

H1 2023

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

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.

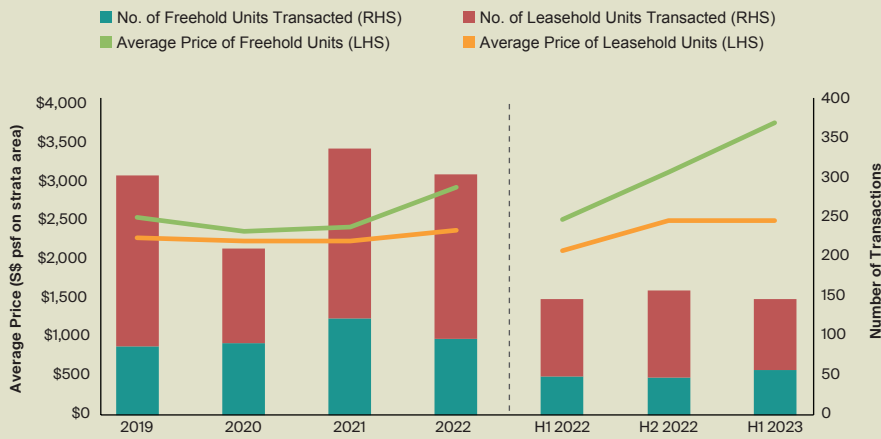
The Downtown Core Planning Area recorded a total sales value of S\$521.5 million with 61 units sold, mainly consisting of strata office units at Solitaire on Cecil (Exhibit 2). Amid the geopolitical tensions, economic uncertainties and increasing interest rates, demand for strata offices eased. Despite 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

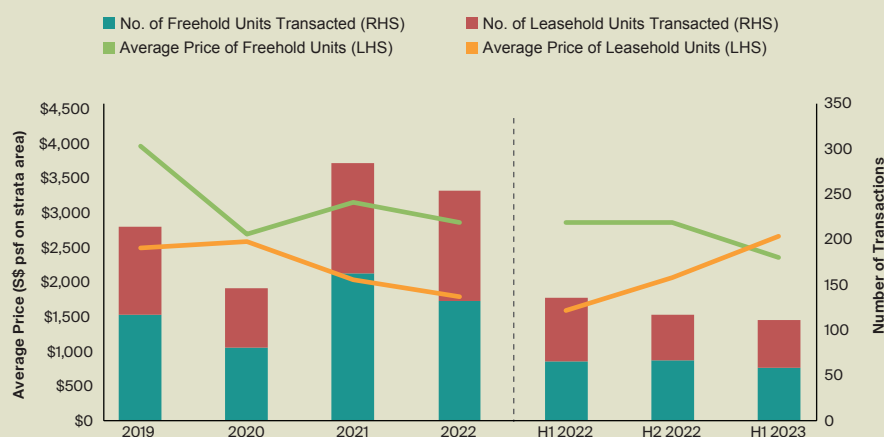
Source: URA Realis, Knight Frank Research
 Note: Transactions are based on data available as at 18 July 2023.

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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