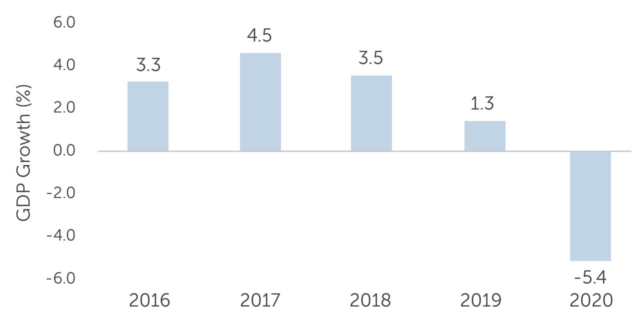
# INDEPENDENT **MARKET OVERVIEW**

## 1. THE SINGAPORE ECONOMY

### 1.1 Economic Overview

According to the Ministry of Trade and Industry ("MTI"), Singapore's Gross Domestic Product ("GDP") contracted by 5.4% in 2020, a reversal from the 1.3% growth in 2019. Despite the contraction, there were optimistic nods in the economic indicators as Singapore entered Phase 3 of re-opening on 28 December 2020. Singapore's economy expanded by 1.3% year-on-year and 3.1%[1] on a quarter-on-quarter basis in 1Q 2021, extending the 3.8% expansion in the preceding quarter. The execution of vaccination programmes is expected to boost confidence and support the gradual recovery of economic activities.

**Chart 1: Singapore Historical GDP Growth Rate**




Source: MTI

The manufacturing sector was the best performing sector in 1Q 2021 with 10.7% expansion year-on-year. The overall growth was mainly contributed by output expansion in biomedical manufacturing, electronics and precision engineering clusters which are poised to see sustained output growth.

The service producing industries contracted 0.5% year-on-year in 1Q 2021, but saw a slight growth of 1.1% quarter-on-quarter. Contractions were mainly led by the accommodations, transportation & storage, food & beverage services ("F&B") and wholesale & retail trade, as these sectors were impacted by weak external demand, social distancing measures and travel restrictions. On the other hand, the information & communications and finance & insurance sectors recorded growth of 6.4% and 4.7% year-on-year respectively in 1Q 2021.

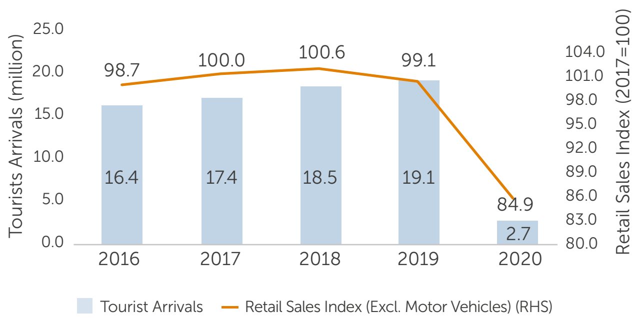
***Tourism Sector***

COVID-19 has created an unprecedented situation with widespread global travel restrictions. With border closures, visitor arrivals in Singapore fell to 2.74 million, representing an 85.7% drop in 2020 compared to 2019. However, with the vaccination programmes underway, there could be some improvement in travel confidence.

In October 2020, the Event Industry Resilience Roadmap was introduced to steer the restoration process. The opening of Connect@Changi in early March at SingExpo, a pilot short-stay facility, is designed to support safe meetings between international business travellers and Singapore residents. When fully opened in mid-2021, the facility will yield some 1,300 guest rooms and 340 meeting rooms. However, due to the evolving nature of the pandemic, the Singapore Government has signalled that it will monitor the domestic situation closely before deciding on the next steps.

Singapore's position as a safe and attractive leisure and business hub will boost the short to medium term outlook of the tourism sector. CBRE expects Singapore hotel occupancy to pick up in 2021, supported by the demand from Stay-Home Notices and frontline workers, and potentially reach pre-COVID levels by 2024.

**Chart 2: Visitor Arrivals & Retail Sales Index (excluding Motor Vehicles)**




Sources: CBRE, Department of Statistics, STB

### 1.2 Government Response to COVID-19 and Supporting Measures

The Singapore government had dedicated nearly S$100 billion through five special budgets, amounting to almost 20% of the country's GDP, to overcome the COVID-19 pandemic.

On 5 June 2020, the COVID-19 (Temporary Measures) (Amendment) Bill was passed to resolve financial concerns and support eligible Small and Medium Enterprises ("SMEs"), as well as affected landlords and businesses, by providing additional relief. The key amendments include rental support for eligible SMEs via a new rental relief framework

[1] On a seasonally-adjusted basis.

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and relief for tenants who were unable to vacate their business premises due to COVID-19.

Additional loan and cashflow support schemes were also available for landlords and businesses affected by the pandemic. Landlords could defer both principal and interest repayments till 31 December 2020, should they be required to provide rental waivers or repayment rescheduling to affected tenants. More flexibility was also extended to Singapore-listed REITs, whereby they are permitted to extend their timelines for distribution of their taxable income.

In the mid to long-term, some development slippages and delay in construction activities are expected, as a result of manpower issues and measures imposed due to the pandemic. For landlords, under the COVID-19 (Temporary Measures) Act, temporary relief from inability to perform contractual obligations without any liability will be provided.

While Singapore Tourism Board ("STB") has rolled out campaigns to support domestic tourism, Singapore's borders remain largely closed to international tourists. However, the country has gradually reopened its borders, with a "fast lane" agreement with China that took effect from 8 June 2020 which allows essential business travel.

Singapore was the first country in Asia Pacific to approve both the Pfizer-BioNTech and Moderna vaccines in December 2020 and February 2021 respectively. Immunisation is currently being rolled out to the wider population in phases across 2021. As at 24 May 2021, approximately 3.7 million vaccine doses[1] have been administered, with more than 1.6 million people having completed the full vaccination regime. Singapore aims to complete vaccination for the population by end-2021.

In February 2021, the government unveiled the Budget for 2021 (Emerging Stronger Together), allocating S$11 billion to a COVID-19 Resilience Package, S$24 billion to enable firms and workers to emerge stronger, an additional S$5.4 billion to a second tranche of the Jobs and Skills Package, support for the built environment sector, as well as a new S$900 million household support package.

Although the global and local economy have shown signs of recovery, there are still lingering uncertainties emerging from COVID-19. In May 2021, Singapore saw an increase in locally-transmitted cases. In response, the government tightened border controls and safe management measures. These measures were introduced as "Phase 2 (Heightened Alert)" taking effect from 16 May to 13 June 2021. Under the new measures, social gatherings were limited to two persons and "mask off" activities such as dining-in, strenuous indoor exercise classes and personalised services such as facials and saunas were halted. However, retail shopping and attractions and museums are still allowed to operate albeit with reduced capacities - shopping malls have to adhere to capacity limit of 16sqm of GFA per person, while attractions and museums can only receive visitors of up to 25% of operating capacity and up to 20 persons for tour groups. MICE events and weddings are still allowed with up to 100 persons with pre-event testing ("PET") or 50 persons without PET. As a result of the increase in community cases, the Singapore-Hong Kong Travel Bubble originally planned for 26 May 2021 had also been deferred.

To cushion the impact over this period, the government will increase support for F&B businesses under the Jobs Support Scheme ("JSS") from 10% to 50% of the first S$4,600 of gross monthly wages paid to local employees during this period. Additionally, the government will also provide one month of rental waiver for hawker stalls and coffee shop tenants of government agencies.

On 28 May 2021, the government announced additional financial support for qualifying tenants and SMEs affected during Phase 2 (Heightened Alert) period. For privately-owned commercial properties, some landlords have extended rental waivers or rebates to aid their tenants during this period. To provide additional support, the Inland Revenue Authority of Singapore ("IRAS") will disburse 0.5 month of rental relief payout to qualifying tenants, which will be disbursed starting from mid-August 2021 and assessed based on the latest contractual gross rent during the period from 14 to 29 May 2021.

Moving forward, the government will continue to review its measures regularly to manage risk, while maintaining an open economy.

### 1.3 Economic Outlook

Looking ahead, the trajectory of the pandemic remains uncertain and with the emergence of new COVID-19 variants, major economies continue to face an uneven path to recovery. With global vaccination programmes underway, some green shoots are expected to boost overall sentiment. While sectors such as tourism and aviation face a protracted recovery due to travel restrictions, the F&B and retail sectors are expected to benefit from the uptick confidence in consumer sentiments. The Singapore economy is expected to see gradual albeit uneven recovery across various sectors toward the latter half of 2021. Supported by the return of international travel to some degree, MTI expects the economy to expand by 4.0% to 6.0% in 2021.

## 2. THE RETAIL MARKET OVERVIEW

### 2.1 Retail Sales Index[2]

Retail sales faced an extraordinary year as the retail sector faced unprecedented obstacles in 2020. As a result of the pandemic and circuit breaker,

[1] Ministry of Health, COVID-19 vaccination statistics, 24 May 2021.
[2] Retail Sales Index (2017=100), in Chained Volume Terms (seasonally adjusted), Monthly, SA (SSIC 2015 Version 2018).

international travel and consumption came to a standstill. In Singapore, small retail businesses bore the brunt of the decline as many were not financially equipped to withstand the sudden disruptions. F&B also declined, especially due to the circuit breaker and could only rely on deliveries and takeaways.

On the other hand, sectors such as supermarket and household equipment recorded better performances due to increased demand for domestic consumption especially during the circuit breaker. This prompted the retailers to build a digital community by marketing their services/products on social media, while concurrently upgrading the technology infrastructure of their business. Retailers and restaurants will have to re-strategise and adapt to a gradual albeit uncertain recovery.

The total retail sales index (excluding motor vehicles) for March 2021 recorded a 6.3% increase year-on-year. The majority of the growth was due to a lower base last year when safe distancing measures were first unveiled to contain the pandemic. With the relaxation of safe distancing measures and increased mobility patterns, sales in the Supermarkets (-13.0%), mini-marts & convenience stores (-7.2%) and food & alcohol (-9.9%) subsectors declined year-on-year as compared to last year, when the majority of people stayed home during the circuit breaker.

As more people have gone back to shopping centres, recreational goods (32.7%), wearing apparel and footwear (42.6%), watches and jewellery (59.0%), furniture & household equipment (3.9%) and computer & telecommunications equipment (24.4%) have recorded year-on-year increases, reflecting the changes in lifestyle and consumption patterns of residents. On the other hand, shoppers have also adapted to the "new normal" brought about by the social distancing measures and started shopping more online. This is evidenced by the increase in proportion of online sales to total retail sales. Overall, the proportion of online retail trade (excluding motor vehicles) have increased by 37.1%. The proportions for Supermarkets (64.1%), Computer and telecommunications equipment (12.8%) and Furniture & household equipment (50.8%) have also increased year-on-year. Moving forward, retail sales are expected to stay subdued in the first half of this year, at least, given the absence of tourism-led demand.

The Food & Beverage Services Index[1] registered a year-on-year growth of 5.9% in March 2021. Growth was recorded across almost all components including restaurants (15.7%), fast food outlets (5.9%) and other eating places (4.5%). According to data by Chope, restaurant reservations were up 41% in December 2020 on a year-on-year basis and even restaurants that do not take reservations reported very strong demand. On the contrary, food caterers declined (-25.6%) as more people were eating out and demand for food catering declined.

### 2.2 Existing Retail Supply

In 1Q 2021, total islandwide retail stock declined by 1.0% year-on-year to 66.1 million sq ft due to the removal of stock from the renovation works at Changi Airport Terminal 2 and Wilkie Edge. Total private retail stock declined by 1.3% year-on-year to 49.4 million sq ft. This decline was largely due to the removal of stock in Rest of Central Region ("RCR") where Liang Court is undergoing demolishment works.

Both the Fringe Area and Suburban area accounted for most of the private retail stock amongst the submarkets, at respective 25.5% and 25.8% respectively. The Downtown Core, Orchard Road and RCR accounted for 15.2%, 14.7% and 18.7% respectively. There were no significant project completions in 1Q 2021 as construction schedules of most projects continued to experience delay.

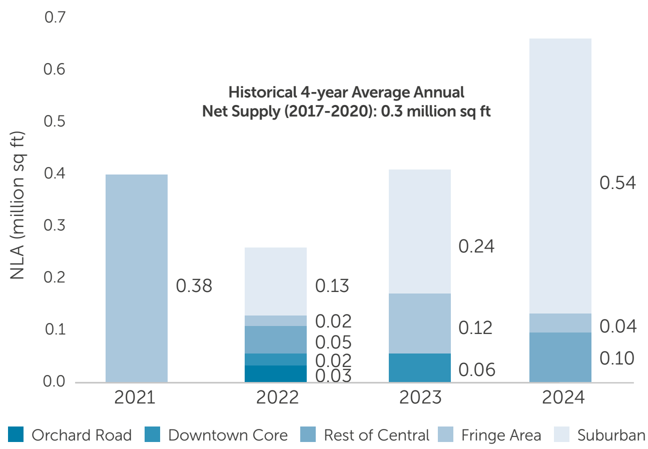
### HarbourFront/Alexandra Micro-market

There was approximately 1.3 million sq ft of retail space in the HarbourFront/Alexandra micro-market and there was no new completion in the last year.

### 2.3 Future Retail Supply

Between 2Q 2021 to 2024, about 1.7 million sq ft of retail space will be entering the market, averaging 0.4 million sq ft per year over the next four years. This is slightly higher than the average annual supply of 0.3 million in the last four years. The bulk of the potential supply will complete in 2024 in the suburban areas.

**Chart 3: Future Retail Supply**




Sources: CBRE, URA

[1] Food & Beverage Services Index, (2017 = 100), In Chained Volume Terms, (SSIC 2015 Version 2018), Monthly, Seasonally Adjusted.

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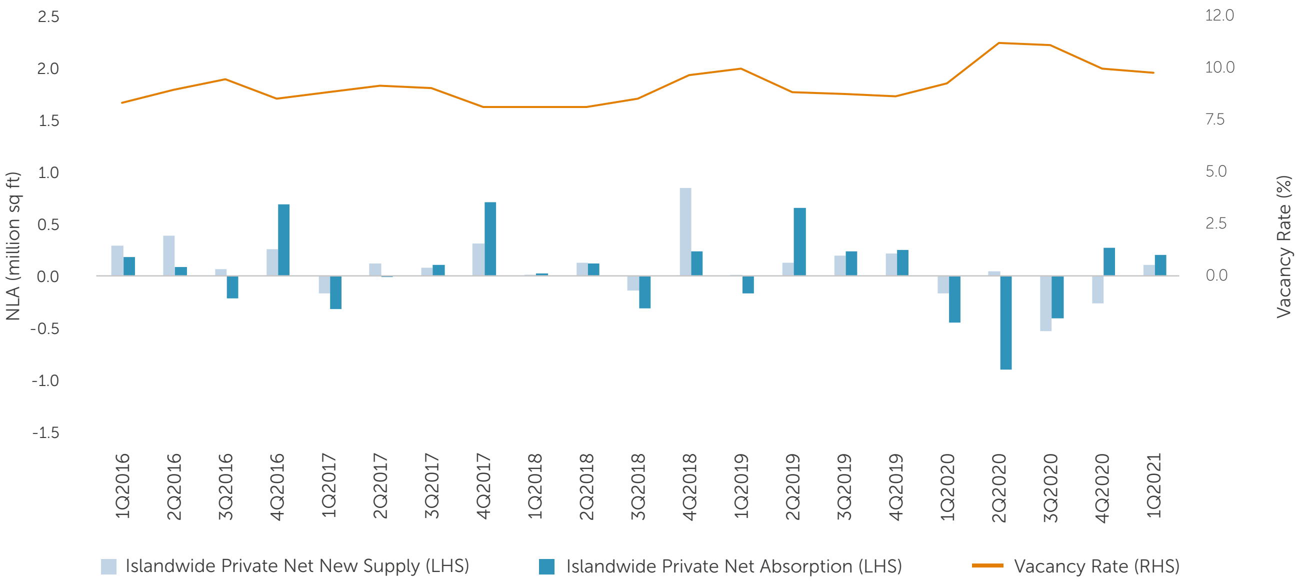
**Chart 4: Islandwide Retail Demand and Occupancy**




Sources: CBRE, URA

As COVID-19 impaired construction activities, some projects were delayed to 2021. There will be approximately 0.4 million sq ft of retail space expected to complete in 2021, including Grantral Mall@Macpherson and the AEI work at I12 Katong.

In 2022, some 0.3 million sq ft of retail space is expected to be completed. Majority of these will be in Outside Central Region, including Komo Shoppes, Sengkang Grand Mall and Forest Town. In 2023, approximately 0.2 million sq ft of retail space is expected to be introduced, including the retail podiums of Central Boulevard Towers, Woodleigh Mall, Dairy Farm Residence and One Holland Village. Another 0.7 million sq ft of supply will be completed in 2024. These include JTC's mixed use project at Punggol Way, Changi's Airport Terminal 2, retail podium of SP development and the redevelopment of Liang Court. Overall, across 2Q 2021 to 2024, the majority of retail supply will be in the Suburban and Fringe markets, representing 52.8% and 32.0% respectively. The remaining 15.2% will be in the Orchard Road, Downtown Core and Rest of Central Region markets.

### HarbourFront/Alexandra Micro-market

There is no planned future retail supply to the HarbourFront/Alexandra micro-market between 2Q 2021 and 2023.

## 2.4 Demand and Occupancy

Due to border closures and social distancing measures, retailers have felt the brunt of the pandemic. Coupled with changing lifestyle trends, the retail market witnessed prominent closures. Examples include Robinsons Singapore closing its last two department stores in 2021 and multi-brand sports retailer AW lab exiting the city state.

Islandwide private retail market recorded absorption of 0.2 million sq ft for 1Q 2021 compared to the negative absorption of 0.4 million sq ft in 1Q 2020. The overall islandwide private retail vacancy rate as at 1Q 2021 is 9.7%, an increase of 0.5 percentage points compared to a year ago. Closures and exits by retailers contributed largely to the rise in the vacancy rate.

### HarbourFront/Alexandra Micro-market

The HarbourFront/Alexandra micro-market was highlighted under the Greater Southern Waterfront precinct in URA's Master Plan 2019. This urban transformation will create a new major gateway for urban living.

Key developments in the HarbourFront/Alexandra corridor precinct include VivoCity, HarbourFront Centre and ARC, which are about a ten-minute drive from the CBD. They provide a range of retail and dining experiences and offerings, solidifying the micro-market's position with a strong retail presence that caters across different demographics.

Benefitting from direct MRT access, the precinct continues to be popular with retailers and has had various new store openings despite the slowdown in the retail market during the pandemic.

At VivoCity, American fine-casual chain Shake Shack opened its fifth outlet in Singapore in October 2020 and home-grown online-to-offline retailer, Love, Bonito, opened its fourth store in Singapore in September 2020. The latter spans 4,300 sq ft and also caters to mothers with kids. New-to-market retailers like Hong Kong plant-based grocery store and café Green Common were also introduced to VivoCity.

At HarbourFront Centre, Japanese chain store Dondondonki opened its ninth store in Singapore in 2H 2020. This 15,000 sq ft outlet aims to be more food-centric with a plethora of prepacked food, fresh produce and cuts and Japanese snacks, catering to the growing office and residential catchment population.

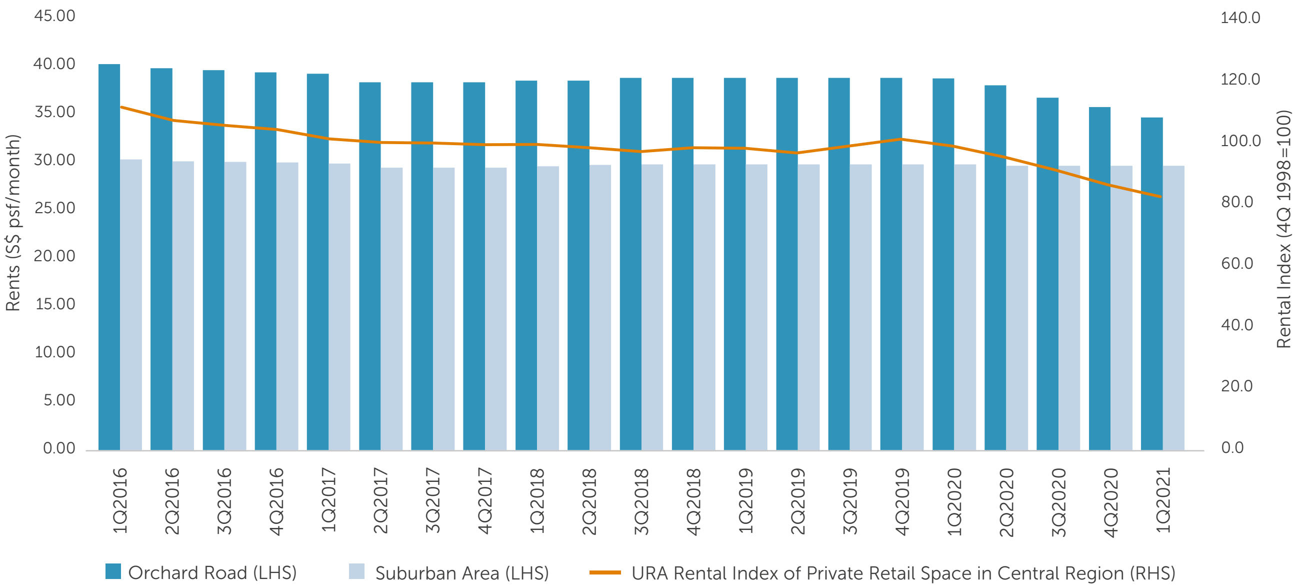
### 2.5 Retail Rents[1]

Recovery of the retail market is expected to be protracted due to prolonged uncertainties. CBRE expects that these could be mitigated by the moderate level of upcoming supply. Increasingly, landlords are also readjusting their rental expectations and have put maintaining occupancy as a priority.

The Suburban market continues to be the most resilient and has withstood market rental compression due to strong shopper traffic footfall, recording suburban rents at S$29.50 psf/month in 1Q 2021, unchanged from the past three quarters.

Affected by the weak tourism footfall and continued border closures, Orchard Road experienced a sharper decrease in rents. Prime rents in Orchard Road have declined by 9.5% year-on-year and 2.0% quarter-on-quarter to S$34.90 psf/month in 1Q 2021. With uncertainty in the tourism sector, the rental gap between Orchard Road and the Suburban market could narrow further in the short to medium term. CBRE expects prime retail rents to gradually stabilise throughout 2021.

**Chart 5: Monthly Retail Rents**




Source: CBRE

[1] Please note that there has been a change in historical prime retail rents due to a revision in the rental basket in 1Q 2021. For the Orchard Road submarket, selected buildings located in secondary locations/ strata-titled/ of an older building age were removed from the basket. The revisions were made to provide a better reflection of average market rents in the submarket. Orchard Road prime capital values were also revised accordingly due to the change in rental baskets for 1Q 2021.

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## 2.6 Retail Transactions

Retail transaction volume grew in 1Q 2021, totalling S$240.8 million, increasing sharply from the S$22.1 million recorded in 1Q 2020. The major contributor was the sale of Yew Tee Point by Frasers Centrepoint Trust to Arch Capital Management for S$220.0 million or S$1,971 psf.

The only other retail transaction during the quarter was a strata sale at People's Park Centre for S$20.8 million or S$2,887 psf.

There were no notable retail transactions recorded in the HarbourFront/Alexandra micro-market in 2020.

**Table 1: Selected Retail Transactions in 2020 and 1Q 2021**

| Quarter | Property Name | Price (S$ million) | Price (S$ psf) | Land Tenure | Buyer | Seller |
|---|---|---|---|---|---|---|
| 2Q 2020 | 30 Raffles Place | 192.7 | 3,099 | 99 years | Siriti R Pte Ltd | Oxley Beryl |
| 3Q 2020 | Northpoint City (south wing) | 550.0 | 3,786 | 99 years | Bright Bloom Capital Limited | Frasers Property |
| 3Q 2020 | Jem Shopping Mall (3.8%) | 45.0 | 2,042 | 99 years | Lendlease Global Commercial REIT | Lendlease Investment Management |
| 4Q 2020 | Anchorpoint (Retail) | 110.0 | 1,545 | Freehold | Jobina Construction | Frasers Centrepoint Trust |
| 1Q 2021 | Yew Tee Point | 220.0 | 1,971[1] | 99 years | Arch Capital | Frasers Centrepoint Trust |

Source: CBRE

[1] Based on strata area recorded by REALIS.

## 2.7 Retail Outlook

Given the setbacks and disruptions caused by the circuit breaker and border closures, the retail market was sluggish throughout 2020 and witnessed consolidations, closures and exits in the industry.

However, the market saw some green shoots emerging towards the end of 2020 as shopper traffic began to return to pre-COVID levels.

The recovery of the retail market is expected to be prolonged due to global uncertainties. With continued border closures, the retail market will be largely supported by domestic spending. Leasing activities have gained traction with new openings of mostly F&B concepts and this is expected to pick up in 2021. Landlords and tenants alike are re-strategising their plans and looking for gaps to establish a first mover advantage with the aim of capturing evolving trends.

As a result of the pandemic, customers have moved towards e-commerce and consequently, retailers are increasingly combining online and offline strategies. IKEA, for example, in addition to opening a retail store at JEM, has introduced Click & Collect service for both merchandise and food. Unlike their traditional warehouse stores, the new store focuses on "small store concepts" which allows IKEA to merchandise household items differently. While consumers can shop online for the larger, bulkier furniture items, they can also purchase the smaller household items at the new concept IKEA store for instant gratification.

There was also an increased focus on "wellness". As consumers become more aware of food sources and ingredients, new concepts that focus on organic food, sustainable sourcing and healthy eating have emerged. An example is plant-based eatery and grocery retailer, Green Common, that opened at VivoCity.

Moving forward, uncertainties are expected to remain due to the evolving nature of Singapore's domestic COVID-19 cases. Landlords are expected to curate their tenant mix and recalibrate their malls' positionings for the new normal. From the investment market viewpoint, CBRE opines that on the back of improved sentiments and return to business normalcy in Singapore, barring any temporary measures, there may be renewed interest from investors in retail assets as investors look to acquire assets at opportunistic levels.

## 3. THE OFFICE MARKET OVERVIEW

### 3.1 Existing Office Supply

As at 1Q 2021, islandwide office stock stood at 61.7 million sq ft, a 0.1% decrease (34,200 sq ft) year-on-year. The CBD Core[1] office stock accounted for 31.2 million sq ft (or 50.6% of islandwide office stock) with 14.1 million sq ft being Grade A CBD Core office[2] space. Fringe CBD stock totalled 16.1 million sq ft (or 26.0%) while the Decentralised Area accounted for 14.4 million sq ft (or 23.4%). 1Q 2021 saw the injection of Dyson's Headquarters at St James Power Station into the market at 118,200 sq ft.

### Tanjong Pagar and HarbourFront/ Alexandra Micro-market

In 1Q 2021, office stock in the Tanjong Pagar submarket stood at 4.96 million sq ft while the HarbourFront/ Alexandra submarket stood at 3.68 million sq ft. The submarkets have seen an increasing amount of interest as occupiers start to become open-minded about office requirements. As cost savings are still at the front of everyone's minds, occupiers do want to assess if they can get back the best value for the rental expenditures incurred.

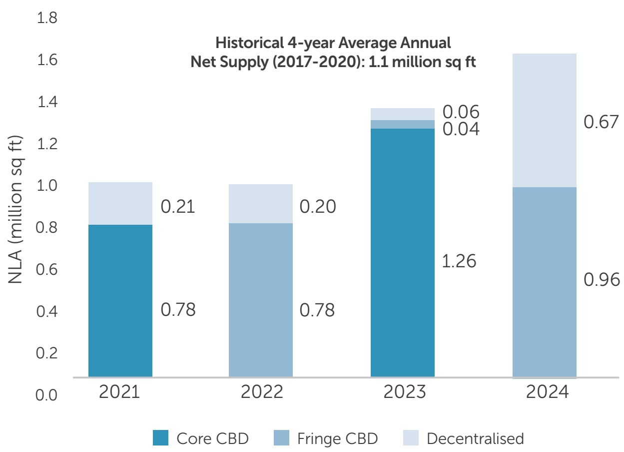
### 3.2 Future Office Supply

Due to the slower-than-expected resumption of construction activities, delay in office development projects is expected. For 2Q 2021 to 2024, islandwide new office supply pipeline is projected at 4.95 million sq ft[3], comprising 41.1% in the CBD Core market, 22.9% in the Decentralised[4] market and 36.0% in CBD Fringe[5] market.

In addition, landlords have started to evaluate redevelopment opportunities to leverage the CBD Incentive Scheme and Strategic Development Incentive Scheme aimed at older properties. Two properties that would undergo redevelopments under the scheme are the Fuji Xerox Towers and AXA Tower. Notable supply coming on board in 2021 in the Core CBD include CapitaSpring (635,000 sq ft) and Afro Asia (140,000 sq ft), while Surbana Jurong Campus office component (211,600 sq ft) in the Decentralised area is expected to be completed in 4Q 2021. In 2022, supply would mainly come from the Fringe CBD and Decentralised areas. These include Hub Synergy Point Redevelopment (131,200 sq ft), Gucco Midtown (650,000 sq ft) and Rochester Commons (195,000 sq ft).

For 2023, the office market expects two notable projects to be completed: Central Boulevard Towers (1,258,000 sq ft) in the Core CBD and One Holland Village office component (58,600 sq ft) in the Decentralised area. In 2024, the redevelopment works of Keppel Towers and Keppel Towers 2 (525,600 sq ft) and Shaw Towers (435,600 sq ft) are expected to be completed in the Fringe CBD and the 34-storey development by SP Group (670,000 sq ft) will complete in the Decentralised area. However, construction works could possibly be delayed due to the pandemic.

**Chart 6: Future Office Supply**




Sources: CBRE, URA

### Tanjong Pagar and HarbourFront/ Alexandra Micro-market

For the Tanjong Pagar submarket, the redevelopment of Hub Synergy Point is expected to be completed in 3Q 2021, adding around 131,200 sq ft of office space to the micro-market.

For the HarbourFront/Alexandra micro-market, St James Power Station was completed in 1Q 2021, contributing about 118,200 sq ft of office space. It will be the new global headquarters for Dyson.

1 The CBD Core area comprises the four micro-markets: Raffles Place, Shenton Way, Marina Bay and Marina Bay Centre.
2 A revision of our basket was conducted in 1Q 2019 to maintain building grading qualifications and more accurate location demarcations. Only figures from 1Q 2019 onwards will reflect the revision of numbers, historical figures are unchanged.
3 The net lettable area and TOP dates are preliminary estimates and are subject to change.
4 The Decentralised markets are anchored mainly by clusters of office in HarbourFront/Alexandra, Western Suburban and Eastern Suburban areas.
5 The CBD Fringe area includes Tanjong Pagar, Beach Road/City Hall as well as Orchard Road.

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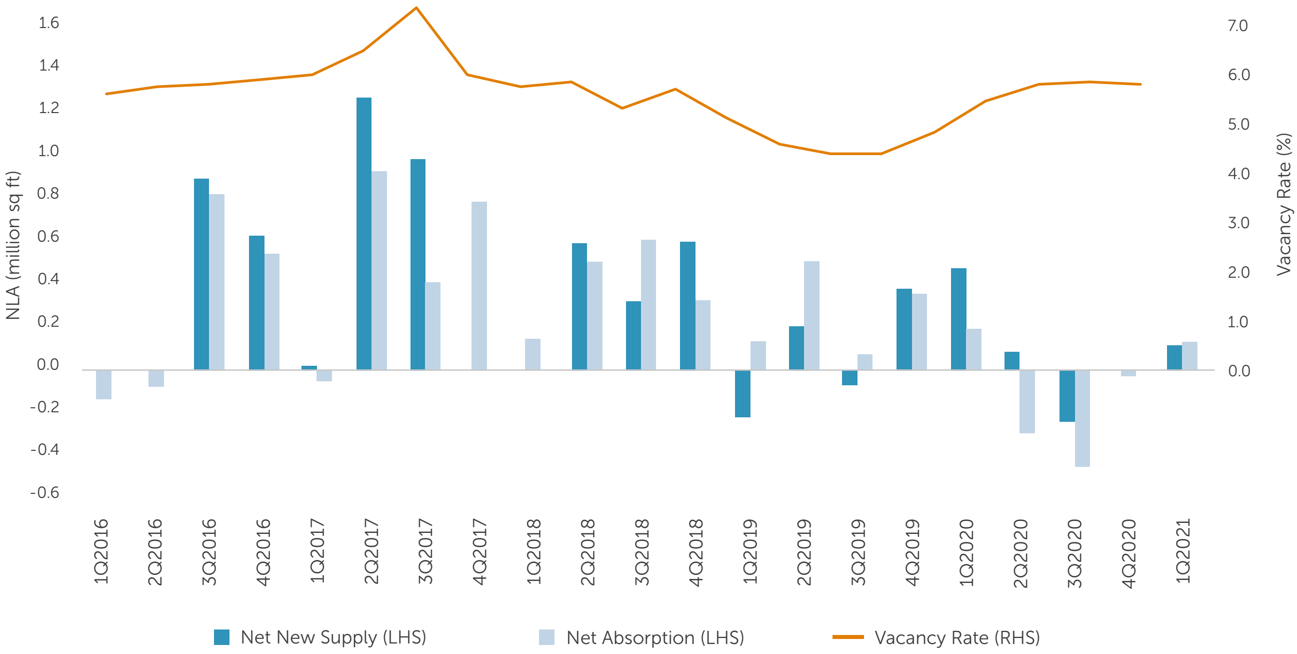
## 3.3 Demand and Occupancy

**Chart 7: Islandwide Office Demand and Occupancy**




Sources: CBRE, URA

Islandwide net absorption for 1Q 2021 was 0.1 million sq ft, an expansion for the first time in three quarters. Due to increasingly positive sentiments, occupiers showed interest in Grade A office space with most of the take up stemming from the Core CBD.

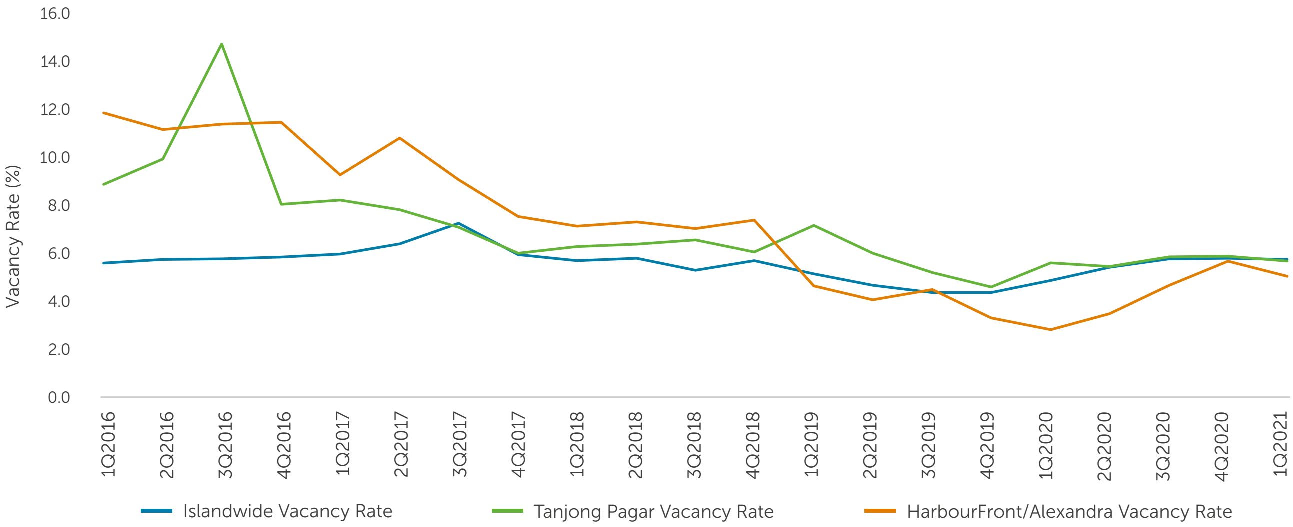
With net absorption outpacing net supply, Islandwide vacancy rate compressed marginally quarter-on-quarter from 6.0% in 4Q 2020 to 5.9% in 1Q 2021. This was predominantly due to the completion of St James Power Station which has been fully leased to Dyson. The Grade A office space market remained relatively resilient, but more vacancies are expected in the Grade B office market as occupiers in those buildings continue to recalibrate their office footprint. Occupiers remained cautious and prudent as firms prioritised cost-cutting alongside challenges brought by COVID-19. Large occupiers have started downsizing exercises, albeit at a slower pace. With high occupancy costs and impending cost containment exercises, firms may seek to relocate to other buildings of similar quality at competitive rents. Demand has been driven mainly through renewals or relocations as firms continue to reassess their footprints.

The technology sector, which has been seeking sizeable office space expansion and new entry into the market, continued to drive demand. Several Chinese technology firms are looking to shift and/or have shifted their global or Asia Pacific headquarters to Singapore. Global political uncertainties and US data security concerns have added impetus for these firms to relocate to Singapore. This validates Singapore's strong and stable market fundamentals. In the longer term, Singapore's digital transformation plans will further drive and support demand. Other prominent sectors that contributed to leasing activities include information and communication, financial services and flexible workplace sectors.

### Tanjong Pagar and HarbourFront/ Alexandra Micro-market

The Tanjong Pagar micro-market will see a number of new developments in the next few years with the redevelopment of Keppel Towers, Keppel Towers 2, Hub Synergy Point and AXA Towers. Once completed, these will help to bring up the area's overall branding and positioning, contributing positively to the overall appeal of the micro-market. The vacancy rate for Tanjong Pagar submarket was 5.8% in 1Q 2021, rising 0.1 percentage points from 1Q 2020. Meanwhile, the vacancy rate for the HarbourFront/Alexandra submarket was at 5.2% in 1Q 2021.

**Chart 8: Office Vacancy Rate**




Source: CBRE

The HarbourFront/Alexandra micro-market is located in the city fringe and offers an attractive alternative for occupiers. The office components at MBC I and MLHF have 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.

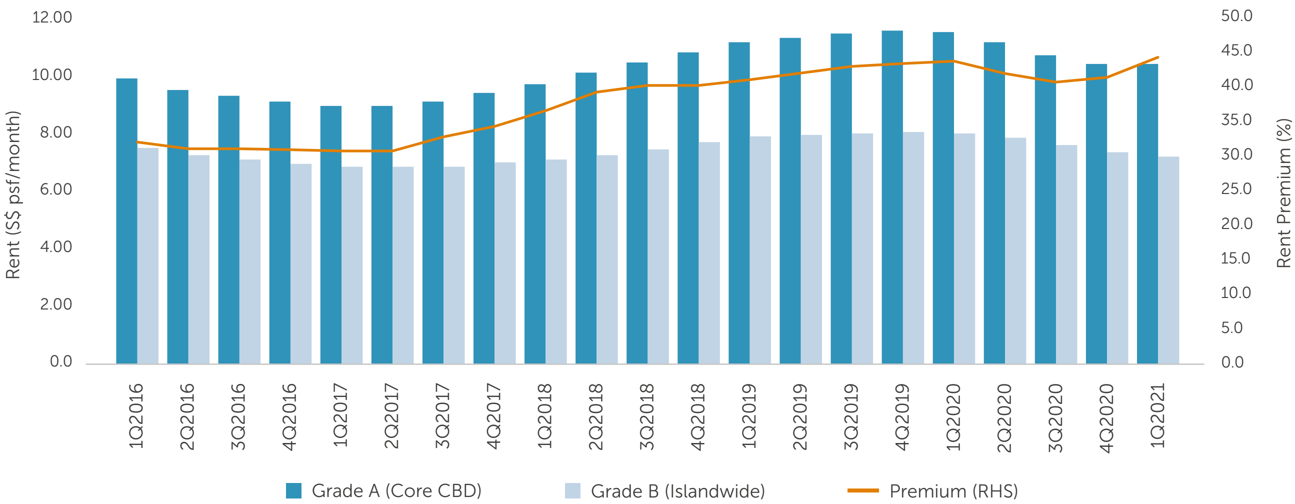
In the longer term, with the gradual completion of projects under the Greater Southern Waterfront master plan, the HarbourFront/Alexandra micro-market will see a myriad of land uses, with supporting amenities and facilities, positioning the precinct as the gateway to "Future Live, Work and Play".

### 3.4 Office Rents

Office rents continued to weaken for a fourth consecutive quarter in 1Q 2021 due to market corrections and impending increase in vacancies. In 1Q 2021, the rental decline in Grade A Core CBD ceased after four quarters of consecutive corrections. 1Q 2021 rents remained stable on a quarter-on-quarter basis at S$10.40 psf/month, but this was a 9.6% decrease year-on-year. On the other hand, Grade B Islandwide rents fell 2.0% quarter-on-quarter or 10.0% year-on-year to S$7.20 psf/month in 1Q 2021. With more flight-to-quality office movements, the difference in Grade A and Grade B markets office rents became more apparent. The Grade B market continued to be slow, as occupiers in this submarket re-assessed their office requirements and landlords of older Grade B buildings prioritised tenant retention by lowering rents.

Despite a decline in office market rents, the correction was less than the decline during the Global Financial Crisis period. This was partially attributable to the additional fiscal measures provided by the government, such as rental relief and property tax rebates, which helped to cushion the contraction.

**Chart 9: Monthly Office Rents**




Source: CBRE

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### 3.5 Office Investment Market and Capital Values

Office investments stood at S$971.8 million in 1Q 2021, a sharp increase from the S$135.9 million recorded in 1Q 2020.

1Q 2021 saw several notable office transactions on the back of positive sentiment in the office investment market. OUE Commercial REIT sold a 50% stake in OUE Bayfront to Allianz Real Estate for S$633.7 million (S$3,170 psf). In addition, Sin Capital sold Finexis Building to PGIM for S$122.0 million (S$2,556 psf). Certis Cisco Security sold the Certis Cisco Centre for S$150.0 million (S$384 psf)[1] to Certis & Lendlease Property Trust.

Grade A CBD Core capital values contracted by 5.0% year-on-year to S$2,850 psf in 1Q 2021. Over the same period, Grade A CBD Core prime yields dipped 22 bps to 3.45%. Notwithstanding, Singapore's office sector remains healthy and is positioned to benefit from the gradual economic recovery, given continued leasing activities from new and displaced occupiers and tightened office supply pipeline.

### 3.6 Growth Drivers

Singapore is a trusted leading manufacturing location for biomedical and pharmaceutical companies to innovate and develop products that cater to the demand in Asia, with the likes of GlaxoSmithKline and Roche having built bases here. In addition, eight out of the top ten pharmaceutical companies such as Pfizer and Novartis have facilities here, producing four of the top ten drugs in terms of global revenue. Singapore has built an ecosystem to catalyse innovation as it continues to facilitate research and development value with public-private partnerships.

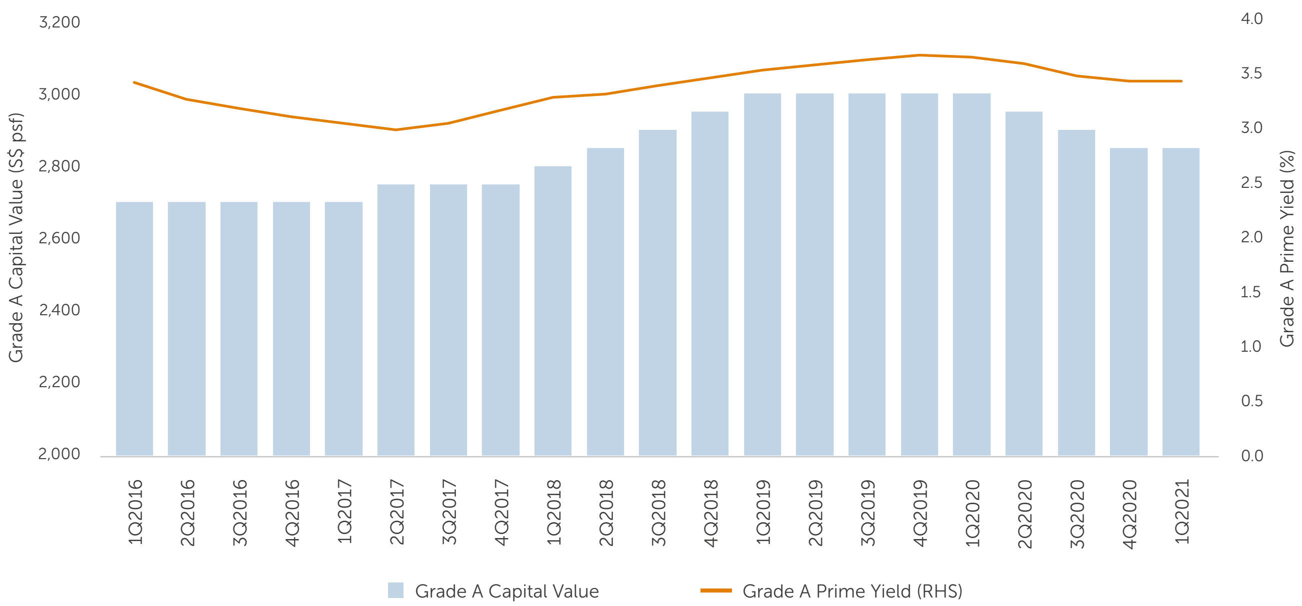
In the Infocomm sphere, Singapore has put digital transformation as one of the transformative pillars to position the country as a future-ready and innovative economy. The infocomm media ("ICM") industry road map targets a 6.0% nominal value-added growth and to contribute more than 210,000 ICM sector workers across the next few years.

The government has envisioned Singapore to be a hub for consumer-centric innovation with robust ICT infrastructure and a tech-savvy population. Moreover, it also aims to enable companies to digitally transform and adapt to evolving consumer preferences and global demand. In 2020, the government introduced an E-Commerce Booster Package to help SMEs improve and adapt from offline to online. Key features of the package include supporting up to 90% of total cost incurred by SMEs to build their online business infrastructure.

### 3.7 Office Outlook

Global market uncertainties are likely to continue in 2021, leading to delayed business opening and/or expansions, rising unemployment and a standstill in the aviation and travel industries. The office market in 2021

**Chart 10: Office Capital Values and Prime Yield**




Source: CBRE

[1] Based on maximum permissible GFA after increase in plot ratio.

is envisaged to be a year of two halves, with the industry still facing some pressure in 1H 2021 and showing signs of improvement in the second half.

Occupiers from the technology, information and communications, financial and insurance sectors will continue to drive leasing activities, either for headquarters or regional expansions. In addition, demand will also come from family offices and asset management firms. The strength in Singapore's office market lies in the highly-diversified occupier profile that has shaped demand and interest, hence giving the sector resilience.

In light of the tightened supply pipeline, anticipated supply entering in 2021 have recorded strong pre-commitment levels. The recovery will not be even across all office buildings. Grade A Core CBD office space is expected to remain highly sought after due to its prime location and superior building specifications. CBRE expects Grade A rents to recover first, amidst potential supply slippages and stable vacancy levels vis-à-vis the rest of the market. In line with moderate economic recovery, the office market is expected to rebound gradually in 2021. However, confidence in the office market was once again affected as Singapore entered "Phase 2 (Heightened alert)" in May 2021 with work-from-home stipulated as the default work arrangement.

The COVID-19 pandemic has altered the future of office spaces and the way occupiers plan and utilise space. Occupiers are now reviewing their business working models and arrangements, be it office-based, remote working, or a combination of both. In the short to medium term, remote working is expected to impact future office demand and feature extensively in working spaces due to social distancing measures.

Moving forward, CBRE envisions the future office environment to feature a hybrid format, promoting both office and remote working, as remote working will not be able to replicate or replace the benefits of community, collaboration, culture and organisation growth that an office environment can offer.

## 4. THE BUSINESS PARK MARKET OVERVIEW

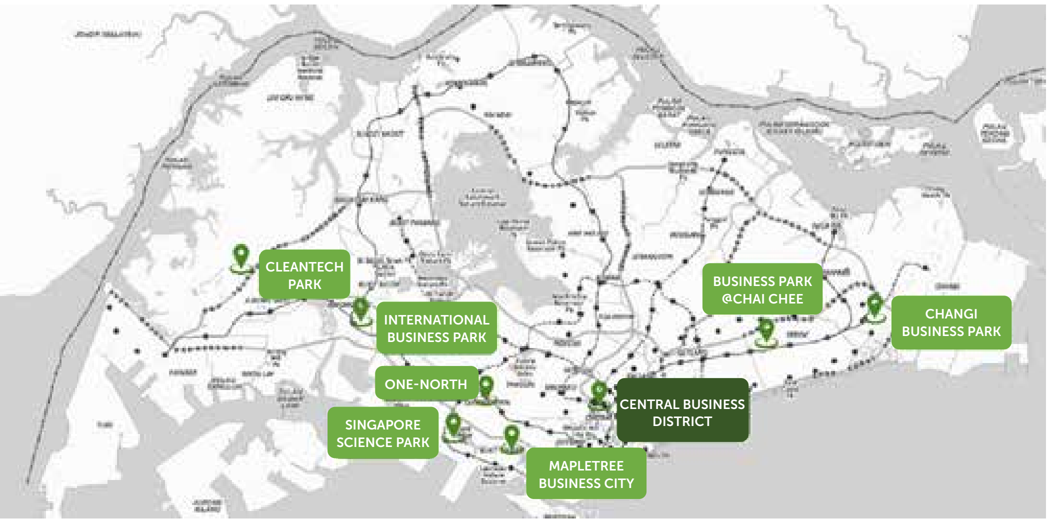
### 4.1 Overview and Existing Business Park Supply

Business parks are campus-like business spaces that typically occupy at least five hectares of land. 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, hub and spoke model and headquarter type functions that meet the permissible usage requirements by URA.

Over time, some of the business parks have developed their own distinct identities. Changi Business Park is reputed to be a back-office hub for financial institutions such as DBS, Credit Suisse, Standard Chartered and technology companies such as IBM and Honeywell, whereas one-north is positioned as a Biomedical Sciences, Infocomm Technology and Media hub with tenants like Autodesk, GlaxoSmithKline, 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, Avaya and Shimadzu.

**Figure 1: Key Business Park Clusters in Singapore**



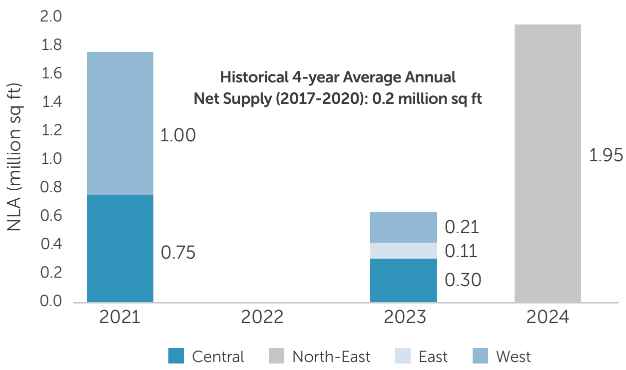

Sources: OneMap & CBRE

# INDEPENDENT **MARKET OVERVIEW**

Mapletree Business City, located in the City Fringe, features Grade A building specifications within an integrated business hub with a wide range of amenities. These include mid-range specialty restaurants, food courts, multipurpose auditorium, conference facilities, tennis and futsal courts, fitness club with lap pool amidst extensive gardens and greenery. This has attracted a wide range of tenants such as Google, HSBC, Info-Communications Media Development Authority, SAP and Samsung.

Islandwide Business Park stock increased marginally by 0.5% year-on-year to 23.8 million sq ft as at 1Q 2021. The net increase in stock was from the completion of AEI works at TUV SUD @ International Business Park in 4Q 2020 and the partial completion of Wilmar International HQ at one-north in 1Q 2021.

**Chart 11: Future Business Park Supply**




Sources: JTC, CBRE

Note that the numbers may not add up due to rounding.

### 4.2 Future Business Park Supply

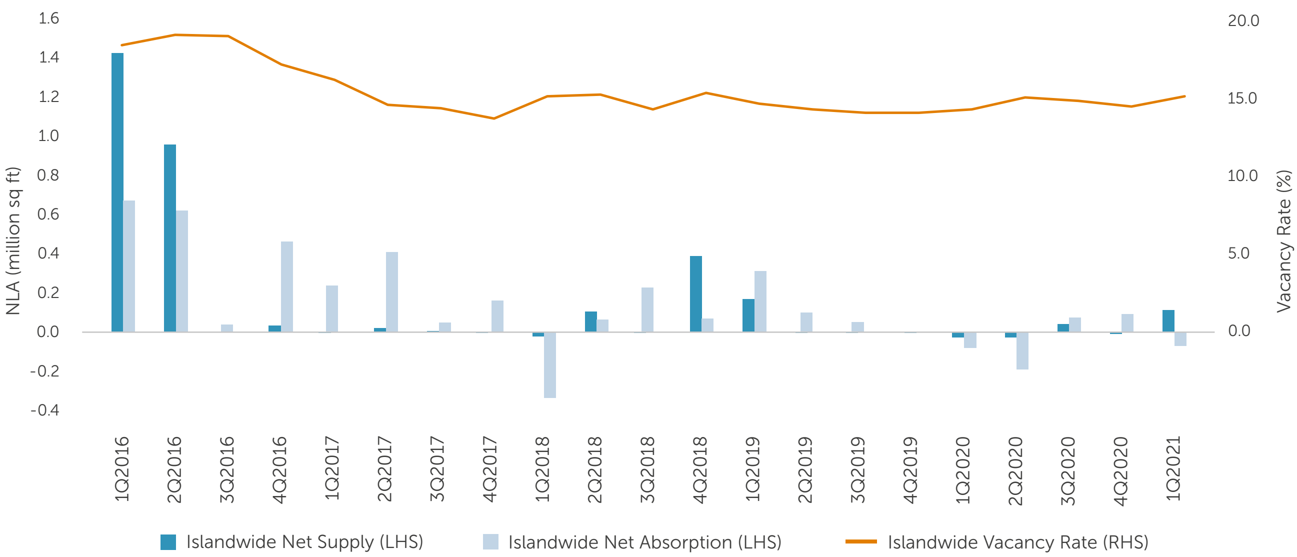
From 2Q 2021 to 2024, future supply of business parks is estimated to be 4.3 million sq ft, with at least 40% of the upcoming supply already pre-committed. Due to disruptions and delays in constructions, many projects scheduled to be completed in 2020 and 2021 have been delayed. An estimated 1.8 million sq ft[1] of NLA in business park space is expected to enter the market between 2Q and 4Q 2021. Most of the new stock is build-to-suit projects for single-users. These include headquarters for MNCs like Razer SEA (186,800 sq ft), Grab (364,300 sq ft) and Wilmar (198,700 sq ft), all located in one-north. JTC's Cleantech Three development (531,200 sq ft) and JTC's AEI works on another Cleantech Loop development (113,600 sq ft) are also scheduled to be completed in 2021.

There is no new supply in 2022.

In 2023, three new projects are expected to come onstream, namely Ascendas REIT's redevelopment of iQuest@IBP (212,000 sq ft), Kajima's headquarters in Changi Business Park (111,700 sq ft) and a 12-storey biomedical sciences development, Biopolis Phase 6, developed by Ho Bee Land (302,800 sq ft).

Beyond 2023, the first phase of Punggol Digital District (1,951,700 sq ft), which is being developed as a digital economy hub, is expected to be completed in 2024. In addition, as shown in the URA Master Plan 2019, there are land sites allocated for future Business Park developments in Woodlands North Coast. However, the timeline of development for these sites have not been announced.

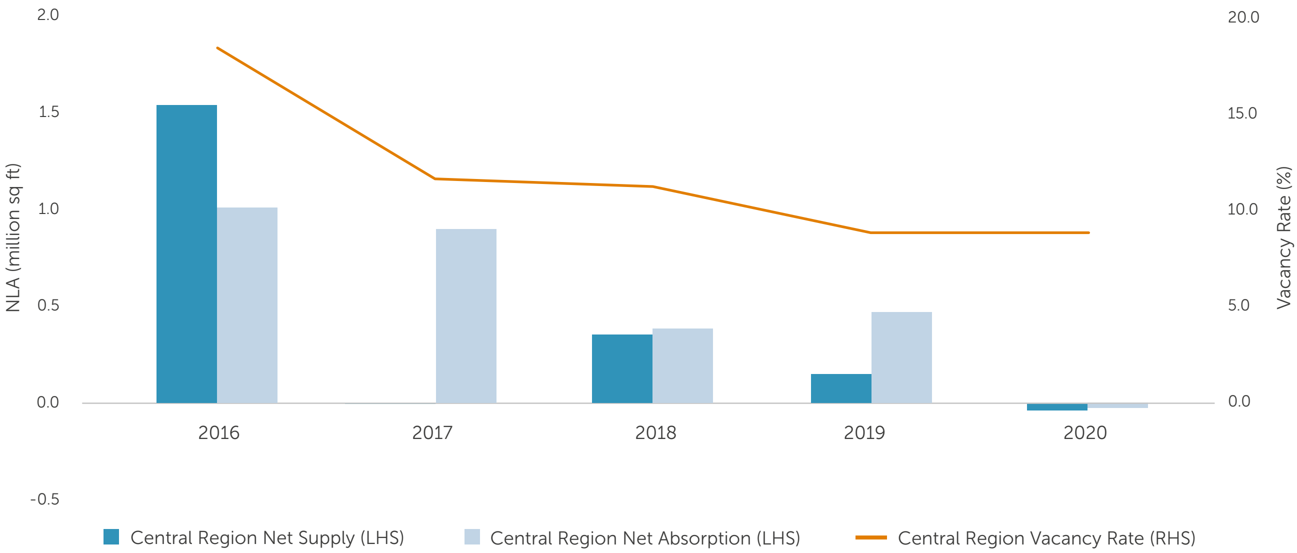
**Chart 12: Islandwide Business Park Supply, Demand & Vacancy**




Sources: JTC, CBRE

[1] Includes total NLA of Wilmar BP Development, which gained partial completion status in 1Q 2021.

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




Sources: JTC, CBRE

## 4.3 Demand and Occupancy

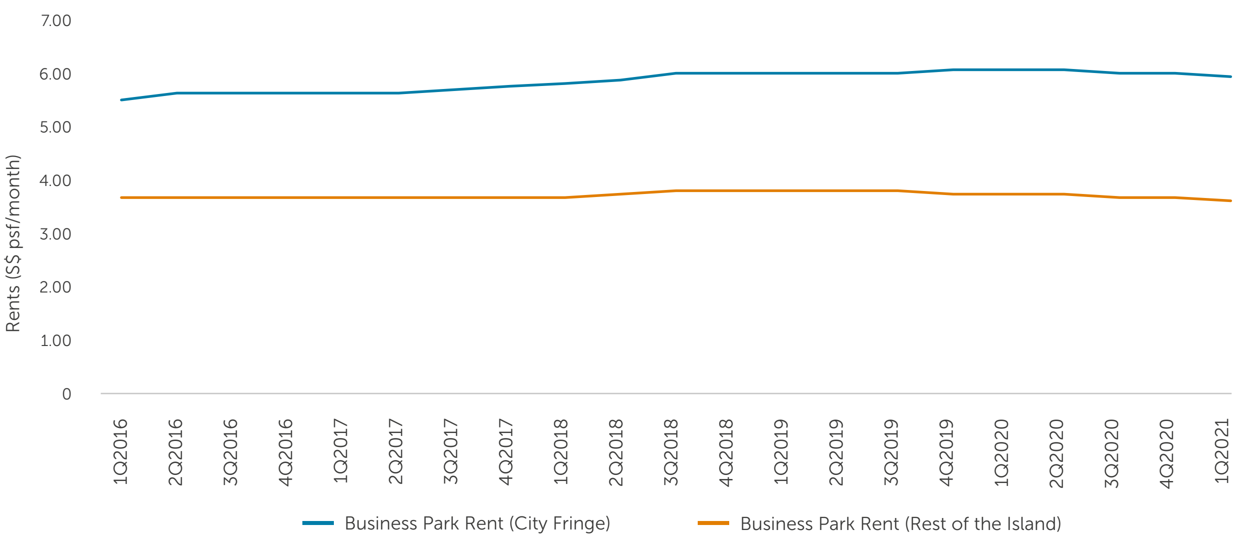
According to JTC, islandwide net absorption for the past four quarters was -120,965 sq ft. This was mainly due to negative net absorption in one-north and Changi Business Park, as well as the removal of some stock for AEI in the Singapore Science Park. Islandwide vacancy increased 0.9 percentage points year-on-year to 14.9% in 1Q 2021.

Despite the global pandemic and economic uncertainties, the business park market remained relatively resilient as leasing activities continued to be driven mainly by renewals, as well as infocomm, technology and biomedical sciences and global MNCs locating their headquarters in business parks. There was also some demand from co-working operators. For instance, JustCo will open a 30,000 sq ft centre within Razer Inc in one-north.

## 4.4 Business Park Rents

The increasing rental gap between the two submarkets, City Fringe and Rest of the Island, is potentially creating a two-tier market within the Business Park space. Despite uncertainties in the global economy, business park rents were relatively stable due to limited new stock and stable occupancy. As at 1Q 2021, rents for the City Fringe business parks were S$5.75 psf/month (-1.7% year-on-year)

**Chart 14: Business Park Rents**




Source: CBRE

# INDEPENDENT **MARKET OVERVIEW**

while rents for the Rest of the Island submarket dipped slightly to S$3.65 psf/month (-2.7% year-on-year).

Business parks in the City Fringe submarket have always commanded a rental premium relative to those located in the Rest of the Island. This reflects the former's clear advantage in attracting occupiers who are drawn to more competitive rental levels coupled with excellent locational attributes and close proximity to the CBD. Cost-conscious occupiers, on the other hand, prefer spaces within the Rest of the Island submarket.

### 4.5 Business Parks Transactions

**Table 2: Business Park Transactions in 2020 and 2021 Year-to-Date**

| Quarter | Property Name | Price (S$ million) | Price (S$ psf) | Area (sq ft) | Land Tenure | Buyer | Seller |
|---|---|---|---|---|---|---|---|
| 1Q 2020 | Biopolis Phase 6 | 223.6 | 502 on GFA | 445,254* | 60 years | HB Universal Pte Ltd | JTC |
| 1Q 2020 | Galaxis (25% stake) | 102.9 (based on 25% stake) | 627 on NLA | 163,975[1]** | 60 years | AREIT | MBK Real Estate Asia |
| 4Q 2020 | The Sandcrawler | 175.8 | 726 on GFA | 242,142* | 30 + 30 years | Blackstone Group | Lucas Real Estate |
| 1Q 2021 | GSK Asia House & GSK Building | 144.8 | 1,062 on NLA | 136,341** | 30 + 30 years | Boustead Industrial Fund | BP-Vista |
| 2Q 2021 | Galaxis (75% stake) | 534.4 (based on 75% stake) | 1,086 on NLA | 491,924[2]** | 60 years | AREIT | Ascendas Fusion 5 Holding Pte Ltd |

Source: CBRE

[1] NLA reflects 25% stake acquired against the total NLA of Galaxis at 655,898 sq ft.
[2] NLA reflects 75% stake acquired against the total NLA of Galaxis at 655,898 sq ft.
* Area based on GFA.
** Area based on NLA.

There were three Business Park transactions within the one-north submarket, as well as a transaction with a change of use from warehouse to Business Park in 2020.

In 1Q 2020, Ho Bee Land's subsidiary won the concept and price tender to build, own and operate Biopolis Phase 6 by JTC Corporation for S$223.6 million. As part of JTC's Biopolis precinct, the 12-storey development will have business park spaces for biomedical research and related activities as well as office and retail uses. In the same quarter, Ascendas REIT acquired a 25% equity stake in Galaxis for S$102.9 million from vendor MBK Real Estate Asia. Ascendas REIT has thereafter proceeded to acquire the remaining 75% stake in Galaxis from Ascendas Fusion 5 Holding Pte Ltd, for a purchase consideration of S$534.4 million in May 2021.

In 4Q 2020, Blackstone acquired The Sandcrawler for S$175.8 million from a unit of Lucasfilm. The property is home to anchor tenant, Disney.

Additionally, in 4Q 2020, Perennial/HPRY Holdings acquired Big Box[3] in Jurong for S$118.0 million. Currently a warehouse, Perennial has obtained confirmation from JTC to rezone the site into a Business Park space. It will be renamed as Perennial Business City, with an additional S$70.0 million being invested to further enhance and redevelop the site. Once redeveloped, the site's GFA and NLA will increase to 1.5 million sq ft and 1.1 million sq ft, up from 1.4 million sq ft and 1.0 million sq ft respectively.

[3] The transaction is not detailed in the business park transaction table as it is currently still zoned as B1 Warehouse.

In a related party transaction in 1Q 2021, BP-Vista, a limited liability partnership between Boustead Projects Limited (30%) and Al Sariya Real Estate LP (70%) sold GSK Asia House at 23 Rochester Park and three conservation bungalows located at 20-22 Rochester Park to Boustead Industrial Fund, which is a wholly-owned subsidiary of Boustead Projects Limited, for S$144.8 million. The development is the headquarters of GSK and, together with thirteen other properties, will be part of Boustead Industrial Fund's portfolio.

### 4.6 Business Parks Outlook

Overall, the business park market continues to show signs of resilience underpinned by stable occupancy and healthy fundamentals, despite cost containment strategies by occupiers amidst weaker economic performance and outlook. Notwithstanding the impact of COVID-19, industrial macroeconomic indicators have shown that the manufacturing sector is on a sustained growth trajectory, driven by biomedical and electronics services.

The quality of tenants, yield spreads for investors and competitive rents for occupiers vis-à-vis office buildings in the CBD have contributed to rising interests and activities in the Business Park market. Leasing demand continues to be spurred by high value-added industries such as technology, biomedical, pharmaceutical, and advanced manufacturing which have continued to seek business park spaces with high specifications within the City Fringe. This is also further supported by the government's initiative to grow Singapore into a global bio-hub within one-north.

The pipeline of business park is largely owner-occupied designated as headquarters for both local and regional firms. This means limited availability of new multi-user space in the business park pipeline, which potentially translates into positive take-up for other business park areas/submarkets.

Business Park spaces are generally released via public tender by the government. In this way, new business park supply is controlled through calibrated supply and demand dynamics, thus providing market stability. Underpinned by growing high value-added industries, the sector is poised to benefit moving forward.

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This report has been prepared under conditions of heightened market uncertainty and conditions may change more rapidly and significantly than during standard market conditions. A higher degree of caution should be attached to our analysis than would normally be the case.