SINGAPORE Q4 2022

Shifting gears; positive momentum remains.

EDMUND TIE

ECONOMY – Headwinds and uncertainties remain elevated

KEY HIGHLIGHTS

GROSS DOMESTIC PRODUCT (GDP)

Q4 2022
2.2%

Q3 2022
4.2%

Performance of industry sectors (%)

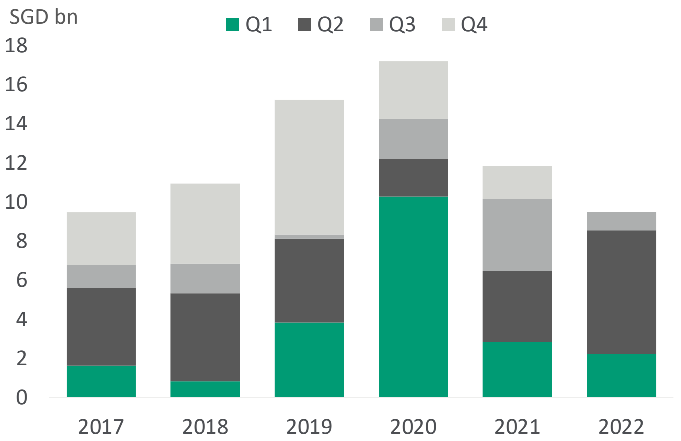
Sector	2021	2022*	Q3 2022	Q4 2022*
Real GDP Growth (yoy)	**7.6**	**3.8**	**4.2**	**2.2** ▼
Manufacturing	13.2	2.6	1.4	-3.0 ▼
Construction	20.1	6.5	7.8	10.4 ▲
Wholesale & Retail Trade, Transportation & Storage	4.5	3.9	5.7	2.3 ▼
InfoComm, Finance & Insurance, Professional Svcs	7.7	4.5	3.6	2.9 ▼
Accommodation & Food Services, Real Estate, Other Svcs	4.0	7.1	9.3	8.2 ▼

** Based on MTI advance estimates Q4 2022* Source: Department of Statistics

FIXED ASSET INVESTMENTS (FAI)

Q3 2022
SGD1.0bn

Q2 2022
SGD6.3bn



Source: Economic Development Board

UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)

Q3 2022
2.1%

Q2 2022
2.1%

Source: Ministry of Manpower

CONSUMER PRICE INDEX (CORE INFLATION)

Q3 2022
5.1%

Q2 2022
3.8%

Source: Monetary Authority of Singapore

MARKET COMMENTARY

- Based on advance estimates, Singapore's economy expanded by 2.2% yoy in Q4 2022, easing from the previous quarter's 4.2% growth. Growth during the quarter was led by the expansion of the construction sector while the manufacturing sector contracted.
- Overall estimated economic growth for 2022 was 3.8%, half of 2021's 7.6% growth, but slightly higher than the MTI's forecast of 3.5%.
- Amid weaker economic sentiment, Singapore's secured investment commitments totalled around SGD1bn in Q3 2022, a significant drop from SGD6.3bn in the previous quarter. The services sector was the main contributor to the quarter's FAI (57%).
- The labour market remained tight in Q3 2022. The unemployment rate remained at near pre-pandemic levels and recorded 2.1% in Q3 2022, unchanged from the previous quarter Total employment continued its growth momentum (83,100) in Q3 2022, outpacing the previous quarter's growth (71,100), led by improvements in the services sector (+40,600). On the other hand, the uptick in retrenchments was mainly derived from technology firms.
- Core inflation hit 5.1% in Q3 2022, though it was unchanged in November and eased discernibly in October from previous months' decade-high levels. Prices of energy and food commodities stayed elevated amid ongoing supply constraints, while domestic wage pressures remained strong amid the tight labour market.
- Overall business sentiments for October 2022 to March 2023 remain negative in the manufacturing sector, amid protracted supply chain challenges, operational cost pressures and weaker macroeconomic conditions.
- Similarly, the services industry was also less upbeat on their outlook, though most industries expect business conditions to still improve for the October to March period due to increased tourism arrivals, events and the anticipated boost from the year-end festive season.

MARKET OUTLOOK

- While aviation- and tourism-related as well as consumer-facing sectors will benefit from the travel recovery, the growth of export-oriented sectors such as electronics and chemicals clusters may be weighed down by the weaker external conditions.
- In 2023, the US and Eurozone are expected to experience sharp slowdowns while the global supply chain disruptions may persist amid the protracted Russia-Ukraine war.
- A further slowdown in Singapore's economy is expected in 2023, with growth forecasted to be "between 0.5 and 2.5%" due to weakening global economic conditions.
- There are early indications of easing momentum in the labour market and improvements could slow over the next few quarters. While overall employment growth is expected to remain robust, growth could be uneven across sectors. Higher employment growth is anticipated for tourism-related sectors while outward-facing sectors may witness subdued growth amid the macroeconomic challenges.
- The MAS expects core inflation to be "around 4.0%" for 2022 and "3.5 to 4.5%" in 2023. Upside risks include fresh shocks to global commodity prices and more persistent-than-expected external inflation.

INVESTMENT – Higher rates limit transaction activity

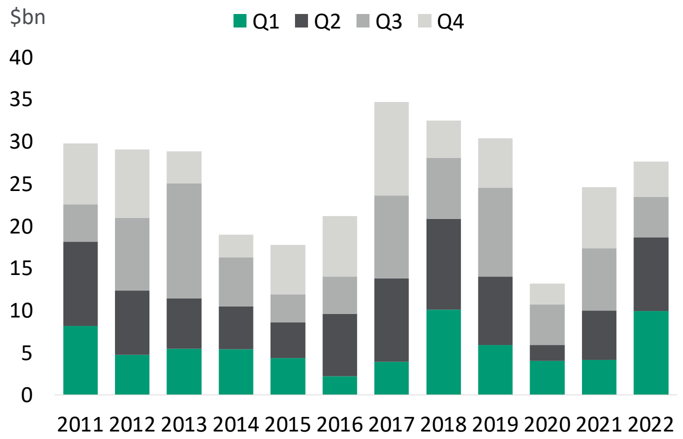
KEY HIGHLIGHTS

INVESTMENT SALES (SGD billion)

Total investment sales in Q4 2022 decreased by 12% as compared to Q3 2022.

Q4 2022
SGD4.2bn

Q3 2022
SGD4.7bn



Source: EDMUND TIE Research

VALUE OF TOP 5 PRIVATE INVESTMENT DEALS (SGD billion)

Q4 2022
SGD2.5bn

Q3 2022
SGD2.6bn

The combined value of the top 5 private investment deals in Q4 2022 represented 60% of total investment value in Q4 2022.

Top 5 private investment deals in Q4 2022

Development	Remaining tenure, yrs	Purchase price		Purchaser	Seller
		SGD mn	SGD psf		
Retail					
Jurong Point	-	2,160	-	Link REIT	Mercatus Co-operative Limited
Thomson Plaza	-		-	Link REIT	Mercatus Co-operative Limited
Commercial					
Ming Arcade	Freehold	172	3125	Royal Group	Collective Sale
Industrial					
Enterprise Logistics Centre	33	121	368	Intex Development Company	Far East Organisation
Residential					
4 Astrid Hill	Freehold	55	1986	-	-

Source: EDMUND TIE Research

MARKET COMMENTARY

- Total investment sales reached SGD27.6bn in 2022, a 12% increase from the SGD24.6bn in 2021. This was despite a slowdown in investment activity in Q4 2022, which stood at SGD4.2bn, a 12% decrease from Q3 2022's total investment sales of SGD4.7bn.
- Given the persistent interest rate hikes over the second half of 2022, coupled with new property cooling measures introduced at the end of Q3 2022, investors were more cautious in their investments decisions especially in the midst of economic uncertainties that will continue into the new year. In Q4 2022, the sale of land parcels under the Government Land Sales (GLS) programme contributed significantly to the total investment sales for the quarter. The total investment sales for the quarter was supported by the collective sales market as well with the sale of Jurong Point and Swing By @ Thomson Plaza that closed towards the end of the quarter as the largest deal in 2022.
- The retail sector led the investment sales in the quarter, contributing SGD2.4bn (56%), followed by the residential sector contributing SGD1.2bn (28%). The retail investment sales for the quarter were largely due to the sale of Jurong Point and Swing By @ Thomson Plaza at SGD2.2bn, recorded as the largest sale in 2022.
- The public investment sales market recorded around SGD0.5bn from the Government Land Sales (GLS) Programme, comprising two residential sites, at Bukit Timah Link and Hillview Rise.
- Bidding activity in early November for the launched Bukit Timah Hill and Hillview Rise sites was moderate with lower than usual number of bids for both sites. Developers were more cautious and strategic in their bids considering the current market conditions, especially with the tender closing a month after the recent announcement of property cooling measures.
- The collective sales market saw activity over the quarter, despite the latest cooling measures, with project launches and relaunches as well as the sale of Ming Arcade in December. In Q4 2022, Trendale Towers relaunched at a lower reserve price after a previous launch in Q3 2022 and is due to close in January 2023 along with another residential project, Charming Gardens.

MARKET OUTLOOK

- RESIDENTIAL: In 2023, the residential market will continue to see interest in areas with opportunities for transformation with the new MRT lines that allow for better connectivity, increasing the attractiveness and liveability of many neighbourhoods. With economic headwinds, inflation, and the persisting rounds of interest rate hikes, alongside the upcoming property tax hikes, developers will likely remain cautious with the expectation of a soft market climate and consumers tightening their spending given the increases in the cost of living.
- COMMERCIAL: With more countries lifting travel restrictions towards the end of 2022 and likely continuing into 2023, tourism and retail sectors expect greater recovery in 2023. As such, investors are likely to be more attracted to hospitality and retail assets especially with the pent-up demand for travel amongst both leisure and business travellers.
- RETAIL: Retail has seen changes in consumer preferences in their ideal shopping experience. The changes have allowed a greater flexibility in creating different in-store shopping experiences for their consumers. In turn, coupled with the recovery in the retail sector, the rejuvenation of the retail experience across many brands will likely attract investors towards the retail sector.
- OFFICE: The office market will continue to see consistent leasing demand supported by co-working operators and family offices, as well as the tight supply of quality office spaces in both the prime areas and in decentralised areas. In decentralised areas, quality office spaces will see leasing demand from firms as such spaces are in closer proximity to business activities away from the CBD. However, for investors, the low yields amid high borrowing costs will limit the investment appetite for larger deals.
- INDUSTRIAL: Singapore's strong reputation for high-value manufacturing and R&D innovation will continue to attract investments, especially in modern warehouse and logistic spaces as e-commerce remains pivotal and corporates strengthen supply chains.

OFFICE – Greater completions and economic slowdown to moderate office market recovery

KEY HIGHLIGHTS

Average monthly gross rents (SGD/sq ft)

Location	Subzone	Grade	Q3 2022	Q4 2022	Qoq change (%)
CBD	Marina Bay	Premium	12.65	12.85	1.5
	Raffles Place	A	10.45	10.55	1.0
	Shenton Way/Robinson Road/Tanjong Pagar	Premium	11.05	11.15	1.0
		A	8.95	9.00	0.5
		B	7.10	7.10	0.2
Non-CBD	Marina Centre	A	9.75	9.85	1.0
	City Hall/Bugis	Premium	10.90	11.05	1.5
		*	7.00	7.00	0.0
	Orchard Road	*	9.00	9.00	0.0
Decentralised areas	Decentralised areas	*	6.05	6.05	0.2

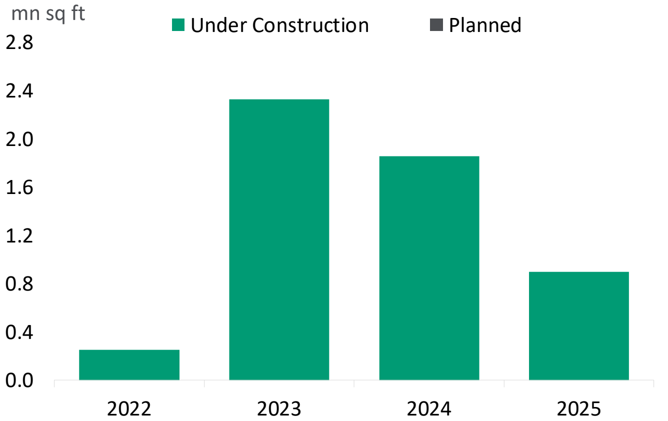
Source: EDMUND TIE

SINGAPORE OFFICE SUPPLY (sq ft)

Q3 2022
4.5mn sq ft

Q2 2022
5.5mn sq ft

As at Q3 2022, nearly 4.5mn sq ft of new office space will be completed from 2022 to 2025, a decrease from 5.5mn sq ft as of Q2 2022.



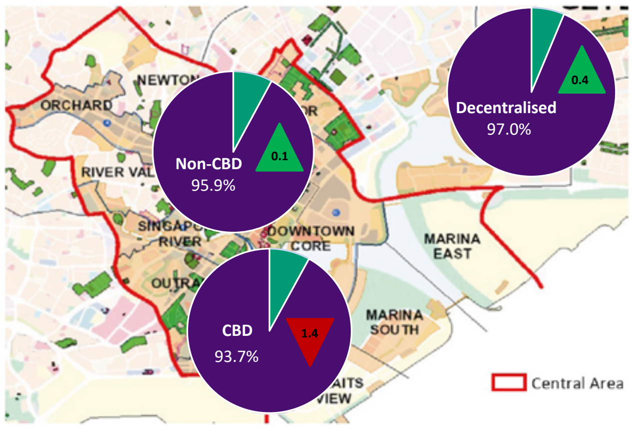
Source: URA, EDMUND TIE

OCCUPANCY RATE OF PRIME CBD OFFICE SPACES

Q4 2022
93.7%

Q3 2022
95.1%

The occupancy rate of prime CBD office spaces experienced a slight quarter-on-quarter decrease, largely contributed by occupancy rate decreases in Marina Bay premium and Raffles Place.



* 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)

	Development*	Location	Zone	NLA '000 sq ft	Total	Status
2022	Surbana Jurong Campus	Cleantech Loop	Decentralised Areas	200	200	Under construction
2023	Central Boulevard Towers	Central Boulevard	CBD	1,260	2,010	Under construction
	Guoco Midtown	Beach Road	Bugis/City Hall	700		Under construction
	One Holland Village	Holland Road	Decentralised Areas	50		Under construction
2024	Labrador Tower	Labrador Villa Road/Pasir Panjang Road	Decentralised Areas	646	1,457	Under construction
	Keppel Towers redevelopment	Hoe Chiang Road	CBD	500		Under construction
	Certis Cisco Centre redevelopment	Jalan Afifi	Decentralised Areas	311		Under construction
2025	Shaw Tower redevelopment	Beach Road/Middle Road/Nicoll Highway	Bugis/City Hall	435	772	Under construction
	Punggol Digital District	Punggol Way	Decentralised Areas	337		Under construction
Total					4,439	

*Selected major developments in the pipeline

Source: URA, EDMUND TIE

MARKET COMMENTARY

- Based on EDMUND TIE Research statistics, overall net absorption islandwide reversed from 410,848 sq ft in Q3 2022 to -126,248 sq ft in Q4 2022. Leasing demand for prime office spaces in Shenton Way/ Robinson Road/ Tanjong Pagar as well as in City Hall/Bugis areas saw growth in the quarter.
- In this quarter, occupancy rates in Marina Bay and Raffles Place fell slightly, resulting in a drop in the overall occupancy rate in the CBD to 95.2% in Q4 2022.
- With limited supply of quality spaces, despite lower occupancy rates in the quarter, rents rose across most subzones of the office sector in Q4 2022, albeit to various extents. In the CBD, premium rents at Marina Bay and Grade A rents at Raffles Place rose by 1.5% qoq. In non-CBD, rents of premium office spaces in Marina Centre and City Hall/Bugis improved by 1.0% and 1.5% qoq. Office rents in the decentralised areas rose by 0.2% qoq in Q4 2022.
- In 2022, in the CBD, premium rents at Marina Bay and grade A rents at Raffles Place saw 6% and 5% growth, respectively. In non-CBD, prime offices spaces in Marina Centre and City Hall/Bugis saw 2-3% rental growth and in the decentralised sub-market, office rents saw a 1% rental growth over the year.
- Some of the major leasing updates in Q4 2022 include Celanese moving into the redeveloped Hub Synergy Point and Standard Chartered Bank reducing in their office space leased at MBFC Tower 1.

MARKET OUTLOOK

- The office market saw consistent leasing demand throughout the year despite economic headwinds and recent rounds of layoffs in several firms within the tech industry. We expect the positive momentum to continue going into 2023.
- As an attractive financial hub and one of the world's best places to do business, Singapore has continued to attract new entrants looking to set up businesses in the Southeast Asian market.
- Given the limited supply of quality office spaces, the office market will likely continue to see leasing demand by firms in the finance and wealth management industries.
- However, with greater office completions slated in 2023 coupled with slowing economic growth, rental growth could moderate. Despite that, rental growth will likely continue into the next year, given that supply remains fairly tight.
- We expect Premium and Grade A office rents to rise by 2-4% and 1-3% respectively in 2023.

INDUSTRIAL – Warehouse and hi-tech spaces remain as bright spots

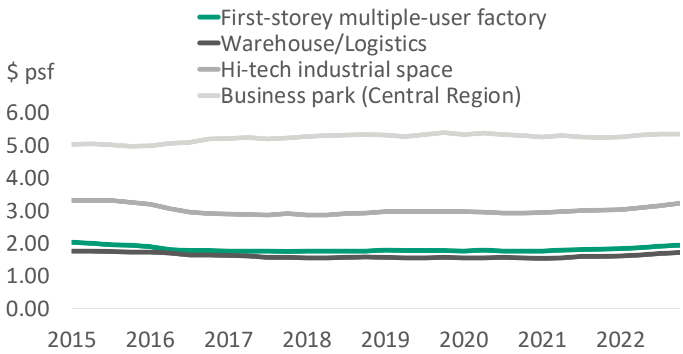
KEY HIGHLIGHTS

RENTAL OF FIRST-STOREY MULTIPLE-USER FACTORY

Q4 2022
SGD1.94 psf

Q3 2022
SGD1.91 psf

Rental growth tapered down to 1.8% qoq in Q4 2022 from 2.2% qoq contracted in the previous quarter, on the back of the manufacturing slowdown. Full-year rental growth was 7% in 2022, a nearly two-fold increase from previous year's 3.4% growth.



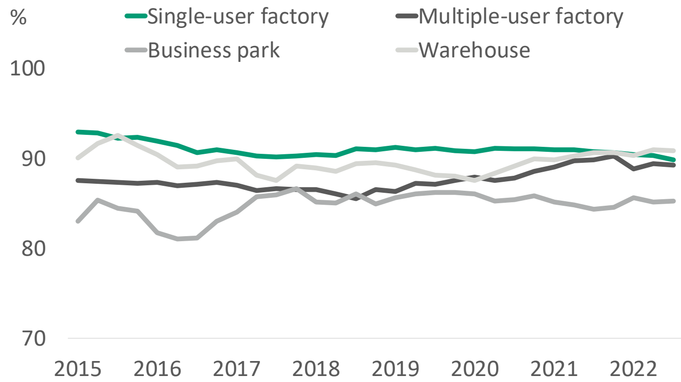
Source: EDMUND TIE Research

OCCUPANCY RATE OF MULTIPLE-USER FACTORY

Q3 2022
89.2%

Q2 2022
89.4%

The occupancy rate of multiple-user factory fell slightly by 0.2% pts qoq, reversing from the 0.6% pts increase experienced in the previous quarter.



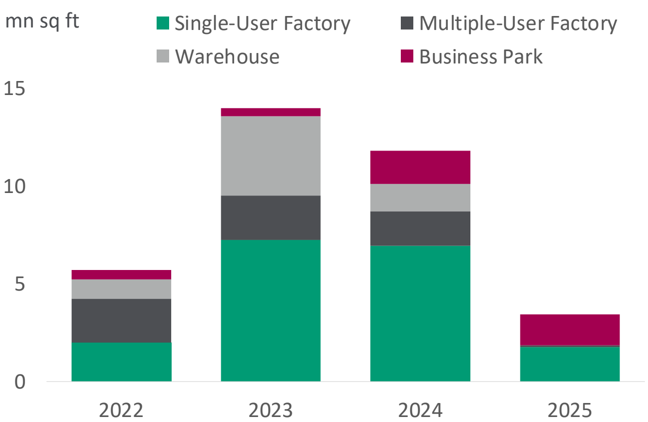
Source: JTC

SUPPLY OF INDUSTRIAL SPACES SPACES (2022-2026) (sq ft)

Q3 2022
38.3mn sq ft NLA

Q2 2022
39.3mn sq ft NLA

The bulk of the upcoming supply (36%) from 2022 to 2026 is expected to come onstream in 2023, followed by 31% in 2024.



Source: EDMUND TIE Research

INDUSTRIAL SUPPLY PIPELINE (2022-2026) (sq ft)

Developer/ development*	Location	NLA '000 sq ft	Expected completion year
Private multiple-user factory developments			
Solaris @ Tai Seng	Tai Seng Avenue	929	2022
161, 163 & 165 Kallang Way	Kallang Way	710	2022
Private single-user factory developments			
United Microelectronics Corporation	Pasir Ris Industrial Drive 1	2,063	2024
Malkoha	Sunview Way	1,512	2023
Private warehouses developments			
Allied Sunview	Sunview Road	1,031	2023
Logos eHub	Pandan Crescent	715	2022
Private business park developments			
1 Science Park Drive	Science Park Drive	993	2025
Surbana Jurong Campus	Cleantech Loop	365	2022
Public industrial developments			
JTC Punggol Digital District	Punggol Way	2,067	2024 and 2025
Bulim Square	Bulim Lane 1/2	1,391	2026

*New supply of major industrial developments

Source: JTC

MARKET COMMENTARY

- The industrial market's resilience saw both overall industrial prices and rents climb upwards for the eighth consecutive quarter by 2% qoq and 2.1% qoq, respectively in Q3 2022. On a year-to-date basis, multiple-user factory spaces experienced the greatest price growth of 6%. In terms of rental performance, both the warehouses and multiple-user factory segments outperformed and recorded rental growth of 5.5% and 5.4% year-to-date, respectively.
- As manufacturing sentiment continued to be weighed down by weaker global demand, overall factory activity contracted for the fourth consecutive month in December. The manufacturing PMI reading inched down by 0.2 points to 49.7 in December 2022 from 49.9 in September 2022.
- On a 3-month moving average yoy basis, NODX contracted by 14.0% in December from 7.1% growth in September 2022. In 2022, NODX recorded 3.0% growth, a notable decline from 2021's 12.1% growth. The weakening export performance has implications for the manufacturing sector.
- Overall industrial leasing demand weakened in Q3 2022 amid industrialists' cautious sentiments, and recorded a mere net absorption of -0.1mn sq ft from 4.3mn sq ft in the previous quarter. This was the first time that net absorption was negative since Q4 2019. Although the multiple-user factory segment took up 0.7mn sq ft of space due to the completion of the final phase of JTC Defu Industrial City, some 0.9mn sq ft of single-user factory space was shed, possibly due to stock obsolescence.
- Islandwide occupancy fell slightly by 0.3 percentage points qoq to 89.7% in Q3 2022, reversing from the 0.2 percentage points increase experienced in the previous quarter, as mounting cost pressures and rising interest rates forced some industrialists to scale back or consolidate their space requirements. Notably, the business park segment was the only segment that experienced an improvement in occupancies, supported by strong occupier demand attributed to the spillover demand from the current tight office supply situation.
- As of Q3 2022, approximately 36% of the supply pipeline will be completed in 2023, followed by another 31% in 2024. In the near to mid-term, we expect the supply pressure on the single-user factory segment (52% of supply pipeline), though it is likely to experience strong take-up by industrialists for their application.
- In Q4 2022, multiple-user factories recorded slower rental growth of 1.5-1.8% qoq on the back of the manufacturing slowdown. Full-year rental growth in 2022 was between 5.6% and 7%, extending from the 2.7-3.4% rental growth in 2021. Due to buoyant demand for warehouse and logistics spaces, they witnessed the strongest rental growth of 2.1% qoq in Q4 2022, while full-year rental growth recorded 7.2% from previous year's 3.2% rental growth.

MARKET OUTLOOK

- While we expect the labour crunch in the industrial sector to be gradually alleviated as border easing continues, the rising cost pressures may lead to foreseeable completion pushbacks of some projects, especially those with expected completion this year.
- The sharper-than-expected global economic slowdown and increasing uncertainties amid the protracted Russian-Ukraine conflict, supply chain disruptions, lingering impact of the COVID-19 pandemic as well as high inflation and rising interest rates may limit the strength of the industrial demand recovery.
- The pandemic and the current climate, including the recent US export restrictions on advanced chips and chip equipment to China, have accentuated the importance of supply chain resilience.
- The refreshed industry transformation maps (ITMs) for the five advanced manufacturing and trade sectors – electronics, precision engineering, energy and chemicals, aerospace, and logistics – have highlighted the need for companies to stay ahead of the curve in the face of the dynamic global environment.
- Overall, the economic headwinds are likely to moderate industrial rental growth. The seemingly large supply pressures are likely to be ameliorated by completion pushbacks. In 2023, we expect warehouse spaces to outperform amid sustained demand, with rental growth forecast to be around 6%. In line with the growth of advanced manufacturing, rents of high-tech spaces are projected to record growth of between 6% and 7%.

RETAIL – Orchard retail spaces to outperform as tourism outlook brightens

KEY HIGHLIGHTS

AVERAGE RETAIL RENTAL (SGD/sq ft)

Location	Level	Q3 2022	Q4 2022	Qoq change (%)
Orchard/Scotts Road (OSR)	First storey	38.40	39.20	2.1
	Upper storey	15.00	15.05	0.3
Other city areas (OCA)	First storey	19.00	19.20	1.0
	Upper storey	8.65	8.70	0.6
Fringe/Suburban areas (FSA)	First storey	32.60	33.10	1.5
	Upper storey	17.75	17.90	0.8

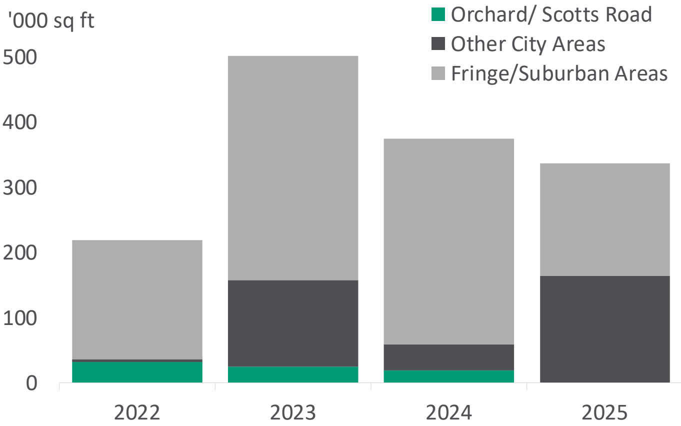
Source: EDMUND TIE Research

SUPPLY OF RETAIL SPACES (sq ft)

Q3 2022
1.5mn sq ft

Q2 2022
1.7mn sq ft

Based on EDMUND TIE's tracking of major projects in the retail supply pipeline, there are nearly 1.5mn sq ft of new retail space to be completed from 2022 to 2025. The majority (73%) of the supply pipeline will emerge from the Fringe/Suburban Areas.



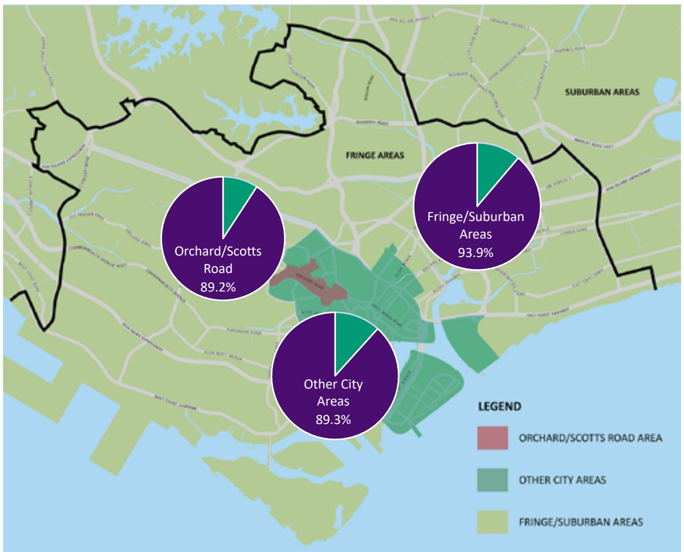
Source: URA, EDMUND TIE Research

RETAIL OCCUPANCY RATES

Q3 2022
92.2%

Q2 2022
91.8%

The average occupancy rate of retail spaces in Singapore edged up by 0.4% pts in Q3 2022.



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

The majority of the upcoming pipeline is the enhancement of existing malls and ancillary retail spaces at new hotel developments and mixed-use office buildings.

	Development*	Location	Developer	NLA '000 sq ft	Total NLA '000 sq ft	Status
2022	A&A to existing Shaw Plaza	Balestier Road	Shaw Properties (1997) Pte Ltd	68	**209**	Under Construction
	Boulevard 88	Orchard Boulevard	Hong Leong Holdings, CDL and Lea Investments	32		
	Sengkang Grand Mall	Compassvale Bow/ Sengkang Central	CapitaLand and City Developments Limited	109		
2023	Guoco Midtown	Beach Rd	GuocoLand, Hong Leong Holdings and Hong Realty	50	**541**	Under construction
	Dairy Farm Residences/Dairy Farm Mall	Dairy Farm Lane	United Engineers	32		
	IOI Central	Central Boulevard	IOI Properties Group	30		
	One Holland Village shops	Holland Road	Far East Organization, Sinoland, and Sekisui House	117		
	West Scape @ Bukit Batok	Bukit Batok Road	Housing & Development Board	69		
	8 Club Street	Club Street	Worldwide Hotels Group	33		
	The Woodleigh Mall	Bidadari Park Drive	SPH and Kajima Development	210		
2024	Labrador Tower	Labrador Villa Road	SP Group	26	**338**	Under Construction
	Odeon Towers redevelopment	North Bridge Road	UOL Group Limited	24		
	Pasir Ris Mall	Pasir Ris Central	Allgreen Properties and Kerry Properties	288		
2025	Canninghill Square	Clarke Quay	CapitaLand Development and City Developments Ltd	90	**326**	Under Construction
	Punggol Digital District	Punggol Way	JTC Corporation	173		
	Tower 15 redevelopment	Hoe Chiang Road	Fragrance Group	30		
	TMW Maxwell	Maxwell Road	Chip Eng Seng & SingHaiyi & Chuan Holdings Limited	33		PP: May-22
Total					**1,414**	

*Selected major developments in the pipeline

Source: URA, EDMUND TIE Research

MARKET COMMENTARY

- Overall retail demand continued to strengthen for the second consecutive quarter. In Q3 2022, the islandwide net absorption recorded 323,000 sq ft, a four-fold increase from 86,000 sq ft registered in the previous quarter. The pick-up in demand was largely broad-based across all segments, except for Fringe Area which recorded a negative take-up. The further easing of community and border measures that occurred in end-August, such as the removal of legal requirement for mask-wearing in most settings and the seven-day SHN requirement for all non-fully vaccinated incoming travellers, have contributed to the further recovery of the retail market.
- With demand outpacing supply, the overall occupancy rate edged up by 0.4 percentage points in Q3 2022 to 92.2% from 91.8% in the previous quarter, and it was the highest level recorded since Q4 2019. Among the various subzones, the Orchard/Scotts Road recorded the greatest improvement in occupancies due to buoyant leasing demand.
- Supported by the steadfast tourism recovery, prime first-storey spaces at Orchard/Scotts Road outperformed and recorded around 2.0% qoq rental growth in Q4 2022, compared to 1.0% qoq and 1.5% qoq rental growth for prime first-storey spaces at Other City Areas and Fringe/Suburban Areas respectively. For the whole of 2022, the Orchard/Scotts Road spaces (prime first-storey) witnessed the strongest rental growth of 7.4%, followed by Fringe/Suburban area (prime first-storey) at 6.7% and Other City Areas (prime first-storey) at 3.7%.
- Various new-to-market brands continued to establish a foothold in the local retail scene, including Anglo-French luxury fragrance house Creed at Raffles City, Café Kitsune (by French-Japanese lifestyle brand Maison Kitsune) at Capitol Singapore, South Korean convenience store chain Emart24 at Jurong Point and Nex, and Melbourne-based Puzzle Coffee at Ion Orchard. Brand expansions such as Levi's at Ion Orchard (replaced La Senza), Uniqlo and Pedro at Raffles City, Eggslut's second outlet at Suntec City and Don Don Donki at Jewel Changi Airport coincided with the year-end festive season. Recent pop-ups include the Prada Paradoxe pop-up at Paragon in October and online fashion blogshop Lovet's first pop-up store at Jewel Changi Airport.
- On a 3-month moving average yoy basis, retail sales growth (excluding motor vehicles) declined to 13.2% as at November, from 18.6% in August. Year-to-date, retail sales grew by 10.8% yoy, compared with 11.1% for the whole of 2021. Retail sales for Wearing Apparel & Footwear, Food & Alcohol, Department Stores, and Watches & Jewellery recorded the greatest improvement yoy. Most of the retail trade categories experienced positive growth, except for Supermarkets & Hypermarkets, Mini-Marts & Convenience Stores and Motor Vehicles.
- Based on Q3 2022's food and beverage services index, Food Caterers continued to register the largest improvement of 131.9% yoy due to higher demand for both event and in-flight catering with the easing of restrictions, followed by Restaurants which rose by 58.5%.

MARKET OUTLOOK

- We expect the demand for retail space in 2023 to continue to strengthen with brightening prospects of the recovery of the retail sector. With the bulk of the supply pipeline (2022-2025) targeted to come onstream in 2023 (47%), which includes The Woodleigh Mall and One Holland Village shops, the supply-demand dynamics is expected to be balanced in 2023.
- The updated Retail Industry Transformation Map 2025, which focuses on local brands, innovation, talent, is anticipated to pave the way for innovation in the retail scene.
- Exciting transformations to the traditional physical retail landscape are also anticipated, as retailers continue to bring cohesion between the online retail experience and the in-store experience.
- However, we take caution that the considerable headwinds going forward due to uncertainties, such as high inflation, the re-emergence of new Covid variants, retightening of safety and border measures, may affect retail sentiment and consumer confidence. These uncertainties may reduce consumer spending and cap retail rental growth.
- In view of the significant cost pressures and headwinds, we expect sustained rental growth of between 7% and 9% for Orchard (prime first storey), as tourism recovery continues with the expectation of a further boost from China's easing of measures. As for the other retail segments, we forecast rental growth of between 3% and 6% in 2023.

RESIDENTIAL – Economic headwinds to moderate price growth

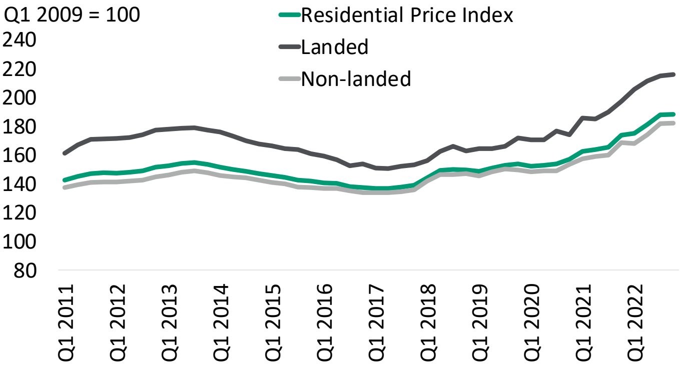
KEY HIGHLIGHTS

PROPERTY PRICE INDEX OF ALL PRIVATE RESIDENTIAL PROPERTIES

Q4 2022
(URA flash estimate)
188.2

Q3 2022
187.8

In Q4 2022, based on URA's flash estimate, the overall Property Price Index (PPI) for private residential properties rose for the eleventh consecutive quarter by 0.2% qoq, after accelerating 3.8% qoq in the previous quarter. Landed and non-landed property prices rose by 0.5% qoq and 0.1% qoq, respectively.



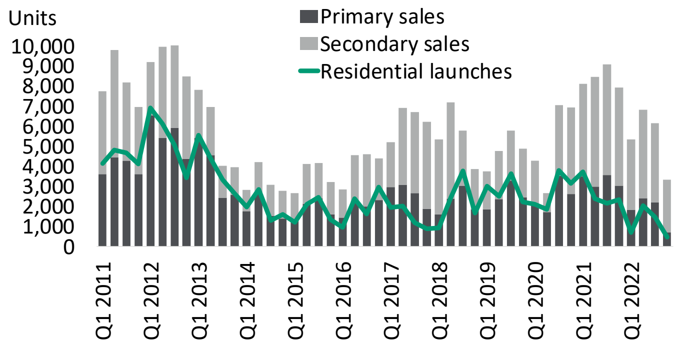
Source: URA

PRIMARY AND SECONDARY SALES TRANSACTION VOLUME

Q4 2022
3,331 units

Q3 2022
6,148 units

Total sales transaction volumes fell by 46% qoq in Q4 2022. Overall, for the whole of 2022, total sales transaction volumes fell by 36% to 21,633 units. The decline was led by a 45% decline in transaction volumes in the primary market, due to lower launches in 2022 compared to 2021, while transaction volumes in the secondary market saw a 29% decline.



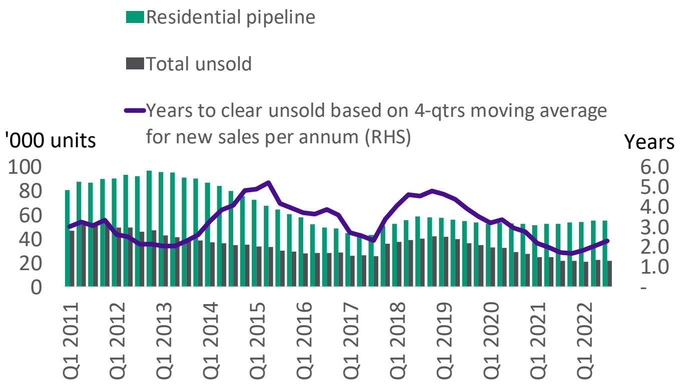
Source: URA

RESIDENTIAL PIPELINE SUPPLY

Q3 2022
55,105 units
21,498 total unsold

Q2 2022
54,841 units
22,084 total unsold

The pipeline supply for private homes inched up by 0.5% qoq in Q3 2022. The total number of unsold units fell by 2.7% qoq due to sustained sales activity and the units are expected to be absorbed in 3.1 years.



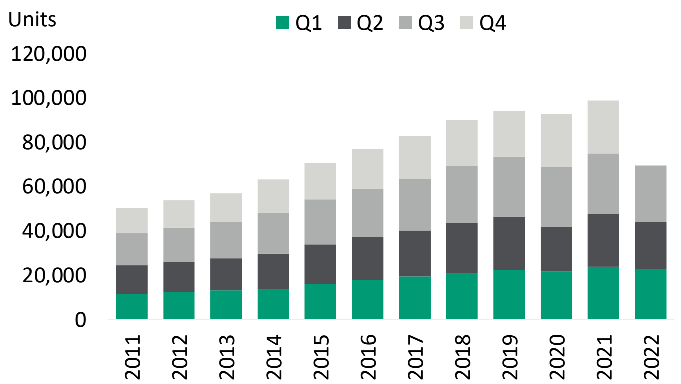
Source: URA

PRIVATE HOME RENTAL TRANSACTIONS

Q3 2022
25,628 units

Q2 2022
21,068 units

Private home rental transactions rose by 21.6% qoq in Q3 2022, as compared to a 7.3% qoq drop in Q2 2022. This is due to the return of expatriates that boost rental demand as borders reopen.



Source: URA

MARKET COMMENTARY

- In Q4 2022, based on URA's flash estimate, the overall Property Price Index (PPI) for private residential properties rose for the eleventh consecutive quarter by 0.2% qoq, after accelerating 3.8% qoq in the previous quarter. Landed and non-landed property prices rose by 0.5% qoq and 0.1% qoq, respectively. There were five project launches in Q4 2022 – Enchante, Hill House and Sophia Regency in the CCR and Pollen Collection and Kovan Jewel in the OCR.
- Total sales transaction volumes fell by 46% qoq in Q4 2022. Overall, for the whole of 2022, total sales transaction volumes fell by 36% to 21,633 units. The decline was led by a 45% fall in transaction volumes in the primary market, due to fewer launches in 2022 compared to 2021, while transaction volumes in the secondary market saw a 29% decline.
- The pipeline supply for private homes inched up by 0.5% qoq in Q3 2022. The total number of unsold units fell by 2.7% qoq due to sustained sales activity and the units are expected to be absorbed in 3.1 years.
- Private home rental transactions rose by 21.6% qoq in Q3 2022, as compared to a 7.3% qoq drop in Q2 2022, due to the return of expatriates that boost rental demand as borders reopen.

MARKET OUTLOOK

- The government ramped up the confirmed list supply for the first half of 2023 to 4,090 units, the highest since the H1 2014 release. As more new homes are expected to be completed this year, this would likely alleviate the pressure on the tight rental market, moderating the pace of rental growth in 2023.
- Demand will continue to be largely supported by local first-time home buyers. Based on HDB's flash estimate for Q4 2022, the public housing resale price rose by 2.1% qoq in Q4 2022, for the eleventh consecutive quarter. The strong public resale market in 2022 may provide tailwinds for upgrader demand for private homes in 2023.
- Overall, total primary sales volumes clocked about 7,100 units in 2022, down from 13,027 in 2021. This is on the back of rising interest rates and macro headwinds. Nonetheless, the overall property market is supported by strong household balance sheets and a tight labour market.
- Considering the economic and geopolitical headwinds as well as rising interest rates, property prices could moderate to 1-3% growth for 2023 from 2022's 8.4% in 2022.
- Overall transaction activity is likely to see a slight moderation in 2023, with the secondary market bearing the brunt. Secondary sales volume is expected to reach between 10,000 and 12,000 units in 2023, down from 14,500 units for 2022, due to tighter financing conditions and rising interest rate that will weigh on housing affordability. Primary sales volume is expected to between 8,000 and 9,000 units in 2023, up from about 7,100 units for 2022, as a result of the surge in project launches in 2023.

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