



Q3 2022 QUARTERLY REPORT

COMMERCIAL REPORT

PROPNEX RESEARCH



Q3 2022 QUARTERLY REPORT **OFFICE PROPERTY REPORT**

Report prepared by PropNex Research

Key Highlights

- **Muted transaction activity** – sales momentum in the office property market slowed, with 80 deals worth \$371 million done during the quarter, according to caveats lodged.
- **Buoyant rental market** – overall rentals of office space rose by 2.1% QOQ on healthy office space demand and lower vacancies.
- **Limited new completions** – in the last quarter of 2022, an estimated 24,000 sq m of office space is expected to be completed – the limited incoming supply will ensure stability in office occupancies. Despite the projected 231,000 sq m of new supply in 2023, rentals are expected to stay resilient amid robust leasing demand from occupiers.

Office Property Q3 2022

Overview

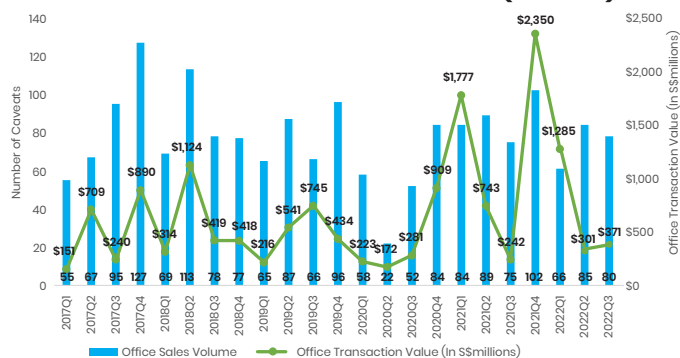
In Q3 2022, the transaction volume of office properties in Singapore slowed amidst global economic headwinds. Besides the ongoing war in Ukraine and growing tensions in East Asia, the possibility of a global recession looms large as the US Federal Reserve continued its aggressive rate hikes to tame rampant inflation. The Singapore economy posted slower growth in Q3 2022, with a 4.4 per cent year-on-year expansion, as per advance estimates from the Ministry of Trade and Industry. In August, the government narrowed its 2022 GDP growth forecast to 3% to 4%, from the earlier projected range of 3% to 5%.

Sales momentum eased during the quarter, as investors likely became more cautious. More property owners are holding onto their prime office assets, preferring to capitalise on the buoyant rental market. Office rentals, particularly of Grade A CBD space, continued to climb – driven by the tight office space supply and stable economic conditions in the city-state.

Sales Transactions and Prices

- Prices of office space continued to decline in Q3 2022 as sales of office properties slowed during the quarter. Macroeconomic uncertainties and the rising borrowing cost contributed to the restrained buying activity, as investors turned cautious in acquiring new office assets.
- According to the URA office price index, prices of office space declined by 2.7% QOQ in Q3 2022, following the 5.1% QOQ drop in Q2 2022. The tumble in prices was largely due to the Central Area, where prices weakened by 4.1% QOQ.

Office Sales Volume & Total Value (in S\$Mil)



Source: PropNex Research, URA Realis (data retrieved on 28 Oct 2022)

Top 10 Office Deals by Quantum in Q3 2022

S/N	Location	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)	Date of Sale
1	SAMSUNG HUB 3 CHURCH STREET #08-XX, XX, XX	\$53,099,550	13,111	\$4,050	Jul-22
2	SUNTEC CITY 9 TEMASEK BOULEVARD #31-XX	\$41,148,050	12,282	\$3,350	Aug-22
3	SUNTEC CITY 7 TEMASEK BOULEVARD #44-XX, XX	\$39,700,000	10,312	\$3,850	Sep-22
4	VISION EXCHANGE 2 VENTURE DRIVE #20-XX TO XX	\$18,082,000	7,868	\$2,298	Aug-22
5	SUNTEC CITY 7 TEMASEK BOULEVARD #29-XX	\$13,439,880	4,037	\$3,330	Aug-22
6	SUNTEC CITY 7 TEMASEK BOULEVARD #18-XX	\$11,691,000	3,897	\$3,000	Aug-22
7	THE ADELPHI 1 COLEMAN STREET #08-XX	\$11,316,000	4,209	\$2,689	Aug-22
8	PLUS 20 CECIL STREET #04-XX, XX, XX	\$10,513,000	3,552	\$2,960	Jul-22
9	SUNTEC CITY 9 TEMASEK BOULEVARD #37-XX	\$10,438,000	2,928	\$3,565	Aug-22
10	FENG MING BUILDING 288 JALAN BESAR	\$9,500,000	1,112*	\$8,544**	Sep-22

Source: PropNex Research, URA Realis (28 Oct 2022)

*Area denotes land area

**Unit price reflected is based on the land area

- In Q3 2022, there were 80 sales transactions, reflecting a 7% QOQ drop from 86 deals done in Q2 2022, based on caveats lodged. In 9M 2022, there were 232 office sale caveats – slightly below the 248 office deals in the same period last year.
- Despite the lower transaction volume, the total value of sales grew slightly in Q3 2022. Based on caveats lodged, the total value of transactions in Q3 2022 amounted to over \$371 million – 23.3% higher than \$301 million worth of sales in Q2 2022.
- For the year-to-date period, the total value of caveated office transactions has crossed \$1.96 billion, though the actual figure is likely to be higher as some deals were not caveated. The total value of office deals recorded in 9M 2022 is relatively comparable to pre-pandemic levels, where the total value of sales averaged \$2.5 billion annually from 2010 to 2019.
- The top caveated transaction in Q3 was the \$53.1 million sale of an 8th floor office space in the 30-storey, 999-year leasehold Samsung Hub located in the CBD. The property was purchased by real estate developer, Lee Kim Tah Group in July. Around the same time last year, the buyer also bought the 9th floor space in Samsung Hub from Sun Venture group for the same price. The sale price reflected a unit price of \$4,050 psf against a floor area of 13,111 sq ft.

Price & Rental Index of Office Space in Q3 2022

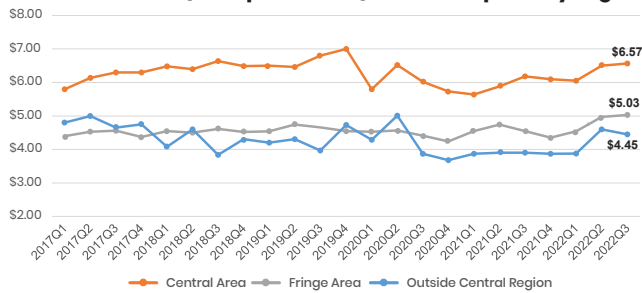
Q3 2022	Price Index	QOQ%	YOY%	Rental Index	QOQ%	YOY%
Central Region	111.9	-2.7%	-5.3%	168.3	+2.1%	+7.2%
Central Area	109.4	-4.1%	-7.1%	169.9	+2.1%	+5.6%
Fringe Area	120.8	+2.6%	+4.7%	156.9	+2.5%	+16.6%

Source: PropNex Research, URA (data retrieved on 28 Oct 2022)

Rentals and Leasing Trends

- The URA office rental index showed that office rents grew by 2.1% in Q3 2022, building on the 2.4% QOQ growth in Q2 2022. The increase was largely led by the Fringe Area which saw a 2.5% QOQ rental growth.
- Median monthly rentals in the Central and Fringe areas grew to \$6.57 psf and \$5.03 psf in Q3 respectively, while that of Outside Central Region slipped to \$4.45 psf during the quarter.

Median Rentals (\$PSF per month) of Office Space by region



Source: PropNex Research, URA Realis (data retrieved on 28 Oct 2022)

- Limited office completions during the quarter have helped to keep occupancies stable and lifted rentals, especially for CBD Grade A space. Despite the adoption of hybrid work, some firms have been looking to expand their office footprint as workers return to the workplace.

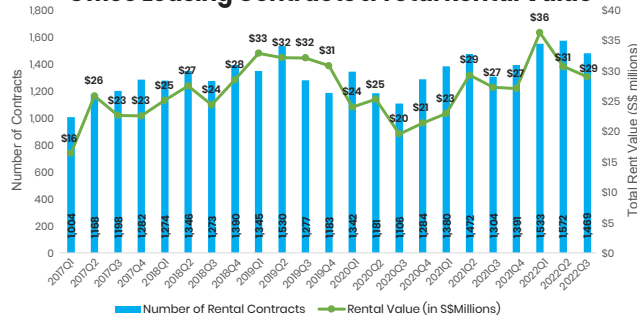
Median Rentals of office space by area in Q3 2022

Location	Median Rental (\$psf pm)	QOQ%
Anson/Cecil	\$6.02	↑ 7.9%
Marina Boulevard / Marina View	\$12.17	↑ 1.6%
Fringe area	\$5.03	↑ 3.5%
Raffles Place	\$9.54	↑ 0.4%
City Hall	\$5.78	↑ 7.0%

Source: PropNex Research, URA Realis (data retrieved on 28 Oct 2022)

- According to URA Realis caveat data, the volume of office rental transactions fell by 7% QOQ to 1,469 contracts in Q3 2022, from the 1,579 contracts signed in Q2 2022.
- Meanwhile, total leasing value fell by 5.4% QOQ to \$29.4 million in Q3 2022. This took the total value of contracts signed in 9M 2022 to more than \$96 million – on track to surpass the \$106.4 million worth of contracts signed in 2021.

Office Leasing Contracts & Total Rental Value



Source: PropNex Research, URA Realis (28 Oct 2022)

Office Vacancies

- Latest URA data showed that the island-wide vacancy rate of office space has fallen further from 12.0% in Q2 to 11.7% in Q3 2022.
- Vacant Private Sector Office Space island-wide stood at 863,000 sq m (nett) as at Q3 2022, down from the previous quarter, where vacant private office space came in at 882,000 sq m.
- According to the URA, the amount of occupied office space increased by 24,000 sq m (nett) in Q3 2022, similar to that of Q2 2022. Meanwhile, the total stock of office space fell by 2,000 sq m (nett) in Q3 2022.
- In terms of supply, a total of 858,000 sq m gross floor area (GFA) of office space is in the pipeline as at the end of Q3 2022, compared with 868,000 sq m GFA of space in the previous quarter.
- In 9M 2022, about 47,612 sq m of office space was completed and an estimated 24,000 sq m of office space is expected to enter the market in the remaining 3 months of 2022 – a limited stock that may boost rentals in the near-term. In 2023, an anticipated spike in new completions – estimated at 231,000 sq m – may weigh on occupancies.

Market Outlook

Singapore has long been a desirable location for corporates to set up their regional headquarters, and its appeal has only grown with the efficient transition to living with Covid-19. The back-to-work push over the last few months has strengthened the position of office landlords. Despite the adoption of hybrid working arrangements, many companies still see the importance of the physical workspace, as a means to drive office culture and collaborative work.

Leasing demand is expected to stay firm. Office rentals in the central region have risen by 6.3% from end-2021 as at Q3 2022, and PropNex projects that rental growth may come in at 7% to 8% for the whole of 2022 – compared to the 1.9% increase in 2021. Meanwhile, office vacancies will likely remain rangebound at around 11% to 12%.

Office prices are expected to remain resilient, with some upside potential for strata offices in the Central Area which are limited in supply and remain tightly-held amongst investors.

Q3 2022 QUARTERLY REPORT **INDUSTRIAL PROPERTY REPORT**

Report prepared by PropNex Research



Key Highlights

- **Growing rentals and prices** – Healthy demand for space has helped to drive rentals and prices, which grew by 2.1% and 2.0% QOQ in Q3 2022.
- **Resilient occupancies** – The overall occupancy rate of industrial properties slipped in Q3 (89.7%) from the previous quarter (90%) amidst new completions added to the overall industrial stock. In the first nine months of 2022, over 8.9 million sq ft was added to overall industrial stock.
- **Incoming bulky supply** – In the last quarter 2022, an estimated 6.9 million sq ft of industrial space is expected to be completed. In 2023, a projected 16.8 million sq ft of industrial space is expected to enter the market. The influx of new supply will likely compress rental and price growth in the medium-term.

Industrial Property Q3 2022

Overview

The Singapore industrial space market remained resilient in Q3 2022 despite global economic headwinds. According to the advance estimates released by the Ministry of Trade and Industry (MTI), the manufacturing sector grew by 1.5% YOY in Q3, slowing from the 5.7% expansion in Q2. Overall, Singapore's GDP grew by 4.4% YOY in Q3 2022.

The manufacturing growth in Q3 was supported by transport engineering, general manufacturing and precision engineering clusters; meanwhile, output from the electronics and chemicals clusters have declined, on the back of weaker global demand and trade. The manufacturing sector performance could slow in Q4 and into 2023 due to weaker external demand. The Singapore economy is projected to grow by 3% to 4% in 2022.

Rents and Occupancies

- Occupancies for overall industrial properties declined slightly in Q3 2022 amidst new supply completions during the quarter.
- Data from JTC showed that the overall occupancy rate slipped to 89.7% (-0.3 ppt QOQ) after rising to 90% in Q2 2022. When compared against Q3 2021, occupancies were down by 0.5 ppt YOY in Q3 2022.
- In Q3, nearly 171,000 sq m or 1.8 million sq ft of industrial space was completed. Together with the 655,000 sq m or 7.05 million sq ft of space completed in 1H 2022, the first nine months of 2022 saw slightly over 825,000 sq m or 8.9 million sq ft of space being added to the total stock.
- Occupancy rates slipped across most industrial property segments, with the highest quarterly decrease in Single-user factory space (-0.5 ppt QOQ). Occupancies in Multi-user factories and Warehouses fell by 0.2 ppt and 0.1 ppt QOQ respectively. Meanwhile Business Parks saw the occupancy rate inched up by 0.1 ppt QOQ.
- JTC noted that overall rentals rose by 2.1% QOQ in Q3 2022, with all segments posting growth over the previous quarter. This marks the eighth straight quarter of growth since Q3 2020 – with rentals up by 6.9% over the period. On a year-on-year basis, rents rose by 4.9% in Q3 2022.

Industrial Rents and Occupancies Q3 2022

Q3 2022	Rents			Occupancies		
	Rental Index	QoQ % Change	YoY % Change	Occupancy Rate	QoQ-pt Change	YoY-pt Change
All Industrial	95.7	2.1	4.9	89.7%	-0.3	-0.5
Multiple-User Factory	94.4	2.4	5.8	89.2%	-0.2	-0.6
Single-User Factory	99.8	2	3.5	89.8%	-0.5	-0.9
Business Park	113	0.8	0.4	85.2%	0.1	0.9
Warehouse	90.8	1.9	6	90.8%	-0.1	0.2

Source: PropNex Research, JTC (27 October 2022)

- The quarterly growth in rentals was led by the Multi-user factory space and Single-user factory space segments which grew by 2.4% and 2.0% QOQ respectively, followed by the Warehouse segment (+1.9% QOQ) and Business Park segment (+0.8% QOQ).
- The median rental of multi-user factories at D5 (Pasir Panjang) saw the highest QOQ increase of 10.2% during the quarter, where factory units were leased for \$1.83 psf per month.

Median transacted rentals (\$PSF PM) of Multi-user factories

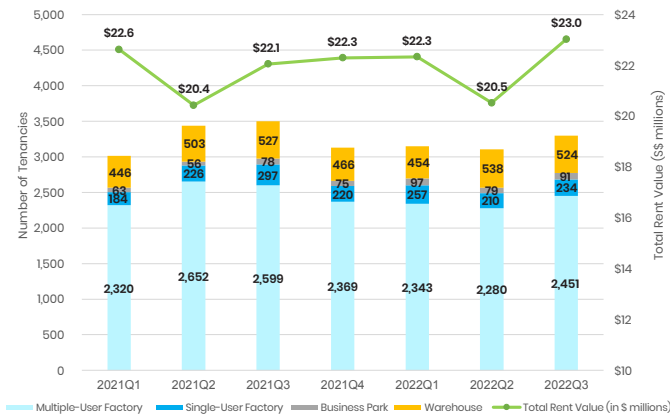
Location	Q2 2022	Q3 2022	QOQ %
D3 Queenstown, Tiong Bahru	2.20	2.33	↑ 5.9%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	1.66	1.83	↑ 10.2%
D8 Little India	1.78	1.92	↑ 7.9%
D12 Balestier, Toa Payoh, Serangoon	1.91	1.90	↓ -0.5%
D13 Macpherson, Braddell	2.01	2.05	↑ 2.0%
D14 Geylang, Eunos	2.12	2.24	↑ 5.7%
D16 Bedok, Upper East Coast, Eastwood, Kew Drive	1.40	1.35	↓ -3.6%
D17 Loyang, Changi	1.50	1.40	↓ -6.7%
D18 Tampines, Pasir Ris	1.96	1.69	↓ -13.8%
D19 Serangoon Garden, Hougang, Ponggol	2.05	1.98	↓ -3.4%
D20 Bishan, Ang Mo Kio	2.10	2.01	↓ -4.3%
D22 Jurong	1.72	1.80	↑ 4.7%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	2.03	2.07	↑ 2.0%
D25 Kranji, Woodgrove	1.74	1.80	↑ 3.4%
D26 Upper Thomson, Springleaf	1.50	1.50	↔ 0.0%
D27 Yishun, Sembawang	1.63	1.67	↑ 2.5%

Source: PropNex Research, JTC J Space

Industrial Property Leasing Activity

- Overall leasing demand expanded in Q3 2022, with growth in both rental volume and total leasing value, despite the stock additions over the last nine months.
- In Q3 2022, there were 3,300 tenancies – representing an increase of 6.2% QOQ from 3,107 contracts in Q2 2022. Total rent value also grew in Q3 2022 by 12.2% QOQ to \$23 million from about \$20.5 million in Q2 2022.
- Industrialists have been increasingly prudent with expansion plans – preferring to lease, over acquiring new space for operations given the rising interest rates which lead to a higher cost of borrowing and business overheads.

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

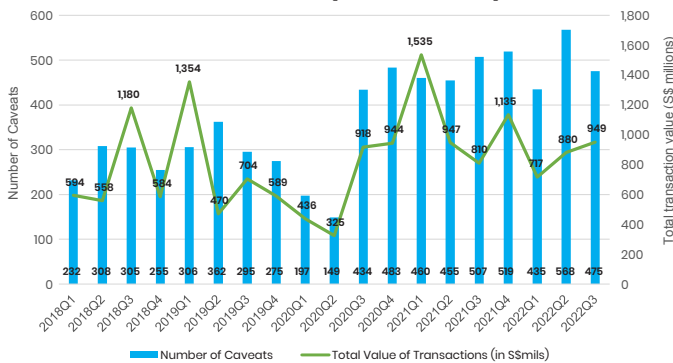


Source: PropNex Research, JTC J-Space (27 October 2022)

Prices and Sales Transactions

- Sales volume fell by over 16.4% QOQ to 475 deals in Q3 2022, from 568 transactions in Q2. On a year-on-year basis, transactions fell by 6.3% from the 507 deals done in Q3 2021.
- Of the 475 transactions in Q3 2022, 416 were for multiple-user factory space, accounting for about 87.6% of sales. This is followed by single-user factory space (33) then warehouse space (26)

Industrial Property Transactions & Total Value (in \$ million)



Source: PropNex Research, JTC J-Space (27 October 2022)

- Despite the smaller sales volume, overall sales value increased, owing to a number of big-ticket deals that occurred during the quarter. Total value of deals amounted to about \$949.5 million, up by about 7.9% from the \$880.3 million in the previous quarter. In 9M 2022, 1,478 deals amounting to over \$2.5 billion of industrial property sales were done.
- The All-industrial price index continued to rise despite weaker sales – up by 2.0% QOQ, accelerating from the 1.5% QOQ increase in Q2. Overall prices are also up by 7.2% YOY from Q3 2021. This is also the eighth consecutive quarter of growth since Q3 2020 – prices have gone up by 11.4% since then.

Median transacted unit price (\$PSF) of Multi-user Factories

Location	Q2 2022	Q3 2022	QOQ %
D3 Queenstown, Tiong Bahru	640	578	↓ -9.7%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	634	440	↓ -30.6%
D12 Balestier, Toa Payoh, Serangoon	873	936	↑ 7.2%
D13 Macpherson, Braddell	745	692	↓ -7.1%
D14 Geylang, Eunos	471	516	↑ 9.6%
D18 Tampines, Pasir Ris	344	327	↓ -4.9%
D19 Serangoon Garden, Hougang, Ponggol	538	745	↑ 38.5%
D20 Bishan, Ang Mo Kio	545	530	↓ -2.8%
D22 Jurong	272	285	↑ 4.8%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	351	379	↑ 8.0%
D25 Kranji, Woodgrove	421	438	↑ 4.0%
D26 Upper Thomson, Springleaf	503	436	↓ -13.3%
D27 Yishun, Sembawang	352	304	↓ -13.6%

Source: PropNex Research, JTC J Space

- The median price of multi-user factory units at D19 (Serangoon, Hougang) saw the highest QOQ increase of 38.5% in Q3, transacting at a median price of \$745 psf during the quarter. Prices were likely propped up by transactions at Citrine Foodland @ 33 Kim Chuan, a new freehold food factory strata development.
- Food factory strata units have also been gaining traction amongst industrialists and investors, owing to their limited supply and robust demand from food operators and cloud kitchens. Freehold projects such as Foodfab @ Mandai and Food Concept @ Pandan have been selling at an average unit price of \$1,828 psf and \$1,751 psf respectively in Q3 2022.
- The top selling industrial projects in Q3 was West Connect Building, located at Boon Lay – moving 23 units at an average unit price of \$293 psf.

Top 5 Best-Selling Industrial Multi-User Projects in Q3 2022

Q3 2022	Units Sold in Q3 2022	Average Unit Price (\$ PSF) in Q3 2022
WEST CONNECT BUILDING	23	\$293
PREMIER @ KAKI BUKIT	16	\$484
NORTHSTAR @ AMK	12	\$530
MEGA@WOODLANDS	10	\$331
PROXIMA@GAMBAS	10	\$232

Source: PropNex Research, JTC J-Space (27 October 2022)

- The top deal done in Q3 2022 was the \$104.8 million acquisition of the Philips APAC centre at Lorong 1 Toa Payoh by Ascendas REIT. This deal is the largest caveated industrial transaction done in 2022 year-to-date.

- The next biggest deals of Q3 were the \$90 million acquisition of two freehold buildings in Mandai Estate – Chip Tiong Industrial Building and Evan Lim Building – by a joint venture between EL Development and Sim Lian. The JV plans to redevelop the site into a 10-storey strata ramp-up food factory, Food Vision @ Mandai – that is expected to be completed by end-2025.

Top 5 Industrial Property Transactions by Quantum in Q3 2022

Location	Property Type	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)
622 LORONG 1 TOA PAYOH	Single-user Factory	104,800,000	163,563*	641**
CHIP TIONG INDUSTRIAL BUILDING 19 MANDAI ESTATE	Multiple-user Factory	45,000,000	40,127*	1,121**
EVAN LIM BUILDING 21 MANDAI ESTATE	Single-user Factory	45,000,000	39,049*	1,152**
PANDAN LOGISTICS HUB 49 PANDAN ROAD	Warehouse	43,500,000	133,681*	325**
2 JALAN KILANG BARAT	Multiple-user Factory	35,300,000	32,971*	1,071**

Source: PropNex Research, JTC J-Space (27 October 2022)

*Area indicated is the land area

**Unit price reflected is based on the land area

Market Sentiment and Outlook

Rentals and prices of industrial properties have been on an uptrend in the past two years, riding on healthy occupancies and robust demand, as the pandemic-induced construction delays crimped new supply and supply chain shifts boosted industrial space demand, particularly for warehouse space.

Going forward, as more completions come on the market this year and in 2023, this would apply some downward pressure on rental rates and occupancies – particularly for single-user and multiple-user factories where the bulk of supply will be. Business park outlook remains stable owing to limited supply, while warehouse space may continue to find support from the food and beverage sector, retailers as well as logistics firms, stockpiling goods to hedge against supply chain disruptions.

JTC noted that based on approval plans as at the end of September 2022, about 640,000 sq m or 6.89 million sq ft of industrial space is set to be completed in Q4 2022. Meanwhile, completions could come in at 16.8 million sq ft in 2023.

In the medium-term, the industrial space market could face some headwinds, namely the weaker external demand, rising interest rates and the possibility of a recession in major economies. It is likely that more firms may start to consolidate their operations and review their space usage to reduce business costs – more occupiers may turn to leasing over acquiring new space. In spite of the economic uncertainties, the long-term outlook for the industrial space sector is expected to be resilient, on the back of Singapore's 10-year "Manufacturing 2030" plan, which aims to grow the country's manufacturing sector by 50 per cent of its current value.

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