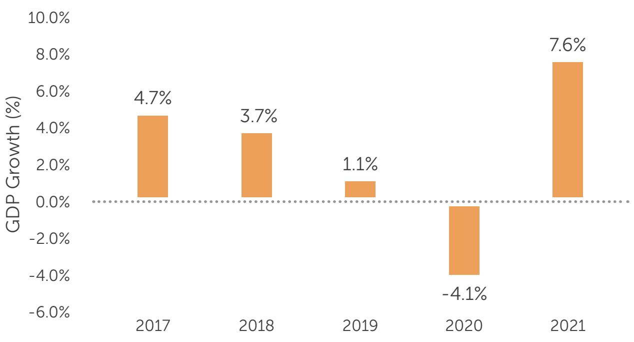
INDEPENDENT MARKET OVERVIEW

1. THE SINGAPORE ECONOMY

1.1 Economic Overview

According to the Ministry of Trade and Industry ("MTI"), Singapore's GDP expanded by 7.6% in 2021, rebounding from a 4.1% contraction in 2020. This was aided mainly by the manufacturing and construction sectors. Based on MTI's advanced estimates in 1Q 2022, Singapore's economy grew by 3.4% year-on-year ("y-o-y") and 0.4%[1] on a quarter-on-quarter ("q-o-q") basis, slower than the 2.3% q-o-q expansion in 4Q 2021.

Chart 1: Singapore Historical GDP Growth Rate



Sources: MTI

In 1Q 2022, the manufacturing sector was the best performing sector, expanding 6.0% y-o-y, but moderating from the 15.5% y-o-y growth in the preceding quarter. Growth was buoyed by the expansion of output across all manufacturing clusters except for the chemical cluster, with the electronics and precision engineering clusters continuing to display strong output growth.

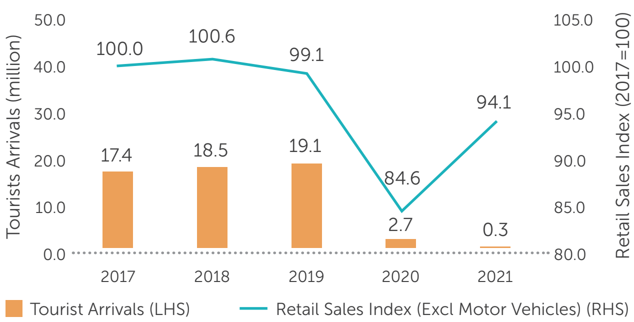
The construction sector grew by 1.8% y-o-y, slower than the 2.9% growth in the preceding quarter. The value-added of the sector remained 25.3% below its pre-pandemic level in absolute terms, as activity at construction worksites continued to be weighed down by labour shortages.

The service producing industries grew 3.9% y-o-y in 1Q 2022. Expansions were led by the information & communications, finance & insurance and professional services sectors which registered a strong growth of 5.3% y-o-y collectively. In particular, the former continued to be supported by strong demand for IT and digital solutions, while growth in the finance & insurance sector was partly driven by auxiliary activities such as security dealing and payment processing activities. On the other hand, accommodation and food & beverage services ("F&B") were the only sectors which contracted. Their weak performance was primarily due to a decline in Government demand for hotel rooms for quarantine as Singapore transitioned to living with COVID-19.

Tourism Sector

Singapore's tourism sector continued to be under pressure in 2021 as global travel restrictions and border closures remained amid the COVID-19 pandemic. As such, visitor arrivals in Singapore declined to 0.3 million in 2021, representing an 88.0% decrease from 2020. However, with a high domestic vaccination rate alongside an accelerated Booster Vaccination Programme, Singapore has positioned itself for a progressive reopening of borders.

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



Source: CBRE, Department of Statistics, Singapore Tourism Board ("STB")

The surge of the Omicron variant had led to uncertainty in Singapore and globally and had an impact on international border reopenings in late 2021. However, Singapore had navigated through the initial uncertainties and launched more Vaccinated Travel Lanes ("VTLs") in 1Q 2022, before reopening borders to all fully vaccinated travellers from 1 April 2022.

Additionally, Meetings, Incentives, Conventions and Exhibitions ("MICE") activities have started to pick up, with Singapore expecting to hold some of its largest events in 2022. The relaxed Safe Management Measures ("SMMs") will help attract a large number of local and international attendees. Highly anticipated events like the 2022 Formula 1 Grand Prix and Food&HotelAsia are expected to attract more than 105,000 visitors from around the world. In April 2022, STB announced that S$500 million had been set aside to support the tourism sector, with initiatives to stimulate Singapore's tourism products and business events while positioning itself as a sustainable urban destination.

1 On a seasonally-adjusted basis.

As Singapore adopts a more endemic approach in line with the rest of the world, CBRE expects a steady increase in visitor arrivals in the coming months and the hotel market is also expected to recover steadily in 2022. While CBRE remains cautiously optimistic, the level of tourism and visitation is expected to reach pre-COVID levels by late 2023 to early 2024.

1.2 Government Response to COVID-19 and Supporting Measures

As Singapore transited towards COVID-19 resilience in 2021, the Government announced an extension of relief measures for affected parties.

When Singapore entered Phase 2 (Heightened Alert) on 16 May 2021, support measures were enhanced to help individuals and businesses. Rental relief was provided to Small and Medium-sized Enterprises ("SMEs") and eligible non-profit organisations, as well as hawker stalls and coffee shops. The Job Support Scheme ("JSS") was also re-introduced between 15 May and 19 December 2021 for affected sectors, with the Government providing wage support ranging between 10% and 60%. Other measures that were introduced, reintroduced or enhanced included the Food Delivery Booster Package, E-Commerce Booster Package, financial assistance schemes such as the Enterprising Financing Scheme, and the Temporary Bridging Loan Programme.

Delays in construction projects and development spillages are expected to continue in the foreseeable future, given the shortage of labour. Under the COVID-19 (Temporary Measures) Act, contractors will not sustain any liability if they are unable to fulfil their contractual obligations.

The Government announced the Budget for 2022 (Charting Our New Way Forward Together) in February 2022, dipping into its past reserves for the third straight year, where over S$7 billion will be utilised to help fund extended COVID-19 relief measures and public health safety. In addition, with the goods and services tax ("GST") rate set to increase from 7% to 9% in two stages, by 1 percentage point each time on 1 January 2023 and 1 January 2024, an enhanced S$6.6 billion Assurance Package was announced to cushion its impact. To develop our green economy, Singapore also aims to issue up to S$35 billion of green bonds by 2030 to fund public sector green infrastructure projects.

With Singapore entering the endemic stage, the Government has relaxed and removed most SMMs after the Disease Outbreak Response System Condition (DORSCON) level was lowered from Orange to Yellow on 26 April 2022, the first time in more than two years. This included the removal of group size limits for social gatherings and safe distancing requirements, the allowance of all workers back to the workplace, and no capacity limits for all venues.

With the latest easing of SMMs from 14 June 2022, requirements for patrons to obtain a negative Antigen Rapid Test ("ART") for entry into nightlife establishments as well as capacity limits for these venues will no longer be required. However, vaccination-differentiated safe management measures will continue to apply, with operators required to ensure that only fully vaccinated patrons visit these settings.

As most venues no longer require mandatory check-in, the use of the TraceTogether app or token and SafeEntry has largely ceased. However, masks are still required indoors but may be removed in a work setting when workers are not facing customers and interacting physically with others. Masks may also be temporarily removed indoors during activities such as eating, drinking, engaging in strenuous physical exercise, photo-taking or filming.

Going forward, the Government will continue to monitor the situation and ensure safe reopening as it moves into a new phase of living with COVID-19.

1.3 Economic Outlook

In 2022, economic recovery is expected to soften compared to 2021. Although vaccination rates and booster rollouts have picked up in many economies, the potential emergence of more virulent COVID-19 strains continues to pose a risk to global economic recovery. In addition, the ongoing geopolitical tension, such as Russia's invasion of Ukraine, has triggered another wave of turbulence in the global economy, causing the prices of crude oil and other commodities to shoot up. This resulted in rising inflation, which is anticipated to exacerbate further amidst the prolonged situation. Together with global supply bottlenecks and diminished fiscal support weighing on the global economy, economic growth remains hindered in the near term.

Domestically, the economy is expected to head for positive growth supported by improved domestic consumption and tourism sentiments as restrictions were further relaxed from 29 March 2022, despite the uncertain and volatile macroeconomic environment. This included the removal of pre-departure test requirements for all fully vaccinated travellers entering Singapore via air or sea checkpoints from 26 April 2022, which has increased convenience for all vaccinated travellers entering Singapore.

INDEPENDENT MARKET OVERVIEW

Singapore's COVID-19 Resilience policy will continue to support economic growth, especially in the aviation and tourism sectors, as well as the F&B and retail sectors, on the back of progressive easing of domestic and border restrictions. Considering the global and domestic economic environment, MTI expects Singapore's economy to expand by 3.0 to 5.0% in 2022[1].

2. THE RETAIL MARKET OVERVIEW

2.1 Retail Sales Index[2]

Following a relatively quiet market in 2020, retail sales rebounded strongly in 2021 as the nation progressively transited from pandemic to endemic with regards to COVID-19. With the gradual reopening of borders and easing of restrictions, there was a resumption of consumer demand alongside economic activity recovery. Overall, the retail sector in Singapore registered growth.

Due to the pandemic, there has been a shift in consumer shopping habits as more people turned to purchasing products and services online. This is evident from the higher proportion of online F&B and retail sales since the onset of the pandemic, which grew from between 4.0% to 8.0%[3] pre-COVID to slightly above 20.0% during the "circuit breaker" in 2020, and which has since stabilised to around 15.0%. It is evident that retailers are increasingly adopting omnichannel strategies to adapt. Likewise, F&B players have re-strategised their businesses to incorporate takeaways and deliveries as an essential part of their operations.

The total retail sales index (excluding motor vehicles) for March 2022 registered a 10.3% growth y-o-y. As safety measures relaxed and more people frequented shopping malls, trade types such as wearing apparel & footwear (29.4%), cosmetics, toiletries & medical goods (26.1%), computer & telecommunications equipment (26.6%), and department stores (18.9%) recorded y-o-y growth, as consumer sentiment improved. Retail sales were also being bolstered by promotional events, while special collaborations such as the Swatch X Omega collection drew large crowds.

On the other hand, sales in optical goods & books (-9.8%) and mini marts & convenience stores (-8.3%) recorded y-o-y declines in March 2022. Overall, retail indicators continued to show signs of recovery and is expected to improve further with the end of work-from-home as the default and the removal of group size limits for dining-in.

The Food & Beverage Services Index[4] posted a 2.2% y-o-y increase in March 2022, a reversal from the decline in February 2022. This was largely contributed by the turnover of food caterers which rose by 48.0% due mainly to higher demand for in-flight catering with the opening of international borders. Dine-in sales also improved following the steady decline in daily COVID-19 cases and the easing of COVID-19 SMMs. As such, growth was observed in restaurants (2.9%) and fast food outlets (1.9%). However, cafes, food courts & other eating places (-1.8%) declined y-o-y in March 2022.

2.2 Existing Retail Supply

Total islandwide retail stock increased by 0.8% y-o-y to 66.7 million sq ft in 1Q 2022, largely attributed to the completion of renovation works for i12 Katong in the Fringe submarket, as well as the completion of Northshore Plaza I & II, a new generation neighbourhood centre by the Housing Development Board ("HDB") located in the Suburban submarket. Similarly, total private retail stock rose by 0.7% y-o-y to 49.7 million sq ft, largely due to i12 Katong.

Across submarkets, the Fringe and Suburban submarkets have the largest stock, accounting for 25.8% and 25.6% of total private retail stock respectively. The remainder is distributed among the Downtown Core, Orchard Road and Rest of Central Region ("RCR"), representing 15.2%, 14.6% and 18.8% respectively. Apart from the two relatively smaller retail projects, there were no notable project completions in 1Q 2022 as there were delays in the construction schedules of some projects.

HarbourFront/Alexandra Micro-market

There is an estimated 1.3 million sq ft of retail space in the HarbourFront/Alexandra micro-market and there was no new completion in the last four quarters.

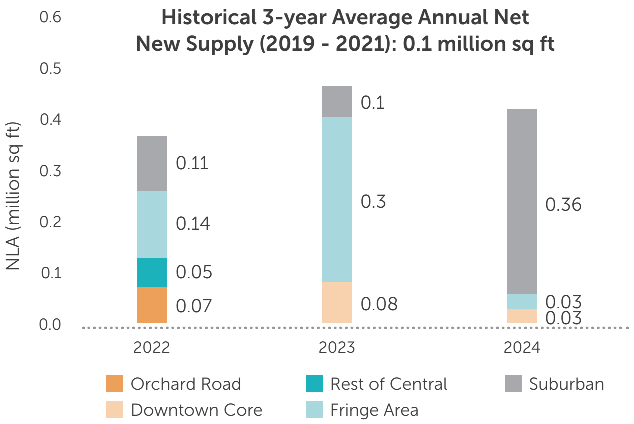
1 MTI Maintains 2022 GDP Growth Forecast at "3.0 to 5.0 Per Cent", 25 May 2022.
2 Retail Sales Index (2017=100), in Chained Volume Terms (seasonally adjusted), Monthly, SA (SSIC 2015 Version 2018).
3 Online Retail Sales Proportion (Out Of The Respective Industry's Total Sales, Monthly).
4 Food & Beverage Services Index, (2017 = 100), In Chained Volume Terms, (SSIC 2015 Version 2018), Monthly, Seasonally Adjusted.

2.3 Future Retail Supply

Between 2Q 2022 and 2024, approximately 1.2 million sq ft of retail space will be introduced into the market, averaging about 0.4 million sq ft of retail space per annum, higher than the historical 3-year average annual net supply (2019-2021) of 0.1 million sq ft.

As construction activities were disrupted for most of 2021 in light of COVID-19, several projects were delayed. Projects that were initially due for completion in 2021 such as Grantral Mall @ Macpherson and Shaw Plaza Balestier were pushed back to 2022. Other notable projects which were delayed include Komo Shoppes and Guoco Midtown from 2022 to 2023, as well as Odeon Towers from 2023 to 2024.

Chart 3: Future Retail Supply



Source: URA, CBRE

In 2022, 0.4 million sq ft of retail space is slated for completion, with the bulk coming from Sengkang Grand Mall in the Outside Central Region ("OCR"). Other notable projects include the completion of A&A works for Shaw Plaza Balestier and Grantral Mall @ Macpherson in the Fringe submarket and Grange Road Carpark in Orchard. 2023 will see the completion of majority (0.5 million sq ft, 39%) of the upcoming supply. This will include the retail podiums of IOI Central, The Woodleigh Mall, Dairy Farm Residences, Komo Shoppes and One Holland Village. The highly anticipated retail clusters of Guoco Midtown[1] is also scheduled to enter the market as part of the fully-integrated mixed-used development. In 2024, 0.4 million sq ft of space is expected to complete. Of which, majority will be in the OCR, such as the retail component of Pasir Ris 8 and A&A works for T2 Airport. Overall, the Suburban and Fringe submarkets will account for majority of future retail supply from 2022 to 2024, representing 42.1% and 39.2% respectively. Orchard Road, Downtown Core and RCR account for the remaining 18.7%.

HarbourFront/Alexandra Micro-market

There is no planned future retail supply in the HarbourFront/Alexandra micro-market from 2Q 2022 to 2024.

2.4 Demand and Occupancy

With the reopening of borders and resumption in economic activities, retailers are likely to be optimistic at the prospect of the eventual return of tourist spending. To stay relevant amid changing demands and lifestyle trends, landlords have been introducing new offerings into their malls in 2021. These included activity-based tenants, supermarkets with niche concepts and online-to-offline fashion retailers.

In 1Q 2022, while the recovery of the retail market was still capped by restrictions on social gatherings, leasing activity continued to be stable. F&B was a significant demand driver with expansions and new entrants including Sol & Luna in the newly opened CapitaSpring and Ohayao Mama San in 313@Somerset. That said, due to changing consumer preferences and competition, there were some prominent closures between 2021 and 1Q 2022. These include all outlets of Karaoke Manekineko, Mom's Touch Chicken and Burger, and consolidations of Filmgarde and In Good Company, while TEMT and Abercrombie & Fitch exited the Singapore market.

There were more pop-up stores in 1Q 2022, featuring collaborations and experiential concepts. Examples include RazerStore, X Fitness, Jentle Garden, SK-II and Hawker Stories at Raffles Courtyard. F&B operators also entered the market to test out new concepts, while athleisure and furniture stores increased their presence to capitalise on strong local consumption.

1 Retail clusters of Guoco Midtown include Midtown Market, Midtown House, Midtown Square and Midtown Common.

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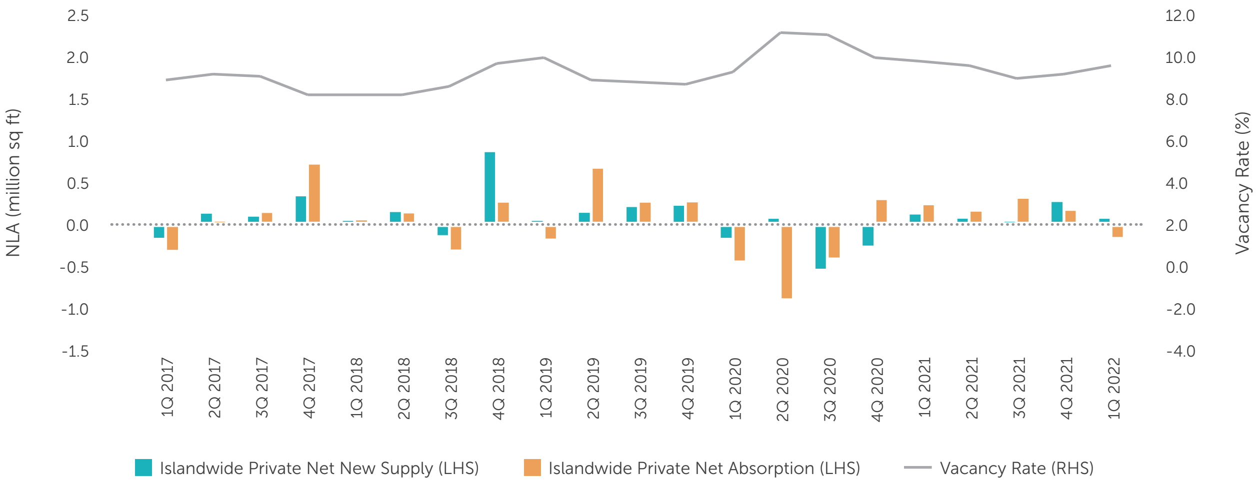
Chart 4: Islandwide Private Retail Net New Supply, Net Absorption and Vacancy Rate



Source: URA, CBRE

The islandwide private retail market registered a negative net absorption of 0.2 million sq ft in 1Q 2022. This was largely contributed by the closures of BHG's One Assembly concept store at Raffles City and the Filmgarde cinema at Bugis+, which released about 57,000 sq ft and 30,000 sq ft of space respectively, as well as BHG further shedding some 49,000 sq ft at Jurong Point and 11,000 sq ft at The Clementi Mall. As at 1Q 2022, vacancy rate of islandwide private retail fell by 0.2 percentage point y-o-y to 9.5%, mainly attributed to the positive net absorption in the preceding three quarters, including the high level of occupancy in i12 Katong, which was newly completed in the previous quarter.

HarbourFront/Alexandra Micro-market

The HarbourFront/Alexandra micro-market under the Greater Southern Waterfront precinct is slated for an urban transformation under the Urban Redevelopment Authority ("URA")'s Master Plan 2019, which will create a major gateway to "Future Live, Work and Play". In a recent announcement, a mix of public and private housing developments, around 6,000 public flats and 3,000 units of private housing, will be built on the 48-hectare Keppel Club site in the Greater Southern Waterfront, and will be progressively scheduled for launch in the next three to five years. This will mean a larger residential catchment, thereby increasing the footfall of retail malls in the vicinity such as VivoCity. Green spaces will also be a key characteristic with four green corridors that will run through the estate and provide leisure and recreational spaces for all. There are also plans to transform the former Pasir Panjang Power Station buildings into a distinctive and vibrant mixed-use district. Thus, the overall vibrancy of the HarbourFront/ Alexandra micro-market is expected to be enhanced.

Key developments in the HarbourFront/Alexandra corridor precinct include VivoCity, HarbourFront Centre and Alexandra Retail Centre, which are within a 10-minute drive from the CBD, and offer a diverse range of retail and dining experiences, solidifying the micro-market's position as a strong retail presence that caters to shoppers across the spectrum.

Notwithstanding the slowdown in the retail market during the pandemic, the precinct continues to attract varied retailers and has had several new store openings, supported by its excellent connectivity.

At VivoCity, global sportswear company adidas opened its Performance brand concept store in April 2021, after opening its largest flagship adidas Originals store in Southeast Asia in the same location in December 2020. Spanning 13,000 sq ft, it houses 5 different zones, catering to kids and enthusiasts alike. It includes a MakerLab, said to be the first in Singapore for the brand, which offers an on-the-spot customisation service for sportsgear. Dyson also opened its largest Dyson Demo retail store in Southeast Asia in VivoCity in February 2022, taking up approximately 1,900 sq ft, and features a Beauty Lab with three hair care styling stations, allowing customers to meet and converse with a Dyson Expert about personalising their hair care with Dyson products. Experiential tenant and drone centre DJI opened in 2Q 2021 as well, while unagi speciality restaurant Una Una opened in 1Q 2022 at the mall.

At HarbourFront Centre, new-to-market retailers like Japanese-style spa and restaurant Heiwa Wellness & Spa, and café 55 Degree Celsius were introduced in 4Q 2021 and 2Q 2021 respectively.

2.5 Retail Rents[1]

Amid strong economic recovery in 2021 and a rise in tourist arrivals, retailers are optimistic in view of an eventual return of tourist spending and the return of employees to the office. This is especially so for malls with office catchment such as the CBD and VivoCity. As such, prime retail rents in the Orchard, City Hall and the Rest of Fringe area stabilised in 1Q 2022.

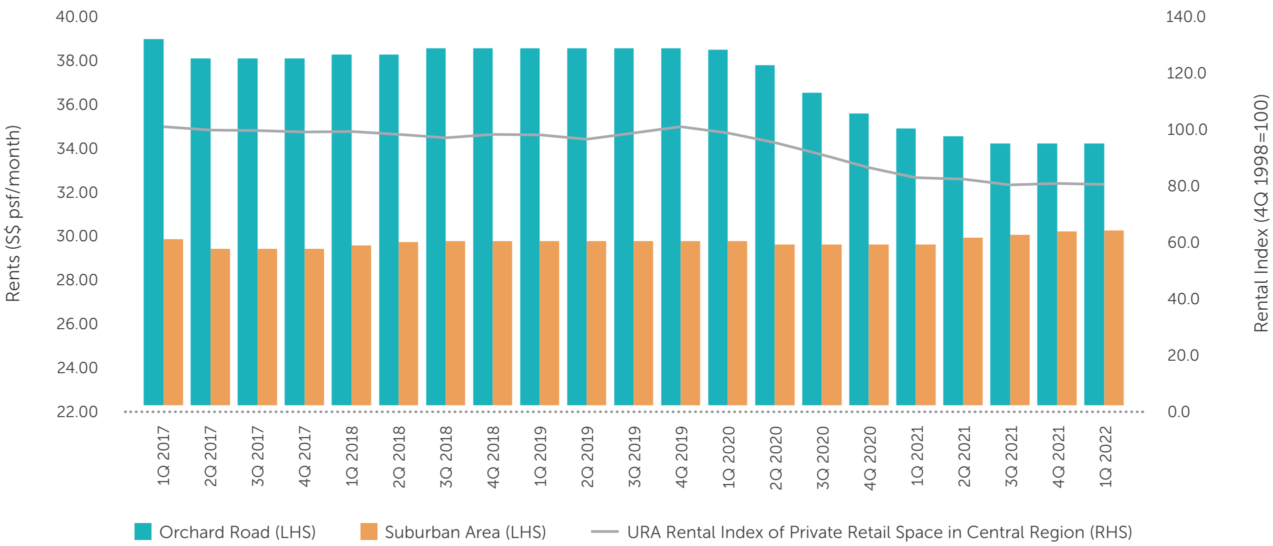
Rents for prime Orchard Road remained stable in 1Q 2022 for the second consecutive quarter, though it declined by 2.0% y-o-y to S$34.20 psf/month. In contrast, the suburban market remained the most resilient, further growing by 0.2% q-o-q or 2.2% y-o-y to S$30.15 psf/month in 1Q 2022, as quality suburban retail spaces remain in high demand and availability remains extremely limited. The rental gap between Orchard and suburban markets continued to narrow this quarter but could see a reversal of the trend, as the resumption of international travel and return of the office crowds support Orchard Road and Downtown Core retail respectively, while suburban rental increases have started to moderate.

Going forward, CBRE expects 2022 to be a tale of two halves. Outbound travel is likely to outpace inbound travel, and the persistent rise in energy and raw material costs, as well as manpower shortage pose additional challenges to retailers. Thus, rents are forecasted to stabilise and flatten out in 1H 2022, while recovery in footfall as well as limited retail supply will support rental increases in 2H 2022.

2.6 Retail Transactions

Interest in retail assets rebounded to S$1.9 billion in 1Q 2022 after a dearth of retail transactions in the previous quarter. This also represented a sharp increase from the S$265.8 million recorded in 1Q 2021. This upbeat movement was contributed by several mall deals, with the main contributor being Lendlease Global Commercial REIT's acquisition of the remaining 68.2% in Jem for S$1.4 billion or S$2,329 psf. Other retail transactions in the quarter include CapitaLand Integrated Commercial Trust's divestiture of JCube to CapitaLand Development for S$340.0 million or S$1,619 psf, Northernone Development's sale of strata-titled Wisteria Mall to Schroders Capital Real Estate Asia Pacific for S$208.0 million or S$1,115 psf, SCC Straits acquiring the retail component of Cross Street Exchange from Frasers Logistics & Commercial Trust for S$179.8 million or S$2,064 psf, and the sale of The Woodgrove for S$68.7 million or S$1,240 psf.

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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No notable retail transactions were recorded in the HarbourFront/Alexandra micro-market in 2021.

Table 1: Selected Retail Transactions in 2021 and 1Q 2022

Quarter	Property Name	Price (S$ million)	Price (S$ psf)	Land Tenure	Buyer	Seller
2Q 2021	JEM Shopping Mall (28.0%)	337.30	2,328	99 Years	Lendlease Global Commercial REIT	Lendlease Jem Partners, ARIF3 (third parties)
2Q 2021	Paya Lebar Square (45.0%)	90.46	1,181	99 Years	Low Keng Huat (Singapore) Ltd	Sun Venture Realty
4Q 2021	Peace Centre/ Peace Mansion[1]	650.00	1,443	99 Years	CEL Development Pte Ltd (40%)/Sing-Haiyi Crystal (30%)/Ultra Infinity (30%)	Multiple Parties (Collective Sale)
1Q 2022	Tanglin Shopping Centre[2]	868.00	2,769	Freehold	Pacific Eagle Real Estate	Multiple Parties (Collective Sale)
1Q 2022	Cross Street Exchange	179.78	2,064 on NLA	99 Years	SCC Straits Pte. Ltd	Frasers Logistics & Commercial Trust
1Q 2022	Wisteria Mall	208.00	1,115 on Strata	99 years	Schroders Capital Real Estate Asia Pacific	Northernone Development
1Q 2022	JCube	340.00	1,618 on NLA	99 Years	CapitaLand Development	CapitaLand Integrated Commercial Trust
1Q 2022	JEM Shopping Mall (68.2%)	1,417.88	2,851 on NLA	99 Years	Lendlease Global Commercial REIT	Lendlease Jem Partners, ARIF3 (third parties)
1Q 2022	The Woodgrove	68.68	1,240 on Strata	99 Years	Undisclosed	Undisclosed

Source: CBRE

2.7 Retail Outlook

On the back of a turbulent and uncertain 2020 with the circuit breaker and border closures, 2021 showed a marked improvement in the retail scene, which was especially evident from the expansions and openings of new retail concepts. Relaxation of work-from-home measures will be expected to drive shopper traffic in the Central areas as well as malls with office catchments, while the suburban submarket is anticipated to continue its resilience. Coupled with the easing of dining-in measures, F&B businesses also look forward to a surge in spending in the near future. We expect a healthy number of expansions and new openings in the F&B industry in 2022.

To cater to the evolving retail landscape, more retail landlords, including REITs, are looking to introduce new offerings in their malls as well. Furthermore, the trend of pop-up stores is likely to continue as they allow retailers to test their concepts without incurring much risk in terms of cost. Hence, they are expected to remain popular, especially for new-to-market brands, or brands looking to collaborate or venture into a different market segment. Such a strategy is particularly viable in generating social media engagement and improving market visibility for brands, and is successful as a part of omni-channel marketing. While brands can seize the opportunity to experiment and generate interest from consumers, landlords can look to attract more footfall with fresh concepts and collaborations through pop-up stores.

Moving forward, retailers are likely to display a stronger appetite for expansion this year as they are increasingly optimistic about economic growth, the eventual return of tourist spending and return of employees to the office. In CBRE's Asia Pacific October 2021 Retail Flash Survey, two-thirds of respondents were aiming to open more stores in 2022. However, the current inflationary pressures along with geopolitical tensions, have brought about uncertainties in the retail sector. The persistent rise in utility costs and manpower shortage also pose additional challenges. Thus, retailers will practise caution and avoid any aggressive expansion.

1 Retail NLA for Peace Centre is 58,480 sq ft.
2 Includes both retail and office units.

3. THE OFFICE MARKET OVERVIEW

3.1 Existing Office Supply

As at 1Q 2022, islandwide office stock increased by 0.7% (447,612 sq ft) y-o-y to 62.2 million sq ft. In all, Core CBD[1] office stock accounted for majority of the islandwide office stock standing at 32.0 million sq ft (or 51.5%), with 14.8 million sq ft being Grade A Core CBD office space. Fringe CBD[2] represented 25.3% of the total stock at 15.7 million sq ft while the Decentralised[3] submarket accounted for 23.3% of the total stock at 14.5 million sq ft. No new projects obtained Temporary Occupation Permit ("TOP") in 1Q 2022. As such, total islandwide office stock has been holding constant for three consecutive quarters, since 3Q 2021.

Tanjong Pagar Micro-market

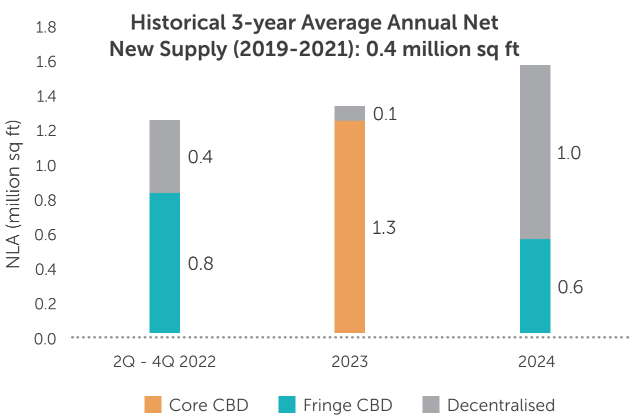
In 1Q 2022, office stock in the Tanjong Pagar micro-market stood at 4.6 million sq ft, after a 2.2% y-o-y contraction in office supply was recorded in the micro-market due to the removal of Fuji Xerox Towers from existing stock in 3Q 2021 as it is slated for redevelopment.

HarbourFront/Alexandra Micro-market

The HarbourFront/Alexandra micro-market stood at 3.7 million sq ft in 1Q 2022. The micro-market has seen an increasing interest for expansion and relocation as occupiers regained confidence in the office market. Interest was mainly driven by companies in the technology and non-banking financial sectors.

3.2 Future Supply Office Supply

Chart 6: Future Office Supply



Source: URA, CBRE

With border restrictions loosening and construction activities slowly regaining its momentum, islandwide new office supply between 2022 and 2024 is projected to be 4.1 million sq ft[4]. New supply from each submarket is expected to be relatively even, with the Core CBD accounting for 30.4% of the upcoming pipeline, while the Fringe CBD and Decentralised submarket account for 34.1% and 35.5% respectively. The average annual supply between 2022 and 2024 is approximately 1.4 million sq ft, a significant increase from the last 3-year historical average annual supply of 0.4 million sq ft.

The requirements for office spaces are gradually changing as occupiers pivot to a new hybrid workplace model. Developers have recognised this shift and have taken initiatives to redevelop and rejuvenate their older assets by leveraging on the CBD Incentive ("CBDI") Scheme and Strategic Development Incentive ("SDI") Scheme. For example, Fuji Xerox Towers has commenced its demolition works, while AXA Tower has announced its redevelopment plans and will be demolished in 2022. As such, future office supply will likely see more new developments with agile space solutions and digitally enabled specifications.

New office supply coming into the market in 2022 includes the redevelopment of Hub Synergy Point (131,200 sq ft) and Guoco Midtown (709,100 sq ft) in the Fringe CBD, and Rochester Commons (195,000 sq ft) and SJ Campus (211,600 sq ft) in the Decentralised submarket. In 2023, new office supply will stem from the completion of IOI Central Boulevard Towers (1.3 million sq ft) in the Core CBD and Holland Village (58,600 sq ft) in the Decentralised submarket. In 2024, supply in the pipeline will include the redevelopment of Keppel Towers & Keppel Towers 2 (526,100 sq ft) and 333 North Bridge Road (40,000 sq ft) in the Fringe CBD, and SP Labrador Park (670,000 sq ft) and Certis Paya Lebar Redevelopment (330,000 sq ft) in the Decentralised submarket.

Tanjong Pagar Micro-market

For the Tanjong Pagar precinct, the redevelopment of Hub Synergy Point which was initially scheduled to be completed in 3Q 2021 was pushed back to 3Q 2022. Upon completion, the development will add approximately 131,200 sq ft of office space into the micro-market. Other redevelopment works in the micro-market includes the redevelopment of Keppel Towers and Keppel Towers 2, which will be completed in 2024, and 80 Anson Road (former Fuji Xerox Towers). There are plans for 80 Anson Road to be redeveloped into a 46-storey freehold mixed-use integrated development with a GFA of 655,000 sq ft, comprising 40.0% office and retail spaces, 35.0% residential and 25.0% serviced

1 The Core area comprises the four micro-markets: Raffles Place, Shenton Way, Marina Bay and Marina Centre.
2 The Fringe area includes Tanjong Pagar, Beach Road/City Hall as well as Orchard Road.
3 The Decentralised markets are anchored mainly by clusters of office in Alexandra/HarbourFront, Western Suburban area and Eastern Suburban area.
4 The NLA and TOP dates are preliminary estimates and are subject to change.

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apartments[1]. It is likely to be completed in 2025 or later. The residential component is expected to be launched in 2H 2022. These redevelopments will continue to refresh and revitalise the Tanjong Pagar area.

HarbourFront/Alexandra Micro-market

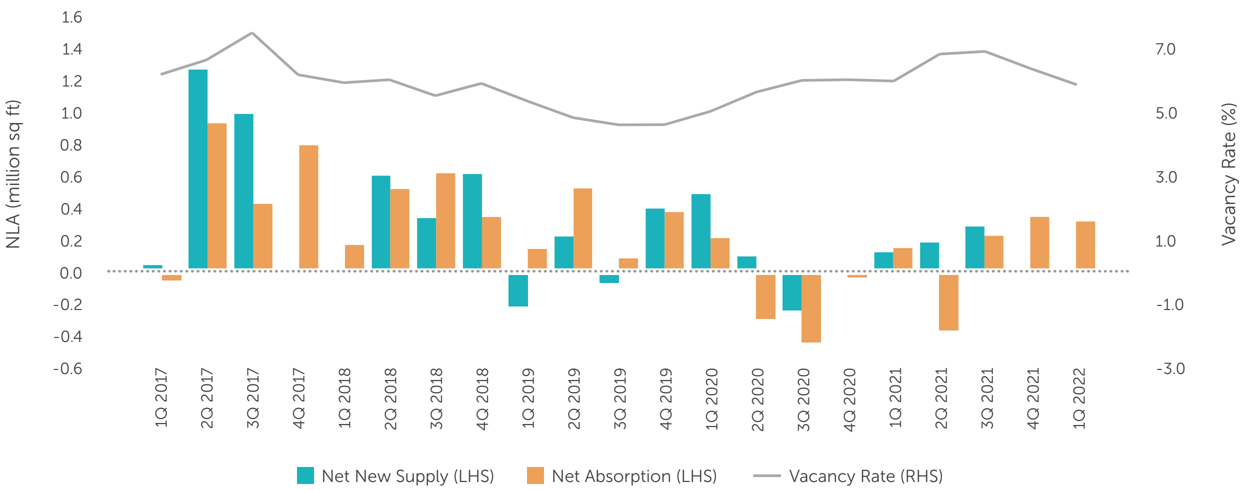
Within the HarbourFront/Alexandra micro-market, Dyson has officially unveiled its global headquarters at St James Power Station on 25 March 2022 and has pledged to invest S$1.5 billion in Singapore over the next four years, reaffirming Singapore's position as a centre of excellence. Going forward, SP Labrador Park will add another 670,000 sq ft of office space in 2024.

Islandwide net absorption for 1Q 2022 was 0.3 million sq ft, bringing forward the positive momentum from the previous quarter, fuelled by robust leasing activity and continued flight-to-quality movement to Core CBD office spaces. This marked the third consecutive quarter of positive net absorption, signalling recovering confidence from the overall office market as pandemic-induced uncertainty starts to subside.

Overall leasing activity was largely dominated by renewals, with continued flight-to-quality movement to Grade A office spaces as firms adapt to the new hybrid work model while recalibrating their space requirements.

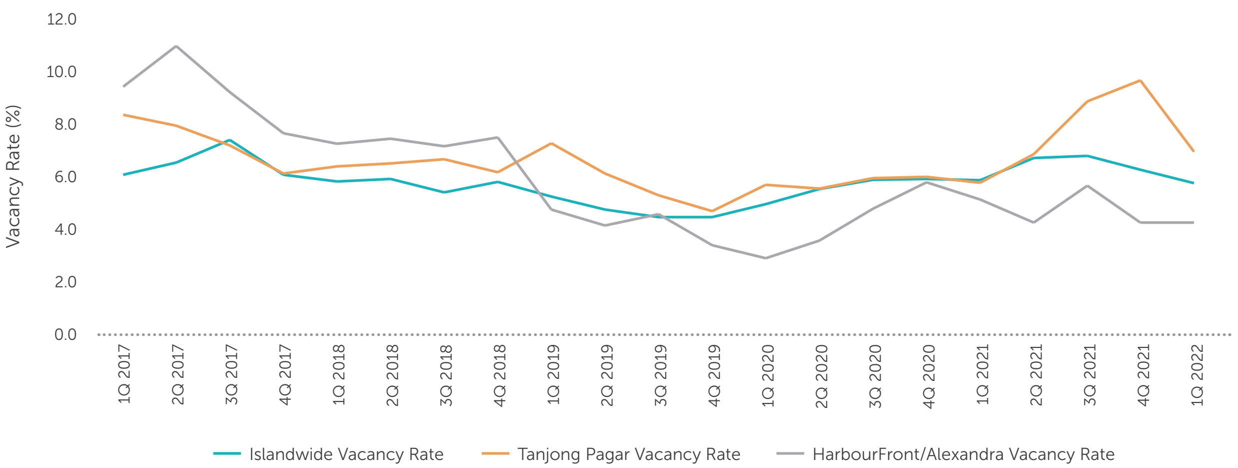
3.3 Demand and Occupancy

Chart 7: Islandwide Office Net New Supply, Net Absorption and Vacancy Rate



Source: URA, CBRE

Chart 8: Office Vacancy Rate



Source: URA, CBRE

1 Subject to authorities' approval, abstracted from CDL's 59th Annual General Meeting on 28 April 2022.

While hybrid work arrangements have given new impetus to downsizing, expansion activity still remained healthy. Firms in the technology and non-bank financial services sector continue to be the main drivers of demand in the office sectors. Against this backdrop, the Grade A office market remains well-positioned as supply pipeline is tight with low vacancy rates. The relaxation of SMMs in April 2022, allowing all workers to return to office, will further brighten the office market outlook.

With no new net supply in 1Q 2022, islandwide office vacancy rate dropped further to 5.8%, a 0.5 percentage point decrease from 6.3% in the previous quarter.

Tanjong Pagar Micro-market

Vacancy rate in the Tanjong Pagar micro-market expanded by 1.2 percentage point y-o-y to 7.0% in 1Q 2022, fuelled by increased downsizing activities as companies shifted towards a hybrid work model in the midst of COVID-19. On the other hand, the vacancy rate for HabourFront/Alexandra submarket contracted by 0.9 percentage point y-o-y to 4.3% in 1Q 2022.

With the completion of new projects in the Tanjong Pagar micro-market in the next few years, the micro-market is expected to be revitalised with a refreshing mix of uses, adding to the vibrancy of the area.

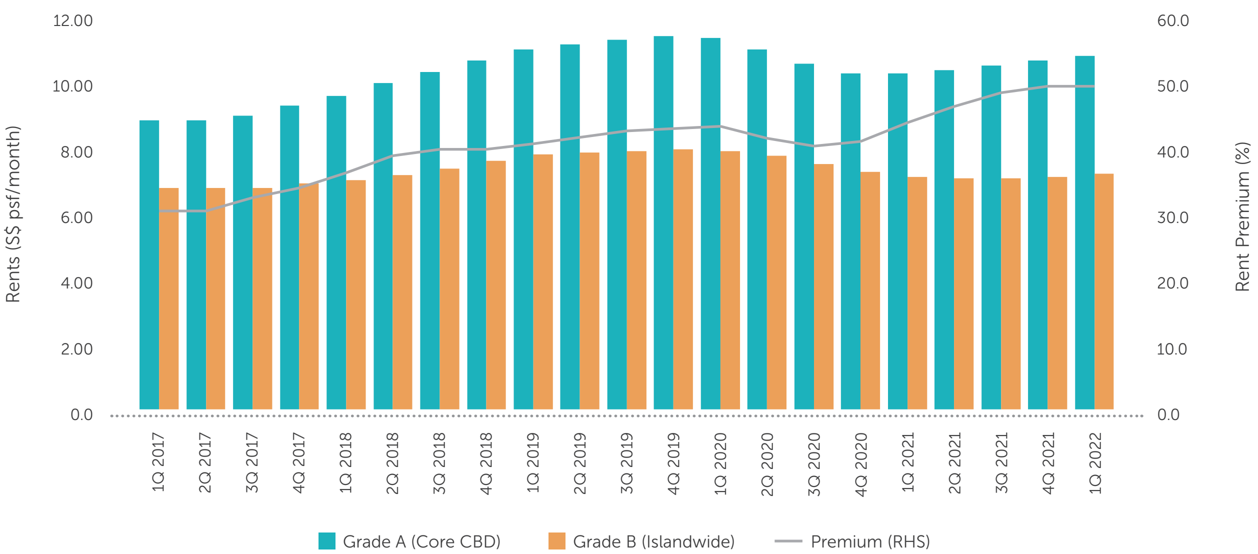
HarbourFront/Alexandra Micro-market

In the longer term, with the gradual completion of projects under the Greater Southern Waterfront master plan, the myriad of new land uses, supporting amenities and facilities will position the precinct as the gateway to "Future Live, Work and Play". This includes the Sentosa-Brani Master Plan, which will be implemented in phases over the coming two to three decades, with plans to rejuvenate and position Singapore as a leading destination. Sentosa Sensoryscape, one of the first milestone projects under this plan, started construction in 4Q 2019 and is set to be completed by 2023, a year later than planned due to challenges faced by the construction industry in the advent of COVID-19.

3.4 Office Rents

Robust demand coupled with tight supply resulted in an overall increase in office rents islandwide. Flight-to-quality relocation has enabled Grade A Core CBD rents to make a faster recovery with four consecutive quarters of expansion since 2Q 2021, while Grade B islandwide rents started to stabilise in 4Q 2021. In 1Q 2022, Grade A Core CBD recorded a 1.4% q-o-q or 5.3% y-o-y growth to S$10.95 psf/month. Similarly, Grade B islandwide rents experienced a 1.4% q-o-q and y-o-y increase respectively in 1Q 2022, pushing rents up to S$7.30 psf/month. With continued demand for better quality office spaces amongst occupiers, the premium between Grade A and Grade B markets will become more apparent. As there is a limited supply of quality offices in the Grade A Core CBD market, a spillover effect could be experienced in the Grade B CBD market as occupiers look for alternative spaces.

Chart 9: Monthly Office Rents



Source: CBRE

INDEPENDENT MARKET OVERVIEW

3.5 Office Investment Market and Capital Values

Office investments in 2021 recorded a total of S$5.4 billion in transactions, a 83.3% y-o-y increase, with international fund managers concluding acquisitions in anticipation of steady rental growth, limited new supply and relatively strong leasing demand. Office investments stood at S$3.4 billion in 1Q 2022, a 79.5% surge from S$1.9 billion in the preceding quarter.

Notable office transactions in 1Q 2022 include the divestment of 79 Robinson Road by CapitaLand Investment and its joint venture partners, Mitsui & Co. and Tokyo Tatemono Co., to CapitaLand Integrated Commercial Trust and CapitaLand Open End Real Estate Fund for S$1.26 billion or S$2,423 psf; the office component at Cross Street Exchange which exchanged hands from Frasers Logistics & Commercial Trust to SCC Straits Pte. Ltd. for approximately S$631.0 million or S$2,064 psf; the sale of 55 Market Street by AEW to Kajima Corporation for S$286.9 million or S$3,450 psf; and the joint investment of Capital Square by SMFL Mirai Partners, Kenedix and ARA Asset Management for S$297.0 million.

Grade A Core CBD capital values expanded for the third consecutive quarter by 5.3% y-o-y to S$3,000 psf in 1Q 2022. Over the same period, Grade A Core CBD prime yields rose slightly by 2 bps to 3.47%. Singapore's office sector is slowly regaining its traction, as return to office arrangements contributed to a more optimistic outlook towards future leasing demand as well as bolstered activity for office assets into 2022. As such, capital values in the office market are expected to trend upwards. On 15 March 2022, in response to fragmented ownership and challenges in maintenance, URA announced that strata subdivision of commercial components into individual units within developments located at prominent areas and routes in the Central Area will no longer be allowed.

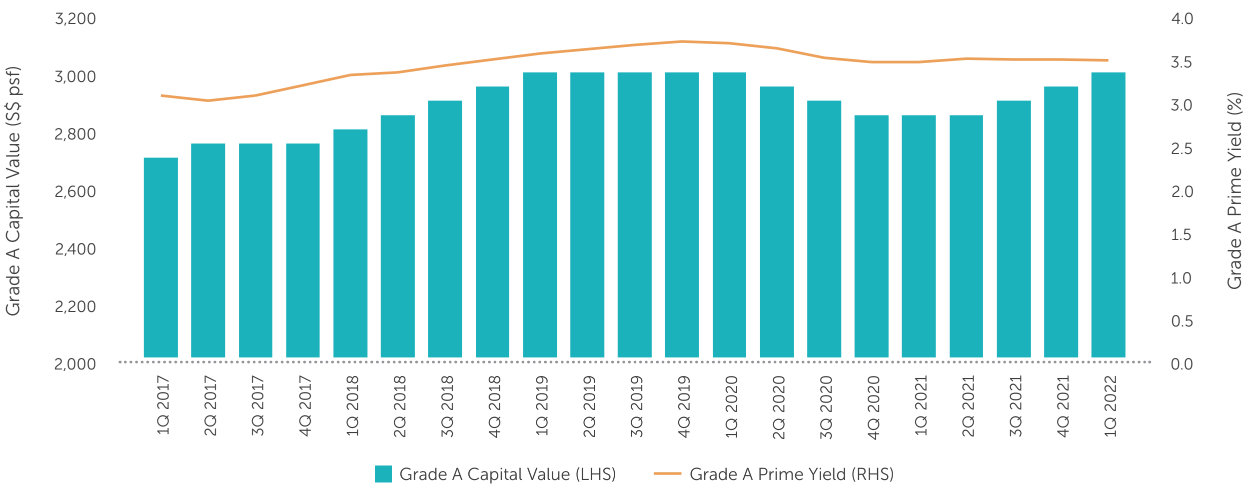
3.7 Office Outlook

With an increased demand for digital services and payment processes by consumers and businesses due to SMMs and social isolation, the technological sector is expected to grow rapidly and become the main driver for leasing activity in the office market in 2022. Companies from the non-banking financial services sector, such as hedge funds, family offices and asset and investment management firms will also be one of the major demand drivers for leasing in Grade A offices.

As work-from-home was the preferred working arrangement in 2021, companies took the opportunity to recalibrate their space requirements, bracing themselves for a new hybrid workplace model in 2022 and beyond. With a shift towards smaller but higher quality offices, spaces that promote camaraderie, company culture and innovation are most preferred by firms. Many firms will also likely incorporate technology tools into their business operations as part of their growth strategy as they move into the new normal.

Looking ahead, the mid-term outlook for the office market is on a growth path, bolstered by tight vacancy and limited upcoming supply of quality office space. However, this growth could face some resistance and moderate subsequently when supply starts to ease with new office completions. With the ongoing trend of flight-to-quality, there has been a slow but stable increase in pre-commitment rates of buildings in the pipeline. New office developments that provide agile

Chart 10: Office Capital Values and Prime Yield



Source: CBRE

and high quality specifications are likely to earn the favour of office occupiers as compared to ageing office stock. Additionally, a heightened emphasis on sustainability and wellness will also trigger upgrading to green buildings. As such, the recovery in the office market is expected to be steered by the Grade A segment with the Grade B segment trailing behind.

Supply for office stock is influenced by varying factors such as supply chain disruption and a lack of manpower due to border restrictions. These factors are likely to result in higher construction costs and potential delays in some projects. Government initiatives like the CBDI and SDI schemes may result in more urban renewal projects, potentially rejuvenating older office stocks to meet new occupier demands over the next few years.

Moving forward, with constrained supply and sustained demand for Grade A Core CBD office from sectors such as technology and non-banking financial services, CBRE expects office rents in the Grade A Core CBD micro-market to increase in the mid-term and moderate in the long-term when supply starts to ease.

4. THE BUSINESS PARK MARKET OVERVIEW

4.1 Overview and Existing Business Park Supply

Business parks are campus-like business spaces that occupy at least five hectares of land. The campuses typically have lush greenery, a full suite of amenities and facilities and high quality building designs. These spaces are generally occupied by businesses that are engaged in advanced technology, research and development in high value-added and knowledge intensive activities.

Key business parks include Changi Business Park, which is a reputed back-office hub for financial institutions, International Business Park, which is a base for knowledge-based activities with technology and manufacturing tenants, Singapore Science Park, which is a technology and development cluster, one-north, which is a major cluster for biomedical sciences, infocomm technology and media industries, as well as Mapletree Business City.

Mapletree Business City, located in the City Fringe, features Grade A building specifications within an integrated business hub with a full suite of contemporary 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, Cisco Systems, Samsung, Nike, Unilever and Fujifilm.

Total islandwide business park stock increased by 3.3% y-o-y to approximately 24.5 million sq ft as at 1Q 2022. The net increase in stock was contributed by the completion of Razer SEA headquarters, Grab headquarters and Wilmar International headquarters at one-north and the partial completion of the Jurong Town Corporation ("JTC")'s Cleantech Three in Jurong Innovation District (300,000 sq ft), as of 1Q 2022.

Figure 1: Key Business Park Clusters in Singapore

Sources: CBRE

INDEPENDENT MARKET OVERVIEW

4.2 Future Business Park Supply

From 2Q 2022 to 2024, some 4.6 million sq ft of business park spaces is expected to complete, with annual average new supply amounting to approximately 1.6 million sq ft per annum, more than five times the historical 3-year annual average supply of 0.3 million sq ft from 2019 to 2021. More than half of the upcoming supply will be completed in 2024. With the relaxation of border restrictions, less delay is expected in developments as construction activities regain their momentum.

In 2022, two business parks are expected to enter the market. This includes Perennial Business City (1.1 million sq ft), a conversion from Business 1 to Business Park usage, and SJ Campus (356,100 sq ft).

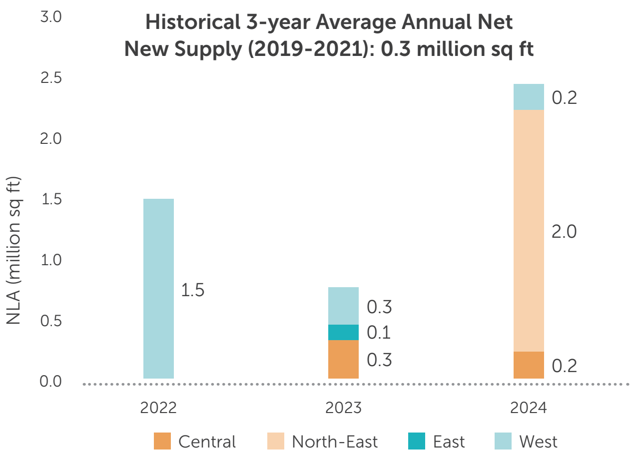
In 2023, three new developments are scheduled to be completed. These include Kaijima's headquarters in Changi Business Park (111,700 sq ft), Elementum (Biopolis Phase 6) in North Buona Vista Drive (302,900 sq ft) and the remaining completion of Cleantech Three (319,100 sq ft) in 8 Cleantech Loop.

In 2024, three new projects are anticipated to come onstream, which are namely Punggol Digital District (1,951,700 sq ft), 3 Science Park Drive (248,200 sq ft) and the redevelopment of iQuest@IBP (212,200 sq ft), which was initially scheduled to complete in 2023.

Beyond 2024, 1 Science Park Drive (969,000 sq ft) will undergo redevelopment to become a life science and innovation campus through a joint venture between Ascendas REIT and CapitaLand Development.

The upcoming development is projected to complete in 2Q 2025 and will house three Grade A buildings and an event plaza with a retail component. This campus will cater to the demand from tenants in new economy sectors such as biomedical sciences, digital and technology.

Chart 11: Future Business Park Supply

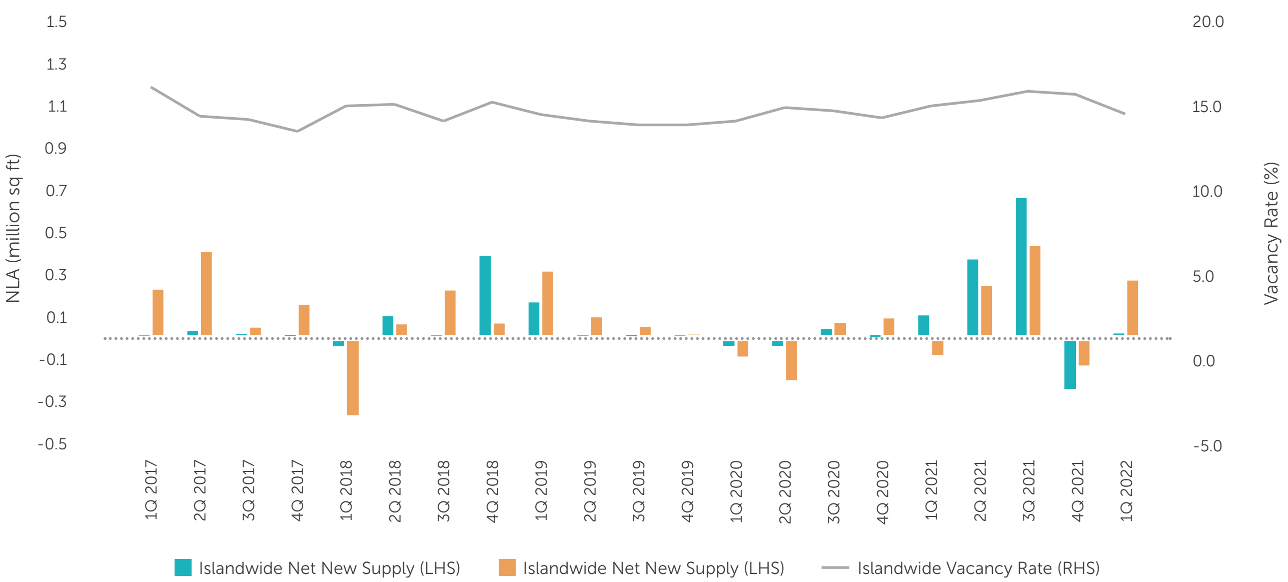


Source: JTC, CBRE

4.3 Demand and Occupancy

The business park segment is showing stronger momentum as islandwide net absorption for the past four quarters from 2Q 2021 to 1Q 2022 was positive at approximately 804,000 sq ft, a significant reversal from last year's four quarters net absorption of -121,000 sq ft. This movement was largely driven by demand coming from businesses in the information and communication technology, e-commerce, gaming and pharmaceutical sectors.

Chart 12: Islandwide Business Park Net New Supply, Net Absorption & Vacancy Rate

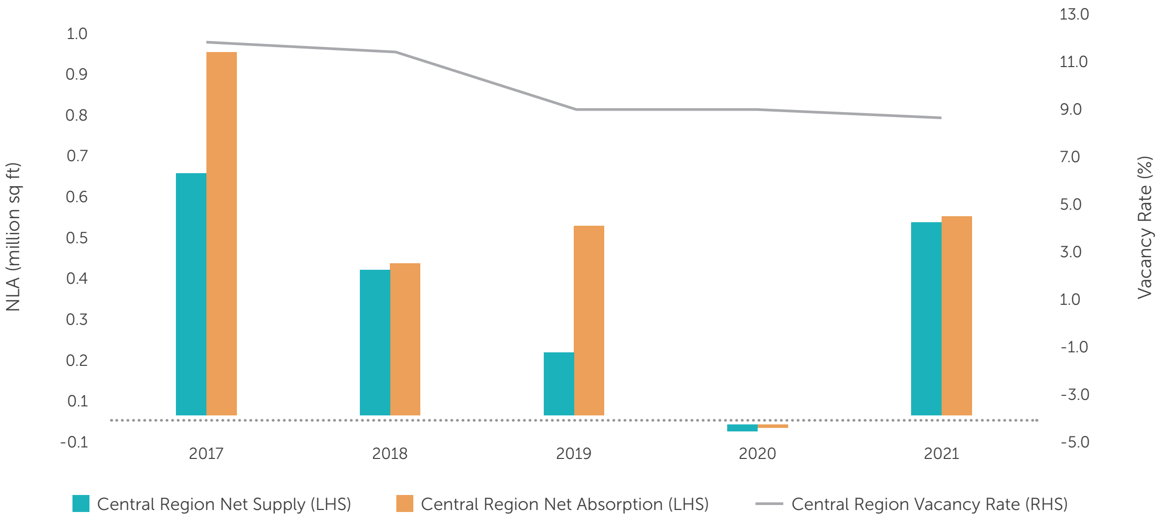


Source: JTC, CBRE

With the ongoing expansion from sectors such as pharmaceutical and technology, islandwide vacancy rate moderated downwards by 0.5 percentage point y-o-y to 14.4% in 1Q 2022. These sectors continue to see healthy expansion and are more inclined to pay higher rents to secure spaces in premium locations.

The business park market still largely remained a two-tier market with the Central Region submarket exuding strong resilience with a 0.4 percentage point decrease in y-o-y vacancy to 8.5%, fueled by strong demand for business park spaces in Mapletree Business City and other recently completed stock.

Chart 13: Central Region Business Park Net New Supply, Net Absorption & Vacancy Rate

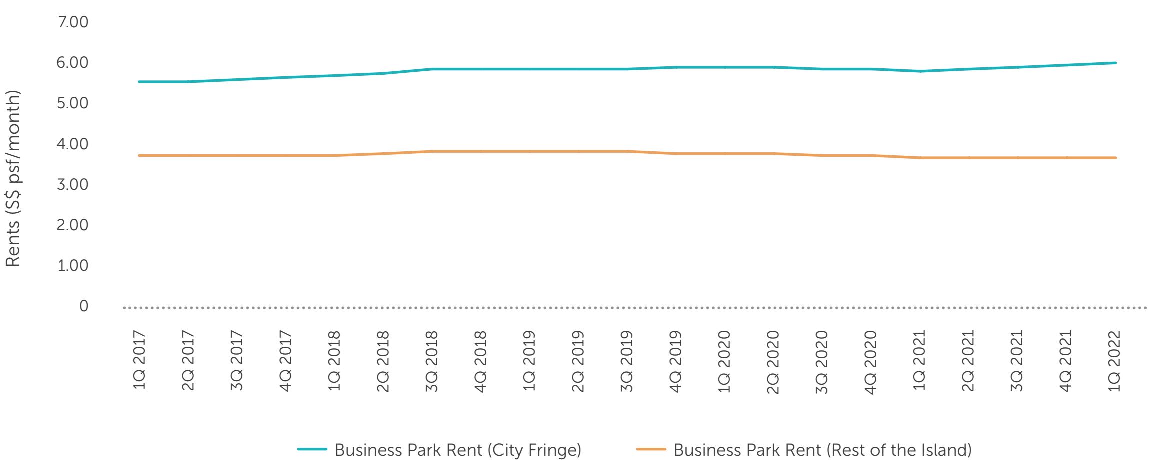


Source: JTC, CBRE

4.4 Business Park Rents

On the back of stronger demand and prevailing tight vacancy, business park rents remained relatively stable. Rental trends between the two submarkets, City Fringe and Rest of the Island, continue to diverge as rents in the City Fringe registered its fourth consecutive quarter of growth of 3.5% y-o-y to S$5.95 psf/month in 1Q 2022, while Rest of the Island submarket rents remained stable for four consecutive quarters at S$3.65 psf/month in the same period, indicating a two-tier market within the business park space.

Chart 14: Business Park Rents



Source: CBRE

INDEPENDENT MARKET OVERVIEW

Business parks in the City Fringe submarket have always commanded a rental premium relative to those located in the Rest of the Island, due to their strategic locations and proximity to the CBD. The further divergence of rents between the two submarkets is also driven by higher rental expectation within the City Fringe submarket as occupiers are aware of the limited available options in the City Fringe submarket. In addition, future supply from 2022 to 2024 is highly concentrated within the Rest of the Island submarket which is likely to put pressure on vacancy in the Rest of the Island submarket, potentially exacerbating the divergence.

4.5 Business Park Transactions

Table 2: Business Park Transactions in 2021 and 2022 Year-to-Date

Quarter	Property Name	Price (S$ million)	Price (on GFA) (S$ psf)	GFA (sq ft)	Land Tenure	Buyer	Seller
1Q 2021	GSK Asia House & GSK Building	144.8	927	156,247	30 + 30 years	Boustead Industrial Fund	BP-Vista
2Q 2021	Eightrium	97.2	455	213,835	60 years	Blackstone, SoilBuild Group's Lim Family	Soilbuild REIT
2Q 2021	Solaris	365.3	662	551,811	60 years	Blackstone, SoilBuild Group's Lim Family	Soilbuild REIT
2Q 2021	Galaxis (75.0% stake)	534.4	962 (based on 100%)	740,933	60 years	Ascendas REIT	Ascendas Fusion 5 Holding Pte Ltd
4Q 2021	TÜV SÜD PSB Building	103.2	456	226,228	95 years	CapitaLand Development	Ascendas REIT

Source: CBRE

In 1Q 2021, Boustead Projects Limited, together with its partners, injected GSK Asia House (23 Rochester Park) and GSK Building (20-22 Rochester Park) into Boustead Industrial Fund for a total of S$144.8 million.

In 2Q 2021, Ascendas REIT bought the remaining 75.0% equity stake in Galaxis from Ascendas Fusion 5 Holding Pte Ltd for S$534.4 million, following the acquisition of an initial 25.0% interest in Galaxis in March 2020 at S$102.9 million from MBK Real Estate Asia. In the same quarter, Soilbuild REIT was taken private by Blackstone and Soilbuild Group's Lim Family at S$1.1 billion for its portfolio of assets. This transaction includes two business park spaces, namely, Solaris which was transacted at S$534.4 million and Eightrium which was transacted at S$97.2 million.

In 4Q 2021, Ascendas REIT sold its 66% stake in TÜV SÜD PSB Building to CapitaLand Development at 1 Science Park Drive for S$103.2 million. Following the transaction, two parties then formed at 34:66 joint venture with plans to redevelop the development into a life science and innovation campus. Upon completion, the campus will bring in 1.2 million sq ft and 39,826 sq ft of business park and retail space respectively, catering to the demand from tenants in the new economy sectors such as biomedical sciences, digital and technology.

No notable transaction in the business park market was observed in 1Q 2022.

4.6 Business Parks Outlook

With the burgeoning demand for high quality spaces in good locations, the divergence in rents between the City Fringe and Rest of the Island submarkets is likely to become more apparent, setting the business park market to be a two-tiered market.

Limited business park stock within the City Fringe submarket alongside strong demand for high quality spaces are likely to drive upward pressure on rental expectations within this submarket. The City Fringe submarket continued to see interests from occupiers in both the technology and pharmaceutical sectors, who are more inclined to pay higher rents to secure spaces in a premium location. With continued flight-to-quality relocations, buildings that are able to meet the new space requirements are well-positioned to ride on this upward rental cycle.

In contrast, the rental expectations in the Rest of the Island submarket could be under pressure as most of the future supply in the pipeline are concentrated within this region. With more spaces to be absorbed within this area, rents could potentially face a downward pressure in this submarket, especially older business park assets.

The trajectory and future impact of the pandemic remains unpredictable. Nonetheless, the outlook for business parks in the City Fringe submarket remains relatively resilient as occupiers in these spaces are continually growing and expanding. On the other hand, with future supply mainly concentrated in the Rest of the Island submarket, the outlook within this submarket may be muted.

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