

# SINGAPORE

## Middle East Conflict Impact on Singapore Real Estate

08 April 2026

### WHAT HAPPENED?

- Prolonged disruptions to Middle Eastern oil supply have pushed up energy costs across Asia, reinforcing inflationary pressures and weighing on regional growth momentum. While a conditional two-week ceasefire between the United States and Iran was reached as of 8 April, uncertainty remains elevated.
- Oil prices have remained higher than before the conflict started and business confidence has started to erode and consumer sentiment has weakened. Inflationary pressures are rising across the region, and central banks may now delay or reverse expected rate cuts. APAC GDP growth in 2026 is likely to come in below the 4.0% baseline forecast. Further insights on APAC can be found [here](#).

### WHAT IT MEANS FOR SINGAPORE

- For Singapore, while fuel rationing, austerity measures, or work-from-home mandates to reduce petrol consumption have not been implemented, the authorities have cautioned that energy prices may remain structurally elevated over the longer term. This would inevitably weigh on Singapore's growth and inflation outlook. GDP growth is currently forecast at 2–4% in 2026, though this might be revised lower. Inflation is forecast at 1–2% for 2026, but upside risks are building.
- Taken together with the potential for continued safe-haven capital inflows, these dynamics create a complex backdrop for Singapore interest rates. While higher inflation would typically argue for upward pressure on rates, weaker growth momentum and increased demand for SGD assets could partially offset this, resulting in a more benign rate environment than inflation alone would suggest. For now, Singapore interest rates remain low. As of 8 April, Singapore's 3-month SORA stands at 1.07%, compared with 1.12% as of 2 March.

### WHAT'S NEXT?

- **Office:** Core CBD Grade A rents rose 1.4% qoq in Q1 2026, and full-year rental growth forecasts range from 4% to 7%. Given that the market is structurally undersupplied, our forecasts remain unchanged. New CBD office supply averages about 0.4 million sq ft (msf) annually from 2026 to 2027, well below historical norms, and CBD Grade A office vacancy rates are low at 4.1% as of Q1 2026. Given current economic uncertainty, some occupier decision paralysis may emerge, which could impact demand. However, the tight supply situation should continue to support office rental growth.
- **Industrial & Logistics:** Industrial rents are projected to grow 1–3% in 2026, supported by constrained supply. No new major multi-user prime logistics developments are expected to complete this year, and new multiple-user factory supply (for 2026) remains below its 10-year average. Higher oil prices are a net negative for the sector, raising costs across the supply chain including freight costs. That said, stockpiling demand (prevalent for energy but might spill over to other sectors) could return as companies rebuild inventory buffers, which would be a positive for logistics take-up. Amidst the AI boom, electronics demand is still expected to see long-term structural growth.
- **Retail:** New retail supply islandwide is projected to average just 0.4 million sq ft (msf) annually from 2026 to 2029, less than half the 10-year historic norm. Consumer spending growth is expected to moderate amid inflationary pressures, as households prioritise non-discretionary items. In Singapore, some of this impact could be offset by government support measures, which could help to boost consumer spending.
- **Hotels:** Singapore welcomed 16.9 million international visitors in 2025 (still slightly below pre-pandemic levels), with arrivals forecast to reach 17–18 million in 2026 and tourism receipts of S\$31–32.5 billion. Hotel RevPAR may still see modest growth, as hoteliers expected to prioritise occupancy over aggressive rate hikes. Higher oil prices would feed directly into airline costs and are likely to dampen travel demand. As a relatively high-cost destination in APAC, Singapore may feel this more acutely than regional competitors.

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- Capital Markets:** Singapore investment sales are on track to hit a record high in 2026, with Q1 2026 transaction volumes reaching \$19.7 b, more than 50% of 2025 full year transaction volumes. That said, investors may turn more selective amid elevated energy prices and macro uncertainty. Transaction volumes may moderate as investors adopt more conservative underwriting, particularly for assets exposed to operating cost pressures or leasing risk. In contrast, demand for high-quality, income-defensive assets is expected to remain resilient, supported by limited development pipelines and the scarcity value of stabilised assets.
- Sustainability & Construction:** Higher energy costs will be inflationary for construction costs through higher material prices, transportation costs. With higher construction costs coupled with economic uncertainty, this could dampen new development demand and constrain the supply pipeline for the property market. Over the medium term, persistent energy volatility may strengthen the investment case for sustainability and energy-efficient assets, particularly those able to deliver measurable operating-cost savings.

### HOW TO PLAY IT

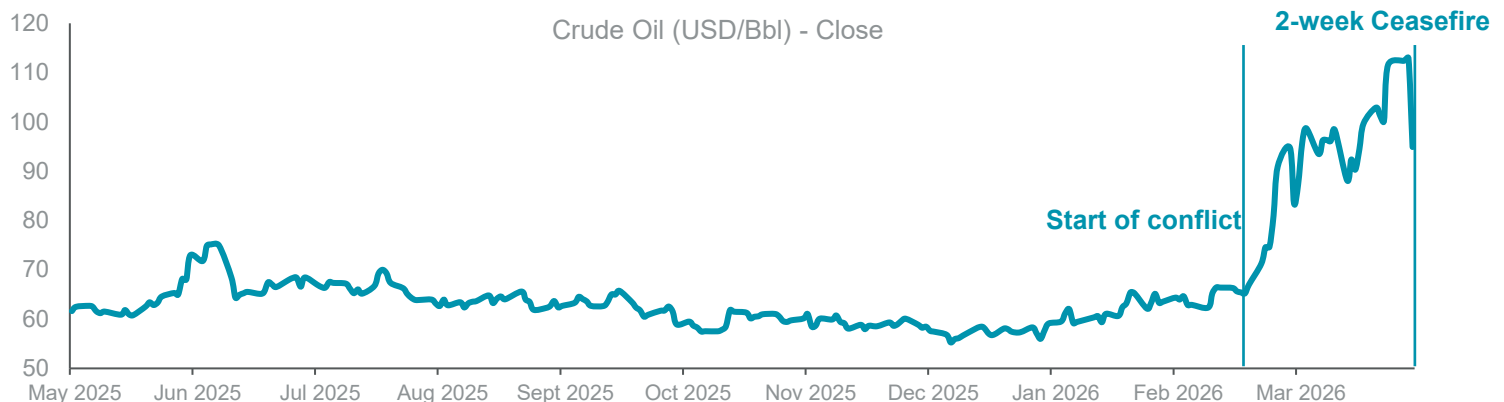
#### OCCUPIERS

Elevated uncertainty may provide occupiers with additional leverage to negotiate more favourable leasing terms in Singapore’s structurally tight market.

#### INVESTORS

With development costs expected to increase, investor interest may shift towards income-producing stabilised assets and value-add opportunities.

### OIL PRICES REMAIN ELEVATED



Source: Yahoo Finance

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