Independent Market Overview

by CBRE Pte Ltd

1 THE SINGAPORE ECONOMY

The Singapore economy expanded 2.0% in 2016, improving from the 1.9% growth achieved in 2015. Economic growth in 2016 was largely driven by the education, health and social services segment, as well as the information and communication segment.

Service producing industries grew 1.0% in 2016, contracting from 3.2% in 2015 due to the challenging global economic environment. Growth in the services sector was led mainly by the Other Services sector comprising education, health, and social services segment. The Other Services sector recorded growth rates of 3.1% in 2016 while the information and communication segment grew 2.3% over the same period.

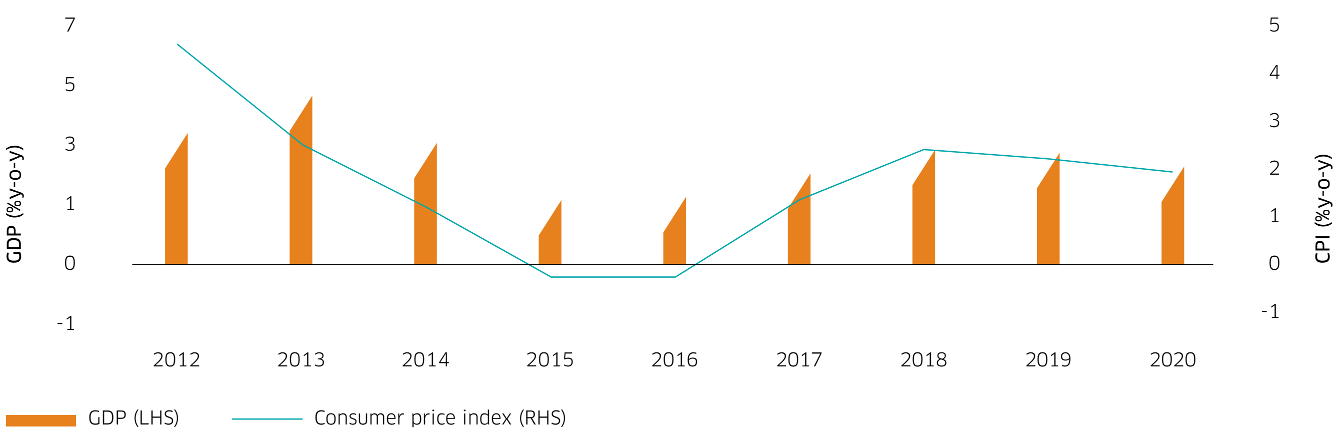
Headline inflation in 2016 was -0.5%, unchanged from 2015 due to lower transport cost and housing rents. The Monetary Authority of Singapore (MAS) forecast inflation to range between 0.5% and 1.5% for the whole of 2017, with positive contribution from energy-related components and diminishing disinflationary effects from budgetary measures. Rising private road transport costs are also expected to contribute to higher inflation in 2017.

The ongoing economic restructuring efforts will increase Singapore's dependence on the services producing industries. High-value hi-tech firms will increasingly replace the traditional manufacturing sector.

However, prospects for global economic growth remain muted as political risks and anti-globalisation sentiments pose headwinds in 2017, particularly for open economies such as Singapore.

The Ministry of Trade & Industry (MTI) has forecast a relatively modest GDP growth of between 1.0% and 3.0% in 2017, supported largely by the domestic-orientated sectors as well as potential upside to exports demand. Oxford Economics, a leading global economics advisory firm, forecast Singapore's GDP to grow by 2.7% in 2017 on the back of additional fiscal support from the government and modest easing by MAS.

Chart 1.1: GDP Growth and Inflation (%, y-o-y change)



Source: MTI, CBRE, Oxford Economics

2 THE OFFICE MARKET

2.1 Existing Office Supply

The total office stock in Singapore stood at 57.2 million sf in 1Q 2017. Raffles Place, Shenton Way, Marina Centre and Marina Bay form the Core CBD sub-market with 48.2% of the overall stock and this sub-market continues to command the clear majority of the office market. Typical office tenants in the Core CBD are in the financial & insurance, information technology (IT), and the business services industries.

Tanjong Pagar, Beach Road/City Hall as well as Orchard Road make up the Fringe CBD submarket with 28.6% of the overall stock. The Decentralised sub-markets, Alexandra/HarbourFront, Thomson/Novena, Tampines and River Valley, account for 23.2% of the overall market.

Total office stock had grown 2.7% or 1.5 million sf in 2016 due largely to the completion of new developments in 2H 2016 such as Guoco Tower (890,000 sf), DUO Tower (570,000 sf), and SBF Center (353,000 sf).

In terms of net new office supply[1], the 5-year average was approximately 1.07 million sf (2012 – 2016 inclusive).

Tanjong Pagar and Alexandra/HarbourFront Micromarkets

The office stock in the Tanjong Pagar[2] micro-market increased by 890,000 sf to 5.57 million sf with the completion of Guoco Tower. The Alexandra/HarbourFront[3] micro-market remained unchanged at 3.56 million sf. The Tanjong Pagar micro-market commands 9.7% of the overall market while the Alexandra/HarbourFront micro-market occupies a 6.2% market share of the island-wide office stock.

Both the Alexandra/HarbourFront and the Tanjong Pagar micro-markets are characterized by diverse assets with a wide range of age and specifications.

Future Office Supply

For the next four years (2017 – 2020 inclusive), there are currently plans for approximately 6.67 million sf of new office developments. Most of the future supply (58.4%) is in the Core CBD sub-market while 9.9% and 31.7% of new office space is in the Fringe CBD and Decentralised sub-markets respectively.

Six office developments totalling 3.14 million sf are slated for completion in 2017. Approximately 92%, totalling 2.44 million sf of new office space, will be in the Core CBD submarket, of which 11.6% will be sold on a strata-titled basis.

Major developments completing in 2017 consist of Marina One (1.8 million sf), UIC Building (277,000 sf), and the completion of AEI works for GSH Plaza (282,000 sf), a strata title office development in the Core CBD submarket. In the Decentralised submarket, Vision Exchange (500,000 sf) by Sim Lian Group will be completed in 1Q 2017.

Frasers Tower (664,000 sf), the redevelopment of International Factors Building by Tuan Sing (145,000 sf), and Paya Lebar Quarter (750,000 sf) by Lend Lease are scheduled to be completed by end-2018.

In 2019, the new office completions will be in the Fringe CBD and Decentralised submarket. The redevelopments of Funan DigitaLife Mall (204,000 sf) and the Park Mall (352,000 sf) will be in the Fringe CBD submarket, while the Woods Square development (530,000 sf) by Far East and Sekisui House will be in the Decentralised submarket.

2020 will see the completion of Centrium Square (107,000 sf) by Tong Eng in the Decentralised submarket, as well as the redevelopment of Afro-Asia building (153,000 sf) and 79 Robinson Road (500,000 sf) in the Core CBD submarket.

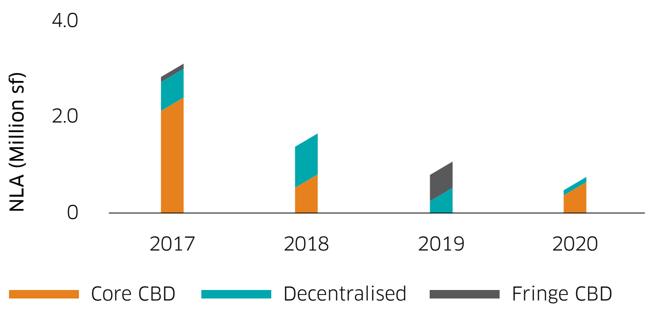
Tanjong Pagar and Alexandra/HarbourFront Micromarkets

79 Robinson Road (2020) is the only enbloc office development scheduled for completion in the Tanjong Pagar micro-market, and will add an additional 664,000 sf and 500,000 sf of space respectively to the Tanjong Pagar micro-market when completed.

There is currently no planned future office supply in the Alexandra/HarbourFront micro-market.

1. Net new supply is calculated as a sum of new completions, demolitions and conversions.
2. The Tanjong Pagar basket of properties consists of 23 buildings that total 4.7 million sf. The key projects are Guoco Tower. 79 Anson Road, Keppel Towers, AXA Tower, Mapletree Anson and Twenty Anson among others.
3. The Alexandra/HarbourFront basket of properties consists of 13 buildings that total 3.7 million sf. The key projects are HarbourFront Tower 1 and 2, HarbourFront Centre, MLHF, Keppel Bay Tower, the office component of Mapletree Business City (MBC), PSA Building, and Fragrance Empire Building among others.

Chart 2.1 Future Office Supply



Source: CBRE, Urban Renewal Authority (URA)

2.2 Demand and Occupancy

2016 was a promising year as total island-wide office net absorption rebounded to 1.15 million sf from -313,458 sf in 2015. This is attributed to the healthy pre-commitment of the recently completed Guoco Tower and DUO Tower. This was also higher than the 10-year average island-wide office net absorption level of 1.07 million sf (2007 – 2016 inclusive).

Despite the completion of two landmark office developments in 2016, island-wide office vacancy rate only increased marginally by 83 basis points to 6.4% in 1Q 2017.

Flight to quality and cannibalisation remain a common theme as firms capitalise on the current office market conditions to review and consolidate their operations. Leasing demand continues to be driven by a diverse range of industries from technology, fund management, financial services, consumer services and trading firms.

Co-working spaces are also gaining acceptance with both landlords and enterprises alike. Their presence helps to absorb some of the excess space on the market, and represent the office market's response to the rise of the sharing economy. Co-working spaces also increase the diversity of office solutions for a changing workforce. As a sign of its increasing prominence, co-working spaces contributed to approximately 17.3% of total island-wide office net absorption in 2016.

For example, Distrii committed to a 60,000 sf co-working space in Republic Plaza while JustCo is opening two new co-working spaces with a combined floor area of more than 100,000 sf in Marina One and the new UIC building in 2017.

Tanjong Pagar and Alexandra/HarbourFront Micromarkets

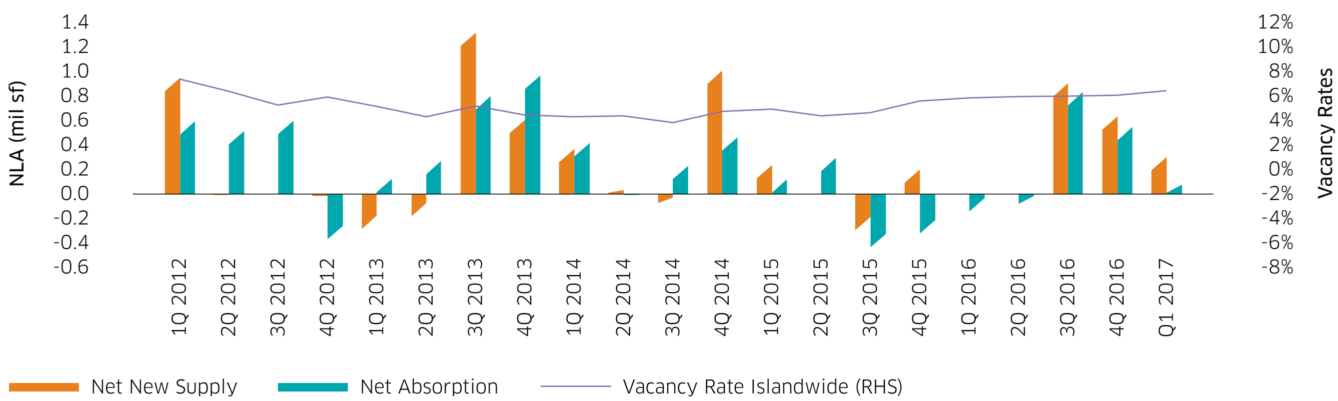
The introduction of Guoco Tower to the Tanjong Pagar micro-market will bring up its overall branding and positioning, contributing positively to the overall appeal of the micro-market.

The Alexandra/HarbourFront micro-market is in the Fringe CBD area and offers an attractive alternative to the CBD. The introduction of the office component at MBC I and MLHF has increased the quality of the offices in the area and attracted demand by sophisticated tenants drawn to the relatively reasonable pricing and large floor plates. These have supported the resilience of the Alexandra/HarbourFront micro-market during periods of uncertainty.

2.3 Office Vacancy Rates

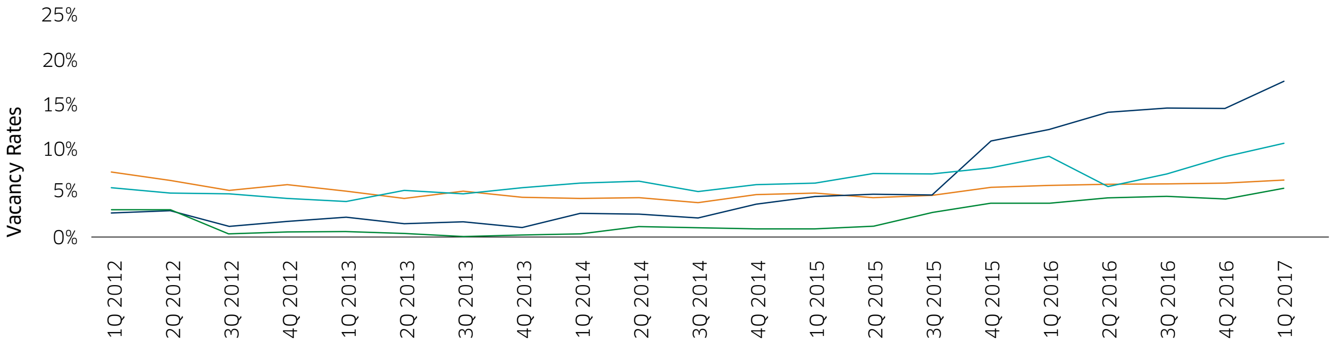
Island-wide office vacancy increased to 6.4% in 1Q 2017. This is 272 basis points below the 9.0% observed after the Global Financial Crisis in 1Q 2010, and has been steadily increasing from a low of 3.8% since 3Q 2014. Vacancy rates are expected to continue increasing throughout 2017 albeit at a slower pace as the market begins to stabilise on the back of decreasing new supply. Older Grade B offices will bear the bulk of the increase in vacancy as flight to quality and cannibalisation continue to favour Grade A offices.

Chart 2.2: Island-wide Office: Net Supply, Net Absorption & Vacancy Rates



Source: CBRE, URA

Chart 2.3: Office Vacancy Rates



Source: CBRE, URA

The vacancy rates in the Tanjong Pagar micro-market increased in 4Q 2016 due to the completion of Guoco Tower in 2016. Newer Grade B offices with modern specifications maintained stable vacancy rates.

In the Alexandra/HarbourFront micro-market, vacancy rates are affected by the low take up rate in Fragrance Empire Building.

2017 will see the Alexandra/HarbourFront micro-market continue to evolve into a two-tier office market as Grade A specification offices enjoy low vacancy rates due to the limited supply of such quality office space in this location.

2.4 Office Rents

Singapore office rents peaked in 1Q 2015. It has since declined as increasing supply and rising vacancy rates tampered landlords' expectations. Grade A rents declined the most, falling by 21.5% from the peak to S$8.95 psf in 1Q 2017. However, the rate of decline has since slowed from 13.2% y-o-y in 1Q 2016 to 9.6% y-o-y in 1Q 2017.

Grade B island-wide office rents in 1Q 2017 decreased at a slower pace of 14.9% from the peak in 1Q 2015, in tandem with Grade A rents. Grade B rents declined 7.3% y-o-y to reach a low of S$6.85 psf in 1Q 2017.

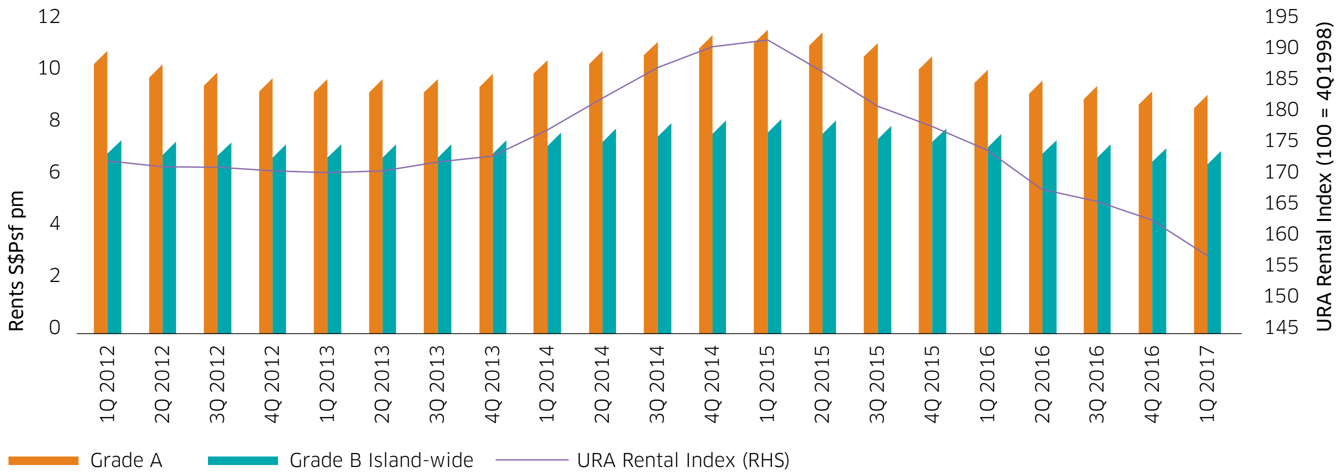
Rents are generally showing signs of finding support levels and stabilising in 2018. The office market is projected to turn the corner in 2018 as landlords' sentiments turn positive on the back of limited future supply.

Grade B rents will continue to enjoy lower volatility as compared to Grade A rents. Despite further declines expected in 2017, Grade B offices are also expected to turn the corner in 2018 as they benefit from a general recovery in the overall office market.

	1Q 2017 (Psf/Mth)	Y-o-Y	Q-o-Q
Grade A	S$8.95	-9.60%	-1.65%
Grade B Island-wide	S$6.85	-7.30%	-1.40%

Source: CBRE

Chart 2.4: Office Rents (in S$ psf/month)



Source: CBRE, URA

In general, the Tanjong Pagar micro-market experienced lower volatility relative to the overall market due to its higher concentration of non-banking and financial services tenants. A two-tier state exists in the area as newer developments with better building specifications command higher rents relative to older developments. Average rents for newer developments generally command a premium of 25.0% over older developments.

Average office rents in the Alexandra/HarbourFront micro-market declined 8.7% y-o-y in 1Q 2017. However, good quality office buildings in the micro-market generally enjoy greater resilience and rent stickiness.

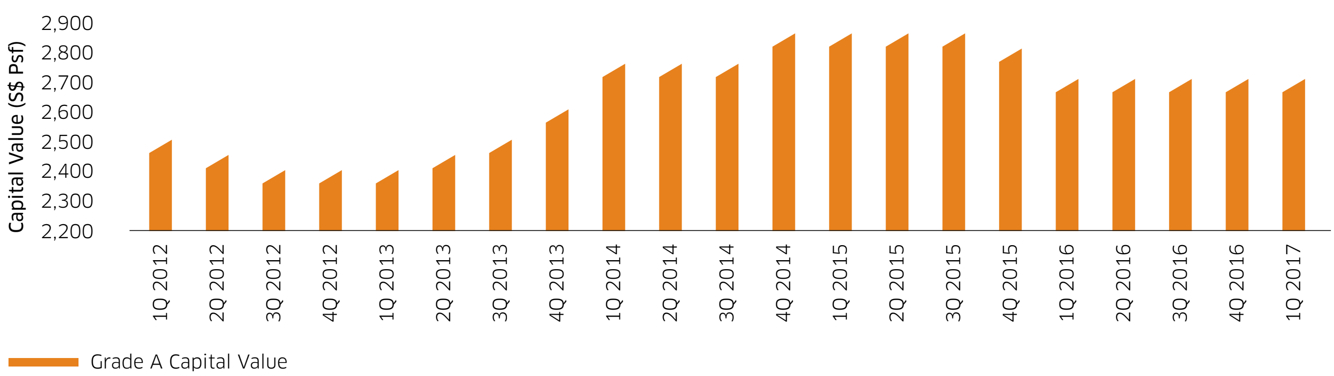
2.5 Office Investment Market and Capital Values

Singapore's strong long-term fundamentals, coupled with the overall uncertain global environment, have attracted strong investment interest from foreign investors. Quality office buildings in prime locations are key beneficiaries as they are highly desired by foreign investors looking for a safe haven.

Selected enbloc office transactions in 2016 comprised of a mix of Grade A and Grade B offices including Asia Square Tower 1 (S$3.4 billion), 77 Robinson Road (S$530.8 million), and a 50% stake in Capital Square office tower ($475.5 million).

Grade A office capital values remained unchanged at S$2,700 psf in 1Q 2017 on the back of strong investment interest. Yields compressed to 3.10% from 3.44% a year ago as rents had fallen.

Chart 2.5: Prime Office Capital Values



Source: CBRE

For 2017, the investment market is likely to remain resilient as the price gap between buyers and sellers narrows in anticipation of a turnaround in the office market in 2018. The market appears to be concentrated largely on quality investments with reasonable prices.

2.6 Office Outlook

Office rents are expected to continue to trend down in 2017, albeit at a slower rate. Leasing activities are expected to be supported by technology, fund management, financial services, consumer services and trading firms with most leasing activities driven by flight to quality as well as efficiency gains. Activity-based workspace is increasingly becoming a norm with the rise of co-working space in areas where traditional offices used to exist.

Vacancy levels are expected to continue to increase in 2017 on the back of new office completions. As tenants vacate Grade B buildings with aged specifications and move to newly completed Grade A buildings, landlords will engage in asset enhancement initiatives (AEI) opportunities for the older Grade B buildings to ensure that they remain relevant and competitive when the office market eventually recovers.

While Grade A rents will continue to decline for the rest of 1H 2017, there are signs of potential upside in 2H 2017 that will signal the turning around of the economy. Grade B rents will rise and fall in tandem with Grade A rents, but will remain less volatile. Better incentives and competitive rents to retain tenants will continue to dominate most landlords' strategy in 2017.

3 THE RETAIL MARKET

3.1 Existing Retail Supply

Singapore island-wide private retail stock increased 2.1% y-o-y to 48.46 million sf in 4Q 2016. The Fringe Area remains the key retail district with 26.2% of the island-wide retail stock, followed by the Suburban Area at 25.3%, Rest of Central Area at 19.0%, Orchard Area at 15.4% and Downtown Core Area at 14.1%.

Selected new key retail developments in 2016 include Downtown Gallery (145,000 sf) and Tanjong Pagar Centre (100,000 sf).

There were several AEIs during the year, with ongoing works at Bukit Panjang Plaza AEI (13,500 sf), Technopark @ Chai Chee (64,000 sf) and Compass One (270,000 sf), as well as Tiong Bahru Plaza (215,000 sf) which was completed in 2016.

Decentralisation efforts by the government and limited room for expansion in the traditional prime corridors have resulted in most new retail developments being built in suburban Singapore. Government Land Sales (GLS) also typically feature mixed developments consisting of retail opportunities at key suburban transportation nodes.

HarbourFront/Alexandra Micro-market

The HarbourFront/Alexandra precinct is mainly anchored by landmark retail developments comprising VivoCity, Harbourfront Centre, and Resorts World Sentosa (RWS). They are further complemented by smaller retail developments such as Alexandra Retail Centre, the retail portion of MBC, Anchorpoint and Alexandra Central, which cater to the working and residential populations in the vicinity.

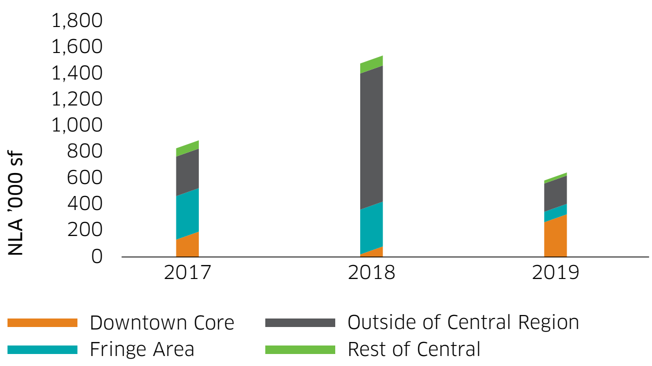
VivoCity is Singapore's largest shopping mall and is complemented by HarbourFront Centre, a mixed-use development comprising office and retail offerings as well as an international cruise centre. This scale allows VivoCity and HarbourFront Centre to establish a regional retail presence that attract visitors and shoppers from all over Singapore.

Located on Sentosa Island, RWS is predominantly occupied by food & beverage (F&B) outlets as well as luxury boutique outlets catering to tourists.

Future Retail Supply

CBRE estimates the total projected island-wide retail supply over the next three years (1Q 2017 to 4Q 2019 inclusive) to increase by approximately 3.08 million sf, increasing total stock by 6.4% to 51.54 million sf. The majority of the potential supply will be located in the Outside Central Region (50.7%).

Chart 3.1: Future Retail Supply: 2016 – 2019



Source: CBRE, URA

Selected key retail developments in the Downtown Core Area in 2017 include Duo Galleria (54,000 sf) and Marina One (140,000 sf). Upcoming suburban retail spaces include Vision Exchange (52,000 sf) and Kampung Admiralty (83,000 sf), as well as the AEI works at of Downtown East (48,000 sf), all of which are located outside the Central Region. Notable developments in the Fringe Area include Royal Square at Novena (42,000 sf) and addition and alteration works to the existing Singapore Post Centre at Paya Lebar (180,000 sf).

In 2018, a total of 1.54 million sf of new retail developments will be introduced with landmark developments such as Paya Lebar Quarter (320,000 sf), Northpoint City (315,100 sf) and Project Jewel at Changi Airport (576,000 sf) contributing to the bulk of retail supply totalling 1.21 million sf outside the Central Region. New retail completions in the Downtown Core consist mostly of smaller developments such as Frasers Tower (23,100 sf), while City Gate will contribute approximately 76,200 sf of new retail space in the rest of Central Area.

The pace of new retail supply will slow down in 2019 with only 646,000 sf of retail space slated for completion. In the Outside Central Region, Canberra Plaza (88,800 sf), Wisteria Mall (83,300 sf) and Woods Square (44,800 sf) will add 216,900 sf of new retail space when completed. When redeveloped, Funan DigitaLife Mall will contribute 327,000 sf of space in the Downtown Core, while Park Mall will contribute 21,000 sf of new retail space to the Rest of Central Area. In the Fringe Area, Poiz Centre will contribute 40,300 sf of new retail space to the market.

HarbourFront/Alexandra Micro-market

There is no planned supply of future retail space in the HarbourFront/Alexandra micro-market as at 4Q 2016.

3.2 Demand and Occupancy

2016 island-wide retail net absorption rebounded to 599,723 sf from -150,695 sf in 2015, a significant improvement of 710,418 sf. Demand was healthy despite a significant increase in net new supply (807,292 sf) for 2016.

However, uncertain economic conditions continued to weigh on retailers' long term plans as a general fall in consumers' discretionary spending and the rise of e-commerce affect traditional retailers' sales. The retail sales index (excluding motor vehicles) fell 3.4% y-o-y from 99.0 in 2015 to 95.6 in 2016. It was likely mitigated by higher tourism receipts and visitor arrivals, with tourism receipts rising 13.9% to S$24.8 billion in 2016 on the back of 16.4 million visitor arrivals (7.7% y-o-y).

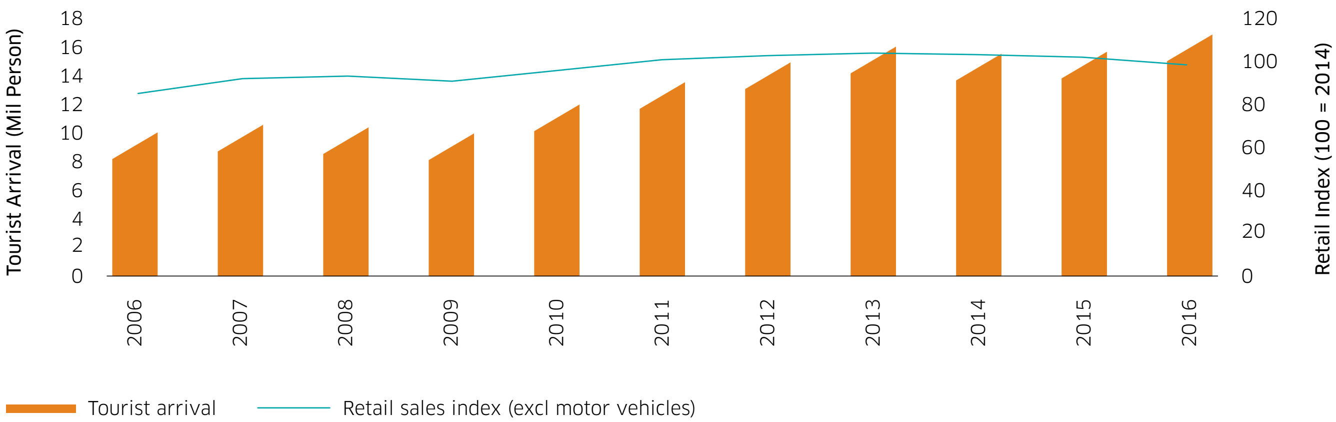
According to Singapore Tourism Board (STB), 2017 will see tourism receipts growth tapering to a range of between S$25.1 and S$25.8 billion (1% to 4% y-o-y) on the back of between 16.4 and 16.7 million visitors. (0% to 2% y-o-y). This is largely due to global economic and political uncertainties coupled with increasing regional competition for tourism dollars.

Interests from new-to-market international brands remained healthy but prospective tenants were very selective as they took time to identify prime retail space in highly visible and desirable locations. Singapore remained an attractive gateway into South East Asia for most retailers seeking to expand their regional footprint.

Island-wide retail vacancy rates peaked in 3Q 2016 at 8.4% before improving to 7.7% in 1Q 2017, breaking the uptrend over the past twelve quarters. Overall retail vacancy rates increased 40 basis points from a year ago.

The retail market is not homogeneous. Challenging macro-economic conditions are forcing retailers to rethink their operational strategy and consolidate their operations at profitable outlets. As a result, well-managed retail malls in good locations with limited future supply will continue to attract prospective tenants despite the overall weak retail market.

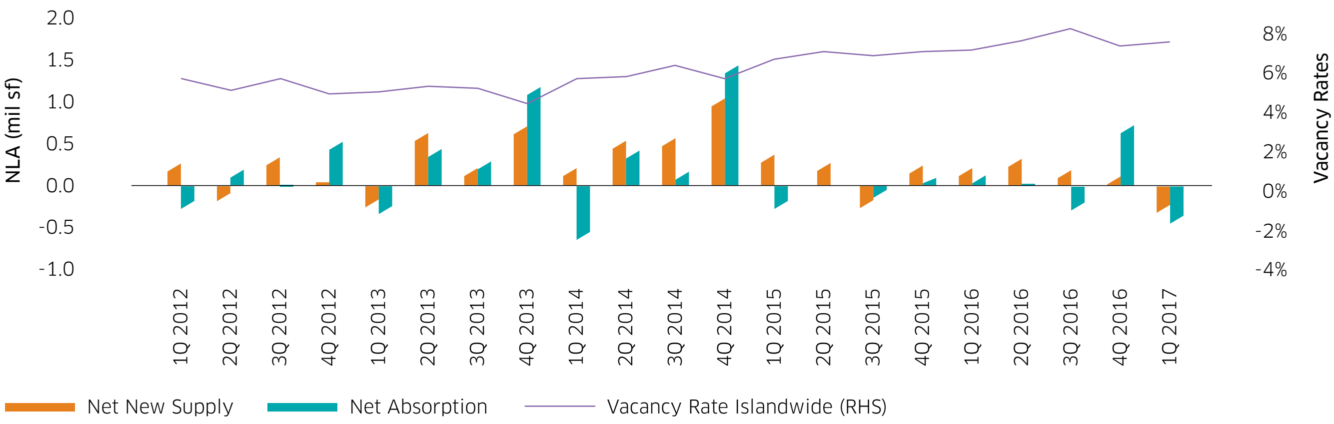
Chart 3.2: Visitor Arrivals & Retail Sales Index (excl Motor Vehicles)



Source: Singapore Tourism Board, Department of Statistics

* The re-basing of the RSI and FSI series from year 2010 to 2014 was announced in March 2015.

Chart 3.3: Island-wide Retail: Net Supply, Net Absorption & Vacancy Rates



Source: CBRE, URA

* URA introduced a new retail series which includes F&B, entertainment, and health & fitness space. This resulted in a difference in total stock, net new supply, vacancy, net absorption, price index and rental index numbers from the existing series. The new retail series starts from Year 2011 onwards.

In general, retail developments with high visibility and good frontage are highly desirable in the current market as international brands capitalise on opportunities to build flagship stores. For example, Victoria's Secret opened a 12,000 sf flagship store in Mandarin Gallery. Apple, Michael Kors and MAC Cosmetics have also leased prominent locations in the Orchard sub-market to build flagship stores.

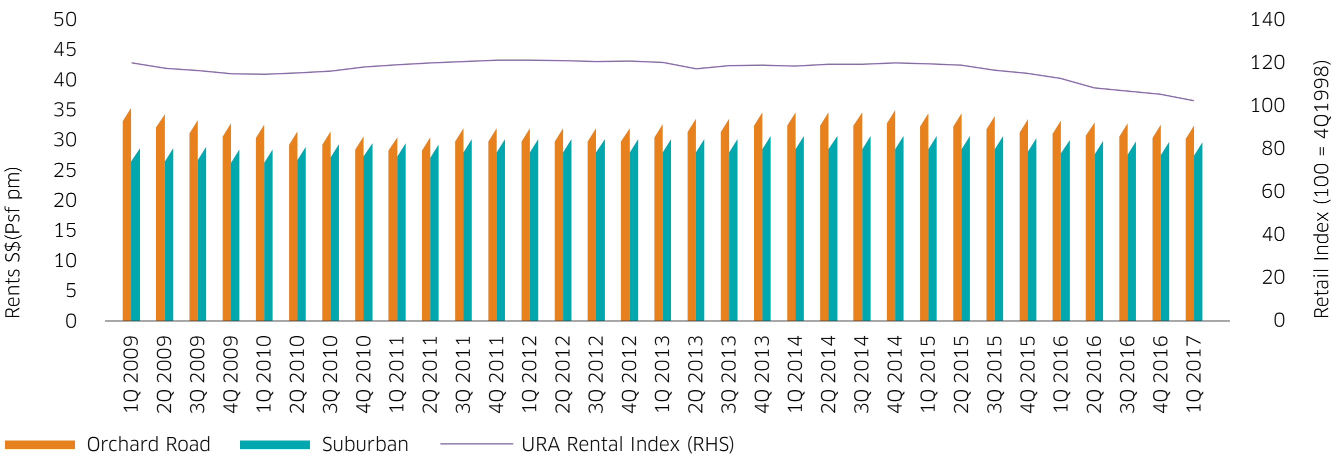
3.3 Retail Rents

Rents continued to soften across the board in 1Q 2017 as landlords sought to retain tenants on the back of overall weaknesses in the retail market. However, the rate of decline has been slowing, with Prime Orchard Road rents declining 2.4% y-o-y to $32.05 psf pm as compared to 2.7% y-o-y in 4Q 2016.

Suburban rents declined 1.3% y-o-y to $29.25 psf pm in 1Q 2017 as landlords remained cautious over the significant amount of planned suburban retail supply expected to be completed over the next 3 years.

Rents in the Orchard Road sub-market last peaked in 2008. Its recovery in 2H 2011 was short-lived as slowing global economic growth and a wave of new retail developments islandwide reversed the trend in 1Q 2015. Rents have since declined over the last 9 quarters. Suburban retail rents experienced relatively lower volatility and smaller declines in 2016 as it was mostly supported by the domestic retail market.

Chart 3.4: Retail Rents



Source: CBRE, URA

3.4 Retail Outlook

Retail rents are expected to continue weakening in 2017 across all sub-markets as competition for tenants intensifies on the back of an overall weak retail market and expectation of a significant influx of new supply over the next 3 years.

Uncertain economic conditions coupled with ongoing layoffs have continued to weigh on the overall retail market, with consumers reducing their discretionary spending. The rise of e-commerce has also affected the performance of traditional brick-and-mortar retailers.

Manpower constraints will continue to limit retailers' ability to grow and expand with most traditional retailers making a beeline for popular malls that attract consumers with innovation and unique experiences. On the other hand, malls that fail to build a unique positioning will continue to falter and contribute to the overall increase in island wide retail vacancy rate.

The ongoing trend of pop-up stores by entrepreneurs continue to complement the mix of international brands in most shopping malls, while iconic global retailers are being offered attractive incentives to set up flagship stores at prime locations to anchor the branding and positioning of the malls.

Vacancy rates are expected to continue to rise on the back of new supply and consolidation of operations in the retail sector. Innovative lease structures offered by landlords are also presenting new opportunities for e-commerce retailers who are looking to setup a physical presence.

The overall challenging retail environment has encouraged retail landlords to focus on asset management and develop innovative strategies to retain tenants. Most landlords are also now open to negotiations, unlike in the better times whereby tenants had to accept landlords' requested terms.

The next 4 years will continue to challenge retailers and landlords to adopt omni-retailing channels to compete in a digitalised era. In conclusion, an increasingly segmented market will create new opportunities for retail landlords and retailers alike.

4 THE BUSINESS PARK MARKET

4.1 Existing Business Park Supply

Business Parks are campus-like business spaces that typically occupy at least five hectares of land. They are also part of the larger decentralisation efforts by the government to encourage businesses to consider operations that do not require a CBD address to relocate to the suburbs.

Singapore island-wide Business Park stock increased 11.7% y-o-y to 23.0 million sf in 4Q 2016. Much of the increase can be attributed to the completion of MediaHub and GSK Asia HQ in one-north as well as MBC II in the central region.

According to JTC Corporation, the lead agency in Singapore that spearheads the planning, promotion and development of industrial spaces, most of the Business Park space (~57.8%) are distributed in the central region comprising of one-north, MBC and Singapore Science Park. By further geographical segmentation within the central region, MBC and one-north fall within the City Fringe micro-market.

The east region is anchored by Changi Business Park, with a market share of 24.5%, while the west region with a market share of 17.7% is where the International Business Park, one of Singapore's earliest Business Parks, is located.

MBC I and MBC II account for a combined 12.4% of total island-wide Business Park space as at 4Q 2016.

Figure 4.1(a): Business Park Clusters in Singapore

Source: OneMap, CBRE

Over time, some of the Business Parks have developed unique identities. Changi Business Park is a reputed back-office hub for financial institutions such as Citibank, Standard Chartered, DBS and UBS, while one-north is best known for biomedical, infocomm technology and media with tenants like Oracle, Novartis, Lucasfilm, Autodesk, MSD, and GlaxoSmithKline.

International Business Park has been the base for traditional technology and manufacturing companies such as Acer, Creative Technology, Sony, M1, Dell, Thermo Fisher, Jacobs Engineering, Evonik and Kongberg while Singapore Science Park is home to mostly research and technology companies such as Defence Science Organisation National Laboratories, Defence Science and Technology Agency, Avaya, Quintiles, and Shimadzu.

One of the newest Business Parks in Singapore is MBC, featuring proximity to the Core CBD, Grade A specification buildings, reasonable rents, and integrated business hub features. It is currently the only Business Park space in the Alexandra/HarbourFront micro-market. The typical profile of tenants in MBC is different from traditional Business Parks as they appear to bear closer resemblance to the tenant profile of office occupiers in the Core CBD, with tenants such as Google, Covidien, Unilever, SAP, HSBC, Samsung, Nike, NTT, and GovTech.

There is a good range of amenities available in MBC including mid-range specialty restaurants, food courts, a multi-purpose auditorium, a carpark podium equipped with close to 2,000 carparks, modern conference facilities, a fitness club with lap pool, outdoor sporting facilities, clinic and a roof top garden.

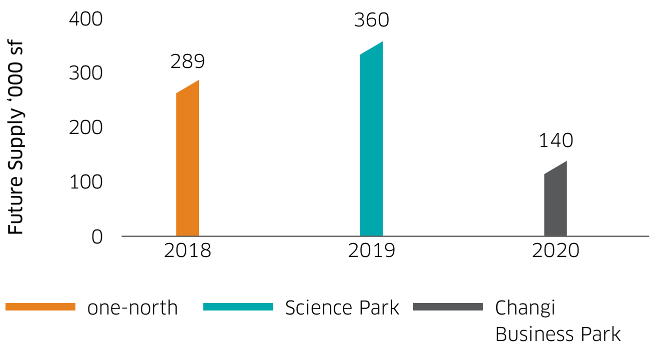
Future Business Park Supply

CBRE projects the island-wide Business Park supply over the next three years (2018 to 2020 inclusive) to increase by approximately 789,000 sf, representing approximately 3.4% of the existing business park supply. Most of the planned future supply is in the central region, particularly in Science Park (45.6%). The remaining future supply is located at one-north and Changi Business Park.

Boustead's Mediapolis site at One North will be the earliest planned supply to be completed with an estimated NLA of 290,000 sf in 2018. This will then be followed by approximately two science park developments that will supply an estimated 360,000 sf of new business park space in 2019, out of which approximately 125,000 sf has been pre-committed. A Built to Suit Business Park development that will be wholly occupied by Kingsmen will be completed in 2020, increasing the Changi Business Park overall stock by an additional 140,000 sf.

Under the Masterplan 2014, there are also plans to build new Business Parks in Woodlands North Coast and Punggol. However, details of the plans are yet to be released as at 1Q 2017.

Chart 4.1(c): Future Business Park Supply: 2018 – 2020



Source: CBRE, JTC

4.2 Demand and Occupancy

Business Park space typically features modern office-like specifications and tenants engaged in non-pollutive activities like advanced technology, research and development in high value-added and knowledge intensive industries, as well as back-office and headquarter type functions that meet the permissible usage[4] requirements.

Island-wide net absorption for the Business Park market came in at a healthy 1.8 million sf in 2016, supported mostly by the completion of MBC II in Alexandra/HarbourFront and Ascent in Science Park I.

According to JTC data, the 10-year average net absorption for island-wide Business Park space is approximately 1.06 million sf while the 10-year average net absorption for Business Parks space in the central region is approximately 630,000 sf.

In terms of net new supply, the 10-year average net new supply for island-wide Business Park space is approximately 1.30 million sf while the 10-year net new supply for Business Park space in the central region is around 786,000 sf.

Historical trends suggest that the government regulates the release of new Business Park land to ensure healthy demand for Business Park space as well as to allow for existing Business Park developments to stabilise.

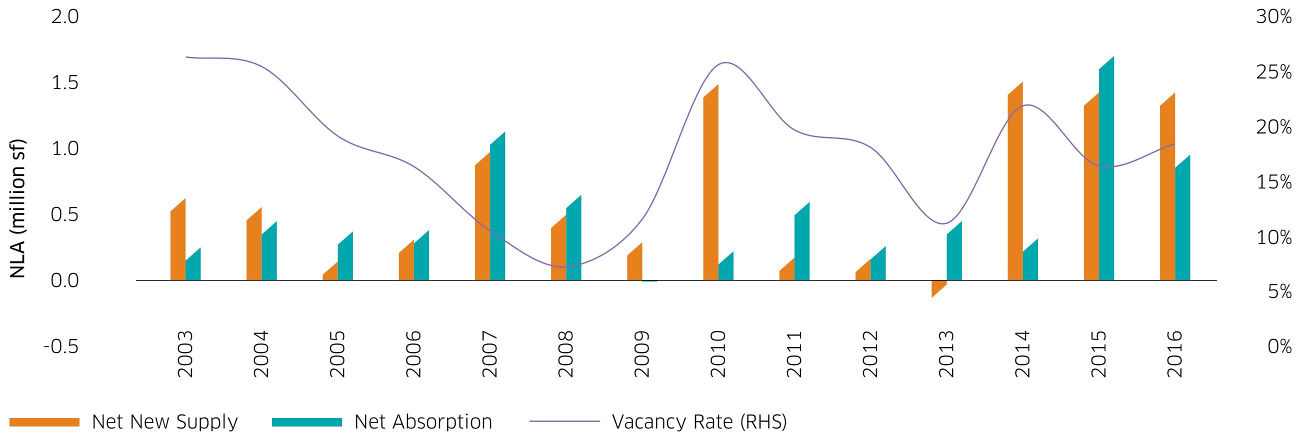
Vacancy rates for Business Park space have thus normalised since 2010 despite a continuous supply of new Business Park space in the market.

4. Permissible use requirements can be found on http://www.ura.gov.sg/uol/guidelines/development-control/change-use-premises/sections/Permissible-Uses.aspx.

Chart 4.2(a): Business Park Island-Wide Supply, Demand & Vacancy Rates

Source: CBRE, JTC

Chart 4.2(b): Business Park Central Region Supply, Demand & Vacancy Rates



Source: CBRE, JTC

Firms in the infocomm, technology, biomedical and finance sectors are presently among the most prevalent tenants in Business Parks.

Tenants generally exhibit preference for prime Business Park space in the central region. There is thus demand for Business Park spaces with connected locations, new buildings of high quality with access to amenities. Most leasing activities are currently centred on relocations and renewals.

As such, most relocation activities are driven by flight-to-quality from older developments, or consolidation of operations in existing locations. Examples include Barclays, Standard Chartered Plc and Credit Suisse Group.

Another notable trend seen in the market is companies moving from office spaces to business parks, including Google which had vacated its prime office location in Asia Square Tower 1 to MBC II and Apple's 215,000 sf lease at Innovis in Fusionopolis Two in the one-north area.

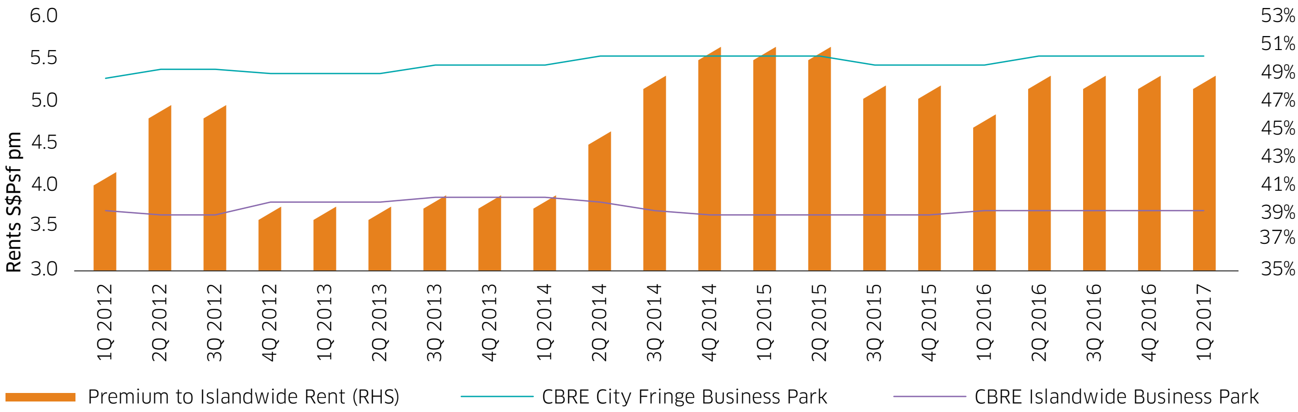
4.3 Business Parks Rents

The average rents for Business Park space has remained relatively stable in 1Q 2017. CBRE's basket of City Fringe Business Park space consisting MBC I and one-north commanded rents of approximately S$5.50 psf pm, an improvement of 1.9% y-o-y and approximately 49% higher than island-wide Business Park rents.

City Fringe Business Parks have always commanded rental premiums of at least 37% over island-wide Business Parks over the last 5 years due to the different profile of tenants that typically occupy the City Fringe Business Parks space, as well as their relative proximity to the CBD.

City Fringe Business Parks also generally feature Grade A specifications and tend to be newer than those in the east and west regions.

Chart4.3(a): Business Park Rents



Source: CBRE, JTC

Note: By further breakdown within the central region, the Alexandra/HarbourFront micro-market is classified under City Fringe.

In general, the limited future supply of Business Park space and affordable rents for quality space is expected to provide healthy demand and rental support for the Business Park sector. Business Parks in central locations with Grade A specifications benefit the most as demand is expected to remain healthy. As such, rents for Business Park space are expected to remain stable in the near to medium term.

Looking ahead, Business Park rents are expected to enjoy strong rental growth from 2019 as the sector rides on the back of the expected recovery in the office market.

4.4 Business Parks Outlook

CBRE expects Business Park occupancy rates to enjoy relative resilience in the medium term as limited new supply provide much needed time for the market to absorb the existing supply.

As a result, overall Business Park rents are likely to find support at current levels while Business Parks in the fringe of the CBD can be expected to retain upside potential in 2017 and 2018.

Efforts by the government to restructure more industries into higher value chain productions are also likely to result in stronger demand for prime Business Park space with Grade A specifications in the medium to long term.

Increasingly, emerging industries have been occupying Business Park space across the island, featuring innovative concepts including co-working operators.

In summary, vacancy rates are expected to decline on the back of limited new supply and stabilising rents. The Business Park sector is well-positioned to ride the expected office market recovery in 2018, which will likely result in increasing rents for Business Park space. Prime assets in the central region will outperform due to healthy demand coupled with the scarcity of Business Park assets with Grade A specifications located near the CBD.

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