
# SINGAPORE Q1 2022

## Improving commercial sector lends positive start to 2022

EDMUND TIE

# ECONOMY – Sustained growth amid risks and uncertainty

## KEY HIGHLIGHTS

### GROSS DOMESTIC PRODUCT (GDP)

**Q1 2022**
**3.4%**

Q4 2021
6.1%

#### Performance of industry sectors (%)*

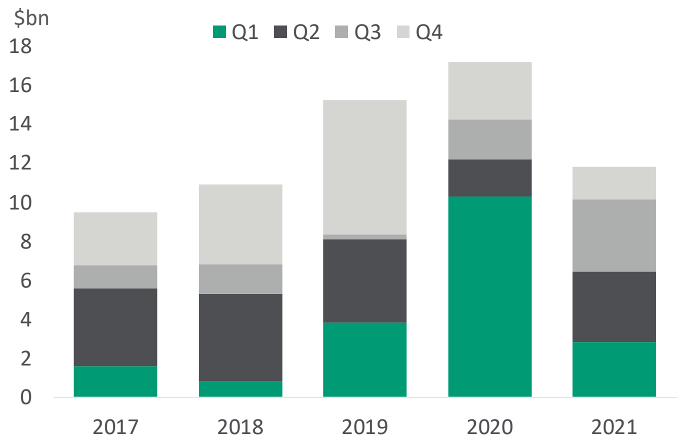
| Sector | Q4 2021 | Q1 2022* | |
|---|---|---|---|
| **Overal GDP Growth** | **7.1** | **5.9** | ▼ |
| Manufacturing | 7.9 | 14.0 | ▼ |
| Construction | 66.3 | 2.0 | ▼ |
| Information & Communications, Finance & Insurance and Professional Services | 8.0 | 6.0 | ▼ |
| Wholesale & Retail Trade and Transportation & Storage | 6.1 | 4.3 | ▲ |
| Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services | 3.8 | 3.1 | ▼ |

*Unit: %* Source: Based on MTI advance estimates Q1 2022*

### FIXED ASSET INVESTMENTS (FAI)

**Q4 2021**
**$1.7bn**

Q3 2021
$3.7bn

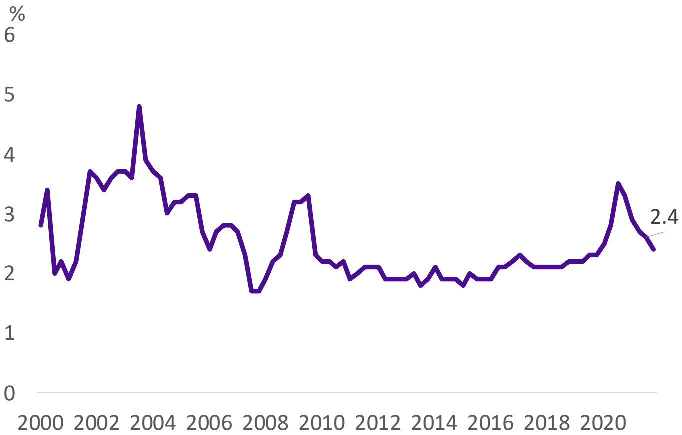



Source: Economic Development Board

### UNEMPLOYMENT RATE

**Q4 2021**
**2.4%**

Q3 2021
2.6%

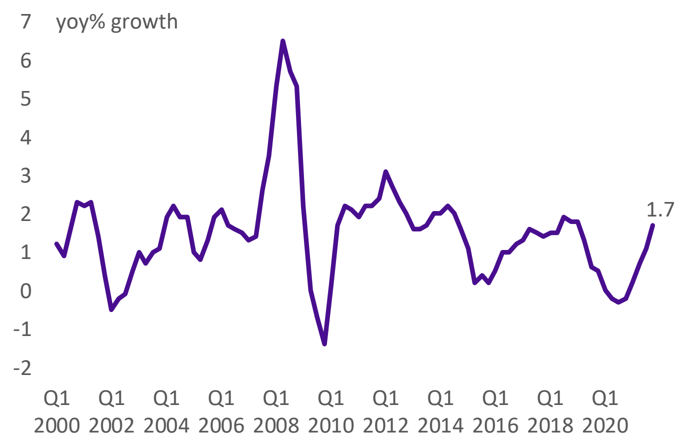



Source: Ministry of Manpower

### CONSUMER PRICE INDEX (CORE INFLATION)

**Q4 2021**
**1.7 yoy% growth**

Q3 2021
1.1 yoy% growth




Source: Monetary Authority of Singapore

## MARKET COMMENTARY

- Singapore's economy grew by 3.4% yoy in Q1 2022, a deceleration from the 6.1% in Q4 2021, due mainly to a moderation in growth of the manufacturing sector. The manufacturing slowdown decline reflected the lower PMI indices in recent months, although global demand for semiconductor and semiconductor equipment remained sustained.
- The services sector also rose at a slower pace of 1.4% yoy in Q1 2022, compared to a growth of 5.6% in Q4 2021.
- Singapore attracted S$1.7bn in FAI in Q4 2021, a decline from S$3.7bn in Q3 2021. The biomedical manufacturing cluster emerged as the leading sector during the quarter with a contribution of S$760mn of FAI.
- In April 2022, MAS tightened the monetary policy by raising the exchange rate policy band at a higher level and raising the rate of appreciation, following its off-cycle move in January 2022. Amid the geopolitical situation and supply chain disruptions, the forecast ranges for core inflation and headline inflation were both raised to 2.5-3.5% and 4.5-5.5% respectively.
- The labour market continued to recover from the impact of the COVID-19 pandemic. The unemployment rate improved to 2.4% in Q4 2021 from 2.6% in Q3 2021. Total employment rose by 40,200 in 2021, following the sharp contraction by 181,000 in 2020. In Q4 2021, total employment rose by 54,600, driven by improvements in the construction sector (+15,500) and other service industries (+9,400) bearing the brunt. The manufacturing sector also recorded its first increase in two years in Q4 2021. Similarly, the wholesale and retail trade, as well as the accommodation and food services sectors also posted employment growth following a few quarters of contraction.

## MARKET OUTLOOK

- As the economy moderates towards trend growth in the year ahead, certain sectors, such as construction, retail and food services, aviation and hospitality, are expected to see a recovery. The manufacturing sector will likely remain as a pillar of growth for the economy.
- As at writing, 92% of the population has completed the full vaccination regime, while 71% have received a booster shot. This will safeguard the nation against the Covid variants.
- In February 2022, MTI maintained the country's GDP growth forecast for 2022 at 4.0% to 6.0%. Significant safe management measures were relaxed in March, while a new Vaccinated Travel Framework came into place in April. The Omicron wave has likely peaked, and we expect stronger business and consumer confidence in the months ahead. The easing of borders should help alleviate the manpower crunch to some extent. Risks are skewed to the downside, given the ongoing geopolitical uncertainties, supply chain disruptions, inflation pressures and upward pressure on interest rates.

# INVESTMENT – Outperformance led by commercial sector

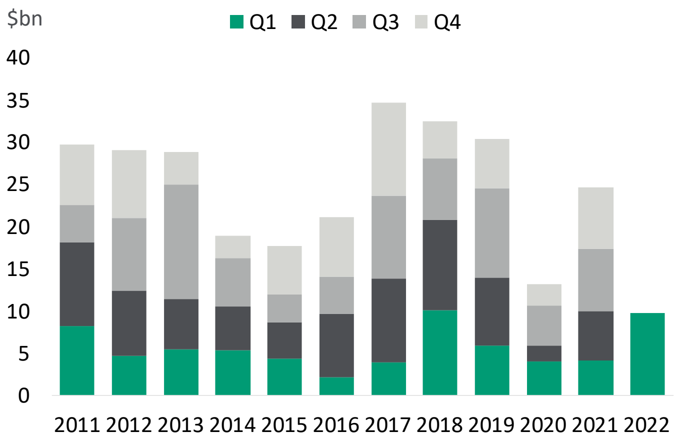
## KEY HIGHLIGHTS

**Q1 2022**
**$9.75bn**

Q4 2021
$7.21bn

### INVESTMENT SALES ($ billion)

Total investment sales in Q1 2022 increased by 35% as compared to Q4 2021.




Source: EDMUND TIE Research

**Q1 2022**
**$5.36bn**

Q4 2021
$3.61bn

### VALUE OF TOP 5 PRIVATE INVESTMENT DEALS ($ billion)

The combined value of the top 5 private investment deals in Q1 2022 represented 55% of total investment value in Q1 2022.

**Top 5 private investment deals in Q1 2022**

| Development | Remaining tenure, yrs | Purchase price | | Purchaser | Seller |
|---|---|---|---|---|---|
| | | $ mn | $ psf | | |
| **Office** | | | | | |
| 79 Robinson Road | 45 | 1,260.0 | 2,423 NLA | Capitaland Integrated Commercial Trust (CICT) and CapitaLand Open End Real Estate Fund (Coref) | CapitaLand Investment Limited (CLI), Mitsui & Co and Tokyo Tatemono |
| Cross Street Exchange | 74 | 810.8 | 2,652 NLA | Undisclosed third party | Frasers Logistics and Commercial Trust (FLCT) |
| **Retail** | | | | | |
| Jem (68.2% remaining interest) | 87 | 2,079.0 | 2,329 NLA | Lendlease Global Commercial Reit (LReit) | Lendlease Asian Retail Investment Fund 3 Limited (ARIF3) and Lendlease Jem Partners Fund Limited (LLJP) |
| Tanglin Shopping Centre | Freehold | 868.0 | 2,769 land area | Pacific Eagle Real Estate | Collective sale |
| Jcube | 68 | 340.0 | 1,619 NLA | Tanglin R.E. Holdings | Capitaland Integrated Commercial Trust (CICT) |

Source: EDMUND TIE Research

## MARKET COMMENTARY

- Total investment sales for Q1 2022 experienced a notable 35% increase to nearly S$9.8bn from Q4 2021, driven by strong investor confidence in deploying capital to Singapore, which seems to emerge as an attractive haven for capital markets.
- The retail sector led the investment sales in the quarter, contributing to S$3.6bn (37%), followed by the residential sector contributing to S$3.1bn (32%).
- The public investment sales market recorded nearly S$2bn from the Government Land Sales (GLS) Programme, comprising an industrial site at Jalan Papan (Plot 9) and the sale of four residential sites at Jalan Tembusu, Lentor Hills Road (Parcel A), Dairy Farm Walk and Bukit Batok West Avenue 8 (Executive Condominium).
- Despite the fresh property cooling measures, the collective sale market witnessed a total of four deals seal in the quarter, while several sites were launched or relaunched for tender, including Chuan Park Condominium and High Point.
- The largest deal in the quarter was the proposed acquisition of a 68.2% remaining interest in Jem, an integrated office and retail property in Jurong, by Lendlease Global Commercial Reit for nearly S$2.1bn from Lendlease Asian Retail Investment Fund 3 Limited (ARIF3) and Lendlease Jem Partners Fund Limited (LLJP).
- CapitaLand Integrated Commercial Trust (CICT) and CapitaLand Open End Real Estate Fund (Coref) jointly acquired a Grade-A office building at 79 Robinson Road for nearly S$1.3bn from CapitaLand Investment Limited (CLI), Mitsui & Co and Tokyo Tatemono. The transaction is expected to be completed in Q2 2022.
- The collective sale of Tanglin Shopping Centre, which has office and retail components, was awarded to Pacific Eagle Real Estate for S$868mn.
- Frasers Logistics and Commercial Trust (FLCT) divested Cross Street Exchange, a mixed-use commercial property, to an undisclosed third party for S$810.8mn.

## MARKET OUTLOOK

- RESIDENTIAL: The higher additional buyer's stamp duty (ABSD) rates are likely to trim developers' interest in large residential sites, since the risk of not selling all units is higher, and the associated penalties are now more punitive.
- COMMERCIAL: The fresh easing of social, workplace, event and border restrictions will instill investors' stronger confidence in the commercial market. In addition, developers' interest is likely to spill over to non-residential investments like the commercial sector. With the popularity of mixed-use developments, commercial-zoned sites are garnering more attention from investors since the residential components of such sites are not subjected to ABSD or Qualifying Certificate (QC) rules. Despite URA's recent imposition of restrictions on strata subdivision to the commercial component in properties located in certain designated areas including CBD and Orchard Road corridors, any drastic impact on market sentiments is not expected as the profile of the investors of commercial developments in recent times remain mainly institutional with a mid- to long-term investment horizon.
- RETAIL: While suburban retail assets are expected to continue to be sought after, the interest in prime assets, especially strata-titled properties and units, may be renewed due to its scarcity, which may in turn spur higher transaction activity.
- OFFICE: While technology demand growth could slow temporarily in the months ahead, on the back of supply chain constraints/disruptions and the Chinese regulatory clampdown, we remain optimistic on the finance sector, especially the wealth management industry, as a key driver of office demand. With the increase of up to 75% of the workforce allowed back to the office and improving business sentiment on the back of a strong rebound in Singapore's economic growth last year, companies may reassess their office space needs.
- INDUSTRIAL: Amid heightened geopolitical tensions and supply chain risks, stockpiling requirements are likely to increase. The investment demand for logistics facilities and warehouses is expected to remain strong in tandem with the e-commerce growth trend. However, investors may adopt a cautious approach toward rapid expansion amid the expected softening of global growth for 2022.

# OFFICE – Riding on the back-to-office momentum

## KEY HIGHLIGHTS

### Average monthly gross rents (SGD/sq ft)

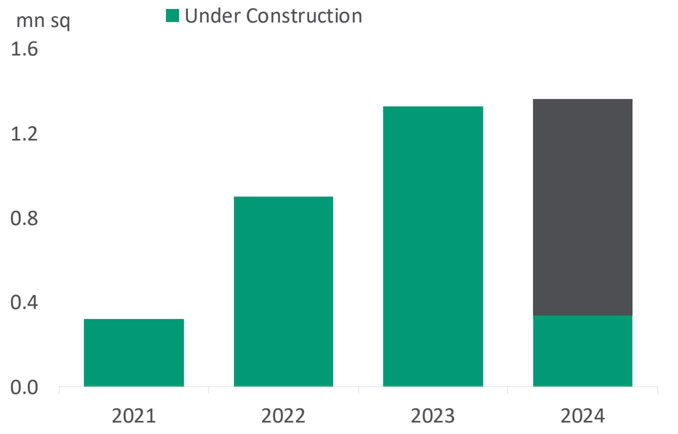
| Location | Subzone | Grade | Q4 2021 | Q1 2022 | Qoq change (%) |
|---|---|---|---|---|---|
| CBD | Marina Bay | Premium | 12.08 | 12.20 | 1.0 |
| | Raffles Place | A | 10.11 | 10.19 | 0.8 |
| | Shenton Way/Robinson Road/Tanjong Pagar | Premium | 10.88 | 10.90 | 0.1 |
| | | A | 8.65 | 8.70 | 0.5 |
| | | B | 6.95 | 6.99 | 0.6 |
| Non-CBD | Marina Centre | A | 9.63 | 9.68 | 0.5 |
| | City Hall/Bugis | Premium | 10.71 | 10.75 | 0.4 |
| | | * | 6.95 | 6.98 | 0.4 |
| | Orchard Road | * | 8.85 | 8.86 | 0.2 |
| Decentralised areas | Decentralised areas | * | 6.00 | 6.01 | 0.1 |

Source: EDMUND TIE

## SUPPLY – SINGAPORE OFFICE SUPPLY (sq ft)

Q4 2021
4.9mn sq ft
Q3 2021
3.9mn sq ft

As at Q4 2021, nearly 4.9mn sq ft of new office space will be completed from 2022 to 2025, an increase from 3.9mn sq ft as of Q3 2021.

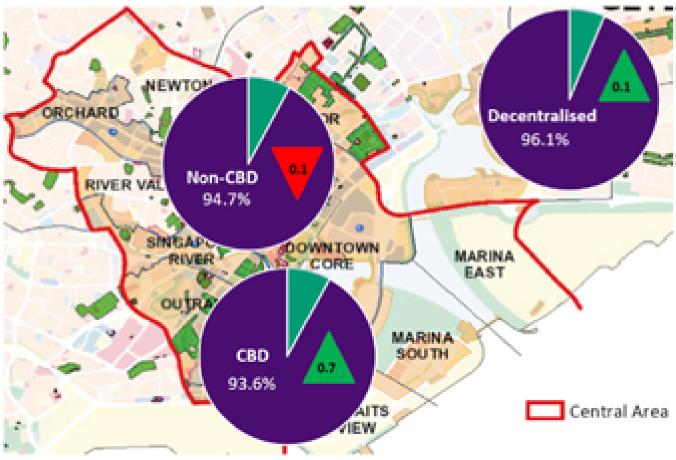



Source: URA, EDMUND TIE

## OCCUPANCY RATE OF PRIME CBD OFFICE SPACES

Q1 2022
93.6%
Q4 2021
93.0%

The occupancy rate of prime CBD office spaces experienced a slight quarter-on-quarter increase, fuelled by a rise in leasing demand for Shenton Way/Robinson Road/Tanjong Pagar office spaces.




* In-house estimates of purpose-built office developments and mixed-use premises with NLA of 20,000 sq ft and above

Source: URA, OneMap, EDMUND TIE Research

## OFFICE SUPPLY PIPELINE (2022-2025) (sq ft)

In the quarter, there are no office development which has obtained TOP.

| | Development | Location | Zone | NLA '000 sq ft | Total | Status |
|---|---|---|---|---|---|---|
| 2022 | Guoco Midtown | Beach Road | Bugis/City Hall | 650 | 1,223 | Under construction |
| | Rochester Commons | Rochester Park | Decentralised Areas | 250 | | Under construction |
| | Surbana Jurong Campus | Cleantech Loop | Decentralised Areas | 200 | | Under construction |
| | Hub Synergy Point redevelopment | Anson Road | CBD | 123 | | Under construction |
| 2023 | Central Boulevard Towers | Central Boulevard | CBD | 1,258 | 1,308 | Under construction |
| | One Holland Village | Holland Road | Decentralised Areas | 50 | | Under construction |
| 2024 | Office/Retail development (The Labrador Substation) | Labrador Villa Road/ Pasir Panjang Road | Decentralised Areas | 641 | 1,447 | PP: Sep-20 |
| | Central Boulevard Towers | Hoe Chiang Road | CBD | 495 | | WP: May-20 |
| | Central Boulevard Towers | Jalan Afifi | Decentralised Areas | 311 | | PP: Oct-20 |
| 2025 | Shaw Tower redevelopment | Beach Road/Middle Road/Nicoll Highway | Bugis/City Hall | 383 | 720 | PP: Jan-20 |
| | Punggol Digital District | Punggol Way | Decentralised Areas | 337 | | Under construction |
| Total | | | | | 4,698 | |

*Selected major developments in the pipeline

Source: URA, EDMUND TIE

## MARKET COMMENTARY

- Based on EDMUND TIE Research statistics, overall net absorption islandwide fell from 515,000 sq ft in Q4 2021 to around 265,000 sq ft in Q1 2022. The leasing demand for prime office spaces in the central area moderated as corporates held back on their real estate needs amid the new Omicron wave during the quarter. Nonetheless, robust demand for premium spaces in Raffles Place and Grade A office spaces in Shenton Way/Robinson Road/ Tanjong Pagar brought about higher occupancies, while other segments saw some softening. The overall occupancy rate for office spaces in the CBD rose by 0.7 percentage points to 93.6% in Q1 2022, which was a similar rate of increase compared to the previous quarter.
- The limited supply of quality spaces continued to support rental growth across all subzones of the office sector in Q1 2022, albeit to various extents. In the CBD, premium rents at Marina Bay and Grade A rents at Raffles Place experienced the strongest uptick. Grade B rents at Shenton Way/Robinson Road/ Tanjong Pagar have also risen for the first time by 0.6% since Q1 2020. In non-CBD, rents across different subzones improved by 0.2%-0.5% qoq, while office rents in the decentralised rose by a modest 0.1%-0.2% qoq in Q1 2022.
- Some of the major leasing deals in Q1 2022 included KPMG taking up around 100,000 sq ft in Asia Square Tower 2 and Sony Music's flagship regional headquarters at Duo Tower. The upcoming Guoco Midtown had also secured more tenants in the quarter.

## MARKET OUTLOOK

- Following URA's recent imposition of restrictions on strata subdivision to the commercial component in properties located in certain designated areas, including CBD and Orchard Road corridors, rents and prices of strata units are expected to rise due to scarcity in future supply.
- While the growth in demand for the technology sector could slow temporarily in the months ahead due to the supply chain constraints/disruptions and the Chinese regulatory clampdown, we remain optimistic on the finance sector, especially the wealth management industry, as a key driver of office demand.
- With up to 75% of workforce allowed back to the office and improved business sentiment driven by the strong rebound in Singapore's economic growth last year, companies are reassessing their office space needs. To accommodate future growth plans, adopt the hybrid working models, and address the employees' evolving requirements, companies might be looking for expansion in the current buildings or new spaces.
- Barring the emergence of new Covid-19 variants, we expect the restrictions in the workplace may ease further by the end of the year, which may allow all employees to return to the office. Amid a tight supply pipeline, office demand will continue to strengthen, especially for good quality and sustainable spaces.

# INDUSTRIAL – Focus on decarbonisation and supply chain diversification

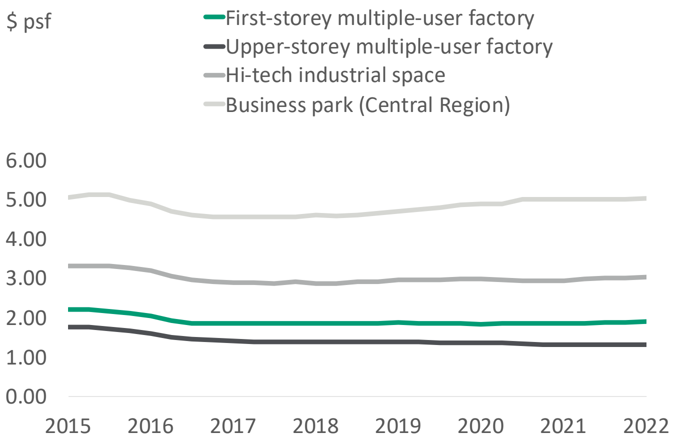
## KEY HIGHLIGHTS

### RENTAL OF FIRST STOREY MULTIPLE-USER FACTORY

**Q1 2022**
**$1.88 psf**

Q4 2021
$1.87 psf

Firm prospects for the manufacturing sector drove the slight 0.6% qoq increase in rent.



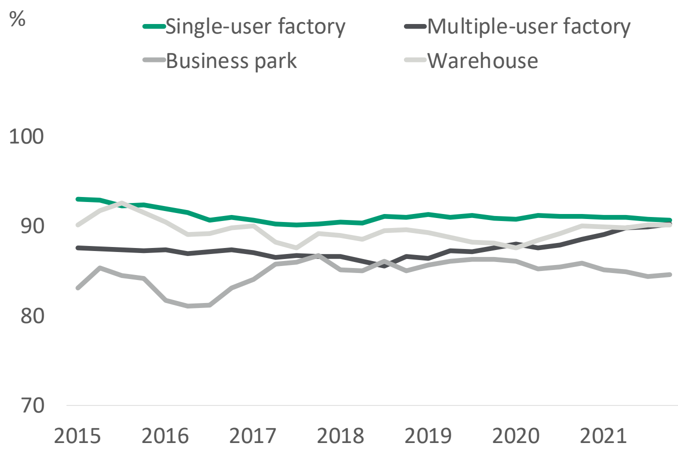

Source: EDMUND TIE Research

### OCCUPANCY RATE OF MULTIPLE-USER FACTORY

**Q4 2021**
**90.2%**

Q3 2021
89.8%

The occupancy rate of the island-wide multiple-user factory increased by 0.4% qoq, buoyed by semiconductor and biomedical activities. Occupancy rate for multiple-user factory increased by 1.7% points between Q4 2020 and Q4 2021 amid healthy demand in strong manufacturing output.



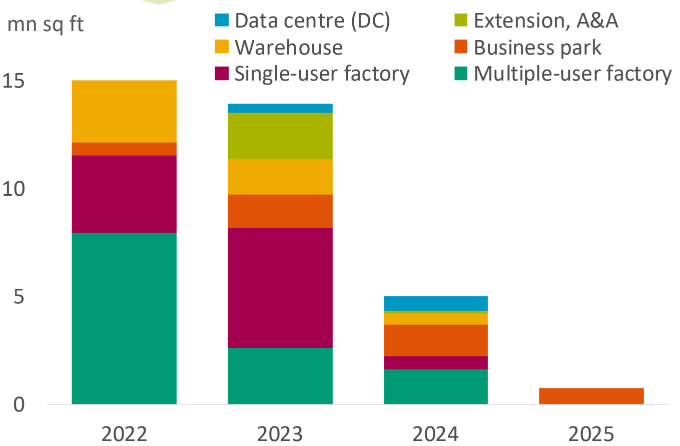

Source: JTC

### SUPPLY OF INDUSTRIAL SPACES (sq ft)

**Q4 2021**
**41.6mn sq ft NLA**

Q3 2021
35.3mn sqft NLA

Most supply pipeline is in 2022 and 2023.




Source: EDMUND TIE Research

### INDUSTRIAL SUPPLY PIPELINE (2022-2025) (sq ft)

| Developer/development | Location | NLA '000 sq ft |
|---|---|---|
| **Private multiple-user factory developments** | | |
| Solaris @ Tai Seng | Tai Seng Avenue | 929 |
| Mapletree Industrial Trust | Kallang Way | 710 |
| **Private single-user factory developments** | | |
| Malkoha | Sunview Way | 1,512 |
| Global Foundries Singapore | Woodlands Industrial Park D Street 2 | 849 |
| **Private warehouses developments** | | |
| Allied Sunview | Sunview Road | 1,081 |
| Logos eHub | Pandan Crescent | 750 |
| **Private business park developments** | | |
| CapitaLand | Science Park Drive | 993 |
| Surbana Jurong Campus | Cleantech Loop | 365 |
| **Public industrial developments** | | |
| JTC Defu Industrial City | Defu South Street 1 | 2,875 |
| JTC Punggol Digital District (Phase 1) | Punggol Way | 2,067 |

* New supply of major industrial developments

Source: JTC

## MARKET COMMENTARY

- The manufacturing PMI reading fell by 0.2 points from 50.7 in December 2021 (last publication) to 50.1 in March 2022. The overall manufacturing sector has now recorded the 21st month of expansion, despite global growth's expected softening in 2022 amid heightened geopolitical tensions and supply chain risks.
- On a 3-month moving average yoy basis, NODX grew by 15.3% yoy in February 2022, following a 19.9% rise in January 2022. Both the electronics and non-electronics sectors contracted.
- Overall industrial net absorption decreased from 2.4mn sq ft in Q3 2021 to 0.2mn sq ft in Q4 2021, amid continued uncertainties surrounding global trade markets and looming inflation costs. The drivers were warehouse segment (0.4mn sq ft) and multiple-user factory segment (0.3mn sq ft).
- Island-wide, occupancy rate for multiple-user factory increased 0.4% qoq to 90.2% in Q4 2021, whilst that of business park increased 0.2% qoq to 84.5% in Q4 2021. The rest of the occupancy rates for other industrial segments decreased by similar rates of 0.1% qoq in Q4 2021.
- As of Q4 2021, approximately 59% of the supply pipeline will be completed in 2022, followed by 18% in 2023. Single-user factories accounted for the bulk (42%) of the supply pipeline with approximately 17.6mn sq ft NLA. Multiple-user factory space made up 31% of the supply pipeline, projected to be about 12.8mn sq ft NLA.
- Amid robust manufacturing activity in Q1 2022, multiple-user factory rents rose by 0.3-0.6% qoq in the quarter. Buoyant demand for spaces with modern specifications pushed up rents by 0.6% qoq for hi-tech spaces in Q1 2022.

## MARKET OUTLOOK

- Stockpiling requirements are likely to increase amid heightened geopolitical tensions and supply chain risks, which will further increase the demand for logistics and warehouse facilities. It will also drive the push towards supply chain diversification to mitigate cost pressures and operating risks.
- To achieve Singapore's new net-zero emission ambition by or around mid-century, it was announced during Budget 2022 that the carbon tax will be raised to S$25 per tonne in 2024 and 2025, and S$45 per tonne in 2026 and 2027 to reach S$50 to S$80 per tonne by 2030. More occupiers may be encouraged to change their business models toward decarbonisation and cost savings, while we expect to see more redevelopments of ageing assets into future-proof properties with higher specifications and sustainability features.
- Amid flight to quality, prime logistics assets, high-tech factories and city-fringe business parks will continue to be sought-after, with rents and capital values expected to rise in tandem.
- Despite the anticipated new supply of data centres coming onstream in response to the expected lifting of the data centre moratorium in Q2 2022, we expect continued rental growth due to tight supply in the near term amid strong demand.

# RETAIL – Brighter prospects with fresh easing of COVID measures

## KEY HIGHLIGHTS

### AVERAGE RETAIL RENTAL (SGD/sq ft)

| Location | Level | Q4 2021 | Q1 2022 | Qoq change (%) |
|---|---|---|---|---|
| **Orchard/Scotts Road (OSR)** | **First storey** | 37.38 | 37.56 | 0.5 |
| | **Upper storey** | 15.95 | 15.98 | 0.2 |
| **Other city areas (OCA)** | **First storey** | 19.26 | 19.32 | 0.3 |
| | **Upper storey** | 9.68 | 9.69 | 0.1 |
| **Fringe/Suburban areas (FSA)** | **First storey** | 30.97 | 31.37 | 1.3 |
| | **Upper storey** | 17.23 | 17.34 | 0.6 |

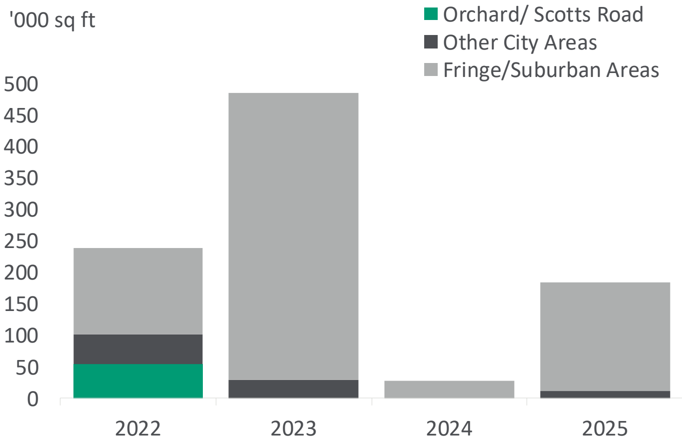
Source: EDMUND TIE

### SUPPLY OF RETAIL SPACES (SQ M)

**Q4 2021**
**0.9mn sq ft**

Q3 2021
1.2mn sq ft

There are nearly 0.9mn sq ft of new retail space to be completed from 2022 to 2025. The majority (66.0%) of the supply pipeline will emerge from the Fringe/Suburban Areas.



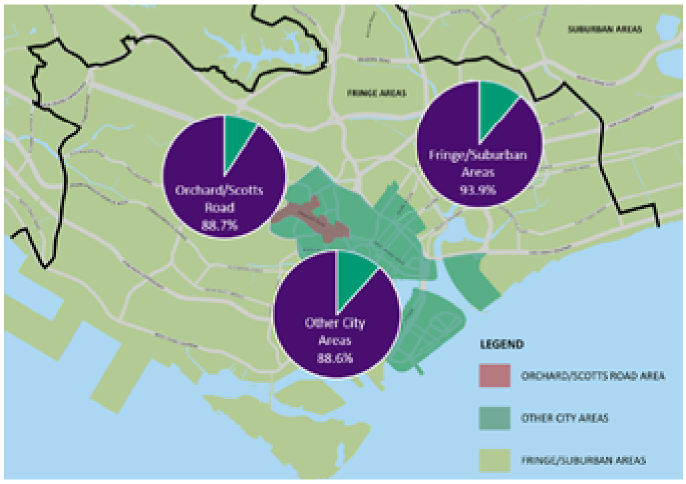

Source: URA, EDMUND TIE

### RETAIL OCCUPANCY RATES

**Q4 2021**
**91.9%**

Q3 2021
91.9%

The average occupancy rate of retail spaces in Singapore remained unchanged in Q4 2021.




### SUPPLY OF RETAIL SPACES (2022-2025) (sq ft)

The majority of the upcoming pipeline is the redevelopment of existing malls and ancillary retail, mainly from mixed-use office buildings and the retail podium from residential developments.

| | Development | Location | Developer | NLA '000 sq ft | Total | Status |
|---|---|---|---|---|---|---|
| **2021** | A&A to existing Shaw Plaza | Balestier Road | Shaw Properties (1997) Pte Ltd | 64 | **200** | Under Construction |
| | A&A to Grantral Mall @ Macpherson | Macpherson Road | Wujie Times Square Pte Ltd | 63 | | |
| | Boulevard 88 | Cuscaden Road/ Orchard Boulevard | Hong Leong Holdings, CDL and Lea Investments | 30 | | |
| | Guoco Midtown | Beach Rd | Guoco Midtown Pte Ltd/ Midtown Bay Pte Ltd | 23 | | |
| | Hotel/retail development | Club Street | Worldwide Hotels Group | 20 | | |
| **2023** | The Woodleigh Mall | Upper Aljunied Road | SPH and Kajima Development | 150 | **455** | Under construction |
| | Sengkang Grand Mall | Compassvale Bow/ Sengkang Central | CapitaLand and City Developments Limited | 109 | | |
| | One Holland Village | Holland Road | Far East Organization, Sinoland, and Sekisui House | 81 | | |
| | A&A to Changi Airport Terminal 2 | Airport Boulevard | Changi Airport Group (S) Pte Ltd | 62 | | |
| | Dairy Farm Residences | Dairy Farm Road | United Engineers | 30 | | |
| | Parc Komo/Komo Shoppes | Upper Changi Road North/Jalan Mariam | CEL Real Estate Development Pte Ltd | 23 | | |
| **2024** | Office/retail development | Labrador Villa Road/ Pasir Panjang Road | SP Group | 26 | **26** | PP: Sep-20 |
| **2025** | Punggol Digital District | Punggol Way | JTC Corporation | 173 | **173** | WP: Oct-19 |
| **Total** | | | | | **854** | |

*Selected major developments in the pipeline

Source: URA, EDMUND TIE

## MARKET COMMENTARY

- Based on EDMUND TIE Research, islandwide net absorption fell slightly from 355,000 sq ft in Q3 2021 to 269,000 sq ft in Q4 2021. The overall occupancy rate remained constant at 91.9% in Q4 2021.
- The occupancy rate for the Fringe/Suburban Area improved by 0.1% points to 93.9% in Q4 2021, the sixth quarter of consecutive increase since the start of the COVID-19 pandemic.
- In Q1 2022, rents for Fringe/Suburban continued to outperform and rose by 1.3% qoq, compared to a slower growth of 0.5% qoq in Orchard/Scotts Road and marginal growth in rental rates of 0.3% in Other City Areas.
- Retail openings in Q1 2022 included Japanese furniture brand Nitori Retail's first Singapore store at Courts Nojima at The Hereen, Uniqlo at Ang Mo Kio Avenue 3, and Pepper Lunch GO! at 313@Somerset. Retail closures included Dunkin' Donuts temporarily closing all their outlets in Singapore, Isetan at Parkway Parade, and Marks & Spencer at 313@Somerset.
- The 3-month moving average of yoy change in retail sales (excluding motor vehicles) has risen from 6.8% in October 2021 to 9.6% in January 2022. Retail sales for Petrol Service Stations, Wearing Apparel & Footwear and Watches & Jewellery experienced the greatest improvement yoy in Q4 2021. The majority of the retail trade categories experienced a positive growth except for Mini-marts & Convenience Stores, Others and Optical Goods & Books, which were the only three categories that experienced losses.
- For the food and beverage services index for Q4 2021, Restaurants was the sole component that reported a decline of 5.3% yoy due to the dining restrictions. Food Caterers recorded the greatest improvement, increasing by 42.2% yoy in Q4 2021 followed by Cafes, Food Courts & Other Eating Places which rose by 4.2% yoy.

## MARKET OUTLOOK

- We expect the fresh easing of social, event and border restrictions to improve retail sentiment and boost consumer confidence, which will further improve retail sales.
- In particular, the increased dining capacity to 10 fully vaccinated people is a welcome move for the F&B sector, though the current requirement for safe distancing of 1m between tables means that eating outlets are still not be able to operate at full capacity.
- As a result of URA's recent imposition of restrictions on strata subdivision to the commercial component in properties located in certain designated areas, including CBD and Orchard Road corridors, demand and occupancy of prime retail assets may keep steady or even improve amid the limited supply of existing strata malls.
- The latest strata policy change may also improve the tenant diversity of malls and allows for more effective control of the mall's positioning under single ownership, which may drive higher footfall and spending. As a result, malls in the designated areas may enjoy lower vacancy rates and command higher rents over time.
- As Singapore further reopens its borders with the lifting of most restrictions for fully vaccinated visitors, the anticipated return of more tourists will inject greater optimism for the recovery of the retail sector, especially in the Central Area.

# RESIDENTIAL – Price growth to soften in the wake of cooling measures

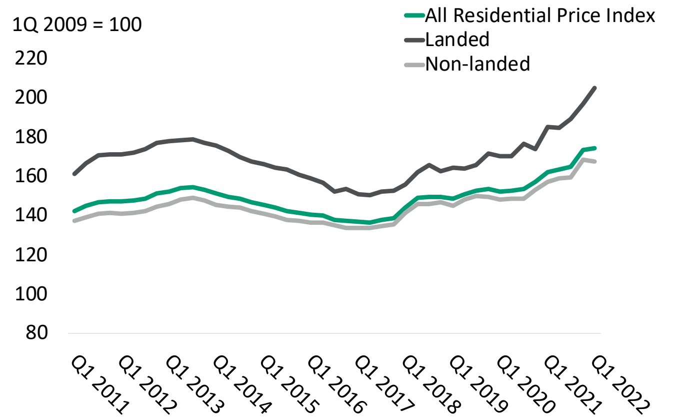
## KEY HIGHLIGHTS

### PROPERTY PRICE INDEX OF ALL PRIVATE RESIDENTIAL PROPERTIES

**Q1 2022**
(URA flash estimate)
**174.3**

Q4 2021
173.6

In Q1 2022, based on URA's flash estimate, the overall Property Price Index (PPI) for private residential properties rose for the eight consecutive quarter by 0.4% qoq, a moderation from Q4 2021's 5.0%. Landed property prices rose by 4.0% qoq while non-landed property prices corrected by 0.6% qoq.



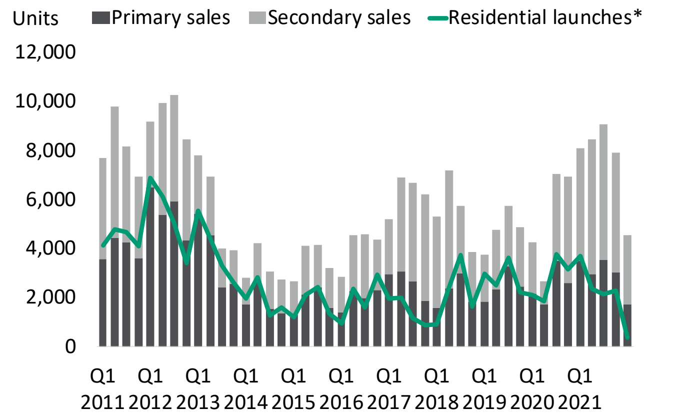

Source: URA

### PRIMARY AND SECONDARY SALES TRANSACTION VOLUME

**Q1 2022**
**4,568 units**

Q4 2021
7,925 units

Based on caveats lodged between 1 Jan 2022 and 31 Mar 2022, overall sales transaction volumes for private residential units decreased by 42% qoq in Q1 2022 in the wake of the cooling measures. The transaction volumes for both the primary and secondary markets declined qoq, by 43% and 42% respectively.




* Residential launch data for Q1 2022 is based on new launches in Jan 2022 and Feb 2022 only.

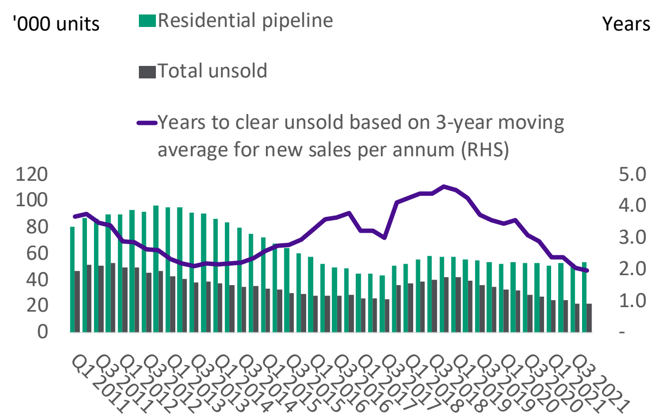
Source: URA

### RESIDENTIAL PIPELINE SUPPLY

**Q4 2021**
**53,555 units,**
**21,612 total unsold**

Q3 2021
52,101 units,
21,551 total unsold

The pipeline supply for private homes rose by 2.8% qoq in Q4 2021. The total number of unsold units rose slightly by 0.3% qoq and we expect the units to be absorbed in 2.0 years.



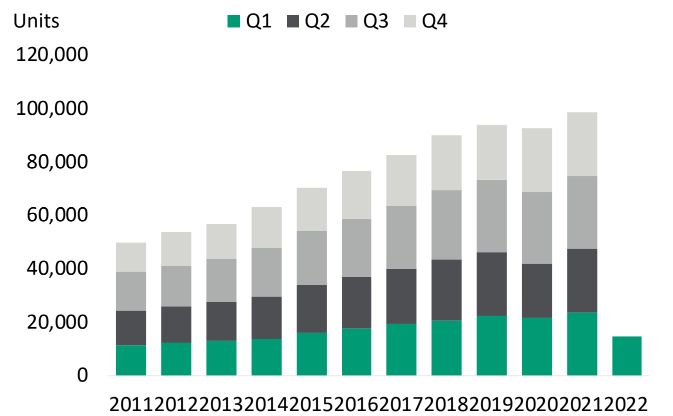

Source: URA

### PRIVATE HOME RENTAL TRANSACTIONS

**Q1 2021**
**14,619 units**

Q4 2021
23,915 units

The number of private rental transactions grew significantly by 6.6% to a record high in 2021, driven by completion delays within the construction sector, which created demand for rental units. Rental transactions fell by 11.9% qoq in Q4 2021 and by 39% qoq in Q1 2022.




Source: URA

## MARKET COMMENTARY

- According to URA's flash estimate for Q1 2022, the Property Price Index (PPI) for private residential properties rose for the eighth consecutive quarter by 0.4% qoq, marking a noticeably slower growth in the wake of the cooling measures. Prices for the landed properties rose by 4.0%, while the non-landed prices fell by 0.6%. Besides the impact of the cooling measures, the softer non-landed prices were also a result of the dearth of new launches during the quarter. There were two new projects launched in Q1 2022, Royal Hallmark in the RCR and Ikigai in the CCR.
- Based on caveats lodged, new sales and secondary transaction volumes dipped 44% and 49% qoq respectively in Q1 2022. Within both the new sales and secondary sales market, the decline in activity was broad-based and similar across the market segments.
- The price movements across the market segments reflect the expected immediate impact of the cooling measures on investment demand. The CCR, which has the highest foreign share of demand, fell by 0.5% qoq. On the other hand, the suburban OCR segment continued to see prices rising by 1.9% qoq, albeit at a slower pace compared with 5.7% a quarter ago. Our price analysis showed that median prices were more resilient in the secondary market, rising by 0.4% qoq in Q1 2022, while median prices in the primary market declined by 1.7% qoq.
- The pipeline supply for private residential homes rose by 2.8% qoq as of Q4 2021. The total number of unsold units rose slightly by 0.3% qoq to 21,612 units and we expect the unsold units to be absorbed in 2 years, based on the average sales pace over the last three years. The tight supply situation will continue to lend pricing power to developers.
- Private rental transactions grew significantly by 6.6% to a record high in 2021, driven by the continual ongoing uncertainties within the construction sector, which created the demand for rental units. Rental transactions fell by 11.9% qoq in Q4 2021 and 39% qoq in Q1 2022. The marked decline in Q1 2022 was broad-based across the three market segments and is likely due to the low vacancies in the market. Some expatriates may have taken the opportunity to return to their home countries, expecting to return with ease as the border restrictions are relaxed.

## MARKET OUTLOOK

- We expect price growth to moderate with the imposition of the latest cooling measures to promote housing affordability and curb market exuberance. However, we do not expect strong pressures on developers to reduce prices, especially for projects with limited unsold inventory.
- Looking ahead, the tightening of the Total Debt Servicing Ratio (TDSR) could divert some demand towards suburban homes, which are more affordable. We also expect some rotation of demand from RCR to OCR in 2022, given the strong price increases in RCR in 2021.
- Demand will continue to be largely supported by local first-time home buyers and HDB upgraders, who are least impacted by the cooling measures. Stable economic prospects and an improving job market in 2022 will further support the demand for private homes.
- However, we expect sales momentum to slow, on the back of fewer units from new launches in 2022. Developers will likely exercise more caution in bidding for land parcels over the next few months. We expect a recovery in launch and sales activity in H2 2022, if the collective sales market stabilises.
- While the cooling measures will dampen sales momentum, the overall market remains supported by a robust labour market, ongoing economic growth, and healthy demand-supply dynamics in the property market. The nation is also better prepared to face new Covid challenges, given the high vaccination rates and booster programme. Our base projection is a slight correction of the primary sales to about 11,000 – 12,000 units for 2022.
- With the VTL and resumption of air travel bringing more expatriates, foreign workers, and students back to Singapore, we foresee rental demand to strengthen in 2022. However, as the shortage of manpower in the construction sector is gradually resolved, demand for short-term rentals could decline. The completion of new projects could slow the rate of rental increases.

# CONTACTS

**Desmond Sim**
*Chief Executive Officer*
+65 6393 2366
desmond.sim@etcsea.com

## PROFESSIONAL SERVICES

### Valuation Advisory

**Poh Kwee Eng**
*Executive Director*
*Regional Head of*
*Valuation Advisory*
+65 6393 2312
kweeeng.poh@etcsea.com

**Nicholas Cheng**
*Executive Director*
+65 6393 2317
nicholas.cheng@etcsea.com

### Property Tax Advisory & Statutory Valuation

**Ng Poh Chue**
*Executive Director*
+65 6393 2515
pohchue.ng@etcsea.com

### Research & Consulting

**Lam Chern Woon**
*Senior Director*
+65 6393 2340
chernwoon.lam@etcsea.com

### Hospitality

**Kwok Sai Kuai**
*Executive Director*
+65 6417 9229
saikuai.kwok@etcsea.com

**Tay Hock Soon**
*Senior Director*
+65 6887 0088
tayhs@treetops.com.sg

### Property Management

**Kwok Sai Kuai**
*Executive Director*
*Regional Head of*
*Property Management*
+65 6417 9229
saikuai.kwok@etcsea.com

**Paul Wong**
*Senior Director*
+65 6417 9225
paul.wong@etcsea.com

## AGENCY SERVICES

### Investment Advisory

**Poh Kwee Eng**
*Executive Director*
+65 6393 2312
kweeeng.poh@etcsea.com

**Swee Shou Fern**
*Executive Director*
+65 6393 2523
shoufern.swee@etcsea.com

### Business Space & Retail

**Chua Wei Lin**
*Executive Director*
*Regional Head of*
*Business Space*
+65 6393 2326
weilin.chua@etcsea.com

### Auction & Sales

**Chua Wei Lin**
*Executive Director*
+65 6393 2326
weilin.chua@etcsea.com

**Joy Tan**
*Senior Director*
+65 6393 2505
joy.tan@etcsea.com

### Residential

**Margaret Thean**
*Executive Director*
*Regional Head of Residential*
+65 6393 2383
margaret.thean@etcsea.com

**Karen Ong**
*Executive Director*
+65 6393 2366
karen.ong@etcsea.com

### China Desk

**Desmond Sim**
*Chief Executive Officer*
+65 6393 2366
desmond.sim@etcsea.com

## REGIONAL OFFICES

### Malaysia

**Eddy Wong**
*Managing Director*
+603 2024 6380
eddy.wong@ntl.my

### Thailand

**Punnee Sritanyalucksana**
*Chief Operating Officer*
*EDMUND TIE Thailand*
+66 2257 0499 ext 101
punnee.s@etcthailand.co.th

**Editor:**

**Saleha Yusoff**
*Executive Director*
*Regional Head of*
*Research & Consulting*
+603 2161 7228 ext 302
saleha.yusoff@etcsea.com

**Authors:**

**Lam Chern Woon**
*Senior Director*
*Research & Consulting*
+65 6393 2340
chernwoon.lam@etcsea.com

**Joey Ong**
*Assistant Manager*
*Research & Consulting*
+65 6393 2372
joey.ong@etcsea.com

**Hailee Fong**
*Research Analyst*
*Research & Consulting*
+65 6393 2548
hailee.fong@etcsea.com

For more information, please contact us at research.sg@etcsea.com.



**Edmund Tie & Company (SEA) Pte Ltd**

5 Shenton Way, #13-05 UIC Building, Singapore 068808.

T. +65 6293 3228 | F. +65 6298 9328 | mail.sg@etcsea.com | Please visit www.etcsea.com and follow us on

Scan the QR code with WeChat app to visit our WeChat account.

We are now on 新浪微博 weibo.com and 知乎