

“ More strata commercial activity expected in both the office and retail sectors in 2022. ”



MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

Singapore Research

Strata Commercial

H2 2021

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

	STRATA OFFICE	STRATA RETAIL
H2 2021	Total Transacted Value S\$450.8 million No. of Transactions 165 Average Price S\$2,112 psf	Total Transacted Value S\$251.6 million No. of Transactions 126 Average Price S\$2,062 psf
H1 2021	Total Transacted Value S\$703.5 million No. of Transactions 169 Average Price S\$2,394 psf	Total Transacted Value S\$244.9 million No. of Transactions 154 Average Price S\$3,162 psf

Source: URA Realis, Knight Frank Research
 Note: Transactions are based on data available as at 17 January 2022 and exclude big-ticket deals valued at S\$100 million and above.

- By strata area, about 69.5% of the strata offices transacted were below 1,000 sf, and might stem from demand from owner-occupiers rightsizing their office operational footprint to include flexible workplace practices, while at the same time not having to worry about fluctuating rental cycles.
- There were no new launches in 2021, with all sales classified under resale transactions. Newer developments which obtained their temporary occupation permits (TOP) in 2020 included Woods Square which sold 12 units in 2021, and Centrium Square which sold 13 units in the same period.

STRATA OFFICE

Overall performance

- The total strata office transaction volume remained stable at 165 in H2 2021 after recording some 169 transactions in H1 2021. This brought total transaction volume in 2021 to 334, a 56.8% y-o-y increase compared to 213 in 2020, when sentiment was hit by the COVID-19 pandemic. Sales volume largely recovered to pre-pandemic levels in 2021, similar to the 331 in 2018 and 308 in 2019.
- The total transacted value in 2021 recorded an even larger improvement, grossing total sales of S\$450.8 million and S\$703.5 million respectively in H2 2021 and H1 2021. This translated to about S\$1.2 billion in total sales, a record high since 2014 and an almost 90.0% surge compared to 2020. While average unit prices for 2021 remained largely similar at S\$2,276 psf (0.4% y-o-y increase), larger quantum sales materialised.
- Good quality strata office space located in the prime District 1 consistently topped sales in terms of quantum, with the S\$53.1 million sale of the ninth floor of Samsung Hub the top value sale in 2021 (excluding whole building sales). In H2 2021, the podium of GB building was sold for S\$25.5 million to Dia-Globe (Singapore). Another two full-floor office units on the third and eight floors were sold to the same buyer for S\$26.6 million, totalling 22% of the building's total strata area, a notable stake in the event of a collective sale.
- District 1 also accounted for 29.9% of total sales volume in 2021. A hundred transactions were recorded in District 1 for the whole of 2021, more than double that in 2020. Strata office buildings with a notable volume of transactions included Suntec City with 20 transactions, and SBF Center with 11 transactions. Total transaction values in the district also grossed S\$731.2 million, a 141.7% spike from 2020.

Comparing freehold and leasehold strata office performance

- Out of the 334 strata office transactions in 2021, 215 had a leasehold tenure (up from 121 in 2020) while the other 119 were of freehold tenure (up from 92 in 2020). About 35.6% of total transaction volume was freehold.
- While both leasehold and freehold transaction values dropped on a half-yearly basis in H2 2021, transaction values for 2021 as a whole were still higher when compared to 2020. Total leasehold strata office transaction values increased by 104.0% y-o-y to S\$838.3 million in 2021. Freehold transaction values also expanded by 60.2% y-o-y to S\$315.9 million during the year.

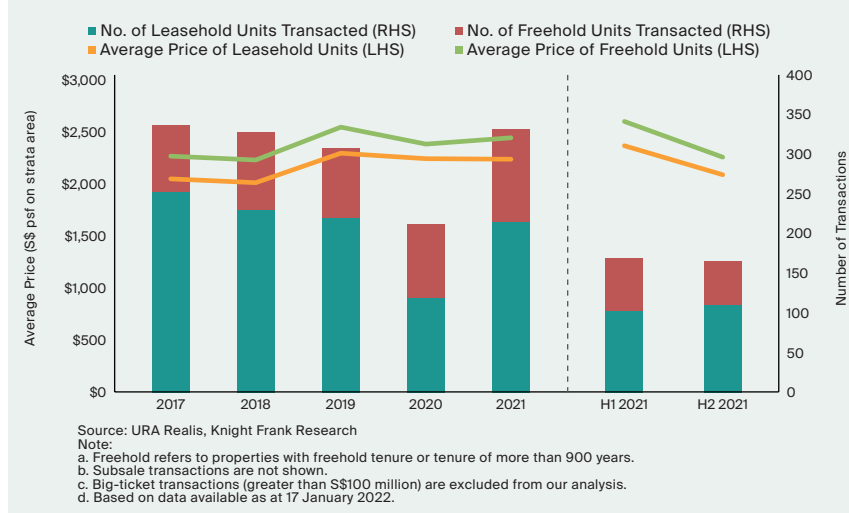
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Exhibit 2: Top 5 Strata Office Transactions, H2 2021

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALE PRICE (S\$ MIL)	UNIT PRICE (S\$ PSF)	SALE DATE
GB Building	143 Cecil Street #01-01, #02-01	13,068	\$25.5	\$1,950	Jul-21
15 Scotts	15 Scotts Road #07-01, 02, 09, 12	5,522	\$20.4	\$3,694	Sep-21
GB Building	143 Cecil Street #03-01 to 10	12,594	\$18.0	\$1,429	Jul-21
Suntec City	9 Temasek Boulevard #06-02	7,029	\$16.2	\$2,300	Oct-21
Suntec City	8 Temasek Boulevard #36-02	4,833	\$16.0	\$3,311	Nov-21

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 17 January 2022.

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



- Unit prices of leasehold and freehold transactions likewise showed a decline from H1 2021 to H2 2021. However on a yearly basis, average unit prices for freehold strata offices increased by 3.3% from S\$2,351 psf in 2020 to S\$2,430 psf from 2021 as a result of price jumps in H1 2021. Leasehold strata offices recorded a marginal 0.2% decrease from S\$2,228 psf in 2020 to S\$2,223 psf in 2021.

Market outlook

- Demand for strata office units is expected to grow from private wealth and family offices, and Small-and-Medium Enterprises (SMEs) looking to right-size office space requirements in the technologically enhanced post-pandemic era.
- Given these factors, the lack of new strata office supply in the medium-term and some spillover investor interest from the private residential market as a result of the cooling measures announced on 15 December 2021, both investor and owner-occupier demand that might flow into the strata office market in 2022 could translate to an amount of about S\$1.0 billion.

STRATA RETAIL

Overall performance

- Activity in the strata retail market regained steam in 2021, with the second half of the year contributing some S\$251.6 million for a total sales value of S\$496.5 million for the whole year. This represented the highest sales value recorded since the last peak in 2017 when 217 units were transacted for S\$523.3 million. With more units changing hands accounting for 280 units in 2021, this indicated that there were more smaller-sized deals of less than S\$1.5 million.
- Factors driving this possibly included the blossoming of new enterprises and local brands establishing a foothold in the retail market, as retailers take up smaller footprints to kick-off new ventures. Additionally, the increasingly-gentrified and higher occupational costs of shophouses might have propelled some retailers to move out and consider more affordable strata retail space options when current prices are at a bargain.
- In H2 2021, notable deals included the sale of strata retail units at Sultan Plaza for S\$25.3 million and New World Centre for S\$17.3 million in July (Exhibit 4). Given that location is key, as accessibility to and visibility of a shopfront would often impact the flow of shoppers into a retail store, many retailers are on a lookout for such opportunities in the strata retail market. Out of the top five deals reported between July and December 2021, four of the deals clinched were of retail units located at the first or basement level in the respective developments.
- Another key deal in H2 2021 was the sale of ten cloud kitchen units at CT Hub 2 from July to September 2021 for a total of about S\$7.4 million. This is reflective of the current purchasing behaviour of consumers where the pandemic has driven up the demand for food delivery services and takeaway orders. Cloud kitchens serve this very purpose in the pandemic era.

Comparing freehold and leasehold strata retail performance

- In the last six months of 2021, 74 freehold and 52 leasehold units were sold, greater than the 56 freehold and 33 leasehold units transacted in the same period a year ago (Exhibit 5). Between H2 2020 and H2 2021, the average price for freehold strata retail units expanded by 15.5% y-o-y to S\$3,096 psf, but prices for leasehold strata units fell by 34.3% y-o-y to S\$1,555 psf.
- Freehold units continue to be preferred compared to leasehold units. Therefore, a total of 160 freehold units averaging S\$3,198 psf was sold in 2021, ahead of the 120 leasehold units which averaged at S\$2,038 psf in the same period.

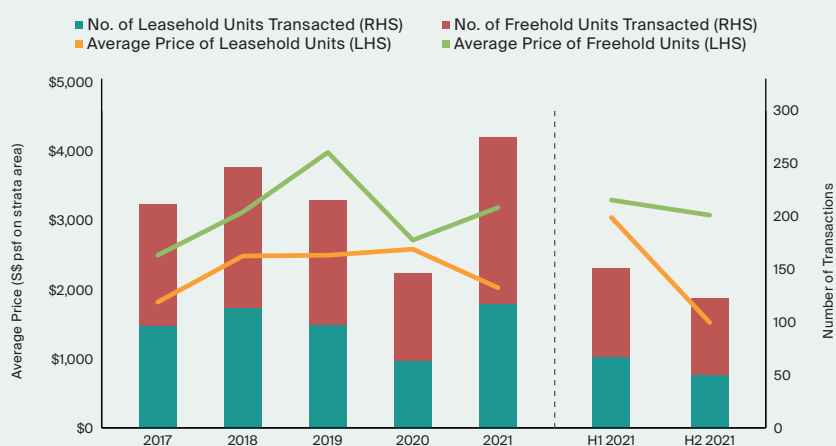
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Exhibit 4: Top 5 Strata Retail Transactions, H2 2021

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALE PRICE (S\$ MIL)	UNIT PRICE (S\$ PSF)	SALE DATE
Sultan Plaza	100 Jalan Sultan #06-01	30,947	\$25.3	\$816	Jul-21
New World Centre	1 Jalan Berseh #B1-02	19,268	\$17.3	\$895	Jul-21
Queensway Shopping Centre	1 Queensway #03-11,29,30	7,653	\$14.1	\$1,842	Aug-21
Lumiere	2 Mistri Road #01-01,02,03,04	4,209	\$11.7	\$2,780	Jul-21
Lucky Plaza	304 Orchard Road #B1-18	506	\$10.4	\$20,557	Jul-21

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 17 January 2022.

Exhibit 5: Transaction Volume and Average Prices of Freehold and Leasehold 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.
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 17 January 2022.

Market outlook

- Given that the retail market did not have much of an opportunity to recover in 2021 with the constant U-turn to regressive measures, Knight Frank envisages retailers of strata retail units to remain cautiously optimistic in 2022 as the long-awaited recovery in the retail sector takes hold.
- Many strata retail owners are currently not in a hurry to sell their units unless reasonable offers are made. And as interest in such units picks up due to the current affordability, the strata retail market is projected to report moderate recovery likely in the second half of 2022 where the total sales value for the whole year is forecasted to hover around S\$500 million.

Contact us for insights, research and real estate opportunities.



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



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



Khoo Zi Ting
Analyst
Research
+65 6228 6857
ziting.khoo@sg.knightfrank.com

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