

Better never settles

## **KEY TAKEAWAYS**



#### Well-positioned for growth amidst uncertainty

# O1 Growing economic confidence

- Steady GDP growth with inflation and interest rates on a downtrend
- Overall economic indicators look healthy, with low unemployment, positive income growth which would support domestic consumption
- Uncertainties remain such as an evolving global trade landscape, though Singapore is wellpositioned to weather these challenges due to her strategic location and global business hub status

# 02 Higher capital markets activities

- Lower interest rates and steady property operating performance increases the viability of investment opportunities
- Some asset owners would still face higher financing costs as they refinance and are looking to deleverage and divest non-core assets
- The convergence of strong investor appetite and a growing supply of institutional-grade assets (for sale) in a typically tightly held market, is poised to boost investment sales activities.

# 03 Constrained supply on the horizon

- Property demand is expected to increase gradually as interest rate fall and occupier CapEx constraints ease
- Property demand will be uneven across property types depending on their own unique demand/supply dynamics, though flight to quality will continue to be a key trend
- New supply conditions to tighten by 2025 or 2026, driven by reduced development activity in recent years due to increased construction and financing costs



# ECONOMY

## **ECONOMY**

#### Steady Growth Ahead

#### SINGAPORE ECONOMIC INDICATORS

Variables	Pre-pandemic average (2015-2019)	2023	2024F	2025F
Real GDP Growth (%)	3.2	1.1	3.4	2.8
Unemployment Rate (%)	2.1	1.9	2.0	2.0
Population Growth (%)	1.0	0.7	0.6	0.6
Real Retail Sales Growth (%)	0.5	0.6	1.2	7.1
International Visitor Arrivals (millions)	17.3	13.6	16.6	18.0 - 19.0
Non-oil Domestic Exports Growth (NODX) (%)	0.5	-13.1	1.0	1.0 - 3.0
Inflation (%)	0.1	4.8	2.4	1.9
Interest Rate (%)*	0.7	3.6	3.5	2.6

Source: Cushman & Wakefield Research, Department of Statistics (Singapore), STB, Moody's Analytics, updated on 13 Dec 2024



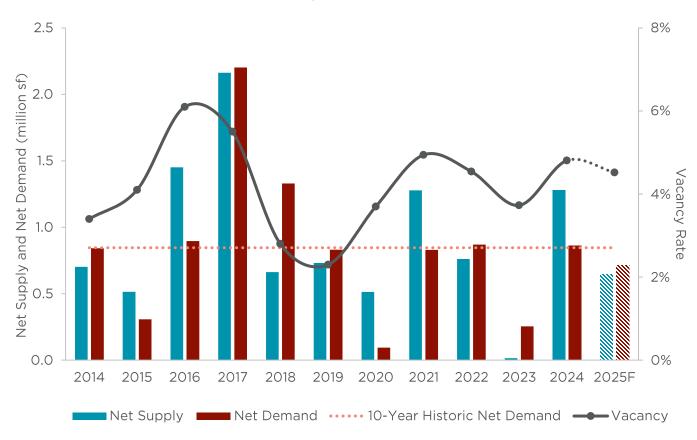
- Singapore's economic growth has surprised on the upside, with GDP growth expected to come in at 3.4% in 2024.
- Going forward, Singapore's economy is poised to see steady growth at 2.8% in 2025, supported by a tight labour market, higher export growth and an ongoing tourism recovery.
- Singapore's interest rates are expected to decline albeit at a gradual pace inline with global interest rate cuts and easing inflation.
- Lower inflation and interest rates bodes well for local retail consumer spending.
   International visitor arrivals could potentially recover to close-to pre-pandemic levels in 2025. Against this backdrop, real retail sales could potentially surge in 2025.
- Overall economic conditions look conducive for higher property demand in 2025, though the performance of each market segment would still be affected by their unique trends (ie hybrid work) and available supply in 2025.

<sup>\*</sup> SORA: Singapore Overnight Rate Average, the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore



Flight to quality continues to drive the office market

#### **CBD GRADE A NET SUPPLY, DEMAND AND VACANCY**



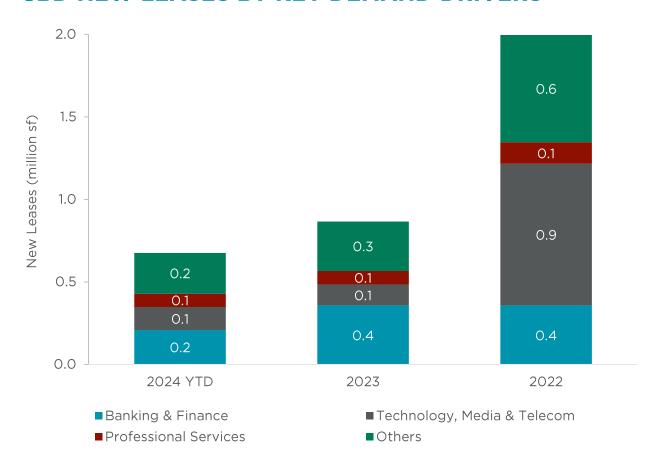
Source: Cushman & Wakefield Research



- CBD Grade A office vacancy rates are poised to end 2024 on a three-year high at 4.8%, driven by new supply stemming from IOI Central Boulevard Towers (1.3 msf nla).
   Overall CBD Grade A net demand is expected to come in at about 0.9 msf, which is relatively healthy as compared to historical averages.
- IOI Central Boulevard Towers has seen encouraging take-up of space and is expected to be more than 70% occupied by the end of 2024. This is inline with historical commitment rates for well-located new CBD Grade A developments.
- This is a testament to the continued flight to quality and demand for prime Grade A office spaces
- Vacancy rates are poised to head lower in 2025, as a fall in new supply is met with rising office demand amidst a backdrop of gradually declining interest rates and steady global economic growth.

2024 dominated by office renewals rather than relocations

#### **CBD NEW LEASES BY KEY DEMAND DRIVERS**



Source: Cushman & Wakefield Research

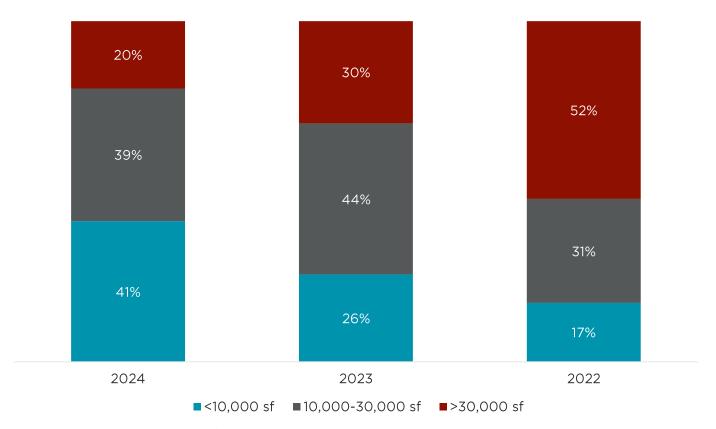


- Compared to 2022, overall new leasing demand\* remains tempered amidst a heightened interest rate environment. New leasing demand in the CBD is likely to remain below 1.0 msf in 2024, below 2023 levels and down from 2.0 msf in 2022.
- Banking and Finance sector remains a key driver of leasing demand in 2024 amidst the growing wealth management industry in Singapore.
- Tech demand has remained cautious amidst a relatively restrictive interest rate environment.
   This is a stark contrast to 2022 when tech was a key driver of office leasing.
- Global interest rate cuts and surging investments in artificial intelligence (AI) could spur a gradual revival of technology or financial tech demand in 2025. Singapore is wellpositioned to benefit due to her strategic location, skilled talent pool and strong intellectual property regime. Several AI companies are opening or already opened offices in Singapore.

<sup>\*</sup>New office leasing demand refers to the volume of leasing activity in the office market that arises from relocations, expansions and new market entrants

Large occupiers held back by capex constraints

## DISTRIBUTION OF NEW LEASES ACROSS SPACE SIZES (BY NLA)



Source: Cushman & Wakefield Research

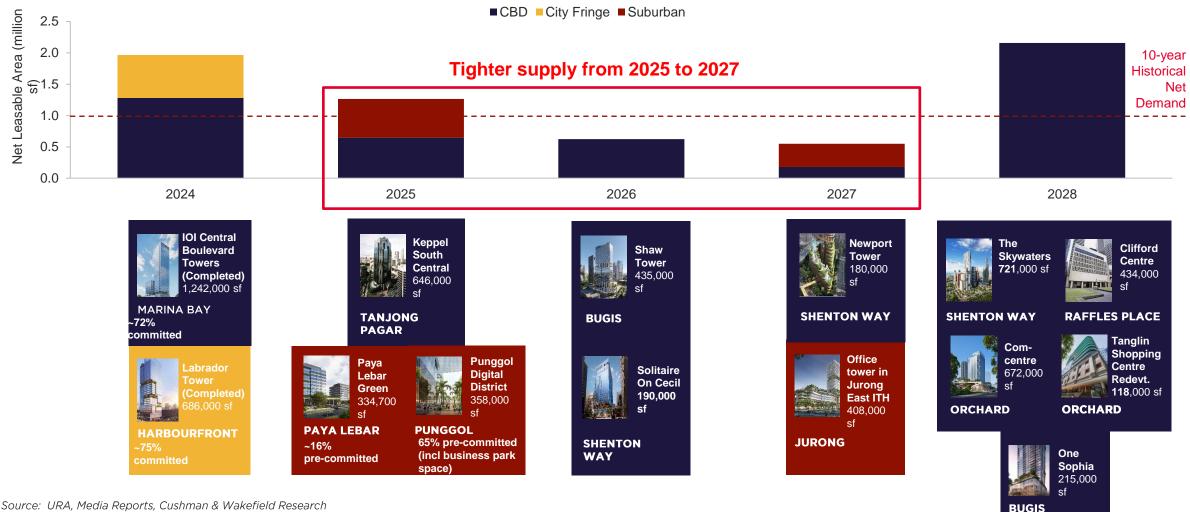


- The 2024 office leasing landscape was characterised by cautious occupier activity, as large tenants grapple with limited capital expenditure budgets amidst high interest rates and relocation expenses.
- Large occupier deals have fallen significantly in 2024, with only about 20% of new leases (by NLA) were for leases more than 30,000 sf. This compares to 52% in 2022.
- Given the absence of large occupier demand, CapEx constraints and right-sizing trends, landlords have found success by subdividing their larger spaces and offering fitted solutions. This has allowed them to mitigate vacancy costs and charge higher rents on a \$PSF basis.
- In 2025, we are sanguine that large occupier activities could increase on the back of lower interest rates and resilient global economic growth.



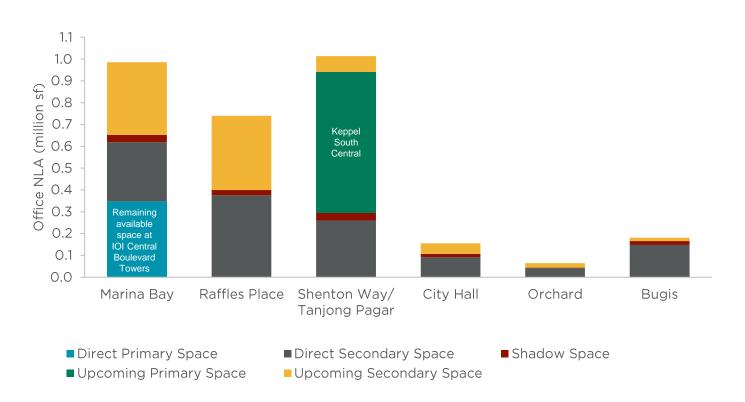
Strong pre-commitments for new developments with supply conditions to tighten in 2025

#### ISLANWIDE ALL GRADES OFFICE POTENTIAL SUPPLY



Vacancy pressure is concentrated and remains manageable

#### **CBD GRADE A OFFICE CURRENT AND FUTURE AVAILABILITY**



Source: Cushman & Wakefield Research

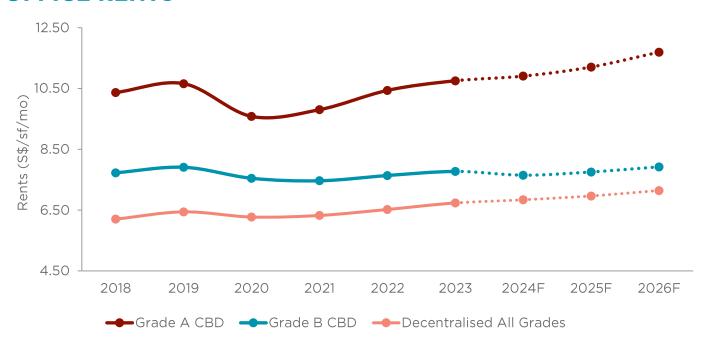
Note: Data as of Dec 2024, Direct Primary Space refers to space that is currently unoccupied in new office building/s and available for lease directly from the landlord, Direct Secondary Space refers to vacant space that was previously occupied by tenants and available for lease directly from the landlord, Shadow Space refers to space that is occupied but marketed for lease as they not fully utilized by the tenant, Upcoming Primary Space refers to available space from new office completions in 2025, Upcoming Secondary Space refers to currently occupied space that are expected to be vacated upon lease expiry in 2025.



- About 0.8msf of secondary CBD Grade A office spaces (excluding shadow spaces) is expected to come onto the market in 2025, stemming from natural lease expiries due to relocations and right-sizing efforts of large occupiers.
- Notably, potential upcoming secondary spaces are very concentrated. Most upcoming secondary spaces (80%), would stem largely from two submarkets. As such, we do not expect a large impact on overall CBD rents.
- While the pipeline of secondary spaces look significant, there are encouraging signs that this supply could be taken up relatively soon. For example, the vacated space at South Beach Tower, is understood to have been largely taken up by a legal firm.
- Shadow space levels remains very manageable and are at pre-pandemic levels.
- Keppel South Central will be the only new Grade A development in the CBD to be completed in 2025.

#### Rents to grow as supply pressure eases

#### **OFFICE RENTS**



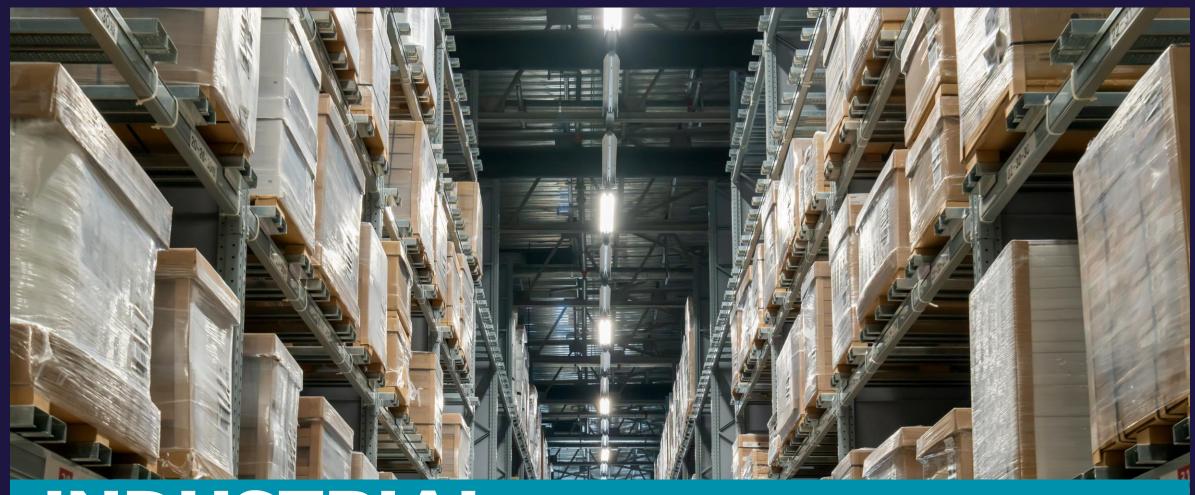
Rent Forecast							
Market	2023	2024F	2025F	2026F			
CBD A	3.0%	1.4%	2-3%	4-5%			
CBD B	1.8%	-1.6% *	1-2%	2-3%			
Decentralised All Grades	3.3%	1.5%	1.5-2.5%	2-3%			

Source: Cushman & Wakefield Research



- With easing supply pressure and rising demand on the back of lower interest rates, CBD Grade A office rents are poised to accelerate to 2-3% yoy in 2025, from 1.4% in 2024.
- Higher levels of relocations and expansion activities could be seen in 2025, driven by higher office attendance, rising office-using employment coupled with upgrading demand for better quality office spaces.
- Given the increase in short-term renewals in recent years, many occupiers have stayed in their current premises for multiple lease cycles and would have fully amortised their fit-outs. Many of these occupiers could look to relocate in 2025.
- Against this backdrop, asset owners of non-Grade A offices or even older Grade A offices would need to strategise to minimise future vacancy costs.
- For occupiers, this could be a window of opportunity for Grade A office spaces in a historically tight office market.

<sup>\*</sup> Due to the addition/removal of buildings in our CBD Grade B office rental basket

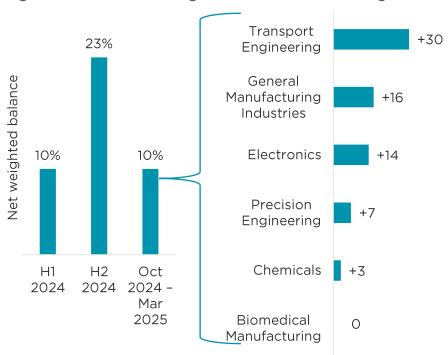






#### **MANUFACTURERS SENTIMENTS**

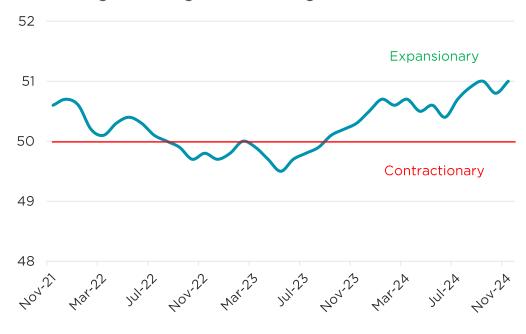
 Manufacturing business sentiments for Q4 2024- Q1 2025 remain positive\*, with transport engineering, general manufacturing and electronics leading



Source: EDB, Cushman & Wakefield Research

#### **PURCHASING MANAGERS' INDEX**

 Singapore's Purchasing Managers' Index (PMI), a barometer of manufacturing demand, has remained in expansionary territory for 15 consecutive months, indicating increasing manufacturing orders



Source: SIPMM

<sup>\*</sup> Net weighted balance indicates the difference between the weighted percentage of 'up' responses and the weighted percentage of 'down' responses.

Singapore continues to attract high-value manufacturing

## RECENT MANUFACTURERS COMMITMENTS IN SINGAPORE

Company	Industry	Remarks
VisionPower Semiconductor Manufacturing Company Pte Ltd (VSMC)	Electronics	Broke ground at its new US\$7.8 billion 300mm wafer manufacturing facility in Tampines, with expected initial production in 2027. Reported to be working on plans for a phase two expansion.
Collins Aerospace	Aerospace	Relocating its Singapore facility to a new S\$250 million site in Seletar Aerospace Park, with expected completion by 2027.
Applied Materials	Electronics	Intends to double its manufacturing capacity, headcount and research activities in Singapore over the next few years. This includes the expansion of its existing innovation centres.
AstraZeneca	Biomedical	Announced plans to build a US\$1.5 billion manufacturing facility for antibody drug conjugates, with target completion in 2029.
Kuraray	Chemicals	Investing US\$410 million in a production plant for EVAL™, EVOH resin, which is expected to commence operations by end of 2026, signifying its first of such production in Southeast Asia.
Singapore Aero Engine Services (JV between Rolls-Royce and SIA Engineering Company)	Aerospace	Announced their US\$180 million (S\$242 million) expansion in Singapore, which will increase their engine MRO capacity by 40% and create 500 new jobs over the next 5 years.
AbbVie	Biomedical	Broke ground on a new US\$223 million (S\$301 million) expansion of its manufacturing facility in Tuas Biomedical Park, which is expected to start operations in 2026 and add more than 100 jobs.

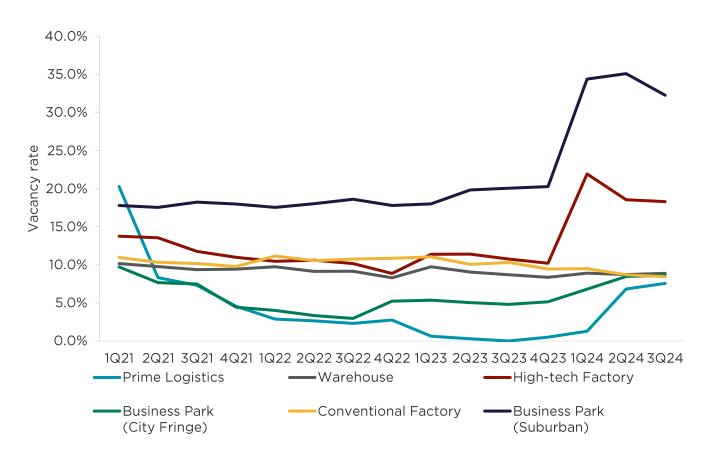
Source: EDB, Media reports, Cushman & Wakefield Research



- High-value manufacturers such as electronics and biomedical continue to expand in invest in Singapore despite her relatively higher costs in the region.
- Singapore's strategic location, developed infrastructure, deep talent pools, intellectual property regulations and political stability continues to attract capital-intensive highvalue manufacturing investments.
- The rise in operating costs in Singapore and evolving business trends have driven some low-cost production industries to streamline their operations and relocate to other countries where costs are lower. For example, as electric vehicles gain traction, resulting in reduced demand for automotive parts servicing, some businesses have opted to relocate their Singapore operations to Johor, attracted by the region's lower costs.
- The upcoming Johor-Singapore Special Economic Zones (JS-SEZ) would accelerate this trend and potentially spur redevelopment opportunities in Singapore.

Performance divergence across segments

#### **VACANCY RATE ACROSS INDUSTRIAL SEGMENTS\***



Source: JTC, Cushman & Wakefield Research

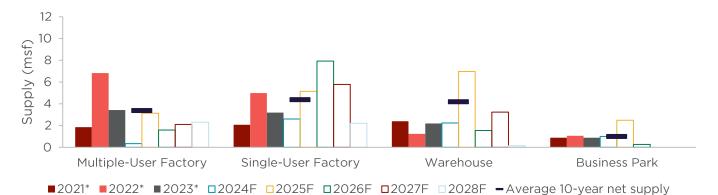


- While other industrial segments have largely seen steady performance with vacancy rates under 10%, suburban business parks and high-tech factories have seen rising vacancy rates, driven by a double whammy of higher supply and slower demand amidst elevated interest rates and slower tech demand.
- High-tech factory vacancy rates are expected to decline further with demand expected to pick up amidst lower interest rates and a flight to quality.
- Prime logistics vacancy rates have moved higher from record low vacancy rates as some secondary spaces have come onto the market from natural lease expiries. Vacancy rates are expected to fluctuate around current levels as resilient demand meets rising supply in 2025.
- While city fringe business parks would see steady performance, suburban business parks vacancy rates could spike higher in 2025 with the completion of Punggol Digital District which is 65% pre-committed.

<sup>\*</sup>Based on C&W's basket of properties. Conventional factory and warehouse reflects multi-user factory and warehouse JTC data respectively

Higher supply in 2025

#### SUPPLY PIPELINE ACROSS INDUSTRIAL SEGMENTS



Notable Warehouse Expected Completions							
Project Name & Location	Developer	Total Warehouse GFA (sq ft)	Estimated Pre- commitment rate	Remarks	Exp. TOP		
Warehouse development at Greenwich Drive	Schenker	659,935	100%	Single-user	2024		
8 Jalan Besut	Commonwealth Kajima Development (Logistics) Pte. Ltd.	511,178	100%	Single-user	2025		
5 Toh Guan Road East	Capitaland Ascendas REIT	548,098	0%	Multi-user Prime logistics	2025		
Warehouse development at Sunview Road	Allied Sunview	1,257,331	100%	Single-user	2025		
15 Benoi Sector	TL Development (WDG) Pte. Ltd	1,115,894	100%	Single-user	2025		
51 Benoi Road	Mapletree Logistics Trust	886,730	0%	Multi-user Prime logistics	2025		
DSV Pearl at Tukang Innovation Drive	Logos Pacv SG Propco	721,074	100%	Single-user	2025		
36 Tuas Road	Boustead	642,928	50%	Multi-user Prime logistics	2025		
PSA Supply Chain Hub @ Tuas at Tuas South Avenue 5	PSA Corporation Limited	2,540,280	100%	Single-user	2027		

Source: JTC, Cushman & Wakefield Research

Note: warehouse supply includes both conventional and prime logistics supply

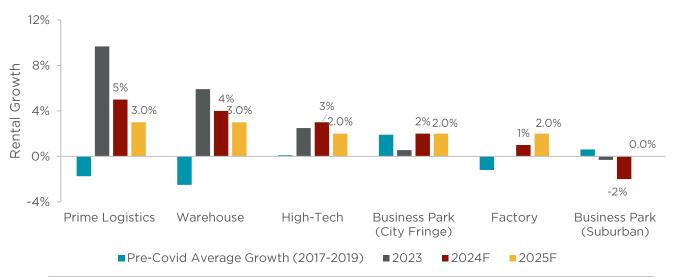


- Due to completion delays, 2025 will see elevated levels of new supply for single-user factories, warehouses and business parks.
- Except for multi-user factories, all other market segments will see new supply exceed their 10-year historical averages.
- To put things in context, single-user factory supply is not expected to see a huge impact as most stock has been pre-committed by end-users. Though a small proportion of these stock may be sublet and could compete with multi-user factories.
- Business park new supply is expected to surge in 2025 stemming from Punggol Digital District and 1 Science Park Drive.
- While warehouse supply looks daunting, majority of this would stem from single-user developments and thus mostly precommitted. Upcoming multi-user new supply continues to see good pre-commitment rates.

<sup>\*</sup> Supply included demolition of stock

Rental growth shifting to steady state

#### **RENTAL GROWTH BY INDUSTRIAL SEGMENTS**



Rent Forecast							
Market	2023	Q1 -Q3 2024	2024F	2025F			
Prime Logistics	9.7%	4.3%	5.0%	3.0%			
Warehouse	5.9%	4.0%	4.0%	3.0%			
High-tech Factory	2.5%	3.1%	3.0%	2.0%			
Business Park (City Fringe)	0.5%	1.1%	2.0%	2.0%			
Conventional Factory	0.0%	0.0%	1.0%	2.0%			
Business Park (Suburban)	-0.3%	-2.0%	-2.0%	0.0%			

Source: Cushman & Wakefield Research



- We anticipate largely steady growth for most industrial submarkets of around 2-3% yoy in 2025, in line with GDP growth and inflation, with exception of suburban business parks which is expected to see no growth in rents given a supply glut.
- The above-trend rental growth for prime logistics over the last few years is expected to ease as more supply is introduced into the market.
- Increasing tenant resistance and higher new supply amidst a higher-than-pre-pandemic interest rate environment and potential geopolitical uncertainty will continue to weigh on prime logistics rental growth in 2025.
- While industrial rental growth is expected to moderate, many industrial properties could still see significant positive rental reversions as their leases come up for renewal given the robust industrial rental growth in recent years. According to JTC data, overall industrial rents have grown by 20.6% since 2019.





#### Retail sales fall slightly with majority of retail still done in physical stores

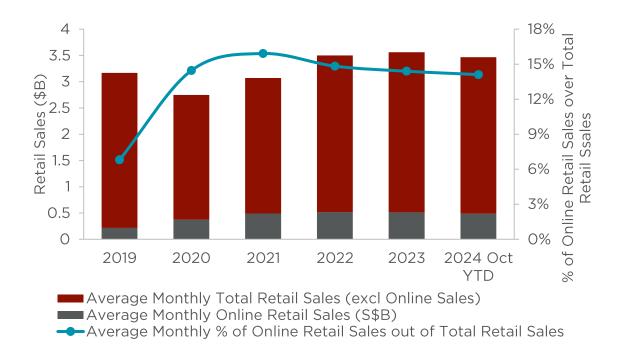
#### **RETAIL SALES INDEX**

 Overall retail sales (excl motor vehicles) fell slightly in YTD 2024, as inflation and interest rates crimped consumer spending slightly



#### **ONLINE RETAIL SALES PERFORMANCE**

• Most retail sales are still done in physical stores with % of online retail sales stabilising at around 13-15% over total retail sales.



Source: DOS, Cushman & Wakefield Research

F&B continues to lead

#### **ESTIMATED SHARE OF OPENINGS AT PRIME MALLS\***



Source: Cushman & Wakefield Research



- While e-commerce remains sticky, many consumers still value physical retail for social interaction and engagement. Demand for experiential retail, particularly in the F&B sector, remains robust, with F&B accounting for 48% of new store openings in prime Singapore malls in 2024.
- Fashion retailers continue to open retail stores in prime Singapore malls, driving 16% of expected new openings in 2024. Digitally native homegrown women's clothing brands from there on and Arcade have also taken up physical spaces to expand their market share amidst a crowded online market and build more brand awareness.
- The lifestyle segment's share of new store openings rose from 10% in 2023 to 12% in 2024, driven by athleisure brand expansions. Skechers replaced Foot Locker at Century Square, reflecting a competitive market for top tier suburban retail malls.

<sup>\*</sup> Store openings include retailers or brands that expanded, relocated or reopened in 2024

International brands driving demand

#### **NOTABLE NEW BRANDS THAT DEBUTED IN 2024\***







Source: Cushman & Wakefield Research

\* Store openings include retailers or brands that entered or re-entered the Singapore's prime malls

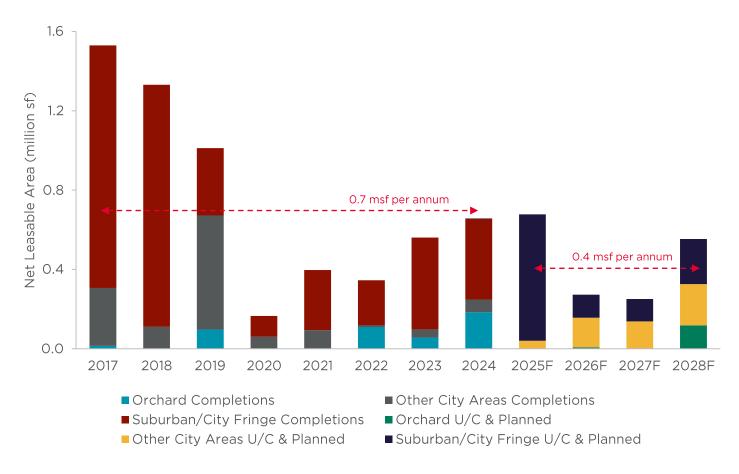
Note: Images shown are for illustration purposes only and may be subject to a further change or revision without notice



- Singapore's dense population, strong purchasing power and vibrant food scene continue to draw overseas F&B brands. This year, Japanese chains Warabimochi Kamakura and Torori Tenshi no Warabi Mochi opened five and three outlets, respectively. Upcoming debuts include Korean fast-food chain Lotteria (by Q2 2025), followed by American fast-food chain Chick-fil-A (late 2025).
- New athleisure brands within the lifestyle segment emerged, driven by the shift to more versatile workwear amid flexible work models. This year, French sports brand Salomon opened seven outlets, while French sportswear company Hoka and Chinese brand Li-Ning each launched two branded stores.
- Fashion and beauty brands entered Singapore this year to capitalize on tourism recovery and its affluent consumers. Notably, Marni and Hunter Boots debuted at The Shoppes @ Marina Bay Sands and Plaza Singapura, while Helena Rubinstein launched its first Southeast Asia flagship at ION Orchard.

New supply remains low

#### **RETAIL NEW SUPPLY**



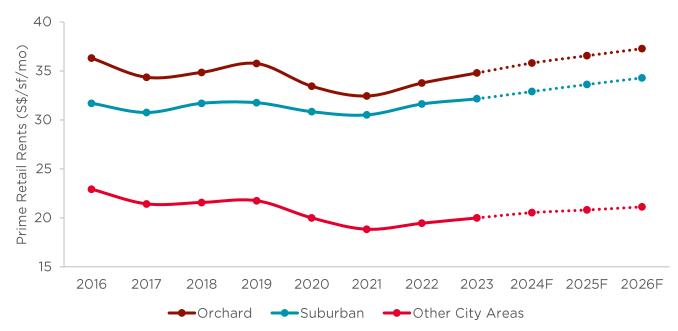




- The retail market is supported by tight supply, with 2025's 0.7 msf of new space, matching historical averages, primarily driven by two suburban projects: Punggol Coast Mall and Link@896.
- Limited new supply and scarce prime spaces in Orchard, with just 7% of upcoming supply including Faber House redevelopment set for completion in 2026, and Tanglin Shopping Centre and Comcentre redevelopments in 2028.
- While the bulk (62%) of new retail supply is expected to stem from the suburban market, retailer demand for suburban retail space remains strong with new suburban malls seeing high occupancy rates.

#### Steady growth for prime retail rents

#### **PRIME RETAIL RENTS\***



Rent Forecast						
Market	2023	2024F	2025F	2026F		
Orchard	3.1%	2.9%	1.5-2.5%	1.5-2.5%		
Suburban	1.7%	2.7%	1-2%	1.5-2.5%		
Other City Areas	2.8%	2.3%	1-2%	1-2%		

Source: Cushman & Wakefield Research



- Following a steady recovery underpinned by limited new supply and resilient demand, islandwide retail rents are set to grew by 2.6% yoy to \$29.75 psf/mo in 2024, near the prepandemic (2019) rate of \$29.76 psf/mo.
- Prime retail rents in Orchard and Other City
  Areas are poised for strong growths, rising by
  2.9% yoy and 2.7% yoy respectively in 2024,
  driven by increased inbound tourism, major
  international events and normalization of the
  return to office.
- Suburban prime retail rents would also see healthy growth of 2.3% yoy in 2024, as vacancy rates remained low at 6.0% in Q3 2024 on the back of sustained domestic consumption.
- Prime retail rents are expected to continue rising with limited new supply, recovering tourism supported by a robust event pipeline and iconic attractions, and healthy domestic consumption backed by a tight labour market and improving economic outlook.

<sup>\*</sup> Refers to retail units no more than 2,000 sf with the best frontage, footfall and accessibility in a mall. They are typically at ground level, street-facing or the basement level of a retail mall that is linked to a MRT or bus station. It is based on average rents of the prime floors in a basket of shopping malls that C&W track.



Household balance sheets remain healthy



#### **HDB RESALE PRICES**

 As of Q3 2024, HDB resale prices continued to grow for 21 consecutive quarters, supporting resilient upgrading demand for private housing.



#### **HOUSEHOLD BALANCE SHEET**

 Household balance sheets remains healthy, with growing household net worth as the growth in financial assets and residential property assets has outpaced the growth in liabilities.



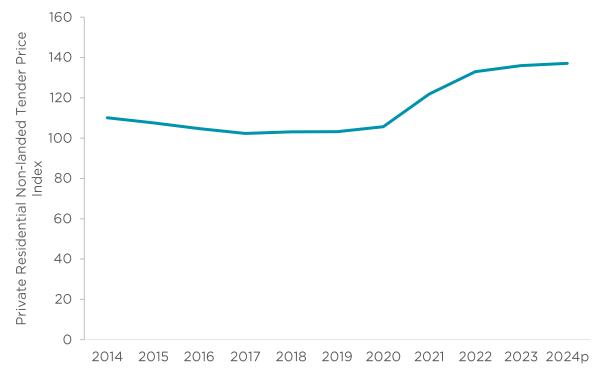


Source: DOS, Cushman & Wakefield Research

Low unsold inventory underpin developers' confidence

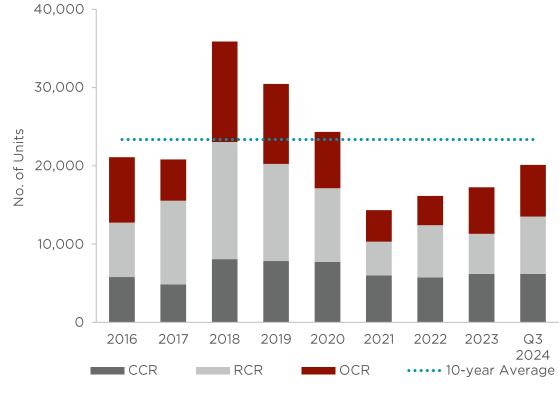
#### **CONSTRUCTION COSTS**

Higher construction costs have played a part in housing inflation.
 Construction costs have risen by 32.8% cumulatively till date since 2019.



#### **UNSOLD INVENTORY**

• Total developer unsold inventories have been on a gradual uptrend though they remain at relatively low levels as compared to the ten-year annual average of 23,369 units.



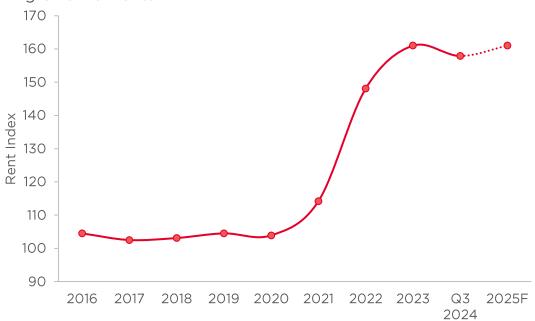
Source: URA, Cushman & Wakefield Research



Rents to stabilise in 2025 amidst low new completions and steady demand

#### PRIVATE RESIDENTIAL RENTS

 Rents are expected to stabilise and see mild growth in 2025, after a slight decline in 2024. Steady economic growth coupled with a low levels of new completions would be supportive of a return to growth for rents.



#### **FUTURE PRIVATE RESIDENTIAL COMPLETIONS**

 New completions are expected to be tight, with an average of 8,528 units from 2025 and beyond, significantly below the 10-year annual average of 13,275 units.



Source: URA, Cushman & Wakefield Research

Source: URA, Cushman & Wakefield Research
Note: Remaining supply in 2024 represents supply in Q4 2024

Prices remain resilient supported by suburban new launches

#### **SALES VOLUMES AND PRICES**



Price, Rent and Sales Forecast				
Indicators	2023	Q1-Q3 2024	2024F	2025F
Private Residential Price Growth	6.8% yoy	1.6% ytd	2.0 - 3.0% yoy	3.0% yoy
New Sale Volumes	6,421 units	3,049 units	6,500-7,000 units	6,000 - 7,000 units
Resale and Sub Sale Volumes	12,623 units	11,468 units	15,000-15,500 units	13,000 - 15,000 units
Overall Sales Volumes	19,044 units	14,517 units	21,500-22,500 units	19,000 - 22,000 units
Private Residential Rent Growth	8.7% yoy	-1.9% ytd	-3.01.0 % yoy	2.0% yoy

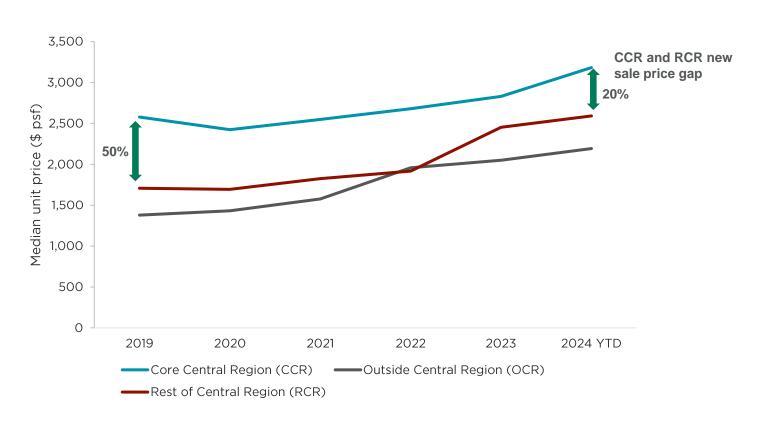
Source: URA, Cushman & Wakefield Research



- Private residential volumes is poised to end 2024 on a high note, with a spike in volumes expected in Q4 2024 stemming from a surge in new sales transactions. Q4 2024 new sales volumes is expected to exceed 3,400 units, higher than new sales volumes over first 3 quarters of 2024.
- Secondary volumes (resale and subsales) for 2024 have also increased yoy, reflecting steady underlying private residential demand.
- Steady HDB upgrader demand, strong household balance sheets and higher construction costs have supported overall private residential price growth (2024F: 2-3% yoy).
- The recent surge in new sales volumes is expected to lift market sentiments in 2025 but overall buying activity may remain selective as buyer affordability remains constrained due to current cooling measures and loan curbs.

Rising value proposition of prime properties

#### **NEW LAUNCH MEDIAN PRICING\* BY MARKET SEGMENT**



Source: URA, Cushman & Wakefield Research



- Recent new launches in the mid-tier Rest of Central Region (RCR) and mass market Outside Central Region (OCR) have set new benchmark prices, driving strong price growth in the RCR and OCR markets.
- On the other hand, consecutive rounds of cooling measures and tightening liquidity have tempered demand for prime Core Central Region (CCR) properties. Between 2019 to Q3 2024, CCR, RCR and OCR prices grew by cumulative 10.6%, 45.4% and 45.9% respectively.
- This has resulted in a shrinking price gap between CCR, RCR and OCR condos. In 2024 YTD (as of 16 Dec), the new sale price gap between CCR versus RCR and OCR is only about 20% and 50% respectively, compared to 50% and 90% in 2019.
- Not withstanding current cooling measures, CCR may surprise on the upside in 2025, as the value proposition of CCR properties rise amidst growing wealth in Singapore and a narrowing of price gap between submarkets.

<sup>\*</sup>Based on caveats for non-landed new sale, 900-1,100 sf





#### Tourism recovery on a good pace

#### INTERNATIONAL VISITOR ARRIVALS

 International visitor arrivals are poised to end 2024 close to 90% of pre-pandemic levels. Tourism receipts per capita in 2024 could exceed \$1750, about 21% higher than 2019 levels.



#### **TOP SOURCE MARKETS**

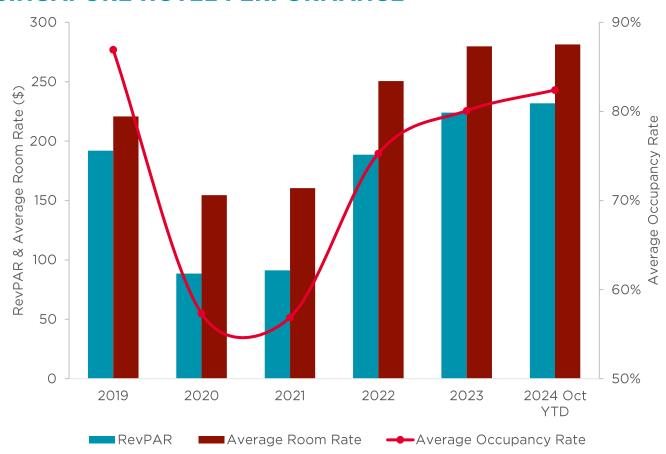
• China has returned to being the top source market for Singapore. There is scope for growth for tourist arrivals, with China (87% of 2019 levels), Indonesia (81%) and India (84%) markets still below their pre-pandemic potential.

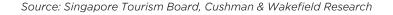


Source: STB, Media reports, Cushman & Wakefield Research

#### Hotel room rates stabilising

#### SINGAPORE HOTEL PERFORMANCE







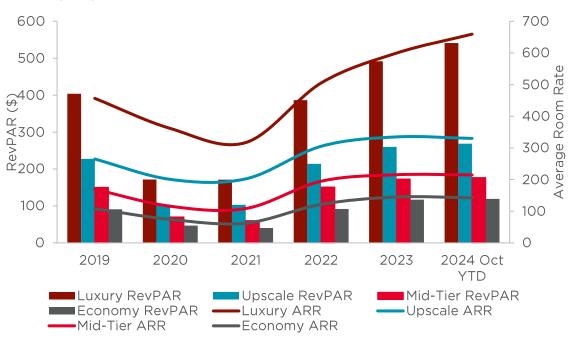
- Singapore hotel Average Room Rates (ARR)
  has started to stabilise in 2024, with ARR
  growth slowing to 0.5% in 2024 ytd from
  11.6% yoy in 2023.
- While the hotel sector continues to face labour constraints and higher operating costs, overall hotel stock has increased driven by the upscale and mid-tier segments, leading to a more competitive landscape and stabilising ARR.
- Nonetheless, Hotel Revenue per Available Room (RevPAR) grew by 3.5% in 2024 ytd, as overall occupancy rates continue to recover towards pre-pandemic levels on the back of higher tourist arrivals and a steady return of Chinese travellers.
- Amidst continue tourism recovery and a limited hotel supply pipeline, hotel RevPAR should grow further in 2025, with a continued recovery though this would be driven by higher occupancy rates.



#### Luxury hotels outperform amidst affluent demand

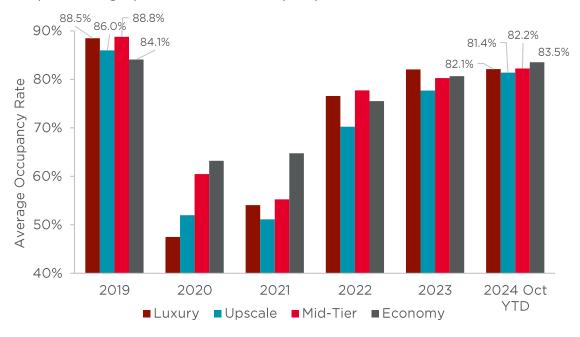
## REVPAR AND AVERAGE ROOM RATE (ARR) BY HOTEL TIER

• The Luxury segment enjoys strong pricing power, with average room rates increasing by 10.0% in 2024 YTD, as compared to the overall island wide average of 0.6%. This reflects the demand for luxury experiences and services for affluent travellers.



#### **OCCUPANCY BY HOTEL TIER**

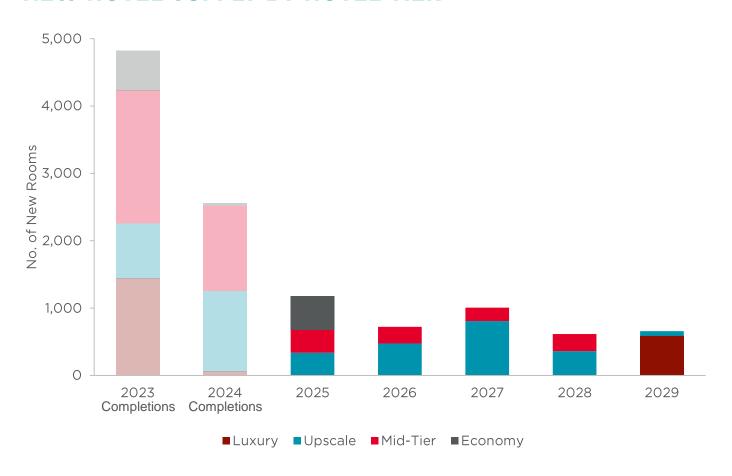
• Economy hotels' occupancy rates have nearly recovered to their pre-pandemic levels. While there can be further room to grow for other tiers with overall islandwide occupancy rates about 4.8 percentage points below their pre-pandemic levels.

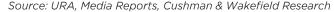


Source: STB, Media reports, Cushman & Wakefield Research

New supply to taper off

#### **NEW HOTEL SUPPLY BY HOTEL TIER**







- Hotel new supply is expected to come down over the next few years, supporting current hotel performance.
- Hotel room supply could increase at average of 3.8% per annum in 2024 and 2025, largely due to the expected opening or reopening of Grand Hyatt Singapore and a hotel development on Punggol Way by JTC in 2024, as well as Moxy Hotel and a hotel/serviced apartment development on 15 Hoe Chiang Road opening in 2025.
- Hotel room supply growth may taper to an average of 0.4% per annum between 2026 and 2028, way below the pre-pandemic average annual hotel supply growth of 4.6% between 2015 and 2019.

## A slew of events and developments in the pipeline bodes well for Singapore tourism

#### **NOTABLE EVENTS IN 2025**

Name	Туре	Date	Venue
Singapore Art Week 2025 - with ART SG, S.E.A. Focus, Light to Night, etc.	Festival	Jan- Feb	Singapore's Civic District
Mayday #5525 Live Tour	Concert	Jan	Singapore National Stadium
THE SCRIPT: Satellites World Tour 2025 Singapore	Concert	Feb	Singapore Indoor Stadium
The Corrs Talk On Corners Tour	Concert	Feb	The Star Theatre
Business Aviation Asia Forum and Expo (BAAFEx)	MICE	Mar	Changi Exhibition Centre
Sea Asia 2025 Maritime and Offshore event	MICE	Mar	Sands Expo & Convention Centre
Inter Airport South East Asia	MICE	Mar	Sands Expo & Convention Centre
Asia Dive Expo	MICE	Apr	Suntec Singapore Convention & Exhibition Centre
FHA-Food & Beverage 2025	MICE	Apr	Singapore EXPO
Singapore Food Festival	Festival	Jul	Various venues, incl. Clarke Quay and Sentosa
Restaurant Asia 2025	MICE	Jul	Sands Expo & Convention Centre
2025 World Aquatics Championships	Sports	Jul- Aug	Singapore Sports Hub
World Sleep 2025	MICE	Sep	Suntec Singapore Convention & Exhibition Centre
Formula 1 Singapore Grand Prix 2025	Sports	Oct	Marina Bay Street Circuit
ITB Asia 2025 travel trade show	MICE	Oct	Sands Expo & Convention Centre
Industrial Transformation Asia-Pacific - A Hannover Messe Event (ITAP) 2025	MICE	Oct	Singapore EXPO
ITMA Asia + CITME 2025 textile technology exhibition	MICE	Oct	Singapore EXPO
Safety & Security Asia (SSA) 2025	MICE	Nov	Sands Expo & Convention Centre
Singapore FinTech Festival (SFF)	MICE	Nov	Singapore EXPO

#### **LONG-TERM DEVELOPMENTS FROM 2025**

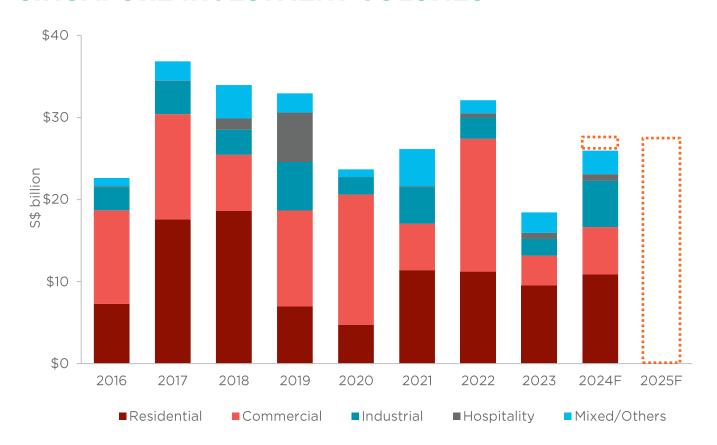
Name	Area	Expected Timeline	Remarks
Orchard Road Developments	Orchard	Ongoing - 2025	To open more hotel rooms from the revamped Grand Hyatt Hotel Singapore, Mama Shelter Singapore Orchard, an event space converted from Grange Road open-air car park
Dhoby Ghaut Area Enhancements	Orchard	From 2025	To expand Istana Park to thrice its current size and pedestrianize a 500m stretch between Buyong Road and Handy Road
Porsche Experience Centre	Decentralised	2027	To open SEA's first Porsche Experience Centre in Changi - a permanent facility that features a 2km handling track, an aftersales facility, themed exhibitions and immersive racing simulators
Resorts World Sentosa Expansion	City Fringe	Ongoing - 2030	To add 700 keys from a two new luxury hotels, update Universal Studios with a new immersive zone and triple the size of S.E.A. Aquarium (Singapore Oceanarium)
Marina Bay Sands Expansion	City Centre	Jun 2025 - early 2031	To construct a fourth tower with 587 hotel suites and a 15,000-seat entertainment arena, among other facilities; plans may also include expansion of the current casino
Changi Airport Terminal 5	Decentralised	2025 - Mid-2030	To build a new terminal that will be bigger than the 4 current terminals combined; it will have over 100 departure gates and raise the annual passenger capacity from 90M to some 140M
Wellness Attraction at Marina South	City Centre	From 2029	STB launched a tender (closing date extended to Apr 2025) to develop an attraction with site area of 42,266 sqm along the waterfront near Marina Barrage, to run a robust schedule of wellness-themed events and programs
Pulau Brani Redevelopment	City Fringe	From 2030	To redevelop Pulau Brani, an island between Singapore and Sentosa, to a resort island with five zones and new themed attractions
Integrated Tourism Development in Jurong Lake District	Decentralised	From 2030	To develop a new integrated tourism development on a 6.8 ha site in Jurong Lake District, envisioned as the city's next major tourism hub among the second-largest business district; it will be located next to the new Science Centre (completing in 2027) and Jurong Lake Gardens

Source: STB, Media Reports, Cushman & Wakefield Research



Investment volumes on an uptrend amidst interest rate cuts

#### **SINGAPORE INVESTMENT VOLUMES\***



Source: Cushman & Wakefield Research

\*Deals of at least \$\$10 million



- Total investment volumes surprised on the upside and rose by 40.8% to \$26.0b in 2024 YTD (as of 16 Dec), compared to \$18.4b in 2023 (full year). Almost 60% of investment sales in 2024 were transacted in the 2<sup>nd</sup> half of the year.
- Despite the non-award of a few Government Land Sales (GLS) sites, the residential sector continued to dominate. Activities in the residential enbloc market have started to stir with a record deal done, namely Thomson View for \$0.8b, the largest residential enbloc deal since Chuan Park (\$0.9b sold in 2023).
- Notably, commercial, hospitality and industrial segments have picked up and have recorded an increase of 58.1%, 12.5% and 178.2% respectively in 2024 YTD (as of 16 Dec).
- We are sanguine that investment sales volumes could continue to grow as investors position themselves for a recovery in capital values amidst lower interest rates.

Government Land Sales (GLS) dominates but enbloc deals may pick up

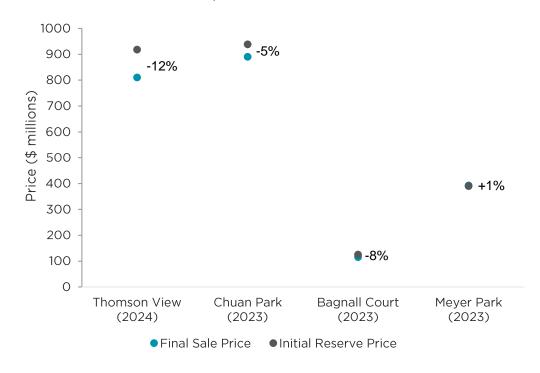
#### **RESIDENTIAL ENBLOC AND GLS SALES**

 Overall residential land sales remain tempered compared to 2018 levels with muted enbloc volumes. While challenges remain, enbloc activities may pick up on the back of a surge of new sales in Q4 2024.



## ENBLOC SALE PRICE VS INITIAL RESERVE PRICE\*\*

Developers remain strategic about their land acquisition activities.
 Recent successful residential enbloc transactions were done below their initial reserve price.



Source: URA, Cushman & Wakefield Research

Source: Cushman & Wakefield Research

\*Including mixed-use sites with residential components. GLS transacted value excludes Executive Condominium sites sold \*\*For residential en bloc transacted between 2023 to 2024 YTD (as of 16 Dec)

#### Private wealth continues to invest

#### STRATA OFFICE VOLUMES\* AND PRICES\*\*

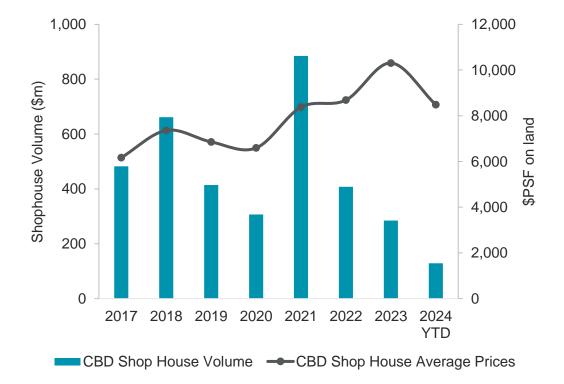
 Total island wide strata office volumes in 2024 is expected to end off slightly lower than 2023 volumes, with prices supported by their limited supply. Strata office demand is poised for a potential pickup in 2025, fueled by private wealth demand.



Source: URA, Cushman & Wakefield Research, as of 16 Dec

#### **CBD SHOPHOUSE VOLUMES AND PRICES**

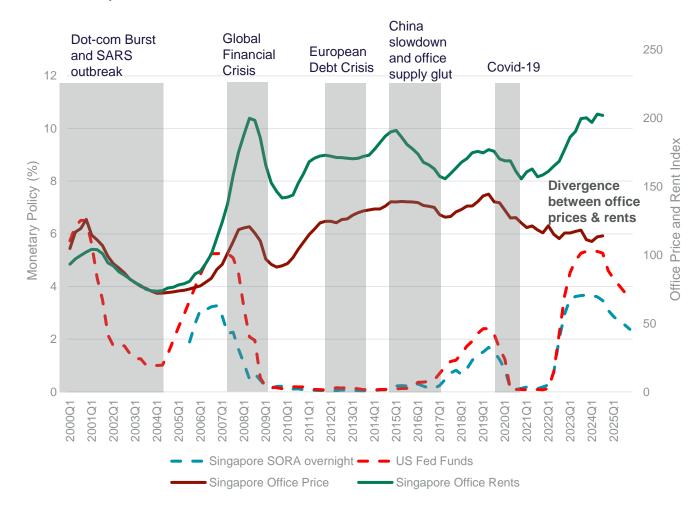
 CBD shophouse volume has been falling from the peak recorded in 2021, though this is partially due to a limited supply of stock available for sale.



<sup>\*</sup>Strata office volumes excludes collective sales and entire building sales.

<sup>\*\*</sup>For freehold or 999-year leasehold units with strata area more than 5,000 sf

#### Office capital values to recover







- Singapore's interest rates are closely correlated with interest rates in the United States (US) and are expected to come down in tandem with lower interest rates in the US. The US Fed has cut interest rates by 75 bps in YTD Nov 2024, with more cuts expected in 2025.
- We analysed office prices and rents based on URA's property indices. Historically, office prices and rents have been more dependent on business cycles rather than interest rates.
- In recent years, there has been a divergence in trend for overall office prices and rents post pandemic. Overall office prices have remained depressed due to a combination of heightened interest rates and investor concerns about office investments due to hybrid work. On the other hand, rents have continued to grow amidst relatively tight supply situation and flight to quality.
- Not withstanding still-low office yields, lower interest rates and rising rents would be supportive of overall office capital values.

Capital recycling and deleveraging activities lifts volumes

#### **NOTABLE TRANSACTIONS H2 2024 YTD**

Property Name	Type	Remaining Tenure (years)	Buyer	Seller	Purchase Price (S\$ Million)	Unit Price (S\$ psf)	Estimated Net Yield	Date
ION Orchard (50.0% interest)	Retail	81	CapitaLand Integrated Commercial Trust	CapitaLand Investment	1,848.5	5,928	5.0%	Q3
Portfolio of 7 properties	Industrial	Various	Warburg Pincus, Lendlease	Lim Chap Huat, Soilbuild Grp Hldgs Ltd, Blackstone	1,600.0	Various	-	Q3
Logos Tuas Logistics Hub (51% stake)	Industrial	44	ESR-LOGOS REIT	Bouwinvest, CPP Investment Board, LaSalle, Ivanhoe Cambridge, Logos Property	428.4	309	6.1%	Q3
Elementum (49% stake)	Industrial	57	Brunei Investment Agency	Ho Bee Land	272.0	1,492	4.0%	Q3
Lyf Funan Singapore	Hospitality	54	CapitaLand Ascott Trust	Ascott Limited	263.0	799,392*	4.7%	Q4
21 Collyer Quay	Office	999	Sunrise Capital Management	CapitaLand Integrated Commercial Trust	688.0	3,432	3.5%	Q4
Concorde Hotel and Shopping Centre	Mixed	54	Hotel Properties Ltd	Strata owners	821.0	1,804	-	Q4
Thomson View Condominium	Residential	50	Singapore Land Group, UOL Grp Ltd, CapitaLand Development	Strata owners	810.0	1,178	-	Q4
Keppel Data Centre Singapore 7 & 8	Industrial	15.5	Keppel DC REIT	Keppel T&T, Keppel Land	1,380	2,895	6.5%	Q4

Source: Real Capital Analytics, Cushman & Wakefield Research \*Price per key





- Singapore's commercial and industrial capital markets has seen a strong lift in investment sales activity in H2 2024, as some asset owners look to deleverage and divest noncore assets to recycle capital.
- While overall borrowing costs are coming down, it remains higher than pre-pandemic levels and some asset owners would face higher financing costs in 2025 when they refinance.
- Despite low vacancies and rising rents, Singapore offices are seeing a mild re-pricing with two transactions of CBD Grade A developments at lower-than-expected prices. Both transactions were driven by deleveraging and capital recycling efforts and not indicative of poor office demand.
- Industrial volumes reached a 5-year high, with investors favouring new economy assets such as prime logistics and life science assets.
- Amidst a gradual decline in interest rates, sites with development potential remain attractive due to higher return potential.







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#### **ABOUT CUSHMAN & WAKEFIELD**

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