

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
\$8.1B Q3 Investment Volume (SGD)	▲	▲
\$3,165 Office Capital Value (SGD/sf)	▬	▲
3.30% Office Net Yield	▬	▬

Source: Cushman & Wakefield Research

ECONOMIC INDICATORS Q2 2024

	YOY Chg	12-Month Forecast
2.9% Real GDP Growth	▲	▼
2.8% Inflation Growth	▼	▼
2.0% Unemployment Rate	▲	▲
3.3% 10-Yr Government Bond Yield	▲	▼

Source: Ministry of Trade & Industry (MTI), Moody's Analytics

IMPENDING RATE CUTS TO SPUR INVESTMENT VOLUMES

In the second quarter of 2024, Singapore's economy grew by 2.9% yoy, similar to previous quarter's 3.0% yoy growth. The U.S. Federal Reserve have cut the Federal Funds Rate by 50 bps to 4.75%-5%, marking the first easing cycle since the pandemic. Another 50 bps cut is expected by the end of 2024. Singapore interest rates may see a more gradual decline in interest rates as they have already started to fall since the start of 2024, and they remain lower compared to US interest rates. While investment sentiments are expected to improve, increasing confidence to deploy capital, the cost of capital remains significantly higher compared to pre-pandemic levels. As such, we anticipate a phased recovery in investment volumes into 2025.

NOTABLE SURGE IN INDUSTRIAL SECTOR'S VOLUME

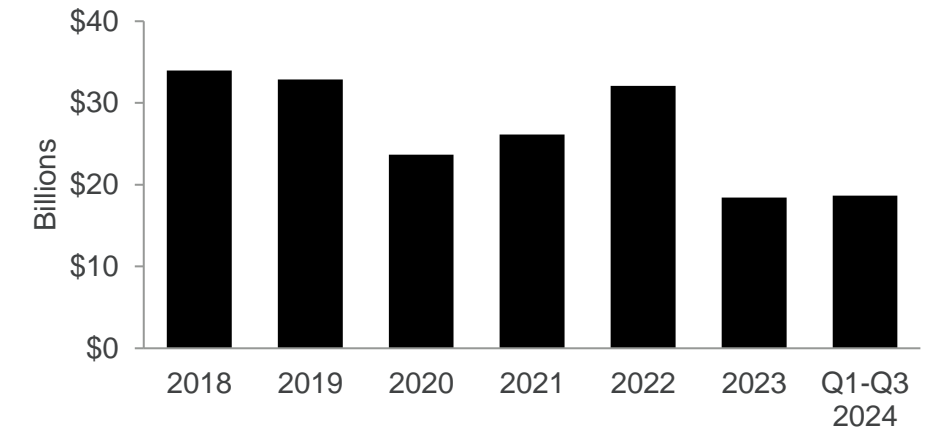
Total investment volumes rose 28.6% qoq to \$8.1 billion (b) in Q3 2024, led by the residential sector (\$3.1b) followed by industrial (\$2.5b) and commercial (\$2.3b) sectors. In 2024YTD, total investment volumes recorded \$18.7b, surpassing full year 2023's volume (\$18.4b).

Residential sector's investment volume was led by the public market, of which a total of five GLS sites (including one EC site) were sold. Cautious bidding activities continued to be observed by developers amidst the still-elevated interest rate environment. The Jurong Lake District mega site was not awarded as the bid was deemed to be too low.

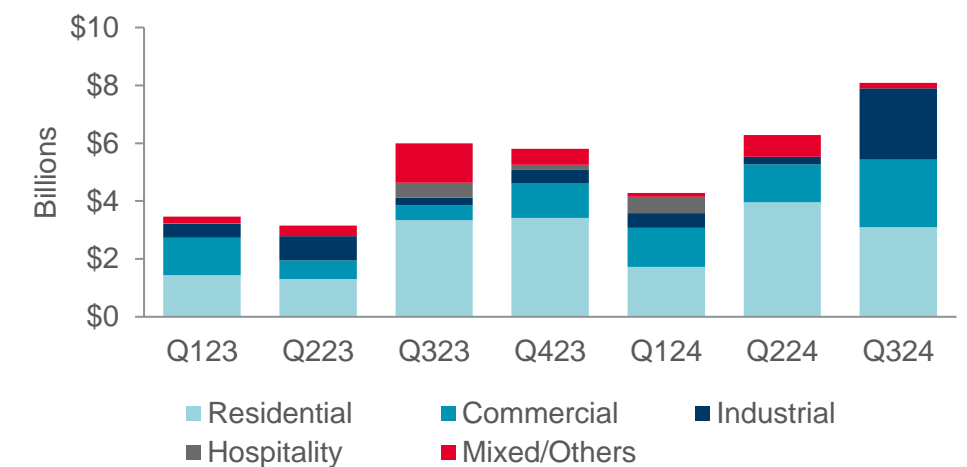
The industrial sector witnessed a significant pickup in volume, led by the \$1.6b industrial portfolio sale by Blackstone-Soilbuild private Reit. It was the largest industrial deal since the \$1.7b industrial portfolio acquisition by Mapletree Investments and Arcapita in 2008. Majority (about 80%) of industrial deals in 2024 YTD were catering to new economy demand such as logistics, biomedical, food factory, cold chain and electronics.

Robust activities were also recorded in the retail market, including ION Orchard (50.0% interest) for \$1.8b and Sceneca Square, the retail component of a suburban mixed-use development, for \$64m which was acquired by 8M Real Estate.

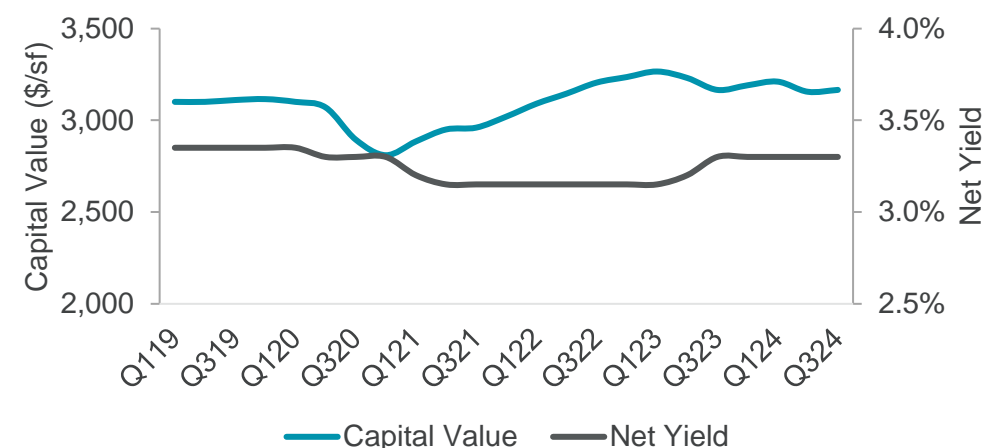
INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



GRADE A CBD OFFICE* CAPITAL VALUE & NET YIELD



*For 99-year leasehold

STRATA OFFICE PRICE & VOLUME**



**For freehold or 999-year leasehold units with strata area more than 5,000 sf

RESIDENTIAL LAND SALES***



***Including mixed-use sites with residential components. GLS transacted value excludes Executive Condominium sites sold

GRADE A CBD OFFICE NET YIELDS HOLDING STEADY

As of Q3 2024, net yields for Grade A CBD offices (99-year leasehold) remain at about 3.3%. In the previous quarter, Mapletree Anson was transacted at a net yield of 3.8%, though it was not a distressed sale but a deleveraging exercise. Given an expected decline of interest rates and resilient operating performance of CBD Grade A offices coupled with a tightly held Singapore market, we do not anticipate a sharp repricing of office assets. Grade A CBD capital values are supported by expectations of easing financing costs, limited available CBD office stock for sale and resilient operating performance. Also, replacement costs remain high given heightened construction costs. As of 2024YTD, construction costs are estimated to have risen by cumulative 26.3% since 2019.

STRATA OFFICE VOLUMES RECOVERING

Total islandwide strata office volumes in 2024 is expected to end off lower than 2023 volume, which was a record high since 2014, though it should surpass 2021 and 2022 levels. Higher prices on a \$PSF basis has been achieved for sizable long tenure strata offices and is a testament to resilient demand by private wealth who are not yield sensitive and are investing for long-term capital growth and wealth preservation. Notable recent deals include the sale of 2 floors of office units (total of 13,734 sf) in Tong Building for \$68.5m (\$4,988 psf), a record high in terms of \$psf for the building and for a full office floor in Orchard. A strata office unit at Samsung Hub, a 999-year leasehold Grade A office tower, was also sold for \$14.8m or \$4,117 psf.

RESIDENTIAL COLLECTIVE SALES MARKET REMAINS CHALLENGING

The residential collective market remains muted, with no successful deals in 2024 YTD. A gap between buyer and seller expectations has continued to persist. The residential collective sales market would continue to face competition from still-ample supply and sites from the Government Land Sales (GLS) Confirmed List. Assuming sites with similar attributes, developers prefer to acquire from the GLS programme as it is more straight forward. With the optimism around falling interest rates in 2024, we could see pockets of activities in the enbloc market as developers continue to seek out opportunities to selectively acquire small or medium-sized sites, such as those with palatable quantum and/or redevelopment potential.

OUTLOOK

- Recovery in investment volumes is expected to be spread out into 2025.
- Ongoing investment momentum to support higher investment sales of around \$20-22b in 2024.
- Investor demand for new economy assets remains strong.

INVESTMENT ACTIVITY

PROPERTY TYPE	PUBLIC VOLUME (SGD MILLIONS)	PRIVATE VOLUME (SGD MILLIONS)	TOTAL VOLUME (SGD MILLIONS)	Q-O-Q CHANGE (%)
Residential	2,342.0	758.9	3,100.9	-22%
Commercial	0.0	2,329.1	2,329.1	79%
Industrial	0.0	2,471.1	2,471.1	809%
Hospitality	0.0	0.0	0.0	-
Mixed/Others	0.0	183.3	183.3	-75%
TOTAL	2,342.0	5,742.4	8,084.4	28.6%

Note: Figures may not tally precisely due to rounding

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE (\$\$ MILLION)	SUBMARKET
ION Orchard (50.0% interest)	Retail	CapitaLand Integrated Commercial Trust	CapitaLand Investment	1,848.5	Orchard
Portfolio of 7 properties	Industrial	Warburg Pincus, Lendlease	Lim Chap Huat, Soilbuild Grp Hldgs Ltd, Blackstone	1,600.0	Various
Logos Tuas Logistics Hub (51% stake)	Industrial	ESR-LOGOS REIT	Bouwinvest, CPP Investment Board, LaSalle, Ivanhoe Cambridge, Logos Property	444.6	Tuas
Elementum (49% stake)	Industrial	Brunei Investment Agency	Ho Bee Land	272.0	Queenstown
Stamford Court	Mixed	Elevate Capital Partners, PGIM Real Estate	Singapore Land Group	132.0	Museum

Sources: Real Capital Analytics, Cushman & Wakefield Research

*Significant transactions over \$10 million

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