

\$5.54B
Q4 Investment Volume (SGD)

12-Mo.
Forecast



\$3,190
Office Capital Value (SGD/sf)



3.30%
Office Net Yield



ECONOMIC INDICATORS Q3 2023

1.2%*
Real GDP Growth

12-Mo.
Forecast



4.1%
Inflation Growth



2.0%
Unemployment Rate



3.2%
10-Yr Government Bond Yield



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

* GDP Growth for the whole of 2023 based on MTI's advance estimates

Brighter Economic Prospects in 2024

In 2024, Singapore's economic growth is expected to improve to about 2% yoy, higher than 1.2% in 2023. There are signs of recovery for Singapore's exports and manufacturing which would support economic growth in 2024. Also, inflation and borrowing costs are expected to cool in 2024, though they would unlikely return to pre-pandemic levels. That said, downside risks persists, such as potential escalations in geo-political tensions, stickier than expected inflation and a deep China downturn. On a whole, economic prospects for 2024 look brighter and we anticipate investors to deploy capital amidst high levels of dry powder for Asia Pacific real estate.

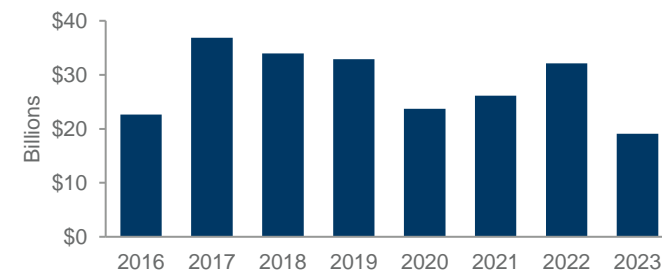
A Year of Two Halves

Total investment volumes fell by 19.8% qoq to \$5.5 billion (b) in Q4 2023, bringing 2023's full-year tally to \$19.1b. Despite a quarterly slowdown in investment volume due to smaller Government Land Sales (GLS) sites sold, transactions had started to pick up in H2 2023 (total \$12.5b) from a slow H1 2023 (total \$6.6b) as interest rate concerns recede.

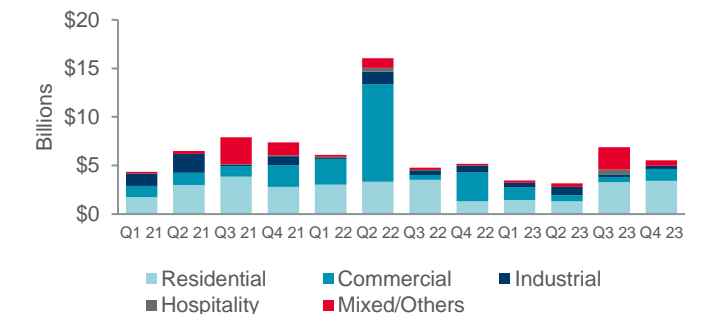
In Q4 2023, investment volume was led by the residential (\$3.4b) sector, followed by commercial (\$1.2b) and mixed/others (\$0.6b) sectors. The bulk of residential investment volume was driven by the public investment sales market, as developers continued to selectively acquire private residential development land amid increasingly cautious sentiments. Areas with pent-up buying demand and a dearth of recent new launches continued to attract developer interest as seen from recent GLS tenders in November, such as Clementi Avenue 1 (6 bids) and Lorong 1 Toa Payoh (3 bids). Small or medium-sized residential sites with redevelopment potential have also appealed to developers, as seen from the sales of a residential redevelopment site at 132 Sophia Road for \$33.6 million (m) and two adjoining freehold plots at 43 and 45 Gentle Road for \$30.9m.

A slew of successful commercial deals including Jelita Shopping Centre (\$91.7m), VisionCrest Commercial (\$441m), and the enbloc sale of Shenton House (\$538m) contributed to an uptick in the commercial sector's investment volume, which grew 138% qoq. Notably, these acquisitions are expected to be value-add or redevelopment plays.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



Green Shoots Appearing But Challenges Remain

In 2024, investment demand should continue to be supported by private wealth, such as family offices and high-net-worth individuals, seeking out opportunities for wealth preservation and diversification. The weight of capital looking to invest in Asia Pacific remains high, and Singapore’s appeal as a safe haven would draw capital deployment for real estate investments. We are sanguine that total investment sales could surpass \$25b in 2024 given current investment momentum.

Capital values across most property segments are expected to rise in 2024. The rental outlook for non-residential assets remains positive given low vacancy rates and expected stronger demand amidst recovering economic growth. The private residential market may see rents decline in 2024 as the market takes time to absorb record levels of new completions in 2023. That said, city fringe and suburban private residential prices are still expected to grow, supported by resilient local buying demand. Despite a continued rise in rents, Grade A office capital values are expected to remain stable due to low office net yields and cooling measures would weigh on prime private residential prices.

Value-add and opportunistic investments, which can yield higher returns and leverage on increasing flight-to-quality demand, would continue to dominate in 2024, as interest rates, while expected to decline gradually, may remain prohibitive over the short term.

Given current private residential cooling measures, foreign capital would continue to favour non-residential sectors such as commercial, industrial and hospitality. The steady recovery of Singapore’s tourism market and resilient local consumption spending bodes well for prime retail and hotel assets. Strong growth in logistics rents and relatively higher industrial yields (due to shorter land tenures) would continue to attract investment demand. Strata offices, strata retail and shophouses, which have palatable quantum, should see continued demand.

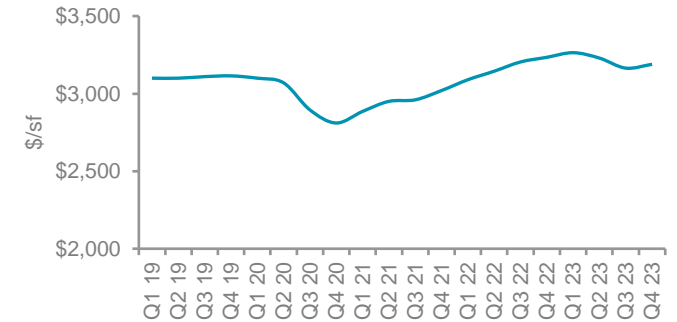
On the other hand, core investments into offices may remain challenging in 2024 as borrowing costs are likely to remain above Grade A office net yields of 3.3%, resulting in negative cash-on-cash return. Most landlords have strong holding power and are biding their time for a better investment environment. As such, a lack of repricing in asset values and a gap between buyer-seller expectations may continue to keep yield-sensitive institutional investors on the sidelines.

The residential en bloc market remains muted due to wide gap in buyer-seller expectations, which is expected to persist into 2024. Furthermore, the residential en bloc market would face greater competition from the increase in supply and sites from the GLS Confirmed List. Under the 1H 2024 GLS programme, sites on the Confirmed List are estimated to yield approximately 5,450 homes (including executive condominiums (EC)), the highest since 2H2013. Assuming sites with similar attributes, developers prefer to acquire from the GLS programme as it is more straight forward. However, 6 out of 10 sites in the H1 2024 confirmed list are mid to large sized sites (>500 units) and may be out of reach for smaller developers. Developers looking for smaller projects would still look towards the enbloc market to landbank.

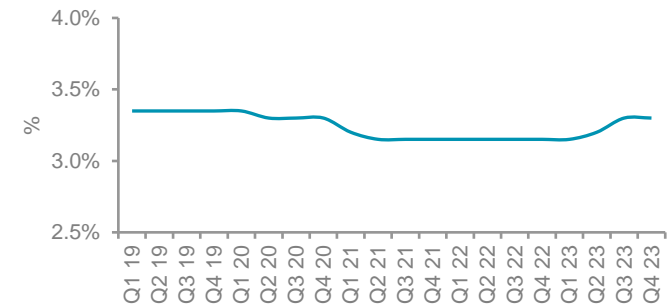
Outlook

- Total investment sales could surpass \$25b in 2024 given current investment momentum
- Capital values across most property segments are expected to rise in 2024
- Value-add and opportunistic investments would continue to dominate in 2024
- Core investments into offices remain challenging

GRADE A CBD OFFICE CAPITAL VALUE



GRADE A CBD OFFICE NET YIELD



MARKETBEAT SINGAPORE

Capital Markets Q4 2023



INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	2,837.1	582.4	3,419.6	2%
Commercial	0.0	1,210.1	1,210.1	138%
Industrial	0.0	354.3	354.3	37%
Hospitality	0.0	0.0	0.0	-100%
Mixed/Others	0.0	555.0	555.0	-76%
TOTAL	2,837.1	2,701.9	5,539.0	-19.8%

Note: Figures may not tally precisely due to rounding

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE (S\$ MILLION)	SUBMARKET
Shenton House	Office	Shenton 101	Strata Owners	538.0	Downtown Core
VisionCrest Commercial	Office	LaSalle, Metro Holdings, TE Capital Partners	Union Investment	441.0	Museum
Wilkie Edge	Mixed	Keppel Capital	Apricot Capital, Lian Beng Group	350.0	Rochor
Serene Centre	Mixed	Apricot Capital	Chee Tat Holdings	105.0	Tanglin
Jelita Shopping Centre	Retail	Peter Koh Pang An	DFI Retail Group	91.7	Bukit Timah

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

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