

**REAL ESTATE  
TIMES**

**JANUARY 2020**



# SINGAPORE Q4 2019

Soft 2019 economic growth and hopes of market recovery  
for commercial and residential markets in 2020

# ECONOMY

## Market commentary

### Key economic indicators

Based on advanced estimates released by the Ministry of Trade and Industry on 2 January 2020, the Singapore economy grew by 0.7 per cent year-on-year (y-o-y) in 2019, moderating from the 3.1 per cent y-o-y growth in 2018 (Table 1). The construction sector had the strongest performance, growing by 2.5 per cent y-o-y in 2019. However, the manufacturing sector contracted by 1.5 per cent y-o-y in 2019.

Global growth is projected to see a modest pickup in 2020, supported by emerging markets and developing economies, while growth of key final demand markets for Singapore such as the US and China is expected to ease amid trade tensions. Market watchers are cautiously positive on the possible easing of trade frictions and improvements in global trade in the coming quarters. The Ministry of Trade and Industry has forecast Singapore's GDP growth to range from 0.5 per cent to 2.5 per cent in 2020.

Notwithstanding the continuing global trade tensions and economic headwinds, Singapore continued to attract investment commitment. The fixed asset investment totalled 8.3bn from Q1 2019 to Q3 2019, with a greater proportion recorded in H1 2019. The Singapore Economic Development Board (EDB), with its focus on key priorities including ASEAN, advanced manufacturing, digital, innovation and growing new industry clusters, had planned to attract \$8bn to S\$10bn in fixed asset investments in 2019, in line with previous years.

In EDB's 2019 year-in-review announcement in 16 January 2020, Singapore far exceeded its forecast for investment commitments in 2019 by attracting \$15.2bn, 39 per cent more than in 2018. The strong figures reflect companies' confidence in Singapore's fundamentals and its strategic position at the heart of a growing Asia, with strong value proposition of trust and stability along with sophisticated capabilities of its economy.

Table 1: GDP

Selected indicators	Y-o-y change (per cent)	
	Q3 2019	Q4 2019
Overall GDP	0.5	0.8
Manufacturing	-1.7	-2.1
Construction	2.9	2.1
Services producing industries	0.9	1.4

\* Based on advanced estimates released by MTI on 2 January 2020

Source: MTI, EDMUND TIE Research

Table 2: Unemployment rate and fixed asset investments

Selected indicators	Y-o-y change	
	Q2 2019	Q3 2019
Unemployment rate	2.2%	2.3%
Fixed asset investments	4.3bn	0.2bn

Source: MTI, EDMUND TIE Research

All monetary values are in Singapore dollars (\$)

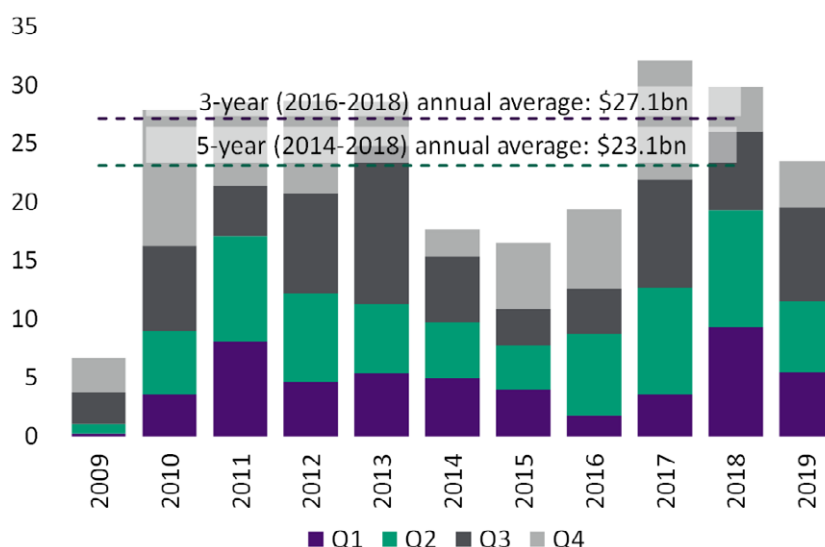
# INVESTMENT

## Investment sales

Against the backdrop of global geopolitical tensions, economic slowdown and business confidence falling to a near two-year low in Q4 2019 (according to the Singapore Commercial Credit Bureau's Business Optimism Index report released on 16 September 2019), total investment sales value fell 22.2 per cent y-o-y to reach \$23.2bn in 2019 (Figure 1). The private sector accounted for the bulk (or 78.1 per cent) of total investment sales value for 2019, with heightened sales activities for commercial assets by local and foreign institutional investors including REITs.

Sale of sites sold under the Government Land Sales (GLS) Programme (Table 3) in 2019 was 28.4 per cent lower than in 2018. The decline was attributed to a fall in residential sale sites as property cooling measures and greater investor caution continued to bite homebuyer sentiments.

Figure 1: Total investment sales, \$bn



Source: Various sources, EDMUND TIE Research

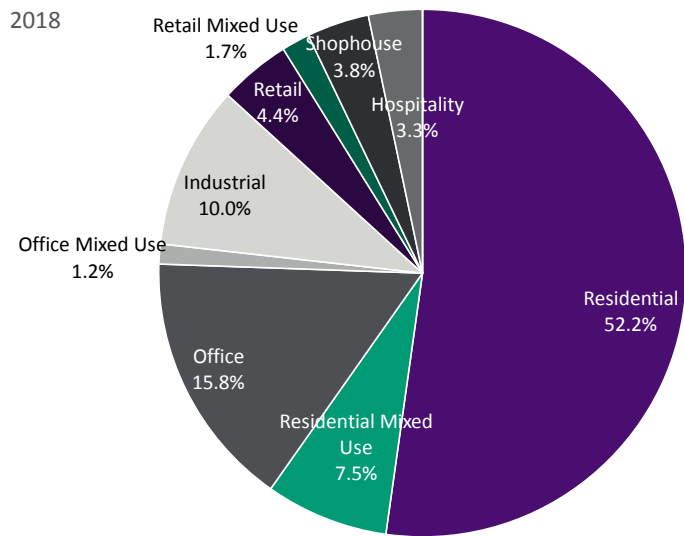
Table 3: Investment sales summary\*

Key investment sale type	2018 (\$m)	2019 (\$m)	y-o-y change (per cent)
<b>Private</b>	<b>22,745 (76.2%)</b>	<b>18,139 (78.1%)</b>	<b>-20.3</b>
Residential/Residential mixed-use	11,313 (37.9%)	278 (1.2%)	-97.5
Office/Office mixed-use	4,713 (15.8%)	7,798 (33.6%)	65.4
Industrial/Industrial mixed-use	2,835 (9.5%)	3,849 (16.6%)	35.8
Retail/retail mixed-use	1,818 (6.1%)	3,085 (13.3%)	69.7
Hospitality/Hospitality mixed-use	923 (3.1%)	2,547 (11.0%)	176.0
Shophouses	1,143 (3.8%)	581 (2.5%)	-49.1
<b>Public (GLS)</b>	<b>7,113 (23.8%)</b>	<b>5,090 (21.9%)</b>	<b>-28.4</b>
Residential/Residential mixed-use	6,531 (21.9%)	4,316 (18.6%)	-33.9
Office/Office mixed-use	365 (1.2%)	Nil	Not meaningful
Industrial/Industrial mixed-use	154 (0.5%)	211 (0.9%)	36.8
Hospitality/Hospitality mixed-use	62 (0.2%)	562 (2.4%)	800.5
<b>Total</b>	<b>29,858 (100%)</b>	<b>23,229 (100%)</b>	<b>-22.2</b>

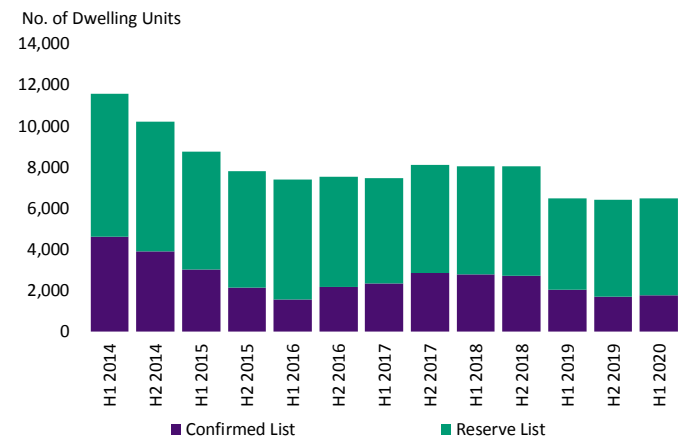
\* Refers to the sale of land, building and multiple units with value above \$5 million. It excludes single strata or landed residential units, except for landed sites large enough to be redeveloped into two or more residential units.

Source: Various sources, EDMUND TIE Research

**Figure 2: Total investment sales by asset type**

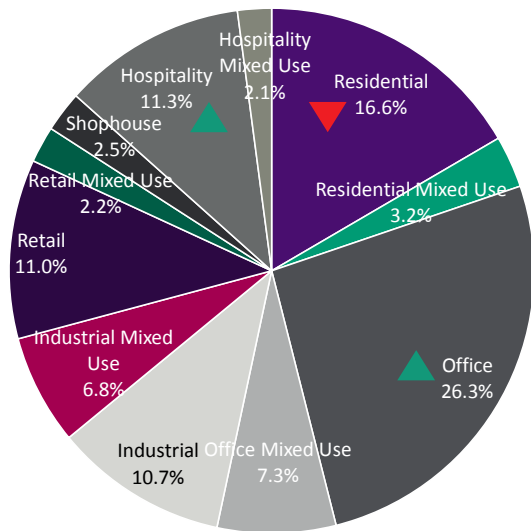


**Figure 3: Estimated Residential GLS supply**



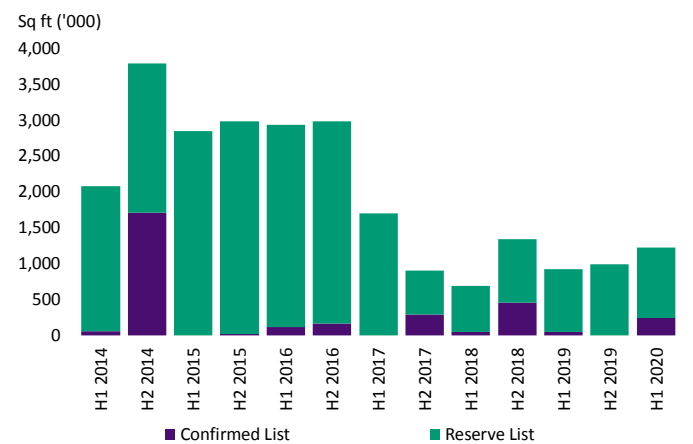
Source: URA, EDMUND TIE Research

2019



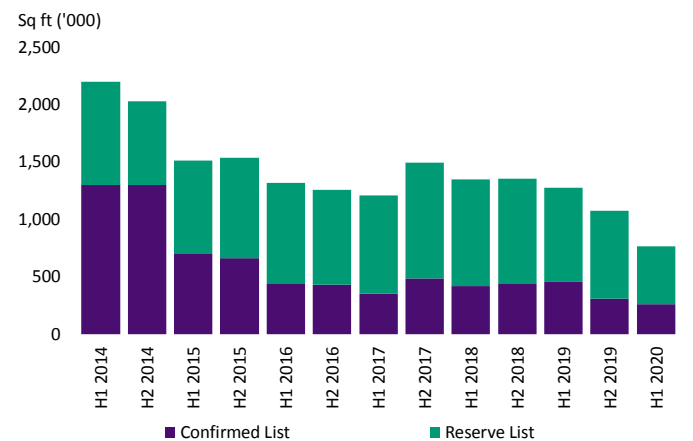
Source: Various sources, EDMUND TIE Research

**Figure 4: Estimated Commercial (excluding Hotels) GLS supply**



Source: URA, EDMUND TIE Research

**Figure 5: Estimated Industrial GLS supply**



Source: JTC, EDMUND TIE Research



**Table 4: Key private investment sale transactions in Q4 2019 (above \$100m)**

Development name/location	Tenure/ (remaining tenure)	Purchase price	Purchaser/investor type
<b>Office/Office mixed-use</b>			
Bugis Junction Towers	99 years (70 years)	\$547.5m (\$2,200 psf NLA)	Fund managed by Angelo Gordon and TCRE Partners (Private property vehicle)
<b>Industrial/Industrial mixed-use</b>			
Mapletree Business City (Phase 2)	99 years (76 years)	\$1.576bn (\$1,330 psf NLA)	Mapletree Commercial Trust (local listed REIT) – related party transaction
<b>Retail/retail mixed-use</b>			
The Star Vista Mall	60 years (48 years)	\$296m (\$1,817 psf NLA)	Rock Productions (New Creation Church) (Private company)
<b>Hospitality/hospitality mixed-use</b>			
Andaz Singapore	99 years (91 years)	\$475m (\$1.4m per key)	Hoi Hup Realty Pte Ltd (Private property company)
Liang Court	97 years (57 years)	\$163.3m (\$975 psf GFA)	City Developments Limited (Quoted property company)

Source: Various sources, EDMUND TIE Research

No GLS sites were recorded in Q4 2019.

## Sector trends and outlook

- **Office** sector continued to stand out, increasing 53.5 per cent y-o-y in total private sector deals and GLS sites. The stronger interest is supported by investors' confidence in office space demand and positive outlooks for the sector as viable source of stable income-recurring assets.

The largest transaction in 2019 was Chevron House, which transacted at \$1,025m (or \$2,739 psf) to US investment firm, AEW from Oxley Holdings. The transaction price represents more than a 35 per cent increase in capital value over the \$660m that Oxley Holdings had initially paid to acquire the development in March 2018. Chevron House is currently undergoing addition and alteration (A&A) works to increase the NLA in the building.

- **Hospitality** assets emerged as the next investors' target, with investment sales value increasing 216 per cent y-o-y in 2019, underpinned by yet another record year in international visitor arrivals in Singapore, with

15.9m visitors in the first 10 months of the year – a 2.3 per cent y-o-y increase above the same period in 2018. 2018 recorded a new-high in terms of total visitor arrivals of 18.5m.

- **Residential** collective sales remained lacklustre, falling from 52.2 per cent of total investment sales value in 2018 to just 16.6 per cent in 2019.

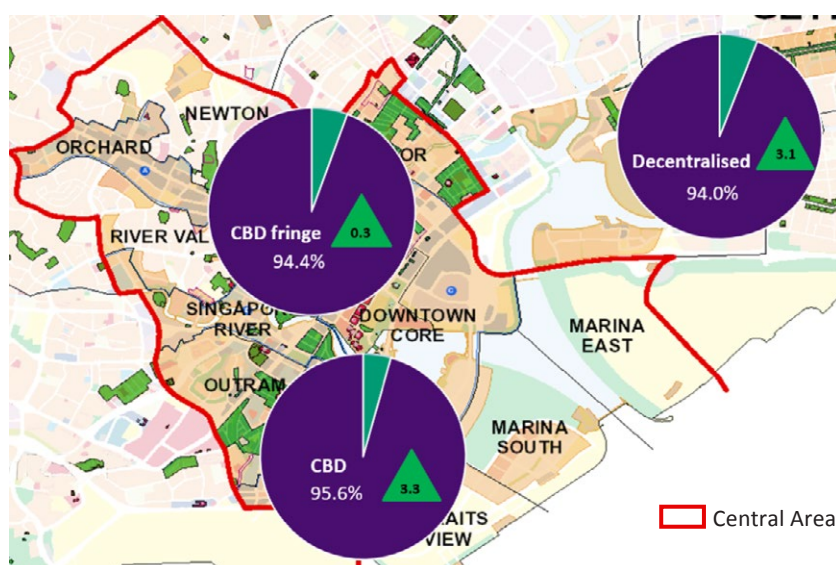
The overall investment sales value estimate of \$23.2bn for 2019 falls within our previous forecast range of \$22bn to \$24bn. Despite the increase in investment sales for all commercial assets (barring shophouses), overall investment sales value posted an annual decline in 2019, amid the dearth of residential collective sales. Concerns on the unsold supply glut also weighed on investors' appetite for new residential sites. Along with existing property cooling measures, residential investment sales activity is likely to be soft in the near term until we observe a continuous recovery in new sales momentum in the next three to four quarters.

# OFFICE

## Office demand and occupancy rates

- Based on our estimates, occupancy rates of office developments\* island-wide trended upwards by 2.5 percentage points y-o-y to 94.9 per cent in Q4 2019. This was greater than the 0.9 percentage points growth in Q4 2018. In Q4 2019, occupancy in the Central Business District (CBD) increased the most by 3.3 percentage points y-o-y to 95.6 per cent (Figure 6).
- In 2019, co-working and technology firms remained the major occupiers of CBD office space despite challenges faced by selected co-working operators, notably WeWork and Wotso. Within the co-working market segment, there has been consolidation such as the merger of Collision 8 and Found into Found8. We observed some co-working operators expanding into the CBD fringe locations, in light of the near saturation of co-working spaces in the CBD. A notable example is JustCo, which opened its 50,000 sq ft of space in Manulife Centre and is expected to house about 1,000 members (Table 5).

Figure 6: Office occupancy rates\* and y-o-y percentage point change (in green arrows) in Q4 2019



\* In-house estimates of purpose-built office developments and mixed-use premises with NLA of 20,000 sq ft and above

Source: URA, OneMap, EDMUND TIE Research

Table 5: Key tenant movements in Q4 2019

Building	Location	Tenant	Sector	Remarks (space occupied)
Marina Bay Financial Centre Tower 3	Marina Bay (CBD)	Littler	Law	New location in REGUS
Asia Square Tower 2		First Abu Dhabi bank	Finance	Relocation (22,000 sq ft)
9 Battery Road	Raffles Place (CBD)	Upgrade Pack	Travel technology	New location
OUE Bayfront		Aramco	Oil and Gas	Relocation (30,000 sq ft)
AXA Tower	Shenton Way/ Robinson Road/ Tanjong Pagar (CBD)	Cofco Agri	Agri-business	Relocation (14,000 sq ft)
79 Anson Road		Wan Hai Lines	Shipping	Relocation (11,000 sq ft)
Millenia Tower	City fringe	CSOP Asset Management	Investment	New location
Bugis Junction Towers		ADMIS Singapore	Finance	Relocation (10,000 sq ft)
Manulife Centre		JustCo	Co-working	New location (50,000 sq ft)
Visioncrest Commercial		GfK Singapore	Technology	Relocation (11,000 sq ft)
The Metropolis	Decentralised areas	Aedas	Architecture	Relocation (20,000 sq ft)

Source: Various sources, EDMUND TIE Research

## Rental rates

The average gross monthly rents rose across most of the sub-locations by 0.0 to 1.7 per cent q-o-q (Table 6). Average CBD rents rose by 1.3 per cent q-o-q and 7.0 per cent y-o-y for Q4 2019.

## Supply pipeline

The total supply pipeline from Q4 2019 to 2023 is estimated to be approximately 4.7m sq ft (or 1.1m sq ft per annum). (Figure 7). 9 Penang Road has obtained Temporary Occupation Permit (TOP) in Q4 2019. Global bank, UBS, will relocate its headquarters to 9 Penang Road, relocating from its offices in One Raffles Quay North Tower and Suntec Tower Five.

## Outlook

The office market is expected to expand in terms of footprint and leasing activity, albeit at a moderated pace in 2020, in view of the projected modest recovery of Singapore's economic growth. Demand for office space in the CBD will continue to come from the information & communications and finance & insurance sectors, supported by the healthy demand for IT and digital solutions as well as sustained demand for payment processing services. Firms providing asset management and legal services could be on the lookout for office spaces as inbound investment to Singapore is expected to step up on the back of investors' search for safe haven investment destinations in Asia.

Table 6 : Average monthly gross office rents (\$ per sq ft)

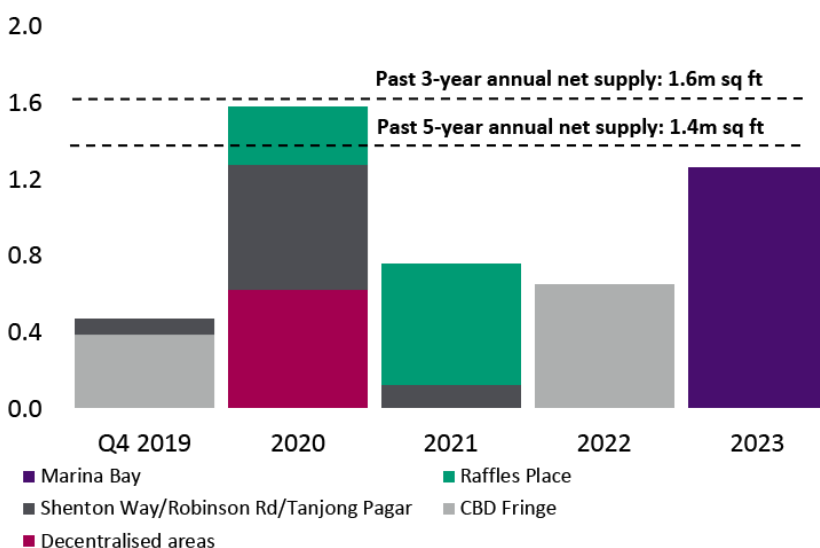
Location		Grade	Q3 2019	Q4 2019	Q-o-q change (%)
CBD	Marina Bay	A+	11.25 – 13.30	11.35 – 13.40	0.8
	Raffles Place	A	9.40 – 11.50	9.60 – 11.70	1.7
	Shenton Way/ Robinson Road/ Tanjong Pagar	A+	10.10 – 12.10	10.20 – 12.30	1.0
		A	8.10 – 10.10	8.10 – 10.10	0.0
		B	6.60 – 8.70	6.70 – 8.80	1.7
City Fringe	Marina Centre	A	8.90 – 10.90	8.90 – 10.90	0.3
	Beach Road/ North Bridge Road	A	9.80 – 11.80	9.80 – 11.80	0.2
		B	6.55 – 8.00	6.55 – 8.00	0.5
		Orchard Road	*	8.55 – 10.60	8.55 – 10.60
Decentralised areas**	Decentralised areas	*	5.00 – 7.50	5.00 – 7.50	0.0

\* Ungraded office space

Source: EDMUND TIE Research

\*\* Key purpose-built offices outside of CBD and CBD Fringe

Figure 7: CBD office development pipeline, million (m) sq ft



Source: URA, EDMUND TIE Research

# INDUSTRIAL

## Market commentary

### Key indicators

The Non-Oil Domestic Exports (NODX) and the Purchasing Managers' Index (PMI) in November 2019 showed tentative signs of bottoming out for the manufacturing sector (Table 7).

### Private demand, occupancy and supply

- Based on JTC's estimates (available at the time of this report on 17 January 2020), island-wide net absorption doubled q-o-q to approximately 3.3m sq ft in Q3 2019, while net supply more than doubled from 1.4m sq ft to 3.3m sq ft q-o-q.
- On a quarterly basis, while net supply for single-user factories (1.1m to 2.3m sq ft) and warehouses (0.7m to 1.1m sq ft) increased in Q3 2019, net supply for multiple-user factories remained in the negative zone (-22,000 sq ft). There was no new business park space supply in Q3 2019.
- Occupancy rates of private industrial space were relatively steady in Q3 2019, with slight q-o-q improvements across industrial types – multiple-user factories (0.1 percentage points), single-user factories (0.3 percentage points) and business parks (0.3 percentage points), except for warehouses which recorded a figure of -0.5 percentage points (Figure 8).

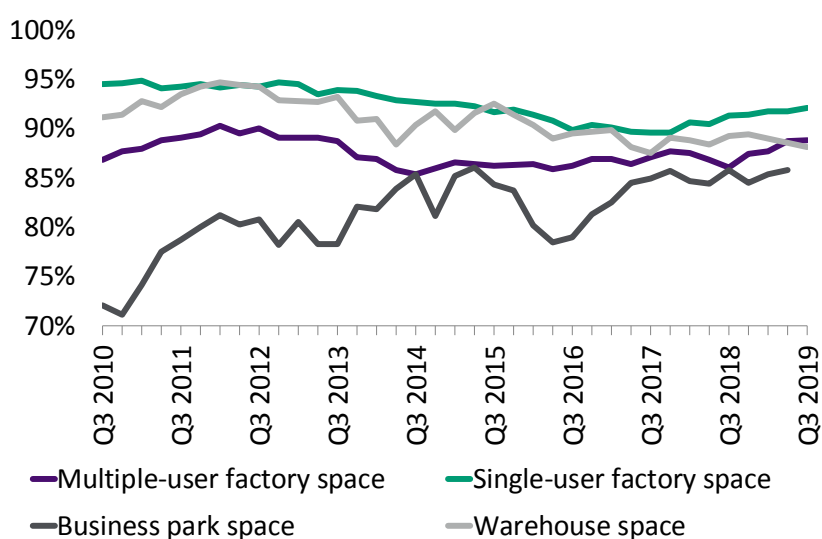
Table 7: Singapore's NODX and PMI

Key economic indicators	Q3 2019	Nov 2019	Key trends
NODX	-8.1	-5.9	<ul style="list-style-type: none"> <li>NODX fell by 5.9 per cent in November 2019, moderating after the 12.5 per cent contraction in October 2019. This was largely due to the decline in electronics exports.</li> </ul>
PMI*	49.5	49.8	<ul style="list-style-type: none"> <li>The PMI edged up by 0.2 points from the previous month to 49.8 points in November 2019.</li> <li>The electronics sector increased by 0.4 points from the previous month to report a slower contraction at 49.7 points.</li> </ul>

\* Reading above 50 indicates an expansion, while below 50 indicates a contraction.

Source: MTI, Enterprise Singapore, SIPMM, EDMUND TIE Research

Figure 8: Occupancy rates of private industrial space by type



Source: JTC, EDMUND TIE Research



- Bollore Logistics has opened a new warehouse facility, Blue Hub (538,195 sq ft), following the completion of the warehouse in Q3. The facility is fully automated to support the growth of customers in the perfumes and cosmetics sector.
- Notable leases secured/expansion announcements in Q3 2019 included:
  - Neste, a Finnish energy giant announced expansion plans to boost its Tuas facility capacity from 1m to 2.3m tonnes.
  - Amazon Singapore expanded its warehouse space in Mapletree Logistics Hub to support its ramp-up of its retail operations in Singapore.
  - An established global technology, defence and engineering company headquartered in Singapore has secured over 300,000 sq ft of space in Commodity Hub (under Cache Logistics Trust's portfolio).
  - P-Way Construction and Engineering has secured about 168,800 sq ft of space at 8 Tuas South Lane, a multiple-user factory.

## Rental rates

- Based on our estimates, monthly rental rates for multiple-user factories and warehouse/logistics\* moderated in Q4 2019, as industrial demand remained lacklustre for these sub-sectors amid weakened manufacturing performance (Table 8 and Figure 9).
- Monthly rents for high-tech industrial and business parks reported quarterly increases due to the limited available supply.

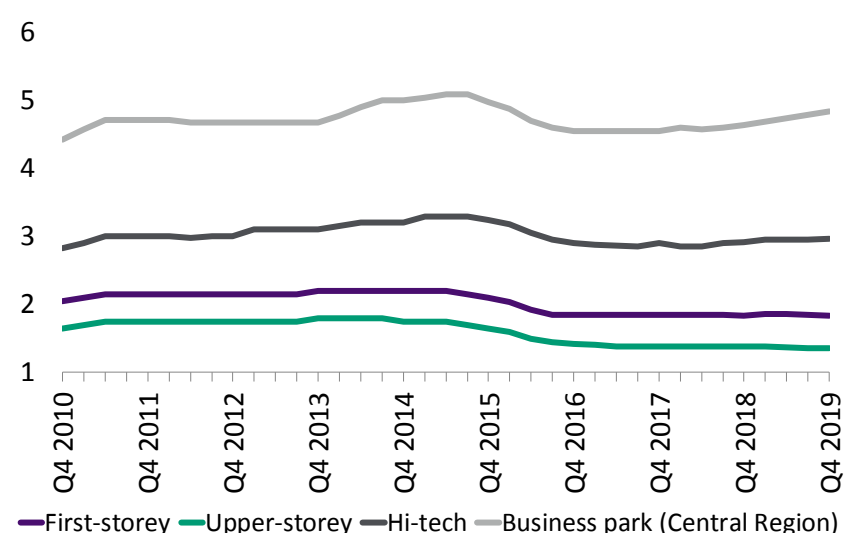
**Table 8: Average monthly gross rents (island-wide)**

Industrial type*	Q3 2019 (\$ per sq ft)	Q4 2019 (\$ per sq ft)	Q-o-q change (%)
Multiple-user factory	First-storey: 1.70 – 2.00	1.70 – 2.00	-0.4 ▼
	Upper-storey: 1.40 – 1.60	1.40 – 1.60	-0.2 ▼
Warehouse/logistics	1.50 – 1.70	1.50 – 1.70	-0.8 ▼
High-tech industrial	2.90 – 3.10	2.90 – 3.10	0.3 ▲
Business park	Central region: 4.40 – 4.90	4.40 – 4.90	1.2 ▲
	Suburban areas: 3.50 – 3.80	3.50 – 3.80	0.5 ▲

\* In-house estimates of key selected private industrial premises.

Source: EDMUND TIE Research

**Figure 9: Private monthly industrial gross rents (\$ psf per month) by type**

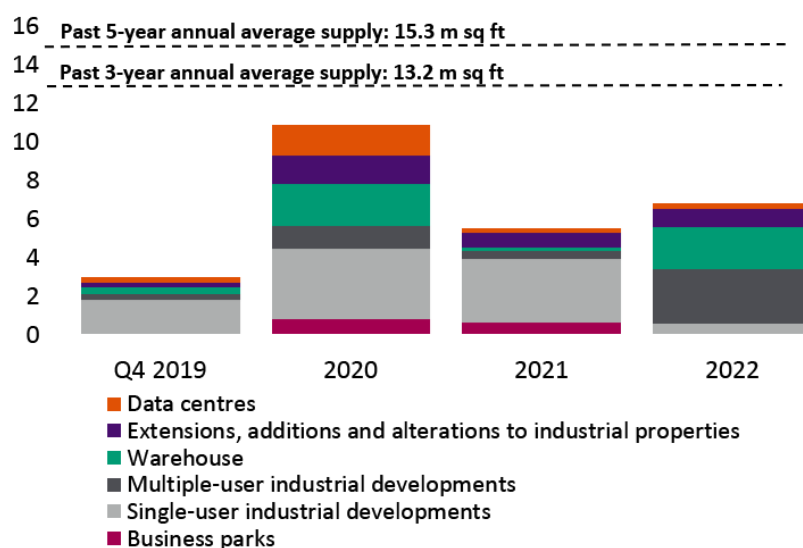


Source: EDMUND TIE Research

## Supply pipeline

- From Q4 2019 to 2022, there will be approximately 26.2m sq ft NLA (or 8.1m sq ft per annum) in the supply pipeline. This is significantly lower than the past 3- and 5-year annual average supply (Figure 10).
- There are five business park developments in the pipeline, totalling 1.4m sq ft, including an A&A to the existing development at 13 International Business Park by Pension Real Estate Singapore Pte Ltd.
- While consultancy firm Surbana-Jurong's new campus is due for completion in 2021, tech companies such as Grab Headquarters (317,000 sq ft) and Razer Headquarters (145,000 sq ft) are due for completion in 2020.

Figure 10: Private industrial development pipeline (with planning approvals and GLS sites which are pending approvals), million (m) sq ft



Source: JTC, EDMUND TIE Research

## Outlook

The industrial property market is expected to see modest improvements in 2020, supported by the gradual recovery in the manufacturing sector. Of which, the electronics and precision engineering exports are expected to improve with possible easing of US-China trade tensions.

Moving forward, the Government has introduced various initiatives to assist industrial companies in the upgrading of their digital capabilities and facilities to

achieve a wider global reach. An example is the Digital and Advanced Manufacturing Programme launched on 19 December 2019, which allows companies to explore new technologies and undergo training.

Additionally, Singapore continues to invest in infrastructure, partnerships and innovation to boost its digital economy. This includes the introduction of 5G mobile networks by 2020 to ensure Singapore's competitive edge as a trading and connectivity hub. Amid rising labour costs, the use of digital tools will also help companies to operate effectively.

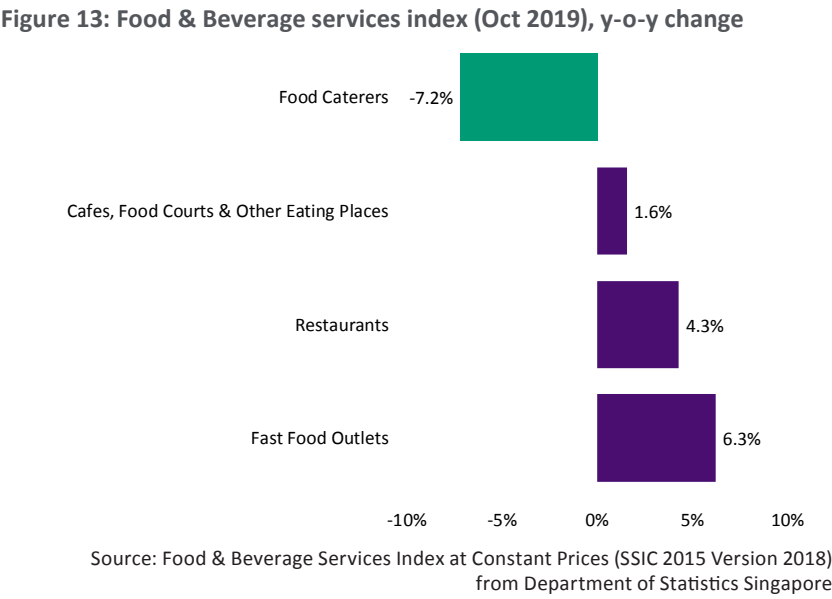
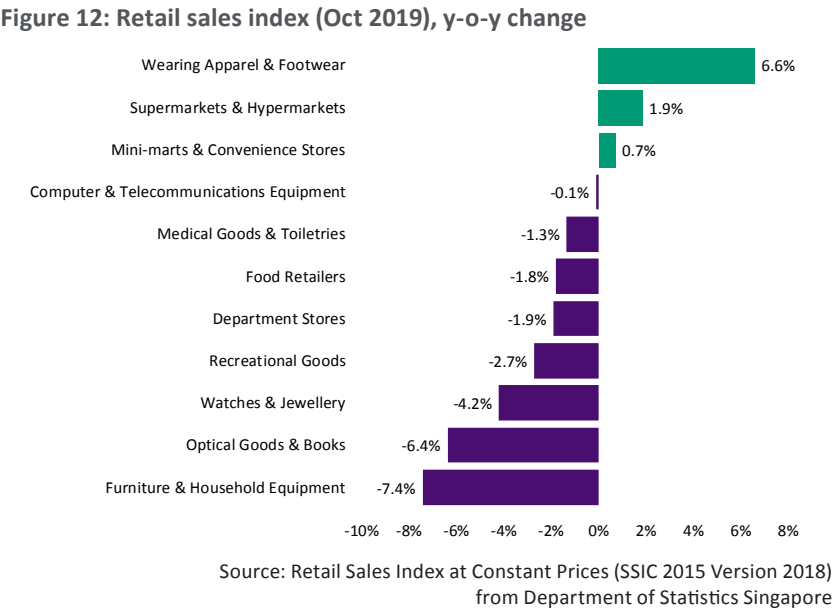
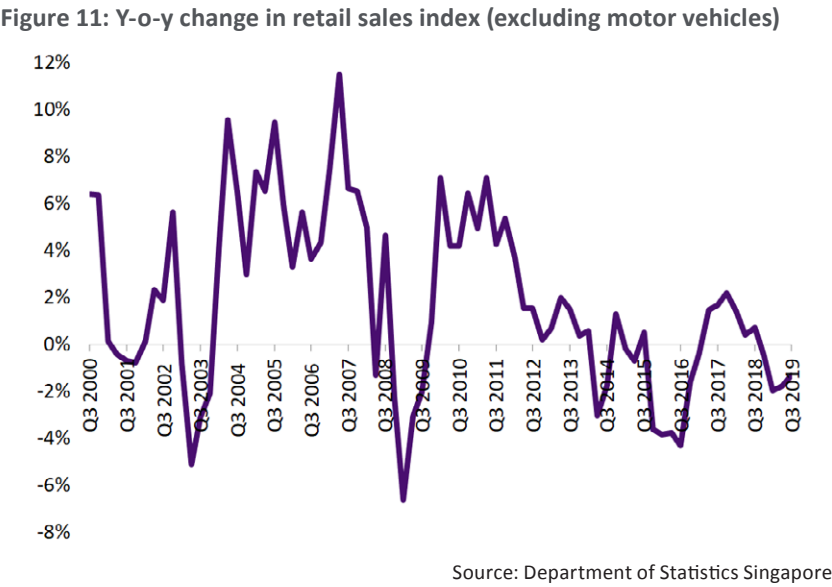
With a tapered supply in the pipeline over the next few years, occupancy and rental rates are expected to receive some support.

# RETAIL

## Market commentary

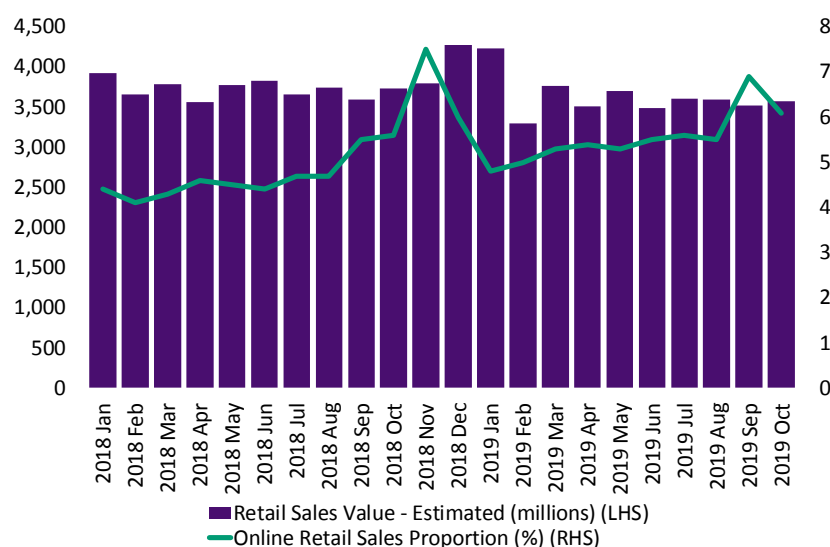
### Key indicators

- Retail sales index (excluding motor vehicles) trended downwards for the fourth consecutive quarter by 1.3 per cent q-o-q in Q3 2019 (Figure 11). However, the decline in Q3 2019 was moderated as compared to the -1.8 per cent contraction in Q2 2019.
- In October 2019, the top three gainers (on y-o-y basis) were wearing apparel and footwear as well as the supermarkets, hypermarkets; mini-marts and convenience stores sectors. The furniture and household equipment, optical goods and books as well as watches and jewellery sectors reported the largest contraction y-o-y in the same month (Figure 12). In terms of the Food & Beverage services index, fast food outlets had the largest expansion of 6.3 per cent y-o-y (Figure 13).



- The online retail sales proportion has also been on an increasing trend since the start of 2019 supported by the growth in e-commerce (Figure 14).
- Tourism receipts declined by 1.3 per cent y-o-y to \$6.5bn in Q2 2019 and majority of the sectors reported a decline y-o-y. Visitors from Mainland China, Indonesia and India were the top nationalities that visited Singapore in Q3 2019. The ongoing Hong Kong unrest situation have also prompted more Mainland Chinese visitors to visit Singapore.

**Figure 14: Retail sales value and proportion of online retail sales**



Source: Department of Statistics Singapore, EDMUND TIE Research

## Private demand, occupancy and supply

- Based on URA statistics (available at the time of this report on 17 January 2020), the retail market saw modest demand with total net absorption moderating to 374,000 sq ft in Q3 2019, from 888,000 sq ft in Q2 2019. Net supply was positive in

Q3 2019 with the completion of Paya Lebar Quarter (Phase 2) (NLA: 291,000 sq ft) and A&A to the existing podium of China Square Central (NLA: 80,000 sq ft).

- From URA's estimates, island-wide occupancy increased marginally by 0.1 percentage points q-o-q to 91.3 per cent in Q3 2019.

	Orchard/Scotts Road (OSR)	Other City Areas <sup>1</sup> (OCA)	Fringe/Suburban Areas <sup>2</sup> (FSA)
<b>Net absorption</b>	<ul style="list-style-type: none"> <li>• Net absorption reversed from 36,000 sq ft in Q2 2019 to -12,000 sq ft in Q3 2019.</li> </ul>	<ul style="list-style-type: none"> <li>• Net absorption moderated to 187,000 sq ft in Q3 2019, from 382,000 sq ft in Q2 2019.</li> </ul>	<ul style="list-style-type: none"> <li>• Net absorption moderated to 199,000 sq ft in Q3 2019, from 469,000 sq ft in Q2 2019.</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Occupancy rate declined slightly by 0.1 percentage points q-o-q to 94.2 per cent in Q3 2019 (Figure 15).</li> </ul>	<ul style="list-style-type: none"> <li>• Occupancy rate increased by 0.9 percentage points q-o-q to 91.4 per cent in Q3 2019.</li> </ul>	<ul style="list-style-type: none"> <li>• Occupancy declined slightly by 0.3 percentage points to 90.4 per cent in Q3 2019.</li> </ul>
<b>New Openings (Q4 2019)</b>	<ul style="list-style-type: none"> <li>• Five Guys (F&amp;B) in Plaza Singapura</li> <li>• Go Noodle House (F&amp;B) in 313@Somerset</li> <li>• Nam Dae Mun (F&amp;B) in 313@Somerset</li> <li>• Merci Marcel (F&amp;B) in Palais Renaissance</li> <li>• Social Place (F&amp;B) in Forum The Shopping Mall</li> <li>• Croquant Chou Zakuzaku (F&amp;B) in Ion Orchard</li> <li>• Style Theory (Fashion) in 313@Somerset</li> </ul>	<ul style="list-style-type: none"> <li>• Carmen's Best (F&amp;B) in Capitol Singapore</li> <li>• Asus Experience Store (technology) in Bugis Junction</li> <li>• Liverpool FC Singapore store (Fashion) in Bugis Junction</li> <li>• The Whale (F&amp;B) in China Square Central</li> <li>• La Mer (Skincare) in The Shoppes at Marina Bay Sands</li> </ul>	<ul style="list-style-type: none"> <li>• Yun Nans (F&amp;B) in Westgate</li> <li>• Sony (technology) in Westgate</li> <li>• Don Don Donki (F&amp;B) in Jcube</li> <li>• Rabeanco (Leather specialist) in Jewel Changi</li> </ul>
<b>Closures (Q4 2019)</b>	<ul style="list-style-type: none"> <li>• Crate &amp; Barrel (furniture and homeware) in Orchard Gateway</li> <li>• Hokkaido's Bake Cheese Tart (F&amp;B) in Ion Orchard</li> </ul>	<ul style="list-style-type: none"> <li>• Gudetama Cafe and My Melody Cafe in Suntec City</li> </ul>	<ul style="list-style-type: none"> <li>• Home-Fix (all outlets)</li> <li>• Sasa (all outlets)</li> </ul>

<sup>1</sup> Other City Areas refer to Downtown Core and Rest of Central Area

<sup>2</sup> Fringe/Suburban Areas refer to Fringe Areas and Suburban Areas (Outside Central Region)

Source: URA, EDMUND TIE Research

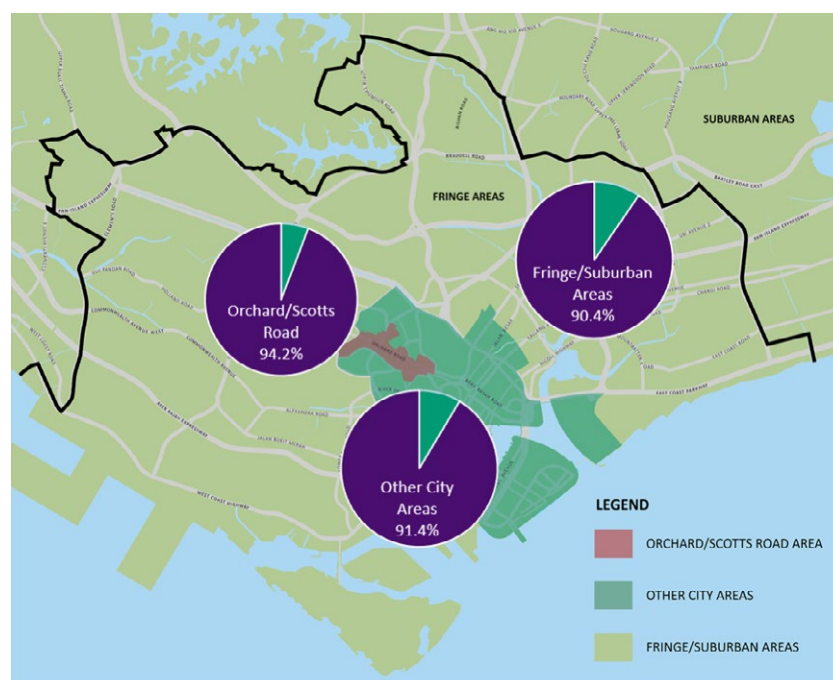
## Rental rates

Based on our estimates, island-wide average monthly rental rates increased marginally by 0.3 per cent to \$22.20 per sq ft in 2019. On a q-o-q basis, rents declined slightly in the Orchard/Scotts Road subzone (Table 9).

Leasing demand for first storey/prime retail spaces in other city areas recovered slightly, as retailers sought prime spaces to capture higher footfall and visibility.

Amid cautious consumer sentiment, we observed a slight decline in demand for upper-floor retail spaces in fringe/suburban areas, with a 0.7 per cent q-o-q decline in monthly rentals for the last quarter of 2019.

Figure 15: Retail occupancy rates (Q3 2019)



Source: URA, EDMUND TIE Research

Table 9: Average monthly gross rents (\$ per sq ft)

Location	Q3 2019	Q4 2019	Q-o-q change
OSR	<b>First storey:</b> 34.20 – 39.20	34.10 – 39.10	-0.2 ▼
	<b>Upper storey:</b> 14.00 – 18.00	13.90 – 18.00	-0.3 ▼
OCA	<b>First storey:</b> 16.10 – 21.10	16.10 – 21.30	0.1 ▲
	<b>Upper storey:</b> 8.10 – 12.10	8.10 – 12.10	-0.1 ▼
FSA	<b>First storey:</b> 25.30 – 31.30	25.30 – 31.30	0.0 —
	<b>Upper storey:</b> 15.00 – 20.00	14.90 – 19.90	-0.7 ▼

Source: EDMUND TIE Research



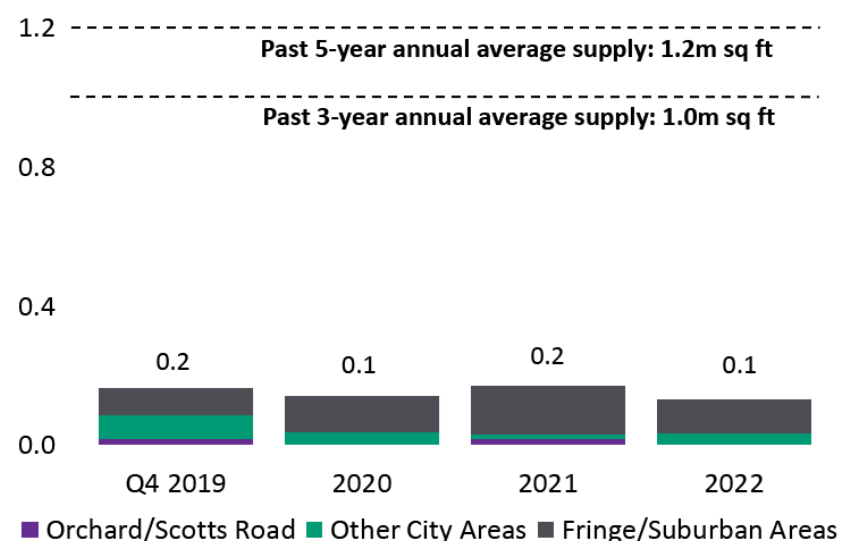
## Supply pipeline

The supply pipeline from Q4 2019 to 2022 is projected to be limited comprising some 602,000 sq ft NLA (Figure 16). In Q4 2019, 9 Penang Road in the OSR has obtained TOP, comprising an NLA of 15,000 sq ft.

## Outlook

The retail property market remained fairly uncertain in view of the soft retail sales performance, tight labour regulations and the growing e-commerce industry. Despite these challenges, the F&B sector is viewed as the bright spot of the industry as seen from the growth of 4.5 per cent y-o-y in the F&B services index in October 2019. This is supported by the many new F&B concepts introduced in 2019 and some of which have attracted visible crowds of customers (e.g. Shake Shack in Jewel Changi). In H2 2019, various sales events, such as Singles Day and Black Friday have been introduced, which helped to boost retail sales.

Figure 16: Retail development pipeline, million (m) sq ft



Source: URA, EDMUND TIE Research

Moving forward, integrating physical brick-and-mortar experience with online retailing will be an essential strategy for asset owners and retailers to expand their consumer outreach.

As a case in point, we have witnessed trend reversal from established online retailers – such as Taobao and Love, Bonito – which have moved into physical retail space for an omnichannel approach. Mall owners, together with their business partners, are likely to step up their proactive engagement strategies with retailers and visitors to continuously bring new retail concepts and activities in their retail spaces.

Island-wide overall retail rentals are projected to trend sideways within the band range of -1.0 to 1.0 per cent in 2020 and the limited supply pipeline from 2020 onwards will provide some support to rents and occupancy levels.

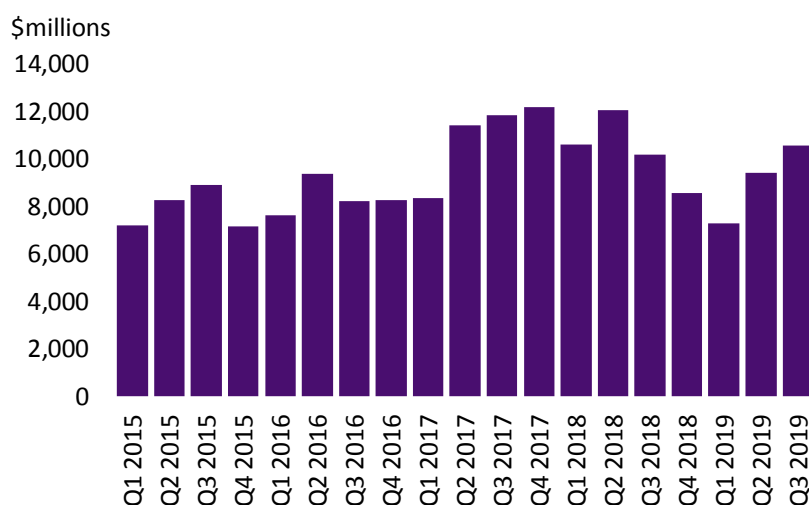
# RESIDENTIAL

## Market commentary

### Key economic indicators

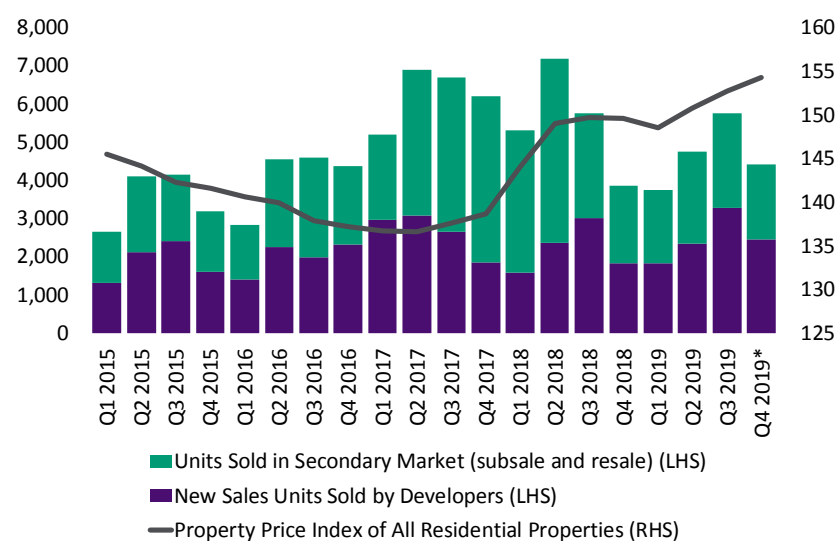
- Based on Q4 2019 Urban Redevelopment Authority (URA) flash estimates released on 2 January 2020, private home prices for the fourth quarter of 2019 reflected a marginal 0.3 per cent q-o-q and 2.5 per cent y-o-y increase.
- Private non-landed property prices declined by 0.7 per cent q-o-q in Q4 2019, a reversal compared to the 1.3 per cent growth in Q3 2019. Of which, prices of non-landed properties in the CCR and RCR declined, except for non-landed properties in the OCR, which increased by 2.9 per cent q-o-q in Q4 2019.
- URA Landed Property Price Index trended upwards by 4.0 per cent q-o-q in Q4 2019, extending from the 1.0 per cent growth reported in Q3 2019.
- Housing loans increased marginally by 3.7 per cent y-o-y in Q3 2019 (Figure 17), after four consecutive quarters of decline amid moderated demand for housing loans since the July 2018 property cooling measures with further tightening of loan-to-value threshold for borrowers.
- New sales volume is expected to outweigh resale volume, including both resale and sub sale, for the second consecutive quarter in Q4 2019, albeit at a lower new sales volume compared to the third quarter due to the lower number of launches for the last quarter of 2019 (Figure 18 and Table 10).

Figure 17: New housing loans limits granted



Source: MAS (as of 27 December 2019), EDMUND Tie Research

Figure 18: Private homes sales volume (excluding ECs) and URA All Residential Price Index



\* Q4 2019 sales volume based on monthly developer sales and caveats from REALIS as at 27 December 2019, PPI at Q4 2019 based on flash estimate

Source: URA, REALIS, EDMUND Tie Research

**Table 10: Non-landed private residential launches (excluding ECs) in Q4 2019 (projects >20 units)**

Development	Developer	District (market segment)	Total units	Launch month in 2019	Units sold	Initial sell-down rate* (%)	Indicative average price (\$ psf)
Neu at Novena	Roxy-Pacific Holdings Ltd	11 (CCR)	87	October	54	62	2,604
Midtown Bay	GuocoLand Ltd	9 (CCR)	219	October	48	22	2,917
Royalgreen	Allgreen Properties Limited	10 (CCR)	285	October	42	15	2,743
Midwood	Hong Leong Holdings	23 (OCR)	564	October	24	4	1,641
The Iveria	Macly Group	9 (CCR)	51	November	13	26	2,643
One Holland Village Residences	Far East Organization, Sino Group and Sekisui House	10 (CCR)	296	November	87	29	2,680
Pullman Residences, Newton	EL Development (Horizon) Pte Ltd	11 (CCR)	340	November	12	4	2,992
Dairy Farm Residences	United Engineers	23 (OCR)	460	November	35	8	1,547
Sengkang Grand Residences	CapitalLand and City Developments Limited	19 (OCR)	680	November	235	35	1,746
<b>Total units from Q4 2019 launches</b>			<b>2,982</b>				

\* Estimates analysed from caveats lodged (from REALIS as of 3 January 2020)

Source: URA, EDMUND TIE Research

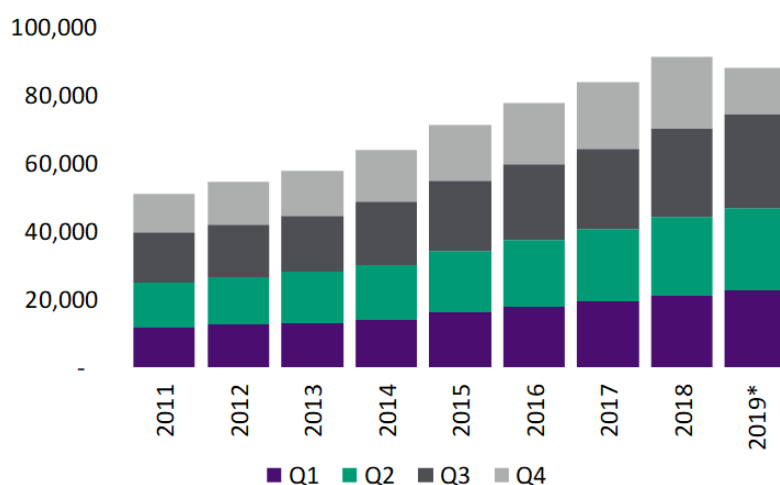
- One Holland Village Residences, comprising a total of 296 residential units within One Holland Village mixed-use development, received positive responses with 87 units sold since the end-November preview sales launch. Buyers are observed to be predominantly locals. The coveted address in prime district 10, combined with its integrated development appeal in a vibrant location are strong selling points for the project.
- Other integrated developments with residential units launched in the fourth quarter that saw encouraging responses include Midtown Bay and Sengkang Grand Residences. Homebuyers are attracted to the multiple attributes of trade variety, convenience and lifestyle appeal offered by these integrated developments.
- Conversely, resale volume is envisaged to decline to about 2,000 units in the last quarter, due in part to the end-of-year seasonal lull and some homeowners are seen to be holding back their divestment plans in anticipation of possible return of buyers from the first quarter of 2020.
- Total private homes sales volume for Q4 2019 is projected to reach approximately 4,600 units, higher compared to 3,860 units in Q4 2018.
- With these Q4 estimates, we forecast that total sales volume of private homes could reach close to 19,000 units for the whole of 2019, compared to 22,139 units in 2018.
- In terms of the private residential leasing market, total rental contracts volume rose by 4.5 per cent y-o-y to reach 27,000 transactions in Q3 2019 (Figure 19). The URA Rental Index for All Residential Property has risen for three consecutive quarters in 2019 with cumulative increase of 2.4 per cent from Q4 2018. These trends were supported by the lower number of completed private homes in 2019 and a firmer overall occupancy of 93.9 per cent for the third quarter. In view of a weakened economic performance for the second half of 2019 and dimmed job market prospects that

could have curtailed foreign workforce growth and accommodation budgets, we envisage overall private home rental movement to trend sideways with -0.3 to 0.2 per cent q-o-q change in Q4 2019 (Figure 20).

## Outlook

- Notwithstanding the new high pricing set by new launch projects in 2019 compared to previous year's launches, there is growing acceptance from homebuyers on the price premium factors accorded to well-located projects with concepts that appeal in lifestyle and convenience. The Government's 2019 Master Plan to transform various precincts has provided clarity on Singapore's future property landscape and instilled confidence on the prospects of residential property investment.
- The high liquidity in the market, fuelled by low interest rates, has also supported demand for residential property investment. With limited attractive options to invest in equities and bonds amid compressed yields and returns, non-institutional retail investors view residential property as a possible long-term investment and a hedge against inflation. For foreign investors, the strong Singapore Dollar which has held up well historically against regional currencies, is another attraction.
- The upcoming launches in the first half of 2020, located mainly in the Core Central Region, will be closely watched as the market assess demand conditions and sales performance.

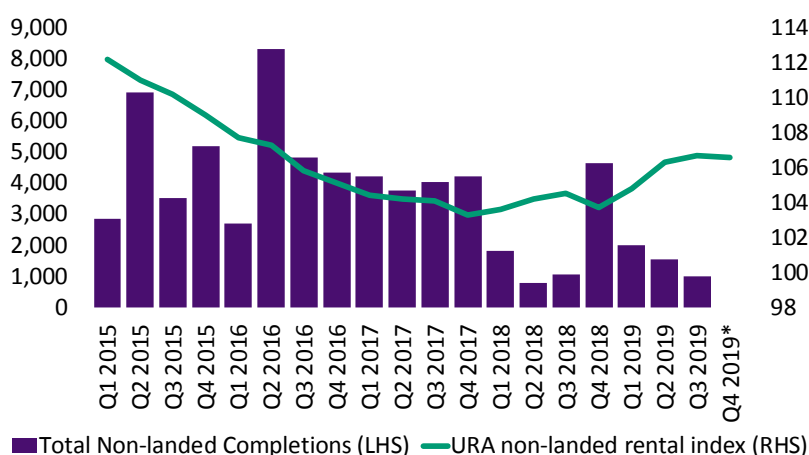
**Figure 19: Number of private home rental transactions (excluding ECs)**



\* Preliminary estimates of rental transactions in Q4 2019, based on REALIS data as of 3 January 2020

Source: REALIS, EDMUND Tie Research

**Figure 20: Private non-landed home completions (excluding ECs) and URA Rental Index**



\* Based on forecast of -0.1 per cent q-o-q change for rental index in Q4 2019

Source: URA, REALIS, EDMUND Tie Research

- In consideration of a potential recovery in economic outlook with preliminary easing of trade frictions and assuming existing cooling measures to remain status quo, we could expect private home prices to trend at a steady growth path in 2020, akin to a 'Goldilocks effect'. We forecast 2 per cent to 4 per cent annual price growth for private homes for year 2020, with possible price uptick of 0.5 per cent to 0.8 per cent for non-landed homes in the first quarter of 2020.

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