EDMUND TIE

DIGEST

SINGAPORE 3Q 2024

Momentum building

3Q 2024 AT A GLANCE

		QoQ change	YoY change
INVESTMENT	Total Sales: **S$8.2 billion**	30.4%	27.1%
	Top 5 Private Deals: **S$4.0 billion**	156.1%	272.2%
OFFICE	CBD Grade A Rents: **S$9.80 psf**	0.0%	0.0%
	Supply Pipeline NLA: **6.8 million sq ft** (2024-2028)	-8.0%	82.8%
INDUSTRIAL	First-Storey Multiple-User Factory Rents: **S$2.09 psf**	1.0%	3.5%
	Supply Pipeline NLA: **39.4 million sq ft** (2024-2028)	6.0%	22.5%
RETAIL	Orchard/Scotts Road First-Storey Rents: **S$41.10 psf**	0.2%	1.9%
	Supply Pipeline NLA: **1.9 million sq ft** (2024-2028)	-13.6%	46.2%
RESIDENTIAL	Price Index: **204.7**	-0.7%	4.4%
	Volume of Rental Transactions: **8,577 units**	24.4%	9.9%

KEY HIGHLIGHTS

Investment

Singapore's investment sales reached S$8.2 billion, fuelled by strong developer activity in Government Land Sales and key acquisitions by REITs. However, some investors continue to adopt a cautious stance in anticipation of the interest rate cuts by the Federal Reserve.

Office

In 3Q 2024, Singapore's central region office rental index declined marginally by 0.5% QoQ, while overall occupancy rates dipped slightly to 94.5%. The increase in shadow spaces indicates an ongoing market adjustment on the back of tenants' shift in preference towards smaller and more efficient office units.

Industrial

Industrial property prices rose 0.5% QoQ in 3Q 2024, led by multi-user factories. Overall occupancy rates remained steady at 89.0%. Occupancies in centrally located business parks widened from suburban areas; rental rates in the business park segment saw a decline of 1.0% QoQ.

Retail

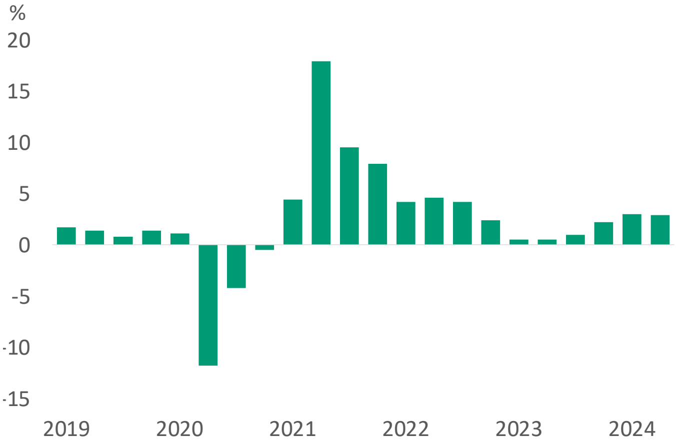
In 3Q 2024, island-wide occupancy rate increased to 93.5% from 93.4% in 2Q 2024. Rental rates in the Orchard/Scotts Road and Fringe/Suburban areas saw a 0.3% rise QoQ, while Other City Areas remained stable.

Residential

Residential property price index fell 0.7% QoQ, attributed by the landed segment which witnessed a 3.4% decline QoQ. Rental rates found its footing, rising 0.8% after declining for three consecutive quarters.

ECONOMY | Key indicators

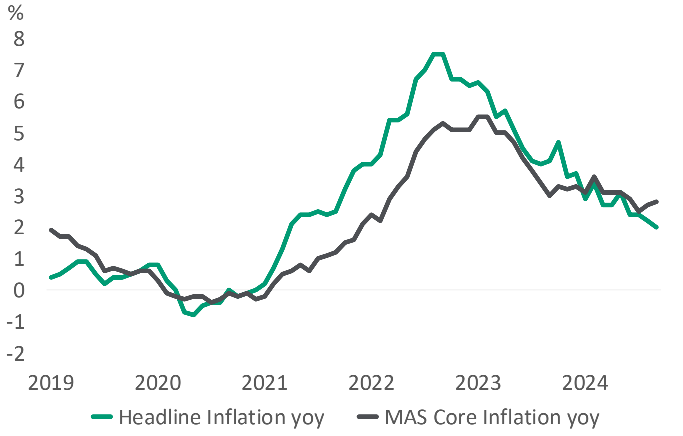
GDP Growth



Source: SingStat, EDMUND TIE Research

Singapore's economy grew by 4.1% YoY in 3Q 2024, extending the 2.9% growth in 2Q 2024. Monetary Authority of Singapore expects GDP to hit the upper end of the 2% to 3% forecast in 2024.

Inflation



Source: SingStat, EDMUND TIE Research

Core inflation recorded a low of 2.5% YoY in July 2024 before rising to 2.8% YoY in September 2024. The rise in inflation was largely due to retail and other goods. According to MAS and MTI, overall inflation is expected at 2.5% for the whole of 2024.

Non-oil Domestic Exports

Source: SingStat, EDMUND TIE Research

Non-Oil Domestic Exports (3MMA YoY) witnessed positive growth of 9.7% QoQ for 3Q 2024. Total export for both electronics and non-electronics sectors grew in 3Q 2024, recording a QoQ increase of 10.6% and 9.0% respectively.

International Visitor Arrivals

Source: SingStat, EDMUND TIE Research

International Visitor Arrivals (IVA) reached 1.29 million in September 2024, down 17.5% from 1.54 million recorded in August 2024. Despite the recent decline, IVA is trending to pre-COVID19 levels of 1.59 million in 2019. Year-to-date, IVA totals 12.65 million, moving towards STB's 2024 forecast of 15 to 16.5 million visitors.

INVESTMENT | Investment market fuelled by strategic acquisitions in 3Q 2024

In 3Q 2024, total investment sales in Singapore reached S$8.2 billion, a 30.2% QoQ increase from S$6.3 billion in 2Q 2024.

Five Government Land Sales (GLS) sites were awarded within the quarter, notably Canberra Crescent, De Souza Avenue, Margaret Drive, Zion Road (Parcel B) and Jalan Loyang Besar Executive Condominium (EC) totalling S$2.34 billion. The strong developer participation in GLS tenders has led to competitive bidding, supporting the residential sector as the largest contributor to investment sales in 3Q 2024. However, the Jurong Lake District and Media Circle sites received bids that were assessed to be too low, resulting in those two parcels not being awarded.

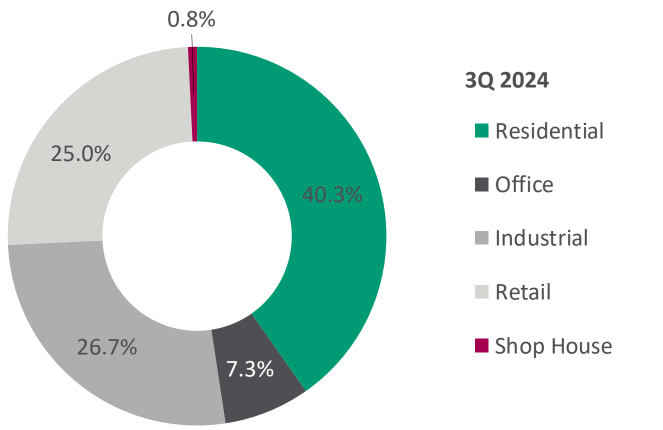
In the private sector, significant acquisitions underscore strategic investment trends. CapitaLand acquired a 50% stake in ION Orchard, reinforcing its position in prime retail assets and aligning with the retail sector recovery. Lendlease expanded its portfolio by acquiring several industrial properties, reflecting the rising demand for logistic and warehousing supported by the continued growth in e-commerce.

Investor interest in land and property acquisition remained robust, fueled by an expected interest rate cut by the Federal Reserve in September. However, some investors adopted a more cautious approach, delaying investment decisions as negative yield spread still persist for some sectors. This mix of optimism and caution illustrates the evolving sentiment in the market, as stakeholders navigate potential changes in economic conditions.

Outlook

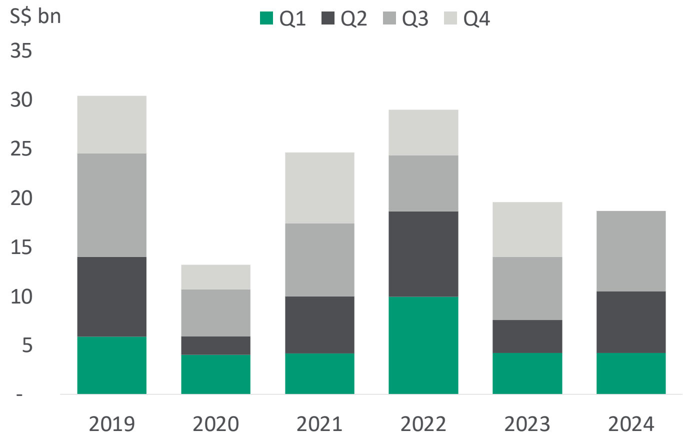
The GLS market is expected to maintain steady activity through the rest of the year. In 3Q 2024, the Urban Redevelopment Authority (URA) and Housing Development Board (HDB) released two sites amid ongoing economy recovery, with these sites expected to close and be awarded in the fourth quarter of 2024. However, investors will remain focused on identifying opportunities as a part of their investment strategies.

Figure 1: Investment Sales Sectoral Contribution (%)



Source: EDMUND TIE Research

Figure 2: Investment Sales (S$ billion)



Source: EDMUND TIE Research

Table 1: Top 5 Private Investment Sales 3Q 2024

Development	Purchase price $ million	Purchase price $ psf	Purchaser	Seller
Industrial				
Porfolio of Industrial Assets	1,600.0	NA	Lendlease & Warburg Pincus	Blackstone & Lim Chap Huat
20 Tuas South Avenue 14 (51% stake)	428.4	NA	ESR LOGOS	Koh Brothers Group Limited
Retail				
ION Orchard (50% stake)	1,848.5	NA	CapitaLand Integrated Commercial Trust	Gresward Pte Ltd
Stamford Court	132.0	2,099		
Office				
Tong Building	68.5	4,987	The Hour Glass	See Hoy Chan Realty & See Hoy Chan Land

Source: EDMUND TIE Research

OFFICE

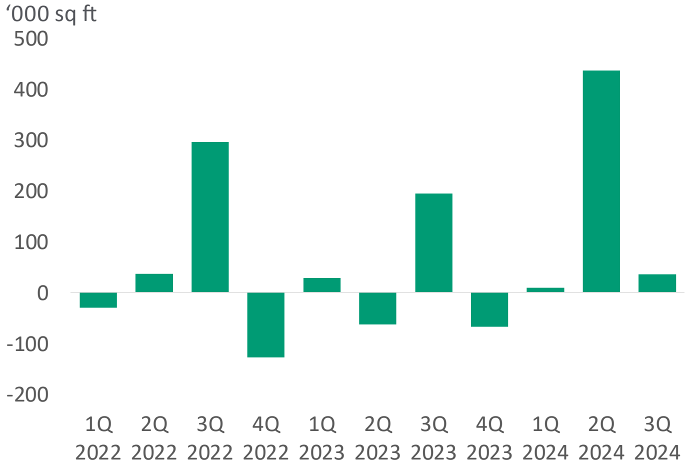
Stable growth amid shifting tenant dynamics

- In 3Q 2024, Singapore's central region rental index remained stable, declining marginally by 0.5% QoQ. Rental rates underscore resilience amidst new completions and market fluctuations.
- Island-wide occupancy rates dipped slightly to 94.5%, while both CBD and Non-CBD areas saw a marginal increase of 0.1%. In contrast, decentralised areas experienced a 1.3% decline in occupancy, primarily due to the completion of Labrador Tower that added approximately 0.7 million sq ft of office space in the Alexandra area, achieving 70% commitment at Temporary Occupancy Permit (TOP).
- Overall net absorption of office space across Singapore reached 417,000 sq ft in 3Q 2024, with the CBD and non-CBD areas contributing 20,000 sq ft and 17,000 sq ft, respectively. In the decentralised areas, net absorption was recorded at 380,000 sq ft due to the completion of Labrador Towers.
- Shadow spaces increased to 376,000 sq ft, indicative of ongoing adjustments by tenants in upcoming lease renewals.
- A notable shift in tenant preferences has emerged, with a growing demand for smaller, more efficient office units, reflecting a strategic focus on optimising space and managing costs. It has been observed that majority of the new office leases stemmed from lease renewals.
- Noteworthy leasing activity in the quarter included Datadog's new office in South Beach Towers, Star Alliance's relocation to One George Street, and IOI Central Boulevard Towers attracting high-profile multinational corporations such as Linklaters, Freshfields, Allied World Assurance, and Edrington.

Outlook

- Looking ahead, the recent completion of new developments are expected to create new opportunities for tenant to explore occupancy strategies.
- With only Paya Lebar Green set for completion in 2024, overall supply remains limited. Without any significant demand drivers, rental rates are expected to remain stable throughout the year. We expect downward pressure on rental rates for office spaces in non-central locations with limited accessibility and connectivity.

Figure 3: CBD Premium and Grade A Office Net Absorption



Source: EDMUND TIE Research

Figure 4: Shadow Space (NLA)

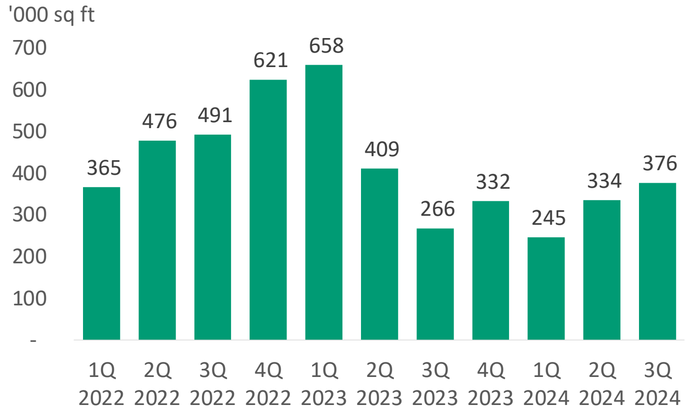


Table 2: Office Supply Pipeline

	Selected Major Upcoming Developments	NLA '000 sq ft		Total
2024	Paya Lebar Green	335	335	2,059
2025	Punggol Digital District	267	1,461	
	Keppel South Central	650		
	Shaw Tower Redevelopment	381		
	Marina Square Redevelopment	163		
2026	Newport Tower	263	263	

Source: EDMUND TIE Research

Table 3: Average Office Rents and Occupancy Rates

	2Q 2024 psf	3Q 2024 psf	QoQ	Occupancy Rate
Marina Bay (Premium)	S$12.90	S$12.90	0.0%	89.2%
Raffles Place (Grade A)	S$10.55	S$10.55	0.0%	95.8%
Shenton Way/Robinson Road/ Tanjong Pagar (Grade A)	S$9.00	S$9.00	0.0%	96.9%

Source: EDMUND TIE Research

INDUSTRIAL | Manufacturing sector drives growth in industrial properties' performance

Singapore's manufacturing sector has shown robust growth, marking its 13th consecutive month of expansion with a 21.0% YoY increase in industrial outputs for August 2024. The Manufacturing PMI rose to 51.0 in September 2024, which marks the highest since July 2021. The Electronics sector also demonstrated sustained growth with an Electronics PMI of 51.5, up from 51.2 in June 2024.

In the industrial property market, overall prices increased by 0.5% in 3Q 2024, following a 1.2% rise in 2Q 2024. This growth was largely driven by the multi-user factory segment, which saw a 0.7% QoQ increase, marking its 16th consecutive quarter of price increases. Island-wide occupancy rates remained steady at 89.0% in 3Q 2024, with multi-user factory occupancy tight at 91.6%. However, the warehouse segment declined slightly by 0.2 percentage points.

Business park occupancy rates rose by 0.5 percentage points to 78.8% in 3Q 2024, with a clear bifurcation between central and suburban business parks. Occupancy rates in central region business parks increased to 90.3% in 3Q 2024 from 88.8% 2Q 2024, while suburban parks declined to 64.3% mainly due to partial completions of the Punggol Digital District (PDD) which had injected more supply.

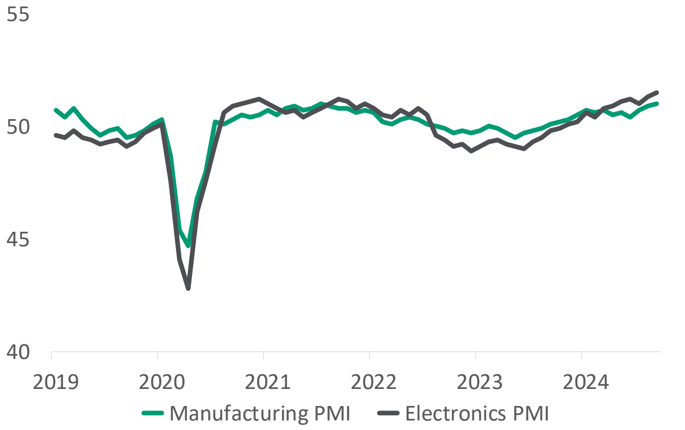
Overall rental indices rose by 0.3% QoQ in 3Q 2024, driven primarily by multi-user factory rents, which increased by 1.0% to S$2.09 psf. Hi-tech industrial spaces and warehouses remained stable at S$3.47 psf and S$1.86 psf, respectively. The centrally located business parks saw a 1.0% decline in rental rates to S$5.35 psf, holding back the overall industrial rental index.

Outlook

Looking ahead, as electronics and semiconductor manufacturing output improves, prices and rental rates for multi-user factories are expected to rise. Despite the positive spill-over into the warehouse/logistics segment, growth may be limited by a significant supply pipeline in 2025.

Rental rates in the business parks and hi-tech parks segment are anticipated to face additional pressure from elevated vacancy rates in suburban areas, particularly as the PDD approaches completion in 2025.

Figure 5: Manufacturing & Electronics PMI



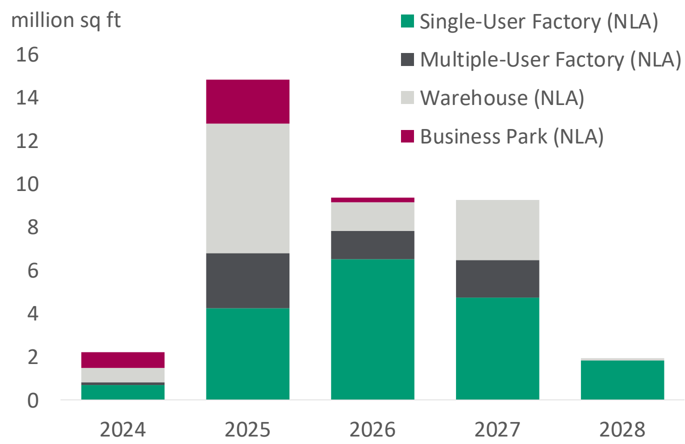
Source: EDMUND TIE Research

Table 4: Industrial Rents

	2Q 2024	3Q 2024	QoQ
First-storey muliple-user factory	S$2.07 psf	S$2.09 psf	1.0%
Hi-tech industrial space	S$3.47 psf	S$3.47 psf	0.0%
Warehouse/Logistics	S$1.86 psf	S$1.86 psf	0.0%
Business park (Central Region)	S$5.40 psf	S$5.35 psf	-1.0%

Source: EDMUND TIE Research

Figure 6: Industrial Supply Pipeline (NLA)



Source: EDMUND TIE Research

RETAIL

Overall retail performance remains steady

■

The rise in international visitor arrivals to 4.4 million in the quarter from the 3.9 million recorded in 3Q 2023, reflects a strong recovery in Singapore's tourism sector. Factors driving this growth include increased global travel confidence, major events, and enhanced airline connectivity.

■

In 3Q 2024, occupancy rates island-wide increased to 93.5% from 93.4% in 2Q 2024, particularly in the central area retail spaces. Orchard/Scotts Road occupancy rate experienced a slight QoQ increase to 93.0% from 92.9% in 2Q 2024, while the Other City Area increased to 92.2% from 91.8%, respectively. Albeit, Fringe/Suburban Area saw a marginal QoQ decrease of 0.1 percentage points from 94.1% to 94.0%, indicative of healthy demand in the suburban retail sector.

■

In 3Q 2024, prime first-storey rental rates along Orchard/Scotts Road rose by 0.3%, reaching S$ 41.10 psf, driven by strong demand despite on-going challenges in the Fringe/Suburban retail markets where rental rates increased to S$ 34.10 psf. Other City Areas remained stable at S$ 19.35 psf.

■

The reopening of Tampines 1 in the Outside Central Region (OCR) captures a significant share of retail space in this quarter. This development is set to influence competitive dynamics and consumer expectations, potentially driving innovation and growth in the sector.

Outlook

■

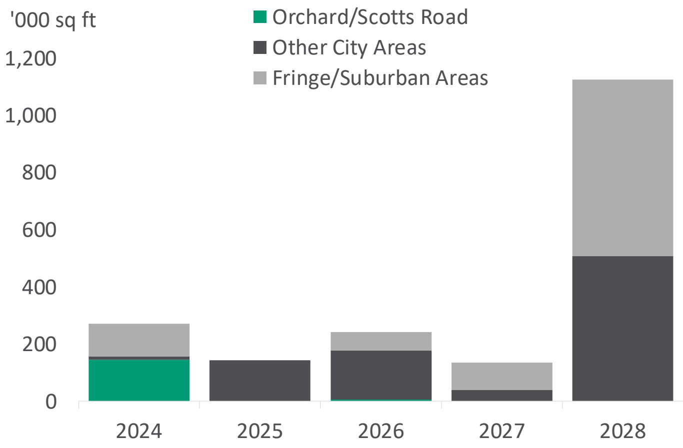
Prime retail rents is expected to experience sustained growth, due to limited pipeline of upcoming retail supply, steady domestic demand and a rise in international visitor arrivals. As tourism rebounds, demand for retail and MICE experiences, particularly in prime locations, is expected to strengthen.

Table 5: Retail Prime Rental Rents

Region	Floor	2Q 2024	3Q 2024	QoQ
Orchard/ Scotts Road	First storey	S$41.00 psf	S$41.10 psf	0.2%
	Upper storey	S$15.35 psf	S$15.40 psf	0.3%
Other City Areas	First storey	S$19.35 psf	S$19.35 psf	0.0%
	Upper storey	S$8.60 psf	S$8.60 psf	0.0%
Fringe/ Suburban Areas	First storey	S$34.00 psf	S$34.10 psf	0.3%
	Upper storey	S$18.10 psf	S$18.15 psf	0.3%

Source: EDMUND TIE Research

Figure 7: Retail Supply Pipeline (NLA)



Source: URA, EDMUND TIE Research

	Selected Major Upcoming Developments	NLA '000 sq ft	Total
2024	Grand Hyatt Hotel Singapore	116	394
	Punggol Digital District	202	
	The Cathay	76	
2025	Tower Fifteen Redevelopment	28	143
	Keppel South Central	25	
	Canninghill Square	90	
2026	Riverside Property Development	160	225
	Lentor Modern	65	

Source: URA, EDMUND TIE Research

RESIDENTIAL | Residential price index declines

■

In 3Q 2024, the residential price index fell 0.7% QoQ, offsetting the 0.9% growth from 2Q 2024. The landed segment saw a decline of 3.4% QoQ, counteracting the 1.9% QoQ growth in 2Q 2024. Meanwhile, the non-landed segment rose marginally by 0.1% QoQ, extending the 0.6% growth from 2Q 2024.

■

The marginal increase of 0.1% QoQ in the non-landed segment was a result of the RCR segment witnessing 0.8% QoQ growth, albeit the CCR segment declining 1.1% QoQ. The OCR segment prices plateaued in 3Q 2024.

■

The overall price decline in 3Q 2024 can be attributed to buyers seeking out more affordable condominiums and competitively priced new suburban units compared to other markets.

■

Transaction volume rose 2.2% in 3Q 2024 to 5,372 units, recording a rise in both primary and secondary sales. Primary sales transactions rose to 1,160 units in 3Q 2024, from 725 units in 2Q 2024. This is in tandem with more new units launched in 3Q 2024 compared to 2Q 2024, 1,284 units and 635 units, respectively. Correspondingly Secondary sales transaction volumes rose marginally 0.5% to 4,212 units in 3Q 2024 from 4,190 units in 2Q 2024.

■

Foreign purchases continue to remain low at 43 units sold, or 0.8% of total transactions. Of which, 27 transactions were purchased by US, Swiss or Norwegian nationals, who are eligible for the ABSD remissions under the Free Trade Agreements (FTAs).

■

In the rental market, rental rates have broken its three consecutive quarters of decline streak with a 0.8% QoQ rise in 3Q 2024. The rise in rental prices was supported by the uptick in rental transactions in 3Q 2024. 25,731 rental transactions were recorded in 3Q 2024, up 24.4% from the 20,676 transactions recorded in 2Q 2024.

Outlook

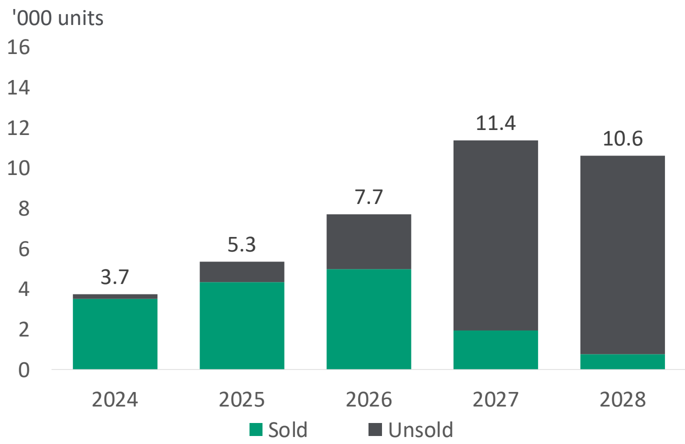
■

For 4Q 2024, we expect primary sales transactions to rise, attributed to positive take-up rates in several new launch projects at record price levels. These will be reflected in the residential property price index for 4Q 2024.

■

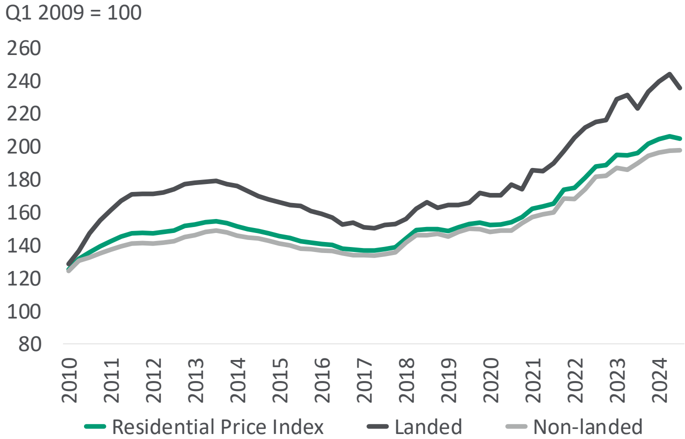
Residential rental rates are expected remain stable as landlords and tenants bridge pricing expectations.

Figure 8: Residential Supply Pipeline



Source: URA

Figure 9: Property Price Index



Source: URA

Figure 10: Residential Sales and Launch Volume

Source: URA, EDMUND TIE Research

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