

“Singapore’s commitment to opening borders and normalising business and social activities to pre-pandemic levels will increase the level of interest for strata commercial space, both office and retail, in the remaining half of 2022.”

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS



Singapore Research

Strata Commercial

H1 2022

Knight Frank Research
Reports are available at knightfrank.com.sg/research

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

	STRATA OFFICE	STRATA RETAIL
H1 2022	Total Transacted Value S\$365.1 million No. of Transactions 145 Average Price S\$2,319 psf	Total Transacted Value S\$290.9 million No. of Transactions 126 Average Price S\$2,009 psf
H2 2021	Total Transacted Value S\$461.9 million No. of Transactions 172 Average Price S\$2,116 psf	Total Transacted Value S\$267.4 million No. of Transactions 137 Average Price S\$2,111 psf

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 12 July 2022 and exclude big-ticket deals valued at S\$100 million and above.

STRATA OFFICE

Overall performance

- In H1 2022, a total of 145 strata office units exchanged hands, amounting to S\$365.1 million. This was a half-yearly decline of 15.7% from the 172 units sold in H2 2021 when the total transaction value stood at S\$461.9 million. On a year-on-year basis, the amount transacted in H1 2022 was slightly more than half of the S\$703.5 million registered from the sale of 169 units in H1 2021, a stark contrast from the same period a year ago.
- The slowdown in sales activity could be attributed to the shrinking saleable stock of strata offices. With the recent successful collective sale of a few strata commercial buildings, existing owners of other strata buildings may be holding on to their units in hopes of also embarking on the enbloc route.
- As such, investors with a view towards capital gains might also tap into the market for the enbloc potential of strata offices. The Downtown Core Planning Area recorded the largest volume of sales in H1 2022, with 45 units sold. Most of these transactions were strata offices in older buildings that possess enbloc potential or have been launched for a collective sale, with High Street Centre and Shenton House recording a combined total of nine transactions in H1, signalling the ongoing interest among investors for this asset class.
- Within the Central Region, other modern, quality strata offices like Suntec City continued to record healthy levels of sales. Given its good location and that these well-maintained developments are strata-titled, the building has been one of the consistent few that have received regular demand for its units. For example, a strata office unit occupying an entire floor at Suntec City Tower 2 was reportedly sold for S\$38.8 million (S\$3,300 psf) in June to a Singapore permanent resident of Chinese descent who liked the unblocked view of Marina Bay.

- Other key deals in H1 2022 included Paya Lebar Square where nine units exchanged hands. Similar to Suntec City, its close proximity to various amenities such as retail facilities and an MRT station played a key role in attracting buyers. In addition to its good location, strata office units within this building are also priced more affordably, when compared to other units, especially the ones in the Central Business District (CBD).

Comparing freehold and leasehold strata office performance

- The demand for leasehold units continued to outpace freehold strata offices. Of the 145 strata office caveats lodged in H1 2022, 97 transactions were leasehold. This was nevertheless fewer than the 116 units sold in H2 2021 (Exhibit 2). In a similar vein, the 48 freehold strata offices exchanged hands in H1 were a decline from the 56 units transacted in the latter half of last year.
- Even though the volume of leasehold units narrowed in H1, the gross total of S\$248.4 million brought the average unit price to S\$2,243 psf which represented an 8.4% increase on a half-yearly basis. The same was observed for freehold transactions. The average unit price of S\$2,500 psf, led by a total transacted amount of S\$116.7 million, was an 11.0% increase from H2 2021.

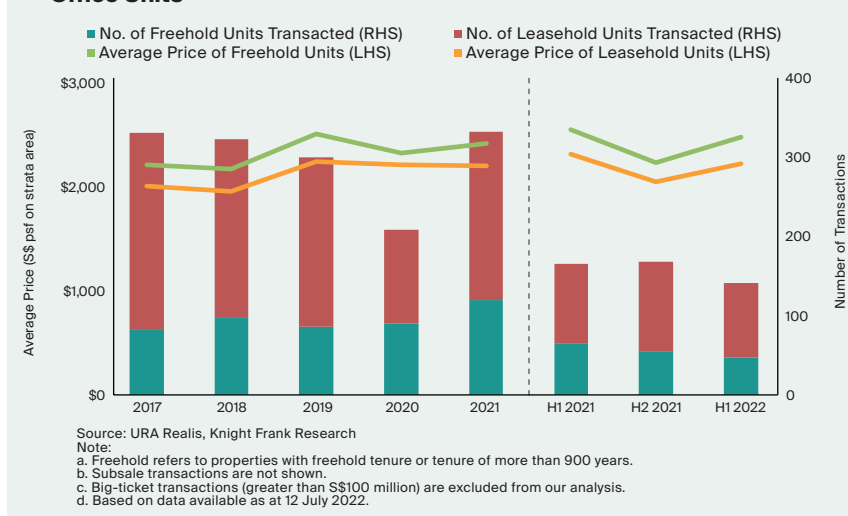
Continued on next page

Exhibit 2: Top 5 Strata Office Transactions, H1 2022

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (S\$ MIL)	UNIT PRICE (S\$ PSF)	SALE DATE
Suntec City	9 Temasek Boulevard	11,744	\$38.8	\$3,300	Jun-22
Merchants Building	76 South Bridge Road	5,436	\$20.4	\$3,753	Apr-22
Samsung Hub	3 Church Street #12-03	3,875	\$16.1	\$4,155	Jan-22
Suntec City	7 Temasek Boulevard #28-01	4,069	\$13.3	\$3,280	Apr-22
Prudential Tower	30 Cecil Street #23-01	3,552	\$11.6	\$3,260	Jan-22

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 12 July 2022.

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



Market outlook

- While demand for strata office units shrunk in the first six months of the year against the volume of sales in H2 2021, there is sufficient interest in the asset class given the enbloc potential of some developments, particularly those in older buildings or others that have launched the collective sale process. Other strata office units in the market that are conveniently located, modern and well-maintained also present opportunities for investors who might want to own quality office space in close proximity to amenities.
- Thus, with no immediate supply of new upcoming strata offices in the pipeline and with buyers not subject to Additional Buyer's Stamp Duty (ABSD) and Seller's Stamp Duty (SSD), continued demand for strata offices is expected in the remaining half of the year. Total transactions in the whole of 2022 could hover within the range of S\$600 million to S\$700 million.

STRATA RETAIL

Overall performance

- Four years on from 2017, the nascent signs of a rebound finally appears to be underway for the strata retail market. The reopening of the retail sector with the limits of gathering size and operating hours removed spurred renewed interest in strata retail space that was largely overlooked during the onset of the pandemic.
- Since the start of 2021, transactions for strata retail units progressively increased, with momentum continuing into 2022. In H1 2022, a total of 126 units were sold, grossing some S\$290.9 million in total sales value. And despite registering lesser transactions compared to the 137 units sold in H2 2021, this was still 8.8% higher than the S\$267.4 million total transaction value in the preceding half-year. Sales activity for strata retail space is expected to pick up in the months ahead as the retail sector is no longer held back by Safe Management Measures.
- The Rochor, Downtown Core and Orchard Planning Areas, located within the Central Area, were popular among investors with the sale of 18, 17 and 14 strata retail units within each of these planning areas respectively. As tourists flowed back into Singapore with the Vaccinated Travel Framework in place, along with the return of the CBD lunchtime crowd, retail activity rekindled, reinjecting much needed and long-awaited vibrancy to the market.
- Additionally, e-commerce activity wound down in recent months as consumers returned to physical stores. Pent-up demand stemming from restrictive measures over the past two years resulted in vengeance spending and dining-in. As business sentiments improved with reinvigorated buzz in the retail scene from the end of March this year, the increase in activity could potentially translate into more strata retail sales by investors as well as retail operators in the coming months.

Comparing freehold and leasehold strata retail performance

- From January to June 2022, 61 freehold strata retail units amounting to S\$137.3 million translated to an average unit price of S\$2,940 psf (Exhibit 5). This represented a decline from the average of S\$3,158 psf in H2 2021 as 80 freehold units totalling S\$134.2 million were sold. Even so, a freehold ground-floor retail unit at the podium of Coronation Shopping Plaza fetched S\$27.0 million in April 2022, one of the top strata retail transactions in H1 2022.
- Similarly, demand for leasehold strata retail units maintained, recording healthy sales as 65 units comprising a total of S\$153.6 million transacted in the first half of the year. This signified a 15.3% uptick in total sales value from the S\$133.2 million recorded in H2 2021 through the completion of 57 deals. A significant transaction that contributed

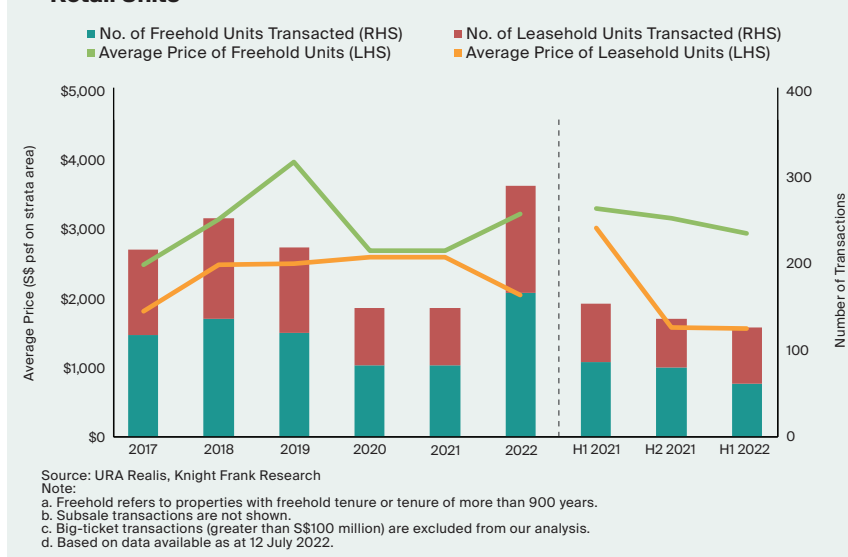
Continued on next page

Exhibit 4: Top 5 Strata Retail Transactions, H1 2022

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (S\$ MIL)	UNIT PRICE (S\$ PSF)	SALE DATE
The Woodgrove	30 Woodlands Avenue 1	55,370	\$68.7	\$1,240	Mar-22
Coronation Shopping Plaza	587 Bukit Timah Road #01-03	6,491	\$27.0	\$4,160	Apr-22
Eastwood Centre	20 Eastwood Road #01-08,09	10,807	\$16.6	\$1,536	Jun-22
The Adelphi	1 Coleman Street #B1-32	4,090	\$9.2	\$2,249	Mar-22
The Sunflower	510 Geylang Road #01-01	3,401	\$8.5	\$2,499	Apr-22

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 12 July 2022.

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



to the performance in H1 was the sale of the mall as a single strata unit in the mixed development at The Woodgrove, changing hands for S\$68.7 million in March 2022. The average price of leasehold strata retail units in H1 2022 stood at S\$1,566 psf, representing a slight decline of 1.0% on a half-year basis.

For Strata Commercial enquiries, please contact:



Mary Sai
Executive Director
Capital Markets
+65 6228 6886
mary.sai@sg.knightfrank.com

For further information on the report, please contact:



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



Nor Adila Rahim
Senior Analyst
Research
+65 6228 6856
nor.adila@sg.knightfrank.com

Market outlook

- With sustainable recovery of the retail sector on the cards through the game changing easing of COVID-19 measures, strata retail units could potentially present investors with an attractive asset class that would ride on the tide of returning shoppers, diners and tourists. In tandem with the strata subdivision rule prohibiting the development of strata commercial properties in certain prominent locations of the Central Area, the limited supply of these strata retail spaces might over time attract more investors.
- As with strata offices, there are no ABSD and SSD when purchasing this property type, and potential investors looking for alternative real estate options may diversify their portfolio by seeking out strata retail units with unique characteristics along busy pedestrian thoroughfares and tourist hotspots, particularly in prime areas.
- Therefore, taking into account the S\$290.9 million of strata retail deals traded in the first half of the year, the encouraging sales performance as the retail sector opens in a compelling manner, coupled with the thrust towards enduring recovery, demand could increase in the remaining half of the year. The combination of these factors could push the total transaction value to around S\$500 million for the whole of 2022.

Recent Publications



H2 2021 STRATA COMMERCIAL



THE WEALTH REPORT 2022

SUBSCRIBE for updates
and reports delivered
to your inbox



About Knight Frank Singapore

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 16,000 people operating from 384 offices across 51 territories. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. Knight Frank has a strong presence in Singapore with a head office and two subsidiaries: Knight Frank Property Asset Management and KF Property Network. For further information about the Company, please visit www.knightfrank.com.sg.

© Knight Frank 2022

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.