A broad-based recovery

+7.6%
GDP Growth Y-o-Y
(2021)

+4.3%
CPI Inflation Y-o-Y
(Feb 2022)

0.8%
3M SIBOR
(Mar 2022)

Note: CBRE Research, Singstat, MAS, Q1 2022

Executive Summary

- **Office:** The positive momentum from end-2021 carried over to Q1 2022 as Singapore remained on the path to reopen its economy.
- **Business Parks:** Occupier demand has generally improved across all submarkets, with islandwide business parks recording a positive net absorption of 186,982 sq. ft. in Q1 2022.
- **Retail:** While the recovery of the retail market was still capped by restrictions on social gatherings in most of the quarter, leasing activity continued to be stable.
- **Residential:** Private home price growth plateaued in Q1 2022 as cooling measures took effect. 1,716 new private homes (excluding ECs) were sold in Q1 2022, below the 5-year quarterly average of 2,614 units.
- **Industrial:** The industrial market experienced broad-based growth across all segments. Due to limited availability in existing prime logistics buildings, rents inched up by another 1.4% in Q1 2022.
- **Investment:** Preliminary real estate investment volume in the quarter amounted to $9.994 bn, reaching a 4-year quarterly high and just 5.2% below the Q2 2018 peak of $10.542 bn.

TABLE 1: Quick Figures

Office	Q1 2022	Q-o-Q	Y-o-Y
Grade A Rent	$10.95	+1.4%	+5.3%
Capital Value	$3,000	+1.7%	+5.3%
Net Yield *	3.4%	↔	↓
Retail	Q1 2022	Q-o-Q	Y-o-Y
Prime Rent (Orchard)	$34.20	0.0%	-2.0%
Capital Value	$7,350	+0.7%	-0.7%
Net Yield	4.8%	↔	↓
Business Park	Q1 2022	Q-o-Q	Y-o-Y
Rent (City Fringe)	$5.95	+0.8%	+3.5%

Source: CBRE Research, Q1 2022

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

Residential	Q1 2022	Q-o-Q	Y-o-Y
Prime Rent	$4.51	+0.9%	+8.9%
Capital Value	$1,960	+4.7%	+14.1%
Net Yield	2.2%	↓	↓
Industrial*	Q1 2022	Q-o-Q	Y-o-Y
Prime Logistics Rent	$1.49	+1.4%	+7.2%
Capital Value	$200	+2.2%	+9.4%
Yields	6.7%	↓	↓
Investment**	Q1 2022	Q-o-Q	Y-o-Y
Total Volume	$9.994 bn	+29.4%	+92.3%

Source: CBRE Research, Q1 2022

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

COVID-19 Updates (Q1 2022 onwards)

A Timeline of Events

Jan 2022

1
Workforce Vaccination Measures
Up to 50% of employees allowed at the workplace

22
Relaxation on inflow of Vaccinated Travel Lane (VTL) travellers
Ticket sales on VTL flights entering Singapore resumed, capped at 50% of allocated quota

Feb 2022

16
Cap on VTL (air) quotas lifted
Lifting of 50% cap on allocated quota

22
VTL (land) quotas between Malaysia & Singapore restored
Lifting of 50% cap on allocated quota

Deferment of streamlined Safe Management Measures (SMM)
Deferment of measures including allowance of social gatherings of 5 at workplaces due to surge in COVID-19 cases

25
VTLs extended to Hong Kong and re-extended Qatar, Saudi Arabia and UAE

VTLs (sea) to Bintan and Batam launched

Mar 2022

4
VTLs extended to Israel and the Philippines

15
Streamlined SMM
Streamlined measures including increased allowance of social gatherings at workplaces and removal of event size limits for events such as weddings and funerals.

16
VTLs extended to Greece and Vietnam
Connectivity restored with all countries in Europe with direct flights to Singapore

Further Extension of Relief Periods for Construction Firms
3-month extension for contracts affected by construction delays due to COVID-19

27
Extension of Foreign Worker Levy (FWL) rebate for construction firms
3-month extension of FWL rebate to help construction firms retain enterprise capabilities

29
Easing of community SMM
Increased permissible social gathering group size from 5 to 10 and up to 75% of employees who WFH are allowed at the workplace

Cessation of Rostered Routine Testing (RRT) Regime
Cessation of RRT regime due to passing of peak of Omicron wave

Apr 2022

1
Transition to Vaccinated Travel Framework
Vaccinated Travel Framework to replace VTL scheme
All fully vaccinated travellers, except those from MOH's restricted category, can enter Singapore quarantine-free
Removal of quotas on number of daily arrivals

19
All nightlife business allowed to fully reopen
Nightlife establishments allowed to fully reopen with SMM in place
Patrons are required to produce a negative ART before entry to nightlife establishments where there is dancing

Source: CBRE Research, Various news articles, MOH, Apr 2022

Office

Positive leasing momentum continued

The positive momentum from end-2021 carried over to Q1 2022 as Singapore remained on the path to reopen its economy. The islandwide office market registered a healthy net absorption of 307,282 sq. ft. in Q1 2022, the third consecutive quarter of positive net demand. With no new completions this quarter, average islandwide vacancy rate continued to decrease, from 6.3% in the preceding quarter to 5.8% in Q1 2022.

Agile space, non-bank FI, tech as main demand drivers

Leasing transactions were largely driven by existing occupiers expanding their Singapore presence and new market entrants. Non-bank financial institutions and technology companies remain as key demand drivers, but sectors such as pharmaceutical and Fast-Moving Consumer Goods (FMCG) also saw significant activity. On the back of high occupancies across agile space centres in the CBD, driven by a combination of mid to large-sized enterprise deals in the past 6-9 months, agile space operators are now also in expansion mode.

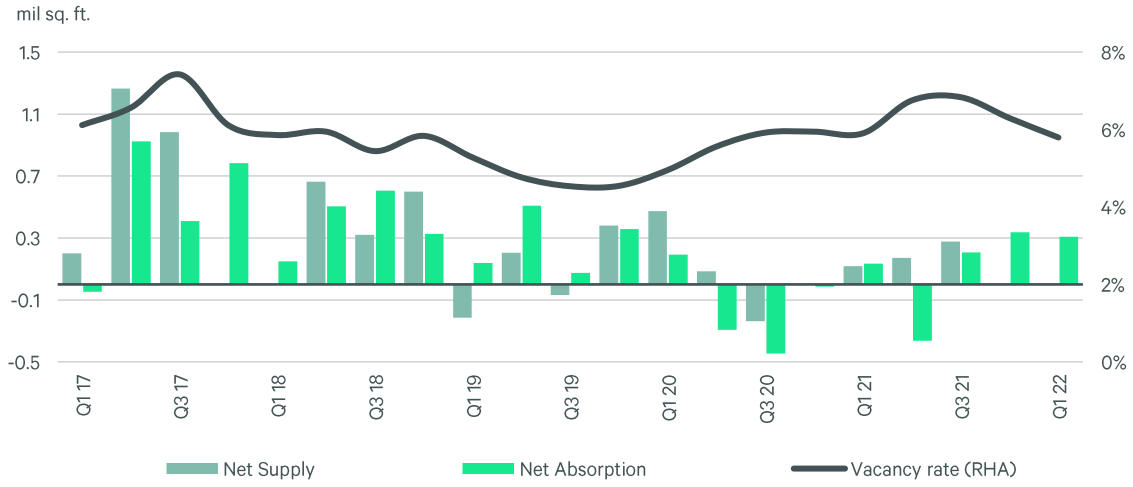
Broad-based islandwide demand recovery

Rental growth and vacancy rate for Core CBD (Grade A) kept pace with last quarter's, with rents up 1.4% q-o-q to $10.95 psf/month and vacancy stabilising at 4.5%. With prevailing tight vacancy in the Core CBD (Grade A) submarket, some demand has spilled over to the other submarkets. Further signs of a broad-based recovery were observed in the Grade B Islandwide market, which saw rents grow 1.4% q-o-q, as vacancies declined across the board.

Positive market outlook with relaxation of measures at the workplace

The office sector is poised to benefit from a growth in office demand as workplace measures were further relaxed and rental growth should gain momentum in the coming quarters. CBRE Research expects Core CBD (Grade A) rents to grow by 6.9% y-o-y for the whole of 2022, supported by the rapid expansion in demand from agile space, technology and non-bank financial sectors, and limited new supply.

FIGURE 1: Office Supply-Demand (Islandwide)



Source: CBRE Research, Q1 2022

TABLE 2: Office Vacancy Rates

	Q3 21	Q4 21	Q1 22
Core CBD (Grade A)	5.5%	4.5%	4.5%
Islandwide	6.8%	6.3%	5.8%
Core CBD	7.9%	6.7%	6.2%
Fringe CBD	6.1%	6.7%	6.2%
Decentralised	5.3%	4.9%	4.5%

Source: CBRE Research, Q1 2022

TABLE 3: Singapore Office Rents

	Q1 22	Q-o-Q	Y-o-Y
Core CBD (Grade A)	$10.95	1.4%	5.3%
Core CBD	$8.10	0.6%	1.9%
Core CBD (Grade B)	$7.85	0.6%	0.6%
Islandwide (Grade B)	$7.30	1.4%	1.4%

Source: CBRE Research, Q1 2022

Business Parks

Positive net absorption across all submarkets

Occupier demand generally improved across all submarkets, with islandwide business parks recording a positive net absorption of 186,982 sq. ft. in Q1 2022, a reversal from the negative take-up last quarter. Vacancy rates for the City Fringe submarket declined for the third consecutive quarter to 4.7% in Q1 2022, from the previous peak of 7.0% in Q2 2021. Vacancy rate for Rest of Island submarket edged up 0.9 percentage points q-o-q to 18.1% due to higher vacancies in newly completed buildings. However, occupancies in existing spaces such as International Business Park, Changi Business Park and Singapore Science Park improved.

Pharmaceutical sectors expanding their R&D and lab space

Leasing demand in business parks remained steady, with pharmaceutical and biomedical companies actively seeking to expand their R&D and lab facilities. Other demand drivers include the tech and chemicals sector. Leasing activity for back-end operations of banks took a backseat, as consolidation and downsizing activities remained a common theme with firms adopting flexible working practices.

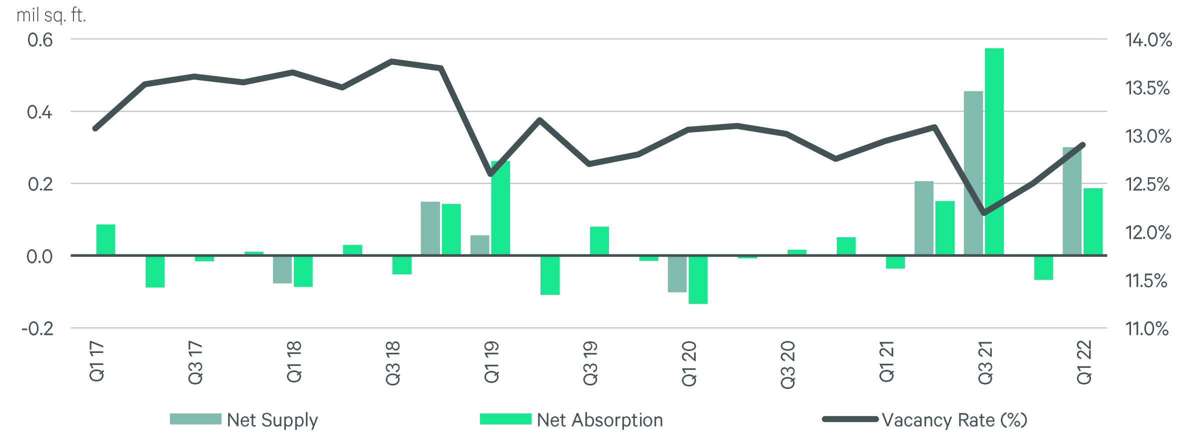
Rental gap between City Fringe and Rest of Island widened

On the back of stronger demand and limited availabilities in the City Fringe submarket, rents in this submarket rose for the fourth consecutive quarter by 0.8% q-o-q to $5.95 psf/month. For the Rest of Island submarket, rental performance was more muted with rents maintaining at $3.65 psf/month as landlords continued to prioritise raising occupancy. Thus, the rental gap between City Fringe and Rest of Island submarkets widened further in Q1 2022.

Positive outlook with relaxation of restrictions, leasing momentum to gain pace

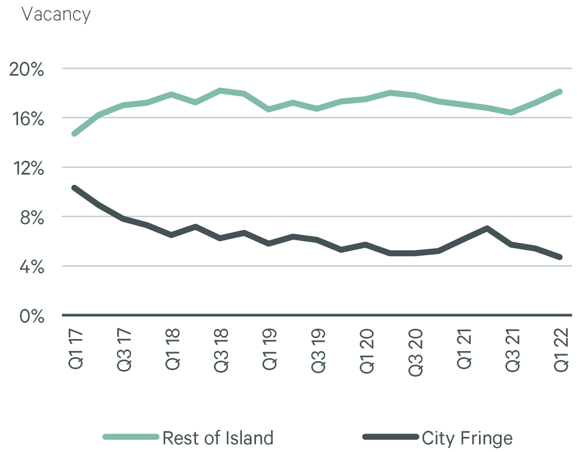
The outlook for the business park market is expected to face less uncertainty with the relaxation of workplace measures and leasing momentum should pick up in the coming quarters. This could provide some respite for the Rest of Island submarket, given the considerable amount of pipeline completing in the next two years.

FIGURE 2: Business Park Supply-Demand (Islandwide)



Source: CBRE Research, Q1 2022

FIGURE 3: Business Park Vacancy



Source: CBRE Research, Q1 2022

TABLE 4: Singapore Business Park Rents

	Q1 22	Q-o-Q	Y-o-Y
City Fringe	$5.95	0.8%	3.5%
Rest of Island	$3.65	0.0%	0.0%

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

	City Fringe	Rest of Island
2022	0.00 mil	1.46 mil
2023	0.30 mil	0.43 mil
2024	0.00 mil	2.41 mil

Source: CBRE Research, Q1 2022

Retail

Demand indicators continued to improve

Retail indicators continued to show signs of recovery. Adjusting for the Lunar New Year effect, retail sales (excluding motor vehicles) for the first two months of 2022 grew 7.7% y-o-y. Although borders have reopened, retail sales remained largely supported by local spending as visitor arrivals have yet to see a significant increase. Business expectations improved further with the end of work-from-home as a default since 1 Jan 2022 and the doubling in group size for dine-in effective 29 Mar 2022.

Stable leasing demand, more pop-up stores

While the recovery of the retail market was still capped by restrictions on social gatherings in most of the quarter, leasing activity continued to be stable. There were more pop-up stores this quarter, featuring collaborations and experiential concepts. F&B operators also entered the market to test out new concepts, while athleisure and furniture stores increased their presence to capitalise on strong local consumption. However, due to changing consumer preferences and competition, there were some notable closures in Q1 2022, including *Mom's Touch Chicken and Burger* (F&B) and consolidations of *Filmgarde* (entertainment) and *In Good Company* (fashion).

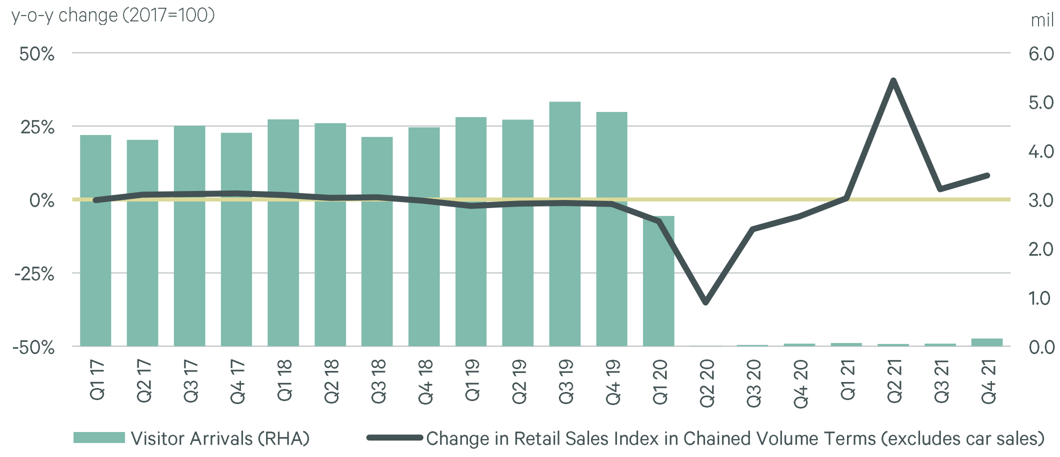
Islandwide retail rents stabilised for second consecutive quarter

Amid a strong economic recovery in 2021 and a nascent rise in tourist arrivals, retailers are optimistic in view of an eventual return of tourist spending and the return of employees to the office. As such, prime retail rents for Orchard Road, City Hall/Marina Centre and Fringe areas remained stable in Q1 2022. Meanwhile, the suburban market continued to register healthy reversionary rents as availability remains extremely limited.

Inflation and increasing manpower costs challenge recovery of the market in 2022

While domestic and travel restrictions have eased, and shopper traffic has improved, the persistent rise in energy and raw material costs, as well as manpower shortage are now posing additional challenges to retailers. Nonetheless, new retail supply in the next few years would be relatively limited, which should support a more meaningful retail rent recovery after H2 2022.

FIGURE 4: Retail Economic Indicators



Source: STB, MTI, CBRE Research, Q1 2022

TABLE 6: Prime Retail Rents

	Q1 22	Q-o-Q	Y-o-Y
Islandwide	$24.75	0.0%	-1.0%
Orchard Road	$34.20	0.0%	-2.0%
Suburban	$30.15	0.2%	2.2%

Source: CBRE Research, Q1 2022

TABLE 7: Estimated Gross New Supply

	Estimated NLA (sq. ft.)
Q2 – Q4 2022	0.37 mil
2023	0.46 mil
2024	0.41 mil

Source: CBRE Research, Q1 2022
Note: *excludes projects with a NLA of less than 20,000 sq. ft.

Industrial

Positive industrial sentiment, albeit some signs of moderation in growth

Manufacturing output increased by 17.6% y-o-y in Feb 2022, bolstered by the electronics and biomedical manufacturing segment. Although the overall industrial sentiment continued to be positive, there were some signs of moderation in growth in NODX and SIPMM's PMI.

Leasing momentum remained stable in Q1 2022

Leasing activity remained stable in Q1 2022, comprising of renewals and expansion activity. With supply chain disruption, demand for storage requirements from semiconductors, food, pharmaceutical and biomedical sectors remained resilient. In addition, there was renewed interest in the aerospace segment with expected further re-opening of borders. That said, enquiries from 3PLs moderated slightly in Q1 2022 given their strong expansion drive in 2021.

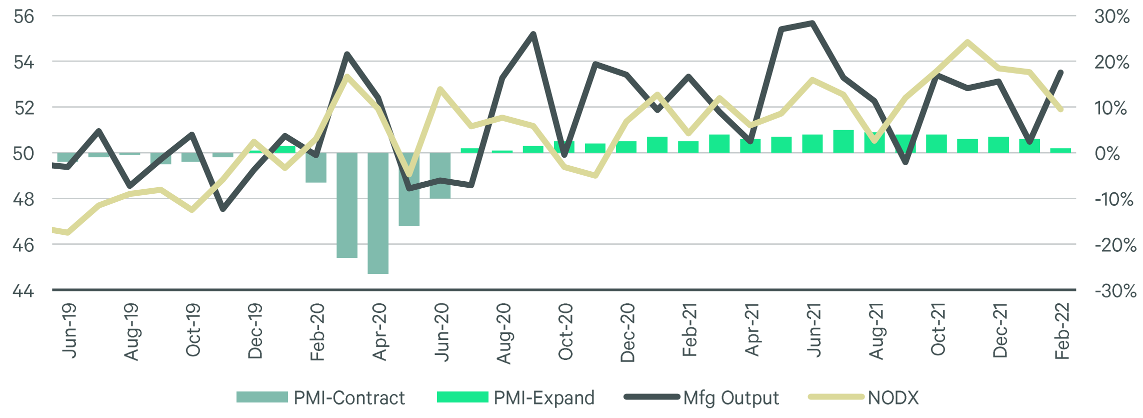
Broad-based growth across all segments

The industrial market experienced broad-based growth across all segments. Due to limited availability in existing prime logistics buildings, rents inched up by another 1.4% q-o-q in Q1 2022. Occupancy for CBRE Research's prime logistics basket experienced a slight dip this quarter due to the completion of *LOGOS Tuas Logistics Hub* but is expected to bounce back strongly in Q2 2022 due to rising commitments in the project. It was observed that developers are pursuing redevelopments to keep up with the strong demand of storage space, which has spilled over to other industrial segments. Average warehouse rents increased by 1.2% q-o-q, followed by factory rents which increased 0.6% q-o-q in Q1 2022.

Sustained rental increase in prime logistics

Demand for industrial space is expected to increase, as occupiers seek to increase inventory levels because of supply chain disruption, increased freight cost and inflationary pressures. Furthermore, limited availability due to the high pre-commitment rates for upcoming pipeline projects in 2022 and 2023 could lead to sustained rental increases for logistics space.

FIGURE 5: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q1 2022

TABLE 8: Industrial Rents

	Q1 22	Q-o-Q	Y-o-Y
Factory (Grd Flr)	$1.55	0.6%	3.3%
Factory (Upp Flr)	$1.20	0.8%	1.7%
Warehouse (Grd Flr)	$1.68	1.2%	6.3%
Warehouse (Upp Flr)	$1.25	0.8%	4.2%
Prime Logistics	$1.49	1.4%	7.2%

Source: CBRE Research, Q1 2022

TABLE 9: Significant Future Developments (2022)

Development	Est. GFA (mil sf)
Kranji Green	1.43
TimMac @ Kranji	1.54
LOGOS Penjuru Logistics Centre	0.36
Tee Yih Jia Food Hub	1.06

Source: CBRE Research, Q1 2022

Residential

Homebuyers and developers adopt wait-and-see approach post cooling measures

Post-Dec 2021 cooling measures, 2022 started on a quiet note due to the Lunar New Year seasonal lull and as homebuyers and developers adopted a wait-and-see approach. Preliminary data showed 1,716 new private homes (excluding ECs) sold in Q1 2022, below the 5-year quarterly average of 2,614 units. New launches in the quarter were limited to smaller boutique developments. As such, the three best performing projects were existing projects *Normanton Park* (261 units), *The Florence Residence* (92 units) and *Dairy Farm Residences* (72 units).

Private home price growth plateaus following property curbs

Private home price growth plateaued in Q1 2022 as cooling measures took effect. Flash estimates for the private residential property price index registered a 0.4% q-o-q increase after a 5.0% surge in Q4 2021. Overall prices of non-landed properties saw a marginal 0.6% q-o-q decline, reversing the 5.3% growth in Q4 2021. Prices of non-landed properties in the RCR and CCR decreased 3.0% and 0.5% respectively, while the OCR outperformed with a 1.9% increase.

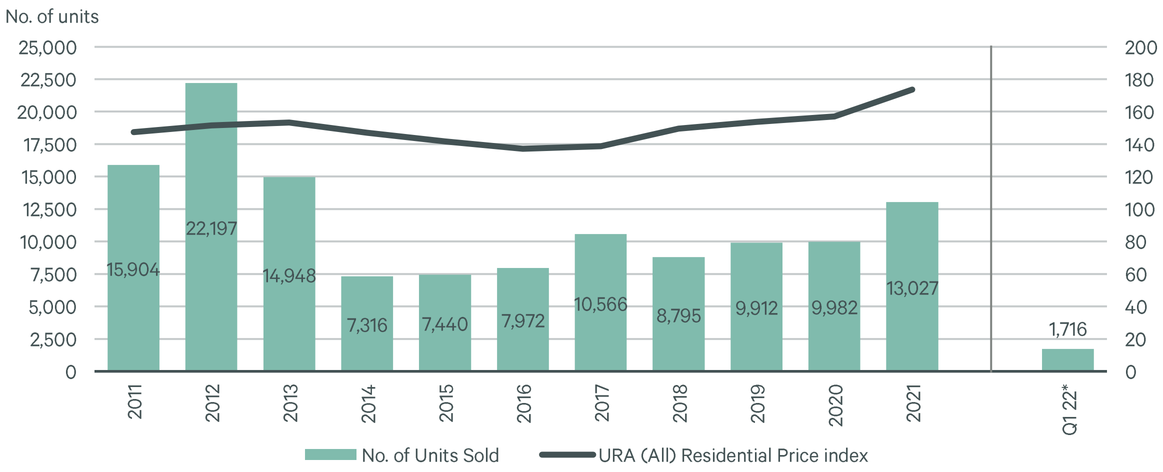
Developers continued to replenish depleting landbank albeit selectively

Developers continued to replenish their depleting landbank selectively. Developers were more cautious in the immediate aftermath of cooling measures, with relatively subdued bidding for GLS sites *Jalan Tembusu* and *Lentor Hills Road (Parcel A)* in Jan 2022. The mood improved by early Mar 2022 with more robust bids for GLS sites *Dairy Farm Walk* and *Bukit Batok West Avenue 8* EC site. Smaller collective sales also saw some success given the lower cost and development risk.

Relaxation of COVID-19 restrictions and full border reopening to boost sentiment

From 29 Mar 2022, the capacity limit at show galleries was increased and from 1 Apr 2022, Singapore fully reopened its borders to vaccinated travellers. Said developments are set to boost sentiment and market confidence which could in turn lift demand for new private homes. CBRE Research expects new home sales to fall between 9,000 – 10,000 units, while prices could rise by up to 3% in 2022.

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



Source: URA, CBRE Research, Q1 2022
Note: *Preliminary figures (excl. ECs) for Q1 2022 based on Realis caveats as of 12 Apr 2022

TABLE 10: Major GLS deals in Q1 2022

Site name	No. of units	Transacted price	$psf ppr	Buyer
Jalan Tembusu (8 bids)	640	$768,000,000	$1,302	CDL
Lentor Hills Road Parcel A (4 bids)	595	$586,591,288	$1,060	Hong Leong/ GuocoLand/ Mitsui Fudosan Co.
Dairy Farm Walk (7 bids)	385	$347,001,000	$980	Sim Lian Group
Bukit Batok West Avenue 8 EC (9 bids)	375	$266,000,000	$662	Qingjian/Santarli Construction

Source: URA, HDB & CBRE Research, Q1 2022

TABLE 11: Top 3 Projects in Q1 2022

Project	Normanton Park	The Florence Residences	Dairy Farm Residences
Tenure	99y	99y	99y
Median Price ($psf) in quarter	$1,858	$1,710	$1,692
Units sold in quarter	261	92	72

Source: URA, CBRE Research, Q1 2022
Note: Based on Realis caveats as of 12 Apr 2022

Investments

Investment volumes hit 4-year quarterly high

Preliminary real estate investment volume in Singapore for Q1 2022 expanded 29.4% q-o-q to $9.994 bn, on the back of public land sales and big-ticket commercial deals. Investment volumes in the quarter reached a 4-year quarterly high, surpassing the quarterly volumes seen in 2021 and just 5.2% below the Q2 2018 peak of $10.542 bn. Following Dec 2021's residential property curbs, investment volumes in the sector took a backseat to the office sector.

Office sector investment activity continues to gain steam

Alongside return-to-office arrangements, office investment volume surged 79.5% q-o-q to $3.388 bn in Q1 2022, on several large office deals. *Twenty Anson* was sold to US private equity group, KKR for $599.50 mil ($2,907 psf). Japanese investors were active in the office market, with Kajima Corporation purchasing *55 Market Street* for $286.95 mil ($3,450 psf) and a joint venture consisting of SMFL Mirai Partners, Kenedix and ARA investing $297.00 mil in *Capital Square*.

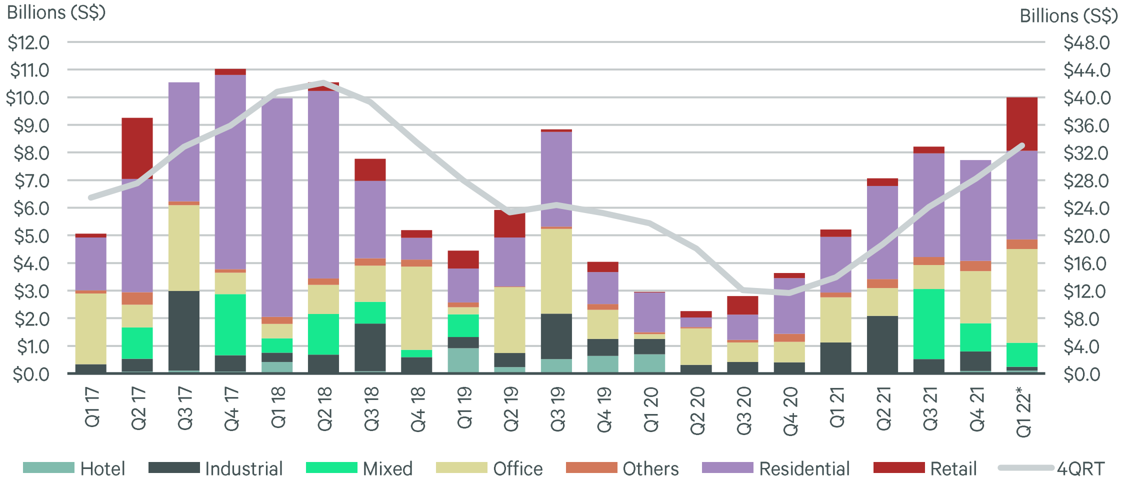
Retail transactions pick up significantly

Following a dearth of transactions above $10.00 mil in Q4 2021, retail investment activity picked up significantly in Q1 2022. The sector recorded an investment volume of $1.929 bn due to the transaction of several suburban shopping malls. Most notably, CapitaLand purchased *JCube* for $340.00 mil ($1,618 psf) and Lendlease REIT acquired the remaining 68.2% stake at *Jem* for $1.418 bn ($2,850 psf), making it the largest transaction in the quarter across all sectors. Correspondingly, retail-and-office strata development, *Tanglin Shopping Centre* in Orchard Road was sold collectively to Pacific Eagle Real Estate for $868.00 mil ($2,769 psf).

Positive outlook for real estate investment market

A further relaxation of pandemic restrictions and full reopening of borders are set to fuel a broad-based recovery in Singapore's economy. Singapore could also benefit from increased investment flows as a safe haven for investors amid geopolitical tensions. CBRE Research expects 2022 investment volumes to grow 10% to $31 bn, led by commercial and industrial sales.

FIGURE 7: Total Transaction Volume by Sector



Source: CBRE Research, Q1 2022 , *Preliminary figures

FIGURE 8: Capital Values Index

Source: CBRE Research, Q1 2022, *Preliminary figures

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