CapitaLand Integrated Commercial Trust

Independent
Market Review 2024
Knight Frank

Independent Market Review

SINGAPORE

Singapore Economic Overview

Boosted by an upturn in global electronics cycle and continued tourism recovery, Singapore's gross domestic product (GDP) growth exceeded general market expectations in 2024. According to the Ministry of Trade and Industry (MTI), Singapore's GDP grew by 4.4% in 2024. This growth was seen across both the Goods and Services sectors, which expanded by 4.2% and 4.4% respectively.

The Services Producing industries saw the strongest annual growth in the Finance & Insurance sector which expanded by 6.8%.

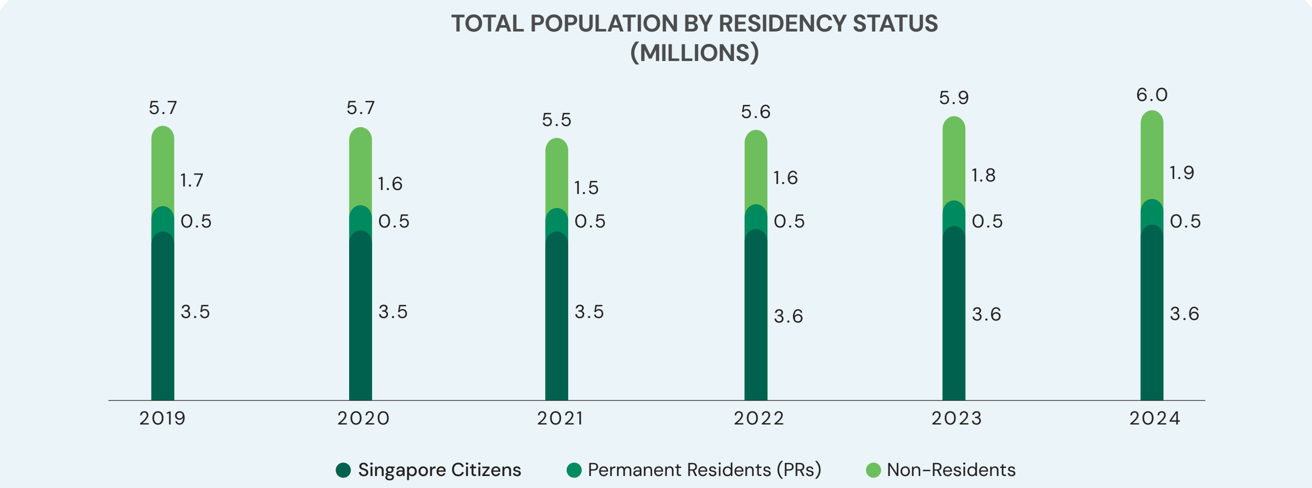
Among the Goods Producing industries, the Construction sector was the best performer with a 4.5% annual increase, driven by higher public sector construction output.

The Monetary Authority of Singapore (MAS) core inflation, which excludes private road transport and accommodation costs, averaged 2.7% in 2024. This represents a decrease from the 4.2% inflation rate recorded in 2023, as consumer prices fell across a wide range of goods and services.

Population Trends and Labour Market

According to June 2024 data from the annual Population in Brief publication by the National Population and Talent Division, Singapore's total population hit a record of 6.0 million, a 2.0% increase compared to a year before. This growth was primarily driven by the rise in the non-resident population. Over the past five years (2019 – 2024), the annualised population growth rate was 1.1%, slightly higher than the 0.8% recorded during the previous five-year period (2014 – 2019). The citizen population grew by 0.7%, from 3.61 million in June 2023 to 3.64 million in June 2024 while the Permanent Residents (PR) population rose by 1.2%, from 538,600 in June 2023 to 544,900 in June 2024.

Meanwhile, the non-resident population increased by 5.0% year-on-year (YoY) to 1.9 million in June 2024. This growth was observed across most pass types, with Work Permit (WP) holders contributing the most to the increase. The large increase in foreign workforce is driven by the need for both public and private companies to catch-up on projects that were delayed by the pandemic particularly in the construction, marine shipyard and process sectors.



Source: Singstat, Knight Frank Singapore, June 2024

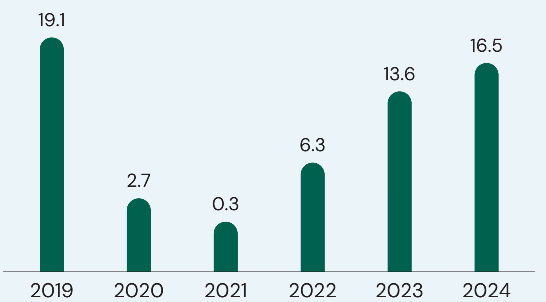
In 2024, Singapore's labour force remained stable, with low unemployment rates observed across both Professional, Managerial, Executive, and Technical (PMET) roles as well as non-PMET positions. Employment growth was seen in sectors such as Information & Communications, Professional Services, and Financial Services which are oriented towards external markets. Additionally, non-resident employment rose, largely driven by an increase in the hiring of WP holders in the construction and manufacturing sectors.

The overall unemployment rate stood at 2.0% in 2024, which is consistent with levels seen during the non-recessionary period of 2015 to 2019. While Singapore's labour market remains tight with more job openings than unemployed individuals, this trend is expected to ease gradually as more vacancies are filled.

Singapore Tourism Overview

Fuelled by mega music acts by internationally recognised artists such as Taylor Swift, Coldplay and Blackpink, as well as the ever-popular annual Formula 1 Singapore Grand Prix, Singapore's tourism sector demonstrated remarkable recovery with International Visitor Arrivals (IVA) reaching pre-pandemic levels. In 2024, IVA to Singapore totalled 16.5 million – surpassing the 13.6 million total arrivals reported for the whole of 2023. The top five source markets of international visitors by their place of residence include China (18.6%), Indonesia (15.1%), India (7.2%), Malaysia (7.2%) and Australia (7.1%). Tourism receipts for the first three quarters of 2024 totalled S$22.4 billion, up 10% from the same period a year ago, and is expected to exceed the S$27.7 billion receipts recorded in 2019 by year-end.

INTERNATIONAL VISITOR ARRIVALS (MILLIONS)



Source: Singapore Tourism Board, Knight Frank Singapore, 4Q 2024

Economic Outlook

While Singapore is set to enter 2025 on a strong footing, the economic outlook for the year ahead is expected to be bereft with uncertainty stemming from external headwinds. Challenges for the year ahead include higher tariffs imposed on US imports following Trump's second presidency which would adversely impact global trade, the ongoing geopolitical tensions in the Middle-East, and the current impasse in the Ukraine-Russia conflict.

Yet, growth prospects for Singapore's manufacturing and trade-related services sectors are expected to remain optimistic. Expansion in the electronics sector is expected to continue in the near term, driven by robust demand for semiconductor chips in end-markets like computers and smartphones, fuelled by the expansion of Artificial Intelligence (AI)-enabled devices. Outward-oriented sectors such as Information & Communications and Finance & Insurance, are expected to experience strong growth due to ongoing demand from businesses for digital solutions and services, as well as favourable financial conditions resulting from expected policy rate cuts by central banks of major economies. In consideration of the above factors, the MTI forecasts GDP growth to range from 1% to 3% in 2025.

SINGAPORE RETAIL MARKET

Retail Sales Index

Singapore's retail sales performance showed uneven growth in the second half of 2024 as consumer sentiment shifted towards cautious spending. In December 2024, the retail sales (excluding motor vehicles) experienced contraction of 4.0% YoY on current prices basis, the ninth consecutive month of sales contractions since April 2024. Despite the slowing growth, a handful of subsectors registered improvements in sales, including Food & Alcohol (9.4%), Cosmetics, Toiletries & Medical Goods (2.2%), Supermarkets & Hypermarkets (0.8%) and Recreational Goods (0.6%). These subsectors which saw growth were largely necessities with relatively more resilient demand from consumers compared to discretionary goods. Conversely, Watches & Jewellery (-6.2%), Wearing Apparel & Footwear (-6.7%) and Mini-marts & Convenience Stores (-9.3%) were among the subsectors which experienced contraction. Due to the high base effect in 2022 and 2023 as a result of hybrid work arrangements, Computer and Telecommunications Equipment saw a steep 13.1% decline in sale in December 2024, with some companies transiting back to offices.

The Food & Beverage services grew 1.0% YoY in December 2024, largely contributed by 16.7% YoY growth attained by the Food Caterers. The robust demand for food catering services is a result of Singapore's growth of MICE events and corporate functions in the recent years post-pandemic. Fast Food Outlets (1.4%) and Restaurants (0.2%) also saw steady growth, while the performance of Cafes, Food Courts & Other Eating Places (-2.7%) were relatively muted.

Retail Sales Comparison with Key Global Cities

Based on preliminary estimates, the retail sales of the European cities such as the UK and Germany improved in 2024, at an estimated growth rate of 3.0% YoY and 2.3% YoY respectively. The retail sales of the US market also grew 2.8% YoY in 2024. Meanwhile, the overall retail sales value declined YoY in key Asian cities including Singapore (-1.0%), Shanghai (-3.4%) and Hong Kong (-7.3%). The Asia Pacific region saw weaker consumer spending in 2024 on the back of the lukewarm consumer sentiments. This is especially so in the luxury retail segment where significant sales declines were observed for some luxury and mid high-end brands across the region, leading to brands taking a more cautious approach to outlet expansions in the region.

The outlier of the slowdown in retail sales value in Asia is Japan, where 3.7% growth was attained. The Japanese market performed strongly as they benefited from the exchange rate – the weak yen fuelled a strong tourism boom of inbound travelers and spurred higher domestic tourism for the local Japanese.

Improvement in retail sales value was observed across the key Australian states, with Queensland leading the growth at 2.7% YoY.

Online Sales as a Percentage of Total Retail Sales

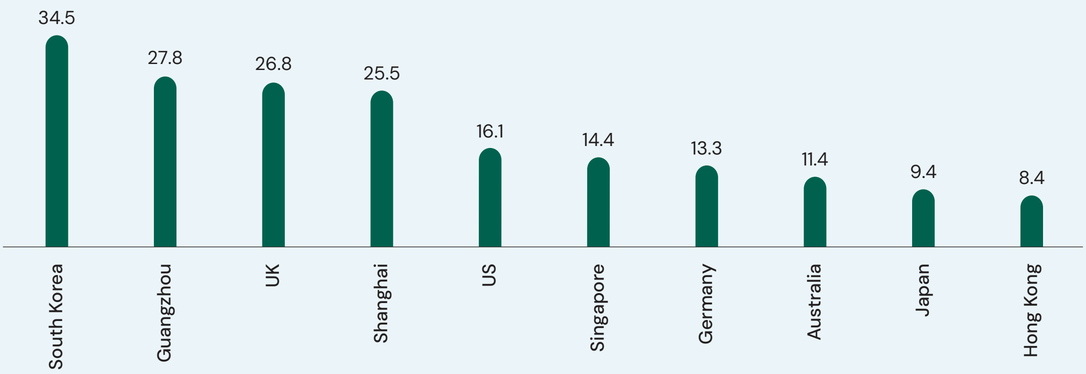
The proportion of online retail sales out of total retail sales (excluding motor vehicles) in Singapore throughout 2024 hovered above 12.6% each month since the onset of COVID-19 pandemic which altered consumer behaviour. As at December 2024, approximately 15.4% of total retail sales (excluding motor vehicles) in Singapore were generated online. Considering the year-end sales campaigns on both online and offline platforms during the last quarter of the year, the value of both the online and physical retail sales peaked in December.

The online retail sales performance of South Korea and Shanghai remained sizable, at over 34.5% and 25.5% respectively. For Japan, though the proportion of online sales had been on the rise steadily in the past few years, it has remained below 10%.

Annual average online retail sales accounted for around 11.4% of total retail sales in Australia in 2024, which translated to a 0.7 basis point (bp) improvement from the previous year. Similarly, the UK also experienced a slight 0.2 bp increase in online retail sales portion to 26.8% in 2024.

Overall, the online sales proportion for Singapore, Japan, UK, Germany and the US were relatively consistent and stable in the past five years, while that of South Korea and Chinese cities such as Shanghai and Guangzhou experienced a surge.

PROPORTION OF AVERAGE ANNUAL ONLINE SALES OUT OF TOTAL ANNUAL SALES VALUE (%)



Source: Knight Frank, Singstat, Shanghai Statistics Bureau, HK Census and Statistics Department, Japan Ministry of Economy, Trade and Industry, Statistics Korea, Office for National Statistics, Mintel and US Census Bureau, and Guangzhou: Guangzhou Statistical Yearbook, Statistical Communique of Guangzhou 2024

Shoppers' Consumption and Behavioural Trends

Compared to 2023, the total retail sales in 2024 declined, reflecting consumers' heightened caution in spending considering higher costs of living and other financial commitments. The prevailing higher costs could also compel consumers to prioritise household necessities and reduce their expenditure on branded and luxury goods. Despite the trend, Singapore continues to be a desired and popular location for well-known and established international brands. Many of them have been making their way to the city state's retail scene to leverage on its brand image as a premier and safe place for leisure, coupled with proactive marketing efforts by the Singapore Tourism Board and private sector enterprises to promote tourism and visitorship.

Consumer preferences are not only constantly changing, but also expanding due to frequent travel and social media exposure. Technological advancements have also revolutionised the retail and F&B sectors, catering to the growing consumer demand for convenience and efficiency. Experiential retail has been prevalent in both physical and online platforms, where many beauty and fashion brands, and furniture and household retailers started providing the AI Virtual Try On function to enhance consumers' experience.

The success of a brand's online presence and popularity could also influence their decision in expanding to the physical space. Increasingly more brands are seeing the value and benefits of having both online and offline presence. For instance, Vivino, a top global wine marketplace, opened its first retail store in the world in Raffles City Singapore. It combines digital innovation with a community-centric concept, with an in-store wine bar for hosting events and workshops.

To reach out to a large audience, there has been rising trends of physical retailers adopting an integrated marketing and sales strategy, tapping on livestream platforms such as TikTok Live, Facebook Live and Shopee

Live to promote their goods and services directly from shopping malls and physical stores, extending beyond warehouses and homes. Consumers are receptive towards this mode of marketing, as it allows for interaction between the audience and the retailers, while providing assurance in terms of understanding the goods and items before making a purchase.

Partnership with brands' Intellectual Property (IPs) demonstrated success in driving overall sales and footfall to the retail malls, where mall visitors and consumers are attracted by the exclusivity of the products. Collaboration between brands also creates hype, encouraging cross promoting of followers and leading to increased visibility.

Moving forward, retailers and landlords must continue to explore and create retail diversity in Singapore, with distinct brands and mall presence. With a unique identity and tenant mix, retail malls in Singapore can step beyond the ordinary and attract shoppers from a wider geographical radius.

Existing Retail Supply

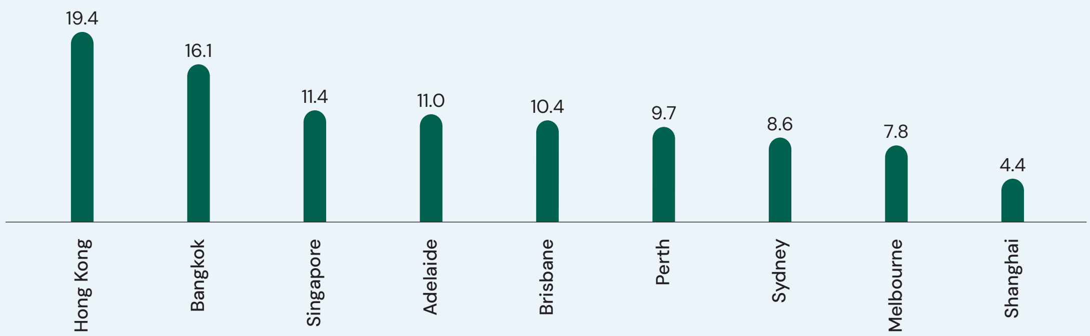
According to Urban Redevelopment Authority (URA), as at 4Q 2024, Singapore has over 68.6 million sq ft of retail space on a nationwide basis, which translated to a 1.6% YoY growth. Out of which, almost 74.1% (or 50.8 million sq ft) comprise private retail stock. Almost two-thirds of the retail stock are located within the Central Region, and the remaining are in suburban Singapore. For the whole of 2024, over 769,200 sq ft of new retail space were completed, comprising mostly mixed-use developments with retail components. This includes the Pasir Ris Mall (370,300 sq ft), the retail podium of the integrated development Pasir Ris 8 in the eastern end of Singapore. Part of the Punggol Coast Mall, the ancillary retail component of the Punggol Digital District (PDD) also received Temporary Occupation Permit (TOP) in the same period.

Comprising approximately 10.5% of total nationwide retail stock, the retail space along Orchard Road is estimated at 7.2 million sq ft, a slight 0.9% YoY decline from the previous year due to the removal of older retail stock from the market. The Downtown Core region comprises 7.8 million sq ft of retail stock, which made up 11.4% of total nationwide retail stock, is 2.1% YoY lower than 4Q 2023.

Retail Floor Space Per Capita

Singapore's retail floor space increased in tandem with the growth of the population numbers, where the retail space per capita was maintained at 11.4 sq ft as at 4Q 2024. Across the basket of key global cities, Hong Kong's retail space per capita is the highest at 19.4 sq ft per capita, while Shanghai is the lowest at 4.4 sq ft per capita.

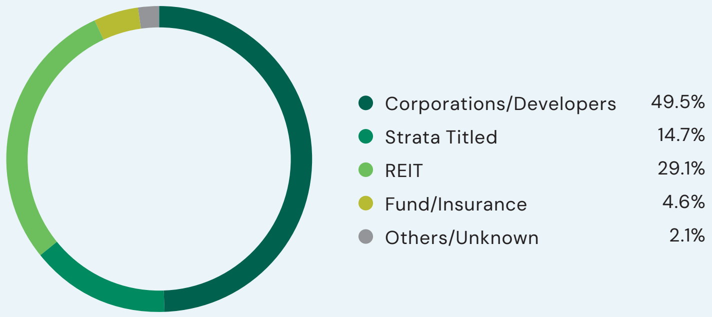
PRIVATE RETAIL FLOOR SPACE (SQ FT) PER CAPITA OF DEVELOPED CITIES IN 2024



Source: Knight Frank, Singstat, Shanghai Statistics Bureau, HK Census and Statistics Department, Property Council of Australia, Australian Bureau of Statistics, 2024

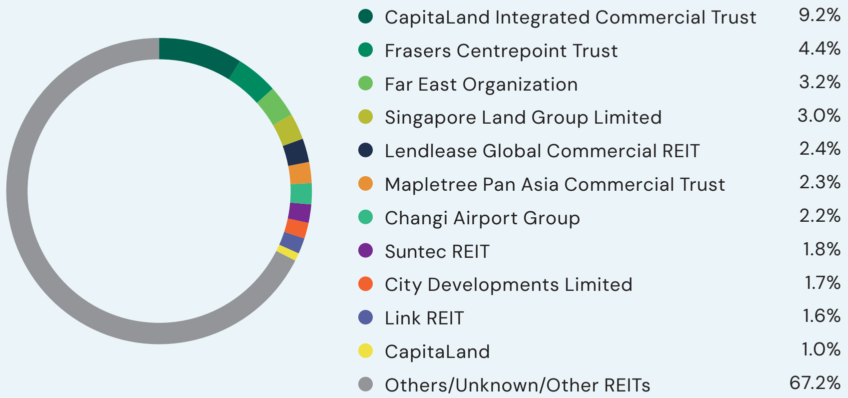
Private Retail Stock Ownership

ESTIMATED BREAKDOWN OF PRIVATE RETAIL STOCK OWNERSHIP IN SINGAPORE



Source: Knight Frank Singapore, 4Q 2024

ESTIMATED SHARE OF PRIVATE RETAIL STOCK BY OWNER



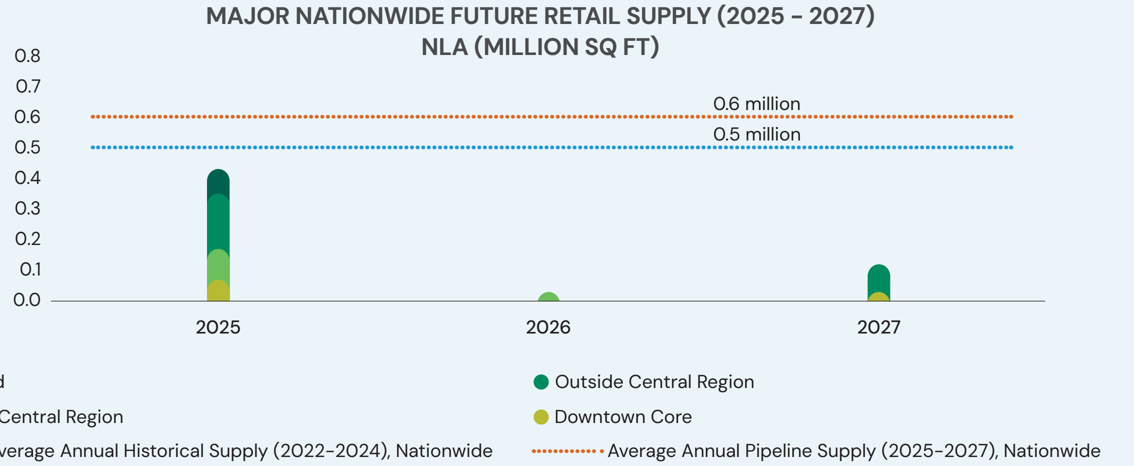
Source: Knight Frank Singapore, 4Q 2024

In Singapore, near half of the private retail stock is owned by Corporations and Developers such as CapitaLand and Far East Organization. Based on Knight Frank's internal database, as at 4Q 2024, over 29% of the retail stock is owned by REITs such as CapitaLand Integrated Commercial Trust (CICT), Frasers Centrepoint Trust, Lendlease Global Commercial REIT and Mapletree Pan Asia Commercial Trust, with CICT leading with over 9% ownership. Around 14.7% of the private retail stock are owned by strata-titled investors and property owners, where many of these serve as ancillary retail space of residential and commercial buildings. The remaining retail stock are owned by funds, insurance houses, public sectors and other stakeholders.

Future Retail Supply

According to URA, over the next three years (2025 to 2027), Singapore is expecting approximately 1.5 million sq ft net lettable area (NLA) of new retail stock nationwide. This translates to an average annual supply of 0.5 million sq ft NLA. The bulk of the upcoming stock will be completed in 2025, many of which were delayed projects from 2024. Prominent upcoming supply in 2025 include the CanningHill Piers (90,400 sq ft NLA) and Lentor Modern (86,500 sq ft NLA), both of which are the retail podium of the integrated development. One Sophia, which is the redevelopment of Peace Centre, is estimated to come onboard in 2028, bringing over 77,100 sq ft of new retail space to the Rocher planning area.

Among the submarkets, the Outside Central Region (OCR) is the biggest contributor, where almost half of the upcoming retail supply is located. The other sub-markets – Downtown Core and Rest of Central Region (RCR) made up 32% and 23% of total upcoming retail supply respectively. There are no known completions located within the Fringe region in the next three years.



Source: URA, Knight Frank Singapore, 4Q 2024

Major Nationwide Future Retail Supply (2025 – 2027)

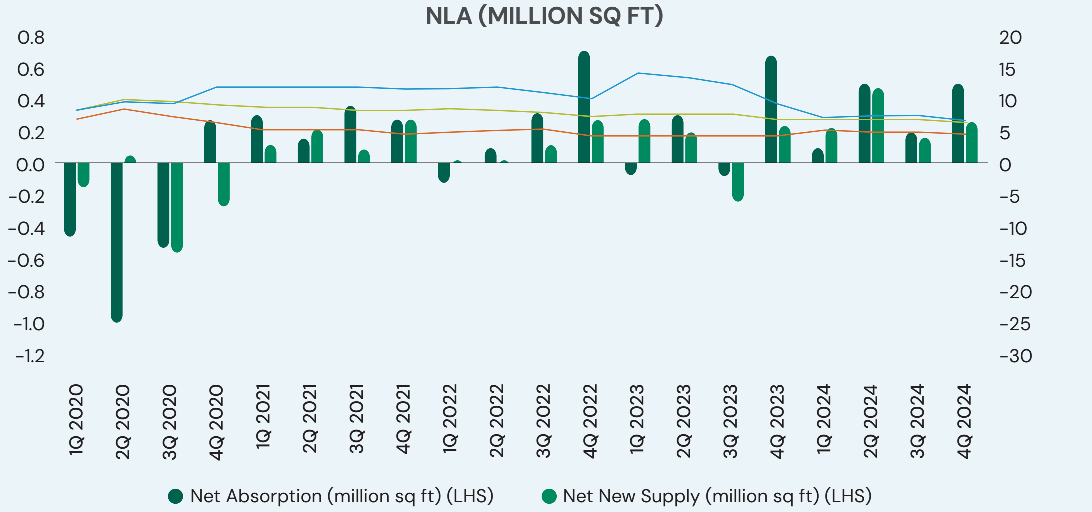
Upcoming Supply (NLA)	2025	2026	2027
Downtown Core	• Keppel South Central: 25,700 sq ft • Shaw Towers Redevelopment: 10,900 sq ft	N.A.	• 15 Hoe Chiang Road: 27,300 sq ft
Rest of Central Region	• Canninghill Piers: 90,400 sq ft	• TMW Maxwell: 32,400 sq ft	N.A.
Orchard	• The Cathay: 76,300 sq ft	N.A.	N.A.
Outside Central Region	• Punggol Digital District: 89,900 sq ft • Lentor Modern: 86,500 sq ft	N.A.	• Jurong Gateway Hub: 37,700 sq ft • Chong Pang City: 53,000 sq ft

Demand and Vacancy

For 2024 as a whole, the nationwide retail property market obtained a positive net absorption of 1.3 million sq ft, which was supported by the entry of new-to-market brands and the expansion of some well-performing F&B brands.

The overall occupancy of the nationwide retail stock performed better than the previous year, where the 4Q 2024 vacancy was 0.4 bp lower than that of 4Q 2023. Notable improvement was observed for Orchard Road, where the vacancy rate was reduced by 2.8 bp from that of 4Q 2023. Meanwhile, the suburban retail malls proved to be the most resilient area with the lowest vacancy rate among the three submarkets, despite a slight 0.1 bp increase in vacancy.

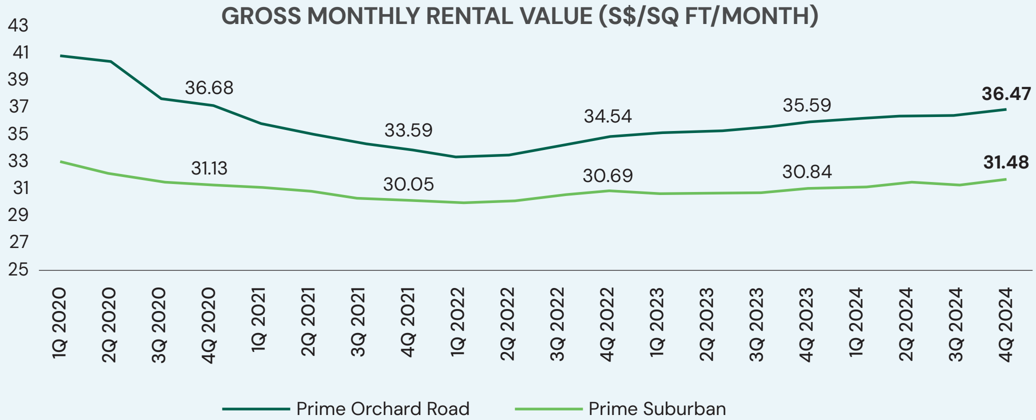
NATIONWIDE RETAIL SUPPLY AND DEMAND
NLA (MILLION SQ FT)



Source: URA, Knight Frank Singapore, 4Q 2024

Rental Values

PRIME ORCHARD ROAD AND PRIME SUBURBAN RETAIL
GROSS MONTHLY RENTAL VALUE (S$/SQ FT/MONTH)



Source: Knight Frank Singapore, 4Q 2024

Despite the highly challenging and competitive nature of the retail landscape due to prevailing high costs of labour, materials and space rental, the average nationwide prime retail gross rents rose 3.0% YoY as at 4Q 2024, extending the 3.6% YoY growth achieved in the previous year. Prime Orchard Road rents rose 2.5% YoY and 1.0% Quarter-on-Quarter (QoQ) to S$36.47 per sq ft/month in 4Q 2024. Similarly, the prime suburban rents grew 2.1% YoY and 1.0% QoQ to S$31.48 per sq ft/month, bolstered by the resilient footfall at retail malls in the heartlands.

Though rents remained on the growth trajectory, supported by the new openings of both local and foreign brands drawn to Singapore's location as a gateway to Asia, the high operational costs cautioned most retailers to be vigilant about their expansion plans. Knight Frank envisages a modest 2% to 3% growth in rents in prime Orchard locations for 2025. The strong Singapore Dollar coupled with inflationary pressures led to local consumers spending abroad where the cost of goods is of a lower price.

Occupancy Cost Trends of Retailers

Confronted by the inflated costs of goods, staffing and logistics, F&B and retail tenants have been contending with cost balancing and are increasingly circumspect towards perceived rental value amid other costs of operations. Subject to the shop location, concept and price strategy and among other factors, rental occupancy costs for these retailers ought to be generally below 20% for F&B tenants and below 25% for retail tenants to support their businesses, yet such costs could go beyond the healthy range for locations with high footfall, strong mall branding and prospects for healthy turnover sales.

Investment Transactions

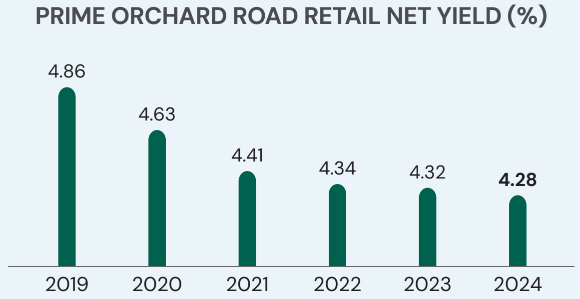
Total investment sale transactions in 2024 amounted to over S$5.9 billion, around 50% higher than the S$3.9 billion worth of investment sale transactions in the previous year. Investment activities demonstrated a strong pick up in the second half of 2024 where a handful of prominent retail assets changed hands.

Notable deals include the acquisition of a 50% interest in ION Orchard (includes ION Orchard and ION Orchard Link) by CICT from CapitaLand Investment (CLI) for S$1.8 billion in 4Q 2024. In 3Q 2024, Sceneca Square was sold at approximately S$64 million, to a Singapore property investor 8M Real Estate, who specialises in shophouse assets. It translated to a unit price of S$2,973 per sq ft on gross floor area (GFA).

Two other prominent transactions took place within the Orchard precinct – the transaction of Concorde Hotel and Shopping Centre and Delfi Orchard. The former was sold to Hotel Properties Limited at S$821 million (S$1,804 per sq ft per plot ratio (ppr)) including the land betterment charge; and the latter was sold to City Developments Ltd for S$439 million (S$3,346 per sq ft ppr).

In 4Q 2024, Fragrance Group acquired Katong Plaza, a freehold commercial and residential mixed-use development at S$180 million (S$1,809 per sq ft ppr). Also in the same quarter, Robertson Walk, along with its adjoining serviced residence Fraser Place Robertson Walk, initially held by Frasers Centrepoint Malls was acquired by Frasers Property and Sekisui House at S$210 million (S$2,153 per sq ft ppr), who will be jointly developing this mixed-use asset.

Net Yields – Orchard Road Retail



Source: URA, Knight Frank Singapore, 4Q 2024

The net yield of prime Orchard Road retail is estimated at 4.3% in 2024, a slight 0.04 bp compression from 2023. Though both capital value and rentals are on the rise steadily, the growth of rents outpaced capital value, resulting in yield compression. The prime assets in Orchard are tightly held and highly sought after assets. Once an opportunity arises, the demand is reflected in the high capital value transacted.

Market Outlook

Looking ahead, more collaborations between the public agencies and private sectors can be expected in 2025 to strengthen the Singapore brand and draw in more inbound visitors, with MICE and tourism being key drivers to Singapore's retail performance. Despite the competitive nature and tough operating environment, there are avenues for innovation and creativity by injecting more lifestyle and wellness concepts to elevate the retail landscape. This presents the need for collaborative innovation for survival and sustained brand longevity.

Flagship retail units in prime malls will remain keenly sought after as retailers look to elevate their brand image and positioning. Suburban malls within dense residential catchment will also continue to attract interest from both international and local brands looking to enlarge their brand outreach. The demand and interest towards shophouses and heritage buildings in Singapore is slated to continue, as more consumers incline towards differentiated and unique retail and dining experiences.

Singapore will likely upkeep its popularity as a launchpad among international brands looking to enter the Southeast Asia market, in particular the Chinese F&B brands who are embarking on aggressive expansion plans in Singapore. The intense competition may further drive-up rents of prime spaces, potentially displacing some struggling homegrown F&B brands with them relocating to less prime spaces or consolidating their operations. It could work well for the landlords to consider providing opportunities for the emerging entrepreneurial retailers to extend their outreach in prime retail spaces via pop-up concepts and events.

The completion of the Johor Bahru-Singapore Rapid Transit System Link could cause some short-term leakage of retail sales value from Singapore to Johor Bahru (JB), which would spur local retailers to differentiate their products in terms of enhanced quality and variety. The extent of retail sales dilution to JB is also contingent on currency exchange and retail price gap between the two cities. Retailers in JB could possibly take the opportunity to raise the prices of retail goods and services, thus narrowing the price gap between the two borders. With the reduced-price differentials, retail sales is envisaged to divert back to Singapore following an initial fad. Overall, the Singapore government's pro-tourism initiatives, with a slew of global MICE events could bolster the continued growth of the retail sector, and prime retail rents will continue to observe moderate yet steady growth in 2025. Knight Frank envisages the prime retail rental growth to ease and stabilise within a projected range of between 1% and 3% in 2025, barring any external black swan events and unforeseen circumstances.

SINGAPORE OFFICE MARKET

Existing Office Supply

Based on URA's estimates, Singapore's existing net office stock totalled approximately 87.5 million sq ft (as at 4Q 2024) – out of which, the Central Business District Core (CBD Core)[1] accounts for the largest proportion at 42.9 million sq ft (49.0%), while the CBD Fringe[2] and Decentralised Area[3] consists of 15.0 million sq ft (17.1%) and 29.6 million sq ft (33.9%) respectively.

An estimated 2.2 million sq ft of net lettable office space was completed nationwide in 2024, significantly higher than the 0.3 million sq ft in 2023. Key office development completions include IOI Central Boulevard (1.3 million sq ft) within the CBD Core, Labrador Tower (0.7 million sq ft) and Paya Lebar Green (0.3 million sq ft) in the Decentralised locations.

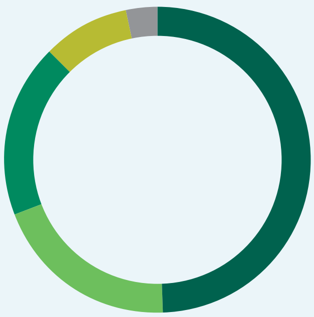
As at end of 2024, IOI Central Boulevard was reported to be 75% occupied, with notable blue-chip multinational firms such as tech giant Amazon and investment bank Morgan Stanley as anchor tenants. Similarly, the office space at Labrador Tower at Pasir Panjang is 75% taken up with Prudential and the Ministry of Health as key tenants. A joint development between Certis Cisco and Lendlease, Paya Lebar Green's North Tower will continue serving as Certis' global headquarters while its South Tower is yet to be occupied.

Private Office Stock Ownership

Almost half (49.5%) of Singapore's private office buildings is owned by corporations and developers, followed by individually owned office spaces within strata-titled developments (19.8%), REITs (18.2%) and Funds & Insurance companies (9.4%).

As at end-2024, approximately 31.5% of office buildings is owned by the top 10 owners – of which CICT is the largest, with 6.6% ownership of total private office stock. This was followed by Keppel REIT and Singapore Land Group which owns an estimated 3.8% of total private office stock each.

ESTIMATED BREAKDOWN OF PRIVATE OFFICE STOCK OWNERSHIP

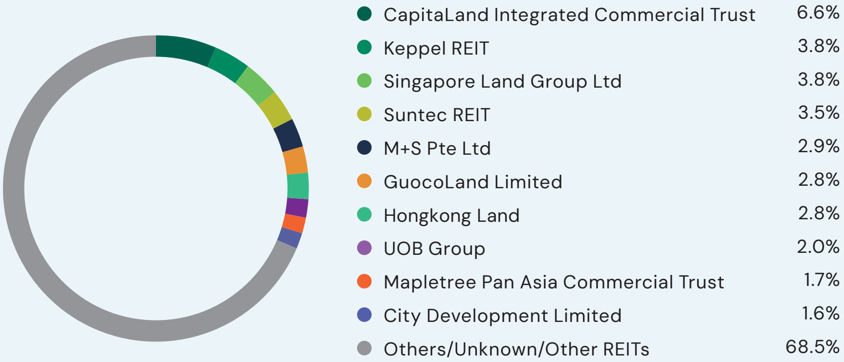


Corporations/Developers	49.5%
Strata-titled	19.8%
REITs	18.2%
Funds/Insurance	9.4%
Others/Unknown	3.1%

Source: Knight Frank Singapore, 4Q 2024

1 *CBD Core refers to URA's definition of the Downtown Core Planning Area*
2 *CBD Fringe refers to URA's definition of the Rest of Central Area and Orchard Planning Area*
3 *Decentralised Area refers to URA's definition of the Fringe Area and Outside Central Region*

ESTIMATED SHARE OF PRIVATE OFFICE STOCK BY OWNER



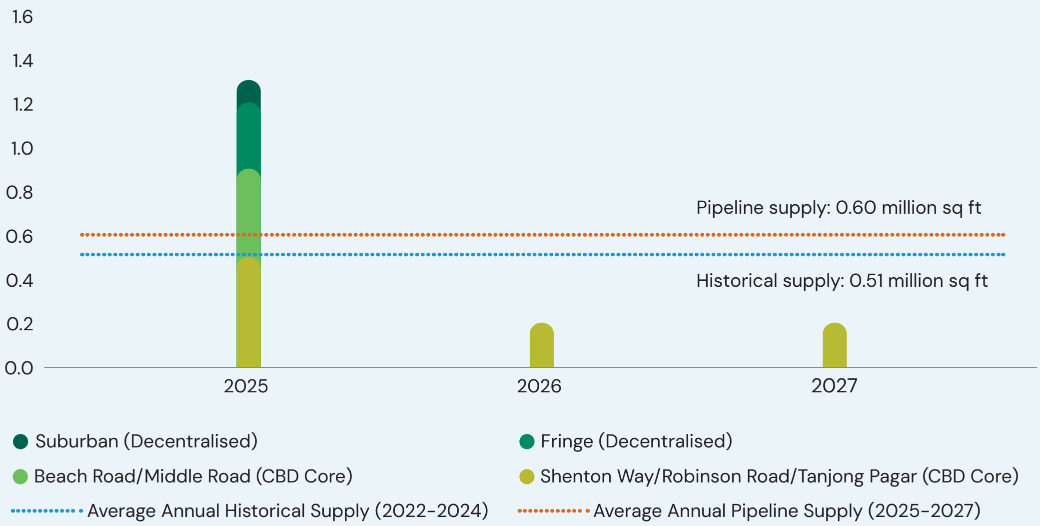
Source: Knight Frank Singapore, 4Q 2024

Future Office Supply

After a seven-year high in new office completions in 2024, a supply crunch in Singapore's office market is expected in the short to medium term with few completions in the next three years. Based on URA data, Knight Frank estimates over 3.7 million sq ft of new net lettable office supply to be completed between 2025 to 2028. Notable upcoming supply slated for completion in 2025 include Keppel South Central (0.6 million sq ft) in the CBD Core, and Punggol Digital District (0.3 million sq ft) developed by JTC in Singapore's North-east Region.

New office supply between 2026 to 2027 is expected to be limited with larger office developments such as Singtel's Comcentre redevelopment at Somerset (0.8 million sq ft) and The Skywaters at Shenton Way (0.8 million sq ft) coming online only in 2028.

MAJOR NATIONWIDE FUTURE OFFICE SUPPLY (2025 - 2027)
NLA (MILLION SQ FT)



Source: URA, Knight Frank Singapore, 4Q 2024

Major Future Office Supply (2025 – 2027)

Upcoming Supply (NLA)	2025	2026	2027
Shenton Way/Robinson Road/ Tanjong Pagar (CBD Core)	• Keppel South Central: 521,100 sq ft	• Solitare on Cecil: 184,000 sq ft	• New Port Tower: 218,900 sq ft
Beach Road/Middle Road (CBD Core)	• Shaw Tower Redevelopment: 405,100 sq ft	N.A.	N.A.
Fringe (Decentralised)	• Paya Lebar Green: 330,500 sq ft	N.A.	N.A.
Suburban (Decentralised)	• Punggol Digital District: 134,300 sq ft	N.A.	N.A.

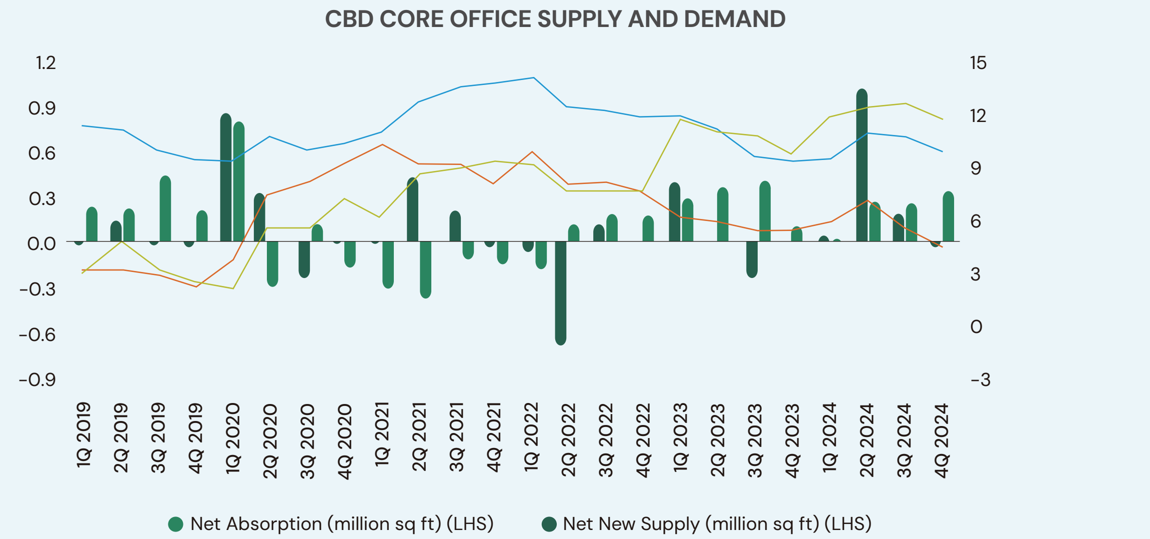
Source: URA, Knight Frank Singapore, 4Q 2024

With the highly anticipated 6.5ha master developer white site at Jurong Lake District (JLD) which had the potential to yield about 1.6 million sq ft GFA of office space not awarded by the URA, most of the future office supply will continue to be located in CBD Core locations such as the Downtown Core, Orchard and Rochor.

Considering the constrained office supply which mainly comes from government land sale sites, developers and landlords have turned to older office buildings to unlock their full potential through redevelopment, a value-add play. Examples include the redevelopment of Clifford Centre by Singapore Land Group at Raffles Place and Singtel's Comcentre at Somerset – both slated for completion in 2028, as well as the Shaw Towers along Beach Road which is expected to be ready by 2025.

Demand and Vacancy

For the whole of 2024, nationwide net new supply was positive at 0.8 million sq ft, largely due to the completion of IOI Central Boulevard, while net absorption was just 0.1 million sq ft – below the five-year historical nationwide office average of 0.3 million sq ft (2019 – 2023). The slowdown in the global economy and market uncertainties led to subdued office leasing demand, with most occupiers choosing lease renewal upon expiry of their current premises instead of relocation due to the high fit-out capital expenditure costs.



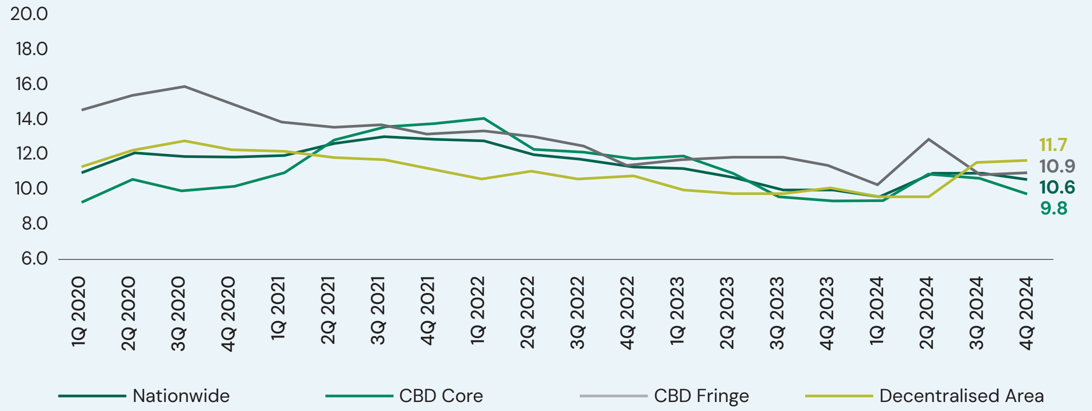
Source: Knight Frank Consultancy, 4Q 2024

Over the course of 2024, secondary space in existing buildings has been on the rise due to non-renewals or relocation of anchor tenants. Meta had given up seven office floors totalling 115,000 sq ft at South Beach Tower when its lease expired in end-September 2024, while BNP Paribas released half or three of its six floors at Ocean Financial Centre when its lease expired in end-2024, choosing to relocate its backend functions to Mapletree Business City in efforts to curb costs.

Given the lack of drivers from a dominant industry sector, such as the finance or technology sectors that had previously signed onto large tracts of office space in aggressive expansion modes, firms from finance, legal and consultancy services have seized the opportunity to embark on 'flight to quality' and took up some of the premium-quality spaces vacated by larger occupiers to retain and attract talent.

Despite a lull in new lease activities in 2024, nationwide office vacancy remained low, hovering around 10%. In particular, the CBD Grade A office spaces are experiencing close to full occupancy, with the vacancy hovering around 9% to 11% in 2024 on the back of a tight supply market.

NATIONWIDE AND SUBMARKETS OFFICE VACANCY (%)



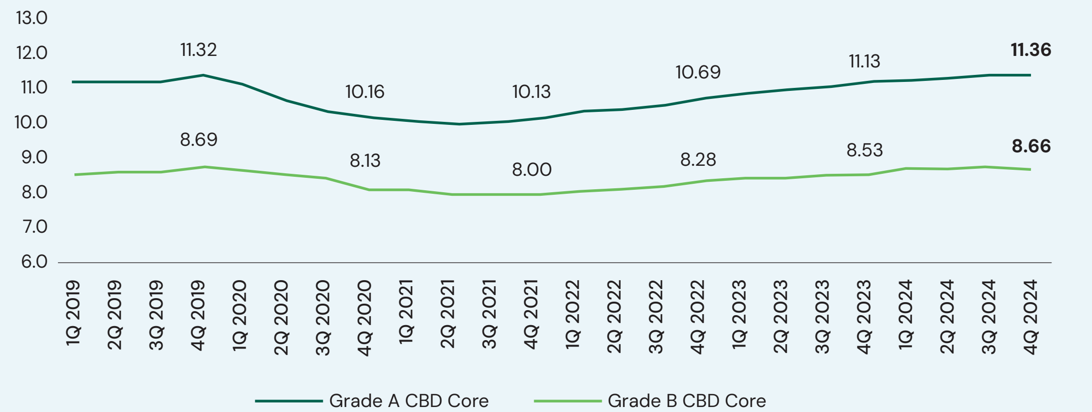
Source: Knight Frank Singapore, 4Q 2024

Rental Values

Office spaces within the CBD Core largely saw YoY rental growth across all four quarters of 2024, albeit at a steadily decreasing pace towards the end of the year as further expansion was held in check by occupiers adopting a conservative business outlook in view of global trade and economic uncertainty.

Based on data from Knight Frank as at 4Q 2024, CBD Grade A office rents increased slightly by 0.1% QoQ and 2.1% YoY to S$11.36 psf/month, while CBD Grade B office rents dipped marginally by 0.3% QoQ but grew 1.5% YoY to S$8.66 psf/month. On a full-year basis, YoY rental growth of both CBD Grade A and B office rents represents a slowdown compared to the previous year where CBD Grade A and B office rents recorded a faster YoY expansion of 4.1% and 3.0% respectively.

CBD CORE OFFICE MONTHLY RENTAL VALUES (S$/SQ FT/MONTH)



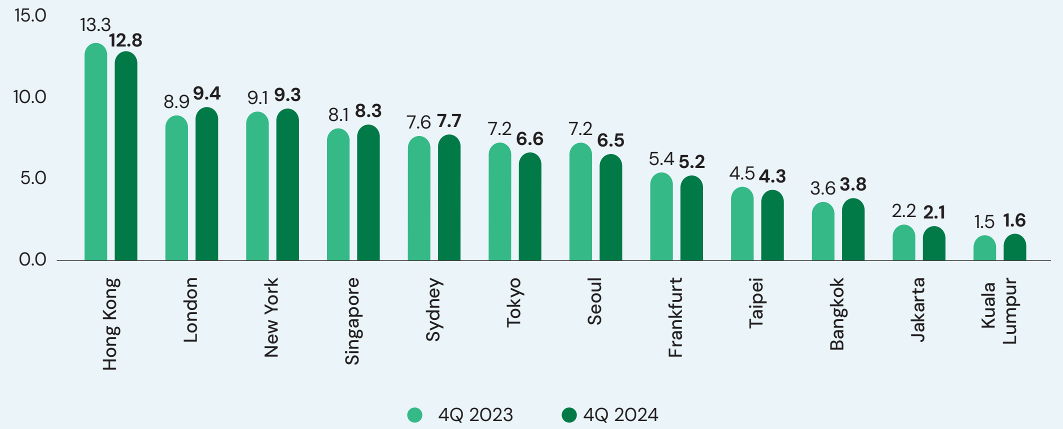
Source: Knight Frank Singapore, 4Q 2024

Gross Office Rent in Major Cities

Amid an uncertain global environment marked by slower economic growth and geopolitical risks, occupiers are keeping a watchful eye on costs – favouring lease renewals or opting to rightsize to maximise space utilisation. As firms rein in spending, leasing sentiment took a hit with major cities in Asia Pacific such as Seoul, Tokyo, Jakarta and Hong Kong, which experienced steep YoY decline of 9.0%, 7.5%, 5.8% and 3.8% respectively.

In contrast to its regional counterparts, Singapore's Grade A office market bucked this trend with gross rents inching up by 2.1% YoY to US$8.30 psf/month, retaining its spot as the second most expensive city among major Asia Pacific cities to lease premium office space, trailing only behind Hong Kong (US$12.80 psf/month). The increase in Singapore's prime office rents is attributable to high occupancy and demand, supported by good infrastructure and a stable political environment, compounded by lack of high-quality supply, resulting in tenants with limited capital expenditure budgets opting for renewals over relocation, benefitting incumbent landlords in lease negotiations.

GROSS OFFICE RENT ACROSS MAJOR CITIES
(US$/SQ FT/MONTH)



Source: Knight Frank Singapore, 4Q 2024

Office Investment Market and Capital Values

The lowering of interest rates by the US Federal Reserve for the first time in four years by half a percentage point initially in September last year, and another 0.25 percentage points again in November and December 2024, brought about a resurgence of activity in the market in the fourth quarter of 2024.

Total investment sales for the office market in 2024 amounted to S$3.2 billion, representing a significant 60% increase from a year ago. The largest transactions include the sale of Mapletree Anson for S$775 million by Mapletree Pan Asia Commercial Trust to Hong Kong-based private equity fund PAG in July, followed by the sale of 21 Collyer Quay by CICT for S$688 million to an unrelated third-party buyer in November. Other significant big-ticket transactions that took place in the past year include the enbloc sale of Delfi Orchard (S$439 million), PSA Vista (S$160 million), Income at Prinsep (S$147 million), and Stamford Court (S$132 million).

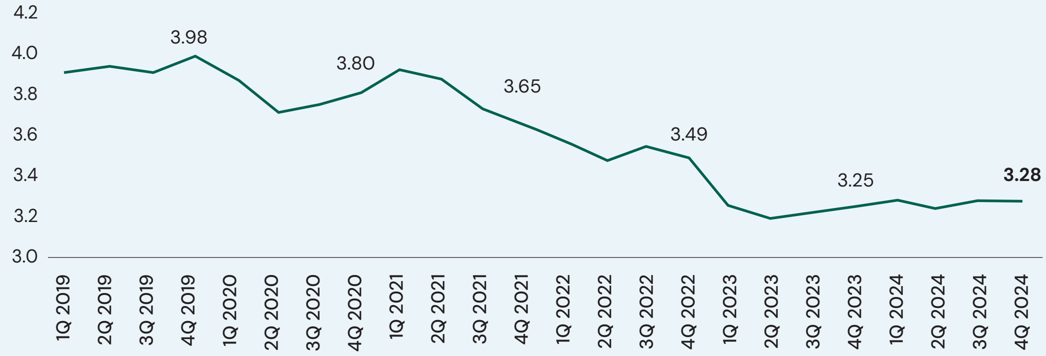
Buoyed by new strata freehold projects which rarely come on the market, coupled with tight supply in the CBD, Singapore's strata office market was abuzz with activity last year with keen interest from non-institutional investors looking for wealth preservation amid the uncertain world order. New freehold office spaces sold include three floors at Solitaire on Cecil for S$158 million (S$4,111 psf NLA), while two floors at Visioncrest were sold for S$118 million (S$4,010 psf NLA).

Net Yields – Grade A Office CBD Core

Post-pandemic, the swift increase in capital values of Grade A CBD Core office spaces which outpaced rental recovery led to a consequential decrease in net yields from a peak of 3.9% in 1Q 2021 to a bottom of 3.2% in 2Q 2023. With the Singapore workforce returning to the office in full force, net yields started expanding gradually since 3Q 2023 as capital values held steady while prime office rents continued to grow. As at 4Q 2024, net yields for the Grade A offices in the CBD Core stood at 3.3%, a marginal 0.3 percentage point (pp) higher than a year ago.

Looking ahead, while businesses may adopt some optimism with the prospect of interest rate moderation in 2025, a potential heightening of global economic uncertainties could weigh on occupiers' interest towards workplace expansion or relocation and possibly rein in rental growth. With capital values expected to remain resilient, prime office yields are envisaged to be stable in the short term in 2025, while the strata office market segment continues to be an attractive investment proposition with its capital appreciation and recurring income potential.

GRADE A OFFICE CBD CORE NET YIELD (%)



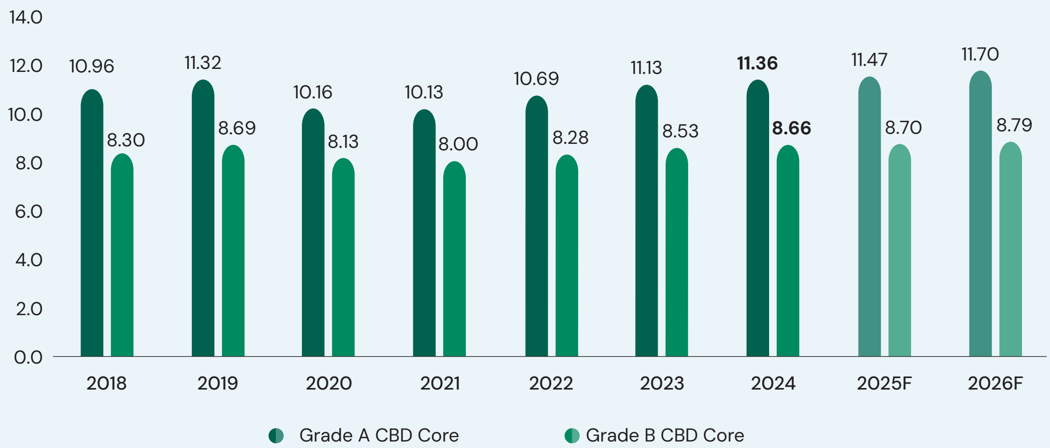
Source: Knight Frank Singapore, 4Q 2024

Office Market Outlook

As the economic outlook going into 2025 is set to be bereft with various geopolitical and trade uncertainties, most major multi-national corporations headquartered in Singapore are likely to adopt a wait-and-see approach for the first half of the year before deciding on further plans for expansion or relocation of their workplaces. Leasing demand for 2025 is expected to be supported by mainly smaller occupiers such as legal, finance and consultancy firms, as well as an increasing number of single-family offices (SFO) which grew by more than 42.9% YoY to exceed 2,000 in 2024.

Considering the demand-side factors and in light of a lack of supply injection due to construction delays and low pipeline supply until 2028, limited downside to the Singapore office market is envisaged for 2025. CBD Core Grade A rents is likely to remain stable for the first half of the year before market sentiment could possibly pick up in the second half as interest rates and inflationary pressures ease, the global economy gains traction, and companies regain confidence to embark on expansionary plans. Knight Frank expects office rental growth to range between -1% and 2% for the whole of 2025.

PROJECTED CBD CORE OFFICE MONTHLY GROSS RENTAL (S$/SQ FT/MONTH)



Source: Knight Frank Singapore, 4Q 2024

SINGAPORE INTEGRATED DEVELOPMENT MARKET

The evolution of new urban built forms that bring together live, work and play elements to cater to a shift in work and lifestyles has spurred the curation of integrated developments in land-scarce Singapore. Progress in urban planning strategies and land use zoning provisions for a mix of uses and the extension of MRT train networks are creating more opportunities for real estate developers to merge live-work-play lifestyles into a one-stop-shop location. Integrated developments are defined by Knight Frank to possess some of the following features:

- Comprise a complementary mix of different development uses such as office, retail, residential or hospitality, with commercial component of minimally 1,000 sqm GFA and under one management;
- Set in single, dedicated and well-planned urban enclaves with a diverse mix of property uses;
- Boost high-quality building design, green features and community spaces with sustainability certifications such as BCA Green Mark award or LEED award;
- Have seamless and sheltered pedestrian connectivity from the development to a MRT station or bus interchange; and
- Offer additional amenities and value-added services across different development uses for tenants and other stakeholders.

Through the Government Land Sales (GLS) programme, CBD and Strategic Development Incentive Schemes, more integrated developments are introduced over time to buttress Singapore's global city appeal. Such progressive developments comprise a synergistic mix of space uses and instill people-centricity. To-date, a total number of 13 integrated developments are being built or redeveloped over the last five years. Integrated developments with residential use are growing in numbers particularly in the city fringe and suburban locations where larger land parcels are more readily available and supported by captive resident catchment. Notable completions in the recent two years include Sengkang Grand, Pasir Ris Mall and Pasir Ris 8, Woodleigh Mall and Woodleigh Residences, One Holland Village (mixed-use) and Guoco Midtown. All these integrated developments enjoyed high traffic footfall with over 90% to near full occupancy of its retail spaces as of end-2024.

Trends and Advantages of Integrated Developments

As Singapore's built landscape expands and consumer preferences change, the pursuit for a more pleasurable, vibrant and accessible destination rises. Integrated developments boost various attributes, from enhancing user convenience with the harmonisation of various space functions and amenities under one roof, to fostering a sense of community with placemaking at atrium spaces. Combined with the benefit of seamless connection to public transportation, traffic footfall in integrated developments is typically higher compared to single-use buildings, thereon supporting the demand for office and retail spaces. Integrated developments in decentralised locations with a large catchment population are well sought after by retail tenants, while office occupiers gain the benefits of direct access to retail amenities and public transport at more affordable rents compared to CBD Core and CBD Fringe locations.

Large-scale integrated developments, boosting dual spaces of office and retail with supporting amenities, create a collective offering and strong brand presence to draw occupiers, retail patrons and residents. Subject to the location accessibility, immediate catchment, building age and quality, and the scale of retail and office spaces, prime retail and office spaces in integrated developments could command a rental premium of 13% to over 20% and 6% to 10% respectively compared to that of single use developments in the same locale.

Land and Investment Sale Transactions

Attracted by the appeal, potential premium factor and limited stock, developers and investors demonstrated sustained interest towards integrated development opportunities via government land sites and property acquisitions. Eight transactions of integrated developments with a total of S$7.1 billion were concluded over the period from 2019 to 2024. Notable land sales for proposed integrated developments include the award of the commercial and residential site at Tampines Avenue 11 to UOL-SingLand and CapitaLand Development joint venture for S$1.2 billion in July 2023.

Site or Project Name (Use)	Location	Total GFA/ NLA	Transacted Price (S$)	Transaction Month/Year	Buyer
Government Land Sales					
White Site at Pasir Ris Central (retail and residential)	Pasir Ris Central	1,022,678 sq ft GFA	$700.0 million	March 2019	Allgreen Properties Ltd and Kerry Properties
Site at Lentor Central (residential and retail)	Lentor Central	650,997 sq ft GFA	$784.1 million	July 2021	GuocoLand
Site at Jalan Anak Bukit (residential and retail)	Beauty World	1,039,308 sq ft GFA	$1.0 billion	August 2021	Far East Organization and Sino Group
Site at Tampines Avenue 11 (residential and retail)	Tampines	1,363,786 sq ft GFA	$1.2 billion	July 2023	UOL-SingLand and CapitaLand Development
Site at Tampines Street 94 (residential and retail)	Tampines	665,575 sq ft GFA	$668.3 million	October 2024	Hoi Hup Realty and Sunway Developments
Investment Sales					
Duo Tower (office) and Duo Galleria (retail)	Bugis	626,000 sq ft NLA	$1.6 billion	July 2019	Allianz Real Estate and Gaw Capital Partners
Strata units at former Chevron House (retail and office)	Raffles Place	unknown	$315.0 million	June 2020	Siriti R Pte Ltd and Siriti C Pte Ltd
50% stake in AXA Tower (redevelop into office, retail, residential)	Tanjong Pagar	not applicable	$840.0 million	May 2020	Alibaba Singapore

Source: URA, Real Capital Analytics, Knight Frank Singapore

Future Supply of Integrated Developments

An estimated total of 1.2 million sq ft GFA of retail and office stock from integrated developments is slated for completion by 2029. All the three upcoming integrated developments also comprise the residential component, with two projects (Bukit V and Parktown Tampines) located within a large resident catchment area.

Project Name	Location	Retail/Office GFA	Expected Year of Completion
The Reserve Residences and Bukit V	Jalan Anak Bukit	106,347 sq ft (Retail)	2028
The Skywaters/Skywaters Residences	Shenton Way	72,312 sq ft (Retail) 876,710 sq ft (Office)	2028
Parktown Residence/ Parktown Tampines	Tampines Avenue 11	107,790 sq ft (Retail)	2029

Source: URA, Knight Frank Singapore, 4Q 2024

Government Land Sales Programme

In December 2024, the GLS programme released seven potential integrated development sites with direct connection to the MRT network. The 1H 2025 Confirmed List comprises one plum site at Hougang Central, and two sites at Lakeside Drive and Upper Thomson Road (Parcel A) for residential and ancillary commercial uses. The 1H 2025 Reserve List reveals three white sites available for application – Marina Gardens Crescent, Jurong Lake District and Woodlands Avenue 2; and one hotel site with commercial use at River Valley Road.

The Hougang Central site, with a land area of 4.7 ha and sited next to Hougang MRT station, can develop up to 835 housing units and 430,556 sq ft (40,000 sqm) GFA of commercial space.

Located in Woodlands Regional Centre and connected to two MRT lines (North-South and Thomson East Coast Lines), the 2.6 ha white site at Woodlands Avenue 2 can potentially yield 440 housing units and 839,584 sq ft (78,000 sqm) GFA of commercial space.

The 1.7 ha white site at Marina Gardens Crescent is directly connected to Marina South MRT station and within proximity to Gardens by the Bay. This site can house up to 775 residential units and 64,583 sq ft (6,000 sqm) GFA of commercial space.

The master developer scheme at JLD is available on the 1H 2025 Reserve List, given that the mega site is not awarded to the consortium who participated in the tender in March 2024. Under the concept and price revenue tender approach, the scheme offers similar planning parameters as the previous tender – 6.5 ha land area, up to 600 housing units and 1,076,390 sq ft (100,000 sqm) GFA of commercial space under phase 1 development.

The increased availability of sites in the suburbs for proposed integrated developments under the 1H 2025 GLS programme reflects the planning authorities' goal to optimise land surrounding public transport nodes with synergistic land uses in one site.

Outlook for Integrated Developments

The value proposition of integrated developments – diversity of uses, comprehensive offering and placemaking is poised to gain greater popularity as consumers desire convenience, spatial comfort and vibrancy in their destination of choice. Prospects of growth in business, population and international visitor arrivals would augment the need for a more holistic design of real estate, which integrated development format would fulfill. As more new integrated developments make their debut in the market within the next three to five years, the shift in retail visitorship would gravitate towards novelty. Landlords embarking on asset enhancement initiatives such as retail trade mix repositioning and physical upgrading would ensure that their older integrated developments remain relevant and attractive to customers.

Integrated developments located within large captive resident catchments in the suburbs are poised to receive sustained footfall and retail rents are expected to hold firm in 2025 despite inflationary pressures. Meanwhile, Singapore's central area offers different sources of property demand from the workforce in the CBD, local and international visitors. Large-scale integrated developments with an array of commercial facilities in the central area are attractive destinations for these communities. The URA's push for greater vibrancy in the central area with more residential land use through the CBD and Strategic Development Incentive Schemes are positive initiatives for retail establishments with future growth in captive resident population. Supported by the Singapore Tourism Board's proactive efforts in driving tourism, the anticipated effects including higher MICE activities and international visitor arrivals are positive impetus to drive demand for MICE industry, retail spendings and accommodation demands.

AUSTRALIA

Australia Economic Overview

High inflation and rising interest rates led to a marked global slowdown throughout 2023 and 2024, with many large economies tipping into technical recession. The Australian economy, while also slowing markedly, grew by 1.3% over the year to 4Q 2024. This resilience means that Australia has again avoided recession, as it did during the Global Financial Crisis.

Inflationary pressures eased throughout 2024 in Australia, with headline CPI at 2.4% and trimmed mean inflation at 3.2% at the end of 2024. Inflation trended down in each quarter of 2024 is a sign that the Royal Bank of Australia's (RBA) monetary policy is having the desired effect for trimmed mean inflation to reach its target band of 2-3%. Given the improved inflationary data, the RBA recently did its first rate cut in over 5 years, dropping the cash rate by 25bps to its current level of 4.1%.

The latest unemployment rate for Australia is at 4.1% as at January 2025. Employment has risen by 3.0% in the past year, growing faster than the resident population growth of 2.5%. The recent data aids the RBA's goal of keeping the labour market close to full employment, with the economy continuing to add jobs at a steady pace. Concurrently, demand and supply are coming into better alignment, with the market forecast to slacken gradually. Market forecasts anticipate the unemployment rate to reach 4.5% by the end of 2025.

Going forward, GDP growth is forecasted to accelerate with Australia expected to grow at 2.2% on average over the next five years, in line with Canada and the US, comfortably outperforming the majority of major industrialised countries. The economy is expected to pick-up throughout 2025 as a result of improving consumer spending as the headwinds of high inflation and interest rates gradually abate, resulting in a return to real income growth and rising household disposable incomes.

New South Wales Infrastructure Investment

The New South Wales (NSW) infrastructure pipeline has grown to A$119.4 billion and this includes a A$62.9 billion commitment over the next four years towards transport infrastructure as part of the 2024-2025 NSW Budget. This infrastructure investment is significantly higher than the long-term average. Notably, this represents approximately 50% of the national pipeline for 2024 and is above the forecast spend level for any other state. This investment in infrastructure is expected to pick-up further as both the Federal and State Government turn to infrastructure investment to drive economic growth.

SYDNEY CBD OFFICE MARKET OVERVIEW

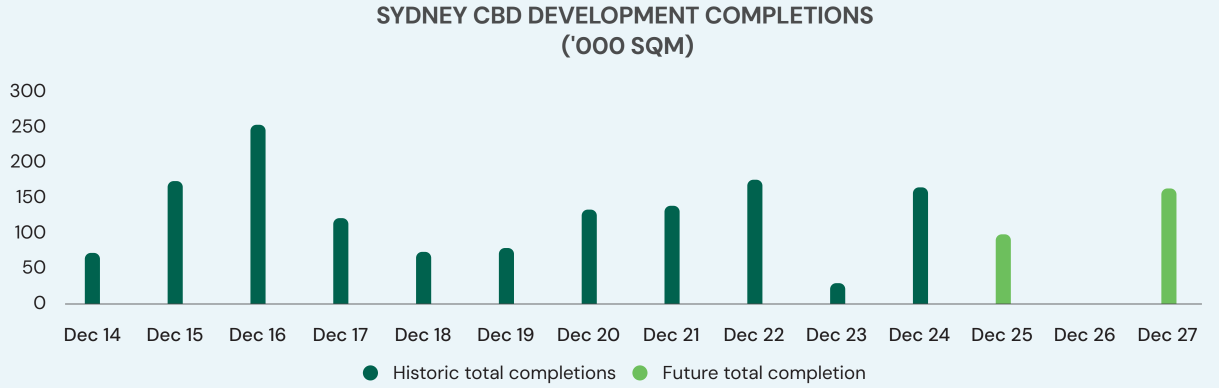
Demand and Supply

According to the Property Council of Australia (PCA), the Sydney CBD office stock measured 5.3 million sqm as at 4Q 2024, which translated to an 1.5% YoY increment. This also indicates the highest level of total office stock on record. Following a year of minimal development completions in 2023, 2024 saw an influx of new supply. The new supply was centred around the completion of the Sydney metro infrastructure project which enhanced the CBD's connectivity via a new state of the art metro line and new office developments were built above the new metro stations.

The new developments in 2024 include the three premium grade over station developments (OSD): 39 Martin Place (31,115 sqm), 1 Elizabeth Street (62,871 sqm) and Parkline Place (48,000 sqm). Across these three developments, over 85% has been leased. Additionally, boutique developments at 333 Kent which encompasses 14,200 sqm of prime office space, along with 36-36 York Street (8,366 sqm) were completed at the end of 2024.

The market is now entering a period of limited new supply until 2027 with the only new developments to enter the market before 2027 being 121 Castlereagh Street (11,500 sqm). Additionally, there are refurbishment projects that will be completed this year, including 1 Shelley Street (32,000 sqm) and 270 Pitt Street (23,000 sqm). The next wave of new developments due from 2027 include the Atlassian Towers at the future technology central precinct, which will be anchored by Atlassian and is envisaged drive the organic expansion of the CBD to its Southern boundaries. Two developments are slated for delivery in 2027, namely Charter Hall's 2 Chifley South (50,000 sqm) and Mirvac's 55 Pitt Street (63,000 sqm), both having achieved healthy precommitment rates in 2024.

New developments in the CBD have historically obtained fairly healthy occupancy rates and are in high demand. Environmental design and ESG considerations have been at the forefront of new developments and a contributing factor to strong commitment levels. With the new supply predominately leased, this will bode well for other vacancies in the market to be absorbed in addition to giving developers confidence for future developments.

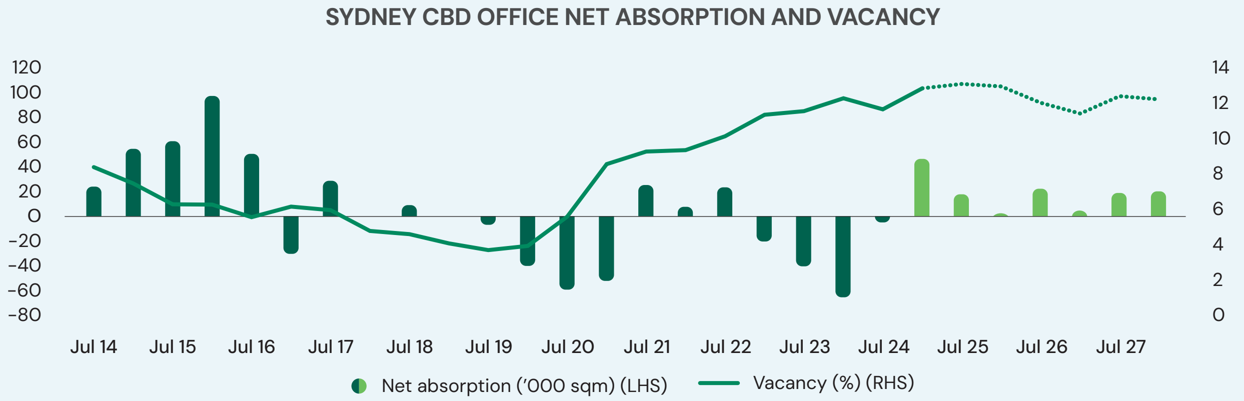


Source: Knight Frank Australia, Property Council Australia, 4Q 2024

For the whole of 2024, absorption levels were positive, at 41,604 sqm, which was the strongest level recorded since 2016. The absorption levels have primarily been driven by strong absorption levels in the prime market with 65,827 sqm recorded in 2024, whilst the secondary market recorded negative absorption of 19,593 sqm. Leasing volumes and tenant enquiries have been healthy, underpinning the improved market conditions and sentiment.

Despite the positive absorption levels, overall vacancy measured 12.8% at the end of 2024, up from 12.2% over the 12 months. This reflected a supply-led increase in vacancy, as a result of the 164,552 sqm of supply additions. By grade, prime vacancy is 13.3% at the end of 2024. In the secondary market, vacancy sits at 11.9%. Notably, sublease vacancy across the market has dropped from 1.4% to 0.8% over the year. Over the last five years, the flight-to-quality trend has become clear with absorption levels totalling negative 187,398 sqm in the secondary market, whilst the premium market has experienced positive demand of 233,716 sqm over the same period. This is further highlighted by demand levels across the precincts, with prime assets in the CBD core clearly outperforming the wider market as the only precinct to record positive absorption over the last five years.

Looking ahead, best in class assets in CBD core locations will outperform and likely cause a greater divergence between assets in the market.



Source: Knight Frank Australia, Property Council Australia, 4Q 2024

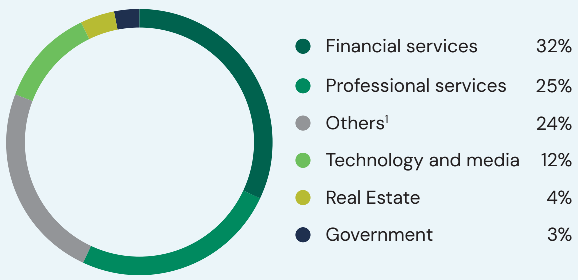
Demand Drivers

Occupier demand trends for 2024 were driven by financial services and professional services accounting for 32% and 25% respectively of total deal volumes. Tech sector demand has slowed to 12% of deal volumes. Demand was concentrated within the CBD core precinct, accounting for 58% of deal volumes, this was followed by midtown with 19%.

The structural shift of flight-to-quality and amenity continues to drive the demand for quality workspaces located close to multiple public transport options, food and retail operators, independent grocers, green spaces and wellness activities. Furthermore, the NSW Government mandated all public sector workers return to the office which will likely flow onto the private sector pushing employees to return to office if not already mandated. This will have a positive impact on activity in the CBD.

Looking ahead, occupier enquiry for 2025 is expected to stay strong as occupiers continue to revisit their workplace strategies and look to capitalise on an occupier favoured market.

SYDNEY CBD LEASE DEAL BY INDUSTRY SECTOR % SHARE OF TOTAL MARKET (SQ M)



1 Others include industries in education, construction, health, energy, manufacturing, administration, retail, arts, transport, mining, accommodation and agriculture.

Source: Knight Frank Australia, 4Q 2024

Rental Values

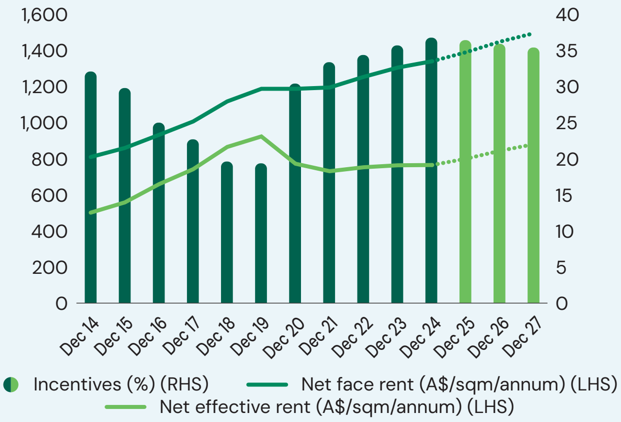
The Sydney CBD office prime net face rent was reported at A$1,324 per sqm per annum in 4Q 2024, representing a 2.6% YoY increase over the year. The secondary market observed a similar trend where the net face rent was up by 2.8% over the year to A$960 per sqm per annum at the end of 2024. Driven by the demand weighing towards best-in-class and core location office space, the current net face rental discount between prime and secondary space stands at seven-year high of 28%.

Incentives averaged 36.4% for the CBD prime office and 35.3% for the secondary market at the end of 2024. This is a slight uptick of 1.1% for both prime and secondary markets from the start of 2024. Some assets in certain locations are offering incentives of over 40%. These incentives are generally being used by occupiers for new office fit outs of rental abatements.

The positive movements of net face rents have been relatively offset by the rising incentives. On an annual basis (to December 2024), average prime net effective rents increased slightly by 0.2% to measure A$756 per sqm per annum and secondary net effective rents increased 1.8% to average A$553 per sqm per annum. Whilst net effective rents have slowly been improving, they remain 17% below levels in 4Q 2019.

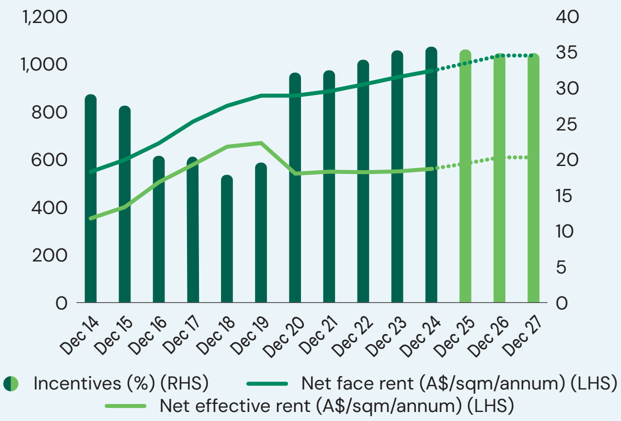
Looking forward, incentives are expected to hold at current levels, with face rental growth forecast to grow at over 3% annually on the back of steady demand and the market entering a period of limited new supply during 2025-2026

SYDNEY CBD OFFICE PRIME RENTS AND INCENTIVES



Source: Knight Frank Australia, 4Q 2024

SYDNEY CBD OFFICE SECONDARY RENTS AND INCENTIVES



Source: Knight Frank Australia, 4Q 2024

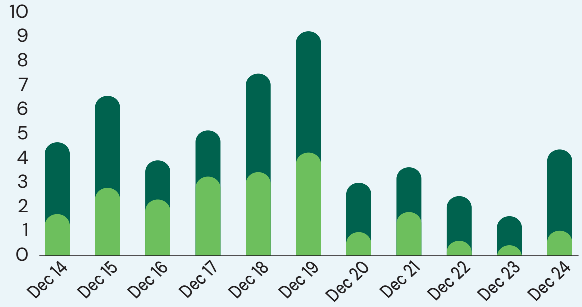
Investment Market

Investment activity bounced back in 2024 with the softer yield and capital value environment an attractive proposition for investors. Total office sales in 2024 reached A$4.3 billion in the Sydney CBD, this is well up on the A$1.6 billion in office sales for 2023. With yields having substantially reset and the macro picture more encouraging, investors are clearly returning to acquisition mode.

Offshore capital was the key driver in investment activity accounting for 75% of the A$4.3 billion in sales. The largest transaction in 2024 was Mitsui Fudosan, a Japanese developer, acquiring 66% interest in Mirvac's development at 55 Pitt Street in June for A$1.3 billion. The joint-venture development will deliver around 63,000 sqm of premium space in 2027. Further major transactions include Singapore's Keppel REIT purchasing a 50% stake of 255 George Street for A$363.8 million on a core market yield of 6.39%. Cbus Property bought out the remaining 50% interest of 5 Martin Place for A$296.2 million on a core market yield of 6.10%, taking 100% ownership of the building. Additionally, in 4Q 2024 SingLand and UOL Group acquired a 50% interest in 388 George Street for A$460 million on a core market yield of 6.2%.

Investor momentum is forecasted to continue into 2025 with multiple assets either in due diligence or beginning on market campaigns. Furthermore, with rate cuts expected this year and inflation easing, this will bolster investor confidence to acquire assets.

SYDNEY CBD OFFICE TRANSACTIONS BY LOCATION OF PURCHASER (A$ BILLIONS)



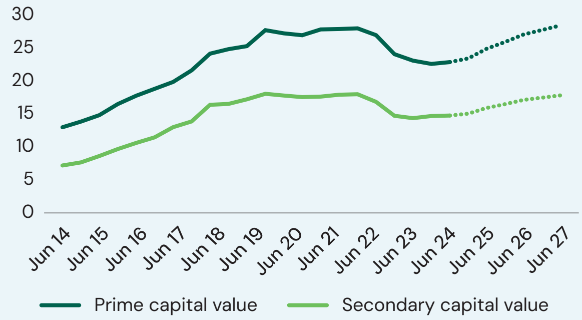
Source: Knight Frank Australia, 4Q 2024

Capital Values and Yields

Following significant yield expansion from July 2022 to the end of 2023, prime and secondary Sydney CBD yields remained stable since April 2024 which marked the end of the yield softening cycle. Prime and secondary office yields ended the year at 6.0% and 6.75% respectively. Whilst there was little movement over 2024 it does represent yield softening of 166bps for prime and 183bps for secondary since the peak of the market in mid-2021.

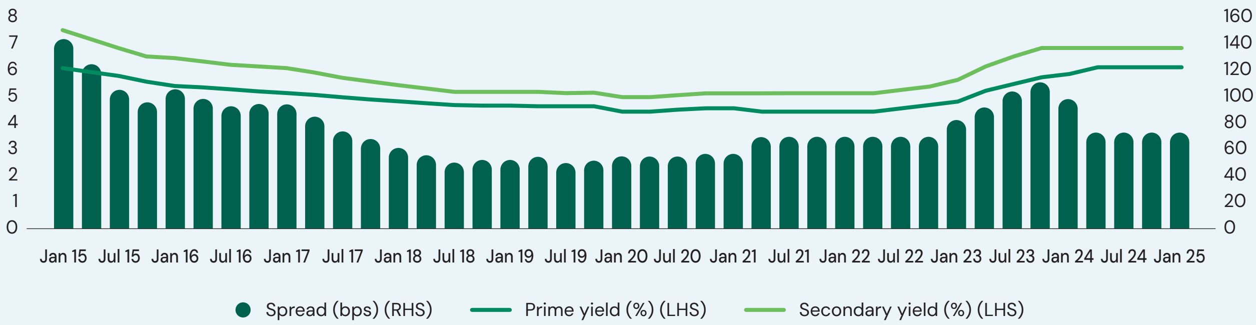
The softening of yields has resulted in declining capital values. Prime capital values in the CBD measured A$21,954 per sqm at the end of 2024 which represents a 19% decline since 2022. Capital values in the secondary market measured A$14,200 per sqm at the end of 2024, which is a 19% decline since 2022.

SYDNEY CBD OFFICE CAPITAL VALUES (A$'000/SQM)



Source: Knight Frank Australia, 4Q 2024

SYDNEY CBD CORE PRECINCT OFFICE YIELD SPREAD



Source: Knight Frank Australia, 4Q 2024

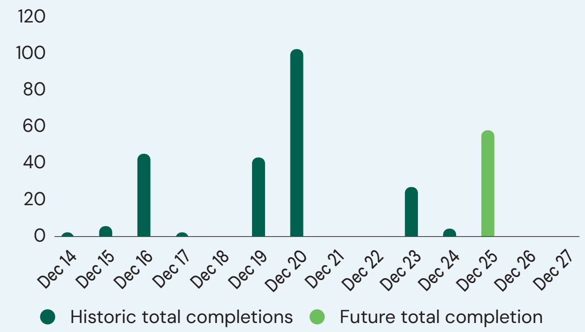
NORTH SYDNEY OFFICE MARKET OVERVIEW

Demand and Supply

With no major developments delivered in 2024, the current total office stock base in North Sydney is 941,214 sqm as per the property council of Australia. North Sydney is the third largest metropolitan office market in NSW, of which prime grade stock accounts for 42% of the market, up from 25% ten years ago.

The last two developments in North Sydney were completed in 2023, including 88 Walker Street (12,501 sqm) and 2-4 Blue Street. The next major development for North Sydney is Lendlease's Victoria Cross Define OSD - Over Station Development (OSD) (55,000 sqm) due for completion by the end of 2025. Beyond this, there are a number of mooted schemes in the pipeline including Affinity Place (59,000 sqm) and 173 Pacific Highway (11,000 sqm). If these schemes are to go ahead, they will not enter the market until at least 2028, allowing for current stock levels to be absorbed by the market.

NORTH SYDNEY OFFICE DEVELOPMENT COMPLETIONS ('000 SQM)



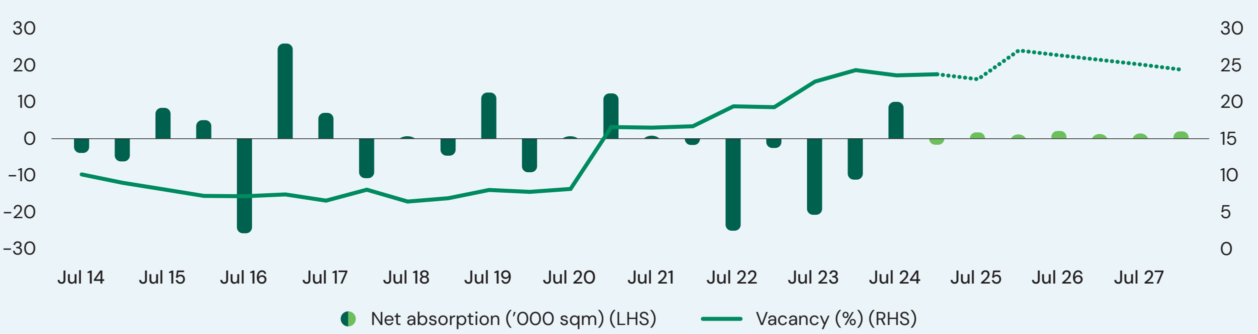
Source: Knight Frank Australia, Property Council Australia, 4Q 2024

Limited supply of new office developments over the past decade has constrained the availability of premium stock in North Sydney. This period of undersupply has caused the proportion of prime stock (premium or A grade as measured by the PCA) to be significantly less when compared to the Sydney CBD and Parramatta. Prime stock in North Sydney currently accounts for 42% of its total stock base in comparison to 66% in the Sydney CBD and 59% in Parramatta.

Tenant enquiry and deal flow improved in 2024, with positive net absorption levels of 8,505 sqm recorded over the year in North Sydney, the first-time positive absorption has been recorded since 2021. This had been led by positive activity in the prime market with positive absorption of 10,453 sqm recorded over 2024. This had resulted in overall vacancy declining from 24.2% to 23.7% over the year.

The structural shift of flight to quality and amenity is significant in North Sydney as there is a clear divergence in demand for quality assets. Premium vacancy in North Sydney is tight at 2.3%. Best in class assets in North Sydney; 100 Mount Street and 1 Denison Street, are sitting with strong occupancy rates, outperforming other assets in the market. With the recent opening of the Sydney metro now connecting North Sydney to Martin Place in six minutes this will only enhance the appeal and connectivity of North Sydney as an occupier destination.

NORTH SYDNEY OFFICE NET ABSORPTION AND VACANCY



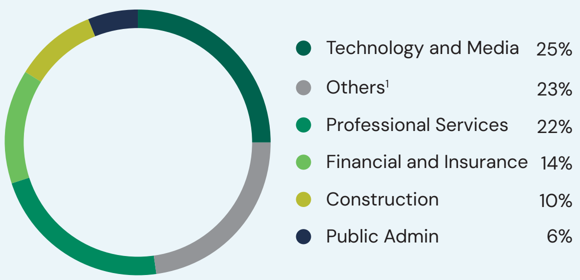
Source: Knight Frank Australia, Property Council Australia, 4Q 2024

Demand Drivers

The North Sydney office market is characterised by competitive knowledge-based industry clusters including finance and insurance, professional services and more recently technology and media (TMT) occupiers. Over the last 5 years, TMT occupiers accounted for 25% of leasing activity, raising North Sydney's corporate profile as a tech hub, with notable occupiers such as Nine Entertainment, Microsoft, Sony and Ooh!Media. Fitted out spaces are popular amongst occupiers looking for new office space as it allows a quick turnaround time for the occupier to move into their new premises. This unique cluster of industries keeps the precinct popular with professional services occupiers, which accounted for 22% of leasing activity. With 67% of resident workers having a bachelor degree or higher, the occupier mix reflects the area's catchment of highly skilled employees.

The opening of the Sydney Metro in late 2024, along with Victoria Cross station in North Sydney will be transformational and bring the market firmly within the orbit of a traditional CBD occupier. A shorter travel time to Victoria Cross, and additional stations at Barangaroo and Martin Place allow for greater accessibility, increasing North Sydney's attractiveness as an alternative CBD location without sacrificing proximity to other key office markets. Its unique combination of CBD proximity, public transport connectivity, revitalised public realm and talent pool will assist landlords to attract occupiers.

NORTH SYDNEY LEASE DEAL BY INDUSTRY SECTOR 5-YEAR AVERAGE, % SHARE OF TOTAL MARKET (SQ M)



1 Others include industries in real estate, education, health, energy, manufacturing, retail, mining, administrative services, agriculture and transport services.

Source: Knight Frank Australia, 4Q 2024

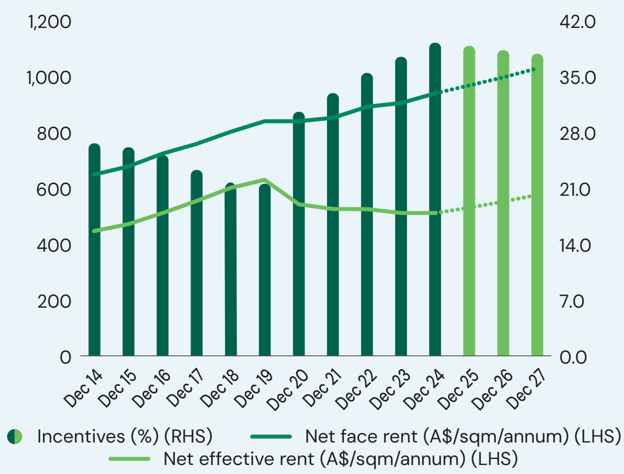
Rental Values

The average net face rents in North Sydney ended 2024 at A$928 per sqm per annum for the prime market, indicating a YoY increase of 3.8%. The secondary market experienced limited rental growth over the year 2024, with 1.1% YoY rental growth taking the net face to A$742 per sqm per annum in 4Q 2024. Incentives edged higher in 12 months to December 2024, averaging 38.7% for the prime market and 38.3% for the secondary market.

With landlords continuing to offer additional inducements to fill the vacant space, elevated incentives flat the prime net effective rent and diminished the secondary net effective rent by 1.6% over a year to the end of 2024. As a result, the prime net effective rent averaged A$505 per sqm per annum, and the secondary net effective rent averaged A$398 per sqm per annum in 4Q 2024.

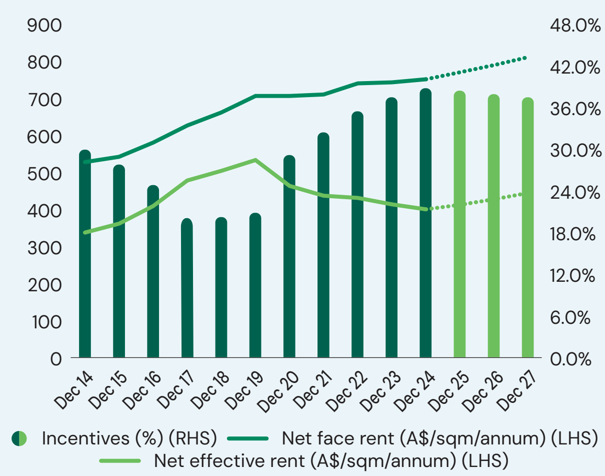
Looking ahead, with Victoria Cross OSD due for completion in 2025 and no other developments due for completion before 2028, this will bode well for demand levels. Incentives have now likely peaked and with forecast face rental growth, net effective rents will start returning to growth as well.

NORTH SYDNEY OFFICE PRIME RENTS AND INCENTIVES



Source: Knight Frank Australia, 4Q 2024

NORTH SYDNEY OFFICE SECONDARY RENTS AND INCENTIVES

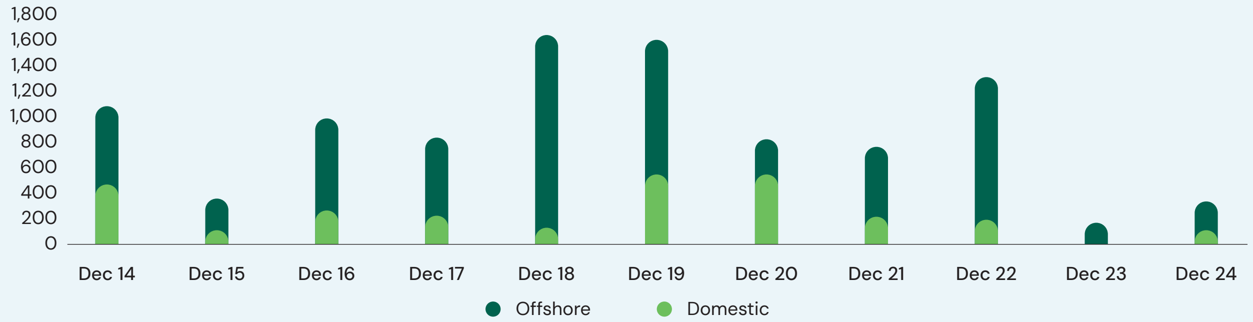


Source: Knight Frank Australia, 4Q 2024

Investment Market

Transactional activity remains subdued in North Sydney since 2023, which is a similar story across all office markets as high debt costs and economic uncertainty kept many investors on the sidelines during this period. Sales in 2024 totalled A$335 million across three assets; the largest sale was 40 Miller Street, divested by Mirvac for A$141 million to Barings – a US-based investment manager. The sale reflected a core market yield of 6.5% and around 16% discount to its book value. Additionally, Maville Group sold 116 Miller Street to an offshore private investor for A$80 million on a core market yield of 8.2%. Looking ahead, there are assets for sale or in due diligence stage which should see deal volumes increase in 2025.

NORTH SYDNEY OFFICE TRANSACTIONS BY LOCATION OF PURCHASER (A$ MILLIONS)



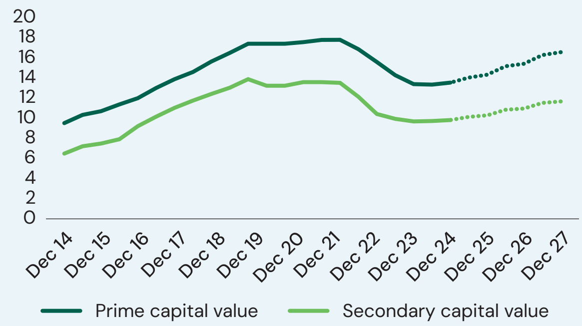
Source: Knight Frank Australia, 4Q 2024

Capital Values and Yields

Following significant yield expansion from July 2022 to the end of 2023, prime and secondary North Sydney yields remained stable since April 2024 which marked the end of the yield softening cycle. Prime and secondary office yields ended the year at 6.85% and 7.71% respectively. Whilst there was little movement over 2024 it does represent yield softening of 208bps for prime and 250bps for secondary since the peak of the market in mid-2021.

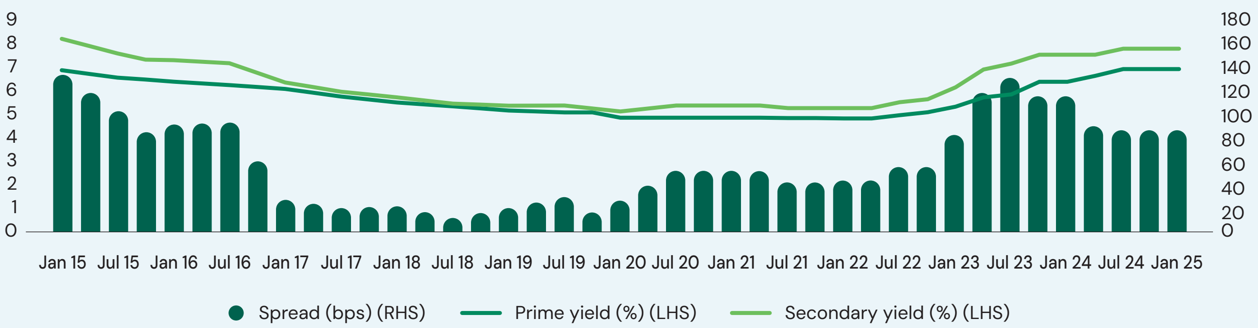
The softening of yields has resulted in declining capital values. Prime capital values in North Sydney measured A$13,546 per sqm at the end of 2024 which represents a 23.2% decline since 2022. Capital values in the secondary market measured A$9,625 per sqm at the end of 2024, which is a 28.5% decline since 2022.

NORTH SYDNEY OFFICE CAPITAL VALUES (A$ '000 / SQM)



Source: Knight Frank Australia, 4Q 2024

NORTH SYDNEY OFFICE YIELD SPREAD



Source: Knight Frank Australia, 4Q 2024

GERMANY

Germany Economic Overview

Population

Germany, with approximately 83 million population, is the largest country in the European Union (EU). Population growth in recent years has been driven by strong immigration, offsetting natural decline.

Gross Domestic Product

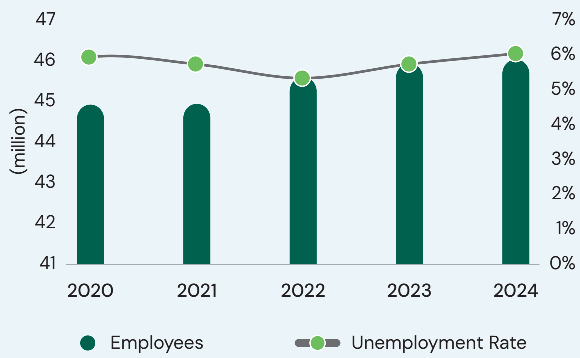
In 2024, GDP contracted by 0.2% relative to the previous year. The downturn was driven by high prices, unfavourable financing conditions, and low demand which affected all sectors. Consumption, investments, and government spending declined.

Germany's economic activity is projected to grow only marginally by 0.3% in 2025.

Labour Market

Despite the worsening macroeconomic environment, the German labour market has been robust so far. Employment improved in the second half of 2024 by 0.3% compared to the year ago. However, the employment growth was largely driven by the services sector, while production and construction industries experienced a decrease in employment. Despite the positive development of the overall employment, the unemployment rate slightly increased, standing at 6.0% by end-2024.

LABOUR MARKET



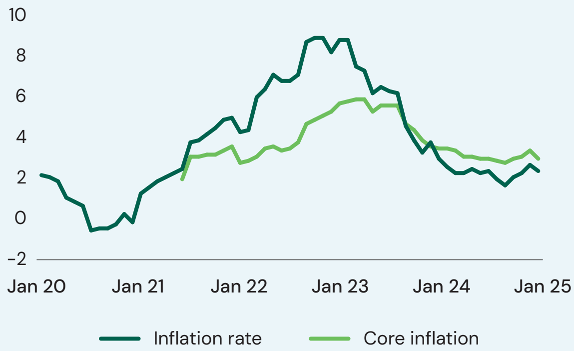
Source: Eurostat, Federal Statistical Office of Germany, Knight Frank Germany

Inflation

A strong inflation dynamic has been noted globally in the last couple of years. Since then, price growth dynamics have been slowing – inflation rates decreased to levels of around 2.0% by the second half of 2024. Core inflation followed this trend but remained on higher levels of around 3.0%. The easing inflation rates were mainly driven by lower energy costs, whereas prices for services were still experiencing relatively strong increases driven by rising labour costs.

From 2025 onwards, various research institutions, the German government and the EU expect inflation rates to achieve levels around the European Central Bank (ECB) target of 2%.

CONSUMER PRICE INDEX (%)



Source: Eurostat, Federal Statistical Office of Germany, Knight Frank Germany

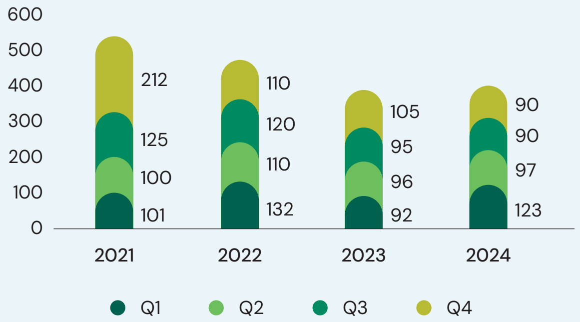
Office Take-Up Demand

Against the backdrop of a slow market recovery in Frankfurt, a total office take-up of approximately 400,000 sqm has been registered as of 2024. Although this result fell roughly 25.0% short of the long-term average, it was still a 1.0% increase relative to the previous year and reflected a more positive momentum of the market. However, it is worth noting that although the central prime locations are facing persistently high market demand, decentralised office locations currently suffer from oversupply and low demand. To date, the letting of approximately 37,000 sqm office space in Gallileo office tower to the ECB represented the largest office letting transaction in 2024.

The Frankfurt CBD, which includes the Westend, City Centre, and the Banking District, accounted for the largest share of overall office take-up in Frankfurt (37.0%) in 2024 and reported a vacancy rate of approximately 8.9%, notably lower than the total market average of 11.0%. Approximately 375,900 sqm of office space was under construction in the CBD as at 2024, with around 36.0% being pre-let.

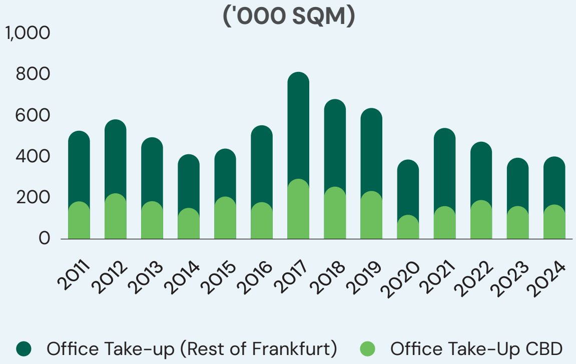
In contrast, the Airport District recorded a significantly higher vacancy rate of around 14.5%, with this submarket contributing to only 6.0% of the Frankfurt office take-up in 2024. The Airport District has one of the highest vacancy rates among Frankfurt's sub-markets but stands out compared to other submarkets with high vacancy rates due to its relatively modern building stock.

QUARTERLY FRANKFURT OFFICE TAKE-UP ('000 SQM)



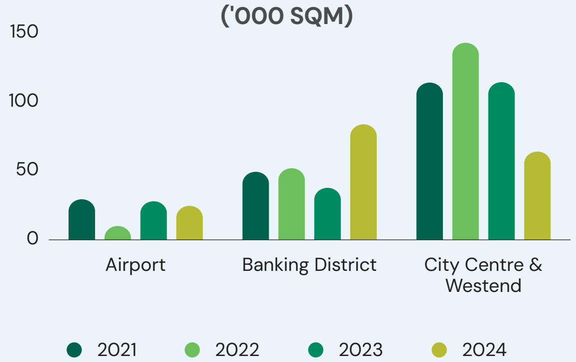
Source: Knight Frank Germany

FRANKFURT OFFICE TAKE-UP ('000 SQM)



Source: Knight Frank Germany

TAKE-UP COMPARISON BY SUBMARKET ('000 SQM)



Source: Knight Frank Germany

2024	Total Frankfurt Market	City Centre & Westend	Banking District	Airport District
Supply	15,450,000	2,780,000	1,158,000	700,000
Take-up (sqm)	400,000	65,600	85,800	25,000
% of total take-up (%)	100.0	16.0	21.0	6.0
Vacant space (sqm)	1,700,000	247,000	103,000	100,000
Vacancy rate (%)	11.0	8.9	8.9	14.5
Under construction (sqm)/ pre letting ratio (%)	370,000/32.0	92,300/64.0	87,000/n/a[1]	5,200/n/a[1]

1 n/a refers to not available

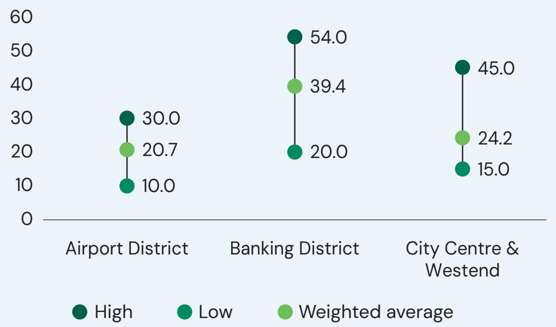
Rental Values

Frankfurt office prime rent remained stable relative to the previous year and stood at €49.00 per sqm per month as at 2024. Frankfurt's average office rent increased from €22.50 per sqm per month (2023) to €24.00 per sqm per month as at 2024.

Companies are challenged by geopolitical tensions, a changed financing environment and the big task of overcoming the climate crisis. Additionally, there is a further polarisation of the market, with users focusing on well-connected, central locations. Rising rents for modern, ESG-compliant spaces are often offset by a shift from larger to smaller units due to the rise of remote work and flexible work arrangements.

Frankfurt Submarkets Rental Overview

FRANKFURT SUBMARKETS RENTAL BAND (€/SQM/MONTH)



Source: Knight Frank Germany

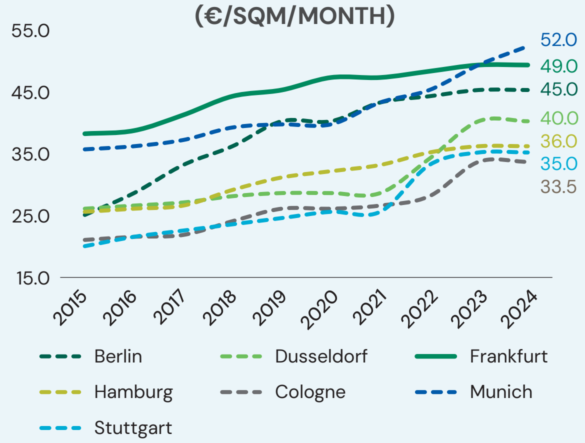
As demonstrated above, the Banking District, a key component of the Frankfurt CBD and home to most high-rise towers, commands the highest rents.

Rent Comparison of Frankfurt against Other Cities of Germany

Prime rents across Germany's top seven cities remained stable in the second half of 2024. Frankfurt stands out with a prime rent of €49.00 per sqm per month, placing it in second place after Munich with €52.00 per sqm per month.

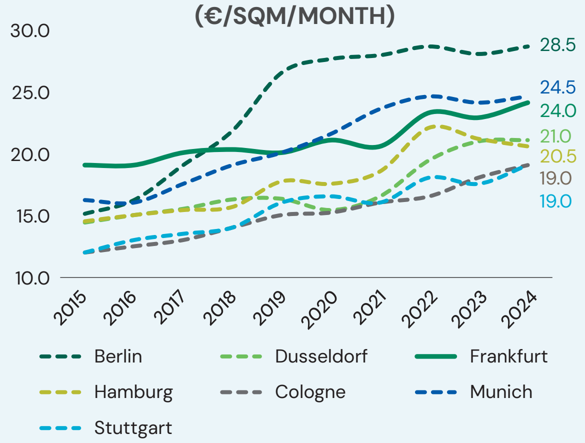
Among Germany's top seven cities, Berlin is the only location where average office rents exceed the €25.00 mark, currently marking €28.50 per sqm per month.

PRIME RENTS IN GERMANY (€/SQM/MONTH)



Source: Knight Frank Germany

AVERAGE RENTS IN GERMANY (€/SQM/MONTH)



Source: Knight Frank Germany

Office Supply

Development Pipeline

Name	Market	Description	Area	Expected Completion	Planned Green Ratings
FOUR Frankfurt	CBD	four high-rise mixed-use buildings (office, hotel, residential, retail)	115,200 sqm office space in T1 and T4	T1: Q4 2024, remaining towers to be completed in 2025 and 2026	highest ESG-level certification
ONE TWO ONE	CBD	mixed-use property on Frankfurt prime high-street pitch Zeil	6,400 sqm office and 2,800 sqm retail space	3Q 2026	DGNB-Platinum certification
Hauptwache 1	CBD	mixed-use property	7,300 sqm office and 2,300 sqm retail space	4Q 2026	LEED -Platinum certification
Westend Gardens	Westend	Redevelopment of former "Oberpostdirektion" administrative building	20,700 sqm of office space and gastronomy space	3Q 2025	DGNB-Gold certification
Frankfurt Fürsten-hof	Banking District	listed office property with ground-floor retail	34,000 sqm GFA	2Q 2026	LEED-Gold ESG certification
Central Business Tower	Banking District	52 floors office high-rise	72,500 sqm	2028	n/a

Vacancy

On a year-to-year comparison, office vacancy rate in Frankfurt has further increased by about 13.0% and stood at 11.0% as per 2024. The Frankfurt CBD vacancy rate stood at 8.9% as at 2024 while the vacancy rate of the Airport District was reported at nearly 14.5%. It marks one of the office submarkets with the highest vacancy rates in Frankfurt.

This result is attributable to a persisting tendency of tenants to reduce their office space upon lease expiry. Additionally, the observable amount of office spaces offered for subletting is increasing further, which suggests that office vacancies might increase in the near future.

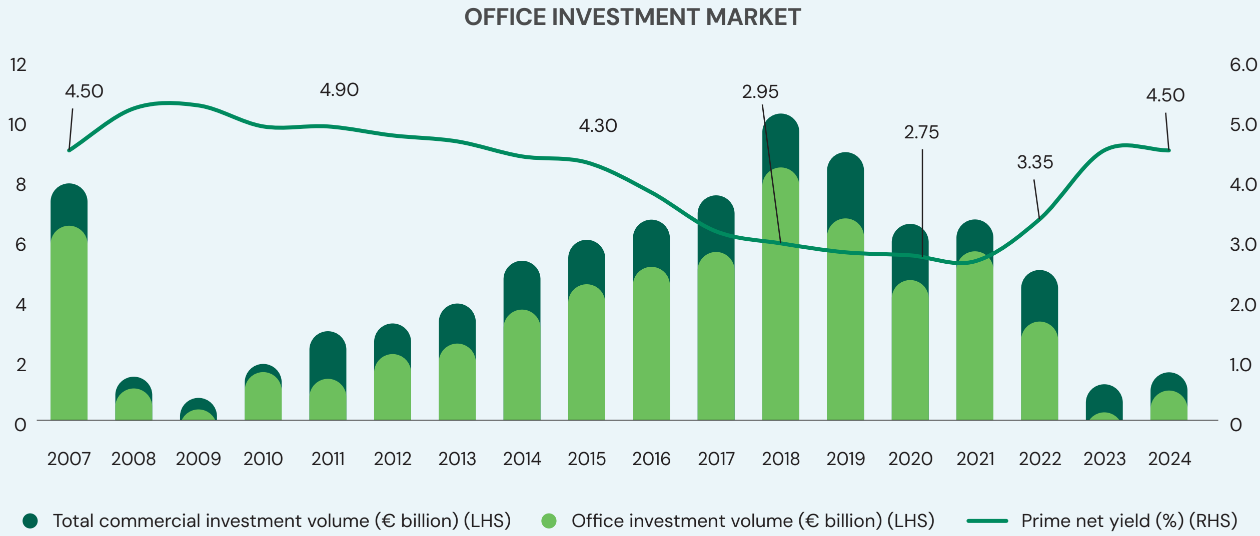
Investment Volume

In 2023, a total investment volume of only approximately €1.2 billion was recorded for commercial real estate in Frankfurt. Given the persistently challenging financing and economic environment, it is hardly surprising that the previous year's result fell short by almost 80%. This represents the sharpest decline among the top-tier German office locations. Frankfurt was particularly affected by the difficult conditions, as the price correction in the office segment was the most pronounced, and the office segment constitutes one of the most important pillars of the investment market.

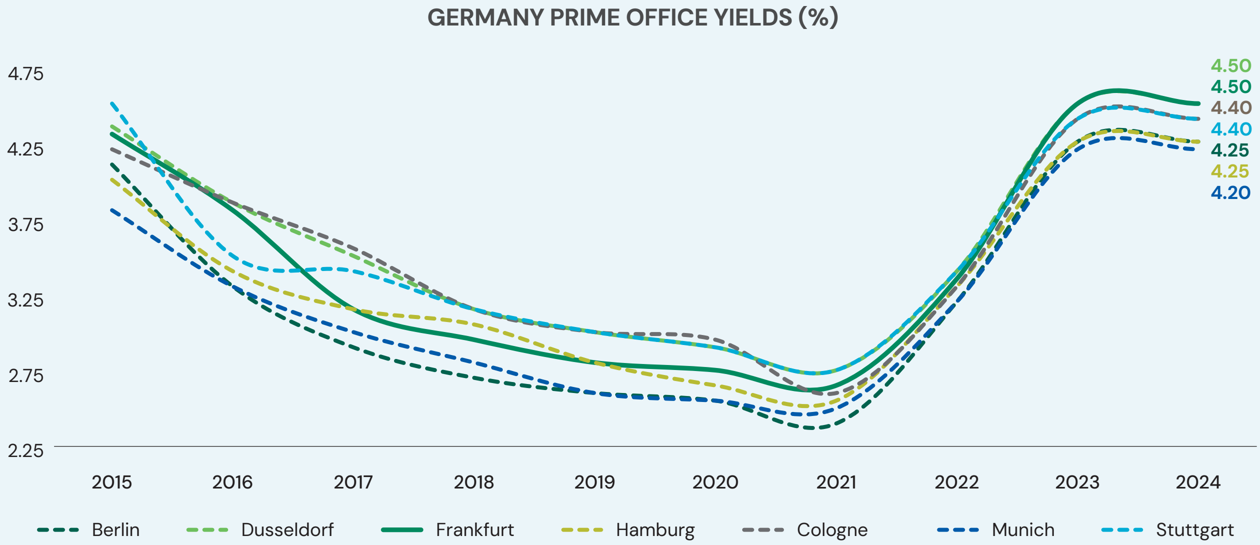
In 2024, a slight recovery in the investment market was observed, with a volume of approximately €1.6 billion registered for the commercial property market, of which approximately 62.0% were invested in office properties. Although this total investment volume in 2024 is 36% higher compared to 2023, it is still 73% lower than the historical ten-year annual average. The absence of large-scale office transactions is particularly inhibiting, with the volume of smaller transactions remaining significantly below the levels seen prior to 2022. The largest single office transaction observed in the Frankfurt market in 2024 was the sale of "The Move Blue" property in Gateway Gardens, which Siemens, as the owner-user, sold to Strabag for a purchase price of just under €120 million.

Yields

Since the beginning of the interest rate shift in 2022, which led to a drastic change in the financing environment, a significant increase in observed yields has been recorded. However, this trend has come to a halt in recent quarters, with the prime office yield (net) in Frankfurt remaining steady at 4.5% as of 2024.



Source: Knight Frank Germany



Source: Knight Frank Germany

Office Investment Market Outlook

No significant upward trend in office investments is expected to occur for the 2025. Economic uncertainties and ongoing economic weakness are likely to continue affecting the office investment market in the second half of the year.

The persistent market uncertainty stems from weak user markets and the cautious stance of investors. An increase in the supply of properties for sale is considered likely, as the number of forced sales due to increased insolvencies among developers and refinancing needs of property owners may rise.

Market Outlook

The latest economic forecasts predict marginal GDP growth of 0.3% for 2025. Demand on the occupier markets is therefore likely to remain modest in the current year. The office markets in particular are likely to continue to be affected by this, which means that a significant increase in lettings, particularly in the large-volume segment, is not expected in the short term.

In terms of supply, a further increase in vacancies are expected over 2025. Simultaneously, the still challenging conditions for office development are very likely to lead to a noticeable decline in construction activity until year end 2024 as well as for the coming year 2025. In terms of rents, the strong momentum of recent years has slowed considerably, and we do not expect any significant increase for the remainder of the current year. Take-up of space is also likely to remain at almost the same (low) level as 2024.

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