



Q1 2022 QUARTERLY REPORT

COMMERCIAL REPORT

PROPNEX RESEARCH



CYAN HO
CEA No. : R042852G



Q1 2022 QUARTERLY REPORT

OFFICE PROPERTY REPORT

PROPNEX RESEARCH

Key Highlights

- **Prices on the rebound** – office prices grew by 4.4% QOQ in Q1 2022 amidst the economic recovery and high demand for prime office space. Prices are expected to remain elevated, especially for strata office units which are in tight supply.
- **Growing rentals** – rentals of office space grew by 1.6% QOQ as more workers return to the workplace and as more firms are looking at expanding.
- **Limited new completions** – in 2022, an estimated 743,000 sq ft of office space is expected to be completed – the limited incoming supply will help support prices and rentals of office spaces in the near-term.

Office Property Q1 2022

Overview

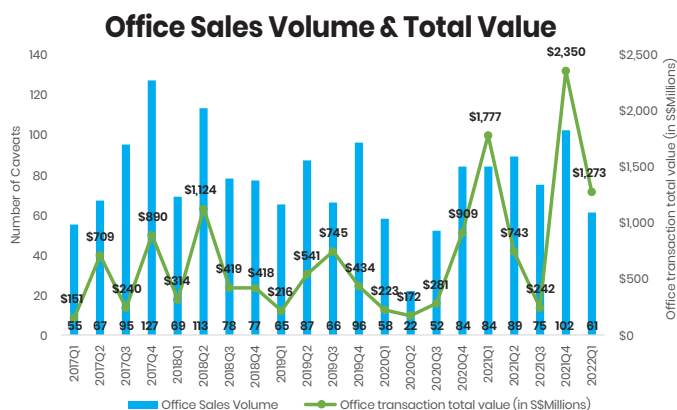
The office property market in Singapore bottomed in 2021 and it is poised for growth this year, as the country reopens to the world with further easing of Covid-19 measures starting from mid-March 2022. With the Singapore economy projected to expand by 3% to 5% in 2022, it offers optimism to business operators and commercial landlords alike. In Q1 2022, Singapore's economy grew 3.4 per cent year-on-year, according to advance estimates released by the Ministry of Trade and Industry (MTI).

In Q1 2022, prices and rentals of office space were on the rebound amid improving business sentiment, particularly in the manufacturing, finance and insurance, technology, and info-comm sectors. Meanwhile, office transactions declined in Q1 2022 owing to a tight supply of available office space for sale, following a bumper year of deals in 2021.

As business activities pick up and the labour market recovers, the office property sector will benefit from the potential increase in demand for space, especially Grade A offices in the city centre.

Sales Transactions and Prices

- In Q1 2022, prices of office spaces started on its road to recovery after more than 2 years of price correction since 2019.
- According to the URA office price index, prices of office space grew by 4.4% QOQ in Q1 2022, after two quarters of decline in 2H 2021. The rise in prices was largely attributed to the Central Area office prices which grew by 5.2% QOQ.
- In Q1 2022, there were 61 sales transactions, reflecting a 40.2% QOQ decrease from the 102 deals done in Q4 2021, based on caveats lodged.



Source: PropNex Research, URA Realis (22 April 2022)

Top 10 Office Deals by Quantum in Q1 2022

S/N	Location	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)	Date of Sale
1	CROSS STREET EXCHANGE 18,20,22 CROSS STREET	\$810,800,000	150,762*	\$5,378**	24-Jan-22
2	PIL BUILDING 140 CECIL STREET	\$323,800,000	19,536*	\$16,575**	19-Jan-22
3	SAMSUNG HUB 3 CHURCH STREET #12-03	\$16,100,000	3,875	\$4,155	18-Jan-22
4	PRUDENTIAL TOWER 30 CECIL STREET #23-01	\$11,580,000	3,552	\$3,260	21-Jan-22
5	32 PENHAS ROAD #01-01,02	\$8,600,000	8,181	\$1,051	08-Mar-22
6	THE ADELPHI 1 COLEMAN STREET #07-01	\$7,525,000	2,842	\$2,648	07-Feb-22
7	PENINSULA PLAZA 111 NORTH BRIDGE ROAD #01-01,02	\$6,080,000	1,227	\$4,955	31-Mar-22
8	15 SCOTTS 15 SCOTTS ROAD #06-03	\$4,457,400	1,173	\$3,799	08-Feb-22
9	CHINATOWN POINT 133 NEW BRIDGE ROAD #22-03	\$4,450,000	2,486	\$1,790	03-Feb-22
10	EON SHENTON 70 SHENTON WAY #16-08,09,10	\$4,311,608	1,701	\$2,535	17-Jan-22

Source: PropNex Research, URA Realis (22 April 2022)

*Area indicated is the land area

**Unit price reflected is based on the land area

- While there was a decline in transaction volume, the value of transactions remained high. Based on caveats lodged, the total value of transactions in Q1 2022 amounted to over \$1.27 billion, supported by some big-ticket deals inked during the quarter.
- The highlight of Q1's office transactions was the divestment of the mixed use office-retail building, Cross Street Exchange, by Frasers Logistics & Commercial Trust in January for \$810.8 million. It comprises 305,739 square feet (sq ft) of net lettable office space in its 15-storey office tower and 87,109 sq ft of retail space in its three-storey retail podium and heritage shophouses.
- This was followed by the sale of the PIL Building, a 17-storey office building in Cecil Street with a net lettable area of 107,200 sq ft for \$323.8 million. Dragon Peak Limited, a joint-venture (JV) company that consists of two funds, each managed by TE Capital Partners and LaSalle Investment Management, was the buyer.
- There were some high value office deals done during the quarter which were not captured in the caveated data, such as the sale of 55 Market Street and Twenty Anson. Both buildings were divested by Boston-based fund manager, AEW. 55 Market Street, a 16-storey office building in the Raffles Place financial district was sold in February to Kajima Corporation for nearly \$287 million. Meanwhile, Twenty Anson, a 20-storey office building in Tanjong Pagar, was sold in the second half of March to US private equity firm KKR for nearly \$600 million.

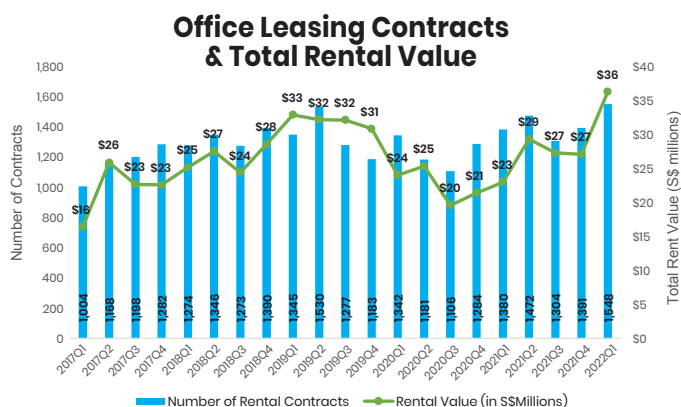
Price & Rental Index of Office Space in Q1 2022

Q1 2022	Price Index	QOQ%	YOY%	Rental Index	QOQ%	YOY%
Central Region	121.2	4.4%	1.0%	160.9	1.6%	0.2%
Central Area	120.5	5.2%	-0.2%	163.8	1.2%	-0.9%
Fringe Area	121.3	0.9%	3.3%	140.7	4.2%	6.1%

Source: PropNex Research, URA (22 April 2022)

Rentals and Leasing Trends

- The URA office rental index showed that rents grew by 1.6% in Q1 2022, accelerating from the modest 0.9% growth in Q4 2021.
- Despite the Lunar New Year festivities and an outbreak of community COVID-19 cases in the earlier part of the quarter, the leasing market in Q1 2022 enjoyed brisk activity in terms of contract volume and value of rental contracts.
- According to Realis caveat data, the number of office rental transactions rose by 11.3% QOQ to 1,548 contracts in Q1 2022. This is the highest number of rental contracts signed per quarter since Q2 2019, where 1,530 contracts were inked.
- Total leasing value jumped by 34% QOQ to \$36.2 million in Q1 2022. Similarly, leasing value in Q1 2022 is the highest value recorded since Q1 2014, where \$36.9 million of rental contracts were signed.
- Rentals continued to recover on the back of the economic expansion, the relaxation of safe management measures and a successful national vaccination programme – boosting confidence among landlords and office occupiers. Delays in office supply completions due to construction disruptions have kept occupancies stable and boosted rentals, especially for Grade A offices.
- Office leasing activity will likely flourish over the next few quarters as most of the workforce is expected to return to the office. Starting from 26 April 2022, 100% of the workforce have been allowed to return to the workplace.



Source: PropNex Research, URA Realis (22 April 2022)

Median Rentals of office space by area in Q1 2022

Location	Median Rental (\$psf pm)	QOQ%
Shenton	\$5.80	↑ 5.5%
City Hall	\$5.47	↑ 1.9%
Raffles Place	\$9.00	↓ -2.2%
Marina Boulevard / Marina View	\$12.00	↑ 7.8%
Orchard	\$7.40	↑ 2.8%
Fringe area	\$4.54	↑ 4.4%

Source: PropNex Research, URA Realis (22 April 2022)

Office Vacancies

- Latest URA data showed that the island-wide vacancy rate of office space has remained unchanged from the previous quarter at 12.8% in Q1 2022.
- Vacant Private Sector Office Space island-wide stood at 952,000 sqm (nett) as at Q1 2022, unchanged from the previous quarter. The bulk of vacant space in Q1 was located in the Downtown Core at 543,000 sqm.
- According to the URA, the amount of occupied office space fell by 13,000 sqm (nett) in Q1 2022, following the decrease of 10,000 sqm (nett) in Q4 2021. Meanwhile, the stock of office space fell by 17,000 sqm (nett) in Q1 2022.
- In terms of supply in the pipeline, there was a total of 834,000 sqm gross floor area (GFA) of supply as at end of Q1 2022, compared with the 786,000 sqm GFA of space in Q4 2021.
- In Q1 2022, approximately 2,928 sqm of office space was completed – an estimated 69,000 sqm of office space is expected to enter the market over the course of 2022. The limited supply completion in 2022 should help to support office occupancies and rentals in the near-term.

Market Outlook

Singapore's decisive steps towards living with Covid-19 – with the significant easing of safe management measures and further lifting of travel restrictions will further increase its appeal to investors and occupiers as Asia's global business hub.

With most workers allowed to return to their workplace and companies hiring to cater to business growth, offices will become much livelier, prompting occupiers to hang on to existing space or even consider increasing their footprint.

Firms are expected to continue to lean towards sustainable and high-quality Grade A space in the CBD. This could see an increase in investment interest for CBD office property with redevelopment potential. Meanwhile, the barring of strata subdivision for commercial properties in the Central Area will likely spur price growth and demand for such strata office units.



Q1 2022 QUARTERLY REPORT

INDUSTRIAL PROPERTY REPORT

PROPNEX RESEARCH

Key Highlights

- **Rentals are up** – against the backdrop of the economic expansion, growth in manufacturing output as well as firm demand for high-specification industrial space, rentals grew by 1.0% QOQ in Q1 2022.
- **Rising prices amidst muted sales activity** – prices of industrial space grew by 2.1% QOQ owing to a tight supply of available industrial properties for sale, which also contributed to a quieter quarter of sales in the industrial space market.
- **Stable occupancies** – the overall occupancy rate of industrial properties softened in Q1 (89.8%) from the previous quarter (90.2%) due to a significant number of new completions added to the overall industrial stock during the quarter.
- **Incoming bulky supply** – in 2022, an estimated 26 million sq ft of industrial space is expected to be complete – this makes up almost 60% of the total upcoming supply pipeline. The bulky supply will put some downward pressure on occupancies and rentals for factory space in the near term.

Industrial Property Q1 2022

Overview

The industrial property market remained resilient in Q1 2022 as the economy continues to recover and business confidence grows – propping up prices and rentals for industrial space. Demand for space has remained firm, supported by the manufacturing, biomedical, technology, agri-food, and e-commerce/third party logistics sectors.

Global trade recovery continued to underpin the healthy performance of Singapore's manufacturing sector. Manufacturing output surged by 17.6% year-on-year in February 2022 and grew 3.4% year-on-year in March 2022, beating market expectations. Meanwhile, stockpiling and storage activities by businesses to avoid supply chain disruptions have boosted demand for warehouse and logistics space.

Based on advance estimates, the Singapore economy grew for the fifth straight quarter, rising by 3.4% YOY in Q1 2022. The manufacturing sector led the growth, expanding by 6.0% YOY. Growth during the quarter was supported by output expansions in all clusters except for the chemical cluster. Singapore's transition to an endemic-Covid-19 state will help to lift the general growth outlook for the city-state. The government has maintained its 3% to 5% economic growth forecast for Singapore in 2022.

JTC noted that the industrial space market is expected to remain robust in 2022, barring any economic downturns or unforeseen circumstances.

Rents and Occupancies

- Despite resilient demand from expanding businesses, occupancies for overall industrial properties softened slightly in Q1 2022 amidst a large amount of new completions.
- Data from JTC showed that the overall occupancy rate slipped to 89.8% in Q1 2022 a drop of 0.4 percentage-points (ppt) from the previous quarter. When compared against Q1 2021, occupancies were down by 0.2 ppt in Q1 2022.

- The slip in occupancies were largely due to the completion of long-delayed projects which have been stalled due to the pandemic and disruptions in the construction sector. About 333,000 sqm or 3.6 million sq ft of industrial space was completed in Q1 2022, the highest quarterly increase in completions since 2019. With the resumption of most construction activities in 2022, occupancies may continue to soften in the near-term.
- Most industrial property segments posted a QOQ decline in occupancy rates: Multi-user factory space (-1.4% QOQ); Single-user factory space (-0.2% QOQ) and Warehouses (-0.3% QOQ). Meanwhile, business park spaces saw improved occupancies, growing by 1.1% QOQ owing to limited new supply
- JTC noted that overall rentals rose by 1.0% QOQ in Q1 2022, with all segments, except Business Parks, posting growth over the previous quarter. On a year-on-year basis, overall rents are up by 2.4% in Q1 2022. The growth in rentals was led by the Warehouse segment which grew by 1.5% QOQ, followed by Multi-user factory space (+0.9% QOQ) and Single-user factory space (+0.3% QOQ). Business park rentals remained unchanged from the previous quarter.

Industrial Rents and Occupancies Q1 2022

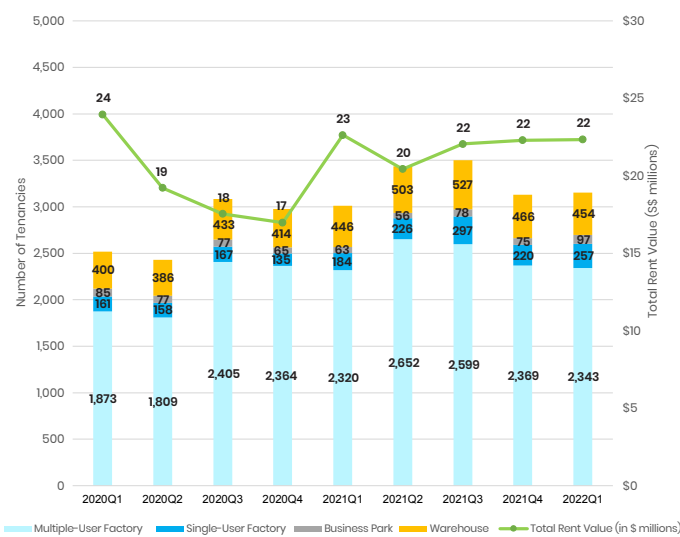
Q1 2022	Rents			Occupancies		
	Rental Index	QoQ % Change	YoY % Change	Occupancy Rate	QoQ % Change	YoY % Change
All Industrial	92.3	1.0	2.4	89.8%	-0.4	-0.2
Multiple-User Factory	90.3	0.9	2.6	88.8%	-1.4	-0.2
Single-User Factory	97.4	0.3	1.8	90.4%	-0.2	-0.5
Business Park	111.9	0.0	-0.3	85.6%	1.1	0.5
Warehouse	87.3	1.5	3.8	90.3%	-0.3	0.5

Source: PropNex Research, JTC (28 April 2022)

Industrial Property Leasing Activity

- Despite the slip in occupancies, leasing demand remained firm in Q1 2022, even in spite of the lunar new year seasonal lull.
- In Q1 2022, there were 3,151 tenancies – representing a slight increase of 0.7% from 3,130 contracts in the previous quarter.
- Total rent value grew slightly in Q1 2022, growing by 0.2% QOQ to \$22.34 million from about \$22.29 million in Q4 2021.

Number of Tenancies & Total Rent Value (in S\$ millions)

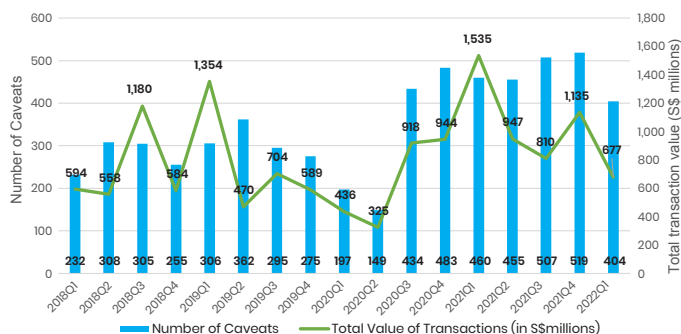


Source: PropNex Research, JTC J-Space (28 April 2022)

Prices and Sales Transactions

- The tight supply of available industrial space for sale and expanding economy contributed to a sustained rebound in industrial prices in Q1 2022, rising by 2.1% QOQ, and 5.6% YOY, picking up the pace from the previous quarter which grew by 1.4% QOQ.
- After enjoying a bumper year of transactions in 2021 owing to greater business confidence, sales activity in the industrial space market cooled down in the first quarter of the year, partly due to the diminishing supply of industrial properties available for sale.

Industrial Property Transactions & Total Value (in S\$ millions)



Source: PropNex Research, JTC J-Space (28 April 2022)

- Sales volume fell by 22.2% QOQ to 404 deals in Q1 2022, from 519 transactions in Q4 2021. On a year-on-year basis, transactions were down by 12.2% from the 460 deals done in Q1 2021.
- Of the 404 transactions in Q1 2022, 352 were for multiple-user factory space, accounting for about 87% of the sales. This is followed by single-user factory space (32) then warehouse space (20).
- Overall sales value amounted to about \$677 million, down by about 40.4% from the whopping \$1.135 billion in the previous quarter which recorded a number of big-ticket deals. Compared to the same period last year, the value of deals in Q1 2022 was down by about 55.9% from the \$1.535 billion worth of deals done in Q1 2021.

Notable Industrial Property Transactions by Quantum in Q1 2022

Location	Property Type	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)
UE BIZHUB CENTRAL 12 ANG MO KIO STREET 64	Single-user Factory	55,000,000	259,154*	212**
SINDO INDUSTRIAL ESTATE 93 TAGORE LANE	Warehouse	16,000,000	16,523*	968**
TEE HAI BUILDING 18 TUAS LINK 1	Single-user Factory	14,200,000	109,820*	129**
WASCO CENTRE 5 PANDAN ROAD	Multiple-user Factory	13,000,000	147,711*	88**
SENOKO INDUSTRIAL ESTATE 28 SENOKO DRIVE	Single-user Factory	12,000,000	216,043*	56**
DELTA HOUSE 2 ALEXANDRA ROAD #01-03	Multiple-user Factory	10,500,000	7,233	1,452
17 TANNERY ROAD	Single-user Factory	10,180,000	4,122*	2,470**
LAM CHUAN BUILDING 14 TAGORE LANE	Warehouse	9,500,000	5,367*	1,770**
1 KIAN TECK CRESCENT	Single-user Factory	9,500,000	73,194*	130**
18 PANDAN ROAD	Single-user Factory	9,000,000	88,187*	102**

Source: PropNex Research, JTC J-Space (28 April 2022)

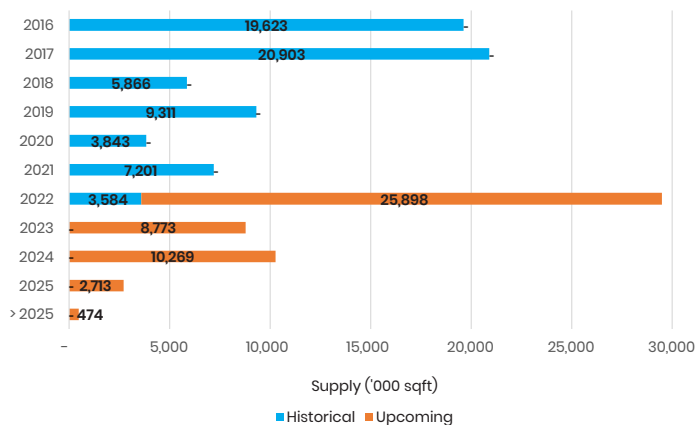
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- In Q1 2022, the top 10 transactions consisted of mostly building sales.
- The top deal done in Q1 2022 was for UE Bizhub Central, a part 4-storey, part 7-storey high-specification facility, located at 12 Ang Mo Kio Street 64. Sold by United Engineers for \$55 million to tech giant, Apple. The building is just across the street from Apple's own built-to-suit facility, 7 Ang Mo Kio Street 64.

- Apple has previously been leasing several floors in the building, amounting to 30 per cent of the GFA. Apple had then exercised their right of first refusal to purchase the property as part of the original lease agreement with United Engineers.
- With the acquisition of this building, it will likely cater to Apple's expansion plans in the Asia Pacific. Singapore currently serves as the tech giant's base for the Asia Pacific region.

Supply of Industrial Space ('000 sqft)



Source: PropNex Research, JTC (28 April 2022)

Stock and Upcoming Supply

- JTC noted that based on approval plans as at the end of March 2022, about 2.4 million sqm or 25.9 million sq ft of industrial space is set to be completed in 2022.
- Of these, about 46% of the supply is single-user factory space, while multiple-user factory space accounts for another 28% of the supply. The remaining 25% of the upcoming stock will comprise of warehouse and business park space

Market Sentiment and Outlook

Singapore's industrial property sector is expected to remain robust in 2022, particularly in the warehouse and business parks space, owing to the growth of the logistics, biomedical and technology sectors.

The incoming bulk supply of space in 2022 largely comprises of multi-user and single-user factory space – that will likely put some downward pressure on occupancies and rentals for factory space. However, there are some upside factors which bear good tidings for the overall industrial space market.

Singapore is enjoying rising prominence amongst global firms largely due to geopolitical instability in Europe and some parts of Asia – a number of MNCs such as Apple, Amazon and Alibaba have set up operations or are expanding their footprint in Singapore. Additionally, the pandemic and the global supply chain crunch have led businesses to re-examine their supply chain and leverage on new technologies to safeguard against disruptions. In this regard, there is a good deal of potential for expansion and increasing spatial footprint amongst industrialists, especially in the pharmaceutical and food production sectors.

Some other sectors that are expected to expand in the near-term include the biomedical sector, in particular, for vaccine production; and semi-conductor and micro-chip manufacturing clusters. The former to cater towards a growing demand for vaccines in the region, while the latter being spurred by the surge in chip demand from data centres and the 5G market, amid a global chip shortage.

Author:

Wong Siew Ying

Head of Research and Content

DID : (65) 6829 6669 / 9745 3035

Main : (65) 6820 8000 | Fax : (65) 6829 6600

Jean Choo (Ms)

Research Analyst | Marketing & Communications

Main : (65) 6820 8000 | Fax : (65) 6829 6600

Marketing and Communications:

Carolyn Goh

Director, Corporate Communications and Marketing

PropNex Limited (SGX Mainboard Listed Company)

DID : (65) 6829 6748 / 9828 7834

Main : (65) 6820 8000 | Fax : (65) 6829 6600

Fazilla Nordin

Corporate Communications Manager

DID : (65) 6829 6746 / 9188 5760

Main : (65) 6820 8000 | Fax : (65) 6829 6600

PropNex Realty

(A subsidiary of PropNex Limited)

480 Lorong 6 Toa Payoh #10-01 HDB Hub East Wing Singapore 310480

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