Independent Market Overview

By CBRE Pte Ltd

1. THE SINGAPORE ECONOMY

1.1 Economic Overview

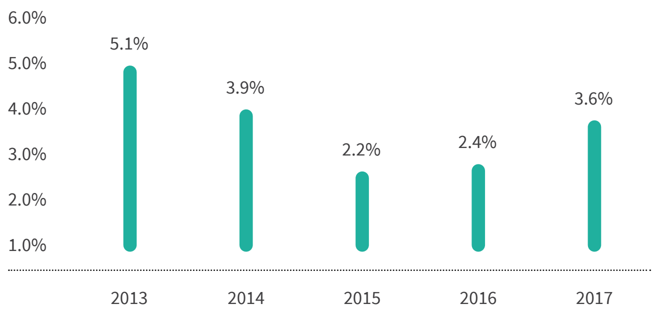
According to the Ministry of Trade & Industry ("MTI"), Singapore's economy expanded by 3.6% in 2017, an improvement from the 2.4% growth achieved in 2016. Growth was driven primarily by robust expansion in the manufacturing sector, which grew by 10.1%. It was led by the precision engineering and electronics clusters amidst a decline in output within the biomedical manufacturing, transport engineering and general manufacturing clusters. The services sector also saw an overall expansion of 2.8% in 2017 which was supported by the wholesale & retail trade, transportation & storage and finance & insurance sectors. Conversely, the construction sector contracted by 8.4% on the back of weaknesses in private sector construction activities.

According to the MAS, headline inflation for 2017 came in at 0.6%. Meanwhile, core inflation averaged 1.5% for the year. MAS expects core inflation to stay in the range of 1-2% in 2018.

In the current era of technological disruption and stiff competition, the Singapore government has been very supportive in pushing for the restructuring of the country's economy. The government is currently developing 23 Industry Transformation Maps which aim to formulate strategies to support companies move up the value chain, improve operational productivity and overseas expansion.

Overall, the outlook for global growth has improved, with the International Monetary Fund upgrading its forecast for 2018 to 3.9% amidst increased momentum brought about by changes in United States tax policy. Singapore's economy is expected to post moderate growth in 2018 and is expected to be slightly above the middle of the forecast range of 1.5-3.5%.

Chart 1: Singapore GDP Growth Rate at 2010 Prices



Sources: MTI and CBRE

2. THE OFFICE MARKET

2.1 Existing Office Supply

The total office stock in Singapore stood at 59.5 million sf in 1Q 2018, representing a 3.9% year-on-year increase. This is due largely to the completion of new developments such as UIC Building (277,540 sf) and Marina One East & West Tower (1,875,630 sf) in 2017.

Raffles Place, Shenton Way, Marina Centre and Marina Bay form the CBD Core submarket with approximately half of overall stock. Typical office tenants in the CBD Core submarket are in the Financial & Insurance, Information Technology ("IT"), Legal Services and Business Services industries. Tanjong Pagar, Beach Road/City Hall as well as Orchard Road make up the CBD Fringe submarket with 27.3% of total stock. The Decentralised submarket accounts for the remaining 22.7% of total stock.

In terms of net new office supply[1], the 5-year average was approximately 1.34 million sf (2013 - 2017 inclusive).

Tanjong Pagar and HarbourFront/Alexandra Micro-market

The office stock in the Tanjong Pagar[2] and HarbourFront/Alexandra[3] micro-market stands at 5.6 million sf and 3.6 million sf respectively. The Tanjong Pagar micro-market commands 9.4% of the overall market while the HarbourFront/Alexandra micro-market occupies a 6.0% market share of the island-wide office stock.

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

1 Net new supply is calculated as a sum of new completions, demolitions and conversions.

2 For confidentiality reasons, CBRE cannot provide the full list of buildings in the particular basket but to name a few projects. The key projects in the Tanjong Pagar basket are Guoco Tower, 79 Anson Road, AXA Tower, Mapletree Anson and Twenty Anson among others.

3 For confidentiality reasons, CBRE cannot provide the full list of buildings in the particular basket but to name a few projects. The key projects in the Habourfront/Alexandra basket are HarbourFront Tower 1 and Tower 2, HarbourFront Centre, MLHF, Keppel Bay Tower, the office component of MBC I, PSA Building, and Fragrance Empire Building among others.

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2.2 Future Office Supply

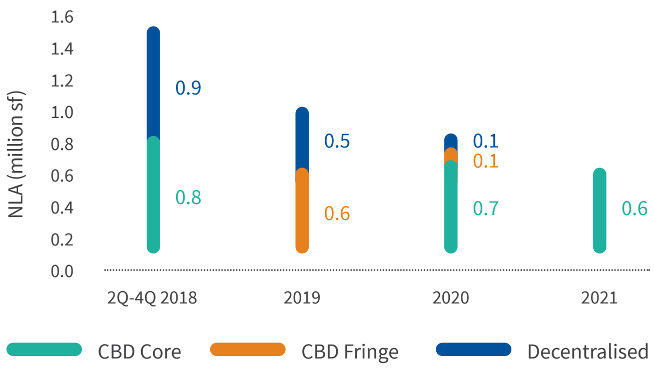
For the next four years (2Q 2018 – 2021 inclusive), there are currently plans for approximately 4.3 million sf of new office developments. Most of the future supply (48.8%) is in the CBD Core submarket while 35.2% and 15.9% of new office space are in the Decentralised and CBD Fringe submarkets respectively.

Three office developments totalling 1.7 million sf are slated for completion in 2Q-4Q 2018. Approximately 48.1%, totalling 0.8 million sf of new office space, will be in the CBD Core submarket. Major developments in the CBD Core submarket consist of 18 Robinson (145,000 sf) and Frasers Tower (663,000 sf). In the Decentralised submarket, the completion of Paya Lebar Quarter (872,000 sf) will further add to the office stock.

New office developments in 2019 will be in the CBD Fringe and Decentralised submarket. The redevelopment of Funan DigitaLife Mall (204,172 sf) and Park Mall (352,000 sf) will be in the CBD Fringe submarket, while the Woods Square development (534,500 sf) by Far East Organisation and Sekisui House will be in the Decentralised market.

2020 will see the completion of Centrium Square (107,041 sf) by Tong Eng in the Decentralised submarket, as well as the redevelopment of Afro-Asia Building (153,526 sf) and 79 Robinson Road (500,000 sf) in the CBD Core submarket. In 2021, the redevelopment of Golden Shoe Carpark into CapitaSpring will add 635,000 sf of office space into the CBD Core submarket.

Chart 2: Island-wide Future Office Supply



Source: CBRE

Tanjong Pagar and HarbourFront/Alexandra Micro-markets

The redevelopment of Hub Synergy Point is the only enbloc office development scheduled for completion in the Tanjong Pagar micro-market, and will add 128,456 sf of office space when completed in 2020.

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

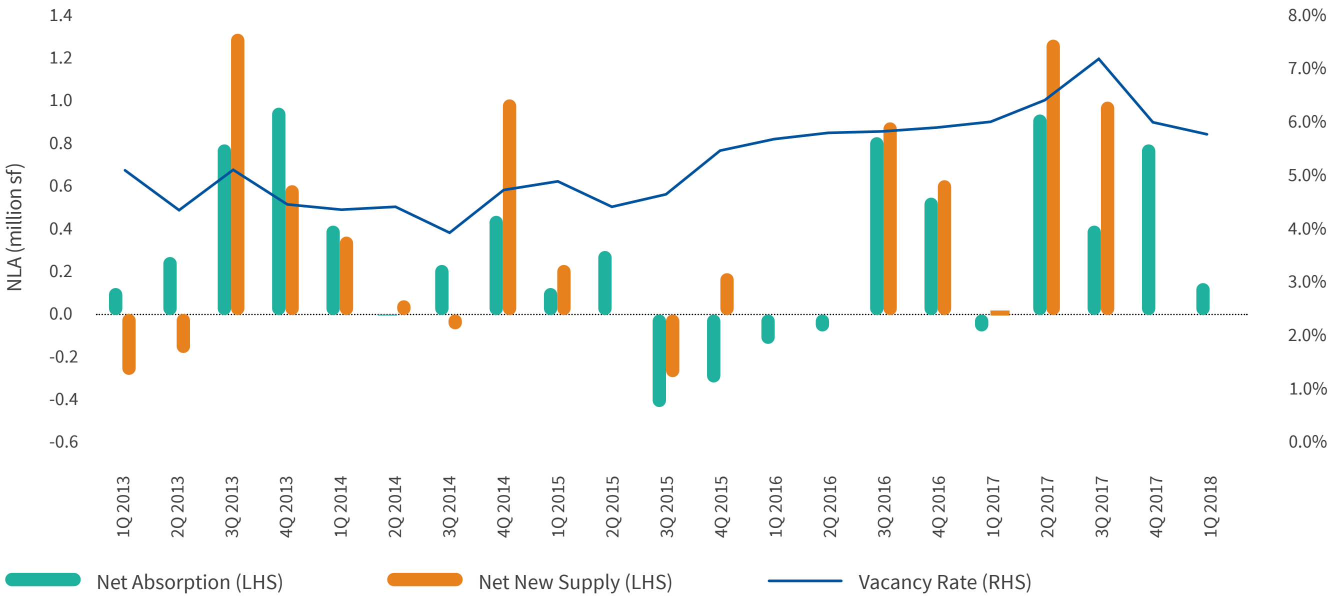
2.3 Demand & Occupancy

Total island-wide office net absorption continued to exhibit growth in 2017, coming in at 2.1 million sf against 1.2 million sf in 2016. This was attributable to stronger economic fundamentals, positive market sentiments and healthy pre-commitment in several recently completed buildings such as UIC Building and Marina One.

Flight-to-quality and flight-to-efficiency remained the common themes as firms took the opportunity to relocate to better quality buildings with higher specifications and floor-plate efficiencies. Sectors driving absorption included financial institutions, technology firms and co-working spaces. Co-working spaces have been gaining acceptance amongst both landlords and enterprises alike. These spaces also increased the diversity of office solutions for a changing workforce. Prominent co-working operators like WeWork and Distrii took up space in the CBD Core and CBD Fringe area. This robust growth pattern is expected to continue into 2018 as operators continue to compete for market share.

Island-wide vacancy rate increased to 6.11% (+1.8% year-on-year) in 2017 amidst the completion of major office developments such as UIC building and Marina One. However, vacancy levels have since declined to 5.86% in 1Q 2018 amidst a tapering in new office supply and improvement in business sentiments.

Chart 3: Island-wide Office Demand & Vacancy



Source: CBRE

Tanjong Pagar and Alexandra/HarbourFront Micro-markets

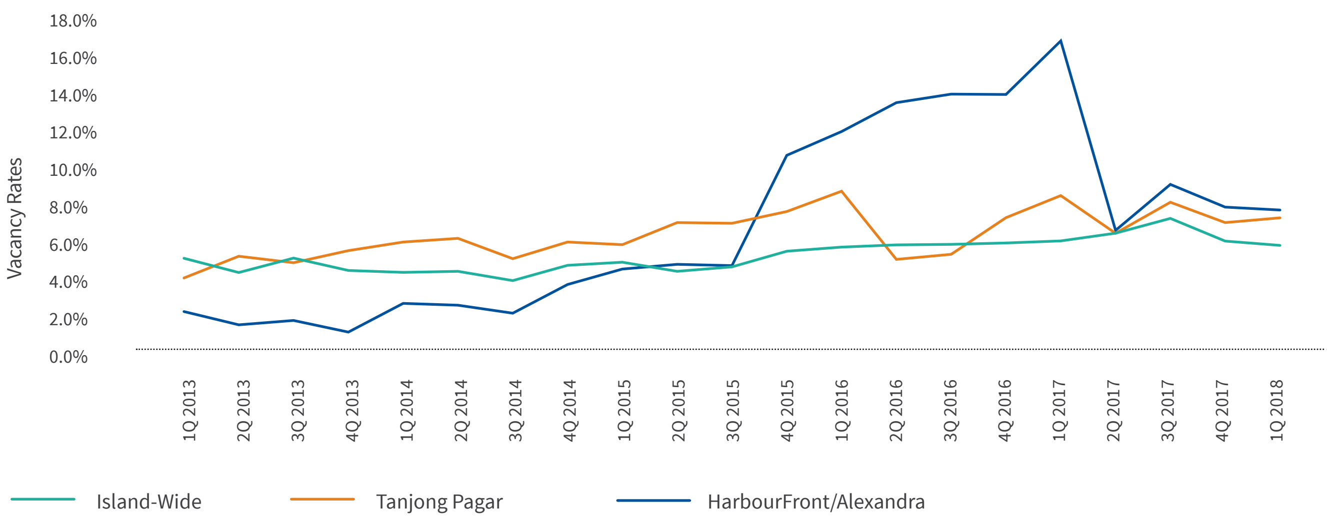
The introduction of Guoco Tower in 2016 has brought up the overall branding and positioning of the Tanjong Pagar micro-market, contributing positively to the overall appeal of the micro-market.

The Alexandra/HarbourFront micro-market is located in the fringe of the city area and offers an attractive alternative for occupiers with quality assets that attracted demand from tenants who are drawn to the relatively reasonable pricing and large floor plates.

2.4 Office Vacancy

Despite steadily increasing from a 5-year low of 3.8% in 3Q 2014, island-wide office vacancy rate has since bottomed out in 2H 2017 with 1Q 2018 vacancy at 5.86%.

Chart 4: Office Vacancy Rates



Source: CBRE

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Tanjong Pagar and Alexandra/HarbourFront Micro-markets

Vacancy rates in the Tanjong Pagar micro-market declined by 1.3p.p. from 1Q 2017 to 7.38% in 1Q 2018 as more occupiers continued to take up space in Guoco Tower in 2017. Similarly, vacancy rates in the HarbourFront/Alexandra micro-market declined by 9.3% to 7.7% in 1Q 2018 on the back of stronger take-up rates at UOB Alexandra Building and Fragrance Empire Building.

2.5 Office Rents

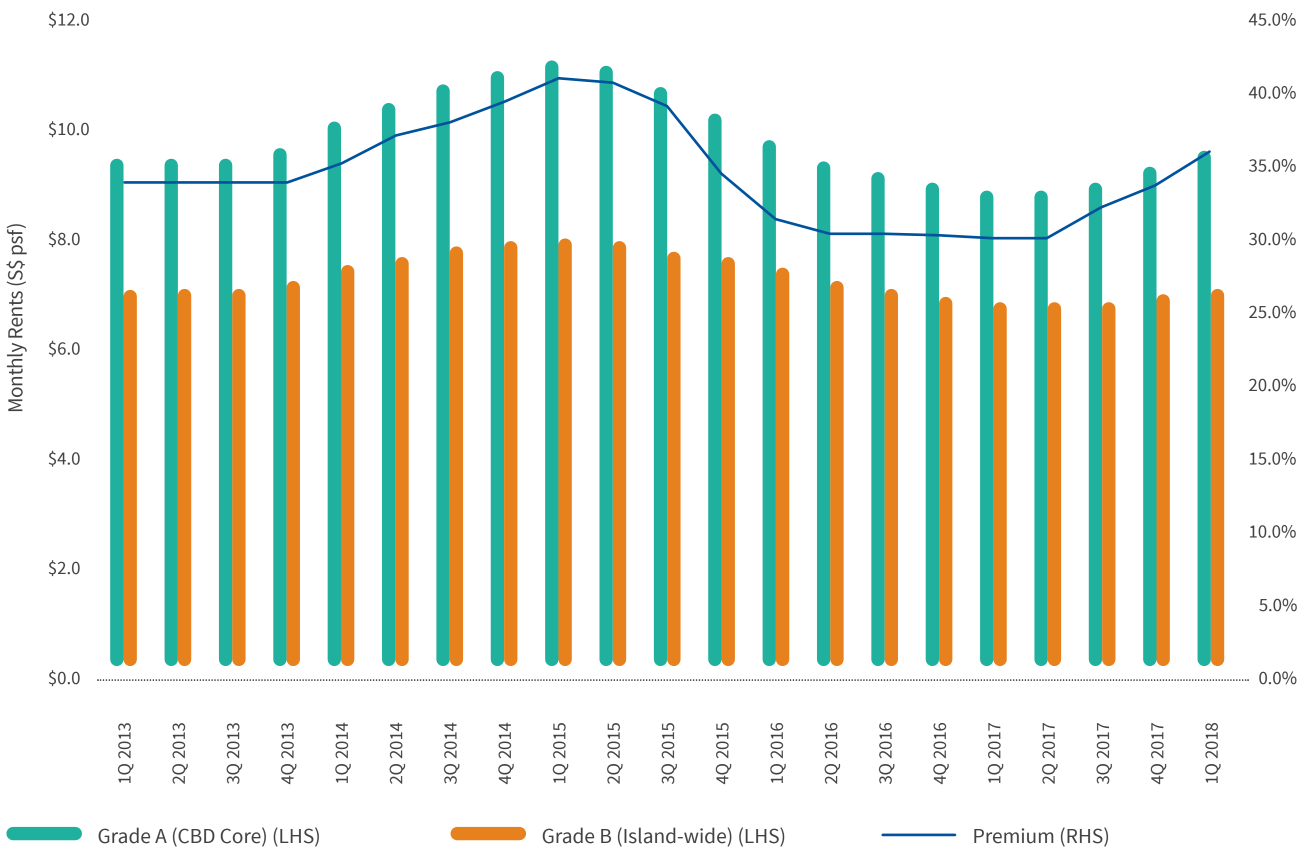
Singapore office rents last peaked in 1Q 2015 at S$11.40 psf and S$8.05 psf for Grade A and island-wide Grade B offices respectively. Grade A rents have since declined by -17.5% from the peak to S$9.40 psf in 4Q 2017. Similarly, island-wide Grade B rents declined by -13.0% to reach S$7.00 psf in 4Q 2017, albeit at a gradual rate.

There are signs of bottoming out in the office rental market with Grade A (CBD Core) and Grade B (Island-wide) stabilising in 1H 2017 at S$8.95 psf and S$6.85 psf respectively. In 1Q 2018, both Grade A and Grade B rents have increased to S$9.70 psf and S$7.10 psf respectively. The outlook for rental is optimistic on the back of stronger economic fundaments and global growth.

Table 1: Office Rents

	1Q 2018 (S$ psf/ month)	Year-on-year	Quarter-on-quarter
Grade A (CBD Core)	S$9.70	+8.4%	+3.2%
Grade B (Island-wide)	S$7.10	+3.6%	+1.4%

Chart 5: Office Rents



Source: CBRE

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 development with better building specifications command higher rents relative to older developments.

As for the Alexandra/HarbourFront micro-market, better quality office buildings tend to enjoy greater resilience in rentals and rent stickiness.

2.6 The Office Investment Market and Capital Values

Singapore's strong long-term fundamentals have made the city-state a favoured destination for the deployment of foreign capital in 2017.

Selected enbloc office transactions in 2017 comprised of a mix of Grade A and Grade B offices which include Asia Square Tower 2 (S$2.09 billion), PWC Building (S$747 million), 50% stake of One George Street (S$591.6 million) and unsold units in the office component of GSH Plaza (S$663.5 million).

Grade A office capital values increased by 3.7% year-on-year to reach S$2,800 psf in 1Q 2018. Yields expanded from 3.18% in the preceding quarter to reach 3.30% on the back of a rental recovery in the office market.

The investment market is likely to remain resilient as the price gap between buyers and sellers narrows in anticipation of positive rental reversion in the office market. Traditional property companies, high net worth individuals and sovereign wealth funds continue to be active participants in the office real estate investment market.

No enbloc office transaction was recorded in the Tanjong Pagar and Alexandra/HarbourFront micro-markets in 2017.

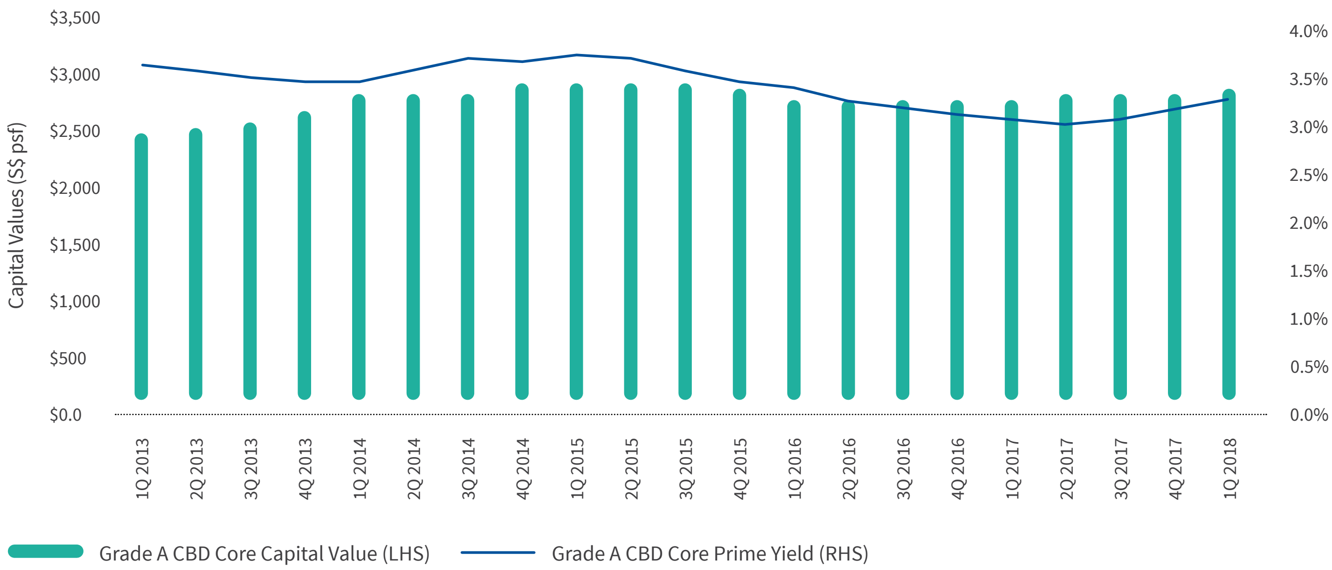
2.7 Office Outlook

Singapore's economic outlook for 2018 is expected to remain firm although expansion may moderate slightly. MTI expects GDP growth to come in slightly above the middle of the forecast range of 1.5-3.5%.

The traditional occupiers of office space, being the financial and business services sectors, have witnessed stronger operating receipts and higher employment growth in 2017. This growth is expected to continue into 2018, translating into improved demand for office space amongst occupiers. Assuming demand remains healthy, office rental growth is expected to accelerate in the coming years, coinciding with a tapering in new office supply. The lack of prime space in the medium term may encourage certain occupiers to search for alternative spaces in the secondary or Grade B office markets.

The continued drive to optimise workplace efficiency via alternative workplace strategies of greater flexibility and enhanced user experience in real estate is expected to continue to drive "flight-to-quality". New and small firms from the

Chart 6: Prime Office Capital Values and Net Yield



Source: CBRE

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technology sector are expected to be a source of demand as Singapore continues to remain an attractive gateway into South East Asia with its pro-innovation and technology policies. Co-working operators are actively growing their real estate footprint across the island and this growth trajectory is expected to continue in 2018. While the co-working and technology sector are still showing strong expansionary appetite, there has been evidence of recent consolidation and M&A activity. Henceforth, it remains to be seen how long both sectors will support new office demand.

CBRE expects an office market recovery from 2018 in the absence of any unforeseen circumstances. Vacancy levels are expected to tighten as negotiating power is shifting towards landlords.

3. THE RETAIL MARKET

3.1 Existing Retail Supply

Singapore island-wide private retail stock increased by 1.1% year-on-year to 48.8 million sf in 1Q 2018. The Fringe Area remains the largest retail district with 26.5% of the island-wide retail stock, followed by the Suburban Area at 25.4%, Rest of Central Area at 18.9%, Orchard Road at 15.0% and Downtown Core at 14.1%.

Several notable new retail developments in 2017 include the Duo Galleria (54,136 sf) and Marina One (140,000 sf) at the Downtown Core, and Northpoint City (305,000 sf) at the Suburban area. There were several enhancement works during the year, with ongoing works at Tripleone Somerset (71,800 sf) and at Downtown East (48,760 sf) which was completed in 2017.

The decentralisation efforts by the government coupled with limited room for expansion in the traditional prime retail corridors have resulted in most new developments being built in the suburban areas of Singapore. Government Land Sales also typically feature mixed developments consisting of retail opportunities at key suburban transportation nodes with the future Woods Square at Woodlands being a prime example.

HarbourFront/Alexandra Micro-market

The retail market in the HarbourFront/Alexandra precinct is anchored by VivoCity, HarbourFront Centre and Resorts World Sentosa (“RWS”). They are complemented by smaller developments such as 1) ARC, 2) the retail portion of Mapletree Business City (“MBC”), 3) Anchorpoint and 4) Alexandra Central, which cater to both the working and residential population in the vicinity.

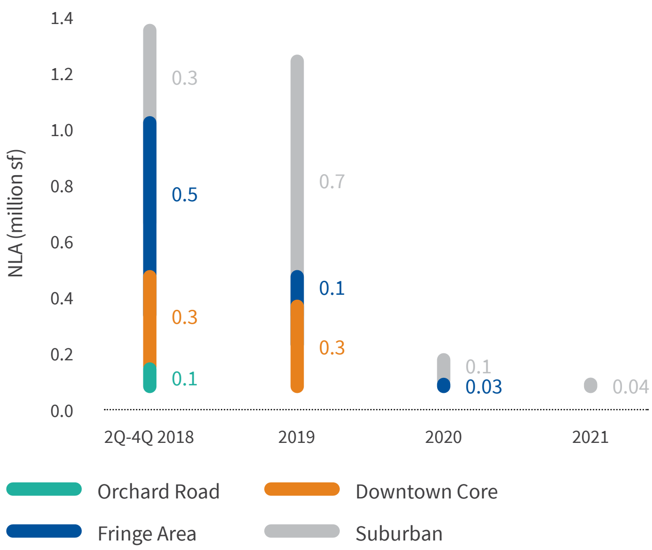
VivoCity is complemented by HarbourFront Centre, a mixed-use development comprising of both office and retail offerings as well as an international cruise centre. Holistically, both developments are the only full-fledged retail developments in the HarbourFront/Alexandra micro-market, enabling the area 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.

3.2 Future Retail Supply

CBRE estimates the total projected island-wide retail supply over the next four years (2Q 2018 – 2021) to amount to 2.4 million sf. Most of the potential supply will be in the Suburban Area (46.1%).

Chart 7: Island-wide Future Retail Supply



Source: CBRE

New supply slated for completion in 2Q-4Q 2018 amounts to 1.2 million sf of retail space. Selected upcoming retail developments in the Downtown Core Area include Frasers Tower (22,846 sf), the redevelopment of the former Robinson Tower (59,820 sf) and Shopping Arcade at Raffles Hotel (234,276 sf). Upcoming suburban retail spaces include Wisteria Mall (83,300 sf), as well as the completion of an AEI at Century Square (211,000 sf). Notable completions in the Fringe Area include Paya Lebar Quarter (340,000 sf) and City Gate (76,289 sf).

Supply will slightly tighten in 2019 with new retail space projected to be 1.1 million sf. Project Jewel at Changi Airport (576,000 sf) will contribute to the bulk of upcoming supply. New retail developments in the Downtown Core consist of Funan DigitaLife Mall (325,000 sf), while Poiz Centre will contribute approximately 40,365 sf of new retail space in the Fringe Area.

Retail supply will tighten significantly in 2020, with only 0.1 million sf of new space entering the market. The completion of Northshore Plaza I (66,602 sf) and Centrium Square (32,372 sf) will add to the retail stock in the Suburban and Fringe areas respectively.

HarbourFront/Alexandra Micro-market

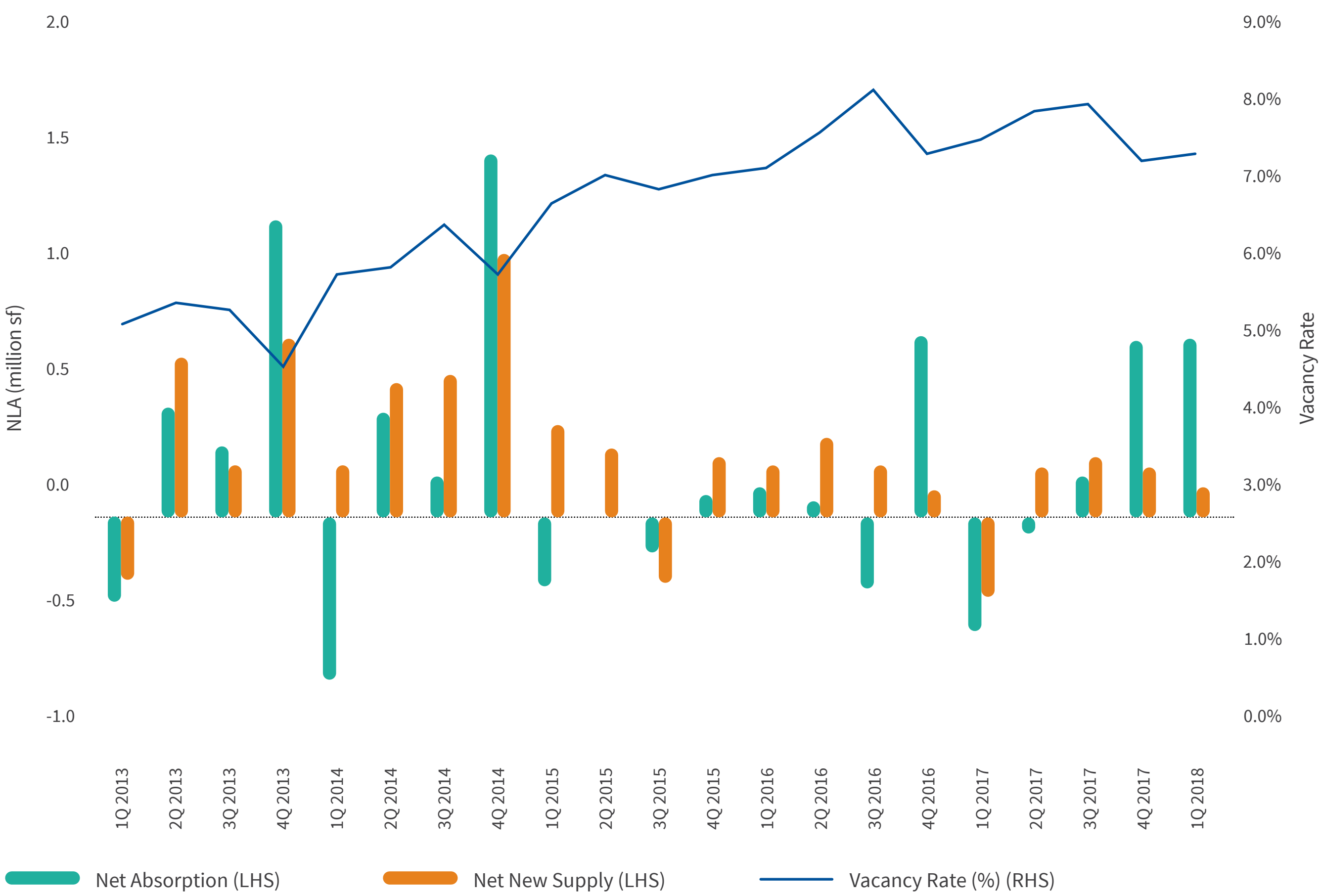
The HarbourFront/Alexandra Micro-market will witness an estimated 44,000 sf of new retail space in 2018, stemming from addition/alteration works in VivoCity and ongoing asset enhancement works at Alexandra Technopark, which will see the creation of a new Central Plaza. There is no further planned supply of retail space within the micro-market as at 1Q 2018.

3.3 Demand and Occupancy

In 2017, the island-wide net absorption for retail space declined by -32.7% to 376,736 sf with net new supply standing at 312,153 sf. Demand from the F&B industry remained robust although there were signs of the sector reaching a saturation point. A boom in the health and wellness market amidst an increase in consumer awareness and government initiatives encouraging healthy living has led to the entrance of several new-to-market sporting brands during the year.

Island-wide retail vacancy rate hit a five-year peak of 8.4% in 3Q 2016 before improving to 7.5% in 1Q 2018. Overall, retail vacancy rate decreased by 0.2p.p. from a year ago.

Chart 8: Island-wide Retail Demand & Vacancy



Sources: URA and CBRE

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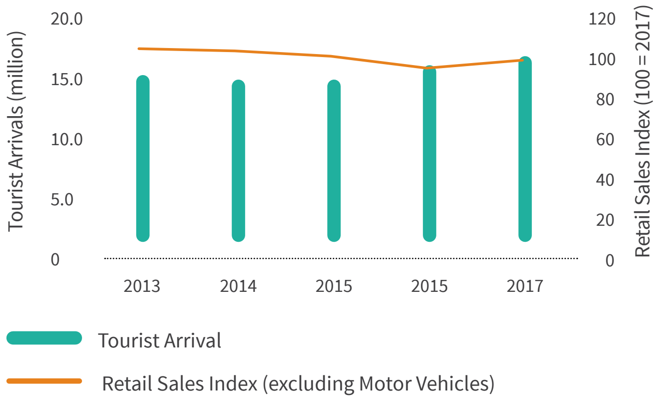
Retail sales performance has benefited from improving consumer sentiments. The improvement in global economic outlook has contributed to a 1.8% year-on-year increase in the Retail Sales Index (excluding motor vehicles) in 2017. However, not all categories have exhibited consistent improvement, with medical goods & toiletries, wearing apparel & footwear, supermarket and watches & jewellery retailers driving growth.

The Singapore Tourism Board expects that 2018 will see tourism receipts grow to a range of S$27.1 to S$27.6 billion, coinciding with an anticipated increase in international visitor arrivals to a range of 17.6 to 18.1 million. This growth is on the back of a more favourable global economic outlook with tourism activities in the Asia-Pacific region expected to expand.

Chart 9: Visitor Arrivals & Retail Sales Index (excluding Motor Vehicles)



Sources: Singapore Tourism Board, Department of Statistics & CBRE

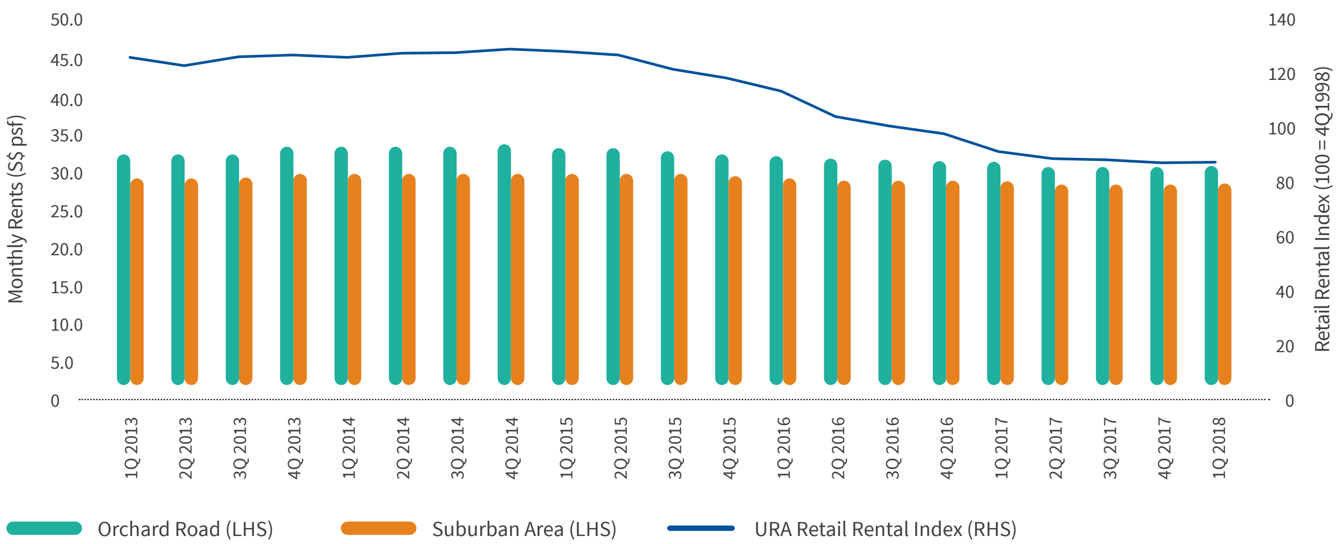
Technology disruptors such as e-commerce continue to weigh on retailers' long-term plans. However, retailers are increasingly recognising the importance of complementing the brick-and-mortar experience with e-commerce via omni-channel retailing. Nonetheless, retailers are still cost sensitive and the higher operating cost in Singapore has led to some retailers contracting their retail space here while expanding in markets with lower cost.

3.4 Retail Rents

Rents continue to soften across the board in 2017 as landlords sought to retain tenants on the back of an overall weakness in the retail market. Consequently, landlords are more flexible in providing concessions and have become less selective in terms of their tenant profiles. As at 4Q 2017, Orchard Road rents stood at S$31.30 psf (-2.6% year-on-year), having fallen by -9.4% from a five-year peak of S$34.55 psf in 4Q 2014.

However, amid growing optimism in the retail market underpinned by an improving economy, retail rents recorded its first quarterly increase in 1Q 2018 over a three-year period. On a quarter-on-quarter basis, retail rents at Orchard Road rose by 0.5% to S$31.45 psf in 1Q 2018, lending some confidence that the retail rental market could have completed its correction cycle.

Chart 10: Monthly Retail Rents



Sources: CBRE and URA

Similarly, retail rents in the Suburban Area has risen by 0.5% quarter-on quarter to $28.95 psf in 1Q 2018. Suburban rents have generally exhibited greater resilience to rental compression and volatility as they are mostly supported by the domestic retail market. URA's Retail Rental Index has declined by -4.9% in 2017.

3.4 Retail Transactions

The retail investment market witnessed robust growth in 2017, with transaction volume totalling S$2.6 billion. This represents a 77.8% increase from the volume witnessed in 2016, primarily attributable to the bulk sale of strata units in Jurong Point for S$2.2 billion by Lee Kim Tah Holdings and Guthrie GTS to Mercatus Co-operative. In 2Q 2018, Sembawang Shopping Centre was acquired by Lian Beng Group and Apricot Capital (the private investment company for Super Group's Teo family) for S$248 million.

Acquisition and divestment activities amongst retail S-REITs were relatively muted with no local transactions in 2017. Additionally, as at 1Q 2018, no notable retail transactions were recorded in the Alexandra/HarbourFront micro-market for the whole of 2017.

Table 2: Selected Retail Transactions in 2017

Quarter	Property Name	Price (excluding DC)	Price (S$ psf)	Land Tenure	Buyer	Seller
Q4	The Woodgrove	S$55,850,000	S$1,009 per NLA	99 years	Undisclosed	Heeton Estate Pte. Ltd.
Q2	Jurong Point[4]	S$2,199,300,000	S$3,294 per Strata Area	99 years	Mercatus Co-operative Ltd.	Lee Kim Tah Holdings & Guthrie GTS

4 Strata area component previously owned by Lee Kim Tah Holdings & Guthrie GTS

Note: GFA refers to Gross Floor Area, NLA refers to Net Lettable Area. Transactions are recorded at the point of announcement.
Source: CBRE

3.5 Retail Outlook

The challenging retail environment has provided landlords with the impetus to embrace technology and develop innovative strategies to remain competitive and provide a differentiated experience from its competitors. Shopping malls are increasingly recognising the importance of placemaking and adoption of technology to transform the consumer shopping experience. Pop-up stores are expected to continue complementing 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 these malls.

In conclusion, the coming years will continue to challenge retailers and landlords to adopt omni-retailing channels to compete in a digitalised era.

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 stood at 23.0 million sf in 1Q 2018. No notable new business parks project was completed in 2017.

According to JTC Corporation ("JTC"), the lead agency in Singapore that spearheads the planning, promotion and development of industrial space, most of the Business Park space (57.7%) is in the Central Region of Singapore, which comprises of one-north, MBC and Singapore Science Park. 24.4% of total stock is in the eastern region and is anchored by Changi Business Park. International Business Park is in the western region which has the smallest share, with 17.8% of total stock.

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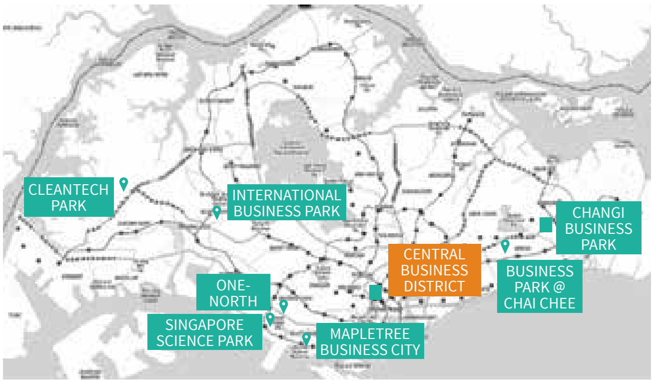
Figure 1: Key Business Park Clusters in Singapore



Sources: OneMap and CBRE

Over time, some of the Business Parks have developed their own distinct identities. Changi Business Park is an established back-office location for financial institutions such as Citibank, DBS and Standard Chartered. On the contrary, one-north is positioned as a Biomedical Sciences, Infocomm Technology and Media hub with tenants like Autodesk, GlaxoSmithKline, Novartis, Oracle and Lucasfilm.

International Business Park has been the base for knowledge-based activities with traditional technology and manufacturing companies along the likes of Creative Technology, Dell, Evonik, M1 and Sony situated within the business park. The Singapore Science Park is home to mostly research and technology companies such as the Defence Science Organisation National Laboratories, Defence Science and Technology Agency, Avaya, Quintiles and Shimadzu.

MBC is one of the newest Business Parks in Singapore, featuring proximity to the country's CBD Core, Grade A specification buildings and integrated business hub features. The typical profile of tenants in MBC is different from those of traditional Business Parks as they appear to bear closer resemblance to the tenant profile of occupiers in the CBD Core, with tenants such as GovTech, Samsung, SAP and NTT. Furthermore, there is a wide range of amenities within MBC including sports facilities, mid-range specialty restaurants, food courts, multipurpose auditorium, conference facilities, fitness club with lap pool amidst extensive gardens and greenery.

4.2 Future Business Park Supply

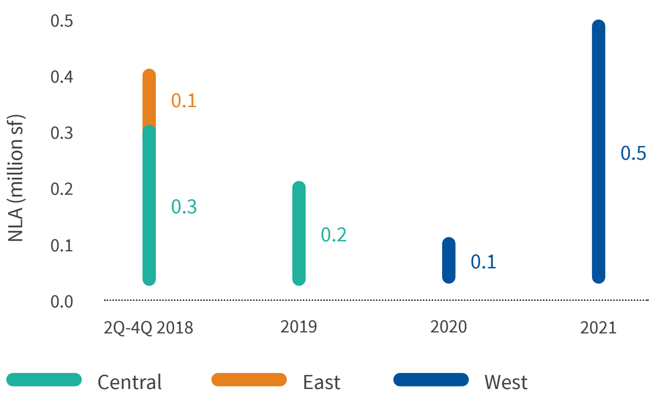
CBRE projects the island-wide Business Park supply over the next four years (2018 – 2021) to increase by approximately 1.3 million sf of NLA.

Approximately 31.6% will enter the market in 2Q-4Q 2018 with notable projects being a business park development each at Pasir Panjang Road and Media Circle (one-north) to be developed by Singapore Science Park Ltd. and BP-DoJo LLP respectively. The former is a Built-to-Suit development for FM Global, which is expected to house a new loss prevention training and operation centre.

The only development in 2019 would be the redevelopment of Fleming & Faraday at Science Park Drive, which is expected to yield an estimated 235,019 sf of business park NLA.

New supply will further tighten in 2020 with the only completion being the reconstruction of 13 International Business Park (NLA: 146,561 sf) by Pension Real Estate Singapore Pte. Ltd. The largest single business park development would be Cleantech Three (NLA: 538,453 sf) and will be developed by JTC. It is located at Cleantech Loop, within the upcoming Jurong Innovation District and is expected to be completed in 2021, providing space for firms involved in clean technology activities. According to the URA Master Plan 2014, a statutory land use plan that guides the medium-term physical development of Singapore, there are plans to build new Business Parks in Woodlands North Coast and Punggol Digital District.

Chart 11: Future Business Park Supply (2Q-4Q 2018 – 2021)



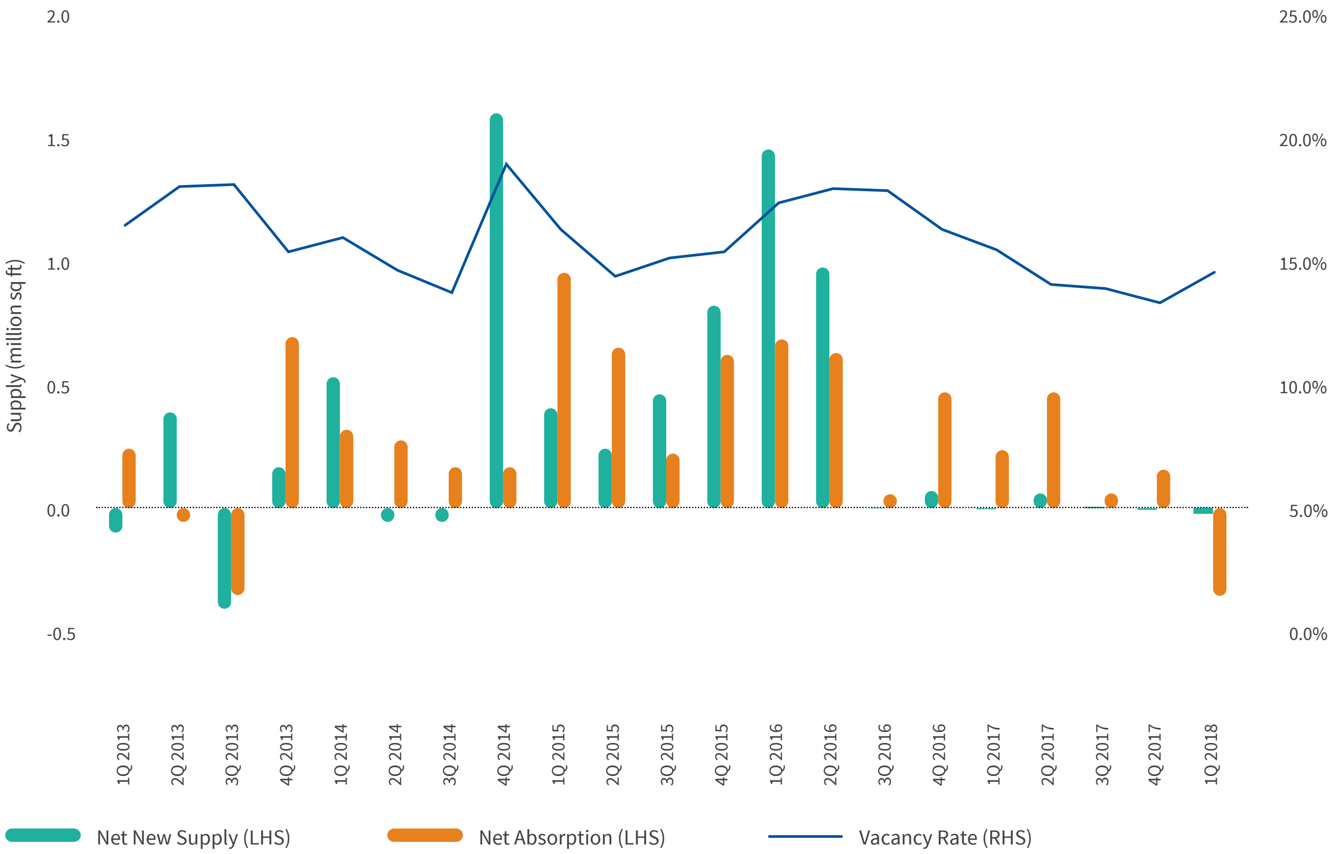
Source: CBRE

4.3 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 requirements by URA.

The Business Park sector has been relatively quiet in 2017 with limited supply entering the market. According to JTC, island-wide net absorption for the Business Park market came in at 0.8 million sf in 2017. Net new supply for the year stood at 18,568 sf. Leasing and enquiry activity has been slow in recent quarters with a noticeable absence of movements amongst large tenants. Vacancy rates for Business Park space continued to trek downwards since 3Q 2016 to 13.4% in 4Q 2017 amidst the absence of new supply and with demand holding up.

Chart 12: Island-wide Business Park Demand & Vacancy



Sources: JTC and CBRE

Firms in the infocomm, technology, biomedical and finance sectors are presently the most prevalent tenants in Business Parks. These tenants generally exhibit preference for prime Business Park space in the central region. There is thus demand for Business Park spaces with good connectivity, new buildings of high quality with access to amenities.

Notable occupier movements over the past year include Wirecard (25,000 sf) and the International Air Transport Association (IATA) into MBC II.

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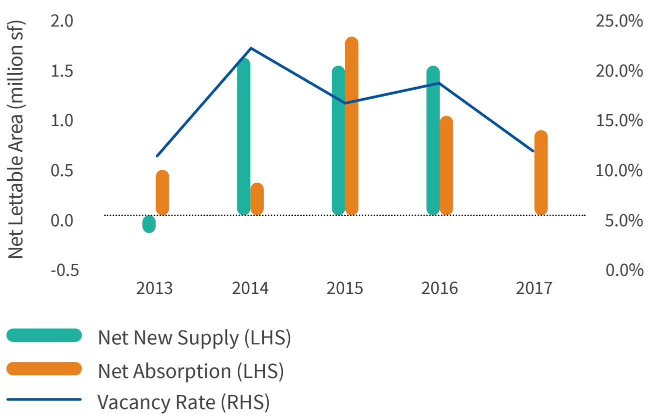
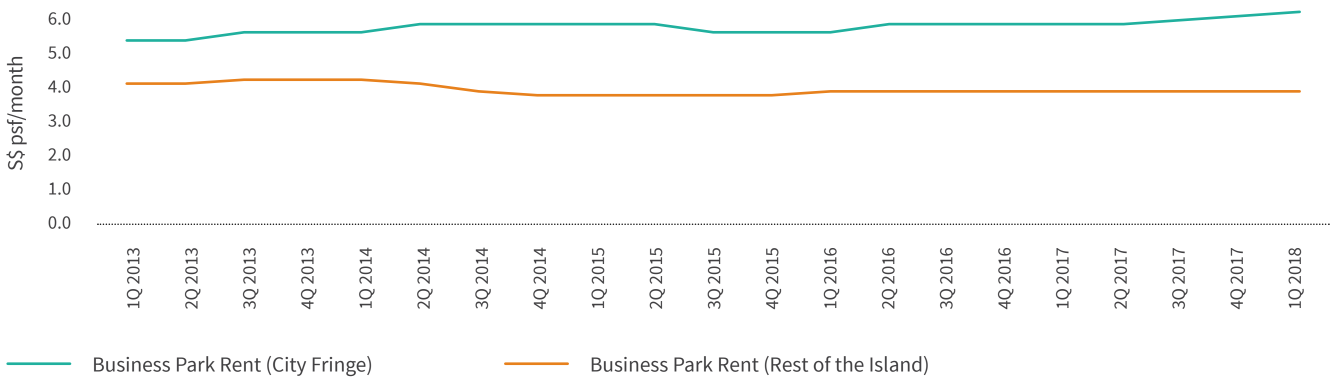
Chart 13: Central Region Business Park, Supply, Demand & Vacancy



Sources: JTC and CBRE

Chart 14: Business Park Rents



Source: CBRE

The limited future supply of Business Park space is expected to support the market over the medium term. Business Parks with Grade A specifications in centralised locations are likely to benefit from cost sensitive occupiers to consider business park space as a viable alternative to office space amidst a projected recovery in the office rental market.

4.3 Business Parks Rents

Business Park rents have generally been very resilient and stable. As at 1Q 2018, the city-fringe and rest of island submarket commanded rents of S$5.65 psf (+2.7% year-on-year) and S$3.70 psf (flat year-on-year) respectively. MBC I is located within the city fringe submarket.

City fringe Business Parks space have always commanded a rental premium over that of business parks which are located at the rest of the island. This reflects their clear advantages in attracting occupiers who are attracted by the lower rental and yet can enjoy excellent locational attributes of being near the CBD.

4.4 Business Parks Transactions

The Business Park investment market has been relatively quiet with the only transaction in 2017 being the sale of 13 International Business Park by Ascendas REIT to Pension Real Estate Singapore Pte. Ltd.

Table 3: Business Park Transactions in 2017

Quarter	Property Name	Price (excluding DC)	Price (S$ psf)	Land Tenure	Buyer	Seller
Q3	13 International Business Park	S$24,800,000	S$228 per GFA	60 years	Pension Real Estate Singapore Pte. Ltd.	Ascendas REIT

Note: GFA refers to Gross Floor Area. Transactions are recorded at the point of announcement.
Source: CBRE

4.5 Business Parks Outlook

Business park space is expected to continue to be a favourable option for qualified tenants who are seeking long term stability. Thus, prospects for the sector look stable. Tenants in this space include incubators and firms from the fintech & technology sector. The limited new supply of business park space will support the market over the medium term as only a handful of projects are able to offer considerable leasable space. Additionally, the thin development pipeline and diminishing selection of available quality options may result in limited leasing activities.

Improving economic fundamentals and a recovery in the office rental market should lead to a widening of the rental gap between the office and business park sector, pushing cost-sensitive occupiers to consider business park space as a viable alternative to office space.

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