CBRE MARKETVIEW

Singapore, Q3 2020

Trudging along

GDP Y-o-Y	CPI Inflation Y-o-Y	PMI	Retail Sales Index* Y-o-Y	3M Interbank
↓ -13.2% Q2 20	↓ -0.4% Aug	↓ 50.3 Sep	↓ -9.3% Aug	↓ 0.4% Sep

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

Quick Stats

Investment*	Q3 20	q-o-q	y-o-y
Total volume	$2.789 bn	↑	↓
Office	**Q3 20**	**q-o-q**	**y-o-y**
Grade A rent	$10.70	↓	↓
Capital value	$2,900	↓	↓
Net yield**	3.7%	↑	↑
Business Park	**Q3 20**	**q-o-q**	**y-o-y**
Rent (City Fringe)	$5.80	↓	→
Retail	**Q3 20**	**q-o-q**	**y-o-y**
Prime rent (Orchard)	$30.00	↓	↓
Capital value	$6,300	↓	↓
Net yield	4.9%	↓	↓
Residential	**Q3 20**	**q-o-q**	**y-o-y**
Prime rent	$4.03	↓	↓
Capital value	$1,693	↑	↓
Net yield	2.2%	↓	↓
Industrial***	**Q3 20**	**q-o-q**	**y-o-y**
Rent	$1.18	→	↓
Capital value	$251	↓	↓
Net yield	3.8%	↑	↓

Source: CBRE Research, Q3 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

Real estate investment volume in Singapore for Q3 2020 came to $2.789 bn, a 23.2% increase from the previous quarter. This marks the first increase after three consecutive quarters of decline in investment volume.

OFFICE

The COVID-19 pandemic continued to pile pressure on the economic performance of Singapore. Coupled with the bleak employment outlook, office demand continued to dampen.

BUSINESS PARKS

Overall demand in the business park market was relatively subdued in Q3 2020 as illustrated by the islandwide net absorption of a mere 15,960 sq. ft. in Q3 2020.

RETAIL

Rental correction accelerated, as rental rebates passed down from the government have mostly expired by the end of Q3 2020.

RESIDENTIAL

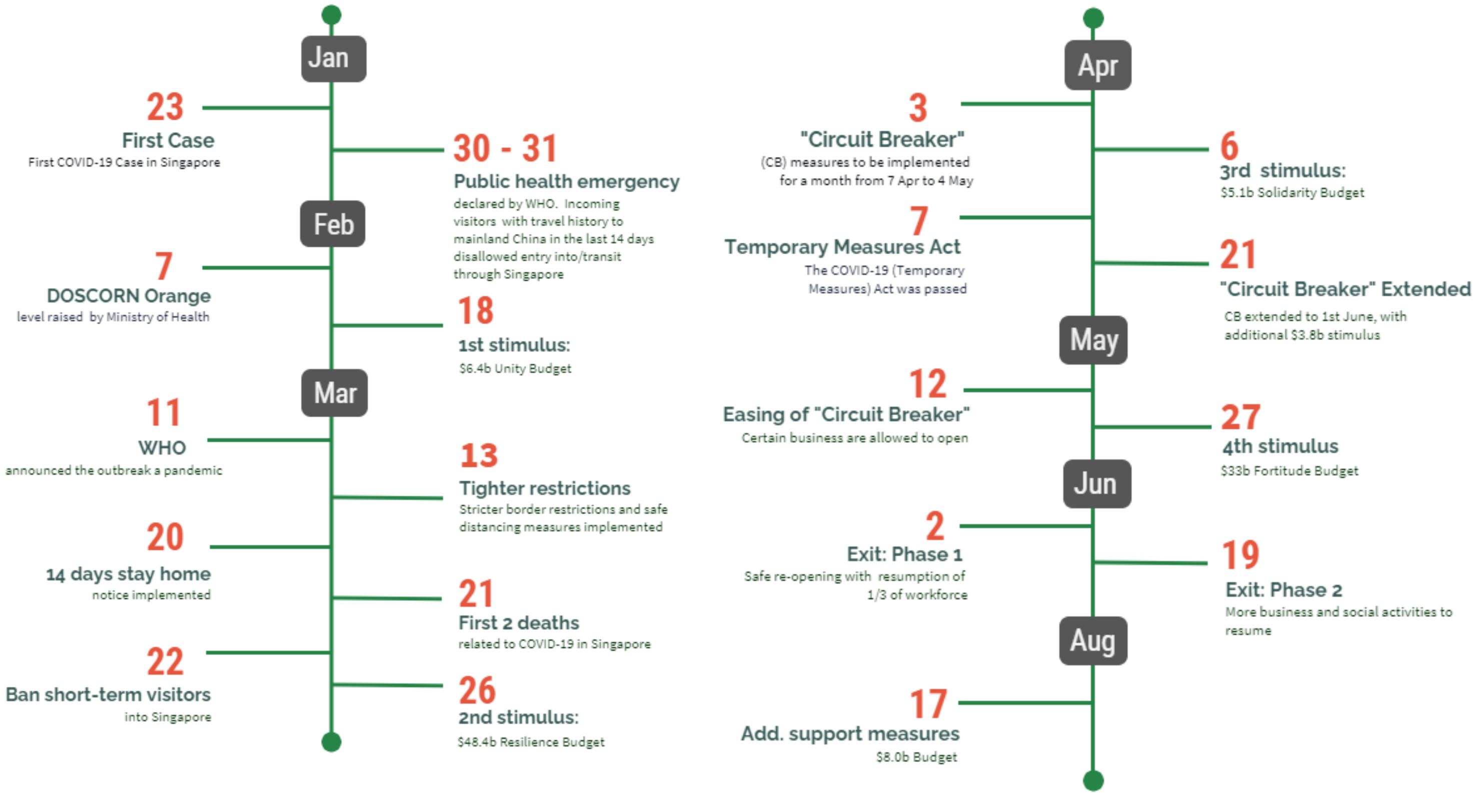
The residential market continued to surprise on the upside despite the economy undergoing a recession from the ongoing COVID-19 pandemic.

INDUSTRIAL

Leasing activity in the quarter consisted mainly of renewals and relocations. While government stockpiling eased off, leasing demand was stable for warehouse and prime logistics spaces.

COVID-19 Updates

A Timeline of Events in 2020



Additional Support Measures

Extension of mortgage relief

• Individual borrowers to make reduced instalment payments at 60% of their monthly instalment for a period of up to nine months but not exceeding 31 December 2021.

• Eligibility is subject to proof of income decline of at least 25% or loss of employment after 1 Feb 2020. In addition, borrowers should not have mortgage repayments that are more than 90 days past due at the point of application.

• The scope of borrowers and loans include residential, commercial, industrial property loans and mortgage equity withdrawal loans.

Extended support measures for SMEs

• This includes partial deferment of 80% of principal repayments on secured SME loans and loans under Enterprise Singapore for an additional 3-6 months, until March or June 2021.

• Depending on the trade sectors of SMEs, longer extensions will be granted to more impacted sectors such as tourism, hospitality and qualifying retail outlets.

• Borrowers are to pay instalments comprising the remaining principal of 20% and the interest on the loan.

Additional temporary relief measures

• Extension of the Project Completion Period (PCP) by another six months for residential, commercial and industrial developments.

• The commencement and completion of residential developments was extended by another six months for property developers to obtain the remission of the Additional Buyer's Stamp Duty.

• Extension of the PCP by up to another six months for residential developments under the Qualifying Certificate regime for foreign property developers.

Along with the lifting of some COVID-19 restrictions, real estate investment volume in Singapore for Q3 2020 came to $2.789 bn, a 23.2% increase from the previous quarter. This marks the first increase after three consecutive quarters of decline in investment volume.

The residential sector was the outperformer, coming in at 33.5% of investment sales, due to strong sales of good class bungalows and detached houses. The office sector also came in strongly with two major deals propping up volume: the sale of *Robinson Point* for $500.00 mil and *ABI Plaza* for $200.00 mil.

Retail sales also came in higher at $672.00 mil, or 1.85 times q-o-q, due to the sale of the south wing of *Northpoint City* for $550.00 million. Despite the absence of public land sales, industrial volume remained robust coming in at $396.60 mil, an increase of 26.2% q-o-q, with several sales to end-users and a data centre deal.

Prices have declined slightly due to the poorer rental and occupancy outlook. However, prices remain supported by the limited supply of prime assets and holding power of asset owners.

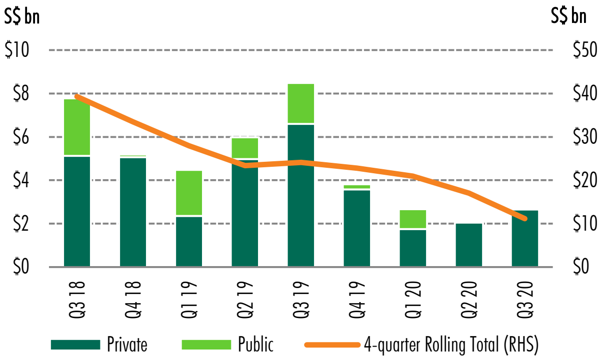
Buyers have been very selective with the market in a stalemate; several tenders have closed without bids. Nevertheless, investors are still looking out for office assets, while watching closely for signs of distress in the retail and hospitality sectors.

Foreign investment volume dropped by 26.4% q-o-q due to travel restrictions. Going forward, market activity is likely to be dominated by local players.

The shrinking universe of investible assets in Singapore may lead to fewer transactions crossing the billion-dollar mark, but this will also continue to drive interest in niche asset classes such as shophouses and value-add opportunities.

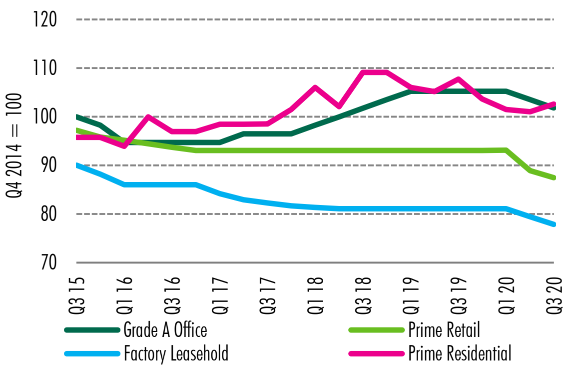
Nonetheless, the retail sector is getting a respite from the resurgence of food & beverage, residential sales are supported by pent-up demand, while industrial assets are riding on the e-commerce wave. For the office sector, news of Chinese tech firms coming to Singapore have provided a silver lining. As such, the current situation could present opportunities for investors with a longer-term view.

Chart 1: Total Transaction Value



Source: CBRE Research, Q3 2020

Chart 2: Capital Values Index



Source: CBRE Research, Q3 2020

Table 1: Major Private Investment Transactions

Sector	Property	Price ($)	Buyer
Retail	Northpoint City(South Wing)	550.00 mil	TCC Group
Office	Robinson Point	500.00 mil	Undisclosed
Industrial	7 Bulim Street	129.60 mil	AIMS APAC Reit

Source: CBRE Research, Q3 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 COVID-19 pandemic continued to pile pressure on the economic performance of Singapore. Coupled with the bleak employment outlook, office demand continued to dampen. Islandwide net absorption registered -445,491 sq. ft., which was the second consecutive quarter of negative net absorption.

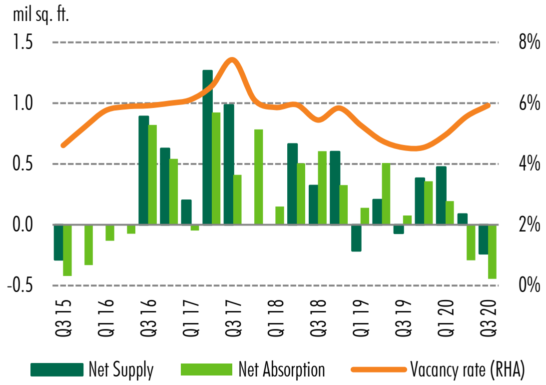
Cost efficiency continued to be the main driver for leasing enquiries. In Q3 2020, the sectors that contributed to occupier activity were the insurance and technology sectors. However, challenges in most sectors have reduced the volume of occupied space by firms. This resulted in an emerging volume of secondary space which will raise the spectre of competition for tenants. Nonetheless, the quality, fitted-out secondary space in prime locations are poised to attract tenants seeking to relocate.

In Q3 2020, *Shaw Towers* was removed from stock as it commenced construction works. With no new supply over the past three months, the negative net absorption resulted in a marginal increase in the islandwide vacancy rate from 5.6% in Q2 2020 to 5.9% in Q3 2020.

With vacancy rates expected to rise, landlords are realigning rental expectations, and thus narrowing the rental expectations gap between tenants and landlords. However, the rate of rental decline was cushioned by the stimulus packages and rental relief schemes. In Q3 2020, Grade A (Core CBD) office rents declined for its third consecutive quarter at 4.0% q-o-q to $10.70 psf/month.

In the short term, occupier movement is likely to stem from the displacement of tenants from upcoming redevelopment projects. Furthermore, Chinese technology firms and family offices are establishing offices here, which reinforces Singapore's status as a financial and technology hub. On the supply side, concerns around the next wave in 2022 have dissipated as the expected completion of upcoming developments are delayed by at least three months. This will allow supply and demand dynamics to recalibrate.

Chart 3: Office Supply-Demand Dynamics



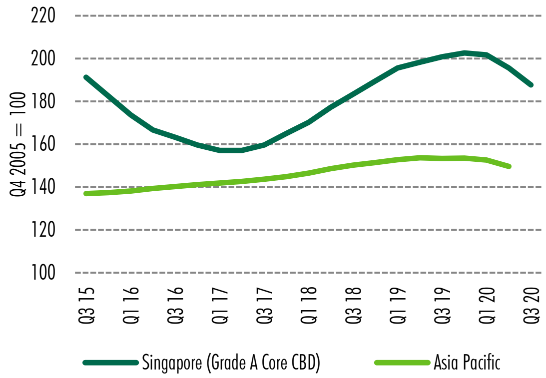
Source: CBRE Research, Q3 2020

Table 2: Office Vacancy Rates

	Q3 20	Q-o-q	Y-o-y
Islandwide	5.9%	36 bps	139 bps
Core CBD	6.1%	51 bps	214 bps
Fringe CBD	5.8%	13 bps	126 bps
Decentralised	5.6%	27 bps	-8 bps
Grade A (Core CBD)	3.2%	37 bps	-24 bps

Source: CBRE Research, Q3 2020

Chart 4: Office Rental Index



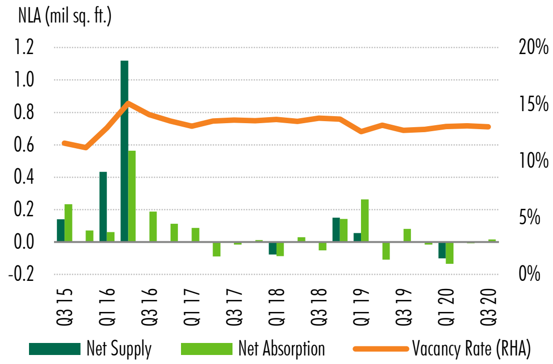
Source: CBRE Research, Q3 2020

Table 3: Singapore Office Rents

	Q3 20	Q-o-q	Y-o-y
Grade A CBD Core	$10.70	-4.0%	-6.6%
Grade B CBD Core	$8.15	-3.6%	-6.3%
Grade B Islandwide	$7.60	-3.2%	-5.0%

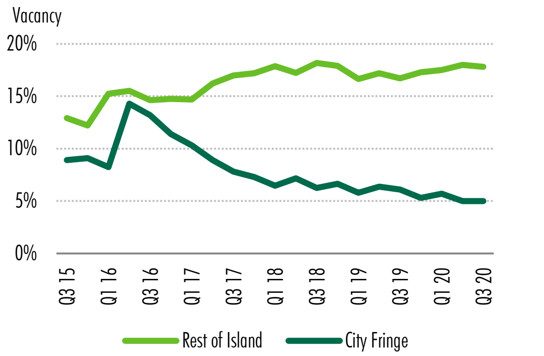
Source: CBRE Research, Q3 2020

Chart 5: Business Park Supply-Demand Dynamics



Source: CBRE Research, Q3 2020

Chart 6: Business Park Vacancy by Submarkets



Source: CBRE Research, Q3 2020

Table 4: Business Park Rents

	Q3 20	Q-o-q	Y-o-y
City Fringe	$5.80	-0.9%	0.0%
Rest of Island	$3.70	-1.3%	-2.6%

Source: CBRE Research, Q3 2020

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

	City Fringe	Rest of Island	Total
Q4 2020	0.00 mil	0.30 mil	0.30 mil
2021	0.75 mil	1.12 mil	1.87 mil
2022	0.00 mil	0.00 mil	0.00 mil
2023	0.00 mil	2.24 mil	2.24 mil
Total	**0.75 mil**	**3.66 mil**	**4.41 mil**

Source: CBRE Research, Q3 2020

The bleak labour market and economic uncertainties presented challenges to firms. Overall demand in the business park market was relatively subdued in Q3 2020 as illustrated by the islandwide net absorption of a mere 15,960 sq. ft. in Q3 2020. Occupier activity was relatively muted, with some leasing demand from the technology sector. Renewals were a prominent feature and some large occupiers were cutting back on requirements. At the same time, the stringent qualifying requirements for business park space served as a high barrier to entry for tenants.

With no new supply over the past three months, islandwide vacancy eased slightly from 13.1% in Q2 2020 to 13.0% in Q3 2020. The rental disparity between both submarkets has led cost conscious occupiers to consider the Rest of Island submarket. At the same time, with limited availability of large contiguous space in the newer buildings within the City Fringe submarket, occupancy is unlikely to dip significantly.

On the back of lacklustre demand and rising vacancy in the older buildings, some landlords are adjusting their rental expectations. The rents in the City Fringe submarket eased 0.9% q-o-q to $5.80 psf/month, and the Rest of Island submarket declined 1.3% q-o-q to $3.70 psf/month.

The disruptions in the construction industry resulted in construction delays of ongoing business park projects. This has pushed back the expected completion of projects by at least three months. From Q4 2020 to 2023, 4.41 mil of future supply is expected to come on stream, with an estimated 31.5% of this upcoming supply pre-committed by end-users.

Looking ahead, more downsizing could be seen in the horizon as tenants recalibrate their footprint. Nonetheless, business parks still feature prominently in the long-term plan for firms. The City Fringe business parks continue to attract interest despite its tight supply and rental premium over Rest of Island business parks.

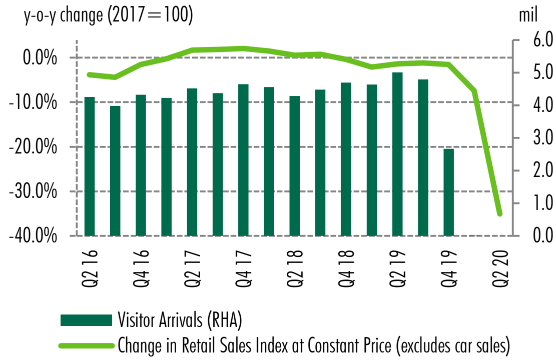
With the end of the "circuit breaker" period, majority of tenants have resumed operations, resulting in a gradual recovery in retail sales and shopper traffic. While sentiments have improved, the retail market continues to be affected by the absence of international tourists and work from home measures. Consolidation activity increased from poorer performing stores as businesses are unable to sustain current rental and labour costs in this challenging climate. For example, retailers such as *Naiise* and *Charles & Keith* have downsized their store footprint to enhance business efficiency while *Topshop* and *Hotwind* exited the Singapore market entirely.

Landlords have become more realistic in their rental expectations as they attempt to strike a balance between rental and occupancy. In addition, some landlords are undertaking more flexible leasing terms given the fluidity of the COVID-19 pandemic. These include shorter lease terms, longer rent-free periods and changing of rental structure.

Rental correction accelerated, as rental rebates passed down from the government have mostly expired by the end of Q3 2020. Average prime islandwide retail rents reported a steeper decline of 3.1% q-o-q in Q3 2020, after -1.8% q-o-q in Q2 2020. Submarkets which have a higher reliance on tourist and office footfall suffered higher degrees of stress. This is with the exception of the suburban market, where shopper traffic has recovered strongly. Given the resilient nature of the suburban market, the premium between prime suburban and Orchard Road has decreased to an all time low of 3.5%.

To date, rental correction has not been as severe due to tenant support and government measures which have cushioned the negative impact. Although shopper traffic has improved, the sector is still plagued by uncertainty over the recovery of the tourism industry, lifting of safety management measures and prolonged disruptions from the global pandemic. Occupancy and rents are expected to remain under pressure, although the extent will be mitigated by the limited new retail supply.

Chart 7: Retail Economic Indicators



Source: STB, MTI Economic Survey of Singapore, CBRE Research, Q3 2020

Table 6: Estimated Gross New Supply*

Year	Estimated NLA (sq. ft.)
Q4 2020	0.00 mil sf
2021	0.34 mil sf
2022	0.43 mil sf
2023	0.25 mil sf

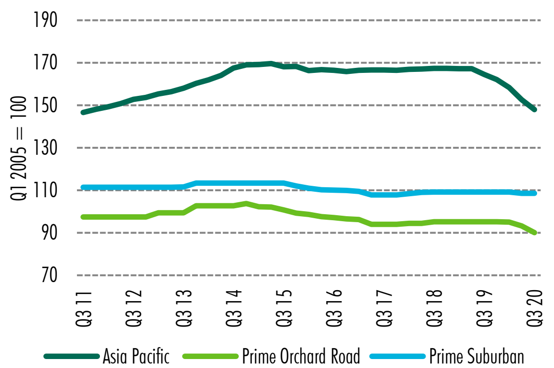
Source: CBRE Research, Q3 2020
*excludes projects with a NLA of less than 20,000 sq. ft.

Table 7: Prime Retail Rents

	Q3 20	Q-o-Q	Y-o-y
Orchard Road	$30.00	-3.4%	-5.4%
Suburban	$29.00	0.0%	-0.5%

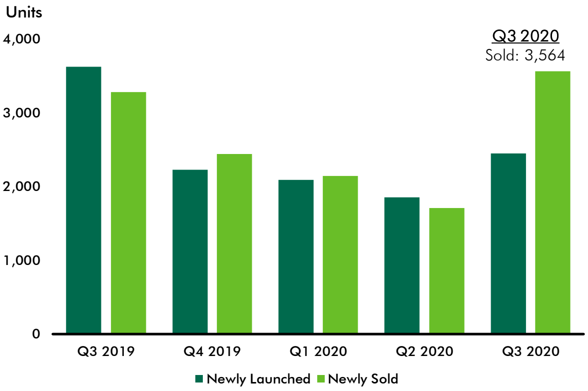
Source: CBRE Research, Q3 2020

Chart 8: Retail Rental Index



Source: CBRE Research, Q3 2020

Chart 9: New Private Residential Units Take-Up



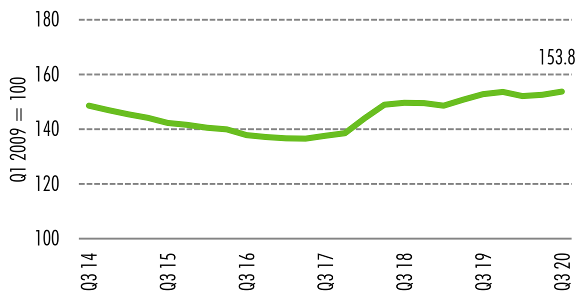
Source: URA, CBRE Research, Q3 2020
Note: Prelim figures exclude executive condominiums (ECs)
Prelim newly launch figures for Q3 2020 refer to Jul & Aug only.

Table 8: Selected Projects with New Units Launched in Q3 2020

Development	Tenure	Median Price	No of units in project	Units sold
Forett at Bukit Timah	FH	$1,932	633	246
Verdale	99y	$1,699	258	44
Penrose	99y	$1,539	566	362
NoMa	FH	$1,637	50	36

Source: CBRE Research, Q3 2020
Note: Based on no. of caveats lodged

Chart 10: URA Residential Price Index



Source: CBRE Research, Q3 2020
Note: Q3 20 URA Residential Price Index is a flash estimate

The residential market continued to surprise on the upside despite the economy undergoing a recession from the ongoing COVID-19 pandemic. A total of 3,564 caveats were lodged for new private residential homes in Q3 2020, a 4.8% y-o-y increase, attributed to healthy take-up from new launches. Prices exhibited a similar trend as flash estimates of Q3 2020 private residential property price index increased 0.8% q-o-q, following the pick-up of 0.3% q-o-q in Q2 2020. Buyers for new homes were in favour of larger units, considering that the median unit sizes increased from 721 sq. ft. in Q2 2020 to 753 sq. ft. in Q3 2020.

New sales volume (non-landed) in the RCR accounted for 52.6% of all new sale transactions in Q3 2020, supported by new launches such as *Forett at Bukit Timah* and *Penrose.* These projects secured take-up rates of 39% and 64% which are considered healthy given today's challenging macro-environment. Key contributing factors included pent-up demand, low interest rates, as well as the holding power of buyers strengthened by the economic support measures which has helped cushioned the recessionary impact and job losses. Given the robust market activity, unsold inventory is expected to decline further, from 27,977 units in Q2 2020.

Year to date, take-up for new home for 2020 reached 7,426 units while the overall private home prices increased by 0.1%. CBRE Research has revised its forecast for new home sales in 2020 to about 9,000 units, given the possibility of sales momentum from a healthy project pipeline scheduled for Q4 2020. On the other hand, there could be a minor correction towards the end of the year, especially if developers adopt a more flexible pricing strategy to move units.

That said, the URA recently unveiled new guidelines stating that developers can no longer re-issue the option to purchase (OTP) to the same buyer multiple times. This may cause a slight dampener to future sales numbers, particularly for uncertain buyers who are unable to commit during this period.

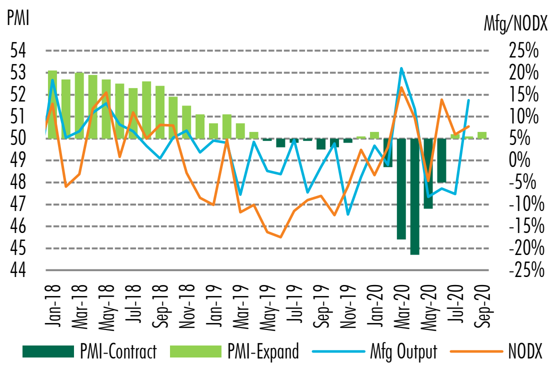
Singapore's manufacturing sector remained under pressure in Q3 2020 as the COVID-19 outbreak continued to run its course. Nonetheless, positive blips were observed across industrial indicators – manufacturing output rose by 13.7% y-o-y in August following three consecutive months of contraction, while NODX expanded for the third consecutive month in the same month by 7.7% y-o-y. Sentiments similarly improved, as PMI recorded its first expansion since January at 50.2 in July and sustained its expansion in August and September at 50.1 and 50.3 respectively.

Leasing activity in the quarter consisted mainly of renewals and relocations. While government stockpiling eased off, leasing demand was stable for warehouse and prime logistics spaces, supported by e-commerce, food logistics and third-party logistics players. Prime logistics vacancy remained compressed, with most buildings nearing full occupancy. In addition, there were some leasing enquiries for factory spaces with higher specifications. Meanwhile, some non-renewals by master lessees were reported by landlords, including Sabana REIT and A-REIT, for both factory and warehouse properties.

The resilient leasing demand for logistics spaces lent support to rents, with both ground and upper floor warehouse rents increasing by 0.5% q-o-q in Q3 2020. On the other hand, the demand for factory buildings with higher specifications was balanced out by the lack thereof for older non-high-specs stock. As such, both ground and upper floor factory rents stayed flat in the same quarter.

Notably, there was a decrease in the supply pipeline for the rest of the year, due to construction delays vis-à-vis the pandemic. Consequently, most factory and warehouse completions have been pushed back by three to six months, and further delays could be expected moving forward.

Chart 11: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q3 2020

Table 9: Significant Future Developments for 2020

Development	Region	Est. GFA (Mil sf)
JTC Defu Industrial City	North East	3.51
JTC Logistics Hub @ Gul	West	1.51
Cogent Jurong Island Logistics Hub	West	0.94
AirTrunk SGP1	East	0.40
Single-user industrial development (Shimano Singapore Pte Ltd)	West	0.38

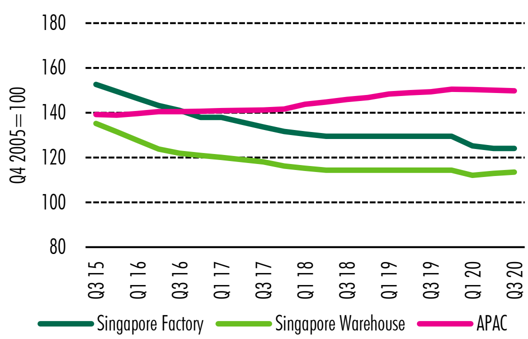
Source: CBRE Research, Q3 2020

Table 10: Industrial Rents

	Q3 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)	\$1.57	0.5%	-0.7%
Warehouse (Upp Flr)	\$1.19	0.5%	-0.7%

Source: CBRE Research, Q3 2020

Chart 12: Industrial Rental Index



Source: CBRE Research, Q3 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)

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

Desmond Sim
Head of Research, Singapore and SEA
+65 6326 1638
Desmond.sim@cbre.com.sg

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

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

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

Elizabeth Low
Industrial Research
+65 6328 7397
Elizabeth.low@cbre.com

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