

H2 2023

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► “With the successful collective sales of Far East Shopping Centre and Shenton House, displaced occupiers will likely be actively looking in the strata commercial market in 2024 from which to continue their business.”

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

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

	STRATA OFFICE	STRATA RETAIL
H2 2023	Total Transacted Value S\$518.0 million No. of Transactions 156 Average Price S\$2,740 psf	Total Transacted Value S\$309.0 million No. of Transactions 143 Average Price S\$3,160 psf
H1 2023	Total Transacted Value S\$656.5 million No. of Transactions 153 Average Price S\$3,098 psf	Total Transacted Value S\$187.3 million No. of Transactions 116 Average Price S\$2,460 psf

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 19 January 2024 and exclude big-ticket deals of S\$100 million and above.

Strata Office

OVERALL PERFORMANCE

A total sales volume of S\$1.2 billion was recorded in the strata office market in 2023, within the projected total transactional value of S\$1.1 billion to S\$1.2 billion. This represented a growth of 1.8% y-o-y, with a 14.7% increase in the average price psf on strata area at S\$2,929 psf. The 309 strata office deals closed in 2023 is exactly the same as the number of units sold in 2022.

Strata office sales activity decelerated in H2 2023, after most of the units at the new launch, Solitaire on Cecil, sold out in Q2 2023. Sales volume fell 21.1% to S\$518.0 million from S\$656.5 million in H1 2023, despite slightly more units being

transacted. The top five transactions continued to be made up of quality strata office units at Solitaire on Cecil and Suntec City, as such spaces in modern centrally located buildings remained in demand (Exhibit 2).

The Downtown Core Planning Area recorded the highest sales value in H2 2023, reaching S\$328.7 million with the sale of 46 units. These mainly consisted of strata office units at Suntec City and International Plaza, as there were no other new products in the Central Business District (CBD) in this sought-after niche segment. However, the overall demand for strata office units might be even higher with some buyers/investors preferring not to disclose their purchases in order to keep a low profile.

COMPARING FREEHOLD AND LEASEHOLD STRATA OFFICE PERFORMANCE

Freehold Sales

There were 42 freehold strata office transactions totalling S\$226.3 million, a 41.4% and 27.6% decrease over the 58 transactions and a corresponding total sales value of S\$385.9 million in H1 2023 respectively. The average unit price also dipped 13.5% to S\$3,235 psf in H2 2023 from S\$3,740 psf in H1 2023.

Leasehold Sales

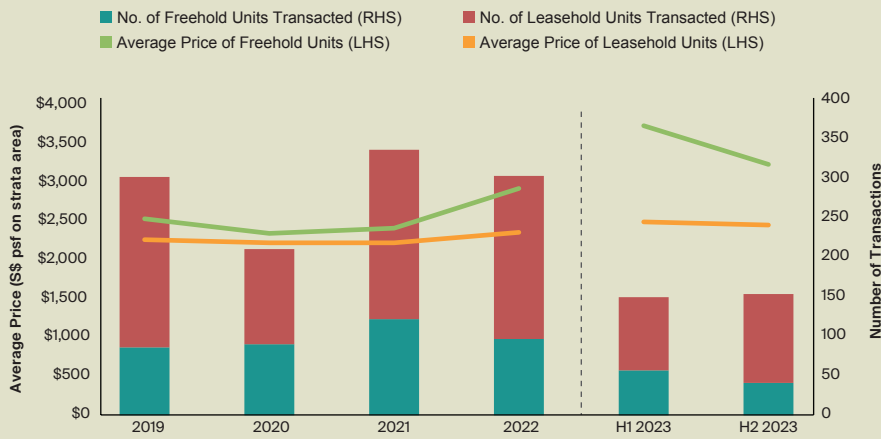
A total of 114 leasehold properties changed hands in H2 2023, making up a total of S\$291.7 million (Exhibit 3). This was 7.8% higher than the 95 units sold at a total transaction value of S\$270.6 million in H1 2023. However, a lower average price of S\$2,448 psf was recorded in the second half of 2023, a marginal decrease of about 1.6% from the S\$2,489 psf in the first half of the year.

Exhibit 2: Top 5 Strata Office Transactions, H2 2023

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (\$ MIL)	UNIT PRICE (\$ PSF)	SALE DATE
Solitaire On Cecil	148 Cecil Street #14-01 to 08	12,465	\$52.1	\$4,176	Jul-23
Solitaire On Cecil	148 Cecil Street #10-01 to 08	12,465	\$51.2	\$4,106	Jul-23
Suntec City	8 Temasek Boulevard #44-01, 02	10,312	\$36.2	\$3,513	Dec-23
Nomu	20 Handy Road #03-01	6,329	\$24.0	\$3,790	Aug-23
Suntec City	9 Temasek Boulevard #06-02	7,029	\$16.5	\$2,350	Jul-23

Source: URA Realis, Knight Frank Research
Note: Transactions are based on data available as at 19 January 2024.

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 19 January 2024.

MARKET OUTLOOK

Despite the ongoing geopolitical tensions and economic uncertainties, the market remains hopeful that conditions will be better in 2024. The eventual decanting of Far East Shopping Centre and Shenton House after successful collective sales would result in a substantial number of office occupiers being displaced. This is likely to materialise as demand for existing strata office units with affected firms

looking out for new office space to continue their business operations, especially those with a preference for ownership and investment.

In addition, the demand for freehold strata office units may influence other similar older buildings to attempt the en bloc process, especially in an age of sustainability where buildings are under increasing pressure to be green.

In the meantime, the evident demand for strata offices might also drive boutique-sized office buildings to stratify and launch refurbished new product in the year ahead. In view of these factors, the strata office market is expected to achieve a total transaction value of S\$1.0 billion in 2024 despite the upcoming 1.8 million sf of new office supply in the CBD.

Strata Retail

OVERALL PERFORMANCE

A total of 259 units translating to S\$496.3 million in sales value was clocked in 2023. Although this is the same number of strata retail units that was sold in 2022, the sales value was significantly higher at S\$687.7 million a year ago. Even so, the average unit price on an annual basis showed a 27.3% increase to S\$2,854 psf in 2023 from S\$2,241 psf in 2022.

Notwithstanding widespread inflation and increasing operational costs affecting the retail sector in the first half of 2023, the strata retail market ended the year with more buzz. Transaction volume increased to 143 transactions amounting to a total sales value of S\$309.0 million in H2 2023, compared to the 116 transactions adding up to S\$187.5 million in H1 2023. The most notable transaction in H2 2023 was the sale of four freehold strata units at 15 Scotts in the Orchard Planning Area for

S\$31.1 million in July (Exhibit 4). Other notable strata retail units sold included a unit located at 26C Lorong Mambong for S\$14.1 million in August, and a unit at Oxley Tower for S\$11.0 million in November.

In H2 2023, the Orchard and Novena Planning Areas took the top two spots in terms of sales value, each with a total of 18 strata retail units sold that translated to S\$64.2 million and S\$57.5 million respectively. The Downtown Core Planning Area followed close behind in third place with the sale of 19 strata retail units that totalled S\$52.6 million. Additionally, strata retail units at Royal Square at Novena attracted the most buyer interest with a total of 11 units sold in H2 2023, contributing to the bulk of units sold in the Novena Planning Area.

COMPARING FREEHOLD AND LEASEHOLD STRATA RETAIL PERFORMANCE

Freehold Sales

For the whole of 2023, freehold strata

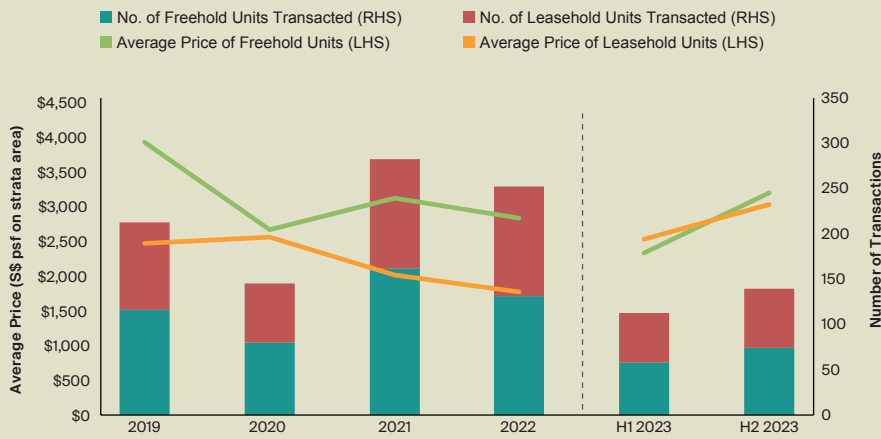
Exhibit 4: Top 5 Strata Retail Transactions, H2 2023

DEVELOPMENT NAME	ADDRESS	STRATA AREA (SF)	SALES PRICE (\$ MIL)	UNIT PRICE (\$ PSF)	SALE DATE
15 Scotts	15 Scotts Road #01-01, 02, 03, 04	6,437	\$31.1	\$4,828	Jul-23
N.A.	26C Lorong Mambong	2,260	\$14.1	\$6,238	Aug-23
Oxley Tower	138 Robinson Road #20-01	3,025	\$11.0	\$3,637	Nov-23
Orchard Plaza	150 Orchard Road #02-20	3,261	\$7.3	\$2,246	Dec-23
Katong Shopping Centre	865 Mountbatten Road #01-46	3,326	\$7.2	\$2,165	Nov-23

Source: URA Realis, Knight Frank Research

Note: Transactions are based on data available as at 19 January 2024.

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.
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- Based on data available as at 19 January 2024.

retail units registered a sales value of S\$268.0 million and 136 units, with an average unit price of S\$2,848 psf.

From July to December 2023, 76 freehold strata retail units were sold (Exhibit 5), with a total transaction value of S\$166.3 million reflecting an average price of S\$3,246 psf. This reflected a growth in demand for freehold strata retail units compared to H1 2023, where 60 units were sold at a total sales value of S\$101.8 million at an average unit price of S\$2,373 psf.

Leasehold sales

There were 123 leasehold strata retail units totalling S\$228.3 million with a similar average unit price of S\$2,861 psf in 2023. For leasehold strata retail units, 67 sales were registered amounting to S\$142.8 million in H2 2023, 19.6% and 66.9% more than the 56 sales at a total of S\$85.6 million in H1 2023 respectively. The average price also rose, increasing by 19.2% from S\$2,573 psf in H1 2023 to S\$3,067 psf in H2 2023.

MARKET OUTLOOK

In line with broad-based retail recovery, buyer/investor interest in strata retail units is expected to remain stable as more people return to the office. With many of the strata retail properties located in the CBD, it can be expected that demand for units around the Downtown Core Planning Area can be sustained through the returning footfall.

Similar to the strata office market, the collective sales of Far East Shopping Centre and Shenton House in 2023 may lead to displaced retailers and F&B outlets needing to be relocated. In addition, with the entrepreneurial spirit going strong in Singapore, demand for strata retail units may also come from retail entrepreneurs with seed financing to start up cafés and mini marts in commercial areas.

With the retail sector continuing to recover and subsequently strengthen, a projected total sales value between S\$400 million and S\$500 million can be expected for the whole of 2024.

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