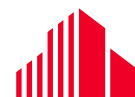


SINGAPORE **OFFICE** MARKET

O U T L O O K 2 0 2 2

FEBRUARY 2022



**CUSHMAN &
WAKEFIELD**

SINGAPORE OFFICE MARKET OUTLOOK 2022

The Singapore office market has bottomed out in 2021, as demand continues to recover amidst a flight to quality. A resurgence of CBD Grade A office demand in 2021 shows that the office is still the best place to do business, albeit demand has become more quality-focused and dynamic, given a transformation of the role of the office. The office demand landscape has seen a shift with tech and finance tenants dominating and co-working operators no longer expanding at a breakneck pace.

This report presents a brief retrospect of 2021 and outlines our views for the office market in 2022

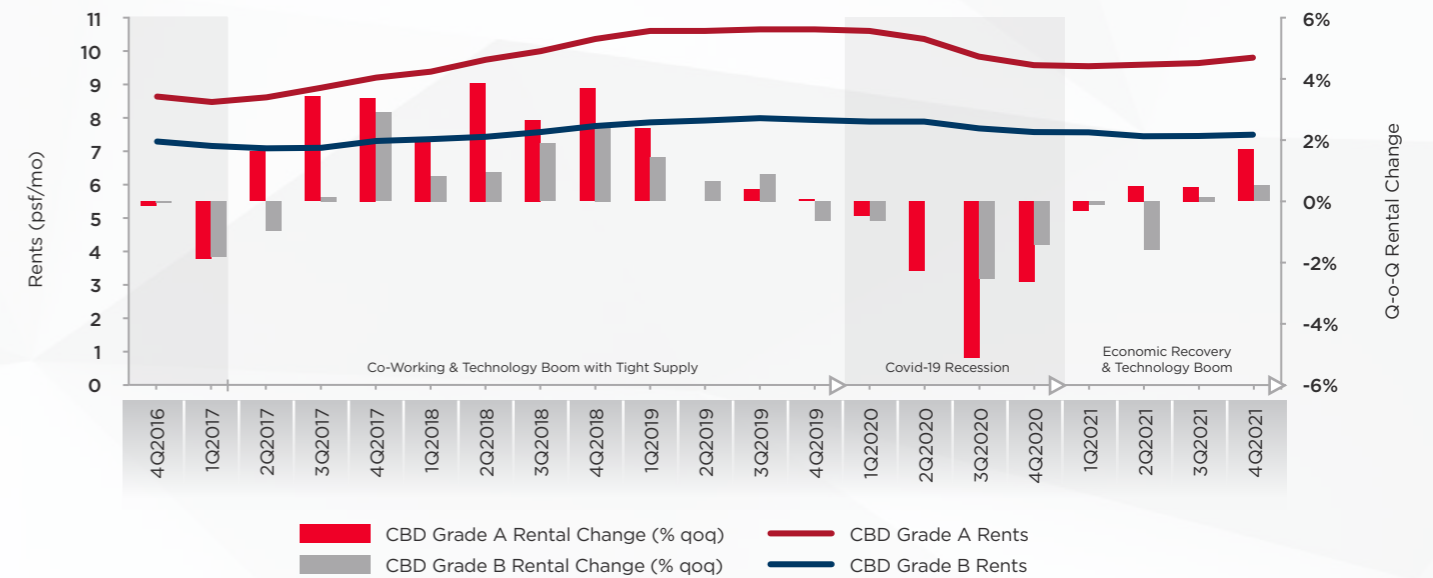
CBD Grade A Office Rents End on a Positive Note Driven by Flight To Quality

Signs of a broad market recovery are apparent, with CBD Grade A and B office rents rising in the second half of 2021.

CBD Grade A office rents rose by 1.7% qoq in Q4 2021, marking three consecutive quarters of growth. For the whole of 2021, CBD Grade A rents grew 2.3% yoy to reach \$9.81 psf/mo, although this remains about 8.0% below pre-pandemic (Q4 2019) levels. The recovery in CBD Grade B office rents has also gained strength. CBD Grade B office rents climbed for a second consecutive quarter at 0.5% qoq in Q4 2021, reaching \$7.47 psf/mo, about 5.6% below pre-pandemic (Q4 2019) levels.

Historically, a recovery in the Singapore office market is often led by a flight to quality. The market saw a similar trend between Q2 2017 and Q4 2018, when CBD Grade A office rents outperformed their Grade B counterparts and led growth in the initial recovery phase.

CBD Grade A and Grade B Office Rental Growth (%)



Source: Cushman & Wakefield Research

Occupiers are recognising the importance of high-quality office spaces to meet the post-pandemic workplace requirements of safety, flexibility, and employee engagement. Offices are evolving into a place for collaboration and branding rather than solely a place for work. With hybrid work becoming a new normal, newer and higher spec office developments with appealing amenities can encourage stronger office attendance.

Occupiers taking the Flight to Quality - Notable Lease Transactions in 2021

| Tenant | Building | Grade | Submarket | Area (sf) | Previous Building | Previous Grade |
|--------------------|---------------------|-------|---------------|-----------|---------------------|----------------|
| Lazada and Alibaba | Lazada One | A | Bugis | 140,000 | AXA Tower | B |
| KPMG | Asia Square Tower 2 | A+ | Marina Bay | 100,000 | Hong Leong Building | B |
| Red Hat | CapitaSpring | A+ | Raffles Place | 57,500 | AXA Tower | B |

Source: Cushman & Wakefield Research

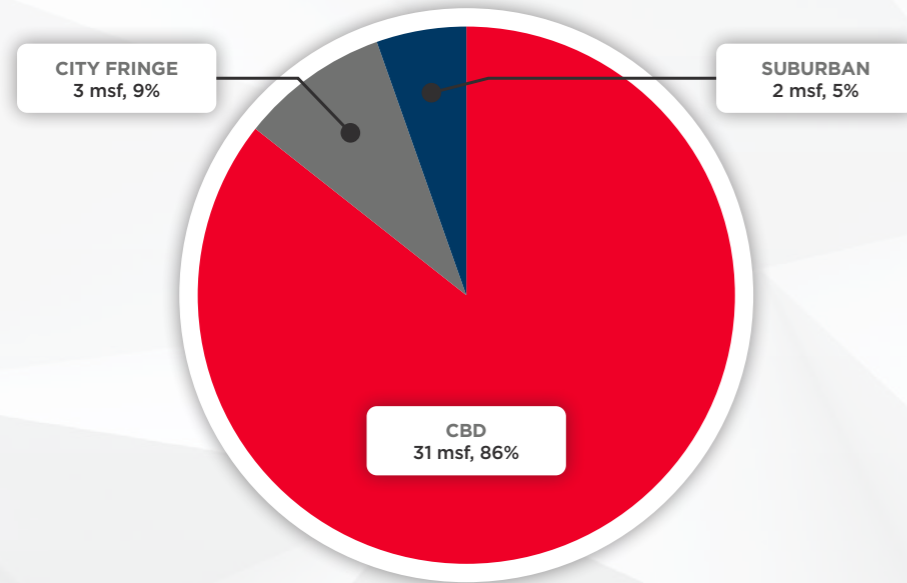
We may see a slower and drawn-out recovery momentum as compared to historical recoveries. While office demand has risen in tandem with a strong economic recovery in 2021, the rise of hybrid work will likely lead to lower structural demand for office space as more people are able to work from home.

Decentralised Rents Edge Higher but Lag Behind The CBD

Outside the CBD, office rents are rising as well. City Fringe (all grades) and Suburban (all grades) office rents climbed 0.8% yoy each in 2021. Decentralised office spaces remain a cost-effective option for tenants who do not need to be in the CBD.

Despite the ongoing decentralisation of commercial activities, decentralised rent growth has paled in comparison to the CBD, given limited Grade A office stock at decentralised markets and competition from newer business parks in city fringe areas, which have office-like specifications which are attractive to tenants from the technology and biomedical sectors.

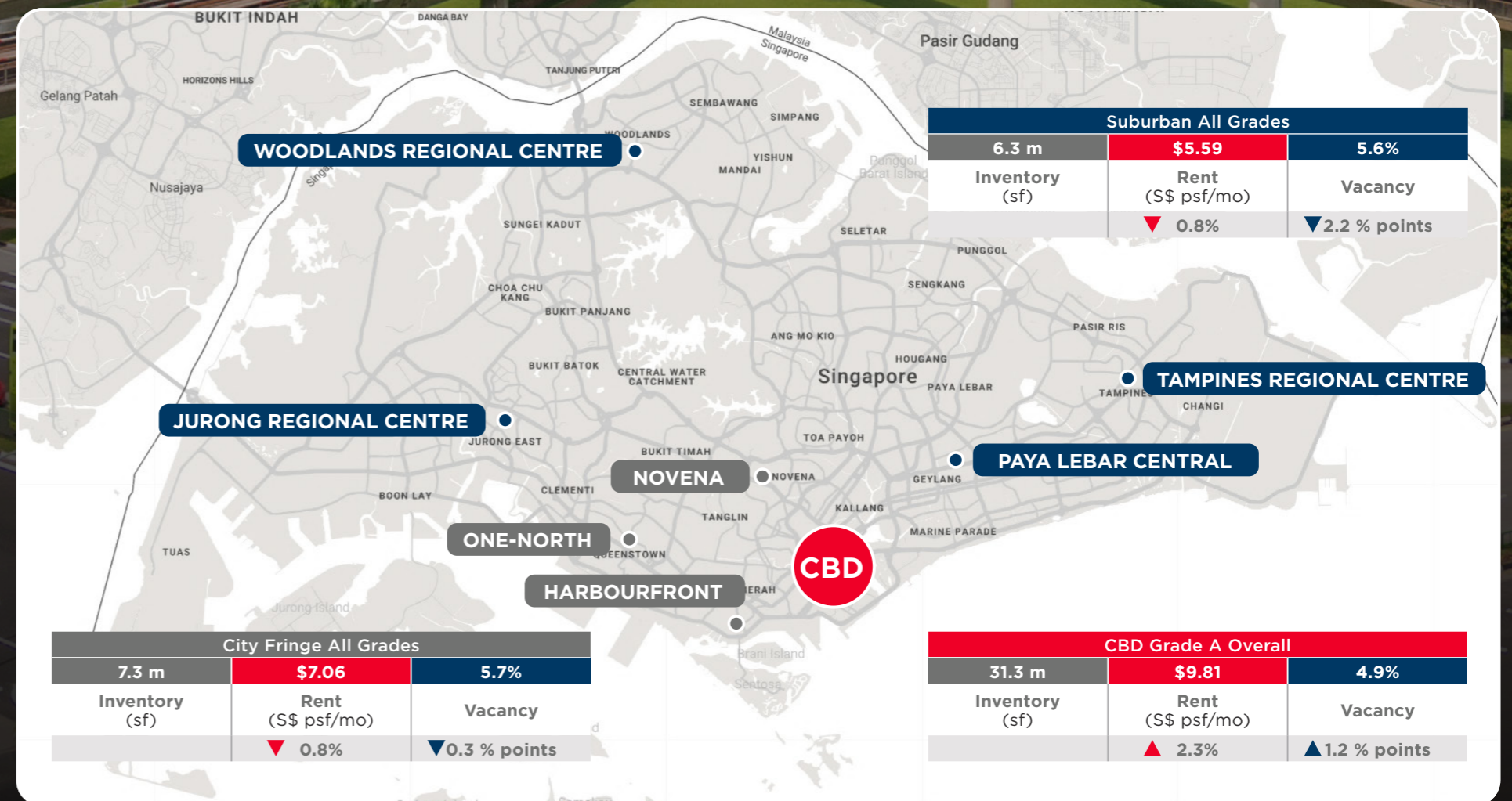
Grade A Office Stock by Submarket



Source: Cushman & Wakefield Research



Key Office Submarket Performance as at End-2021

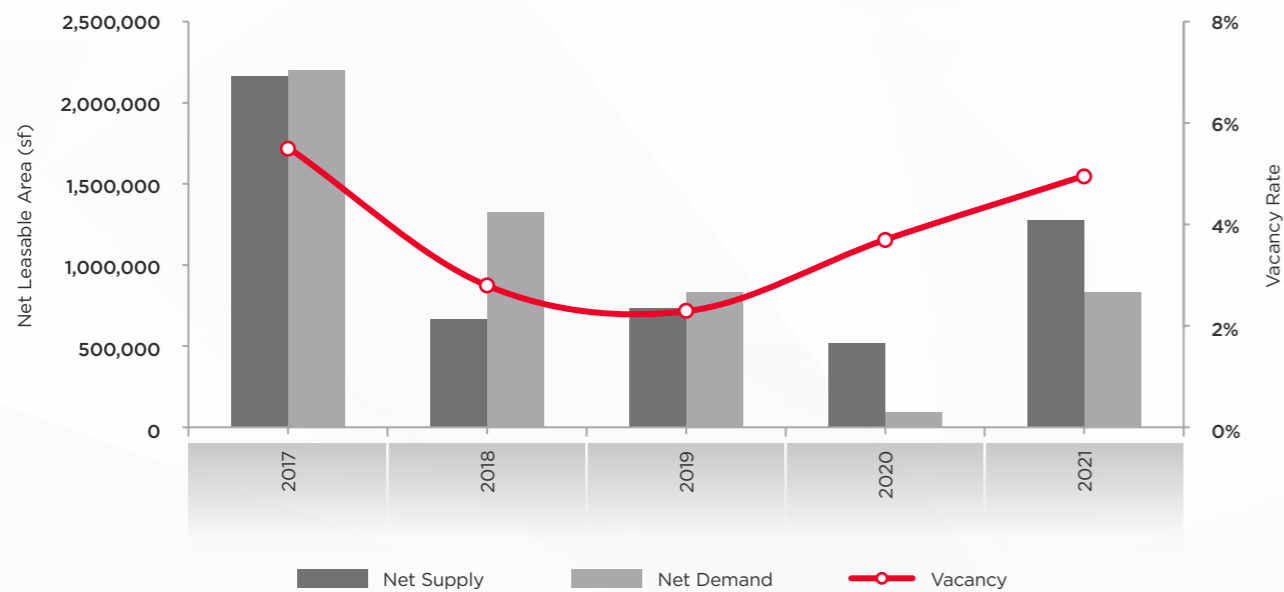


Source: Cushman & Wakefield Research
 Note: Y-o-Y rental and vacancy change (Q4 2020 vs. Q4 2021)

Demand Returns to Near Pre-Covid-19 Levels

CBD Grade A office demand surged in 2021, driven by strong take-ups at new office completions in 2021. For example, CapitaSpring, a new integrated development with 0.6 million square feet (msf) of office net leasable area (nla) was almost fully occupied as of end-2021.

CBD Grade A Net Demand and Supply

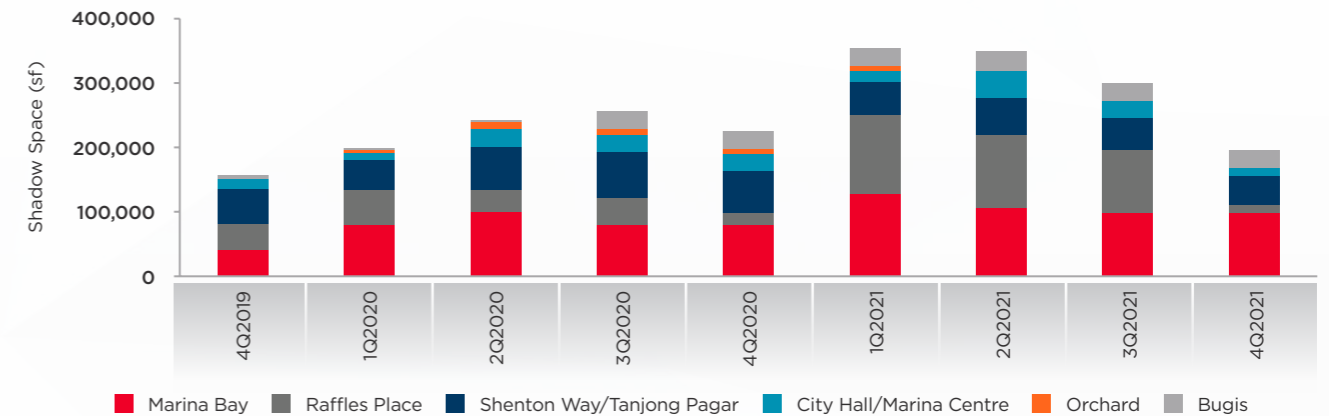


Source: Cushman & Wakefield Research

Total CBD Grade A office net demand clocked about 0.8 msf in 2021, over eight times the net demand of about 0.1 msf in 2020. As such, CBD Grade A office vacancy rates have recovered to 4.9% at the end of 2021, coming down from the peak of 5.8% in Q3 2021. Additionally, CBD Grade A office shadow space, a barometer of occupier demand, has fallen back to pre-Covid-19 levels of 0.2 msf as compared to a peak of around 0.4 msf in Q1 2021.

While vacancy rates have tightened sharply, it remains higher than pre-Covid-19 levels of around 2.3% in Q4 2019. Given rising rent levels, the market should bustle with activity into 2022, with vacancy rates expected to further tighten.

CBD Grade A Shadow Space



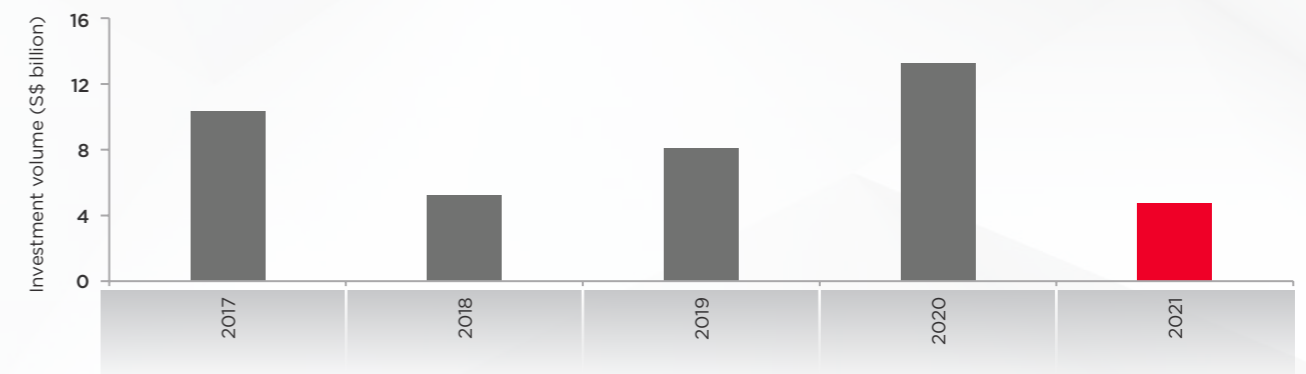
Source: Cushman & Wakefield Research

Note: Shadow space is defined as office space that is currently occupied but is still being marketed for lease. The tenant may not be physically occupying the space but are still paying rent and have a lease on the space. This could be due to changes in business plans or downsizing of workforce. The higher availability of shadow spaces means that more office spaces are not utilised due to reasons such as company downsizing or reorganization.

Returning Interest in The Office Market

Amidst favourable market conditions and a low interest rate environment, local and foreign investors are scouring for deals in the Singapore office market. Total office investment sales volumes reached \$4.8 billion (b) in 2021, with close to 50% of the year's office investment sales done in Q4 2021.

Islandwide Office Investment Volume



Source: RCA, URA, Cushman & Wakefield Research
Note: Deals of at least S\$10 million have been included

Notable deals concluded recently comprise of the sale of PIL Building, One George Street, Robinson 112 and Crown At Robinson among others. The largest office deal in 2021 was the sale of One George Street for \$1.3b by CapitaLand Integrated Commercial Trust and FWD Group to JP Morgan and Nuveen. Longer tenured CBD office developments saw strong interest from investors in Q4 2021 as seen from the sales of Robinson 112 and PIL Building (part leasehold) in Q4 2021. Freehold office developments are rare within the CBD with only about 11% of office nla being freehold. Given their scarcity, freehold offices can transact at very tight cap rates of around 2%.

Bite-sized office investments are also on investors' radar with a slew of strata office deals done in 2021, including some at record prices. Total office strata sales within the Downtown Core reached \$0.9b in 2021, 86.1% higher than 2020's volume of \$0.5b.

Notable Sale Transactions in 2021

| Building | Tenure | Buyer | Seller | Transaction Value (\$m) | NLA (sf) | Price (psf) | Estimated Net Yield (%) | Quarter |
|--|-----------------|--|--|-------------------------|----------|--------------|-------------------------|---------|
| OUE Bayfront (50% Stake) | 99-yr from 2007 | Allianz Real Estate and National Pension Service of Korea JV | OUE C-REIT | 633.8 | 399,829 | 3,170 | 3.6 | Q1 2021 |
| 9 Penang Road (30% Stake) | 99-yr from 2016 | Haiyi Holdings | Suntec REIT | 295.5 | 399,044 | 2,468 | 3.3 | Q2 2021 |
| Portfolio of strata offices at Suntec City | 99-yr from 1989 | SilkRoad Fund | Suntec REIT | 197.0 | 78,491 | 2,510 | 3.1 | Q2 2021 |
| 61 Robinson | 99-yr from 1997 | Rivulets Investments | ARA Private Funds | 422.0 | 141,958 | 2,973 | Around 2-3% | Q3 2021 |
| Strata units at Crown At Robinson | Freehold | Tahir Family | Wywy Group | 257.5 | 70,676* | 3,643 | Around 2% | Q4 2021 |
| Robinson 112 | Freehold | AM alpha | Local Entity | 269.7 | 92,205 | 2,925 | Around 2% | Q4 2021 |
| PIL Building | Freehold** | TE Capital Partners and LaSalle Investment Management | Pacific International Lines | Around 320.0 | 107,200 | Around 2,985 | Around 2% | Q4 2021 |
| One George Street | 99-yr from 2003 | JP Morgan Asset Management and Nuveen Real Estate | CapitaLand Integrated Commercial Trust and FWD Group | 1,281.5 | 445,735 | 2,875 | 3.2 | Q4 2021 |

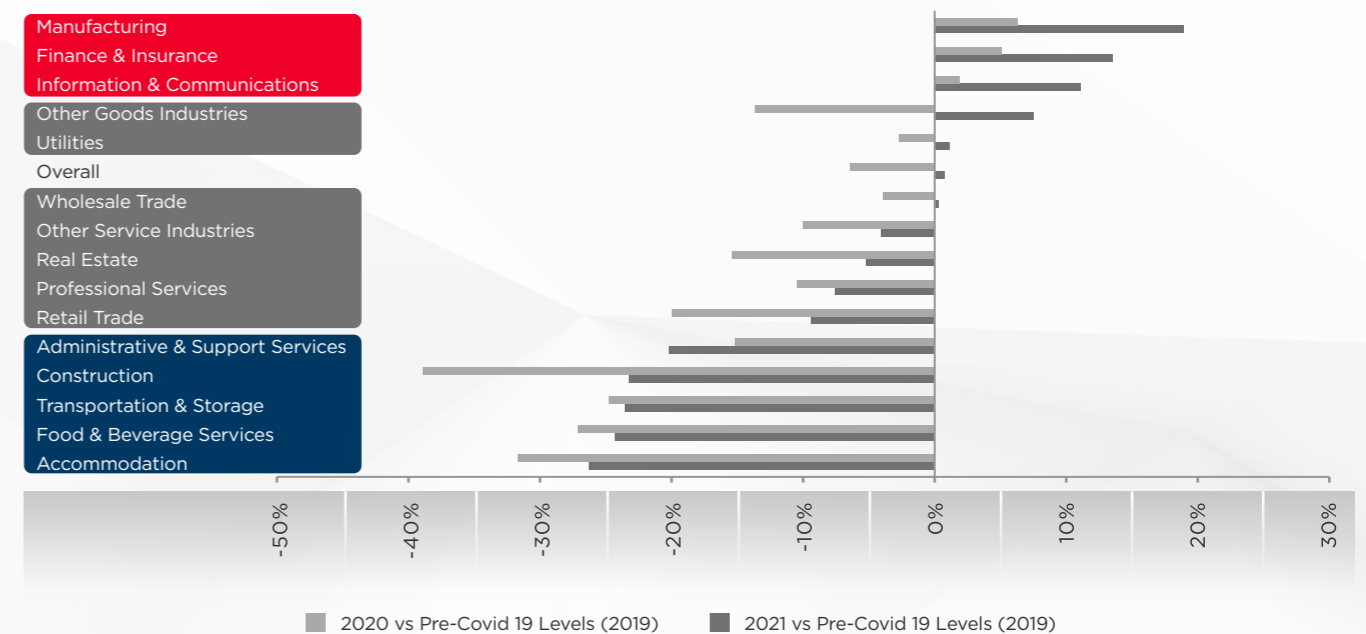
* Strata area
 ** The building sits on three adjoining sites with a total footprint of 1,812 sqm. The main plot at the centre is 1,392 sqm in size and has a freehold tenure. It is flanked by two smaller land strips of about 142 sqm and the other of 278 sqm. Both of these sites have a 99-year lease starting from 1977.

WHAT'S NEXT

Robust Economic Growth in 2022, Above Pre-Covid-19 Trend Levels

Singapore's economy has recovered to pre-pandemic levels, growing by 7.2% in 2021. Growth was driven by the Manufacturing, Finance & Insurance and Information & Communications sectors which have excelled despite the pandemic. While these sectors are expected to continue to outperform, other sectors such as professional services and retail trade are expected to narrow the gap in 2022 with further economic recovery and steady reopening.

Manufacturing, Finance and Tech Outperforms but Other Sectors to Close the Gap in 2022



Source: Singapore Department of Statistics, Cushman & Wakefield Research
 Note: GDP by industry for Q1 to Q3 of 2021 and 2020, as compared to the same period of 2019

Legend (Classification of Sectors)

Red: Pandemic Outperformers (Higher than pre-Covid-19 levels)

Grey: Recovery Leaders (Slightly below pre-Covid-19 levels)

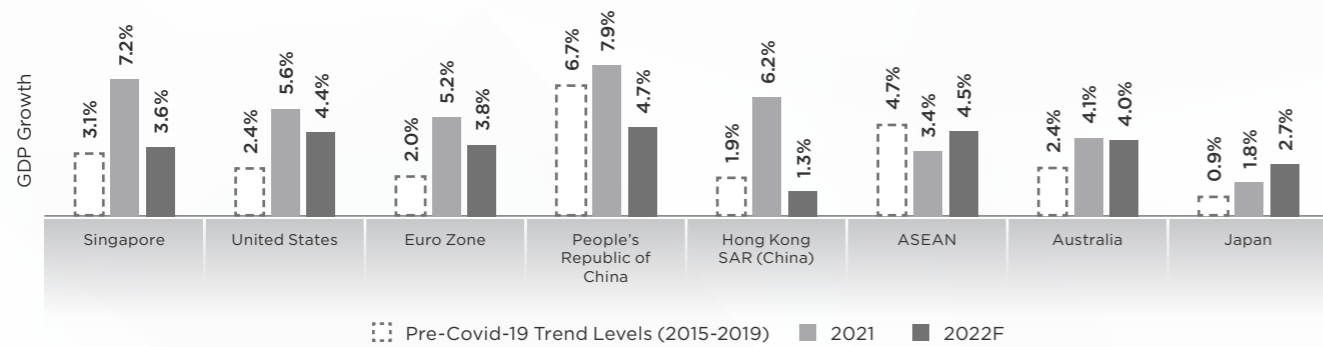
Blue: Recovery Laggards (Substantially below pre-Covid-19 levels)

In 2022, Singapore's economy is expected to see sustained growth of about 3.6%, slowing down the 2021's strong rebound. Nonetheless, the outlook is still positive, with 2022 growth remaining above pre-pandemic trend levels of 3.1%.

Similarly, advanced economies, such as the United States (US) and Eurozone, are expected to see growth moderating in 2022 but still perform at above pre-Covid-19 trend levels. In contrast, Mainland China and Hong Kong growth in 2022 are expected to fall below pre-Covid-19 levels, due to adherence to a zero-Covid-19 policy and new economic policies.

Meanwhile, ASEAN economies such as Malaysia, Thailand and Indonesia will see stronger growth as domestic demand improve with progressive vaccination efforts and continuing reopening.

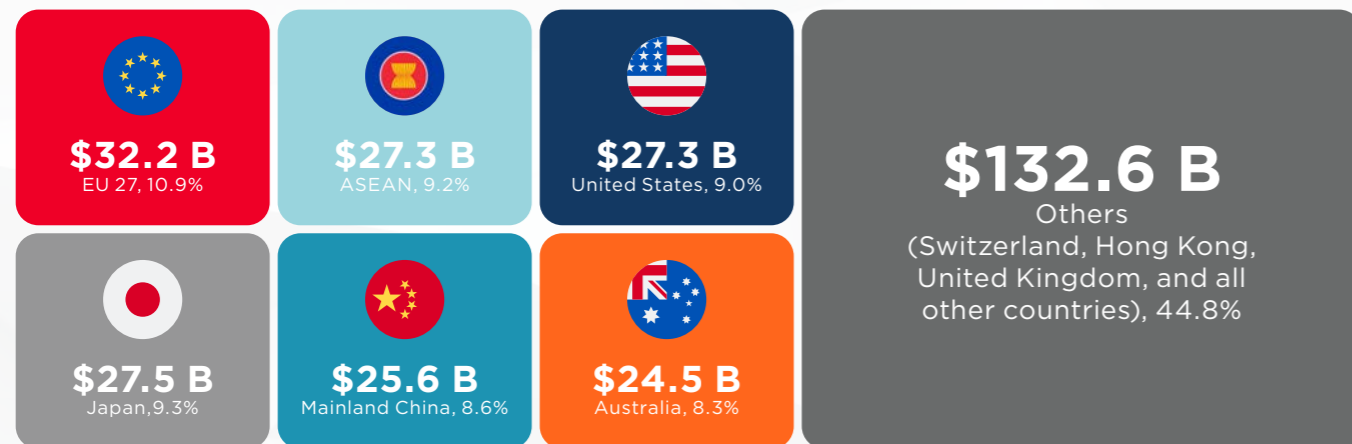
Broad Economic Recovery



Source: Moody's Analytics, Cushman & Wakefield Research
 Note: Singapore GDP in 2021 is based on MTI's Advanced Estimates

An economic recovery amongst the country's key service trading partners, including the 27 European Union countries, ASEAN and United States, would drive continual growth in service exports. This will bode well for business expansion and office demand in Singapore. Almost 70% of Singapore's GDP is driven by service-producing industries such as Wholesale Trade, Finance & Insurance and Professional Services.

Top Trading Partners for Exports of Services in 2019



Source: Moody's Analytics, Cushman & Wakefield Research
 Note: Singapore GDP in 2021 is based on MTI's Advanced Estimates

Interest Rates to Head North

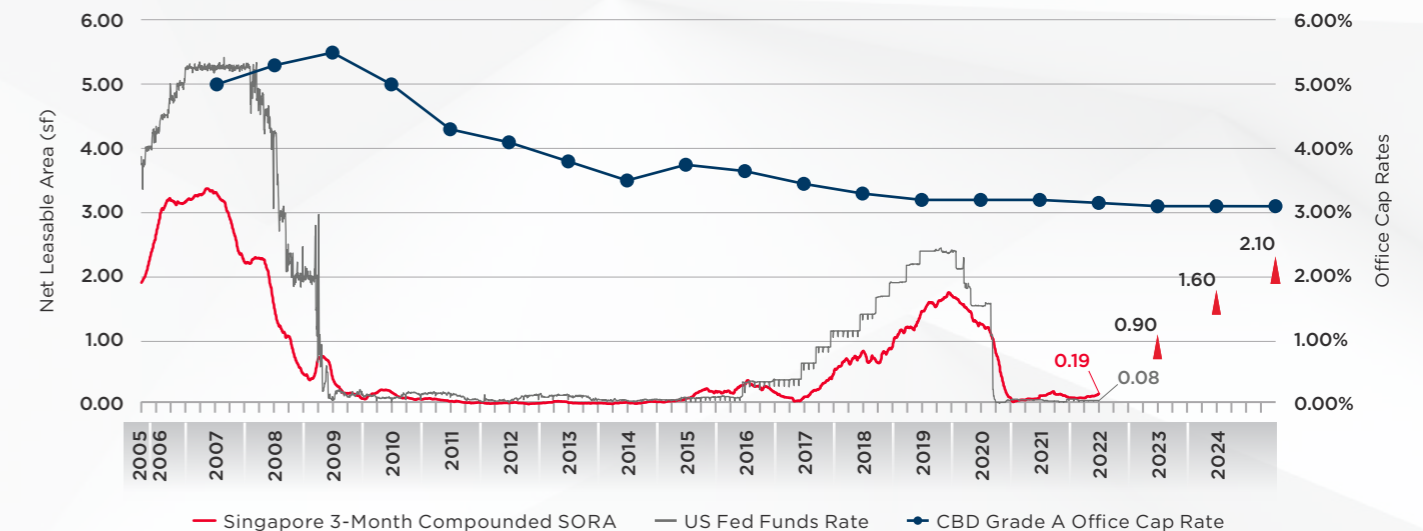
Interest rates in Singapore are expected to head north in 2022, as the US Federal Reserve (Fed) moves to end its ultra-easy monetary policy. The Fed is tapering its bond purchases and expected to hike interest rate a few by the end of next year. The domestic interest rates of Singapore have been historically strongly correlated with US interest rates, given Singapore's open economy and US strong influence on the global economy.

Nonetheless, the rise in interest rates is expected to be gradual and would only reach 2019's levels in 2024. A rise in interest rates would increase real estate financing costs and put upward pressure on property cap rates.

CBD Grade A office cap rates could buck this trend. At about 3.15% currently, CBD Grade A office cap rates could still see further compression in 2022, as the weight of capital coupled with positive office outlook could offset the impact of higher interest rates. We saw this during the period from 2017 to 2019 when CBD Grade A office cap rates were declining in general even as interest rates rose.

Despite a rise in interest rates, investment demand for office assets is expected to remain robust in 2022 as investors are still looking to deploy capital in stable assets. Furthermore, available office stock for sale remains limited as landlord holding power stays strong. As such, office capital values are expected to trend higher in 2022 in tandem with rental recovery.

US Fed Funds Rate and Singapore 3-Month SORA vis-à-vis CBD Grade A Office Cap Rates



Source: Moody's Analytics, Monetary Authority of Singapore (MAS), U.S. Board of Governors of the Federal Reserve System (FRB), Cushman & Wakefield Research

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2021

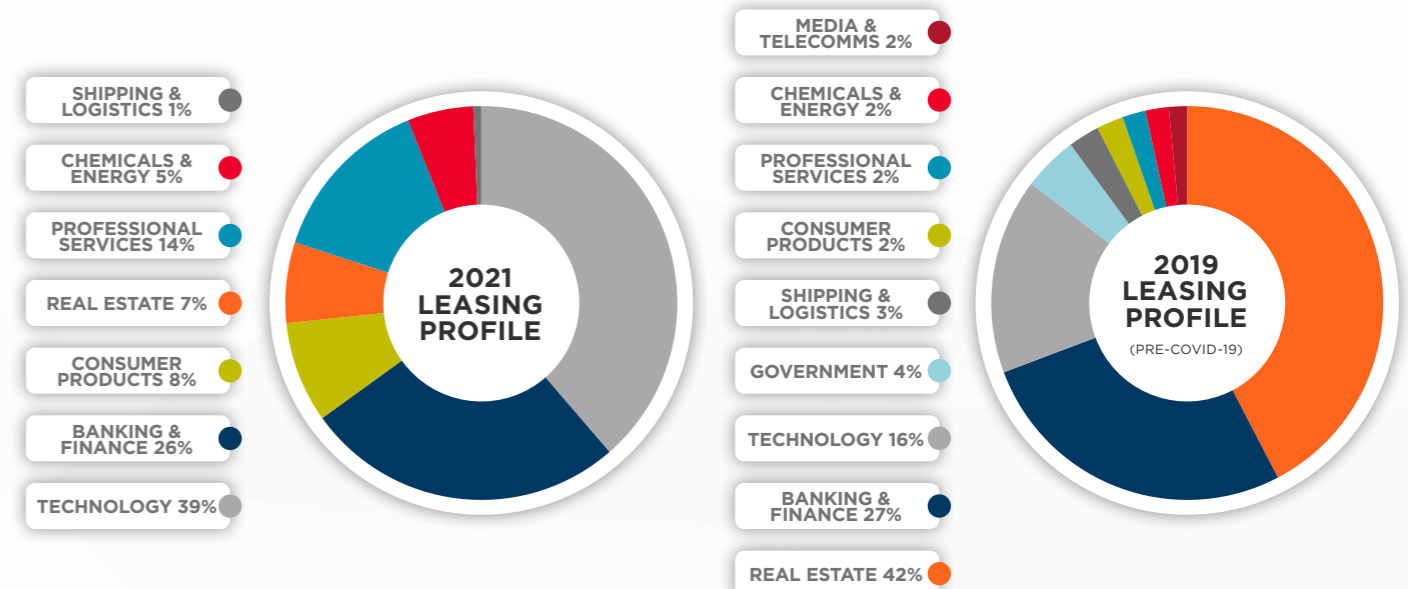


Future Sources of Office Demand

Technology and financial occupiers will continue to be the major sources of office demand in 2022 as they expand headcounts amidst an economic recovery. Technology and finance occupiers drove about 65% of new leases within the CBD in 2021.

On the other hand, co-working operators (real estate), once a major driver of CBD office demand, have slowed their expansion spree since the pandemic struck, albeit continually picking up pockets of space. Some co-working operators are evolving their business models to an asset light strategy, preferring management agreements from direct leases of space. Given occupiers increased demand for flexibility and flex space, co-working demand is still expected to expand albeit at a more measured pace.

Key Demand Drivers

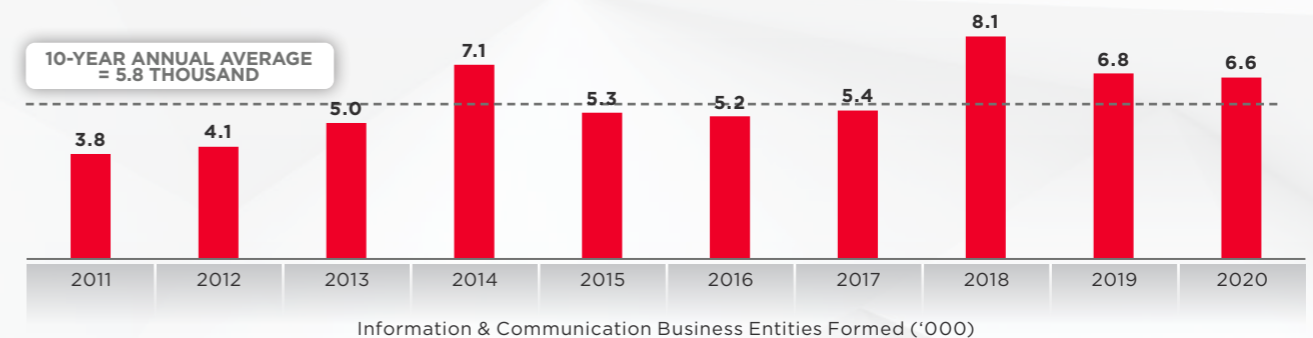


Source: Cushman & Wakefield Research

Tech Expansion to Fuel Office Demand

We are living in a tech-fueled global economy where economic growth is fueled by sustained tech-driven innovations. Backed by her status as a prominent tech hub globally, Singapore is well positioned to capture this growth. Singapore ranks second worldwide in 2021 Bloomberg Innovation Index, recognising as one of the most innovative cities globally. The growth of the technology industry in Singapore is reinforced by the increasing number of business entities formed in the Information & Communications sector in recent years.

Annual Formation of Business Entities in Information & Communications



Source: Accounting and Corporate Regulatory Authority

Most of the top global technology companies have a presence in Singapore and many of them are on a hiring spree. For example, Amazon is reported to create a few hundred new jobs in Singapore by end-2022, following a scale-up of its office footprint with about 100,000 sf of space in Asia Square Tower 1. Bytedance has also expanded significantly in Singapore. It has taken up over 200,000 sf of office space since 2020 and over 300 job listings on its website.

Job Listings of Selected Tech Companies

| Company | Number of Job Listings in Singapore |
|----------------|-------------------------------------|
| Shopee | 628 |
| Tiktok | 547 |
| Amazon | 493 |
| Bytedance | 367 |
| Lazada/Alibaba | 302 |
| Grab | 262 |
| Google | 206 |
| Meta | 162 |
| Apple | 128 |
| Tencent | 128 |
| Microsoft | 130 |
| Sea Group | 92 |

As these tech companies grow, their appetite for CBD Grade A office space would expand. However, given limited Grade A spaces within the CBD, some may start exploring city fringe Business Park space, following the likes of Google, Razer and Grab, as they outgrow their current premises. This could create sizable pockets of space in the CBD over the mid-term.

Nonetheless, this gap could be filled by future demand from future tech unicorns. Singapore has a vibrant start-up scene with over 4,000 tech startups and a large concentration of unicorn startups in Southeast Asia.¹ Given favorable funding conditions and the exponential growth of the digital economy, the number of unicorns is set to grow, providing a steady pipeline of demand for office spaces.

Source: Websites of indicated companies as of 17 Jan 2022
 Note: List is non-exhaustive as it excludes part-time positions and internships. Some roles could be based in multiple geographies and would include new and existing roles.

88 of the world's top **100 technology** companies have operations in Singapore and **59%** of tech multinationals have established regional headquarters in Singapore²

Technology startups in Singapore raised **\$11.2B** in the first 9 months of 2021, more than double for 2020's tally of **\$5.5B**³

Singapore have access to over 200 global and local accelerators, up from about 120 just 5 years ago. The number of early-stage venture capital firms has also increased by about a third, from around 130 in 2016 to close to 180 today.

- Cited by Enterprise Singapore Chairman¹

Nascent Demand from Crypto

Another source of future demand could derive from crypto companies. Notwithstanding the recent wobble, the crypto economy is expected to grow as the adoption of digital assets gain traction worldwide. While the global regulatory environment for crypto companies continues to evolve, it is hard to ignore their growth potential.

Singapore aims to position itself as a global hub for crypto-related businesses. The city-state has taken a measured approach to regulate the crypto industry by enforcing crypto-related legislation while still being flexible and allowing innovation. As one of the most crypto-friendly jurisdictions globally, Singapore is ranked the top in the latest world crypto rankings by Coincub's global crypto ranking for Q4 2021.

The city-state has attracted major crypto players, from Gemini, a New York-based operator targeting institutional investors, to Independent Reserve, an Australian cryptocurrency exchange, to set up their APAC headquarters in the city-state. Other crypto companies who have designated Singapore as their APAC headquarters include Huobi, Bybit and Kucoin.

Office demand from crypto companies remains relatively small at present, but this demand could grow. For example, Crypto.com, a cryptocurrency trading platform, is reportedly taking up 17,000 sf of space at One Raffles Quay, a Grade A office development. Amidst the evolving tech landscape, "frontier tech" sectors, such as crypto, may emerge as a significant driver of office space in the future.

¹PwC, Sep 2020, Tech startup funding trends and outlook: Singapore <https://www.pwc.com/sg/en/financial-services/assets/tech-startup-funding-trends-and-outlook.pdf>

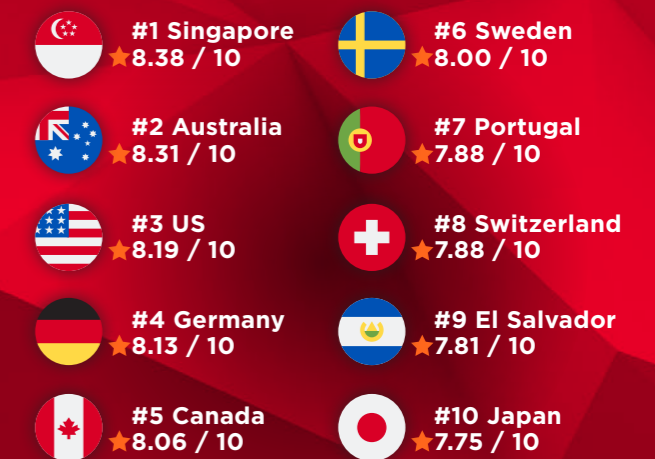
²Singapore Economic Development Board, Aug 2021 <https://www.edb.gov.sg/en/business-insights/insights/the-place-for-who-s-next-singapore.html>

³The Business Times, Nov 2021 <https://www.businesstimes.com.sg/garage/switch-2021/singapore-based-startups-raise-s112b-in-9m-2021-more-than-double-the-whole-of>

Between 2015 and 2020, the number of cryptocurrency-linked firms in Singapore has increased **eightfold** to **511**⁴

The global cryptocurrency market was estimated at **US\$1.5B** in 2020 and is expected to reach **\$4.9B** by 2030, registering a CAGR of **12.8%** from 2021 to 2030⁵

Top 10 Crypto Countries as of Q4 2021

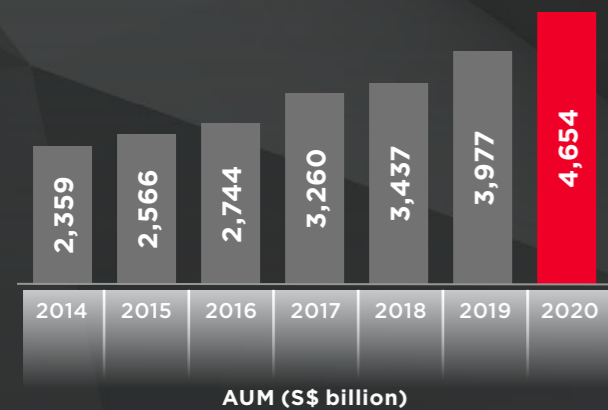


Source: Coincub Global Crypto Ranking
 ★ Average total score as at Q4 2021

Finance Continues to Drive Demand

Financial companies continue to be a major driver of office demand. The finance industry is poised to grow from strength to strength fueled by robust wealth creation in Asia. More asset managers are setting up shop in Singapore. Total assets under management (AUM) managed by Singapore-based asset managers grew to a record \$4.7 trillion as of end-2020, a 17% growth from \$4.0 trillion in 2019. This is in line with the growth of family offices in Singapore, which has seen exponential growth.

Growth in Assets Under Management (AUM)



Source: Monetary Authority of Singapore, Cushman & Wakefield Research

Based on MAS estimates, there are about 400 single family offices operating in Singapore as at end-2020 - a figure that rose ten times between 2017 and 2020.⁶ Family offices that established in Singapore in 2021 include Bayshore Global Management by Google co-founder, Sergey Brin, and Oppenheimer Generations by Nicky Oppenheimer, the former chairman of De Beers.

Depending on their size, financial firms are target tenants for both Grade A and Grade B offices within the CBD. Some choose to locate within CBD conservation shophouses. While larger financial firms have shown a preference for Grade A office spaces. Newer and smaller Grade B offices would be able to cater to demand from the rise of family offices and smaller investment firms.

Growth in Single Family Office



Source: Monetary Authority of Singapore, Cushman & Wakefield Research

⁴The Straits Times, Mar 2021 <https://www.straitstimes.com/business/global-crypto-boom-spills-into-spore-as-scene-here-continues-to-grow>

⁵Allied Market Research, Jul 2021 <https://www.alliedmarketresearch.com/crypto-currency-market>

⁶Ministry of Trade and Industry Singapore, Apr 2021 <https://www.mti.gov.sg/Newsroom/Parliamentary-Replies/2021/04/Written-reply-to-PQ-on-family-offices>

Higher Focus on Workplace Strategy as More People Return to the Office

More people are expected to return to the office in 2022. From 1 Jan 2022, Singapore has eased its default work-from-home stance to allow 50% of workers to return to the office.

While new Covid-19 variants are potential threats and could disrupt the return to the office, the level of disruptions is likely to be lower in 2022 than the early days of the pandemic.

With about two years into the pandemic, Singapore is now better equipped to respond appropriately to the pandemic. Pandemic measures could be more targeted and nuanced going forward even as new Covid-19 variants emerge. This is also supported by the high vaccination rate. About 87% of Singapore's population are already vaccinated as of 10 Jan 2022, comparing very favourably to early April 2021 when below 10% of the population were fully vaccinated. As such, firms would have more confidence to expand their office footprint as economy continues to recover.



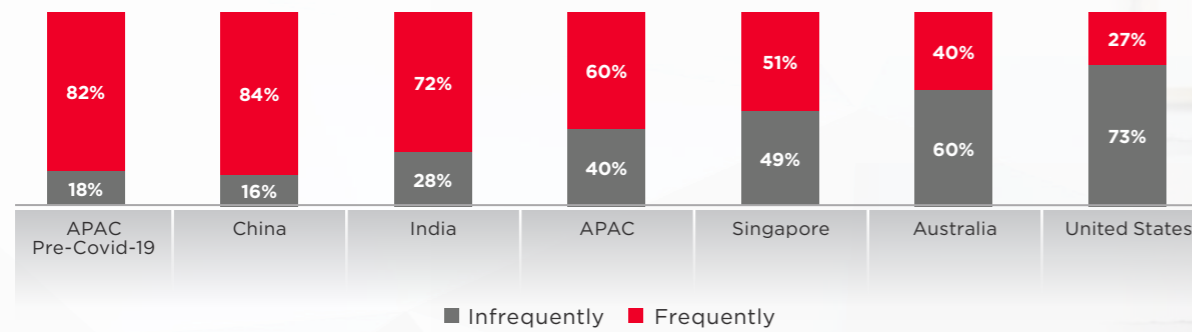
While there is a universal desire to work more flexibly post-pandemic, significant differences in work approach preferences exist across regions. At one end of the spectrum, employees in Mainland China still prefer to spend most of their work time in the office. On the other end, employees in United States and many parts of Europe have a greater desire to adopt a hybrid model with more remote working. Employees in APAC countries, including Singapore, generally prefer to work from the office with increased flexibility to work remotely. But the proportion of employees in APAC who desire to work infrequently in office (less than 3 days per week) has increased from 18% pre-Covid-19 to 40%, based on the latest findings from our Experience per Square Foot (XSF) survey.

Singapore Workplace Requirements in Response to Covid-19

| COMMENCEMENT DATE & ESTIMATED DURATION | WORKPLACE POLICY | KEY POLICY RESPONSE |
|--|---|--|
| 07-APR-2020 25 weeks | Work-from-home by default | Circuit Breaker Phase 1 & 2 Reopening |
| 28-SEP-2020 27 weeks | Up to 50% of staff can return to office | Phase 3 Reopening |
| 05-APR-2021 4.5 weeks | Up to 75% of staff can return to office | |
| 08-MAY-2021 8 days | Up to 50% of staff can return to office | |
| 16-MAY-2021 13.5 weeks | Work-from-home by default | Phase 2 & Phase 3 Heightened Alert |
| 19-AUG-2021 5.5 weeks | Up to 50% of staff can return to office | |
| 27-SEP-2021 13.5 weeks | Work-from-home by default | Stabilisation Phase |
| 01-JAN-2022 | Up to 50% of staff can return to office | Transition Phase |

Source: Cushman & Wakefield Research
Note: As of 4 Jan 2022

Post-Covid-19 Desired Office Attendance for Selected Countries

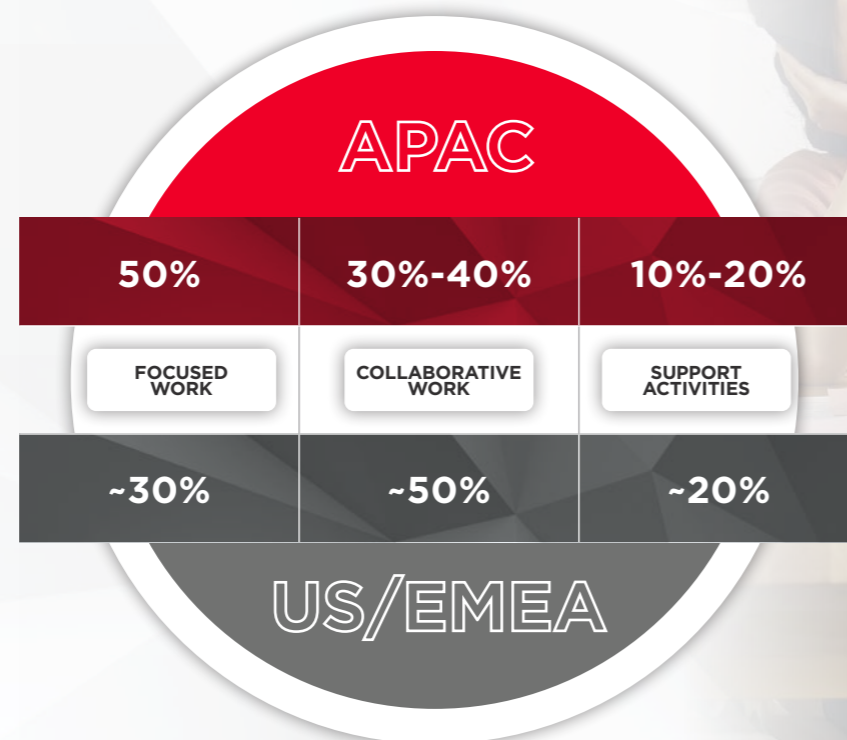


Source: Experience per Square Foot™, Cushman & Wakefield

As work approaches have evolved, fit-out design is increasingly seeing a greater focus on collaborative spaces. However, the shift in APAC could be more limited than other regions, given the greater proportion of employees spending more time in the office and requiring more space for focused work. Nonetheless, requirements will differ widely depending on company culture, nature of work and technology adoption.

Some firms are turning to landlords to provide collaborative space and amenities elsewhere within the building for shared purposes, rather than spending on large scale fit-out projects. This is expected to further propel demand for prime offices that are able to provide a holistic work experience.

Projected Space Allocation in APAC



Source: Experience per Square Foot™, Cushman & Wakefield

Obsolescence Risks to Accelerate

With environmental, social and corporate governance (ESG) gaining higher significance since the pandemic, a building's green credentials have become increasingly important. This is further reinforced by the government's aim for Singapore to be a low carbon-built environment. For example, sustainability schemes such as the BCA Green Mark 2021 have raised sustainability standards for buildings to be certified green. And the Singapore Green Plan 2030 targets to have 80% of buildings in Singapore to be "greened" by 2030.⁷

On the demand front, more corporate tenants are expected to jump onto the bandwagon of green office spaces and a building's green credentials could become a key criterion when short listing spaces to lease. This is especially for multinational tech and financial companies amongst others who have shown strong commitments for sustainability.

Higher sustainability standards coupled with stronger demand for "green" office spaces will accelerate obsolescence risks. Buildings which do not meet sustainability standards would see higher vacancy costs and lower rents as they are struck off corporate site selection processes.

As such, a wave of CAPEX spend is expected over the next few years, as building owners and investors "future-proof" their office buildings to meet a sustained flight to quality and higher sustainability standards through redevelopment or asset enhancement works. This could lead to a tightening of office supply and drive displacement demand over the short to medium term.

⁷Building and Construction Authority, Mar 2021
<https://www1.bca.gov.sg/buildsg/sustainability/green-building-masterplans>

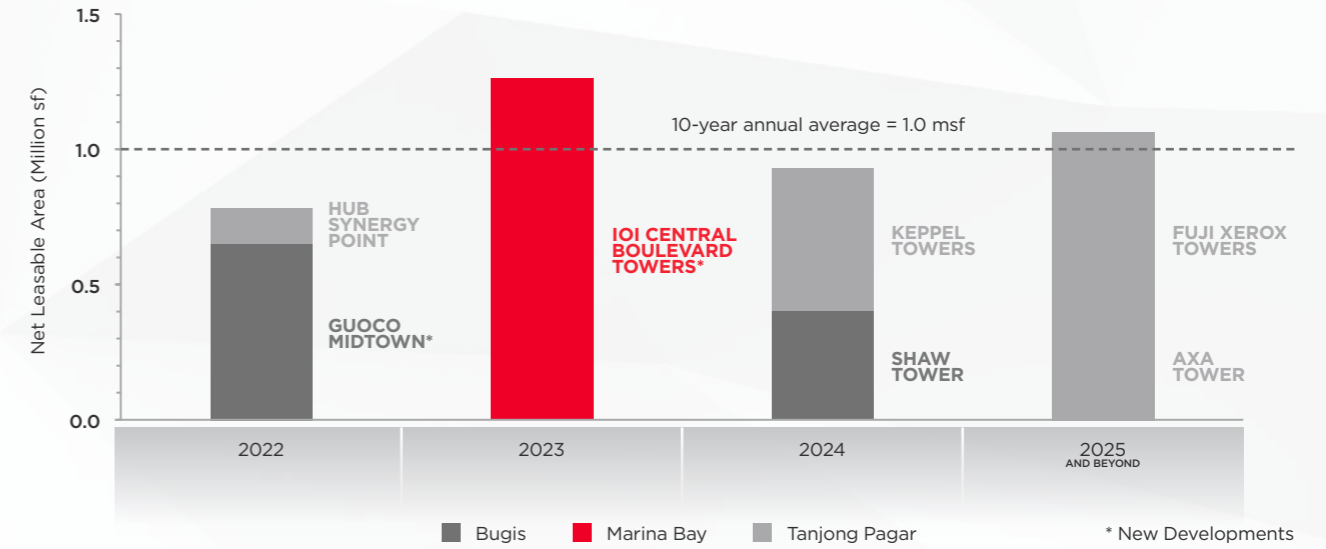
CATCHING 2022

The outlook of the Singapore office market looks promising. We anticipate a steady pipeline of demand from technology and finance sectors as they continue to outshine in the new normal. Other sectors which were battered by the pandemic, should continue to recover into 2022. As a result, CBD Grade A office demand for 2022 is expected to reach 0.9 msf, exceeding the demand in 2021.

On the supply front, CBD office supply remains tight. Only 0.8 msf of new Grade A office space will stream into the market in 2022, below the 10-year annual average (2012 to 2021) of 1.0 msf. The existing CBD office supply may tighten further, as government programmes such as the CBD incentive scheme may prompt more landlords to consider redevelopment or do asset enhancement works.

While there would be a flush of supply in 2023, stemming from IOI Central Boulevard Towers, CBD Grade A rent growth is expected to remain positive given stable demand for quality office spaces and tight vacancy rates. Nonetheless, Post 2023, the market will return to a tight supply situation.

CBD Grade A Upcoming Supply

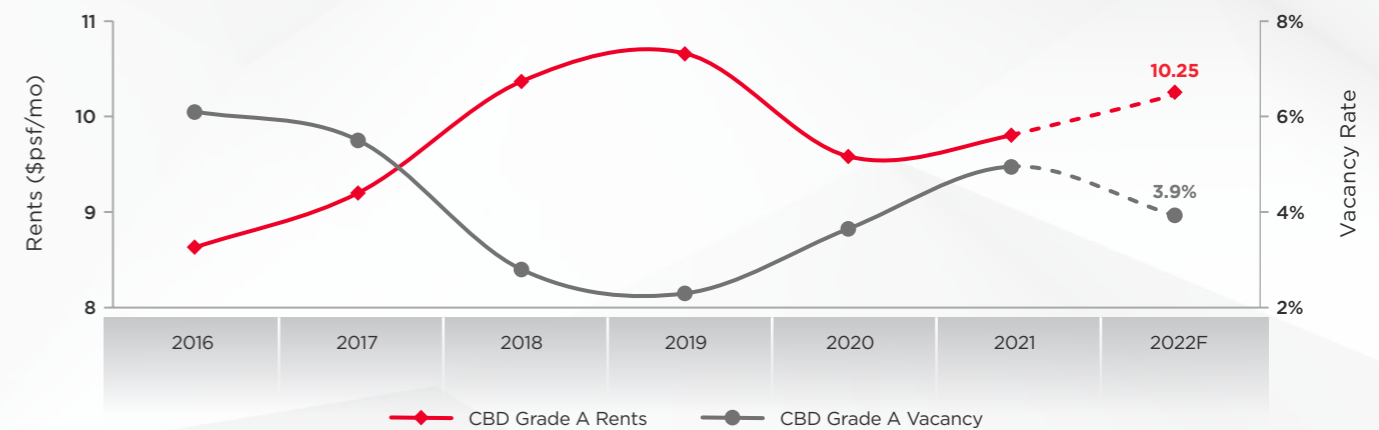


Source: Cushman & Wakefield Research

With demand sustain into 2022 alongside limited supply, Singapore CBD Grade A office rents are projected to grow by 4.6% yoy, with vacancy rates tightening to below 4% by end-2022. This will be highest rental growth amongst most APAC markets.

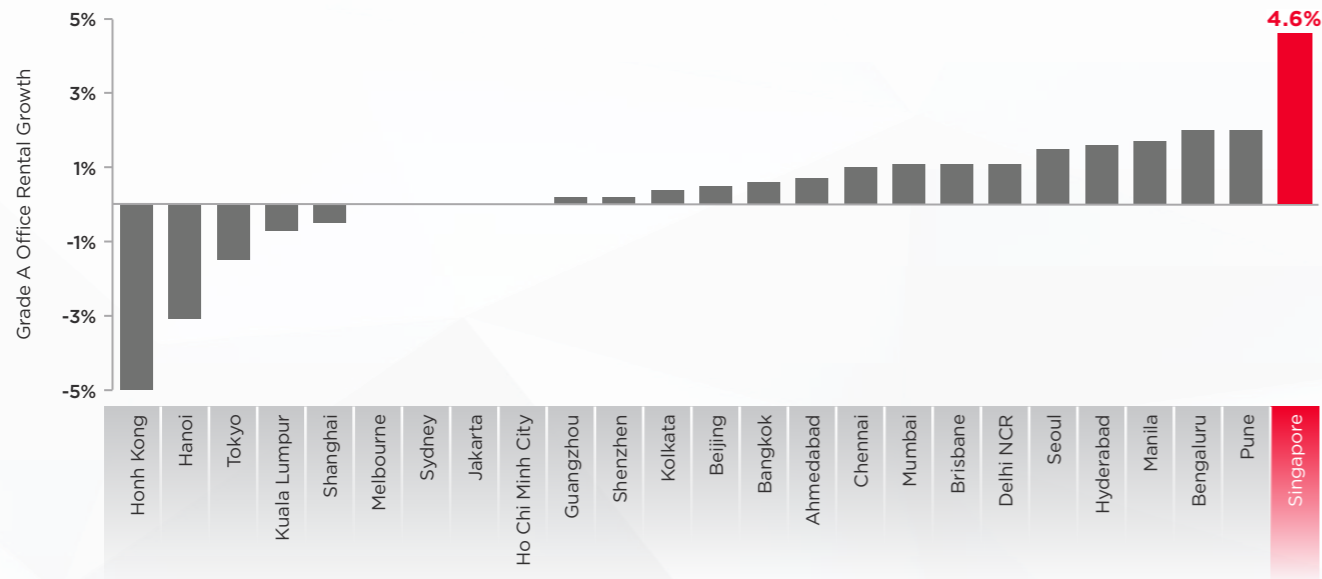
CBD Grade A office rents will lead growth, with CBD Grade B, City Fringe (all grades) and Suburban (all grades) office rents projected to grow by 2.3%, 3.6% and 1.5% yoy respectively in 2022.

CBD Grade A Office Rents and Vacancy



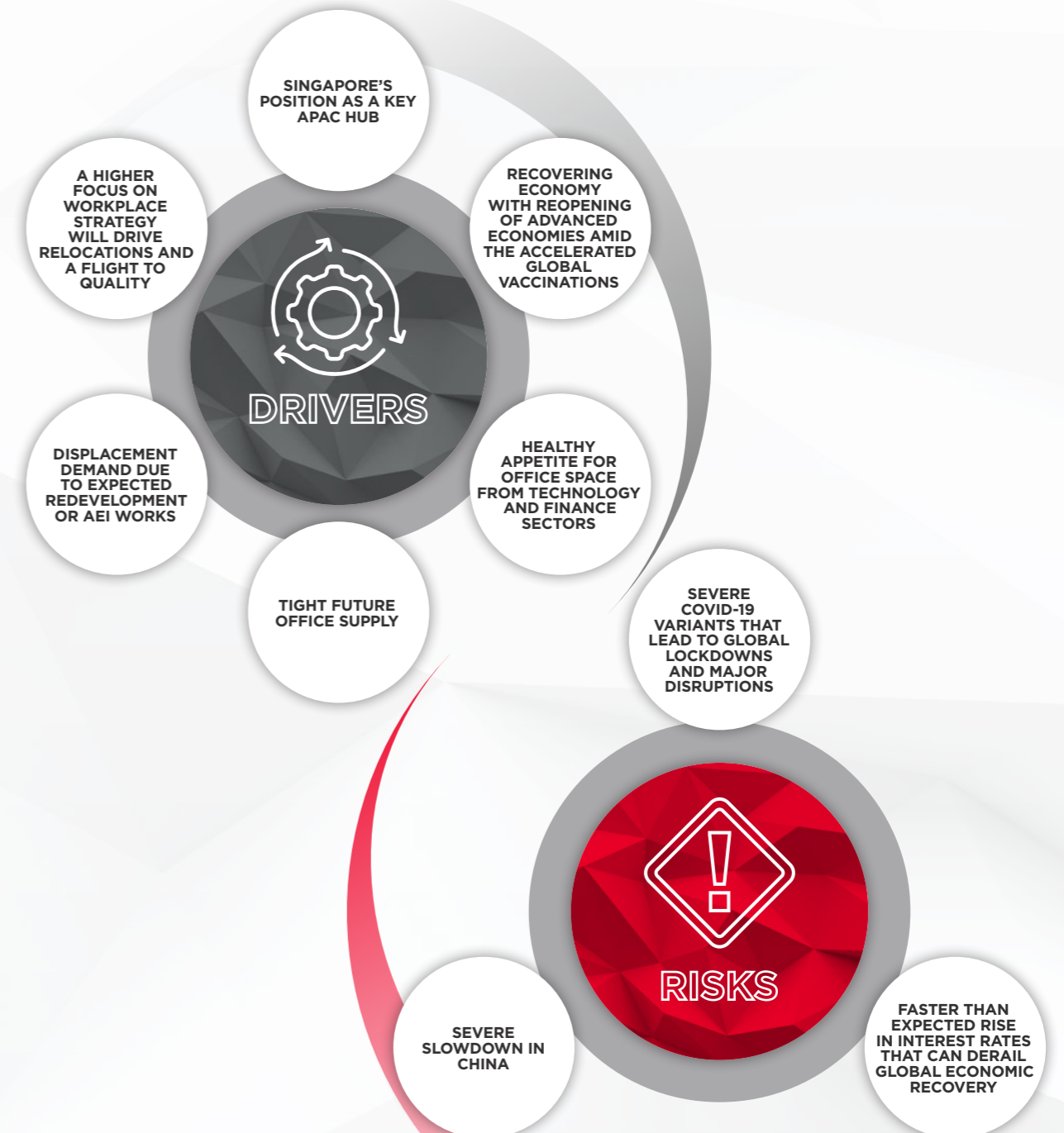
Source: Cushman & Wakefield Research

CBD Grade A Net Demand and Supply



Source: Cushman & Wakefield Research

Office Market Drivers and Risks



With anticipated strong rental growth, investors looking to deploy capital into safe haven assets with healthy returns will find the Singapore office market appealing. We may see higher office investment deals done with office rents in Singapore poised to outperform the broad APAC market in 2022. CBD Grade A capital values could increase by over 6% in 2022, amidst further cap rate compression.

Despite the Singapore office market is underpinned by strong growth drivers, there are potential downside risks which consist of -

- > New Covid-19 variants which could reverse re-opening of economies
- > Slowdown in China which could impact office demand in Singapore
- > Faster than expected rise in interest rates which could derail the recovery of the global economy

Nonetheless, overall growth drivers outweigh risks and investors and tenants may wish to act quickly in 2022, before the market goes out of reach.

SINGAPORE OFFICE MARKET

OUTLOOK 2022

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

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