Singapore, Q2 2021

Taking a raincheck

▲ GDP* Y-o-Y 14.3% Q2 21	▲ CPI Inflation Y-o-Y 2.4% May	▲ PMI 50.8 Jun	▲ Retail Sales Index** Y-o-Y 63.2% May	▲ 3M Interbank 0.4% May

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

Quick Stats

Investment*	Q2 21	q-o-q	y-o-y
Total volume	$5.900 bn	↑	↑
Office	**Q2 21**	**q-o-q**	**y-o-y**
Grade A rent	$10.50	↑	↓
Capital value	$2,850	→	↓
Net yield**	3.7%	↓	↑
Business Park	**Q2 21**	**q-o-q**	**y-o-y**
Rent (City Fringe)	$5.80	↑	↓
Retail	**Q2 21**	**q-o-q**	**y-o-y**
Prime rent (Orchard)	$34.55	↓	↓
Capital value	$7,200	↓	↓
Net yield	4.9%	→	↓
Residential	**Q2 21**	**q-o-q**	**y-o-y**
Prime rent	$4.21	↑	↓
Capital value	$1,719	↑	↑
Net yield	2.2%	↑	↓
Industrial* **	**Q2 21**	**q-o-q**	**y-o-y**
Rent	$1.43	↑	↑
Capital value	$185	↑	↑
Net yield	6.9%	↓	↓

Source: CBRE Research, Q2 2021

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.
***30-year prime logistics data provided.
Note: Prime retail rents, capital values revised due to revision in rental baskets for Q1 2021.

CAPITAL MARKETS

Despite heightened restrictions from mid-May 2021, preliminary real estate investment volume in Singapore grew by 44.5% q-o-q, to $5.900 bn for Q2 2021.

OFFICE

The office market performance in Q2 2021 was a tale of two halves. Net absorption was -0.36 mil sq. ft. in Q2 2021, which was contributed by the earlier relocation moves and downsizing efforts by occupiers.

BUSINESS PARKS

Overall leasing interest was relatively subdued, with renewals as a key feature in leasing activity this quarter. Islandwide net absorption was 0.13 mil sq. ft. in Q2 2021.

RETAIL

With work-from-home remaining as the default and tourism borders still closed, the retail market continue to face pressures though the magnitude of rental decline has slowed.

RESIDENTIAL

Despite heightened restrictions from mid-May 2021, the strong performance in the residential market has further shored up homebuyers' confidence and take-up of new launches.

INDUSTRIAL

Space availability for the warehouse and prime logistics remained tight, hence rents for both segments began to materialise at a quicker pace, by 1.3% q-o-q and 2.9% q-o-q respectively.

COVID-19 Updates

A Timeline of Events

Q1 2021

Jan

27
Pilot vaccinations
Month-long pilot for the elderly in two housing estates

Feb

16
Budget 2021
The Budget, named Emerging Stronger Together, was unveiled

22
Next phase of vaccinations
For seniors islandwide

Mar

17
Retail "Code of Conduct"
Key leasing principles for key tenancy terms announced (wef 1 Jun 2021)

Q2 2021

Apr

5
Safe management measure
Up to 75% of employees allowed at the workplace

26
Additional extension of time (EOT)
Additional 49-day EOT to eligible construction contracts for delays due to COVID-19

May

16
Phase 2 (Heightened Alert)
Measures to be implemented from 16 May – 13 Jun. Cessation of dine-in at F&B outlets, and work-from-home back as the default

28
Support and relief Measures
For property developers and $800 mil Support Package for individuals and businesses

Jun

14
Two-step opening: Phase 3 (Heightened Alert)
Increase in social gathering group size, event size and capacity limits

21
Further re-opening: Phase 3 (Heightened Alert)
Easing of measures such as resumption of dining-in at F&B outlets and certain mask-off activities

29
Vaccination program accelerated
Vaccination dose interval shortened

Jul

12
Safe management measures update
Further easing of measures with dine-in restrictions relaxed to groups of up to five

Market-related Developments

01 Additional Measures to Support the Construction Sector

• From 7 May 2021 to 6 November 2021, new People's Republic of China Work Permit Holders can obtain their skills certification in Singapore without having to enrol in Overseas Testing Centres.
•Adding to the earlier 122 days of EOT provided, eligible public sector construction contracts delayed due to loss of productivity from 7 August 2020 to 31 December 2020 will be granted up to a 49-day EOT.
•The public sector will provide a base 0.1% of awarded contract sum per month of delay for qualifying costs of eligible contracts up to $100 mil.

02 Extension of Temporary Relief Measures for Property Sector

• In light of the disruptions to labour supply, there was an extension of the Project Completion Period (PCP) by another six months for qualifying residential, commercial and industrial development projects.
•A six-month extension in the commencement and completion timelines of residential development projects as to the remission of Additional Buyer's Stamp Duty (ABSD) for qualifying housing developers.
•PCP for residential development projects under the Qualifying Certificate (QC) regime will be extended for six months.

03 Enhanced Support Measures for Businesses & Individuals

• Rental relief to small & medium enterprises and eligible non-profit organisations with an annual revenue not exceeding $100 mil and are tenant-occupiers of qualifying commercial properties.
•One month rental relief for qualifying tenants of Government-owned commercial properties.
•The IRAS will disburse a 0.5-month rental relief cash pay-out directly to qualifying tenants of privately-owned commercial properties, for the period of 14 – 29 May.
•The government enhanced the wage support under the Jobs Support Scheme for sectors that have been affected by the tightened measures.

Despite heightened restrictions from mid-May 2021, preliminary real estate investment volume in Singapore increased by 44.5% q-o-q, to $5.900 bn for Q2 2021, marking a fourth consecutive quarter of increase since the trough of the pandemic in Q2 2020. Investment volume for Q2 2021 was boosted by residential and industrial transactions.

For the residential sector, investment sales increased by 92.6% quarter-on-quarter to $3.098 bn, mainly due to the sale of three Government Land Sales (GLS) sites (Northumberland Road, Ang Mo Kio Ave 1, and Tengah Garden Walk (EC)). Excluding these GLS sites, residential sales volume still stood at $1.871 bn, attributed to healthy activity in the luxury market for good class bungalows and luxury apartments. This reflects the confidence both private buyers and developers have in the long-term future and potential of Singapore real estate market.

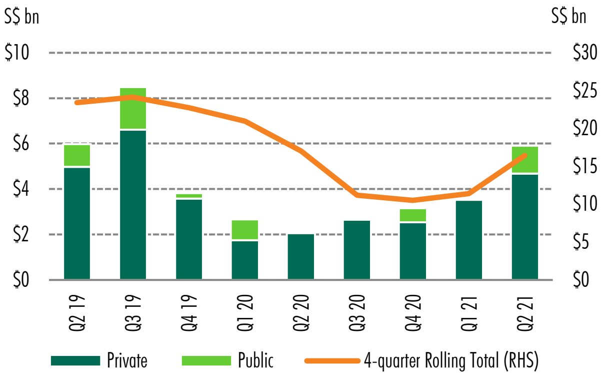
Industrial transactions kept its pace at $992.06 mil this quarter. This reflects just a slight 7.9% drop q-o-q from the large transactions and Boustead portfolio deal recorded last quarter. AREIT acquired the remaining 75% interest in *Galaxis* for $534 mil, while ESR REIT acquired *Global Trade Logistics Centre*, a prime logistics facility for $119.6 mil. In addition to these two major transactions, another eight factories and five warehouses were transacted.

The active real estate investment sales scene in Singapore indicates that there is abundant liquidity waiting to be deployed, with investors undeterred by travel restrictions and the recent heightened measures. Undeniably, technology had a big part to play with facilitating deals through virtual viewings and presentations.

For the remaining quarters of 2021, in addition to some attractive and relatively large GLS sites which have their tenders closing, there are also a handful of large-quantum quality commercial assets coming onto the market. These should provide a further boost to investment volumes.

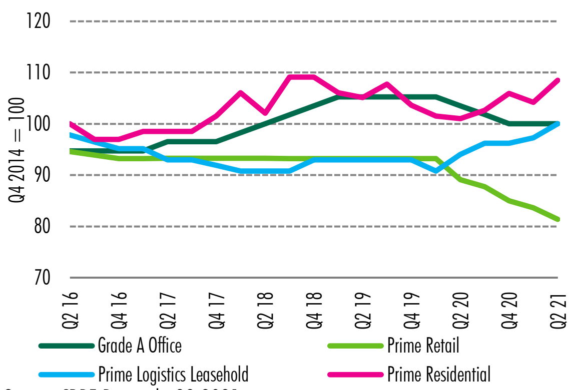
Consequently, CBRE Research believes that investment sales volume for 2021 is likely to see a strong rebound from the previous year, led by residential, office, and industrial sales.

Chart 1: Total Transaction Value



Source: CBRE Research, Q2 2021

Chart 2: Capital Values Index



Source: CBRE Research, Q2 2021

Table 1: Major Private Investment Transactions

Sector	Property	Price ($)	Buyer
Industrial	Galaxis (75% stake)	534.40 mil	AREIT
Retail	JEM (28% stake)	337.30 mil	LREIT
Office	9 Penang Road (30% stake)	295.50 mil	Haiyi Holdings

Source: CBRE Research, Q2 2021

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 office market performance in Q2 2021 was a tale of two halves. Initially, leasing momentum gathered pace as business sentiment improved and more staff were allowed to return to the office. However, the emergence of COVID-19 clusters led to the tightening of measures in May. Under Phase 2 (Heightened Alert), restrictions were imposed to curb the transmission of the virus. Once again, work from home became the default working arrangement and these restrictions impacted leasing enquiry levels.

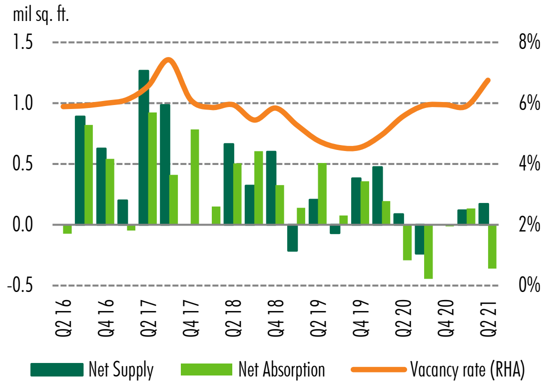
Net absorption was -0.36 mil sq. ft. in Q2 2021, which was contributed by the earlier relocation moves and downsizing efforts by occupiers. Coupled with the injection of the uncommitted supply in *Afro-Asia*, islandwide vacancy rate rose from 5.9% in Q1 2021 to 6.8% in Q2 2021.

With limited new and expansionary demand, most of the leasing transactions comprised renewals and relocations. Key demand drivers were confined to the technology and financial services sectors, and to a lesser degree, transport & storage, and energy & commodities firms.

As a result of earlier relocation moves, Grade A vacancy rates rose from 3.3% in Q1 2021 to 4.4% in Q2 2021. Nevertheless, this remained well below the 10-year historical average vacancy rate of 5.9%. Encouraged by the fairly tight vacancy rate in the Grade A market, some landlords of better performing buildings have begun to push for higher rents as they benefit from the prevailing tightness. In Q2 2021, Grade A Core CBD rents rose 1.0% q-o-q to $10.50 psf/month, the first rental growth since Q4 2019. Conversely, the Grade B market struggled to backfill the existing vacant stock, and this placed further pressure on Grade B Core CBD rents.

Looking forward, there are still potential risks on the demand side, but the tapering supply pipeline bodes well for the market. It remains a two-tiered market; the medium-term outlook for the Grade A market looks positive, but the recovery in the Grade B market is likely to lag the Grade A market as landlords grapple with rising vacancy rates.

Chart 3: Office Supply-Demand Dynamics



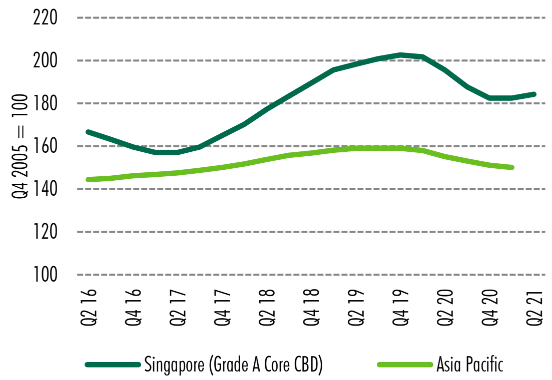
Source: CBRE Research, Q2 2021

Table 2: Office Vacancy Rates

	Q2 21	Q-o-q	Y-o-y
Islandwide	6.8%	85 bps	119 bps
Core CBD	7.9%	182 bps	229 bps
Fringe CBD	6.1%	10 bps	42 bps
Decentralised	5.0%	-44 bps	-33 bps
Grade A (Core CBD)	4.4%	109 bps	151 bps

Source: CBRE Research, Q2 2021

Chart 4: Office Rental Index



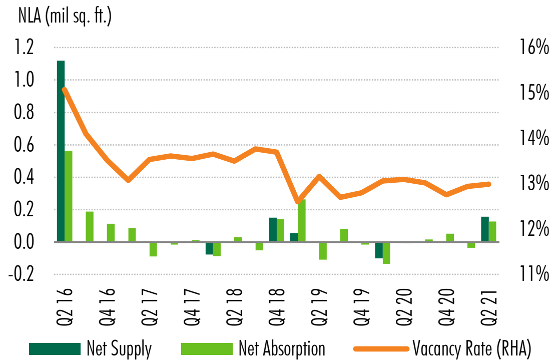
Source: CBRE Research, Q2 2021

Table 3: Singapore Office Rents

	Q2 21	Q-o-q	Y-o-y
Grade A CBD Core	$10.50	1.0%	-5.8%
Grade B CBD Core	$7.75	-0.6%	-8.3%
Grade B Islandwide	$7.15	-0.7%	-8.9%

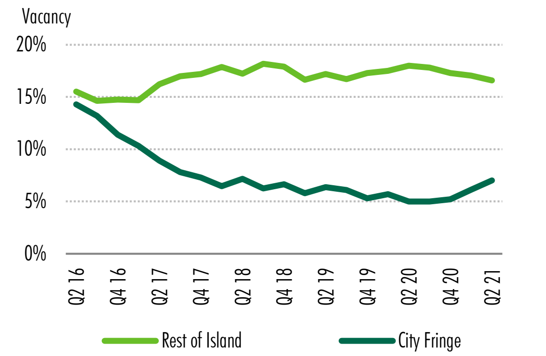
Source: CBRE Research, Q2 2021

Chart 5: Business Park Supply-Demand Dynamics



Source: CBRE Research, Q2 2021

Chart 6: Business Park Vacancy by Submarkets



Source: CBRE Research, Q2 2021

Table 4: Business Park Rents

	Q2 21	Q-o-q	Y-o-y
City Fringe	$5.80	0.9%	-0.9%
Rest of Island	$3.65	0.0%	-2.7%

Source: CBRE Research, Q2 2021

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

	City Fringe	Rest of Island	Total
2H 2021	0.36 mil	1.00 mil	1.37 mil
2022	0.00 mil	1.10 mil	1.10 mil
2023	0.30 mil	0.32 mil	0.63 mil
2024	0.00 mil	1.95 mil	1.95 mil
Total	**0.67 mil**	**4.38 mil**	**5.04 mil**

Note: Total figures may not add up due to rounding.

Source: CBRE Research, Q2 2021

Overall leasing interest was relatively subdued, with renewals as a key feature in leasing activity this quarter. Islandwide net absorption was 0.13 mil sq. ft. in Q2 2021. The two business parks that obtained TOP in Q2 2021 were located in one-north: Razer's SEA headquarters along one-north Crescent and Wilmar's headquarters along Biopolis Road. This resulted in 0.16 mil sq. ft. of net supply. With net absorption trailing behind net supply, islandwide vacancy rate rose marginally from 12.9% in Q1 2021 to 13.0% in Q2 2021.

The only firms that exhibited expansionary appetite within the business park sector were those in the technology and media industries. While most of the leasing demand was concentrated within the new builds of higher specifications within the City Fringe submarket, some positive take-up was also noted in the Rest of Island submarket in this quarter. Given the high vacancy rates in the Rest of Island submarket, landlords maintained some flexibility in rental negotiations, and this helped to shore up occupancy levels. In Q2 2021, rents in the Rest of Island submarket kept stable at $3.65 psf/month.

On the other hand, the City Fringe submarket continued to be underpinned by tight availability of space for lease. With strong demand for space in this submarket, City Fringe rents expanded by 0.9% q-o-q to $5.80 psf/month in Q2 2021.

Over the next three and a half years, a total of 5.04 mil sq. ft. of new supply is expected to come onstream. With only 13.2% of upcoming supply located within the City Fringe submarket, any rental growth is likely to stem from the one-north precinct as this submarket is underpinned by tight availability of space and high demand. However the same level of optimism is not reflected in the other submarkets; with 86.8% of upcoming supply located within the Rest of island submarket, there is likely to be further downward pressure on rents in the Rest of Island submarket. Nonetheless, overall demand for the business park market remains resilient.

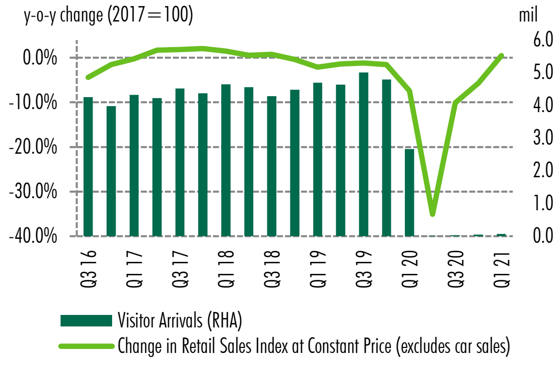
The retail market encountered another setback with stricter measures during Phase 2 (Heightened Alert) from 16 May till 13 June 2021. Retail sales (excluding motor vehicles), posted a decline of 6.3% m-o-m in May 2021, with department stores, wearing apparel & footwear and watches & jewellery the most affected. It was observed that F&B operators were more adjusted to delivery and takeaway with the dine-in ban, as compared to last year's "circuit breaker" period. Amongst the physical constraints that COVID-19 posed this year, the Great Singapore Sales took an omnichannel format, with e-commerce platforms being actively involved.

Despite the uncertainty, new openings and expansions were observed in the F&B, sporting goods and fashion segment. That said, for certain segments, the number of closures outweighed openings, with fashion, F&B and entertainment segments having the highest number of casualties. For instance, Karaoke Manekineko closed all its outlets; Marche Movenpick and Food Republic closed its *Raffles City* and *Capitol Piazza* outlet respectively, while TEMT and Abercrombie & Fitch exited the Singapore market.

With work-from-home remaining as the default and tourism borders still closed, the retail market continue to face pressures though the magnitude of rental decline has slowed. Islandwide prime retail rents fell by 0.4% q-o-q this quarter, as compared to -1.2% q-o-q in Q1 2021. This was mainly propped up by the suburban market, where prime spaces registered healthy reversionary rents. As such, the rental gap between Orchard and suburban markets narrowed further.

Even though the retail market is poised to benefit from an improvement in economic activity and consumer sentiment on the back of the vaccination rollout, the retail sector has yet to reach full recovery. Secondary outbreaks could continue to disrupt economic activity and tightening of border controls will be a continued setback to the market recovery for the rest of 2021.

Chart 7: Retail Economic Indicators



Source: STB, MTI Economic Survey of Singapore, CBRE Research, Q2 2021

Table 6: Estimated Gross New Supply*

Year	Estimated NLA (sq. ft.)
H2 2021	0.38 mil sf
2022	0.27 mil sf
2023	0.41 mil sf
2024	0.68 mil sf

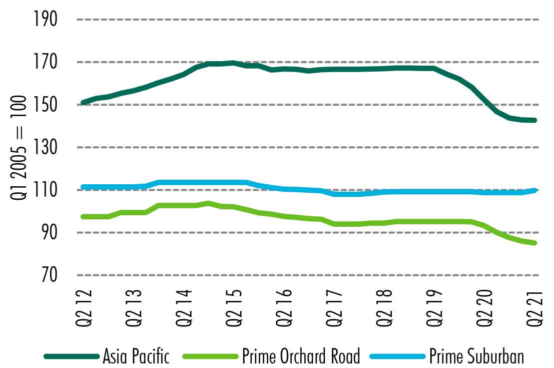
Source: CBRE Research, Q2 2021
*excludes projects with a NLA of less than 20,000 sq. ft.

Table 7: Prime Retail Rents*

	Q2 21	Q-o-Q	Y-o-y
Orchard Road	$34.55	-1.0%	-8.7%
Suburban	$29.80	1.0%	1.0%

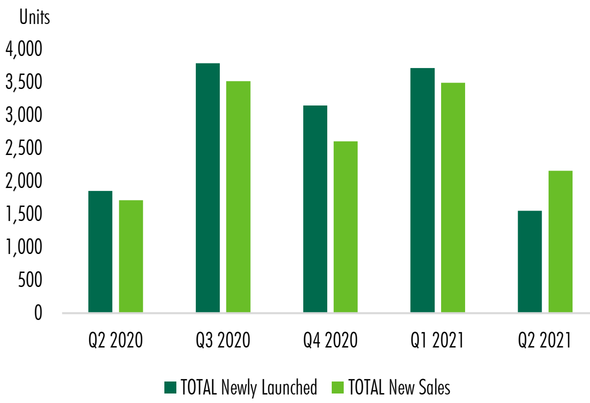
Source: CBRE Research, Q2 2021
*Rental revisions due to revised rental baskets

Chart 8: Retail Rental Index



Source: CBRE Research, Q2 2021
Q2 2021 Asia Pacific Retail Rental Index is a preliminary estimate

Chart 9: New Private Residential Units Take-Up



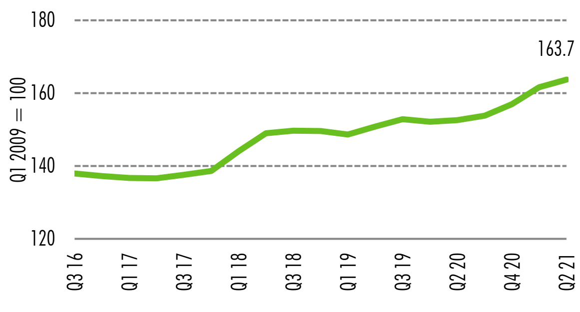
Source: URA, CBRE Research, Q2 2021
Note: Prelim figures exclude executive condominiums (ECs)
Preliminary newly launched figures for Q2 2021 refer to Apr & May only.

Table 8: Selected Projects with New Units Launched in Q2 2021

Development	Tenure	Median Price ($psf)	No of units launched	Units sold
Irwell Hill Residences	99y	$2,666	340	330
One Bernam	99y	$2,471	100	83
One-North Eden	99y	$1,950	165	149

Source: CBRE Research, Q2 2021
Note: Based on May new home sales numbers

Chart 10: URA Residential Price Index



Source: CBRE Research, Q2 2021
Note: Q2 2021 URA Residential Price Index is a flash estimate

Despite heightened restrictions from mid-May 2021, the strong performance in new home sales has further shored up homebuyers' confidence and take-up of new launches. Preliminary estimates for new home sales year to date came to 5,652 units, which is already 56.6% of the volume achieved last year. This was bolstered by the year to date sales of *Irwell Hill Residences* (332 units), *Provence Residence* (245 units) and *Normanton Park* (191 units). With safe distancing measures at show galleries relaxed, this momentum is likely to continue as developers are encouraged to proceed with their launches, with more mass market launches in the pipeline.

According to URA's flash estimates, private residential property prices rose 0.9% in Q2 2021, a slowdown compared to Q1 2021's 3.3% increase. Within the non-landed segment, the stronger price increase in the OCR (1.8% q-o-q) was weighed down by the CCR (0.6% q-o-q) and RCR (0.3% q-o-q). The slower growth could be attributed to a slower pace of launches due to restrictions in the first half of May, pushing buyers to the resale market. Further, the trend for larger homes may have resulted in lower psf prices for some projects. There was also healthy take-up from earlier launches in the suburban market, which signifies resilient demand from upgraders.

Private property prices have increased by 4.3% year to date. The moderation in price growth might have lowered the risks of cooling measures being implemented. While the government is expecting a GDP growth forecast of 4-6%, the launch of some upcoming projects at higher psf pricing might continue to push the price index higher to exceed this forecast.

New launches have been predominantly located in the CCR and RCR locations year-to-date. However, the next few major launches will mostly be mass-market projects in the OCR. Barring any unforeseen circumstances, CBRE Research expects new home sales to fall within the region of 10,000 to 11,000 units for 2021. In the longer term, the potential reopening of borders will also bring about the return of foreign investors and buying interest to the luxury segment.

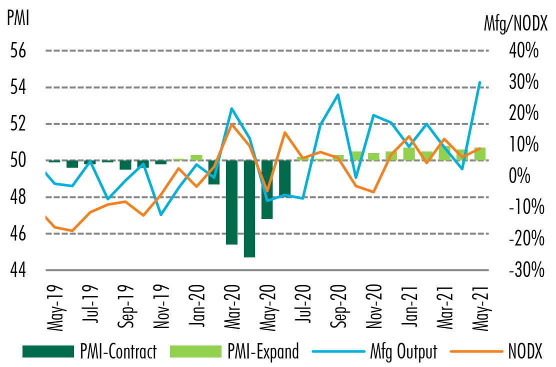
Demand indicators continued to exhibit signs of sustained growth in Q2 2021. Manufacturing output rose by 30.0% y-o-y in May, its fastest pace in a decade due to the low base effect in part to "circuit breaker" measures last year. Highest increases were observed in biomedical manufacturing and precision engineering clusters, due to higher production of semiconductor equipment. NODX increased 8.8% y-o-y in May 2021, the sixth consecutive month of exports growth, while SIPMM's PMI sustained its expansion for the eleventh consecutive month in June 2021.

Leasing activity continued to remain stable in Q2 2021, consisting of new set ups and relocations. Warehouse leasing volume increased the fastest, with third-party logistics and marine & offshore being the main demand drivers. Furthermore, recent commitments by BioNTech and Sanofi to build their vaccine production facility in Singapore shows the endorsements of the biopharmaceutical segment, which bodes well for Singapore's advanced manufacturing scene in the mid to long term.

On the back of healthy demand, factory rents tracked by CBRE Research registered its first quarter of increase by 0.7% q-o-q in Q2 2021. Space availability for the warehouse and prime logistics remained tight, hence rents for both segments began to materialise at a quicker pace, by 1.3% q-o-q and 2.9% q-o-q respectively.

Moving forward, the positive outlooks for Singapore's manufacturing and e-commerce sectors will underpin demand for quality factory and warehouse space. Warehouse rents are expected to grow at a faster pace as vacancies among prime logistics remain extremely low, in addition to a more manageable warehouse pipeline. Take-up for *JTC Logistics Hub @ Gul* and *LOGOS Tuas Logistics Hub* have been healthy, driven by e-commerce, food stockpiling and third-party logistics storage for pharmaceutical and oil & gas. On the other hand, the rental performance for the factory submarket could be weighed down by older stock, as the submarket remains two-tier.

Chart 11: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q2 2021

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
LOGOS Penjuru Logistics Centre	West	0.36

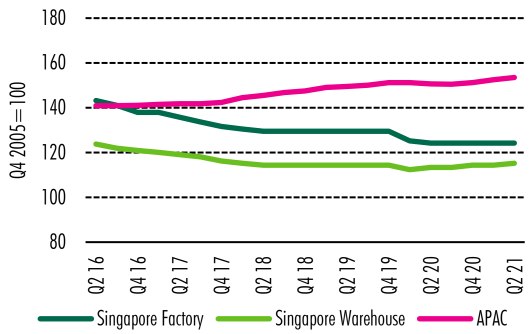
Source: CBRE Research, Q2 2021

Table 10: Industrial Rents

	Q2 21	Q-o-q	Y-o-y
Factory (Grd Flr)	$1.51	0.7%	0.7%
Factory (Upp Flr)	$1.18	0.0%	0.0%
Warehouse (Grd Flr)	$1.60	1.3%	2.6%
Warehouse (Upp Flr)	$1.21	0.8%	1.7%
Prime Logistics	$1.43	2.9%	5.1%

Source: CBRE Research, Q2 2021

Chart 12: Industrial Rental Index



Source: CBRE Research, Q2 2021
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)

CONTACTS

Singapore CBRE Research
CBRE Pte. Ltd.
2 Tanjong Katong Road #06-01
Paya Lebar Quarter
Singapore 437161
+65 6224 8181
www.cbre.com.sg
Co. Reg. No. 197701161R
Agency License No. L3002163I

Tricia Song
SEA Research
+65 6328 7499
Tricia.song@cbre.com

Catherine He
Capital Markets & Residential Research
+65 6326 1232
Catherine.he@cbre.com

Goh Jia Ling
Industrial & Retail Research
+65 6328 7304
Jialing.goh@cbre.com

Yuki Suzuki
Office & Business Parks Research
+65 6326 1669
Yuki.suzuki@cbre.com.sg

Gerald Tan
Economics Research
+65 6328 7502
Gerald.tan@cbre.com

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at *www.cbre.com/researchgateway*