INDEPENDENT
MARKET OVERVIEW | BY CBRE PTE LTD

1. THE SINGAPORE ECONOMY

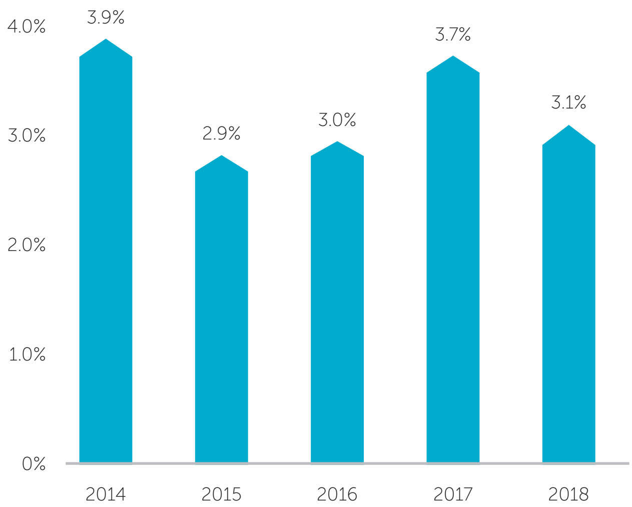
1.1 Economic Overview

According to the Ministry of Trade & Industry ("MTI"), Singapore's economy grew by 3.1% in 2018, easing from the 3.7% expansion recorded in the previous year. Growth was primarily driven by the manufacturing sector. Supported by the electronics, transport engineering and biomedical manufacturing clusters, the manufacturing sector expanded by 7.0% in 2018. The services sector expanded by 2.9% with strong performance from the information & communications, finance & insurance and business services sectors. In contrast, the construction sector shrank by 3.7% in 2018, weighed down by public sector construction activities.

Headline inflation eased from 0.6% in 2017 to 0.4% in 2018. Meanwhile, core inflation averaged at 1.7% in 2018. The latest Monetary Authority of Singapore Economic Survey expects core inflation to be 1.4% in 2019.

Economic growth is projected to moderate in 2019 due to a weaker external demand outlook and ongoing trade tensions. According to official forecasts, the 2019 economic growth is likely to come in between 1.5% to 2.5%.

Chart 1: Singapore GDP Growth Rate in Chained (2015) Prices



Sources: MTI & CBRE

2. THE OFFICE MARKET

2.1 Existing Office Supply

In 1Q 2019, the total islandwide office stock tracked by CBRE rose by 2.2% year-on-year to 60.8 million sf. This was largely due to the completions of Paya Lebar Quarter (870,170 sf) and Frasers Tower (663,000 sf).

Core CBD (made up of Raffles Place, Shenton Way, Marina Centre and Marina Bay), the most sought-after prominent location for large corporate office occupiers to house their businesses' front office functions and headquarters, accounted for close to half (49.9% or 30.3 million sf) of the islandwide stock. The remaining 26.9% and 23.2% of the total islandwide office stock is distributed in the Fringe CBD and Decentralised submarkets respectively.

Tanjong Pagar and HarbourFront/Alexandra Micro-markets

The office stock in the Tanjong Pagar[1] and HarbourFront/Alexandra[2] micro-markets stood at 5.6 million sf and 3.6 million sf respectively as at 1Q 2019. The Tanjong Pagar micro-market commands 9.2% of the overall market while the HarbourFront/Alexandra micro-market occupies 5.9% market share of the islandwide office stock.

Both the Tanjong Pagar and HarbourFront/Alexandra micro-markets are characterised by a diverse set of assets with a wide range of age and specifications.

2.2 Future Office Supply

The office pipeline supply for the next three years (2Q 2019 to 2021 inclusive) is approximately 3.4 million sf. Around 49.4% of the future office supply is in the Core CBD submarket. By contrast, the Fringe CBD and Decentralised submarkets accounted for 20.8% and 29.8% of the pipeline supply.

An estimated 1.2 million sf of office space is scheduled to be completed for the remaining of 2019. HD 139 (83,958 sf) is the only notable new supply in the Core CBD submarket. On the other hand, the two redevelopment projects (9 Penang Road and Funan) will inject a combined 585,000 sf of new office space to the Fringe CBD submarket. Woods Square will add approximately 534,400 sf of office space to the Decentralised stock in 2019.

1 For confidentiality reasons, CBRE cannot provide the full list of buildings in the particular basket. The key projects in the Tanjong Pagar basket are Guoco Tower, 79 Anson Road, AXA Tower, Mapletree Anson and Twenty Anson among others.
2 For confidentiality reasons, CBRE cannot provide the full list of buildings in the particular basket. The key projects in the HarbourFront/Alexandra basket are HarbourFront Tower 1 and 2, HarbourFront Centre, MLHF, Keppel Bay Tower, the office component of MBC I, PSA Building, and Fragrance Empire Building among others.

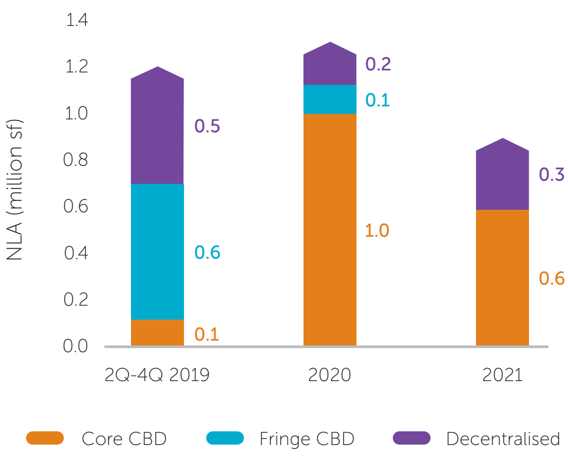
The 2020 office pipeline is expected to increase slightly from the previous year. Majority (73.5%) of the 2020 office supply is in Core CBD submarket. This includes ASB Tower (514,000 sf), Oxley@Raffles (312,853 sf) and Afro-Asia I-Mark (153,526 sf). Other new office completions include Centrium Square (107,041 sf) and St James Power Station (118,392 sf) in the Decentralised submarket.

New office supply is projected to taper to just under 900,000 sf in 2021. This includes the expected completion of CapitaSpring (635,000 sf) in the Core CBD submarket and Rochester Commons in the Decentralised submarket. Dubbed to be the first shared Executive Learning Centre in Singapore with a mix of office, F&B and hospitality components, Rochester Commons provides approximately 264,781 sf of new office space.

Tanjong Pagar and HarbourFront/Alexandra Micro-markets
The redevelopment of Hub Synergy Point is the only enbloc office development scheduled for completion in the Tanjong Pagar micro-market. It will add around 128,456 sf of office space to the micro-market when completed in 2020.

Furthermore, the scheduled completion of St James Power Station in 2020 will contribute 118,392 sf of office space in the HarbourFront/Alexandra micro-market.

Chart 2: Islandwide Future Office Supply



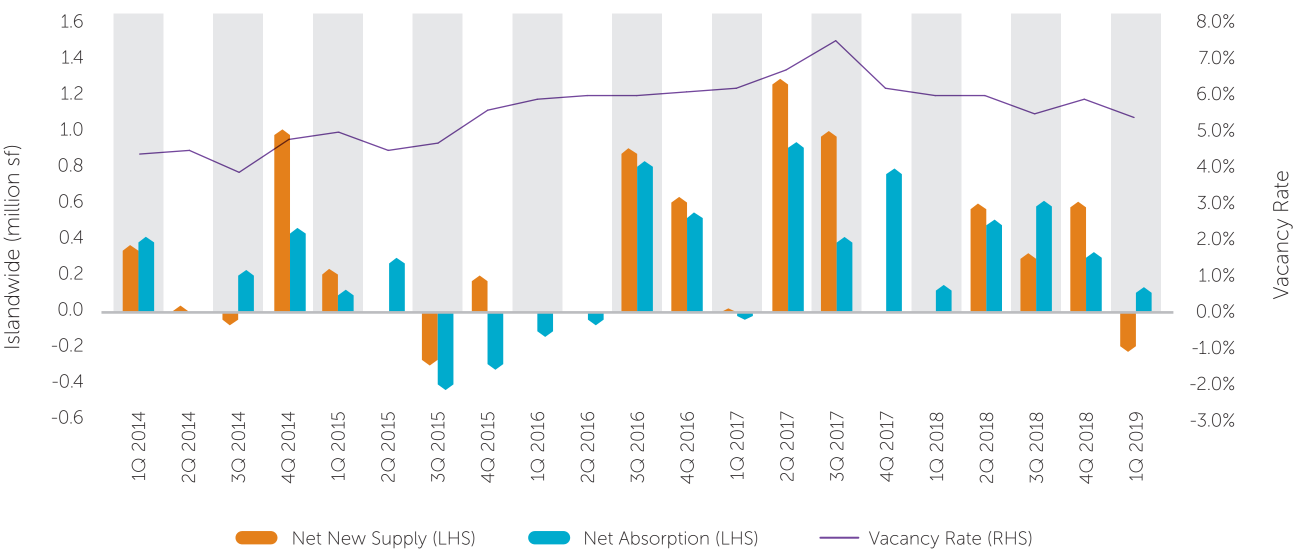
Sources: CBRE

2.3 Demand & Occupancy

Total islandwide office net absorption continued to exhibit growth in 2018, coming in at 1.6 million sf. The islandwide office leasing activities were well supported by strong office demand from various sectors including financial and insurance, information and technology, shipping, as well as business services sectors. Demand for office space in 2018 has been largely spearheaded by firms in the finance, technology and co-working sectors. The islandwide net absorption for 1Q 2019 was 137,936 sf.

The appetite for growth among agile space operators remained strong in 2018 and into 1Q 2019. WeWork announced its launch of three new offices in Suntec City Tower, City House and 8 Cross Street. This translates to approximately 2,500 desks in total for the three offices.

Chart 3: Islandwide Office Supply, Demand & Vacancy



Sources: CBRE

Meanwhile, JustCo will open its latest space at China Square Central in 4Q 2019. Competition is set to intensify further with the entrance of Campfire Collective, a Hong Kong-based co-working firm. Based on CBRE estimates, the total amount of office space occupied by co-working operators has doubled over the year to 1.4 million sf in 2018.

Tanjong Pagar and HarbourFront/Alexandra Micro-markets
The introduction of Guoco Tower in 2016 to the Tanjong Pagar micro-market has helped to bring up the area's overall branding and positioning, contributing positively to the overall appeal of the micro-market.

The HarbourFront/Alexandra micro-market is located in the city fringe and offers an attractive alternative for occupiers. The introduction of the office component at MBC I and MLHF has increased the quality of offices in the area and attracted demand by tenants who are drawn to the relatively reasonable pricing and large floor plates.

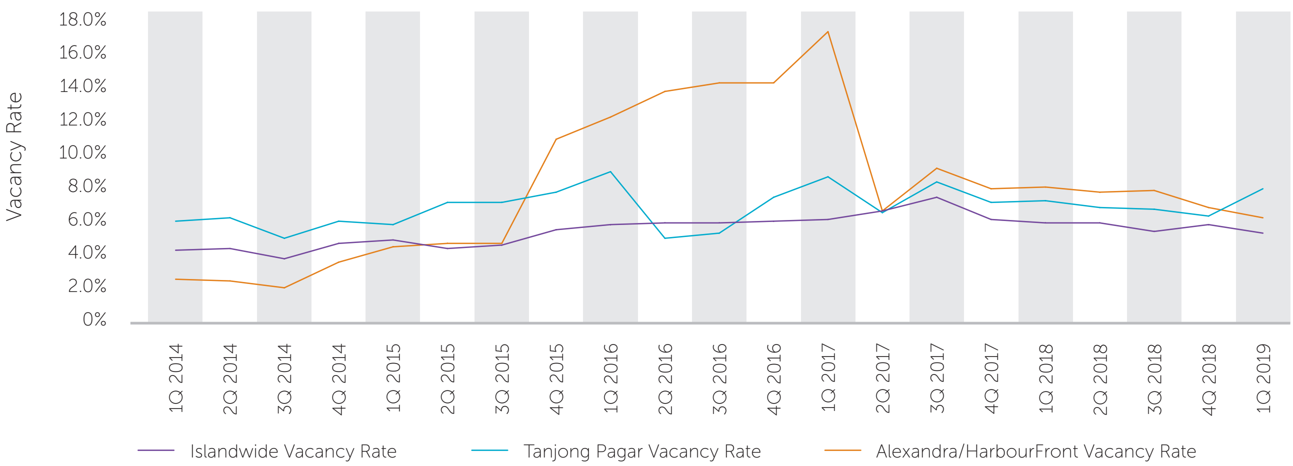
The recently unveiled URA Draft Master Plan 2019 envisaged the central area to be a vibrant lifestyle destination with a wider diversity of land uses. Furthermore, the HarbourFront/Alexandra micro-market will be the key business node within the Greater Southern Waterfront.

2.4 Office Vacancy

The islandwide office vacancy rate compressed by 0.6%-point over the year to 5.3% in 1Q 2019 following a steady decline over the preceding few quarters amid a broad recovery in the office market.

Tanjong Pagar and HarbourFront/Alexandra Micro-markets
Vacancy rate in the Tanjong Pagar micro-market rose by 0.7%-point from 1Q 2018 to 7.9% in 1Q 2019. Over the same period, vacancy rate in the HarbourFront/Alexandra micro-market tightened by 1.8%-point to 6.2% in 1Q 2019 due to stronger take-up of office space at Fragrance Empire Building.

Chart 4: Office Vacancy Rate



Sources: CBRE

2.5 Office Rents

Office rents have risen in tandem with improving occupancy. Rents of Grade A (Core CBD) office grew for the seventh consecutive quarters to S$11.15 psf/month in 1Q 2019. Rents of Grade A office grew strongly by 14.9% year-on-year. On the other hand, Grade B (Islandwide) office rents grew by 11.3% year-on-year to S$7.90 psf/month in 1Q 2019. With a tightening availability of prime office space, potential tenants could widen their location search for suitable premises. This may drive up leasing demand for well-located Grade B offices.

Table 1: Monthly Office Rents

	1Q 2019 (S$ psf/month)	Year-on-year	Quarter-on-quarter
Grade A (CBD Core)	S$11.15	+14.9%	+3.2%
Grade B (Islandwide)	S$7.90	+11.3%	+2.6%

Sources: CBRE

Chart 5: Office Rents

Sources: CBRE

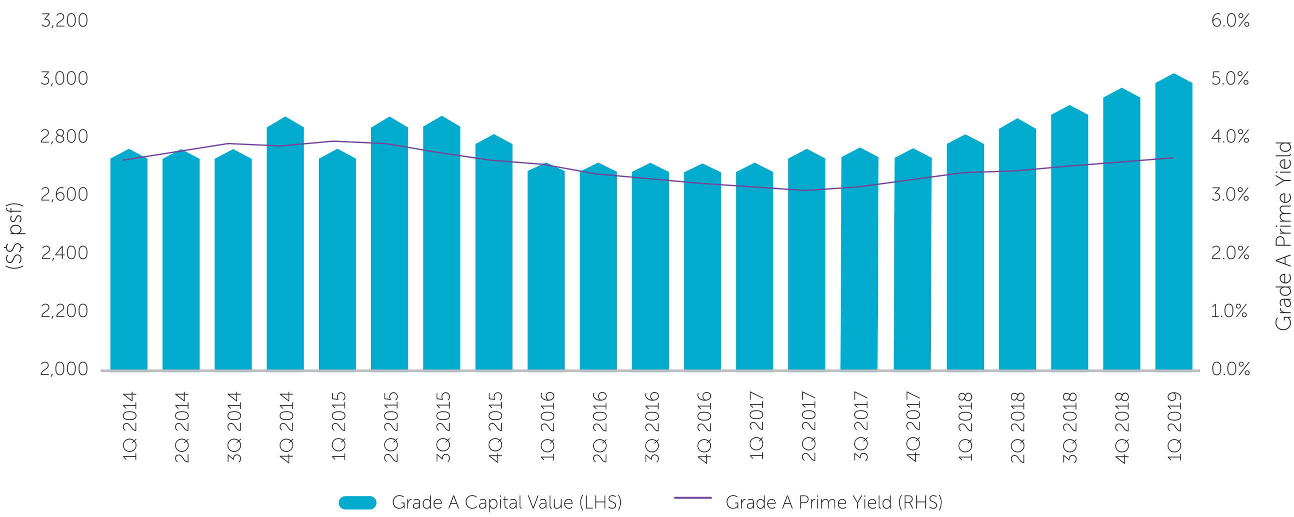
In general, the Tanjong Pagar micro-market experienced lower volatility relative to the overall market due to its higher concentration of non-banking and financial services tenants. A two-tier state exists in the area as newer development with better building specifications command higher rents relative to older developments.

2.6 The Office Investment Market and Capital Values

Office assets were sought after by investors in 2018. Office investment sales stood at S$5.9 billion for whole of 2018. Notable examples of enbloc office transactions in 2018 include the sale of the office component of OUE Downtown 1 and 2 (S$908.0 million), Robinson 77 (S$710.0 million), 78 Shenton Way (S$680.0 million) and Manulife Centre (S$555.5 million). The increasing number of new office investors in 2018 was a testament of investors' confidence in Singapore's market. These include Gaw Capital's purchase of Robinson 77, ARA-Chelsfield's joint purchase of Manulife Centre and Kenedix Inc's purchase of a 25.0% stake in Capital Square. Following three consecutive quarters of increase, office investment volume dipped by 91.4% over the quarter to S$258.5 million in 1Q 2019 with the first quarter of the year typically being quieter.

Grade A office capital values increased by 7.1% year-on-year to reach S$3,000 psf in 1Q 2019. Yields rose by 0.25%-point to 3.55% in 1Q 2019.

Chart 6: Office Capital Values and Net Yield



Sources: CBRE

The office investment market is expected to remain firm. With office rental projected to remain on an upward trajectory, Singapore's commercial sector emerged favourable among property funds.

Within the Tanjong Pagar micro-market, Twenty Anson was sold to a private equity fund for S$516.0 million in 2Q 2018. No enbloc office transaction was recorded for the HarbourFront/Alexandra micro-market in 2018.

2.7 Office Outlook

The economic outlook for Singapore in 2019 is expected to slow down when compared with 2018. Growth in outward-oriented services sector are projected to taper in tandem with moderating growth in advanced and regional economies. MTI has forecast the 2019 GDP growth at 1.5% to 2.5% .

The general outlook of the office market remains largely sanguine with stabilising demand and moderating pipeline supply. Leasing interests for upcoming developments appears to be healthy. Banking and finance, technology, co-working and shipping companies are expected to be the key leasing drivers of office space in 2019. In particular, co-working operators have been fervent in their pursuit of gaining more market share and are aggressive in taking up office spaces. The technology sector is expected to continue growing as domestic digitisation efforts gain increasing importance. However, there is some level of concern about the depth of office demand and its over-reliance on the co-working and technology sectors.

Office vacancy is projected to continue to decline in the near future with a thinning pipeline of supply. Office rents are expected to improve albeit at a more measured pace.

3. THE RETAIL MARKET

3.1 Existing Retail Supply

The islandwide private retail stock increased by 1.7% year-on-year to 49.7 million sf in 1Q 2019. The Suburban Area accounted for most of the retail stock at 26.4%. This was followed by Fringe Area (26.3%), Rest of Central (18.7%), Orchard Road (14.8%) and Downtown Core (13.8%).

There were several new completions of retail space in 2018. Jewel Changi Airport received its temporary occupation permit in the final quarter of 2018, adding around 576,000 sf of of retail space to the Suburban Area. Other notable new retail completions include Wisteria Mall (77,500 sf), City Gate (76,300 sf) and the retail component at Outpost Hotel Sentosa & Village Hotel Sentosa (37,100 sf). A number of AEI to existing retail centres were also completed in 2018. Prime examples include Century Square (211,000 sf) and the Basement 1 extension at VivoCity (24,000 sf). Approximately 168,755 sf of new retail space were completed in 1Q 2019 including the AEI at TripleOne Somerset (71,800 sf).

HarbourFront/Alexandra Micro-market

The HarbourFront/Alexandra precinct is mainly anchored by landmark retail developments which comprise VivoCity, HarbourFront Centre and Resorts World Sentosa ("RWS"). They are further complemented by smaller developments such as 1) ARC, 2) the retail portion of Mapletree Business City ("MBC"), 3) Anchorpoint and 4) Alexandra Central, which cater to both the working and residential population in the vicinity.

VivoCity is complemented by HarbourFront Centre, a mixed-use development comprising of both office and retail offerings as well as an international cruise centre. Holistically, both developments are the only full-fledged retail development in the HarbourFront/Alexandra micro-market, enabling the area to establish a regional retail presence that attracts visitors and shoppers across Singapore.

Located on Sentosa Island, RWS comprises predominantly by F&B outlets as well as luxury boutique outlets catering to tourists. The recently announced expansion of RWS is expected to yield a new waterfront promenade, lined with both retail and F&B outlets over the next five years.

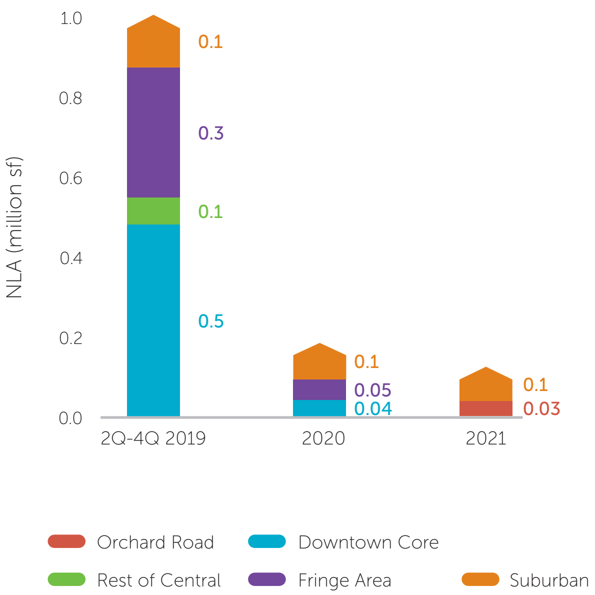
3.2 Future Retail Supply

The total projected islandwide retail supply over the next three years (2Q 2019 to 2021) is estimated at 1.3 million sf. Majority (79.4%) of the upcoming retail supply is expected to be completed in 2019 with significant tapering of retail supply projected in 2020 and 2021. Most of the future retail supply is in the Downtown Core (41.1%).

Approximately 1.0 million sf of retail space is slated for completion in 2019. Upcoming retail developments in the Downtown Core Area include Funan (325,000 sf) and the shopping arcade at Raffles Hotel (133,526 sf). The biggest injection of retail space in the Fringe Area is the PLQ Mall located in Paya Lebar (340,000 sf). Upcoming suburban retail supply include the retail component at the mix-used Woods Square (44,800 sf) development.

Retail supply is projected to tighten substantially to around 173,918 sf in 2020. New retail developments in the Suburban Area consist of the retail component at Stars of Kovan (20,182 sf) while Centrium Square and Artra will contribute approximately 27,179 sf and 21,528 sf of new retail space to the Fringe Area respectively.

Chart 7: Future Retail Supply



Sources: CBRE

The 2021 retail pipeline will taper further to 98,036 sf. Most of the new retail supply is concentrated in the Suburban Area: Le Quest (41,333 sf), and Changi Garden Homes (24,703 sf).

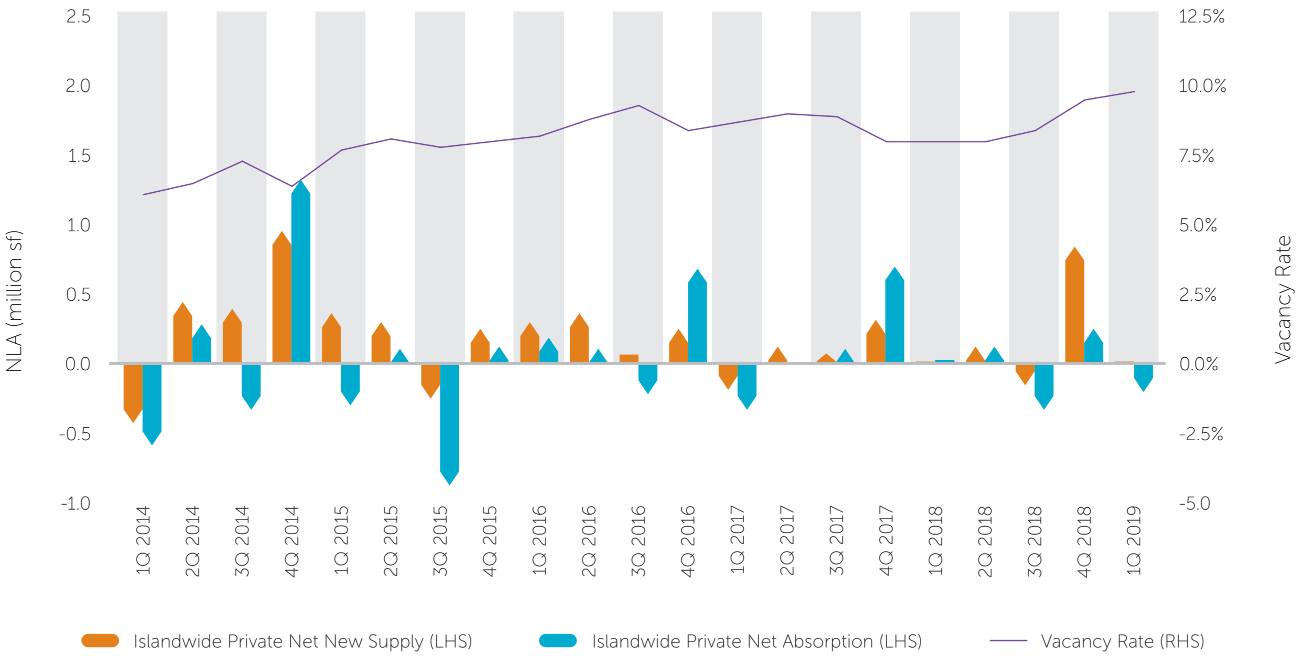
HarbourFront/Alexandra Micro-market
There is no planned retail supply to the HarbourFront/ Alexandra micro-market between 2019 and 2021.

3.3 Demand and Occupancy

The islandwide private net absorption of retail space was 64,600 sf in 2018, 87% below the 2017 figure. Activity-based tenants such as cooking studios and arcades were active in the leasing scene with landlords attempting to create a more engaging experience to draw shoppers. The booming health and wellness industry has generated leasing demand from multi-brand sporting goods retailers. F&B operators continued to be a key source of retail leasing demand in 2018. It was reported that the asset enhancement at Great World City will raise its lettable space allocation for F&B from 20% to 30%. In addition, 30% of the retailers at Jewel Changi Airport are F&B operators. Sporting goods and gyms remained one of the key drivers of leasing demand in 1Q 2019.

Islandwide retail vacancy rates hit a five-year peak of 9.9% in 1Q 2019 as the retail sector continue to face headwinds.

Chart 8: Islandwide Retail Demand And Vacancy

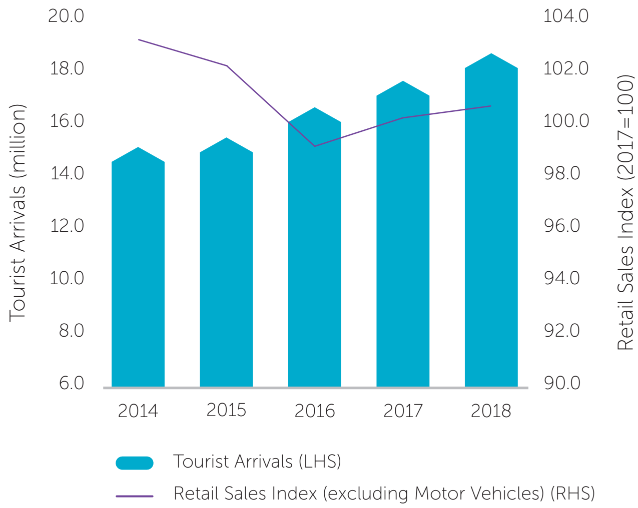


Sources: CBRE, URA

Retail sales performance moderated in 2018 with easing economic growth. The retail sales index based on Constant Prices (excluding motor vehicles) remained stable, having increased marginally by 0.5% year-on-year to 100.5 in 2018. Retail sales in 2018 were mainly driven by medical goods & toiletries, furniture & household equipment and wearing apparel & footwear.

While tourist arrivals and receipts in Singapore posted record highs for the third consecutive year in 2018, the pace of increase has moderated in the initial months of 2019. International visitor arrivals grew by 6.2% year-on-year to 18.5 million in 2018 with Singapore's top source markets for tourist arrivals, China, Malaysia, India and Indonesia, all exhibiting growth. Growth in Chinese visitorship figures was moderated from the 9.7% year-on-year growth in 1Q 2018 to 3.0% in 1Q 2019, possibly due to slower global growth. Tourism receipts have also failed to keep pace with the growth in visitorship in 2018.

Chart 9: Visitors Arrivals & Retail Sales Index (excluding Motor Vehicles)



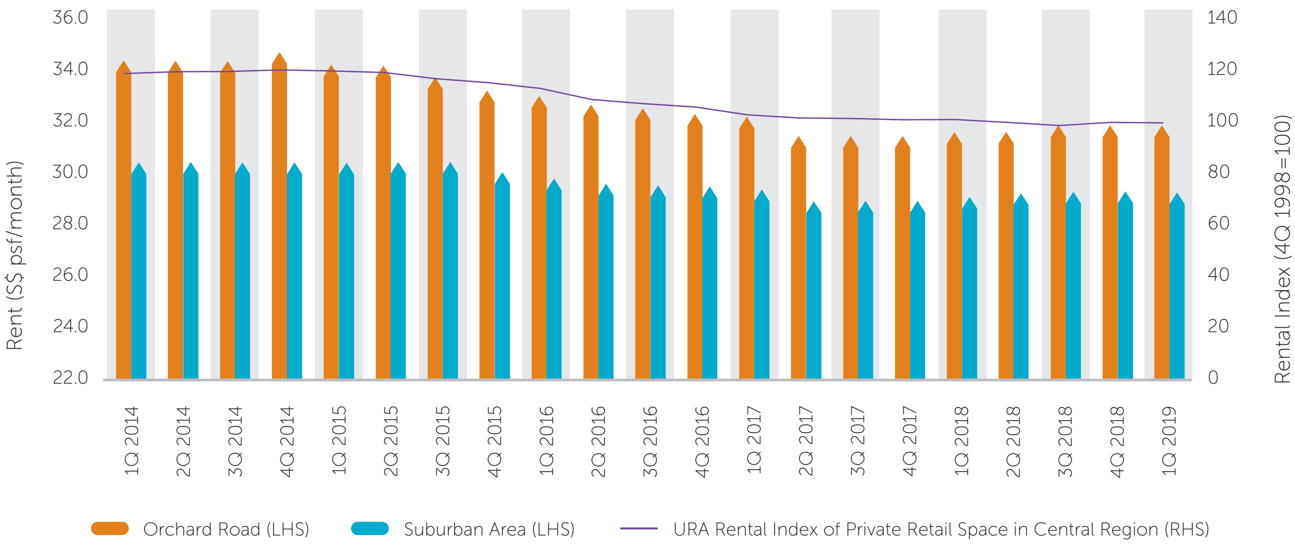
Sources: Singapore Tourism Board, Department of Statistics & CBRE

3.4 Retail Rents

Retail rents secured firmer footing in recent quarters. Since the recent low of S$31.30 psf/month recorded in Orchard Road in 4Q 2017, retail rents have recovered slightly by 1.3% to S$31.70 psf/month in 1Q 2019. Over the same period, retail rents in the Suburban Area have risen in an almost similar fashion by 1.2% year–on-year to S$29.15 psf/month in 1Q 2019. Suburban rents have generally exhibited greater resilience to rental compression and volatility as they are mostly supported by the domestic retail market.

The retail rental index for the Central Region, tracked by the Urban Redevelopment Authority ("URA"), stood at 98.0 in 1Q 2019.

Chart 10: Retail Rents



Sources: CBRE, URA

3.4 Retail Transactions

Investment activity in the retail market declined in 2018. After a robust growth in the previous year, the total retail transaction volume almost halved by 45.9% in 2018 to S$1.4 billion. Notable retail transactions in 2018 include the sale of a 70% stake in Westgate to CapitaLand Mall Trust for S$789.6 million and the purchase of the remaining 50% stake in Capitol Singapore by Perennial for S$514.0 million. Retail investment sales got off to an encouraging start in the new year with two enbloc retail transactions in 1Q 2019 – sale of Liang Court at S$400.0 million and Rivervale Mall at S$230.0 million.

Retail S-REITS participated more actively in the investment market in 2018. Apart from the purchase of the 70% stake in Westgate, CapitaLand Mall Trust has divested Sembawang Shopping Centre for S$248.0 million earlier in 2Q 2018. In the same quarter, SPH REIT acquired The Rail Mall for S$63.2 million.

No notable retail transactions were recorded in the HarbourFront/Alexandra micro-market for the whole of 2018 and 1Q 2019.

Table 2: Selected Retail Transactions in 2018 and 1Q 2019

Quarter	Property Name	Price (S$ million)	Price (S$ psf)	Land Tenure	Buyer	Seller
1Q 2019	Liang Court	400.0	1,492 on NLA	99 Years	CapitaLand - CDL	PGIM Real Estate Asia Retail Fund
1Q 2019	Rivervale Mall	230.0	2,833 on NLA	99 Years	SC Capital Partners	AEW Asia
4Q 2018	I12 Katong Mall (77.6 % stake)	279.4	1,739 on NLA	99 Years	DC REIT Holdings Pte Ltd	Divine (AMT) Limited
3Q 2018	Westgate (70% stake)	789.6	2,746 on NLA	99 Years	CapitaLand Mall Trust	CMA Singapore Investments (4) Pte Ltd (50%), CLJM Pte Ltd (20%)
2Q 2018	Sembawang Shopping Centre	248.0	1,727 on NLA	999 Years	Lian Beng-Apricot (Sembawang)	CapitaLand Mall Trust
2Q 2018	The Rail Mall	63.2	1,268 on NLA	99 Years	SPH REIT	Pulau Properties Pte Ltd
1Q 2018	Capitol Singapore (50% stake)	514.0	N/A	99 Years	Perennial (Capitol) Pte Ltd and New Capitol Pte Ltd	Chesham Properties Pte Ltd

Note: Transactions are recorded at the point of announcements.
Source: CBRE

3.5 Retail Outlook

The retail market is expected to continue to face headwinds amidst dampened market optimism and business sentiments. The medium-term rental outlook looks stable given the substantial tightening of supply pipeline after 2019. With online retailers gradually adopting an omni-channel retailing strategy, this could boost additional demand for physical retail space. Prime rents are expected to increase at a stable and sustainable pace over the next few years.

A strong rebound looks unlikely for the retail market as potential risks remain. Retailers continue to be hampered by high operating costs and labour shortage. The lowering of foreign worker quota for the services sector announced recently will further exacerbate the challenges of labour shortage. That said, these could create additional motivation for retailers and landlords to pursue productivity improvements and to adopt technological tools to mitigate the risks.

Primary malls are expected to be the prime beneficiary in this recovery. Growth is likely to be driven by prime properties while secondary corridors and floors may struggle with occupancy pressures.

The introduction of the Strategic Development Incentive Scheme is expected to lead to the rejuvenation and the unlocking of greater value for older retail assets in the Orchard Area.

4. THE BUSINESS PARK MARKET

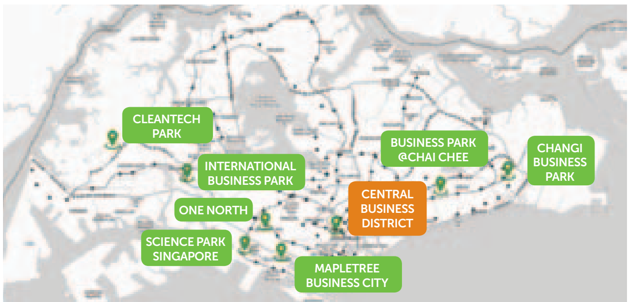
4.1 Existing Business Park Supply

Business Parks are campus-like business spaces that typically occupy at least five hectares of land. They are also part of the larger decentralisation efforts by the government to encourage businesses to consider operations that do not require a CBD address to relocate to the suburbs.

Singapore islandwide business park stock increased by 2.8% year-on-year to 23.7 million sf in 1Q 2019. New business park completions in 2018 include Alice@ Mediapolis and 22 Changi Business Park Central 2.

According to JTC Corporation ("JTC"), the lead agency in Singapore that spearheads the planning, promotion and development of industrial space, most of the Business Park space (58.5%) are distributed in the Central Region of Singapore, which comprises of one-north, MBC and Singapore Science Park. 24.1% of total stock is in the Eastern region and is anchored by Changi Business Park. International Business Park, located in the Western region, has the smallest share of 17.3% of total stock.

Figure 1: Key Business Park Clusters in Singapore



Source: OneMap and CBRE

Over time, some of the Business Parks have developed their own distinct identities. Changi Business Park is a reputed back-office hub for financial institutions such as Citibank, DBS and Standard Chartered. On the contrary, one-north is positioned as a Biomedical Sciences, Infocomm Technology and Media hub with tenants like Autodesk, GlaxoSmithKline, Novartis, Oracle and Lucasfilm.

International Business Park has been the base for knowledge-based activities with traditional technology and manufacturing tenants such as Creative Technology, Dell, Evonik, M1 and Sony. Singapore Science Park is home to mostly research and technology companies such as the Defence Science Organisation National Laboratories, Defence Science and Technology Agency, Avaya, Quintiles and Shimadzu.

MBC is one of the newest Business Parks in Singapore, featuring proximity to the CBD Core, Grade A specification buildings and integrated business hub features. The typical profile of tenants in MBC is different from those of traditional Business Parks as they appear to bear closer resemblance to the tenant profile of occupiers in the CBD Core, with tenants such as Google, Government Technology Agency, Info-Communications Media Development Authority, Motorola Solutions, Samsung, SAP and Unilever. Furthermore, there is a wide range of amenities within MBC including mid-range specialty restaurants, food courts, multipurpose auditorium, conference facilities, tennis and futsal courts, fitness club with lap pool amidst extensive gardens and greenery.

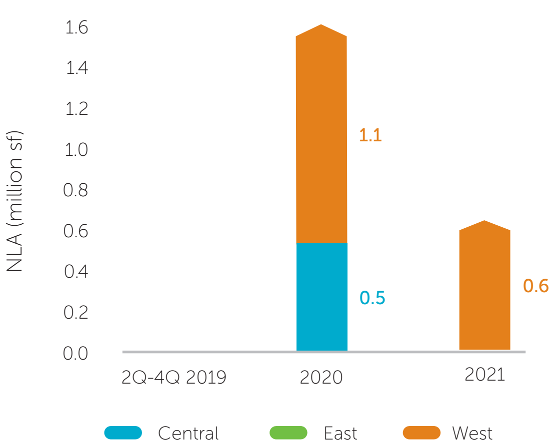
4.2 Future Business Park Supply

CBRE projects the islandwide Business Park supply over the next three years (2Q 2019 – 2021) to increase by approximately 2.2 million sf of NLA.

Approximately 73.0% (or 1.6 million sf) of future supply will enter the market in 2020. Key completions include Razer and Grab Headquarters, both of which are located in one-north. The estimated new supply of around 600,000 sf in 2021 is mainly attributed to the completion of Surbana Jurong Campus by M&G Real Estate. It is located at Cleantech Loop within the upcoming Jurong Innovation District which is envisaged to be a campus for advanced manufacturing R&D and training.

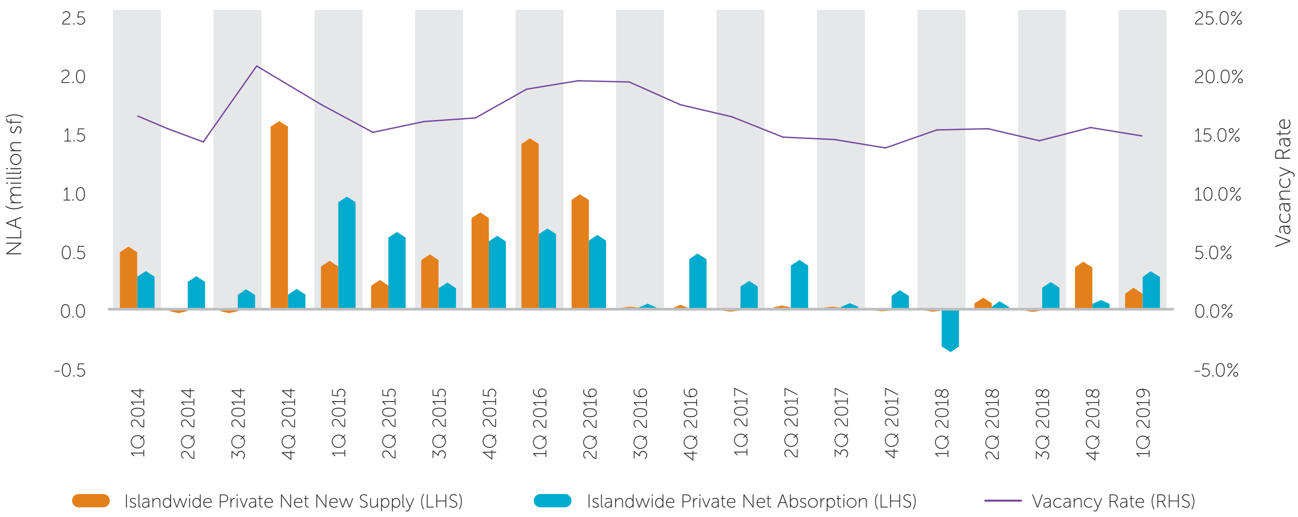
According to the URA Draft Master Plan 2019, a statutory land use plan that guides the medium-term physical development of Singapore, there are plans to build new Business Parks in Woodlands North Coast and Punggol Digital District.

Chart 11: Future Business Park Supply



Source: CBRE

Chart 12: Islandwide Business Park Supply, Demand & Vacancy



Source: CBRE, JTC

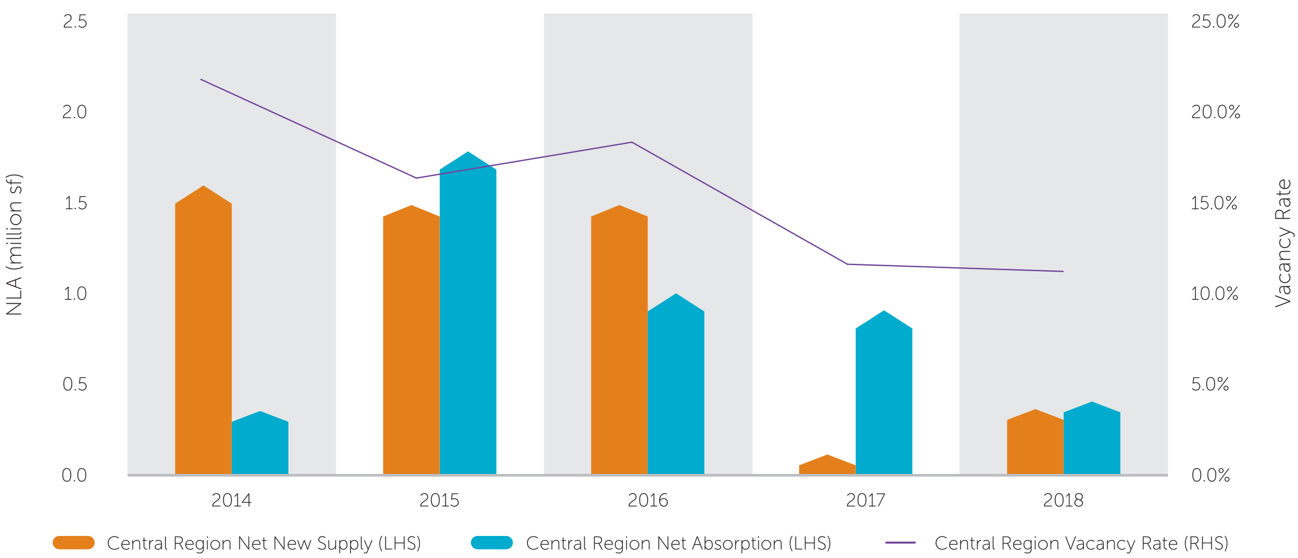
4.3 Demand and Occupancy

Business Park space typically features modern office-like specifications and tenants engaged in non-pollutive activities like advanced technology, research and development in high value-added and knowledge intensive industries, as well as back-office and headquarter type functions that meet the permissible usage requirements by URA.

According to JTC, islandwide net absorption for the Business Park market came in at 4,112 sf in 2018. Net new supply for the year stood at 466,507 sf. Technology firms were the primary demand driver of business parks space as they embarked on expansionary activities while co-working operators are selectively seeking out opportunities. Vacancy rate for Business Park space declined by 0.5%-point year-on-year to 14.4% in 1Q 2019.

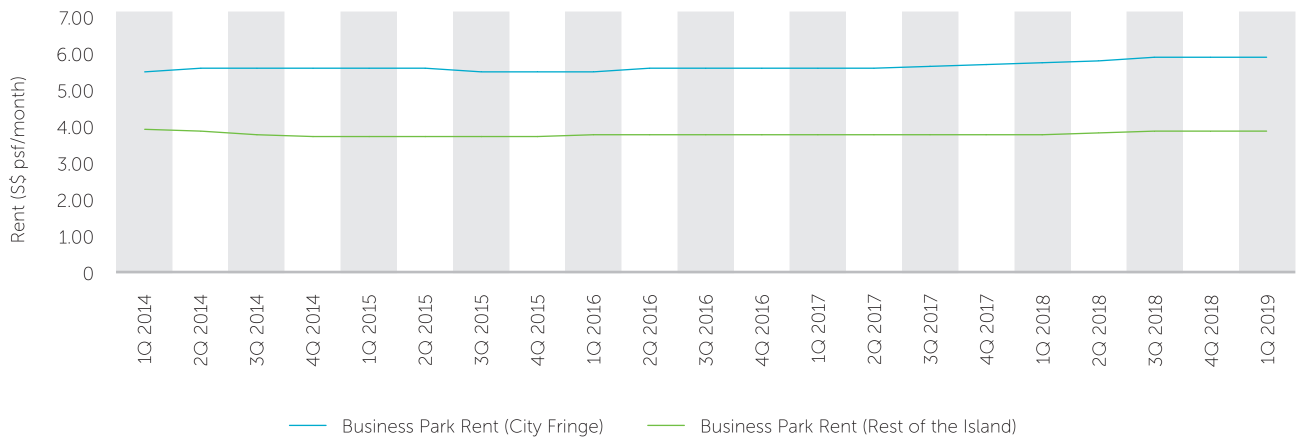
Firms in the infocomm, technology, biomedical and finance sectors are presently among the most prevalent tenants in Business Parks. Tenants generally exhibit preference for prime Business Park space in the central region. There is thus demand for Business Park spaces with good connectivity and quality specifications. Overall, leasing transactional activity seems fairly subdued although interest level in business parks continue to remain steady.

Chart 13: Central Region Business Park, Supply, Demand & Vacancy



Source: CBRE, JTC

Chart 14: Business Park Rents



Source: CBRE

4.4 Business Parks Rents

Business Park rents have generally been very resilient and stable. As at 1Q 2019, the City Fringe and Rest of the Island submarkets commanded rents of S$5.80 psf/month (+2.7% year-on-year) and S$3.80 psf/month (+2.7% year-on-year) respectively. MBC I is located within the City Fringe submarket.

City Fringe Business Parks space has always commanded a rental premium compared with those which are located at the Rest of the Island. This reflects the clear advantages in attracting occupiers who are drawn by the lower rental and yet can enjoy excellent locational attributes of being near the CBD.

4.5 Business Parks Transactions

The Business Park investment market has been relatively muted with no transactions recorded in 2018 and 1Q 2019.

4.6 Business Parks Outlook

Business park space is expected to continue to remain as a favourable option for qualified tenants who are seeking long term stability. Thus, prospects for the sector look stable. Tenants in this space include incubators and firms from the fintech & technology sector. The government has adopted a very calibrated approach towards the introduction of new business park space with the majority being built-to-suit projects for single-owner occupier use.

Occupiers have consistently exhibit preference for business parks with higher specifications and locational attributes, particularly those located in the City Fringe. These occupiers are selective and have not chosen to widen their space options to older and less well-located business parks despite tightening availability. A large proportion of vacant spaces are located in poorer and older assets which are unlikely to be filled easily. Henceforth, the two-tier business park market is likely to become more pronounced going forward with a widening in rental gap.

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