



REAL ESTATE
TIMES

APRIL 2022

SINGAPORE Q1 2022

Improving commercial sector lends positive start to 2022

ECONOMY – Sustained growth amid risks and uncertainty

KEY HIGHLIGHTS

GROSS DOMESTIC PRODUCT (GDP)

Q1 2022
3.4%

Q4 2021
6.1%

Performance of industry sectors (%)*

Sector	Q4 2021	Q1 2022*	
Overall GDP Growth	7.1	5.9	▼
Manufacturing	7.9	14.0	▼
Construction	66.3	2.0	▼
Information & Communications, Finance & Insurance and Professional Services	8.0	6.0	▼
Wholesale & Retail Trade and Transportation & Storage	6.1	4.3	▲
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	3.8	3.1	▼

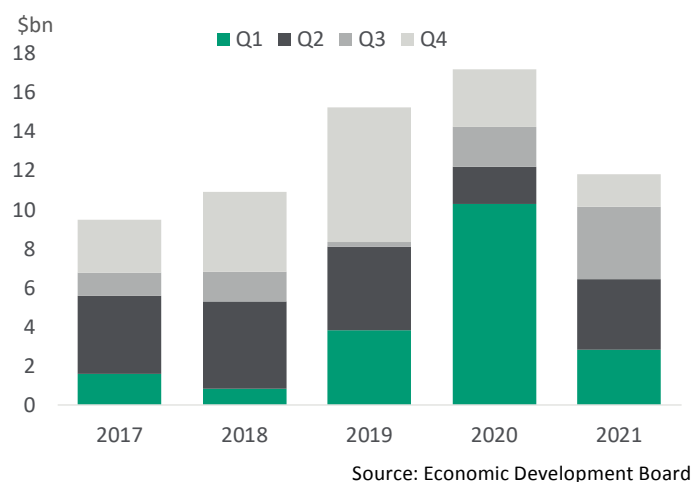
Unit: %

Source: Based on MTI advance estimates Q1 2022*

FIXED ASSET INVESTMENTS (FAI)

Q4 2021
\$1.7bn

Q3 2021
\$3.7bn

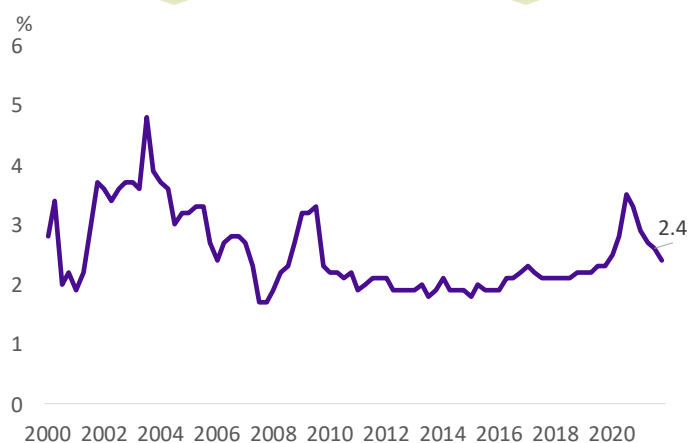


Source: Economic Development Board

UNEMPLOYMENT RATE

Q4 2021
2.4%

Q3 2021
2.6%



Source: Ministry of Manpower

CONSUMER PRICE INDEX (CORE INFLATION)

Q4 2021
1.7 yoy% growth

Q3 2021
1.1 yoy% growth



Source: Monetary Authority of Singapore

MARKET COMMENTARY

- Singapore's economy grew by 3.4% yoy in Q1 2022, a deceleration from the 6.1% in Q4 2021, due mainly to a moderation in growth of the manufacturing sector. The manufacturing slowdown decline reflected the lower PMI indices in recent months, although global demand for semiconductor and semiconductor equipment remained sustained.
- The services sector also rose at a slower pace of 1.4% yoy in Q1 2022, compared to a growth of 5.6% in Q4 2021.
- Singapore attracted S\$1.7bn in FAI in Q4 2021, a decline from S\$3.7bn in Q3 2021. The biomedical manufacturing cluster emerged as the leading sector during the quarter with a contribution of S\$760mn of FAI.
- In April 2022, MAS tightened the monetary policy by raising the exchange rate policy band at a higher level and raising the rate of appreciation, following its off-cycle move in January 2022. Amid the geopolitical situation and supply chain disruptions, the forecast ranges for core inflation and headline inflation were both raised to 2.5-3.5% and 4.5-5.5% respectively.
- The labour market continued to recover from the impact of the COVID-19 pandemic. The unemployment rate improved to 2.4% in Q4 2021 from 2.6% in Q3 2021. Total employment rose by 40,200 in 2021, following the sharp contraction by 181,000 in 2020. In Q4 2021, total employment rose by 54,600, driven by improvements in the construction sector (+15,500) and other service industries (+9,400) bearing the brunt. The manufacturing sector also recorded its first increase in two years in Q4 2021. Similarly, the wholesale and retail trade, as well as the accommodation and food services sectors also posted employment growth following a few quarters of contraction.

MARKET OUTLOOK

- As the economy moderates towards trend growth in the year ahead, certain sectors, such as construction, retail and food services, aviation and hospitality, are expected to see a recovery. The manufacturing sector will likely remain as a pillar of growth for the economy.
- As at writing, 92% of the population has completed the full vaccination regime, while 71% have received a booster shot. This will safeguard the nation against the Covid variants.
- In February 2022, MTI maintained the country's GDP growth forecast for 2022 at 4.0% to 6.0%. Significant safe management measures were relaxed in March, while a new Vaccinated Travel Framework came into place in April. The Omicron wave has likely peaked, and we expect stronger business and consumer confidence in the months ahead. The easing of borders should help alleviate the manpower crunch to some extent. Risks are skewed to the downside, given the ongoing geopolitical uncertainties, supply chain disruptions, inflation pressures and upward pressure on interest rates.

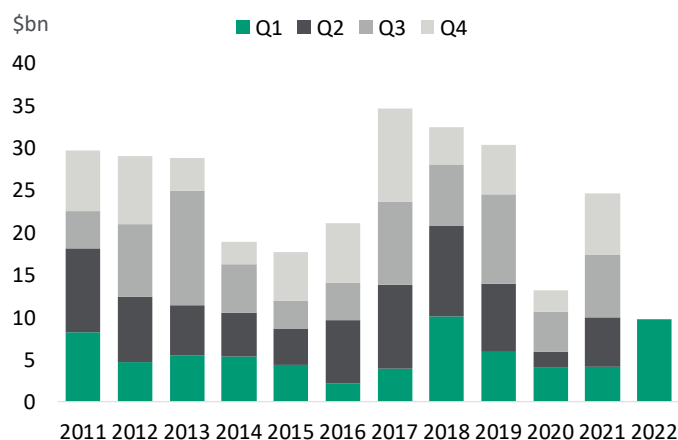
INVESTMENT – Outperformance led by commercial sector

KEY HIGHLIGHTS



INVESTMENT SALES (\$ billion)

Total investment sales in Q1 2022 increased by 35% as compared to Q4 2021.



Source: EDMUND TIE Research



VALUE OF TOP 5 PRIVATE INVESTMENT DEALS (\$ billion)

The combined value of the top 5 private investment deals in Q1 2022 represented 55% of total investment value in Q1 2022.

Top 5 private investment deals in Q1 2022

Development	Remaining tenure, yrs	Purchase price		Purchaser	Seller
		\$ mn	\$ psf		
Office					
79 Robinson Road	45	1,260.0	2,423 NLA	Capitaland Integrated Commercial Trust (CICT) and CapitaLand Open End Real Estate Fund (Coref)	CapitaLand Investment Limited (CLI), Mitsui & Co and Tokyo Tatemono
Cross Street Exchange	74	810.8	2,652 NLA	Undisclosed third party	Fraser's Logistics and Commercial Trust (FLCT)
Retail					
Jem (68.2% remaining interest)	87	2,079.0	2,329 NLA	Lendlease Global Commercial Reit (LReit)	Lendlease Asian Retail Investment Fund 3 Limited (ARIF3) and Lendlease Jem Partners Fund Limited (LLJP)
Tanglin Shopping Centre	Freehold	868.0	2,769 land area	Pacific Eagle Real Estate	Collective sale
Jcube	68	340.0	1,619 NLA	Tanglin R.E. Holdings	Capitaland Integrated Commercial Trust (CICT)

Source: EDMUND TIE Research

MARKET COMMENTARY

- Total investment sales for Q1 2022 experienced a notable 35% increase to nearly S\$9.8bn from Q4 2021, driven by strong investor confidence in deploying capital to Singapore, which seems to emerge as an attractive haven for capital markets.
- The retail sector led the investment sales in the quarter, contributing to S\$3.6bn (37%), followed by the residential sector contributing to S\$3.1bn (32%).
- The public investment sales market recorded nearly S\$2bn from the Government Land Sales (GLS) Programme, comprising an industrial site at Jalan Papan (Plot 9) and the sale of four residential sites at Jalan Tembusu, Lentor Hills Road (Parcel A), Dairy Farm Walk and Bukit Batok West Avenue 8 (Executive Condominium).
- Despite the fresh property cooling measures, the collective sale market witnessed a total of four deals seal in the quarter, while several sites were launched or relaunched for tender, including Chuan Park Condominium and High Point.
- The largest deal in the quarter was the proposed acquisition of a 68.2% remaining interest in Jem, an integrated office and retail property in Jurong, by Lendlease Global Commercial Reit for nearly S\$2.1bn from Lendlease Asian Retail Investment Fund 3 Limited (ARIF3) and Lendlease Jem Partners Fund Limited (LLJP).
- CapitaLand Integrated Commercial Trust (CICT) and CapitaLand Open End Real Estate Fund (Coref) jointly acquired a Grade-A office building at 79 Robinson Road for nearly S\$1.3bn from CapitaLand Investment Limited (CLI), Mitsui & Co and Tokyo Tatemono. The transaction is expected to be completed in Q2 2022.
- The collective sale of Tanglin Shopping Centre, which has office and retail components, was awarded to Pacific Eagle Real Estate for S\$868mn.
- Frasers Logistics and Commercial Trust (FLCT) divested Cross Street Exchange, a mixed-use commercial property, to an undisclosed third party for S\$810.8mn.

MARKET OUTLOOK

- **RESIDENTIAL:** The higher additional buyer's stamp duty (ABSD) rates are likely to trim developers' interest in large residential sites, since the risk of not selling all units is higher, and the associated penalties are now more punitive.
- **COMMERCIAL:** The fresh easing of social, workplace, event and border restrictions will instill investors' stronger confidence in the commercial market. In addition, developers' interest is likely to spill over to non-residential investments like the commercial sector. With the popularity of mixed-use developments, commercial-zoned sites are garnering more attention from investors since the residential components of such sites are not subjected to ABSD or Qualifying Certificate (QC) rules. Despite URA's recent imposition of restrictions on strata subdivision to the commercial component in properties located in certain designated areas including CBD and Orchard Road corridors, any drastic impact on market sentiments is not expected as the profile of the investors of commercial developments in recent times remain mainly institutional with a mid- to long-term investment horizon.
- **RETAIL:** While suburban retail assets are expected to continue to be sought after, the interest in prime assets, especially strata-titled properties and units, may be renewed due to its scarcity, which may in turn spur higher transaction activity.
- **OFFICE:** While technology demand growth could slow temporarily in the months ahead, on the back of supply chain constraints/disruptions and the Chinese regulatory clampdown, we remain optimistic on the finance sector, especially the wealth management industry, as a key driver of office demand. With the increase of up to 75% of the workforce allowed back to the office and improving business sentiment on the back of a strong rebound in Singapore's economic growth last year, companies may reassess their office space needs.
- **INDUSTRIAL:** Amid heightened geopolitical tensions and supply chain risks, stockpiling requirements are likely to increase. The investment demand for logistics facilities and warehouses is expected to remain strong in tandem with the e-commerce growth trend. However, investors may adopt a cautious approach toward rapid expansion amid the expected softening of global growth for 2022.

OFFICE – Riding on the back-to-office momentum

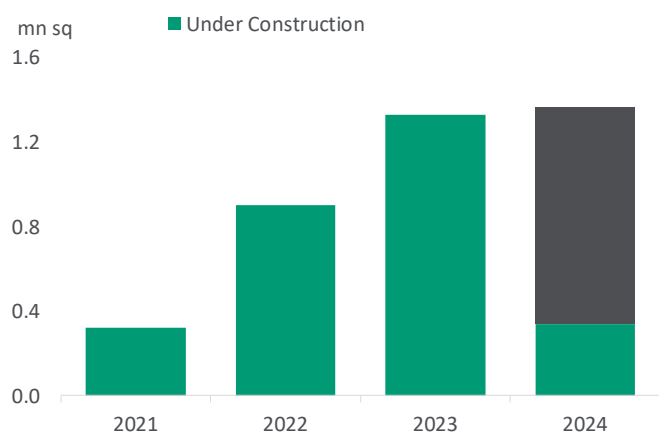
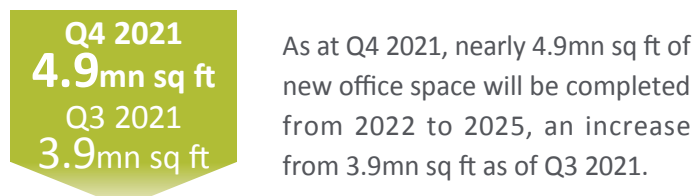
KEY HIGHLIGHTS

Average monthly gross rents (SGD/sq ft)

Location	Subzone	Grade	Q4 2021	Q1 2022	Qoq change (%)
CBD	Marina Bay	Premium	12.08	12.20	1.0
	Raffles Place	A	10.11	10.19	0.8
	Shenton Way/Robinson Road/Tanjong Pagar	Premium	10.88	10.90	0.1
		A	8.65	8.70	0.5
		B	6.95	6.99	0.6
Non-CBD	Marina Centre	A	9.63	9.68	0.5
	City Hall/Bugis	Premium	10.71	10.75	0.4
		*	6.95	6.98	0.4
	Orchard Road	*	8.85	8.86	0.2
Decentralised areas	Decentralised areas	*	6.00	6.01	0.1

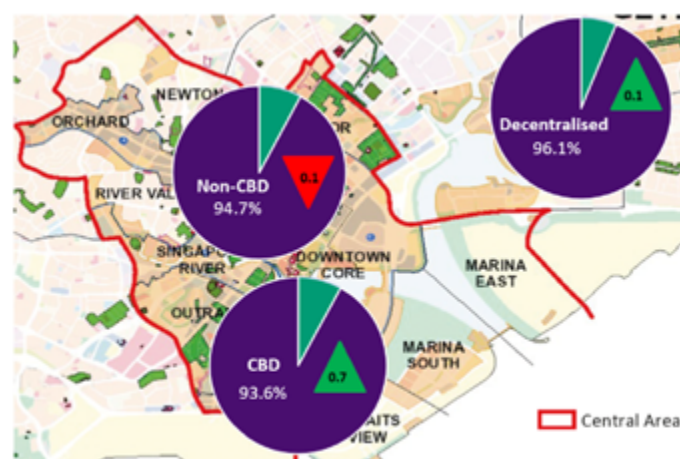
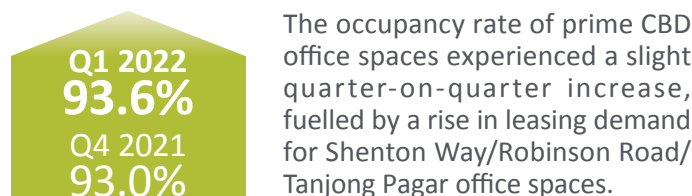
Source: EDMUND TIE

SUPPLY – SINGAPORE OFFICE SUPPLY (sq ft)



Source: URA, EDMUND TIE

OCCUPANCY RATE OF PRIME CBD OFFICE SPACES



* 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

OFFICE SUPPLY PIPELINE (2022-2025) (sq ft) In the quarter, there are no office development which has obtained TOP.

	Development	Location	Zone	NLA '000 sq ft	Total	Status
2022	Guoco Midtown	Beach Road	Bugis/City Hall	650	1,223	Under construction
	Rochester Commons	Rochester Park	Decentralised Areas	250		Under construction
	Surbana Jurong Campus	Cleantech Loop	Decentralised Areas	200		Under construction
	Hub Synergy Point redevelopment	Anson Road	CBD	123		Under construction
2023	Central Boulevard Towers	Central Boulevard	CBD	1,258	1,308	Under construction
	One Holland Village	Holland Road	Decentralised Areas	50		Under construction
2024	Office/Retail development (The Labrador Substation)	Labrador Villa Road/Pasir Panjang Road	Decentralised Areas	641	1,447	PP: Sep-20
	Central Boulevard Towers	Hoe Chiang Road	CBD	495		WP: May-20
	Central Boulevard Towers	Jalan Afifi	Decentralised Areas	311		PP: Oct-20
2025	Shaw Tower redevelopment	Beach Road/Middle Road/Nicoll Highway	Bugis/City Hall	383	720	PP: Jan-20
	Punggol Digital District	Punggol Way	Decentralised Areas	337		Under construction
Total					4,698	

*Selected major developments in the pipeline

Source: URA, EDMUND TIE

MARKET COMMENTARY

- Based on EDMUND TIE Research statistics, overall net absorption islandwide fell from 515,000 sq ft in Q4 2021 to around 265,000 sq ft in Q1 2022. The leasing demand for prime office spaces in the central area moderated as corporates held back on their real estate needs amid the new Omicron wave during the quarter. Nonetheless, robust demand for premium spaces in Raffles Place and Grade A office spaces in Shenton Way/Robinson Road/ Tanjong Pagar brought about higher occupancies, while other segments saw some softening. The overall occupancy rate for office spaces in the CBD rose by 0.7 percentage points to 93.6% in Q1 2022, which was a similar rate of increase compared to the previous quarter.
- The limited supply of quality spaces continued to support rental growth across all subzones of the office sector in Q1 2022, albeit to various extents. In the CBD, premium rents at Marina Bay and Grade A rents at Raffles Place experienced the strongest uptick. Grade B rents at Shenton Way/Robinson Road/ Tanjong Pagar have also risen for the first time by 0.6% since Q1 2020. In non-CBD, rents across different subzones improved by 0.2%-0.5% qoq, while office rents in the decentralised rose by a modest 0.1%-0.2% qoq in Q1 2022.
- Some of the major leasing deals in Q1 2022 included KPMG taking up around 100,000 sq ft in Asia Square Tower 2 and Sony Music's flagship regional headquarters at Duo Tower. The upcoming Guoco Midtown had also secured more tenants in the quarter.

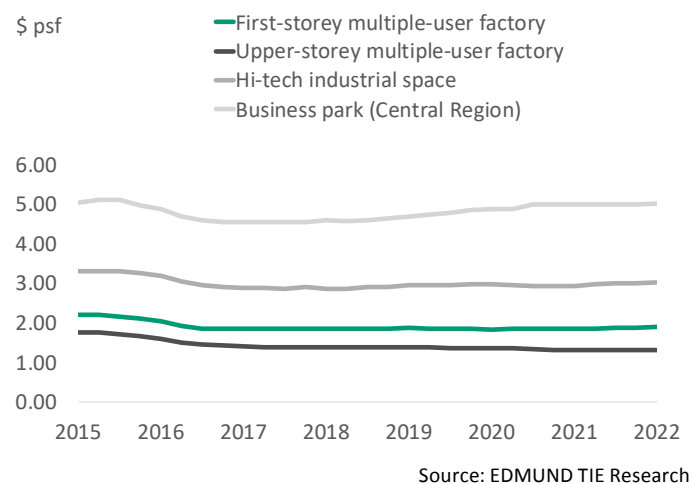
MARKET OUTLOOK

- Following URA's recent imposition of restrictions on strata subdivision to the commercial component in properties located in certain designated areas, including CBD and Orchard Road corridors, rents and prices of strata units are expected to rise due to scarcity in future supply.
- While the growth in demand for the technology sector could slow temporarily in the months ahead due to the supply chain constraints/disruptions and the Chinese regulatory clampdown, we remain optimistic on the finance sector, especially the wealth management industry, as a key driver of office demand.
- With up to 75% of workforce allowed back to the office and improved business sentiment driven by the strong rebound in Singapore's economic growth last year, companies are reassessing their office space needs. To accommodate future growth plans, adopt the hybrid working models, and address the employees' evolving requirements, companies might be looking for expansion in the current buildings or new spaces.
- Barring the emergence of new Covid-19 variants, we expect the restrictions in the workplace may ease further by the end of the year, which may allow all employees to return to the office. Amid a tight supply pipeline, office demand will continue to strengthen, especially for good quality and sustainable spaces.

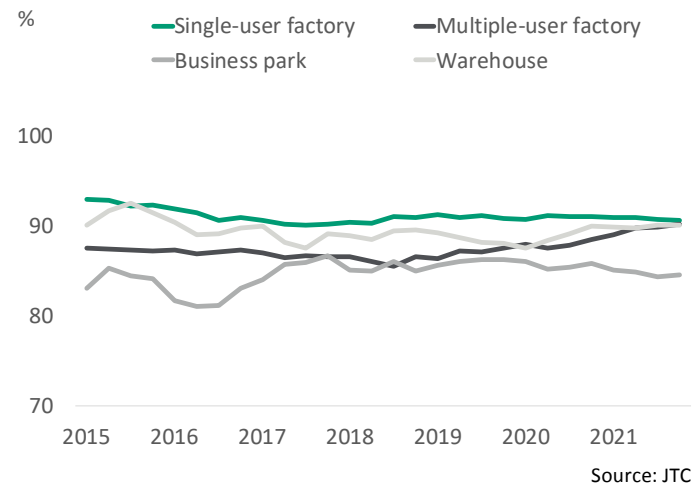
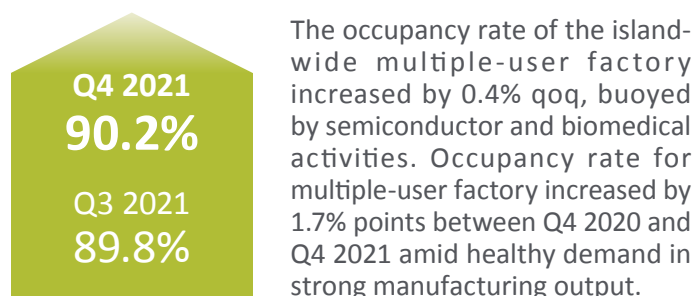
INDUSTRIAL – Focus on decarbonisation and supply chain diversification

KEY HIGHLIGHTS

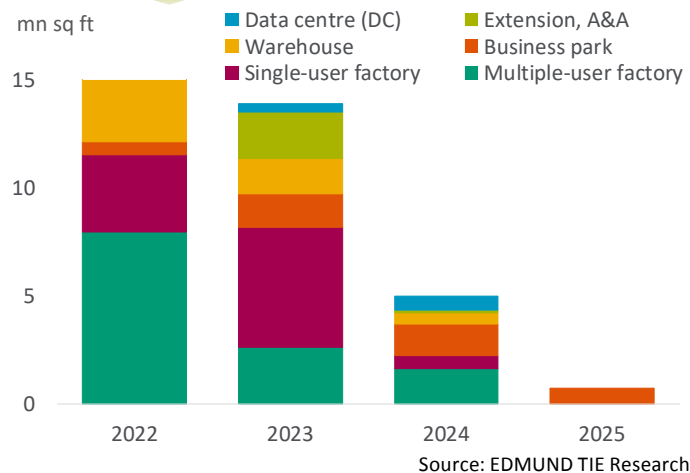
RENTAL OF FIRST STOREY MULTIPLE-USER FACTORY



OCCUPANCY RATE OF MULTIPLE-USER FACTORY



SUPPLY OF INDUSTRIAL SPACES (sq ft)



INDUSTRIAL SUPPLY PIPELINE (2022-2025) (sq ft)

Developer/development	Location	NLA '000 sq ft
Private multiple-user factory developments		
Solaris @ Tai Seng	Tai Seng Avenue	929
Mapletree Industrial Trust	Kallang Way	710
Private single-user factory developments		
Malkoha	Sunview Way	1,512
Global Foundries Singapore	Woodlands Industrial Park D Street 2	849
Private warehouses developments		
Allied Sunview	Sunview Road	1,081
Logos eHub	Pandan Crescent	750
Private business park developments		
CapitaLand	Science Park Drive	993
Surbana Jurong Campus	Cleantech Loop	365
Public industrial developments		
JTC Defu Industrial City	Defu South Street 1	2,875
JTC Punggol Digital District (Phase 1)	Punggol Way	2,067

* New supply of major industrial developments

Source: JTC

MARKET COMMENTARY

- The manufacturing PMI reading fell by 0.2 points from 50.7 in December 2021 (last publication) to 50.1 in March 2022. The overall manufacturing sector has now recorded the 21st month of expansion, despite global growth's expected softening in 2022 amid heightened geopolitical tensions and supply chain risks.
- On a 3-month moving average yoy basis, NODX grew by 15.3% yoy in February 2022, following a 19.9% rise in January 2022. Both the electronics and non-electronics sectors contracted.
- Overall industrial net absorption decreased from 2.4mn sq ft in Q3 2021 to 0.2mn sq ft in Q4 2021, amid continued uncertainties surrounding global trade markets and looming inflation costs. The drivers were warehouse segment (0.4mn sq ft) and multiple-user factory segment (0.3mn sq ft).
- Island-wide, occupancy rate for multiple-user factory increased 0.4% qoq to 90.2% in Q4 2021, whilst that of business park increased 0.2% qoq to 84.5% in Q4 2021. The rest of the occupancy rates for other industrial segments decreased by similar rates of 0.1% qoq in Q4 2021.
- As of Q4 2021, approximately 59% of the supply pipeline will be completed in 2022, followed by 18% in 2023. Single-user factories accounted for the bulk (42%) of the supply pipeline with approximately 17.6mn sq ft NLA. Multiple-user factory space made up 31% of the supply pipeline, projected to be about 12.8mn sq ft NLA.
- Amid robust manufacturing activity in Q1 2022, multiple-user factory rents rose by 0.3-0.6% qoq in the quarter. Buoyant demand for spaces with modern specifications pushed up rents by 0.6% qoq for hi-tech spaces in Q1 2022.

MARKET OUTLOOK

- Stockpiling requirements are likely to increase amid heightened geopolitical tensions and supply chain risks, which will further increase the demand for logistics and warehouse facilities. It will also drive the push towards supply chain diversification to mitigate cost pressures and operating risks.
- To achieve Singapore's new net-zero emission ambition by or around mid-century, it was announced during Budget 2022 that the carbon tax will be raised to S\$25 per tonne in 2024 and 2025, and S\$45 per tonne in 2026 and 2027 to reach S\$50 to S\$80 per tonne by 2030. More occupiers may be encouraged to change their business models toward decarbonisation and cost savings, while we expect to see more redevelopments of ageing assets into future-proof properties with higher specifications and sustainability features.
- Amid flight to quality, prime logistics assets, high-tech factories and city-fringe business parks will continue to be sought-after, with rents and capital values expected to rise in tandem.
- Despite the anticipated new supply of data centres coming onstream in response to the expected lifting of the data centre moratorium in Q2 2022, we expect continued rental growth due to tight supply in the near term amid strong demand.

RETAIL – Brighter prospects with fresh easing of COVID measures

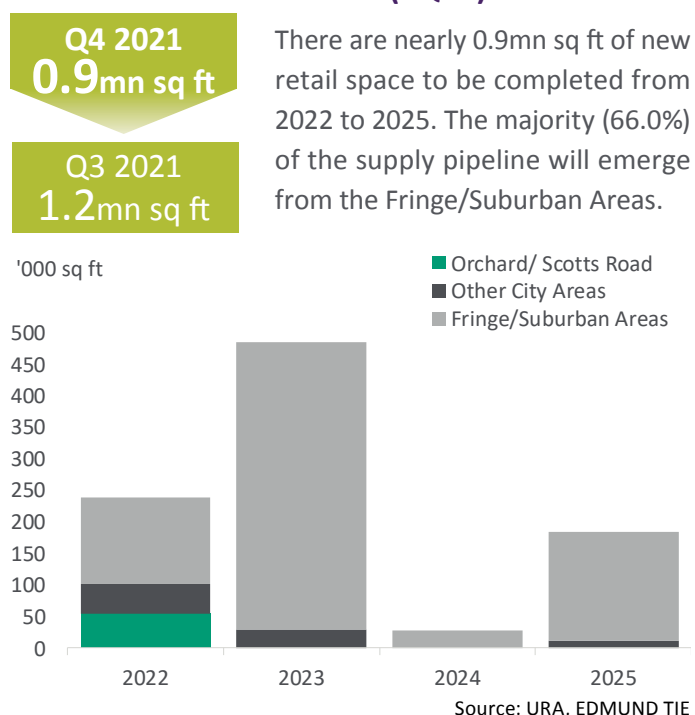
KEY HIGHLIGHTS

AVERAGE RETAIL RENTAL (SGD/sq ft)

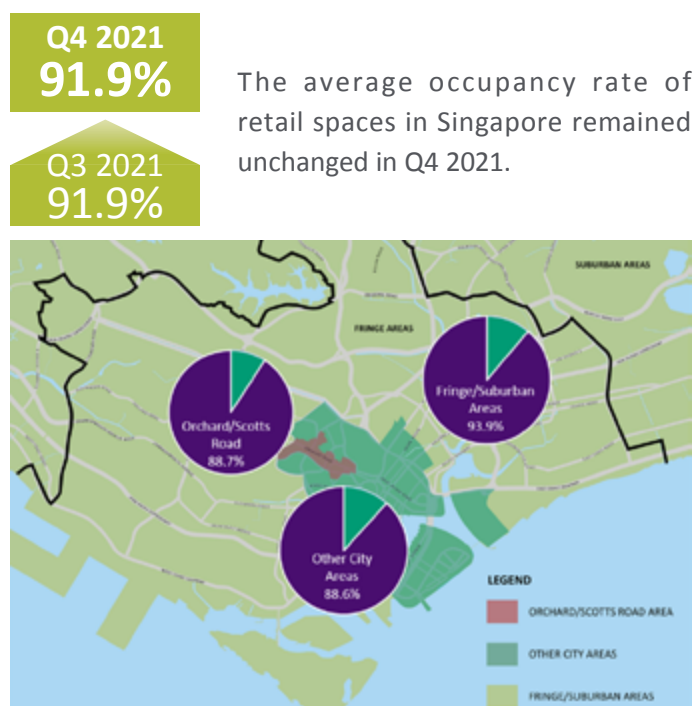
Location	Level	Q4 2021	Q1 2022	Qoq change (%)
Orchard/Scotts Road (OSR)	First storey	37.38	37.56	0.5
	Upper storey	15.95	15.98	0.2
Other city areas (OCA)	First storey	19.26	19.32	0.3
	Upper storey	9.68	9.69	0.1
Fringe/Suburban areas (FSA)	First storey	30.97	31.37	1.3
	Upper storey	17.23	17.34	0.6

Source: EDMUND TIE

SUPPLY OF RETAIL SPACES (SQ M)



RETAIL OCCUPANCY RATES



SUPPLY OF RETAIL SPACES (2022-2025) (sq ft)

The majority of the upcoming pipeline is the redevelopment of existing malls and ancillary retail, mainly from mixed-use office buildings and the retail podium from residential developments.

	Development	Location	Developer	NLA '000 sq ft	Total	Status
2021	A&A to existing Shaw Plaza	Balestier Road	Shaw Properties (1997) Pte Ltd	64	200	Under Construction
	A&A to Grantral Mall @ Macpherson	Macpherson Road	Wujie Times Square Pte Ltd	63		
	Boulevard 88	Cuscaden Road/ Orchard Boulevard	Hong Leong Holdings, CDL and Lea Investments	30		
	Guoco Midtown	Beach Rd	Guoco Midtown Pte Ltd/ Midtown Bay Pte Ltd	23		
	Hotel/retail development	Club Street	Worldwide Hotels Group	20		
2023	The Woodleigh Mall	Upper Aljunied Road	SPH and Kajima Development	150	455	Under construction
	Sengkang Grand Mall	Compassvale Bow/ Sengkang Central	CapitaLand and City Developments Limited	109		
	One Holland Village	Holland Road	Far East Organization, Sinoland, and Sekisui House	81		
	A&A to Changi Airport Terminal 2	Airport Boulevard	Changi Airport Group (S) Pte Ltd	62		
	Dairy Farm Residences	Dairy Farm Road	United Engineers	30		
	Parc Komo/Komo Shoppes	Upper Changi Road North/Jalan Mariam	CEL Real Estate Development Pte Ltd	23		
2024	Office/retail development	Labrador Villa Road/ Pasir Panjang Road	SP Group	26	26	PP: Sep-20
2025	Punggol Digital District	Punggol Way	JTC Corporation	173	173	WP: Oct-19
Total					854	

*Selected major developments in the pipeline

Source: URA, EDMUND TIE

MARKET COMMENTARY

- Based on EDMUND TIE Research, islandwide net absorption fell slightly from 355,000 sq ft in Q3 2021 to 269,000 sq ft in Q4 2021. The overall occupancy rate remained constant at 91.9% in Q4 2021.
- The occupancy rate for the Fringe/Suburban Area improved by 0.1% points to 93.9% in Q4 2021, the sixth quarter of consecutive increase since the start of the COVID-19 pandemic.
- In Q1 2022, rents for Fringe/Suburban continued to outperform and rose by 1.3% qoq, compared to a slower growth of 0.5% qoq in Orchard/Scotts Road and marginal growth in rental rates of 0.3% in Other City Areas.
- Retail openings in Q1 2022 included Japanese furniture brand Nitori Retail's first Singapore store at Courts Nojima at The Hereen, Uniqlo at Ang Mo Kio Avenue 3, and Pepper Lunch GO! at 313@Somerset. Retail closures included Dunkin' Donuts temporarily closing all their outlets in Singapore, Isetan at Parkway Parade, and Marks & Spencer at 313@Somerset.
- The 3-month moving average of yoy change in retail sales (excluding motor vehicles) has risen from 6.8% in October 2021 to 9.6% in January 2022. Retail sales for Petrol Service Stations, Wearing Apparel & Footwear and Watches & Jewellery experienced the greatest improvement yoy in Q4 2021. The majority of the retail trade categories experienced a positive growth except for Mini-marts & Convenience Stores, Others and Optical Goods & Books, which were the only three categories that experienced losses.
- For the food and beverage services index for Q4 2021, Restaurants was the sole component that reported a decline of 5.3% yoy due to the dining restrictions. Food Caterers recorded the greatest improvement, increasing by 42.2% yoy in Q4 2021 followed by Cafes, Food Courts & Other Eating Places which rose by 4.2% yoy.

MARKET OUTLOOK

- We expect the fresh easing of social, event and border restrictions to improve retail sentiment and boost consumer confidence, which will further improve retail sales.
- In particular, the increased dining capacity to 10 fully vaccinated people is a welcome move for the F&B sector, though the current requirement for safe distancing of 1m between tables means that eating outlets are still not be able to operate at full capacity.
- As a result of URA's recent imposition of restrictions on strata subdivision to the commercial component in properties located in certain designated areas, including CBD and Orchard Road corridors, demand and occupancy of prime retail assets may keep steady or even improve amid the limited supply of existing strata malls.
- The latest strata policy change may also improve the tenant diversity of malls and allows for more effective control of the mall's positioning under single ownership, which may drive higher footfall and spending. As a result, malls in the designated areas may enjoy lower vacancy rates and command higher rents over time.
- As Singapore further reopens its borders with the lifting of most restrictions for fully vaccinated visitors, the anticipated return of more tourists will inject greater optimism for the recovery of the retail sector, especially in the Central Area.

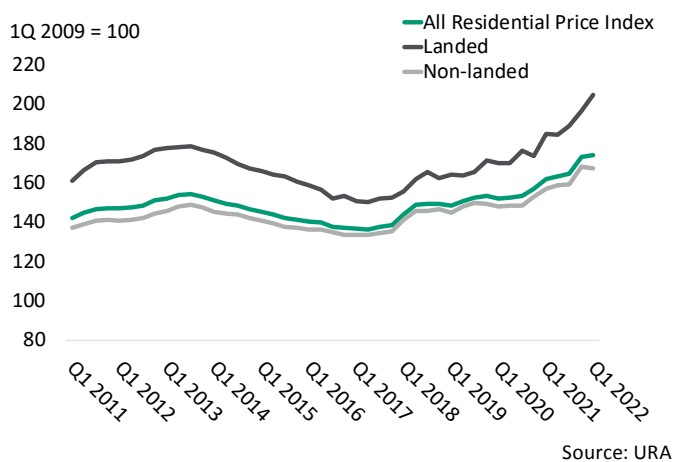
RESIDENTIAL – Price growth to soften in the wake of cooling measures

KEY HIGHLIGHTS

PROPERTY PRICE INDEX OF ALL PRIVATE RESIDENTIAL PROPERTIES

Q1 2022
(URA flash estimate)
174.3
Q4 2021
173.6

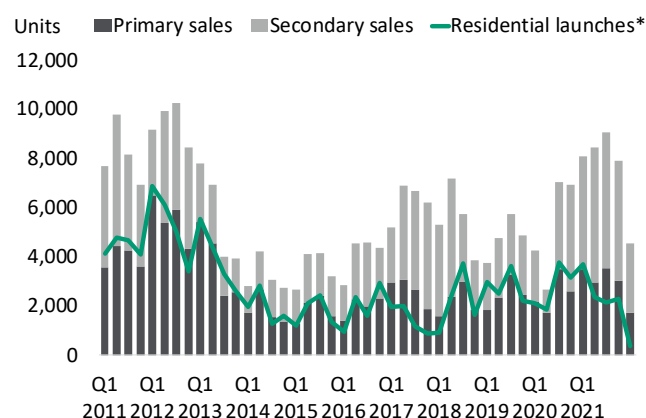
In Q1 2022, based on URA's flash estimate, the overall Property Price Index (PPI) for private residential properties rose for the eight consecutive quarter by 0.4% qoq, a moderation from Q4 2021's 5.0%. Landed property prices rose by 4.0% qoq while non-landed property prices corrected by 0.6% qoq.



PRIMARY AND SECONDARY SALES TRANSACTION VOLUME

Q1 2022
4,568 units
Q4 2021
7,925 units

Based on caveats lodged between 1 Jan 2022 and 31 Mar 2022, overall sales transaction volumes for private residential units decreased by 42% qoq in Q1 2022 in the wake of the cooling measures. The transaction volumes for both the primary and secondary markets declined qoq, by 43% and 42% respectively.



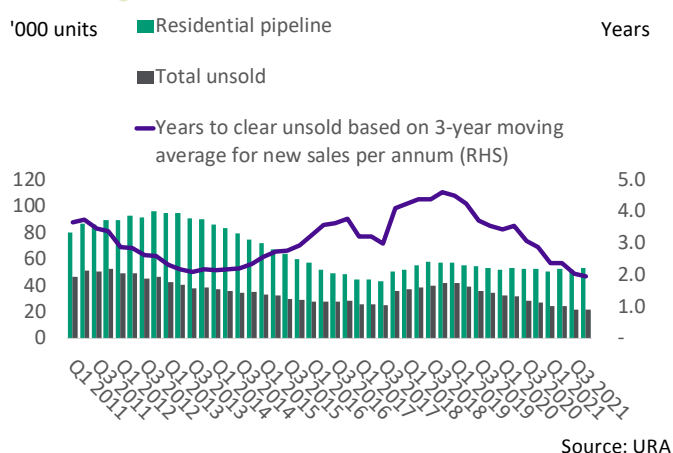
* Residential launch data for Q1 2022 is based on new launches in Jan 2022 and Feb 2022 only.

Source: URA

RESIDENTIAL PIPELINE SUPPLY

Q4 2021
53,555 units,
21,612 total unsold
Q3 2021
52,101 units,
21,551 total unsold

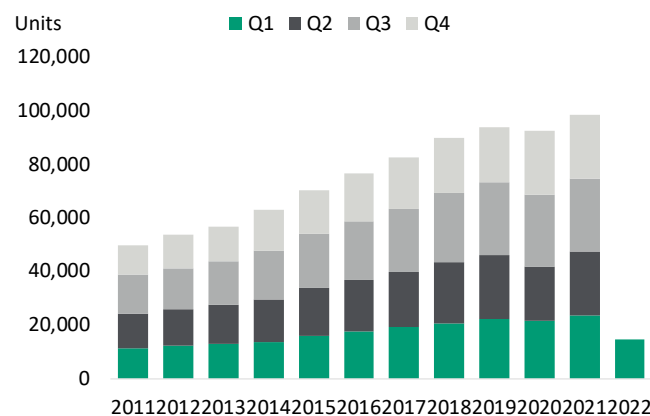
The pipeline supply for private homes rose by 2.8% qoq in Q4 2021. The total number of unsold units rose slightly by 0.3% qoq and we expect the units to be absorbed in 2.0 years.



PRIVATE HOME RENTAL TRANSACTIONS

Q1 2021
14,619 units
Q4 2021
23,915 units

The number of private rental transactions grew significantly by 6.6% to a record high in 2021, driven by completion delays within the construction sector, which created demand for rental units. Rental transactions fell by 11.9% qoq in Q4 2021 and by 39% qoq in Q1 2022.



MARKET COMMENTARY

- According to URA's flash estimate for Q1 2022, the Property Price Index (PPI) for private residential properties rose for the eighth consecutive quarter by 0.4% qoq, marking a noticeably slower growth in the wake of the cooling measures. Prices for the landed properties rose by 4.0%, while the non-landed prices fell by 0.6%. Besides the impact of the cooling measures, the softer non-landed prices were also a result of the dearth of new launches during the quarter. There were two new projects launched in Q1 2022, Royal Hallmark in the RCR and Ikigai in the CCR.
- Based on caveats lodged, new sales and secondary transaction volumes dipped 44% and 49% qoq respectively in Q1 2022. Within both the new sales and secondary sales market, the decline in activity was broad-based and similar across the market segments.
- The price movements across the market segments reflect the expected immediate impact of the cooling measures on investment demand. The CCR, which has the highest foreign share of demand, fell by 0.5% qoq. On the other hand, the suburban OCR segment continued to see prices rising by 1.9% qoq, albeit at a slower pace compared with 5.7% a quarter ago. Our price analysis showed that median prices were more resilient in the secondary market, rising by 0.4% qoq in Q1 2022, while median prices in the primary market declined by 1.7% qoq.
- The pipeline supply for private residential homes rose by 2.8% qoq as of Q4 2021. The total number of unsold units rose slightly by 0.3% qoq to 21,612 units and we expect the unsold units to be absorbed in 2 years, based on the average sales pace over the last three years. The tight supply situation will continue to lend pricing power to developers.
- Private rental transactions grew significantly by 6.6% to a record high in 2021, driven by the continual ongoing uncertainties within the construction sector, which created the demand for rental units. Rental transactions fell by 11.9% qoq in Q4 2021 and 39% qoq in Q1 2022. The marked decline in Q1 2022 was broad-based across the three market segments and is likely due to the low vacancies in the market. Some expatriates may have taken the opportunity to return to their home countries, expecting to return with ease as the border restrictions are relaxed.

MARKET OUTLOOK

- We expect price growth to moderate with the imposition of the latest cooling measures to promote housing affordability and curb market exuberance. However, we do not expect strong pressures on developers to reduce prices, especially for projects with limited unsold inventory.
- Looking ahead, the tightening of the Total Debt Servicing Ratio (TDSR) could divert some demand towards suburban homes, which are more affordable. We also expect some rotation of demand from RCR to OCR in 2022, given the strong price increases in RCR in 2021.
- Demand will continue to be largely supported by local first-time home buyers and HDB upgraders, who are least impacted by the cooling measures. Stable economic prospects and an improving job market in 2022 will further support the demand for private homes.
- However, we expect sales momentum to slow, on the back of fewer units from new launches in 2022. Developers will likely exercise more caution in bidding for land parcels over the next few months. We expect a recovery in launch and sales activity in H2 2022, if the collective sales market stabilises.
- While the cooling measures will dampen sales momentum, the overall market remains supported by a robust labour market, ongoing economic growth, and healthy demand-supply dynamics in the property market. The nation is also better prepared to face new Covid challenges, given the high vaccination rates and booster programme. Our base projection is a slight correction of the primary sales to about 11,000 – 12,000 units for 2022.
- With the VTL and resumption of air travel bringing more expatriates, foreign workers, and students back to Singapore, we foresee rental demand to strengthen in 2022. However, as the shortage of manpower in the construction sector is gradually resolved, demand for short-term rentals could decline. The completion of new projects could slow the rate of rental increases.

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