EDMUND TIE

DIGEST

SINGAPORE 1Q 2024

Cautious optimism as market prepares for growth

1Q 2024 AT A GLANCE

		QoQ	YoY
INVESTMENT	Total Sales: **S$4.2 billion**	-25.4%	-0.7%
	Top 5 Private Deals: **S$1.6 billion**	1.6%	-29.9%
OFFICE	CBD Grade A Rents: **S$9.80 psf**	0.0%	0.0%
	Supply Pipeline NLA: **8.1 million sq ft** (2024-2028)	42.6%	108.4%
INDUSTRIAL	First-Storey Multiple-User Factory Rents: **S$2.07 psf**	1.1%	5.0%
	Supply Pipeline NLA: **35.5 million sq ft** (2024-2028)	11.3%	0.6%
RETAIL	Orchard/Scotts Road First-Storey Rents: **S$40.85 psf**	0.7%	4.2%
	Supply Pipeline NLA: **2.6 million sq ft** (2024-2028)	22.0%	60.3%
RESIDENTIAL	Price Index: **204.3**	1.4%	4.9%
	Volume of Rental Transactions: **6,560 units**	3.4%	-2.0%

KEY HIGHLIGHTS

Investment

Investment sales transaction in 1Q 2024 recorded a lower total quantum of S$4.2 billion, but optimism surrounds the upcoming Government Land Sales (GLS) sites to buoy investment sales in 2H 2024. Performance in the private sector remains stable, as investors shift focus towards the retail and hospitality sectors, reflecting investor resilience amid economic shifts.

Office

CBD maintained robustness with high demand for premium spaces with occupancy rate rise to 95% in the quarter. Non-CBD and decentralised areas see slight declines to 95.5% and 97.2%. Rents remain stable with tenants favouring lease renewals.

Industrial

Rental rates grew steadily, up 1.7% QoQ in 1Q 2024 and 7.8% YoY. Expectations for 2024 are positive, driven by manufacturing PMI indicating sector expansion. Overall occupancy dipped by 0.3%, attributed mainly by Business Park and Warehouse segments.

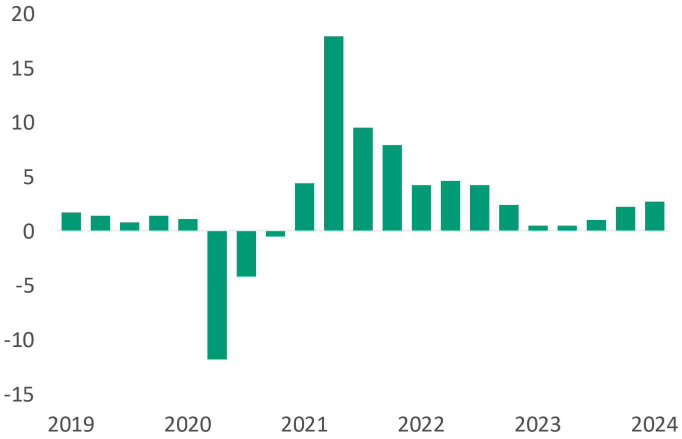
Retail

Rental rates saw modest growth in the Orchard/Scotts Road. Occupancies remained stable in Suburban areas, stemming from positive upticks in international visitor arrivals and high occupancy rates through the festive season.

Residential

1Q 2024 witnessed continued demand for new units, with prices growing 1.4%, moderating from 2.8% increase in 4Q 2023. Rental rates in 2024 may face pressure due to numerous new completions.

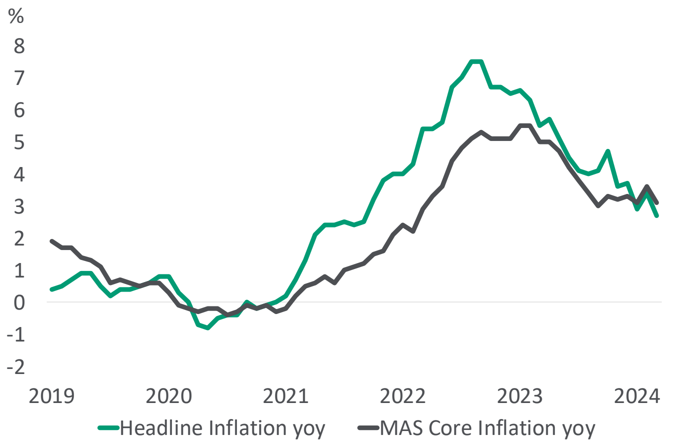
GDP Growth



Source: SingStat, EDMUND TIE Research

Singapore's economy grew by 2.7% YoY in 1Q 2024, surpassing the 2.2% growth in 4Q 2023 and MAS' 2.6% expectations. QoQ, 1Q 2024 sees a 0.1% advance, extending the 1.2% growth from 4Q 2023.

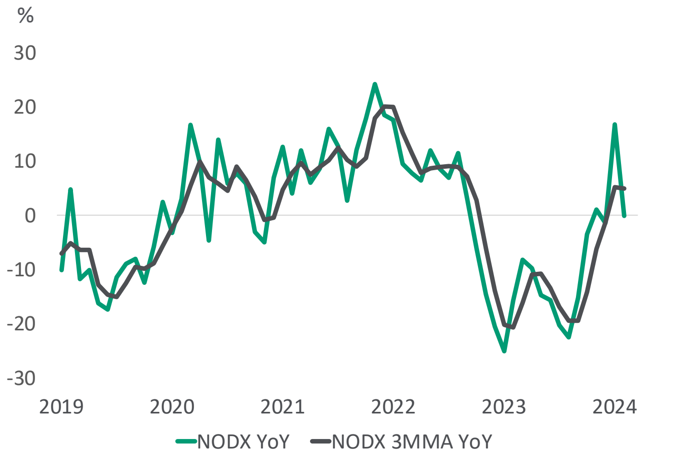
Inflation



Source: SingStat, EDMUND TIE Research

2024 inflation is projected at 2.5%-3.5%. March's headline inflation was at 2.7%, down from 3.4% in February due to Lunar New Year. Upside risks include geopolitical tensions impacting energy and shipping, adverse weather affecting food prices and a tight labour market.

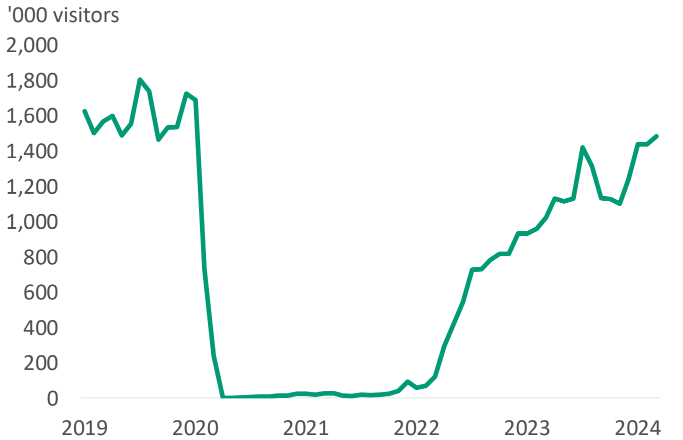
Non-oil Domestic Exports



Source: SingStat, EDMUND TIE Research

NODX turned positive in January 2024, up 16.7% YoY, but dipped by 0.1% in February due to weaker non-electronics manufacturing. Enterprise Singapore forecasts 4%-6% growth for non-oil domestic exports in 2024.

International Visitor Arrivals



Source: SingStat, EDMUND TIE Research

International visitor arrivals rose for the 4th consecutive month, reaching 1.48 million in March 2024. 4.4 million visitor arrivals were recorded in 1Q 2024 and is on pace to reach Singapore Tourism Board's expectation of 15-16 million visitors for the year.

Slower start to 2024 with shifting private sector focus

In 1Q 2024, total investment sales amounted to S$4.2 billion, a 25.4% decline from the S$5.6 billion transacted in 4Q 2023.

Government Land Sales (GLS), as a share of total investment sales, fell from 52.3% to 32.1% or in absolute terms, from S$2.9 billion to S$1.3 billion. This decline was due to smaller-size transactions and the rejection of the sole bid for Marina Gardens Crescent GLS site. Nonetheless, there are over 24 GLS sites planned for the entire 2024; the most notable being the 6.5-ha Jurong Lake District GLS site that is expected to be a large contributor of investment sales for 2024.

In the private sector, S$2.8 billion was recorded for 1Q 2024, with a shift from office to retail and hospitality sectors. Office spaces saw a mere S$0.1 billion in transaction for 1Q 2024, down from the S$1.1billion recorded in 4Q 2023. The retail and hospitality sectors rose to S$1.1 billion and S$0.6 billion in 1Q 2024, from the S$0.5 billion and S$0.2 billion recorded in 4Q 2023, respectively. This shift may be due to investors changing their focus towards alternate asset classes amid the current higher interest rate environment.

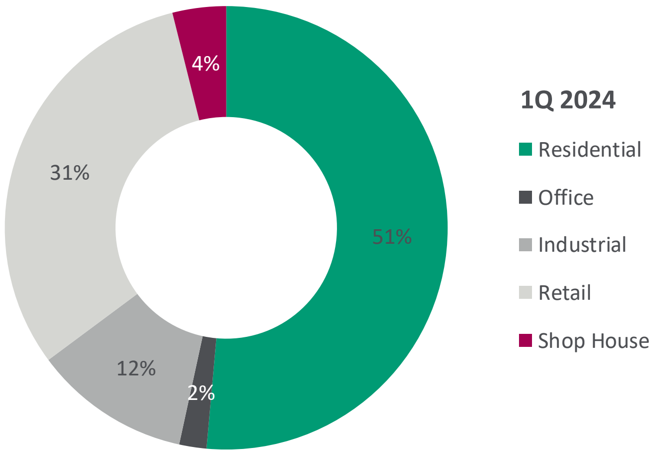
The top 5 private investment deals in 1Q 2024 totalled S$1.6 billion or 57.6% of total private sales. Most notable developments that changed hands during the quarter were Seletar Mall and Nex. Other significant transactions include the sale of Hotel G to a joint venture between Ascott Ltd and CapitaLand Wellness Fund, Citadines Mount Sophia, and OneTen Paya Lebar, indicating a shift towards Grade A non-office assets or assets with enhancement potential.

Outlook

For the rest of 2024, we expect the investment sales market to continue be bolstered by GLS sales and higher yield asset classes from the retail or hospitality sectors.

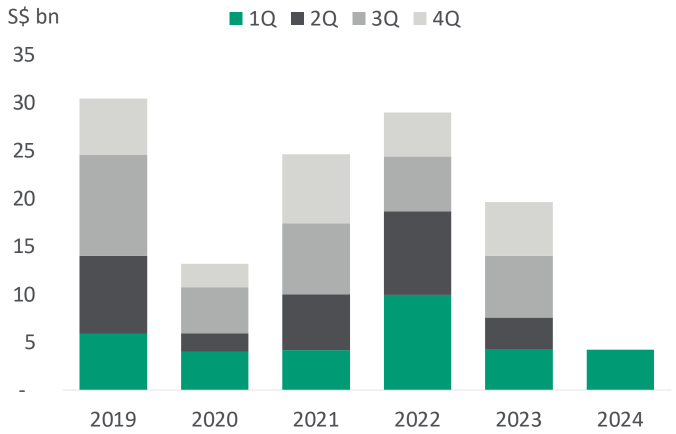
Investment sales volume and transaction quantum could pick up, given that economic activities are showing signs of recovery and interest rates cuts are on the horizon.

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 1Q 2024 (S$ million)

Development	Purchase price: $ million	Purchase price: $ million per key	Purchaser	Seller
Hospitality				
Hotel G	238	0.8	Ascott Ltd and CapitaLand Wellness Fund JV	Gaw Capital Partners
Citadines Mount Sophia	148	1.0	Weave Living and Blackrock JV	CapitaLand Ascott Trust
Capri by Fraser	170	0.5	TPG AG, Far East Consortium, & Atelier Capital Partners	Frasers Property
Retail		$ psf		
Seletar Mall	550	2,903	Allgreen Properties	Cuscaden Peak Investments / United Engineers
Nex (50% Stake)	523	3,352	Frasers Centerpoint Trust	Mercatus Co-operative

Source: EDMUND TIE Research

OFFICE

CBD holds firm while non-CBD braces for transition

- Singapore's office leasing market in 1Q 2024 exhibited resilience in the Central Business District (CBD), contrasted with a more cautious outlook in other areas.

- In 1Q 2024, the CBD maintained its position as the preference for offices, with occupancy rates rising 0.3 percentage points to 95.0% from 94.7% in the previous quarter. Premium and Grade A spaces within the CBD saw a slight uptick to 97.0% from 96.9% in Q4 2023, reflecting tenants' preference for prime CBD buildings.

- Islandwide, net absorption dipped by approximately 46,000 sq ft, with non-CBD areas experiencing a negative absorption of 81,000 sq ft. This trend is reflected in occupancy rates, which saw slight decreases in non-CBD and decentralised areas from 95.6% and 97.5% in 4Q 2023 to 95.5% and 97.2% in 1Q 2024, respectively.

- Shadow spaces declined from approximately 332,000 sq ft in 4Q 2023 to approximately 245,000 sq ft in 1Q 2024. The amount of shadow space is expected to continue decreasing, given that many of such leases are due to expire by 2024/2025.

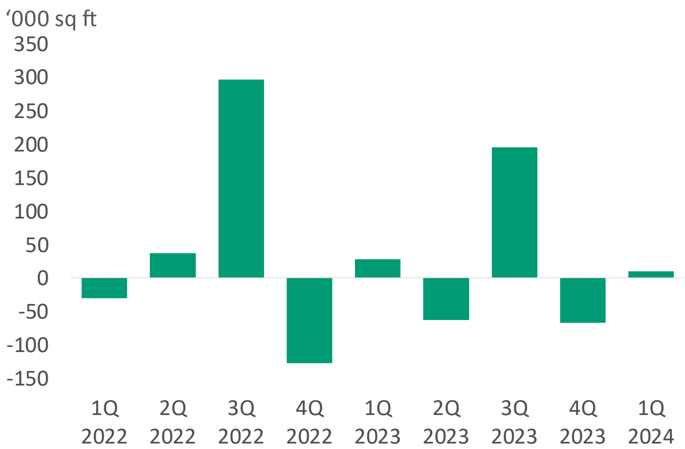
- Office rents in the first quarter across all micro-markets remained unchanged QoQ, due to numerous lease renewals and corporates right-sizing their office spaces.

- Significant leasing activity in 1Q 2024 include Sky Scanner, Traveloka and Ucommune making moves within the CBD, while Moet Hennessy, Conoco Philips, Emirates Airlines and Luckin Coffee shifted out of their CBD offices. Meta consolidated in Marina One, vacating seven floors at South Beach Tower.

Outlook

- The upcoming Labrador Towers and Paya Lebar Green are poised to alleviate the office space supply, adding approximately 913,000 sq ft of office space by 4Q 2024. This could lead to a slight decline in occupancy rates islandwide for 2024, potentially applying pressure on rental rates. However, there may be increased leasing activity as corporations gravitate towards green and Grade A office spaces.

Figure 3: CBD Premium and Grade A Office Net Absorption



Source: EDMUND TIE Research

Figure 4: Shadow Space (NLA)

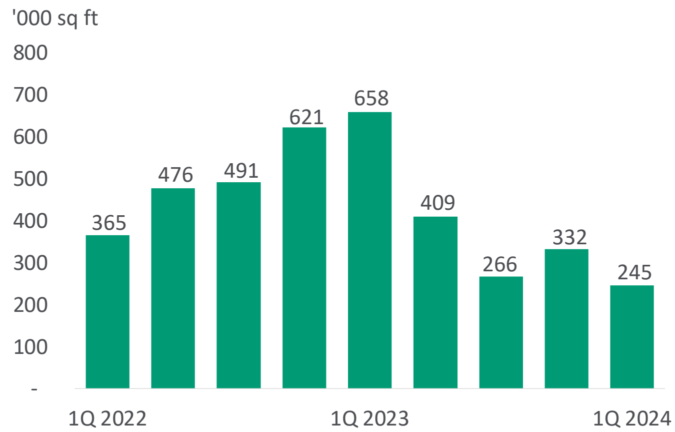


Table 2: Average Office Rents and Occupancy Rates

	Selected Major Upcoming Developments	NLA '000 sq ft		Total
2024	IOI Central Boulevard Towers	1,260	2,508	3,702
	Labrador Tower	646		
	Punggol Digital District	267		
	Paya Lebar Green	335		
2025	Keppel South Central	650	1,194	
	Shaw Tower Redevelopment	381		
	Marina Square Redevelopment	163		

Source: EDMUND TIE Research

Table 3: Average Office Rents and Occupancy Rates

	4Q 2023	1Q 2024	QoQ	Occupancy Rate
Marina Bay (Premium)	S$12.90 psf	S$12.90 psf	0.0%	96.5%
Raffles Place (Grade A)	S$10.55 psf	S$10.55 psf	0.0%	95.9%
Shenton Way/Robinson Road/ Tanjong Pagar (Grade A)	S$9.00 psf	S$9.00 psf	0.0%	97.4%

Source: EDMUND TIE Research

INDUSTRIAL

Rental growth continues as manufacturing activity picks up

- With Singapore's manufacturing sector showing continued expansion since 4Q 2023, signalled by positive Manufacturing PMI at 50.7 and Electronics PMI at 50.8 in March 2024, demand for industrial spaces is expected to rise. This bodes positively for the production, warehousing and logistics segments.

- In 1Q 2024, islandwide occupancy rates dipped to 88.7%, with business parks experiencing its 8th consecutive quarter of decline to 78.0%. Warehouses saw a reversal in occupancy growth from 4Q 2023, falling 0.5 percentage points to 91.1% in 1Q 2024. The decline in occupancy rate is attributed to new warehouse completions during the quarter. Meanwhile, multi-user factories occupancy rates remained unchanged QoQ at 90.5%.

- Overall rental indices climbed 1.7% QoQ in 1Q 2024, albeit with a 0.2% decline in price index for all industrial spaces.

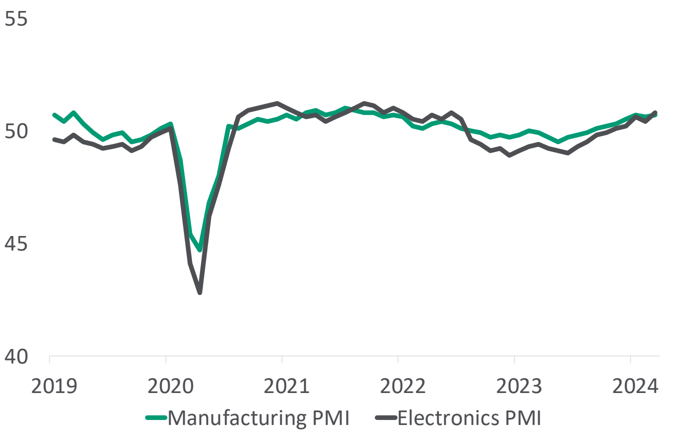
- First-storey multiple-user factory rents grew to S$2.07 psf, while warehouse rents held steady at S$1.85 psf. Suburban business parks faced a 0.5% rental decline to S$4.46 psf, continuing its divergence from central region business parks whose rents remained unchanged at S$5.40 psf in 1Q 2024.

Outlook

- Looking ahead, the surge in artificial intelligence interest is expected to bolster semiconductor demand, supporting stable factory prices and rental rates for 2024. With limited new supply, warehouses anticipate high occupancy and moderate rental growth.

- However, the Business Park sector may see higher vacancy rates with an expected GFA completion of approximately 3.7 million sq ft in 2H 2024, notably the Punggol Digital District, which could attract tech tenants and potentially support suburban business park rental rates.

Figure 5: Manufacturing & Electronics PMI



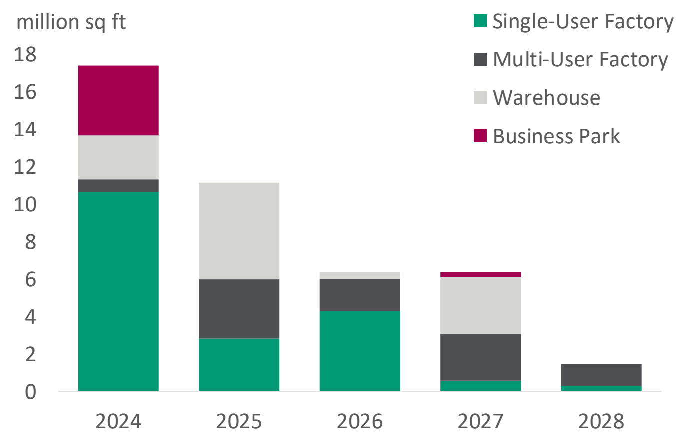
Source: EDMUND TIE Research

Table 4: Industrial Rents

	4Q 2023	1Q 2024	QoQ
First-storey muliple-user factory	S$2.05 psf	S$2.07 psf	1.1%
Hi-tech industrial space	S$3.43 psf	S$3.47 psf	1.2%
Warehouse/Logistics	S$1.85 psf	S$1.85 psf	0.0%
Business park (Central Region)	S$5.40 psf	S$5.40 psf	0.0%

Source: EDMUND TIE Research

Figure 6: Industrial Supply Pipeline (GFA)



Source: EDMUND TIE Research

RETAIL

Tourism sector's recovery to drive growth

- In 1Q 2024, international visitor arrivals hit 4.35 million, with Chinese tourists accounting for 18.1%, up sharply from 10.3% in 4Q 2023, potentially boosting 2024 tourist receipts.

- Retail sales in 1Q 2024 fell 4.0% QoQ, possibly due to inflation and the GST hike to 9%. Various bright spots which saw increase in consumer spending were the Food and Alcohol segment and Supermarkets/Hypermarkets segments, fuelled by festive seasons and MICE events in 1Q 2024.

- Retail net absorption in 1Q 2024 was about 8,000 sq ft, down from 63,000 sq ft in 4Q 2023. This could be due to improved occupancy rates through the festive season and limited retail project completions.

- In 1Q 2024, Orchard/Scotts Road micro-market saw a 2.2 percentage point occupancy increase to 93.2%. Occupancy rates in the Other City and Finge/Suburban area remain reasonably stable, albeit a slight decrease of 0.6 percentage points to 91.5% in 1Q 2024 and 0.3 percentage points to 94.1%, respectively.

- Retail rents modestly grew in 1Q 2024. Prime first-storey rates rose 0.7% QoQ to S$40.85 psf in Orchard/Scotts Road and S$34.00 psf in Fringe/Suburban Areas. In the Other City Area micro-market, rates increased 0.3% QoQ to S$19.35 psf.

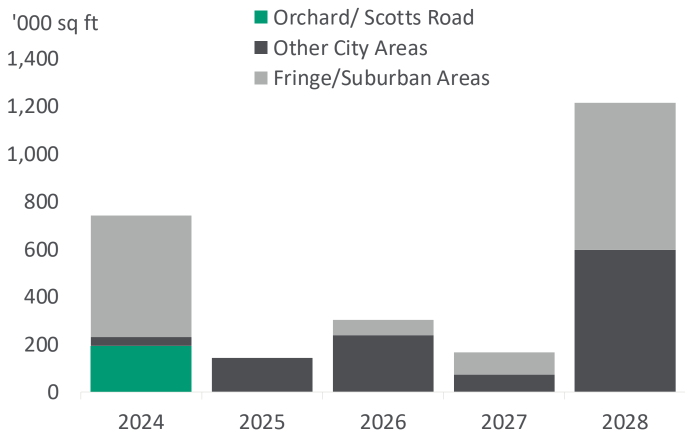
- Despite positive indicators, the retail sector faces downside risks from consumer confidence and global economic factors.

Table 5: Retail Prime Rental Rents

Region	Floor	4Q 2023	1Q 2024	QoQ
Orchard/ Scotts Road	First storey	S$40.55 psf	S$40.85 psf	0.7%
	Upper storey	S$15.20 psf	S$15.30 psf	0.7%
Other City Areas	First storey	S$19.30 psf	S$19.35 psf	0.3%
	Upper storey	S$8.60 psf	S$8.60 psf	0.0%
Fringe/ Suburban Areas	First storey	S$33.75 psf	S$34.00 psf	0.7%
	Upper storey	S$18.00 psf	S$18.10 psf	0.6%

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	Pasir Ris Mall	288	682
	Grand Hyatt Hotel Singapore	116	
	Punggol Digital District	202	
	The Cathay	76	
2025	Tower Fifteen Redevelopment	28	143
	Keppel South Central	25	
	Canninghill Square	90	

Source: URA, EDMUND TIE Research

Outlook

- The tourism sector is enroute to recovery in 2024. The implementation of the 30-day visa-free travel between China and Singapore and STB's support of MICE and Leisure events are supportive of higher international visitor arrivals and increased tourism receipts for the rest of 2024.

- Rental growth across all micro-markets is anticipated for the rest of 2024 due to high occupancy rates and limited supply in the pipeline for the next three years.

RESIDENTIAL | Price growth moderates amid continued slower transaction volume

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The overall property price index saw 1.4% QoQ growth in 1Q 2024, a moderation from the 2.8% growth in 4Q 2023. Landed homes experienced a 2.6% QoQ growth, decelerating from the 4.6% growth in the previous quarter. Conversely, the non-landed segment recorded a 1.0% QoQ increase, indicating stabilising prices compared to the 2.3% growth in 4Q 2023. Notably, the non-landed property price index was propelled by 3.4% QoQ growth in the CCR, outpacing the QoQ growth rates of 0.3% and 0.2% in RCR and OCR, respectively.

■

Transaction volume dipped slightly to 4,145 units in 1Q 2024, down from 4,295 units in 4Q 2023, representing a 3.5% decline. Despite this, primary sales increased by 6.6% to 1,164 units, attributed to several new launches during the quarter, which saw developers introducing 1,304 units compared to 1,060 units in the previous quarter. Conversely, secondary sales witnessed a 6.9% QoQ decline to 2,981 units, possibly influenced by festive season celebrations which might have resulted in a decrease in viewing arrangements.

■

Foreign investment remained subdued, with foreign buyers constituting only 1.0% of total residential units in 1Q 2024, amounting to 43 units, down from 66 units in 4Q 2023.

■

On the rental market, private home rental transactions rose by 3.4% to 19,680 units, but the overall rental index decreased by 1.9% in 1Q 2024, extending the decline observed in 4Q 2023.

Outlook

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Looking ahead, the property market is poised for moderate growth, supported by sustained demand for new launches and anticipated supply expansions. However, challenges loom in the rental sector due to an influx of completed projects, potentially tempering rental growth throughout the year.

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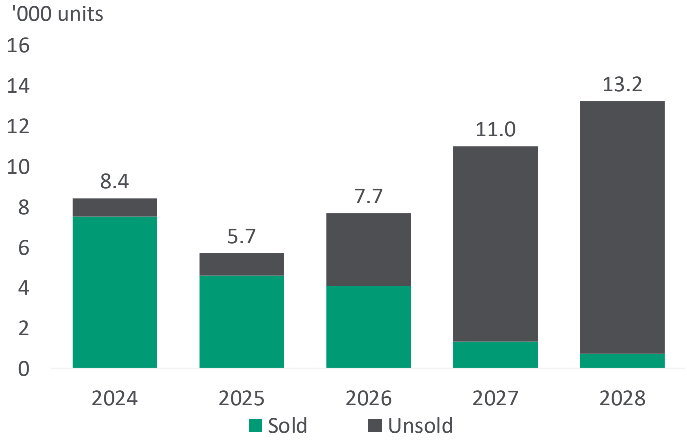
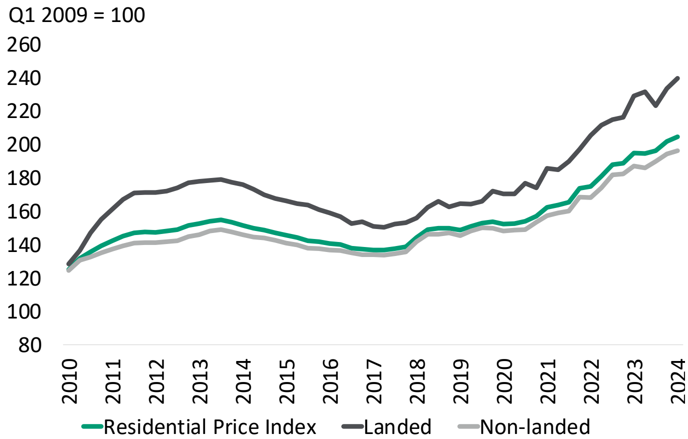
Overall, while activity in the residential market remains robust, growth is expected to be more tempered compared to previous years.

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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