CUSHMAN & WAKEFIELD

SINGAPORE MARKET OUTLOOK H2 2024

FLIGHT DELAYED, NOT CANCELLED

KEY TAKEAWAYS

CUSHMAN & WAKEFIELD

01
Steady market fundamentals

- Steady GDP growth as external demand recovers
- Domestic consumption resilient underpinned by low unemployment
- Interest rates still high but are likely to have peaked, with inflation poised to come down

02
Window of opportunity for office tenants

- More Grade A office supply coming onto the market
- Rents not expected to fall but growth to slow
- Negotiate early for better leasing terms

03
Capital markets stirring awake

- Interest rates need to fall further for a full recovery investment volumes but some investors entering ahead of the curve
- Good demand for hotels, retail and commercial assets with value-add or repurposing potential

ECONOMY

ECONOMY

Resilient growth

SINGAPORE ECONOMIC INDICATORS

Variables	Pre-pandemic average (2015-2019)	2023	2024F
Real GDP Growth (%)	3.2	1.1	2.3
Unemployment Rate (%)	2.1	1.9	2.1
Population Growth (%)	1.0	0.6	0.6
Wage Growth (%)	4.0	2.7	4.4
Retail Sales Volume (S$ billion)	46.8	45.7	46.4
International Visitor Arrivals (millions)	17.3	13.6	15 - 16.5
Non-oil Domestic Exports Growth (NODX) (%)	0.5	-13.1	4 - 6
Inflation (%)	0.1	4.8	2.5

Source: Cushman & Wakefield Research, Department of Statistics (Singapore), STB, Moody's Analytics, updated on 19 June 2024

Key Takeaways

- Singapore's economy to grow 2.3% in 2024, higher than 2023's growth of 1.1%. That said, growth forecasts have been tempered down from close to 3% at the start of the year.
- While economic growth was not as strong as initially envisaged, unemployment remains low and wage growth remains robust, signaling economic resilience. Inflation is poised to come down lower in 2024.
- With steady global economic growth, external demand is picking up. NODX is expected to return to growth in 2024, after a steep decline in 2023.
- Consumer-facing sectors continue to benefit from resilient domestic consumption and recovering tourism with growing retail sales and rising international visitor arrivals.
- Notwithstanding unique headwinds faced by some property segments, the overall property market performance remains encouraging though demand is weighed down by still-high interest rates.

ECONOMY

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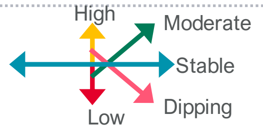
Higher for longer interest rates but cuts are still likely

INTEREST RATES

Country	Interest Rate Type	Interest Rates as of Dec 2023	Interest Rates as of Jun 2024	Rate Outlook	Rate Outlook (as per Central Banks/Economists)
US Federal Reserve	Federal Funds Rate	5.25% to 5.50%	5.25% to 5.50%	↘	FOMC still holding on to rates but has penciled in one quarter-percentage point cuts by end-2024.
ECB (Euro Area)	Deposit Rate	4.0%	3.75%	↘	ECB lowered the three key ECB interest rates by 25 basis points in June. Observers are expecting just one more rate cut by the end of this year.
People's Bank of China	1-year prime loan rate	3.45%	3.45%	↘	China's central bank cut its 5-year loan prime rate by 25 basis points while 1 year rate remains unchanged at 3.45%. Interest rates likely to see further cuts to support the economy and ease pressure on property market.
Bank of Japan	Uncollateralized overnight call rate	-0.1%	0 to 0.1%	↗	The Bank of Japan (BOJ) ends eight years of negative interest rates in March. Many economists expect the BOJ to hike interest rates to 0.25% this year.
Monetary Authority of Singapore	3-month Compounded SORA	3.71%	3.66%	↘	Given Singapore's open economy and monetary policy, Singapore's interest rates are dependent on global interest rates and foreign exchange market expectations. Given expected rate cuts in most major economies, we anticipate Singapore interest rates to decline as well.

Source: Cushman & Wakefield Research, respective countries' central banks, media reports, updated on 19 June 2024

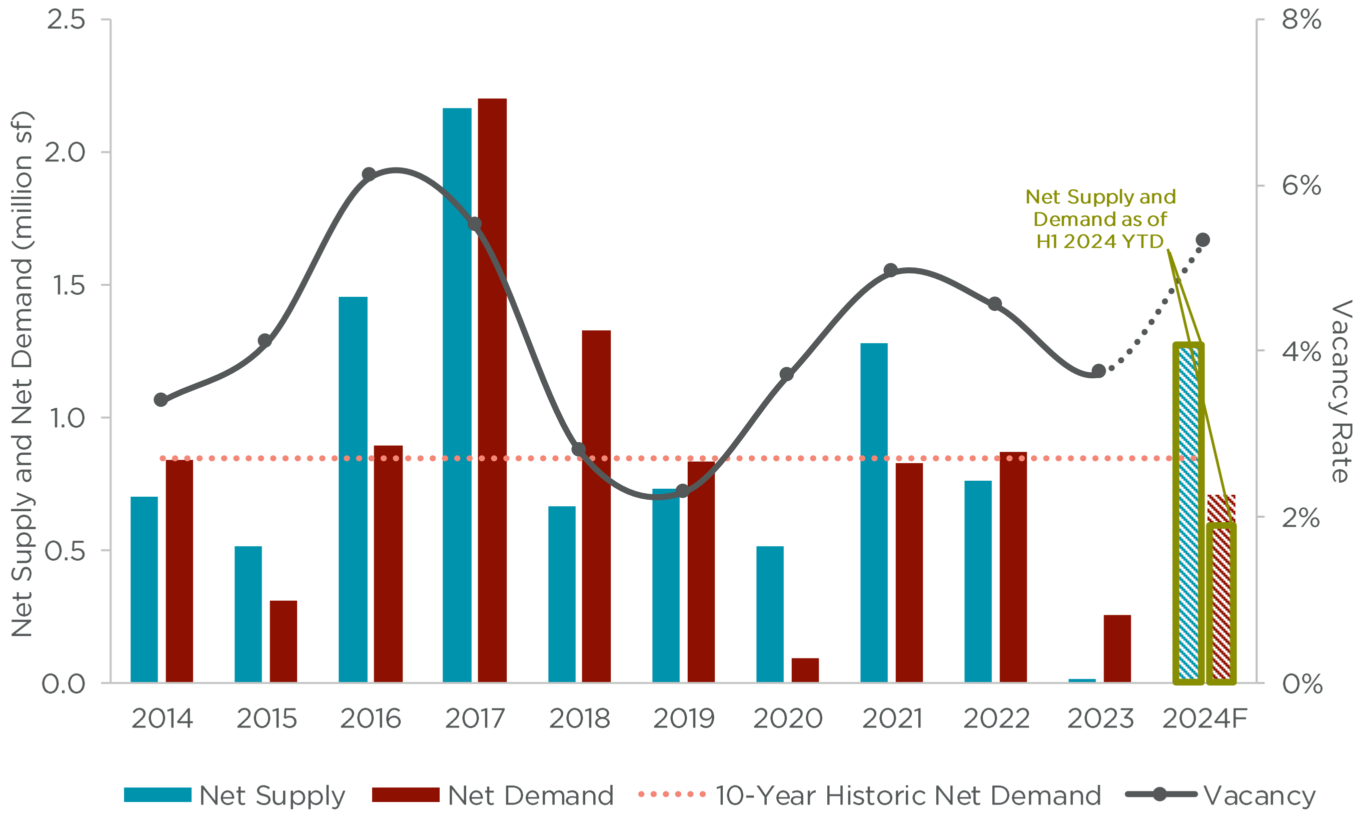


OFFICE

OFFICE

New demand slows

CBD GRADE A NET SUPPLY, DEMAND AND VACANCY



Source: Cushman & Wakefield Research

** IOI Central Boulevard Towers has achieved partial TOP in Q2 2024, for simplicity we have included the entire stock into Q2 2024.*

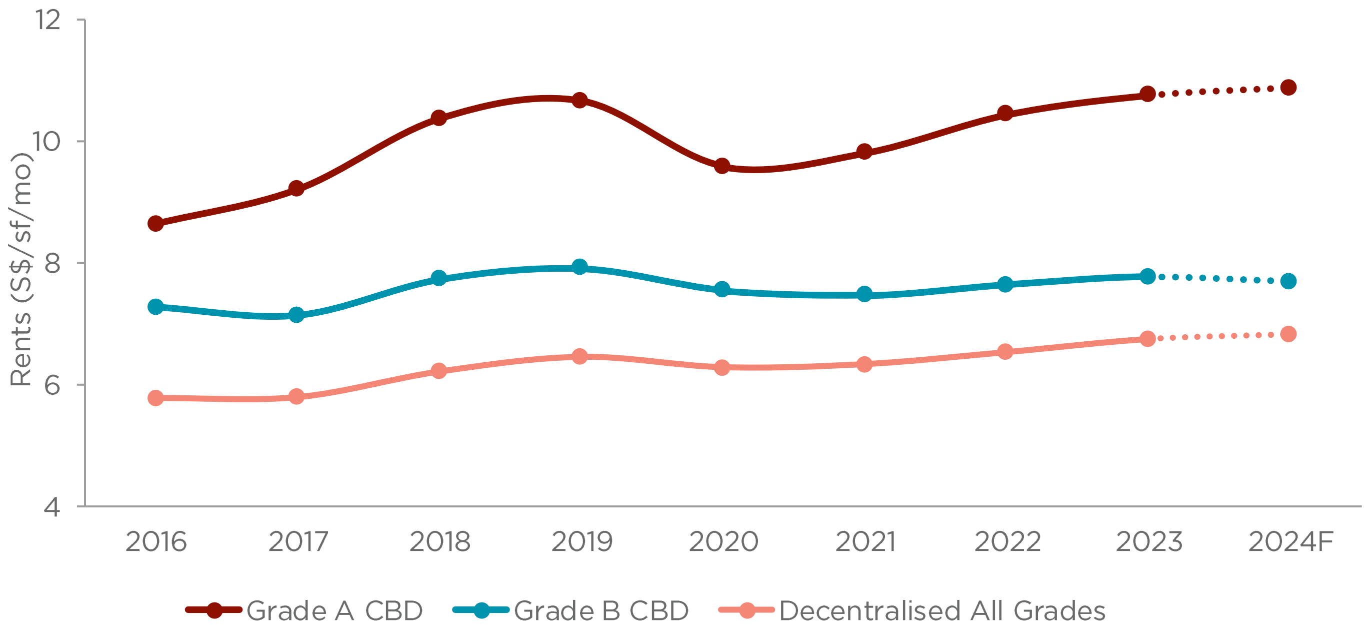
Key Takeaways

- CBD Grade A office vacancy rates have increased to 5.4% as of Q2 2024 (from 3.6% in Q1 2024), as IOI Central Boulevard Towers* (1.3 msf office nla) comes online and is estimated to be about 50% committed.
- While a substantial proportion of vacant space stems from IOI Central Boulevard Towers, overall office net demand has remained sluggish. Excluding IOI Central Boulevard towers, office net demand for H1 2024 is at 64,000 sf, less than the net demand of 72,000 sf in H1 2023.
- The market remains at a standstill. There are pockets of activities due to Singapore's strategic location as a regional business hub, flight to quality trend. However, high interest rates, global geopolitical uncertainty, occupiers' CapEx constraints would continue to temper new office demand.
- More secondary spaces are also coming online, with some large occupiers aligning their current workplaces with hybrid work arrangements.

OFFICE

Cooling rent growth

OFFICE RENTS



Rent Forecast			
Market	2023	H1 2024	2024F
CBD A	3.0%	0.7%	1-2%
CBD B	1.8%	-1.9%*	-2 - 0%
Decentralised All Grades	3.3%	0.8%	1-2%

Source: Cushman & Wakefield Research

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

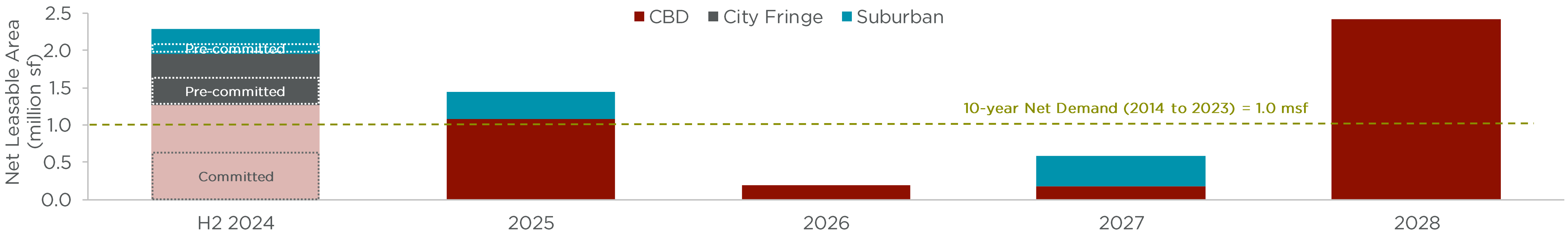
Key Takeaways

- In a weakening office market, the market will see a steeper bifurcation across Grade A and non-Grade A office stock. CBD Grade A office rents grew by 0.7% ytd in H1 2024 compared to CBD Grade B offices rents which fell 1.9% ytd. CBD Grade A offices and Decentralised offices, driven by newer developments, are expected to see marginal growth of about 1-2% in 2024.
- Many Grade A office landlords, encouraged by still-high occupancy rates, continue to be sanguine on the long-term prospects of the Singapore office market and have largely held on to their asking rents.
- Notwithstanding the rise of hybrid work, the current weak office demand is believed to be cyclical, and demand is expected to recover in 2025 as interest rate concerns recede and the conclusion of US elections.
- New supply pressure will also taper off from 2025 to 2027.

OFFICE

Tight supply situation to return towards the end of 2025

Islandwide All Grades Office Potential Supply

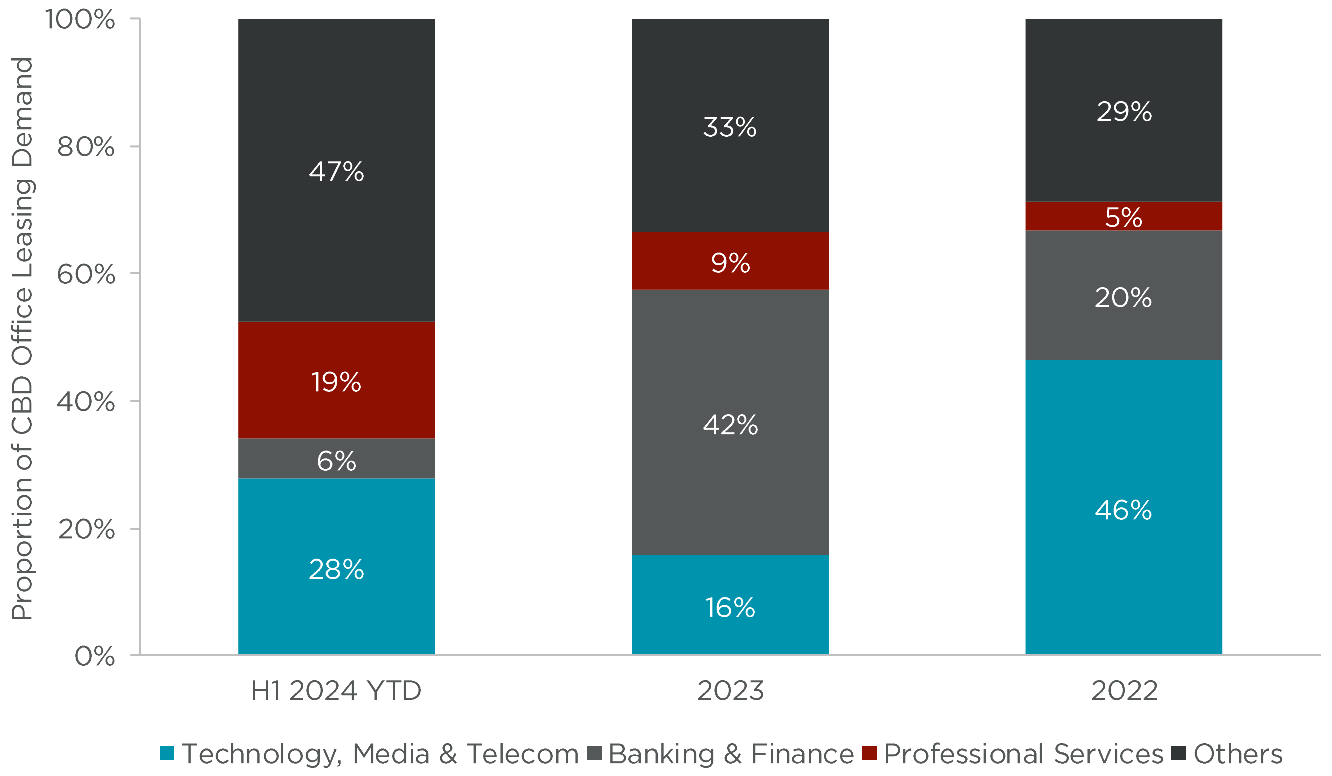


Source: URA, Media Reports, Cushman & Wakefield Research

TRENDS AND HIGHLIGHTS

Occupiers take a cautious stance

CBD NEW LEASING PROFILE



Source: Cushman & Wakefield Research

Note: Leasing profile reflects estimated contract date and includes new leases, relocations and expansions

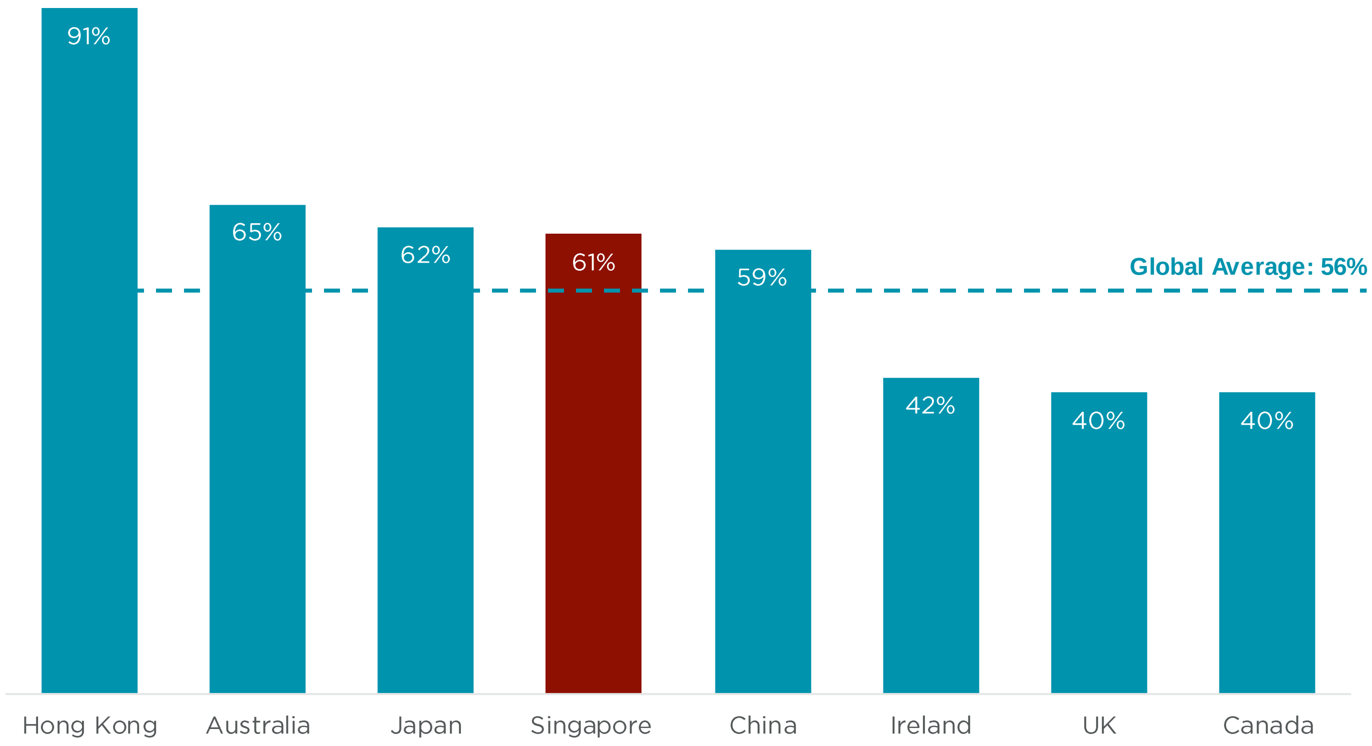
Key Takeaways

- Banking and Finance occupiers, which dominated the CBD office demand last year, driving 42% of new leasing demand in the CBD, slowed in H1 2024 YTD. Despite the pull-back in demand, the growth of family offices and rising investment interest in Southeast Asia, should fuel the future expansion of wealth management firms.
- Amidst an overall slowdown in new office demand and the absence of large deals, new CBD office demand has diversified in 2024 with slightly higher leasing activities from Technology, Media & Telecom and Professional Services, Chemicals, Energy, Oil & Gas and Consumer Products & Services sectors.

TRENDS AND HIGHLIGHTS

Impact of flexible working arrangements

% OF COMPANIES ENCOURAGING RETURN TO OFFICE



Source: Morgan Mckinley, Cushman & Wakefield Research

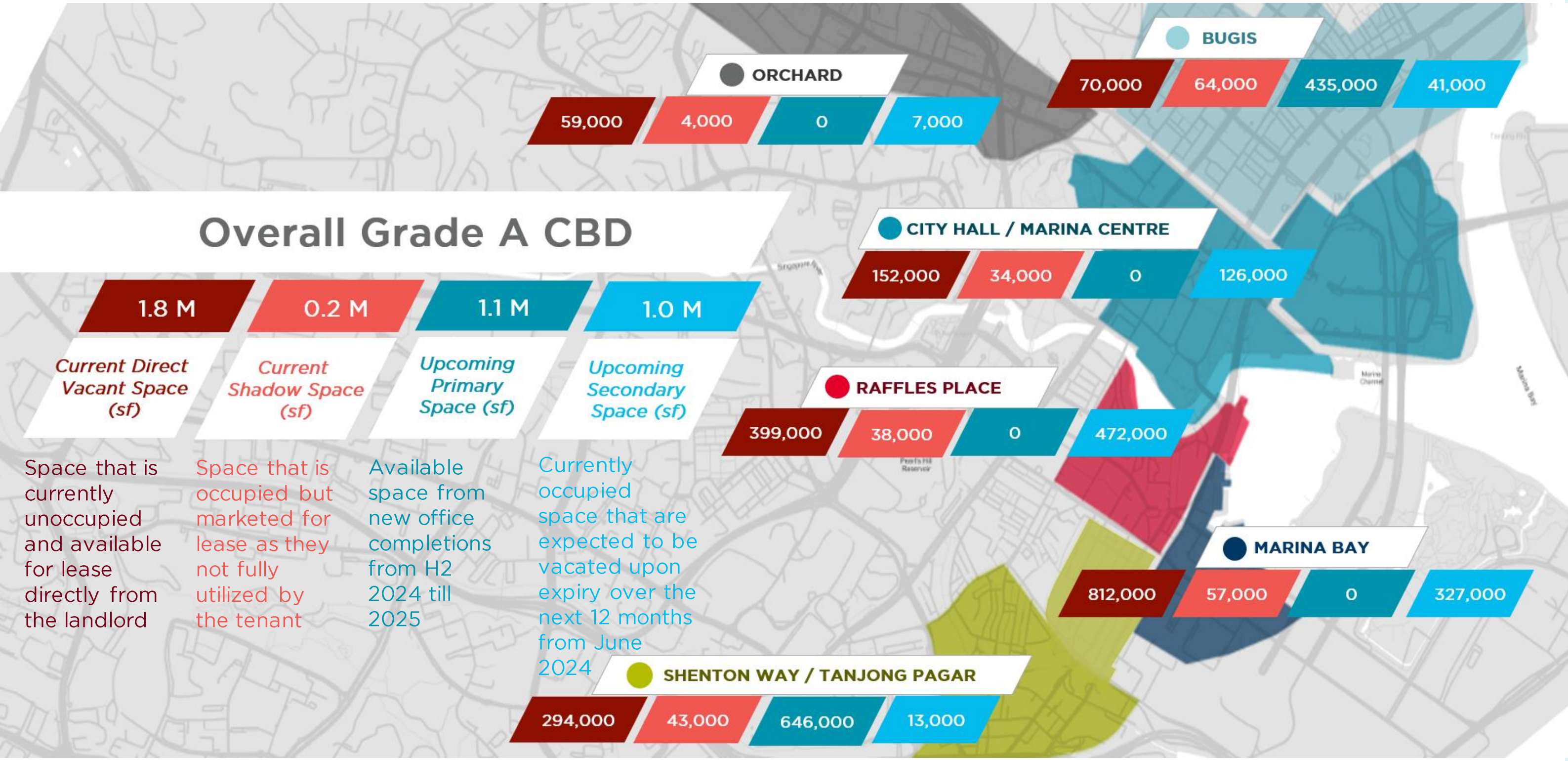
Key Takeaways

- Singapore is implementing guidelines on flexible work arrangements (FWA). All employers must fairly consider FWA requests from December 2024. Employers have discretion to reject FWA requests if not viable from the business standpoint.
- The implementation of FWA guidelines is not expected to spur a wave of right-sizing as many multinationals companies who are key occupiers of Grade A office space, have already institutionalised FWA after the pandemic. Most Singapore workers have returned to the office with the office seen as a place for collaboration and connection.
- A larger impact (from FWA guidelines) may be seen in older CBD and decentralised offices which are typically occupied by smaller local companies who may not have institutionalised FWA policies but would be more aware of the potential benefits of FWA. This could lead to higher vacancy rates in older office buildings over time.

TRENDS AND HIGHLIGHTS

Window of opportunity for tenants

CBD GRADE A OFFICE CURRENT AND FUTURE AVAILABILITY



Source: Cushman & Wakefield Research, data as of 24 June 2024 and rounded to the nearest thousands

Key Takeaways

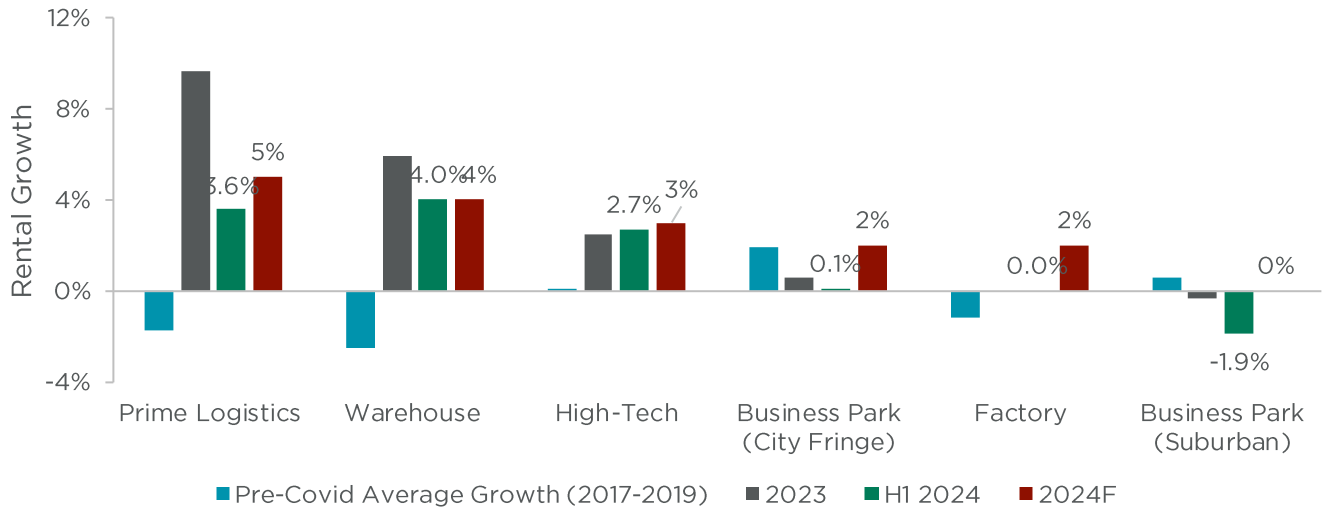
- A combination of hybrid work and continued efforts to improve cost efficiency amidst tightened financing conditions continues to spur right-sizing in the market. Against this backdrop, a significant amount of secondary CBD Grade A office space would be coming onto the market in 2024/2025. Most of this is expected to stem from the Raffles Place and Marina Bay submarkets.
- Upcoming secondary spaces would stem from few large occupiers as they relocate or right size as their existing leases expire. For example, tech giant Meta will be consolidating at Marina One and will be giving up space at South Beach Tower.
- Given slower office leasing activities and higher levels of upcoming supply, there is a window of opportunity for occupiers looking for Grade A offices in a historically tight office market.

INDUSTRIAL

INDUSTRIAL

Divergence across markets extends

RENTAL GROWTH BY ASSET CLASS



Rent Forecast			
Market	2023	H1 2024	2024F
Prime Logistics	9.7%	3.6%	5.0%
Warehouse	5.9%	4.0%	4.0%
High-tech Factory	2.5%	2.7%	3.0%
Business Park (City Fringe)	0.5%	0.1%	2.0%
Conventional Factory	0.0%	0.0%	2.0%
Business Park (Suburban)	-0.3%	-1.9%	0.0%

Source: Cushman & Wakefield Research

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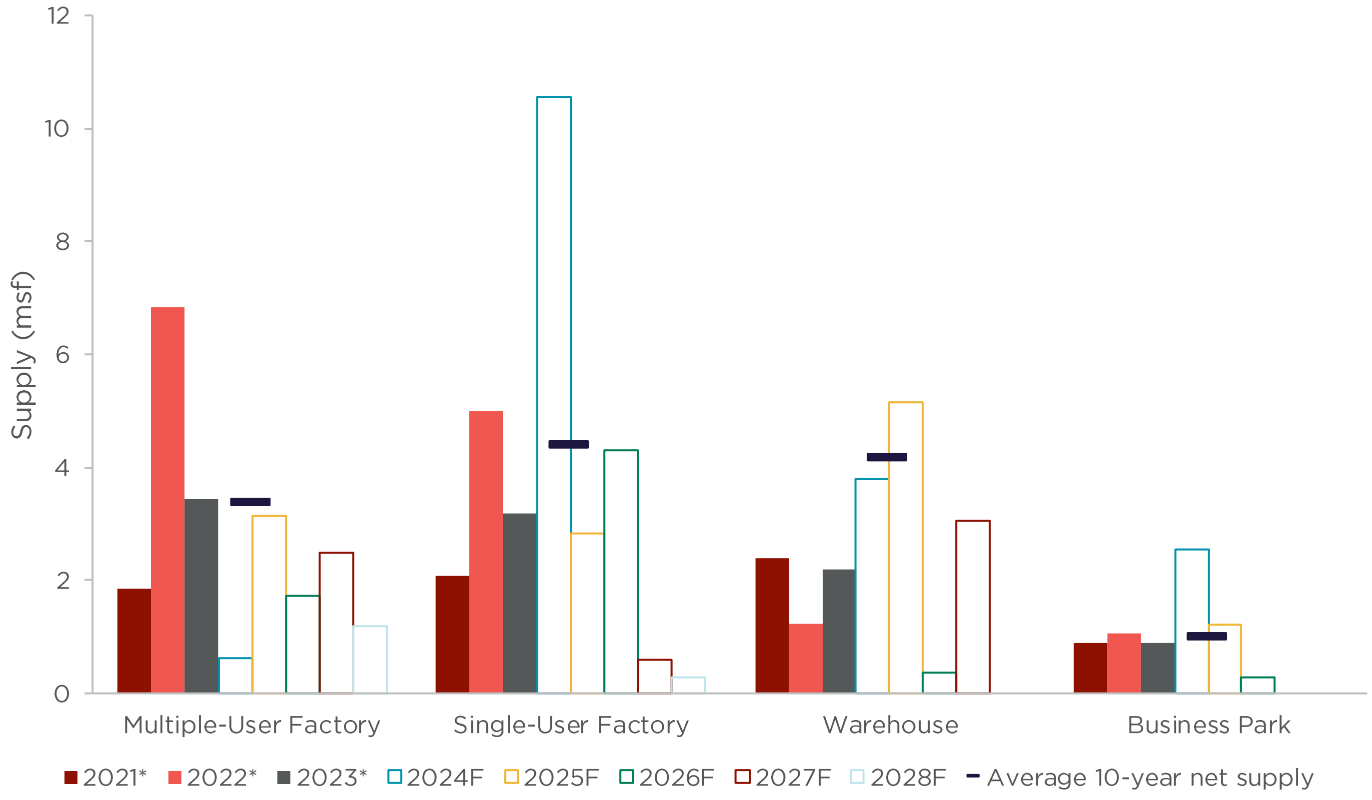
Key Takeaways

- Industrial demand remains divergent by property type. Logistics and factories remain in steady demand, while office-like properties (business parks, high-tech factories) face reduced demand due to hybrid work and space optimisation.
- Due to resilient demand and limited new supply, prime logistics and warehouses should see continued rental growth, albeit slowing, amidst higher tenant resistance and elevated interest rates. High-tech factory rents have continued to grow with the inclusion of new stock into our rental basket.
- Suburban business parks may see moderate or flattish growth given a slowdown in demand and higher new supply. That said, as city fringe business park rents continue to grow, demand could eventually gravitate towards suburban business parks, where rents are lower.

INDUSTRIAL

Higher supply to cool future rental growth

SUPPLY



Source: JTC, Cushman & Wakefield Research

Note: warehouse supply includes both conventional and prime logistics supply

** Supply included demolition of stock*

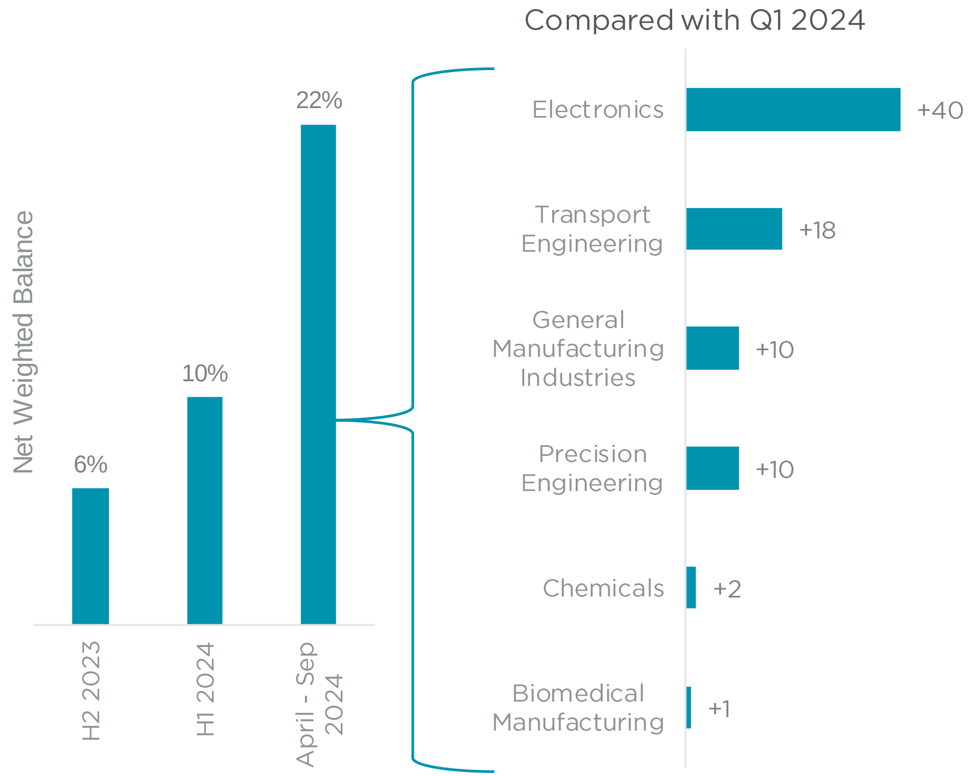
Key Takeaways

- The industrial supply pipeline remains reasonable with both multi-user factories and warehouse new supply in 2024 below their 10-year averages.
- Single-user factories would see record high new supply in 2024, though these stock is not expected to significantly impact the market 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.
- Ample business park stock coming onstream in 2024 and 2025 would continue to pressure business park rents. A significant proportion stems from Punggol Digital District, which is reportedly 65% pre-committed.
- Warehouse market remains relatively tight in 2024, though some secondary spaces have emerged. New prime logistics remains sought after. For example, 36 Tuas Road, a multi-user prime logistics facility (completing in Q4 2024) is estimated to be 60% pre-committed.

TRENDS AND HIGHLIGHTS

Singapore continues to attract global manufacturers

Manufacturing Business Sentiments



Source: EDB, Cushman & Wakefield Research

Recent Notable Manufacturers' Commitments

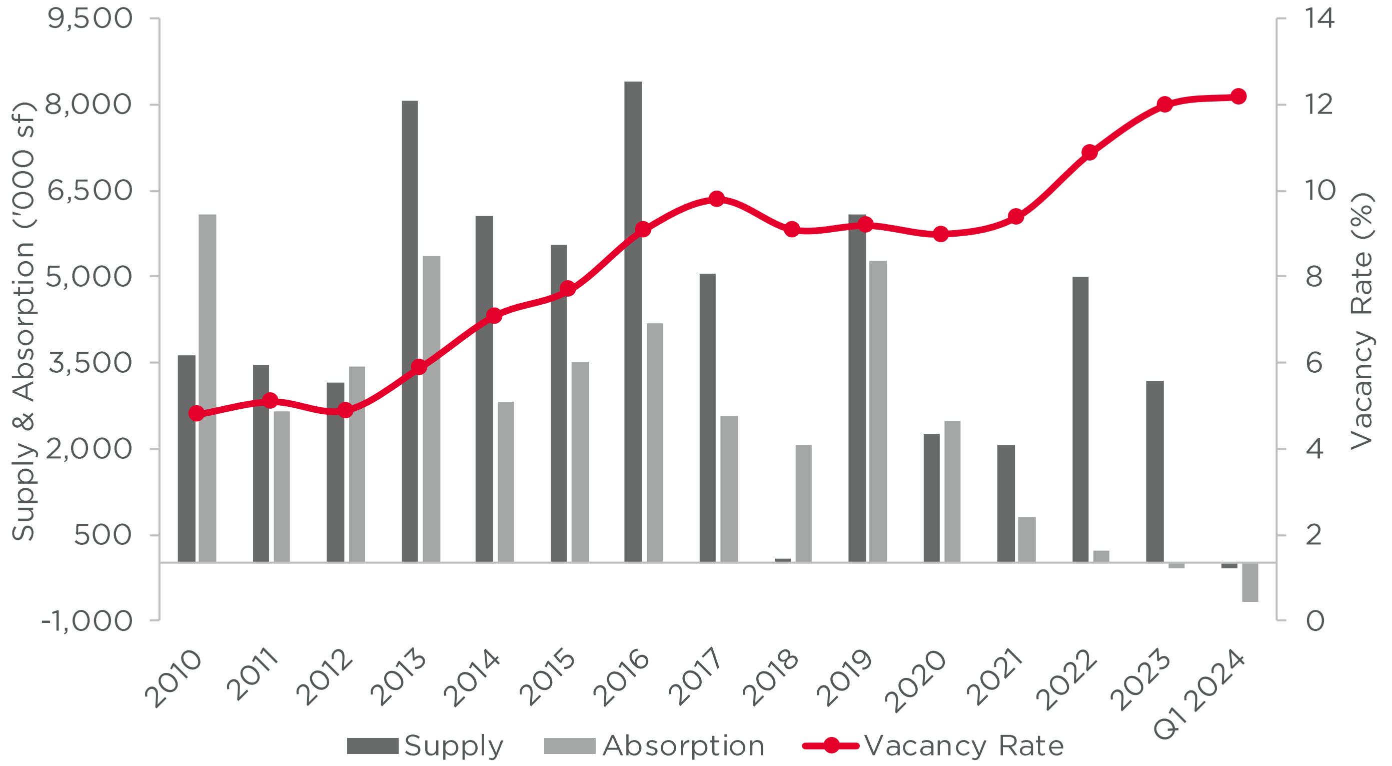
Company	Industry	Remarks
Applied Materials	Electronics	Intends to double its manufacturing capacity, headcount and research activities in Singapore over the next few years. This includes the expansion of its existing innovation centres.
AstraZeneca	Biomedical	Announced plans to build a US$1.5 billion 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

TRENDS AND HIGHLIGHTS

Current policies may be leading to space inefficiency

SINGLE-USER FACTORY SUPPLY, ABSORPTION AND VACANCY



Source: JTC, Cushman & Wakefield Research

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Key Takeaways

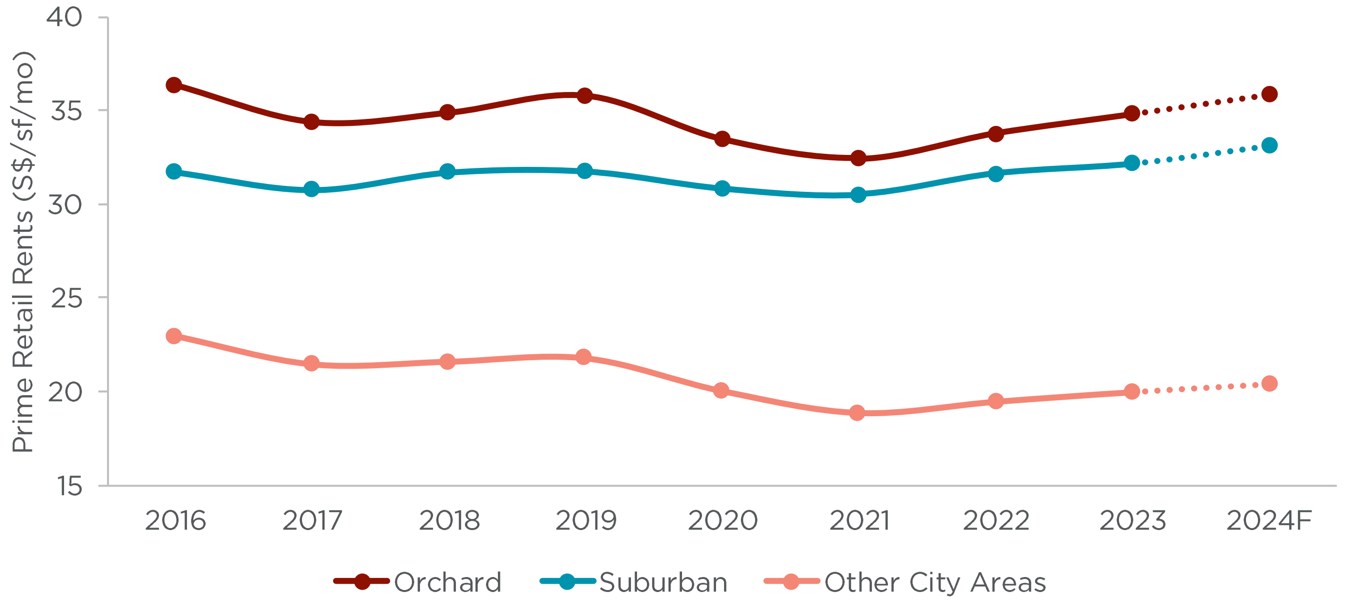
- Single-user factory vacancy rates have been climbing upwards, reaching 12.2% as of Q1 2024, a historical high.
- This could be partly due to increasing excess space stemming from declining industries as some cut back operations in Singapore due to cost considerations or supply chain decisions. These occupiers may have spaces in highly sought-after locations but are unable to sublet them out due to subletting or usage restrictions. As such, some industrial spaces are not efficiently utilized.
- On the other hand, there is demand from fast-growing industries such as aerospace, particularly in the eastern region of Singapore.
- This has driven an artificial mismatch in supply and demand. Excess space in single-user factories is increasing but demand is partially capped due to current policies. As such, there could be scope to tweak current subletting and usage restriction rules to optimise land use.

RETAIL

RETAIL

Prime* retail rents continue to grow

PRIME RETAIL RENTS



Rent Forecast			
Market	2023	H1 2024	2024F
Orchard	3.1%	2.0%	3-4%
Suburban	1.7%	1.0%	3-4%
Other City Areas	2.8%	1.5%	2-3%

Source: Cushman & Wakefield Research

** 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.*

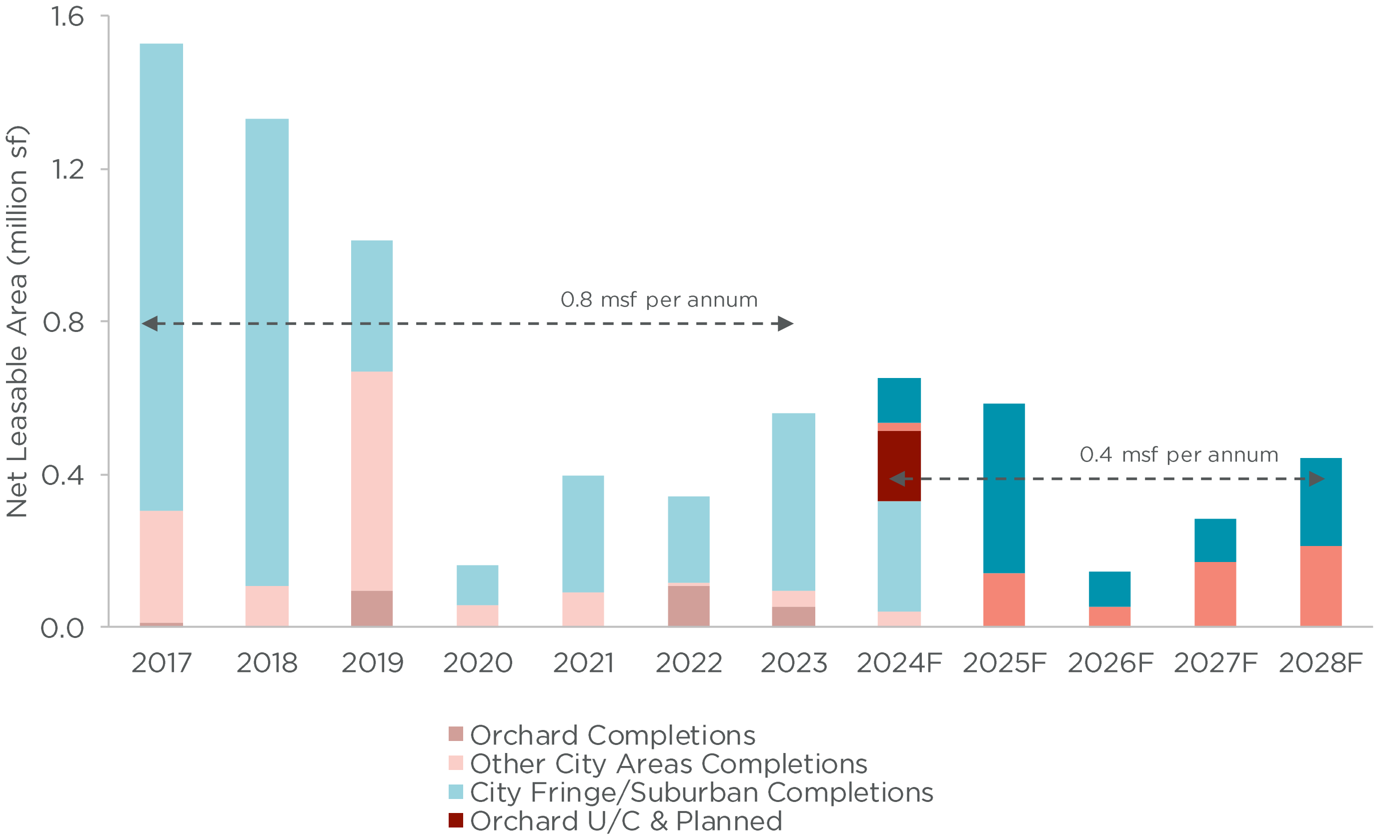
Key Takeaways

- Orchard prime retail rents grew 2% ytd in H1 2024, higher than the Suburban and Other City Area prime retail rents which climbed 1.0% and 1.5% ytd respectively in the same period.
- Orchard and Other City Areas rents were driven by a tourism recovery, bolstered by the Singapore-China visa-free scheme and a strong line-up of leisure and MICE events.
- Overall retail vacancy rates in Orchard have declined to 6.8% in Q1 2024, a 4.5 year low. Other City Areas vacancy rates fell to 8.5% in Q1 2024, from 10.0% in Q1 2023.
- Suburban prime retail spaces remains highly sought after, with vacancy rates at 5.9% in Q1 2024. Overall suburban prime retail rents are expected to grow by 3-4%, supported by rising footfalls amidst a growing population and resilient consumer spending.
- Some malls are seeing double-digit rental reversions for certain units as leases signed during the pandemic come up for renewal.

RETAIL

Limited new supply

RETAIL NEW SUPPLY



Source: Cushman & Wakefield Research

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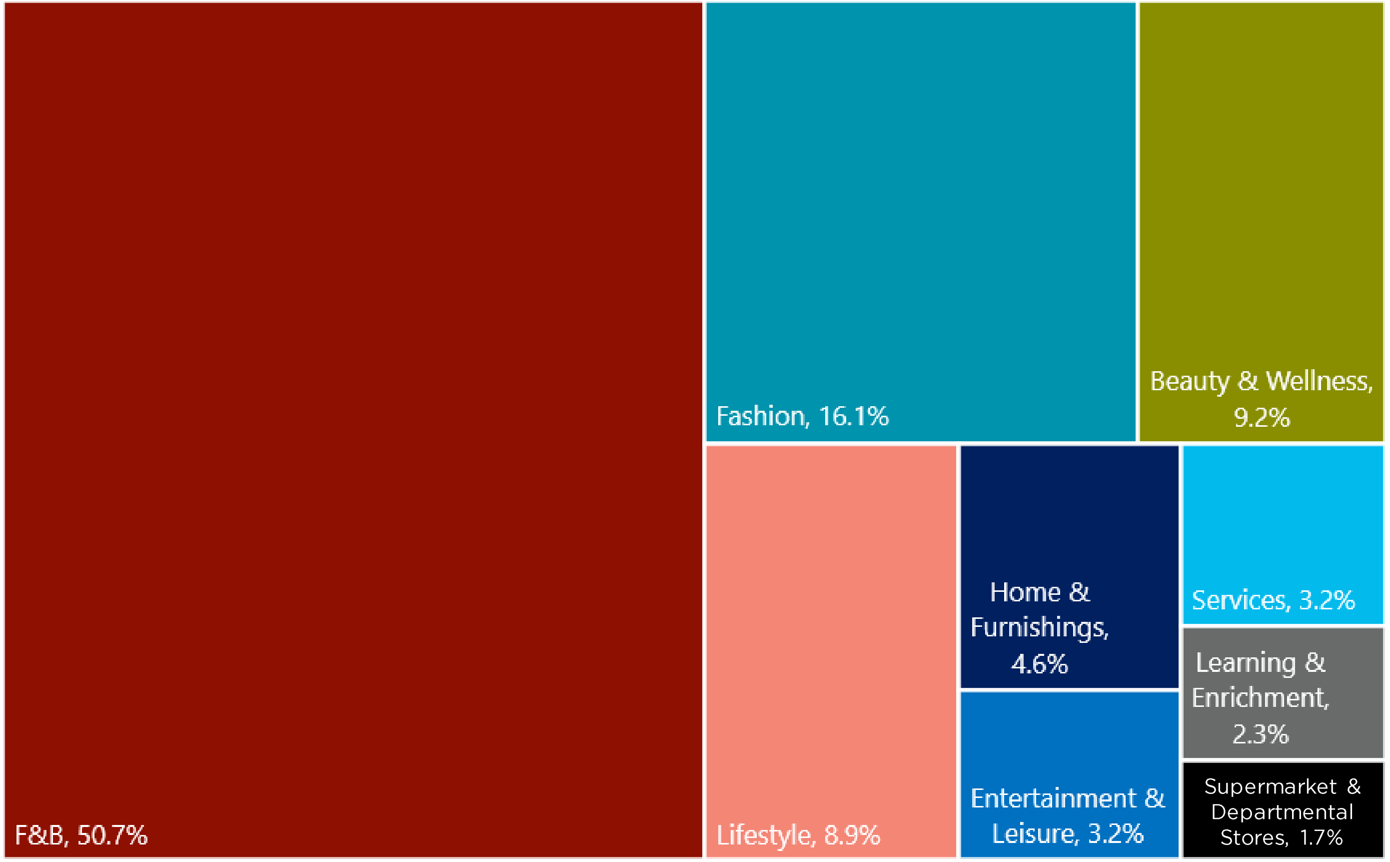
Key Takeaways

- New supply in the Singapore retail market remains low. From 2024 to 2028, new retail supply is expected to be 0.4 msf/annum, about half of the 0.8 msf/annum from 2017 to 2023.
- The majority (61%) of new retail supply will stem from the Suburban retail market. While the Orchard retail market will only contribute 9% with the retail component of the renovated Grand Hyatt Hotel Singapore and the redevelopment of The Cathay expected to be completed in 2024.
- The limited upcoming retail supply would continue to underpin retail rental growth.
- However, e-commerce and online entertainment platforms will continue to shape the retail landscape and increasingly accentuate a two-tier market, where the best malls attract most of the footfalls and the weaker malls continue to struggle.
- This dynamic could drive more redevelopments in the future.

TRENDS AND HIGHLIGHTS

Casual dining concepts driving expansions

ESTIMATED SHARE OF OPENINGS AT PRIME MALLS*



** Store openings include retailers or brands that expanded, relocated or reopened as of June 2024 YTD*

Source: Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

Key Takeaways

- Activity-based retailers such as F&B continue to be the main drivers of retail demand amidst the adoption of e-commerce
- Over half of the retail openings in prime malls during the first half of 2024 were by F&B operators such as local casual Chinese eatery Gong Yuan Ma La Tang, which added at least four new outlets, and casual dining restaurant Mamma Mia Trattoria E Caffè, which opened 2 more locations, bringing its total to 7 outlets.
- Casual diners, offering an often-quicker dining experience with moderately-priced cuisine, are among the fastest-growing concepts in the F&B sector. As at June 2024 YTD, over a quarter (29%) of the F&B openings we monitored were casual dining concepts and brands.
- With consumers becoming more cautious in their spending amid higher cost of living, casual dining concepts that can provide the good value for money while delivering quality dining experiences may further expand.

TRENDS AND HIGHLIGHTS

New brands reigniting demand

NOTABLE NEW BRANDS THAT DEBUTED IN H1 2024*

F&B

Bingz 西少爷

窝窝店

锅里香 锅王料理

NAMU BULGOGI 나무불고기

蒲种上汤街 Siong Tong Gai

かつ善 KATSUYOSHI

Rollney

twenty loaf toasties

Home & Lifestyle

SALOMON

HOKA

Hot Toys

SONOS

KANDINSKY

Wall | Ceiling | Stair | Flooring

Fashion & Beauty

KPLUS+

ALCHEMIST & ARCADE

LOVELOTS LUXURY

BLACKPINK BROW & LASH

Entertainment & Leisure

XCLUSIV

Slime it!

WILD DOW

Matchpoint Inc

** Store openings include retailers or brands that expanded, relocated or reopened as of June 2024 YTD*

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

Source: Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

Key Takeaways

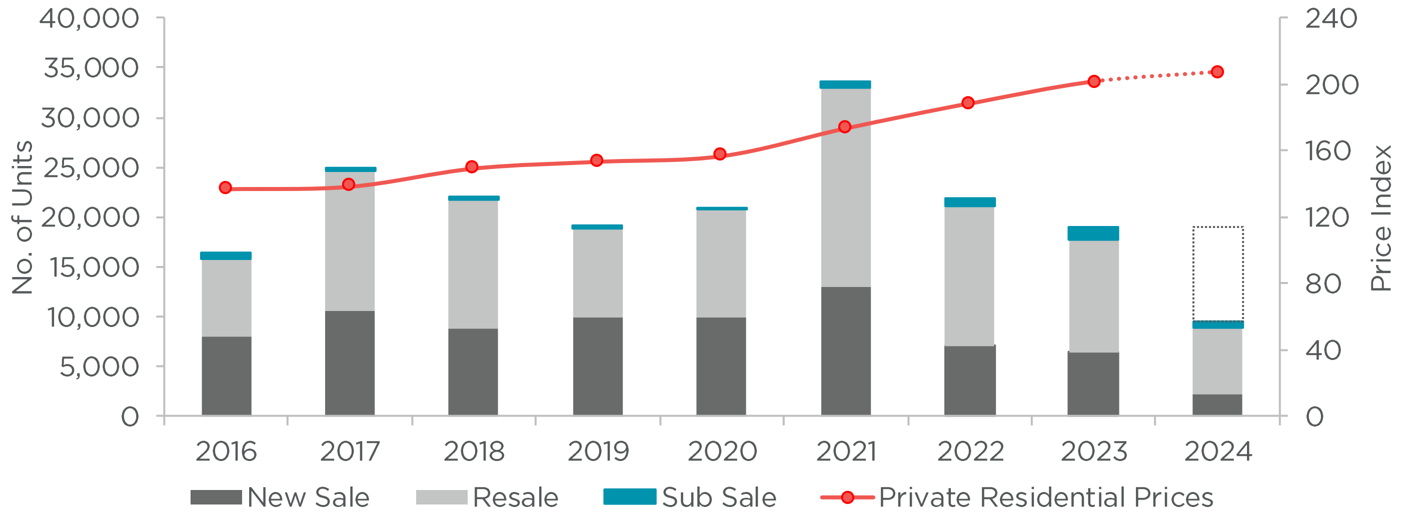
- New-to-market brands continue to emerge as they position for the steady market recovery. For example, French sports company Salomon debuted at Raffles City and expanded another outlet at Bugis Junction this year.
- Singapore continues to draw Chinese retailers who look to the Southeast Asian consumer market for diversification amid China's slowdown. Chinese F&B operators who forayed into Singapore this year include burger chain Bingz at Westgate and Sichuan cuisine restaurant Wo Wo Dian at Raffles City.
- Some international brands have launched pop-up stores to gauge customer interest. American burger chain In-N-Out had its fourth pop-up in May, while another American sandwich chain Chick-fil-A held its first pop-up event in June.
- On the landlords' front, malls facing lower occupancies or newly renovated malls are striving to bring in new offerings to refresh their tenant mix and boost destination appeal.

PRIVATE RESIDENTIAL

PRIVATE RESIDENTIAL

Easing price growth amidst falling volumes

SALES VOLUMES AND PRICES



Price, Rent and Sales Forecast			
Indicators	2023	Q1 2024	2024F
Private Residential Price Growth	6.8% yoy	1.4% qoq	3.0% yoy
New Sale Volumes	6,421 units	1,164 units	5,000 units
Resale and Sub Sale Volumes	12,623 units	3,066 units	14,000 units
Overall Sales Volumes	19,044 units	4,230 units	19,000 units
Private Residential Rent Growth	8.7% yoy	-1.9% qoq	-5.0% yoy

Source: URA, Cushman & Wakefield Research

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Key Takeaways

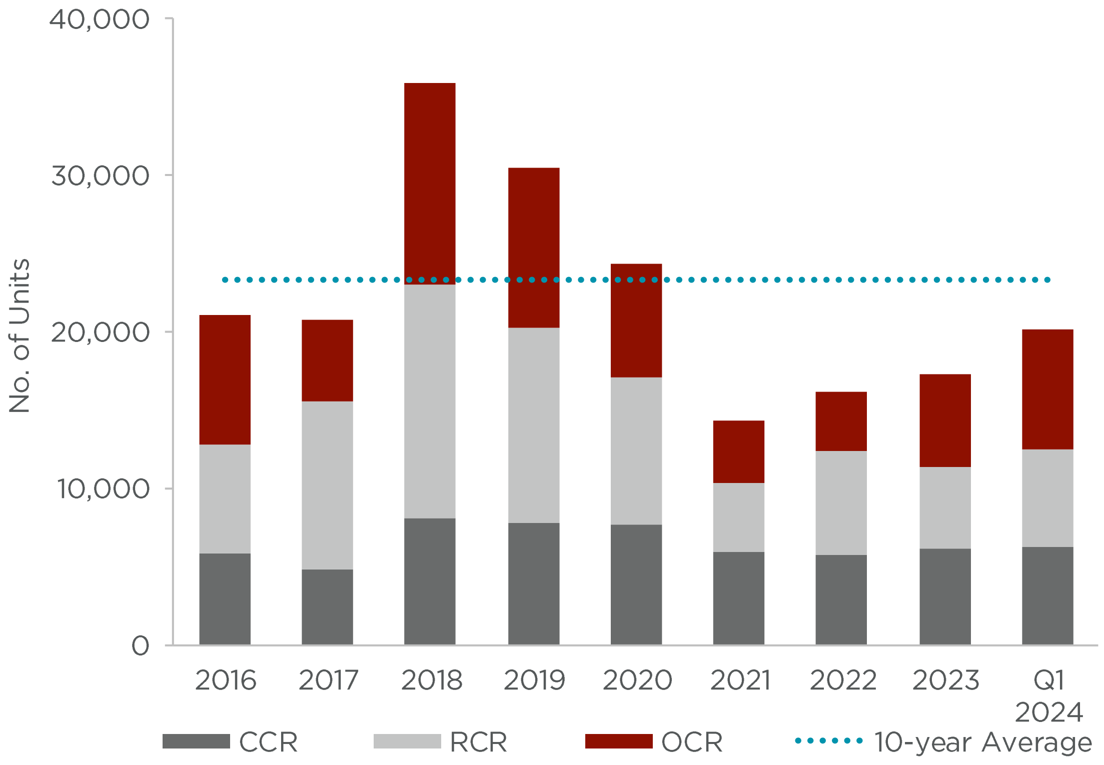
- Buyers continue to exercise caution and wait on the sidelines due to a combination of factors, including current cooling measures, loan curbs, still-high interest rates and steep price levels. Overall volumes have fallen and are estimated to be around 9,500 units in H1 2024, similar to 9,509 units in H1 2023.
- Despite weaker volumes, overall private residential prices are still increasing and are forecasted to grow by up to 3% in 2024. With relatively low levels of unsold inventory and strong household balance sheets, prices are supported by firm holding power in the market and higher replacement costs.
- Sales in H2 2024 could pick up, with a slew of launches expected and potentially lower interest rates. Local underlying demand in the market remains strong, with low unemployment rates, upgrading aspirations and preference to invest in property. Though given a slow H1 2024, overall volumes in 2024 is expected to end at about 19,000 units, similar to 2023.

PRIVATE RESIDENTIAL

Developers holding power accentuated by low unsold inventory

Total unsold inventory has steadily increased but remains low. Most developers remain confident to sell out their units before the 5 year-ABSD deadline.

UNSOLD INVENTORY

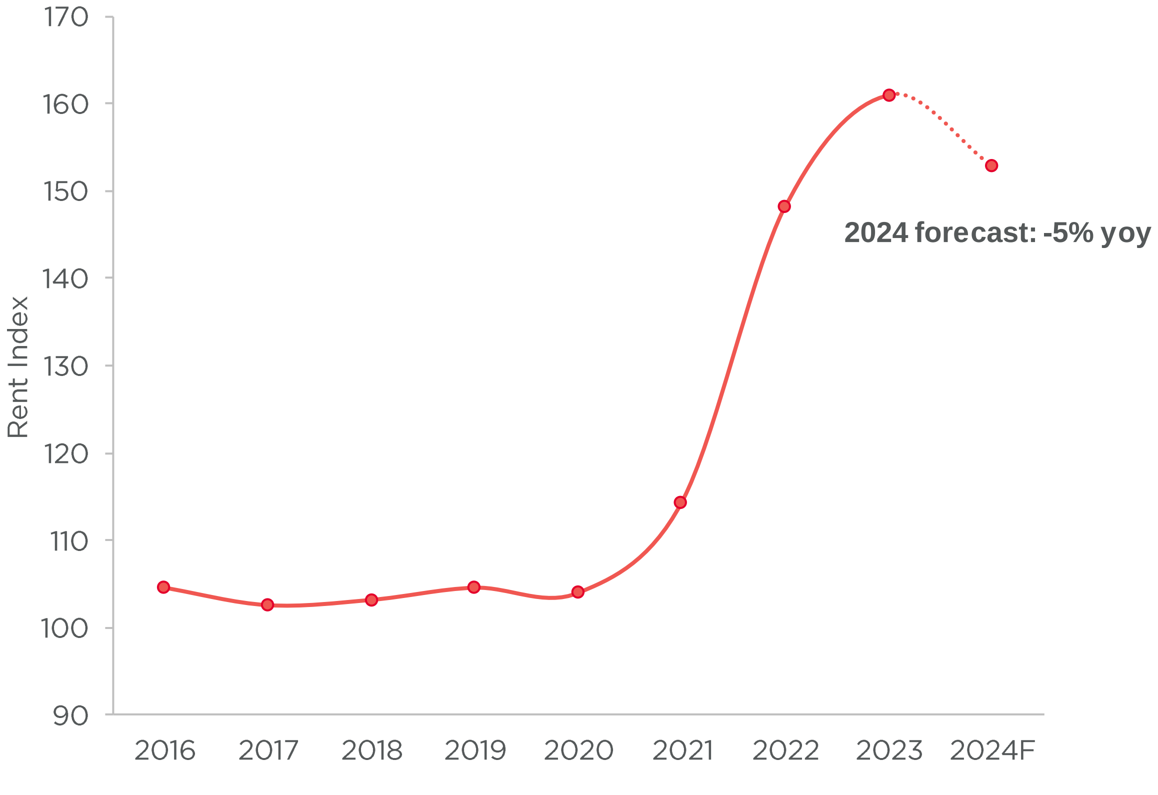


Source: URA, Cushman & Wakefield Research

PRIVATE RESIDENTIAL

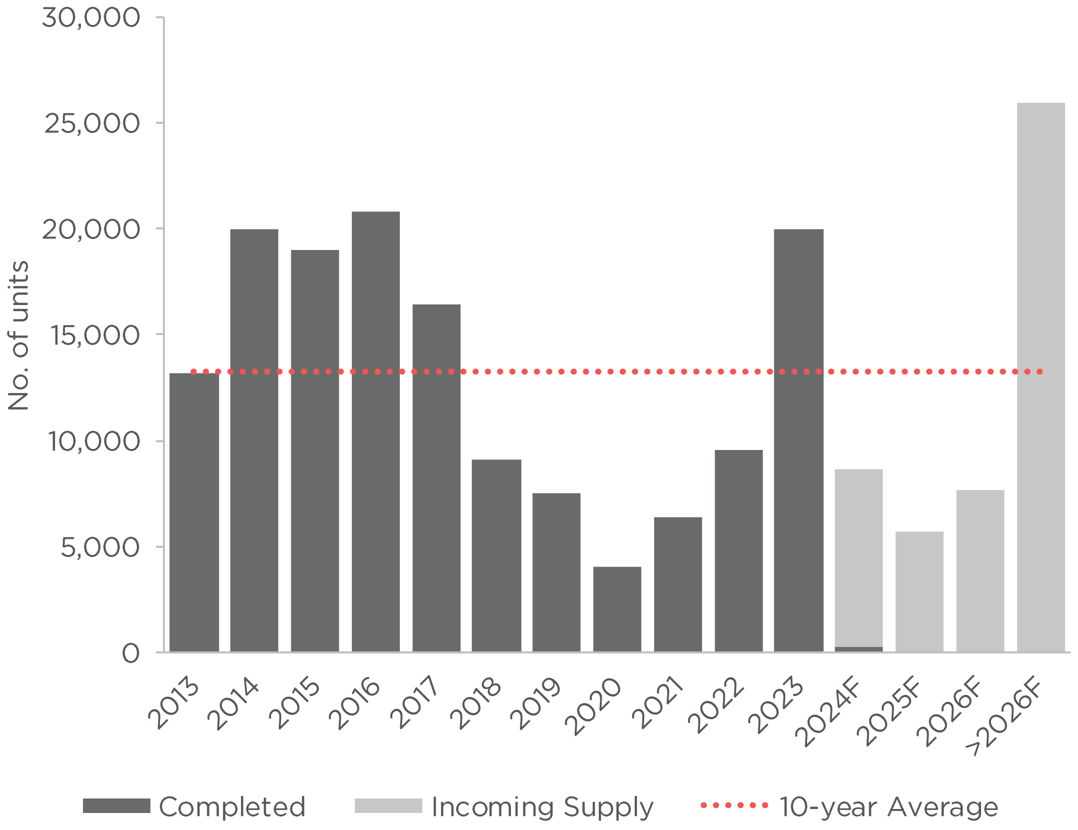
Rents edge lower as the market works to absorb excess supply from 2023

PRIVATE RESIDENTIAL RENTS



Source: URA, Cushman & Wakefield Research

FUTURE COMPLETIONS



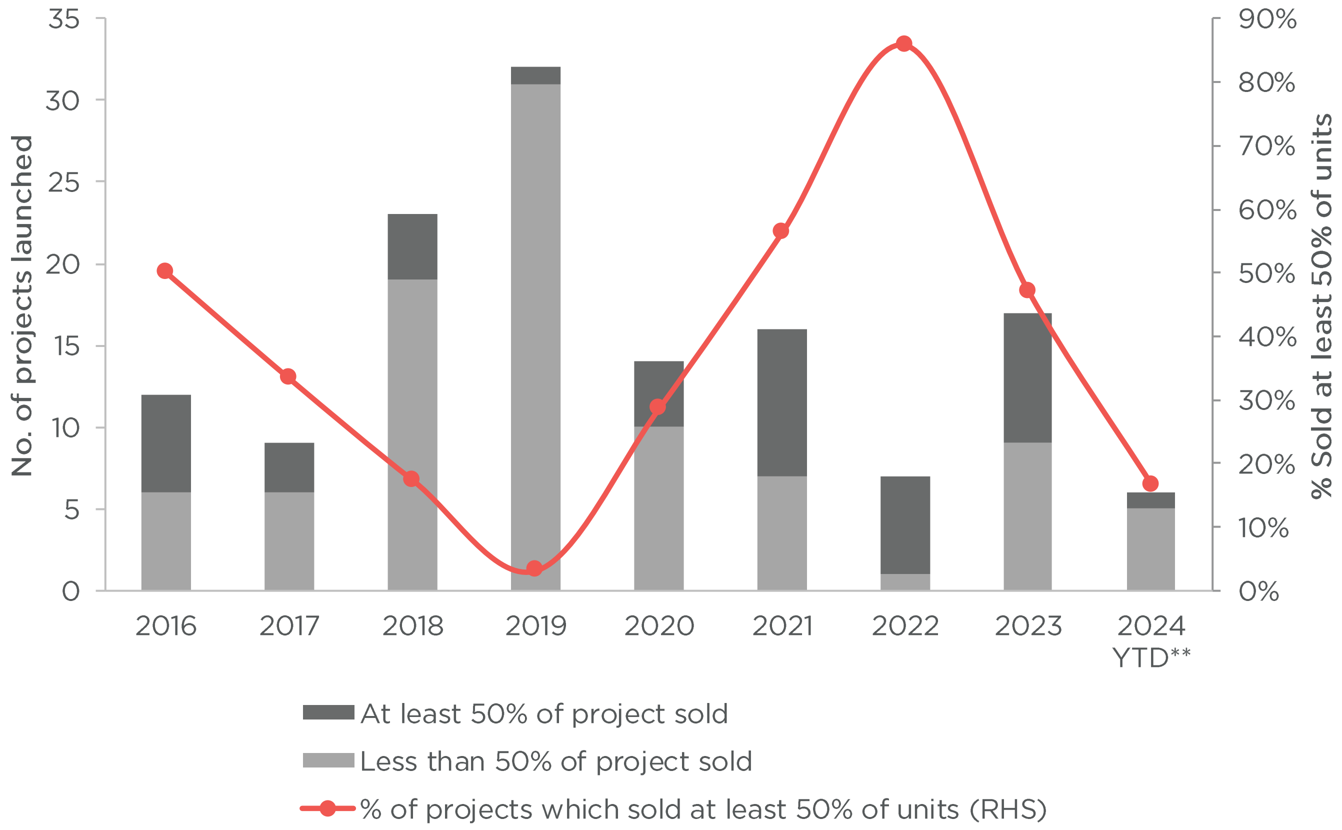
Source: URA, Cushman & Wakefield Research

Note: Remaining supply in 2024 represents supply from Q2-Q4 2024

TRENDS AND HIGHLIGHTS

New launch sales slow as buying gets selective

NEW LAUNCHES' PERFORMANCE*



Source: URA, Cushman & Wakefield Research

** Major projects with more than 100 units, **Jan-May 2024*

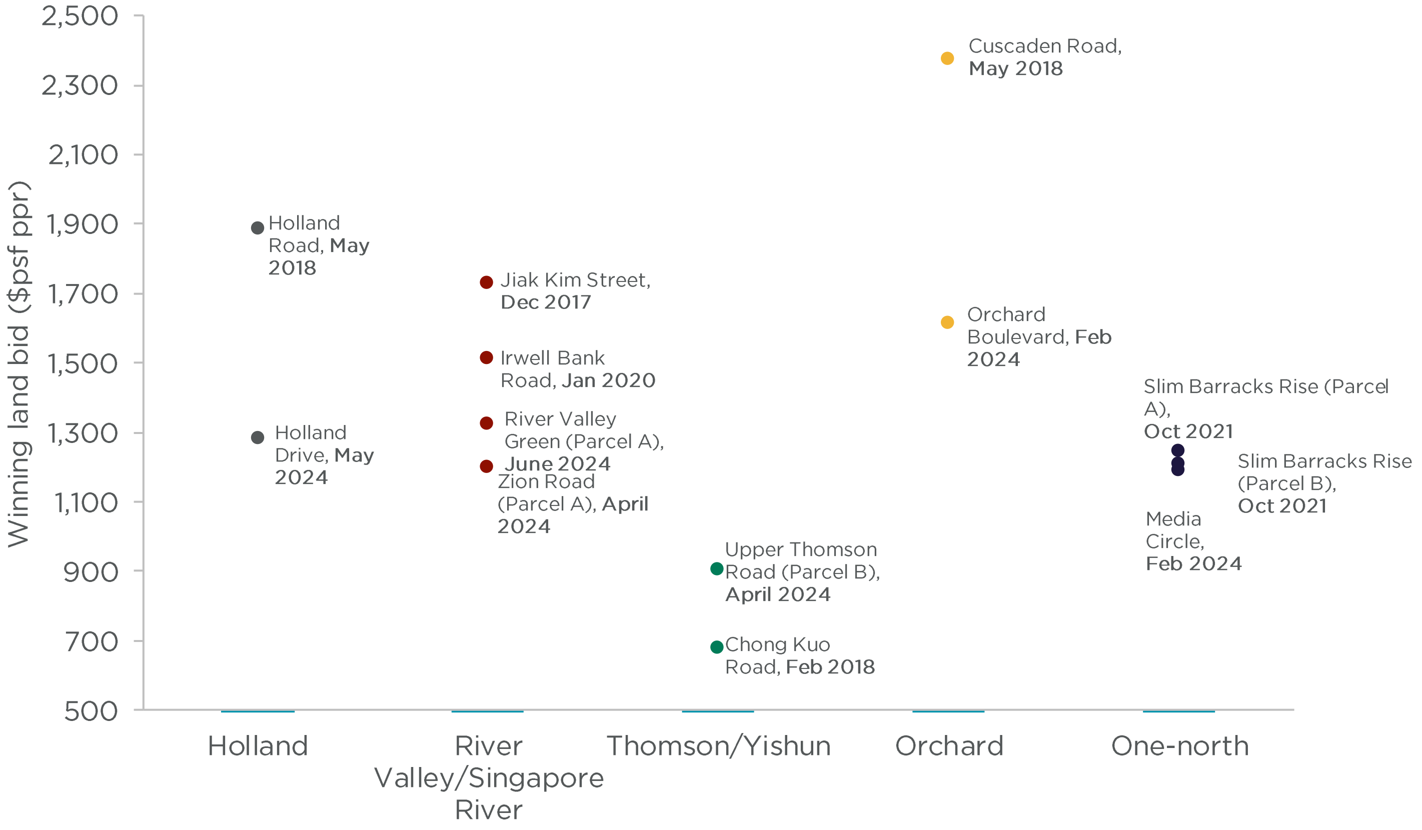
Key Takeaways

- While there is still appetite for new launches, it has noticeably slowed in recent months as home buyers are more price-sensitive and selective, in view of a higher new launch pipeline.
- In the first five months of 2024, only one out of six (17%) major projects (100 units and above) launched has sold more than 50% of total units within its first month of launch. This compares to four out of seven (57%) of new launches which were more than 50% sold during the same period in 2023 (Jan-May 2023).
- Several upcoming notable new launches in 2H 2024 such as Sora (440 units), Meyer Blue (226 units) and The Chuan Park (916 units) are expected to lift new sales volumes.

TRENDS AND HIGHLIGHTS

Time to landbank?

LOWER LAND PRICES



Source: URA, Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

Key Takeaways

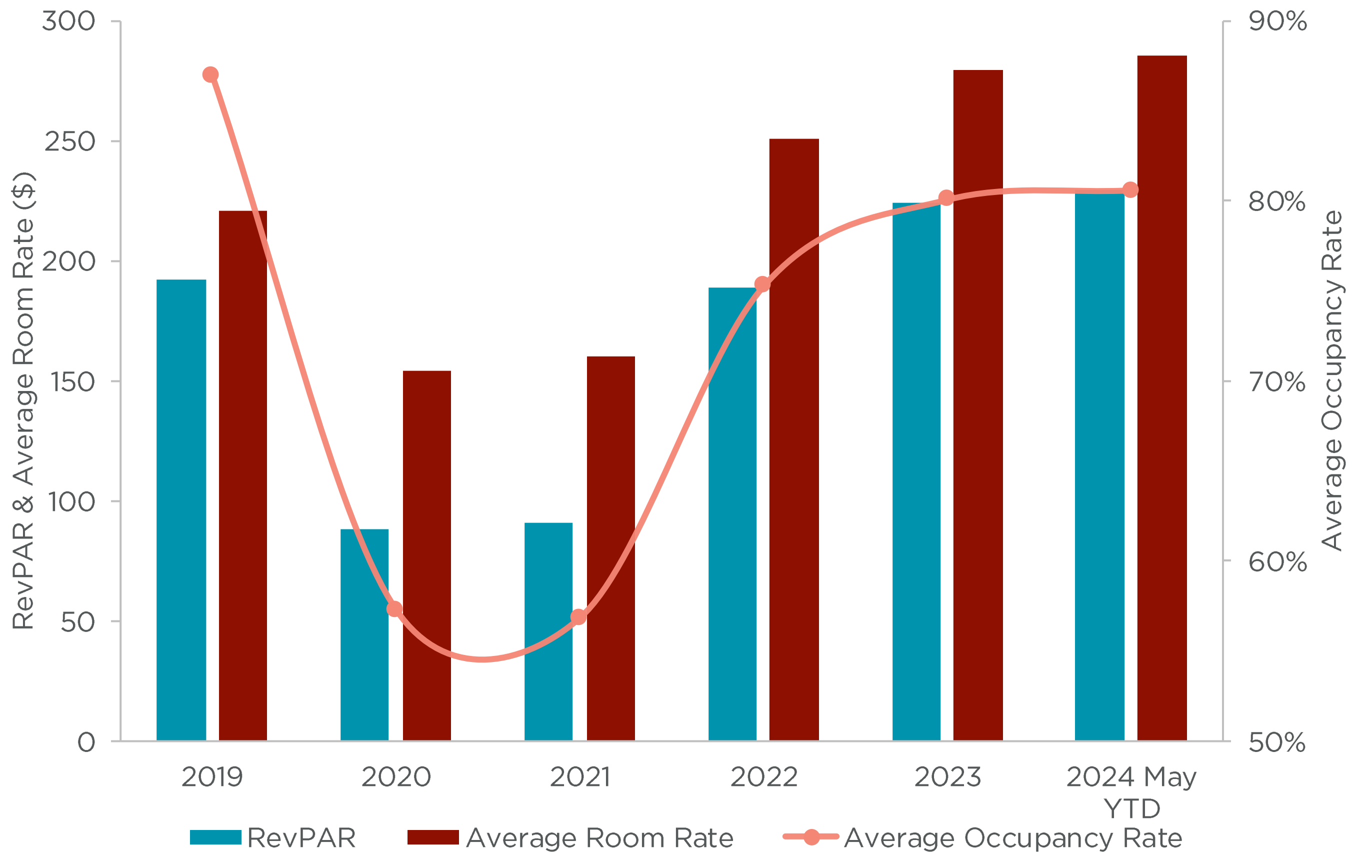
- Developers have adopted a more conservative stance in their land banking activities, despite still-low levels of unsold inventory, due to elevated financing costs and slowing buyer demand. This was highlighted by lower-than-expected winning bids at recent state tenders.
- Recent GLS tenders such as River Valley Green (Parcel A), Zion Road (Parcel A) and Holland Drive were sold at lower bid prices compared to past land sales within similar localities.
- However, the release of the Zion Road (Parcel B) reserve list site, which was recently triggered, highlighted underlying developer confidence towards acquiring select sites with strong locational attributes and good future market demand.
- Given lower land prices, developers with strong financial firepower are in a good position to pick up plum sites at attractive prices.


HOTEL

HOTEL

Growth through higher occupancy

SINGAPORE HOTEL PERFORMANCE



Source: Singapore Tourism Board, Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

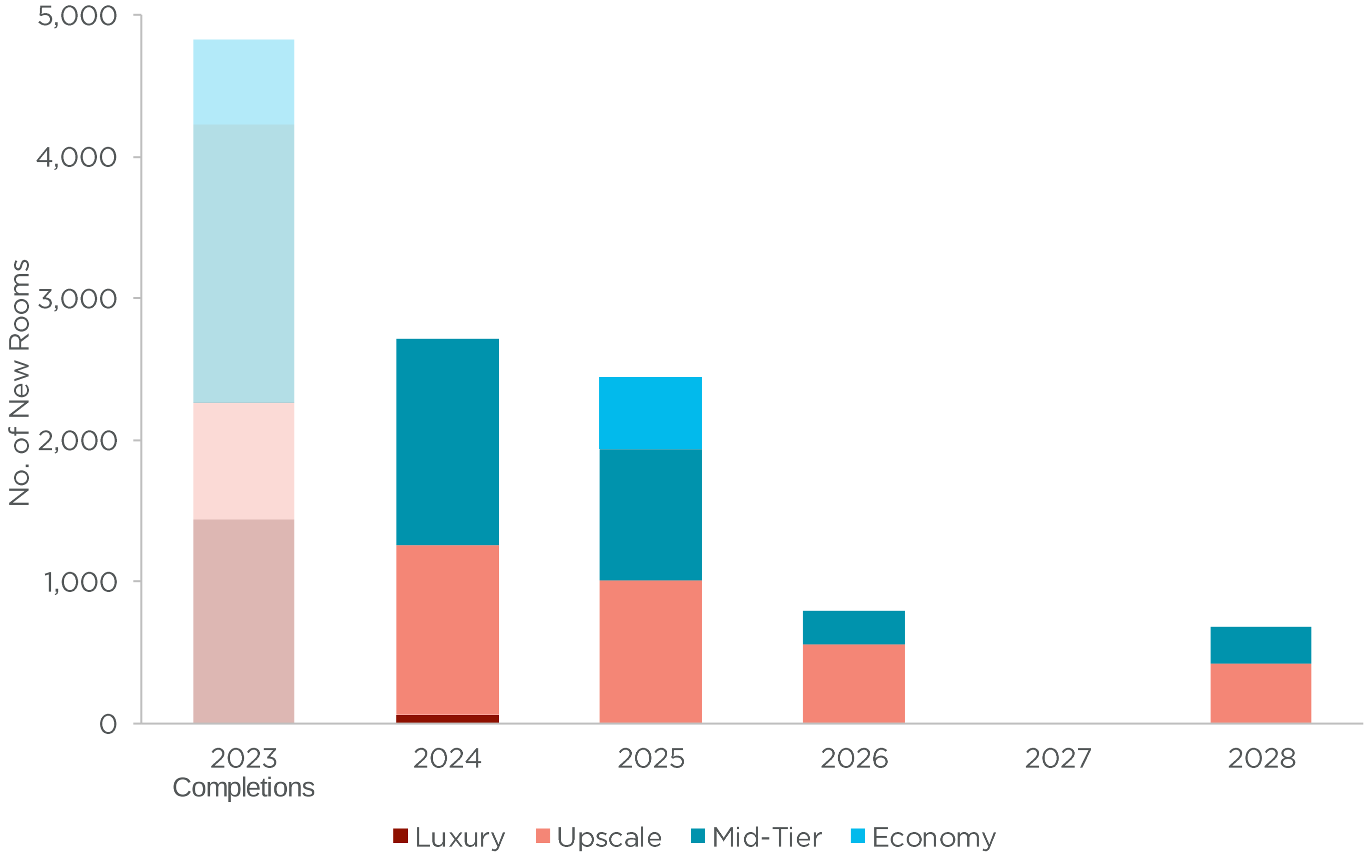
Key Takeaways

- Despite lower-than-pre-pandemic (2019) occupancy rates, hotel Revenue per Available Room (RevPAR) continues to grow, albeit at a moderate pace. 2024 YTD RevPAR is up by 2.6%, compared to 18.8% in 2023 (whole year). The growth in Average Room Rate (ARR) has continued, though slowing to about 1.9% in 2024 ytd.
- ARR is supported by a combination of good demand given the tourism recovery and also higher property operating costs due to higher labour costs.
- Notwithstanding potential spikes from marquee events and concerts, ARR is expected to hover around current levels in 2024 due to more hotel room stock, softening “revenge travel” and intensified competition from other destinations in the region.
- RevPAR could inch up further with a steady return of Chinese travellers and the Average Occupancy Rate (AOR) of hotels remaining below pre-pandemic levels.

HOTEL

New supply tapers off

NEW HOTEL SUPPLY BY TIER



Source: URA, Media Reports, Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

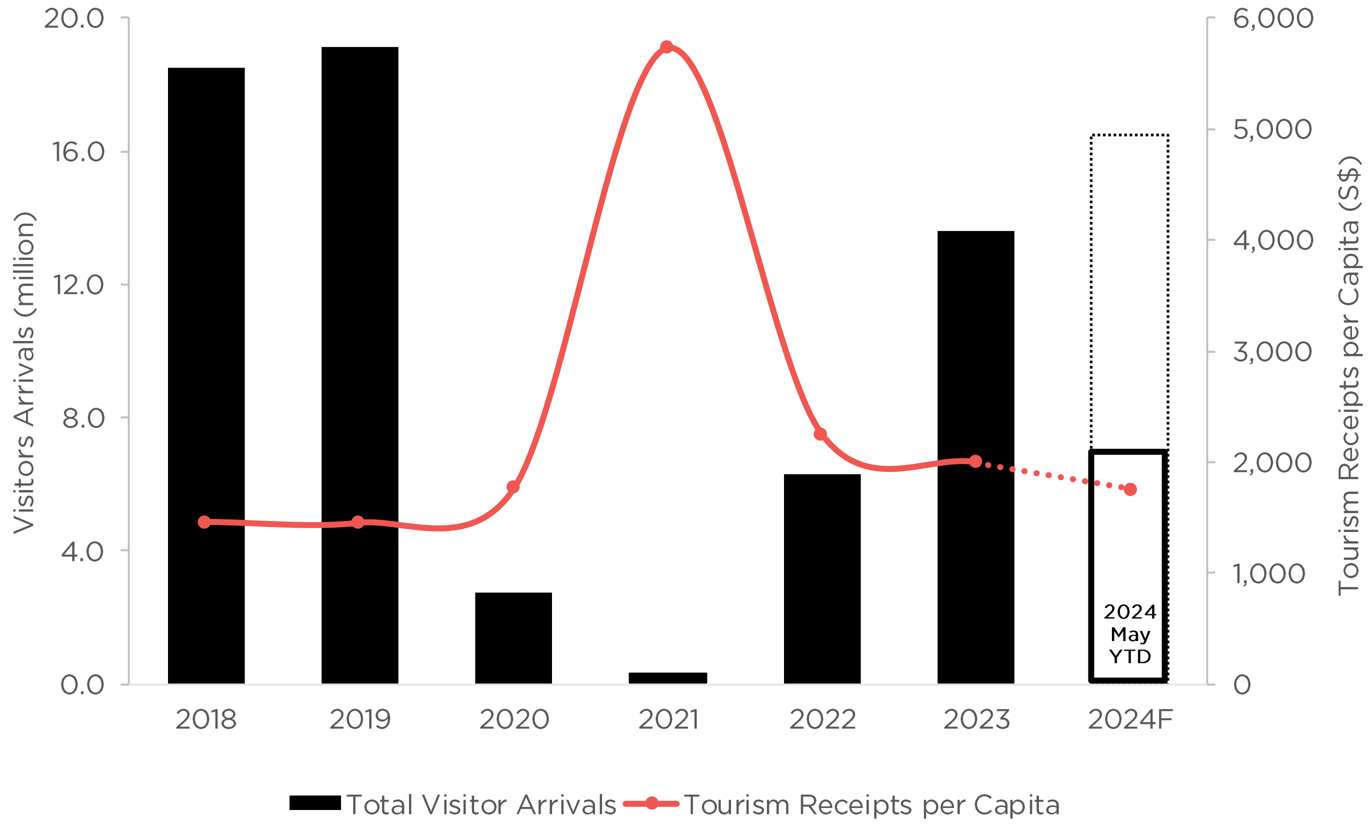
Key Takeaways

- 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.

TRENDS AND HIGHLIGHTS

More scope for recovery

VISITOR ARRIVALS AND TOURIST RECEIPTS



Source: Singapore Tourism Board, Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

Key Takeaways

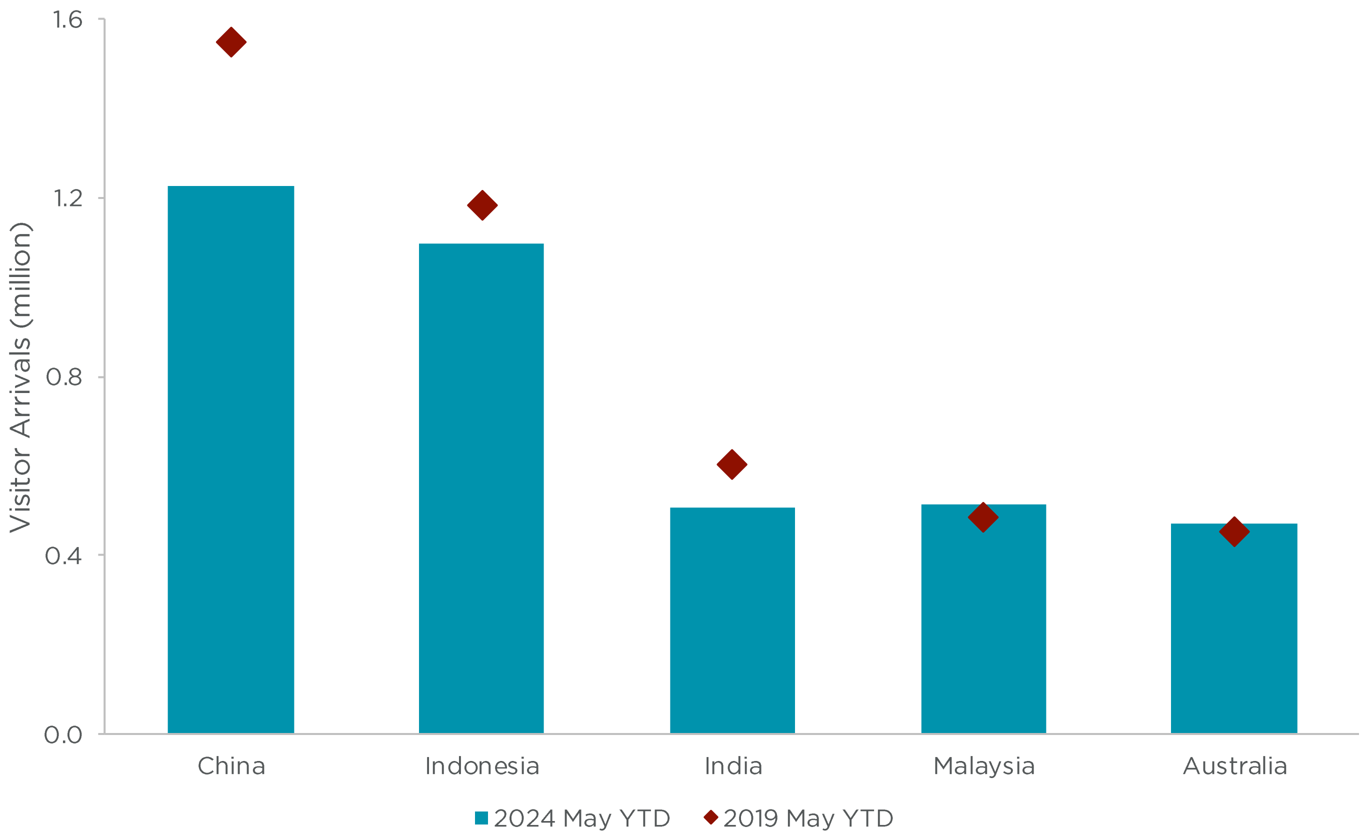
- According to STB forecasts, tourist arrivals could potentially reach 16.5 million tourist arrivals (86% of pre-covid levels) and $29 billion in tourism receipts (a record high). This translates to about $1,758 in tourism receipts per capita for 2024, about 21% higher than pre-pandemic levels.
- The Singapore-China mutual visa-free scheme, along with a solid pipeline of marquee events, is expected to bolster visitor arrivals and beef up the overall hotel performance.
- Some upcoming notable events this year are Wellness Festival Singapore 2024, Singapore Design Week 2024 and FHA-HoReCa 2024.
- We do not anticipate a full recovery in visitor arrivals in 2024 due to the demand-side drag posed by China's economic slowdown, increased travel costs and intensifying regional tourism competition.

TRENDS AND HIGHLIGHTS

Chinese visitors a key driver for further recovery

CUSHMAN & WAKEFIELD

TOP 5 VISITOR SOURCE MARKETS



Source: Singapore Tourism Board, Cushman & Wakefield Research

Key Takeaways

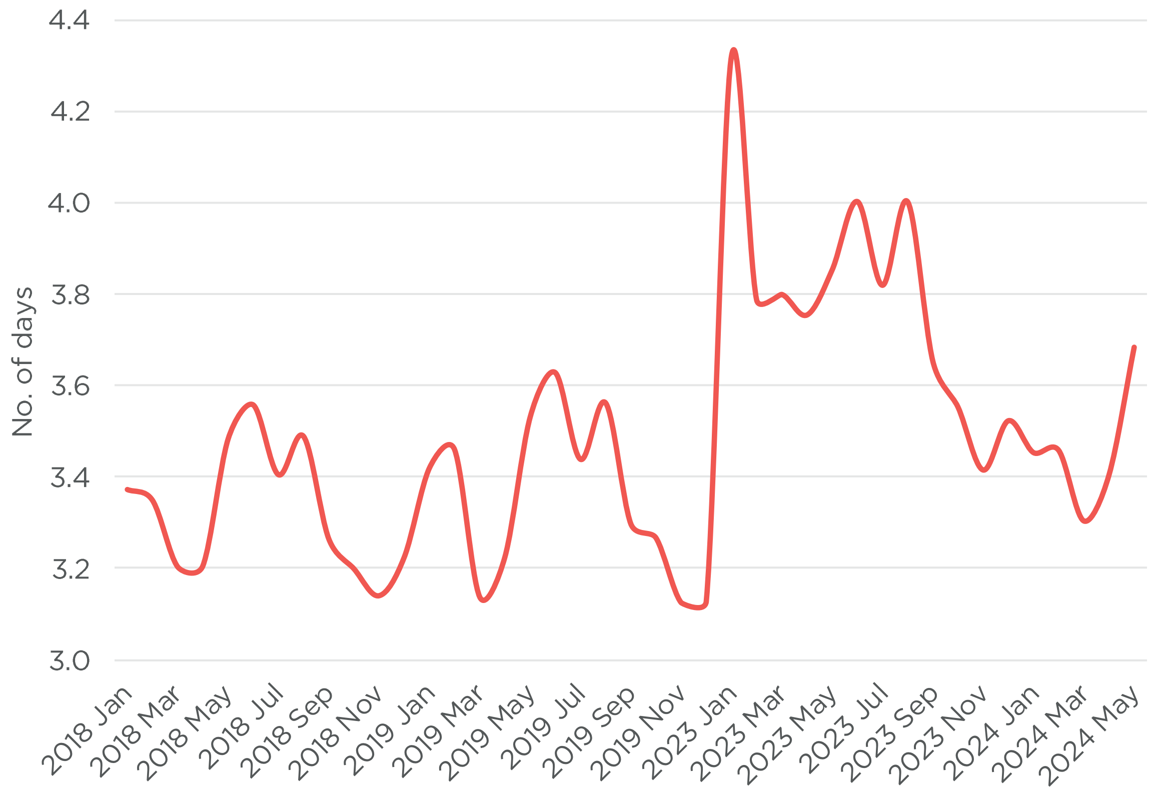
- The Chinese demand for outbound travel is expected to rise amidst the Singapore-China mutual visa-free scheme.
- China has regained its spot as the top source market for visitor arrivals in January-May 2024 with about 1.2 million visitor arrivals, around 80% of the January-May 2019 levels.
- Visitor arrivals from Indonesia and India will also increase as they came in below pre-pandemic levels in the same period.
- Ongoing marketing efforts and fresh partnerships by Singapore Tourism Board (STB) will continue to boost global interest in the city as a premier tourism and events destination. In April 2024, STB revealed collaborations with Indian partners, namely online travel agency MakeMyTrip, fintech firm PhonePe and designer Rahul Mishra, to boost the number of Indian tourists.

TRENDS AND HIGHLIGHTS

Tourists are staying longer

The average length of stay (ALOS) has edged higher to 3.46 days as of May 2024 YTD, higher than the 3.36 days for the same period in 2019. This reflects continued travel recovery and bodes well for hotels revenue potential.

AVERAGE LENGTH OF STAY



Source: Singapore Tourism Board, Cushman & Wakefield Research

TRENDS AND HIGHLIGHTS

Longer term developments

The rejuvenation of precincts and the launch of new tourism experiences will strengthen Singapore's destination appeal.

NOTABLE UPCOMING ATTRACTIONS

Name	Area	Expected Timeline	Remarks
Orchard Road Developments	Orchard	Ongoing - 2025	To open over 900 hotel rooms from Grand Hyatt Hotel Singapore, The Standard Singapore and Mama Shelter Singapore Orchard, reopen The Cathay as well as 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	2024 - 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	Late 2024 - 2028	To add ca.700 hotel keys from a waterfront development, 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	2025 - 2029	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
Wellness Attraction at Marina South	City Centre	2025 - 2030	To develop an attraction near Marina Barrage, close to the waterfront and places of interest, which will occupy ca.4ha of land and position Singapore as an urban wellness haven
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
Pulau Brani Redevelopment	City Fringe	From 2030	To redevelop Pulau Brani, an island between Singapore and Sentosa, to a resort island with new attractions like those on Sentosa
New Tourism Development in Jurong Lake District	Decentralised	2024 - 2040	To develop a new integrated tourism development in Jurong Lake District, which is envisioned to be the city's second largest business district and new tourism precinct; it will be located next to the new Science Centre (completing in 2027) and Jurong Lake Gardens which comprises Lakeside Garden and upcoming Chinese and Japanese Gardens

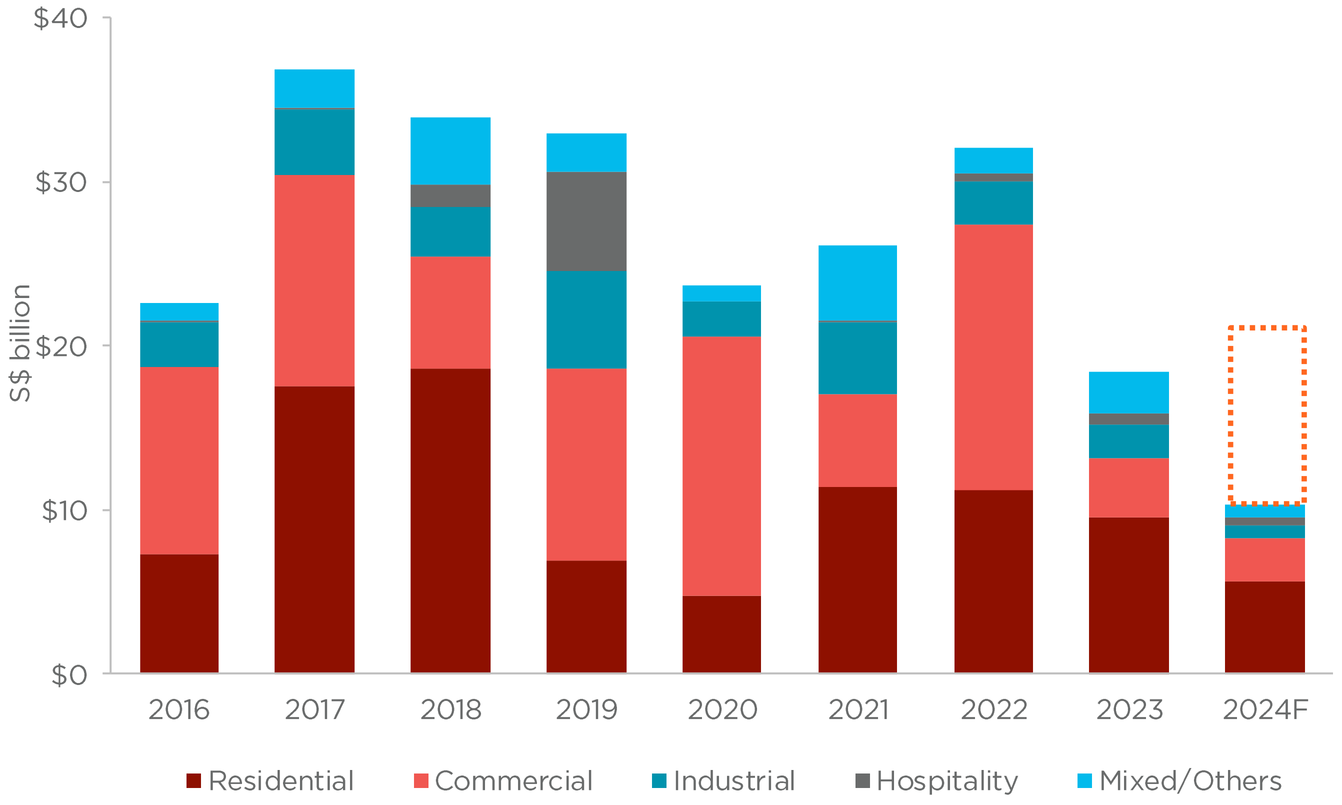
Source: Singapore Tourism Board, Media Reports, Cushman & Wakefield Research

CAPITAL MARKETS

CAPITAL MARKETS

Signs of growth

SINGAPORE INVESTMENT VOLUMES*



Source: Cushman & Wakefield Research

**Deals of at least S$10 million*

Key Takeaways

- Total investment volumes rose 56.6% yoy to $10.4b in 1H2024, compared to $6.6b in 1H2023.
- Residential continued to dominate, driven by sites sold under the Government Land Sales (GLS) programme. Activities in the residential enbloc market remain soft due to a gap between buyer and seller expectations .
- Amidst steady fundamentals, investor interest in the retail sector has been rising. Total retail investment volume recorded in 1H2024 (up by 1.6% YTD) has surpassed 2023's full year retail volume.
- Supported by expectations of easing interest rates and value-add/redevelopment opportunities amidst flight to quality, total investment sales could reach $22.0b in 2024, a 19.4% yoy increase.
- Investors remain keen to deploy capital. Dry powder in APAC has edged higher to US$68.0b in Q1 2024 from US$67.7b in 2023 , more than double of 2014's tally of US$30.9b.

CAPITAL MARKETS

Retail and living sectors take the spotlight

NOTABLE TRANSACTIONS 1H2024

Property Name	Type	Remaining Tenure (years)	Buyer	Seller	Purchase Price (S$ Million)	Unit Price (S$ psf)	Estimated Net Yield	Date
The Seletar Mall	Retail	87	Allgreen Properties	Cuscaden Peak Investments and United Engineers	550.0	2,900	3.9%	Q1
Nex (24.5% stake)	Retail	84	Frasers Centrepoint Trust	Frasers Property	523.1	-	4.8%	Q1
Hotel G	Hospitality	Freehold	Ascott Ltd and CapitaLand Wellness Fund	Gaw Capital	238.0	772,727*	-	Q1
Portfolio of 9 commercial assets	Retail	Various	Evia Real Estate	Mercatus Co-operative Limited	178.4	-	-	Q1
Capri by Fraser, Changi City	Hospitality	45	Far East Consortium Int'l, TPG Angelo Gordon, Atelier Capital Partners	Frasers Property	170.0	543,130*	-	Q1
Citadines Mount Sophia Singapore	Hospitality	81	BlackRock, Weave Co-Living	CapitaLand Ascott Trust	148.0	961,039*	3.2%	Q1
OneTen Paya Lebar	Industrial	Freehold	BDx Data Centers	Hwa Hong	140.0	900	3.4%	Q1
Mapletree Anson	Office	82	PAG (ASIA)	Mapletree Pan Asia Commercial Trust	775.0	2,352	3.8%	Q2
Delfi Orchard	Mixed	Freehold	CDL	Strata owners	439.0	3,346	-	Q2
30 Prinsep Street	Office	999-year	Lim Family	NTUC Income	147.0	3,000	>2.0%	Q2

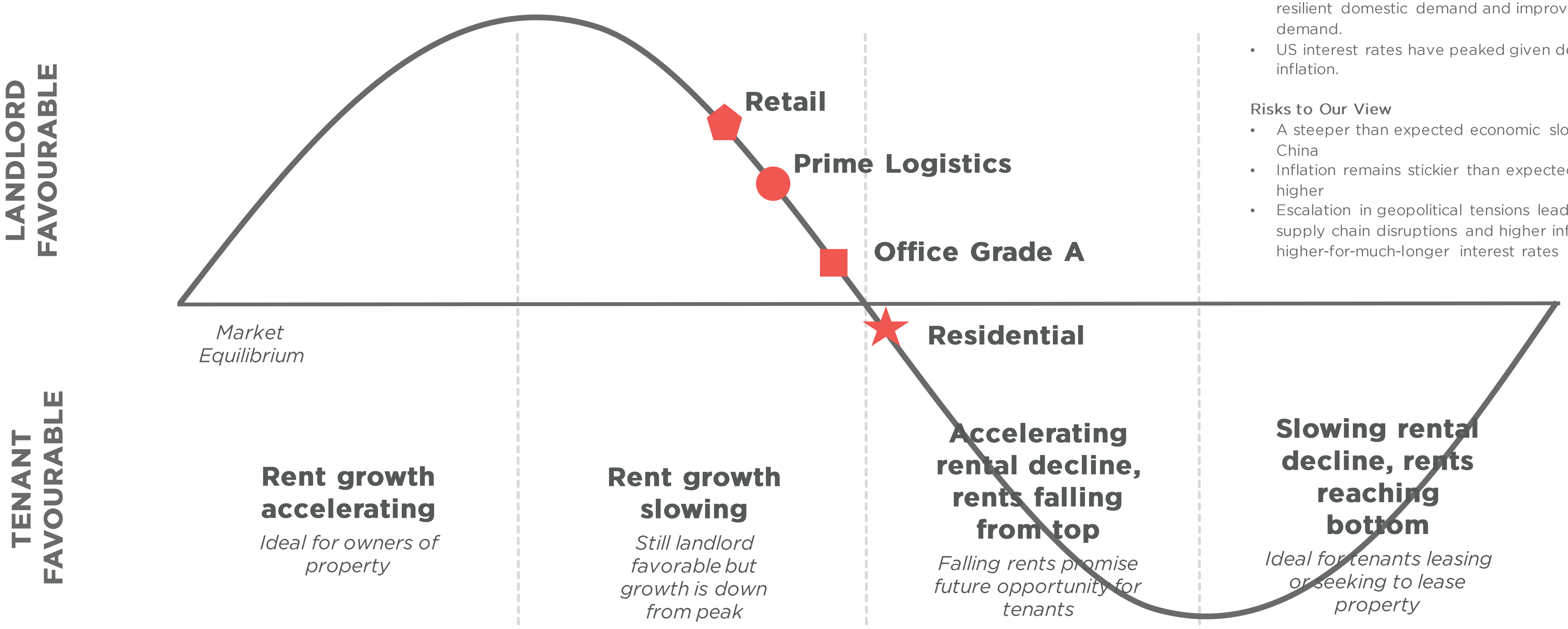
*Source: Real Capital Analytics, Cushman & Wakefield Research, * Price per key*

Key Takeaways

- The higher-for-longer interest rate environment has incentivized some asset owners such as REITs to divest their non-core assets to deleverage. A recent case in point was the divestment of Mapletree Anson for S$775m by Mapletree Pan Asia Commercial Trust (MPACT). Institutional investors remain keen on the Singapore market given her stable fundamentals. This dynamic could lift investment volumes in Singapore.
- Office assets could see a mild repricing (as net yields remain below borrowing costs), though freehold offices continue to trade at very tight yields.
- Asset classes such as living (co-living, serviced apartments, hotels) and data centres remain highly sought after due to their favourable long-term prospects.
- Retail malls, particularly suburban malls, have seen strong interest given their higher net yields (compared to offices) and rising rents.

TRENDS AND HIGHLIGHTS

Market Cycle H2 2024



Key Assumptions

- Steady economic growth in 2024, supported by resilient domestic demand and improving external demand.
- US interest rates have peaked given declining inflation.

Risks to Our View

- A steeper than expected economic slowdown in China
- Inflation remains stickier than expected or spikes higher
- Escalation in geopolitical tensions leading to supply chain disruptions and higher inflation and higher-for-much-longer interest rates

Source: Cushman & Wakefield Research

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