Singapore, Q1 2021

Road to recovery

GDP Y-o-Y	CPI Inflation Y-o-Y	PMI	Retail Sales Index* Y-o-Y	3M Interbank
▲ -2.4% Q4 20	▲ 0.7% Feb	▲ 50.8 Mar	▲ 3.5% Feb	▲ 0.4% Mar

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

Quick Stats

Investment*	Q1 21	q-o-q	y-o-y
Total volume	$3.523 bn	↑	↑
Office	**Q1 21**	**q-o-q**	**y-o-y**
Grade A rent	$10.40	→	↓
Capital value	$2,850	→	↓
Net yield**	3.7%	→	↑
Business Park	**Q1 21**	**q-o-q**	**y-o-y**
Rent (City Fringe)	$5.75	↓	↓
Retail	**Q1 21**	**q-o-q**	**y-o-y**
Prime rent (Orchard)	$34.90	↓	↓
Capital value	$7,400	↓	↓
Net yield	4.9%	→	→
Residential	**Q1 21**	**q-o-q**	**y-o-y**
Prime rent	$4.11	↑	↓
Capital value	$1,719	↓	↑
Net yield	2.2%	↑	↓
Industrial* **	**Q1 21**	**q-o-q**	**y-o-y**
Rent	$1.39	↑	↑
Capital value	$181	↑	↑
Net yield	6.8%	↓	→

Source: CBRE Research, Q1 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

With economic recovery gaining traction, preliminary real estate investment volume in Singapore increased by 11.5% q-o-q, to $3.523 bn for Q1 2021.

OFFICE

Supported by the tight vacancy, the rental decline in the Grade A (Core CBD) market was arrested after four quarters of correction. Conversely, the Grade B market continued to grapple with higher vacancy rates and rents registered a further decline.

BUSINESS PARKS

The performance of the business park market softened slightly in Q1 2021. Negative net absorption was noted, contributed by the City Fringe submarket.

RETAIL

There has been a slowdown in rental declines of prime retail spaces. Landlords continue to maintain a flexible stance towards rental expectations.

RESIDENTIAL

The strong performance in the residential market has further shored up homebuyers' confidence and take-up of new launches.

INDUSTRIAL

Leasing activity was stable in Q1 2021, albeit slowing down from the strong performance of the previous sector. Transactions consisted mainly of renewals and relocations, along with a handful of new set ups and expansions.

COVID-19 Updates

A Timeline of Events

H2 2020

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

H1 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)

Apr

5 **Safe management measures**
Updated measures allow up to 75% of employees to be at the workplace

Market-related Developments

01

Further Extension of Relief Periods to the Built Environment Sector

• The relief period for construction contracts or supply contracts, or any performance bond granted thereto, will be extended for an additional six months, up to 30 Sep 2021.
• The relief period for Options to Purchase, and Sale and Purchase Agreements with developers, will be extended for an additional three months, up to 30 Jun 2021.
• The relief period for co-sharing of additional non-manpower-related qualifying costs between contracting parties due to delays caused by COVID-19 is also extended for an additional six months up to Sept 30. Cost-sharing relief will also now apply to qualifying costs that arise due to delays caused by COVID-19 during the period from 7 Apr 2020 to 30 Sep 2021.

02

Code of Conduct (CoC) for Leasing of Retail Premises

• The CoC seeks to serve as a guide to landlords and tenants and to provide a framework to provide an accessible dispute resolution framework. It will be effective from 1 Jun 2021.
• Some of the leasing principles for key tenancy terms include the exclusion of exclusivity clauses, transparency in costs to prepare lease agreement and third party costs, exclusion of sales performance clauses and for rental formula to be based on a single rental computation throughout the lease term etc.
• Any exception must be mutually agreed by the landlord and tenant.

03

Updated Safe Management Measures at Workplaces and Crowd Control

• 75% of employees allowed to be at the workplace at any one time, up from 50% currently, with split teams no longer mandatory but flexible work arrangements still encouraged from 5 April.
• Larger events of up to 750 people, up from 250 people, will also be allowed from 24 April for business and sporting events, and live performances, subject to pre-event testing and placing attendees in zones of up to 50 people each.

With economic recovery gaining traction, preliminary real estate investment volume in Singapore increased by 11.5% q-o-q, to $3.523 bn for Q1 2021, marking a third consecutive quarter of increase since the trough of the pandemic in Q2 2020. This is a respectable volume considering there were no public sites transacted in the quarter.

The residential sector was the outperformer, coming in at 37.8% of investment sales, with the sale of private sites and strong luxury sales. In an en bloc sale, three sites at *Institution Hill* were sold to a local consortium for $33.60 mil. In two other collective sales, *6, 6A, 6B Mount Emily Road* was sold for $18.00 mil while *Surrey Point* was sold for $47.80 mil. For luxury sales, 18 good class bungalows were sold, and another 31 apartments above $10.00 mil were transacted, 20 units of which were from *Eden* by Swire properties and sold collectively for $293.00 mil.

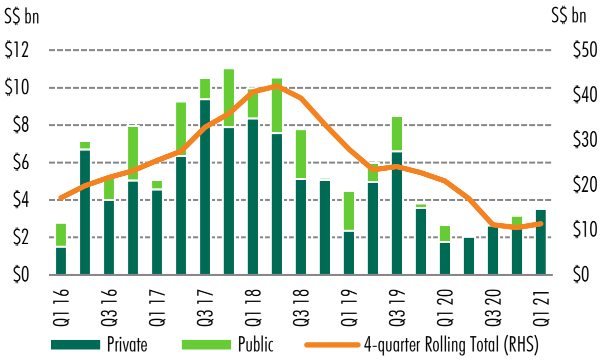
Coming in a close second at $967.46 mil was industrial sales, boosted by a portfolio transaction of assets injected into the Boustead Industrial Fund by Boustead Projects Limited.

Other sizeable transactions came from the office sector; this includes the sale of a 50% stake in *OUE Bayfront* for $633.75 mil, and the $150.00 mil sale of *Certis Cisco Centre* to a trust set up by Certis and Lendlease for redevelopment.

Despite travel restrictions still in place, foreign interest in Singapore assets remain strong with funds still actively seeking out investments. Investment volume is likely to improve with the rollout of vaccination programs globally, border restrictions easing, and business confidence returning.

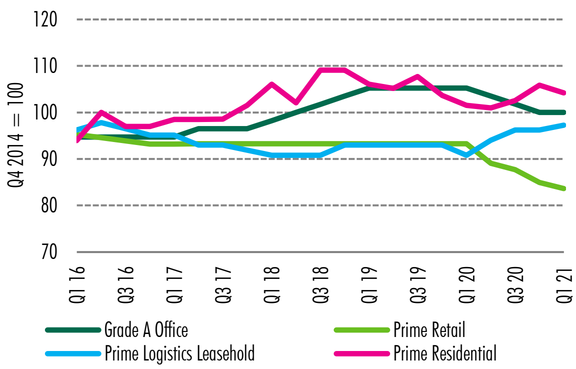
Although investors are likely to remain discerning and cautious, spurred by the low interest rate environment and ample liquidity, they will still be in search of investments that provide them with higher returns, coupled with stability and value at the top of their minds. Due to their limited stock, Grade A offices and shophouses will still be in high demand. CBRE Research believes that investment volume in 2021 is likely to rebound on the back of a recovering economy, led by residential, office, and industrial sales.

Chart 1: Total Transaction Value



Source: CBRE Research, Q1 2021

Chart 2: Capital Values Index



Source: CBRE Research, Q1 2021

Table 1: Major Private Investment Transactions

Sector	Property	Price ($)	Buyer
Office	OUE Bayfront (50% stake)	633.75 mil	Allianz Real Estate
Residential	Eden (20 units)	293.00 mil	Tsai family
Retail	Yew Tee Point	220.00 mil	Arch Capital

Source: CBRE Research, Q1 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.

After three quarters of negative net absorption, the office market registered a positive net absorption of 0.13 mil sq. ft. in Q1 2021. This stemmed mainly from Dyson Limited's lease commitment at *St James Power Station* which was added into total office stock for Q1 2021.

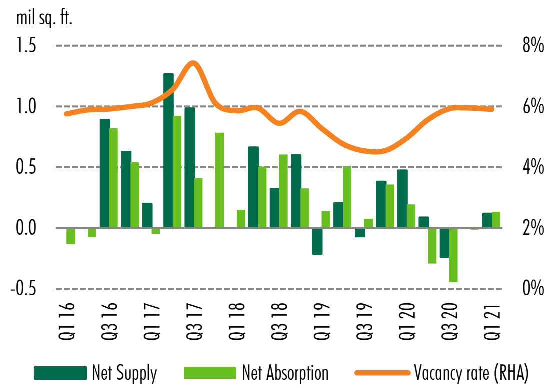
In the past six months, CBRE Research has noted an uptick in leasing momentum. In particular, the Grade A (Core CBD) market also registered positive net absorption, as occupiers capitalised on the declining rents and moved to prime office buildings. Demand came from firms in the technology and financial services industries such as asset management firms, and to a smaller extent, family offices. In addition, the displacement of tenants from buildings scheduled for redevelopment such as *AXA Tower* and *Fuji Xerox Towers* have contributed to increased occupier activity over the past few months.

With more flight to quality movement, the difference in the Grade A and Grade B markets became more stark. Supported by the tight vacancy in the Grade A (Core CBD) market, the rental decline was arrested after four quarters of correction. In Q1 2021, Grade A (Core CBD) rents remained stable q-o-q at $10.40 psf/month. Conversely, the Grade B market continued to grapple with higher vacancy rates and the Grade B (Core CBD) rents saw a further rental decline of 1.3% q-o-q to $7.80 psf/month.

Although there remain concerns around the existing pool of secondary space, healthy take-up of secondary space within the Core CBD has indicated that interest for such fitted out space remains strong.

Going forward, demand is expected to be supported by employment gains, a gradual recovery of the economy and a tight supply pipeline. However, it will not be a uniform recovery; the Grade A market is expected to be the main beneficiary as large corporates leverage on the pull-back in rents for an upgrade in location and quality.

Chart 3: Office Supply-Demand Dynamics



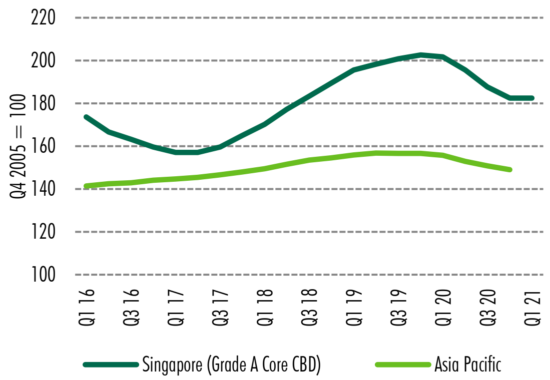
Source: CBRE Research, Q1 2021

Table 2: Office Vacancy Rates

	Q1 21	Q-o-q	Y-o-y
Islandwide	5.9%	-4 bps	95 bps
Core CBD	6.1%	-16 bps	145 bps
Fringe CBD	6.0%	15 bps	30 bps
Decentralised	5.5%	2 bps	65 bps
Grade A (Core CBD)	3.3%	-57 bps	93 bps

Source: CBRE Research, Q1 2021

Chart 4: Office Rental Index



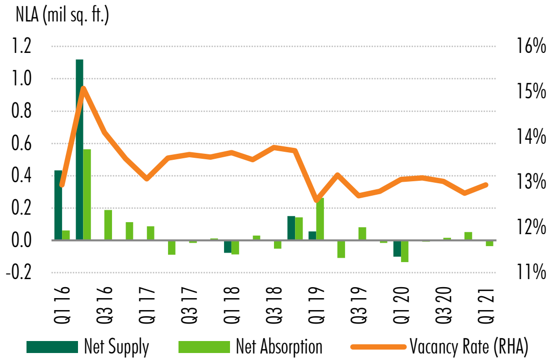
Source: CBRE Research, Q1 2021

Table 3: Singapore Office Rents

	Q1 21	Q-o-q	Y-o-y
Grade A CBD Core	$10.40	0.0%	-9.6%
Grade B CBD Core	$7.80	-1.3%	-9.8%
Grade B Islandwide	$7.20	-2.0%	-10.0%

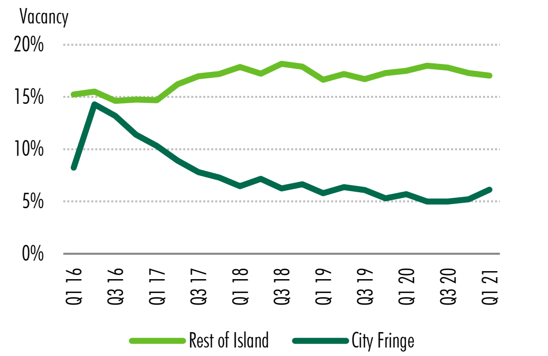
Source: CBRE Research, Q1 2021

Chart 5: Business Park Supply-Demand Dynamics



Source: CBRE Research, Q1 2021

Chart 6: Business Park Vacancy by Submarkets



Source: CBRE Research, Q1 2021

Table 4: Business Park Rents

	Q1 21	Q-o-q	Y-o-y
City Fringe	$5.75	-0.9%	-1.7%
Rest of Island	$3.65	-1.4%	-2.7%

Source: CBRE Research, Q1 2021

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

	City Fringe	Rest of Island	Total
2021	0.75 mil	0.64 mil	1.40 mil
2022	0.00 mil	0.36 mil	0.36 mil
2023	0.30 mil	0.32 mil	0.63 mil
2024	0.00 mil	1.95 mil	1.95 mil
Total	**1.05 mil**	**3.28 mil**	**4.33 mil**

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

Source: CBRE Research, Q1 2021

The performance of the business park market softened slightly in Q1 2021. A negative net absorption of -35,817 sq. ft. was noted, contributed by the City Fringe submarket. Consequently, islandwide vacancy saw a marginal increase of 0.1 percentage points q-o-q to 12.9%.

Leasing activity was relatively subdued in Q1 2021, with renewals and relocations continuing to feature. While leasing demand was led by the technology sector, expansions from other sectors have eased, as firms become more conservative in their take-up. Further, more downsizing by companies with portions of employees working from home could be expected as they recalibrate their space requirements.

Some landlords are becoming more flexible in rental negotiations as they seek to maintain occupancy levels. CBRE Research noted a fall in rents for both the City Fringe and Rest of Island submarkets; the former saw a 0.9% q-o-q drop to $5.75 psf/month whereas the latter declined by 1.4% q-o-q to $3.65 psf/month.

Amid construction delays, the pipeline for 2021 now totals 1.40 mil sq. ft. This may place some pressure on rents, in particular for the Rest of Island submarket with some projects in CleanTech Park slated to complete this year. In addition, the total future pipeline will further increase with the inclusion of *Perennial Business City*, which has yet to be added as it is still pending rezoning approval from URA.

Looking ahead, the updated safe management measures at workplaces, which took effect from 5 Apr, is likely to lend support to renewals and gradually aid in the overall recovery of the business parks market. However, with many occupiers expected to adopt hybrid models for the time being, the return to workplaces may be phased out as companies relook at their workplace strategies and flexible working arrangements. Meanwhile, quality will continue to be a priority for occupiers looking to relocate or expand. Buildings with higher specifications are therefore expected to see greater demand.

Retail indicators have continued to show signs of recovery. Unemployment has declined, while with the return of shopper traffic, business expectations have improved. With the protracted closure of tourism borders, local spending has increased. Retail sales (excluding motor vehicles), posted a y-o-y change of -1.3% and 3.5% in Jan and Feb 2021 respectively, a marked improvement as compared to the pre-pandemic period.

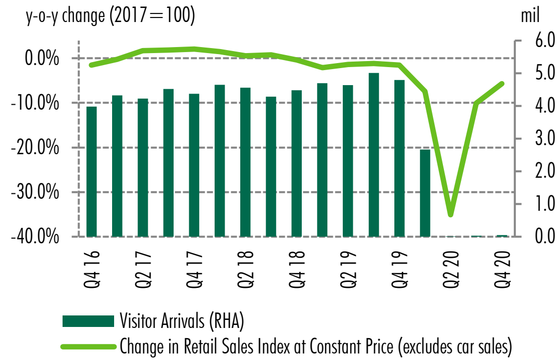
For Q1 2021, retailers from the F&B, convenience stores and supermarkets sector were seen to be increasing their footprint. At the same time, they have reinvented concepts, creating new and innovative brands to gain market share. Leasing enquiries from boutique gyms, beauty, health and wellness related sectors remain relatively active, although their decision making process are taking longer.

It was observed that there has been a slowdown in rental declines of prime retail spaces, from -3.6% q-o-q in Q4 2020 to -1.2% q-o-q this quarter. Notably, landlords continue to maintain a flexible stance towards rental expectations and leasing strategies to support tenants' requirements, favouring tenant retention over occupancy.

Even though demand indicators are improving, the retail sector has yet to reach full recovery; it will be highly dependent on the global vaccine roll-out and how soon Singapore can reopen its borders. With these considerations, the retail sector is expected to bottom out in late 2021. As such, the recovery of the retail sector is likely to be a gradual one, potentially from 2022 onward, given that the retail sector is still highly challenged by e-commerce competition and labour woes.

The introduction of the Code of Conduct (effective 1 Jun 2021) is a much welcome change and tilts the scale to achieve a more equitable balance in the leasing dynamics. It seeks to increase the competitiveness of Singapore's retail sector, which will be timely as the economy recovers from the pandemic.

Chart 7: Retail Economic Indicators



Source: STB, MTI Economic Survey of Singapore, CBRE Research, Q1 2021

Table 6: Estimated Gross New Supply*

Year	Estimated NLA (sq. ft.)
2021	0.34 mil sf
2022	0.37 mil sf
2023	0.17 mil sf
2024	0.39 mil sf

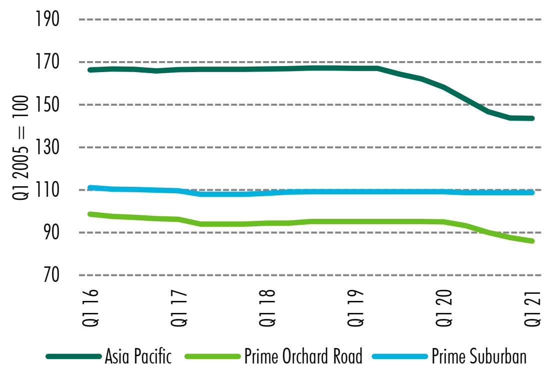
Source: CBRE Research, Q1 2021
*excludes projects with a NLA of less than 20,000 sq. ft.

Table 7: Prime Retail Rents

	Q1 21	Q-o-Q	Y-o-y
Orchard Road	$34.90	-2.0%	-9.5%
Suburban	$29.50	0.0%	-0.5%

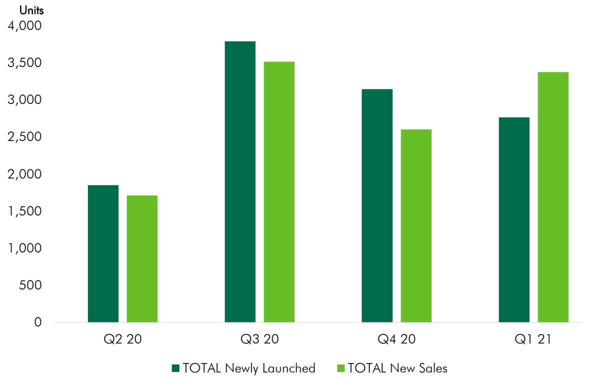
Source: CBRE Research, Q1 2021
Note: Rental revisions due to revision in rental baskets

Chart 8: Retail Rental Index



Source: CBRE Research, Q1 2021
Note: Q1 2021 Asia Pacific Retail Rental Index is a preliminary estimate

Chart 9: New Private Residential Units Take-Up



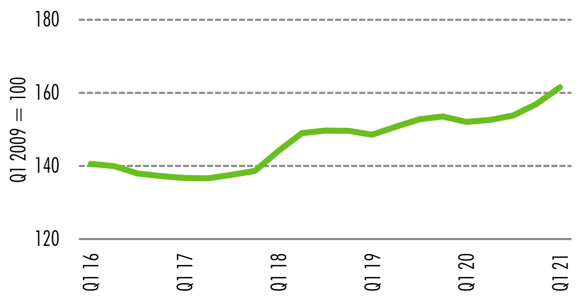
Source: URA, CBRE Research, Q1 2021
Note: Prelim figures exclude executive condominiums (ECs)
Preliminary newly launched figures for Q1 2021 refer to Jan & Feb only.

Table 8: Selected Projects with New Units Launched in Q1 2021

Development	Tenure	Median Price ($psf)	No of units in project	Units sold
Normanton Park	99y	$1,766	1,862	728
Midtown Modern	99y	$2,725	558	362
The Reef at King's Dock	99y	$2,261	429	343

Source: CBRE Research, Q1 2021
Note: Based on no. of caveats lodged

Chart 10: URA Residential Price Index



Source: CBRE Research, Q1 2021
Note: Q1 2021 URA Residential Price Index is a flash estimate

The strong performance in the residential market has further shored up homebuyers' confidence and take-up of new launches. Preliminary estimates for new home sales volume for Q1 2021 came to 3,376 units, which was 57.1% higher than the same period last year. This was bolstered by the sales of *Normanton Park* (728 units), *Midtown Modern* (362 units) and *The Reef at King's Dock* (343 units), which were all newly launched this quarter. Q1 2021's performance also indicated strong demand for high-end homes among local homebuyers.

According to URA's flash estimates, private residential property prices rose in Q1 2021 for the fourth consecutive quarter, driven by increasing buyers' confidence, pent-up demand and the low interest rate environment. It grew by another 2.9% q-o-q in Q1 2021, after a 2.1% q-o-q increase in the previous quarter. This was mainly attributed to the RCR, which rose by 6.1% q-o-q in Q1 2021, a bigger q-o-q increase than the 4.4% registered in Q4 2020. Transactions at *The Reef at King's Dock* (median unit price of $2,257 psf) were likely to have contributed to the higher psf prices registered in the RCR. In addition, there was healthy take-up from earlier launches in the suburban market, which signifies resilient demand from upgraders.

To date, private property prices have increased by 6.2% since Q1 2020. This also raises the possibility that more cooling measures could be rolled out. At this pace, it is likely to exceed the government's GDP growth forecast of 4-6%, while the launch of some upcoming projects at higher psf pricing might continue to push the price index higher.

Although these projects are predominantly located in the CCR and RCR locations, smaller sized units which tend to have an affordable price quantum will still be attractive and palatable investments.

Barring any unforeseen circumstances, CBRE Research expects new home sales to fall within the region of 9,000 to 10,000 units for 2021. In the longer term, the potential reopening of borders will also bring about the return of foreign investors to the residential market.

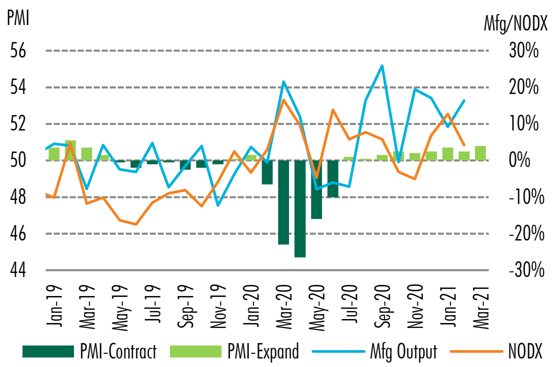
Singapore's manufacturing sector exhibited signs of sustained growth in Q1 2021. Manufacturing output rose by 16.4% y-o-y in Feb, following its 9.2% y-o-y expansion in Jan, supported primarily by the electronics, biomedical manufacturing and precision engineering clusters; while NODX similarly increased 4.2% y-o-y in Feb, extending its growth from the previous two quarters. SIPMM's PMI maintained its strong performance, posting its ninth consecutive month of expansion in Mar at 50.8.

Leasing activity was stable in Q1 2021, albeit slowing down from the strong performance of the previous sector. Transactions consisted mainly of renewals and relocations, along with a handful of new set ups and expansions. In particular, the warehouse submarket continued to be driven from the third-party logistics, e-commerce and food logistics segments. Meanwhile, some leasing activity was also observed for hi-tech factory buildings, primarily from the semiconductor, precision engineering and technology segments.

Both factory and warehouse rents tracked by CBRE Research remained resilient this quarter, staying flat q-o-q for both the ground and upper floors. On the other hand, as vacancy remained low and demand continued to be robust, prime logistics rents grew 0.7% q-o-q to $1.39 psf/month in Q1 2021.

Moving forward, while the saturated factory pipeline may place pressure on rents, high-specs buildings will continue to be in demand along with the recovery of the manufacturing sector. Nonetheless, the factory submarket remains two-tier, and older buildings may continue to weigh on overall rental performance. Meanwhile, warehouse leasing demand is likely to remain stable, with upcoming supply expected to be absorbed gradually by the market. However, external pressures remain; with the ongoing global pandemic, as well as the Suez Canal blockage which may have knock-on effects on global trade.

Chart 11: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q1 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
JTC Logistics Hub @ Gul	West	1.51
Kranji Green	North	1.43

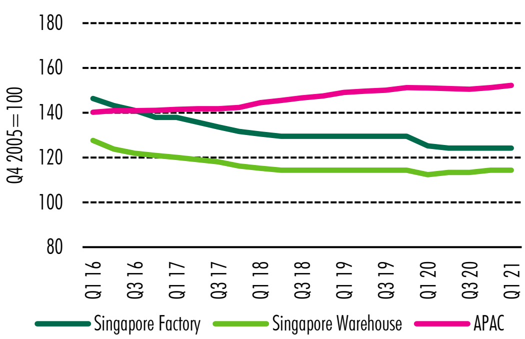
Source: CBRE Research, Q1 2021

Table 10: Industrial Rents

	Q1 21	Q-o-q	Y-o-y
Factory (Grd Flr)	$1.50	0.0%	-1.3%
Factory (Upp Flr)	$1.18	0.0%	-0.8%
Warehouse (Grd Flr)	$1.58	0.0%	1.9%
Warehouse (Upp Flr)	$1.20	0.0%	1.7%
Prime Logistics	$1.39	0.7%	6.1%

Source: CBRE Research, Q1 2021

Chart 12: Industrial Rental Index



Source: CBRE Research, Q1 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)

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