Singapore Research

Strata Commercial

Knight Frank

H1 2024 | knightfrank.com.sg/research

"With limited new stock, both strata office and retail units offer opportunities for end-users as well as non-institutional retail investors, with the flexibility to adjust between space for owner occupation and/or to lease out for recurring income. There could also be the possibility of a collective sale sometime down the road for older commercial buildings."

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

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

	STRATA OFFICE	STRATA RETAIL
H1 2024	**Total Transacted Value** S$437.3 million **No. of Transactions** 154 **Average Price** S$2,190 psf	**Total Transacted Value** S$215.5 million **No. of Transactions** 131 **Average Price** S$2,822 psf
H2 2023	**Total Transacted Value** S$518.0 million **No. of Transactions** 156 **Average Price** S$2,740 psf	**Total Transacted Value** S$317.2 million **No. of Transactions** 147 **Average Price** S$3,183 psf

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 31 July 2024 and exclude big-ticket deals of S$100 million and above.

Strata Office

OVERALL PERFORMANCE

Sales activity of strata offices dipped in H1 2024, as volume declined 15.6% to S$437.3 million from S$518.0 million in H2 2023. There were also lesser transactions, a total of 154 strata office transactions, two less compared to H2 2023. In addition, the average unit price fell 20.1% on a half yearly basis, from S$2,740 psf in H2 2023 to S$2,190 psf in H1 2024. The top five transactions in the first half of 2024 consisted mainly of strata office units at Vision Exchange and Suntec City, with the sale of units on level 21 at Vision Exchange in February topping the list in two bulk transactions of S$33.3 million (S$2,378 psf) and S$25.7 million (S$2,381 psf).

Exhibit 2: Top 5 Strata Office Transactions, H1 2024

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (S$ MIL)	UNIT PRICE (S$ PSF)	SALE DATE
Vision Exchange	2 Venture Drive #21-15 to 32	14,015	$33.3	$2,378	Feb-24
Vision Exchange	2 Venture Drive #21-01 to 14	10,775	$25.7	$2,381	Feb-24
Suntec City	8 Temasek Boulevard #36-02	4,833	$16.0	$3,311	Jun-24
Suntec City	8 Temasek Boulevard #22-02	4,779	$15.3	$3,200	Jun-24
Connexion	1 Farrer Park Station Road #09-10, 11, 12	2,325	$11.6	$5,000	May-24

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 31 July 2024.

Quality strata office units remained in demand due to the lack of investible inventory, even in non-Central Business District (CBD) areas (Exhibit 2).

Nevertheless, the Downtown Core Planning Area continued to account for the highest number of strata office transactions and total sales value in H1 2024. A total of 47 strata office transactions were recorded, with a total sales value of S$190.1 million. International Plaza and Solitaire on Cecil comprised many of the strata office units sold in this planning area, with the latter being the sole new strata office project with a freehold tenure in the CBD. It is likely that more strata office units were sold, but these transactions were neither reported nor caveated.

COMPARING FREEHOLD AND LEASEHOLD STRATA OFFICE PERFORMANCE

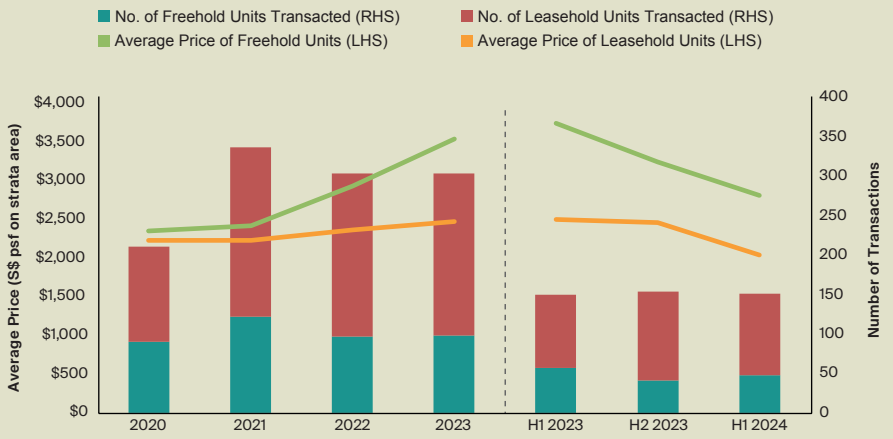
Freehold Sales

A total of 49 freehold strata office properties changed hands in H2 2024, an increase of 16.7% or seven more than H2 2023 when there were 42 transactions. However, the total sales value in the first half of 2024 fell 49.0% to S$115.4 million from S$226.3 million in the second half of 2023. Similarly, the average unit price declined 13.3% to S$2,804 psf in H1 2024 from S$3,235 psf in H2 2023.

Leasehold Sales

There were 105 leasehold strata office deals, with a total sales value of S$321.9 million in H1 2024 (Exhibit 3). This was a fall of 7.9% compared to the 114 sale transactions in H2 2023, but an increase of 10.4% against the total sales value of S$291.7 million. The average unit price of S$2,031 psf in H1 2024, represented a decrease of about 17.1% from S$2,448 psf in H2 2023.

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 31 July 2024.

MARKET OUTLOOK

The strata office market in Singapore has been characterised with stable transaction volume in the past 12 to 18 months even though there is an overall lack of new inventory for this niche real estate type. Due to the consistent demand, more owners of existing office buildings have been considering the stratification of their assets to meet the interest from smaller businesses and private wealth groups. Typically, boutique-sized buildings in the CBD will undergo asset enhancement initiatives (AEI) and if feasible, strata-subdivision to provide more of these commercial units in an office market that is largely dominated by big established landlords. After all, strata office space affords the flexibility of mixing and matching owner occupation with investment for recurring income, depending on the preferences of buyers/ investors. With enhanced units from VisionCrest in the Orchard Road area and 108 Robinson Road in the CBD providing opportunities to such prospective purchasers, the strata office market could probably chalk up a total transaction value of S$1.0 billion for the whole of 2024.

Strata Retail

OVERALL PERFORMANCE

In the first half of 2024, there were 131 strata retail deals, a half yearly decline of 10.9%. This represented a total sales value of S$215.5 million that was 32.1% lower than the same period a year ago. Majority of the transactions that took place were of smaller quantums of under S$4.0 million, with only three units sold above S$10.0 million. Of the top 5 deals in H1 2024, the largest one was the sale of a strata retail unit at Royal Square at Novena for S$11.0 million in January (Exhibit 1). The other deals included a freehold strata retail unit at Lucky Plaza that changed hands for S$10.5 million in January, and another at Peninsula Plaza that was sold for S$10.4 million in April. As with strata offices, some strata retail transactions might not have been reported or caveated.

The Rochor Planning Area took the top spot in terms of sales value and number of transactions, with a total of 27 strata retail units sold that translated to S$44.1 million. These comprised 11 deals at Parklane Shopping Mall that added up to S$11.3 million. Following close behind was the Geylang Planning Area with the sale of 24 strata retail units that totalled S$34.9 million. Nine strata retail units at The Arizon sold for a total sales value of S$24.4 million, with interest for these units extending beyond the CBD into the fringe areas.

Exhibit 4: Top 5 Strata Retail Transactions, H1 2024

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (S$ MIL)	UNIT PRICE (S$ PSF)	SALE DATE
Royal Square at Novena	103 Irrawaddy Road #02-07	2,669	$11.0	$4,121	Jan-24
Lucky Plaza	304 Orchard Road #01-31	689	$10.5	$15,242	Jan-24
Peninsula Plaza	111 North Bridge Road #B1-01	4,306	$10.4	$2,420	Apr-24
Textile Centre	200 Jalan Sultan #01-05	3,348	$8.8	$2,629	Jun-24
Bukit Timah Plaza	1 Jalan Anak Bukit #01-16	3,854	$8.1	$2,100	Mar-24

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 31 July 2024.

COMPARING FREEHOLD AND LEASEHOLD STRATA RETAIL PERFORMANCE

Freehold Sales

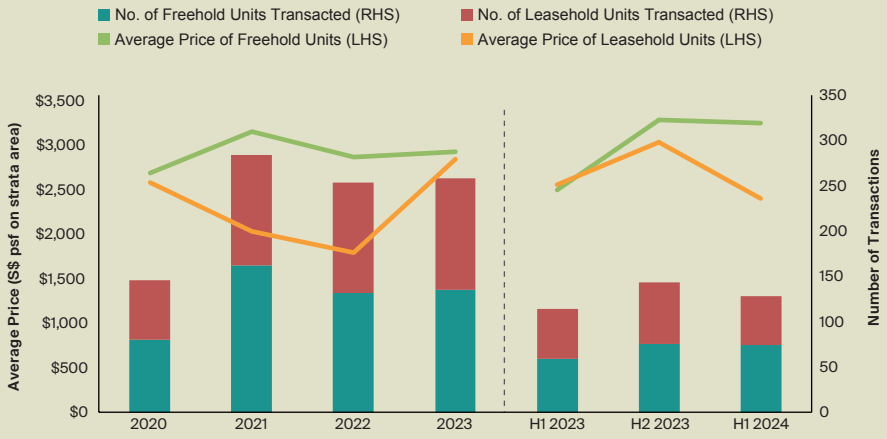
In H1 2024, 76 freehold strata retail units changed hands with a total sales transaction value of S$119.9

million. This reflected an average price of S$3,266 psf (Exhibit 5). Compared to H2 2023, the number of strata retail sales declined 2.6% from 78 units and 30.2% from S$171.7 million, while the average unit price eased 1.1% from S$3,301 psf.

Leasehold sales

There were 55 leasehold strata retail units sold totalling S$95.6 million in the first half of 2024, 20.3% lower than the 69 units and 34.3% less than the S$145.5 million in H2 2023. In addition, the average price declined 21.1% to S$2,411 psf in H1 2024 from S$3,054 psf in H2 2023.

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



Source: URA Realis, Knight Frank Research
Note:
a. Freehold refers to properties with freehold tenure or tenure of more than 900 years.
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MARKET OUTLOOK

Notwithstanding the post-pandemic normalisation of the retail sector, the retail and F&B operating environment has been challenging with escalating costs and this has stifled growth for some businesses. For strata retail units that are not in locations along transport nodes and lack healthy pedestrian/shopper traffic flow, interest levels are likely to remain muted. Nevertheless, strata retail units can be a less costly alternative to conservation shophouses, offering buyers business space opportunities that can come with bite-size investment quantums. Some 78.6% of the strata retail transactions in H1 2024 were under S$2 million.

Some buyers might also be weighing in the collective sale potential when choosing strata retail units, given the fairly recent successful enbloc sales of Shenton House and Delfi Orchard. With the more affordable price points of this type of property being within reach of retail investors, a projected total sales value of between S$400 million and S$500 million can be expected for the whole of 2024.

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



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

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