ASIAN PRIME

SINGAPORE REAL ESTATE MARKET UPDATES

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CONTENTS

FEBRUARY 2024 MONTHLY REPORT

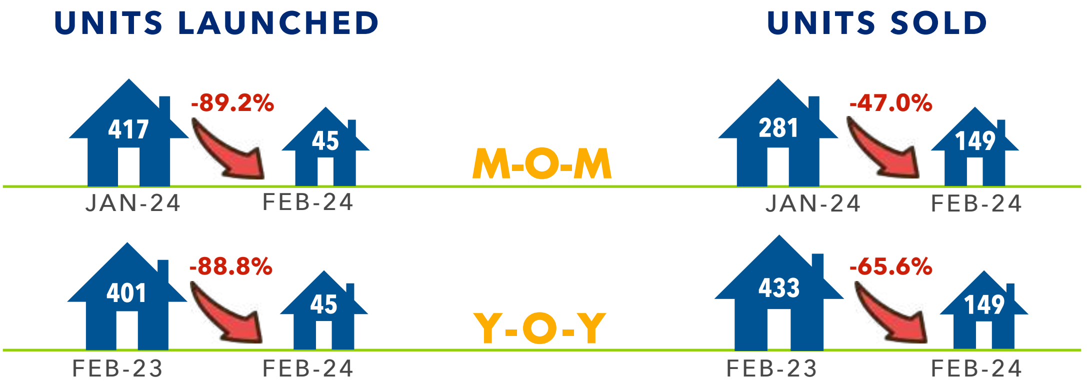
✉ 7 Temasek Boulevard, #12-07 Suntec Tower One, Singapore 038987

February 2024 Marks Lowest New Private Home Sales in 15 Years

In February 2024, Singapore's new private home sales experienced a significant decline, hitting a 15-year low, largely attributed to a cautious approach by developers and softer economic conditions.

Developers postponed new project launches, aligning with the Chinese New Year celebrations and in anticipation of better market conditions, resulting in a sales drop to just 149 units from the 281 transacted in January, marking a stark 65.6% decrease from the 433 units sold in the same month the previous year.

The sales figure were the weakest February showing since 2008, when only 174 units were sold, highlighting a cautious buyer sentiment influenced by high financing costs, property cooling measures, and expectations of interest rate cuts later in the year.



Market Dynamics:

February 2024 witnessed a notable contraction in Singapore's new private home sales, marking the most subdued February since 2008, with only 149 units sold—a sharp contrast to the 281 units sold in January and a significant 65.6% decrease from the 433 units sold a year prior. This downturn is attributed to a confluence of factors including the Chinese New Year holiday, during which developers traditionally hold back on new launches, coupled with prevailing softer economic conditions, high financing costs, and the anticipation of interest rate cuts.

Supply Dynamics:

The supply of new units experienced a dramatic reduction, with a mere 45 new units launched in February, down 89.2% from January. This represented the lowest February launch tally since records began in June 2007. The slowdown in launches can be traced back to developers' strategic decisions to delay project introductions, likely influenced by a backlog of projects that were postponed from 2023, and the looming five-year Additional Buyer's Stamp Duty (ABSD) deadline. The cautious approach was further evidenced by the staggering drop in Executive Condominium (EC) sales, which plummeted by about 89% month-on-month.

Specific Launch Performance:

The market saw specific project performances that indicated buyer interest despite the overall downturn. For instance, Lentor Mansion, sold 400 units or 75% of the 533 units over the two days from March 15-16, indicating a potential uptick in sales volume due to these new launches.

Price Segmentation and Take-Up Rate:

Price adjustments were observed across various segments, with the prime district experiencing a 3% month-on-month decrease in median unit prices to $3,087 psf. The city fringe saw a slight 0.5% drop to $2,561 psf, while the suburbs experienced a 1% decline to $2,059 psf. This price adjustment reflects the market's response to units with larger floor areas or less desirable attributes. The sales to foreign buyers continued to slide, significantly impacted by the increase in ABSD rates to 60% in 2023.

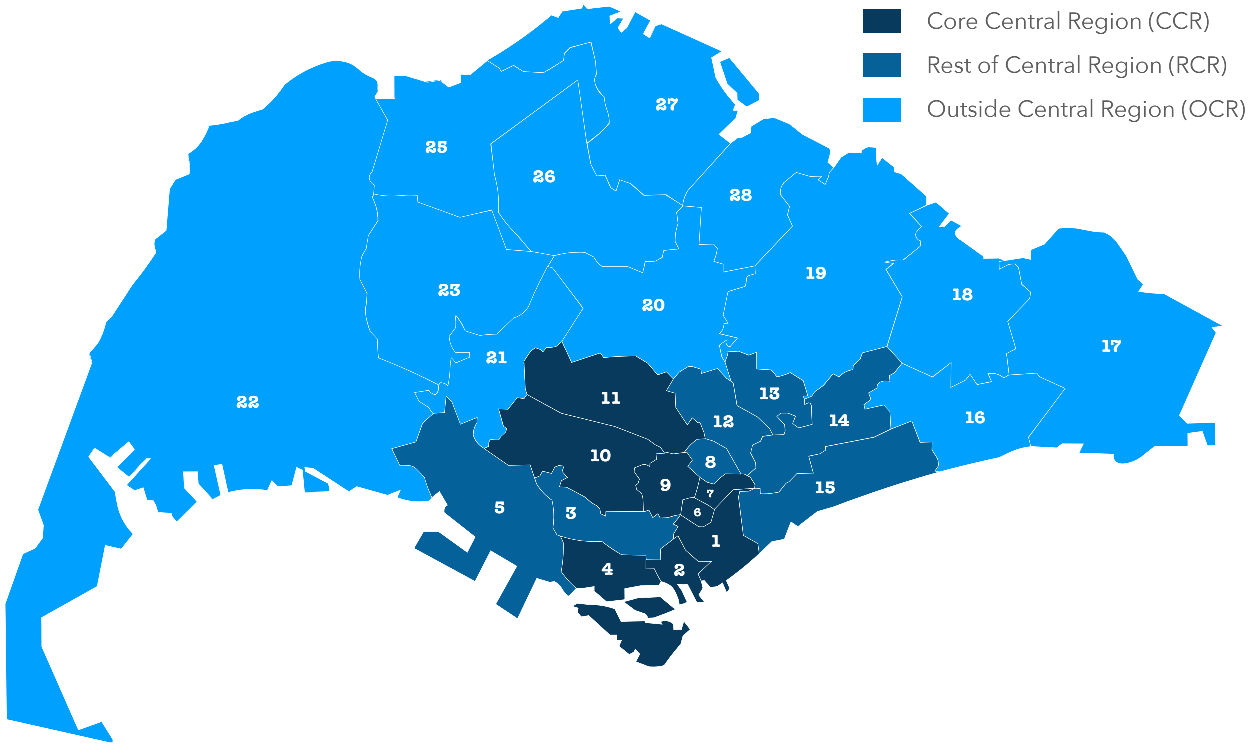
Market Outlook and Buyer Behaviour:

Despite the current challenges, there is a cautious optimism for a rebound in sales volume in March and the following months, spurred by the launch of significant projects and the potential easing of interest rates in the latter half of 2024. Analysts highlight a more significant recovery is contingent upon an improvement in macroeconomic conditions. The buyer's sentiment remains cautious, influenced by a combination of factors including cooling measures, a softening economic backdrop, and elevated interest rates, with buyers becoming increasingly selective amidst a plethora of new launch options.

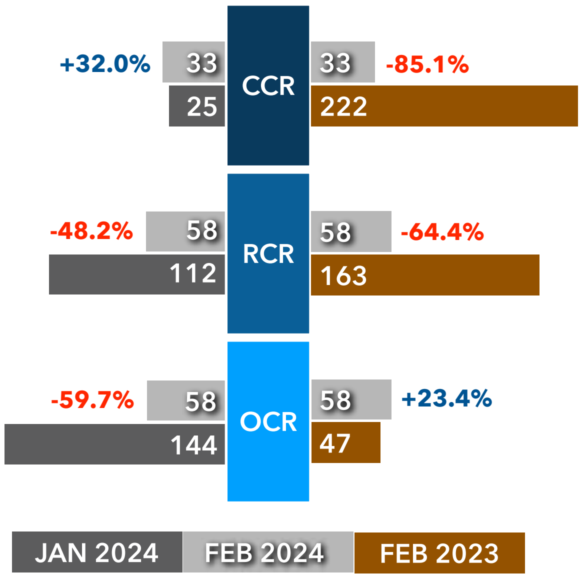
Conclusion:

The new private home sales market in Singapore faced a tough February 2024, hitting a 15-year low in sales volume. This was largely due to a strategic postponement of new launches by developers and a cautious buyer sentiment stemming from various economic pressures. However, the upcoming launches and a potential macroeconomic recovery could provide a boost to the market in the latter part of the year. While the immediate outlook remains cautious, there's potential for gradual improvement, depending on how effectively the market adapts to the prevailing economic and policy landscape.

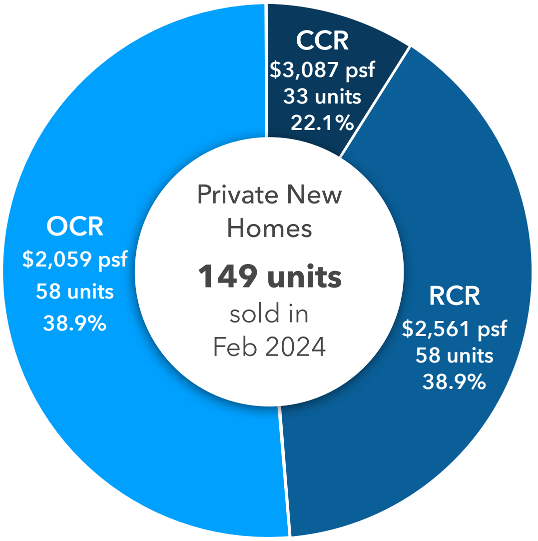
BY REGION



M-O-M | UNITS SOLD | Y-O-Y



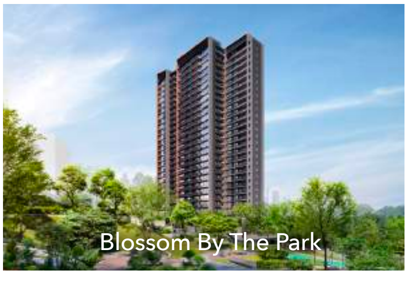
UNIT MEDIAN PRICE (PSF)
UNITS SOLD BY REGION
% TOTAL SALE BY REGION



BEST SELLING PROJECTS

BEST SELLING PROJECTS IN JANUARY 2024								
PROJECT NAME	REGION	TENURE	TOTAL UNITS	UNITS SOLD in FEB-24	TOTAL UNITS SOLD	BALANCE UNITS	% SOLD	Median Price S$PSF
Lumina Grand (EC)	OCR	99-year	512	16	286	226	55.9%	$1,497
The Botany At Dairy Farm	OCR	99-year	386	15	252	134	65.3%	$2,018
North Gaia (EC)	OCR	99-year	616	14	412	204	66.9%	$1,327
Blossom By The Park	RCR	99-year	275	10	238	37	86.5%	$2,585
Grand Dunman	RCR	99-year	1,008	10	630	378	62.5%	$2,532
Pinetree Hill	RCR	99-year	520	10	192	328	36.9%	$2,468
Hillock Green	OCR	99-year	474	8	171	303	36.1%	$2,242
Lentor Hills Residences	OCR	99-year	598	8	459	139	76.8%	$2,099
The Myst	OCR	99-year	408	8	210	198	51.5%	$2,238
The Landmark	RCR	99-year	396	6	346	50	87.4%	$2,858
Klimt Cairnhill	CCR	Freehold	138	5	96	42	69.6%	$3,434
One Bernam	CCR	99-year	351	5	214	137	61.0%	$2,567

SOURCE: URA



Developers to Launch Over 2000 New Private Homes in Q2

Despite a lacklustre performance in the first quarter, developers are undeterred and are expected to launch an estimated 2,057 new private home units in the second quarter, an increase from the first quarter.

Upcoming projects in the next two months include SORA, The Hill @ one-north, The Hillshore, Arina East Residences, and Kassia, with SORA being the largest among them. Located in the Jurong Lake District, this project was formerly Park View Mansions and was redeveloped by a consortium consisting of Chip Eng Seng, SingHaiyi Group, and KSH Holdings in July 2022 into a private housing project with 440 units.

Additionally, two new projects in the Central Business District, Marina View Residences and Newport Residences, may also launch in the second quarter. Marina View Residences, an IOI Properties project in Marina South with 748 units, was announced last year to launch by the end of June this year; Newport Residences, developed by City Developments Limited (CDL) with 246 units, had its preview activities originally scheduled for April last year but was delayed due to new government cooling measures, pushing back its launch by nearly a year.

It is estimated that developers might launch around 30 projects with 8,000 to 8,500 units this year, significantly lower than the previously forecasted 40 projects with 12,800 units.

The property market usually sees more new projects launched in the second half of the year, so barring any unforeseeable circumstances, developers could still sell up to 8,000 units this year, surpassing last year's total of 7,158 units.

New private home prices are expected to remain stable, with a potential annual increase of up to 5%.

UPCOMING LAUNCHES

99-YEAR

The Hill @ One North

DEVELOPER	Kingsford Real Estate Development Pte Ltd
TYPE	Residential
TOTAL UNITS	142
SITE AREA	5,936.6 sqm (est)
EXP TOP	Dec 2027
ADDRESS	Slim Barracks Rise
DISTRICT	D5 / Queenstown

99-YEAR

Sora

DEVELOPER	Lakeside Residential Pte Ltd
TYPE	Residential
TOTAL UNITS	440
SITE AREA	17,835 sqm
EXP TOP	Jun 2028
ADDRESS	Yuan Ching Road
DISTRICT	D22 / Jurong East

FREEHOLD

The Hillshore

DEVELOPER	Hillside View Development Pte Ltd
TYPE	Residential
TOTAL UNITS	59
SITE AREA	4,249.6 sqm
EXP TOP	Q2 2027
ADDRESS	292 Pasir Panjang Road
DISTRICT	D05 / Bouna Vista / West Coast

UPCOMING LAUNCHES

32 Gilstead

DEVELOPER	Peak Vista Pte Ltd
TYPE	Residential
TOTAL UNITS	14
SITE AREA	4,037.3 sqm
EXP TOP	–
ADDRESS	32, 34 Gilstead Road
DISTRICT	D11 - Newton / Novena

Newport Residences

DEVELOPER	CDL Pisces Commercial Pte Ltd/CDL Pisces Serviced Residences Pte Ltd/Hong Leong Properties Pte Ltd
TYPE	Residential
TOTAL UNITS	246
SITE AREA	5,091.2 sqm
EXP TOP	March 2030
ADDRESS	Anson Road
DISTRICT	D2 - Tanjong Pagar, Chinatown

Skywater Residences

DEVELOPER	Alibaba Singapore & Perennial Holdings Pte Ltd
TYPE	Mixed-Use
TOTAL UNITS	215
SITE AREA	148,450.31 sqm
EXP TOP	2028
ADDRESS	8 Shenton Way
DISTRICT	D01 - Boat Quay / Raffles Place

February Sees Modest Rise in Condo Resale Prices and Volumes

In February 2024, the Singaporean resale condominium market witnessed a slight but notable rebound, with prices marginally increasing by 0.2% and transactions growing by 1.2% month-on-month.

Market Dynamics and Transaction Volumes:

After a period of decline, the resale market has shown signs of revitalisation. The overall transaction volume saw a 1.2% increase to 760 units, compared to the previous month, marking a 0.9% increase year-on-year. Analysts attribute this modest growth to the seasonal impact of the Chinese New Year festivities and a lack of new major private home projects in February, which has led to a cautious approach from buyers, many of whom are awaiting potential decreases in mortgage rates.

RESALE PRICE INDEX

M-O-M	JAN-24: 251.1	+0.2%	FEB-24: 251.5
Y-O-Y	FEB-23: 237.0	+7.2%	FEB-24: 251.5

RESALE VOLUME

M-O-M	JAN-24: 751	+1.2%	FEB-24: 760
Y-O-Y	FEB-23: 753	+0.9%%	FEB-24: 760

Price Segmentation and Take-Up Rate:

Price growth was experienced across all residential segments, with the Core Central Region (CCR) and the Outside Central Region (OCR) seeing a 0.19% and 0.16% increase, respectively, while prices in the Rest of Central Region (RCR) remained steady month-on-month. This upward trend suggests a recovering confidence in the resale market, despite the overarching challenges.

Specific Project Performance:

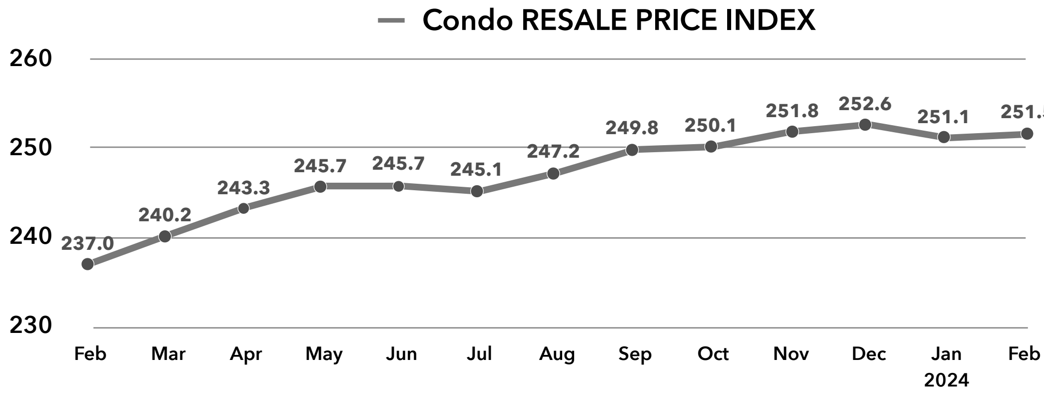
A highlight from February's transactions includes a resale unit at Ardmore Park, purchased by a permanent resident with a South Korean passport for S$12.9 million, equating to S$4,471 per square foot for the 2,885 square foot unit. This sale stands out not only for its high transaction value but also for requiring the buyer to pay an additional buyer's stamp duty (ABSD) of S$645,000, reflecting the premium segment's resilience in the resale market.

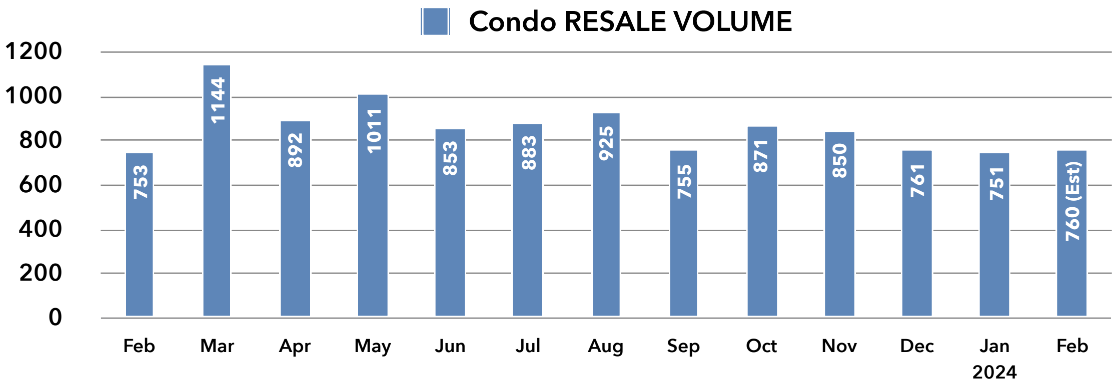
Market Outlook and Buyer Behaviour:

Experts predict the resale market will gradually recover in the coming months, spurred by the launch of new private home projects. The annual growth rate for resale prices is expected to range between 4% to 6%, indicating a more subdued outlook compared to the 7.3% increase observed last year. The tightening of ABSD regulations for foreign buyers has led to a decline in their participation in the market, with purchases by non-permanent resident foreign buyers dropping to a historic low of 0.6% of total transactions in February, primarily involving buyers from the United States.

Conclusion:

The resale condo market in Singapore is showing early signs of recovery, with slight improvements in both prices and transaction volumes in February 2024. Despite the initial slow start to the year, analysts remain optimistic about the market's potential to regain momentum, driven by a decrease in new housing supplies and the gradual stabilisation of prices. This optimism is underpinned by the expectation that more buyers will return to the resale market, encouraged by a more favourable economic environment and the launch of new projects in the near future.



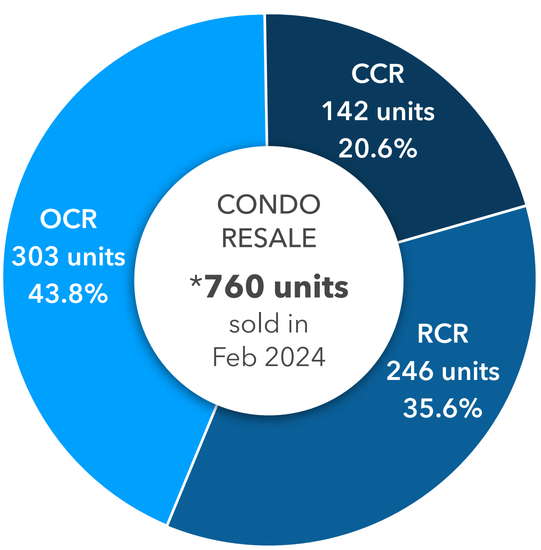


UNITS SOLD M-O-M | RESALE PRICE INDEX

	Units Sold		Resale Price Index	
-0.7%	142 (FEB 2024) / 143 (JAN 2024)	CCR	213.7 (FEB 2024) / 213.3 (JAN 2024)	+0.19%
+20.6%	246 (FEB 2024) / 204 (JAN 2024)	RCR	264.9 (FEB 2024) / 264.8 (JAN 2024)	0.0%
–25.0%	303 (FEB 2024) / 404 (JAN 2024)	OCR	252.3 (FEB 2024) / 251.9 (JAN 2024)	+0.16%

FEB 2024
JAN 2024

UNITS SOLD BY REGION % OF TOTAL SALE



* *The most recent monthly figures are initial estimates derived from historical transaction patterns. The volume of transactions will be modified for accuracy in future months' reports as additional transactions are confirmed and recorded.*

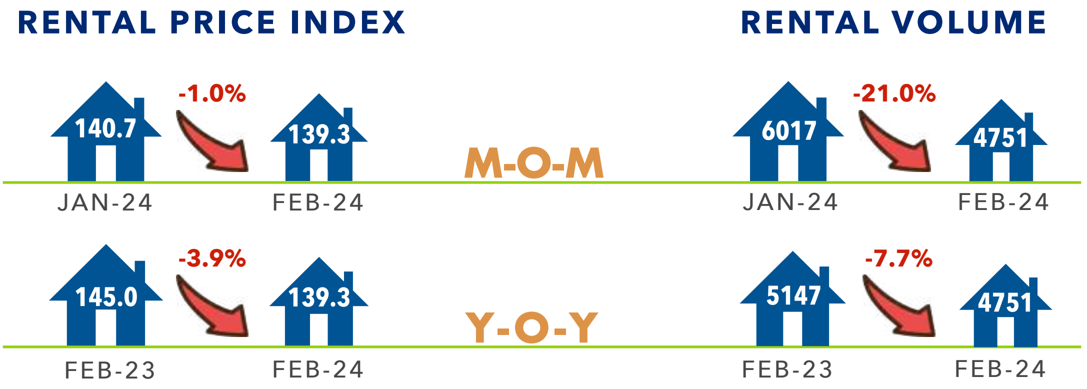
SOURCE: 99.co, SRX

Private Condo Leases on a Downward Trajectory

February 2024 saw continued adjustments in Singapore's condo rental market, with private condominium rents experiencing a decline amidst an increase in supply. This period contrasted with the Housing Board rents, which ascended to a new peak.

Market Demand and Rental Volumes:

The condo rental market faced a downturn with a 1% drop in rental prices from January, marking a 13-month continuous negative growth. Rental volumes also decreased significantly, with a 21% fall from the previous month and a 7.7% decline year-on-year, totalling an estimated 4,751 units leased in February. This decline in demand and rental activity is attributed to various factors including rising retrenchments and an abundance of available rental properties.



Rental Supply Dynamics and Rental Price Trends:

The influx of new condominium units entering the rental market, especially those that had recently obtained Temporary Occupation Permits (TOP), contributed to the oversupply, intensifying competition and leading to downward pressure on rent prices. This situation resulted in the lowest rent prices since January 2023.

Rental Price Segmentation:

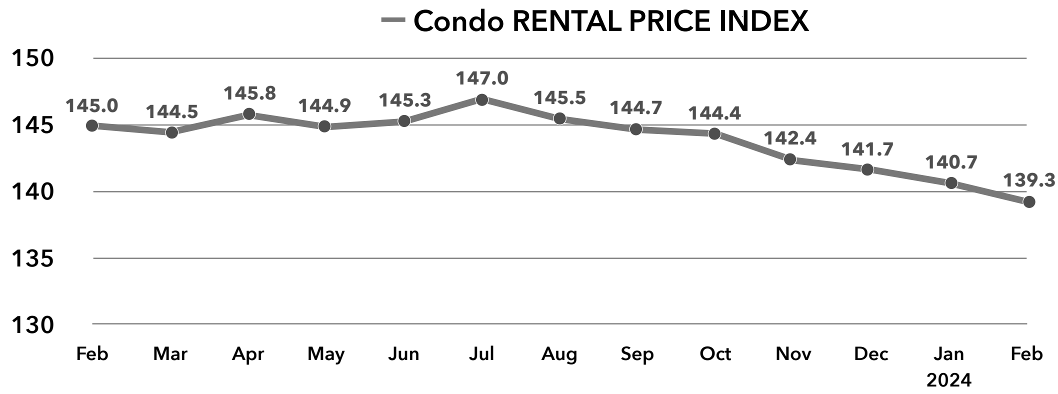
By region, rents in the Core Central Region (CCR) witnessed the most significant drop of 1.7%, followed by the Outside Central Region (OCR) and Rest of Central Region (RCR) with decreases of 0.6% and 0.5% respectively.

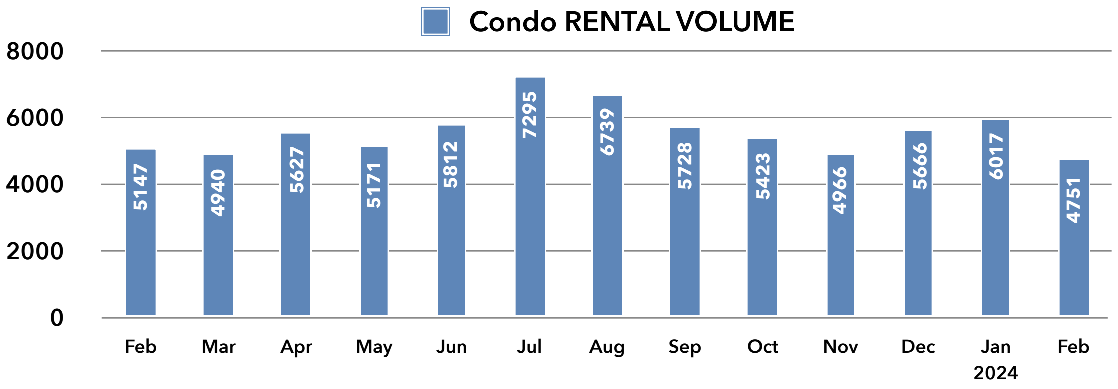
Rental Market Outlook and Tenant Behaviour:

Experts forecast a potential ease in competition for tenants towards the latter half of the year or into the next, with condo rents possibly bottoming out this year. The completion of new private homes is expected to slow down, with nearly 10,000 new homes slated for 2024, decreasing further to 5,500 units in 2025. This reduction in supply may gradually lead to a stabilisation of rent prices. Furthermore, changes in the HDB living arrangements, allowing for increased occupancy in larger flats, may continue to bolster demand in that segment unless private condo rents significantly decrease, posing competition.

Conclusion:

The condo rental market in Singapore is navigating through a period of correction, influenced by a significant supply glut and changing tenant preferences. Despite the current downward trend, there are indicators of potential recovery and stabilisation in the future, driven by a decrease in new unit completions and adjustments in rental prices. Landlords and tenants alike are adapting to the evolving market conditions, with more open negotiations on rental terms reflecting the increased choice available to tenants.



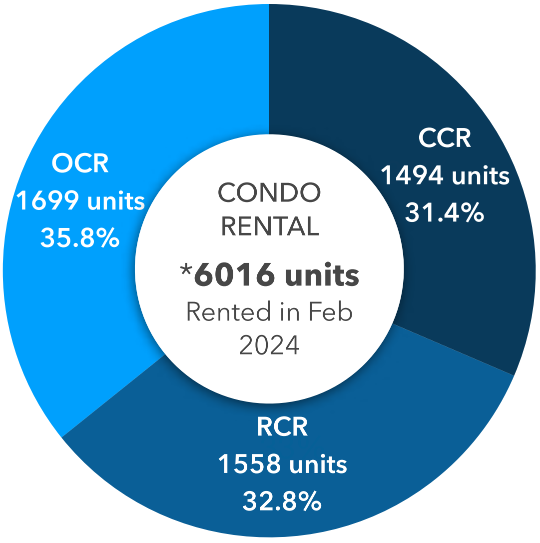


UNITS RENTED | RENTAL PRICE INDEX

	Units rented		Rental price index	
-13.8%	1494 (FEB 2024) / 1734 (JAN 2024)	CCR	140.2 (FEB 2024) / 142.6 (JAN 2024)	-1.7%
-20.6%	1558 (FEB 2024) / 1963 (JAN 2024)	RCR	136.4 (FEB 2024) / 137.1 (JAN 2024)	-0.5%
-26.8%	1699 (FEB 2024) / 2320 (JAN 2024)	OCR	139.0 (FEB 2024) / 139.9 (JAN 2024)	-0.6%

FEB 2024
JAN 2024

UNITS SOLD BY REGION % OF TOTAL SALE



* Latest month figures are flash estimates based on past rental trends. Volumes will be adjusted for accuracy in subsequent months' flash reports as more transactions are confirmed and recorded

SOURCE: 99.co, SRX

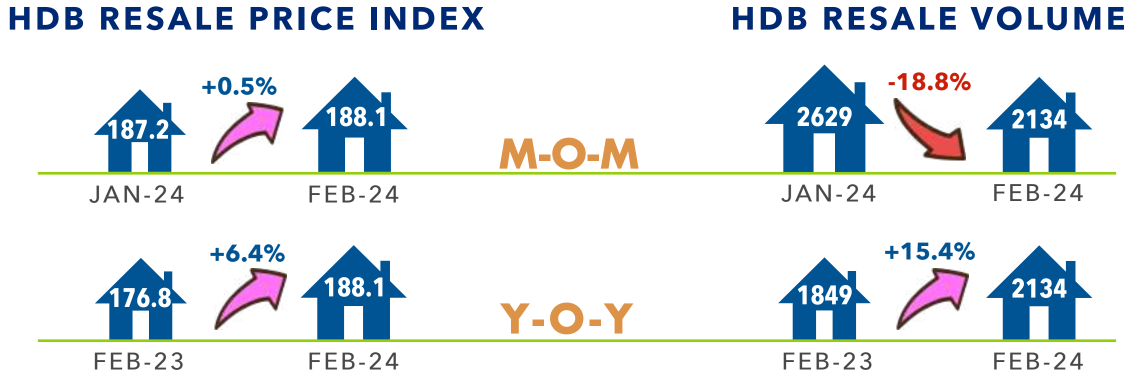
Slower HDB Resale Price Increase Accompanies Reduced Sales Volume

HDB Flats @ Toa Payoh

The HDB resale market in February 2024 experienced a contraction in transaction volumes, attributed mainly to seasonal factors, while prices continued to grow at a slower pace. Despite the monthly decline in sales, the year-on-year comparison shows a healthy increase in transactions, underscoring a resilient demand.

Market Demand and Transaction Volumes:

In February 2024, the HDB resale market experienced a notable dip in transaction volumes, with 18.8% decrease from January, resulting in 2,134 units being sold. This downturn is attributed to the Chinese New Year festivities impacting buyer sentiment. Despite the monthly drop, sales were still 15.4% higher compared to the same month in the previous year. The majority of transactions were concentrated in 4-room units, making up 42.5% of sales, followed by 3-room, 5-room, and Executive units.



Supply Dynamics and Price Trends:

The HDB resale market saw a marginal increase in prices by 0.5% month-on-month, despite the reduced number of transactions. Annually, prices rose by 6.4%, with all room types experiencing growth. The price increase was more pronounced in mature estates at 0.5% compared to 0.3% in non-mature estates. The most substantial year-on-year price hikes were observed in 5-room flats at 7%, closely followed by 4-room, executive, and 3-room flats. This slower growth in resale prices coincides with the recent BTO launches featuring shorter waiting times could have diverted some potential buyers away from the resale market.

Price Segmentation and Take-Up Rate:

Price changes varied across different flat types and regions. 3-room units saw the highest month-on-month increase at 0.9%, whereas 5-room flats experienced a decrease of 0.4%. When compared to the previous year, mature estates saw a price increase of 6.1%, and non-mature estates saw a 5.9% rise.

February also saw 50 HDB resale flats being sold for at least $1 million, indicating a continued demand from private homeowners who fulfilled their 15-month wait-out period for purchasing HDB flat units, despite the overall market slowdown. A Bishan executive flat fetching $1.48 million, making it the highest-priced sale. Queenstown and Toa Payoh led the high-value transactions with 9 and 6 million-dollar units sold, respectively.

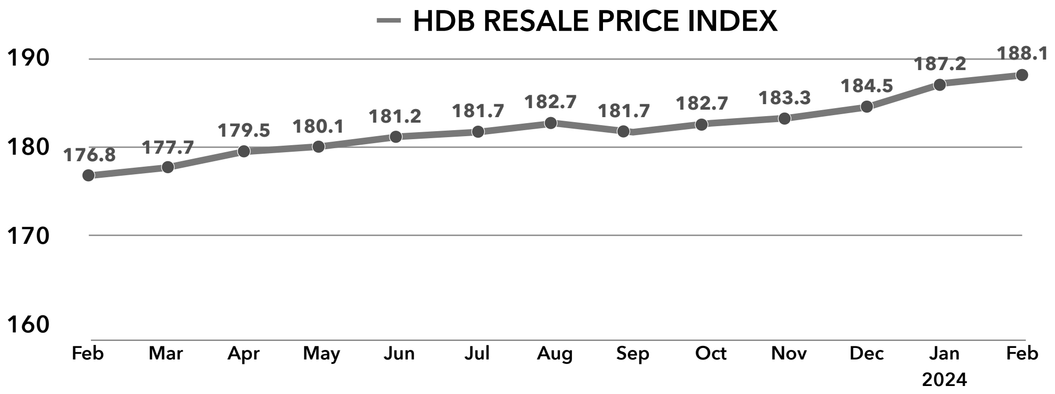
Market Outlook and HDB Buyer's Behaviour:

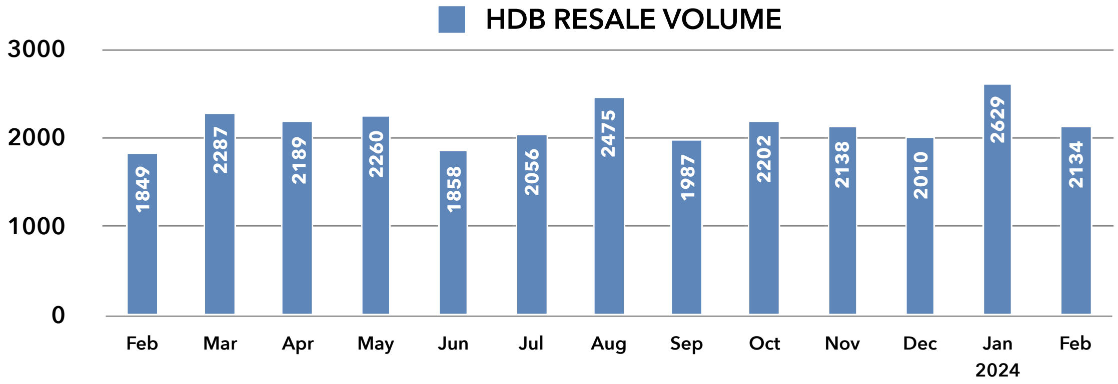
The market is expected to witness a stabilisation in prices and an increase in demand from first-time buyers. The anticipation of the next BTO sales launch being four months away, rather than the usual three, may drive more buyers towards the resale market, especially those requiring immediate housing.

Conclusion:

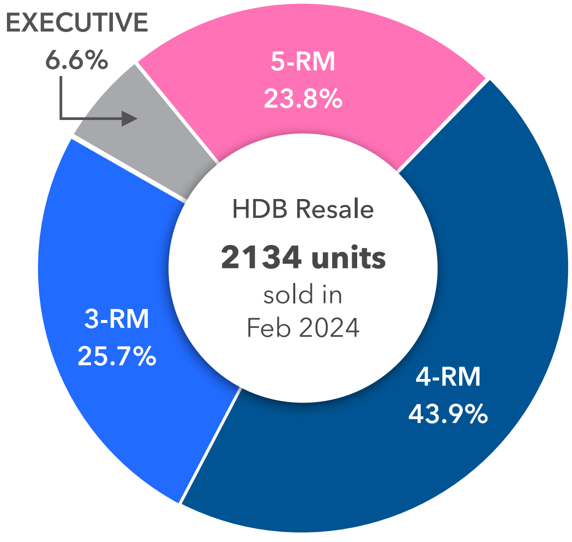
The HDB resale market in February 2024 experienced a contraction in transaction volumes, attributed mainly to seasonal factors, while prices continued to grow at a slower pace. Despite the monthly decline in sales, the year-on-year comparison shows a healthy increase in transactions, underscoring a resilient demand. The market is poised for potential growth in the coming months, influenced by changes in buyer eligibility and the supply-demand dynamics. High-value transactions remain a noteworthy aspect of the market, with a significant number of flats fetching prices above the million-dollar mark, underscoring the premium that buyers are willing to pay for select units in strategic locations.


HDB Flats @ Toa Payoh



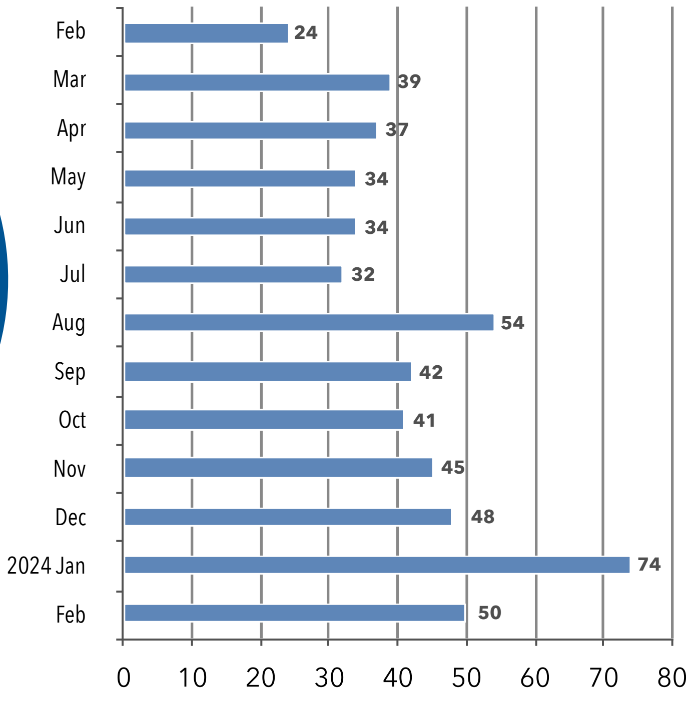


% OF TOTAL SALE TRANSACTIONS BY ROOM TYPE



Number of Million-Dollar Resale Flats Sold

Number of Million-Dollar Resale Flats Sold in the past 12 months: 504



SOURCE: 99.co, SRX

✉ 7 Temasek Boulevard, #12-07 Suntec Tower One, Singapore 038987

Record High HDB Rents Despite Lower Transaction Volumes

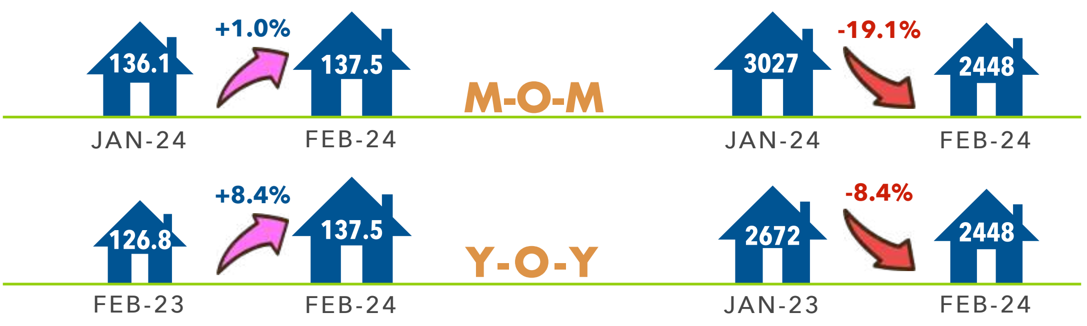
Market Demand and Rental Volumes:

In February 2024, the HDB rental market saw a significant rise, reaching a new all-time high with rents increasing by 1% from January. However, rental volumes decreased by 19.1% to an estimated 2,448 flats, down from 3,027 units in January. This dip in volumes, attributed to the Chinese New Year celebrations, is expected to rebound in the second quarter as market activities normalise.

Rental Supply Dynamics and Rental Price Trends:

The demand for HDB rentals has been driven by renters seeking more affordable options amidst rising inflation, with condo rentals still considered too costly for many. The overall HDB rental prices saw an 8.4% increase year-on-year, indicating a sustained demand. Rents in mature estates grew by 1.3%, while those in non-mature estates saw a modest 0.5% increase. All HDB room types experienced rent increases, with executive and four-room flats leading the growth.

HDB RENTAL PRICE INDEX | **HDB RENTAL VOLUME**



Rental Price Segmentation:

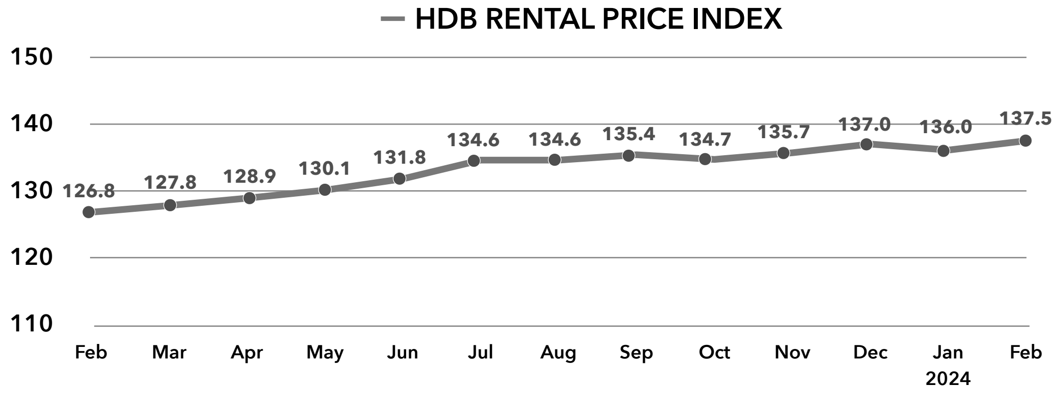
On a more detailed note, executive flats saw the highest month-on-month rental increase at 2.6%, followed by 4-room flats at 1.5%. 3-room and 5-room flats saw increases of 0.4% and 0.3%, respectively. Year-on-year, the highest rent increases were recorded for executive flats at 9%, 4-room flats at 8.5%, and 5-room flats at 8.1%, with 3-room units growing at 7.8%.

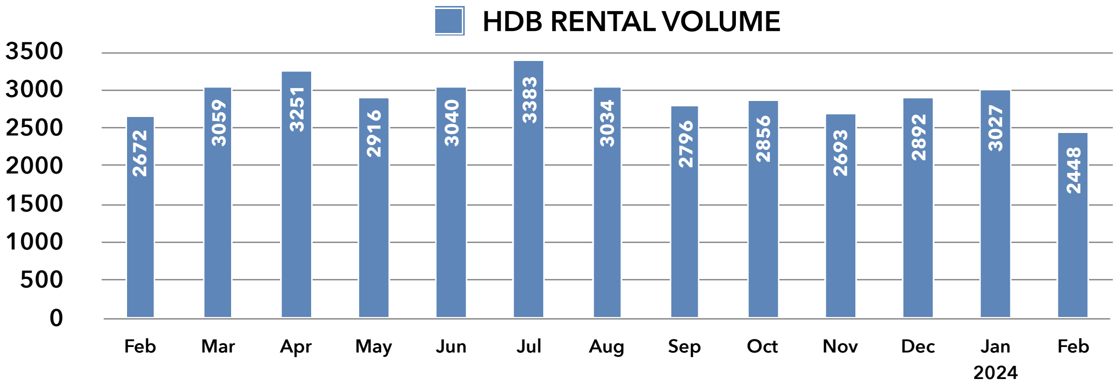
Market Outlook and HDB Tenants' Behaviour:

The market is likely to witness a continuation in the rising trend of HDB rents, driven by a demand from more private homeowners fulfilling the 15-month wait-out period and opting for HDB flats. The limited supply of new flats reaching the Minimum Occupation Period (MOP) could also support HDB rental prices for the foreseeable future. Policy changes allowing more occupants in larger HDB flats might have pushed tenants towards these types, subsequently affecting the rental demand and pushing up rents for bigger flats.

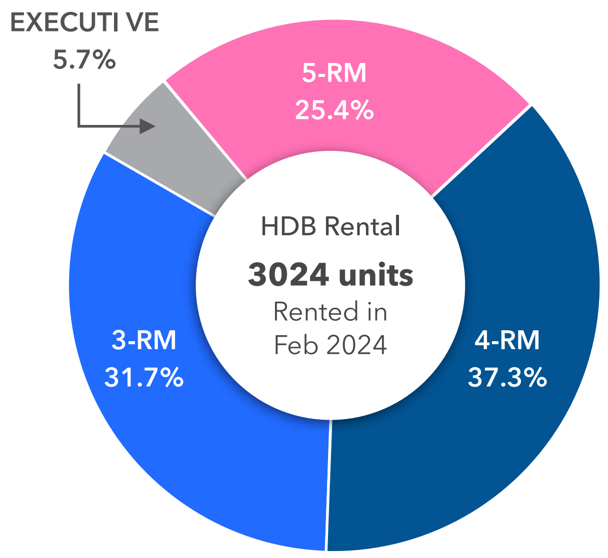
Conclusion:

The HDB rental market in February 2024 experienced a notable increase in rental prices to a record high, despite a fall in rental volumes largely due to seasonal factors. The demand for HDB rentals remains robust, underpinned by both affordability issues driving renters away from the private condo market and the limited supply of newly MOP-eligible flats. As the market heads into the second quarter, an uptick in rental activities is anticipated, with continuing demand likely to keep pushing rental prices upwards.





% OF TOTAL RENTAL TRANSACTIONS BY ROOM TYPE



SOURCE: 99.co, SRX

Singapore Shophouse Market Insights: Historic Charm Meets Modern Investment

Overview and Investment Dynamics

The Singapore shophouse market has become a focal point for investors, driven by the charm and historical value these properties offer. Notably, the market has seen a spill-over effect from rising prices in the central areas to increased transactions in neighbourhood shophouses. Investors, eyeing long-term capital appreciation, are turning to these assets as prices in prime locations surge.

Key Transactions and Market Movements

Neighbourhood Shophouse Sales: Notable sales include two-storey non-conservation commercial shophouses at 79 and 79A Serangoon Garden Way, offered at S$10.5 million with a 999-year lease. These properties highlight the growing investor interest outside the central region, encouraged by urban redevelopment and infrastructure improvements such as new BTO launches and MRT stations.

Record Price Levels: The shophouse market has seen prices soar to record highs, with transactions reaching as much as $5,500 per sqft. This surge is attributed to the unique appeal of shophouses as irreplaceable pieces of Singapore's architectural heritage, alongside the exemption from additional levies imposed on residential properties.

Major Deals: Significant transactions include a Chinese investor purchasing a row of six shophouses in Boat Quay for $80 million, and another river-facing unit in the same area selling for $30 million. The demand for shophouses continues to climb, with commercial shophouses, in particular, offering an attractive proposition due to their exemption from residential property rules.

Market Trends

Interest from High-profile Investors: The market has attracted attention from high-profile investors, including Zhang Ying, spouse of Alibaba co-founder Jack Ma, who purchased three adjoining shophouses on Duxton Road for an estimated S$45 to S$50 million. These properties are undergoing major refurbishment, reflecting the premium investors are willing to pay for prime, refurbished shophouse spaces.

Market Slowdown: Despite the bustling activity, the shophouse market experienced a sharp slowdown in Q4 2023, recording the lowest quarterly sales figure since 2010. This deceleration is attributed to a soft economic outlook and heightened due diligence measures following an anti-money laundering blitz. The total number of transactions in 2023 fell to 131, marking the slowest annual sales volume since 2019.

Regulatory Landscape and Conservation Efforts

Singapore's shophouse market is heavily influenced by conservation rules and the city-state's efforts to preserve its historic architecture. Restoration of these properties is both costly and time-consuming, yet essential to maintaining Singapore's cultural heritage. Recent regulatory tightening aims to manage foreign ownership and ensure the sustainable development of these historic assets.

Conclusion

The Singapore shophouse market remains a robust sector for investment, characterised by its resilience and the unique value proposition offered by these historical properties. Despite recent market slowdowns, the interest in shophouses as commercial and lifestyle spaces continues to grow, underpinned by their architectural significance and strategic exemption from residential property curbs.

Grade A Office Rents in Singapore's CBD Hit 15-Year High in Q1

Rent Trends and Forecasts

Quarterly Rent Increase: In the first quarter, Grade A office rents in Singapore's Central Business District (CBD) rose by 1.3% quarter-on-quarter to $11.42 per square foot, marking a reversal from a 0.5% decrease in the previous quarters and reaching a 15-year high. This growth trend continued with a modest 0.4% increase to $11.95 per square foot, as reported by CBRE, extending a streak of growth over 12 quarters with a cumulative rise of 14.9% since 2021.

Annual Growth Slows: The growth in prime office rents slowed to 4.1% in the last quarter of 2023, down from 5.5% in 2022. Knight Frank notes this deceleration amidst a backdrop of companies prioritising business continuity and operational stability, leading to a preference for lease renewals over relocations for cost-effectiveness.

Demand Dynamics

Increased Inquiries: Notably, there's an uptick in inquiries, particularly from companies in professional and financial services and the consumer goods sector. The trend towards "flight to quality" continues, with companies seeking upgrades to more environmentally friendly office buildings.

Vacancy Rates and Shadow Space: The vacancy rate for Grade A offices declined slightly from 5.5% in Q4 to 5.3% in Q1, with newer and higher-quality buildings experiencing even lower vacancy rates. Additionally, "shadow space" has significantly decreased from 600,000 square feet at the end of 2022 to less than 250,000 square feet by March 2023.

Market Sentiment and Lease Activity

Lease Renewals and Tenant Preferences: The majority of leasing activity stems from small to medium-sized tenants, willing to pay higher to secure preferred spaces. Large tenant activity remains subdued due to cautious spending, with many opting to renew or optimise existing spaces rather than expand or relocate.

Occupancy Rates: Occupancy rates in prime offices in Raffles Place, Marina Bay, and the overall CBD remained high in Q1, at 95.6% and 94.7%, respectively. Most companies in prime office spaces are choosing to stay put, supported by a general reluctance to incur capital expenditure on moves or expansions.

Outlook and Supply

Rental Growth Forecast: CBRE and JLL predict a full-year rental growth of 2% to 3%, exceeding last year's growth. Knight Frank anticipates that prime office rents may stabilise in the latter half of the year, with an annual growth rate between 1% to 3%.

Upcoming Developments: New office buildings expected to be completed this year, such as IOI Central Boulevard Towers and Keppel South Central, will introduce new supply, attracting "blue-chip tenants." However, with over 1.5 million square feet of upcoming office space still unleased, there are concerns that rental growth could be limited. The vacancy rate in the CBD is temporarily expected to rise to about 7% with the completion of IOI Central Boulevard Towers in Q2 but is anticipated to decrease as occupancy rates improve.

Market Challenges and Opportunities

Technology and Banking Sector Reconfigurations: With technology companies and banks restructuring and reducing office space, there's an expectation of rental rates potentially stabilising in the second half of the year.

Rental Price Adjustments: Despite economic headwinds, rents continued to rise in 2023. However, looking ahead to 2024, there's an expectation for Grade A office rents in the CBD to decline by 2% to 3%, considering the cautious stance of corporate tenants towards expansion or relocation to new spaces.

Singapore Industrial Property Market in 2024: Modest Growth Amid Challenges and Quality Demand

Market Demand and Rental Volumes:

The industrial property rental market in 2024 is expected to see modest growth, with forecasts suggesting a maximum increase of up to 3% in rents. This cautious optimism is due to a mix of challenges including an influx of new supply, high operational costs, and a tough global business climate impacting the market since the last quarter of the previous year.

Rental Supply Dynamics and Rental Price Trends:

Despite the robust performance of the industrial real estate market in late 2023, with a notable 4.1% quarter-on-quarter increase in total leasing transactions, the coming year presents a more tempered outlook. The demand for warehouse and single-user factory spaces led the growth, with respective increases of 23.9% and 10.2%. However, the substantial new supply expected might moderate rental price increases across the sector.

Rental Price Segmentation:

The trend towards quality, witnessed as tenants favour newly built or premium multi-user factories and warehouses, has led to a decline in vacancy rates to a decade low. Premium logistics real estate, defined by strategic location and advanced technological capabilities, is anticipated to benefit from the global recovery in electronics demand, further driving the expansion in the manufacturing sector.

Market Outlook:

The industrial market's "flight to quality" trend is expected to continue, with tenants prioritising sustainable, well-being-focused, and people-centric properties. This shift, alongside economic uncertainties and the impact of tightening monetary policies, is likely to shape rental dynamics, with cautious optimism for a moderate increase in rents. Interest rates, though potentially lower, are expected to remain high, adding pressure on borrowing costs and impacting demand for industrial properties.

Conclusion:

While the Singapore industrial sector has shown resilience, navigating through 2024 will not be straightforward due to continued external pressures and the varied performance across different segments. The demand for prime logistics and high-specification spaces is expected to lead growth, driven by the need for operational efficiency among third-party logistics players and e-commerce businesses. However, the overall pace of growth may be tempered by tenant resistance to rising rents and a cautious approach to new investments amidst ongoing economic uncertainties.

LISTINGS

FOR SALE - D'ECOSIA

29 Still Road South Singapore 423937

Freehold | Opposite of Tao Nan School
5 Mins to Upcoming Marine Parade MRT

$999,999
ASKING PRICE

1 · 1 · Listing Link

FOR SALE - THE RED HOUSE

63 East Coast Road Singapore 428776

99 Years | Integrated Heritage Development
5 Mins to Upcoming Marine Parade MRT

$940,000
ASKING PRICE

1 · 1 · Listing Link

FOR SALE - PARC SOPHIA

8 Adis Road Singapore 229975

Freehold | Beautifully Renovated 4 Years Ago
Efficient, Functional and Squarish Layout

$1,300,000
ASKING PRICE

2 · 1 · Listing Link

FOR SALE - BURGUNDY HILL

Semi-D at Burgundy Drive

99 Years | Very Well Maintained
3 Storey, Corner, Unblock, Functional

$3,100,000
ASKING PRICE

5 · 4 · Listing Link

LISTINGS

FOR RENT - NIM GARDENS
71 Nim Green

Rare Maisonette with Garden View
Renovated, Bright and Airy

$5,500
ASKING PRICE

3 bedrooms | 3 bathrooms | Listing Link

FOR RENT - HDB EXECUTIVE APT
497D Tampines Street 45 Singapore 523497

Fully Furnished, Park View, Well Renovated
7 Mins to Tampines East MRT

$4,999
ASKING PRICE

3 bedrooms | 2 bathrooms | Listing Link

FOR SALE - HDB EXECUTIVE APT
664 Yishun Ave 4 Singapore 760664

Rare, Spacious 1,949 Sqft, 2 Ensuites
Huge Living and Dining area, Very Well Kept

$1,118,000
ASKING PRICE

4 bedrooms | 3 bathrooms | Listing Link

FOR SALE - HDB 5-ROOM
223 Lorong 8 Toa Payoh Singapore 310223

Efficient, Spacious, Functional
Next to Food Centre and Shops

$768,000
ASKING PRICE

3 bedrooms | 2 bathrooms | Listing Link

LISTINGS

FOR SALE - WINTECH CENTRE

6 Ubi Road 1 Singapore 408726

Ground Floor, 3 Units Side by Side
Good Yield, 5 Mins to Macpherson MRT

$3,700,000
ASKING PRICE

B1 Industrial | Listing Link

FOR SALE - SHOPHOUSE

Mosque Street

Freehold, 3 Storey Conservation Shophouse
4 mins walk to Chinatown MRT Station

$32,000,000
ASKING PRICE

Commercial | Listing Link

FOR SALE - SHOPHOUSE

Circular Road

999 Years, 4 Storey Conservation Shophouse
Charming Boat Quay Area, Renovated

$30,000,000
ASKING PRICE

Commercial | Listing Link

FOR SALE - HDB SHOPHOUSE

61 Telok Blangah Heights Singapore 100061

99 Years, Good Rental Yield
Walking Distance to Telok Blangah MRT

$1,900,000
ASKING PRICE

Commercial | Listing Link

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