SINGAPORE 3Q 2020

Brisk residential activity with economic reopening and recovery

EDMUND TIE

ECONOMY

Market commentary

Key economic indicators

- Based on advanced estimates released by the Ministry of Trade and Industry (MTI) on 14 Oct 2020, the Singapore economy contracted by 7.0% year-on-year (yoy) in 3Q 2020 following the 13.3% yoy decline in 2Q 2020. The two quarters marked the steepest declines in the post Global Financial Crisis period (Table 1). On a quarter-on-quarter (qoq) basis, the Singapore economy expanded by 7.9% in 3Q 2020, an improvement from the decline of 13.2% in 2Q 2020.

- As Singapore moved into Phase 2 of its recovery from 19 June 2020, the majority of industries, except for the entertainment sector, had restarted operations. The manufacturing industry recorded a 2.0% yoy growth in 3Q 2020, a rebound as compared to -0.8% yoy in 2Q 2020. The construction and services producing industries also moderated to -44.7% and -8.0% yoy in 3Q 2020 respectively as compared to that in 2Q 2020.

- Given the earlier economic contraction, inflationary pressures have eased while labour market pressures rose. Inflation declined by 0.5% in 2Q 2020, extending from the -0.1% in 1Q 2020. The unemployment rate also increased to 2.9% in 2Q 2020, from 2.4% in 1Q 2020 (Table 2).

Table 1: Singapore's Gross Domestic Product (GDP)

Selected indicators	Yoy change (%)				
	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020*
Overall GDP	**0.7**	**1.0**	**-0.3**	**-13.3**	**-7.0**
Manufacturing	-0.7	-2.3	7.9	-0.8	2.0
Construction	3.1	4.3	-1.2	-59.9	-44.7
Services producing industries	0.8	1.5	-2.3	-13.6	-8.0

* Based on advanced estimates released by MTI on 14 Oct 2020

Source: MTI

- Singapore attracted $1.9bn in fixed asset investments (FAI) in 2Q 2020, a sharp decline from the $12.4bn reported in 1Q 2020. Both the manufacturing and services cluster saw great declines. The manufacturing cluster reported a sharp decline of 86.5% qoq in 2Q 2020. Within the manufacturing cluster, the chemicals, electronics and transport engineering components contracted by 90.2%, 94.4% and 77.0% on a qoq basis in 2Q 2020 respectively. The services cluster also trended downwards by 73.5% qoq in 2Q 2020.

Table 2: Inflation, unemployment rate and fixed asset investments

Selected indicators	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Consumer Price Index (Core inflation) Y-o-y % change	0.6	0.5	0.2	-0.2
Consumer Price Index (All items inflation) S.A. Y-o-y % change	0.5	0.8	-0.1	-0.5
Unemployment rate, S.A. (%)	2.3	2.3	2.4	2.9
Fixed asset investments (S$bn)	0.2	6.9	12.4	1.9

Source: Singapore Department of Statistics

INVESTMENT

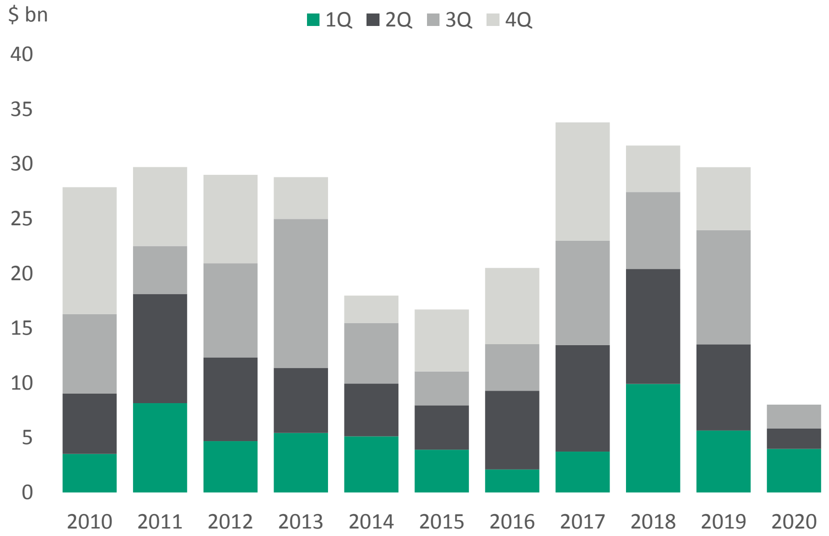
Market commentary

Investment sales

Investor confidence improved with the stabilisation of the local Covid-19 situation and the reopening of the economy, leading to increased market activity in the investment sales market. As a result, investment sales grew by 33.8% qoq to nearly $2.5bn in 3Q 2020 after three consecutive quarters of decline (Figure 1).

There were no significant GLS sites being awarded in 3Q 2020, resulting in no public investment sales for the second consecutive quarter. Apart from more transaction activity, there were also more transactions of higher price quantums. In 3Q 2020, six transactions surpassed the $100mn mark compared to only three deals in 2Q 2020. While the significant deals in 2Q 2020 were all from the office sector, the major transactions in 3Q 2020 were from various property sectors, with three from the industrial sector (Table 3). The buoyant demand for industrial and logistics assets arose from rising warehousing needs during the ongoing Covid-19 pandemic.

Figure 1: Total investment sales (S$bn)



Source: Various sources, EDMUND TIE Research

Table 3: Investment sales summary*

	2018 $ mn	2019 $ mn	1Q 2020 $ mn	2Q 2020 $ mn	3Q 2020 $ mn	qoq chg %
Total Investment Sales	**31,692**	**29,711**	**3,986**	**1,853**	**2,480**	**34**
Residential	20,387	7,554	1,978	261	778	198
Office	5,000	8,386	784	1,324	711	-46
Industrial	2,777	4,717	1,134	174	397	128
Retail	1,757	3,548	22	43	550	1,179
Hospitality	985	5,038	0	0	0	n.m.
Shophouse	786	469	15	50	28	-44
Others	0	0	53	0	16	n.m.
Private Sales	**24,579**	**24,392**	**2,399**	**1,853**	**2,480**	**34**
Residential	13,856	3,003	615	261	778	198
Office	4,635	8,386	784	1,324	711	-46
Industrial	2,623	4,511	910	174	397	128
Retail	1,757	3,548	22	43	550	1,179
Hospitality	923	4,475	0	0	0	n.m.
Shophouse	786	469	15	50	28	-44
Others	0	0	53	0	16	n.m.
Government sales	**7,113**	**5,319**	**1,587**	**0**	**0**	**n.m.**
Residential	6,531	4,550	1,363	0	0	n.m.
Office	365	0	0	0	0	n.m.
Industrial	154	206	224	0	0	n.m.
Hospitality	62	562	0	0	0	n.m.
Others	0	0	0	0	0	n.m.

* Refers to any property transactions with value above S$10mn.

Source: Various sources, EDMUND TIE Research

Sector trends and outlook

- After two consecutive quarters of increase, **office** investment sales declined by 46.3% qoq to $711mn in 3Q 2020 due to lower investment activity in the sector. Two office buildings and one strata office unit were sold in the quarter. The largest deal in 3Q 2020 was the sale of Robinson Point for $500mn ($3,721 psf NLA) from Tuan Sing Holdings to a British Virgin Islands-incorporated investment holding company (Table 4). The office building was previously acquired by Tuan Sing in 2013 for $348.9mn and has undergone asset enhancement works to the main lobby, carpark lobby and loading bays. In 3Q 2020, ABI Plaza was also sold to a private fund managed by CapitaLand Fund Management for $200mn ($2,162 psf NLA) after it was put on the market by MYP since June 2020 at a guide price of above $280mn. The ABI Plaza site will benefit from the grant of bonus GFA under URA's CBD Incentive Scheme upon redevelopment into a mixed-use project.

- On the other hand, **industrial** investment sales more than doubled to $397mn in 3Q 2020 despite lower transaction volume as the price quantums of the transactions were significantly larger. Three of the four investment sales in 3Q 2020 were more than $100mn, with the largest being a ramp-up logistics warehouse at 7 Bulim Street for $129.6mn ($353 psf land area) purchased by AIMS Apac Reit. With an existing master lease, a net property income yield of nearly 7% is expected to be obtained, which is deemed to be rather attractive. The sale of 26A Ayer Rajah Crescent followed closely behind; the property was sold to Equinix by Mapletree Industrial Trust for $125mn. A seven-storey build-to-suit data centre for Equinix is situated at the site. Another significant transaction was the acquisition of the freehold Thye Hong Centre at 2 Leng Kee Road for $112.5mn by SLB Development. The industrial sector has been proven to be resilient amid the Covid-19 pandemic, particularly with data centres and warehouses being sought after.

- **Retail** investment sales increased the most among the property sectors in 3Q 2020, recording $550mn from $43mn in 2Q 2020. There was only one (related party) transaction in 3Q 2020, which was the sale of a 50% stake in Northpoint City (South Wing) based on the property valuation of $1.1bn. Frasers Property sold 50% of its stake in the shopping mall to a division of TCC Group, whose controlling shareholders are that of Frasers Property.

Table 4: Key private investment sale transactions in 3Q 2020

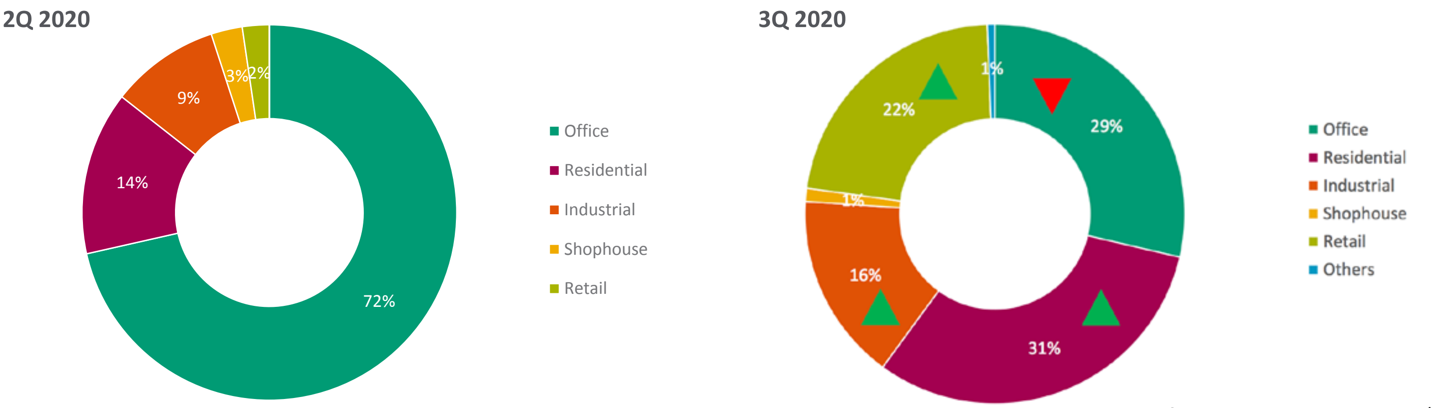
Development	Remaining tenure, yrs	Purchase price		Purchaser	Seller
		$ mn	$ psf		
Office					
Robinson Point	Freehold	500.0	3,721 NLA	Unknown	Tuan Sing Holdings
ABI Plaza	Freehold	200.0	2,162 NLA	CapitaLand fund entity	MYP
Industrial					
7 Bulim Street	22 years	129.6	353 land area	AIMS Apac Reit	Titan (Wenya)
26A Ayer Rajah Crescent	23 years	125.0	325 GFA	Equnix	Mapletree Industrial Trust
Thye Hong Centre	Freehold	112.5	1,756 land area	SLB Development	Thye Hong Properties
Retail					
Northpoint City (South Wing) (50% stake)	94 years	550.0	3,786 NLA	TCC Group	Frasers Property (related party deal)

Source: Various sources

- **Residential** investment sales constituted the bulk (31.4%) of total investment sales in 3Q 2020, a considerable increase from the 14.1% share in 2Q 2020 (Figure 2). Investment sales almost tripled qoq to $778mn after three consecutive quarters of decline. This was supported by the resumption of home viewings from 19 June 2020. While there were only two Good Class Bungalows (GCBs) sold in 2Q 2020, eight GCBs were sold in 3Q 2020. The largest GCB deal was a GCB on 101,550 sq ft of freehold land in Garlick Avenue for around $93mn ($916 psf land area). The site, which is reported to be purchased by Mr Goh Cheng Liang, founder of Wuthelam Holdings, is large enough to be subdivided for redevelopment into 5/6 bungalows. Apart from an active GCB market, the collective sales market also saw modest activity. After the en bloc sale of Casa Sophia in 1Q 2020, 3Q 2020 saw the second en bloc sale in 2020 with the sale of Yuen Sing Mansion for $15.2mn, lower than the reserve price of $17mn. This followed its last unsuccessful tender in 2018. Separately, a four-storey residential mixed use building at 320 Balestier Road was sold in 3Q 2020 for $18.1mn to LHN Limited, which had intentions to operate the property as a co-living space. LHN had previously developed Hmlet at Cantonment jointly with Hmlet.

The improved transaction activity in 3Q 2020 offered some glimpse of hope for the investment sales market, but there are still uncertainties given ongoing weakness in the economy. Business sentiment among local firms remain pessimistic for 4Q 2020 despite an improvement from 3Q 2020, according to the Singapore Commercial Credit Bureau's Business Optimism Index. However, some sectors such as the professional and IT services, as well as the manufacturing and financial services sectors anticipated a slightly better outlook in 4Q 2020. As Singapore prepares for the next phase of reopening the economy, as well as more green lanes being implemented, this may provide further confidence for foreign investors whose footprints in the market have been on the rise in recent quarters.

Figure 2: Total investment sales by asset type



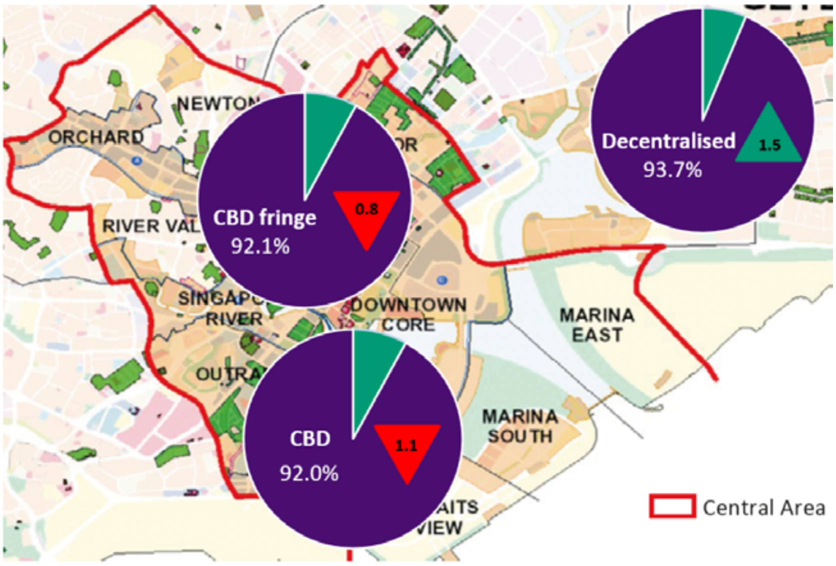
Source: EDMUND TIE Research

OFFICE

Office demand and occupancy rates

- Based on EDMUND TIE research, net absorption remained in the contractionary zone of -374,000 sq ft in 3Q 2020. The islandwide office occupancy rate contracted by 0.3% points qoq to 92.5% in 3Q 2020 (Figure 3). The decline was largely due to the contraction of office space demand in the CBD, where the occupancy rate declined by 1.1% points to 92.0% in 3Q 2020. The majority of employees continued to work from home as a default in 3Q 2020.
- The technology and financial sectors were some of the sectors that supported demand in 3Q 2020 (Table 5). Sun Life has set up a new office in Singapore in One Raffles Quay North Tower. It was also reported that technology and e-commerce giant Amazon had leased around 90,000 sq ft on three levels at Asia Square Tower 1.

Figure 3: Office occupancy rates* and qoq % point change (in arrows) in 3Q 2020



* 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 3Q 2020

Building	Location	Tenant	Sector	Remarks
Asia Square Tower 1	Marina Bay (CBD)	Interactive Brokers Group	Brokerage	New office in Singapore
One Raffles Quay North Tower	Marina Bay (CBD)	Sun Life	Finance	New office in Singapore
One Marina Boulevard	Raffles Place (CBD)	Ontario Teachers' Pension Plan Board	Finance	New office in Singapore
Guoco Tower	Shenton Way/Robinson Road/Tanjong Pagar (CBD)	QBE Insurance (Singapore)	Insurance	Relocation
Guoco Tower	Shenton Way/Robinson Road/Tanjong Pagar (CBD)	Toyota Motor Asia Pacific	Motor Vehicles	Relocation

Source: Various sources

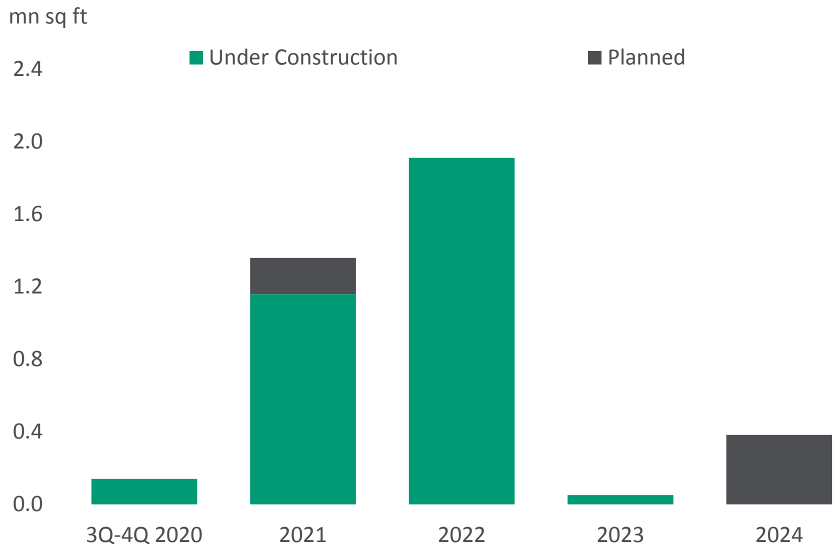
Rents

Monthly rents in the various subzones of the office sector showed qoq declines in 3Q 2020 (Table 6). Within the CBD, premium grade buildings in Shenton Way/Robinson Road/Tanjong Pagar were generally more resilient as compared to other subzones, recording a 1.5% qoq contraction in 3Q 2020 as the buildings there were newer and had more efficient floor plates. Monthly rents of office buildings in the Decentralised areas held steady in general as rents were already relatively competitive.

Supply pipeline

Based on EDMUND TIE Research, there is approximately 3.8mn sq ft of new office space estimated to be completed from 3Q 2020 to 2024 (Figure 4). Most of the office developments will be completed in 2022 (49.7% or 1.9mn sq ft). Additionally, more than half of the supply pipeline will be in CBD, followed by 26.9% in CBD fringe. In the CBD, Afro-Asia I-Mark is estimated to complete by end of the 2020 and currently has a 62% pre-commitment rate, with Delivery Hero and The Great Room leasing space. Besides Afro-Asia I-Mark, the additions/alterations to existing HSBC building will complete in 2021, with WeWork taking up the entire office space.

Figure 4: Office development pipeline



Source: EDMUND TIE Research

Outlook

Looking ahead, we expect a decline in overall office rents for the rest of 2020 and continued weakness in early 2021. Companies are considering a variety of work arrangements in view of the Covid-19 pandemic. Demand for office space is still broadly intact though tenants are generally asking for shorter leases. Landlords are likely to be more flexible on lease terms and other fit-out incentives.

The growth of technology companies will continue, as businesses are increasingly adopting greater telecommunications tools and improving their processes. In the co-working market, we may see more mergers or consolidation in co-working firms as the market becomes increasingly saturated, especially in the CBD.

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

Location	Subzone	Grade	2Q 2020	3Q 2020	Qoq change (%)
CBD	Marina Bay	Premium	12.27	12.03	-2.0
	Raffles Place	A	10.47	10.26	-2.0
	Shenton Way/Robinson Road/Tanjong Pagar	Premium	11.14	10.97	-1.5
		A	8.98	8.80	-2.0
		B	7.37	7.22	-2.0
	Marina Centre	A	9.95	9.75	-2.0
	City Hall/Bugis	Premium	10.77	10.72	-0.5
	Orchard Road	*	7.05	7.05	0.0
Decentralised areas	Decentralised areas	*	8.94	8.84	-1.2
		*	6.03	6.03	0.0

* Ungraded office space

Source: Various sources

INDUSTRIAL

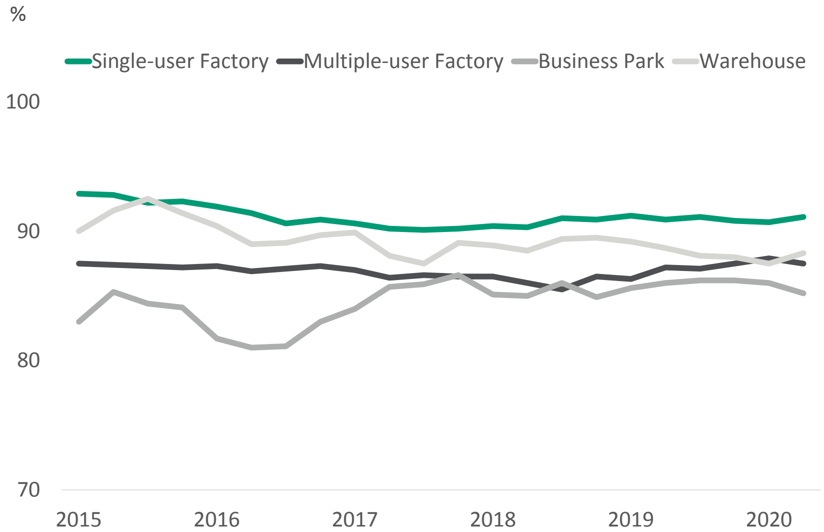
Market commentary

Key indicators

According to the PMI reading, the manufacturing sector recorded its second month of expansion in August 2020 (Table 7). This was driven by a faster rate of expansion in factory output and an improvement in the new orders index in the PMI index in August 2020. However, the pace of manufacturing expansion was slightly slower in August 2020. Besides the PMI, the NODX performance in August 2020 was driven mainly by the non-electronics sector. Both the PMI and NODX showed an improvement in manufacturing performance, though it has slowed.

- There are continued risks arising from geopolitical tensions and anti-globalisation sentiments, such as increased protectionism, which could result in further disruptions to global supply chains. Such risks could adversely impact the overall recovery of the market.
- Based on JTC's statistics, overall industrial net absorption expanded from 1.5mn sq ft in 1Q 2020 to 2.2mn sq ft in 2Q 2020. While the occupancy rates of multiple-user factory and business park space contracted qoq in 2Q 2020, the occupancy rates of single-user factory space and warehouse space increased (Figure 5).
- There was significant leasing demand coming from food factories. All 28 strata units at SLB's MacTaggart Foodlink were reportedly taken up recently. During the Circuit Breaker, F&B operators could only do food delivery or takeout. As a result, some of the big restaurant chains took up industrial space to house a central kitchen or consolidate their outlets. Besides food factories, there was also demand coming from the logistics and warehousing sectors due to the growth in e-commerce.
- Notable leases secured in 3Q 2020 included:
  - Pacific Integrated Logistics, a global logistics provider, which relocated to 8 Tuas South Lane
  - Royal's Engineering & Trading, a construction industry specialising in plumbing and electrical works, which also relocated to 8 Tuas South Lane

Figure 5: Occupancy rates of private industrial space by type



Source: JTC

Table 7: Singapore's NODX and PMI

Key economic indicators	2Q 2020	3Q 2020	Key trends
NODX	16.1%	7.7% (Aug 2020)	• NODX grew by 7.7% in August 2020, after the 5.9% increase in July 2020. Growth was mainly in non-electronics sectors.
PMI*	48.0	50.1 (Aug 2020)	• The PMI declined by 0.1 points from 50.2 in July 2020 to 50.1 in August 2020. There were slower expansion rates in the indexes of both new exports and inventory. • The electronics sector PMI increased by 1.4 points to 50.6 in August 2020.

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

Source: SIPMM

Rents

- According to EDMUND TIE research, while the monthly average rental rates for upper-storey multiple-user factory and hi-tech industrial properties declined qoq in 3Q 2020, the monthly rents of warehouse/logistics as well as business park (central region) improved (Table 8).
- For example, the average monthly rents for warehouse/logistics improved by 0.5% qoq to $1.59 psf in 3Q 2020, on the back of robust demand coming from e-commerce services and stockpiling activities done by supermarkets.

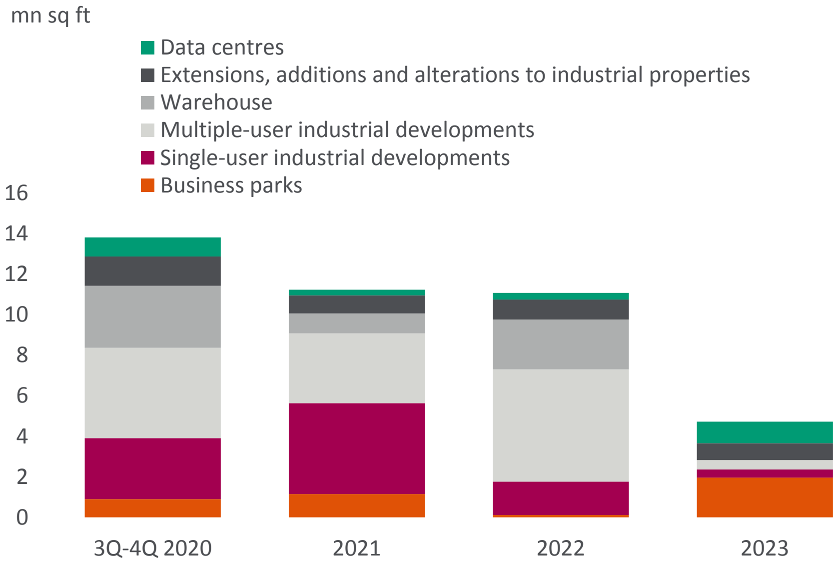
Supply pipeline

- As at 2Q 2020, the supply pipeline from 3Q 2020 to 2023 is around 40.8mn sq ft or an average of 11.7mn sq ft per annum, which is comparable to the 3-year annual average of 12.0mn. Around 33.8% of the pipeline will be completed between 3Q to 4Q 2020, followed by 27.5% in 2021 (11.2m sq ft). Multiple-user factories accounted for the bulk (34.9%) of the supply pipeline (Figure 6). Solaris @ Tai Seng by SB (Ipark) Investment Pte. Ltd. is the largest multiple-user factory development at 929,000 sq ft. This development is suitable for companies operating in the light and clean manufacturing industries.

Outlook

The outlook of the industrial sector is expected to brighten gradually as the global manufacturing outlook improves. However, recovery is expected to be different across the various industrial sectors. For instance, rising online and groceries sales will incentivise retailers to stockpile and expand their warehouse facilities to cater to the increasing demand. As demand for industrial properties is also largely dependent on their location and efficiency of their floor plates, industrial developments that are located close to transportation nodes and have efficient floor plates will have greater advantage in attracting tenants. Landlords of older developments could make use of this downtime to upgrade their facilities, so that they can meet with the demand when the market recovers.

Figure 6: Industrial development pipeline (with planning approvals and GLS sites which are pending approvals)



Source: EDMUND TIE Research

Table 8: Average monthly gross rents (islandwide) (S$ per sq ft)

Industrial type*	Subcategory	2Q 2020	3Q 2020	Qoq change (%)
Multiple-user factory	First-storey	1.84	1.84	0.0
	Upper-storey	1.35	1.32	-2.0
Warehouse/logistics	Overall	1.58	1.59	0.5
High-tech industrial	Overall	2.95	2.92	-1.0
Business park	Central Region	4.87	5.00	2.5
	Suburban	3.68	3.68	0.0

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

Source: EDMUND TIE Research

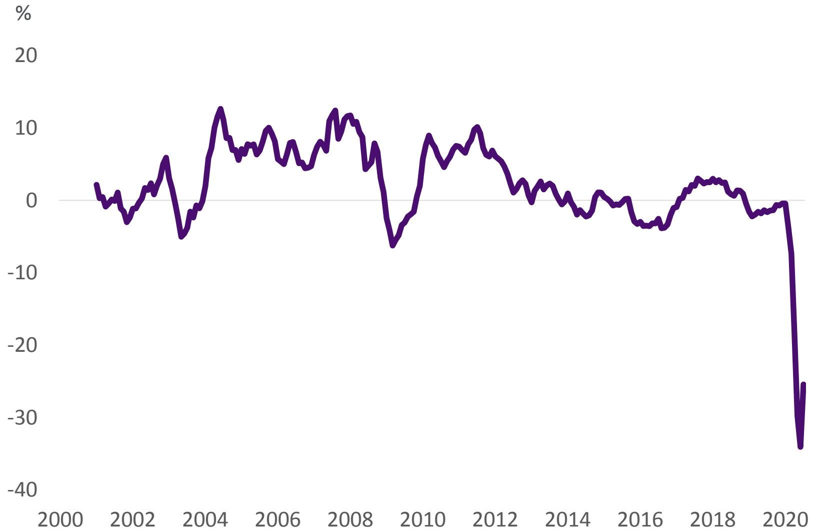
RETAIL

Market commentary

Key indicators

- As Phase 2 of Singapore's reopening begun on 19 June 2020, retail shops started to operate and dine-in activities were allowed. However, overall retail sales are not back to pre-Covid-19 levels yet.
- Many retailers have been introducing various promotions to woo shoppers back to malls as it is a challenging period. For instance, the Orchard shopping belt was packed during the National Day weekend, with long queues outside popular stores like Tangs which was offering promotions.
- Besides retailers, shopping malls have also begun adopting an online presence. Marina Square collaborated with Lazada as the platform's first shopping mall, working with its tenants to create a virtual mall on the app. Frasers Property Retail is also launching an e-commerce marketplace, Frasers eStore, offering a 'store-to-door experience' for tenants and consumers.
- Landlords are also offering spaces to less conventional tenants. For instance, co-working operator JustCo, has taken up space in Cross Street Exchange and Marina Square. In 4Q 2020, JustCo will also be opening another outlet at The Centrepoint. To retain its members, JustCo offered rental rebates of between 15% and 30% for the month of May 2020.
- The three-year moving average of retail sales (excluding motor vehicles) growth moderated to -25.4% in July 2020 from the -34.1% in June 2020. (Figure 7). The various promotions introduced by malls and retailers in Phase 2 of Singapore's reopening helped boost retail sales.

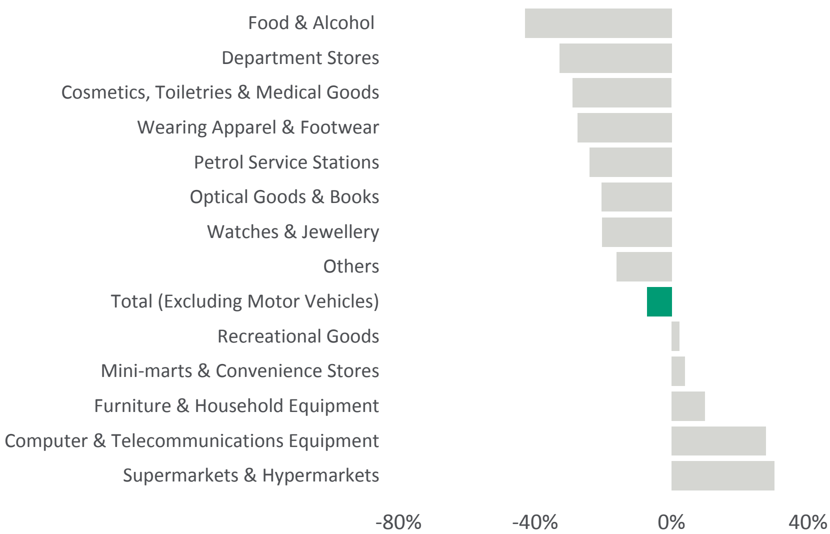
Figure 7: Retail sales growth (Three-year moving average) (excluding motor vehicles)



Source: Department of Statistics Singapore

- In July 2020, the worst performing sectors were food and alcohol as well as departmental stores (Figure 8). On the other hand, supermarkets, computer and telecommunications and the furniture and household equipment sector reported yoy increases in retail sales. Overall, total retail sales (excluding motor vehicles) declined by 7.2% yoy in July 2020.

Figure 8: Retail sales index (Jul 2020), yoy change



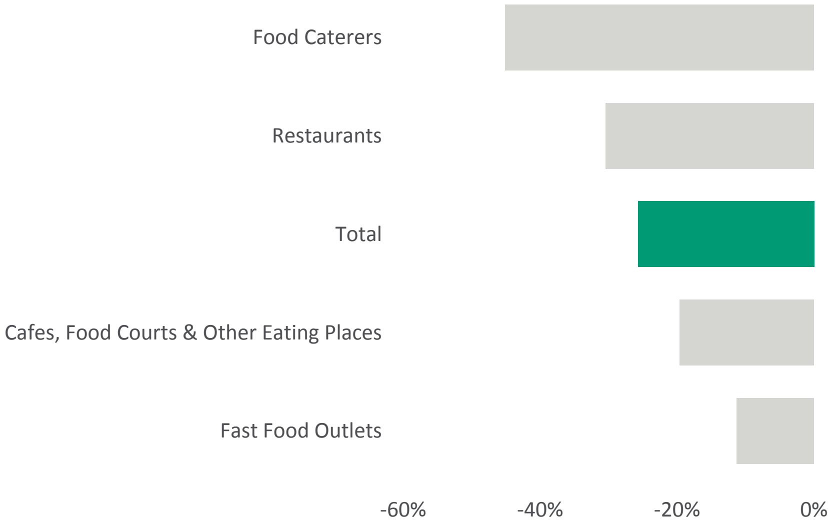
Source: Department of Statistics Singapore

- The food and beverage index trended downwards by 25.7% yoy in July 2020, and food caterers were the hardest hit, contracting by 45.1% yoy (Figure 9).

Private demand and occupancy

- Based on EDMUND TIE Research, islandwide net absorption contracted further to -798,000 sq ft in 2Q 2020 from -561,000 sq ft in 1Q 2020. The occupancy rate declined by 1.9% pts qoq to 88.9% in 2Q 2020.

Figure 9: Food and Beverage index (Jul 2020), yoy change



Source: Department of Statistics Singapore

	Orchard/Scotts Road (OSR)	Other city areas[1] (OCA)	Fringe/Suburban areas[2] (FSA)
Net absorption	• Retail net absorption in Orchard/ Scotts Road reversed to -99,000 sq ft in 2Q 2020, from 5,000 sq ft in 1Q 2020.	• Net absorption in Other City Areas stayed in negative territory for the second consecutive quarter, registering -243,000 sq ft in 2Q 2020.	• Net absorption in Fringe/Suburban Areas contracted further to -456,000 sq ft in 2Q 2020 from -202,000 sq ft in 1Q 2020.
Occupancy	• The occupancy rate contracted by 1.2% pts qoq to 90.8% in 2Q 2020 (Figure 10).	• Occupancy trended downwards by 1.9% pts q-o-q to 88.3% in 2Q 2020.	• Occupancy rates declined by 2.1% pts q-o-q to 88.8% in 2Q 2020.
Openings (3Q 2020)	• Luke Lobster at Shaw House • Lemak Boys at Shaw Centre • Decathlon at The Centrepoint • Joy Luck Teahouse at ION Orchard	• Apple at Marina Bay Sands • Butter Bean at Funan • Shake Shack at Suntec City Mall	• ChaTraMue at Paya Lebar Quarter • Koung's Wanton Mee at Jem
Closures (3Q 2020)	• Esprit (all outlets)	• Antoinette at Millenia Walk • The Pelican at One Fullerton	• Topshop and Topman at VivoCity • Naiise at Paya Lebar Quarter • Tokyu Hands at Westgate • Robinson at Jem

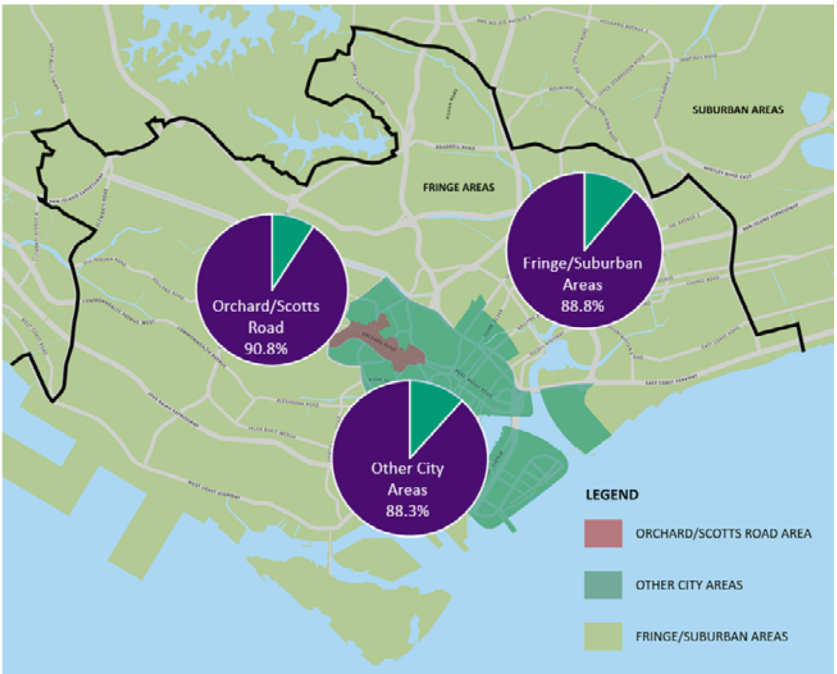
[1] Other City Areas refer to Downtown Core and Rest of Central Area
[2] Fringe/Suburban Areas refer to Fringe Areas and Suburban Areas (Outside Central Region)

Source: EDMUND TIE Research

Rents

Among the various subzones in the retail sector, monthly first-storey retail rents in the Fringe/Suburban areas contracted the least by 1.0% qoq in 3Q 2020. Monthly rents of first-storey retail in the Fringe/Suburban areas were supported by the proximity of residential estates in these areas, as people continued to work from home as their default. Additionally, first-storey retail is more well-located and visible as compared to upper-storey retail. All other subzones reported a decline of 2.0% qoq in 3Q 2020 (Table 9).

Figure 10: Private retail occupancy rates (2Q 2020)



Source: EDMUND TIE Research

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

Location	Level	2Q 2020	3Q 2020	Qoq change (%)
Orchard/Scotts Road (OSR)	First storey	38.03	37.27	-2.0
	Upper storey	16.32	16.00	-2.0
Other city areas (OCA)	First storey	19.85	19.45	-2.0
	Upper storey	10.03	9.83	-2.0
Fringe/Suburban areas (FSA)	First storey	30.27	29.97	-1.0
	Upper storey	17.38	17.03	-2.0

Source: EDMUND TIE Research

Supply pipeline

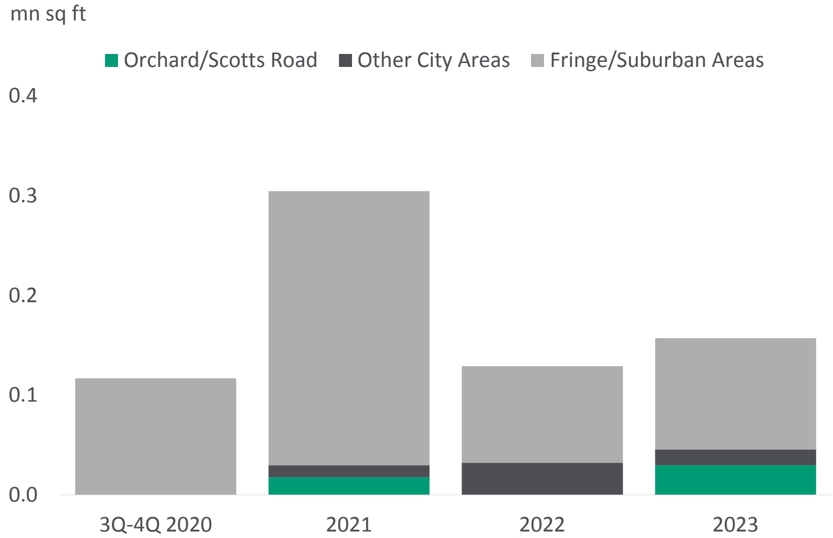
Based on EDMUND TIE Research, around 708,000 sq ft of NLA (or 202,000 sq ft per annum) is expected to be completed islandwide from 3Q 2020 to 2023. This is much lower than the three-year annual average supply of 1.0mn sq ft. Most of the supply pipeline (43.0%) is expected to complete by end-2021 (Figure 11). One of the developments that will be completed in 2021 is i12 Katong mall.

Outlook

Moving forward, we expect the retail market to remain subdued and demand for retail space will continue to slow. The retail market may still be weak in Orchard/Scotts Road due to the dearth of tourist arrivals. Similarly, in the Other City Areas, the retail market is impacted adversely as employees are still working from home as a default. As employees gradually return to their offices, we expect retail sales in the CBD area to pick up. However, retail in the Orchard/Scotts Road subzone will remain weighed down due to the restrictions on foreign visitors into the country.

The Covid-19 pandemic will accelerate transformation in the retail scene. With the presence of more firms offering an omnichannel approach, retailers will need to ensure complementary online and offline offerings. In addition, we also see greater use of retail spaces being converted to office use due to the slowing demand.

Figure 11: Retail development pipeline



Source: EDMUND TIE Research

RESIDENTIAL

Market commentary

Key indicators

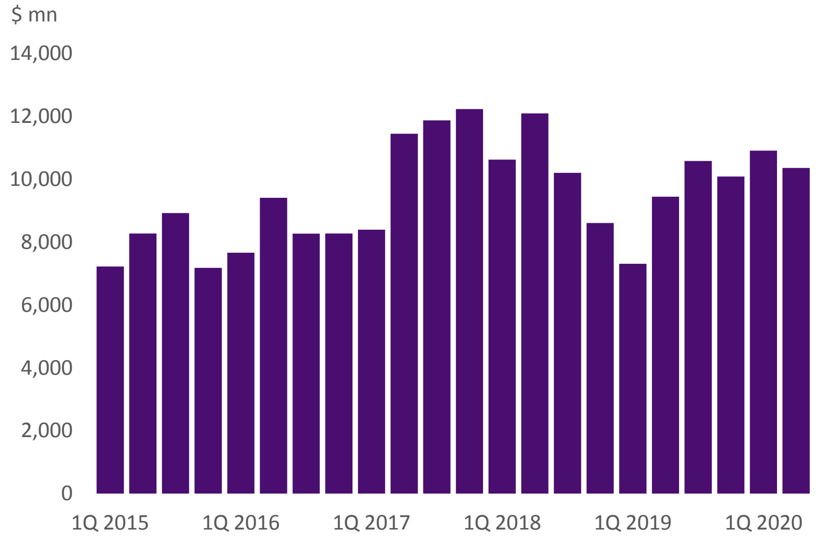
- Based on 3Q 2020 Urban Redevelopment Authority (URA) flash estimates, private home prices continued to increase by 0.8% qoq, after 0.3% in 2Q 2020 (Table 10). This was driven by the landed segment, which surged by 3.8% qoq after staying constant in 2Q 2020.
- Private non-landed property prices held firm qoq in 3Q 2020 after a qoq growth of 0.4% in 2Q 2020, with prices in the RCR and OCR expanding by 3.3% and 1.7% qoq respectively. On the other hand, prices in the CCR declined by 4.9% qoq, a reversal from the 2.7% growth in 2Q 2020.
- Housing loans value rose for the fourth consecutive quarter by 9.7% yoy in 2Q 2020 (Figure 12). However, on a qoq basis, housing loans fell by 5.0% amid the economic gloom, job uncertainties and prohibition of home viewings.
- On 28 September 2020, URA prohibited developers from re-issuing options to purchase (OTP) to the same buyer of the same unit within 12 months after the expiry of the earlier OTP. Upfront agreements to buyers to re-issue OTPs were also prohibited. The move aimed to improve the reliability of developer sales figures and encourage financial prudence in home purchases amid the current economic uncertainties.

Table 10: URA Private Residential Price Index

Type/Market segment	2Q 2020	3Q 2020*	qoq % chg
All Residential property	152.6	153.8	0.8
Non-Landed property	148.7	148.7	0
CCR	134.6	128	-4.9
RCR	150	155	3.3
OCR	177.4	180.4	1.7
Landed property	170.3	176.8	3.8

* 3Q 2020 private residential price index are based on URA flash estimates. Source: URA

Figure 12: New housing loans limits granted



Source: Monetary Authority of Singapore

- However, in the event that the purchasers may require additional time to finalise the necessary arrangements before exercising the OTP, either the purchaser or developer can apply for the extension of the validity period of the OTP up to 12 weeks from the OTP date, provided that both parties are agreeable.

- **New home sales** volumes comprised the bulk of the private residential market in 3Q 2020 following the reopening of showflats and increase in new launches, amounting to a total of 3,670 units. New sales continued to increase for the fifth consecutive month in September 2020, reaching 1,329 units, which was 5.6% and 4.6% higher on a m-o-m and yoy basis respectively. This could be driven by buyers seeking stable assets in a low-interest rate environment amid volatile equity markets and economic uncertainties, as well as having more choices from the increased launches.

- In 3Q 2020, there were six new launches (Table 11). Two of the projects recorded take-up rates of above 60%, aided by their competitive pricing. The 50-unit freehold project NoMa at District 14 saw 36 units sold, with a take-up rate of 72%. Its one-bedroom units were fully sold during the early bird preview sales and 66% of the total units were sold. Prices at NoMa ranged from $1,480 to $1,808 psf.

Table 11: Private residential launches (excluding ECs) in 3Q 2020

Development	Property type	Developer	Tenure	Total units in project	No. of units launched	No. of units sold	Prices $ psf
CCR							
Mooi Residences	Non-landed	Wenul HL	Freehold	24	24	3	2,535 - 2,669
RCR							
Forett at Bukit Timah	Non-landed	Qingjian Realty	Freehold	633	300	236	1,647 - 2,120
Penrose	Non-landed	Hong Leong Holdings and CDL	99 yrs	566	566	341	1,396 - 1,856
Verdale	Non-landed	COLI Singapore and CSC Land	99 yrs	258	78	34	1,607 - 1,855
Myra	Non-landed	Selangor Dredging Berhad	Freehold	85	85	15	2,016 - 2,273
NoMa	Non-landed	Macly Group	Freehold	50	50	36	1,480 - 1,808
OCR							
Landed housing development	Landed	Global Dragon	Freehold	9	9	1	2,261

Source: URA

- Another new launch that saw a strong reception was Penrose (District 14). About 341 units of the total 566 units (60.3%) were reportedly sold on its launch weekend, a remarkable reception given the current climate. As at end 3Q 2020, 389 units have been sold. One-and two-bedroom units priced below $1mn attracted many homebuyers.

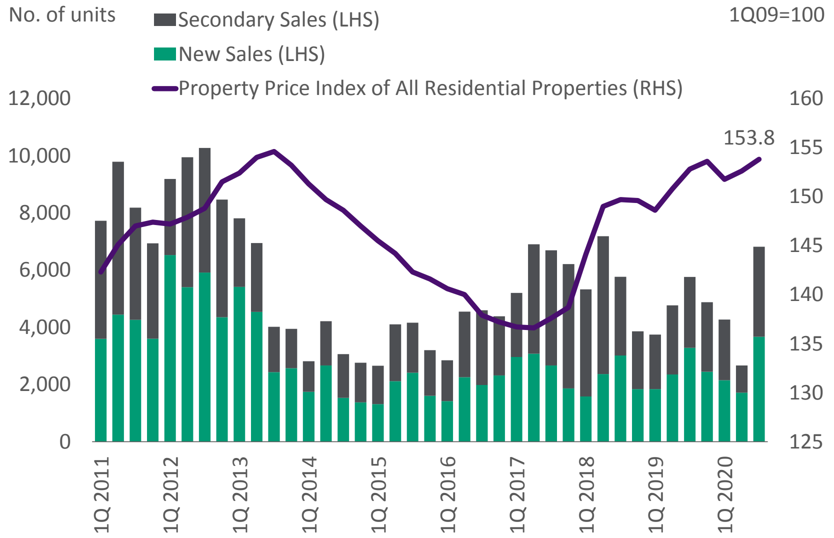
- **Resale** volume more than tripled from 951 units in 2Q 2020 to 3,149 units in 3Q 2020. This was attributed to home viewings being allowed once again. Covid-related construction delays also may have led homebuyers to consider the resale market.

- Despite the Hungry Ghost Festival, total private homes sales volume in 3Q 2020 amounted to 6,819 units, a significant growth from the 2,664 units in 2Q 2020, and 18.3% higher than the 5,763 units a year ago (Figure 13).

- Despite the border closures, demand from foreigners have improved. In 3Q 2020, foreigners purchased 225 private residential properties, which was 89% more than that in 2Q 2020 and even exceeded the 216 units in 1Q 2020.

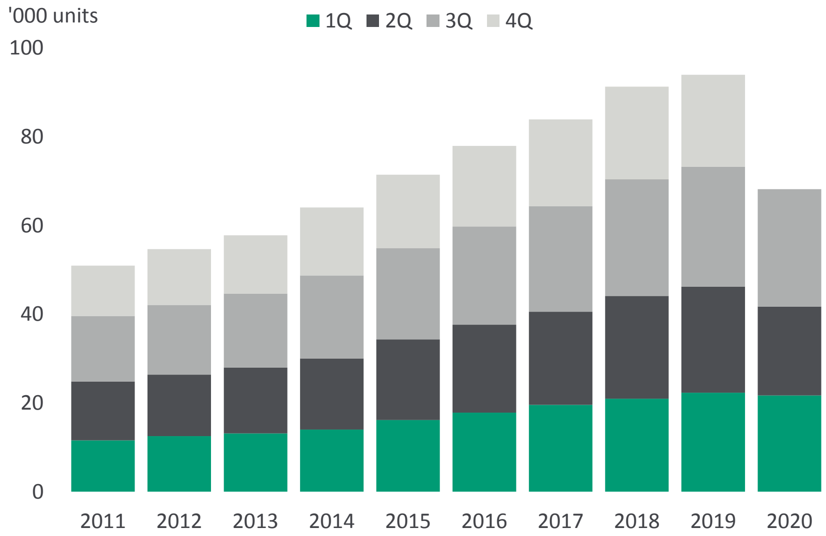
- In the **private residential leasing market**, total rental volumes rebounded to 26,462 transactions in 3Q 2020 after a qoq decline in 2Q 2020 (Figure 14). Nevertheless, the rental volumes were still 2.1% lower than 3Q 2019, amid pressures on the expatriate employment market. With softening leasing demand, rents are anticipated to decline in 3Q 2020.

Figure 13: Private homes sales volume (excluding ECs) and URA All Residential Price Index



Note: 3Q 2020 property price index is based on URA flash estimates. Source: URA

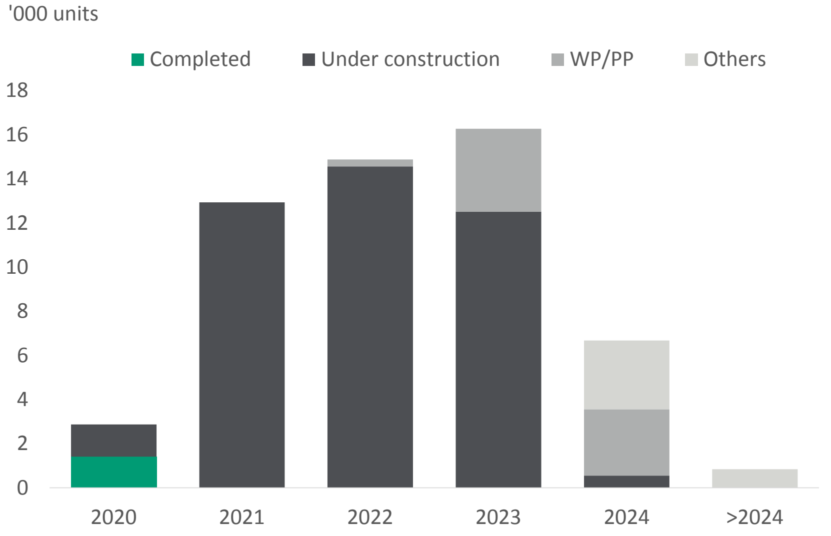
Figure 14: Private home rental transactions (excluding ECs)



Source: URA

- As at 2Q 2020, there were 53,055 units in the pipeline. The bulk of the pipeline supply is slated to complete in 2022 and 2023 (Figure 15). Around 1,459 units will be expected to complete in 2H 2020. About 39% of the pipeline supply (21,113 units) have been sold while the remaining 61% (31,942 units) are unsold. Based on the three-year annual average take-up of new sale units of nearly 9,800 units, the unsold units will take around 3.3 years to be absorbed.

Figure 15: Number of private homes in the pipeline (excluding ECs)



Source: URA

Outlook

- With the recent prohibition on the re-issuance of OTPs, there could be a slight decline in new sales in 4Q 2020 as homebuyers exercise more caution. However, new sales are still expected to be supported by genuine demand by homebuyers and a steady pace of upcoming launches.

- Notwithstanding current economic weaknesses, the low-interest rate environment and high liquidity is supporting end-user demand. Foreign demand is likely to pick up further as Singapore's economy gets set to enter the next phase of reopening reopens and more green lanes are implemented. This may provide more confidence for foreign investors to acquire properties in Singapore.

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