EDMUND TIE

DIGEST

SINGAPORE 2Q 2024

Rekindling growth

2Q 2024 AT A GLANCE

		QoQ change	YoY change
INVESTMENT	Total Sales: **S$6.3 billion**	▲ 51.3%	▲ 89.4%
	Top 5 Private Deals: **S$1.59 billion**	▼ -2.3%	▲ 83.2%
OFFICE	CBD Grade A Rents: **S$9.80 psf**	0.0%	0.0%
	Supply Pipeline NLA: **7.4 million sq ft** (2024-2028)	▼ -9.5%	▲ 88.6%
INDUSTRIAL	First-Storey Multiple-User Factory Rents: **S$2.07 psf**	0.0%	▲ 3.5%
	Supply Pipeline NLA: **37.2 million sq ft** (2024-2028)	▲ 4.8%	▲ 27.9%
RETAIL	Orchard/Scotts Road First-Storey Rents: **S$41.00 psf**	▲ 0.4%	▲ 3.1%
	Supply Pipeline NLA: **2.2 million sq ft** (2024-2028)	▼ -14.2%	▲ 57.1%
RESIDENTIAL	Price Index: **206.1**	▲ 0.9%	▲ 6.0%
	Volume of Rental Transactions: **6,775 units**	▲ 3.3%	▲ 3.1%

KEY HIGHLIGHTS

Investment

Investment sales reached S$6.3 billion in 2Q 2024, spurred by government land transactions and a few successful collective sales. Amid ongoing uncertainties, developers remain cautious but retain strong interest in prime locations.

Office

Singapore's office market in 1H 2024 saw stable rental rates despite a 1.0% dip in occupancy rates to 94.8%. This was on the back of new CBD supply arising from the partial completion of IOI Central Boulevard Towers.

Industrial

Singapore's industrial market witnessed positive performance in 1H 2024 as manufacturing expanded, while overall industrial occupancy rose to 89.0%. Divergence in rental performances widened between centrally located and suburban business parks.

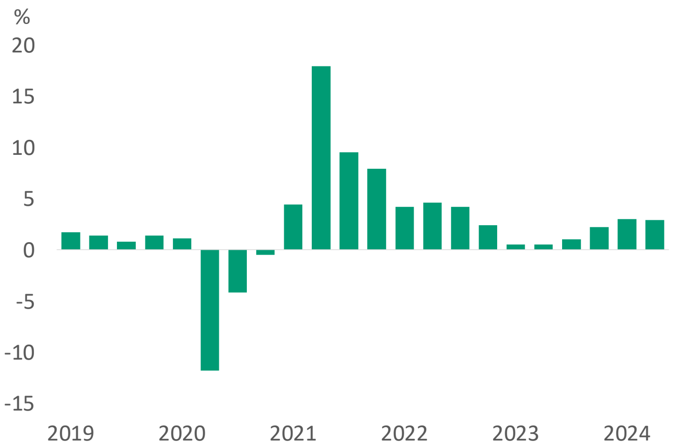
Retail

International arrivals into Singapore hit 8.2 million in 1H 2024, nearly returning to pre-pandemic levels. Prime rental rates in Orchard/Scott Road saw modest increase, with sustained growth anticipated on the back of strong consumer demand and limited new supply.

Residential

Residential property prices saw moderate growth of 2.3% in 1H 2024. A ripple effect in the CCR and RCR drove growth in property prices. Rental rates faced pressure with the expected new supply and the shift in focus towards serviced apartments.

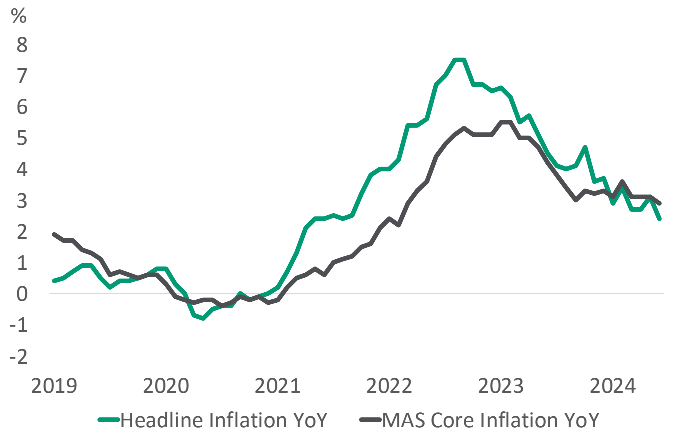
GDP Growth



Source: SingStat, EDMUND TIE Research

Singapore's economy grew by 2.9% YoY in 2Q 2024, extending its revised growth of 3.0% in 1Q 2024. GDP growth was supported by the Manufacturing sector, offsetting the 1.7% decline in 1Q 2024.

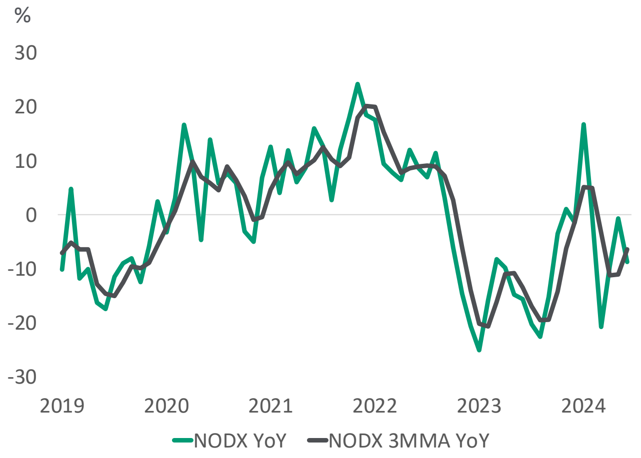
Inflation



Source: SingStat, EDMUND TIE Research

In June 2024, core inflation fell to 2.9%, the lowest in over 2 years. It is expected to decrease further by the end of 2024, though geopolitical risks and adverse weather could still push prices up.

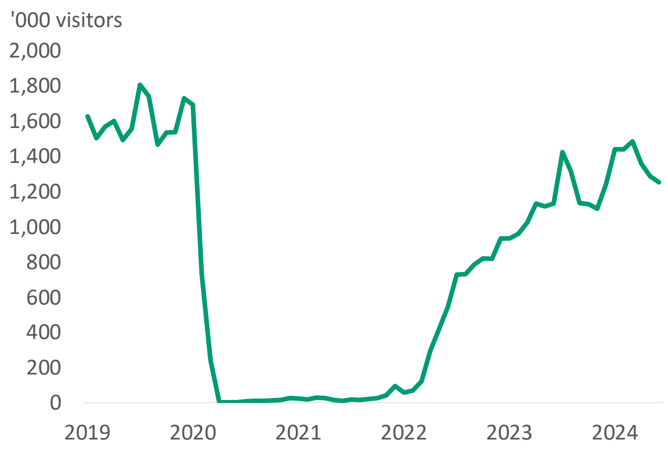
Non-oil Domestic Exports



Source: SingStat, EDMUND TIE Research

Non-oil domestic exports (3MMA YoY) turned negative in 1H 2024 due to slower non-electronics exports. Enterprise Singapore forecasts growth in the lower 4%-6% for 2024.

International Visitor Arrivals



Source: SingStat, EDMUND TIE Research

International visitor arrivals dropped to 1.25 million in June 2024 due to fewer MICE events. On a year-to-date basis, total arrivals stood at 8.2 million, which aligns with STB's forecast of 15-16 million visitors for 2024.

INVESTMENT
Investment sales surge amid caution and strategic focus

- In 2Q 2024, total investment sales were recorded at S$6.3 billion. This represents a 89.4% YoY increase from the S$3.3 billion transacted in 2Q 2023.

- Four GLS sites were awarded within the quarter, notably Upper Thomson Road (Parcel B), Zion Road (Parcel A), Holland Drive and River Valley Green totaling S$3.2 billion.

- Despite the successful sale of 4 GLS sites, there was notably reduced bidding activity in recent tenders, reflecting developers' cautious approach amid escalated development risks and declining sales volumes. These are on the back of elevated interest rates, economic uncertainty and homebuyers' adopting a wait-and-see approach. Developers are adopting a more cautious approach to GLS sites for Long Stay Serviced Apartments due to the government's new initiative.

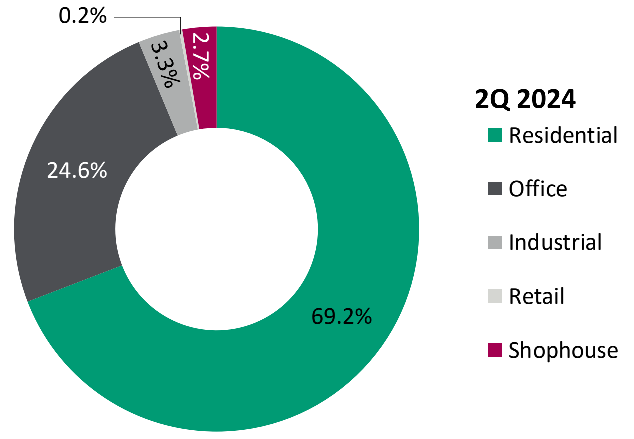
- In the private sector, the recent sale of Delfi Orchard at S$438 million marked the third major successful collective sale within Orchard Road. Driven by the Urban Redevelopment Authority's (URA) strategic plans to revitalize Orchard Road, the allure of prime development opportunities in this area persists. Developers remain keenly attracted to these prospects, underscoring ongoing interest in the area's rejuvenation and potential.

Outlook

- Investment sales are expected to moderate as developers navigate these challenges. While the introduction of the Long Stay Serviced Apartment (SA II) and the substantial land supply anticipated in the latter half of 2024 may spur interest, the overall investment sentiment will likely remain cautious. The pace of investment growth may be tempered, with developers expecting to focus on projects with clear viability and reduced risks.

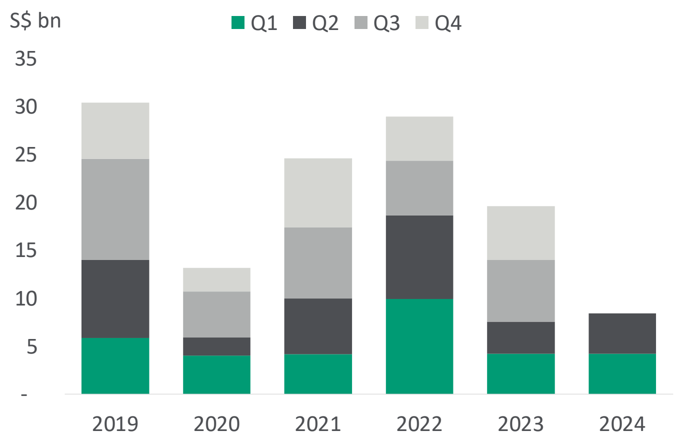
- Developer's discerning approach to acquisitions suggests that future growth may be moderate, influenced by on-going economic and market uncertainties.

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 2Q 2024

Development	Purchase price $ million	Purchase price $ psf	Purchaser	Seller
Retail				
Delfi Orchard	438	3,339	City Developments Ltd	Rajah & Tann
Shophouse				
The Rail Mall	79	744	Private Investor	Paragon REIT
Mixed-Use				
Fraser Residence River Promenade	141	NA	Tuan Sing Holdings	Frasers Property
Office				
20 Harbour Drive	160	1,154	Keppel Education Asset Fund (KEAF)	Mapletree Investments
Mapletree Anson	775	2,109	PAG	Mapletree Pan Asia Commercial Trust (MPACT)

Source: EDMUND TIE Research

OFFICE

Non-CBD and suburban office supply to catalyse office leasing activity

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Singapore's office sector continued to show stability as office prices rose 3.0% QoQ in 2Q 2024, reversing the previous quarter's 1.1% decline. Islandwide occupancy rates, however, fell by 1.0 percentage point to 94.8%. This decline was largely attributed to the partial completion of IOI Central Boulevard Towers, which added 0.9 million sq ft net lettable area (NLA) of office space to the CBD, thus marginally correcting to 92.9% from 95.0% in the previous quarter.

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In the non-CBD areas, occupancy rates rose by 0.3% in 2Q 2024, mainly due to increased activity in the Bugis/City Hall area. Meanwhile, decentralised areas experienced a slight 0.2% decline, predominantly caused by a decrease of 1.5% in occupancy rates in the Jurong area.

■

Islandwide net absorption rose by approximately 480,000 sq ft, reflecting the impact of increased office supply. Despite this, rents in the CBD, non-CBD and decentralised areas remained relatively stable. Tenants are observed to prefer efficient office spaces and favour lease renewals or shorter-term lease extensions.

■

Shadow spaces in the market increased to 334,000 sq ft in 2Q 2024 from 245,000 sq ft in 1Q 2024. This rise may be attributed to potential downsizing or relocation activities by tenants due to leases expiries in the latter half of 2024 or 2025.

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Noteworthy leasing activity in 2Q 2024 include Rakuten Asia expanding into CapitaGreen, Moomoo Financial Singapore relocating to Marina Bay Financial Centre and Hermés Singapore (Retail) establishing an office at The Heeren.

Outlook

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Looking ahead, islandwide occupancy rates are expected to be under pressure in 2024 with three major office projects targeted for completion in 2H 2024: Labrador Tower, Punggol Digital District (Phase 1) and Paya Lebar Green. These new green-certified developments are anticipated to attract cost-conscious tenants, potentially drawing them away from CBD spaces. Nonetheless, Grade A rental rates in the CBD are anticipated to remain stable for the remainder of 2024.

Figure 3: CBD Premium and Grade A Office Net Absorption

Source: EDMUND TIE Research

Figure 4: Shadow Space (NLA)

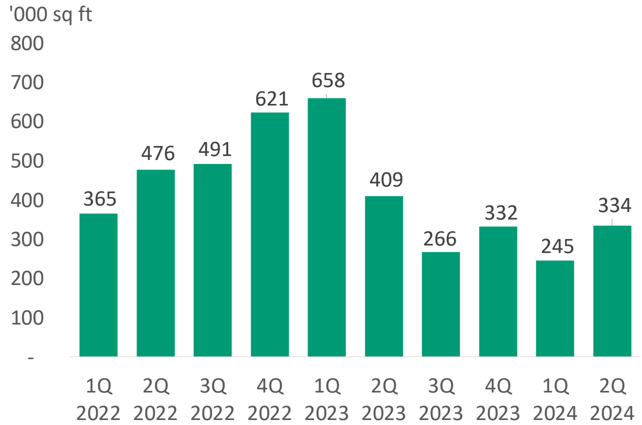

Table 2: Office Supply Pipeline

	Selected Major Upcoming Developments	NLA '000 sq ft		Total
2024	Labrador Tower	646	1,248	2,279
	Punggol Digital District	267		
	Paya Lebar Green	335		
2025	Keppel South Central	650	1,031	
	Shaw Tower Redevelopment	381		

Source: EDMUND TIE Research

Table 3: Average Office Rents and Occupancy Rates

	1Q 2024 psf	2Q 2024 psf	QoQ	Occupancy Rate
Marina Bay (Premium)	S$12.90	S$12.90	0.0%	88.8%
Raffles Place (Grade A)	S$10.55	S$10.55	0.0%	96.7%
Shenton Way/Robinson Road/ Tanjong Pagar (Grade A)	S$9.00	S$9.00	0.0%	95.5%

Source: EDMUND TIE Research

INDUSTRIAL | Electronics manufacturing sector as bright spot

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Singapore's manufacturing sector has expanded for ten consecutive months since September 2023, though at a slower pace. The Manufacturing PMI was recorded at 50.4 in June 2024, down from 50.7 in March 2024. The electronics manufacturing sector continued positive expansion with a PMI of 51.2 in June, diverging from the non-electronics manufacturing sector's performance.

■

In 2Q 2024, islandwide occupancy rates increased to 89.0% from 88.7%, reflecting a strong performance across all industrial segments. Business parks ended its five quarters of decline, with a 0.3 percentage point rise to 78.3%. Occupancy rates further highlighted the preference for centrally located business parks, which achieved an occupancy rate of 88.8%, whereas business parks in suburban areas had a significantly lower rate of 64.9%. Warehouses saw a marginal occupancy increase of 0.2 percentage points to 91.3% and that of multi-user factories recorded a 0.8 percentage point rise to 91.3%.

■

Overall rental indices rose by 1.0% QoQ in 2Q 2024, with the price index for all industrial spaces increasing by 1.2%. First-storey multi-user factory rents remained unchanged at S$2.07 per sq ft. Warehouse rental rates increased by 0.5% QoQ to S$1.86 per sq ft. Meanwhile, suburban business park rents declined by 0.5% QoQ to S$3.84 per sq ft, continuing its divergence from centrally located business park rates, which remained steady at S$5.40 per sq ft.

Outlook

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The electronics manufacturing sector's positive trend is expected to continue into 2H 2024, driven by support for AI advancements in the semiconductor segment. Multi-user factories and warehouse/logistics sectors are likely to benefit from the sustained growth in manufacturing sector, thus supporting rental rates in these segments.

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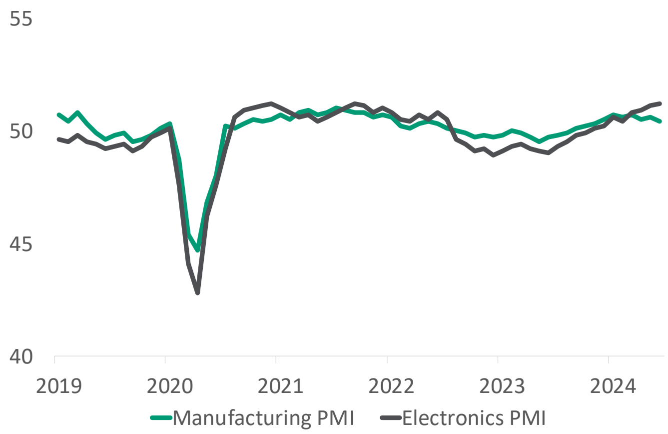
Conversely, rental rates for business parks and hi-tech industrial spaces may face pressure due to high vacancies with limited qualifying occupiers for these segments. Furthermore, tenants favour central locations to suburban locations, thus, widening the rental rate gap between central and suburban areas.

Figure 5: Manufacturing & Electronics PMI



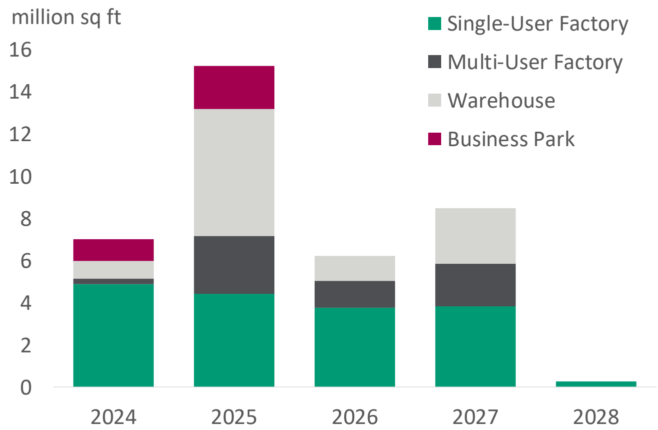
Source: EDMUND TIE Research

Table 4: Industrial Rents

	1Q 2024	2Q 2024	QoQ
First-storey muliple-user factory	S$2.07 psf	S$2.07 psf	0.0%
Hi-tech industrial space	S$3.47 psf	S$3.47 psf	0.0%
Warehouse/Logistics	S$1.85 psf	S$1.86 psf	0.5%
Business park (Central Region)	S$5.40 psf	S$5.40 psf	0.0%

Source: EDMUND TIE Research

Figure 6: Industrial Supply Pipeline (NLA)



Source: EDMUND TIE Research

RETAIL

Tourist rebound and stable rents amid economic pressures

In the second quarter of 2024, international visitor arrivals reached 3.9 million. Comparing tourism arrivals in 1H 2024 against the same period in 2019, a slight variance of 11.6% is observed, indicating a steady return to pre-pandemic economic conditions.

Orchard/Scotts Road occupancy rates remained healthy with a 0.3 percentage point decline to 92.9%, while the Other City Areas declined 0.1 percentage point to 95.4% and Fringe/Suburban area remained unchanged at 92.6% in 2Q 2024.

In 2Q 2024, prime first-storey rental rates along Orchard/ Scotts Road increased by 0.4%, reaching S$41.00 per sq ft. This rise in rental rates was driven by gradual rebound in tourism, with increasing visitor arrivals and tourism receipts. The limited supply of prime retail spaces is expected to spur strong interest and continued rental growth. Rental rates in Fringe/Suburban Areas remained stable at S$34.00 per sq ft, while Other City Areas held steady at S$19.35 per sq ft.

Retail sales for 2Q 2024 increased 0.2% YoY driven by consumption tax hike that continued to weigh on consumer sentiment. With the strength of the Singapore Dollar, the resurgence of travel plans post-pandemic have led to an increasing preference among locals to spend more abroad. This change in spending preference has added further pressure to local retail sector.

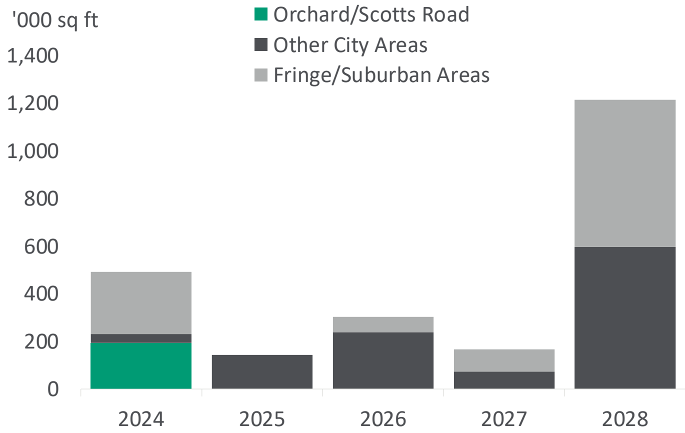
In the Outside Central Region (OCR), the completion of Pasir Ris Mall injected approximately 0.7 million sq ft of retail space in the quarter. The mall's healthy pre-commitment levels reflects the tight vacancy and limited supply pipeline for retail space, particularly driven by businesses in food and beverage, lifestyle and sport operations, as well as beauty and wellness establishments.

Table 5: Retail Prime Rental Rents

Region	Floor	1Q 2024	2Q 2024	QoQ
Orchard/ Scotts Road	First storey	S$40.85 psf	S$41.00 psf	0.4%
	Upper storey	S$15.30 psf	S$15.35 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$34.00 psf	0.0%
	Upper storey	S$18.10 psf	S$18.10 psf	0.0%

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	

Source: URA, EDMUND TIE Research

Outlook

Given the expected growth in visitor arrivals and a limited supply pipeline of retail projects in the near term, rents and occupancy rates are expected to remain robust throughout 2024.

RESIDENTIAL | Price ripples across market segments impact primary & secondary sales

- In 1H 2024, the growth of the residential price index slowed to 2.3%, down from 3.7% in 2H 2023. This deceleration is primarily attributed to the plateauing in the prices of non-landed properties within OCR. The previous 10.3% surge in OCR in 2H 2023 had subsequently created a ripple effect, driving growth of non-landed properties in CCR and RCR to 3.0% and 1.9%, respectively, in 1H 2024. Similarly, landed properties islandwide also saw a 4.5% increase in the first half of 2024.

- Transaction volumes rose in 2Q 2024, reaching 4,722 units, a 9.2% increase from 1Q 2024's 4,326 units. Secondary sales led the rise, with 3,992 units transacted in 2Q 2024, a 26.0% increase from 1Q 2024. In contrast, primary sales fell by 36.7% QoQ to 730 units due to fewer launches in 2Q 2024.

- Foreign purchasers made up only 1.7% of transactions in 2Q 2024 and are mostly US citizens. Singapore Permanent Residents (SPRs) increased their purchases to 815 units from 644 units in 1Q 2024, suggesting a trend of foreigners attaining their SPR status first, before making their property investments.

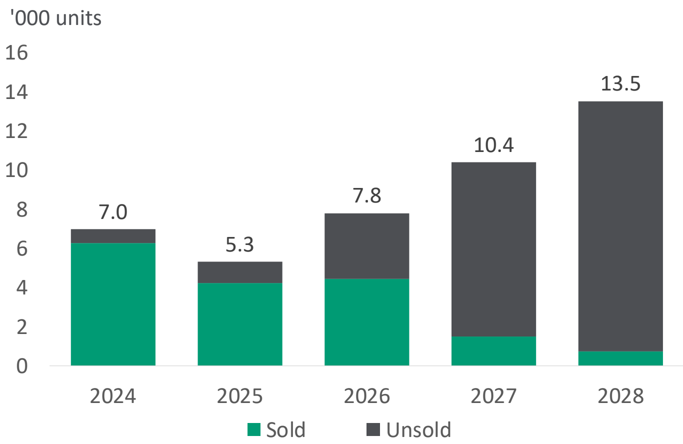
- In the rental market, private home rental transactions rose to 20,326 units in 2Q 2024, up 1.7% from 19,981 units in 1Q 2024. However, the rental price index decreased by 0.8%, moderating to levels seen in 1Q 2023.

Outlook

- For 2H 2024, residential prices are anticipated to increase moderately. As the market adjusts and establishes new price levels, price growths are expected to stabilize following the recent upward shift caused by the ripple effect.

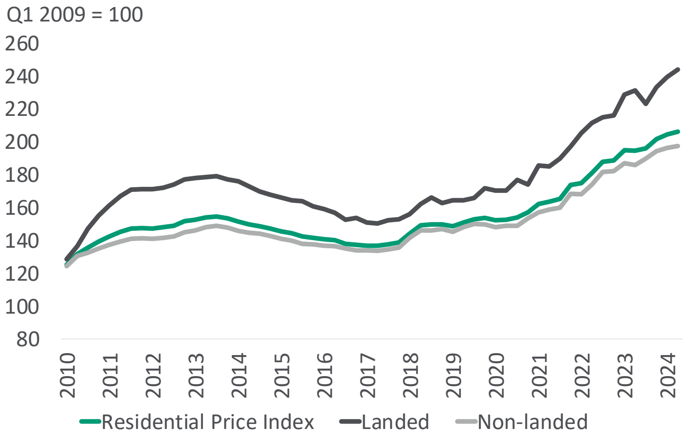
- Rents are expected to continue being under pressure, given around 7,000 units due for completion in 2H 2024 and 2025. The increasing interest in serviced apartments may add further pressure onto rents in the market.

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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