

MARKETBEAT SINGAPORE

Investment Q4 2022



\$4.84B

Q4 Investment Volume (SGD)

12-Mo.
Forecast



\$3,235

Office Capital Value (SGD/sf)



3.15%

Office Net Yield



ECONOMIC INDICATORS Q3 2022

3.8%*

Real GDP Growth

12-Mo.
Forecast



7.3%

Inflation Growth



2.0%

Unemployment Rate



2.9%

10-Yr Government Bond Yield



Source: Ministry of Trade & Industry (MTI), Moody's Analytics

* GDP Growth for the whole of 2022 based on MTI's advance estimates

Slower Economic Outlook

Singapore's economy grew by 3.8% yoy in 2022, according to advance estimates from the Ministry of Trade & Industry. While GDP growth for 2022 was better than expected, it was significantly lower than 2021's growth of 7.6% yoy. Q4 2022 GDP growth slowed to 2.2% yoy, as compared to 4.2% yoy growth in the prior quarter. The slowdown was due to a contraction of the manufacturing sector, weighed down by lower output from the electronics, chemicals and biomedical manufacturing clusters. Nonetheless, services producing industries such as wholesale & retail, technology and financial and professional services sectors continued to expand yoy amidst economic re-opening.

Given a darkening economic outlook amidst persistent inflation pressures and higher interest rates, Singapore's economy is forecast to grow by 0.5% to 2.5% in 2023. While the United States and Europe, Singapore's key trading partners, heads towards an economic slowdown, the re-opening of China could provide a surprise on the upside for Singapore's economic growth.

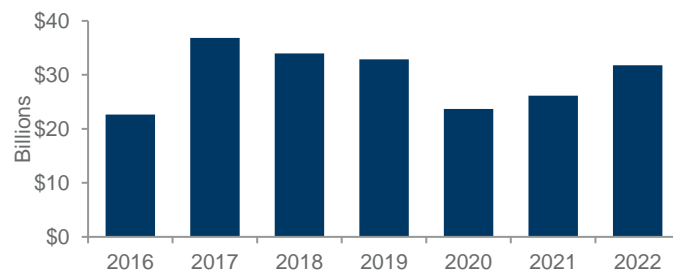
Tempered Investment Volumes Amidst Higher Borrowing Costs and Investor Caution

Total investment volumes in Q4 2022 rose to \$4.84 billion (b) – an increase of 1.2% compared to the prior quarter. Deal volumes were significantly bolstered by the Link REIT's acquisition of Jurong Point and Swing by @ Thomson Plaza, two suburban retail assets, for \$2.2 billion. The transaction is expected to be complete in March 2023 and is Link REIT's first acquisition into Singapore. Notwithstanding Link REIT's transaction, the investment landscape remains challenging especially for large ticket deals due to higher borrowing costs and a gap between buyer and seller expectations.

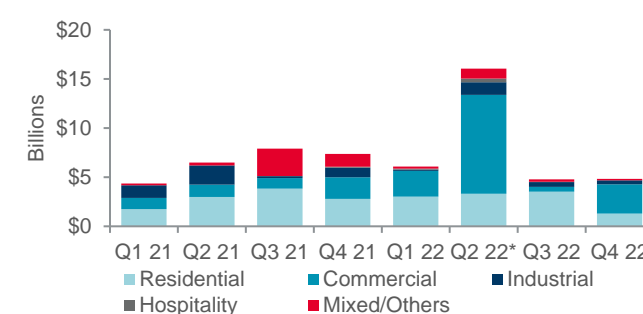
Q4 2022 transaction volumes was led by the commercial (\$3.0b), followed by the private residential (\$1.3b) and industrial (\$0.4b) sectors. For the private residential sector, Q4 2022 investment sales volumes fell by 63% qoq and is the lowest quarterly investment sales tally since Q3 2020. The slowdown in the private residential sector was due to a quieter collective sales market and the sale of smaller Government land sales sites. Developers remain cautious as development costs and risks have risen while buyer demand remains weighed down by recent cooling measures and a dim economic outlook.

Despite a slowdown in investment activities, 2022 investment sales reached \$31.8 b, marking three year high. While investment conditions remain challenging, investors remain bullish on the long-term investment prospective of the Singapore market.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



Note: * Q2 22's volumes have been updated to include Cuscaden Peak's takeover of SPH and chain offer for SPH REIT as more information emerged

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Bite-sized Investments Remain Highly Sought After

With higher borrowing costs, large ticket transactions have taken a backseat. However, bite-sized investments such as strata offices and shophouses continue to remain highly sought after by investors. Family offices, high networth individuals remain keen on the Singapore market given her long-term growth prospects, and to diversify their wealth. Total strata office and shophouse volumes ended the year at about \$1b and 1.6b respectively for 2022. While volumes have come down from 2021 peaks, 2022 volumes remain higher or similar to their pre-pandemic levels.

Notable transactions include the Esteel Enterprise acquisition of two office floors at Springleaf Towers for \$53.9m or \$2,510 psf, and Cortina Holdings purchase of an entire office floor at 15 Scotts Road for \$49m or \$3,568 psf.

Opportunities Still Available

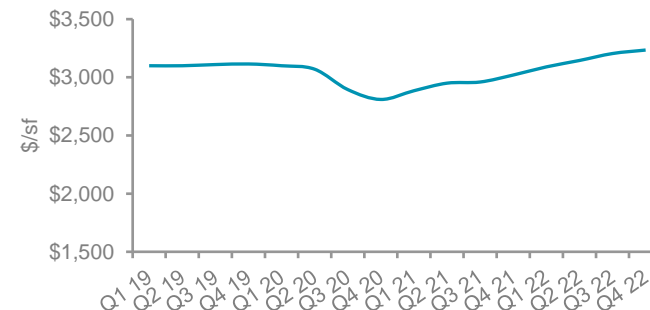
We expect limited asset repricing in the Singapore market. Capital values are still expected to remain resilient given that rental growth is expected to outpace the rise in operating costs. Nonetheless, a few asset owners may relax pricing expectations slightly to recycle capital.

With obsolescence risks rising due to flight to quality and focus on sustainability, value-add funds and developer will still be on a look out for opportunities. Buildings with potential for asset enhancement and redevelopment and decentralised markets or non-core CBD areas whom would benefit from spillover demand from the core CBD will be on investors radar. Recent transactions include the enbloc sale of Ming Arcade, a commercial development in Orchard, to Royal Group.

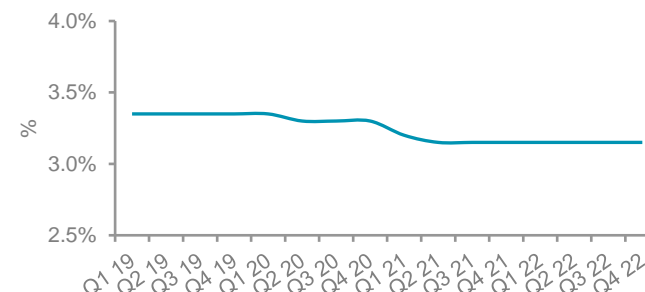
Outside of the office market, investors can look at niche industrial assets, which offer positive yield spreads and long-term growth potential. Notable recent transactions include the sale and lease-back of Jardine Cycle & Carriage portfolio of industrial properties to M&G Real Estate.

Interest in hotels could also pick up, as investors bet on the eventual recover of Singapore's tourism market. International visitor arrivals have been on an uptrend and the re-opening of China would catalyse recovery towards pre-pandemic levels.

GRADE A CBD OFFICE CAPITAL VALUE



GRADE A CBD OFFICE NET YIELD



Outlook

- Expectation gap between buyers and sellers may persist in the first half of 2023 as economic outlook remains uncertain and borrowing costs remains high
- Flight to safety to persist, with demand from family offices, high networth individuals looking to diversify wealth. Demand for bite-sized developments or assets such as strata offices or shophouses to continue.
- Investment sales volume could recover in towards the end of 2023 with potentially more clarity on interest rate trajectory with a slower pace of US interest rate hikes in 2023. This would aid price discovery and facilitate deals.

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INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	520.8	783.4	1,304.2	-63%
Commercial	0.0	2,975.9	2,975.9	-509%
Industrial	16.1	385.4	401.5	-19%
Hospitality	0.0	0.0	0.0	-100%
Mixed/Others	0.0	154.6	154.6	-35%
TOTAL	536.9	4,299.3	4,836.2	-1.2%

Note: Figures may not tally precisely due to rounding

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE (\$ Million)	SUBMARKET
Jurong Point and Swing By @ Thomson Plaza	Retail	Link REIT	NTUC Enterprise Co-operative	2,161.0	Jurong / Bishan
Ming Arcade	Retail	Royal Group	Hotel Properties	172.0	Orchard
Enterprise Logistics Centre	Industrial	Intex	Far East Organization	120.6	Tuas
10,12 Mandai Estate	Industrial	-	-	100.0	Sungei Kadut
Springleaf Tower (28-29FL)	Office	Estee Enterprise	UOB	53.9	Tanjong Pagar

Sources: Real Capital Analytics, Cushman & Wakefield Research
Significant transactions over \$10 million

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