



Q4 2023 COMMERCIAL PROPERTY REPORT



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Q4 2023 OFFICE PROPERTY REPORT

Key Highlights

Pick up in sales activity – sales activity in the office market rebounded in Q4 2023, with 93 office property deals worth \$1.2 billion, according to caveats lodged.

Moderation in rentals – office space rentals in the Central Region rose at a slower pace of 0.3% QOQ in Q4 2023, driven mainly by the Central Area.

Incoming bumper crop of new completions – in Q4 2023, close to 8,000 sq m of office space was completed. Meanwhile, a bumper crop of about 324,000 sq m of office supply is slated to come on in 2024, potentially putting downward pressure on office occupancies and rentals.

Overview

After slow start, sales momentum in the office property market rallied in recent quarters, topping off 2023 with more than \$2.2 billion worth of office deals. Notably, office sales spike in Q4 2023 amidst the stronger performance in the Singapore economy. The office leasing market, meanwhile, was also resilient and ended the full-year with a slightly better showing than that of 2022.

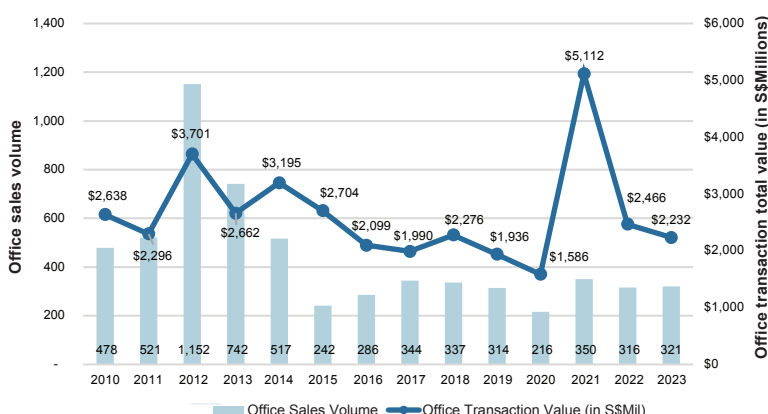
In Q4 2023, Singapore's GDP grew at a faster pace of 2.8% year-on-year, compared with the 1% YOY expansion in Q3, advance estimates showed. The expansion was led by the construction sector (+9.1% YOY), followed by the info-comm, finance, insurance, and professional services sector (+3.9% YOY).

The limited office supply in 2023 has helped to underpin rental growth in the office property sector. The outlook for this segment is positive, in view of the prospects of further economic recovery in the second half of 2024 and potential interest rates cuts.

Sales Transactions and Prices

- Following two quarters of growth, office prices fell in Q4, reversing the 0.8% QOQ increase in the previous quarter. The URA property price index of office space contracted by 5.9% QOQ in Q4, and was down by 4.2% YOY from Q4 2022.
- The price correction was led by the Central Area, where prices fell by 7% QOQ, overturning the growth accumulated over the past year. Fringe Area office prices slipped by 0.1% QOQ in Q4, after falling by 0.8% QOQ in the previous quarter.
- Based on caveats lodged, in Q4 2023, there were 93 office transactions, rising 25.7% QOQ from the 74 deals done in Q3.

Office Sales Volume & Total Transaction Value



Source: PropNex Research, URA Realis (data retrieved on 26 Jan 2024)

Table 1: Top 10 Office Deals by Quantum in Q4 2023

s/n	Location	Transacted Price (\$)	Area (sq ft)	Unit Price (\$ PSF)	Date of Sale
1	SHENTON HOUSE 3 SHENTON HOUSE	538,000,000	36,250*	14,841**	1-Nov-23
2	VISIONCREST 103 PENANG ROAD	426,925,530	149,652	2,853	14-Nov-23
3	SUNTEC CITY 8 TEMASEK BOULEVARD #44-XX, XX	36,226,000	10,312	3,513	28-Dec-23
4	SAMSUNG HUB 3 CHURCH STREET #10-XX, XX	23,888,888	6,092	3,921	17-Nov-23
5	SUNTEC CITY 8 TEMASEK BOULEVARD #16-XX	14,575,950	4,779	3,050	5-Dec-23
6	PLUS 20 CECIL STREET #02-XX ETC	10,238,356	2,077	4,928	29-Oct-23
7	SLF BUILDING 510 THOMSON ROAD #08-XX	10,000,000	9,451	1,058	9-Oct-23
8	SUNTEC CITY 9 TEMASEK BOULEVARD #37-XX	8,200,000	2,336	3,511	16-Nov-23
9	SBF CENTER 160 ROBINSON ROAD #12-XX, XX, XX	7,944,900	2,239	3,549	29-Nov-23
10	ORCHARD TOWERS 400 ORCHARD ROAD #20-XX	7,836,400	3,563	2,199	27-Dec-23

Source: PropNex Research, URA Realis (data retrieved on 26 Jan 2024)

*Area reflected is the land area

**Unit price reflected on land area

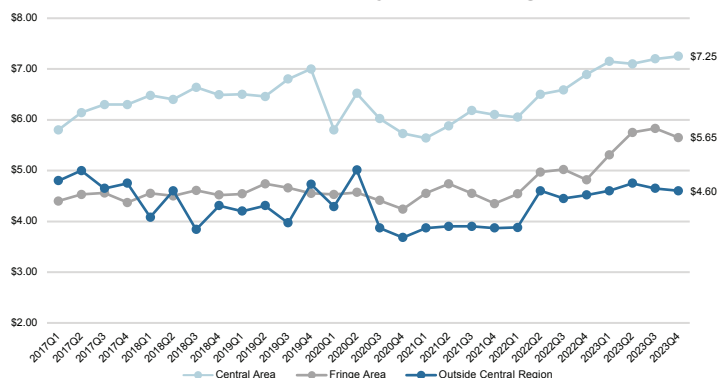
- It is the highest number of sales recorded in a quarter since Q4 2021. In the whole of 2023, the office market has recorded 321 deals – surpassing the 316 deals in 2022.
- The total value of sales also grew sharply by about 347% QOQ from \$271 million in Q3 2023 to \$1.2 billion in Q4 2023, based on caveats lodged. This took the total value of office deals to \$2.23 billion in 2023 – falling short of the \$2.47-billion deal value in 2022.
- The top caveated transaction in Q4 was for the collective sale of Shenton House in November. The older office building along Shenton Way was sold for \$538 million to an entity of IOI Properties. Based on a gross floor area of over half a million sq ft, the sale price reflects a unit land rate of approximately \$1,885 psf per plot ratio, inclusive of the land betterment charge and lease top-up premium.
- The Shenton Way deal is one of the largest office deals done in 2023 and accounted for nearly half of the total value of office sales in Q4.
- The second largest caveated deal in Q4 was the sale of VisionCrest, a commercial building along Penang Road in the prime Orchard Road area for about \$450 million. The office component of the deal worked out to nearly \$427 million, reflecting a unit price of \$2,853 psf. VisionCrest is an 11-storey freehold commercial building comprising a ground-floor retail podium and 10 floors of Grade-A office space. The buyer is reportedly a joint venture between Metro Holdings, TE Capital Partners, and LaSalle Investment.

Table 2: Price & Rental Index of Office Space in Q4 2023

Q4 2023	Price Index	QOQ%	YOY%	Rental Index	QOQ%	YOY%
Central Region	111.1	-5.9%	-4.2%	200.1	+0.3%	+13.1%
Central Area	108.0	-7.0%	-6.0%	201.9	+0.5%	+11.5%
Fringe Area	121.9	-0.1%	-3.9%	178.9	-1.7%	+18.8%

Source: PropNex Research, URA Realis (data retrieved on 26 Jan 2024)

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



Source: PropNex Research, URA Realis (data retrieved on 26 Jan 2024)

Rentals and Leasing Trends

- Office leasing demand contracted slightly in Q4, amid the seasonal lull, tight availability of space, lukewarm business sentiment, and the ongoing consolidation in the tech sector.
- As businesses – such as tech firms and financial institutions – restructure their operations, it could put a drag on leasing demand in the near-term.
- The URA office rental index showed that Central Region office rents grew for the 9th straight quarter in Q4 2023, rising by 0.3% QOQ – easing from the 4.9% QOQ growth in Q3. The Q4 office rental growth was led by the Central Area where rents inched up by 0.5% QOQ. In contrast, office rentals in the Fringe Area declined by 1.7% QOQ in Q4.
- Based on URA Realis caveat data, overall median monthly rentals slipped by 1.2% QOQ in Q4 to \$6.43 psf. However, on a YOY basis, overall office rentals have grown by 9.7% in Q4 2023. Meanwhile, monthly office median rentals in the Fringe and Outside Central Region declined to \$5.65 psf and \$4.60 psf respectively, during the quarter. Office median rentals in the Central Area held up, inching up to \$7.25 psf per month in Q4.

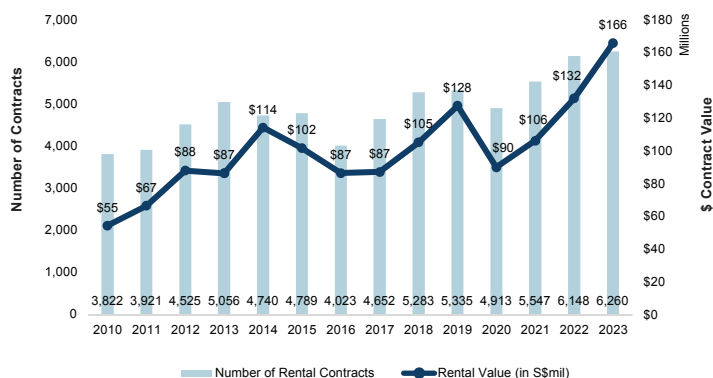
Table 3: Median Rentals of office space by area in Q4 2023

Location	Median Rental (\$psf pm)	QOQ%
Anson/Cecil	\$6.90	↑ 5.0%
Marina Boulevard / Marina View	\$13.25	↓ 1.9%
Fringe area	\$5.65	↓ 3.1%
Raffles Place	\$10.60	↑ 2.1%
Orchard	\$7.87	↓ 1.0%

Source: PropNex Research, URA Realis (data retrieved on 26 Jan 2024)

- Office rental transaction volume slipped in Q4, falling by 0.6% QOQ to 1,416 contracts, from 1,425 contracts in Q3 2023. The total leasing value also fell by 7.3% QOQ to about \$33.4 million in Q4, from \$36.0 million in Q3.
- In 2023, 6,260 leasing contracts worth \$165.9 million were signed – outperforming 2022 where 6,148 contracts valued at \$132.2 million were inked.

Office Leasing Contracts & Total Rental Value



Source: PropNex Research, URA Realis (data retrieved on 26 Jan 2024)

Office Vacancies

- Latest URA data showed that the island-wide vacancy rate of office space has tightened further from 10% in Q3 2023 to 9.9% in Q4 2023.
- According to the URA, the amount of occupied office space climbed by 9,000 sq m (nett) in Q4 2023, following the increase of 23,000 sq m in Q3. Meanwhile, the total stock of office space increased by 2,000 sq m (nett) in Q4 2023.
- In terms of supply, a total of 1,126,000 sq m gross floor area (GFA) of office space is in the pipeline as at the end of Q4 2023, compared with the 1,077,000 sq m GFA of space in Q3 2023.
- In 2023, about 103,466 sq m of office space was completed, with 7,819 sq m of office space completed in Q4. Of note, a bumper supply of 324,000 sq m is slated to come on in 2024, including at the IOI Central Boulevard Towers, and Keppel South Central in the city. IOI Central Boulevard, with 1.26 million sq ft of Grade-A office space is expected to be completed in Q1 2024.

Market Outlook

Office rentals and capital values should find some upside as the economic outlook is expected to improve in the second half of 2024. According to government projections, the Singapore economy is projected to grow by between 1% and 3% in 2024. In addition, the office investment market activity and prices may pick up, with potential interest rate cuts possibly in the later part of 2024.

That being said, downside risks persist including geopolitical tensions, an uneven economic recovery in key markets, as well as cost-push inflation driving up business costs. Cautious business sentiment may also stifle office rentals in the upcoming quarters, as tenants reconsider expansion plans. The influx of office supply in 2024 could weigh on occupancies.



Q4 2023 INDUSTRIAL PROPERTY REPORT

Key Highlights

Resilient rentals and prices – Softer demand for industrial space contributed to slower rental and price growth, which rose by 1.7% and 0.6% QOQ respectively in Q4 2023.

Healthy occupancies – The overall occupancy rate of industrial properties grew in Q4 2023, inching up to 89.0% from 88.9% in the previous quarter. In Q4 2023, 65,000 sq m or nearly 700,000 sq ft of industrial space was completed.

Incoming supply – In 2024, about 21.5 million sq ft of industrial space is slated to enter the market. This influx of substantial new supply may rein in industrial rentals and price growth.

Q4 2023 COMMERCIAL REPORT

Industrial Property Q4 2023

Overview

Industrial property sales were tepid in Q4 - softening further from the previous quarter – as a 13th straight quarter of price increase likely weighed on demand from buyers and industrialists. The weaker sales came amidst an upturn in the manufacturing sector.

Advance estimates released by the Ministry of Trade and Industry (MTI) showed that the manufacturing sector output expanded by 3.2% year-on-year (YOY) in Q4 2023, reversing the 4.7% YOY decline in Q3. This is the first quarterly increase in manufacturing output since the last four consecutive quarterly contractions from Q4 2022. In December, the Purchasing Manager's Index (PMI) continued to improve, with a reading of 50.5 – up from 50.3 in September – indicative of a pick-up in manufacturing activity.

According to a report published on 31st October 2023 by EDB Singapore, the business sentiment for the manufacturing sector turned slightly positive, with manufacturers expressing a generally optimistic outlook for their business in the coming months.

Rents and Occupancies

- Occupancies for overall industrial properties improved slightly in Q4 as new demand outstripped the limited new supply added to the market during the quarter.
- Data from JTC showed that the overall occupancy rate inched up to 89.0% (+0.1 ppt QOQ) from 88.9% in Q3.
- In Q4, 65,000 sq m or about 700,000 sq ft of industrial space was completed. For the whole of 2023, about 901,000 sq m of industrial space was added to the total stock. In 2024, about 2 million sq m or 21.5 million sq ft of space is expected to be completed.
- Of the upcoming supply, single-user factories will comprise 57% of the space, while warehouses account for 19%, and the remaining 11% and 13% will be for multiple-user factories and business park spaces respectively.
- The bumper crop of new completions in 2024 could potentially put upward pressure on vacancies as new supply may outpace demand.

Industrial Rents and Occupancies in Q4 2023

Q4 2023	Rents			Occupancies		
	Rental Index	QoQ % Change	YoY % Change	Occupancy Rate	QoQ %-pt Change	YoY %-pt Change
All Industrial	106.4	1.7	8.9	89.0%	0.1	-0.4
Multiple-User Factory	107.3	2.3	10.7	90.5%	0.8	1.4
Single-User Factory	108.2	0.7	7.0	88.0%	-0.2	-1.1
Business Park	118	0.3	3.4	78.4%	-2.1	-4.1
Warehouse	100.7	1.6	8.5	91.6%	0.3	-0.1

Source: PropNex Research, JTC (26 Jan 2024)

- Occupancies of multiple-user factories and warehouses saw slight improvement in Q4 (+0.8 ppt QOQ and +0.3 ppt QOQ respectively). Meanwhile, single-user factory (-0.2 ppt QOQ) and business park space (-2.1 ppt QOQ) experienced declines in occupancies.

- According to JTC, overall industrial rentals rose by 1.7% QOQ in Q4 2023, slightly slower than the previous quarter (+2% QOQ). The rental growth was led by multi-user factory space in Q4. This marks the 13th straight quarter of growth since Q3 2020. On a year-on-year basis, rents were up by 8.9% in Q4 2023.
- All segments posted QOQ rental growth in Q4. Rents of multi-user factory and warehouse segments grew by 2.3% QOQ and 1.6% QOQ, respectively, followed by single-user factory (+0.7% QOQ) and business park (+0.3% QOQ).
- The growth in median rentals of multiple-user factories across most districts was uneven in Q4. Median rentals of multiple-user factory space at D26 (Upper Thomson, Springleaf) saw the steepest jump of 43.6% QOQ to \$2.01 psf per month in Q4 2023.

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

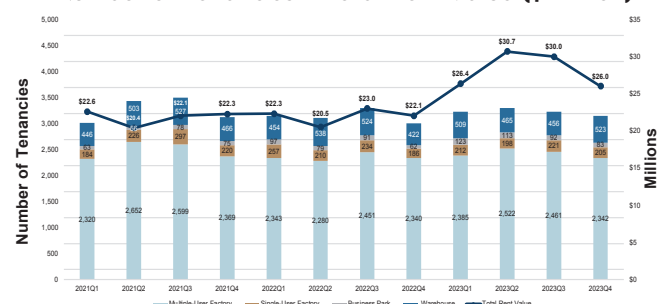
District	2023 Q3	2023 Q4	QOQ %
D3 Queenstown, Tiong Bahru	2.56	2.70	↑ 5.5%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	2.32	2.65	↑ 14.2%
D8 Little India	2.20	2.54	↑ 15.5%
D12 Balestier, Toa Payoh, Serangoon	2.05	2.00	↓ -2.4%
D13 Macpherson, Braddell	2.34	2.30	↓ -1.7%
D14 Geylang, Eunos	2.55	2.62	↑ 2.7%
D16 Bedok, Upper East Coast, Eastwood, Kew Drive	1.40	1.35	↓ -3.6%
D17 Loyang, Changi	1.55	1.50	↓ -3.2%
D18 Tampines, Pasir Ris	2.38	2.21	↓ -7.1%
D19 Serangoon Garden, Hougang, Punggol	2.36	2.39	↑ 1.3%
D20 Bishan, Ang Mo Kio	2.37	2.37	+0%
D22 Jurong	2.11	2.19	↑ 3.8%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	2.39	2.48	↑ 3.8%
D25 Kranji, Woodgrove	2.10	2.31	↑ 10.0%
D26 Upper Thomson, Springleaf	1.40	2.01	↑ 43.6%
D27 Yishun, Sembawang	1.94	1.95	↑ 0.5%

Source: PropNex Research, JTC J-Space (26 Jan 2024)

Industrial Property Leasing Activity

- Despite the improvement in rentals, overall leasing demand fell in Q4 2023, with a drop in both rental volume and total leasing value.
- In Q4 2023, there were 3,153 tenancies signed – reflecting a decrease of 2.4% QOQ from 3,230 contracts in Q3 2023.
- Total rental value also fell in Q4 2023, easing by 13.3% QOQ to about \$26 million from the \$30 million recorded in Q3.

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



Source: PropNex Research, JTC J-Space (26 Jan 2024)

Top 5 Industrial Property Transactions by Quantum in Q4 2023

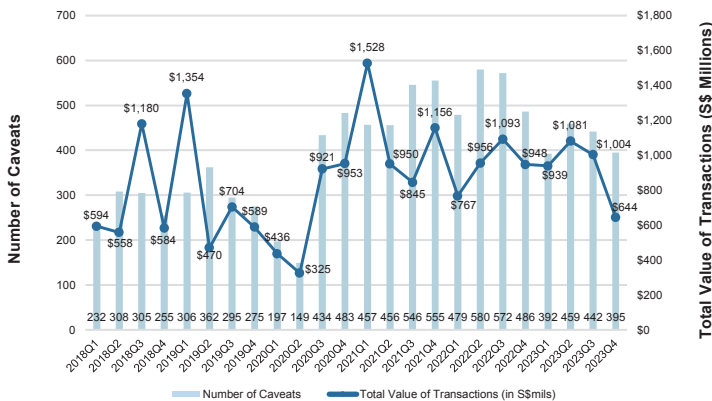
Location	Property Type	Transacted Price (\$)	Land Area (sq ft)	Unit Price (\$ psf) on land area
9 PIONEER VIEW	Warehouse	58,500,000	157,459	372
RAVAGO ASIA BUILDING 36 KAKI BUKIT PLACE	Single-user Factory	21,500,000	20,599	1,044
3 KAKI BUKIT CRESCENT	Multiple-user Factory	17,000,000	17,714	960
29 TUAS AVENUE 11	Warehouse	11,000,000	123,913	89
48 GUL AVENUE	Single-user Factory	9,600,000	92,123	104

Source: PropNex Research, JTC J-Space (26 Jan 2024)

Prices and Sales Transactions

- The sales volume declined by about 10.6% QOQ to 395 deals in Q4 2023, from 442 transactions in Q3. On a year-on-year basis, transactions fell by 18.7% from the 486 deals done in Q4 2022.
- Of the 395 transactions in Q4 2023, 330 were for multiple-user factory space, accounting for about 84% of sales. This is followed by warehouse space (49) and single-user factory space (16).

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



Source: PropNex Research, JTC J-Space (26 Jan 2024)

- Overall sales value also declined in Q4 2023, falling by 35.8% QOQ from slightly over \$1 billion in Q3 to about \$644 million. On a YOY basis, the total deal value slipped by 32.0% from Q4 2022.
- Q4 2023's deal value of \$644 million is the lowest in a quarter since Q2 2020, where 149 deals worth \$325 million were recorded, amidst the Covid-19 pandemic restrictions then.
- For the whole of 2023, 1,688 industrial deals worth \$3.67 billion have been recorded, falling short of 2022's 2,117 deals worth \$3.76 billion.

Best-Selling Industrial Multi-User Projects in Q4 2023

Project	Units Sold in Q4 2023	Average Unit Price (\$ PSF) in Q4 2023
SHINE@TUAS SOUTH	11	\$342
OXLEY BIZHUB	9	\$578
NORTH LINK BUILDING	9	\$231
NORTHSTAR @ AMK	8	\$631
WOODLANDS 11	8	\$456
HARVEST @ WOODLANDS	8	\$453
8B @ ADMIRALTY	8	\$368
PIONEER CENTRE	8	\$278

Source: PropNex Research, JTC J-Space (26 Jan 2024)

- The top-selling industrial project in Q4 was Shine @ Tuas South, a 30-year leasehold, multi-user B2 industrial building – transacting 11 units, at an average unit price of \$342 psf.
- In Q4 2023, the top deal by quantum was the \$58.5 million sale of a warehouse at 9 Pioneer View. The six-storey purpose-built logistics warehouse was previously occupied by Panalpina – a Swiss freight forwarding and logistics company. The warehouse had a total net lettable area of 25,800 sq m.

- The overall industrial price index continued to rise in Q4 albeit at a slower pace – up by 0.6% QOQ, slowing from the 1.4% QOQ increase in Q3. This is the 13th consecutive quarter of growth since Q3 2020 – prices have gone up by 19% since then. For the whole of 2023, industrial prices were up by 5.1% YOY, easing from the 7.5% growth in 2022.
- Price growth was led by multi-use factories which saw prices climb by 1.5% QOQ in Q4, mitigating the contraction in prices of single-user factories (-0.7% QOQ) during the quarter.
- By districts, however, multi-user factory prices in some areas posted a QOQ decline in Q4. The median price of multi-user factory spaces in D5 (Pasir Panjang) recorded the sharpest fall of 34.9% QOQ to \$535 psf.

Median transacted Unit Price (\$PSF) of Multi-user Factories

District	2023 Q3	2023 Q4	QOQ %
D3 Queenstown, Tiong Bahru	860	688	↓ -20.0%
D5 Pasir Panjang, Hong Leong Garden, Clementi New Town	822	535	↓ -34.9%
D12 Balestier, Toa Payoh, Serangoon	1,060	1,049	↓ -1.0%
D13 Macpherson, Braddell	746	812	↑ 8.8%
D14 Geylang, Eunos	501	501	+0%
D17 Loyang, Changi	205	203	↓ -1.0%
D18 Tampines, Pasir Ris	347	-	NA
D19 Serangoon Garden, Hougang, Punggol	638	642	↑ 0.6%
D20 Bishan, Ang Mo Kio	561	582	↑ 3.7%
D22 Jurong	314	310	↓ -1.3%
D23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang	347	397	↑ 14.4%
D25 Kranji, Woodgrove	454	432	↓ -4.3%
D26 Upper Thomson, Springleaf	596	575	↓ -3.5%
D27 Yishun, Sembawang	354	355	↑ 0.3%

Source: PropNex Research, JTC J-Space (26 Jan 2024)

Market Sentiment and Outlook

Latest projections from the World Bank indicated that global growth is projected to slow for the third year in a row in 2024 – with a growth forecast of 2.4% in 2024, compared with the 2.6% expansion in 2023. Some headwinds that could weigh on the market include potential supply chain disruptions from geopolitical tensions, rising costs of raw materials, and choppy trade demand. In his 2024 New Year message, Prime Minister Lee Hsien Loong highlighted that Singapore's economy could see growth in 2024, but it will be heavily dependent on the external environment.

Recent improvements in China's economy also brought some cheer to the manufacturing sector. In the fourth quarter of 2023, the China economy expanded by 5.2%, after a sluggish year – a promising sign that demand might continue to improve in the new year.

With industrialists remaining cautiously optimistic, industrial property demand is likely to remain modest, at least in the first half of 2024. In addition, there is also substantial completions coming onstream. PropNex expects any further growth in industrial property values and rentals to be subdued.

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