

Q3 2023 COMMERCIAL PROPERTY REPORT



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Q3 2023 INDUSTRIAL PROPERTY REPORT

Key Highlights

- **Growing rentals and prices** – Resilient demand for space helped to drive rental and price growth, which climbed by 2% and 1.4% QOQ respectively in Q3 2023.
- **Moderating occupancies** – The overall occupancy rate of industrial properties slipped in Q3 2023, falling to 88.9% from 89.1% in the previous quarter. In Q3, 312,000 sq m or nearly 3.4 million sq ft of industrial space was completed.
- **Incoming supply** – In Q4 2023, a projected 3.2 million sq ft of industrial space is expected to be completed. While in 2024, more than 20 million sq ft of industrial space is slated to enter the market. The influx of new supply could compress rentals and price growth in the medium-term.

Q3 2023 COMMERCIAL REPORT

Industrial Property Q3 2023

Overview

Sales in the industrial property market stumbled in Q3 2023 after a brief recovery in the previous quarter. Headwinds in the manufacturing sector continue to persist, including weak external demand and geopolitical tensions threatening supply chains.

Advance estimates released by the Ministry of Trade and Industry (MTI) showed that Singapore's manufacturing sector output fell by 5.0% year-on-year in Q3 2023, following a 7.7% YOY decline in Q2. This is the fourth straight quarterly contraction in manufacturing output. That being said, there are some encouraging signs of improvement. The Purchasing Manager's Index (PMI) for September turned expansionary, with a reading of 50.1 – up from 49.9 in August – marking growth in factory activity. Meanwhile, the non-oil domestic exports (NODX) saw a narrower contraction of 13.2% YOY in September.

Rents and Occupancies

- Occupancies for overall industrial properties slipped in Q3 owing to the addition of new supply during the quarter.
- Data from JTC showed that the overall occupancy rate dipped to 88.9% (-0.2 ppt QOQ) from 89.1% in Q2 2023. When compared against Q3 2022, occupancies fell by 0.8 ppt YOY in Q3.
- In Q3, 312,000 sq m or about 3.4 million sq ft of industrial space was completed. An additional 298,000 sq m or 3.2 million sq ft of space is expected to be added to the total stock in Q4 2023. Of the upcoming supply, single-user factories will comprise 63% of the space, while warehouses account for 23%, and the remaining 14% will be for multi-user factories and business park space.
- The upcoming new completions could put an upward pressure on vacancies as supply may outpace demand for industrial space.
- Occupancies slipped across most segments in Q3: multi-user factories (-0.2 ppt QOQ); single-user factory (-0.4 ppt QOQ); and business park property segments (-0.1 ppt QOQ). Warehouse segment bucked the trend as occupancies inched up by 0.3 ppt QOQ in Q3 2023.

Industrial Rents and Occupancies in Q3 2023

Q3 2023	Rents			Occupancies		
	Rental Index	QoQ % Change	YoY % Change	Occupancy Rate	QoQ %-pt Change	YoY %-pt Change
All Industrial	104.6	2.0	9.3	88.9%	-0.2	-0.8
Multiple-User Factory	104.9	2.0	11.1	89.7%	-0.2	0.5
Single-User Factory	107.4	1.9	7.6	88.2%	-0.4	-1.6
Business Park	117.7	1.2	4.2	80.5%	-0.1	-4.7
Warehouse	99.1	2.4	9.1	91.3%	0.3	0.5

Source: PropNex Research, JTC J-Space

- According to JTC, overall industrial rentals rose by 2% QOQ in Q3 2023, with all segments posting growth over the previous quarter, amid inflationary pressures. This marks the twelfth straight quarter of growth since Q3 2020. On a year-on-year basis, rents were up by 9.3% in Q3.

- The quarterly growth in rentals was led by the warehouse and multi-user factory segments which grew by 2.4% QOQ and 2% QOQ, respectively, followed by single-user factory (+1.9% QOQ) and business park (+1.2% QOQ).
- The median rentals of multiple-user factories across most districts rose in Q3, except those in D8 (Little India), D12 (Balestier, Toa Payoh, Serangoon), D16 (Bedok, Upper East Coast, Eastwood, Kew Drive), D19 (Serangoon Garden, Hougang, Ponggol), D26 (Springleaf, Upper Thomson). Median rentals of multiple-user factory space at D18 (Tampines, Pasir Ris) saw the steepest jump of 25.3% QOQ to \$2.38 psf per month in Q3 2023.

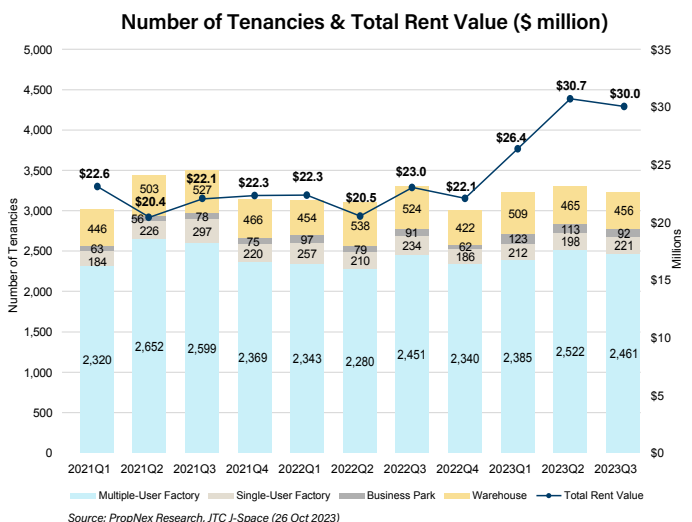
Median Transacted Rentals (\$psf Pm) Of Multi-user Factories

District	2023 Q2	2023 Q3	QOQ%
D3 Queenstown, Tiong Bahru	2.55	2.56	↑ 0.4%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	2.01	2.32	↑ 15.4%
D8 Little India	3.96	2.20	↓ -44.4%
D12 Balestier, Toa Payoh, Serangoon	2.10	2.05	↓ -2.4%
D13 Macpherson, Braddell	2.30	2.34	↑ 1.7%
D14 Geylang, Eunos	2.50	2.55	↑ 2.0%
D16 Bedok, Upper East Coast, Eastwood, Kew Drive	1.43	1.40	↓ -2.1%
D17 Loyang, Changi	1.47	1.55	↑ 5.4%
D18 Tampines, Pasir Ris	1.90	2.38	↑ 25.3%
D19 Serangoon Garden, Hougang, Ponggol	2.44	2.36	↓ -3.3%
D20 Bishan, Ang Mo Kio	2.31	2.37	↑ 2.6%
D22 Jurong	2.03	2.11	↑ 3.9%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	2.29	2.39	↑ 4.4%
D25 Kranji, Woodgrove	2.03	2.10	↑ 3.4%
D26 Upper Thomson, Springleaf	1.79	1.40	↓ -21.8%
D27 Yishun, Sembawang	1.93	1.94	↑ 0.52%

Source: PropNex Research, JTC J-Space (26 Oct 2023)

Industrial Property Leasing Activity

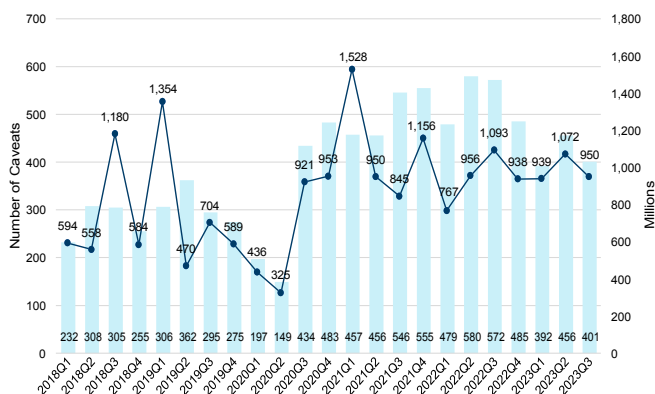
- Overall leasing demand dipped slightly in Q3 2023, with a drop in both rental volume and total leasing value.
- In Q3 2023, there were 3,230 tenancies signed – representing a decrease of 2.1% QOQ from 3,289 contracts in Q2 2023.
- Total rent value also fell in Q3 2023 by 2.2% QOQ to about \$30 million from the \$30.7 million recorded in Q2.



Prices and Sales Transactions

- Sales volume declined by about 12.1% QOQ to 401 deals in Q3 2023, from 456 transactions in Q2. On a year-on-year basis, transactions fell by 29.9% from the 572 deals done in Q3 2022.
- Of the 401 transactions in Q3 2023, 345 were for multiple-user factory space, accounting for about 86% of sales. This is followed by single-user factory space (30) and warehouse space (26).
- Overall sales value also declined in Q3 2023, falling by 11.4% QOQ from \$1.07 billion to \$950 million. On a YOY basis, the total value of deals slipped by 13.1% from Q3 2022.

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



Source: PropNex Research, JTC J-Space (26 Oct 2023)

- The overall industrial price index continued to rise in Q3 – up by 1.4% QOQ, following the 1.5% QOQ increase in Q2. Overall prices were up by 6.2% YOY from Q3 2022. This is the twelfth consecutive quarter of growth since Q3 2020 – prices have gone up by 18.4% since then.
- The industrial price growth was led by single-user factories which grew by 1.7% QOQ in Q3, while multi-user factory prices grew by 1.1% QOQ.

Median Transacted Unit Price (\$psf) Of Multi-user Factories

District	2023 Q2	2023 Q3	QOQ%
D3 Queenstown, Tiong Bahru	808	860	↑ 6.4%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	1,106	822	↓ -25.7%
D12 Balestier, Toa Payoh, Serangoon	1,070	1,074	↑ 0.4%
D13 Macpherson, Braddell	759	742	↓ -2.2%
D14 Geylang, Eunus	495	501	↑ 1.2%
D17 Loyang, Changi	243	205	↓ -15.6%
D18 Tampines, Pasir Ris	342	347	↑ 1.5%
D19 Serangoon Garden, Hougang, Ponggol	603	646	↑ 7.1%
D20 Bishan, Ang Mo Kio	549	564	↑ 2.7%
D22 Jurong	299	317	↑ 6.0%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	384	377	↓ -1.8%
D25 Kranji, Woodgrove	476	454	↓ -4.6%
D26 Upper Thomson, Springleaf	625	596	↓ -4.6%
D27 Yishun, Sembawang	320	343	↑ 7.2%

Source: PropNex Research, JTC J Space (26 Oct 2023)

- The price growth of multi-user factories across districts was uneven. The median price of multi-user factory units in D27 (Yishun, Sembawang) saw the highest increase of 7.2% QOQ to \$343 psf in Q3. Meanwhile, the median price of multi-user factory spaces in D5 (Pasir Panjang) posted the sharpest decline of 25.7% QOQ to \$822 psf.
- The top-selling industrial project in Q3 was Midview City, a 60-year leasehold multi-user light industrial building – transacting 16 units, at an average unit price of \$570 psf.

Best-Selling Industrial Multi-User Projects in Q3 2023

Project	Units Sold in Q3 2023	Average Unit Price (\$ PSF) in Q3 2023
MIDVIEW CITY	16	\$570
UBI TECHPARK	10	\$571
PIONEER POINT	9	\$354
MEGA@WOODLANDS	9	\$270
PIONEER CENTRE	9	\$287

Source: PropNex Research, JTC J-Space (26 Oct 2023)

- In Q3 2023, the top deal by quantum was the \$68-million sale of the Sime Darby Business Centre in Alexandra Road. The five-storey building was bought by Eagle Land (Credit), which is in the car dealership business. With an existing gross floor area (GFA) of nearly 179,190 square feet (sq ft), the purchase price reflects a unit price of \$380 psf based on GFA.
- Another notable deal during the quarter was for the acquisitions of Kimly Building and Cheng Meng Building by the founder and chairman of Fragrance Group, local property developer, for \$61 million and \$39 million respectively. Both buildings are relatively older with freehold tenures, offering the buyer an opportunity to potentially redevelop the sites into higher-spec strata-titled buildings. According to market observers, freehold industrial buildings are sought-after amongst industrialists and investors for their capital appreciation as well as redevelopment potential.

Top 5 Industrial Property Transactions by Quantum in Q3 2023

Location	Buyer	Seller	Transacted Price (\$)	Area (sq ft)
SIME DARBY BUSINESS CENTRE ALEXANDRA ROAD	Eagle Land (Credit)	Local company linked to Blackrock	68,000,000	83,097*
KIMLY BUILDING NEW INDUSTRIAL ROAD	Fragrance Group	Kimly Construction	61,000,000	75,100
TUAS VISTA TUAS SOUTH AVENUE 2	Information not available	Information not available	53,000,000	133,741*
CHENG MENG BUILDING KALLANG PUDDING ROAD	Fragrance Group	Cheng Meng Furniture Group	39,990,000	24,703*
REEBONZ BUILDING TAMPINES NORTH DRIVE 5	Local company linked to Sunray Woodcraft Construction	Reebonz	39,000,000	86,111*

Source: PropNex Research, JTC J-Space (26 Oct 2023)

*Area indicated is the land area

**Unit price reflected is based on the land area

Market Sentiment and Outlook

Industrial property demand will likely remain muted in the near-term as headwinds loom. The weak external demand, high interest rate environment, macroeconomic uncertainties, and geopolitical tensions could hamper manufacturing recovery.

Latest comments from the International Monetary Fund's (IMF) further attests that global growth is set to continue on a sluggish trajectory. According to IMF's forecast, global growth is expected to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024 – below the historical (2000–19) average of 3.8 percent. Manufacturers across various industrial sectors remain cautious in their expansion plans in view of muted growth outlook and the fragile economic –geopolitical landscape, arising from the ongoing Middle East conflict.

In 2024, a large supply of 1.95 million sqm of industrial space is expected to be completed. This may take a while to be absorbed by the market and could weigh on occupancies. Beyond 2024, the long-term outlook on industrial properties remains positive, supported by the government's push to grow the manufacturing sector, and to position Singapore as a global hub for advanced manufacturing, business, and innovation.

Q3 2023 OFFICE PROPERTY REPORT

Key Highlights

- **Quieter sales activity** – the sales momentum in the office market fell significantly amidst a slowing economy and muted sentiment; 71 office deals worth \$267 million were done in Q3 2023, according to caveats lodged.
- **Pick up in rentals** – office space rentals in the Central Region rose at a faster pace of 4.9% QOQ in Q3 2023, driven mainly by the Central Area.
- **Bumper crop of new completions** – in Q3 2023, about 11,400 sq m of office space was completed; a smaller supply of office space (9,000 sq m) is expected to be completed in Q4 2023. Meanwhile, a bumper crop of about 324,000 sqm of office supply is slated to come on in 2024, potentially weighing on office occupancies and rentals in 2024.

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Office Property Q3 2023

Overview

Office property sales pulled back in Q3 2023 following a recovery in Q2, which was bolstered by a brief resurgence in interest in commercial properties after the government hiked additional buyer's stamp duty (ABSD) rates for residential property purchase in April 2023.

Market sentiment weakened during the quarter amidst macroeconomic headwinds and geopolitical tensions. That said, in Q3 2023, Singapore managed to avert a technical recession as the economy grew by 0.7% year-on-year, based on advance estimates. The expansion was anchored by the services sector (+1.9% YOY), while the manufacturing sector continued to contract (-5% YOY). Within the services sector, the accommodations & food services, real estate, administrative and support services led growth (+4.7% YOY), on the back of the tourism recovery. Meanwhile, the info-comm, finance, insurance, and professional services sectors booked a 1.5% YOY growth in Q3 despite a weaker performance in the finance and insurance segment.

Sales Transactions and Prices

- Prices of office space continued to grow in Q3, albeit at a slower pace, following the 1.0% QOQ growth in the previous quarter. The URA property price index of office space climbed by 0.8% QOQ in Q3, and was up by 5.5% YOY from Q3 2022.
- The office price growth was led by the Central Area, where prices rose by 0.8% QOQ, building further on the 0.7% QOQ growth in the previous quarter. This has mitigated the slip in Fringe Area office prices, which fell by 0.8% QOQ in Q3 - reversing the 2.5% QOQ growth posted in the previous quarter.

Table 1: Top 10 Office Deals by Quantum in Q3 2023

	Location	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)	Date of Sale
1	SOLITAIRE ON CECIL 148 CECIL STREET #14-0X to 0X	52,054,000	12,465	4,176	Jul-23
2	SOLITAIRE ON CECIL 148 CECIL STREET #10-0X to 0X	51,184,000	12,465	4,106	Jul-23
3	NOMU 20 HANDY ROAD #03-0X	23,988,888	6,329	3,790	Aug-23
4	SUNTEC CITY 9 TEMASEK BOULEVARD #06-XX	16,518,150	7,029	2,350	Jul-23
5	SUNTEC CITY 9 TEMASEK BOULEVARD #19-XX	11,612,600	3,746	3,100	Jul-23
6	SUNTEC CITY 7 TEMASEK BOULEVARD #08-XX	11,502,600	4,037	2,850	Jul-23
7	THE ARCADE 11 COLLYER QUAY #02-XX ETC.	8,800,000	2,196	4,008	Sep-23
8	PENINSULA PLAZA 111 NORTH BRIDGE ROAD #26-XX	6,000,000	2,174	2,759	Sep-23
9	CITY PLAZA 810 GEYLANG ROAD #01-XX	5,800,000	1,130	5,132	Sep-23
10	111 SOMERSET 111 SOMERSET ROAD #06-XX	3,690,000	1,367	2,699	Aug-23

Source: PropNex Research, URA Realis (data retrieved on 27 Oct 2023)

*Area indicated is the land area

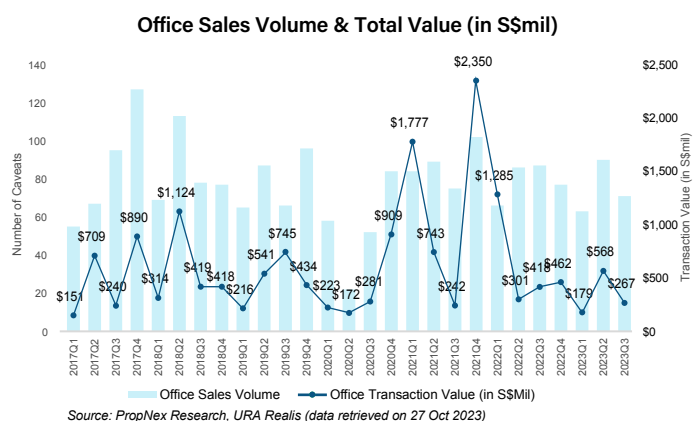
**Unit price reflected is based on the land area

- Based on caveats lodged, in Q3 2023, there were 71 office transactions, reflecting a 21.1% QOQ decline from the 90 deals done in Q2.
- The total value of sales also fell sharply by about 53% QOQ from \$568 million in Q2 2023 to \$267 million in Q3 2023, based on caveats lodged.
- In 9M 2023, 224 deals worth about \$1.0 billion were inked - lower than in 9M 2022, where 239 office deals valued at \$2 billion were transacted.
- The office market looks likely to underperform the full year performance posted in 2022 and 2021 which recorded 316 deals worth \$2.47 billion, and 350 deals worth \$5.1 billion respectively - bolstered by some high-profile building sales then.
- The top caveated transactions in Q3 were the sales of office floors at the Solitaire on Cecil in July. The 14th floor and 10th floor space were sold for \$52 million and \$51.2 million respectively (with an estimated average unit price of \$4,150 psf on strata area). The units were reportedly purchased by Singapore-based non-profit Thye Hua Kwan (THK) Moral charities in a \$103.33 million deal.
- The third largest caveated deal of Q3 was the sale of the 3rd floor office space at the mixed-use development, Nomu, for nearly \$24 million. Located off Orchard Road, the 12-storey freehold building comprises apartments, office and retail space. The sale price reflects a unit price of \$3,790 psf on a floor area spanning about 6,329 sq ft. The buyer is reportedly a subsidiary of IMC Group Holdings, a Hong Kong-based shipping line.

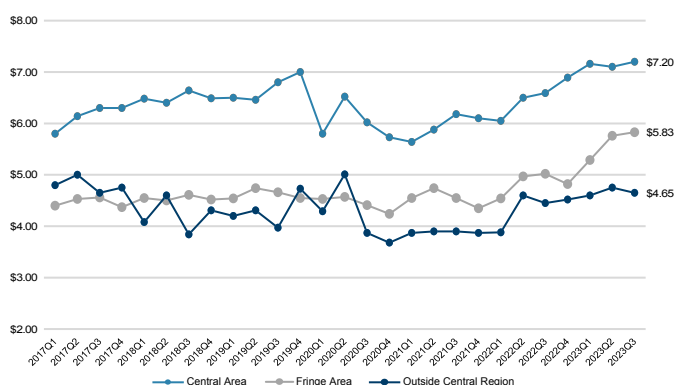
Table 2: Price & Rental Index of Office Space in Q3 2023

Q3 2023	Price Index	QOQ%	YOY%	Rental Index	QOQ%	YOY%
Central Region	118.1	+0.8%	+5.5%	199.5	+4.9%	+18.5%
Central Area	116.1	+0.8%	+6.1%	200.9	+5.2%	+18.2%
Fringe Area	122.0	-0.8%	+1.0%	182.0	+2.7%	+16.0%

Source: PropNex Research, URA (data retrieved on 27 Oct 2023)

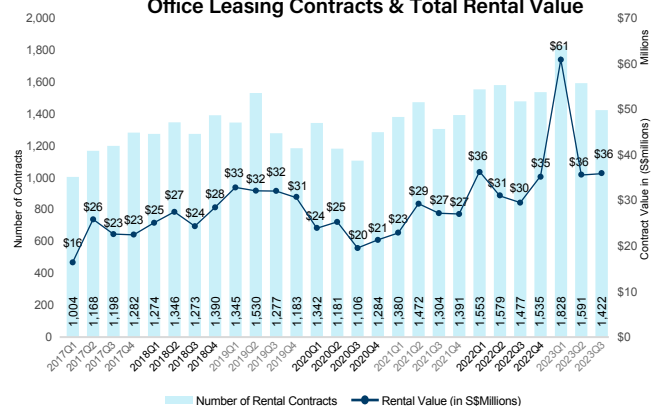


Median Rentals (\$PSF per month) of Office Space by subzone/region



Source: PropNex Research, URA Realis (data retrieved on 27 Oct 2023)

Office Leasing Contracts & Total Rental Value



Source: PropNex Research, URA Realis (data retrieved on 27 Oct 2023)

Rentals and Leasing Trends

- Office leasing demand held up in Q3, despite the muted economic outlook and slowdown in the tech and banking sectors. Occupiers in segments such as private wealth, asset management, and professional services picked up the slack and supported demand for space in Q3. Notwithstanding WeWork's challenges in other markets, observers noted that co-working and flexible space operators in Singapore continued to expand their offerings.
- The URA office rental index showed that Central Region office rents grew for the 8th straight quarter in Q3 2023, rising at 4.9% QOQ – accelerating from the 2.3% QOQ growth in Q2. The rental growth was largely led by the Central Area where rents rose by 5.2% QOQ, while rentals in the Fringe Area grew by 2.7% QOQ in Q3.
- Based on URA Realis data, median monthly rentals in the Central Area and Fringe Area grew to \$7.20 psf and \$5.83 psf respectively, in Q3. Meanwhile office spaces in the Outside Central Region slipped to \$4.86 psf in the quarter, snapping a three-quarter growth streak.

Table 3: Median Rentals of office space by area in Q3 2023

Location	Median Rental (\$psf pm)	QOQ%
Anson/Cecil	\$6.57	↓ -1.9%
Marina Boulevard / Marina View	\$13.51	↑ 4.7%
Fringe area	\$5.83	↑ 1.2%
City Hall	\$7.04	↑ 13.7%
Orchard	\$7.95	↑ 0.9%

Source: PropNex Research, URA Realis (data retrieved on 27 Oct 2023)

- Meanwhile, the office rental volume contracted in Q3, falling by 10.6% QOQ to 1,422 contracts, from 1,591 contracts signed in Q2 2023. The total leasing value grew slightly by 0.9% QOQ to \$36 million in Q3.
- In 9M 2023, 4,841 leasing contracts worth \$132.5 million were signed – looking set to outperform 2022 where 6,148 contracts worth \$132.2 million were inked in the full year.

Office Vacancies

- Latest URA data showed that the island-wide vacancy rate of office space has tightened further from 10.8% in Q2 2023 to 10% in Q3 2023.
- According to the URA, the amount of occupied office space increased by 23,000 sq m (nett) in Q3 2023, following the increase of 30,000 sq m in Q2.
- Meanwhile, the total stock of office space decreased by 42,000 sq m (nett) in Q3 2023, due to the withdrawal of office stock from redevelopment projects such as Central Square and Central Mall.
- In terms of supply, a total of 1,097,000 sq m gross floor area (GFA) of office space is in the pipeline as at the end of Q3 2023, compared with the 927,000 sq m GFA of space in Q2 2023.
- In 9M 2023, about 95,647 sq m of office space was completed, with 11,400 sq m of office space achieving TOP in Q3. An estimated 9,000 sq m of office space is slated to come on in Q4 2023.

Market Outlook

In the near term, office rentals and capital values may face some pressure amidst muted economic outlook, still elevated interest rates, and cost-push inflation driving up business costs. Most tenants are expected to remain prudent about expanding their office footprint in the coming quarters. The influx of office supply – of about 324,000 sq m – in 2024 may weigh on occupancies and rental growth. Of note, IOI Central Boulevard, with 1.26 million sq ft of office space is expected to be completed in Q1 2024.

However, there is some cause for optimism. The Monetary Authority of Singapore said the country's economic growth is expected to improve in 2H 2024. Meanwhile, some market observers also noted a decline in shadow space in Q3 – referring to space under lease but not utilised by tenant – as companies right-size their real estate portfolio, amidst rising rentals.

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