

### **Shophouse Property Report Q3 2021**

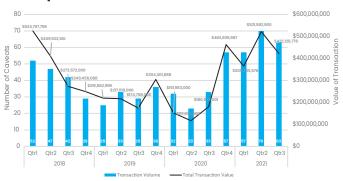
#### Overview

Amidst the record rise in COVID-19 community cases during the past quarter and tightening of safe management restrictions from 22 July to 18 August and in the later part of September, the shophouse property market moderated slightly in Q3 2021 – after the previous quarters' strong recovery. In terms of volume and value of sales transactions, the shophouse market has outperformed that for 2020 and 2019, for the first nine months of 2021, and is on track to surpass that of 2018.

#### Sales Transactions in Q3 2021

- Based on caveats lodged, there were 63 shophouses transactions in Q3 2021, down by 10% from the 70 deals in Q2 2021. While there was a drop in caveated deals, market observations suggest that investor interest for shophouses has not dampened despite the rise in community cases and tightening of restrictions furthermore, a number of shophouse deals in the quarter had not lodged caveats.
- For the first nine months of 2021, the total number of transactions at 190 units has already surpassed the full year's figure (145 units) in 2020.
- While transaction value of deals in Q3 2021 dropped by 19.1% QOQ to \$422 million, the total transaction value for 2021 has hit \$1.31 billion, which surpasses 2020 and 2019's transaction value of \$912.7 million and \$916 million respectively.
- Shophouse deals in 2021 are poised to surpass the bumper sales posted in 2018.

#### **Shophouse Transactions and Total Value**

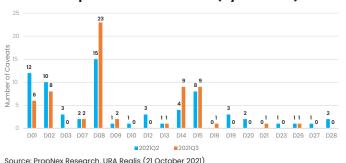


Source: PropNex Research, URA Realis (21 October 2021)

#### <u>Transaction Hotspots in Q3 2021</u>

- Of the 63 shophouse transactions in Q3 2021, most are located in the city and fringe area.
   District 8 (Little India) posted the highest sales at 23 units, followed by 9 each in District 14 (Geylang, Eunos) and in District 15 (Katong, Joo Chiat, Amber Road).
- In terms of transaction value, District 8 led the pack, achieving \$106.5 million worth of deals in Q3 2021
- A couple of transactions on Desker Road and Little India conservation area in the Rochor Planning Area boosted the total transaction values in District 8.
- Sales and leasing activity in the city fringe areas have been bright spots in the market since the pandemic occurred, owing to their access to larger clientele catchment from the nearby residential clusters.

#### **Shophouse Transactions (By Districts)**



#### Top 10 Shophouse Transactions in Q3 2021

- Based on caveats lodged, the top transaction in Q3 2021 was two adjoining shophouses along South Bridge Road, which were sold for \$35 million (\$14,255 psf on land area)
- Nine out of the top ten highest deals during the quarter were in Districts 1 and 2 – reflecting sustained interest in prime shophouses situated in the central region.

# Notable Shophouse Property Transactions by Quantum in Q3 2021

Location	Sale Date	District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on Land Area
202,204 SOUTH BRIDGE ROAD	11 Aug 2021	1	\$35,000,000	2,455	\$14,255
163 TELOK AYER STREET	30 Sep 2021	1	\$16,800,000	1,452	\$11,570
14,14A STANLEY STREET	24 Sep 2021	1	\$15,500,000	1,491	\$10,397
273 NEW BRIDGE ROAD	6 Sep 2021	2	\$13,635,000	1,276	\$10,690
46 CLUB STREET	12 Jul 2021	1	\$13,150,000	1,220	\$10,783
7 CRAIG ROAD	23 Jul 2021	2	\$12,450,000	1,916	\$6,498
44 CLUB STREET	12 Jul 2021	1	\$12,350,000	1,168	\$10,575
21 DUXTON HILL	9 Sep 2021	2	\$12,300,000	1,329	\$9,253
81 TRAS STREET	21 Sep 2021	2	\$11,768,888	1,626	\$7,236
323,323A GEYLANG ROAD	1 Sep 2021	14	\$10,100,000	1,988	\$5,080

Source: PropNex Research, URA Realis (21 October 2021)

#### **Shophouse Prices**

- The average transacted unit price of freehold shophouses was about \$3,639 psf on land area\* in Q3 2021, representing a reversal of 12% from \$4,135 psf in the previous quarter.
- While the caveated data suggests a compression in prices, market sources have affirmed that unit prices on Gross floor area (GFA) of space for shophouses have been stable due to buoyant interest from buyers. The decrease in average prices on land area was a result of a number of freehold shophouses sold during the quarter, that had smaller floor areas resulting in the compression of the average price on land area for freehold shophouses.
- For 99-year leasehold shophouses, unit prices averaged \$6,006 psf on land area\* in Q3 2021 – up by about 35.2% from \$4,444 psf in Q2 2021. The sharp increase was due to the higher proportion of prime area shophouse deals during the quarter which pulled up the average unit prices for 99-year leasehold shophouse
- In light of the gradual opening of international borders and tight availability of shophouses, especially those in the city centre, investor demand will remain buoyant - which should support price growth of shophouses
- Of the 63 shophouse sold in Q3 2021, about 32% or 20 transactions were priced between \$5 million to \$10 million falling slightly from the 26 transacted in the previous quarter. Based on caveats lodged, there were also fewer large quantum transactions of over \$10 million in Q3 2021 at 11 deals compared with 17 deals in Q2.

# Average Unit Price (\$PSF) on Land\* (Freehold / 99-year Leasehold)

	Q1 2021	Q2 2021	Q3 2021
Freehold	\$3,682psf	\$4,135psf	\$3,639psf
99-Year Leasehold	\$4,481psf	\$4,444psf	\$6,006psf

Source: PropNex Research, URA Realis (21 October 2021)

\*Average unit price is based on land area. Transacted prices tend to be higher when they are based on gross floor area (which varies depending on the number of storeys in the shophouse property).

#### Price Range of Shophouses Sold

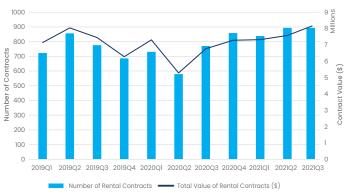
Price Range	Q1 2021	Q2 2021	Q3 2021
Under \$2.5 million	7	6	3
\$2.5 million to < \$5 million	21	21	29
\$5 million to < \$10 million	18	26	20
Above \$10 million	11	17	11
Total Transactions	57	70	63

Source: PropNex Research, URA Realis (21 October 2021)

#### Rents

- Despite the record numbers in community cases and subsequent reintroduction of restrictions from 22 July to 18 August and at the end of September, shophouse leasing activity remained healthy in Q3 2021.
- There were 908 rental contracts in Q3 2021, representing an 0.8% increase from the 901 contracts posted in the previous quarter. On a YOY basis, leasing demand rose considerably by 17.9% from the 770 contracts in Q3 2020.
- Meanwhile, total leasing contract value grew by 8.8% QOQ to \$8.3 million in Q3 2021

# Shophouse Leasing Transactions and Contract Value



Source: PropNex Research, URA Realis (21 October 2021)

#### **Market Outlook**

Singapore reintroduced a new round of restrictions starting from 22 September, with stricter measures (including restrictions on dining-in, and work from home as a default) that will likely impact shophouse tenants in service sectors. The impact is likely to be temporary as Singapore continues to ease its restrictions. Leasing demand for the remainder of 2021 and early part of 2022 will remain steadfast as occupiers gain confidence from the easing of safe management restrictions and high vaccination rates in the community.

For the coming quarter and first part of 2022, PropNex expects sales momentum in the shophouse market to increase gradually in lieu of the progressive opening of travel borders starting from October 13th. With border restrictions being lifted, foreign investors and overseas funds in search of defensive and value-adding assets will drive up demand and prop up asking prices for shophouses in the medium term. However, sales volume is not expected to increase drastically due to the limited supply of shophouses available for sale in the market.

### Office Property Q3 2021

#### Overview

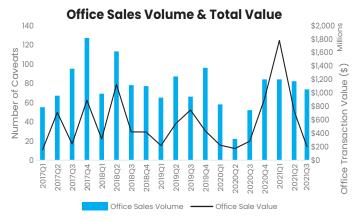
In Q3 2021, Singapore's economy continued to recover amid improving global and trade outlook which has restored business confidence and job market prospects. According to advance GDP estimates, the Singapore economy grew by 6.5% YOY and 0.8% QOQ in Q3 2021 – with growth across most sectors. The economy is projected to grow by 6% to 7% this year.

The office property market stalled in Q3 2021 in light of the re-tightening of safe management restrictions in July to August and subsequently in end-September that led to most workplaces returning to telecommuting as the default mode. While office sales and rentals have eased from the first half of the year's stellar performance, market observations suggest that demand for office space remains resilient with a number of investors entering the market for 'opportunistic' buying of prime office assets before the market recovers further.

Singapore's commitment towards the reopening of its economy continues to provide more certainty to stakeholders – that includes reopening borders to a number of countries which will allow more foreign working expatriates, investors and companies to enter Singapore. The impacts of which will boost the office market's investment and occupier demand.

#### Sales Transactions and Prices

- According to the URA office price index, the prices
  of office space contracted by 2.4% QOQ in Q3 2021,
  a reversal from the 0.9% growth in Q2 2021 the
  decrease was attributed to price contractions in
  the Central Area which contracted by 3.5% while
  fringe area office prices grew slightly by 1.0%.
- Based on caveats lodged, total value of office sales in Q3 2021 dropped to \$242 million, less than a third of the value transacted in Q2 2021, which recorded a \$743 million worth of deals. While the value of deals in Q3 seem to have fallen, a number of deals have not been captured in the caveated data including the former Robinsons Centre deal.
- In Q3 2021, there were 75 sales transactions, reflecting a 44% YOY increase, but fell short of the 83 deals done in Q2 2021.



Source: PropNex Research, URA Realis (22 October 2021)

#### Top 10 Office Deals by Quantum in Q3 2021

Location	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF)
<b>GB BUILDING</b> 143 CECIL STREET #01-01, #02-01, #03-01 to 10, #08-01,02,03,04	\$52,060,001	31,086	\$1,675
<b>15 SCOTTS (FORMER THONG TECK BUILDING)</b> 15 SCOTTS ROAD #06-02,08,07,09, #07-01,02,09,12	\$31,934,399	8,643	\$3,695
<b>THE OCTAGON</b> 105 CECIL STREET #08-01,02,03,04	\$15,472,500	6,189	\$2,500
<b>THE OCTAGON</b> 105 CECIL STREET #07-01,02,03,04	\$15,472,500	6,189	\$2,500
PLUS 20 CECIL STREET #23-03,04,05	\$11,900,000	3,574	\$3,330
SUNTEC CITY 7 TEMASEK BOULEVARD #37-03	\$10,520,000	3,079	\$3,417
SUNTEC CITY 7 TEMASEK BOULEVARD #13-,03	\$9,800,000	3,606	\$2,718
THE CENTRAL 8 EU TONG SEN STREET #18-98,99	\$7,878,710	2,540	\$3,101
FU LU SHOU COMPLEX 149 ROCHOR ROAD #05-15	\$6,880,000	4,306	\$1,598
PAYA LEBAR SQUARE 60 PAYA LEBAR ROAD #05-29,30	\$6,247,900	2,906	\$2,150

Source: PropNex Research, URA Realis (22 October 2021)

- The highlight of Q3's office sales was the sale of the commercial building on 61 Robinsons Road by ARA Private Funds to Rivulet Investment in mid-September for \$422 million. This commercial deal has yet to lodge a caveat but brings the total value of office investment deals in the quarter to more than \$660 million a further indication that investor sentiment and confidence in the office property market is still stable and growing.
- Another highlight was the sale of several strata commercial spaces at the GB Building on 143 Cecil Street for \$52.06 million. The sale involves the retail podium on the first and second levels and two full-floor office units on the third and eighth floor. The purchase price works out an average unit price of \$1,675 psf. The buyers of the deal are three entities whose sole shareholder is Dia-Globe (Singapore).
- Another notable transaction was the sale of eight strata office units across the sixth and seventh-floor of the former Thong Teck Building on 15 Scotts Road for \$31.93 million by Top Global. The purchase price worked out to an average unit price of \$3,695 psf, one of the highest price-per-square-foot transactions for the building. The buyers were a mix of different entities and individual investors.



#### Rentals and Leasing Trends

- The URA office rental index showed that rents declined by 3.5% in Q3 2021, a reversal from the 1.3% increase in the previous quarter.
- The number of office rental contracts dropped 12% QOQ in Q3 2021 from the previous quarter.
   There were 1,296 rental contracts during the quarter – though, this was up by 17.2% YOY, according to Realis data
- Total rental value expanded by 7.2% YOY from nearly \$19.5 million to \$27.14 million in Q3 2021. On a YOY basis, overall leasing value contracted by 27.5% from \$29.3 million in Q2 2021
- Among the primary drivers of CBD office demand were firms in fintech and family offices including financial institutions and investment funds.
- The trend of "flight to quality" continued to take hold in this quarter as more tenants took the opportunity to relocate to better locations in the prime areas while securing better rates and terms as the office leasing market bottoms out.
- Market sources observed that a number of occupiers have been moving into larger office units during this period, whereas smaller office units are falling behind in popularity. Some have cited the need for larger office spaces to enable better safe-distancing between workers while some firms have cited the need for more space to facilitate expansion plans for operations and increase in manpower amidst the economic recovery.

#### Office Vacancies

 Latest URA data showed that the island-wide vacancy rate of office space has inched up further, as remote working continues to takes hold. Vacancy rates moved up to 12.9% as of Q3 2021 from 12.6% in the previous quarter

- URA data showed that Vacant Private Sector Office Space island-wide rose up to 967,000 sq m (nett) as at Q3 2021, up from 939,000 sq m in Q2 2021. The bulk of vacant space in Q3 was located in the Downtown Core at 521,000 sq m
- According to URA, occupied office space fell by 5,000 sq m (nett) in Q3 2021, following the decrease of 23,000 sq m (nett) in Q2 2021
- In terms of supply in the pipeline, there was a total supply of about 755,000 sq m gross floor area (GFA) as at end of Q3 2021, compared with the 697,000 sq m GFA of space in Q2 2021
- The near-term incoming office supply is relatively digestible and should have little impact on occupancies – an expected 25,000 sqm and 55,000 sqm of office space is expected to be completed in Q4 2021 and 2022. Though, a bulky supply of 220,000 sq m and 179,000 sqm is expected to be completed in 2023 and 2024.

#### Market Outlook

The recent rise in COVID-19 community cases and emergence of large clusters have resulted in Singapore entering into the "stabilization phase" which has been extended to last until 21 November. The restrictions will likely rein in office rentals, as telecommuting remains the default working mode.

The opening of Vaccinated Travel Lanes (VTL) starting from 13 October will likely help to push up demand for office space with more foreign expatriates and investors gaining ease in entering Singapore. Though, the net impact on the office property market may not be significant as a number of local investors may venture to other markets while working expatriates may return to their home countries during the festive season for the holidays.

Office leasing activities are expected to be muted during the coming few months as most occupiers are likely to stay put while key decision makers are away and not likely to sign new leases during the festive season. This is more likely with the opening of VTLs, where a number of travel-starved Singaporeans look to going abroad for the holidays.

Looking ahead, office prices and rentals are expected to bottom at the end of 2021 and is projected to show some positive upside in 2022 in light of limited Grade A new office supply over the near term along with the positive economic outlook.

### **Industrial Property Q3 2021**

#### Overview

The industrial property segment continued to recover in Q3 2021 amid the improvement in Singapore's GDP. Based on advance estimates, the Singapore economy grew for the third straight quarter, rising by 6.5% YOY in Q3 2021, following the 15.2% YOY growth in the previous quarter. The Singapore economy is expected to grow by 6% to 7% in 2021.

The manufacturing sector grew by 7.5% YOY in Q3 2021. Growth during the quarter was supported by output expansions in all clusters, except for the chemicals cluster. The electronics and precision engineering clusters continued to grow strongly, driven by a global shortage on semiconductor chips which helped sustain demand for Singapore's electronics output. Though, demand for these key sectors and trade output is expected to ease over the next few months as China's economy slows down due to its recent policy changes and crackdowns on several key industries such as tech and real estate. The Singapore economy is not likely to be impacted directly from China's slowdown but rather from the ripple effect on the greater ASEAN region.

JTC noted that any rise in occupancy rates of industrial spaces are likely to be moderated by new completions. To this end, coupled with a potential slackening in the manufacturing sector, any growth in prices and rentals are expected to be muted.

#### **Rents and Occupancies**

- Occupancies for overall industrial properties remained stable in Q3 2021 amidst tight supply and improved demand
- Data from JTC showed that the overall occupancy rate stabilized at 90.1% in Q3 2021 with no change from the previous quarter. When compared against Q3 2020, occupancies were up by 0.5 percentage-points (ppt) in Q3 2021
- The resilient occupancies were likely due to the continued delays in new completions, as the manpower crunch persists in the construction sector. JTC said that while construction has started to pick up in Q2 2021, completions are slow, about 228,000 sqm of industrial space was added to the available stock in Q3 2021.
- Despite the slight uptick in overall occupancies, some industrial property segments posted a QOQ decline: Business parks (-0.5 ppt QOQ); and Single User Factory space (-0.2 ppt QOQ).

- Warehouse spaces saw improved occupancy rates in Q3 2021, growing by 0.4% QOQ, whereas the Multiple-User Factory segment saw a slight 0.1% QOQ growth in occupancies.
- Rentals improved in tandem with the economic recovery. JTC noted that overall industrial rentals rose by 0.7% QOQ in Q3 2021, with all segments posting marginal growth over the previous quarter. On a year-on-year basis, overall rents are up by 1.9% in Q3 2021.

#### **Industrial Rents and Occupancies Q3 2021**

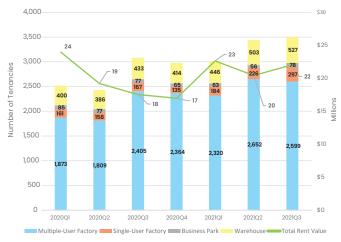
	Rents			Occupancies		
Q3 2021	Rental Index	QoQ % Change	YoY % Change	Occupancy Rate	QoQ % Change	YoY % Change
All Industrial	91.2	0.7	1.9	90.1%	0.0	0.5
Multiple-User Factory	89.2	0.3	2.4	89.8%	0.1	2.0
Single-User Factory	96.4	0.6	1.5	90.7%	-0.2	-0.3
Business Park	112.5	0.3	0.4	84.3%	-0.5	-1.1
Warehouse	85.7	1.7	2.6	90.1%	0.4	1.0

Source: PropNex Research, JTC (28 October 2021)

#### Industrial Property Leasing Activity

- Leasing demand continued to grow in Q3 2021, supported by semiconductor, manufacturing sectors as well as logistics, e-commerce players.
- In Q3 2021, there were 3,501 tenancies representing a 1.9% increase from 3,437 contracts in the previous quarter
- Meanwhile, total rent value expanded in Q3 2021, growing by 7.9% QOQ to \$22.05 million from about \$20.4 million in Q2 2021.

# Number of Tenancies & Total Rent Value (\$ million)



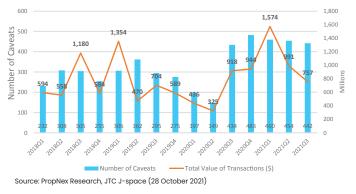
Source: PropNex Research, JTC J-Space (28 October 2021)

#### Prices and Sales Transactions

 The moderate supply and improving economy contributed to a continued rebound in industrial property prices in Q3 2021, rising by 0.1% QOQ, and 3.9% YOY.

- This marks the fourth consecutive quarter of increase for the industrial price index
- The industrial space market saw a flurry of transactions since the second half of 2020 owing to improved business sentiment. However, sales activity moderated in Q3 2021, likely due to the rise in community cases and tightening of safe management restrictions
- Sales volume shrunk by 2.6% QOQ to 442 deals in Q3 2021, from 454 transactions in Q2 2021. On a YOY basis, sales volumes rose by 1.8% in Q3 2021 from 434 deals in Q3 2020
- Of the 442 transactions in Q3 2021, 386 were for multiple-user factory space, accounting for about 87.3% of the sales. This was followed by single-user factory (20), warehouse (36). There were no business park transactions in Q3 2021
- Overall sales value stood at \$756.6 million, down by about 23.7% from \$991.4 million in the previous quarter, where there were a number of big-ticket transactions
- When compared to Q3 2020, the total value was also down by 17.6% in Q3 2021

# Industrial Property Transactions & Total Value (\$)



- In Q3 2021, the top 10 industrial transactions consisted of mostly building sales, among them was 22 Ang Mo Kio Industrial Park 2, a single-user factory that was transacted for \$40.9 million
- The top deal done in Q3 2021 was for a ware-house located on 28 Quality Road that was sold for \$49.7 million via a sale-leaseback arrangement by Petris Global. The premises are currently occupied by Iron Mountain, a data solutions company.

# Notable Industrial Property Transactions by Quantum in Q3 2021

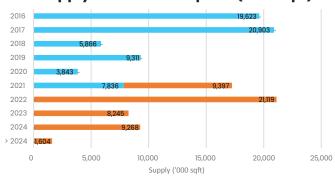
Location	Property Type	Transacted Price (\$)	Area (sqft)	Unit Price (\$ PSF)
28 QUALITY ROAD	Warehouse	49,679,987	269,090	185
22 ANG MO KIO INDUSTRIAL PARK 2	Single-User Factory	40,900,000	121,416	337
LTH BUILDING 10 JALAN KILANG TIMOR #05-04A ETC	Warehouse	40,100,000	85,423	469
45 TUAS VIEW CIRCUIT	Single-User Factory	27,700,000	267,941	103
9 CHANGI SOUTH STREET 2	Warehouse	24,500,000	92,693	264
SUNHUAN BUILDING 55 TUAS SOUTH AVENUE 1	Single-User Factory	21,000,000	51,655	407
YEW LEE BUILDING 17 TAI SENG DRIVE	Multiple-User Factory	20,000,000	34,110	586
45 CHANGI SOUTH AVENUE 2	Single-User Factory	11,100,000	55,446	200
ANN CHUAN INDUSTRIAL BUILDING 115 KING GEORGE'S AVENUE #06-03 ETC	Multiple-User Factory	11,000,000	10,000	1,100
15 SENOKO CRESCENT	Single-User Factory	10,880,000	110,013	99

Source: PropNex Research, JTC J-Space (28 October 2021)

#### Stock and Supply

- For the remainder of 2021, JTC noted that an estimated 0.9 million sqm of industrial space could be completed based on approval plans as at the end of September 2021
- Of these, about 45% of the supply is single-user factory space, while multiple-user factory space accounts for another 39% of the supply. The remaining 16% of the upcoming stock will comprise warehouse and business park space

### Supply of Industrial Space ('000 sqft)



■ Historical ■ Upcoming

Source: PropNex Research, JTC (28 October 2021)

#### **Market Outlook**

The momentum in the economy should help to support the industrial market, while it is uncertain how long this momentum will last and to what extent the China economic slowdown will spill over to Singapore's economy. In the next few months, business sentiment is likely to be tempered, as occupiers grow more cautious about estimating their space requirements.

The key sectors that will drive demand for industrial space include the biomedical, pharmaceutical sectors as well as logistics and e-commerce

sectors. Another segment to look out for are Cloud Kitchens, set up by F&B operators for operations targeted at food deliveries. With the extended restrictions on dining-in under the 'Stabilization Phase' which started on 27 September and extended till 21 November, there would be more operators exploring options to set up cloud kitchens to expand their reach.

For the whole of 2021, industrial space rentals and prices are expected to remain stable, any growth in the future is likely to be muted due to the spike in supply in 2022 of nearly 2 million sq m of space and an additional 1.6 million sqm of space in the pipeline, to be completed between 2023 and 2024.

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