Finding Its Footing

+1.1%
GDP Growth Y-o-Y
(2023)

+3.4%
CPI Inflation Y-o-Y
(Feb 2024)

3.7%
3M SORA
(Mar 2024)

Note: CBRE Research, Singstat, MAS, Q1 2024

Executive Summary

- **Office:** Low vacancies, limited supply and flight to quality continued to drive office rental growth. Net absorption was relatively flat in Q1 with no fresh supply.
- **Business Parks:** Overall demand for business parks remained cautious. Shadow space increased due to consolidations within the banking and financial sector.
- **Retail:** The Orchard Road and City Hall/ Marina Centre submarkets continued to outperform in Q1 2024. As such, prime islandwide retail rents sustained its recovery, rising by 1.0% q-o-q.
- **Residential:** New home sales remained muted in Q1 2024 despite a pickup in launches. Private home prices extended their increase but the pace of growth moderated.
- **Industrial:** Given limited options for occupiers seeking prime logistics facilities in the near term, rental performance is still expected to be steady in 2024.
- **Investment:** Preliminary real estate investment volumes in Singapore for Q1 2024 fell 23.4% q-o-q (down 30.9% y-o-y) to $4.372 bn, mainly on a decline in public land sales.

TABLE 1: Quick Figures

Office	Q1 2024	Q-o-Q	Y-o-Y
Grade A Rent	$11.95	+0.4%	+1.7%
Capital Value	$2,950	0.0%	-3.3%
Net Yield *	3.8%	↔	↑
Retail	Q1 2024	Q-o-Q	Y-o-Y
Prime Rent (Orchard)	$36.70	+1.1%	+5.3%
Capital Value	$7,300	0.0%	-0.7%
Net Yield	5.1%	↑	↑
Business Park	Q1 2024	Q-o-Q	Y-o-Y
Rent (City Fringe)	$6.10	0.0%	+0.0%

Source: CBRE Research, Q1 2024

All capital values and yields stated as prime. Rents are quoted on a $ psf per month basis and capital values on a $ psf basis.
* Yield calculation methodology revised based on an average of rolling eight quarter rents.

Residential	Q1 2024	Q-o-Q	Y-o-Y
Prime Rent	$5.82	+1.5%	-2.2%
Capital Value	$1,994	-1.7%	+3.5%
Net Yield	2.8%	↑	↓
Industrial*	Q1 2024	Q-o-Q	Y-o-Y
Prime Logistics Rent	$1.86	+0.5%	+10.7%
Capital Value	$230	+0.9%	+8.1%
Yields	6.9%	↔	↑
Investment**	Q1 2024	Q-o-Q	Y-o-Y
Total Volume	$4.372 bn	-23.4%	-30.9%

Source: CBRE Research, Q1 2024

* 30-year prime logistics data provided.
** Investment volumes are preliminary. All transactions above S$10 mil

Office

Sustained growth in Core CBD (Grade A) rents

Low vacancies, limited supply and flight to quality continued to drive office rental growth. Gross effective rents for Core CBD (Grade A) increased by 0.4% q-o-q in Q1 2024 to reach $11.95 psf/mth. This also marks the 12th consecutive quarter of growth, over which rents have grown a cumulative 14.9%, since Q1 2021. The sustained growth in Grade A rents also positively influenced Core CBD (Grade B) rents which rose 0.6% q-o-q to $8.55 psf/mth in Q1 2024, after staying flat in Q4 2023 and generally lagging Grade A rents.

Vacancies remain low on lack of new stock

Net absorption was relatively flat in Q1 with no fresh supply. As a result, vacancies in both islandwide and the Core CBD (Grade A) office markets remained low at 4.9% and 3.6% respectively. For the rest of 2024, completions of *IOI Central Boulevard Towers, Labrador Tower* and *Paya Lebar Green* would add 2.3 mil. sq. ft. of quality office stock into the market.

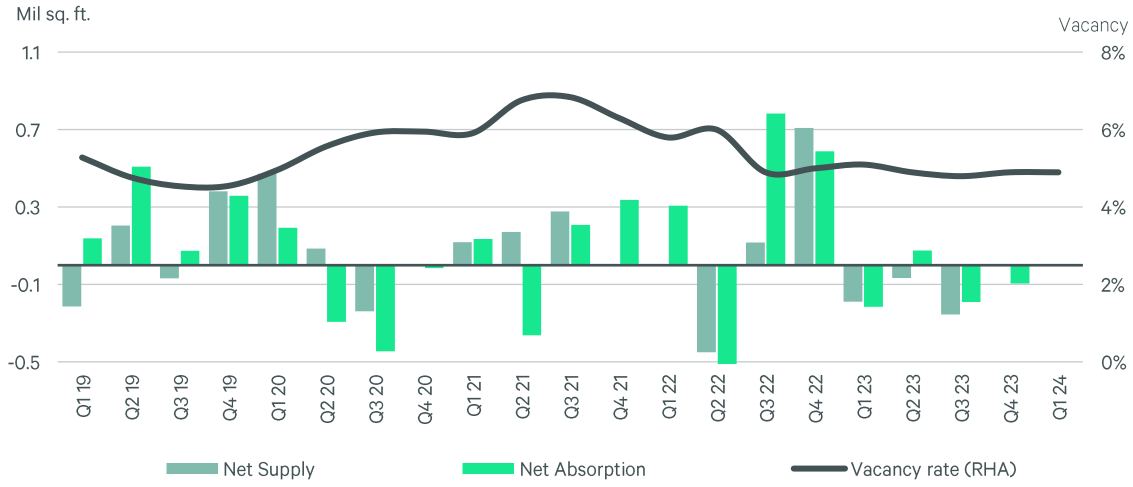
Leasing demand subdued, shadow space remain stable

Leasing demand was relatively subdued, consisting of mainly smaller to mid-sized requirements where workplace transformations are driving strategic relocations, and most often, flight to quality. This was keenly observed in the private wealth asset management, insurance and legal sectors. Conversely, sectors like traditional banking, technology, and agile space operators have adopted a more conservative stance this quarter, mitigating some of the rental increase pressures. While the resurgence in global layoffs may point to some market volatility, Singapore's shadow spaces have been relatively stable from Q4 2023, standing at about 0.2 mil sq. ft.

Moderate rental growth in 2024 amid economic recovery

With still-high interest rates, businesses are likely to remain cautious in their spending and investment plans in the near term. The upcoming completions offer occupiers a good choice of office space and landlords may be more flexible with rents to enhance occupancy. With the economy expected to improve in H2 2024 and occupiers' continued focus on flight to quality, CBRE Research maintains its previous forecast of Core CBD (Grade A) rents to grow by 2% - 3%.

FIGURE 1: Office Supply-Demand (Islandwide)



Source: CBRE Research, Q1 2024

TABLE 2: Office Vacancy Rates

	Q3 23	Q4 23	Q1 24
Core CBD (Grade A)	3.2%	3.5%	3.6%
Islandwide	4.8%	4.9%	4.9%
Core CBD	4.7%	5.2%	4.9%
Fringe CBD	6.5%	6.2%	5.9%
Decentralised	3.1%	3.1%	3.9%

Source: CBRE Research, Q1 2024

TABLE 3: Singapore Office Rents

	Q1 24	Q-o-Q	Y-o-Y
Core CBD (Grade A)	$11.95	0.4%	1.7%
Core CBD	$8.90	0.6%	0.6%
Core CBD (Grade B)	$8.55	0.6%	0.0%
Islandwide (Grade B)	$7.90	0.6%	0.0%

Source: CBRE Research, Q1 2024

Business Parks

Positive net absorption in Q1 2024, but overall demand remained weak

The business park market experienced its second consecutive quarter of positive net demand, with an increase of 0.04 mil sq. ft. in Q1 2024. This was largely driven by strong uptake in *Perennial Business City*, where over 0.25 mil. sq. ft. was absorbed. However, overall demand for business parks remained cautious. Coupled with the absence of completions, vacancies were kept in check, where it slightly decreased from 21.1% in Q4 2023 to 20.9% in Q1 2024.

Leasing sentiment muted; expansionary activity limited

Consolidations outweighed new set-ups and expansions, as firms continue to prioritise cost-savings and workplace optimisation strategies. Shadow space increased to 0.34 mil sq. ft., primarily due to consolidations within the banking and financial sector. That said, the tech and biomedical sectors remain the primary contributors, comprising 72% of all shadow space. Currently, take-up for shadow space has been constrained by the narrow rental difference compared with decentralised offices, as well as qualification for business park occupation.

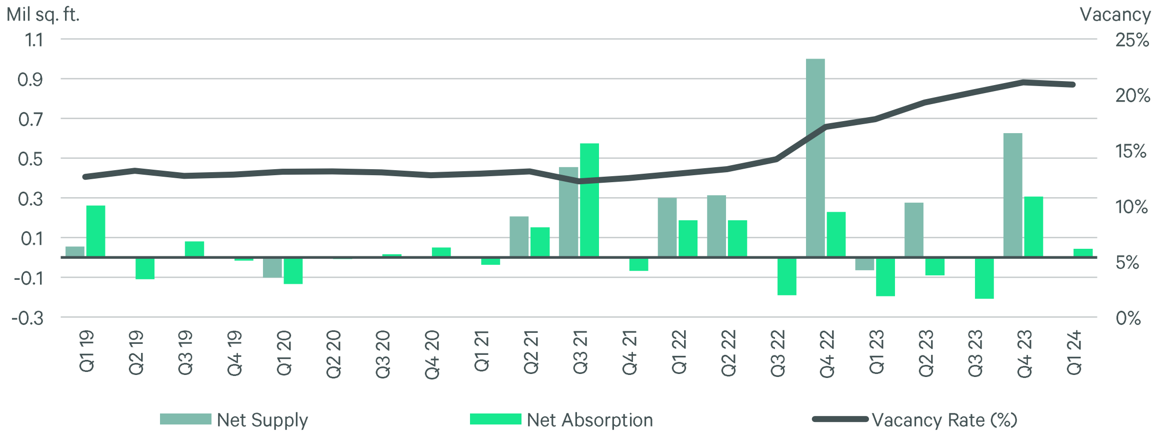
Business park rents remain resilient

Business park rents continued to show resilience, with City Fringe average rents remaining unchanged at $6.10 psf/mth for the seventh consecutive quarter since 2022 Q4. Similarly, average rents in the Rest of Island remained largely stable. That said, the business park market is increasingly bifurcated even within similar locations. Selected older buildings or those experiencing higher vacancies have begun to witness softening rentals in efforts to attract new tenants and retain existing tenants.

Performance may be uneven among clusters in 2024

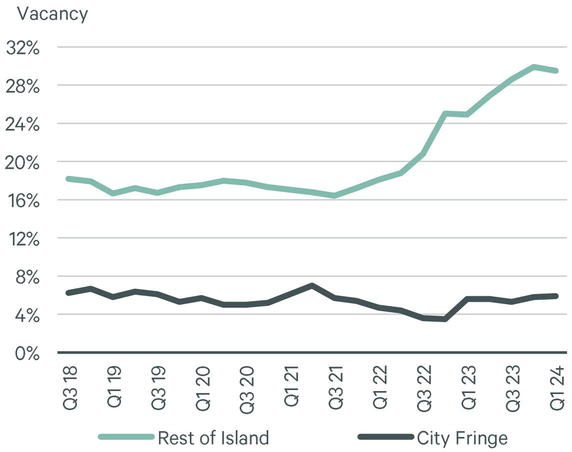
Given the prevailing economic challenges and high-cost environment, business park rents are likely to be relatively subdued. Leasing activity may pick up as the majority of supply pipeline of about 3.3 mil sq. ft. is scheduled to come online from late 2024 onwards. Landlords may be inclined to improve occupancy by revising rental expectations, especially for buildings at risk of large potential vacancies due to lease expiries.

FIGURE 2: Business Park Supply-Demand (Islandwide)



Source: CBRE Research, Q1 2024

FIGURE 3: Business Park Vacancy



Source: CBRE Research, Q1 2024

TABLE 4: Singapore Business Park Rents

	Q1 24	Q-o-Q	Y-o-Y
City Fringe	$6.10	0.0%	0.0%
Rest of Island	$3.70	0.0%	0.0%

TABLE 5: Known Business Park Pipeline (sq. ft.)

	City Fringe	Rest of Island
2024	0.00 mil	1.95 mil
2025	0.00 mil	1.13 mil
2026	0.00 mil	0.21 mil

Source: CBRE Research, Q1 2024

Retail

Visitor arrivals at a high, retail sales spiked in Feb 2024

Visitor arrivals surged by 54% and 50% y-o-y in Jan and Feb 2024 respectively to 1.44 mil each, the highest since the pandemic. In particular, Feb arrivals were boosted by Chinese visitors, which hit 0.33 mil, higher than the monthly average of 0.30 mil in 2019. Retail sales (excluding motor vehicles, in chained volume terms) for Jan 2024 declined by 3.0% y-o-y while that in Feb 2024 grew by 7.9% y-o-y, likely due to the difference in timing of Chinese New Year in 2023 and 2024.

Strong leasing demand driven by F&B and services

Q1 2024 saw strong leasing demand, as retailers remained optimistic about the Chinese New Year festive season and consumer spending upon the disbursement of CDC vouchers. Demand was primarily driven by F&B operators and services such as *Paris Baguette, Twyst, Raylite Optical* and *Erabelle*. New-to-market brands continued to proliferate in the quarter, including *Mashi No Mashi, Warabimochi Kamakura, Salomon* and *Fur A Vetreska Pet Store*.

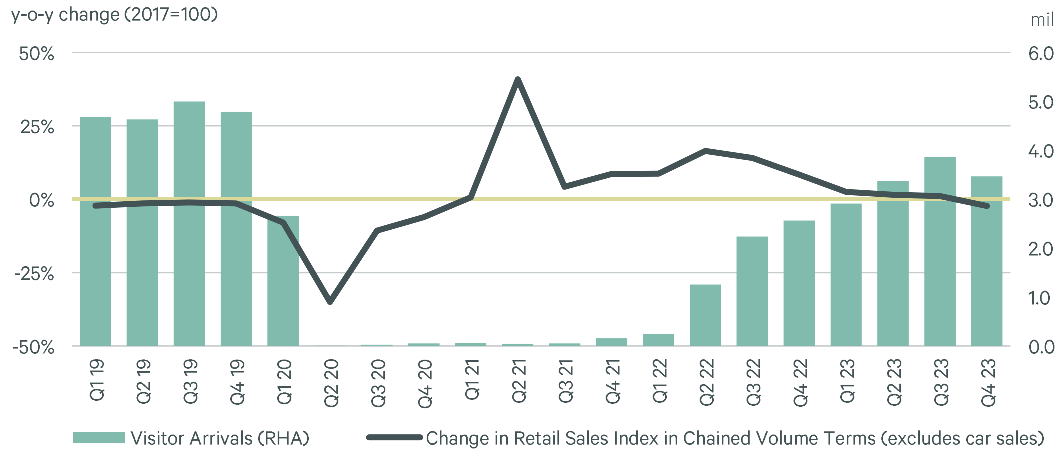
Prime islandwide retail rents sustained its recovery in Q1 2024

The Orchard Road and City Hall/ Marina Centre submarkets continued to outperform in Q1 2024 amid strong demand for spaces due to retailers' confidence in tourism recovery, bolstered by high-profile sell-out concerts, and the strong back-to-office momentum. As such, prime islandwide retail rents sustained its recovery, rising by 1.0% q-o-q.

Islandwide retail rents to continue recovering in 2024

While there are a plethora of new shops opening, there are also many closures and consolidations as retailers face manpower shortage, competition from e-commerce and higher operating costs, exacerbated by the ongoing Red Sea attacks. Nonetheless, tourism recovery boosted by the strong pipeline of MICE events and sell-out concerts should support demand for prime retail spaces. With supply over the next few years remaining on par with historical averages, CBRE Research expects overall prime retail rents to continue recovering in 2024.

FIGURE 4: Retail Economic Indicators



Source: STB, MTI, CBRE Research, Q4 2023

TABLE 6: Prime Retail Rents

	Q1 24	Q-o-Q	Y-o-Y
Islandwide	$26.45	1.0%	4.3%
Orchard Road	$36.70	1.1%	5.3%
Suburban	$31.85	0.3%	2.7%

Source: CBRE Research, Q1 2024.

TABLE 7: Estimated Gross New Supply

	Estimated NLA (sq. ft.)
Q2 – Q4 2024	0.78 mil
2025	0.41 mil
2026	0.18 mil

Source: CBRE Research, URA, Q1 2024
Note: Projects with a NLA of less than 20,000 sq. ft. are excluded

Industrial

Manufacturing output rebounds but economic recovery could remain bumpy

In Feb 2024, manufacturing output recorded a 3.8% y-o-y expansion, mostly driven by the biomedical manufacturing and transport engineering clusters. However, NODX contracted by 0.1% y-o-y as it was dragged down by the non-electronics sector. Meanwhile, SIPMM's PMI continued to expand for the seventh straight month in Mar 2024.

Leasing demand resilient in Q1 2024 despite cautious occupier sentiment

Although manufacturing and exports have recently improved, occupiers remain cautious as they focus on operational efficiencies and cost control. During the quarter, leasing activity stayed resilient but was mainly driven by relocations. CBRE Research observed that some occupiers seized the chance to consolidate their operations at facilities with improved specifications. 3PLs and technology occupiers continue to lead demand for the warehouse segment, while hi-tech spaces saw an uptick in flight to quality by life sciences and engineering firms.

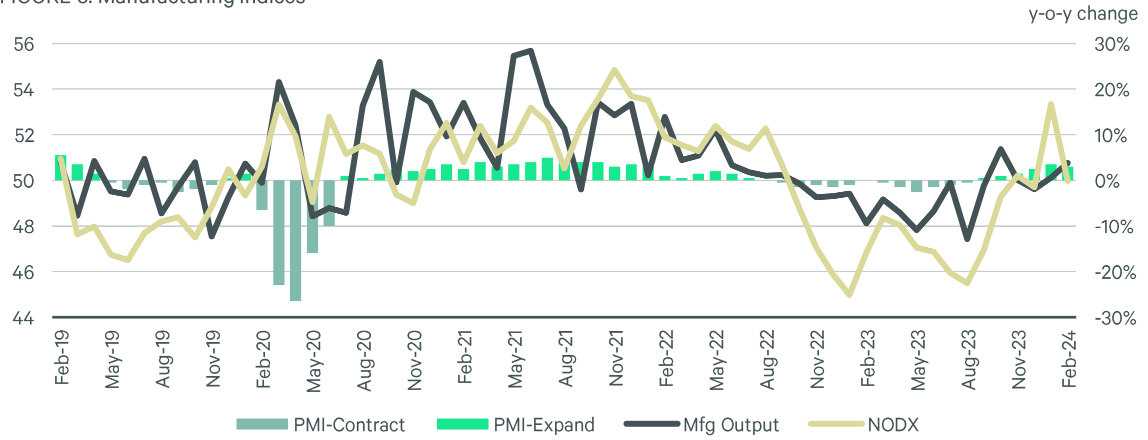
Prime logistics rental growth continues but momentum has tapered off

In Q1 2024, the prime logistics segment registered rental growth of 0.5% q-o-q, moderating from the 2.2% q-o-q increase in the previous quarter as some occupiers showed resistance to higher rents. In Feb 2024, *4 Benoi Crescent* and *LOGOS EHUB (Phase 2)* obtained their TOP, with the former fully committed upon its completion. The occupancy rate for CBRE Research's prime logistics basket fell to 96.0% for the quarter, from 99.8% in Q4 2023. Meanwhile, average warehouse and factory rents increased by 0.5% and 0.6% q-o-q respectively.

Prime logistics on track for steady rental growth amid limited supply

For the rest of 2024, while there are two more prime logistics projects slated for completion, most of the space is already pre-committed as they are single-user facilities. Given limited options for occupiers seeking prime logistics facilities in the near term, rental performance is still expected to be steady in 2024. However, occupiers without immediate space requirements should still plan ahead as more prime logistics sites come onstream in 2025.

FIGURE 5: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q1 2024

TABLE 8: Industrial Rents

	Q1 24	Q-o-Q	Y-o-Y
Factory (Grd Flr)	$1.78	0.6%	3.5%
Factory (Upp Flr)	$1.38	0.0%	2.2%
Warehouse (Grd Flr)	$1.92	0.5%	5.5%
Warehouse (Upp Flr)	$1.40	0.7%	4.5%
Prime Logistics	$1.86	0.5%	10.7%

Source: CBRE Research, Q1 2024

TABLE 9: Significant Future Developments

Development	Est. GFA (mil sf)
UMC's Fab12i P3	2.48
Bulim Square	1.70
Commonwealth Kokubu Logistics (8 Jalan Besut)	0.51
Tiong Nam Logistics (23 & 25 Senoko Loop)	0.27

Source: CBRE Research, JTC, Q1 2024

Residential

New home sales remained relatively muted in Q1 2024 despite more launches

New home sales remained muted in Q1 2024 despite a pickup in launches amid the Chinese New Year seasonal lull and uncertain economic conditions. The quarter saw four new launches; *Hillhaven* (341 units), *The Arcady at Boon Keng* (172 units), *Lentoria* (267 units) and *Lentor Mansion* (533 units), with launch weekend take-up rates of 17%, 30%, 19% and 75% of total units respectively. Preliminary data showed 1,171 new homes were sold in the quarter, a 7.2% increase from 1,092 units in Q4 2023. Buyers are now more selective amid more choices and high price points. Selected projects with superior attributes at realistic price points outperformed while overall sales remained tepid.

Private home price growth moderated but was resilient

Flash estimates show that private home prices rose 1.5% q-o-q in Q1 2024, moderating from 2.8% q-o-q in Q4 2023. Price growth was mainly underpinned by landed properties which posted a moderate increase of 3.4% q-o-q after Q4 2023's 4.6% q-o-q rise, while prices in the non-landed segment slowed further to 1.0% q-o-q from 2.3% q-o-q growth in Q4 2023. The increase in non-landed property prices was driven by the CCR where prices rose by 3.1% q-o-q in Q1 2024 but held back by subdued growth in the RCR and OCR of 0.2% and 0.4% q-o-q respectively.

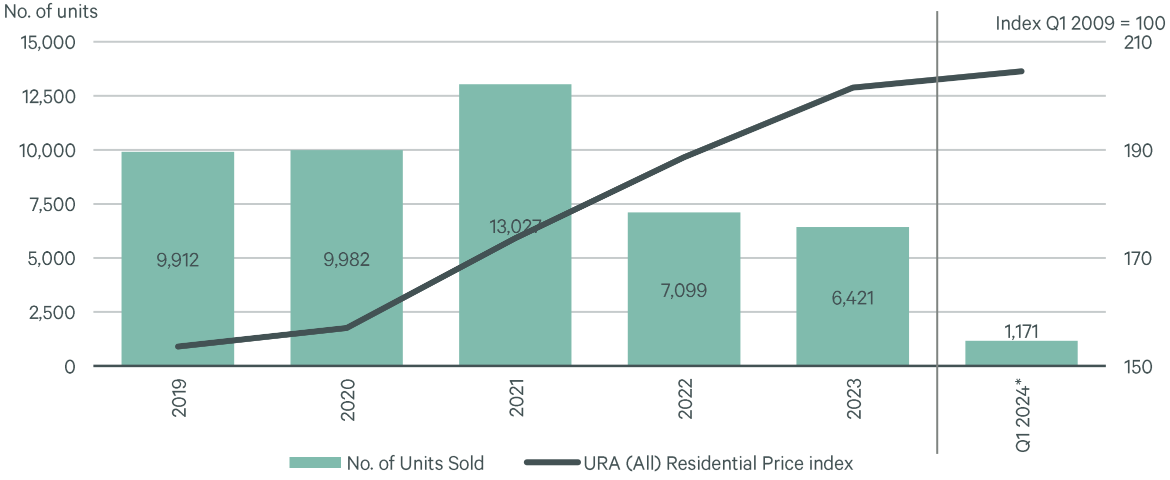
Rents have started to cool after a three-year run

URA's Rental Index for all private residential properties fell for the first time in three years, declining 2.1% in Q4 2023. This brought 2023's full-year growth to 8.7%, moderating from 2022's 29.7%, after 19,968 private homes were completed in 2023. Median psf rents in Jan-Feb 2024 for CCR and RCR non-landed homes declined 0.2% and 1.9% from Q4 2023 respectively, while that for OCR rose 0.9%.

Tentative buying sentiment persists but could improve in H2 2024

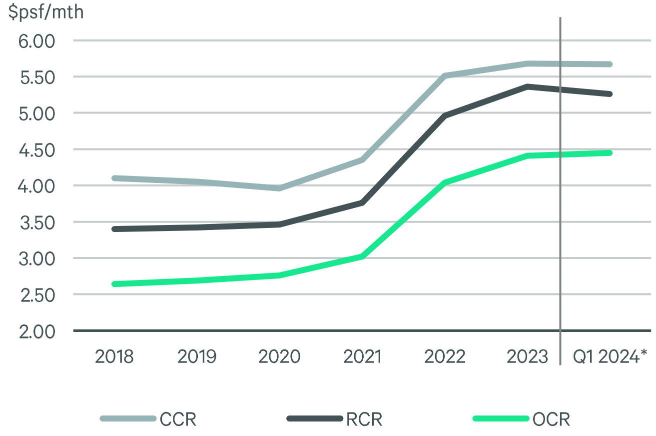
The tentative buying sentiment is set to persist in the near term amid uncertain economic conditions and still-high interest rates. Sentiment could however improve in H2 2024 if interest rates ease and the economy recovers. Overall, CBRE Research expects 7,000 – 8,000 new homes to be sold and prices to grow 3% – 4% in 2024.

FIGURE 6: New Private Residential Units Take-up & URA Price Index (incl. ECs)



Source: URA, CBRE Research, Q1 2024
Note: *Preliminary figures (excl. ECs) for Q1 2024 based on Realis caveats as of 8 Apr 2024.

FIGURE 7: Non-landed Median psf Rents by Market Segment



Source: URA, CBRE Research, Q1 2024
Note: *For non-landed residential units (excl. ECs) from Jan – Feb. Based on Realis caveats as of 8 Apr 2024.

TABLE 10: Top 3 Projects (New Sales) in Q1 2024

Project	Lentor Mansion	Hillhaven	Lentoria
Tenure	99y	99y	99y
Median Price ($psf) in quarter	$2,269	$2,067	$2,129
Units sold in quarter	409	79	61

Source: URA, CBRE Research, Q1 2024
Note: Based on Realis caveats as of 8 Apr 2024

Investments

Investment sales fell q-o-q in Q1 2024 on a decline in public land sales

Preliminary real estate investment volumes in Singapore for Q1 2024 fell 23.4% q-o-q (down 30.9% y-o-y) to $4.372 bn, mainly on a decline in public land sales. Investor sentiment remained cautious amid the high interest rates and the weak macroeconomic environment. Performance was mixed across sectors; retail, hotel and industrial saw quarterly increases, while office and residential saw sequential declines.

Retail and Hospitality sectors in favour, industrial investment sales increased slightly

Retail investment volumes rose five-fold q-o-q to $1.348 bn on the back of the sale of *The Seletar Mall* ($550.00 mil) and the partial sale of *NEX* ($521.12 mil). Meanwhile, the hotel sector saw a sole transaction of *Hotel G* for $235.00 mil, following a dearth of investments in Q4 2023. Continued tourism and retail sales recovery may have boosted investors' confidence in the retail and hospitality real estate. Industrial sales rose by 4.0% q-o-q to $375.38 mil on a few REIT divestments and a data centre sale.

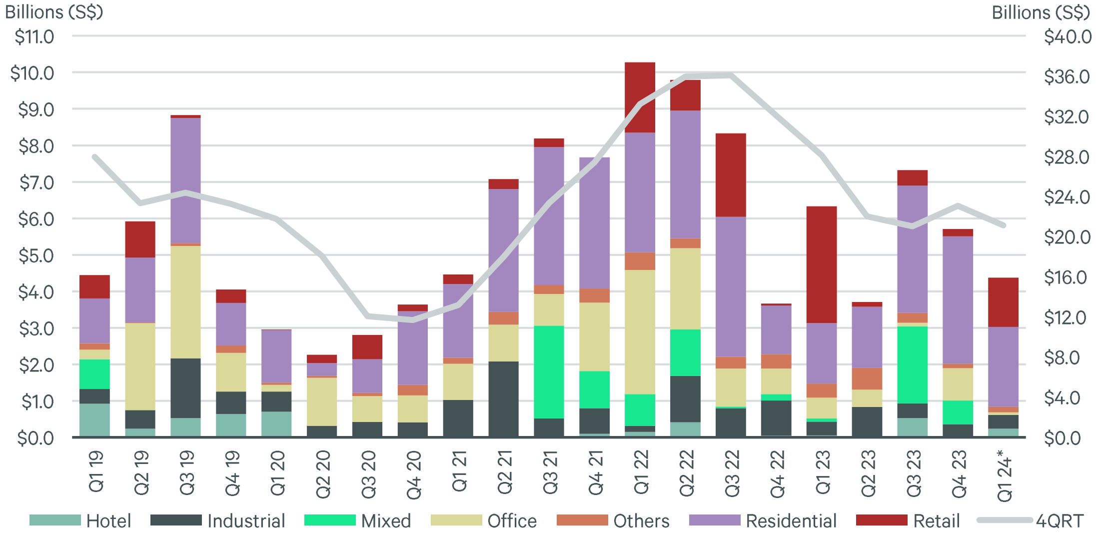
Office and Residential transactions fell

Following the rebound in office investment volumes in Q4 2023 which saw the sale of *Wilkie Edge* ($350.00 mil) and *Visioncrest Commercial* ($440.99 mil), Q1 2024 saw only strata office transactions. Sales in the office sector plunged by 92.1% q-o-q and 87.9% y-o-y to $69.72 mil. Residential volumes fell by 37.2% q-o-q to $2.192 bn due to fewer public land sales and muted activity in both the GCB and luxury apartments segments. Shophouse transactions picked up very marginally q-o-q but the ongoing anti-money laundering investigation since August 2023 continued to dampen investor interest in shophouses.

Investment volumes could pick up more strongly in H2 2024

Capital values and yields mostly held firm in Q1 2024 amid nascent signs of improving investor sentiment. While yield spreads remain tight and borrowing costs continue to be elevated, investors continue to be keen on Singapore real estate due to its safe haven status, sound fundamentals and expected continuation of rental growth. CBRE Research expects investor interest to return more strongly when there is more certainty surrounding the timing of rate cuts, likely in H2 2024.

FIGURE 8: Total Transaction Volume by Sector



Source: CBRE Research, Q1 2024, *Preliminary figures

FIGURE 9: Capital Values Index

Source: CBRE Research, Q1 2024

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