Singapore, Q2 2020

Unprecedented Times

GDP* Y-o-Y	CPI Inflation Y-o-Y	PMI	Retail Sales Index** Y-o-Y	3M Interbank
▼ -12.6% Q2 20	▼ -0.8% May	▼ 48.0 Jun	▼ -46.9% May	▼ 0.6% Jun

Arrows indicate change from previous period
*Advance estimates **excludes sale of motor vehicles.

Quick Stats

Investment*	Q2 20	q-o-q	y-o-y
Total volume	$2.129 bn	↓	↓
Office	**Q2 20**	**q-o-q**	**y-o-y**
Grade A rent	$11.15	↓	↓
Capital value	$2,950	↓	↓
Net yield**	3.6%	↑	↑
Business Park	**Q2 20**	**q-o-q**	**y-o-y**
Rent (City Fringe)	$5.85	→	↑
Retail	**Q2 20**	**q-o-q**	**y-o-y**
Prime rent (Orchard)	$31.05	↓	↓
Capital value	$6,400	↓	↓
Net yield	5.0%	↑	↑
Residential	**Q2 20**	**q-o-q**	**y-o-y**
Prime rent	$4.24	↑	↓
Capital value	$1,667	↓	↓
Net yield	2.4%	↑	↑
Industrial***	**Q2 20**	**q-o-q**	**y-o-y**
Rent	$1.17	↓	↓
Capital value	$256	↓	↓
Net yield	3.5%	↓	↓

Source: CBRE Research, Q2 2020

All capital values and yields stated as prime. Rents are quoted on a $ psf per month basis and capital values on a $ psf basis.
*Investment volumes are preliminary. All transactions above S$10 mil
**Yield calculation methodology revised based on an average of rolling eight quarter rents.
***Upper floor and 60-year leasehold factory data provided.

CAPITAL MARKETS

On the back of the COVID-19 fallout, real estate investment volume in Singapore for Q2 2020 came to S$2.129 bn, a 23.2% drop from the previous quarter.

OFFICE

The impact of COVID-19 weighed heavily on Singapore's economy. Across an array of industries, businesses are tightening their belts and cost containment continued to be a key focus.

BUSINESS PARKS

Amid the ongoing economic uncertainties, the business park market displayed signs of resilience. The value proposition of business parks for occupiers still remains.

RETAIL

Leasing volume slowed down significantly in Q2 2020, negatively impacting new to market and expansion activities. The number of closures escalated in Q2 2020, mainly confined to the F&B and entertainment sectors.

RESIDENTIAL

Q2 2020 saw the months of April and May undergone a "circuit breaker" period where no showflats were allowed to open, contributing to a lower showing for the quarter.

INDUSTRIAL

Leasing activity picked up towards the end of the quarter especially for prime logistics, which lent support to overall warehouse rents. Meanwhile, the factory market remains two-tier, with market conditions continuing to weigh on rents.

COVID-19 Updates

A Timeline of Events in 2020

Jan

23 First Case
First COVID-19 Case in Singapore

30 - 31 Public health emergency
declared by WHO. Incoming visitors with travel history to mainland China in the last 14 days disallowed entry into/transit through Singapore

Feb

7 DOSCORN Orange
level raised by Ministry of Health

18 1st stimulus:
$6.4b Unity Budget

Mar

11 WHO
announced the outbreak a pandemic

13 Tighter restrictions
Stricter border restrictions and safe distancing measures implemented

20 14 days stay home
notice implemented

21 First 2 deaths
related to COVID-19 in Singapore

22 Ban short-term visitors
into Singapore

26 2nd stimulus:
$48.4b Resilience Budget

Apr

3 "Circuit Breaker"
(CB) measures to be implemented for a month from 7 Apr to 4 May

6 3rd stimulus:
$5.1b Solidarity Budget

7 Temporary Measures Act
The COVID-19 (Temporary Measures) Act was passed

21 "Circuit Breaker" Extended
CB extended to 1st June, with additional $3.8b stimulus

May

12 Easing of "Circuit Breaker"
Certain business are allowed to open

27 4th stimulus
$33b Fortitude Budget

Jun

2 Exit: Phase 1
Safe re-opening with resumption of 1/3 of workforce

19 Exit: Phase 2
More business and social activities to resume

COVID-19 (Temporary Measures) (Amendment) Act 2020

Rental support for eligible SMEs

- The government will give about one to two months' relief of the rental costs of SME tenants – approx. two months of rent for qualifying commercial properties and approx. one month of rent for industrial and office properties.
- Eligible SMEs will receive an additional two months' waiver of base rental for qualifying commercial properties. Industrial and office properties will receive an additional month's waiver of base rental.
- Tenants can serve a notification of relief on the landlord if they are unable to vacate business premises due to COVID-19.
- Cap on late payment interest of charges for specific contracts.

Loan and cashflow support

- Landlords are permitted to defer both principal and interest loan payments on current commercial and industrial property loans.
- More flexibility extended to S-REITs to help further extend their timelines to distribute their taxable income.
- Loan covenant breaches will not be automatically enforced and large corporates and S-REIT landlords can request payment deferrals.

More lifelines and extended timelines

- Project completion period for residential, commercial and industrial projects have been extended.
- Up to 500 projects could benefit from a six months extension for completion and sale of housing units.
- Banks and finance companies to allow deferments for principal repayments or both principal and interest payments of qualifying mortgages.
- Homebuyers get six months to review new purchases instead of the usual eight weeks for the completion of a sale.

On the back of the COVID-19 fallout, real estate investment volume in Singapore for Q2 2020 came to S$2.129 bn, a 23.2% drop from the previous quarter. This marks the third consecutive quarter of decline in investment volume.

The office sector was the outperformer, coming in at 61.9% of investment sales. Two major deals propped up office volume: the sale of a 30% stake in *111 Somerset* and a 50% stake of *AXA Tower.* On the other hand, residential sales dropped 80.4% q-o-q, due to viewing restrictions and the absence of government land sales activity. Retail investment sales have also been affected, with deals initiated before the outbreak.

Despite the absence of public land sales, industrial volume remained robust with several sales to end-users, a sale and leaseback deal, as well as a warehouse purchase by DWS.

Prices have declined slightly due to the poor outlook in rents and occupancy. However, there is still no distress selling due to the limited supply of prime assets and holding power of landlords/asset owners.

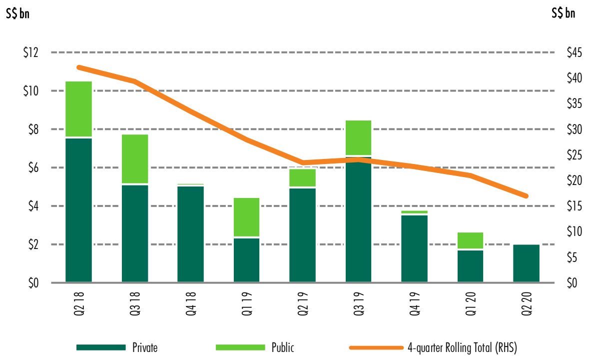
With gaps in buyer-seller price expectations widening, some deals have fallen through. Nevertheless, there is a general acceptance that distress sales are unlikely, especially in the office sector where prime stock remains limited.

Foreign investment volume increased from the last quarter due to the two mentioned office transactions. However, market activity this quarter was muted attributed mostly to the movement and travel restrictions put in place.

Nonetheless, the lifting of these restrictions is likely to unleash some pent-up demand: deal volume is expected to pick up with foreign high net-worth individuals and family offices looking at strata offices. In addition, there are also a handful of commercial assets with redevelopment potential on sale offered at palatable prices that may be concluded.

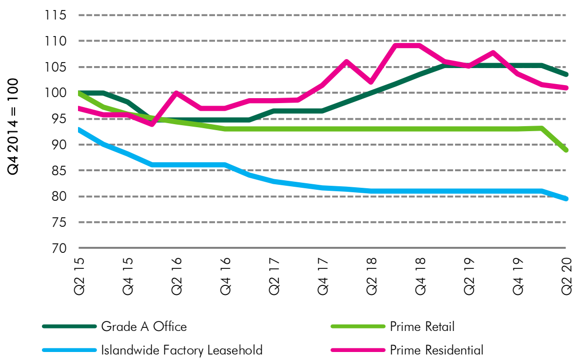
Shophouses, together with the hospitality and retail sectors will remain the hardest hit, with banks increasingly reluctant to finance these assets. The gradual relaxation of travel restrictions and pace of tourism market recovery will be key as investors become more selective.

Chart 1: Total Transaction Value



Source: CBRE Research, Q2 2020

Chart 2: Capital Values Index



Source: CBRE Research, Q2 2020

Table 1: Major Private Investment Transactions

Sector	Property	Price ($)	Buyer
Office	AXA Tower (50%)	840.00 mil	Alibaba Group
Retail/Office	30 Raffles Place (Strata Units)	315.00 mil	Olayan Group
Industrial	2 Tanjong Penjuru Crescent	108.00 mil	Heap Seng Group

Source: CBRE Research, Q2 2020

Note: Investment property transactions are property deals priced above S$10 million and include sales of building and development sites as well as ownership changes of assets. The 4-quarter Rolling Total (4QRT) generally smoothens out short-term quarterly fluctuations and highlights longer-term trends or cycles.

The impact of COVID-19 weighed heavily on Singapore's economy; Q2 2020 GDP contracted by 12.6% y-o-y based on MTI's advance estimates, company cessations rose 7.3% y-o-y in Q2 2020, while total employment fell by 25,600 in Q1 2020.

Across an array of industries, businesses are tightening their belts and cost containment continued to be a key focus. As a result, more firms are pushing to downsize their current footprint, either through renewals or relocations. Notwithstanding, there were some signs of leasing activity from the insurance and technology sectors.

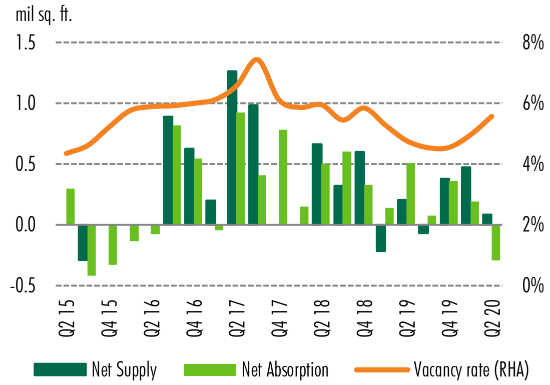
In Q2 2020, islandwide net absorption was -293,040 sq. ft., which was adjusted to account for the removal of *Keppel Towers* and *Keppel Towers 2*. At the same time, two buildings obtained TOP in Q2 2020, which were *79 Robinson Road* and a strata-titled building, *Centrium Square*. After the completion of these buildings, new office supply will be limited for the rest of 2020, with only *Afro-Asia i-Mark* and *St James Power Station* in the pipeline.

Vacancy rates in the Core CBD and Decentralised submarkets increased q-o-q. This led to an increase in islandwide vacancy from 5.0% in Q1 2020 to 5.6% in Q2 2020. It should be noted that the increase in Core CBD vacancy stemmed from the transitional vacancy in *21 Collyer Quay* which is undergoing asset enhancement initiative works, and the available space resulting from the completion of *79 Robinson Road*.

In Q2 2020, office rents corrected for the second consecutive quarter. Grade A (Core CBD) office rents fell 3.0% q-o-q to $11.15 psf/month. Grade B (Core CBD) office rents declined by 2.3% q-o-q to $8.45 psf/month which suggests some resilience in this submarket.

Looking forward, vacancy levels are likely to rise; there is a growing volume of secondary space that resulted from the relocations of major occupiers. Coupled with subdued demand, further downward pressure on rents is expected in the second half of 2020.

Chart 3: Office Supply-Demand Dynamics



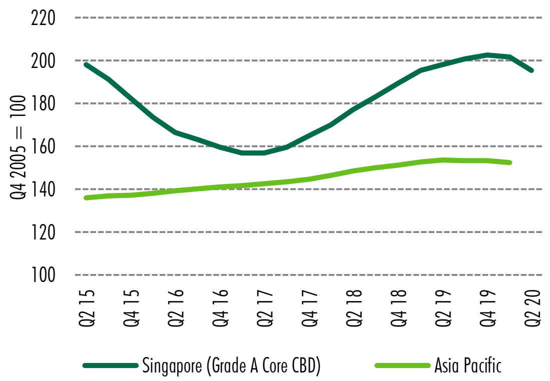
Source: CBRE Research, Q2 2020

Table 2: Office Vacancy Rates

	Q2 20	Q-o-q	Y-o-y
Islandwide	5.6%	61 bps	80 bps
Core CBD	5.6%	98 bps	139 bps
Fringe CBD	5.6%	-3 bps	83 bps
Decentralised	5.4%	54 bps	-49 bps
Grade A (Core CBD)	2.9%	51 bps	-103 bps

Source: CBRE Research, Q2 2020

Chart 4: Office Rental Index



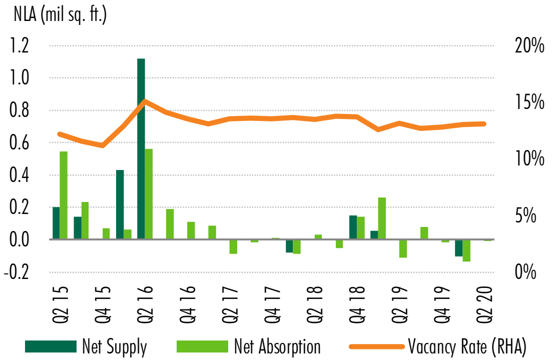
Source: CBRE Research, Q2 2020

Table 3: Singapore Office Rents

	Q2 20	Q-o-q	Y-o-y
Grade A CBD Core	$11.15	-3.0%	-1.3%
Grade B CBD Core	$8.45	-2.3%	-1.7%
Grade B Islandwide	$7.85	-1.9%	-1.3%

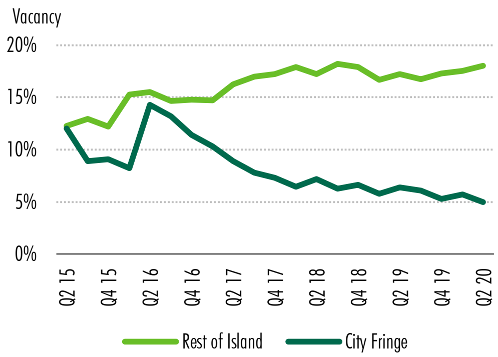
Source: CBRE Research, Q2 2020

Chart 5: Business Park Supply-Demand Dynamics



Source: CBRE Research, Q2 2020

Chart 6: Business Park Vacancy by Submarkets



Source: CBRE Research, Q2 2020

Table 4: Business Park Rents

	Q2 20	Q-o-q	Y-o-y
City Fringe	$5.85	0.0%	0.9%
Rest of Island	$3.75	0.0%	-1.3%

Source: CBRE Research, Q2 2020

Table 5: Known Business Park Future Pipeline (in sq.ft.)

	City Fringe	Rest of Island	Total
2H 2020	0.17 mil	1.07 mil	1.24 mil
2021	0.36 mil	0.36 mil	0.72 mil
2022	0.20 mil	0.21 mil	0.41 mil
Total	**0.73 mil**	**1.64 mil**	**2.37 mil**

Source: CBRE Research, Q2 2020

In the absence of business park completions, islandwide business park stock stayed at 19.36 mil sq. ft. in Q2 2020. At the same time, occupier activity was rather limited, mainly stemming from technology firms absorbing space in the City Fringe submarket. This resulted in a furthering tightening of vacancy in the City Fringe submarket which offset the increase in vacancy in the Rest of Island submarket. Consequently, business park vacancy remained at 13.1% in Q2 2020.

Amid the ongoing economic uncertainties, the business park market displayed signs of resilience. The value proposition of business parks for occupiers still remains, with their efficient floorplates and cost competitive alternative to offices. Rents for City Fringe and Rest of Island business parks maintained at $5.85psf/month and $3.75psf/month respectively this quarter.

CBRE Research's analysis indicates that there is currently 2.37 mil sf of business park space in the pipeline; 55.0% is pre-committed. Evidently business park products in the Rest of Island submarket are evolving, with most of the upcoming space available for lease located in Jurong Innovation District. Furthermore, the repositioning plans of International Business Park will contribute to this transformation, supported by new MRT infrastructure which will boost accessibility to this location.

Business park rents are expected to display some form of resilience. The tight supply is expected to lend support to rents in the City Fringe submarket. This is due to the appeal of the business park sector as a lower cost alternative and the resilience of its pool of qualifying tenants.

Despite occupiers exhibiting stronger preferences for newer business parks in the City Fringe submarket, the tight vacancy in this submarket may prompt occupiers to turn to the Rest of Island business parks. In particular, cost-conscious occupiers looking to trim costs and seek a decentralised location.

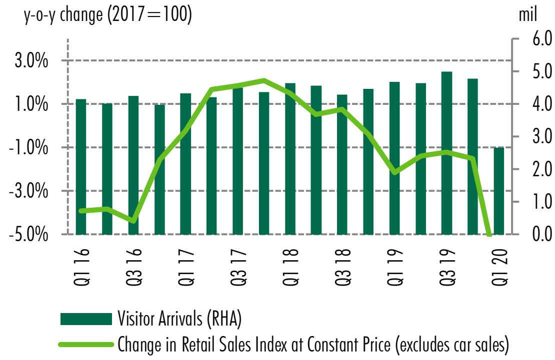
Leasing volume slowed down significantly in Q2 2020, negatively impacting new to market and expansion activities. Although enquiries from international retailers are coming through, many are putting their plans on hold amidst business uncertainties arising from the COVID-19 pandemic. Tenant retention has been challenging. The number of closures escalated in Q2 2020, although this has been mainly confined to the F&B and entertainment sectors. *Kidzania Singapore* announced that they will be closing permanently and will not be reopening upon the lifting of "circuit breaker" measures. International retailers who may be experiencing cashflow difficulties are also considering downsizing their store footprint, placing a higher priority on their better performing stores in higher footfall locations.

Landlords have begun lowering their rental expectations as they place priority on maintaining occupancy. This is particularly so for malls in areas that have poorer footfall in the Fringe and CBD locations. Average prime islandwide retail rents this quarter experienced a larger decline of 1.8% q-o-q, as compared to -0.6% in Q1 2020. That said, rental correction has been more severe for secondary locations and floors, with some even experiencing double digit q-o-q declines.

To date, rental corrections for prime malls has been relatively muted, partially offset by rental rebates granted to tenants via government reliefs. Some proactive landlords have also offered marketing assistance to provide additional relief to tenants. Islandwide vacancy rate reached 10.6% in Q1 2020. It should be noted that landlords are currently statutorily not allowed to terminate or evict tenants affected by the pandemic. In addition, retailers who are considering pre-terminating are finding it difficult to source for a replacement tenant.

It will be imperative for landlords and tenants to work closely together during this challenging retail environment, particularly when the government support expires.

Chart 7: Retail Economic Indicators



Source: STB, MTI Economic Survey of Singapore, CBRE Research, Q2 2020

Table 6: Estimated Gross New Supply*

Year	Estimated NLA (sq. ft.)
H2 2020	0.09 mil sf
2021	0.32 mil sf
2022	0.41 mil sf
2023	0.24 mil sf

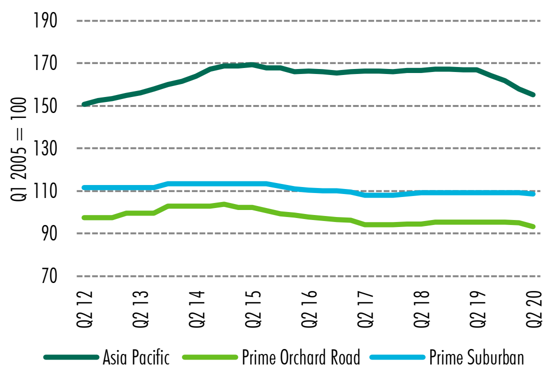
Source: CBRE Research, Q2 2020
*excludes projects with a NLA of less than 20,000 sq. ft.

Table 7: Prime Retail Rents

	Q2 20	Q-o-Q	Y-o-y
Orchard Road	$31.05	-1.9%	-2.1%
Suburban	$29.00	-0.5%	-0.5%

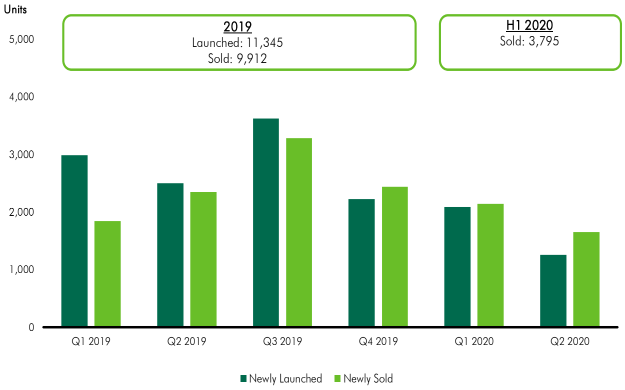
Source: CBRE Research, Q2 2020

Chart 8: Retail Rental Index



Source: CBRE Research, Q2 2020

Chart 9: New Private Residential Units Take-Up



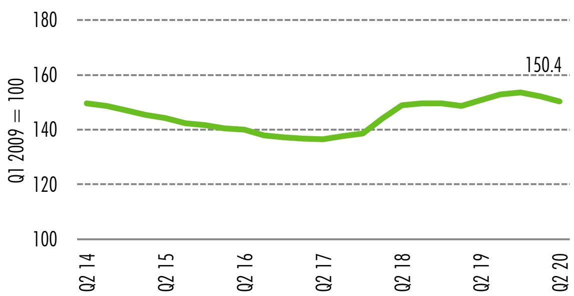
Source: URA, CBRE Research, Q2 2020
Note: Prelim figures exclude executive condominiums (ECs)

Table 8: Selected Projects with New Units Launched in Q2 2020

Development	Tenure	Median Price	No of units launched	Units sold
KOPAR at Newton	99y	$2,241	370	116
Treasure at Tampines	99y	$1,372	200	169
Jadescape	99y	$1,733	200	73
Parc Clematis	99y	$1,599	335	151

Source: CBRE Research, Q2 2020
Note: No. of units launched and sold in Q2 2020

Chart 10: URA Residential Price Index



Source: CBRE Research, Q2 2020
Note: Q2 20 URA Residential Price Index is a flash estimate

Q2 2020 saw the months of April and May undergone a "circuit breaker" period where no showflats were allowed to open. Despite that, new home sales volume continued to clock in at 277 and 486 units in April and May 2020 respectively. Following the reopening of project sales galleries on 19 June 2020, new sales volume continued with 883 caveats lodged in June 2020, to total the quarter at 1,646 units. Majority of units sold came from balance units from prior launches such as *KOPAR at Newton*, *The Florence Residences* and *Treasure at Tampines.*

Nonetheless, it represented a lower showing for Q2 2020, which could be attributed to an absence of major project launches, as developers chose to defer their launch dates.

Though transactions were mainly for units of lower quantum below $1.5 mil, there were also buyers looking for opportunities in the luxury market. The low interest rate environment and volatilities in the equity market may have motivated some buyers back into residential investments, which have long been regarded as a relatively more stable option. Sales have also been motivated by some developers that has been observed offering discounts and incentives.

The URA flash estimate price index of private residential property for Q2 2020 decreased 1.1% q-o-q, which marked its second consecutive quarter of decline. RCR registered the largest drop of 1.9%, following a slight compression of psf prices as developers attempt to clear remaining inventory.

Moving forward, we expect developers to be more competitive in their pricing, due to a slew of projects that are expected to launch in Q3 2020 as well as from unsold inventory of developments that are slipping closer to their ABSD deadlines. CBRE Research believes that H2 2020 could see a larger price correction amidst slower economic growth and prices could correct by 5% to 8% for the whole of 2020. While property sales volume may not match up to previous years, there will still be an underlying demand to help soak up balance units, and new home sales volume may hit 5,000 to 6,000 units in 2020.

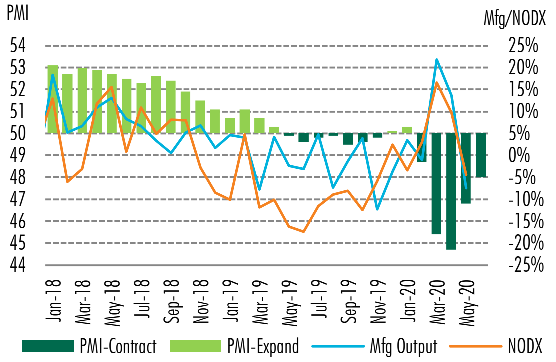
The overall economic outlook remained negative in Q2 2020 amid the COVID-19 pandemic, with GDP shrinking by 12.6% y-o-y in Q2 2020 according to MTI's advance estimates. However, the manufacturing sector showed some form of resilience with an advance estimated growth of 2.5% y-o-y in Q2 2020, supported by a surge in biomedical output. Nonetheless, manufacturing output fell by 7.4% y-o-y in May following two consecutive months of increase, and NODX declined by 4.5% y-o-y in the same month after three consecutive months of increase. Meanwhile, PMI demonstrated improvements since recording its historical low in April and rose to 48.0 in June; however sentiments remain in contraction territory.

Leasing activity picked up towards the end of the quarter especially for prime logistics, on the back of government stockpiling and heightened demand during the "circuit breaker" period from e-commerce, food logistics and third-party logistics players. Anecdotal evidence has shown players involved in last-mile delivery setting up short-term fulfilment centres to meet the rise in e-commerce demand. This has eventually compressed overall prime logistics vacancy.

The spike in demand for prime logistics has spilled over to traditional warehouse spaces, thereby boosting overall warehouse rents. Preliminary estimates showed that both ground and upper floor warehouse rents rose by 0.8% q-o-q in Q2 2020. On the flipside, the factory market remains two-tier – while there has been demand for buildings with higher specifications, market conditions appear to be weighing down on older non-high-specs buildings, which form a larger proportion of overall factory stock. Consequently, both ground and upper floor factory rents declined by 2.0% q-o-q in Q2 2020.

As demand for prime logistics spaces continues to demonstrate strong growth, CBRE Research expects warehouse rents to improve steadily in the latter half of the year, while factory rents may prove to be less resilient against an unfavourable economic climate.

Chart 12: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q2 2020

Table 9: Significant Future Developments for 2020

Development	Region	Est. GFA (Mil sf)
JTC Defu Industrial City	North East	3.52
TimMac @ Kranji	North	1.54
JTC Logistics Hub @ Gul	West	1.50
Google Asia Pacific's Data Centre	West	1.29
JTC Bedok Food City	East	1.13
Cogent Jurong Island Logistics Hub	West	0.93

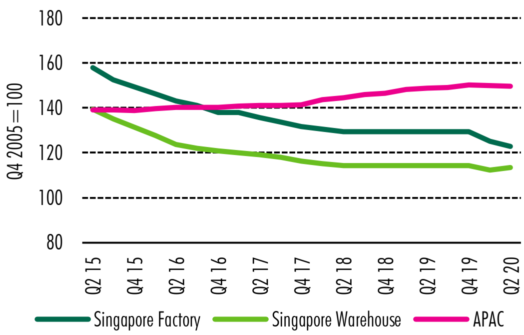
Source: CBRE Research, Q2 2020

Table 10: Industrial Rents

	Q2 20	Q-o-q	Y-o-y
Factory (Grd Flr)	$1.49	-2.0%	-5.1%
Factory (Upp Flr)	$1.17	-2.0%	-5.2%
Warehouse (Grd Flr)	$1.56	0.8%	-1.2%
Warehouse (Upp Flr)	$1.19	0.8%	-1.2%

Source: CBRE Research, Q2 2020

Chart 13: Industrial Rental Index



Source: CBRE Research, Q2 2020

Note: APAC rental index is based on preliminary statistics.

DEFINITIONS

Grade A Rents
Average value derived from a basket of Grade A properties located in the Central Business District (CBD).

Prime Capital Values
Valuation based average value derived from a basket of prime properties. For residential and retail, the basket is only of freehold properties while industrial basket is related to 60-year leasehold properties. All values are quoted on a per square foot net floor area and strata basis, except for office values, which are on an en-bloc basis. Prime industrial space and thereafter rents and capital values are considered on upper floors.

Net Absorption
The change in occupied stock (in sq. ft.) over the recorded period for all existing properties.

Vacancy Rate
Vacant space as a percentage of the base inventory or building net lettable area.

Net Yield
Net property income (gross income net service charges and taxes) as a percentage of the asset's capital value.

The following locations are considered for Grade A or Prime property baskets:

Office
Raffles Place, Shenton Corridor, Marina Bay and Marina Centre

Retail
Orchard Road
(units on levels with heaviest footfall)

Industrial
Islandwide mature industrial locations such as Ubi, Kaki Bukit, Tuas, and Woodlands

Residential
Core Central Region (CCR) – districts 9, 10,11, Downtown & Sentosa Cove
(covering apartments and condominiums)

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