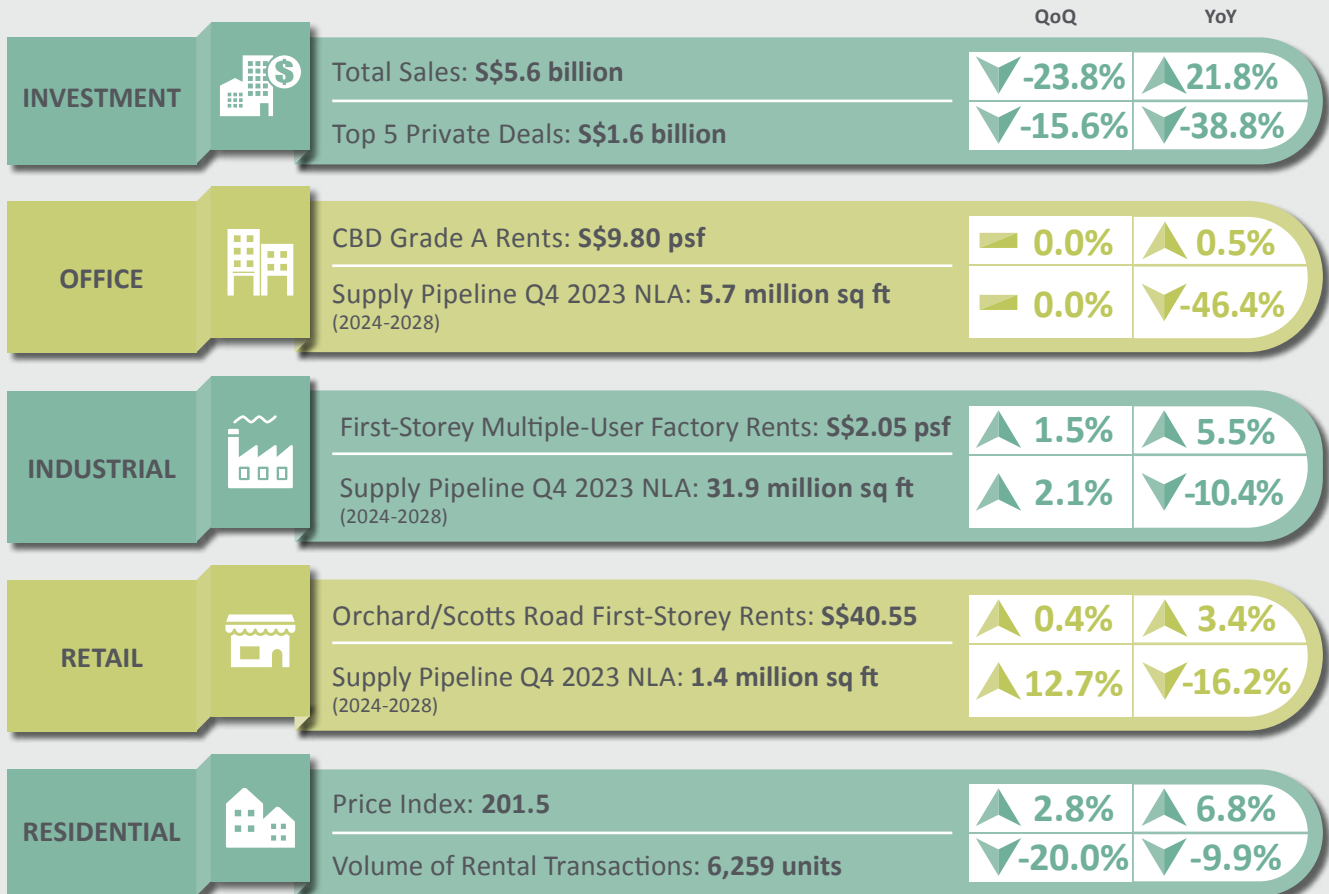


Real estate activity to pick up in 2024

Q4 2023 AT A GLANCE



KEY HIGHLIGHTS

Investment

Investment sales have been supported by GLS activity in the second half of 2023, while activity in the private sector saw a slight pickup, with larger quantum deals such as Far East Shopping Centre and Shenton House transacted in the last 4 months of 2023.

Office

Rents remained flat in Q4 2023. Tenants are observed to favour lease renewals instead of relocating. New supply from Central Boulevard Towers and Keppel South Central are expected to spur relocation activities in 2024.

Industrial

The industrial sector continues to record steady expansion, with the warehouse segment posting the sharpest rental increase. Amid many completions in 2024, rental growth could moderate slightly.

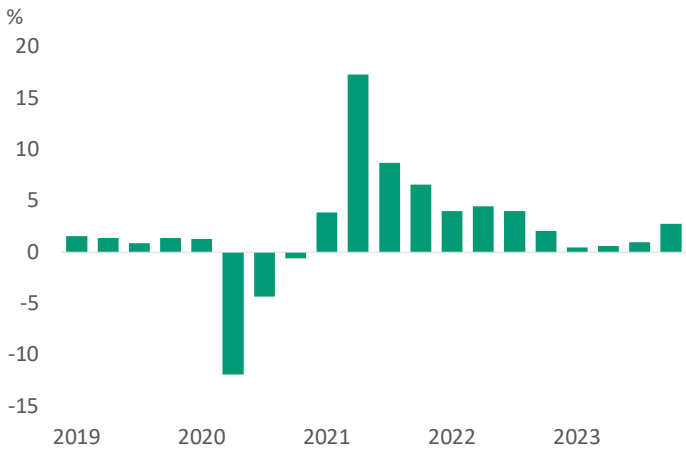
Retail

High occupancy in Orchard and Scotts Road, as well as the Fringe and Suburban micro-markets continue to support rents. Brands grappling with market shifts and dynamics are facing closure, while new-to-market retailers are seizing opportunities to establish their presence.

Residential

An improving economic climate could support homebuying demand in 2024, amid a larger launch pipeline. Price growth could moderate to 3-5% in 2024 from 6.8% in 2023.

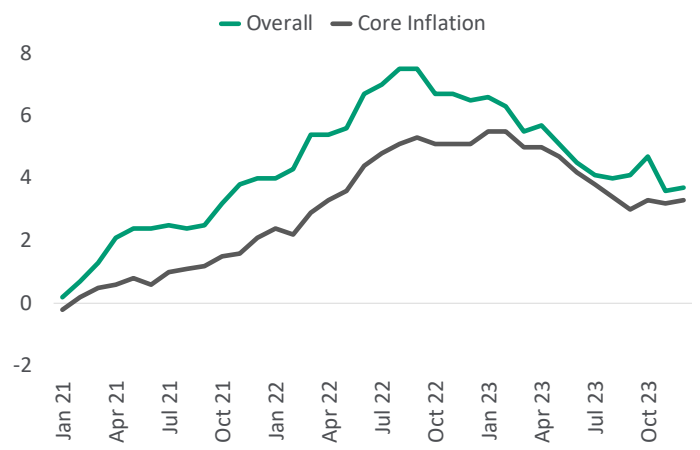
GDP Growth



Source: SingStat, EDMUND TIE Research

GDP growth picked up slightly to 2.8% YoY in Q4 2023 from 1.0% in Q3 2023. For the full year of 2023, the economy grew 1.2%. The Ministry of Trade and Industry has a growth forecast of 1% - 3% for 2024.

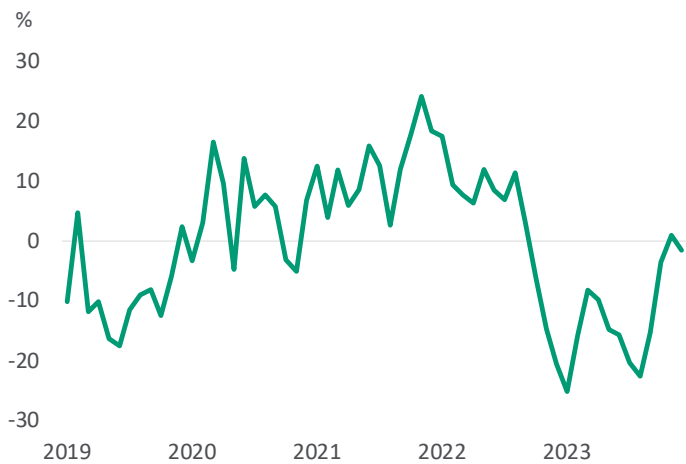
Inflation



Source: SingStat, EDMUND TIE Research

Headline inflation fell to a 2-year low of 3.6% in November 2023, before inching up to 3.7% in December. Although inflationary pressures are seemingly past their worst, higher commodity prices could threaten the price outlook going into 2024.

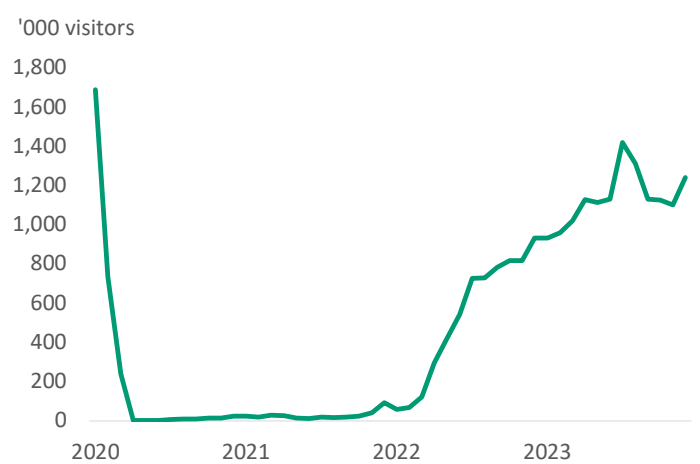
Non-oil Domestic Exports



Source: SingStat, EDMUND TIE Research

Global export growth appears to be climbing out of negative territory, but risks persist, given the global economic headwinds. Enterprise Singapore expects a 2-4% growth for non-oil domestic exports for 2024, following a 13% contraction for 2023.

Visitor Arrivals



Source: SingStat, EDMUND TIE Research

Although the recovery in visitor arrivals slowed in H2 2023, 2023 saw an 11.5% increase in arrivals to 13.6 million. The Singapore Tourism Board expects greater arrivals of 15-16 million in 2024.

Investment sales amounted to S\$5.6 billion in Q4 2023, bringing the total investment sales for 2023 to S\$20.4 billion. This represents a 29.4% decrease compared to the S\$28.9 billion transacted in 2022.

Government Land Sales (GLS) contributed S\$7.8 billion in investment sales, which was a substantial increase of 40% compared to 2022's S\$5.5 billion. The share of GLS investments at 38.0% in 2023 was also double that in 2022 of 19.2%. 14 GLS sites were awarded within the year, of which 4 took place in Q4 2023 worth a total of S\$2.9 billion.

In contrast, the private sector saw a decline in investment sales by 45.8% to S\$12.7 billion, down from the \$23.3 billion recorded in 2022. Investment appetite has been curtailed by the elevated financing environment. Sales of office spaces and retail properties experienced substantial decreases of 73.1% and 55.9%, respectively, from 2022 to 2023.

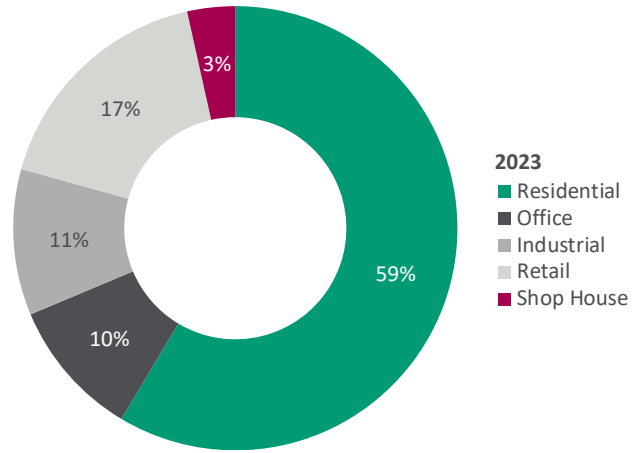
Investors are favouring smaller and more efficient office spaces. In 2023, the average office transaction quantum was around S\$70 million, a notable decrease from the S\$215 million recorded in 2022.

In Q4 2023, collective sales transactions amounted to S\$619.2 million, bringing the total to S\$2.2 billion for the whole of 2023. Consequentially, collective sales accounted for 17.8% of the total private sector investment sales in 2023. Prominent deals included 50 Playfair Road, Far East Shopping Centre, and Shenton House.

Outlook

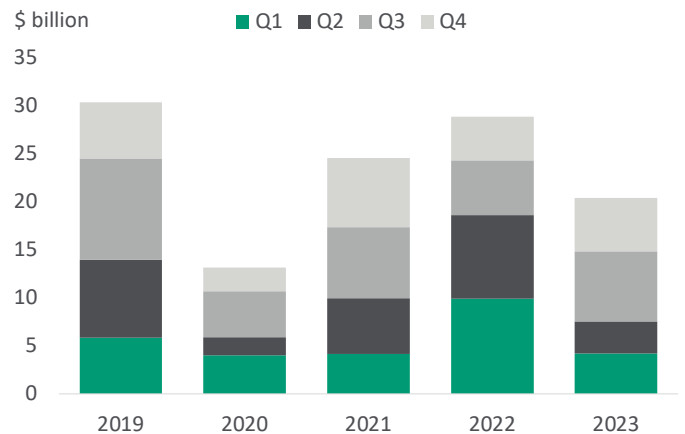
The investment landscape in 2024 is marked by the anticipation of 25 GLS sites, including the mega Jurong Lake District (JLD) site, which are expected to bolster investment sales for 2024. As the economic recovery gains traction in 2024, investment activity in the office and retail sectors could pick up. Consequently, investment sales are expected to increase to S\$25–28 billion in 2024.

Figure 1: Investment Sales Sectoral Contribution (%)



Source: EDMUND TIE Research

Figure 2: Investment Sales (\$ billion)



Source: EDMUND TIE Research

Table 1: Top 5 Private Investment Sales 2023 (\$ million)

Development	Purchase price		Purchaser	Seller
	\$ million	\$ psf/ \$ million per key		
Mixed-Use Nex (50% Stake)	1039	3274	Fraser Centrepoint Trust	Mercatus
Mixed-Use Far East Shopping Centre	908	3350	Glory Property Development	Collective Sale
Office Shenton House	538	1,889	IOI Properties Group	Collective Sale
Office VisionCrest Commercial	450	3,023	TE Capital Partners & LaSalle Investment Management	Union Investment
Hospitality Parkroyal Kitchener Hotel	525	1.0	Midtown Properties	UOL Group

Source: EDMUND TIE Research

2023 was a year of slowing growth, on the back of the elevated interest rates, economic uncertainty and caution by occupiers.

Islandwide net absorption increased from 445,000 sq ft in 2022 to 1,228,000 sq ft in 2023, driven significantly by the introduction of Guoco Midtown and demand for quality CBD office spaces.

The overall CBD occupancy rate increased to 95.2% in 2023 from 93.9% in 2022, recording an increase of 1.3 percentage points. Average occupancy rates for Premium and Grade A office spaces in CBD remained high at 97.3% as of 2023, increasing by 0.4 percentage points from 96.7% as of 2022. On the CBD Grade B front, occupancy rate in 2023 averaged at 93.6%, an increase of 3.8 percentage points from 89.8% recorded in 2022.

In the Non-CBD region, the occupancy rate declined marginally from 95.9% in 2022 to 95.6% in 2023. The decline can be attributed to the completion of Guoco Midtown. Nonetheless, the Non-CBD region recorded a net absorption of 690,000 sq ft in 2023 as Guoco Midtown saw healthy take up.

Office rents in Q4 2023 remained flat as most tenants are observed to favour lease renewals and rightsizing, instead of choosing to relocate.

Compared to 2022, the CBD Grade A rental rates increased by 0.2% to S\$9.80 psf in 2023. Non-CBD rental rates recorded a 0.4% increase to S\$9.25 psf, while rents in Decentralized Areas remained flat at S\$6.05 psf.

Outlook

In 2024, 2.9 million sq ft of new office supply is expected to come onstream. Notably, Central Boulevard Tower and Keppel South Central that are slated to complete in Q1 2024 and Q4 2024, respectively, will bring approximately 1.8 million sq ft in office supply to the CBD area. This might result in an increase in relocation activity in the CBD area, as corporates remain interested in greener buildings in the mid to long term. We also expect more rightsizing of office space from the Technology sector to spur leasing activity.

We forecast a 0.3% to 0.5% Premium and Grade A rental growth rate in the CBD.

Figure 3: CBD Premium and Grade A Office Net Absorption

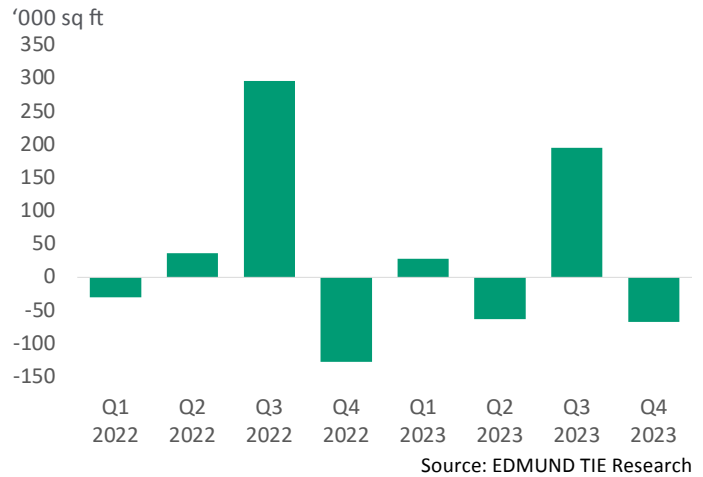
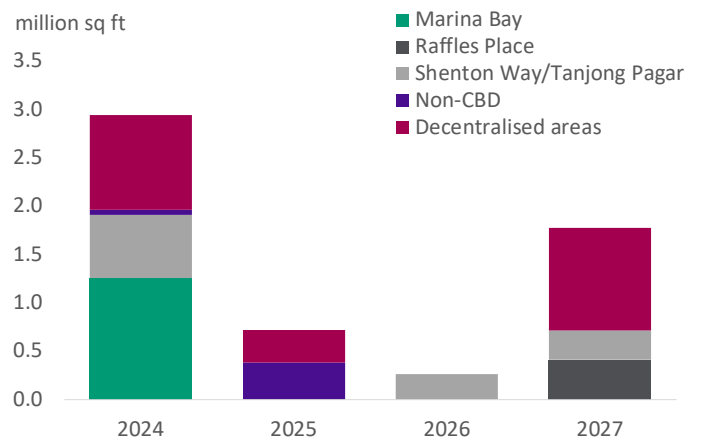


Figure 4: Office Supply Pipeline



	Selected Major Upcoming Developments	NLA '000 sq ft	Total
2024	Surbana Jurong Campus	1,260	2,891
	Surbana Jurong Campus	646	
	Surbana Jurong Campus	650	
	Keppel Towers redevelopment	335	
2025	Shaw Tower Redevelopment	381	718
	Punggol Digital District	337	

Source: EDMUND TIE Research

Table 2: Average Office Rents and Occupancy Rates

	Q3 2023	Q4 2023	QoQ	Occupancy Rate
Marina Bay (Premium)	S\$12.90 psf	S\$12.90 psf	0.0%	96.7%
Raffles Place (Grade A)	S\$10.55 psf	S\$10.55 psf	0.0%	96.5%
Shenton Way/Robinson Road/Tanjong Pagar (Grade A)	S\$9.00 psf	S\$9.00 psf	0.0%	96.9%

Source: EDMUND TIE Research

The islandwide occupancy rate edged up by 0.1 percentage point QoQ to 89.0% in Q4 2023. The multiple-user factory and warehouse segments saw higher occupancies in the quarter.

The manufacturing PMI has bottomed out last year and rose to a level of 50.7 in January 2024, suggesting that the manufacturing sector has expanded for five consecutive months. We are cautiously optimistic that manufacturing growth could pick up this year, with some green shoots appearing in the semiconductor cycle.

In Q4 2023, warehouse rental growth picked up to 1.6% QoQ, from 1.5% in Q3 2023. First-storey multiple-user factory rents posted a sharper growth of 1.5% QoQ in Q4 2023 from 1.0% in Q3 2023, as industrialists gradually took on space on the back of an improving manufacturing outlook.

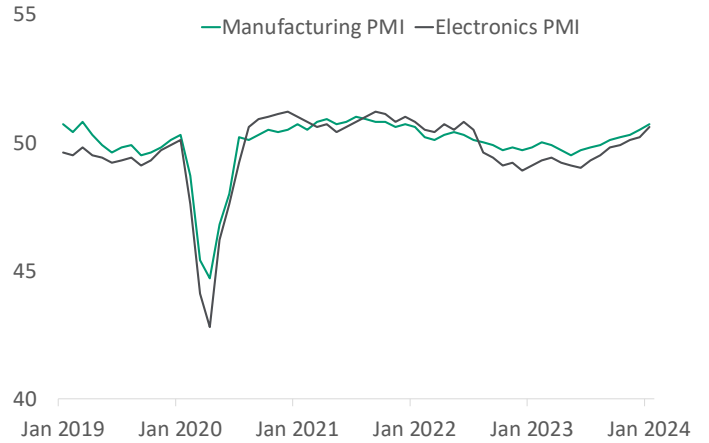
Industrial prices and rental indices continued its upward trajectory in Q4 2023, rising by 0.6% QoQ and 1.7% QoQ, respectively. Some investors may favour industrial properties due to its positive rental yield spreads amid the elevated interest rates climate, while disruptions in global supply chain may provide some tailwind to industrial demand.

Outlook

We expect sustained overall industrial demand in 2024, on the back of a pickup in demand of factory space if the global semiconductor cycle turns around. However, with a surge in completions expected in 2024, rental growth is anticipated to moderate this year.

The warehouse sector remains as a bright spot, supported by sustained demand from the growth of e-commerce. Demand for hi-tech and multiple-user factory spaces is likely to be underpinned by the thriving advanced manufacturing eco-system in Singapore due to the growing Industrial 4.0 momentum.

Figure 5: Manufacturing & Electronics PMI



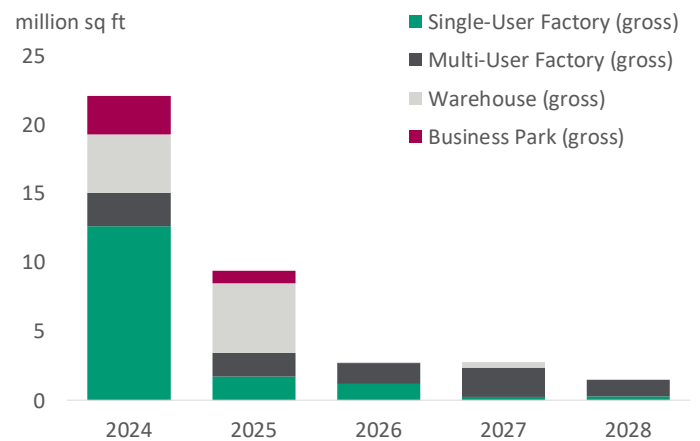
Source: SIPMM, EDMUND TIE Research

Table 3: Industrial Rents

	Q3 2023	Q4 2023	QoQ
First-storey multiple-user factory	S\$2.02 psf	S\$2.05 psf	1.5%
Hi-tech industrial space	S\$3.38 psf	S\$3.43 psf	1.5%
Warehouse/Logistics	S\$1.82 psf	S\$1.85 psf	1.6%
Business park (Central Region)	S\$5.39 psf	S\$5.40 psf	0.2%

Source: JTC, EDMUND TIE Research

Figure 6: Industrial Supply Pipeline



Source: JTC, EDMUND TIE Research

In December 2023, retail sales (excl. motor vehicles) recorded a 3.0% YoY decline. For 2023, retail sales (excl. motor vehicles) increased by 2.1%. The increase is driven mainly by the Food and Alcohol industry which saw an increase of 26.2% from 2022 to 2023.

Visitor arrivals rose in December 2023, bucking the 4-month decline to end 2023 with 13.6 million visitors. 2023 also saw 1.4 million Chinese visitors, representing 10.0% of the total visitor arrivals. However, the share of Chinese visitors has not recovered to its pre-COVID levels of 19.0% in 2019.

Islandwide net absorption was recorded at approximately 805,000 sq ft for 2023, compared to about 990,000 sq ft in 2022. The net absorption can be attributed to high demand for retail spaces in the fringe and suburban area which accounted for approximately 615,000 sq ft of retail space.

2023 saw the completion of several fringe and suburban malls such as Sengkang Grand Mall, Woodleigh Mall and One Holland Village. Collectively, the 3 projects added 340,000 sq ft in GFA of new retail stock to the market.

Occupancy rates in the Orchard/Scotts Road micro-market recorded a 0.8 percentage points increase to 91.0% in 2023, from the 90.2% recorded in 2022. Occupancy rates at the Other City Area micro-market were 92.1% in 2023, increase 0.5 percentage points since 2022. Fringe/Suburban area saw occupancy rates of 94.4% in 2023, decreasing marginally by 0.1 percentage point compared to 94.5% in 2022 due to the recent completion of the suburban malls mentioned above.

Retail rents saw a moderate growth in Q4 2023. Prime first-storey rents rose by 0.4% to S\$40.55 psf and S\$33.75 psf in the Orchard/Scotts Road and Fringe/Suburban Areas micro-markets, respectively, while that in Other City Area micro-market remained flat at S\$19.30 psf. Upper-storey rents across all areas remained unchanged.

Retailers have experienced higher operating costs due to inflation and the geopolitical environment. The higher operating costs has led to brands grappling with market shifts and dynamics to face closures, while new-to-market

retailers, such as Tim Hortons and Luckin Coffee, are expanding their market presence.

Outlook

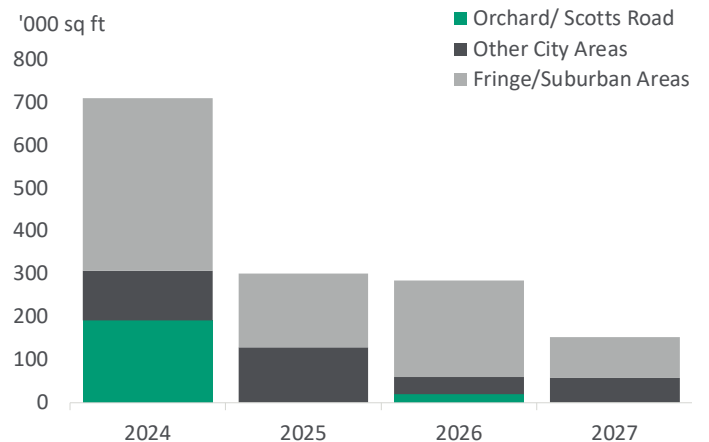
Given the limited supply pipeline and gradual tourism recovery, we expect prime first-storey rental growth of between 3% and 5% for the Orchard/Scotts Road area in 2024. Prime first-storey rents in Other City Areas are expected to increase by 1-2%, while Fringe/Suburban Areas retail rents could increase by 2-3% in 2024.

Table 4: Retail Rents

Region	Floor	Q2 2023	Q3 2023	QoQ
Orchard/Scotts Road (OSR)	First storey	S\$40.40 psf	S\$40.55 psf	0.4%
	Upper storey	S\$15.20 psf	S\$15.20 psf	0.0%
Other City Areas	First storey	S\$19.30 psf	S\$19.30 psf	0.0%
	Upper storey	S\$8.60 psf	S\$8.60 psf	0.0%
Fringe/Suburban Areas	First storey	S\$33.60 psf	S\$33.75 psf	0.4%
	Upper storey	S\$18.00 psf	S\$18.00 psf	0.0%

Source: EDMUND TIE Research

Figure 7: Retail Supply Pipeline



Source: URA, EDMUND TIE Research

	Selected Major Upcoming Developments	NLA '000 sq ft	Total
2024	Pasir Ris Mall	288	513
	Grand Hyatt Hotel Singapore	116	
	The Cathay	76	
	Mercure ICON Singapore City Centre	33	
2025	Punggol Digital District	173	263
	Canninghill Square	90	

Source: URA, EDMUND TIE Research

In Q4 2023, the overall Property Price Index (PPI) inched up by 2.8% QoQ, accelerating from the 0.8% growth in the previous quarter. The landed homes segment recorded 4.6% QoQ growth in prices. In the non-landed segment, home prices in the CCR and OCR were driven up by new projects launched in these market segments. Overall, prices in 2023 rose at a more sustainable pace of 6.8%, following 2022's 8.6% growth.

Total primary sales transaction volumes fell by 44% QoQ in Q4 2023 amid a limited number of launches. Apart from three new projects launched in November, developers have pushed back their project launches to 2024, anticipating that market sentiment could improve then. For the whole of 2023, primary home sales recorded a decline of almost 10% to 6,421 units, compared to the 7,099 units in 2022.

Secondary sales volume held steady in Q4 2023, dipping slightly by 0.4% QoQ. Correspondingly, secondary home sales volumes in 2023 fell by 14.7% to 12,623 units, as the tight financing climate weighed on homebuying demand. The softer public resale market activity in 2023 has also capped upgrader demand for private home purchases.

On the back of the doubling of the ABSD rates for foreigners in April 2023, Q4 2023 witnessed a decline in the share of foreign buyers to 1.6%, down from 1.7% in Q3 2023. On a YoY basis, the share of foreign buyers declined to 3.5% in 2023 from 4.7% in 2022.

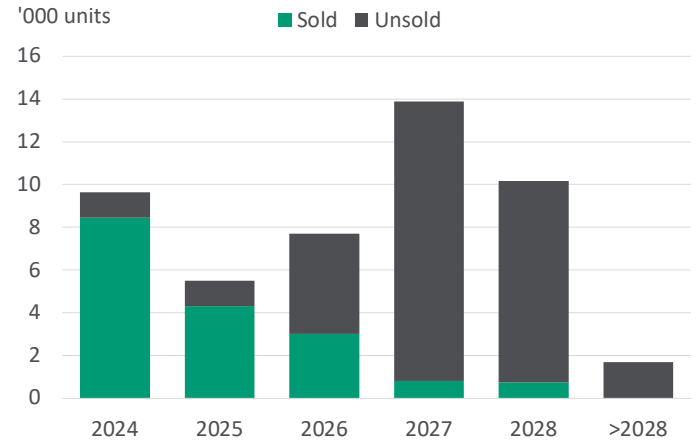
Total private home rental transactions in Q4 2023 declined by 20% QoQ to about 18,800 units. As more completions are expected to come onstream in the next few months, rental pressures are anticipated to alleviate.

Outlook

Prices are likely to follow a slight positive trajectory in the coming months, as homebuying demand will be supported by an improving economic climate and a stable labour market.

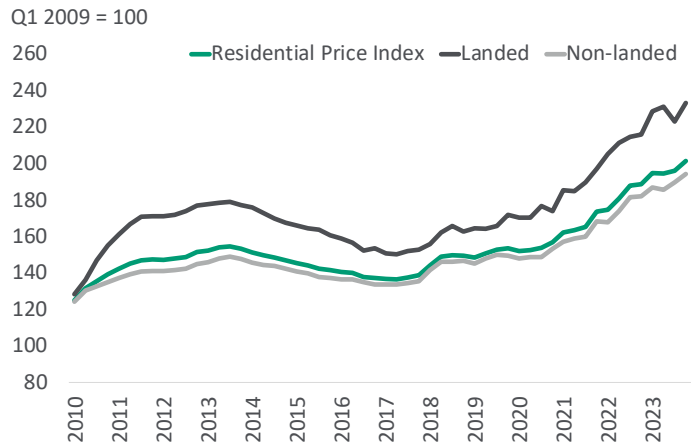
We expect around 10,000-11,000 new launch units in 2024, a sizeable increase from 2023's 7,500 units. New home sales are expected to recover to around 7,000-8,000 units in 2024, from about 6,400 units in 2023. Overall price growth is also expected to moderate to a more sustainable level of 3-5% in 2024, following 2023's 6.7% growth.

Figure 8: Residential Supply Pipeline



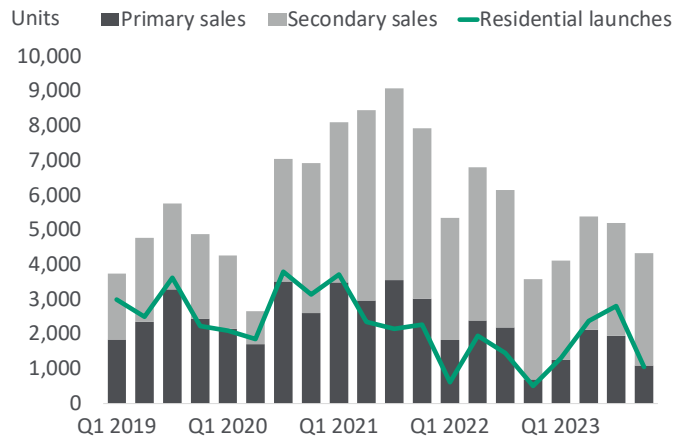
Source: URA, EDMUND TIE Research

Figure 9: Property Price Index



Source: URA, EDMUND TIE Research

Figure 10: Residential Sales and Launch Volume



Source: URA, EDMUND TIE Research

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