Positive momentum across all sectors

+5.9%
GDP Growth Y-o-Y
(Prelim Q4 2021)

+3.8%
CPI Inflation Y-o-Y
(Nov 2021)

0.4%
3M SIBOR
(Dec 2021)

Note: CBRE Research, Singstat, MAS, Q4 2021

Executive Summary

- **Office:** 2021 concluded with positive market sentiment, evidenced by the absorption of 0.34 mil sq. ft. in the last quarter of the year, the highest since Q4 2019.
- **Business Parks:** On the back of stronger demand and prevailing tight vacancy in the City Fringe submarket, rents in this submarket rose for the third consecutive quarter.
- **Retail:** Amid improved retail market sentiment and improving occupancies, retailers are cautiously optimistic in view of the economic growth and an eventual return of tourist spending.
- **Residential:** Preliminary data shows 3,013 new private homes (excluding ECs) were sold in Q4, which brings the full year 2021 new home sales to 13,022 units, highest since 2013.
- **Industrial:** On the back of improving occupancies and strong leasing activity, industrial rents across all segments inched up further.
- **Investment:** A strong Q4 brings investment volumes for full year 2021 to $27.837 bn, more than double 2020's volumes.

TABLE 1: Quick Figures

Office	Q4 2021	Q-o-Q	Y-o-Y
Grade A Rent	$10.80	+1.4%	+3.8%
Capital Value	$2,950	+1.7%	+3.5%
Net Yield *	3.4%	↓	↓
Retail	Q4 2021	Q-o-Q	Y-o-Y
Prime Rent (Orchard)	$34.20	0.0%	-3.9%
Capital Value	$7,300	+1.4%	-2.9%
Net Yield	4.8%	↔	↔
Business Park	Q4 2021	Q-o-Q	Y-o-Y
Rent (City Fringe)	$5.90	+0.9%	+1.7%

Source: CBRE Research, Q4 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.
* Yield calculation methodology revised based on an average of rolling eight quarter rents.

Residential	Q4 2021	Q-o-Q	Y-o-Y
Prime Rent	$4.49	+5.9%	+10.3%
Capital Value	$1,865	+1.6%	+6.7%
Net Yield	2.3%	↔	↔
Industrial*	Q4 2021	Q-o-Q	Y-o-Y
Prime Logistics Rent	$1.47	+1.4%	+6.5%
Capital Value	$196	+3.4%	+9.9%
Yields	6.7%	↓	↓
Investment**	Q4 2021	Q-o-Q	Y-o-Y
Total Volume	$7.359 bn	-10.3%	+102.4%

Source: CBRE Research, Q4 2021

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

COVID-19 Updates (Q4 2021 onwards)

A Timeline of Events

Oct 2021

13
Vaccination-Differentiated Measures
Only vaccinated persons allowed entry into shopping malls and large standalone stores

19
VTLs expanded to 8 more countries
Countries include Canada, Denmark, France, Italy, Netherlands, Spain, UK and the US

25
Extension of Stabilisation Phase
Measures maintained from *25 Oct – 21 Nov*

29
Further Extension of Relief Periods for Construction Firms
3-month extension for contracts affected by construction delays due to COVID-19

Nov 2021

8
VTLs extended to Australia and Switzerland

10
Adjustment of Stabilisation Phase Measures
Up to 5 fully-vaccinated persons from the same household allowed to dine in together

15
VTLs extended to South Korea and announced for 5 more countries
To launch VTLs with India and Indonesia from *29 Nov*, Qatar, Saudi Arabia and the UAE from *6 Dec*

22
Exit from Stabilisation Phase
Up to 5 fully-vaccinated persons from different households allowed to dine in together and tapering of support measures

27
Tightened border restrictions
Borders closed for travellers from Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa and Zimbabwe

28
Deferment of VTLs
For Qatar, Saudi Arabia and the UAE over Omicron concern

29
VTL extended to Malaysia
Connectivity restored between Singapore and Malaysia through both air and land VTL

VTLs extended to India and Indonesia

Dec 2021

2
Enhanced testing
Weekly routine PCR testing for airport and other border frontline workers in light of the Omicron variant

4
Tightened border restrictions
Borders closed for travellers from Ghana, Malawi and Nigeria

14
VTL extended to Thailand

16
VTLs extended to Cambodia, Fiji, Maldives, Sri Lanka and Turkey

22
Tightened inflow of VTL travellers
No new ticket sales on VTL flights for entry into Singapore

26
Easing of border restrictions
Borders reopened for travellers from Botswana, Eswatini, Ghana, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, and Zimbabwe

Jan 2022

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

22
Relaxation on inflow of VTL travellers
Ticket sales on VTL flights for entry into Singapore to resume, capped at 50% of allocated quota

Feb 2022

14
Maintenance of Fully Vaccinated Status
Booster dose required no later than 270 days after the last dose to maintain vaccination status

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

Office

Positive finish to a year of volatility

2021 concluded with positive market sentiment, evidenced by the absorption of 0.34 mil sq. ft. in the last quarter of the year, the highest since Q4 2019. Despite the Omicron variant introducing some uncertainty, the government's announcement on 14 December 2021 that work-from-home would no longer be the default (from 1 Jan 2022) served to give occupiers confidence. Singapore appears set to remain on the path of opening up the economy, and to function with COVID-19 as an endemic.

Tech and non-banking financial sectors remain key demand drivers

Grade A Core CBD vacancy rate improved 1 percentage point to 4.5% in Q4 2021 from 5.5% in the preceding quarter. While there was some downsizing activity on the back of occupiers adopting hybrid working arrangements, the technology and non-bank financial sectors drove the absorption of significant large-scale availabilities in the core CBD.

The strong quarter brought the full year 2021 islandwide net absorption to 0.32 mil sq. ft., reversing the net absorption of -0.56 mil sq. ft. in 2020. This positive momentum should continue into 2022.

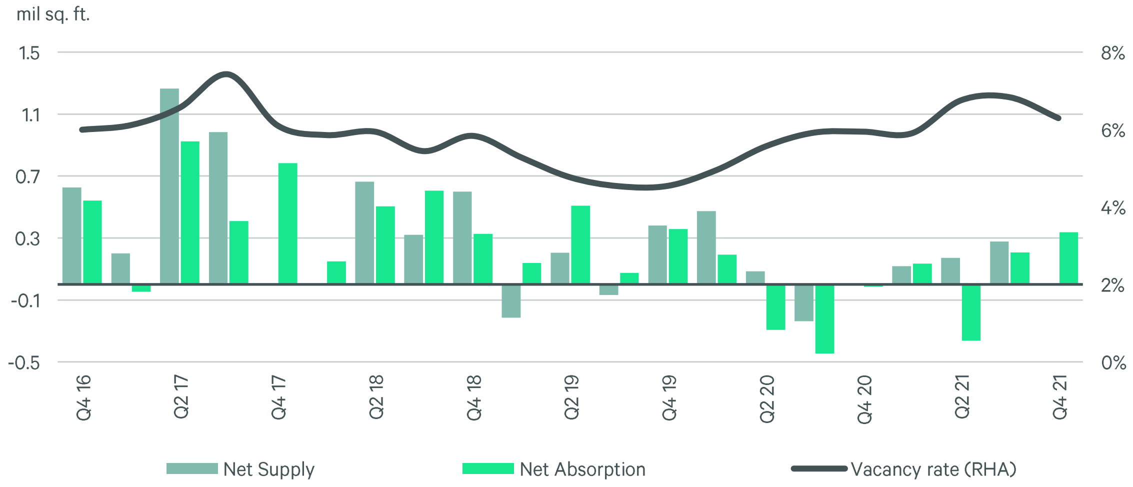
Grade A office continues to lead, rents increased for a third consecutive quarter

Healthy demand compounded by a tight supply situation led to an overall increase in office rents islandwide. Grade A Core CBD rents saw the largest increase, maintaining a steady growth of 1.4% from the preceding quarter, to $10.80 psf/month, whilst Grade B Core CBD rents rose for the first time since end-2019, by 0.6% to $7.80 psf/month in Q4 2021.

Positive outlook for the office market

While hybrid working could keep the overall office demand footprint below pre-pandemic levels, CBRE Research expects further rental growth in the mid-term, supported by the rapid expansion in demand from the technology sector and limited new supply.

FIGURE 1: Office Supply-Demand (Islandwide)



Source: CBRE Research, Q4 2021

TABLE 2: Office Vacancy Rates

	Q4 21	Q3 21	Q4 20
Islandwide	6.3%	6.8%	6.0%
Core CBD	6.7%	7.9%	6.2%
Fringe CBD	6.7%	6.1%	5.8%
Decentralised	4.9%	5.3%	5.5%
Grade A (Core CBD)	4.5%	5.5%	3.9%

Source: CBRE Research, Q4 2021

TABLE 3: Singapore Office Rents

	Q4 21	Q-o-Q	Y-o-Y
Grade A CBD Core	$10.80	1.4%	3.8%
Grade B CBD Core	$7.80	0.6%	-1.3%
Grade B Islandwide	$7.20	0.7%	-2.0%

Source: CBRE Research, Q4 2021

Business Parks

Weaker demand in Q4, stemming from Rest of Island submarket

In Q4 2021, net absorption amounted to -86,471 sq. ft. in the business park market, and overall vacancy edged up 0.4 percentage point to 12.6%. The negative take-up mainly stemmed from the Rest of Island submarket, where vacancies increased to 17.3% in Q4 2021, from 16.4% in the preceding quarter. Full year net absorption stands at 0.60 mil sq. ft., led by new completions during the year, compared to a net absorption of -0.08 mil sq. ft. in 2020.

Tech and pharmaceutical sectors were main demand drivers

With firms adopting the hybrid working model, consolidation and downsizing efforts continued to be a common theme among most renewals and relocation activities. That said, it was observed that pharmaceutical firms were still actively expanding, particularly in one-north. Another outperformer is the tech sector, where occupiers are more inclined to pay higher rents in order to secure spaces in premium locations. As such, the two-tier market further widened this quarter, with stronger leasing demand in City Fringe, while demand for space in the Rest of Island submarket was relatively more limited.

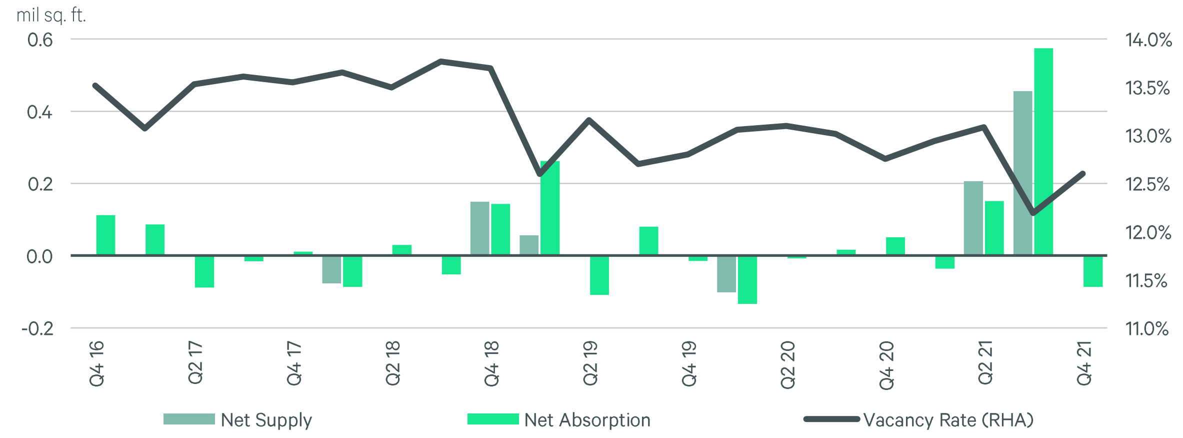
City Fringe rents up for third consecutive quarter while Rest of Island lagged

On the back of stronger demand and prevailing tight vacancy in the City Fringe submarket, rents in this submarket rose for the third consecutive quarter by 0.9% q-o-q to $5.90 psf/month. On the other hand, rental performance in the Rest of Island submarket was more muted, as rents in the submarket were flat q-o-q at $3.65 psf/month.

Two-tier market to widen further

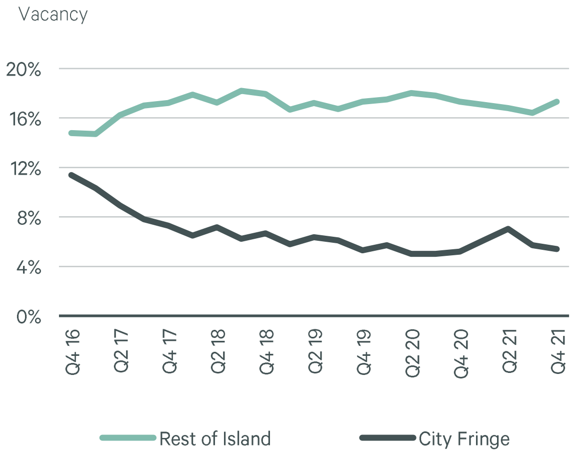
The outlook for the business park market in the mid-term remains largely favourable, though prolonged work-from-home measures and hybrid working arrangements could impact near term leasing momentum. The rental prospects for the City Fringe market are more optimistic, given limited availability in the location and sustained demand from the pharmaceutical and tech sectors. On the other hand, the Rest of Island submarket could come under pressure with most of the supply pipeline concentrated in this location.

FIGURE 2: Business Park Supply-Demand (Islandwide)



Source: CBRE Research, Q4 2021

FIGURE 3: Business Park Vacancy



Source: CBRE Research, Q4 2021

TABLE 4: Singapore Business Park Rents

	Q4 21	Q-o-Q	Y-o-Y
City Fringe	$5.90	0.9%	1.7%
Rest of Island	$3.65	0.0%	-1.4%

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

	City Fringe	Rest of Island
2022	0.00 mil	1.46 mil
2023	0.30 mil	0.69 mil
2024	0.00 mil	2.20 mil

Source: CBRE Research, Q4 2021

Retail

Demand indicators showing signs of improvement

As compared to previous quarters, demand indicators were more encouraging. Amid shopping events such as Singles' Day and Black Friday, retail sales for Oct and Nov 2021, excluding the sales of motor vehicles, were up by 2.5% and 2.7% m-o-m respectively. Business expectations for Oct 2021 to Mar 2022 also improved, as it coincided with the year-end festive season.

Stable leasing demand, occupiers & landlords on the lookout for opportunities

While the recovery of the retail market was still capped by restrictions on social gatherings and with work-from-home as the default, leasing activity continued to be stable. Lower rents and stronger local consumption were amongst the factors encouraging retailers to actively look for new leasing opportunities. At the same time, landlords are keen to introduce new offerings to refresh their tenant mix. Local fashion brands shone this quarter, as they increased their physical presence along prime Orchard Road to complement what they were doing online.

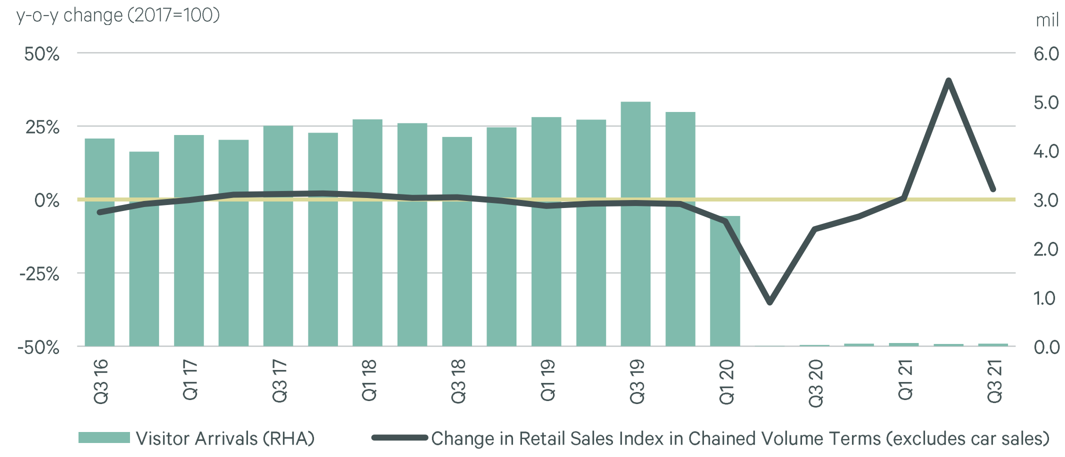
Islandwide retail rents stabilised after seven consecutive quarters of decline

Amid improved retail market sentiment and improving occupancies, retailers are cautiously optimistic in view of the economic growth and an eventual return of tourist spending. As such, prime retail rents for Orchard Road and Fringe areas started to stabilise in Q4 2021 for the first time after seven consecutive quarters of decline. Meanwhile, the suburban market continued to register healthy reversionary rents as availability remains extremely limited.

Headwinds could still affect recovery of the market in 2022

Prime retail rents fell by 2.2% in 2021, a vast improvement from the -8.7% in 2020. However, the emergence of the Omicron variant has raised uncertainties and delayed further recovery of quarantine-free travel. Retail rents in H1 2022 are therefore likely to remain stable before picking up more meaningfully after H2 2022. In addition, a potential GST hike in 2022 could impact the level of domestic discretionary spending of large ticket items.

FIGURE 4: Retail Economic Indicators



Source: STB, MTI, CBRE Research, Q4 2021

TABLE 6: Prime Retail Rents

	Q4 21	Q-o-Q	Y-o-Y
Islandwide	$24.75	0.0%	-2.2%
Orchard Road	$34.20	0.0%	-3.9%
Suburban	$30.10	0.5%	2.0%

Source: CBRE Research, Q4 2021

TABLE 7: Estimated Gross New Supply

	Estimated NLA (sq. ft.)
2022	0.38 mil
2023	0.44 mil
2024	0.41 mil

Source: CBRE Research, Q4 2021
Note: *excludes projects with a NLA of less than 20,000 sq. ft.

Industrial

Industrial sentiment continued to be strong

Overall industrial sentiment continued to be positive in Q4 2021, in tandem with Singapore's robust manufacturing and exports performance. Manufacturing output expanded at 14.6% y-o-y in Nov 2021 with electronics, precision engineering and general manufacturing industries as the main drivers of expansion. NODX surged 24.2% y-o-y in Nov 2021, growing for the 12th straight month, while SIPMM's PMI sustained its 18 months of consecutive expansion in Dec 2021.

Leasing momentum remained upbeat

Leasing activity remained upbeat in Q4 2021, with 3PLs, freight and food storage occupiers remaining in expansionary mode. Key activities comprised of renewals and expansions amidst growing confidence, as businesses seek to maintain or increase their production levels or storage capacities from stronger than expected performances in manufacturing and trade.

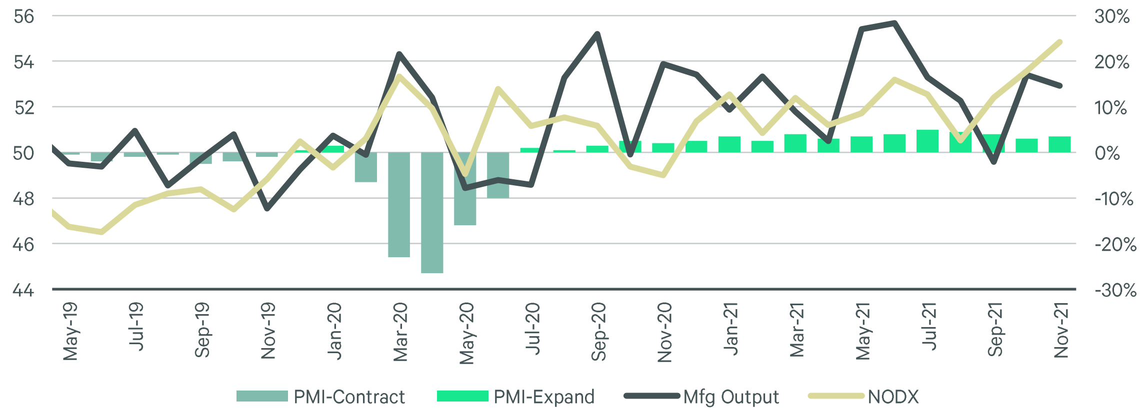
Rental increases across the board

On the back of improving occupancies and strong leasing activity, industrial rents across all segments inched up further. This quarter's rental gains were led by the warehouse segment, increasing by 1.8% q-o-q, as demand for storage space continued to trickle down to second-tier warehouses, from the limited availability in prime logistics. Meanwhile, prime logistics rents increased by 1.4% q-o-q, while factory rents registered its third consecutive quarter of increase by 1.3% q-o-q.

Positive rental performance to continue into 2022

With growth exceeding expectations at the beginning of 2021, full year rental growth for warehouses and prime logistics reached 5.1% and 6.5% y-o-y respectively. This pace is expected to moderate in 2022, though it still represents a positive performance for the sector. Though the delay in construction could lead to a supply peak in 2022, occupancy is forecasted to remain elevated. Enquiry levels and pre-leasing activities have remained strong, with some multi-user logistics developments expecting to complete with full commitment.

FIGURE 5: Manufacturing Indices



Source: Singstat, SIPMM, CBRE Research, Q4 2021

TABLE 8: Industrial Rents

	Q4 21	Q-o-Q	Y-o-Y
Factory (Grd Flr)	$1.54	1.3%	2.7%
Factory (Upp Flr)	$1.19	0.8%	0.8%
Warehouse (Grd Flr)	$1.66	1.8%	5.1%
Warehouse (Upp Flr)	$1.24	0.8%	3.3%
Prime Logistics	$1.47	1.4%	6.5%

Source: CBRE Research, Q4 2021

TABLE 9: Significant Future Developments (2022)

Development	Est. GFA (mil sf)
Kranji Green	1.43
TimMac @ Kranji	1.54
LOGOS Tuas Logistics Hub	0.22
LOGOS Penjuru Logistics Centre	1.04

Source: CBRE Research, Q4 2021

Residential

Strong Q4 2021 new developer sales round off a bumper year

Preliminary data showed 3,013 new private homes (excluding ECs) sold in Q4, bringing the full year 2021 new home sales to 13,022 units. This was the highest figure achieved since 2013 when 14,948 new homes were sold. The three best performing projects in Q4 2021 were *Canninghill Piers* (574 units), *Normanton Park* (238 units) and *The Commodore* (162 units).

Surge in prices prompted pre-emptive cooling measures

According to URA's flash estimates, private residential property prices rose 5.0% in Q4 2021. This brings private property price growth for the whole of 2021 to 10.6%, the highest since 2010's 17.6%, and outpacing preliminary 2021 GDP growth of 7.2%. The price surge in Q4 2021 prompted the pre-emptive addition of cooling measures to keep prices from running ahead of economic fundamentals. With effect from 16 Dec 2021, Additional Buyer's Stamp Duty (ABSD) rates were raised, and the Total Debt Servicing Ratio (TDSR) threshold was tightened.

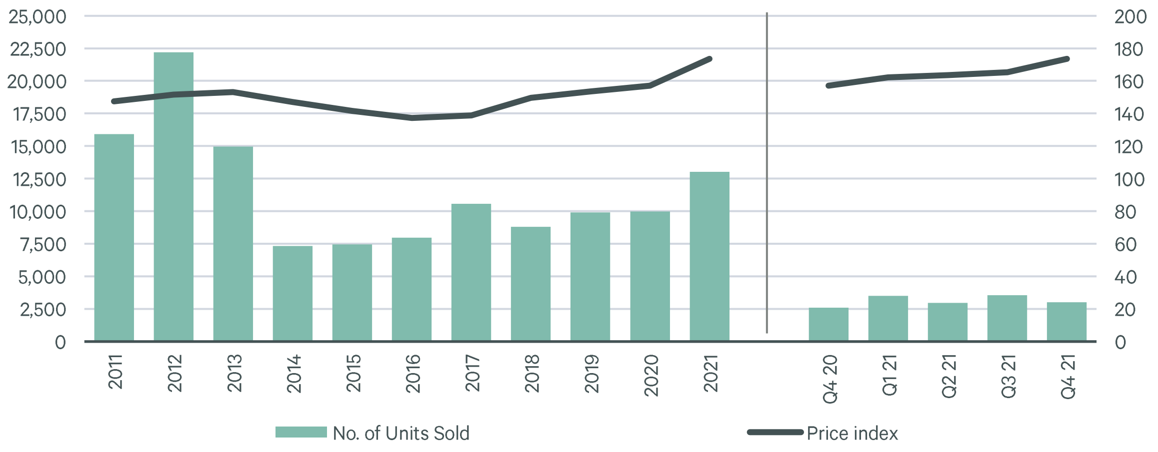
Increase in GLS supply

With unsold inventory at a 4-year low, the Government has increased GLS private housing supply alongside the new cooling measures. The number of housing units on the Confirmed List has been increased by about 40% to 2,785 units, from 1,995 units in the 2H 2021 GLS Programme. While this is a significant increase, the annualised number of units would still be below the average annual new home sales of 8,000 – 10,000 units over 2018 – 2020. In addition, with the newly increased 35% ABSD imposed on developers, larger land sites are likely to continue seeing subdued interest and more conservative land bids.

Cooling measures to keep demand and prices of private homes in check

Demand is likely to moderate in H1 2022 as buyers take a pause to re-evaluate their purchasing decisions. In view of the limited pipeline of new launches, CBRE Research expects new home sales to trend down in 2022 to a normalised 9,000 – 10,000 units. Nonetheless, barring any unforeseen circumstances, prices are expected to remain supported by strong economic fundamentals and low unsold inventory. Delays in construction would also continue to prop up occupancy and rents.

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



Source: URA, CBRE Research, Q4 2021
Note: *Prelim figures (excl. ECs) for Q4 2021 based only on Oct & Nov new home sales

TABLE 10: Revised ABSD Rates

Additional Buyer's Stamp Duty (ABSD)		Rates from 6 Jul 18 – 15 Dec 21	Rates on & after 16 Dec 21
Singapore Citizens	2nd Residential property	12%	17% (Revised)
	3rd & subsequent	15%	25% (Revised)
Permanent Residents	2nd	15%	25% (Revised)
	3rd & subsequent	15%	30% (Revised)
Foreigners	Any	20%	30% (Revised)
Entities	Any	25%*	35%* (Revised)

Source: MND, MAS
Note: *Plus additional 5% for Housing Developers (non-remittable)

TABLE 11: Selected New Projects Launched in Q4 2021

Development	Canninghill Piers	The Commodore
Tenure	99y	99y
Median Price ($psf)	$2,886	$1,511
No. of units launched	696	219
Units sold	574	162

Source: URA, CBRE Research, Q4 2021
Note: Based on Realis caveats as of 13 Jan 2022

Investments

Strong private investment volumes in Q4 2021

Preliminary real estate investment volume in Singapore declined 10.3% q-o-q to $7.359 bn for Q4 2021, on lower public land sales, which made up 45.6% of Q3 2021 investment sales. Excluding public land sales, private investment sales were up 54.0% q-o-q, on larger office and residential transactions. A strong Q4 brings investment volumes for full year 2021 to $27.837 bn, more than double 2020's volumes. It is also just 16.8% below the 2018 peak of $33.462 bn.

Office transactions picked up significantly

Office investment volume jumped 116.2% q-o-q to $1.887 bn, on the largest office deal of the year. *One George Street* was sold to a joint venture between JPMorgan Global Alternatives & Nuveen Real Estate for $1.281 bn ($2,875 psf). *Robinson 112* was also sold to Munich-based AM Alpha for $269.70 mil ($2,925 psf). Industrial investment sales grew 34.8% q-o-q, led by the sale of a data centre at *71 Tagore Lane* for $271.82 mil. Shophouse investment volumes increased 86.6% q-o-q as demand from boutique funds and UHNW families continues to be strong.

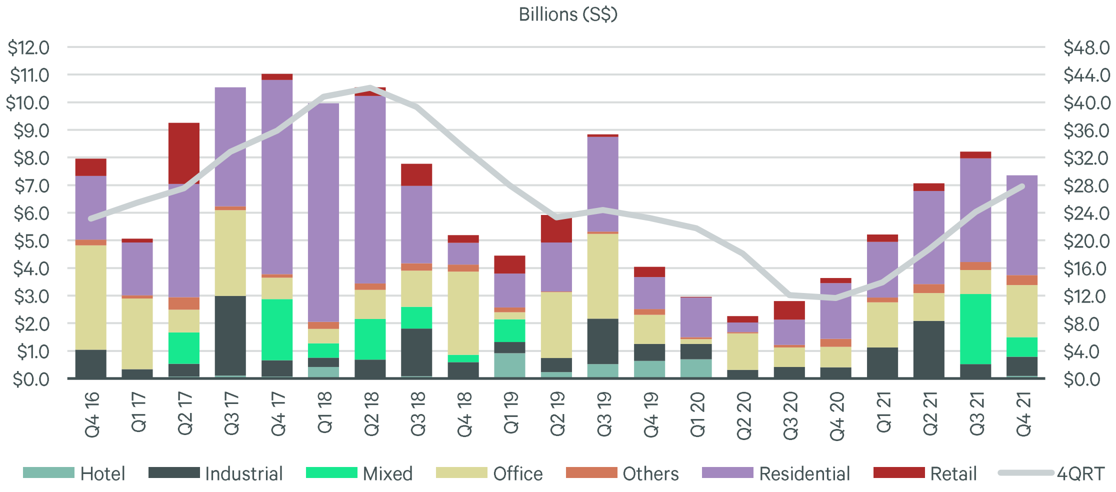
Fresh residential measures to cool a resurgent collective sales market

Excluding *High Point* which was called off after the cooling measures effective 16 Dec, Q4 ended with four collective sales worth $1.407 bn. This brings full year 2021 to 11 collective sales worth $2.162 bn, a significant improvement from the four deals worth $132.70 mil in 2020. The collective sale market should slow down in H1 2022 as developers become more selective and cautious on committing to larger land sites. GCBs and luxury apartments have done well in 2021 but could slow down its pace in H1 2022 on the back of the new cooling measures.

Positive outlook for Singapore real estate investment market

As the economy recovers more broadly and as investors chase prime assets in global cities, investment momentum across Singapore's commercial sectors should continue to improve. With the residential market likely to slow down in H1 2022, CBRE Research expects 2022 investment volumes to be led by office and industrial, with increased interest in retail and hospitality assets.

FIGURE 7: Total Transaction Volume by Sector



Source: CBRE Research, Q4 2021

FIGURE 8: Capital Values Index

Source: CBRE Research, Q4 2021

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