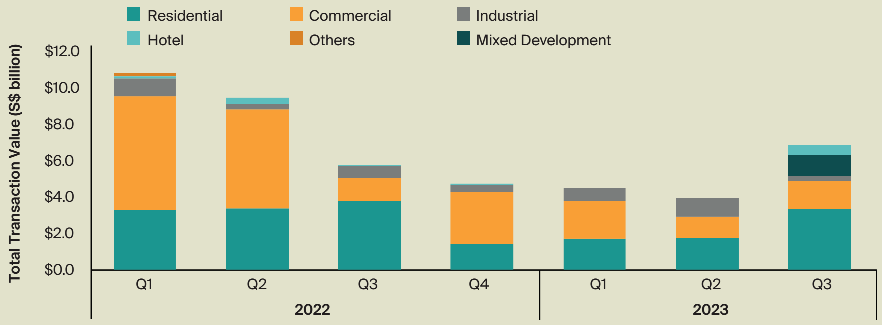
In Q3 2023, commercial property deals totalled S$1.5 billion, an increase of 27.4% q-o-q and 23.3% y-o-y. The higher transaction value mainly comprised the sale of Changi City Point by Frasers Centrepoint Trust, reportedly to the Zhao family from mainland China at S$338.0 million in August, and the collective sale of Far East Shopping Centre for S$908.0 million to Glory Property Developments at end-September. The first mixed development sale was also awarded in Q3 2023 after six quarters since Q4 2021, with the sale of the GLS site at Tampines Avenue 11 for S$1.2 billion for commercial and residential use.

However, the transaction value of industrial properties went south, registering the second lowest amount of S$252.2 million since the S$174.0 million recorded during the circuit breaker of Q2 2020.

Parkroyal on Kitchener Road was sold in July for S$525.0 million to Worldwide Hotels. This was the first hotel deal to be completed since Q4 2022, and the largest hotel in terms of transaction value since Q4 2020. This may be a sign of things to come, with more investor interest directed towards the recovering hospitality and retail sectors.

Overall, while investment activity showed improvement in Q3 2023, the majority of the quarter's transaction value was due to public investment sales from the GLS programme.

Exhibit 1: Total Investment Sales, by Property Sector



Source: Knight Frank Research (based on data available as at 29 September 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.

COLLECTIVE SALES

The collective sales market in Q3 2023 continues to be challenging as activity slowed, dragged down by the tentative and uncertain market outlook. The expanding gulf in expectations between owners and developers remained the biggest obstacle, exacerbated by increasing costs, interest rates and the prohibitive increases in ABSD rates, all in a climate of economic pessimism. In July, it was announced that Wincove Investment (a subsidiary of Wing Tai) withdrew from the sale of Holland Tower, after the deal was made at S$76.3 million in March this year, further dampening collective sale sentiments.

Despite this, the sole collective sale of Far East Shopping Centre at the end of Q3 2023 extended a precious lifeline into what has been a rather gloomy enbloc environment that was affected by the recent increase in the foreigner ABSD rate for residential properties in April this year. Foreigners residing in properties undergoing the enbloc process are not likely to sell due to replacement costs that have exponentially increased for them.

"As a result of increasing costs, the attention of developers have generally

Exhibit 2: Top 5 Transactions in Singapore, Q3 2023

SITE / DEVELOPMENT	PROPERTY TYPE	SALES PRICE (S$MIL)	AREA (SF)	ESTIMATED UNIT PRICE (S$PSF)	BUYER	DATE OF SALE
GLS site at Tampines Avenue 11	Residential & Commercial	$1,206.4	1,363,786*	$885*	Topaz Residential Pte Ltd and Topaz Commercial Pte Ltd	Jul-23
GLS site at Marina Gardens Lane	Residential	$1,034.5	738,113*	$1,402*	Kingsford Huray Development Pte Ltd, Obsidian Development Pte Ltd and Polarix Cultural & Science Park Investment Private Limited	Jul-23
Far East Shopping Centre	Commercial	$908.0	290,574*	$3,350*	Glory Property Development	Sep-23
GLS site at Jalan Tembusu	Residential	$828.8	775,033*	$1,069*	Sim Lian Land Pte Ltd and Sim Lian Development Pte Ltd	Aug-23
Parkroyal on Kitchener Road	Hotel	$525.0	542 rooms	$968,635 per room	Worldwide Hotels	Jul-23

Source: Various sources, Knight Frank Research
* Refers to the estimated maximum permissible GFA and corresponding reported price psf ppr.

turned towards the GLS confirmed list, even though the number of participants has fallen and the bid rates on a psf per-plot-ratio basis have turned conservative during recent tender exercises. Notwithstanding that appetites of developers have shrunk due to rising costs, plots in prime locations continue to generate interest given the possibility for subdivision or redevelopment." said **Chia Mein Mein, Head, Capital Markets (Land & Collective Sale)**.

OUTBOUND INVESTMENT FROM SINGAPORE

According to Real Capital Analytics (RCA), outbound investment from Singapore amounted to a total of S$2.7 billion, a decrease of 36.4% q-o-q and 62.0% y-o-y (Exhibit 3), as sentiment turned muted due to escalating borrowing costs negating positive carry from property income streams, ongoing geopolitical tensions, and market uncertainties.

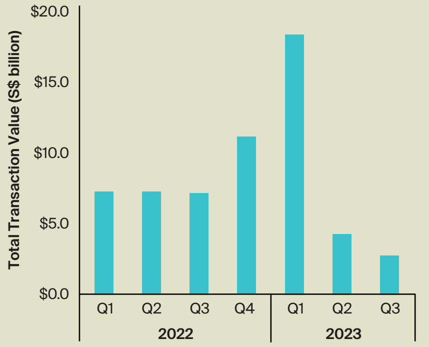
In the third quarter of 2023, a few noteworthy deals included the purchase of interests in 25 freehold residential assets in Japan by CDL for S$321.9 million and the acquisition of a data centre in the United Kingdom by CapitaLand Ascendas Reit for S$209.4 million.

MARKET OUTLOOK

In the coming months, the capital markets space will be characterised by investors on the search for assets being primarily focused on adding value to the properties to achieve higher returns. This is to justify the higher borrowing costs involved with the acquisition of the property. While the industrial sector will remain the hunting ground for core acquisitions, other investors currently in the process of discovery are increasingly observed to be prepared to move up the risk curve for commercial properties to obtain higher returns, and this can include taking the enhancement and redevelopment route.

Nonetheless, given the tentative pace of investment activity and prevailing challenges in the Singapore property market, a continued slowdown will likely feature in the remainder of 2023. Total investment sales for 2023 are expected to add up to a more conservative S$18 billion to S$20 billion compared to the S$20 billion to S$22 billion previously projected.

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



Source: RCA, Knight Frank Research
Note: Based on transactions available as at 29 September 2023 (excludes transfer and refinancing of real estate assets).

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For Investment & Capital Markets enquiries, please contact:

Daniel Ding
Head, Capital Markets (Land & Building, International Real Estate)
+65 6228 6833
daniel.ding@sg.knightfrank.com

Chia Mein Mein
Head, Capital Markets (Land & Collective Sale)
+65 6228 6868
meinmein.chia@sg.knightfrank.com

For further information on the report, please contact:

Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com

Sim Li Wei
Analyst
Research
+65 6228 6856
liwei.sim@sg.knightfrank.com

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Office

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The office sector remained resilient

“Despite the soft economy, many businesses continued to renew their leases, supporting the healthy occupancy levels in the office sector.”

CALVIN YEO, MANAGING DIRECTOR, OCCUPIER STRATEGY AND SOLUTIONS

4.7 MILLION SF (GROSS FLOOR AREA)

Estimated CBD New Supply (Q3 2023-2027): ▲ Q-O-Q

94.4%

CBD Occupancy: ▲ Q-O-Q

S$11.05 PSF PM

Prime Office Rents: ▲ Q-O-Q

RENTS AND OCCUPANCY

Prime Grade office rents in the Raffles Place / Marina Bay precinct rose 0.8% q-o-q and 5.1% y-o-y in Q3 2023, averaging S$11.05 psf pm. The slowing economy did not deter office rents from holding up, with prime office rents growing a moderate 3.4% in the first nine months of 2023. In the remaining months of the year, prime office rents are expected to maintain as CBD office supply will continue to remain tight.

Occupancy levels in the Raffles Place / Marina Bay precinct, and in the overall CBD were healthy at 96.0% and 94.4% respectively in Q3 2023, remaining relatively stable from the corresponding levels of 95.8% and 94.1% in the previous quarter. Most office occupiers in quality office buildings in the CBD were generally more inclined to renew their rental contracts due to cost efficiencies compared to relocation. Post pandemic, the office as a relevant focal point for workplace productivity remains critical for many aspects of business operations, thereby keeping occupancy levels tight.

DEMAND DRIVERS

The third quarter was a relatively quiet one for the office market as businesses around the world turned cautious, reticent to expand amid the bearish global economic outlook. Some international banks such as UBS and Standard Chartered recently announced reductions in headcounts. However, at the same time, smaller international and regional banks have been sourcing for modest expansion space.

As businesses continued to grapple between global economic headwinds and escalating geo-political tensions, international firms were not deterred from locating in Singapore, for a presence in South-east Asia. Key examples included San Francisco-based global human resource firm Deel and Japanese firm Exeo Global citing the strategic location of the city to Asia Pacific markets as well as the substantial talent pool as favourable factors for establishing their new offices in Singapore.

The demand for quality spaces maintained with occupiers not moving out of their current offices to lower-cost buildings. As such, while tight occupancies characterise quality offices, older buildings may struggle to mitigate vacancy levels. To attract the best tenants seeking “flight-to-quality” moves and to secure a recurring rental stream in the future, asset enhancement or redevelopment into a sustainable asset can position to capture market upside when the business cycle turns. This trend started during the pandemic when several buildings such as the former Keppel Towers at Hoe Chiang Road, the former Shaw Tower in Beach

Exhibit 1: Average Office Rentals, by Key Precincts in Q3 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+	$11.95 - $12.45	0.7%	3.2%	-0.1
Raffles Place / Marina Bay Grade A	$9.95 - $10.45	1.0%	5.7%	-0.5
Marina Grade A	$9.90 - $10.40	2.0%	5.8%	0.0
Beach Road / Middle Road Grade A	$9.80 - $10.30	2.0%	6.8%	0.3
Shenton Way / Robinson Road / Tanjong Pagar Grade A	$9.90 - $10.40	1.9%	5.9%	-0.3
Orchard Grade A	$8.60 - $9.10	1.1%	1.7%	0.6
City Fringe West – Alexandra / Harbourfront	$6.85 - $7.35	0.1%	5.6%	2.9
City Fringe North – Novena / Newton	$7.10 - $7.60	0.3%	1.5%	-0.6
City Fringe East – Paya Lebar	$7.00 - $7.50	2.4%	2.0%	-0.9
Suburban East	$4.70 - $5.20	2.1%	4.7%	-1.0
Suburban West	$5.65 - $6.15	1.7%	10.1%	0.8

Source: Knight Frank Occupier Strategy and Solutions

Road and the former AXA Tower in Shenton way decanted to undergo redevelopment into modern green certified buildings.

ECONOMIC SENTIMENT AND OUTLOOK

Singapore's Gross Domestic Product (GDP) grew 0.5% y-o-y in Q2 2023 according to the Ministry of Trade and Industry (MTI), improving slightly from the 0.4% y-o-y growth in Q1 2023. On a quarterly basis, the economy avoided recession with a very marginal increase of 0.1% q-o-q after reversing from a 0.4% contraction in Q1 2023. Given the pre-existing weak global economy with continued downside risks, MTI narrowed the GDP growth forecast for 2023 to 0.5% to 1.5%, with private economists echoing a similar weak sentiment, cutting GDP forecast for the year to 1%.

However, according to the Ministry of Manpower, the Singapore labour market remained stable in Q2 2023 albeit at a slower pace of growth in the next few quarters. Hiring sentiments remained optimistic among employers in Singapore. Based on a survey conducted by the ManpowerGroup, 510 employers in the city-state across various sectors reflected a positive net employment outlook of 34%, a two percentage-point increase from the previous quarter. Among these employers surveyed, 48% of respondents were expecting to increase headcount in the next few quarters, which could translate into moderate office expansions.

Despite the slow growth, Singapore would unlikely fall into a technical recession in 2023. Undergirded by a tight labour market, office tenants will continue to take holding positions by renewing or relocating their leases cautiously. With no new office inventory expected to complete in the CBD until 2024, occupancy levels will remain firm, with very marginal rental upside. As such, Knight Frank maintains its forecast of 3% to 5% growth in rents for the whole of the year.

Exhibit 2: Selected Upcoming Office Supply Islandwide

PROJECT NAME	STREET NAME	PLANNING AREA	TOTAL OFFICE SPACE GFA (SF)	DEVELOPER
One Holland Village	Holland Road	Queenstown	62,754	Commons Residential Pte Ltd / Commons SR Trustee Pte Ltd / Commons Commercial Trustee Pte Ltd
	Total Key Supply 2023		**62,754**	
IOI Central Boulevard Towers	Central Boulevard	Downtown Core	1,492,825	Wealthy Link Pte Ltd
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 Afifi	Geylang	388,943	RBC Investor Services Trust Singapore Limited (Trustee Of CLPT)
	Total Key Supply 2024		**3,348,954**	
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

For further information on the report, please contact:

Calvin Yeo
Managing Director
Occupier Strategy and Solutions
+65 6228 6887
calvin.yeo@sg.knightfrank.com

Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com

Koh Kai Jie
Analyst
Research
+65 6228 6857
kaijie.koh@sg.knightfrank.com

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Tentative buying sentiment as price increases ease

"Private home prices are not expected to turn negative but will even out and stabilise in the months ahead. As such, homebuyers should not time the market, but instead purchase based on prevailing housing needs."

NICHOLAS KEONG, HEAD, PRIVATE OFFICE

189.6 (Q3 2023**)

Non-landed Private Residential Property Price Index (Flash Estimate)
2.1% ▲ Q-O-Q | 4.4% ▲ Y-O-Y

4,215 UNITS (Q3 2023*)

Total Non-landed Transaction Volume excluding ECs
17.4% ▼ Q-O-Q | 24.4% ▼ Y-O-Y

URA FLASH ESTIMATES

Based on flash estimates by the Urban Redevelopment Authority (URA), the price index of non-landed private homes (excluding Executive Condominiums (ECs)) increased 2.1% q-o-q in Q3 2023**, reversing from the 0.6% q-o-q marginal decline in Q2. In the first nine months of the year, non-landed home prices have grown 4.1%**, and 4.4% y-o-y**.

The overall price growth softened due to moderation in sales activity throughout the quarter, with more projects launched compared to the same period a year ago. This resulted in homebuyers increasingly taking more time to choose from a greater variety of newly launched projects, all the while keeping in mind potential upcoming launches.

The total sales in Q3 2023* fell 17.4% q-o-q to 4,215 transactions from the 5,104 sales recorded in Q2*. Despite the launch of several prominent projects mainly in the fringe and the suburban areas, take-up rates were selective and tentative, unable to lift sentiment as the buffet spread of choices might have caused decision fatigue among buyers, who are no longer showing the type of urgency exhibited a year ago. As such, new sales declined 9.1% q-o-q to 1,887 transactions in Q3*.

Similarly, in the secondary market, sales volume dropped 23.1% q-o-q to 2,328 units in Q3 2023* and 32.5% y-o-y against the 3,447 resale transactions in Q3 2022*. Nonetheless, the softening buying sentiment did not cause homeowners to moderate asking prices as replacement costs had increased substantially from a year ago as prices moved upwards.

CORE CENTRAL REGION (CCR)

The sole launch in the CCR during the quarter was the 78-unit Orchard Sophia, with the first phase of 24 units that launched in August selling out. Despite this, new sales in the CCR fell 45.1% q-o-q to 242 units in Q3 2023*. In the secondary market, transaction volume shrank 21.9% q-o-q to 378, bringing total sales to 620 in Q3*. The quieter sentiment also translated to a price fall of 2.6% q-o-q in Q3 2023**.

The share of foreign homebuyers in this market segment plunged to 6.0% in Q3 2023*, lower than the 11.0% in Q2 and the 15.8% in Q1*, as the doubling of the Additional Buyer's Stamp Duty (ABSD) curtailed sales volume from this group of buyers.

REST OF CENTRAL REGION (RCR)

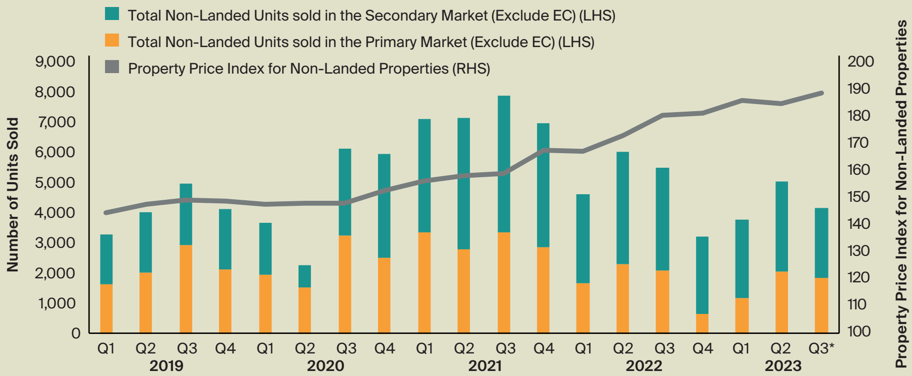
Non-landed home prices in the RCR rose 2.3% q-o-q in Q3 2023**, with the upward price movement attributed to the new launches of Grand Dunman and Pinetree Hill where encouraging sales levels were recorded. TMW Maxwell was off to a slower start with seven homes sold out of the 80 units released in the first phase, from S$3,188 psf. Nevertheless, with interest for homes in the CBD gradually returning coupled with the future growth plans at the Southern waterfront of Singapore, TMW Maxwell is positioned to leverage on the growth of the locality.

The total non-landed transactions in the RCR fell 34.6% q-o-q to 1,681 sales in Q3 2023*. The drop is attributed to the primary sales decline of 38.5% q-o-q to 950 units, as secondary sales volume dropped 28.8% q-o-q to 731 transactions.

OUTSIDE CENTRAL REGION (OCR)

The OCR performed better than in the previous quarter, with 1,914 total sales recorded, rebounding from an 8.0% q-o-q decline in Q2 to a 19.0% q-o-q increase in Q3 2023*. Primary sales rose

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



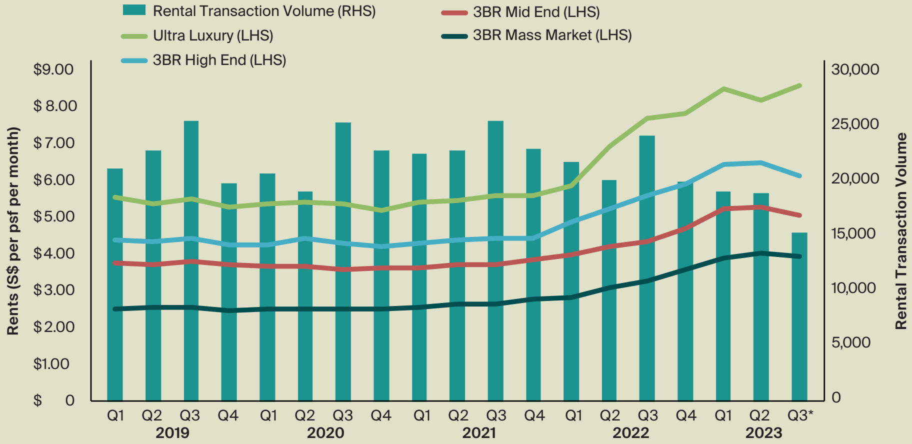
Source: URA Realis, Knight Frank Research, *based on data available as at 2 October 2023 more than seven times to 695 units in Q3*, with the surge in new sales due to the launch of several projects that included Lentor Hills Residences, The Myst, The Arden and The Lakegarden Residences. However, secondary sales decreased 19.7% q-o-q to 1,219 non-landed transactions.

The improved sale activities, especially in the primary market, lifted non-landed home prices in the OCR by 5.1% q-o-q in Q3 2023**.

RENTAL MOVEMENTS

The rental market reached a turning point where the mass market, mid-end and high-end segments declined between 2% and 6% in Q3 2023, easing from the 1% to 3% increments recorded in Q2 2023. However, rents in the ultra luxury segment rebounded by a 5.0% gain in Q3 against the 4% drop in Q2. Overall, the flatlining of rental increases signalled that the explosive growth last year has passed with the leasing market stabilising.

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



Source: URA Realis, Knight Frank Research
*Q3 2023 includes the number of transactions for July and August 2023 only (RHS-axis)

Islandwide leasing contracts in Q3 2023 totalled 15,196 in July and August 2023, a 24.6% increase when compared to April and May 2023, but 9.0% lower compared to the same period in 2022. With more homeowners obtaining keys in the remaining three months of the year, more interim renters are expected to exit the rental market, increasing inventory for lease. Looking ahead, foreign professionals and their families will increasingly make up the majority of tenants as the leasing market stabilises from an undersupplied state.

MARKET OUTLOOK

General demand for private homes in the remaining months of 2023 will continue to be underpinned mostly by homebuyers purchasing for their own occupation. However, despite household balance sheets remaining healthy, homebuyers have been and will continue to become more circumspect in their housing decisions, targeting locational and product attributes that best fit their lifestyle and family requirements, such as schools. This, in addition to having to consider the cooling measures announced in April, sticky high interest rates, job security, inflationary and recessionary pressures.

Investors purchasing for capital preservation, appreciation, and recurring income, both locals and foreigners, will likely remain on the sidelines until interest rates peak and stabilise, and until such time when more optimism returns to the economy. Nevertheless, history has shown experienced investors familiar with Singapore's private residential scene, that this window of muted activity can turn quickly with the return of transactional activity once the external environment improves.

Overall, the total expected number of new sales still remains on track to end the year with between 7,000 and 8,000 units as earlier projected. With private home prices having increased 3.6% in the first nine months of 2023**, this is also expected to fall within Knight Frank's projection of a moderate 3% to 5% increase for the whole of 2023.

* based on data available as at 2 October 2023. Figures exclude Executive Condominiums (ECs).
**based on flash estimates announced on 2 October 2023.

For further information on the report, please contact:


Nicholas Keong
Head
Private Office
+65 6228 6870
nicholas.keong@sg.knightfrank.com


Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com


Koh Kai Jie
Analyst
Research
+65 6228 6857
kaijie.koh@sg.knightfrank.com

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Growth of retailer's market beyond brick and mortar

"Singapore's retail market continues to ride on the wave of heightened global interest as international and local brands carry on expanding their market presence both in physical stores and online platforms. Social media proved hugely beneficial for retailers, especially those who can leverage synergies across multiple channels effectively to optimise shopper engagement."

ETHAN HSU, HEAD, RETAIL

S$30.00 PSF PM

Orchard Prime Retail Rent

S$25.90 PSF PM

Suburban Prime Retail Rent[1]

3.5 MILLION SF GFA

Upcoming Supply (Q3 2023 to 2027)

RENTS OF PRIME RETAIL SPACES GROWING IN TANDEM WITH VISITOR ARRIVALS

In the first nine months of 2023, the Singapore Tourism Board (STB) reported a total of around 10.1 million visitor arrivals, with more than a million each month for seven consecutive months from March to September. Although the numbers have not yet achieved the pre-pandemic monthly average of 1.5 million visitor arrivals, there is positive momentum that is steadily building. The third quarter of 2023 registered a total of approximately 3.9 million visitor arrivals, which is an increase of 72.5% y-o-y, and 14.5% q-o-q. Visitor arrivals typically increase in the second half of the year with more large-scale public events such as the National Day Parade in August, the Formula One Singapore Grand Prix night race and Singapore River Festival in September as well as the year-end holiday festivities.

The average gross rent of prime spaces island-wide increased 1.1% q-o-q and 4.3% y-o-y to S$26.70 psf pm in the third quarter of 2023 (Exhibit 1), improving over the 0.5% q-o-q growth in the previous quarter. Prime retail rents in all micromarkets grew by more than 5% y-o-y, except for the suburban areas that registered a more moderate growth of 0.6% y-o-y, after having recovered much earlier than the retail spaces in the more central areas of the island. Nevertheless, suburban prime retail rents expanded the most on quarter with a 2.1% increase to S$25.90 psf pm.

RETAIL SALES PERFORMANCE

Retail spending gained momentum in July and August as figures for retail sales (excluding motor vehicles) registered S$3.5 billion in both months (Exhibit 2). This increase was supported by the larger inflow of visitor arrivals attending international business and entertainment events organised in Singapore.

Online retail sales tracked stable performance comprising 14.2% of all sales in both June and July. However, this decreased by 0.4 percentage points (pp) to 13.8% in August, partly due to sales fatigue from frequent online promotional campaigns such as the monthly 1.1, 2.2 etc sales events on various online shopping platforms.

BURGEONING INTEREST IN DESTINATION SINGAPORE AS HOSPITALITY RECOVERY BUILDS MOMENTUM

The crisis management of the COVID-19 outbreak brought positive attention to Singapore, enhancing its status as a fundamentally safe and well-managed ecosystem, especially for investors looking for a stable base for business operations and growth opportunities. Post-pandemic, foreign brands continue to be attracted to Singapore, looking to extend their market share and footprint in the Asia Pacific region. World-renowned French pastry chef Cédric Grolet recently opened his first outlet in Asia with a new patisserie at COMO Orchard in

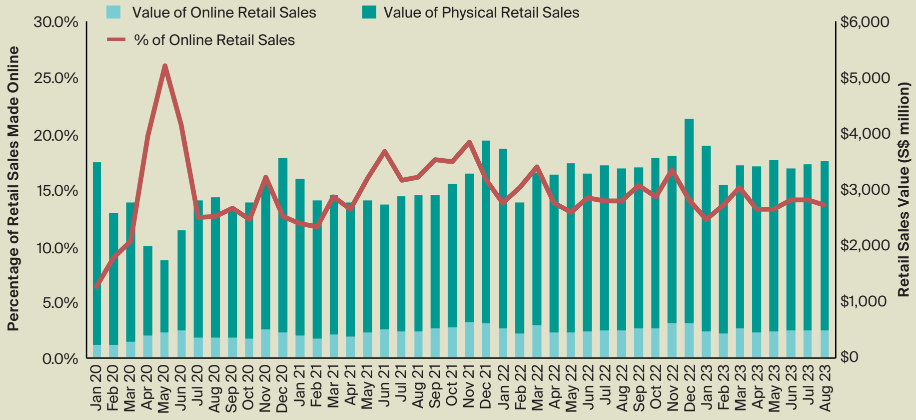
Exhibit 1: Average Gross Rents of Prime Retail Spaces*, Q3 2023

LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (S$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	**$26.70**	**1.1%**	**4.3%**
Orchard	$30.00	0.9%	5.2%
Marina Centre, City Hall, Bugis	$24.70	0.8%	5.3%
City Fringe	$23.10	1.2%	5.1%
Suburban[1]	$25.90	2.1%	0.6%

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] Average gross rents of prime retail spaces of suburban malls in Q1 and Q2 2023 were revised to S$25.70 psf pm and S$25.40 psf pm respectively to retrospectively reflect the opening of new malls.

Exhibit 2: Monthly Retail Sales as at August 2023



Source: Department of Statistics Singapore (as released on 5 October 2023), Knight Frank Research
Note: Monthly retail sales exclude motor vehicles.

September, bringing a new global flavour to an increasingly cosmopolitan Singapore. At the same time, local brands such as Love, Bonito have been making waves overseas with expansion into countries such as Malaysia, Hong Kong as well as a pop-up store in the USA.

Singapore is also fast becoming a destination of choice for many international artistes such as Taylor Swift, Coldplay, Twice, Ateez and Lauv, who have all made Singapore a dominant stop for their concert tours. Major events are steadily returning, like the Sundown Festival in August and the upcoming ZoukOut dance music festival that will be held later in December. In addition, there are more meetings, incentives, conferences and exhibitions (MICE) events held in Singapore during the quarter. These included the WorldSkills ASEAN 2023 in July and COMEX 2023 in August and September respectively. The attendance of event goers brought more visitors to Singapore with spillover benefits for retail spending, hospitality and tourism.

With lessons learnt from the pandemic on the use of social media, retail operators have been able to combine the best of innovative online and traditional physical channels to connect with a larger customer base. As such, several local brands were able to marry both to draw large followings on social media that created viral bursts of sensational shopper interests and crowds. The Paper Bunny and Beyond The Vines were able to attract attention on both online and offline stores, as new products and promotions generated viral responses during marketing campaigns from a digitally-savvy demographic base.

MARKET OUTLOOK

Going forward, retailers will continue to evolve and adopt new tools to obtain trend-based competitive advantages over competitors for the attention and spending dollar of consumers. With the increasing visitor arrivals, the remaining three months of 2023 will likely see the retail market consolidating the improvements achieved since Singapore opened its borders, culminating in year-end activities to wrap up a largely positive and eventful year.

Barring any unforeseen global or regional upheaval, and notwithstanding the uncertain economic outlook, the retail sector in Singapore remains firmly on course to strengthen in 2023 and into early 2024. Prime retail rents should stay the course, increasing between 3% to 5% for the whole of 2023.

For Retail Leasing enquiries, please contact:

Ethan Hsu
Head
Retail
+65 6228 6832
ethan.hsu@sg.knightfrank.com

For further information on the report, please contact:

Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com

Sim Li Wei
Analyst
Research
+65 6228 6856
liwei.sim@sg.knightfrank.com

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Contact Information

LEONARD TAY
Head, Research

6228 2854 | 9009 2310

leonard.tay@sg.knightfrank.com

KOH KAI JIE
Analyst, Research

6228 6875

kaijie.koh@sg.knightfrank.com

SIM LI WEI
Analyst, Research

6228 6856

liwei.sim@sg.knightfrank.com