

Q4 2022 COMMERCIAL PROPERTY REPORT



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Q4 2022 OFFICE PROPERTY REPORT

Key Highlights

- **Quieter transaction activity** – sales momentum in the office market remained subdued, with 72 deals worth \$391 million done during the quarter, according to caveats lodged.
- **Buoyant rental market** – overall rentals of office space rose by 5.1% QOQ on healthy office space demand and tighter vacancies.
- **Limited new completions** – in Q4 2022, an estimated 11,000 sq m of office space was completed. Despite the projected 244,000 sq m of new supply in 2023, rentals are expected to remain resilient amid robust leasing demand from occupiers.

OFFICE PROPERTY Q4 2022

Overview

In Q4 2022, the sales momentum in the office property market in Singapore was subdued amidst global headwinds, high interest rates and dimmer economic prospects. The Singapore economy also posted slower growth in Q4 2022, with a 2.2% year-on-year expansion, as per advance estimates from the Ministry of Trade and Industry. For the whole of 2022, the economy grew by 3.8% slower than the 7.6% growth in 2021. In 2023, Singapore's GDP is projected to expand by 0.5% to 2.5%.

Transaction activity was muted in Q4, as investors remained cautious in asset acquisitions amid high borrowing costs and weaker market sentiment. On the other hand, office rentals continued to rally, particularly that of prime CBD space, driven by the tight office space supply and stable demand from occupiers for Grade A office space in the city centre.

Sales Transactions and Prices

- Despite the slower sales, prices of office space grew in Q4 2022. According to the URA office price index, prices of office space climbed by 3.7% QOQ in Q4, reversing the 2.7% QOQ decline in the previous quarter. For the full-year 2022, office prices dipped by 0.1% - likely bottoming, following the 5.8% fall in 2021.

The quarterly growth in office prices in Q4 2022 was

- led by the Central Area, where prices grew by 5% QOQ. Meanwhile, prices of office space in the fringe area fell by 2.9% QOQ.

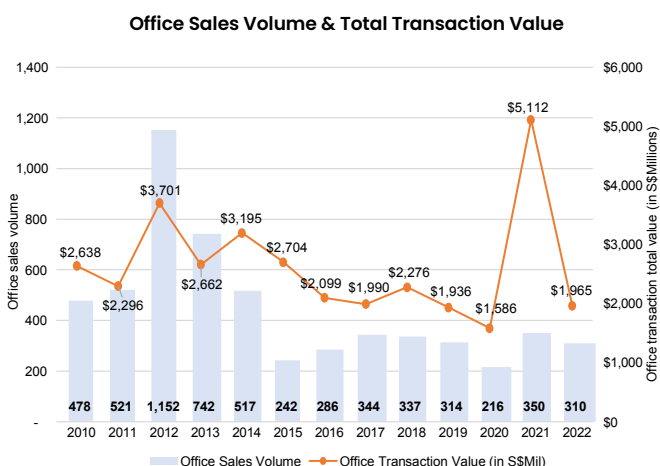


Table 1: Top 10 Office Deals by Quantum in Q4 2022

s/n	Location	Transacted Price (\$)	Area (sqft)	Unit Price (\$PSF)	Date of Sale
1	SPRINGLEAF TOWER 3 ANSON ROAD #29-XX, #28-XX	\$53,924,840	21,485	\$2,510	Nov-22
2	15 SCOTTS 15 SCOTTS ROAD #04-XX, XX, XX, XX	\$49,000,000	13,735	\$3,568	Oct-22
3	SOUTHPOINT 200 CANTONMENT ROAD #12-XX	\$43,000,000	16,038	\$2,681	Dec-22
4	SPRINGLEAF TOWER 3 ANSON ROAD #31-XX	\$27,392,100	10,742	\$2,550	Nov-22
5	15 SCOTTS 15 SCOTTS ROAD #06-XX	\$23,000,000	5,770	\$3,986	Dec-22
6	CHINATOWN POINT 133 NEW BRIDGE ROAD #21-XX, XX, XX, XX	\$17,380,000	9,720	\$1,788	Nov-22
7	SUNTEC CITY 9 TEMASEK BOULEVARD #17-XX	\$17,121,060	5,188	\$3,300	Dec-22
8	WOODS SQUARE 10 WOODLANDS SQUARE #03-XX TO XX	\$12,888,976	6,458	\$1,996	Oct-22
9	VISION EXCHANGE 2 VENTURE DRIVE #17 - XX TO XX	\$11,930,000	4,930	\$2,420	Oct-22
10	BALMORAL PLAZA 271 BUKIT TIMAH ROAD #03-XX	\$11,300,000	4,101	\$2,755	Dec-22

Source: PropNex Research, URA Realis (data retrieved on 31 Jan 2023)

*Area indicated is the land area **Unit price reflected is based on the land area

- In Q4 2022, there were 72 sales transactions, reflecting a 16.3% QOQ drop from 86 deals done in Q3 2022, based on caveats lodged. In 2022, there were 310 office sale caveats - moderating from the 350 office deals transacted in the previous year.
- Despite the lower transaction volume, the total value of sales grew slightly in Q4 2022. Based on caveats lodged, the total transaction value in Q4 2022 amounted to over \$391 million - 3.2% higher than the \$379 million worth of sales in Q3 2022.
- For the whole of 2022, the total value of caveated office transactions had crossed \$1.96 billion, though the actual figure may be higher as some deals were not caveated. This is slightly lower than pre-pandemic levels where the total value of sales averaged \$2.2 billion annually from 2015 to 2019.
- The top caveated transaction in Q4 was the \$53.9-million sale of office space on the 28th and 29th floor at 99-year leasehold Grade A commercial building, Springleaf Tower in the CBD. The sale price reflected a unit price of \$2,510 psf against a floor area of 21,485 sq ft.
- The second most expensive caveated deal in Q4 was the sale of a 4th floor office at 15 Scotts for \$49 million in October 2022. According to media reports, Cortina Holdings is the buyer, and it plans to use the space for the group's HQ operations. The sale price reflected a unit price of \$3,568 psf against a floor area of 13,735 sq ft.

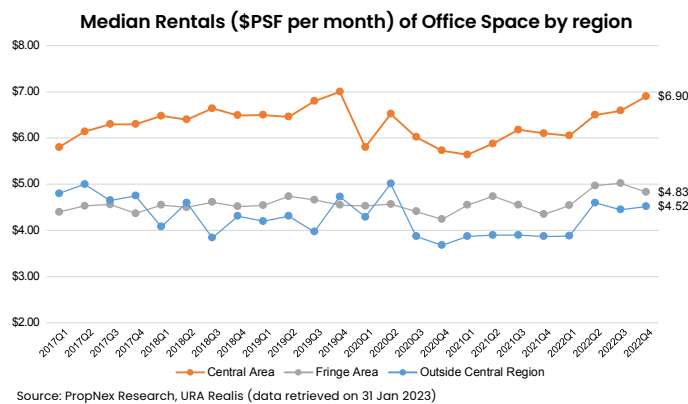
Table 2: Price & Rental Index of Office Space in Q4 2022

Q4 2022	Price Index	QOQ%	YOY%	Rental Index	QOQ%	YOY%
Central Region	116.0	+3.7%	-0.1%	176.9	+5.1%	+11.7%
Central Area	114.9	+5.0%	+0.4%	181.1	+6.6%	+11.9%
Fringe Area	117.3	-2.9%	-2.4%	150.6	-4.0%	+11.6%

Source: PropNex Research, URA (data retrieved on 31 Jan 2023)

Rentals and Leasing Trends

- News of mass layoffs in several tech firms have grabbed media headlines in the last quarter of 2022. Moving forward, the amount of shadow space on the market bears watching, should tech firms opt to give up some space.
- The URA office rental index showed that office rents grew for the 5th straight quarter in Q4, rising by 5.1% QOQ – accelerating from the 2.1% QOQ growth in Q3. Rentals in the Central Region have grown by 11.7% for the whole of 2022.
- The rental increase in Q4 was largely led by the Central Area which saw a 6.6% QOQ growth. Meanwhile, rentals in the fringe area fell by 4% QOQ – snapping four straight quarters of growth.



- Median monthly rentals in the Central Area grew to \$6.90 psf in Q4, while that of office spaces in fringe areas slipped to \$4.83 psf during the quarter.
- Limited office completions during the quarter have helped to keep occupancies stable and lifted rentals, especially for CBD Grade A space.

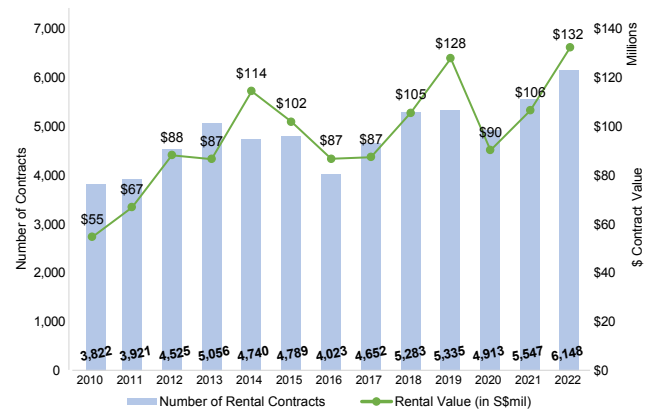
Table 3: Median Rentals of office space by area in Q4 2022

Location	Median Rental (\$psf pm)	QOQ%
Anson/Cecil	\$6.47	↑ 7.5%
Orchard	\$7.44	↑ 9.6%
Fringe area	\$4.83	↓ -3.8%
Raffles Place	\$10.06	↑ 5.5%
City Hall	\$6.60	↑ 14.2%

Source: PropNex Research, URA Realis (data retrieved on 31 Jan 2023)

- According to URA Realis caveat data, the volume of office rental transactions grew by 4.2% QOQ to 1,539 contracts in Q4 2022, from the 1,477 contracts signed in Q3 2022.
- Meanwhile, leasing value grew by 19.7% QOQ to about \$35.3 million in Q4 2022. This took the total value of contracts signed in 2022 to more than \$132 million (6,148 contracts) – outperforming the \$106.4-million value achieved in 2021 and setting a new high for rental contract value, surpassing the last record in 2019 where \$127.8 million worth of contracts were signed.

Office Leasing Contracts & Total Rental Value



Office Vacancies

- Latest URA data showed that the island-wide vacancy rate of office space has fallen further from 11.7% in Q3 to 11.3% in Q4 2022.
- Vacant Private Sector Office Space island-wide stood at 831,000 sq m (nett) as at Q4 2022 – down from 863,000 sq m (nett) in the previous quarter.
- According to the URA, the amount of occupied office space increased by 9,000 sq m (nett) in Q4 2022, compared with the increase of 24,000 sq m in Q3 2022. Meanwhile, the total stock of office space fell by 23,000 sq m (nett) in Q4 2022.
- In terms of supply, a total of 872,000 sq m gross floor area (GFA) of office space is in the pipeline as at the end of Q4 2022, compared with 858,000 sq m GFA of space in the previous quarter.
- In 2022, about 58,766 sq m of office space was completed, with an estimated 11,000 sq m of office space entering the market in Q4 2022. New completions are projected to spike in 2023 to an estimated 244,000 sq m which may weigh on occupancies.

Market Outlook

Sales of office spaces may pick up in 2023, with China's reopening – the office investment sales market will attract interest from Mainland Chinese investors, who are looking for a safe haven investment destination to park their wealth. Prices could remain resilient, particularly for Central Area strata offices which are limited in supply.

While sectors such as tech and manufacturing may experience challenges in 2023, brighter prospects in other industries – including services and finance – will help to support office demand. Flight-to-quality will continue to be beneficial for Grade A office in the CBD. Meanwhile, companies may look at decentralised space in earnest should the rental gap continue to widen against that of the CBD.

Q4 2022 INDUSTRIAL PROPERTY REPORT



Key Highlights

- Growing rentals and prices – Healthy demand for space has helped to drive rental and price growth, which grew by 2.1% and 1.7% QOQ respectively in Q4 2022.
- Stable occupancies – The overall occupancy rate of industrial properties continued its downward trend, slipping in Q4 (89.4%) from the previous quarter (89.7%) amidst new completions added to the overall industrial stock. In 2022, over 5.2 million sq ft was added to overall industrial stock.
- Incoming supply – In 2023, a projected 19.4 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 Q4 2022

Overview

The Singapore industrial space market remained relatively stable in Q4 2022 despite a slowdown in global economic output. According to the advance estimates released by the Ministry of Trade and Industry (MTI), the manufacturing sector contracted by 3.0% YOY in Q4, a reversal from the 1.4% YOY expansion in Q3. Overall, Singapore's GDP grew by 2.2% YOY in Q4 2022.

The slowdown in manufacturing output in Q4 was driven by contractions in the electronics, chemicals and biomedical manufacturing clusters due to weaker demand and trade. The decline outweighed the output expansion in the transport engineering, general manufacturing and precision engineering clusters. The manufacturing sector performance could continue to slow into 2023 due to weaker external demand. For the whole of 2022, the Singapore economy grew by 3.8%, slower than the 7.6% growth recorded in 2021.

Rents and Occupancies

- Occupancies for overall industrial properties declined slightly in Q4 2022 amidst an injection of new completions during the quarter.
- Data from JTC showed that the overall occupancy rate slipped to 89.4% (-0.3 ppt QOQ) from 89.7% in Q3 2022. When compared against Q4 2021, occupancies were down by 0.8 ppt YOY in Q4 2022.
- In Q4, 486,000 sq m or 5.23 million sq ft of industrial space was completed. This is the largest quarterly increase since 2017. Together with the 825,000 sq m or 8.9 million sq ft of space added in the first 9 months of 2022, a total of 1,311,000 sq m or 14.1 million sq ft of space was added to the total stock in 2022.
- Occupancy rates slipped across most industrial property segments, with the highest quarterly decrease in Business Park Space (-2.7ppt QOQ) owing to the completion of Business Park space of about 86,000 sq m during the quarter. Occupancies in Single-user and Multi-user factories and fell by 0.7 ppt and 0.1 ppt QOQ respectively. Meanwhile Warehouses saw the occupancy rate inched up by 0.9 ppt QOQ.
- JTC said overall rentals rose by 2.1% QOQ in Q4 2022, with all segments posting growth over the previous quarter. This marks the ninth straight quarter of growth since Q3 2020. On a year-on-year basis, rents were up by 6.9% in Q4.

Industrial Rents and Occupancies Q4 2022

Q4 2022	Rents			Occupancies		
	Rental Index	QoQ% Change	YoY% Change	Occupancy Rate	QoQ%-pt Change	YoY%-pt Change
All Industrial	97.7	2.1	6.9	89.4%	-0.3	-0.8
Multiple-User Factory	96.9	2.6	8.3	89.1%	-0.1	-1.1
Single-User Factory	101.1	1.3	4.1	89.1%	-0.7	-1.5
Business Park	114.1	1.0	2.0	82.5%	-2.7	-2.0
Warehouse	92.8	2.2	7.9	91.7%	0.9	1.1

Source: PropNex Research, JTC (26 January 2023)

- The quarterly growth in rentals was led by the Multi-user factory space and Warehouse space segments which grew by 2.6% and 2.2% QOQ respectively, followed by the Single-user factory segment (+1.3% QOQ) and Business Park segment (+1.0% QOQ).
- The median rental of multi-user factories across most districts rose in Q4, except multiple-user factories in D5 (Pasir Panjang). Multiple-user factory spaces at D8 (Little India) saw the highest QOQ increase of 47.9% during the quarter, where factory units have been leased at \$2.84 psf per month.

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

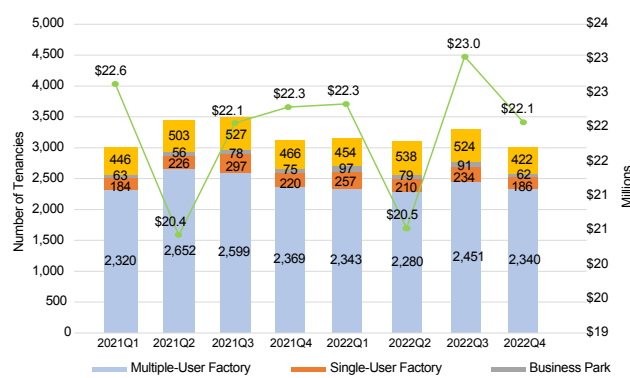
District	2022Q3	2022Q4	QOQ %
D3 Queenstown, Tiong Bahru	2.33	2.49	↑ 6.9%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	1.83	1.76	↓ -3.8%
D8 Little India	1.92	2.84	↑ 47.9%
D12 Balestier, Toa Payoh, Serangoon	1.90	1.90	→ 0.0%
D13 Macpherson, Braddell	2.05	2.1	↑ 2.4%
D14 Geylang, Eunos	2.24	2.34	↑ 4.5%
D16 Bedok, Upper East Coast, Eastwood, Kew Drive	1.35	1.40	↑ 3.7%
D17 Loyang, Changi	1.40	1.50	↑ 7.1%
D18 Tampines, Pasir Ris	1.69	2.15	↑ 27.2%
D19 Serangoon Garden, Hougang, Ponggol	1.98	2.20	↑ 11.1%
D20 Bishan, Ang Mo Kio	2.01	2.11	↑ 5.0%
D22 Jurong	1.80	1.93	↑ 7.2%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	2.07	2.16	↑ 4.3%
D25 Kranji, Woodgrove	1.80	1.85	↑ 2.8%
D26 Upper Thomson, Springleaf	1.50	1.69	↑ 12.7%
D27 Yishun, Sembawang	1.67	1.77	↑ 6.0%

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

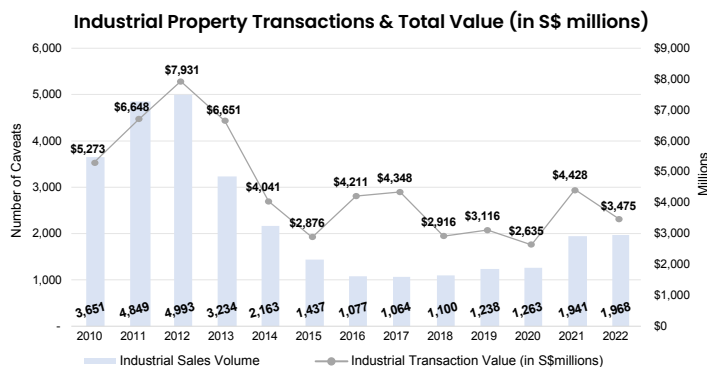
Industrial Property Leasing Activity

- Overall leasing demand weakened in Q4 2022, with contractions in both rental volume and total leasing value.
- In Q4 2022, there were 3,010 tenancies – representing a drop of 8.8% QOQ from 3,300 contracts in Q3 2022. Total rent value also shrunk in Q4 2022 by 4.2% QOQ to about \$22.1 million from some \$23.0 million in Q3 2022.
- With a slowing economy, rental activity may continue to ease moving forward, as industrialists grow more prudent about business expansion.

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



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



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

Prices and Sales Transactions

- Sales volume fell by about 19% QOQ to 429 deals in Q4 2022, from 530 transactions in Q3. On a year-on-year basis, transactions fell by 17.3% from the 519 deals done in Q4 2021.
- Of the 429 transactions in Q4 2022, 384 were for multiple-user factory space, accounting for about 89.5% of sales. This is followed by warehouse space (24) then single-user factory space (21).
- Overall sales value also fell during the quarter. Total value of deals amounted to about \$845 million, down by about 16.6% from \$1 billion in the previous quarter. In 2022, 1,968 deals amounting to about \$3.5 billion of industrial property sales were done – surpassing the 1,941 deals done in 2021, but fell short in terms of value compared to the \$4.4 billion achieved in the previous year.
- The overall industrial price index continued to rise in Q4 – up by 1.7% QOQ, following the 2% QOQ increase in Q3. Overall prices were up by 7.5% YOY from Q4 2021. This is the ninth consecutive quarter of growth since Q3 2020 – prices have gone up by 13.3% since then.
- The industrial price growth was led by Multiple-user factory spaces which grew by 2.5% QOQ in Q4, while Single-user factory prices inched up by 0.5% QOQ in Q4. Prices of Multiple-user factories have grown by 8.7% for the whole of 2022.

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

District	2022 Q3	2022 Q4	QOQ %
D3 Queenstown, Tiong Bahru	602	599	↓ -0.5%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	440	590	↑ 34.1%
D12 Balestier, Toa Payoh, Serangoon	936	958	↑ 2.4%
D13 Macpherson, Braddell	697	819	↑ 17.5%
D14 Geylang, Eunos	526	492	↓ -6.5%
D18 Tampines, Pasir Ris	327	339	↑ 3.7%
D19 Serangoon Garden, Hougang, Ponggol	598	585	↓ -2.2%
D20 Bishan, Ang Mo Kio	526	536	↑ 1.9%
D22 Jurong	284	290	↑ 2.1%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	373	378	↑ 1.3%
D25 Kranji, Woodgrove	439	440	↑ 0.2%
D26 Upper Thomson, Springleaf	468	596	↑ 27.4%
D27 Yishun, Sembawang	303	331	↑ 9.2%

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

- The median price of multi-user factory units in D5 (Pasir Panjang) saw the highest QOQ increase of 34.1% in Q4, transacting at a median price of \$590 psf during the quarter. Prices were propped up by transactions at 100 Pasir Panjang and Food Concept @ Pandan which have achieved an average unit price of \$1,364 psf and \$2,100 psf respectively in Q4 2022.

Best-Selling Industrial Multi-User Projects in Q4 2022

Project	Units Sold in Q4 2022	Average Unit Price (\$ PSF) in Q4 2022
WEST CONNECT BUILDING	14	\$303
MIDVIEW CITY	13	\$547
MEGA@WOODLANDS	11	\$301
VERTEX	11	\$516
UBI TECHPARK	11	\$544
OXLEY BIZHUB	11	\$543

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

- The top selling industrial projects in Q4 was West Connect Building in Boon Lay – moving 14 units at an average unit price of \$303 psf.
- The top deal done in Q4 2022 was the \$120.6 million sale of Enterprise Logistics Centre at Tuas View Place. This is the largest caveated industrial property transaction in 2022.
- The building was sold by Far East Organization in November to a Singapore unit of Hong Kong-based Intex Development Company. According to media reports, the property is fully-leased at the time of purchase. Based on the building's net lettable area (NLA) of over 327,000 sq ft, the purchase price works out to \$368 sq ft on NLA.

Top 5 Industrial Property Transactions by Quantum in Q4 2022

Location	Property Type	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)
ENTERPRISE LOGISTICS CENTRE 2 TUAS VIEW PLACE	Warehouse	120,600,000	319,622*	377**
10,12 MANDAI ESTATE	Single-user Factory	100,000,000	65,165*	1,535**
12 TAI SENG LINK	Multiple-user Factory	35,000,000	46,672*	750**
SINDO INDUSTRIAL ESTATE 95 TAGORE LANE	Single-user Factory	24,000,000	13,685*	1,754**
DELTA HOUSE 2 ALEXANDRA ROAD #03-XX	Multiple-user Factory	23,500,000	23,562	997

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

*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 continued to trend up, despite the influx of new completions in the last quarter of 2022.

As more completions come on the market in 2023, this would likely apply further downward pressure on rental rates and occupancies – particularly for multi-user factories and single-user factories where the bulk of supply will be. The outlook for Warehouses and Business Park space remains stable owing to limited supply and stockpiling needs amongst manufacturers to hedge against supply chain disruptions.

JTC noted that based on approval plans as at the end of December 2022, about 1.8 million sq m or 19 million sq ft of industrial space could be completed in 2023. Meanwhile, an additional 2.2 million sq m or 23.7 million sq ft of space could come on between 2024 and 2026.

Going forward, the upward trend of prices and rentals may slow or flatten due to economic headwinds, including the weaker external demand, and slowdown in major economies. In 2023, some manufacturing firms may start to consolidate space needs or put expansion plans on hold in order to better manage business overheads amid the muted economic growth outlook.

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