Singapore, Q4 2020

20/20 in hindsight

GDP* Y-o-Y	CPI Inflation Y-o-Y	PMI	Retail Sales Index** Y-o-Y	3M Interbank
-3.8% Q4 20	-0.1% Nov	50.5 Dec	-2.5% Nov	0.4% Dec

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

Quick Stats

Investment*	Q4 20	q-o-q	y-o-y
Total volume	$3.248 bn	↑	↓
Office	**Q4 20**	**q-o-q**	**y-o-y**
Grade A rent	$10.40	↓	↓
Capital value	$2,850	↓	↓
Net yield**	3.7%	↑	↑
Business Park	**Q4 20**	**q-o-q**	**y-o-y**
Rent (City Fringe)	$5.80	→	↓
Retail	**Q4 20**	**q-o-q**	**y-o-y**
Prime rent (Orchard)	$29.20	↓	↓
Capital value	$6,100	↓	↓
Net yield	4.9%	→	↑
Residential	**Q4 20**	**q-o-q**	**y-o-y**
Prime rent	$4.07	↑	↓
Capital value	$1,748	↑	↓
Net yield	2.2%	↓	↓
Industrial* **	**Q4 20**	**q-o-q**	**y-o-y**
Rent	$1.18	→	↓
Capital value	$249	↓	↓
Net yield	3.8%	↑	↓

Source: CBRE Research, Q4 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

Along with improving economic indicators, preliminary real estate investment volume in Singapore increased by 15.7% q-o-q, to $3.248 bn for Q4 2020, a second consecutive quarter of increase.

OFFICE

Despite the ongoing downsizing exercises, preliminary estimates for Q4 2020 indicators seemed to suggest that the reduction in occupied space has slowed.

BUSINESS PARKS

The business park market continued to deliver a resilient performance towards the end of 2020 and registered its second consecutive quarter of positive net absorption.

RETAIL

There was greater positivity in the retail market with shopper traffic recovering to about 60% to 80% of pre-COVID-19 levels.

RESIDENTIAL

Sales momentum and price growth carried through to the final quarter of the year. Market sentiment and buyer's confidence remained strong, undeterred by the woes surrounding the pandemic.

INDUSTRIAL

Leasing activity in Q4 2020 saw an uptick from the preceding quarter, on the back of improved global demand for pharmaceuticals and electronics.

COVID-19 Updates

A Timeline of Events in 2020

Feb

7 **DOSCORN Orange**
Level raised by MOH

18 **1st stimulus**
$6.4b Unity Budget

Mar

11 **Pandemic announced**
WHO announced the outbreak a pandemic

13 **Tighter restrictions**
Stricter border restrictions and safe distancing measures implemented

22 **Ban short-term visitors**
into Singapore

26 **2nd stimulus**
$48.4b Resilience Budget

Apr

3 **"Circuit breaker" (CB)**
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 businesses allowed to open

27 **4th stimulus**
$33b Fortitude Budget

Jun

2 **Phase 1**
Safe reopening with resumption of 1/3 of workforce

19 **Phase 2**
More businesses and social activities to resume

Aug

17 **Additional support measures**
$8.0b Budget

Nov

3 **Amendment No. 3**
Extension of support measures for COVID-19 (Temporary Measures) Act

Dec

21 **First batch of vaccines**
Singapore received its first shipment of Pfizer-BioNTech COVID-19 vaccines

28 **Phase 3**
Further easing of restrictions

Additional Support Measures

01 Relief to the Construction Industry

- The COVID-19 (Temporary Measures) (Amendment No. 3) Act provides an additional four months to construction contracts to address the delays that occurred between 7 Apr – 6 Aug 2020.
- It allows for co-sharing of additional costs incurred from delays to the projects caused by COVID-19 (between 7 Apr 2020 – 31 Mar 2021) amongst contractors, sub-contractors and suppliers, with total claimable amount capped at 1.8% of the contract sum.

02 Re-Align Framework and Simplified Insolvency Programme

- The Re-Align Framework allows eligible small and micro businesses (SMEs) to renegotiate certain contracts with their counterparties.
- This is subject to certain criteria (FY2019 annual revenue does not exceed $30 mil, experienced ≥70% y-o-y fall in monthly average gross income over Jul – Dec 2020). The Notice of Negotiation must be served between 15 Jan 2021 – 26 Feb 2021.
- The Simplified Insolvency Programme was introduced to assist SMEs in winding up or debt restructuring.

03 Extension to the Date of Delivery of Possession

- In line with the extension of time for construction projects, developers may serve a notice for an extension of another four months for the date of delivery of possession to purchasers.
- Co-sharing of costs incurred from the delay in delivery of units, between developers and buyers.
- Purchasers of private residential units may claim reimbursement from the developer for these actual costs, up to a maximum of 70% of the liquidated damages.

Along with improving economic indicators, preliminary real estate investment volume in Singapore increased by 15.7% q-o-q, to $3.248 bn for Q4 2020, a second consecutive quarter of increase. This amounts to $11.142 bn of investment volume for 2020, which is a 52.4% drop from the previous year, and also marks the lowest volume since the financial crisis in 2009 ($7.700 bn).

The residential sector was the outperformer, coming in at 58.5% of investment sales this quarter, due to the sale of two public sites, as well as a selection of private residential sites. The office sector also came in strongly at 23.4% of sales with the sale of *Keppel Bay Tower* to Keppel REIT for $657.20 mil.

Retail sector sales came in at $187.80 mil, or a decline of 72.1% q-o-q, with the sale of *Anchorpoint* for $110.00 mil. On the other hand, industrial volume came in at $181.98 mil, a drop of 56.1% q-o-q, with the sale of *Big Box*, for $118.00 mil. The project will be converted into a business park, *Perennial Business City.*

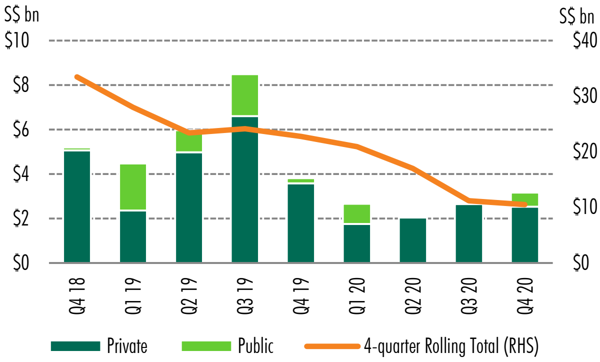
Investment market activity is likely to continue to be dominated by local players, with foreign investment volume easing by 86.6% q-o-q. Existing travel restrictions are attributed as a large deterrent factor.

Nevertheless, real estate investment sales in Singapore is likely to get a shot in the arm as vaccination programs are rolled out, with business sentiments picking up and border restrictions gradually eased.

Although investors are likely to remain discerning and cautious, spurred by the low interest rate environment and ample liquidity, they will still be in search of investments that provide them with higher returns, coupled with stability and value at the top of their minds. As an investment destination, Singapore fits this bill with its proven ability to handle the pandemic, macroeconomic stability and political-neutrality.

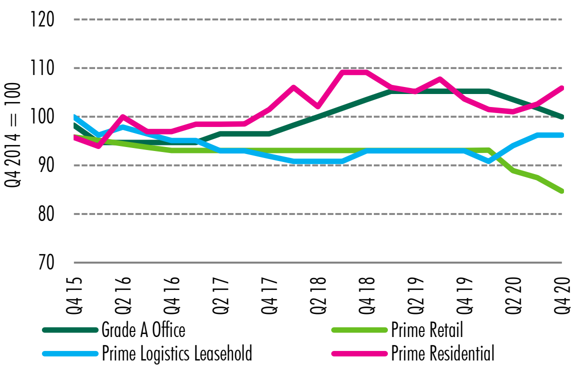
CBRE Research believes that investment volume in 2021 is likely to rebound, led by residential, office, and industrial sales. There could also be renewed interest in acquiring retail and hospitality at more opportunistic levels.

Chart 1: Total Transaction Value



Source: CBRE Research, Q4 2020

Chart 2: Capital Values Index



Source: CBRE Research, Q4 2020

Table 1: Major Private Investment Transactions

Sector	Property	Price ($)	Buyer
Office	Keppel Bay Tower	657.20 mil	Keppel REIT
Residential	Mediacorp Andrew Rd site	280.90 mil	PRE 10 (Perennial)
Industrial	Big Box	118.00 mil	Perennial/HPRY Holdings

Source: CBRE Research, Q4 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.

Towards the end of 2020, a pick-up in leasing activity was observed from the technology and financial services sectors. Despite the ongoing downsizing exercises, preliminary estimates for Q4 2020 indicators seemed to suggest that the reduction in occupied space has slowed. In the absence of no new completions, the office market registered a net absorption of -14,800 sq. ft. Cumulatively, net absorption for the whole of 2020 amounted to -0.56 mil sq. ft. This trailed behind its annual net supply of 0.32 mil sq. ft. Coupled with lower occupancy of the new-builds upon completion, as well as the impact of the COVID-19 outbreak, vacancy rate rose from 4.5% in Q4 2019 to 6.0% in Q4 2020.

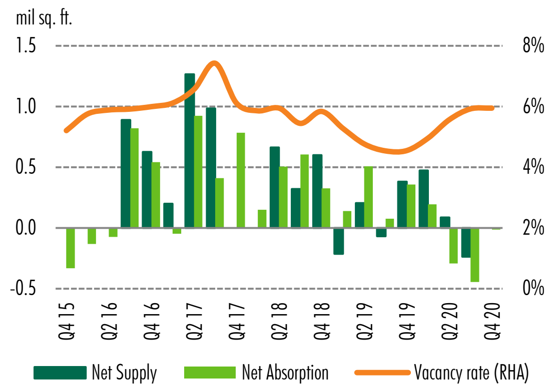
The impending vacancy rise in the market has led to continued downward pressure on office rents. In Q4 2020, Grade A (Core CBD) office rents declined for its fourth consecutive quarter to $10.40 psf/month. This represented a full year decline of 10.0% in Grade A (Core CBD) office rents, which reversed the rental growth of 6.9% in 2019.

Some cutback in large occupiers' footprint has resulted in an increase in secondary space, however this also presented more quality, fitted-out options for incoming potential tenants. It was observed that such tenants were open to taking over fitted premises as it reduced the need for capital expenditure.

In the wake of the pandemic, demand is likely to remain subdued in 1H 2021. Nonetheless, there are some bright spots for demand. Chinese technology companies and non-bank financial services firms continue to display expansionary appetite. Also, the displacement of tenants from buildings slated for redevelopment will contribute to overall occupier activity.

Should economic activity and business sentiment improve on the back of the vaccine rollout, the office market is poised to benefit from employment gains. Coupled with the improved leasing activity and limited Grade A supply in 2021, there are prospects for rents to turn upwards by 2H 2021.

Chart 3: Office Supply-Demand Dynamics



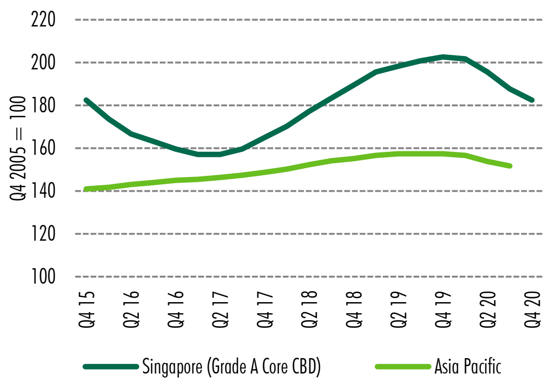
Source: CBRE Research, Q4 2020

Table 2: Office Vacancy Rates

	Q4 20	Q-o-q	Y-o-y
Islandwide	6.0%	2 bps	141 bps
Core CBD	6.2%	11 bps	200 bps
Fringe CBD	5.8%	4 bps	117 bps
Decentralised	5.5%	-19 bps	38 bps
Grade A (Core CBD)	3.9%	63 bps	-9 bps

Source: CBRE Research, Q4 2020

Chart 4: Office Rental Index



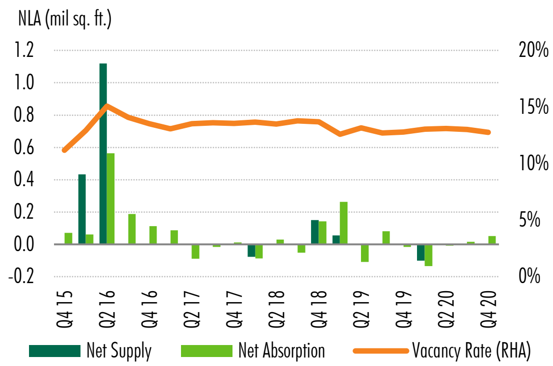
Source: CBRE Research, Q4 2020

Table 3: Singapore Office Rents

	Q4 20	Q-o-q	Y-o-y
Grade A CBD Core	$10.40	-2.8%	-10.0%
Grade B CBD Core	$7.90	-3.1%	-9.2%
Grade B Islandwide	$7.35	-3.3%	-8.7%

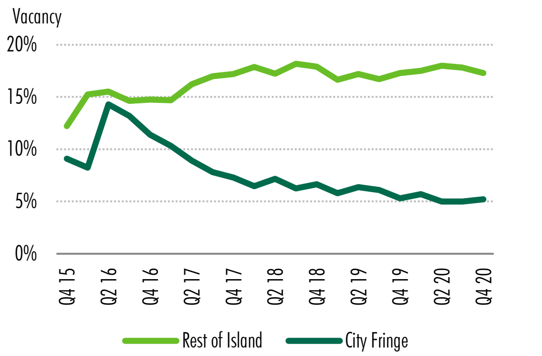
Source: CBRE Research, Q4 2020

Chart 5: Business Park Supply-Demand Dynamics



Source: CBRE Research, Q4 2020

Chart 6: Business Park Vacancy by Submarkets



Source: CBRE Research, Q4 2020

Table 4: Business Park Rents

	Q4 20	Q-o-q	Y-o-y
City Fringe	$5.80	0.0%	-0.9%
Rest of Island	$3.70	0.0%	-1.3%

Source: CBRE Research, Q4 2020

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

	City Fringe	Rest of Island	Total
2021	0.75 mil	1.00 mil	1.75 mil
2022	0.00 mil	0.00 mil	0.00 mil
2023	0.00 mil	0.32 mil	0.32 mil
Total	**0.75 mil**	**1.52 mil**	**2.27 mil**

Source: CBRE Research, Q4 2020

The business park market continued to deliver a resilient performance towards the end of 2020. Islandwide net absorption was 50,488 sq. ft. in Q4 2020, its second consecutive quarter of positive net absorption. This was primarily contributed by a pick-up in demand within the Rest of island submarket. This led to islandwide vacancy rate dipping from 13.0% in Q3 2020 to 12.8% in Q4 2020.

Renewals continued to feature prominently in leasing activity. For 2020 as a whole, the technology sector continued to be a demand driver for the business park market, especially in the City Fringe submarket. At the same time, JustCo is opening a 30,000 sq. ft. centre within the upcoming South-east Asian headquarters of Razer Inc. This co-working facility is scheduled to open in Q2 2021. Given the tight vacancy in the City Fringe submarket, more cost conscious occupiers are seeking space within the Rest of island submarket. This is further spurred by the wide rental delta between the two tiers of the business park market.

With the performance of the business park market displaying some resilience in this quarter, rents in the City Fringe and Rest of Island submarkets kept steady at $5.80 psf/month and $3.70 psf/month respectively.

In December, it was announced that the former *Big Box* was acquired by a consortium led by Perennial Real Estate Holdings Pte Ltd. Renamed *Perennial Business City*, it was reported that Perennial has obtained JTC's confirmation to rezone this site from Business-1 (White) to Business Park. This will introduce approximately 1.10 mil sq. ft. of business park space into the market as the redevelopment project completes progressively from Q4 2021.

Given the strong emphasis of high-tech industries, demand for business park market will continue to remain steady. However, with limited opportunities within the City Fringe submarket, this may result in more transactions within the outlying decentralised areas.

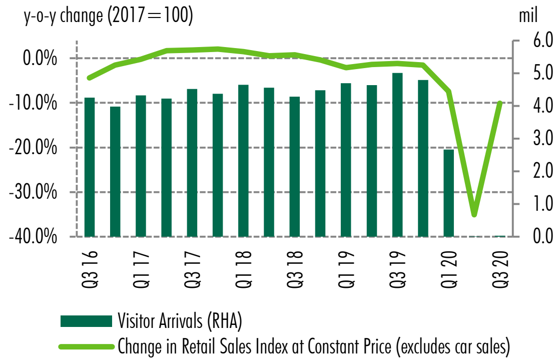
The retail sector remained challenged with continued social distancing measures and closure of tourism borders. Nonetheless, compared to the previous quarter, there was greater positivity in the retail market with shopper traffic recovering to about 60% to 80% of pre-COVID-19 levels. The slight pickup in economic activities, travel restrictions and mega sales events have also led to a higher consumption of goods and services domestically. Retail sales (excluding motor vehicles) declined by 2.5% y-o-y in Nov 2020, as compared to a decline of 12.4% y-o-y in the previous month.

Leasing activity for expansions and new openings accelerated slightly, but this was mainly confined to the F&B and supermarket segments. On the other hand, prominent closures were recorded in the weaker performing segments. *Robinsons* announced the closure of its last two department stores, *Marks & Spencer* consolidated by closing its *Raffles City* outlet, while *AW Lab*, multi-brand sportswear retailer exited Singapore after their debut in 2017.

Rental performance of suburban malls remained resilient but further q-o-q declines were registered in all other submarkets due to their higher reliance on tourist and office footfall. This led average prime islandwide retail rents to fall by a further 3.4% q-o-q in Q4 2020. Notably, landlords prioritised maintaining occupancy and rental expectations have become more realistic, particularly for spaces in secondary locations and floors.

To date, average prime islandwide retail rents declined by 8.6% for 2020. While the economy is stabilising and Phase 3 of reopening will lend some positivity to the sector in 2021, hiring sentiments are still cautious and there are still uncertainties on the vaccine efficacy and how the global pandemic is going to pan out. The sector will continue to remain under pressure. However, landlords and tenants who are quick enough to readapt and seize opportunities could establish a head start in an environment where market recovery could be a long and uneven one.

Chart 7: Retail Economic Indicators



Source: STB, MTI Economic Survey of Singapore, CBRE Research, Q4 2020

Table 6: Estimated Gross New Supply*

Year	Estimated NLA (sq. ft.)
2021	0.38 mil sf
2022	0.35 mil sf
2023	0.17 mil sf
2024	0.40 mil sf

Source: CBRE Research, Q4 2020

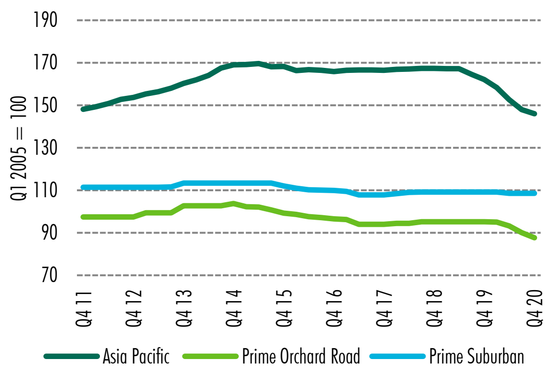
*excludes projects with a NLA of less than 20,000 sq. ft.

Table 7: Prime Retail Rents

	Q4 20	Q-o-Q	Y-o-y
Orchard Road	$29.20	-2.7%	-7.9%
Suburban	$29.00	0.0%	-0.5%

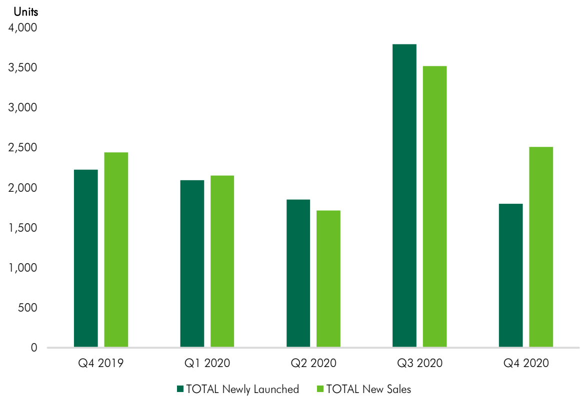
Source: CBRE Research, Q4 2020

Chart 8: Retail Rental Index



Source: CBRE Research, Q4 2020

Chart 9: New Private Residential Units Take-Up



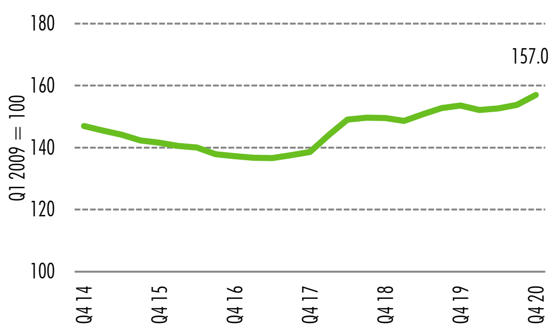
Source: URA, CBRE Research, Q4 2020
Note: Prelim figures exclude executive condominiums (ECs)
Prelim newly launch figures for Q4 2020 refer to Oct & Nov only.

Table 8: Selected Projects with New Units Launched in Q4 2020

Development	Tenure	Median Price	No of units in project	Units sold
The Landmark	99y	$2,137	396	108
The Linq @Beauty World	FH	$2,171	120	119
Ki Residences	999y	$1,766	660	171
Clavon	99y	$1,637	640	472

Source: CBRE Research, Q4 2020
Note: Based on no. of caveats lodged

Chart 10: URA Residential Price Index



Source: CBRE Research, Q4 2020
Note: Q4 20 URA Residential Price Index is a flash estimate

Sales momentum and price growth carried through to the final quarter of the year. Market sentiment and buyer's confidence remained strong, undeterred by the woes surrounding the pandemic.

Preliminary estimates for new home sales volume for Q4 2020 amounted to 2,510 units, which was 2.7% higher than the same period last year. Sales in the resale market also helped to prop up the new home sales market. At 3,540 units, this was equivalent to an increase of 51.2% y-o-y.

According to URA flash estimates, the private residential property price index rose for the third consecutive quarter, as it increased by a further 2.1% in Q4 2020. The pace of private home prices was also the fastest since Q2 2018, supported mainly by benchmark prices set by new project launches in Q4 2020, though it was mainly driven by transactions in the RCR (4.8% q-o-q) and CCR (3.3% q-o-q).

Developers are observed to be beginning to be more aggressive to replenish their land inventory. This came on the back of unsold inventory declining to 26,483 units in Q3 2020 since its last peak in 2018, coupled with the limited injection of land though government land sales. Hence, collective sales and private land sales gained traction this quarter. In addition, the tenders at Tanah Merah Kechil Link and Yishun Ave 9 GLS sites, which closed in Oct 2020, were also highly contested.

According to preliminary estimates, take-up for new home sales for 2020 reached 9,889 units while the overall private home prices increased by 2.2% for the full year. Moving forward, market performance is likely to be positive, driven by optimism surrounding the nationwide vaccine rollout, stabilisation of the economy and most importantly, low interest rates.

Project launches which were previously delayed are also expected to come onstream in the first half of 2021, which may help to provide a boost to overall prices and volume.

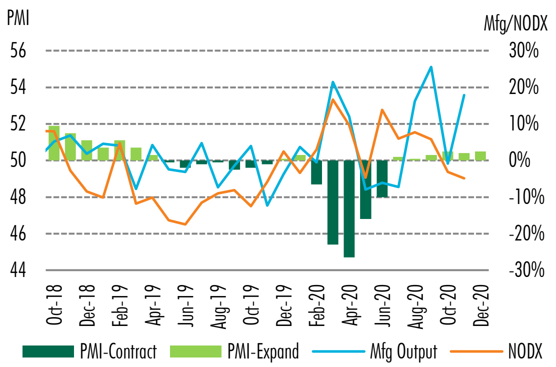
Singapore's economy remained in contraction territory in Q4 2020, shrinking 3.8% y-o-y according to MTI's advance estimates. The performance of key industrial indicators was a mixed bag – manufacturing output rose by 17.9% y-o-y in Nov, reversing its surprise fall of 0.8% y-o-y in Oct; whereas NODX sustained its decline from the previous month in Nov by 4.9% y-o-y. Meanwhile, PMI posted its sixth consecutive month of expansion in Dec at 50.5.

Leasing activity in Q4 2020 saw an uptick from the preceding quarter, on the back of improved global demand for pharmaceuticals and electronics. Majority of transactions conducted this quarter comprised renewals and relocations, with only a handful of new set ups and expansions. In particular, warehouse leasing demand was propped up by third-party logistics and e-commerce players. While prime logistics vacancy remained compressed in Q4 2020, it is likely to begin increasing around mid-2021 with some pockets of space slated to be released.

The healthy warehouse leasing demand contributed to an increase in rents in Q4 2020, bringing them back to pre-COVID-19 levels on a y-o-y basis. On the other hand, the factory market remains two-tiered, with older stock counterbalancing the demand for high-specs factory spaces. As such, factory rents stayed flat q-o-q, with full-year contraction coming in at 4.2%.

Looking ahead, with construction delays pushing back the completion dateline for a significant portion of 2020's pipeline, CBRE Research expects some of the supply to begin materialising towards mid-2021, barring any unforeseen circumstances. On the demand side, the government has been spearheading efforts to have sufficient vaccines for the entire population by Q3 2021 as well as aiming to be the vaccine distribution hub for the region. As such, specialised cold chain is poised to drive logistics demand in the coming year to handle the incoming vaccine shipments.

Chart 11: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q4 2020

Table 9: Significant Future Developments for 2021

Development	Region	Est. GFA (Mil sf)
JTC Defu Industrial City	North East	3.51
TimMac @ Kranji	North	1.54
Kranji Green	North	1.43
Cogent Jurong Island Logistics Hub	West	0.94
Tee Yih Jia Food Hub	North	0.86

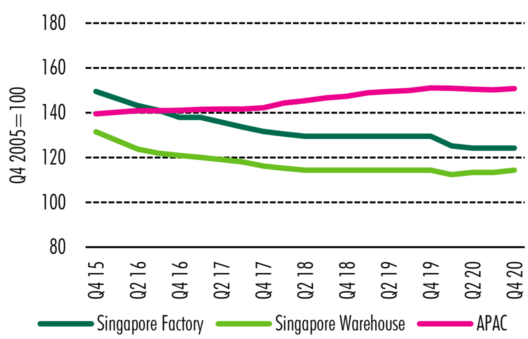
Source: CBRE Research, Q4 2020

Table 10: Industrial Rents

	Q4 20	Q-o-q	Y-o-y
Factory (Grd Flr)	$1.50	0.0%	-4.2%
Factory (Upp Flr)	$1.18	0.0%	-4.2%
Warehouse (Grd Flr)	$1.58	0.6%	0.0%
Warehouse (Upp Flr)	$1.20	0.8%	0.0%

Source: CBRE Research, Q4 2020

Chart 12: Industrial Rental Index



Source: CBRE Research, Q4 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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