






# Challenging start to 2023 but sustained real estate momentum

## Q1 2023 AT A GLANCE

			Qoq	Yoy
INVESTMENT		Total Sales: <b>S\$4.0 billion</b>	▼ -11%	▼ -59%
		Top 5 Private Deals: <b>S\$2.3 billion</b>	▼ -7%	▼ -56%
OFFICE		CBD Grade A Rents: <b>S\$9.78 psf</b>	▲ 0.2%	▲ 3.5%
		Supply Pipeline: <b>3.9 million sq ft</b> (2023-2026)	▼ -17%	▼ -26%
INDUSTRIAL		First-Storey Multiple-User Factory Rents: <b>S\$1.97 psf</b>	▲ 1.6%	▲ 7.8%
		Supply Pipeline Q1 2023: <b>35.3 million sq ft NLA</b>	▼ -7%	▼ -14%
RETAIL		OSR First-Storey Rents: <b>S\$39.20</b>	▬ 0%	▲ 6.3%
		Supply Pipeline Q1 2023: <b>1.6 million sq ft NLA</b> (2023-2026)	▼ -6.4%	▲ 36.3%
RESIDENTIAL		Price Index: <b>194.6</b>	▲ 3.2%	▲ 11.3%
		Rental: <b>6,590 units/month</b>	▼ -5.2%	▼ -13.0%

## KEY HIGHLIGHTS

### Investment

Q1 2023 saw healthy investment activity for lower-quantum sites. The tourism recovery has put hospitality sites in the spotlight. Investment sales for 2023 is expected to moderate amid cautious investor sentiments.

### Office

Rental growth moderated in Q1 2023 despite increase in occupancy. Firms will remain cautious in expansions and more will opt to rightsize their office space to suit current needs.

### Industrial

Rental growth for industrial spaces will moderate in 2023, amid a ramp up in completions. Expect sustained space demand for hi-tech, cold chain and life science segments.

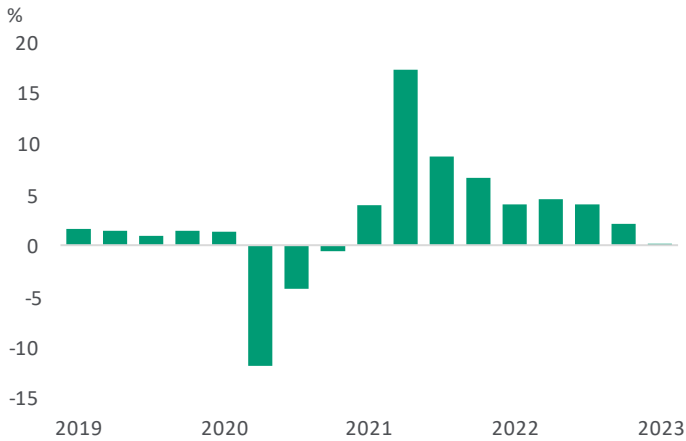
### Retail

Leasing demand in Q1 2023 was dampened by economic uncertainties despite tourism recovery. Rental growth in 2023 is expected to moderate but remain supported by the tourism recovery and China's easing of measures.

### Residential

Elevated economic uncertainty and borrowing costs will temper buying demand. Nonetheless, with a line up of new project launches in 2023, homebuyers would be provided with more options that could support sales.

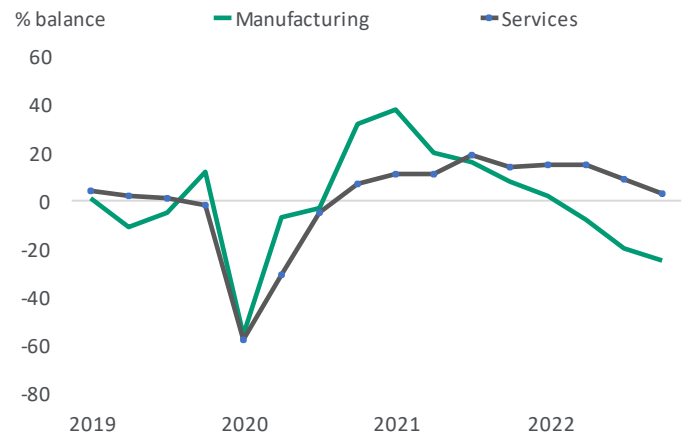
GDP Growth



Source: SingStat, EDMUND TIE Research

Economic growth slowed further to just 0.1% yoy in Q1 2023 from 2.1% in Q4 2022, dragged down by the manufacturing sector whose output contracted by 6.0% from a year ago. While the construction sector recorded sustained growth, the services industries grew at a slower pace of 1.8% yoy in Q1 2023 from 4.0% in Q4 2022. The MTI projects growth of 0.5% to 2.5% for 2023. Firms are likely to remain cautious towards investments and expansions.

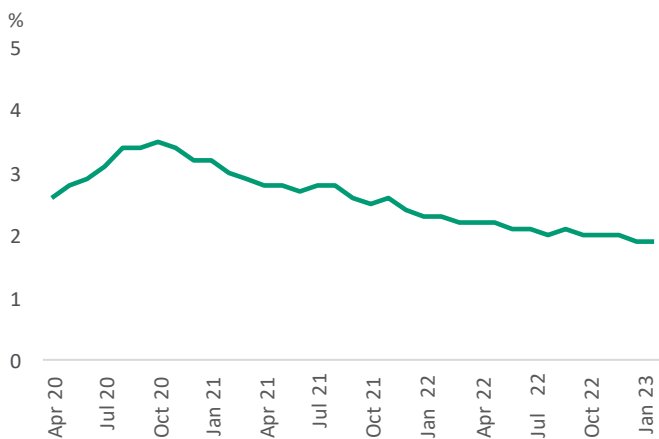
Business Expectations



Source: SingStat, EDMUND TIE Research

Business expectations, especially in the manufacturing sector, have weakened. Manufacturing firms are more pessimistic than optimistic about future prospects for three consecutive quarters.

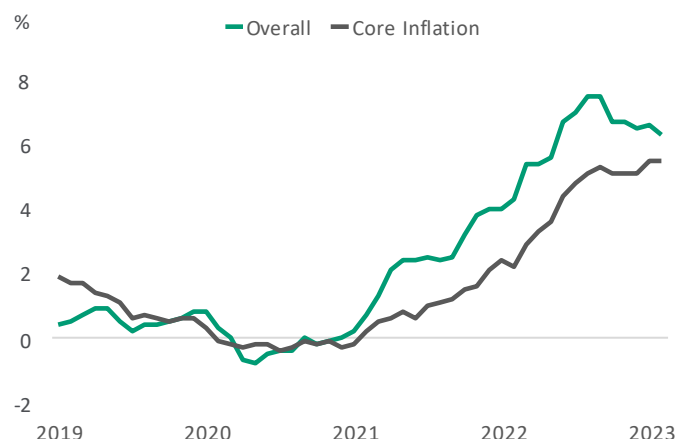
Unemployment Rate



Source: Ministry of Manpower, EDMUND TIE Research

The labour market has exhibited resilience; the unemployment rate dipped to 1.9% in January and February 2023, a 7-year low. However, job layoffs could increase in the coming quarters.

Inflation



Source: SingStat, MAS, EDMUND TIE Research

Headline inflation appears to be past the peak although core inflation remains stubbornly high. The high costs of living would weigh on spending power and also elevate costs of doing business.

■

Although investment sales decreased in Q1 2023 from Q4 2022, it can be attributed to more lower quantum deals being transacted as opposed to a fall in investment activity. Investment sales of S\$4bn was clocked for Q1 2023 and was largely supported by the sale of 50% stake in NEX and the collective sales market that saw 5 sites transacted recording a total of S\$731mn. However, this marks a 11% decrease from Q4 2022's S\$4.6bn, given the high base effect from the sale of Jurong Point and Swing By @ Thomson Plaza clocked in Q4 2022.

■

There has been a clear shift in investors' appetite from large sites to smaller sites such as commercial and strata sites. The global recovery of the tourism industry has also put hospitality sites in the spotlight, with more redevelopment of commercial sites marketed for hotels or serviced apartments.

■

The collective sales market saw relaunches in Q1 2023 at unchanged reserve prices and more projects launched with lower quantum reserve prices under S\$100mn.

■

Overall, as Singapore remains a haven for investors, investors will continue navigating the market's price discovery journey and strategically close on quality assets with long-term opportunities.

**Outlook**

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Investors will remain cautious in view of the uncertain economic conditions and rising interest rates. Nonetheless, well-priced commercial and residential sites and deals at a reasonable quantum will attract investors looking to expand their real estate portfolio.

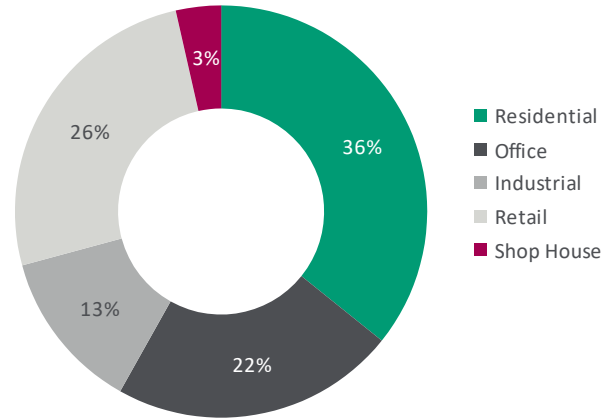
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With China's reopening, we expect more capital inflow driven by demand from Chinese investors.

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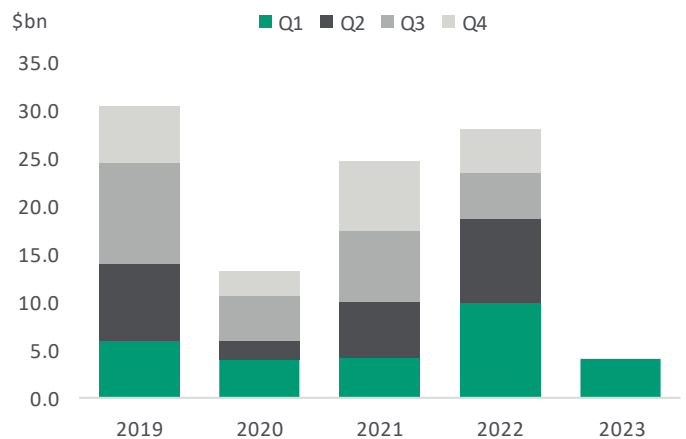
Overall, the residential sector will likely continue to take the major slice of the cake, supported by upcoming government land sales. We expect investment sales to moderate to S\$20bn this year from S\$28bn last year.

**Figure 1: Investment Sales Sectorial Contribution (%)**



Source: EDMUND TIE Research

**Figure 2: Investment Sales (S\$ billion)**



**Table 1: Top 5 Private Investment Sales (S\$ million)**

Development	Purchase price		Purchaser	Seller
	\$ mn	\$ psf		
<b>Retail</b>				
NEX (50% Stake)	1,039	3,274	Frasers Centrepoint Trust	Mercatus
<b>Residential</b>				
Meyer Park	392	1,449	UOL-Singapore Land Group JV	Collective Sale
<b>Office</b>				
Robinson Point	399	2,357	Yangzijiang Realty	Viva Land
Lazada One (50% Stake)	362	2,790	Sumitomo Mitsui Finance and Leasing Company-backed fund	ARA Asset Management
<b>Industrial</b>				
Jardine C&C Regional HQ	142	706	M&G Real Estate	Jardine C&C

Source: EDMUND TIE Research

■

Based on EDMUND TIE Research statistics, overall net absorption islandwide reversed from 117,000 sq ft in Q4 2022 to 691,000 sq ft in Q1 2023, largely due to Guoco Midtown’s completion.

■

In Q1 2023, occupancy rates for Premium office spaces in Marina Bay and Raffles Place increased by 0.3% pts and 0.2% pts respectively. The overall occupancy rate in the CBD remained at 93.9% pts, while non-CBD and decentralised areas saw a decrease by 0.4% pts and an increase by 0.2% pts respectively.

■

Despite improved occupancy, rental growth moderated in Q1 2023 with 0% to 0.5% increases across the various subzones. In the CBD, premium rents at Marina Bay and Raffles Place rose by 0.4% qoq. In non-CBD, rents of office spaces in Marina Centre and in Orchard improved by 0.5% and 0.2% qoq respectively.

■

Leasing activity in Q1 2023 includes Prudential, taking up 150,000 sq ft of office space in Labrador Tower that is expected to be completed in 2024. Guoco Midtown has also been reported to have obtained TOP and tenants like Swiss Re, PIL, Vitol and more have moved into their new space this quarter.

■

In 2022, total employment grew by a record 227,800 workers. Manpower Group also forecasts that the Energy & Utilities, Communication services and Financials & Real Estate sectors will be driving the hiring demand.

**Outlook**

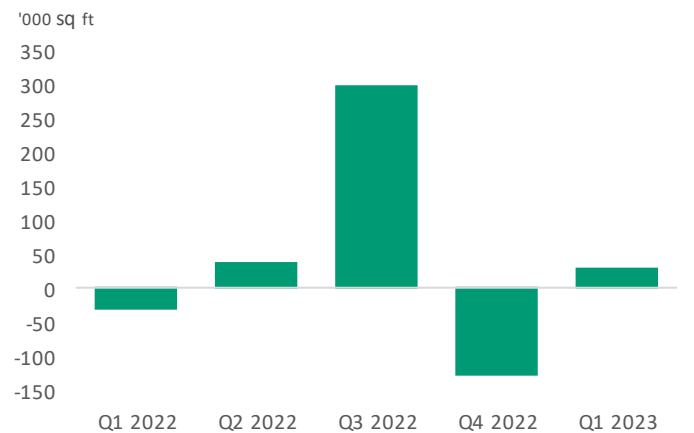
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Firms will likely adopt a cautious approach to expansion given the challenging and uncertain environment. Although leasing demand remains moderate this year with more firms opting to rightsize their office spaces, rents could rise marginally, given that supply remains relatively tight beyond 2023.

**Table 2: Office Rents and Occupancy Rates**

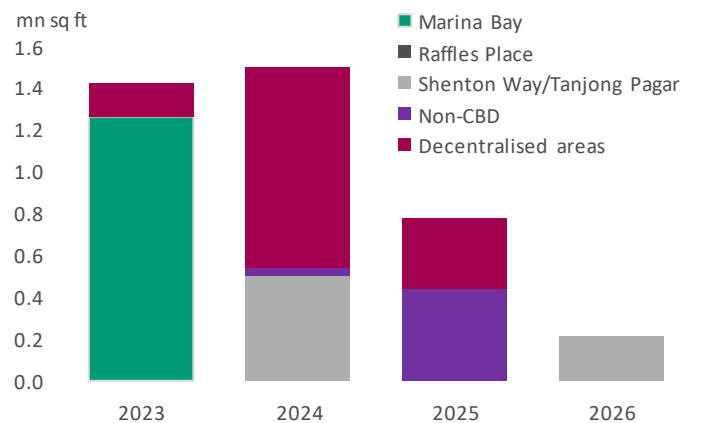
	Q4 2022	Q1 2023	qoq	Q1 Occupancy rate
Marina Bay (Premium)	S\$12.85 psf	S\$12.90 psf	0.4%	96.7%
Raffles Place (Grade A)	S\$10.55 psf	S\$10.55 psf	0.0%	95.6%
Shenton Way/Robinson Road/Tanjong Pagar (Grade A)	S\$9.00 psf	S\$9.00 psf	0.0%	96.4%

**Figure 3: CBD Premium and Grade A Office Net Absorption**



Source: EDMUND TIE Research

**Figure 4: Office Supply Pipeline**



Source: EDMUND TIE Research

	Selected Major Upcoming Developments	NLA '000 sq ft	Total
2023	Central Boulevard Towers	1,260	1,364
	Surbana Jurong Campus	104	
2024	Labrador Tower	646	1,146
	Keppel Towers redevelopment	500	

■

The islandwide occupancy rate dipped by 0.3% pts qoq to 89.4% in 4Q 2022. Notably, the warehouse segment was the only segment that experienced an improvement in occupancies, supported by increasing occupier demand.

■

The manufacturing PMI dipped by 0.1 points to 49.9 in Mar 2023. The weaker manufacturing sentiment is anticipated to persist in 2023 as global growth slows. Nonetheless, the continuous growth of e-commerce would help propel demand for warehouse spaces. Ramp-up and high-quality warehouses spaces will be supported by demand from third-party logistics and food manufacturers.

■

On the back of the manufacturing slowdown, rental growth for multiple-user factories and hi-tech industrial spaces moderated in Q1 2023. On the other hand, rental growth for warehouses accelerated to 2.8% in Q1 2023 from 2.1% in the previous quarter, supported by healthy leasing demand. Rental growth for business park reversed from -0.2% in Q4 2022 to 0.5% in Q1 2023.

■

Industrial rents are expected to be supported by sustained leasing demand for cold chain logistics and life science. In addition, industrialists may opt to lease instead of acquiring their own industrial space, amid rising interest rates, which leads to higher capital costs. High-tech spaces with modern specifications and good locations will be in demand from tech and biomedical companies.

**Outlook**

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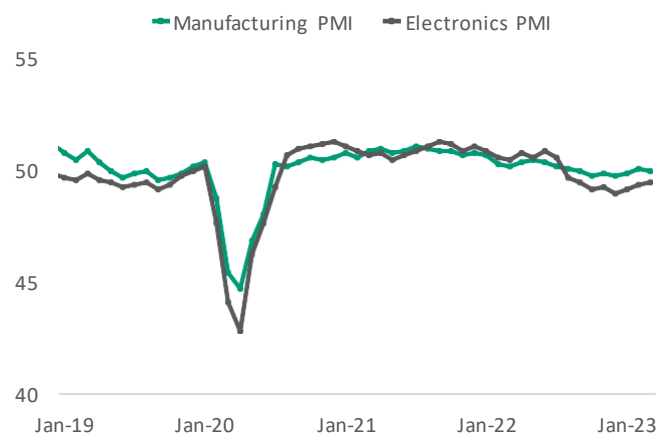
The bulk of the supply pressure is concentrated over 2023 (44%) and 2024 (41%). In the near to mid-term, the greatest supply pressure is felt on the single-user factory segment (about half of supply pipeline), though it is likely to experience strong take-up by industrialists for their own use. Supply of industrial space is expected to outstrip demand, moderating rental growth.

**Table 3: Industrial Rents**

	Q4 2022	Q1 2023	qoq
First-storey multiple-user factory	S\$1.94 psf	S\$1.97 psf	1.6%
Hi-tech industrial space	S\$3.21 psf	S\$3.27 psf	1.8%
Warehouse/Logistics	S\$1.71 psf	S\$1.76 psf	2.8%
Business park (Central Region)	S\$5.33 psf	S\$5.36 psf	0.5%

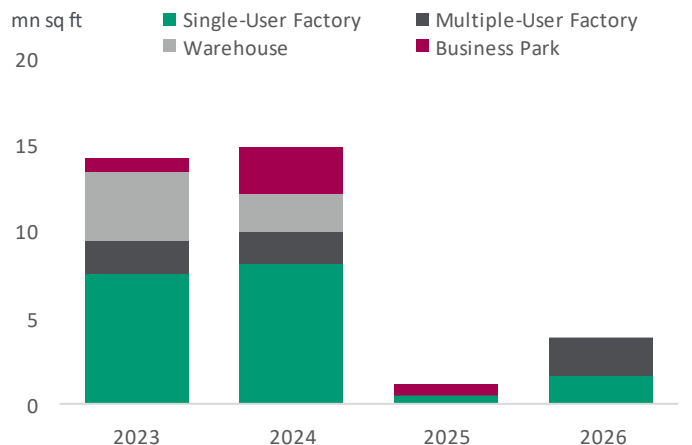
Source: JTC, EDMUND TIE Research

**Figure 5: Manufacturing & Electronics PMI**



Source: SIPMM

**Figure 6: Industrial Supply Pipeline**



Source: JTC, EDMUND TIE Research

■ Retail sales growth in Q1 2023 fell to 4.9% yoy, from 8% yoy in Q4 2022, due to economic and employment uncertainties as well as rising cost of living with the implementation of the GST increase on 1 January 2023.

■ Border restrictions were eased completely in early February. Visitor arrivals rose to 957,605 in February 2023 and are 1,313% higher than a year ago.

■ In 2022, retail sales for Wearing Apparel & Footwear, Food & Alcohol, Department Stores, and Watches & Jewellery recorded the highest growth. In 2023 YTD, Food & Alcohol and Wearing Apparel & Footwear saw the highest growth at 24.8% and 12.2% yoy, respectively.

■ For F&B services, Food Caterers saw the highest improvement of 102.2% yoy in 2022 due to the increase in events and air travel, followed by Restaurants which rose by 33.7%. In 2023 YTD, Food Caterers continued to see the highest improvement at 32.6%.

■ Despite the ongoing tourism recovery in the quarter, retail leasing demand was dampened by economic uncertainties. Prime first-storey rental rates remained unchanged at Orchard/Scotts Road and Fringe/Suburban Areas, while first-storey rents in Other City Areas recorded a 0.5% decrease in rents to \$19.10 psf in Q1 2023. Upper-storey rents across all areas recorded decreases between 0.2% to 0.5%.

■ The retail landscape in Singapore is set for further revitalisation, with many developments in major retail belts undergoing facelifts. The Cathay at Dhoby Ghaut will close in August 2023 for a major revamp. Other developments undergoing revamping include CQ @ Clarke Quay and \*SCAPE, with expected openings in the later half of 2023 and early 2024 respectively.

**Outlook**

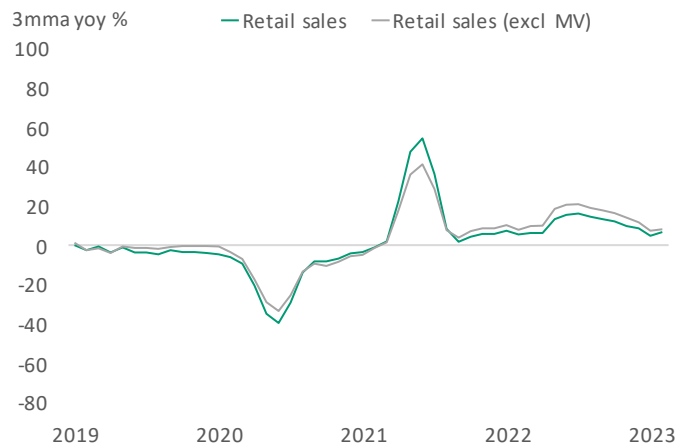
■ We expect rental growth of between 5% to 7% for Orchard (prime first-storey) in 2023. For the other retail segments, we forecast rental growth of between 0% to 4% in 2023.

**Table 4: Average Retail Prime First-Storey Rental**

	Q4 2022	Q1 2023	qoq
Orchard/Scotts Road (OSR)	S\$39.20 psf	S\$39.20 psf	0.0%
Other City Areas (OCA)	S\$19.20 psf	S\$19.10 psf	-0.5%
Fringe/Suburban Areas (FSA)	S\$33.10 psf	S\$33.10 psf	0.0%

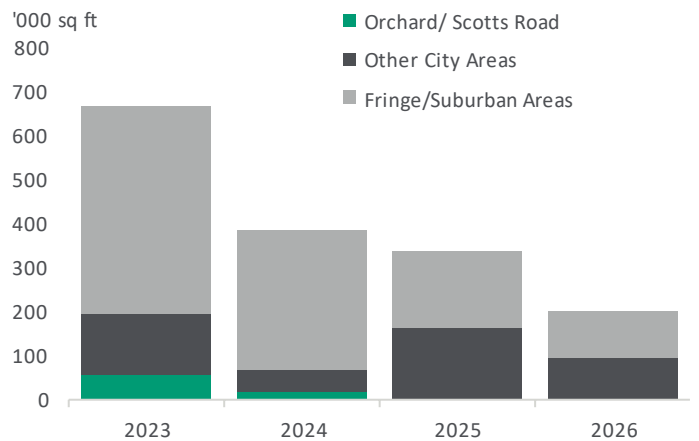
Source: EDMUND TIE Research

**Figure 7: Retail Sales 3mma yoy (%)**



Source: EDMUND TIE Research

**Figure 8: Retail Supply Pipeline**



Selected Major Upcoming Developments	NLA '000 sq ft	Total
Guoco Midtown	50	665
2023 One Holland Village shops	117	
The Woodleigh Mall	210	
2024 Pasir Ris Mall	288	288

■ In Q1 2023, based on URA’s flash estimate, the overall Property Price Index (PPI) rose for the twelve consecutive quarter by 3.2% qoq, led by the landed segment and the non-landed RCR segment. Non-landed projects launched during the quarter such as Sceneca Residence, Terra Hill and the Botany at Dairy Farm set new benchmark prices in their localities.

■ Total sales transaction volume rose by 3.3% qoq in Q1 2023. The increase was led by a 74% jump in transaction volume in the primary market, due to a rise in the number of new project launches. Sales volume in the secondary market, on the other hand, fell by 14% qoq in Q1 2023. 24,903 primary units stood unsold as at Q4 2022. The supply-demand dynamics are now more balanced, and the unsold units are expected to be absorbed in about 3 years.

■ The public resale market is expected to see somewhat slower sales momentum for this year, moderating upgrading demand for the private market. Growth of organic demand and a healthy labour market will support demand, however.

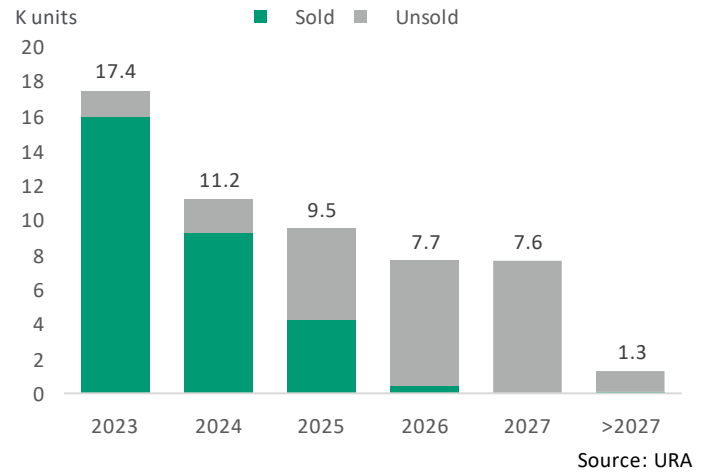
■ Average monthly private home rental transactions in Jan-Feb 2023 fell by 5.2% compared to Q4 2022. Rental growth is expected to slow down in 2023, amid a ramp-up in completions. Risks are growing for a rental correction in the months ahead.

**Outlook**

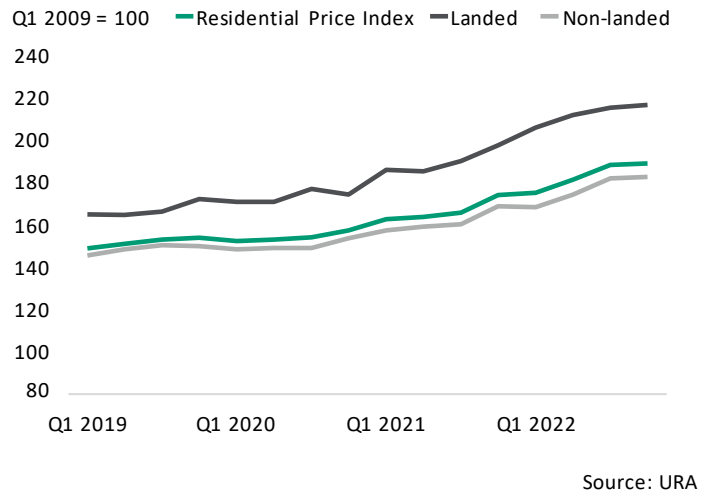
■ Post-Budget 2023, higher marginal buyer stamp duty (BSD) rates apply to the portion of residential properties valued in excess of S\$1.5 million. Some slight knee-jerk reactions are expected in the high-end property market. Property price growth could moderate to 5 to 7% for 2023, following 8.6% in 2022.

■ The dynamics in the residential market are more fluid than a year ago, on the back of elevated economic uncertainty, borrowing costs and increasing prospects of a rental correction. As developers pick up the pace of launches in 2023, primary sales of 8,000 to 9,000 units could be recorded.

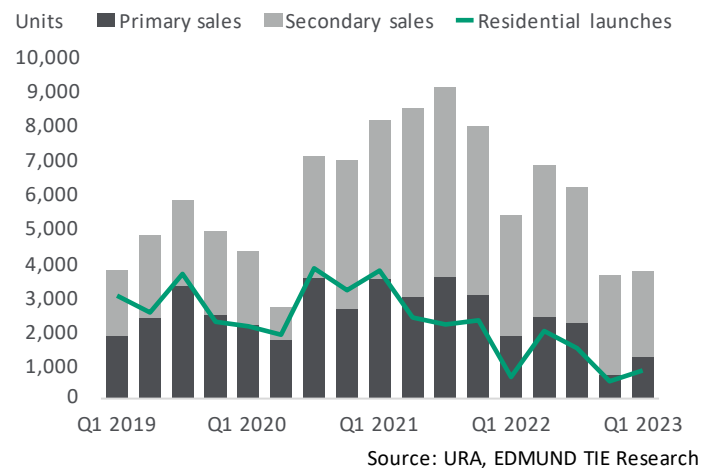
**Figure 9: Residential Supply Pipeline**



**Figure 10: Property Price Index**



**Figure 11: Residential Sales and Launch Volume**



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