EDMUND TIE

DIGEST

SINGAPORE Q3 2023

Subdued market activity expected for rest of 2023

Q3 2023 AT A GLANCE

		Qoq	Yoy
INVESTMENT	Total Sales: **S$7.3 billion**	▲125.0%	▲28.0%
	Top 5 Private Deals: **S$1.9 billion**	▲142.0%	▼-26.0%
OFFICE	CBD Grade A Rents: **S$9.80 psf**	0.0%	▲1.0%
	Supply Pipeline Q3 2023 NLA: **3.7 million sq ft** (2023-2026)	▼-1.2%	▼-18.0%
INDUSTRIAL	First-Storey Multiple-User Factory Rents: **S$2.02 psf**	▲1.0%	▲6.0%
	Supply Pipeline Q3 2023 NLA: **32.2 million sq ft** (2023-2027)	▲10.7%	▼-15.9%
RETAIL	Orchard/Scotts Road First-Storey Rents: **S$39.80**	▲1.5%	▲5.1%
	Supply Pipeline Q3 2023 NLA: **1.3 million sq ft** (2023-2026)	▲12.7%	▼-16.2%
RESIDENTIAL	Price Index: **196.0**	▲0.8%	▲4.4%
	Volume of Rental Transactions: **23,145 units**	▲17.3%	▼-9.8%

KEY HIGHLIGHTS

Investment
Q3 2023 saw larger quantum deals recorded as compared to the first half of 2023. Despite that, investment sales for 2023 will still be moderate amid cautious investor sentiments.

Office
Amid the high occupancy rate and relatively tight supply, office rents remained flat due to availability of fully fitted-out shadow spaces and firms' preference for lease renewals.

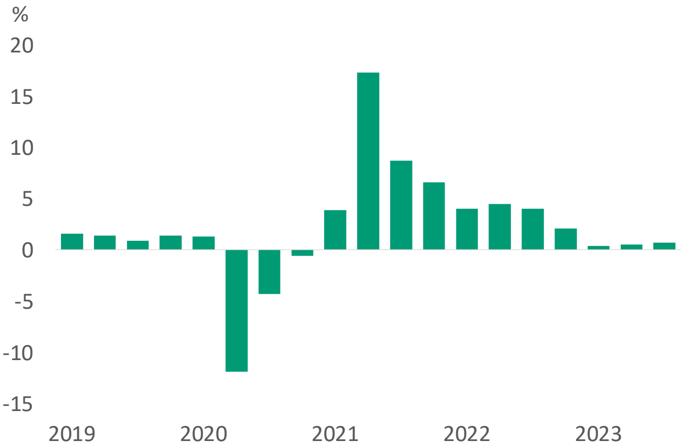
Industrial
The industrial sector continues to remain resilient in the face of headwinds and lacklustre economic growth. Warehouses and high-specs industrial are set to outperform for the rest of the year, fuelled by sustained demand and a tight supply.

Retail
Q3 2023 saw several new-to-market retailers opening, pop-up store events and immersive retail experiences. Retail sales were boosted by tourism and supported by the Singapore Grand Prix in September.

Residential
The seasonal lull period during the Hungry Ghost month and consecutive rounds of cooling measures tempered overall sales momentum, due to weaker market sentiment and buyer fatigue.

ECONOMY | Key indicators

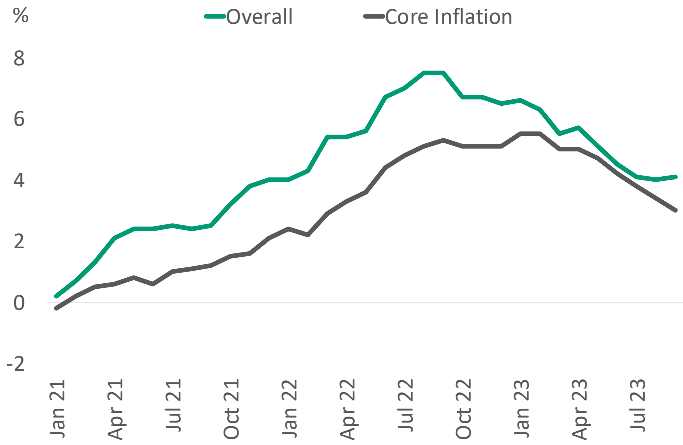
GDP Growth



Source: SingStat, EDMUND TIE Research

Growth picked up slightly to 0.7% yoy in Q3 2023 from 0.5% in Q2 2023. The MTI has narrowed the 2023 GDP growth forecast to 0.5% to 1.5%, from 0.5% to 2.5%. The MAS expects 2023 growth to come in at the lower half of the forecast range, with growth recovering towards its potential rate in 2024.

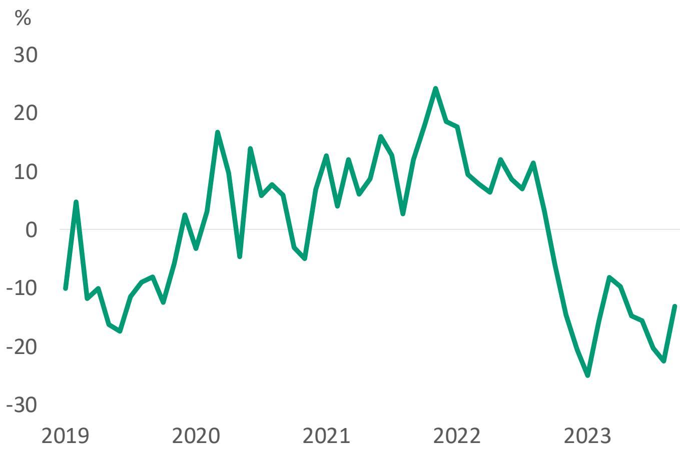
Retrenchments



Source: SingStat, EDMUND TIE Research

Core inflation fell to an 18-month low of 3.0% in September 2023, although headline inflation inched up to 4.1% from 4.0% in the previous month. Although inflationary pressures are past their worst for now, higher commodity prices could still threaten the price outlook going into 2024.

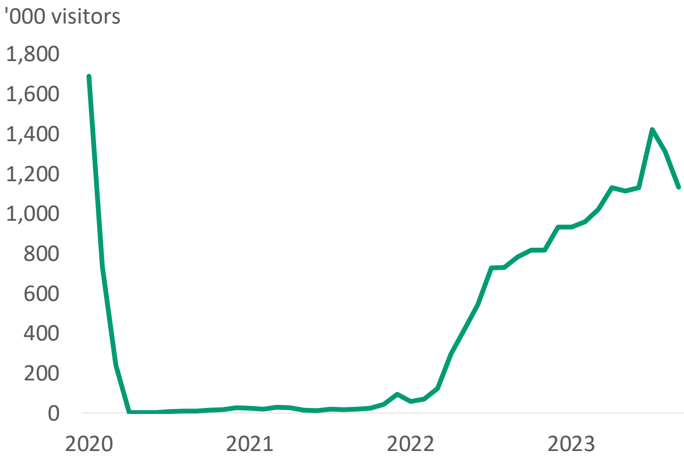
Non-oil Domestic Exports



Source: SingStat, EDMUND TIE Research

Amid global economic headwinds, export growth has been falling in negative territory. While the export growth cycle appears to be seeking a bottom, the growth decline this year could exceed the 8% to 10% decline forecasted by EnterpriseSG.

Visitor Arrivals



Source: SingStat, MAS, EDMUND TIE Research

Visitor arrivals have risen steadily for much of this year. After reaching a peak in July, arrivals have eased off in the following two months but remain above 1 million visitors per month. Arrivals are likely to pick up again towards the end of the year for the festive season.

INVESTMENT

Investment sales supported by larger quantum deals in Q3 2023, but momentum may not be sustained

■

Investment sales increased in Q3 2023 by 125% to S$7.3 bn from S$3.2 bn in Q2 2023. Q3 2023 saw activity across the public and private investment sales and collective sales market. The public investment sales market saw the award of 6 GLS sites including the Marina Gardens Lane and Tampines Avenue 11 sites at S$1 bn and S$1.2 bn respectively. In contrast to the previous quarters where transactions were generally of lower quantum deals below S$100 mn, Q3 2023 saw several larger quantum deals such as the collective sale of Far East Shopping Centre at S$908 mn, the sale of Changi City Point at S$338 mn and PARKROYAL on Kitchener Road at S$525 mn.

■

The public investment sales market recorded around S$4.1 bn with the award of the Marina Gardens Lane, Tampines Avenue 11, Jalan Tembusu, Plantation Close EC, Lentor Central and Champions Way sites. Overall, bidding activity remained relatively muted, as developers have also adopted a more cautious stance and leaned towards more conservative bid prices.

■

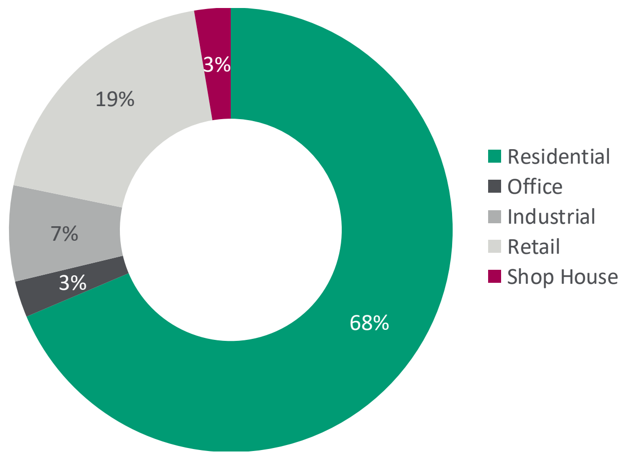
Despite the record-breaking sale of Far East Shopping Centre, Q3 2023 saw limited collective sale relaunches as compared to previous quarters. Currently, there is a short list of four projects including Kingsley Mansion which was relaunched in October 2023, that has now been paired with Summer Green. Kingsley Mansion was previously relaunched in July. New collective sale launches include Island View Condo, Noel Building and Pine Grove. The collective sales market is seeing more selective launches, with each development having its distinct and unique propositions such as unique zoning, large land size or prime locations to better appeal to developers.

Outlook

■

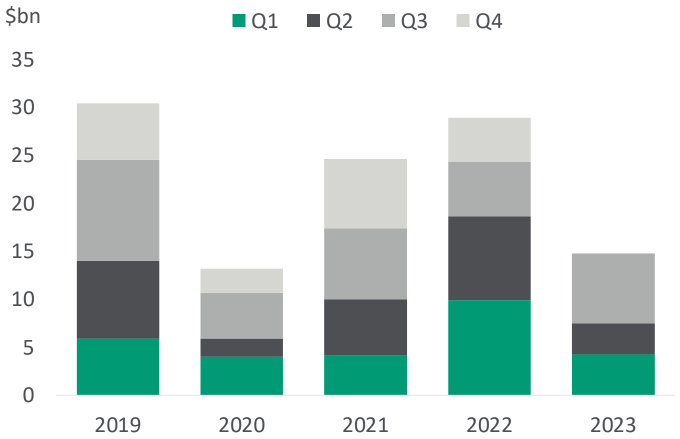
Overall, given the uncertain economic climate with the ongoing Israel-Hamas conflict and rising interest rates, investors are likely to remain cautious and selective with investment deals. On the back of Solitaire On Cecil selling out in Q3 2023, the strata office market will see a slowdown in activity. However, the hospitality and shophouse sectors may see continued interest with the brighter tourism outlook and ABSD exemption. We expect investment sales to moderate to S$18-20bn this year from S$28bn last year.

Figure 1: Investment Sales Sectoral Contribution (%)



Source: EDMUND TIE Research

Figure 2: Investment Sales (S$ billion)



Source: EDMUND TIE Research

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

Development	Purchase price $ million	$ psf/ $ mn per key	Purchaser	Seller
Mixed-Use				
Far East Shopping Centre	908	3,350	Glory Property Development	Collective Sale
Hospitality				
Parkroyal Kitchener Hotel	525	1.0	Midtown Properties	UOL Group
Industrial				
Changi City Point	338	3,193	Undisclosed Chinese investor	Frasers Centrepoint Trust
Sime Darby Business Centre	68	818	Eagle Land (Credit)	Singapore-incorporated company controlled by Blackstone
Kimly Building	61	812	Undisclosed	TE Capital Partners, LaSalle

Source: EDMUND TIE Research

OFFICE

Rental growth for prime office spaces moderated amid economic uncertainty

■

EDMUND TIE Research statistics show overall net absorption islandwide increased from 136,000 sq ft in Q2 2023 to 255,000 sq ft in Q3 2023. Office rents remained flat as leasing demand were driven largely by renewals. Despite the tight supply of office spaces, demand is curbed by the availability of fully fitted-out shadow spaces.

■

In Q3 2023, occupancy rates for Premium office spaces in Marina Bay increased by 0.9 percentage points, while Premium office spaces in Raffles Place recorded a 1 percentage point increase. The overall occupancy rate in the CBD increased by 0.8 percentage point to 95%. Non-CBD areas saw a decrease of 0.1 percentage points and decentralised areas saw no change in occupancy rates in Q3 2023.

■

Leasing activity in Q3 2023 includes Invisalign's relocation from Valley Point to Guoco Midtown, Taipei Fubon Commercial Bank from Frasers Tower to Guoco Tower, and new set-ups UE Capital at Suntec City Tower 3, as well as software company Chain Up at Centennial Tower.

■

Guoco Midtown have reportedly leased out 90% of office spaces, and IOI Central Boulevard Towers, scheduled for TOP in Q1 2024, have signed leases for 40% of its office space.

■

In Q3 2023, the office components of One Holland Village and Guoco Midtown House have obtained TOP. In 2024, new office supply is expected from the completion of IOI Central Boulevard Towers, Keppel South Central, Labrador Tower and Paya Lebar Green.

Outlook

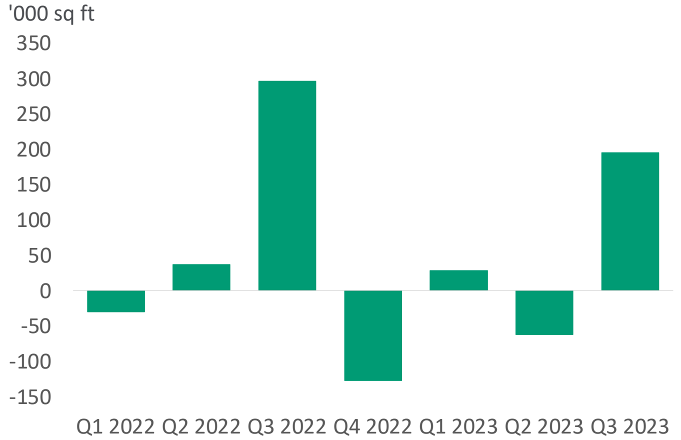
■

Firms remain interested in quality office spaces, especially those bearing prime office addresses to better attract and retain talent. While firms are drawn to upgrade existing spaces, they will instead actively choose to rightsize based on actual space needed. With the new supply of quality office spaces coming onstream in 2024, the office market will likely see a wave of relocations rather than expansions.

■

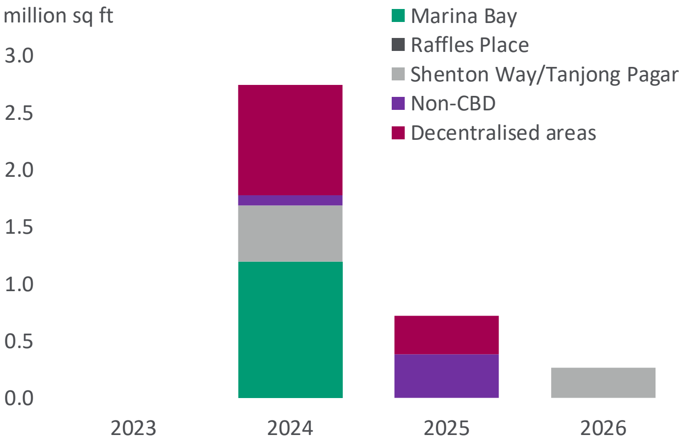
Despite the high occupancy and relatively tight supply, our 2023 growth forecast for Premium and Grade A office rents in the CBD remains at 0.3-0.5% given the subdued business climate and overall cautious market sentiment.

Figure 3: CBD Premium and Grade A Office Net Absorption



Source: EDMUND TIE Research

Figure 4: Office Supply Pipeline



	Selected Major Upcoming Developments	NLA '000 sq ft		Total
2023	Surbana Jurong Campus	104	**104**	**2,510**
2024	Central Boulevard Towers	1,260	**2,406**	
	Labrador Tower	646		
	Keppel Towers redevelopment	500		

Source: EDMUND TIE Research

Table 2: Average Office Rents and Occupancy Rates

	Q2 2023	Q3 2023	Qoq	Q3 2023 Occupancy Rate
Marina Bay (Premium)	S$12.90 psf	S$12.90 psf	0.0%	97.2%
Raffles Place (Grade A)	S$10.55 psf	S$10.55 psf	0.0%	97.1%
Shenton Way/Robinson Road/ Tanjong Pagar (Grade A)	S$9.00 psf	S$9.00 psf	0.0%	96.5%

Source: EDMUND TIE Research

INDUSTRIAL Industrial sector remains stable despite slower economic outlook

■

The islandwide occupancy rate dipped to 88.9% in 3Q 2023, which reflects a 0.2 percentage points qoq decline. Occupancy rates were dragged down by the single-user factory, which saw the greatest decline of 0.4 percentage points qoq. This was followed by a qoq decline in the multiple-user factory and business park at 0.2 percentage points and 0.1 percentage points, respectively.

■

The manufacturing PMI appeared to be bottoming out, as it inched up by 0.2 pts to 50.1 in September, reflecting growth for the first time in six months, and suggesting that manufacturing sentiment could stabilise in the coming months.

■

In Q3 2023, industrial rents experienced growth across all sectors. Notably, hi-tech industrial spaces saw the highest rental growth of 1.6% qoq in Q3 2023. This was driven by ongoing flight-to-quality movement where industrialists were in a continuous look out for high specification industrial spaces due to sustained demand from new economy industries such as advanced manufacturing.

■

Industrial prices and rental indices continued its upward trajectory in Q3 2023, by rising 1.4% qoq and 2.0% qoq respectively for the 12th straight quarter. Some investors may favour industrial properties due to its positive rental yield spreads amid the elevated interest rates climate, while disruptions in global supply chain may provide some tailwind to industrial demand.

Outlook

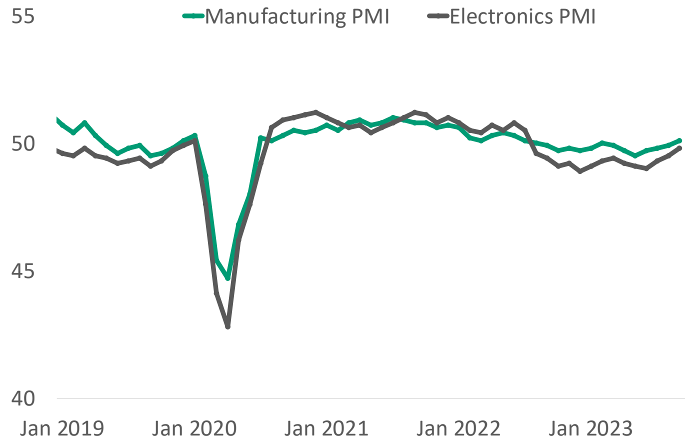
■

Despite a ramp up in industrial supply coupled with a relatively sombre economic outlook in 2023, demand for industrial space is likely to remain strong. Warehouse sector remains as a bright spot, propped up by sustained demand from the growth of e-commerce. Demand for hi-tech and multiple-user factory spaces likely to be underpinned by the thriving advanced manufacturing eco-system in Singapore due to the growing Industrial 4.0 momentum.

■

Industrial rent growth is anticipated to moderate in 2024 amid a surge in completions, with new supply outpacing demand.

Figure 5: Manufacturing & Electronics PMI



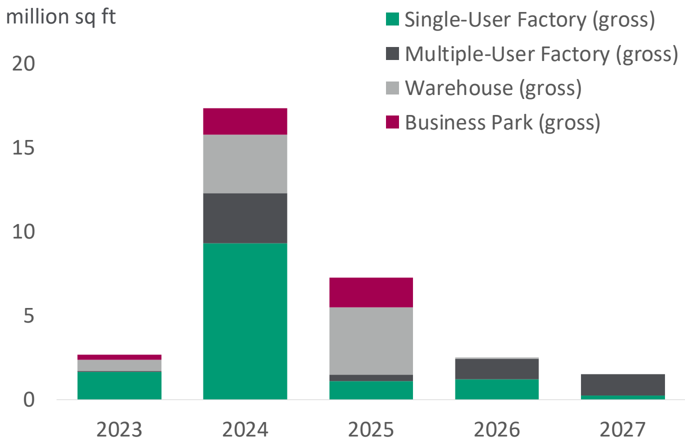
Source: SIPMM, EDMUND TIE Research

Table 3: Industrial Rents

	Q2 2023	Q3 2023	Qoq
First-storey muliple-user factory	S$2.00 psf	S$2.02 psf	1.0%
Hi-tech industrial space	S$3.33 psf	S$3.38 psf	1.6%
Warehouse/Logistics	S$1.79 psf	S$1.82 psf	1.5%
Business park (Central Region)	S$5.37 psf	S$5.39 psf	0.3%

Source: JTC, EDMUND TIE Research

Figure 6: Industrial Supply Pipeline



Source: JTC, EDMUND TIE Research

RETAIL

Retail outlook brightens with tourism recovery

■

URA statistics show overall net absorption islandwide reversed from 291,000 sq ft in Q2 2023 to -86,000 sq ft in Q3 2023. This was mainly due to the -129,000 sq ft recorded in the Outside Central Region.

■

Retail sales in August recorded a 4.0% yoy growth, an increase from the 1.8% yoy growth recorded in May. Retail sales is likely boosted by tourism between July and August with the return of Chinese travellers and supported by events such as the Singapore Grand Prix in September.

■

Visitor arrivals have continued to decline for the second straight month to 1.12 million in September 2023 amid higher travel costs and economic slowdown with interest rate increases. The drop comes after a post-pandemic record of 1.42 million visitor arrivals in July 2023 during the peak holidays travel period with the return of Chinese travellers.

■

Prime first-storey rental rates increased by 1.5% qoq to S$40.40 psf at Orchard/Scotts Road, while first-storey rents in Other City Areas and Fringe/Suburban Areas both recorded a 0.5% increase in rents to S$19.30 psf and S$33.60 psf, respectively. Upper-storey rents across all areas recorded increases between 0.0% and 0.5%.

■

The retail industry is continually revitalised by recent new-to-market retailers like the highly anticipated ice cream brand, Van Leeuwan at Orchard Central, and French pastry shop Cédric Grolet at Como Orchard.

■

In Q3 2023, retail trends such as concept stores with immersive experiences and sustainability in retail were seen. These trends were incorporated into the launches of Coach's sub brand Coachtopia and Marimekko's first store opening with a café concept in ION Orchard this September. Luxury brands like Chaumet and Estee Lauder also had pop-up stores with workshops and activities in ION Orchard and Paragon respectively.

Outlook

■

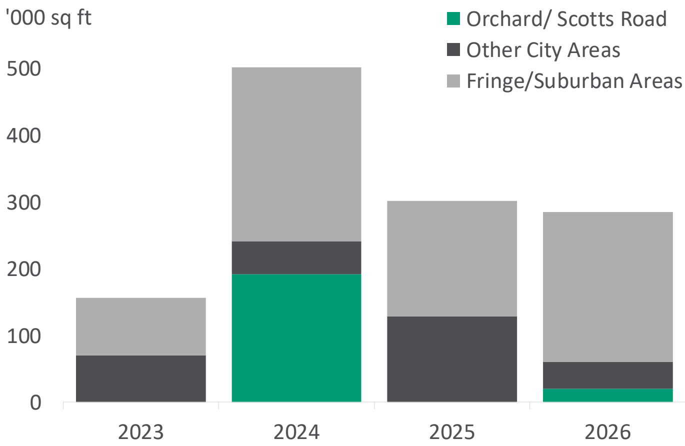
Orchard (prime first storey) retail rents could lead rental growth with a forecast of between 4% and 5% in 2023, underpinned by the gradual tourism recovery and a limited supply pipeline. Retail rents in Other City Areas are expected to increase 1% to 2% in 2023, while Fringe/Suburban Areas retail rents could post growth of 2% to 3% for the year.

Table 4: Retail Rents

Region	Floor	Q2 2023	Q3 2023	Qoq
Orchard/Scotts Road (OSR)	First storey	S$39.80 psf	S$40.40 psf	1.5%
	Upper storey	S$15.10 psf	S$15.20 psf	0.5%
Other City Areas	First storey	S$19.20 psf	S$19.30 psf	0.5%
	Upper storey	S$8.60 psf	S$8.60 psf	0.0%
Fringe/Suburban Areas	First storey	S$33.40 psf	S$33.60 psf	0.5%
	Upper storey	S$17.80 psf	S$17.80 psf	0.0%

Source: EDMUND TIE Research

Figure 7: Retail Supply Pipeline



Source: URA, EDMUND TIE Research

	Selected Major Upcoming Developments	NLA '000 sq ft		Total
2023	Guoco Midtown	50	236	524
	One Holland Village shops	117		
	West Scape @ Bukit Batok	69		
2024	Pasir Ris Mall	288	288	

Source: URA, EDMUND TIE Research

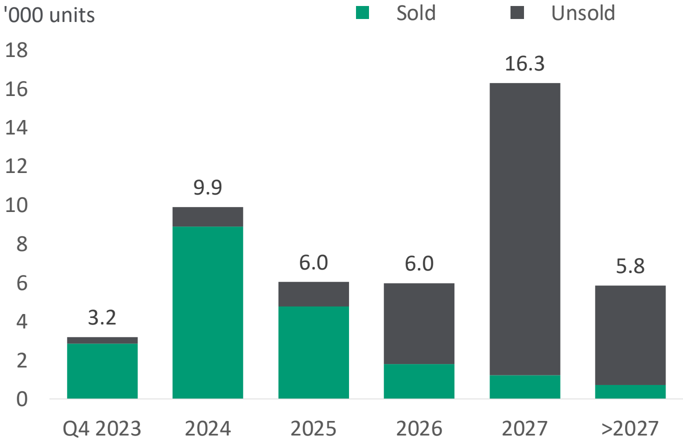
RESIDENTIAL | Slower sales momentum in the face of Hungry Ghost month and buyer fatigue

- In Q3 2023, the overall Property Price Index (PPI) inched up by 0.8% qoq, a reversal from the 0.2% decline in the previous quarter, led by the OCR segment, which saw a greater 5.5% qoq growth as homebuying demand gravitated towards the suburban homes due to its relatively affordable price quantum.
- Total sales transaction volumes fell by 3.5% qoq in Q3 2023 amid weaker market sentiment, coupled with the seasonal lull period during the Hungry Ghost month. New sales transaction volumes saw an 8.5% qoq decline, while secondary sales volume dipped by 0.2% qoq in Q3 2023 on the back of a tighter financing climate that weighed on homebuying demand. The softer public resale market has also capped upgrader demand for private home purchases. The avalanche of new project launches in July and August has also led to buyer fatigue.
- Following the April 2023's cooling measures which saw the doubling of ABSD (from 30% to 60%) for foreign purchasers, the share of foreign buyers slumped to 1.9% in Q3 2023, following 4.1% in Q2 2023.
- Total private home rental transactions in Q3 2023 rose by 17.3% qoq to 23,145 units. As more completions are expected in the coming months, rental pressures are anticipated to alleviate. The overall rental index for private homes rose at a slower clip of 0.8% qoq in Q3 2023, the lowest growth since Q4 2020, and a moderation from the 2.8% increase in the previous quarter.

Outlook

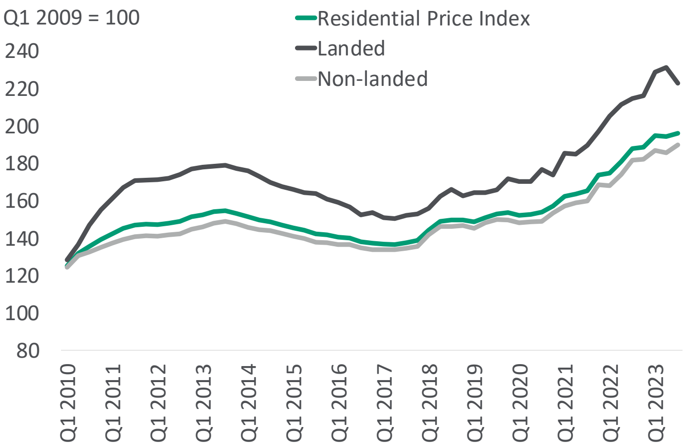
- The juxtaposition of property prices growth and slower transaction volumes in Q3 2023 could lead to prices trading sideways in the coming months. Overall price growth is expected to moderate and rise at a more sustainable level of 3-4% in 2023, following 2022's 8.6% growth.
- With a lineup of new launches coming onstream in the final quarter of 2023, new home sales are poised to reach 6,500-7,500 units for 2023, following 2022's 7,099 units.
- As interest rates are anticipated to remain elevated in the coming months, this would weigh down on housing affordability and secondary sales volume could moderate to 10,000-11,000 units this year, down from 2022's 14,791 units.

Figure 8: Residential Supply Pipeline



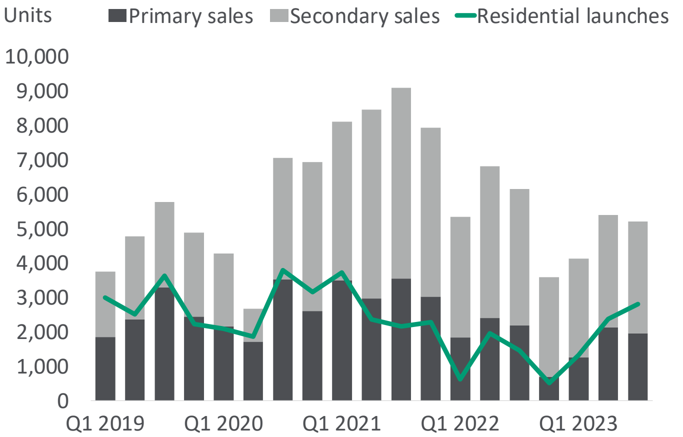
Source: URA, EDMUND TIE Research

Figure 9: Property Price Index



Source: URA, EDMUND TIE Research

Figure 10: Residential Sales and Launch Volume



Source: URA, EDMUND TIE Research

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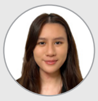

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