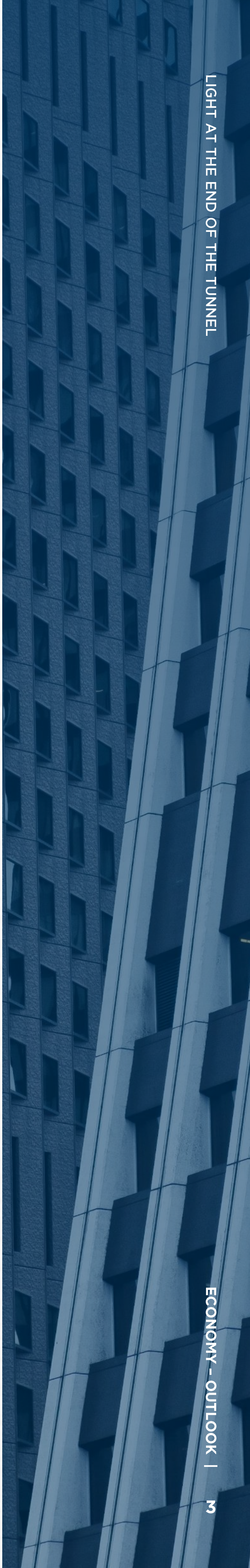
CUSHMAN & WAKEFIELD

OUTLOOK
SINGAPORE MARKET 2024

LIGHT AT THE
END OF THE TUNNEL

CONTENTS



ECONOMY
OUTLOOK

A Soft Landing But a Slow Take off

WITH INFLATION EASING AND GLOBAL INTEREST RATES PEAKING, THE GLOBAL ECONOMY LOOKS ON COURSE TO A SOFT LANDING. NONETHELESS, DOWNSIDE RISKS LINGER.

This includes an escalation in geo-political tensions, unforeseen deteriorations in economic conditions due to tightened credit conditions, and an inflation resurgence due to a shock in oil prices and supply chain disruptions. That said, Singapore's economic growth is expected to improve in 2024, to reach 2.1%, higher than 0.7% in 2023, albeit growth remains tempered amidst an expected higher-for-longer interest rate environment.

Nonetheless, overall property demand should improve in 2024, amidst strengthening economic growth. However, **for the office market, expectations of higher-for-longer interest rates could weigh on office demand, and with more supply in 2024, the upward trajectory of office rents could pause over the next few quarters.**

Singapore's manufacturing economy is expected to recover from cyclical lows in 2024, with global electronics demand showing signs of improvement. However, **tenant resistance is growing, after a streak of rental increases in the industrial market. Industrial rental growth is expected to taper off in 2024.**

Retail and hospitality assets should continue to benefit from a steady recovery in tourist arrivals. **Retail rents could continue to rise amidst resilient local consumption and demand for services. Nonetheless, the effects of revenge spending on services are likely to fade, and hotel room rates could stabilise at current levels.**

Singapore's labour market remains tight with unemployment rates expected to remain low at 2.1% though wage growth will slow to 0.6% in 2024. **Strong seller holding power and high replacement costs could keep private residential prices stubbornly resilient.** Transaction volumes could remain dampened as buying sentiments remain cautious and an expectation gap between buyers and sellers persists. On the other hand, **rents are expected to fall slightly amidst a slew of new supply.**

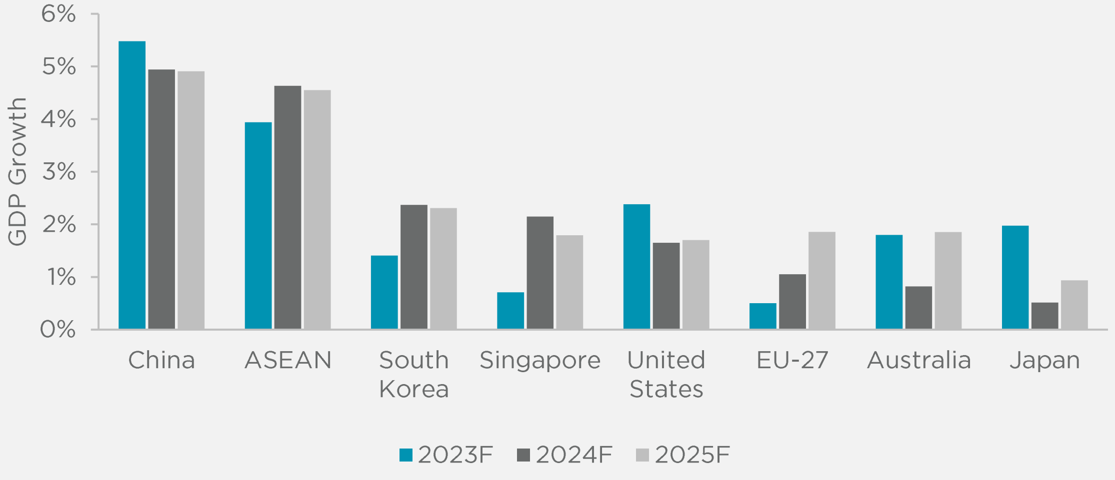
Some investors are looking to deploy capital amidst high levels of dry powder in APAC and growing confidence that the interest rate hiking cycle is close to an end. **Investors will size their bets as interest rates remain high, though deal sizes could get bigger. Already, the 2nd half of 2023 is shaping up to be a very busy period with a slew of deals done.**

Singapore Economic Indicators

Variables	Pre-pandemic average (2015-2019)	2022	2023F	2024F
Real GDP growth (%)	3.2	3.6	0.7	2.1
Unemployment rate (%)	2.1	2.1	1.9	2.1
Population growth (%)	1.0	0.6	0.6	0.6
Wage growth (%)	3.9	4.9	1.8	0.6
Retail sales volume ($ Billion)	46.8	45.5	42.9	47.4
International Visitor Arrivals (millions)	17.3	6.3	12 - 14	15 - 17
Inflation (%)	0.1	6.1	4.8	3.0
10-Year Government Bond Yield (%)	2.2	2.7	3.2	3.9

Source: Cushman & Wakefield Research, STB, Moody's Analytics, updated on 16 Nov 2023

Singapore Economy To Rebound In 2024



Source: Moody's Analytics, updated on 16 November 2023

PROPERTY
2024 OUTLOOK

FORECAST	RENTS	CAPITAL VALUES
CBD Grade A Office	↗	—
Decentralised Grade A Office	↗	—
Prime Logistics	↑	↗
Orchard Retail	↗	↗
Suburban Retail	↗	↗
Prime Residential	↘	—
City Fringe Residential	↘	↗
Suburban Residential	↘	↗
Hospitality*	—	↗

Source: Cushman & Wakefield Research

* Average Room Rates

OFFICE
OUTLOOK

A Window of Opportunity for Tenants

AMIDST A HIGHER FOR LONGER INTEREST RATE OUTLOOK AND NEW SUPPLY, CBD GRADE A OFFICE RENTS ARE EXPECTED TO MODERATE IN 2024, WITH GROWTH OF UP TO 2%. THE FLIGHT TO QUALITY TREND PERSISTS, WITH OCCUPIERS SEEKING MODERN, SUSTAINABLE OFFICES FOR TALENT STRATEGY AND CORPORATE BRANDING.

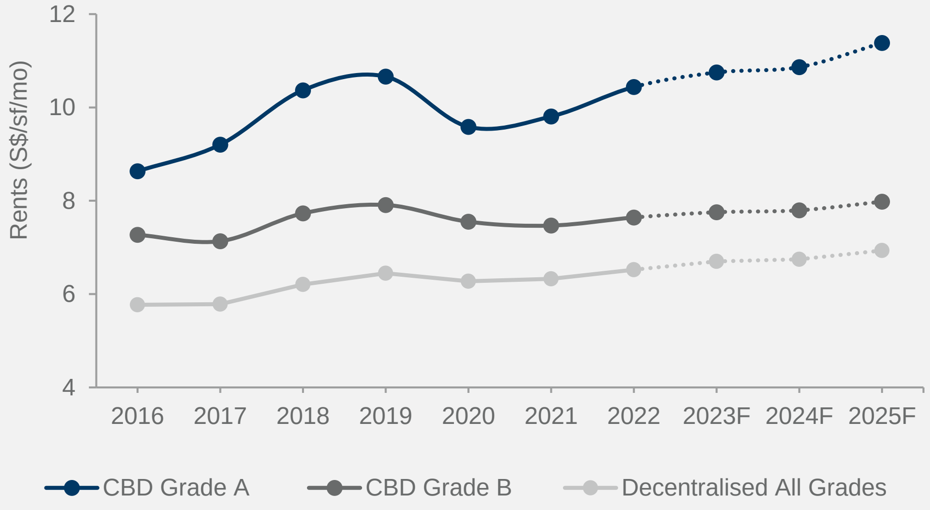
This is evidenced by falling CBD Grade A office vacancy rates and shadow spaces in 2023. CBD Grade A vacancy rates remain low at 3.9% as of Q3 2023, while available office shadow spaces islandwide has fallen to pre-Covid levels. Additionally, the rental gap between CBD Grade A and Grade B offices continues to widen. CBD Grade B office rents could see flat or negative growth in 2024, although newer Grade B offices would perform relatively better as they cater to cost-conscious occupiers while still providing a strong office experience. Occupiers who do not need to be in the CBD could gravitate towards decentralised offices where office rents are lower. Decentralised office rents would still edge higher given a lower cost base and limited Grade A supply.

While demand is expected to pick up, albeit gradually into 2024, amidst improving economic conditions, a slew of supply from both new developments (IOI Central Boulevard Towers (1.24 msf), Keppel South Central (0.65 msf), Labrador Tower (0.69 msf) and potential secondary spaces is expected to offset this. The heightened supply could push CBD Grade A office vacancy rates to above 5% in 2024.

Pent-up demand for office spaces could be accumulating. Headcounts have grown in recent years and companies are encouraging workers to return to the office. On the other hand, office footprints have remained unchanged or have been reduced, leading to increasingly crowded offices, especially on some days of the week. **With more options in the market and potentially easing CapEx constraints as interest rate concerns recede, relocation and expansion activities could pick up in H2 2024.** Additionally, companies continue to show interest in expanding in Singapore as they invest into Southeast Asia.

> ***“With more options in the market, occupiers with expiring leases in 2024/2025 should take this opportunity to negotiate their leases. This window of opportunity may be fleeting as the market will return to a tight supply situation post-2024.”***

Office Rents By Submarket



Source: Cushman & Wakefield Research

Office Rent Forecast

Market	2022	2023Q3 YTD	2023F	2024F
CBD A	6.5%	2.3%	2.5-3%	0 to 2%
CBD B	2.3%	1.3%	1.5-2%	-1 to 1%
Decentralised All Grades	3.1%	2.4%	2.5-3%	0.5 to 2.5%

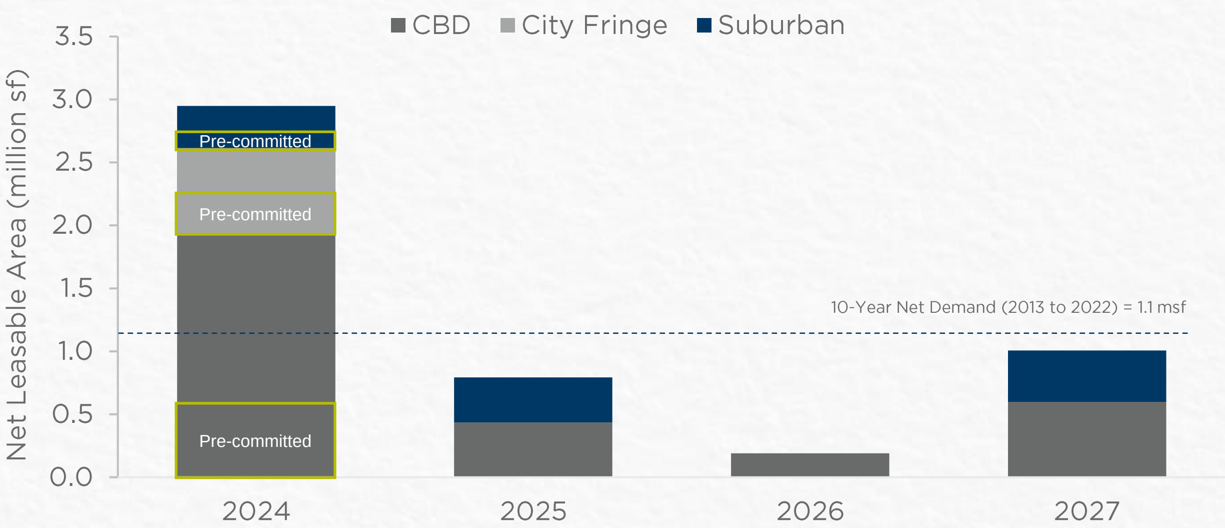
OFFICE
TRENDS AND HIGHLIGHTS

Tight Supply Situation to Return Post 2024

NEW OFFICE SUPPLY ISLANDWIDE WOULD SURGE NEXT YEAR, THOUGH ABOUT A THIRD OF THESE SPACES HAVE BEEN PRE-COMMITTED.

More secondary supply could also stream into the market over the next two years. Office supply is expected to return to a tight supply situation between 2025 and 2027.

Islandwide (All Grades) Office Potential Supply



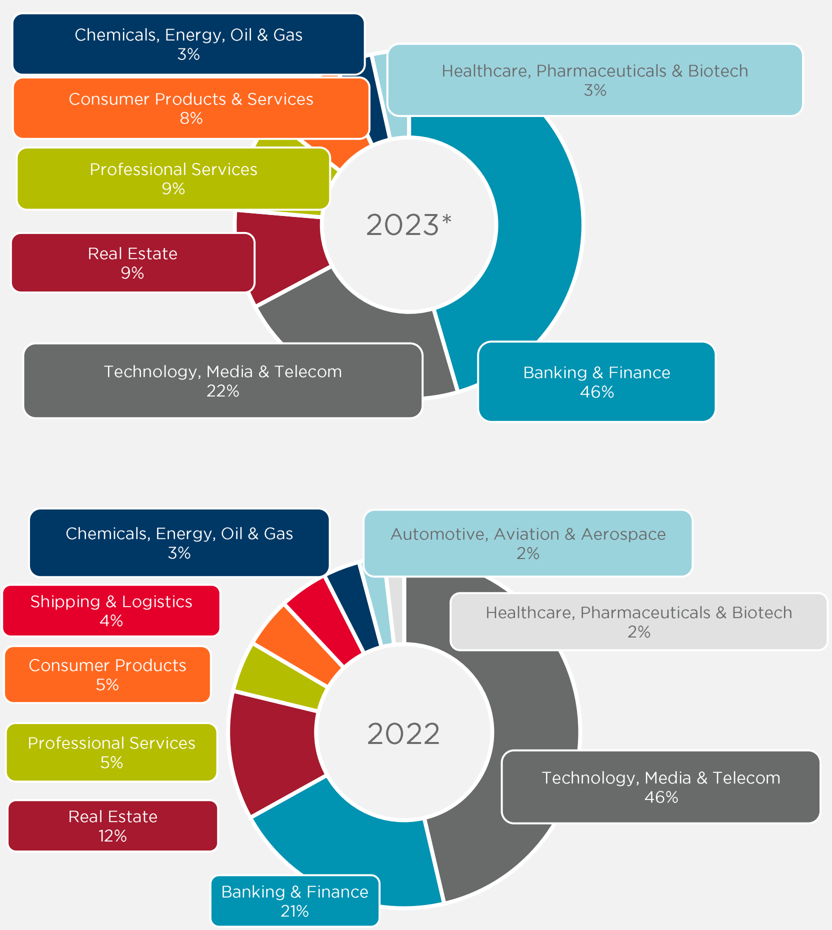
Source: URA, Media Reports, Cushman & Wakefield Research

Banking and Finance Firms Continue to Backfill Demand

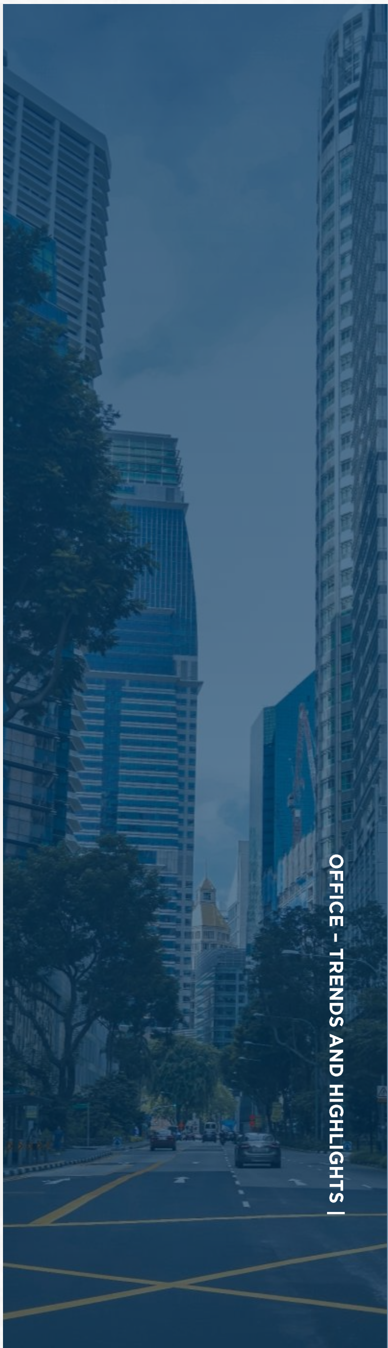
BANKING AND FINANCE, PARTICULARLY THE WEALTH MANAGEMENT SECTOR, REMAINS THE DOMINANT DRIVER OF OFFICE DEMAND, WITH AN ESTIMATED 46% OF NEW LEASES IN THE CBD DRIVEN BY THIS SECTOR AS OF NOV 2023 YTD.

Singapore continues to be an attractive regional financial hub amidst ongoing geopolitical tensions. While overall tech demand remains cautious, pockets of demand have been observed from tech firms looking to grow their footprint. Tech demand could surprise the upside in 2024, in view of positive earnings announcements and a rally in tech stock prices. With co-working spaces being well occupied in the CBD, co-working operators/real estate sector have shown some appetite to expand, albeit they remain largely cautious and favour management contracts. Though opportunities to expand within the CBD remain limited as Grade A office vacancy rates remain low.

CBD Leasing Profile



Source: Cushman & Wakefield Research
*YTD as of Nov 2023, only new leases are included, may not be holistic



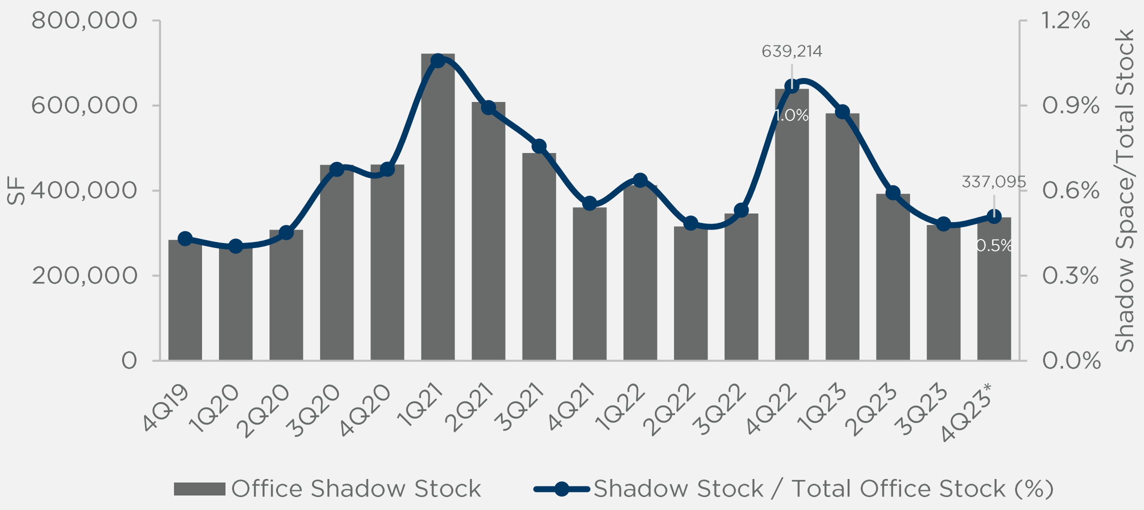
Shadow Spaces Return to pre-Covid Levels

THE SHADOW STOCK LEVEL ISLANDWIDE HAS FALLEN TO 331,000 SF OR 0.5% OF TOTAL OFFICE STOCK, NEARING THE 284,000 SF OR 0.4% OF TOTAL OFFICE STOCK PRE-COVID (Q4 2019).

In a tight office market where prime vacant spaces are limited, some occupiers on the flight-to-quality have seized the opportunity to move from ageing office buildings and taken up shadow spaces.

The reduction of available shadow space in the market is a testament of resilient demand for Singapore office spaces.

Islandwide Shadow Space Stock



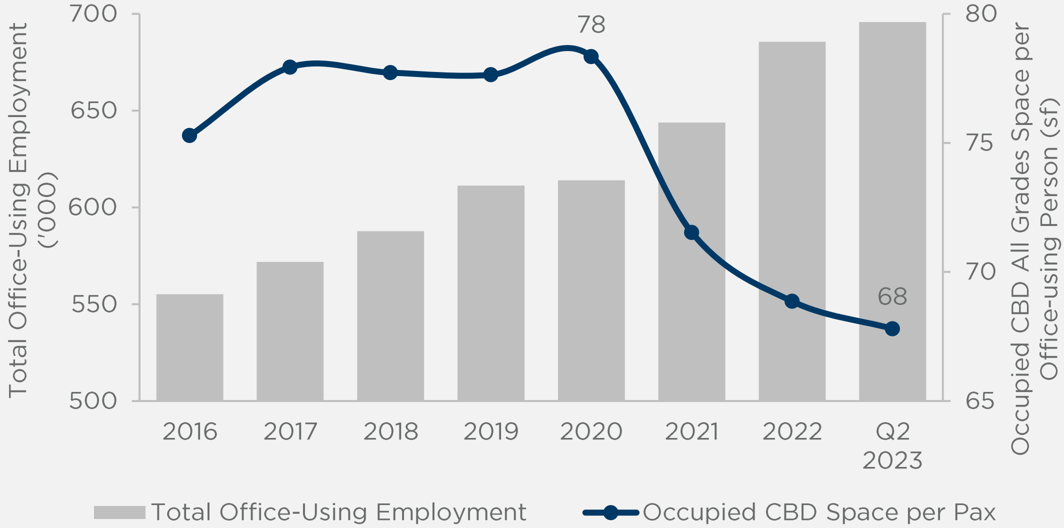
Note: Office stock across all grades. The availability of shadow space is fluid and subject to change
Source: Cushman & Wakefield Research
* As of Nov 2023

Pent-Up Demand for Offices May Accumulate

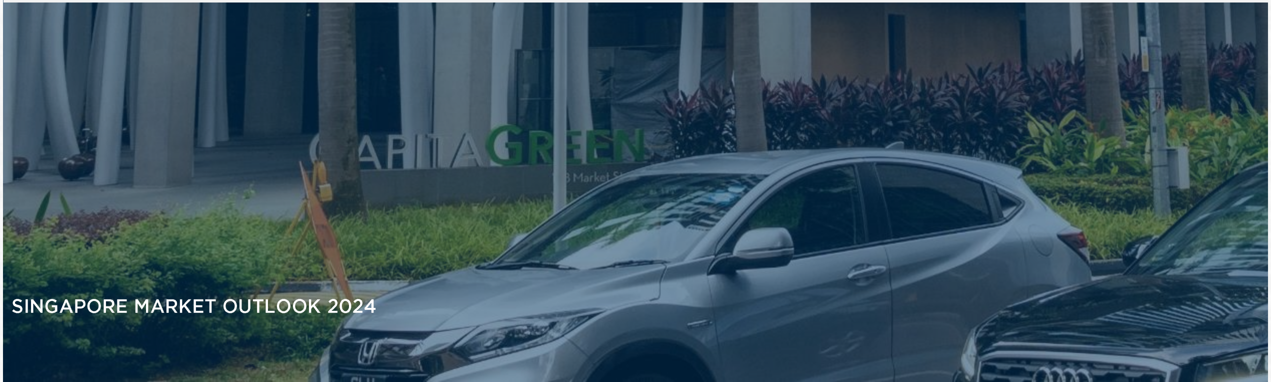
TOTAL OFFICE-USING EMPLOYMENT HAS INCREASED STRONGLY SINCE 2021. ON THE OTHER HAND, MANY OCCUPIERS HAVE LARGELY KEPT THEIR REAL ESTATE REQUIREMENTS UNCHANGED OR EVEN RIGHT-SIZED AMIDST HYBRID WORK AND COST-CUTTING MEASURES.

The occupied office space in the CBD per office using employment* which hovered around 75-78 sf per person pre-Covid has fallen to 68 sf per person in 2023. In view of the ongoing encouragement to return to office, some offices are becoming increasingly crowded, albeit office attendance tends to fluctuate across the week. Against this backdrop, office demand could surprise on the upside, with economic concerns easing and occupiers return to expansion mode.

Ratio Of Occupied Space Per Person Falls



Source: Ministry of Manpower, Cushman & Wakefield Research
* Reflects islandwide employment in the Financial & Insurance Services, Information & Communications and Professional Services over occupied CBD office space based on C&W's basket of office properties

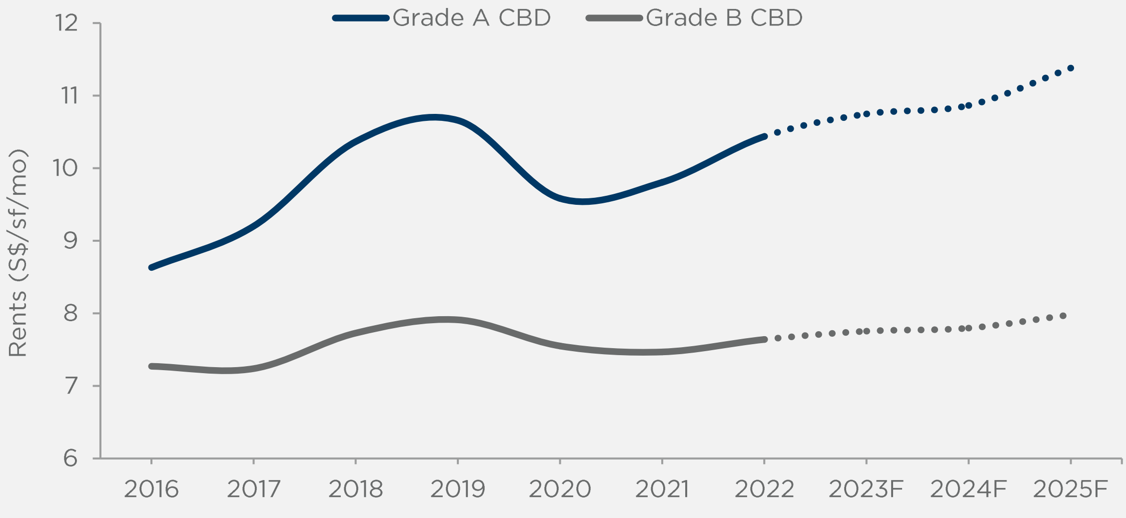


Rental Trends to Diverge Amidst Flight to Quality

RENTS OF GRADE A AND GRADE B OFFICES IN THE CBD WOULD CONTINUE TO GROW APART AS FLIGHT-TO-QUALITY MOVEMENTS ENSUE.

Between 2023F and 2025F, Grade A offices in the CBD are forecast to rise at a CAGR of 2.9% as compared to the 1.5% CAGR of their Grade B counterparts. CBD Grade A rents could reach $11.38 psf/mo in 2025, almost a dollar higher than the $10.44 psf/mo in 2022, while CBD Grade B rents would increase to $7.98 psf/mo from $7.64 psf/mo in 2022. By 2025, the rental gap between CBD Grade A and B offices could expand to 49% from 19% in 2016. This could spur more office redevelopment or asset enhancement works in the CBD.

Grade A And Grade B Office Rents



Source: Cushman & Wakefield Research

INDUSTRIAL
OUTLOOK

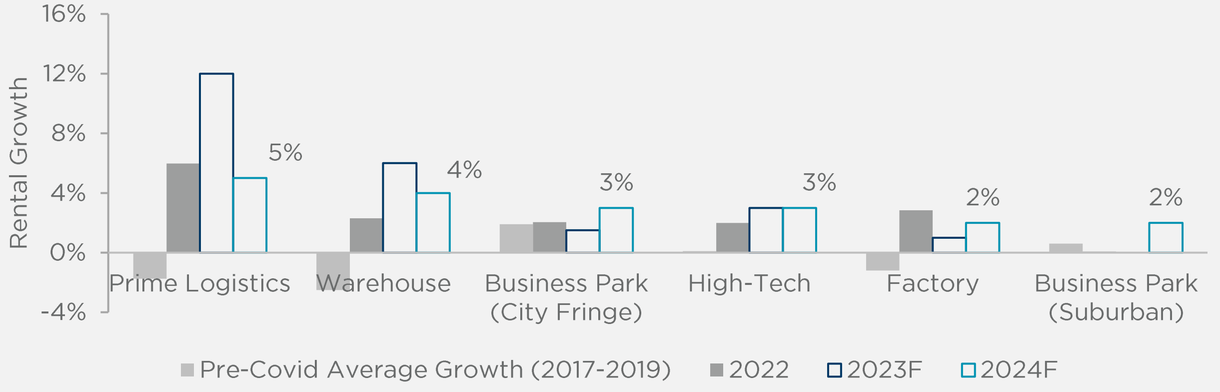
Easing Growth Momentum

SINGAPORE'S INDUSTRIAL PROPERTY SECTOR REMAINS A MULTI-SPEED MARKET INTO 2024. BUILDING SPECIFICATIONS AND LOCATION ATTRIBUTES CONTINUE TO DIVIDE THE HAVES AND THE HAVES NOT, WITH STRONG DEMAND FOR MODERN SPEC INDUSTRIAL ASSETS WHICH ARE POSITIONED FOR THE NEW ECONOMY, WHILE OLDER ASSETS HAVE SEEN WEAKER PERFORMANCE.

Given a dearth of supply and resilient demand from new economy sectors, the industrial market rents have been on an uptrend in 2023 despite a weak manufacturing performance. There are signs that the manufacturing economy is poised to pick up in 2024, and this bodes well for industrial demand. Nonetheless, **the recovery remains fragile, and we anticipate moderate rental growth in 2024, given increasing tenant resistance in a high-for-longer interest rate environment.**

With a tight supply situation persisting into 2024, warehouses could see continued but tapering off rental growth into 2024, as tenants are increasingly resistant to rents which have nearly doubled since the pandemic. Overall warehouse vacancy rates remain lower compared to pre-pandemic levels, and prime logistics vacancy rates are below 1%. Supply relief may only come in 2025, with only one new multi-tenant prime logistics development expected to be completed in 2024.

Rental Growth by Asset Classes



Source: Cushman & Wakefield Research

Vacancy Rates*

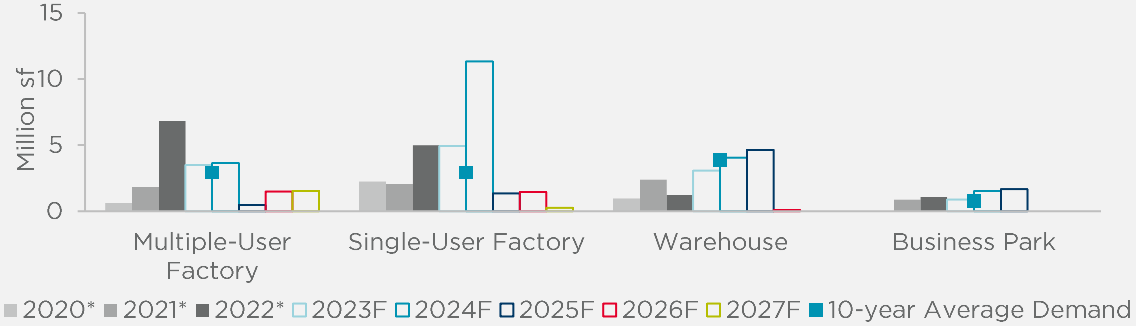
Segment	Q3 2023
Conventional Factory*	10.3%
High-tech Factory	12.5%
Business Park (Suburban)	24.9%
Business Park (City-Fringe)	5.3%
Warehouse*	8.7%
Prime Logistics	<1.0%

Source: JTC, Cushman & Wakefield Research
*Based on C&W's basket of properties. Conventional factory and warehouse data reflect multi-user factory and warehouse data from JTC

There is emerging investment interest in warehouses given a dearth of supply in the market. Some occupiers such as 3PL or manufacturers could explore build-to-suit (BTS) opportunities to secure sites for expansion and manage real estate costs, given a sharp spike in prime logistics rents over the last 2 years. Some may decide to develop the site themselves, or partner with a developer for a BTS development and take on a long-term lease.

Led by newer and better-located stock, conventional factory and high-tech factory spaces are anticipated to see mild rental growth in 2024, with more supply in 2024. Old suburban business parks, especially those with poor location attributes, continue to see pressure as some occupiers right-size their spaces amidst falling utilisation rates due to hybrid work. City-fringe business parks and new suburban business parks are expected to see resilient or moderate rental growth while older business parks may have to keep rents attractive to shore up vacancy.

Supply in the Pipeline

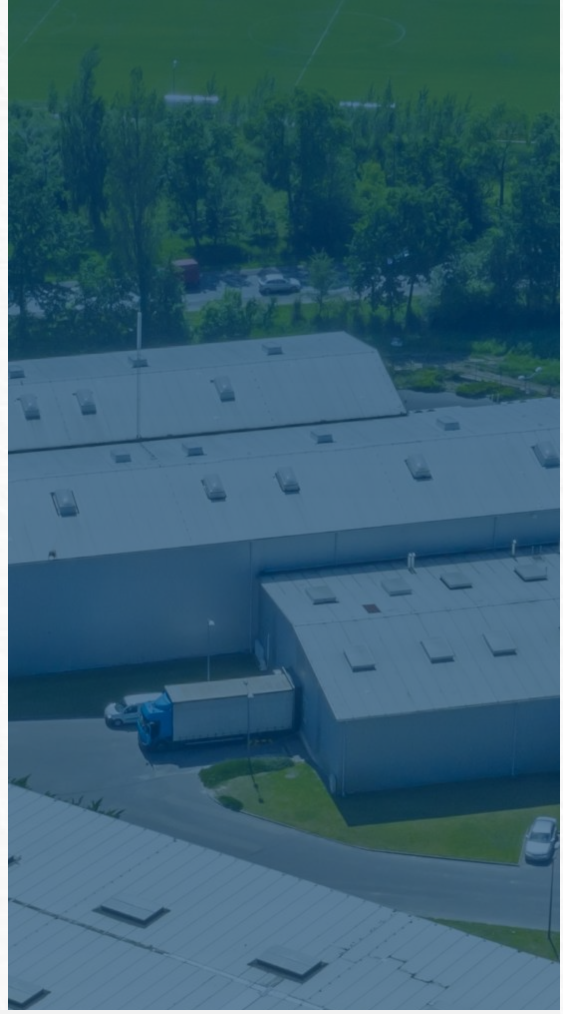


Source: JTC, Cushman & Wakefield Research
*** Supply included demolition of stock**

Tight Prime Logistics Pipeline In 2024/2025

Project	Est. NLA (sf)	Estimated Pre-commitment rate	Expected Completion Year
4 Benoi Crescent	590,039	100%	2024
LOGOS eHub (Phase 2)	712,485	40%	2024
51 Benoi Road	753,812	-	2025
36 Tuas Road	547,008	-	2025

Source: JTC, Cushman & Wakefield Research



INDUSTRIAL

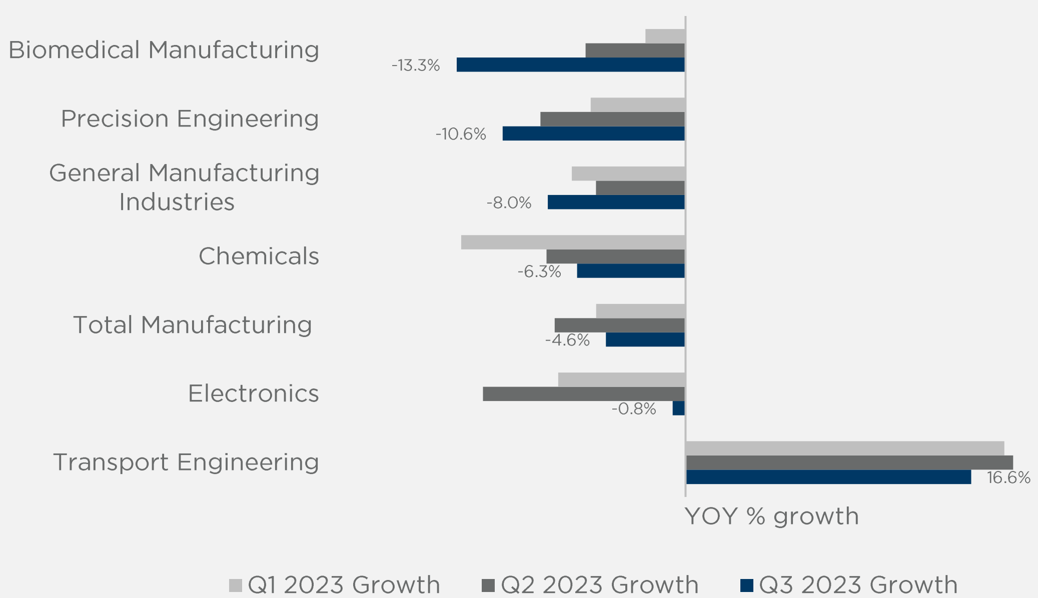
TRENDS AND HIGHLIGHTS

Transport Engineering Still Strong. Some Sectors see Slower Declines

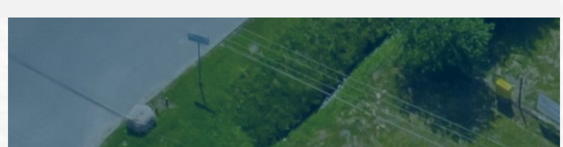
SUPPORTED BY TRAVEL RECOVERY TAILWINDS, THE TRANSPORT ENGINEERING CLUSTER PERFORMANCE HAS BUCKED THE TREND AND CONTINUED TO EXPAND.

Despite subdued external demand, some sectors such as chemicals and electronics have witnessed slower declines. We see signs of manufacturing recovery by 2024, which should continue to be driven by transport engineering, while the electronics, chemicals and precision engineering clusters are likely to record further improvements. Leasing activities could pick up in 2024 alongside an improving manufacturing economy.

Manufacturing Growth*



Source: EDB, Cushman & Wakefield Research
*Reflects 3-month moving average

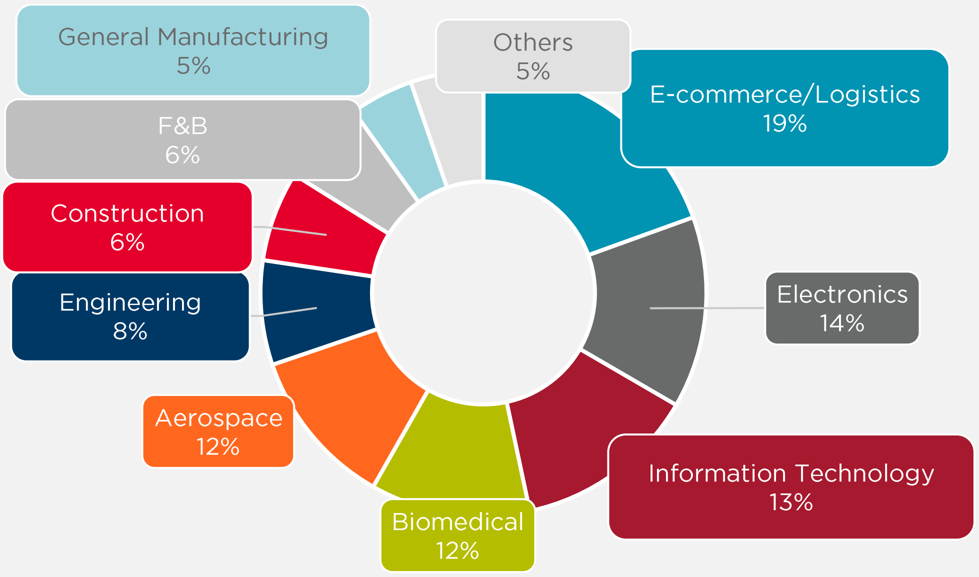


E-commerce and Logistics Demand Still Resilient

DRIVEN BY FLIGHT TO QUALITY, SOME SECTORS SUCH AS E-COMMERCE AND LOGISTICS, ELECTRONICS, INFORMATION TECHNOLOGY, BIOMEDICAL AND AEROSPACE CONTINUED TO DRIVE DEMAND FOR INDUSTRIAL SPACES.

Amid tight supply, demand for warehouse and prime logistics spaces should remain resilient from e-commerce and logistics players. In line with the gradual manufacturing recovery, demand from sectors such as electronics and biomedical should improve further.

Active Occupiers*

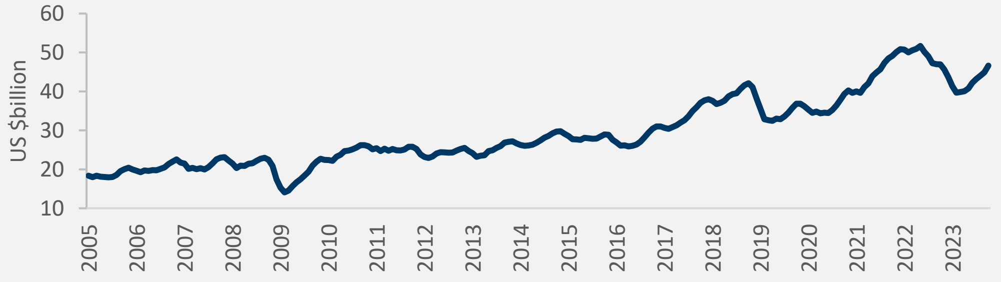


Source: Cushman & Wakefield Research
*Based on a compilation of C&W data and transactions in 2023 YTD and would not be holistic

Rebound In Demand For Semiconductors Bodes Well For Tech Demand

Global semiconductor sales seem to be turning around, with October sales up 17.4% (on a 3-month moving average basis) over the last eight months since the trough in February 2023, according to data from the Semiconductor Industry Association. The rebound in semiconductor demand bodes well for Singapore's manufacturing economy and could be an indicator of a broader recovery in the tech sector.

Global Semiconductor Sales*

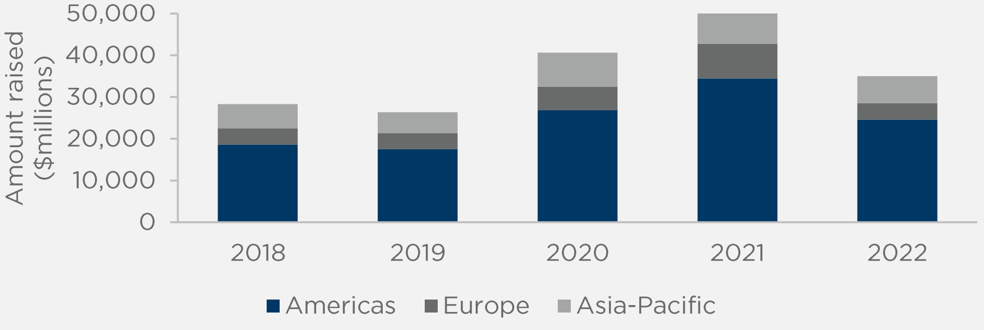


Source: Semiconductor Industry Association
*Data reflects non-seasonally adjusted 3-month moving average

Life Science Sector Poised for Long Term Growth

The life science sector is poised for sustained growth, underpinned by demographic shifts and government support. Globally, biotech venture capital investment remain higher than pre-Covid levels, though it has fallen in 2022 amidst higher interest rates. Singapore's life science startup scene is growing in vibrancy, with almost 500 biomedical startups attracting more than US$3 billion in venture funding in recent years. Vacancy rates of business parks at Biopolis, a life science precinct, remains tight, supported by continued life science demand.

Global Biotech Venture Capital Investment



Source: Nature Biotechnology

RETAIL
OUTLOOK

Better than Expected

SINGAPORE'S RETAIL MARKET HAS BENEFITED FROM SEVERAL TAILWINDS. SINGAPORE'S LOCAL CONSUMPTION SPEND REMAINS RESILIENT AND IS SUPPORTED BY A TIGHT LABOUR MARKET.

Recovering tourism and revenge spending have driven tenant sales in the tier-one malls, past pre-Covid levels. As such, landlords' rental expectations are rising, alongside increasing property operating costs. On the other hand, retailers face higher business operating costs due to higher rents and labour shortages. **Struggling brands are bowing out, although landlords are optimistic that the vacant spaces can be backfilled quickly.**

Competition from online entertainment and shopping platforms as well as consumers' shift to experiential concepts have led to retailers adjusting their offerings. For example, cinema operators are pushing out new cinemas with more premium theatres. While more e-retailers have expanded to physical spaces to cement their brand.

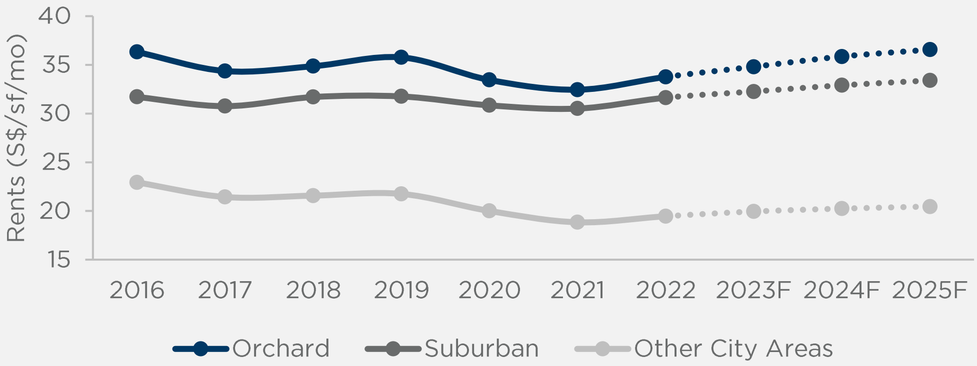
Against this backdrop, prime retail rents are poised to trend up in 2024. The rise in retail rents is both demand-led (dominantly for tier-one malls) and cost-push due to higher inflation. The retail market remains a two-tier market with the top malls seeing low vacancy rates and higher rents. Weaker malls continue to contend with higher vacancy rates and rising operating costs.

> ***"Orchard prime retail rental growth should continue to outpace other submarkets at 2%-4% yoy amidst recovering tourism."***

Singapore is a travel hub that appeals to retailers looking to showcase their brands to the region. New-to-market brands continue to favour Orchard. Additionally, China's slowdown has led to Chinese retailers exploring the Singapore market for diversification. Supported by steady footfalls, Suburban prime retail market remains highly sought after by retailers, with recent new suburban malls enjoying high occupancy rates. Suburban prime retail rents is expected to grow 1%-3% yoy. Other City Area retail rents, which includes the CBD, could edge higher by 1%-3% yoy (due to a lower base), underpinned by stabilizing levels of office attendance, albeit footfalls may not return to pre-pandemic levels.

Retail rents would be underpinned by relatively low new retail supply. New islandwide retail supply will only come up to 0.3 million sf per annum from 2024 to 2027, less than half the 0.8 million sf per annum from 2017 to 2023.

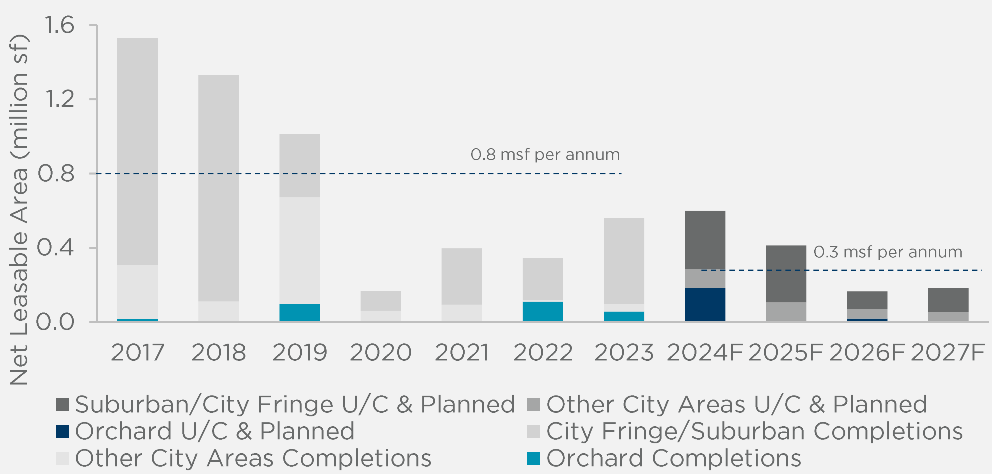
Prime Retail Rents By Submarkets



Rental Growth Y-o-Y	2022	2023Q3 YTD	2023F	2024F
Orchard	4.1%	2.3%	3-3.5%	2-4%
Suburban	3.7%	1.1%	1.5-2%	1-3%
Other City Areas	3.3%	1.5%	2.5-3%	1-3%

Source: Cushman & Wakefield Research

Retail New Supply



Source: URA, Media Reports, Cushman & Wakefield Research

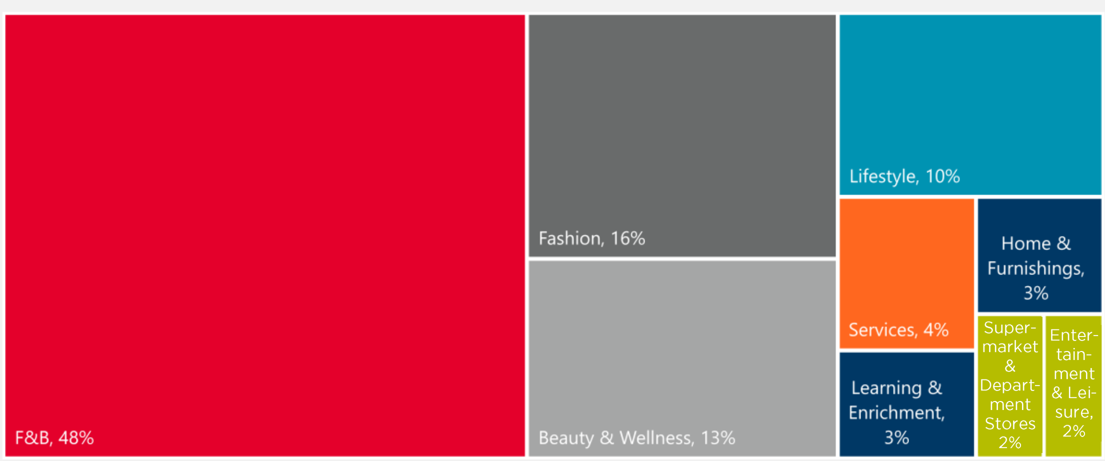
RETAIL
TRENDS AND HIGHLIGHTS

F&B Remains the Dominant Demand Driver

FOOD & BEVERAGE (F&B) DEMAND CONTINUES TO DOMINATE, GIVEN SINGAPORE'S STRONG DINE-OUT CULTURE AND DEMAND FOR ACTIVITY-BASED RETAIL.

F&B can be a footfall magnet and contribute to a mall's experiential offering. Landlords are exploring converting vacant retail spaces to F&B use, albeit limits to this strategy. Fashion and beauty retailers are still opening brick-and-mortar stores to tap into the growing consumers' wealth in Southeast Asia. Chinese shoe brand Duozoulu has opened 5 outlets in Singapore since its entry to the local physical retail scene in April 2023. Some brands are making a comeback. Hong Kong cosmetics brand Sa Sa has relaunched at Jurong Point and plans to open 2 more outlets in Tampines 1 and Westgate. In the lifestyle segment, activewear brands maintain their expansion mode given continued consumer focus on wellness and casualization of dress codes due to hybrid work. This year, FILA Fusion opened a flagship at Bugis Junction and Nike is opening a potential flagship on 268 Orchard Road. Middle East's largest sports retailer Sun & Sand Sports has opened 2 stores (plus 1 store opening) since May 2023.

Estimated Share Of Openings* At Prime Malls In 2023



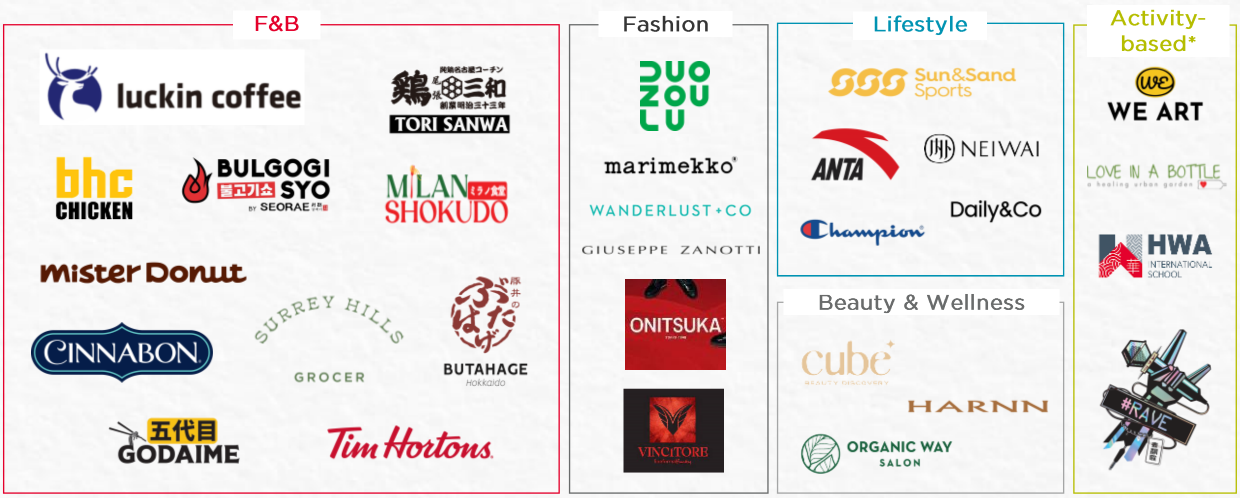
Source: Cushman & Wakefield Research
* Store openings include new-to-market brands as well as current brands that expanded, relocated or reopened

New Brands Gearing up for Tourism Recovery

LEASING ACTIVITIES OF NEW-TO-MARKET BRANDS HAVE PICKED UP AMIDST MARKET RECOVERY. CHINESE COFFEE CHAIN LUCKIN COFFEE HAS OPENED 13 OUTLETS ACROSS THE CITY SINCE ITS DEBUT IN MARCH 2023.

Other noteworthy market entries include Japanese and Korean restaurants, namely Milan Shokudo, Bulgogi Syo and Tori Sanwa, which have each set up at least 3 outlets this year. The city state's pro-business environment also appeals as a springboard for regional expansion. Canadian coffeehouse Tim Hortons has debuted at Vivocity amidst talks to also roll out in Malaysia and Indonesia, while Chinese digital-native lifestyle brand Neiwai has opened its first overseas brick-and-mortar at Raffles City as part of its global expansion plans. With improving visitor arrivals and office crowds, more new brands could emerge to refresh the tenant mix and buoy occupancies of malls in Orchard and other city areas.

Openings By New-to-market Brands



Source: Cushman & Wakefield Research
^ Activity-based retailers in learning & enrichment as well as Entertainment & Leisure trades

PRIVATE RESIDENTIAL
OUTLOOK

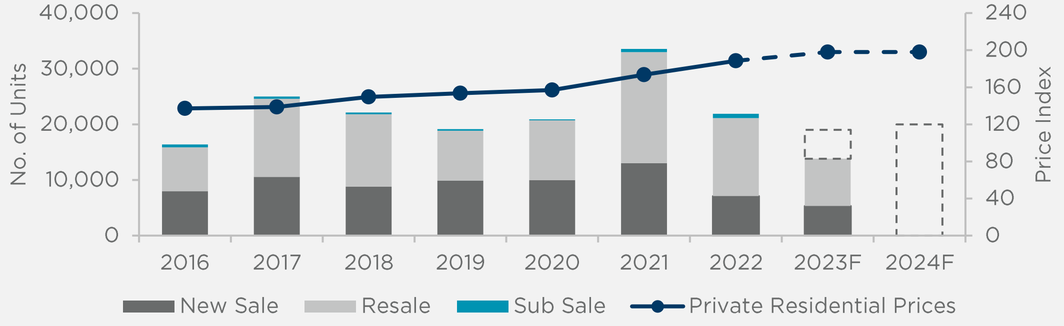
Sitting On The Sidelines, Waiting To Pounce

A SLEW OF NEW SUPPLY AND THE CUMULATIVE WEIGHT OF COOLING MEASURES HAVE TEMPERED BUYING SENTIMENTS, AND THE MOOD IN THE HOUSING MARKET HAS TURNED SLIGHTLY MORE CAUTIOUS. NONETHELESS, REPLACEMENT COSTS REMAIN HIGH, AND WITH NO RECESSION EXPECTED, A FALL IN PRIVATE HOME PRICES IS NOT EXPECTED.

Upgrading aspirations, a stable jobs market and rising HDB resale prices have continued to fuel local demand, the dominant source of buying demand. Furthermore, new launch prices could remain steady due to heightened construction costs and still-low levels of unsold inventory. **Given strong seller holding power, resilient buying demand and a potential fall in borrowing costs, private home prices could potentially surprise on the upside and grow by up to 3% in 2024.**

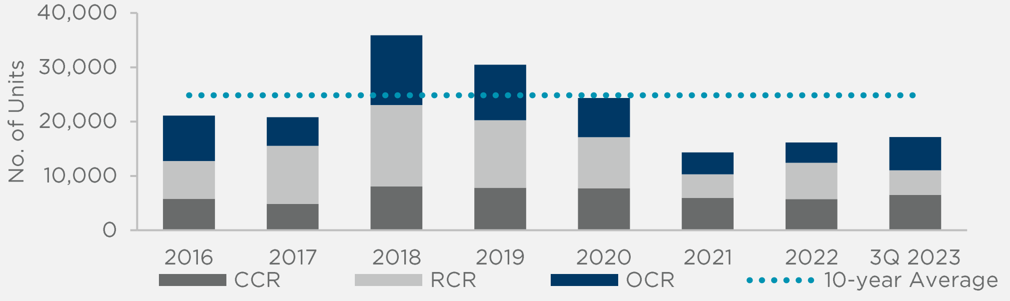
Nonetheless, buying demand has grown selective, in view of heightened interest rate levels. With more new launches in the market, initial take-up rates have diverged across projects. Though notably, new major launches (100 units and above) in 2023YTD (as of 29 Nov 2023) are on average about 51% sold out. While this is slower than 2022 new launch average take-up of 73%, it is higher than 2019's performance of about 23% sold.

Sales Volumes And Prices



Source: URA, Cushman & Wakefield Research

Unsold inventory

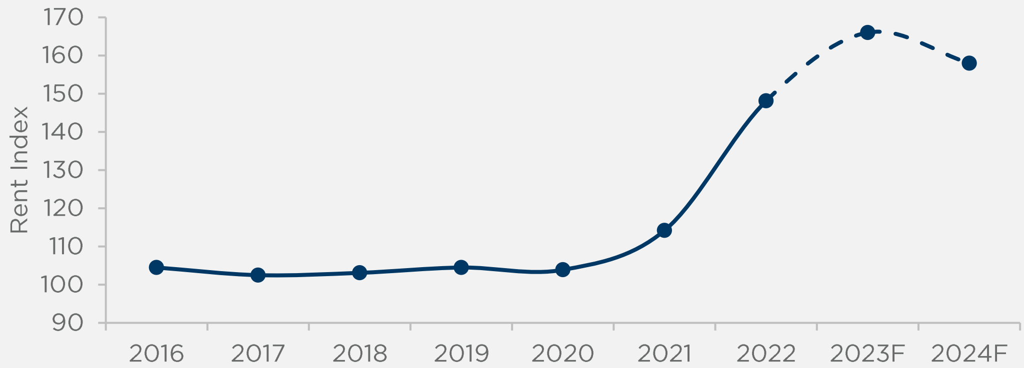


Source: URA, Cushman & Wakefield Research

Amidst still low levels of unsold inventory, developers have continued to show site acquisition interest. The recent Government Land Sales tender closing in November saw healthy participation from developers, though the spread between bids for sites indicates a divergence of outlook amongst developers. Developers are exercising greater caution and placing their bets strategically, with a preference towards smaller to medium-sized sites and/or sites with low future market competition.

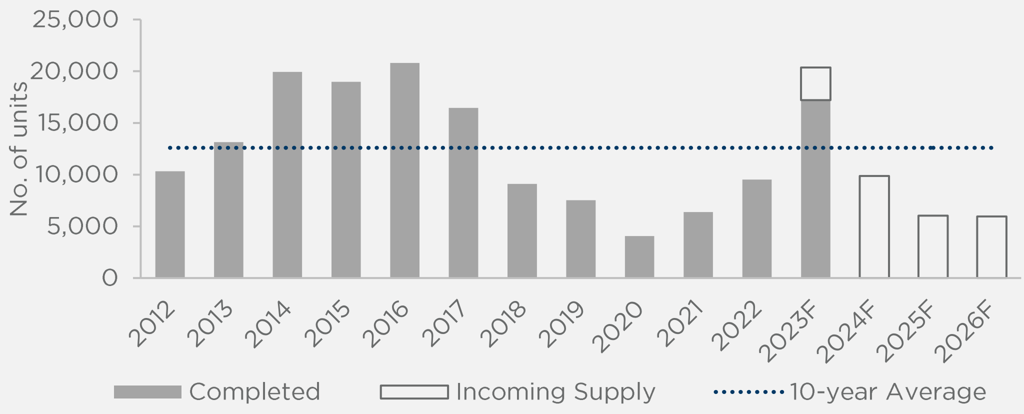
On the other hand, private residential rents could soften in 2024, given that tenants have more options now, and the rental market is more mobile. Some tenants are moving towards the HDB rental market, where rents are more affordable. Private residential completions are expected to reach 20,366 units in 2023, or 62% higher than the 10-year annual average of about 12,600 units. **With the increase in rental supply coupled with increasing tenants' resistance, rents could see a mild fall in 2024, of up to -5%.** However, rents could stabilise by 2025, as new completions in 2025 and 2026 will fall to about 6,000 units annually each, one of the lowest completions in the last decade.

Private Residential Rents



Source: URA, Cushman & Wakefield Research

Future Completions



Source: URA, Cushman & Wakefield Research

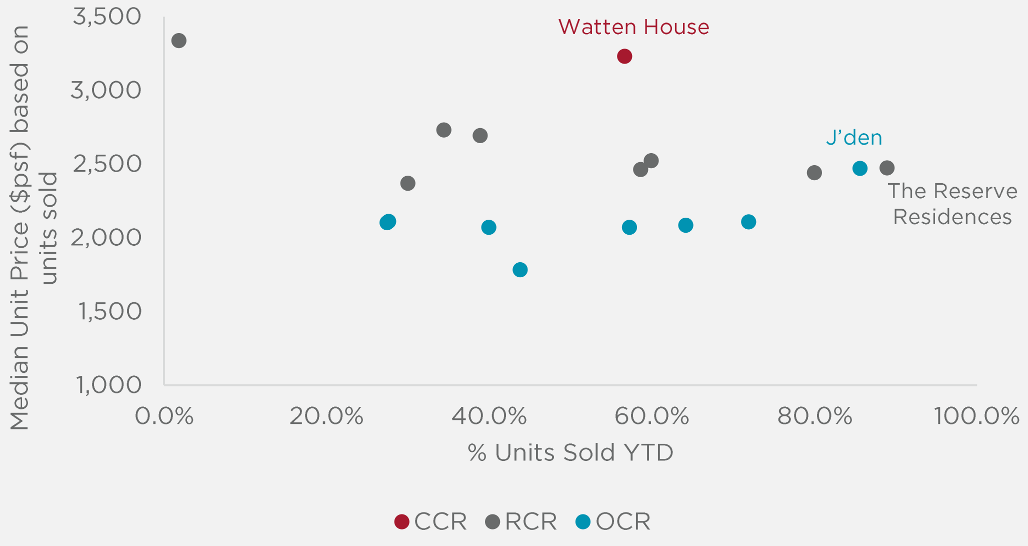
PRIVATE RESIDENTIAL
TRENDS AND HIGHLIGHTS

Buying Demand Gets Selective with More New Launch Options

HOME BUYERS ARE INCREASINGLY SELECTIVE AND PRICE-SENSITIVE DUE TO A CONFLUENCE OF FACTORS SUCH AS ELEVATED FINANCING COSTS, A WIDE SELECTION OF NEW LAUNCH OPTIONS IN THE PIPELINE, RECENT COOLING MEASURES AND ECONOMIC UNCERTAINTIES.

A wider disparity is observed in take-up rates across new launches in 2023. Well-performing projects* which are at least 50% sold to-date seem to have a few common characteristics. They possess good locational attributes such as proximity to MRT stations and amenities or have accumulated pent-up demand due to a dearth of new launches in the area.

2023 New Launches Performance*



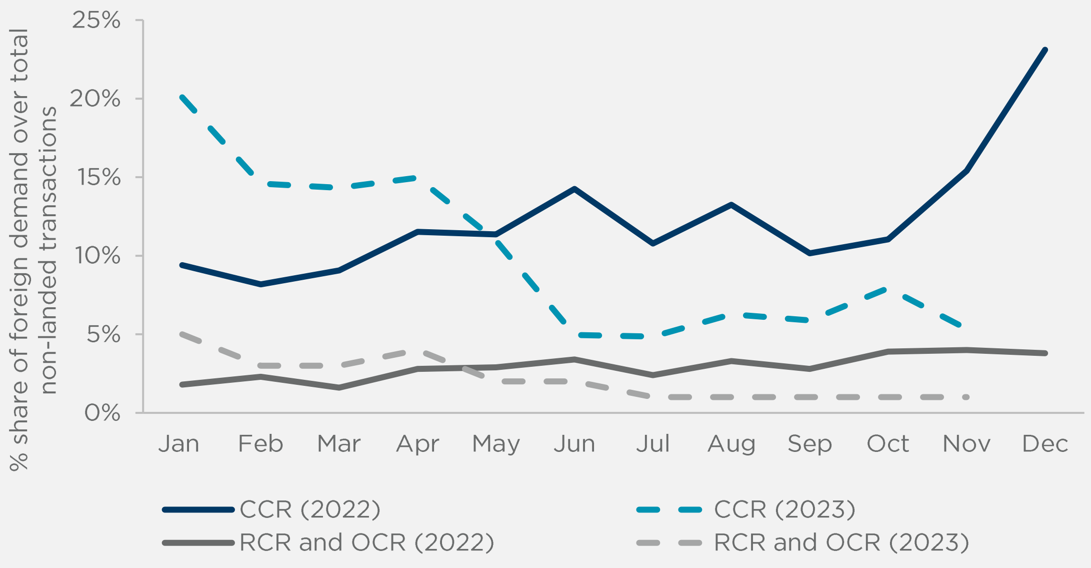
Source: URA, Cushman & Wakefield Research
*Major projects with more than 100 units, as of 22 Nov 2023

Foreign Demand Remains Muted, Dampening High-end Demand

AMONG THE VARIOUS MARKET SEGMENTS, THE CORE CENTRAL REGION (CCR) MARKET, WHICH TYPICALLY ATTRACTS A LARGER PROPORTION OF FOREIGN BUYERS, HAS BEEN MORE ADVERSELY AFFECTED BY THE RECENT COOLING MEASURES.

Foreign buying sentiment has taken a hit, as the proportion of foreign demand in the CCR has generally declined to around 5% in November from 14% in March, before the latest round of cooling measures was implemented in late April 2023. On the other hand, the Rest of Central Region (RCR) and Outside Central Region (OCR) which already has a low proportion of foreign demand, saw milder declines. Foreign demand is expected to remain dampened across all markets.

Foreigner Demand Proportion



Source: URA, Cushman & Wakefield Research
Based on caveats data as of 27 Nov 2023

Land Prices have Fallen, though Bullish Bids Observed in Recent Tenders

DEVELOPERS HAVE TURNED INCREASINGLY CAUTIOUS AND SELECTIVE IN THE FACE OF ELEVATED FINANCING COSTS AND UNCERTAIN BUYER DEMAND DUE TO RECENT COOLING MEASURES.

This is evident from cautious bidding activities for recent Government Land Sales (GLS) tenders. Though partially driven by changes in GFA definitions, the winning land bids placed by developers for land parcels within similar localities, such as Lentor, Pine Grove and Jalan Tembusu, have generally fallen in 2023.

Developers are placing their bets strategically, with a preference towards smaller to medium sized sites and/or sites with low future market competition. Areas with pent-up buying demand and a dearth of recent new launches would also attract developer interest as seen from recent tenders in November.

Lower Land Prices in 2023 Compared to 2022

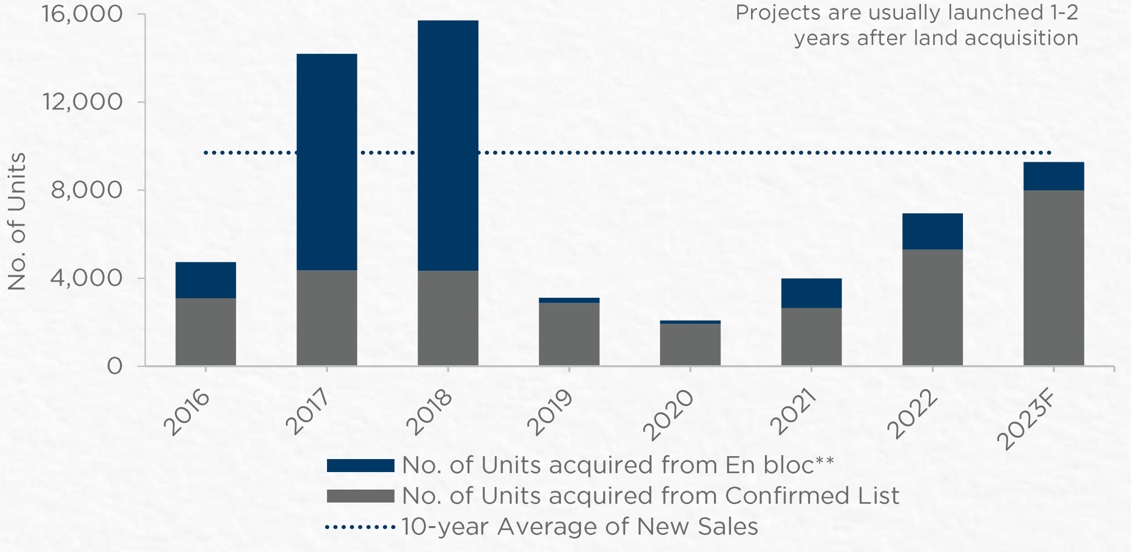
Source: URA, Cushman & Wakefield Research

Supply is Rising, though It Still Looks Manageable

THE POTENTIAL SUPPLY OF RESIDENTIAL UNITS, ACQUIRED FROM THE GLS CONFIRMED LIST AND EN BLOC MARKET, EXPECTED TO COME ONSTREAM TO THE MARKET HAS BEEN STEADILY INCREASING OVER THE PAST YEARS, THOUGH IT REMAINS LOWER THAN THE 10-YEAR AVERAGE OF NEW SALES.

The government has continued to ramp up supply of private homes on the GLS confirmed list. Under the 1H 2024 GLS programme, sites on the Confirmed List are estimated to yield approximately 5,450 homes (including executive condominiums (EC)), the highest since 2H2013. On the other hand, the residential enbloc market remains muted due to wide gap in buyer-seller expectations, which is expected to persist into 2024.

GLS & Enbloc Supply



Source: URA, Cushman & Wakefield Research
**Expected new units

HOTELS
OUTLOOK

Readjusting to a New Level

2023 HAS BEEN A RECORD-BREAKING YEAR FOR SINGAPORE'S HOTEL SECTOR. OVERALL REVENUE PER AVAILABLE ROOM (REVPAR) AND AVERAGE ROOM RATES (ARR) HAVE REACHED HISTORICAL HIGHS, AFTER INCREASING BY 21.0% AND 12.6% RESPECTIVELY IN 2023 YTD AS OF OCT 2023.

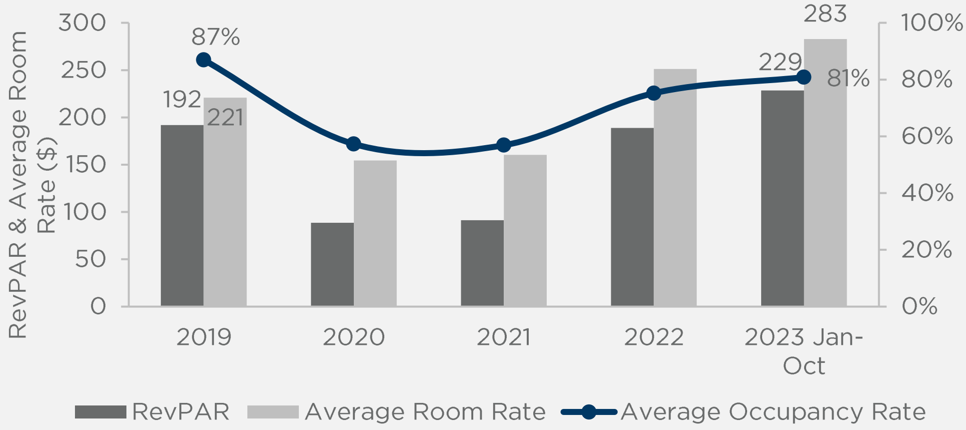
The increase in RevPAR was primarily driven by higher ARR, as occupancy rates remain lower than pre-pandemic levels. The increase in ARR was driven by both higher property operating costs, and higher demand, fueled by a recovery in visitor arrivals and tourists' willingness to splurge on experiences. Notably, **hotel profit margins have increased, with the increase in room rates outpacing the increase in costs.**

A higher-for-longer interest rate environment in 2024 could eventually lead to travellers being more cost-conscious, despite the current travel boom. Singapore, a high-cost travel destination in the region, has become relatively expensive given a strong Singapore dollar and higher hotel rates. This could turn away budget-conscious travellers looking to stretch their dollar or lead to shorter stays in Singapore.

> ***"Notwithstanding potential spikes from marquee events and concerts, ARR growth is expected to ease in 2024 and stabilize around current levels, in view of higher hotel room supply, softening "revenge spending" and increased competition from regional tourist destinations such as Japan and South Korea."***

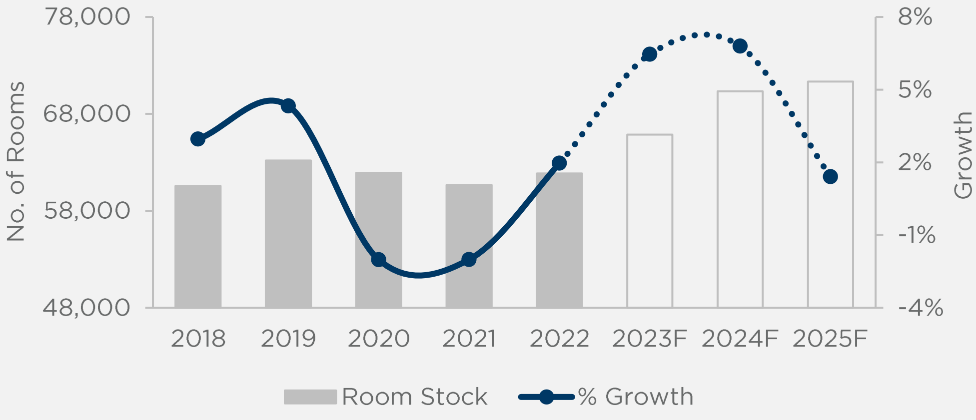
Nonetheless, Singapore's tourism recovery is still expected to persist into 2024, with visitor arrivals from many key source markets still below their pre-pandemic averages. The pace of improvement of outbound travel from China, one of Singapore's top tourist source markets, is a crucial ingredient to Singapore's tourism recovery. We are sanguine that the Chinese appetite for outbound travel will continue to pick up in 2024 as Chinese travellers seek experiential travel overseas after exploring domestic locations. The expected establishment of a 30-day visa exemption arrangement between Singapore and China in 2024 would improve inbound Chinese arrivals. However, given China's property sector woes and dampened consumer sentiments, we may not see a full recovery of Chinese travel by 2024.

Singapore Hotel Performance

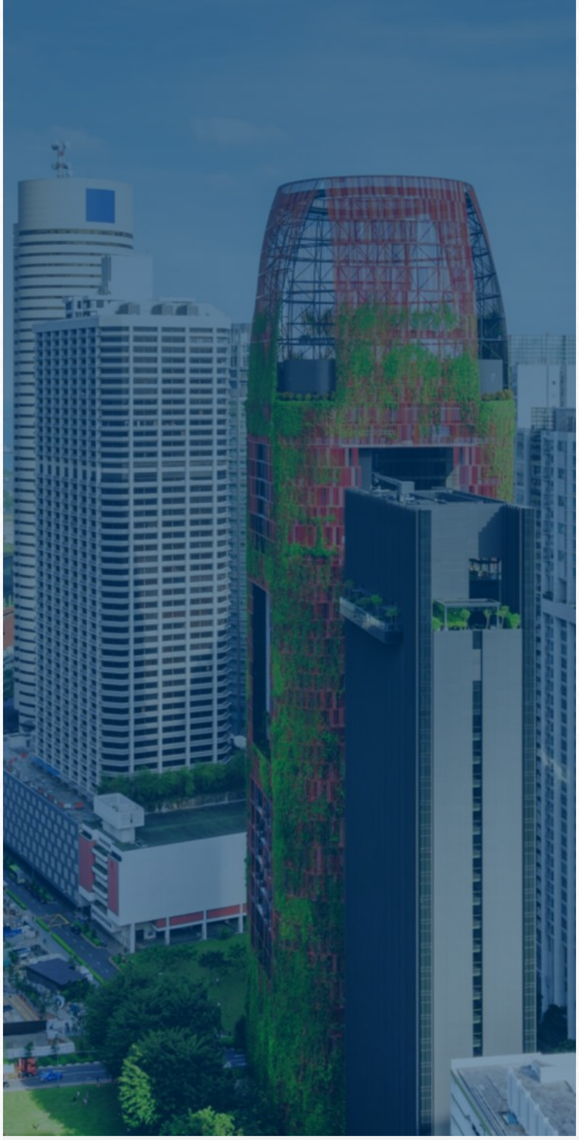


Source: STB, Cushman & Wakefield Research

Hotel Room Supply



Source: Singapore Tourism Board, Cushman & Wakefield Research



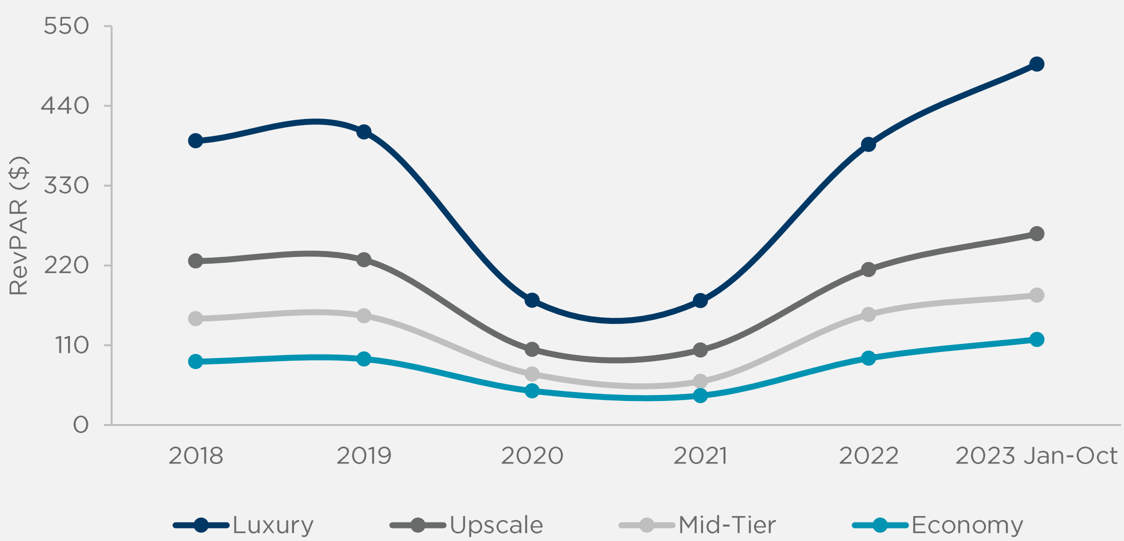
HOTELS
TRENDS AND HIGHLIGHTS

Luxury Hotels RevPAR Fueled by Experiential Spending

THE LUXURY SEGMENT OUTPERFORMED AND SAW THE LARGEST ABSOLUTE INCREASE IN ROOM RATES, AS MORE TRAVELERS WERE WILLING TO SPLURGE ON ACCOMMODATIONS AND EXPERIENCES AFTER THE PANDEMIC.

RevPAR of luxury hotels reached a record $497.43 in Jan-Oct 2023, a 28.7% YTD growth. This is largely due to room rates of luxury hotels soaring to a new high of $595.67, 30.5% above the pre-Covid (2019) rate of $456.56. Nonetheless, luxury hotel occupancy rates remain lower than pre-pandemic averages. Luxury hotel performance could sustain with continued demand for unique experiences and a growth in wellness tourism. The rise of bleisure (business + leisure) travel would also benefit luxury hotels.

RevPAR By Hotel Tiers



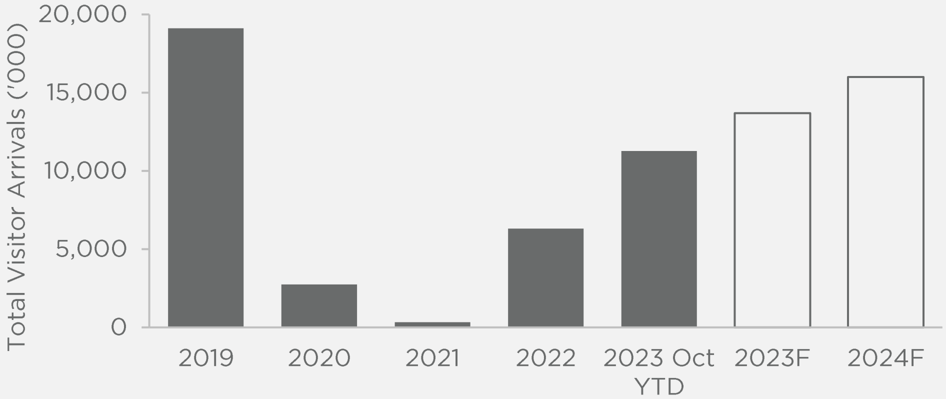
Source: Singapore Tourism Board, Cushman & Wakefield Research

Chinese Tourists Returning Gradually

THE RETURN OF CHINESE TOURISTS TO SINGAPORE HAS BEEN SLOWER THAN EXPECTED GIVEN A COMBINATION OF CHINA'S ECONOMIC SLOWDOWN, LIMITED FLIGHT CAPACITY AND HEIGHTENED TRAVEL COSTS.

As of Oct 2023, visitors from China are only nearing half (47%) of pre-Covid levels, whereas visitors from Malaysia and Australia have already arrived at 91% of Oct 2019 levels. The weaker-than-expected rebound in outbound travel could be due to Chinese travellers favouring domestic travel locations over international destinations. Also, China's economic slowdown and heightened costs could have tempered the Chinese spending on travel. We are sanguine that Chinese appetite for outbound travel could pick up progressively as Singapore remains one of their preferred travel destinations. On a quarterly basis, visitors from China registered 56% of 2019 levels in Q3 2023, trending up from 35% in Q2 2023 and only 13% in Q1 2023.

International Tourist Arrivals



Top 5 Visitor Source Markets	2023 Oct		% of Pre-Covid (2019 Oct)	2019 Oct	
	('000)	Rank		('000)	Rank
China	123	2	47%	259	1
Indonesia	181	1	72%	252	2
India	94	4	81%	116	3
Malaysia	89	3	91%	97	4
Australia	88	5	91%	97	5

Source: Singapore Tourism Board, Cushman & Wakefield Research

INVESTMENT
OUTLOOK

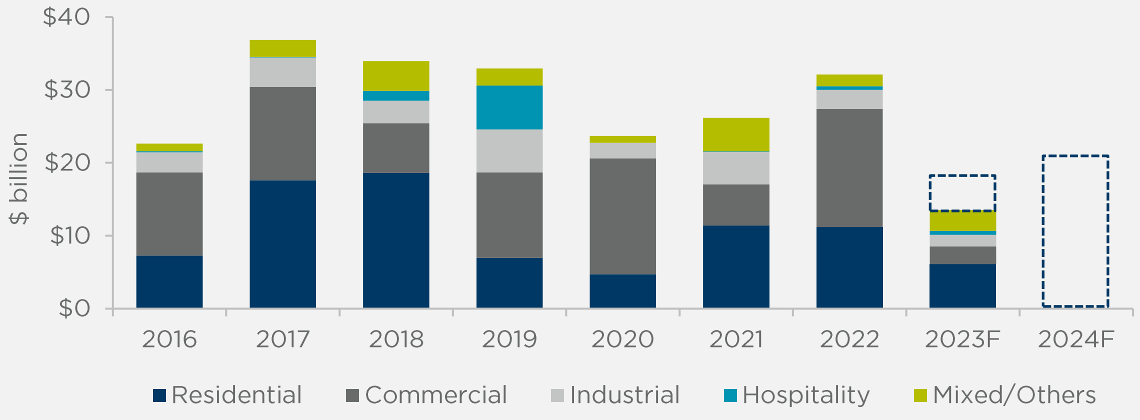
Green Shoots Appearing But Challenges Remain

SINGAPORE INVESTMENT SALE VOLUMES IS SHOWING SIGNS OF IMPROVEMENT, AS INTEREST RATES APPROACH THEIR PEAK. INVESTMENT SALES VOLUMES HAVE STARTED TO PICK UP IN H2 2023, WITH A SLEW OF DEALS COMPLETING.

Notably, **investment sales volumes in Q3 2023 have already surpassed investment sales volumes in the first half of 2023.** Recent commercial transactions include Wilkie Edge, Changi City Point, VisionCrest Commercial, and the enbloc sales of Far East Shopping Centre and Shenton House. Notably, these acquisitions are expected to be value-add or redevelopment plays. Additionally, developers continue to acquire private residential development land, albeit cautiously, from the Government Land Sales Programme. Given a slow H1 2023, total investment sales in 2023 are estimated to end at about $16 billion (b) to $18 b, significantly lower compared to 2022's investment sales volume of $32.1 b. We are sanguine **that total investment sales could surpass $20b in 2024 given current investment momentum.**

Nonetheless, a lack of repricing in asset values and a gap between buyer-seller expectations continue to keep yield-sensitive institutional investors on the sidelines. Despite heightened interest rate levels, valuations remain firm due to a lack of transactional evidence and healthy property operating performance. Most landlords have strong holding power and are biding their time for a better investment environment. That said, **the weight of capital looking to invest in Asia Pacific remains high, and this would support investment volumes in 2024. Private wealth demand is expected to continue, as they view Singapore's property market as a safe haven and continue to seek out opportunities for wealth preservation and diversification.**

Singapore Investment Volumes*



Source: Cushman & Wakefield Research, * Deals of at least S$10 million

Value-add and opportunistic investments, which can yield higher returns, would continue to dominate in 2024, as interest rates, while expected to decline gradually, may remain prohibitive over the short term. Given current private residential cooling measures, foreign capital would continue to favour non-residential sectors such as commercial, industrial and hospitality. Given resilient demand from private wealth, strata offices, strata retail and shophouses, which have smaller ticket sizes, should see continued demand. Niche investments such as co-living and student accommodation are seeing an uptick in interest as investors look for "uncrowded" sectors that have lower competition and potentially higher returns. Core investments into offices may remain challenging in 2024 as borrowing costs are likely to remain above Grade A office net yields of 3.2%, resulting in negative cash-on-cash return.

Notable Transactions* H2 2023 YTD

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE (S$ Million)	Estimated Net Yield	Date
Far East Shopping Centre	Mixed	Glory Property Developments	Strata Owners	**910.0**	-	Q3
Parkroyal on Kitchener Road	Hospitality	Midtown Properties	Pan Pacific Hotels Group	**525.0**	-	Q3
Changi City Point	Retail	Zhao Family	Frasers Centrepoint Trust	**338.0**	4.3%	Q3
Shenton House	Office	Shenton 101	Strata Owners	**538.0**	-	Q4
VisionCrest Commercial	Office	LaSalle, Metro Holdings, TE Capital Partners	Union Investment	**455.0**	2.6%	Q4
Wilkie Edge	Mixed	Keppel Capital	Apricot Capital, Lian Beng Group	**350.0**	3.0%	Q4
Serene Centre	Mixed	Apricot Capital	Chee Tat Holdings	**105.0**	-	Q4
Jelita Shopping Centre	Retail	Peter Koh Pang An	DFI Retail Group	**91.7**	-	Q4
Noel Building	Industrial	Unknown	Strata Owners	**81.2**	-	Q4

Source: Real Capital Analytics, Cushman & Wakefield Research, * Exclude related party transactions

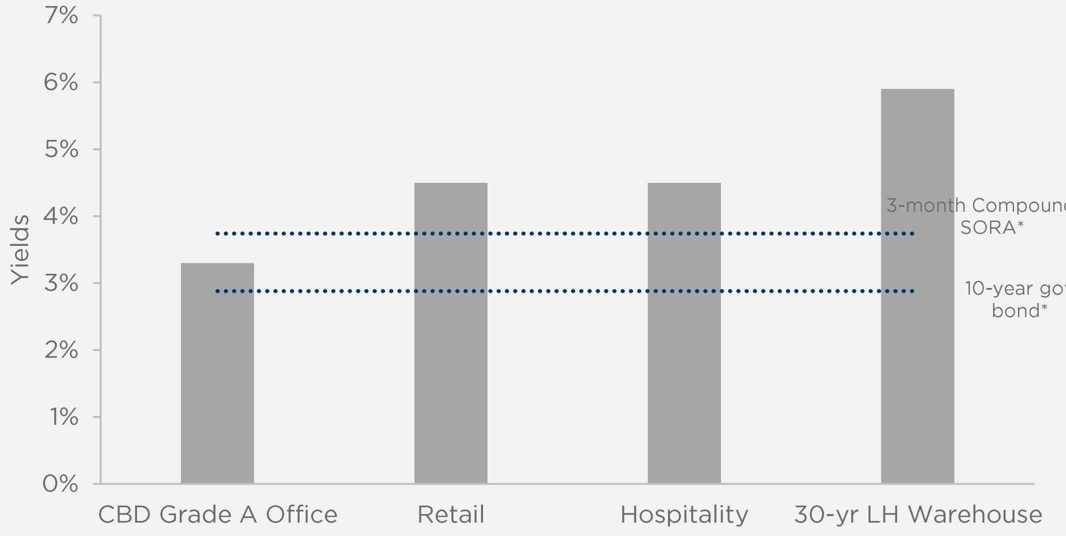
INVESTMENT
TRENDS AND HIGHLIGHTS

Demand for Higher-Yielding Growth Markets

INVESTMENT APPETITE FOR HIGHER-YIELDING ASSETS SUCH AS INDUSTRIAL, RETAIL AND HOSPITALITY ASSETS IS PICKING UP. THE STEADY RECOVERY OF SINGAPORE'S TOURISM MARKET AND INCREASING VISITOR ARRIVALS SHOULD BODE WELL FOR PRIME RETAIL AND HOTEL ASSETS.

Additionally, niche investments such as co-living and student accommodation are receiving increasing investor interest due to their potential for higher returns. On the other hand, office net yields remain significantly below borrowing costs, impeding office deals to transact due to a wide gap in buyer and seller expectations.

Singapore Property Yields



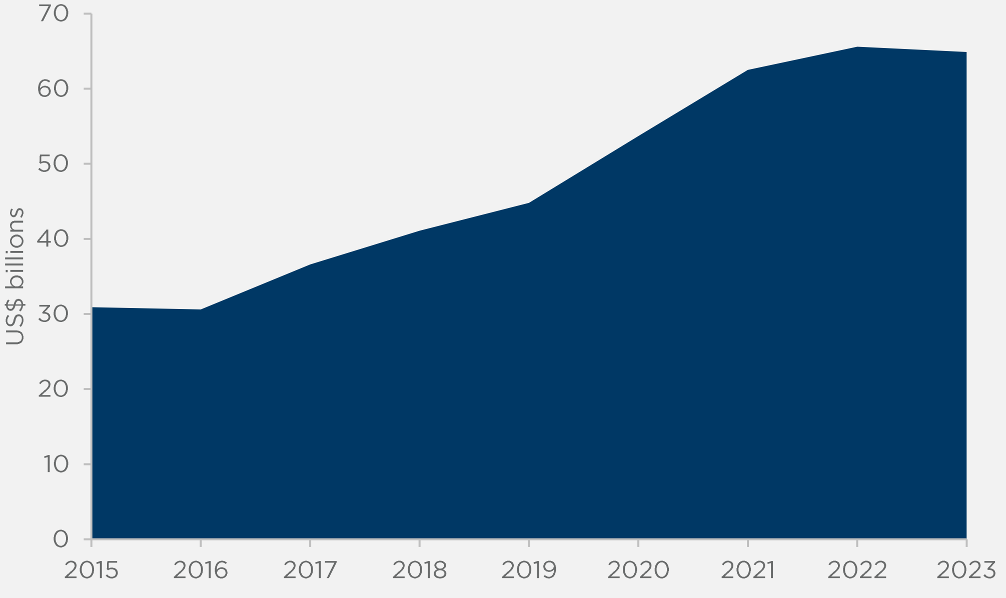
Source: MAS, Cushman & Wakefield Research
*As of 7 Dec 2023

Weight of Capital to Encourage Investment Sales in 2024

THE CURRENT HIGH LEVELS OF DRY POWDER IN ASIA PACIFIC SHOULD SUPPORT CAPITAL DEPLOYMENT FOR REAL ESTATE INVESTMENTS.

Dry powder for APAC real estate investments remains high at about US$65b in 2023 YTD (as of Aug 2023) and remains significantly higher compared to pre-pandemic levels of about US$45 b. Some of this dry powder may be headed for Singapore. With commercial and industrial rents expected to rise in 2024 and valuations remaining stable, Singapore's property market offers deep liquidity, steady fundamentals and potential for growth given Singapore's status as a gateway to Southeast Asia.

Dry Powder In Asia Pacific



Source: Preqin, Cushman & Wakefield Research

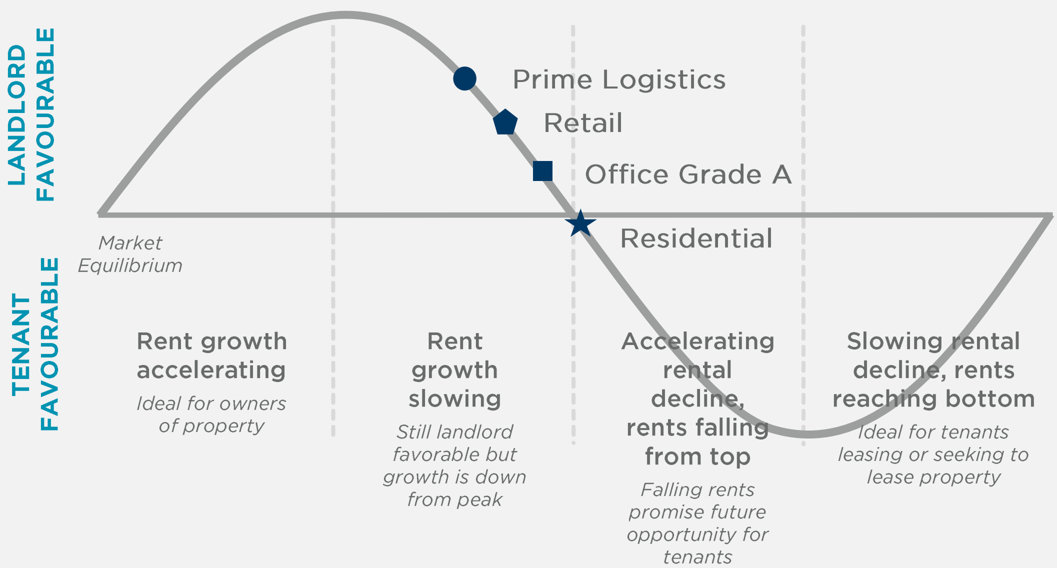
INVESTMENT
MARKET CYCLE 2024

Key Assumptions

- Singapore's economy to grow stronger in 2024, supported by resilient domestic demand and improving external demand.
- US interest rates have peaked or are close to peaking given declining inflation.
- China's economy does not go into a deep economic crisis

Risks to Our View

- Inflation remains stickier than expected or spikes higher
- Escalation in geopolitical conflicts leading to supply chain disruptions and higher inflation and higher-for-much-longer interest rates



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