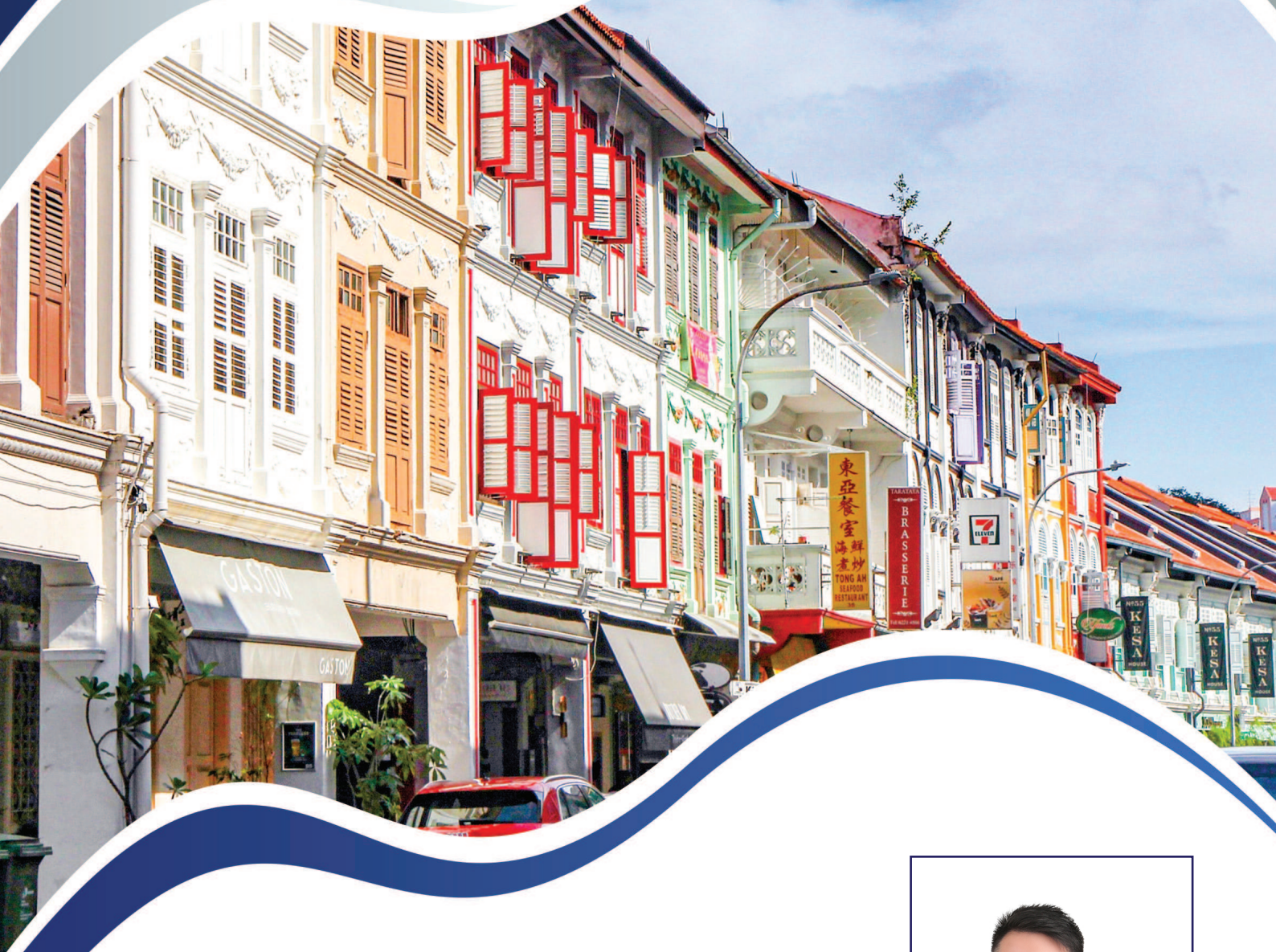


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Q2 2021 QUARTERLY REPORT **COMMERCIAL REPORT**



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Shophouse Property Report Q2 2021

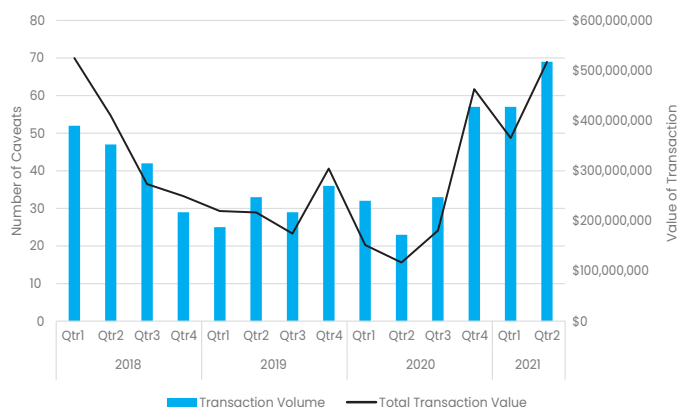
Overview

Despite the rise in COVID-19 community cases and tightening of safe management restrictions from 16 May to 13 June, the shophouse property market pushed on in Q2 2021 - continuing the strong recovery seen in recent quarters. The volume and value of sales transactions in Q2 2021 have exceeded levels seen pre-pandemic, indicating a sustained growth in the shophouse market.

Sales Transactions in Q2 2021

- Shophouse sales volume increased in Q2 2021 amid improving market sentiment and rising optimism from the more positive outlook for the Singapore economy
- Based on caveats lodged, there were 69 shophouses transactions in Q2 2021, up by 21.1% from the 57 deals done in Q1 2021. The sales volume in Q2 2021 marks one of the best performing quarters in recent years. On a YOY basis, shophouse sales in Q2 2021 was up sharply by 300%
- In 1H 2021, the total number of transactions at 126 units has already hit 87% of the full year's figure (145 units) in 2020
- Overall transaction value rose by 41.5% QOQ to \$517 million in Q2 2021. This took total transaction value for 1H 2021 to \$882.5 million, which is about 97% of 2020's transaction value of \$912.7 million
- Shophouse transactions in 2021 look on track to potentially revisit the bumper sales posted in 2018

Shophouse Transactions and Total Value

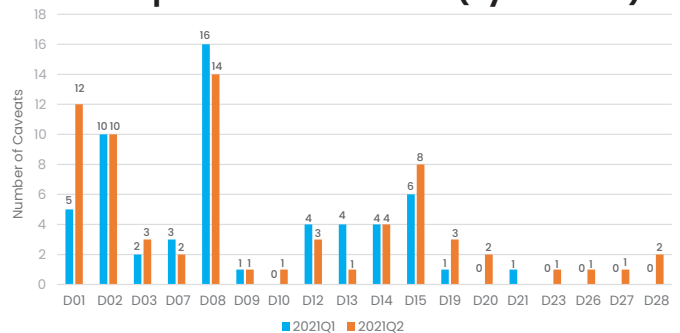


Source: PropNex Research, URA Realis (21 July 2021)

Transaction Hotspots in Q2 2021

- As investment sentiment improved, more sellers - particularly those who had withdrawn their property from the market previously - have put up their properties for sale, some revising up their asking prices
- Of the 69 shophouse transactions in Q2 2021, most are located in the city and fringe area. District 8 (Little India) posted the highest sales at 14 units, followed by 12 in District 1 (Raffles Place, Cecil, Marina, People's Park) and 10 in District 2 (Anson, Tanjong Pagar)
- In terms of transaction value, District 1 led the pack, achieving \$141.4 million worth of deals in Q2 2021

Shophouse Transactions (By Districts)



Source: PropNex Research, URA Realis (21 July 2021)

Top 10 Shophouse Transactions in Q2 2021

- Based on caveats lodged, the top transaction by value in Q2 2021 was two adjoining shophouses along New Bridge Road, which were sold for \$28 million (\$11,018 psf on land area)
- Seven out of the top 10 highest deals during the quarter were in Districts 1 and 2 - reflecting sustained interest in prime shophouses situated in the central region.
- A couple of transactions on Stanley Street in the Outram Planning Area boosted the total transaction values in District 1.

Notable Shophouse Property Transactions by Quantum in Q2 2021

Location	Sale Date	District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on Land Area
277, 279 NEW BRIDGE ROAD	30 Apr 2021	2	\$28,000,000	2,541	\$11,018
9 STANLEY STREET	5 Apr 2021	1	\$17,750,000	1,408	\$12,607
198 TELOK AYER STREET	16 Apr 2021	1	\$17,380,000	1,654	\$10,505
1375,1377,1379,ETC SERANGOON ROAD	14 Apr 2021	12	\$16,000,000	5,791	\$2,763
3 STANLEY STREET	10 Jun 2021	1	\$15,000,000	1,310	\$11,451
471,471A,473,473AETC BALESTIER ROAD	14 May 2021	12	\$15,000,000	10,366	\$1,447
42,42A,42B,42C,42D SOUTH BRIDGE ROAD	7 Apr 2021	1	\$13,980,000	1,612	\$8,670
28,28A,28B KEONG SAIK ROAD	20 May 2021	2	\$13,500,000	1,237	\$10,915
115 GEYLANG ROAD	28 Apr 2021	14	\$13,500,000	3,289	\$4,104
79 SOUTH BRIDGE ROAD	5 Apr 2021	1	\$13,500,000	1,595	\$8,463

Source: PropNex Research, URA Realis (21 July 2021)

Shophouse Prices

- Given the positive economic outlook and tight availability of shophouses, especially those in the city centre, investor demand is expected to remain buoyant – which should support price growth of shophouses
- The average transacted unit price of freehold shophouses was about \$4,135 psf on land area* in Q2 2021, representing an increase of 12.3% from \$3,682 psf in the previous quarter. On a YOY basis, the average unit price of freehold shophouses climbed by 93.7% from \$2,135 psf in Q2 2020, which coincided with the circuit breaker period
- For 99-year leasehold shophouses, the transacted unit price averaged \$4,633 psf on land area* in Q2 2021 – up by about 3.4% from \$4,481 psf in Q1 2021.
- Of the 69 shophouse sold in Q2 2021, about 37.7% (26 transactions) of the properties were priced between \$5 million to \$10 million – more than the 18 transacted in the previous quarter.
- Based on caveats lodged, there were more large quantum transactions of over \$10 million in Q2 2021 at 17 deals compared with 11 transactions in Q1 2021.

Average Unit Price on Land* (Freehold / 99-year Leasehold)

	Q2 2020	Q1 2021	Q2 2021
Freehold	\$2,135psf	\$3,682psf	\$4,135psf
99-Year Leasehold		\$4,481psf	\$4,633psf

Source: PropNex Research, URA Realis (21 July 2021)

*Average unit price is based on land area. Transacted prices tend to be higher when they are based on gross floor area (which varies depending on the number of storeys in the shophouse property).

Price Range of Shophouses Sold

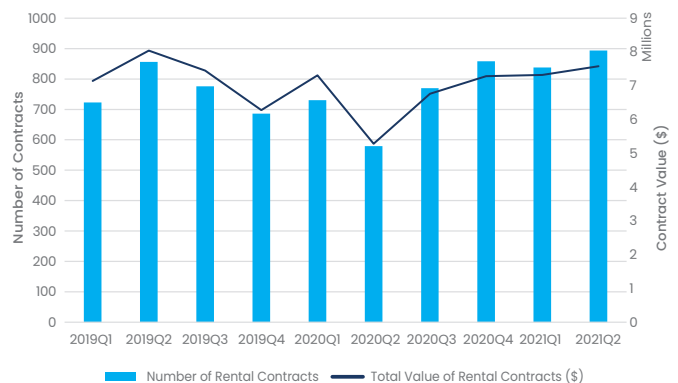
Price Range	Q4 2020	Q1 2021	Q2 2021
Under \$2.5 million	5	7	6
\$2.5 million to < \$5 million	27	21	20
\$5 million to < \$10 million	12	18	26
Above \$10 million	13	11	17
Total Transactions	57	57	69

Source: PropNex Research, URA Realis (21 July 2021)

Rents

- Despite the tighter safe management measures being imposed under the Phase 2 Heightened Alert (P2HA) from 16 May to 13 June, leasing activity showed a slight improvement in Q2 2021
- There were 894 rental contracts in Q2 2021, representing a 6.7% rise from the 838 contracts posted in the previous quarter. On a YOY basis, leasing demand rose considerably by 54.4% from the 579 contracts in Q2 2020, where leasing activity was at its lowest, due to the pandemic outbreak and circuit breaker
- Meanwhile, total leasing contract value grew by 3.5% QOQ to \$7.58 million in Q2 2021

Shophouse Leasing Transactions and Contract Value



Source: PropNex Research, URA Realis (21 July 2021)

Demand Drivers and Market Outlook

Market observations suggest that the demand for shophouses will remain robust as investors continue to search for value-adding assets that will drive capital growth and preservation. Shophouses in Singapore – being extremely limited in supply and tightly held – will continue to be popular among investors.

With Singapore re-entering the P2HA from 22 July to 18 August, the stricter measures (including no dine-in, and work from home as a default) will impact the services sector, especially F&B and retail businesses. As such, tenants that are operating from shophouses may see some short-term uncertainty.

However, shophouses as an asset class remain defensive and are expected to do well in 2021, amid the economic recovery and hopes of further opening up of business and travel as the national vaccination rate rises in the months ahead.

Office Property Q2 2021

Overview

The office property sector continued to stabilise in Q2 2021, amid Singapore's economic recovery and improving trade outlook which has restored business confidence and job market prospects. According to advance GDP estimates, the Singapore economy grew by 14.3% YOY in Q2 2021 – with growth across all sectors. The economy is expected to grow by 4% to 6% this year.

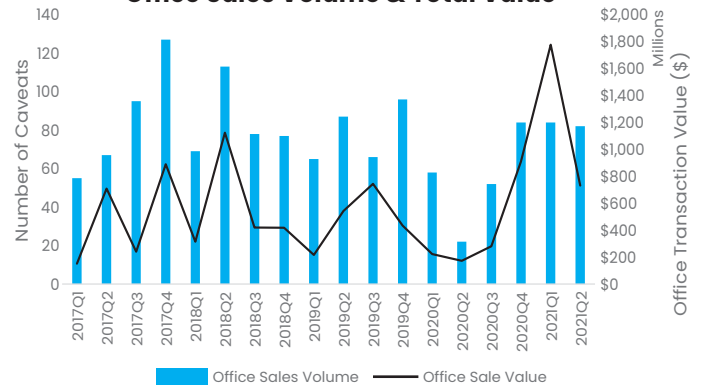
The office property market remained resilient in Q2 2021 despite the tightening of safe management restrictions in May and June that led to working from home remaining the default mode. While office sales have eased from last quarter's stellar performance, leasing activity has risen to pre-pandemic levels seen in 2019.

Singapore's roadmap towards further reopening of the economy and the progressive rollout of its national vaccination programme have generally provided more certainty to businesses and investors. However, as Singapore re-enters the Phase 2 Heightened Alert (P2HA) from 22 July to 18 August, it may delay the recovery in the office property market for the time-being, as occupiers continue to assess their space needs.

Sales Transactions and Prices

- According to the URA office price index, the prices of office space grew by 0.9% QOQ in Q2 2021, a turn-around from the 2.7% decline in the previous quarter – the increase was attributed to price growth in the Central Area, where a number of prime office assets have been sold. This reflects the overall improved business outlook and investor confidence
- While office prices have gone up, total office sales in Q2 2021 dropped to \$730.8 million, less than half the value transacted in Q1 2021, which recorded a staggering \$1.77 billion worth of deals
- However, on a YOY basis, sales value more than tripled the \$172 million achieved in Q2 2020, according to caveats lodged
- In Q2 2021, there were 82 sales transactions, reflecting a 272.7% YOY increase, but they fell slightly short of the 84 deals done in Q1 2021.

Office Sales Volume & Total Value



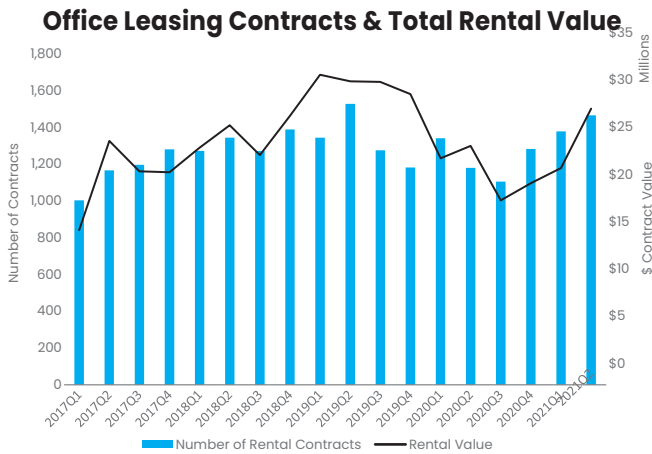
Source: PropNex Research, URA Realis (22 July 2021)

Notable Office Property Transactions by Quantum in Q2 2021

Location	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF)
MAXWELL HOUSE	\$276,800,000	179,468	\$1,542
SAMSUNG HUB 3 CHURCH STREET #09-01,02,03,04	\$53,097,242	13,111	\$4,050
SUNTEC CITY 9 TEMASEK BOULEVARD #11-01,02,03	\$38,300,000	14,381	\$2,663
SUNTEC CITY 9 TEMASEK BOULEVARD #12-01,02,03	\$34,895,000	14,273	\$2,445
SUNTEC CITY 9 TEMASEK BOULEVARD #09-01,02,03,04,05	\$34,847,800	14,381	\$2,423
SUNTEC CITY 9 TEMASEK BOULEVARD #13-01,02,03	\$34,327,200	13,982	\$2,455
SUNTEC CITY 7 TEMASEK BOULEVARD #27-01,02,03	\$31,724,500	12,045	\$2,634
SUNTEC CITY 9 TEMASEK BOULEVARD #24-01,02,03	\$31,156,700	11,787	\$2,643
SUNTEC CITY 9 TEMASEK BOULEVARD #16-01,02,03	\$30,058,800	12,023	\$2,500
PAYA LEBAR SQUARE 60 PAYA LEBAR ROAD #09-38,39	\$17,293,500	8,234	\$2,100

Source: PropNex Research, URA Realis (22 July 2021)

- The highlight of Q2's office sales was the successful collective sale of Maxwell House for \$276.8 million. The property was acquired by a consortium comprising the subsidiaries of SingHaiyi, Chip Eng Seng and Hong Kong-listed Chuan Holdings. Maxwell House is a 13-storey commercial building that is slated to be redeveloped into a mixed-use development
- Another notable transaction in Q2 2021 was the sale of office space – with a strata area of 13,110 sq ft – on the ninth-floor of Samsung Hub for \$53.1 million. The price worked out to \$4,050 psf – a record unit price for an office floor in the Raffles Place financial district, surpassing the previous record of \$3,800 psf in February 2020 (for an office space on the 11th floor of the same building)
- The buyer is property and construction group Lee Kim Tah, which is reportedly looking to occupy the space as it moves out of its existing office in Certis Cisco Centre, which was sold in March this year and slated to be redeveloped as well



Source: PropNex Research, URA Realis (22 July 2021)

Rentals and Leasing Trends

- The URA office rental index showed that rents rose by 1.3% in Q2 2021, slowing down from the 3.3% increase in the previous quarter
- The number of office rental contracts continued to pick up in Q2 2021. There were 1,467 rental contracts during the quarter – up by 24.2% YOY and 6.3% QOQ, according to Realis data
- Total rental value expanded by 15.6% YOY from nearly \$25.3 million to \$29.2 million in Q2 2021. On a QOQ basis, overall leasing value rose by 27.5% from \$22.9 million in Q1 2021
- Among the drivers of CBD office demand in 1H 2021 were tech and finance occupiers, including financial institutions and investment funds. Many have taken up spaces previously occupied by banks, which continue to rationalise their office footprint
- There has been a trend of “flight to quality” as tenants are taking advantage of the current climate to negotiate better rates and lock in lower rentals during this period to relocate to a better location or buildings with better specifications
- Some firms may also be gearing up to expand their operations so that they are well- positioned for the economic recovery

Office Vacancies

- Latest URA data showed that the island-wide vacancy rate of office space has inched up further, as remote working continues to take hold. Vacancy rates moved up to 12.6% as of Q2 2021 from 11.9% in the previous quarter

- URA data showed that Vacant Private Sector Office Space island-wide stood at 939,000 sq m (nett) as at Q2 2021, up from 884,000 sq m in Q1 2021. The bulk of vacant space in Q2 was located in the Downtown Core at 491,000 sq m

- The decentralisation of workplaces has also contributed to the rise in vacant office spaces in the CBD. Many occupiers are looking to other options outside the CBD such as offices and business parks in regional locations, including one-north, Alexandra or Harbourfront, which have attractive rentals for equally good or even better space specifications

- According to URA, occupied office space fell by 23,000 sq m (nett) in Q2 2021, following the decrease of 19,000 sq m (nett) in Q1 2021

- In terms of supply in the pipeline, there was a total supply of about 697,000 sq m gross floor area (GFA) as at end of Q2 2021, compared with the 761,000 sq m GFA of space in Q1 2021

- An expected 70,000 sq m of office space is expected to be completed in 2H 2021. One notable development that is to be completed is CapitaSpring in the CBD which will offer more than 24,000 sq m of prime office space. It currently has more than 50 per cent of its office space pre-filled

Market Outlook

The recent rise in COVID-19 community cases and emergence of large clusters have resulted in Singapore re-entering P2HA. The re-introduction of restrictions may rein in the office property market’s recovery, as telecommuting remains the default working mode, delaying the return of workers to the workplace.

The vacancy rate could rise in the coming quarters as occupiers look at reviewing their current leases. Tenants with larger offices might potentially negotiate with landlords on downsizing or exiting their leases, as they rationalise their space needs. It is likely that some occupiers may adopt a watch-and-wait approach to their commercial real estate strategy, given the uncertainty around the pandemic situation.

Looking ahead, the office property market is projected to bottom by the end of 2021 and the tight supply of new office space in the CBD – in 2021 and 2022 – may lend some support to rents.

Industrial Property Q2 2021

Overview

The industrial property segment continued to recover in Q2 2021 amid the improvement in Singapore's GDP. Based on advance estimates, the Singapore economy grew for the second straight quarter, rising by 14.3% YOY in Q2 2021, following the 1.3% YOY growth in the previous quarter. The Singapore economy is expected to grow by 4% to 6% in 2021.

The manufacturing sector grew by 18.5% YOY in Q2 2021; its growth was driven by the electronics and precision engineering clusters as the global demand for semiconductor equipment strengthened. Of note, the construction sector is on the path to recovery as construction activities largely resumed – rising by 98.8% (YOY), an upturn from Q1's YOY contraction of 23.1%.

While the economic recovery may spur demand for industrial space, JTC noted that any potential rise in occupancy is likely to be moderated by new completions. To this end, prices and rentals are expected to remain stable.

Rents and Occupancies

- Occupancies for overall industrial properties inched up in Q2 2021 amidst tight supply and improved demand

- Data from JTC showed that the overall occupancy rate crept up to 90.1% in Q2 2021 from 90% in the previous quarter. When compared against Q2 2020, occupancies were up by 0.7 percentage-points (ppt) in Q2 2021

- The recovering occupancies could be due to the continued delays in new completions, as the manpower crunch persists in the construction sector. JTC said that completions started to pick up in Q2 2021, about 374,000 sqm of industrial space was added to the available stock

- Despite the slight uptick in overall occupancies, some industrial property segments posted a QOQ decline: Business parks (-0.3 ppt QOQ); and Warehouse space (-0.1 ppt QOQ).

- Single user factory spaces saw stable occupancy rates in Q2 2021, whereas the Multiple-User Factory segment saw a 0.7 ppt QOQ growth in occupancies in Q2 2021

- Rentals improved in tandem with the economic recovery. JTC noted that overall industrial rentals rose by 0.6% QOQ in Q2 2021, with all segments posting marginal growth over the previous quarter. On a year-on-year basis, overall rents are up by 0.3% in Q2 2021.

Industrial Rents and Occupancies Q2 2021

Q2 2021	Rents			Occupancies		
	Rental Index	QoQ % Change	YoY % Change	Occupancy Rate	QoQ % Change	YoY % Change
All Industrial	90.6	0.6	0.3	90.1%	0.1	0.7
Multiple-User Factory	88.9	1.0	0.9	89.7%	0.7	2.2
Single-User Factory	95.8	0.1	0.1	90.9%	0.0	-0.2
Business Park	112.2	0.0	-0.8	84.8%	-0.3	-0.4
Warehouse	84.3	0.2	-0.1	89.7%	-0.1	1.4

Source: PropNex Research, JTC

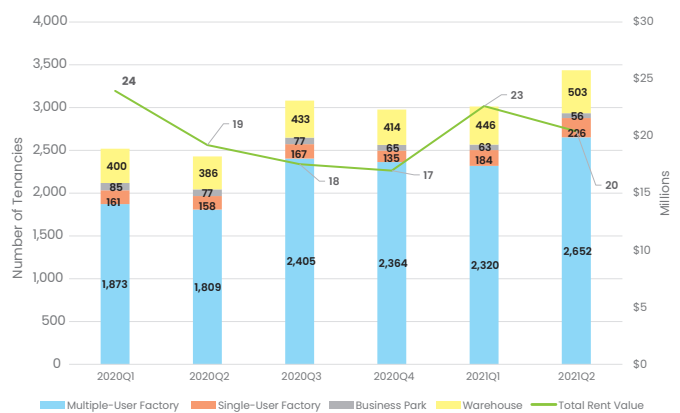
Industrial Property Leasing Activity

- Leasing demand grew in Q2 2021, likely supported by the electronics, semiconductor manufacturing sectors

- In Q2 2021, there were 3,437 tenancies – representing a 14% increase from 3,013 contracts in the previous quarter

- Meanwhile, total rent value contracted in Q2 2021, declining by 9.7% QOQ to \$20.4 million from about \$22.6 million in Q1 2021.

Number of Tenancies & Total Rent Value (\$ million)

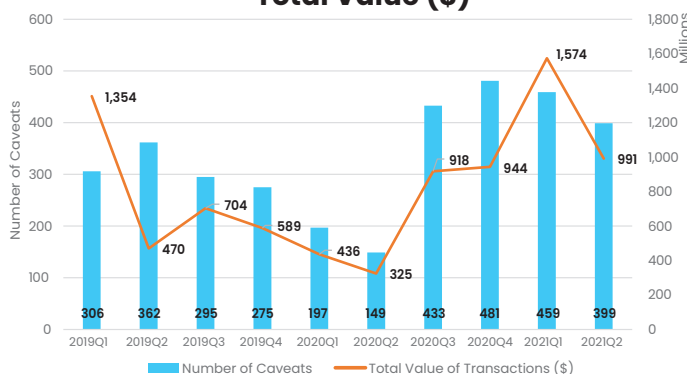


Source: PropNex Research, JTC J-Space

Prices and Sales Transactions

- The moderate supply and improving economy contributed to a continued rebound in industrial property prices in Q2 2021, rising by 1.8% QOQ, and 1.6% YOY. This marks the third consecutive quarter of increase for the industrial price index
- The industrial space market saw a flurry of transactions since the second half of 2020 owing to improved business sentiment
- However, sales activity moderated in Q2 2021, likely due to the rise in community cases and tightening of safe management restrictions
- Sales volume shrunk by 13% QOQ to 399 deals in Q2 2021, from 459 transactions in Q1 2021. On a YOY basis, sales volumes rose by 168% in Q2 2021 from 149 deals in Q2 2020
- Of the 399 transactions in Q2 2021, 341 were for multiple-user factory space, accounting for about 84% of the sales. This was followed by single-user factory (31), warehouse (27). There were no business park transactions in Q2 2021
- Given the lower QOQ transaction volume in Q2 2021, overall sales value stood at \$991.4 million, down by about 37% from \$1.49 billion in the previous quarter, where there were a number of big-ticket transactions
- When compared to Q2 2020, the total value was about 205% higher in Q2 2021

Industrial Property Transactions & Total Value (\$)



Source: PropNex Research, JTC J-Space

- In Q2 2021, the top 10 industrial transactions consisted of mostly building sales, among them was the TBC Building at Depot Close that was sold for \$74 million and the Lam Soon Industrial building that transacted for \$35.2 million – the latter is the site of Grab’s 6,000-sq ft cloud kitchen that was launched in January 2020

- The Global Trade Logistics Centre acquisition by ESR REIT at \$112 million was the top deal done in Q2 2021, in terms of overall quantum value

Notable Industrial Property Transactions by Quantum in Q2 2021

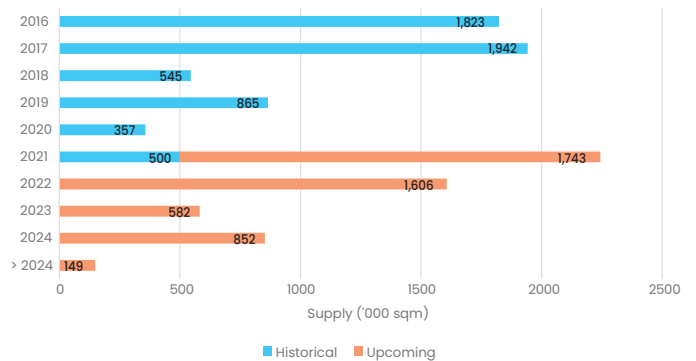
Location	Property Type	Transacted Price (\$)	Area (sqft)	Unit Price (\$ PSF)
GLOBAL TRADE LOGISTICS CENTRE, TANJONG PENJURU	Warehouse	\$112,000,000	240,988	\$465
TBC BUILDING, DEPOT CLOSE	Single-User Factory	\$74,000,000	70,161	\$1,055
LAM SOON INDUSTRIAL BUILDING, HILLVIEW AVENUE	Multiple-User Factory	\$35,253,445	104,302	\$338
TYE SOON BUILDING, TOH GUAN ROAD EAST	Warehouse	\$32,025,000	79,719	\$402
GTW INDUSTRIAL BUILDING, TAI SENG DRIVE	Warehouse	\$30,380,000	49,553	\$613
M.I. BUILDING, SERANGOON NORTH AVENUE 5	Multiple-User Factory	\$21,000,000	58,796	\$357
7 KIM CHUAN LANE	Single-User Factory	\$17,000,000	10,504	\$1,618
ALOG CHANGI DISTRICTCENTRE 2, CHANGI SOUTH STREET 3	Warehouse	\$16,700,000	65,762	\$254
27 PLAYFAIR ROAD	Multiple-User Factory	\$15,800,000	7,254	\$2,178
50 TUAS CRESCENT	Single-User Factory	\$14,900,000	234,625	\$64

Source: PropNex Research, JTC J-Space

Stock and Supply

- In the second half of 2021, JTC noted that an estimated 1.7 million sqm of industrial space could be completed based on approval plans as at the end of June 2021
- Of these, about 46% of the supply is single-user factory space, while multiple-user factory space accounts for another 31% of the supply. The remaining 22% of the upcoming stock will comprise warehouse and business park space

Supply of Industrial Space ('000 sqm)



Source: PropNex Research, JTC

Market Sentiment and Outlook

While the gradual improvement in the economy and recovering business sentiment should help to support the industrial market, Covid-19 risks persist given the uncertain nature of the pandemic situation. However, the continued expansion in exports and improving global demand should benefit the Singapore economy.

The key sectors that will support demand include electronics, precision engineering, as well as logistics and e-commerce. Another segment to look out for is Cloud Kitchens, set up by F&B operators for operations targeted at food deliveries. With the dine-in restrictions, more operators could explore

cloud kitchens to expand their reach. In addition, pharmaceutical companies ramping up vaccine production in Singapore will also help to boost demand for space.

For the whole of 2021, industrial space rentals and prices are expected to remain stable, any growth is likely to be muted due to the spike in supply in the second half of 2021 and an additional 3 million sqm of space in the pipeline, to be completed between 2022 and 2024.

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