Independent Market Report 2024

CapitaLand Ascendas REIT

Forging Ahead, Shaping The Future

The cover design embodies our continuing drive to forge ahead with clarity, conviction and confidence in our strategies to grow our business.

The dynamic interplay of circular nodes and diagonal beams conveys upward momentum achieved through embracing innovation and transformation. Set within a structured yet evolving grid, the design underscores adaptability and agility, reflecting our relentless quest to create superior value for our investors and contribute positively to the communities where we operate.

At its core, the structured circular forms, with a focal red circle that proudly represents the red dot in CapitaLand's logo, symbolises our Group's foundation in Singapore. CapitaLand Ascendas REIT is well on our journey to becoming a leading global real estate investment trust and making an impact in shaping a better future for all our stakeholders.

About Us

CapitaLand Ascendas REIT (CLAR) is Singapore's first and largest listed business space and industrial real estate investment trust (REIT). As one of Singapore's REIT pioneers, CLAR has played a crucial role in the development of the Singapore REIT sector. It provides an attractive platform for investment in business and industrial properties across developed markets. CLAR owns and manages a well-diversified portfolio, valued at S$16.8 billion. The portfolio comprises 225 investment properties[1] in Singapore, Australia, the US and the UK/Europe. CapitaLand Ascendas REIT Management Limited, the manager of CLAR (the Manager), is a wholly owned subsidiary of Singapore-listed CapitaLand Investment Limited (CLI), a leading global real asset manager with a strong Asia foothold.

Our Vision

To be a leading global real estate investment trust

Our Mission

To deliver predictable distributions and achieve long-term capital stability for Unitholders

Contents

1 *Excludes 27 IBP and 5 Toh Guan Road East in Singapore, Summerville Logistics Center in the US, and Welwyn Garden City in the UK which are under development as at 31 December 2024.*

Independent Market Report

Singapore

BY KNIGHT FRANK PTE LTD CONSULTANCY, FEBRUARY 2025

1. MACROECONOMIC OVERVIEW & OUTLOOK

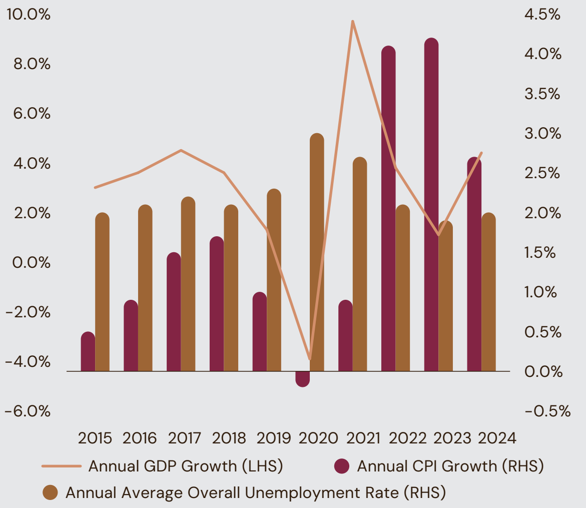
1.1 Economic Performance

Singapore's Gross Domestic Product (GDP) expanded 4.4% in 2024, exceeding official forecasts and general market expectations while outpacing the 1.8% annual growth the year before. The increased growth was primarily driven by sustained resilience in key sectors, such as manufacturing which benefitted from an upturn in global demand for electronics, continued tourism recovery and robust trade activities. The easing of global inflationary pressures also helped support consumer spending and business confidence in the last quarter of 2024.

With more job openings than unemployed individuals, Singapore's unemployment rate remained low at 2.0% in 2024 – consistent with pre-pandemic levels between 2015 to 2019. Yet, the tight labour market is expected to ease as more job vacancies are gradually filled.

Core inflation (CPI), which excludes private transport and accommodation costs to better reflect household spending, averaged 2.7% for 2024, a notable decrease from 4.2% in 2023. This decline was attributable to an easing of inflation, a strong Singapore dollar, lower prices for imported goods, limited domestic cost pass-through, and the diminishing effect of previous Goods and Services Tax (GST) hikes.

Annual GDP Growth, Unemployment and Core Inflation[i]



i. Core inflation excludes the components of "Accommodation" and "Private Transport".

Source: MTI, MAS, Singstat, Knight Frank Consultancy

1.2 Performance of Key Business Sectors

According to the Ministry of Trade and Industry (MTI), Singapore's economic growth was broad-based as both Goods and Services producing industries expanded 4.2% and 4.4% respectively for 2024 as a whole.

Within the Goods producing industries, growth was led by the Construction sector which recorded the strongest annual growth of 4.5% due to an increase in public sector construction output. For the full year of 2024, the Manufacturing sector also expanded 4.3% with output expansions across all clusters except the volatile biomanufacturing cluster – helped in part by front-loading of export orders ahead of widely-expected potential US tariffs under the Trump administration.

Within the Services producing industries, the Finance & Insurance, Transportation & Storage and Wholesale Trade sectors registered the top three highest annual growth for 2024 as a whole, at 6.8%, 5.8% and 5.1% respectively. Strong expansion in the water and air transport segments with an increase in cargo and passenger volumes accelerated the growth performance of the Transportation & Storage sector. Meanwhile, the robust growth of related segments in the Wholesale Trade sector was supported by stronger wholesale sales volume in the second half of 2024.

1.3 Economic Outlook for 2025

Looking ahead, external economic headwinds are expected to persist in the form of geopolitical uncertainties and potential disruptions to the global disinflation process. The ongoing conflicts in the Middle East and the ripple effects of a trade-war between the US and its key trading partners threaten to increase prices and production costs of commodities and goods which may impact global trade. While core inflation has tapered over the course of 2024, the elevated price levels since the pandemic and the prospect of renewed inflationary pressure may hinder the expansion plans of businesses as they seek to deal with tighter cash flow positions due to higher overall costs.

Nonetheless, Singapore's manufacturing and trade-related services sectors are projected to experience steady growth in the first half of 2025, driven by an anticipated robust demand for semiconductor chips which is fueled by the personal computer (PC) refresh cycle and the expansion of Artificial Intelligence (AI)-enabled devices. At the same time, tourism-centric sectors such as Accommodations and Food & Beverage will continue to benefit from the ongoing recovery in International Visitor Arrivals (IVA), which have already returned to pre-pandemic levels. Anticipated interest rate cuts by the US Federal Reserve and other major central banks as well as the consequent easing of financing conditions would potentially boost global investment and business activities. In consideration of these factors, the MTI maintains the GDP growth forecast in 2025 to range between 1.0% and 3.0%.

2. INDUSTRIAL LANDSCAPE

2.1 Industry 4.0 and Global Technology Trends

Industry 4.0, or the Fourth Industrial Revolution, represents the ongoing transformation of traditional manufacturing through digitalization and automation to enhance monitoring, control, optimization and scalability.

Over the past decade, the Singapore government has taken proactive measures to help businesses successfully integrate Industry 4.0 technologies, aiming to strengthen its position as a global hub for innovation and advanced manufacturing talent.

In 2017, the Economic Development Board (EDB) partnered with leading tech companies, industry and academic experts, and consultancy firms to create the Smart Industry Readiness Index (SIRI). This initiative aimed to introduce manufacturers to the concept of Industry 4.0 and evaluate their readiness to adopt emerging technologies.

Since then, initiatives like the Smart Nation program, Industry Transformation Maps (ITMs), and the Advanced Manufacturing Strategy have been introduced to promote the integration of technologies such as IoT (Internet of Things), AI and robotics into manufacturing. These innovations help enhance production processes, minimise downtime and optimise resources.

This drive towards Industry 4.0 has successfully attracted numerous multinational corporations (MNCs) from various sectors, including semiconductor manufacturing, pharmaceuticals, medical production, and precision engineering, to establish cutting-edge manufacturing facilities in Singapore. Notable companies such as Micron, Siltronic, Infineon, GlobalFoundries, Novartis and Rolls-Royce have opened or expanded their operations in the country in recent years.

2.2 Other New Growth Sectors and Trends

Rapid technological advancement in operations has also led to other new growth sectors and emerging trends in industrial, manufacturing, warehousing and logistics such as:

1. **Smart Manufacturing and Supply Chain Optimisation:** Singapore is at the forefront of adopting advanced technologies like AI, IoT, robotics, and automation in manufacturing. Advanced analytics can improve logistics and supply chain operations by predicting demand, optimise routes, and manage inventory more effectively which helps companies improve efficiency and reduce costs.

2. **Sustainability and Green Logistics:** With growing environmental concerns, there has been a rising trend towards more sustainable practices in warehousing and logistics. This includes using energy-efficient systems, pilot run of electric vehicles for last-mile delivery, and warehouse designs that minimise carbon footprints. Companies are also exploring circular economy models and sustainable packaging solutions to minimise greenhouse gas emissions.

3. **Cold Chain Logistics:** The rise of e-commerce for perishable goods has led to an increasing demand for cold chain logistics which involves temperature-controlled supply chains and warehousing that are essential for sectors like pharmaceuticals, food and biotechnology. The upcoming completion of a S$200 million cold storage food logistics facility operated by Commonwealth Kokubu Logistics by 2026 is expected to meet the rising demand for imported perishables and provide food security by extending the shelf life of food products.

4. **Specialised facilities for Biomanufacturing and Medtech:** The COVID-19 pandemic has brought the importance of vaccine manufacturing to the forefront, driving biomanufacturing demand both locally and regionally. In recent years, pharmaceutical giants such as AstraZeneca, Novartis, Johnson & Johnson, Pfizer and Sanofi have set up their global manufacturing hubs in Singapore for a wide range of products including mRNA vaccines, antibody drug conjugates (ADCs), and other drug products or substances. Going forward, further advances in medical technology, such as wearable devices, diagnostics and robotics for surgery, is envisaged to support Singapore's position as a MedTech hub.

2.3 Overview of Government Policies and Plans

Propelled by the shifts arising from the COVID-19 pandemic, the Future Economy Council (FEC) embarked on ITM 2025 to refresh all 23 ITMs across multiple sectors to address the existing and future challenges and opportunities for Singapore.

Precision Engineering ITM

The refreshed precision engineering ITM 2025 aims to establish an ecosystem of new generation precision engineering enterprises which leverage digital manufacturing technologies and platforms to innovate and deliver competitive production and services for global markets. Stronger support will be provided to help identified growth companies to deepen capabilities and competitive edge.

Electronics ITM

The refreshed Electronics ITM seeks to ride on the global growth momentum and cement Singapore's position as a key manufacturing and research & development (R&D) hub. It aims to 1) Anchor R&D manufacturing capabilities from globally leading companies to enhance Singapore's leadership in key areas, 2) Partner companies, Institutes of Higher Learning (IHLs) and the Singapore Semiconductor Industry Association to strengthen the local talent pipeline for growth areas, and 3) Transform Singapore's electronics manufacturing into a low-carbon footprint sector.

Logistics ITM

Singapore aims to be Asia's leading and world class logistics hub, where companies build innovative capabilities to ensure smooth and efficient transportation of goods. The refreshed Logistics ITM will focus on transforming the industry through productivity and innovation, thereby strengthening Singapore's role as a critical node in global supply chains. One of the key strategies involve attracting new investments and transforming warehouse operations, of which Singapore will work closely with companies to attract and anchor automated best-in-class warehouse operations to provide value-added services.

2.4 Changes in Government Policy and Impact on the Industrial Landscape

Following a strategic review of the self-storage industry, industrial landlord JTC Corporation (JTC) announced on 24 January 2025 that the setting up of future self-storage facilities will only be allowed in selected Business 1 (B1) zoned sites earmarked for light and clean industries, while "core" areas closer to the city centre will be prioritised for manufacturing activities that support the nation's economic development and job creation. Effective 1 April 2025, all new sublet, assignment and lease renewal applications for self-storage activities on B1 zoned sites outside of the stipulated reserved locations will be subject to assessment based on planning considerations and approval from the relevant authorities on allowable use and conditions.

To minimise disruption, JTC has permitted existing self-storage companies to continue operating at their current facilities until their existing leases expire. However, there has been strong pent-up demand for self-storage spaces, particularly from small and medium enterprises (SMEs) due to the moratorium imposed since late 2021 on new self-storage use requests on JTC industrial land. Despite the lifting of this moratorium from 1 April 2025, JTC is likely to undertake reviews of applications for self-storage activities. With limited available sites and increased requirements for future relocation and expansion of self-storage space, demand for private warehouse and logistics facilities is expected to increase as they share similar building specifications with purpose-built self-storage facilities.

2.5 Impact of Work-From-Home Trend on Demand for Business Park Space

The work-from-home (WFH) trend, accelerated by the pandemic, has impacted demand for business park space in Singapore with the emergence of several key trends. However, these effects may be short-lived as more businesses have gradually mandated their employees to return-to-office (RTO) or increased the number of days working in the office to an average of 3 to 4 days per week.

With the possibility for WFH arrangements since the COVID-19 pandemic, some businesses have reduced their need for large office footprints, including in business parks. Some businesses have opted for smaller, flexible co-working spaces suitable for collaborative activities, meetings, or client interactions to maintain a physical presence while minimising overhead costs. Increasingly, SMEs are also seeking flexible leases or serviced office models, where they can scale their space according to shifting needs. As a result, business parks offering flexible lease arrangements may induce greater demand from a larger pool of potential occupiers.

Developers are also enhancing their amenities to meet the rising demand for collaborative, experiential spaces that promote teamwork and creativity. For example, several initiatives are ongoing to upgrade business space and lifestyle offerings at Singapore Science Park (SSP). This includes the introduction of a new serviced residence operated by Citadines at 7 Science Park Drive which was completed in end-2023, 4,000 square metres (sqm) of retail and dining outlets along with a 3,000 sqm event plaza canopy within the Geneo life sciences and innovation hub that aims to create a vibrant ecosystem that supports collaboration among tenants with more co-working spaces, innovation labs and conference facilities.

Sectors such as R&D, manufacturing and logistics have seen sustained demand for business park spaces which are less affected by the WFH trend as these industries typically require employees to work in specialised spaces for labs, production, and warehouses. Business parks in areas with good connectivity to transport hubs, residential estates, and strong support infrastructure is expected to continue to be supported by tenants in high-growth sectors like tech, life sciences and green industries.

2.6 Enhancement to the Industrial Land Lease Framework by JTC

JTC announced on 6 March 2025 that it will be making four enhancements to the industrial land lease framework following a review of recommendations made by the Alliance for Action (AfA) on Business Competitiveness to the government to consider providing longer lease tenures and more flexibility in lease renewals for businesses. These enhancements, to be implemented either with immediate effect or from the second half of 2025, include an additional three years of lease tenure for all new greenfield industrial land allocations, a new flexible lease extension initiative to allow eligible land lessees to extend their leases by up to two tranches of five years, an extension of the lease renewal application window to 10 years before prevailing lease expiry, as well as recognizing auditable investments made by businesses in innovation, R&D, digital transformation and Intellectual Property (IP) creation.

A wider range of lease extension initiatives allow businesses to select terms that align with their operational needs and investment horizons. By providing longer lease tenures and more flexibility in lease renewals, businesses with strong track record will be incentivised to undertake long-term investments in industrial land development and plant & machinery, in particular those with a short remaining lease of less than 20 years.

2.7 New Growth Areas

Punggol Digital District (PDD)

As a showcase for Singapore's smart nation initiatives, PDD is a 50 hectare business park precinct focusing on further development of key growth industries of the digital economy. Reportedly two-thirds of built-up space at PDD has been pre-committed, with incoming tenants mostly from the Information Technology sectors – cyber security, AI and robotics, fintech and smart living. Besides the banks, UOB and OCBC, the space is also occupied by government-linked entities such as the Cyber Security Agency of Singapore and the Government Technology Agency.

Woodlands North Coast

Woodlands North Coast is envisioned as an integral component of Singapore's northern economic hub, boasting synergy with the business activities in the Woodlands Regional Centre and Malaysia. It allows businesses to use up to 70% of their total occupied space for service-oriented (non-manufacturing) activities. As at 4Q 2024, 1 North Coast and 7 North Coast, both developed and managed by JTC, have been completed. Other components of this mixed-use precinct will be completed progressively, comprising more business space, institutions, residential estates and lifestyle amenities.

Changi East

As Changi Airport's largest expansion project to date, the Changi East Development will span over 1,080 hectares. The main component includes Changi Airport's fifth terminal and Changi East Industrial Zone. The zone will be occupied by airfreight, air express and Maintenance, Repair and Operations activities, with handling capabilities expected to increase to 5.4 million per annum in its end-state. It will also be a smart air cargo hub with a focus on automation to improve productivity and cargo visibility.

Tuas Mega Port

Tuas Mega Port (or Tuas Port), which officially opened on September 2022, is a major infrastructure project in the west of Singapore that is being developed in four phases with the aim of becoming one of the world's largest and most advanced container terminals. Phases 1 and 2 which involved reclamation works by the Maritime and Port Authority of Singapore were completed in November 2021 and April 2022 respectively. The primary objective of Tuas Port is to enhance Singapore's port capacity and efficiency, strengthening its position as a global maritime hub. The port will replace existing terminals with a modern, fully automated facility equipped with state-of-the-art technologies such as automated cranes, smart logistics systems, and integrated digital solutions. Once fully developed and operational in the 2040s, the Tuas Port will have a handling capacity of 65 million twenty-foot equivalent units (TEUs) – double the 37.5 million TEUs handled in 2021.

In 2027, PSA Corporation is expected to complete a 2.5 million-square foot warehouse/logistics development within the Tuas South area. This S$647.5 million logistics hub will serve as the primary supply chain center in the precinct, featuring new capabilities such as automated storage and the ability to manage sensitive goods. These innovations will improve operational efficiency and enable the port to handle increasing global trade volumes more effectively, thus reducing manual labour requirements, minimise human error and improve the overall speed of cargo handling, which is beneficial to supply chain efficiency of factories that rely on quick, reliable delivery of raw materials and finished goods.

2.8 Impact of Macro Conditions on Industrial Property Demand

As a global trade and logistics hub with an open economy, Singapore is exposed to macroeconomic and geopolitical uncertainties. US tariff policies, which may prompt retaliatory actions from key trade partners and raise costs if they actualise, could slow demand for new industrial space in the near-term as businesses assess the knock-on impact on their order books and reconsider their space expansion plans.

Changes to consumer demand post-pandemic has altered growth patterns for certain industrial trades such as e-commerce, which has seen a moderation in e-commerce growth due to rising competition and the return of shoppers to physical stores. This may potentially reduce the need for expansion in high-specification logistics and last-mile fulfillment facilities from e-commerce players in the near term. Meanwhile, the heightened importance of food security and higher consumption of food & beverage goods and services contributed to demand for cold chain logistics and food factory spaces.

The shift in institutional investor sentiment from traditional industrial spaces towards more specialised manufacturing facilities such as data centres, high-specification industrial and prime logistics properties is supported by advancements in technology, AI and R&D, and this is set to continue in the medium to long term. Given Singapore's diverse real estate demand for various industrial assets as our manufacturing and information, communications and technology sectors evolve and expand, the sustained demand for data centres, specialised manufacturing facilities and R&D spaces is envisaged to help counterbalance any decline in overall logistics space demand. A more diversified demand outlook for industrial properties supports the prospects of space take-up at CLAR's upcoming redevelopment projects, which include 27 IBP (business park), 1 Science Park Drive (life science and innovation campus) and 5 Toh Guan Road East (modern ramp-up facility with provision for cold chain storage). However, more time is likely required to reach full occupancy for new developments as firms grapple with near-term market volatility stemming from ongoing global trade uncertainties. Most major industrialist MNCs also require considerable gestation time to review and make investment plans on industrial space take-up based on medium-to-longer-term perspective of their business.

3. INDUSTRIAL MARKET OVERVIEW

3.1 Investment Sales

Stimulated by interest rate cuts by the US Federal Reserve – a reduction of 0.5 percentage points (ppt) in September and 0.25 ppt in both November and December – a resurgence in transactional activity began in 3Q 2024 which continued through to the year's end. As a result, the total value of industrial property investment sales (excluding sites under the Industrial Government Land Sales programme) reached S$6.0 billion in 2024, a significant increase from S$2.3 billion in 2023.

Most notable were two industrial portfolio deals: Lendlease and US private equity firm Warburg Pincus acquired seven industrial assets[1] for S$1.6 billion from entities related to Blackstone and Soilbuild, while Bain Capital purchased four purpose-built worker dormitory compounds for S$750 million from Blackstone.

Selected Major Investment Sales in 2024

Name of Development	Location	Sale Price (S$ mil)	Net Lettable Area (sq ft)	Unit Price (S$ psf)	Tenure#	Date of Sale
Business Park Developments						
Solaris @ one-north	1 Fusionopolis Walk	501.4	441,322	1,136	30 years from 01/06/2008	3Q
Elementum	1 North Buona Vista Link	272.0	374,541	726	60 years from 20/02/2021	3Q
Eightrium	15A Changi Business Park Central 1	201.3	177,440	1,135	30 years from 16/02/2006	3Q

1 *The portfolio of seven industrial assets purchased by Lendlease and Warburg Pincus include: West Park BizCentral, Solaris @ Kallang 164, Tuas Connection, Eightrium at Changi Business Park, Solaris @ one-north, 2PS1, and Qualcomm Building*

Name of Development	Location	Sale Price (S$ mil)	Net Lettable Area (sq ft)	Unit Price (S$ psf)	Tenure#	Date of Sale
Single-User Factory Developments						
Qualcomm Building	9 Kallang Sector	142.7	390,821	365	40 years from 26/08/2011	3Q
Multiple-User Factory Developments						
Solaris @ Kallang 164	164 And 164A Kallang Way	167.1	457,719	365	40 years from 26/08/2011	3Q
Admirax	8 Admiralty Street	155.0	476,480	325	60 years from 09/10/2000	4Q
Warehouse Developments						
West Park BizCentral	20-32 Pioneer Crescent	275.1	1,241,824	222	30 years from 01/08/2008	3Q
2PS1	2 Pioneer Sector 1	167.9	729,050	230	60 years from 1/10/1986	3Q
Tuas Connection	1-20 Tuas Loop	144.4	651,077	222	43 years from 01/10/2007	3Q
Others						
Keppel Data Centres (KDC SGP 7 and KDC SGP 8)	Genting Lane	1,400.0	150,455	Not representative	60 years from 01/07/1980	4Q
Avery Lodge Dormitory Portfolio	2D Jalan Papan, 26 Kian Teck Avenue, 27 Woodlands Link, 2 Tampines Place	213.3	Undisclosed	Undisclosed	Varying lease tenures	4Q

 # Any information on lease tenure renewal or extension that is not publicly available is excluded above.
Source: Various sources including URA Space and Knight Frank Consultancy.*
Note: Private investment sales is defined as investment transactions that comprise an entire building or property with a total worth of S$10 million and above or bulk sales within a development amounting to S$10 million or more.

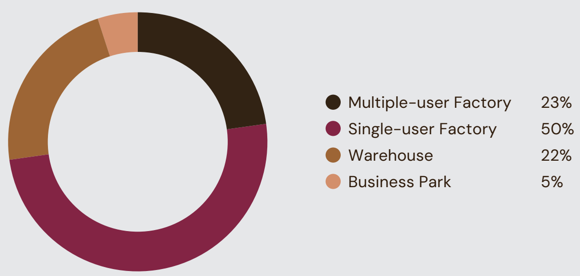
3.2 Investment Outlook

As interest rates are envisaged to ease further in 2025 barring unforeseen circumstances, better financing conditions will drive increased property transactional activity, including industrial assets, as institutional investors seek yield-accretive acquisitions. In particular, new built high-quality assets, or those with value-add potential and a long remaining lease term of over 30 years, are expected to be in demand due to their higher likelihood of meeting the expected return required of most investors.

4. INDUSTRIAL PROPERTY MARKET OVERVIEW

On a nationwide basis, Singapore has an estimated 574.1 million square feet (sq ft) of industrial stock as at 4Q 2024. This comprised 85.3% of private stock, and the remaining are developed by the public sector. Single-user factories (285.6 million sq ft or 49.7%) made up approximately half of the total industrial stock, followed by multiple-user factories (23.5%), warehouse (22.0%), and business park (4.7%).

Total Industrial Stock Nationwide as at 4Q 2024



Source: JTC J-Space, Knight Frank Consultancy

4.1 Industrial Government Land Sales (IGLS) Programme

Ten industrial sites were launched under the 1H 2025 IGLS programme, comprising seven sites on the Confirmed List and three sites on the Reserve List. The sites on the Confirmed List are located at Penjuru Road, Plot 3 Jalan Papan, Gul Drive, Tuas Avenue 11, Ubi Avenue 1, Kaki Bukit Avenue 5 and Sengkang West, while the sites on the Reserve List are located at Plot B Tukang Innovation Drive, Plot 2 Tampines North Drive 44 and Plot C Tukang Innovation Drive.

These sites will potentially yield over 3.6 million sq ft in Gross Floor Area (GFA) of new industrial stock located mostly in the West, East and North-east planning regions. Majority of the sites are zoned B2 industrial for heavy industrial usage, apart from one site (Kaki Bukit Avenue 5) zoned B1 industrial. With the exception of Ubi Avenue 1 which has a 20-year lease tenure, majority of the sites have a 30-year lease tenure.

5. BUSINESS PARK

5.1 Stock and Supply

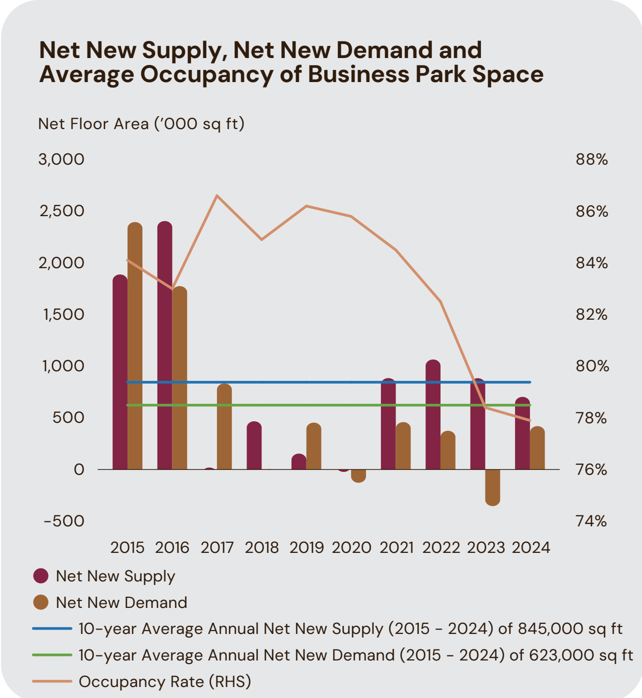
As at 4Q 2024, Singapore's business park stock totalled 27.2 million sq ft, a 2.7% increase over the previous year. Privately-owned business park spaces made up the bulk of total stock (83.2%) at 22.6 million sq ft.

Although the ongoing completion of PDD added approximately 1.2 million sq ft of new business park GFA in 2024, net new supply for the year was modest at 703,000 sq ft as ongoing asset enhancement initiatives (AEI) undertaken by landlords to refresh the older developments in their portfolio took some supply off the market temporarily.

5.2 Demand and Occupancy

In 2024, net new demand for business parks rebounded to 420,000 sq ft after experiencing negative net absorption in the previous year. With an easing of demand for new leases in the last quarter of 2024 due in part to year-end winding down of leasing activities and advent of macro events such as the US Presidential Elections that kept many enterprises at bay before planning the next steps of business investment, overall occupancy declined by 0.5 ppt year-on-year (YoY), reaching 77.9%.

While some multinational corporations prefer the higher visibility, prestige and convenience of city-centre locations which are advantageous for attracting and retaining talent, business parks typically attract occupiers seeking a refreshing business environment within a campus-like setting and easily accessible to a skilled workforce. Business parks' optimised rents allow occupiers to create distinctive work environments over a larger space and leverage the proximity to companies, research firms and academic institutions for better collaboration and knowledge exchange. New business park developments are thus boosting these attributes to cater to new ways of working and offer a supportive ecosystem for knowledge and science-based industries.



5.3 Future Supply

Between 2025 and 2026, an upcoming supply of approximately 2.8 million sq ft of new business park space can be expected while no planned supply is yet to be announced by JTC from 2027 to 2029.

2025 will see the completion of the remaining 1.3 million sq ft GFA of business park space at JTC's PDD, as well as 1 Science Park Drive – an upcoming life sciences and innovation hub at SSP I by a joint venture between CapitaLand Development (CLD) and CapitaLand Ascendas REIT (CLAR) which is positioned to cater to demand from tenants in new economy sectors such as biomedical sciences, digital and technology.

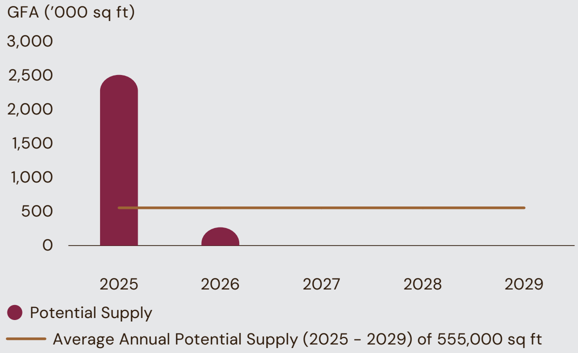
Another 11-storey project called 27 IBP is also set to be completed by CLAR in 2026. Situated next to the Ayer Rajah Expressway (AYE) and within walking distance of the upcoming Jurong Town Hall MRT station, 27 IBP is envisaged to attract companies seeking to locate their operations in the largest commercial and regional centre outside of Singapore's Central Business District, while benefiting from cutting-edge, environmentally friendly building features that come with its BCA Green Mark Platinum certification.

Upcoming Major Business Park Developments in 2025 and 2026

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
Punggol Digital District Phase II	Punggol Way	North-east	JTC Corporation	1,269,925
Business park development	1 Science Park Drive	Central	JV between CLD and CLAR	1,209,109
Business park development	27 IBP	West	CLAR	265,330

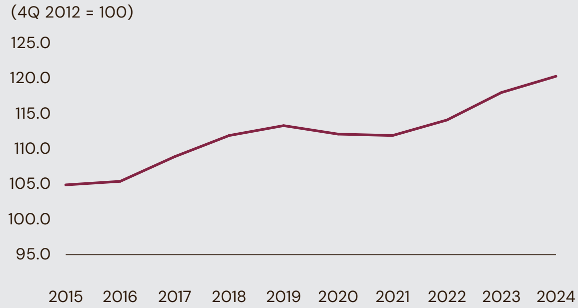
Source: JTC J-Space, Knight Frank Consultancy

Potential Supply of Business Park Space



Source: JTC J-Space, Knight Frank Consultancy

JTC Rental Indices of Business Park Space



Source: JTC J-Space, Knight Frank Consultancy
Note: JTC rental indices are based on the last quarter of each respective year (e.g. 4Q 2024)

5.4 Rents

Despite softer market demand, rents continued on a stable upward trajectory since bottoming out in 2021, driven by lease renewals from existing tenants – particularly those that are located within newer and centrally located developments. JTC's rental index for business parks increased 1.9% YoY in 4Q 2024, with 25th percentile, median and 75th percentile rents at S$3.80, S$4.24 and S$4.90 per square foot (psf) per month (pm) respectively.

5.5 Outlook

The business park market is currently facing immediate challenges, including the consolidation of space needs by companies aiming to right-size or implement hybrid work arrangements to reduce occupancy costs. Additionally, the completion of new office developments in prime locations has shifted some tenant demand away from older suburban business parks which are in need of a revamp to remain competitive.

Nonetheless, business parks in the Central Region such as one-north, Science Park I & II, and Mapletree Business City, have continued to attract interest, maintaining a stable occupancy rate of 90.3% as of 4Q 2024. New and well-designed business park developments are poised to attract tenants who look for multiple benefits of attaining lower rent compared to offices, MRT transport connectivity in city fringe locations and refreshing campus-like environments. Going forward, considering near-term headwinds stemming from cost and space rationalisation by occupiers and resilience of business park demand in the Central Region, Knight Frank expects flat to modest growth in overall rents of business park spaces of 0.5% to 1% in 2025.

6. SINGAPORE SCIENCE PARK (SSP)

6.1 Occupancy Trends

In 2024, Singapore's stock of science park space is estimated at 7.0 million sq ft GFA with an occupancy of 84.6% as of 4Q 2024. The 1.7 ppt YoY fall in the occupancy rate was partly due to the progressive completion of Geneo – a S$1.37 billion life sciences and innovation hub at SSP 1 which spans three redevelopment sites at 1, 5 and 7 Science Park Drive and will house five sustainably built energy-efficient buildings when fully completed. 5

Science Park Drive, which was completed in 2019, currently houses the headquarters of regional e-commerce giant Shopee while 7 Science Park Drive, completed in end 2023, is a mixed-use development housing business park space as well as Citadines serviced residences which offers 250 studio, loft and one-bedroom apartments. 1 Science Park Drive, comprising three buildings with a total business park space of more than 1.2 million sq ft GFA, is set to open in 2025 and will be the final and largest development at Geneo.

6.2 Key Tenants, Changes on Demand and Outlook

While SSP spaces have traditionally been home to firms trading in life science activities such as DSO National Laboratories and DNV Technology Centre located at 12, 14 and 16 Science Park Drive, it has evolved over the years to accommodate a more diverse tenant base in new emerging industries such as agri-tech and information-technology. More recent occupiers that have located their R&D operations at SSP spaces include Dyson, Merck, Shopee and Johnson & Johnson.

The lack of new pipeline of highly specialised purpose-built R&D workspaces upon the completion of 1 Science Park Drive in 2025 is likely to keep rents relatively stable for the next two to three years.

7. HIGH-SPECIFICATIONS (HI-SPECS) AND LIGHT INDUSTRIAL SPACE

7.1 Stock and Supply

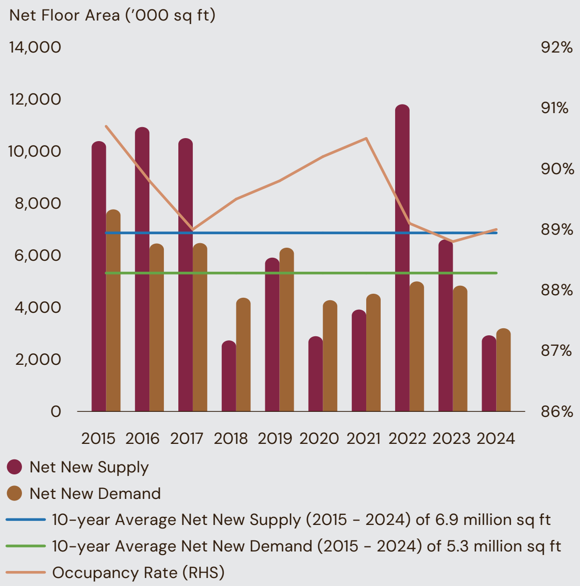
As at 4Q 2024, Singapore has 420.5 million sq ft of factory spaces, which represents a 0.7% YoY growth from 417.6 million sq ft in 4Q 2023. Out of which, private factory space made up 82.1% of the total nationwide factory stock at 345.2 million sq ft. Over two-thirds (67.9%) of factory spaces comprise single-user factory spaces, with the balance one-third (32.1%) being multiple-user factory spaces. High-specs industrial stock (including data centres) is estimated at 67.8 million sq ft of GFA.

New net supply of factory space is at the lowest since 2018 – it totalled 2.9 million sq ft in 2024, 55.8% YoY lower than the previous year, mainly attributed to a lower quantum of newly completed projects this year. Prominent new completions consist mostly of single-user factory developments, such as Wilmar Foods (309,785 sq ft GFA) and United Microelectronics Corporation's purpose-built development (2.5 million sq ft GFA). Two major data centres were also completed – Amazon (258,226 sq ft GFA) and Google (1.3 million sq ft GFA).

7.2 Demand and Occupancy

After two years of steady net take-up in 2022 and 2023, the net demand of factory spaces in Singapore fell 33.8% YoY to reach 3.2 million sq ft in 2024. Despite the slowing down of space take-up, the occupancy rebounded to 89.0% as net demand surpassed net supply on a whole year basis. The space take-up was mainly supported by the expansion of the electronics and precision engineering clusters, where the demand for consumer electronics and semiconductor chips remained strong, propping up the entire manufacturing sector.

Net New Supply, Net New Demand and Average Occupancy of Factory Space



Source: JTC J-Space, Knight Frank Consultancy

7.3 Future Supply

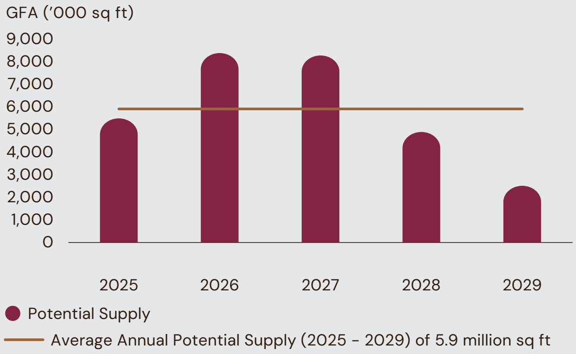
Between 2025 to 2029, Singapore is expecting over 29.5 million sq ft of new factory space, with around 5.5 million sq ft slated for completion by the end of 2025. 2026 and 2027 will see the highest stock completions, where over 8.2 million sq ft of new factory stock will be completed each year. Majority of the upcoming supply comprise single-user factory spaces, which are typically purpose-built industrial buildings serving the needs of the general industrial and advanced manufacturing sectors.

Upcoming Major Factory Developments in 2025

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
Single-user Factory Developments				
Single-user Factory	Tuas South Avenue 2	West	ST Engineering Marine Ltd	231,854
Single-user Factory	Kranji Crescent	North	Kiat Lee Machinery Pte Ltd	154,677
Single-user Factory	Sakra Road	West	Sumitomo Seika Singapore Pte Ltd	152,094
Multiple-user Factory Developments				
Bulim Square	Bulim Lane 1/2	West	JTC Corporation	804,924
JTC Space @ Ang Mo Kio	Ang Mo Kio Street 65	North-east	JTC Corporation	1,261,852

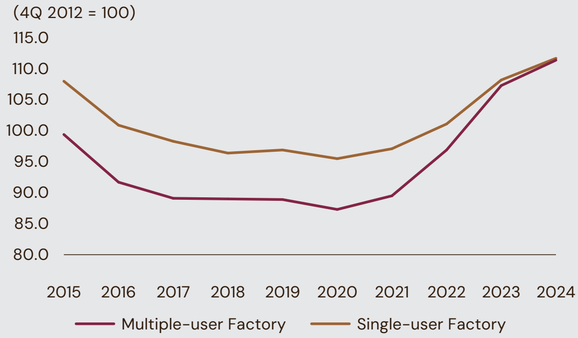
Source: JTC J-Space, Knight Frank Consultancy

Potential Supply of Factory Space



Source: JTC J-Space, Knight Frank Consultancy

JTC Rental Indices of Factory Space by Type



Source: JTC J-Space, Knight Frank Consultancy

7.4 Rents

In 4Q 2024, JTC rental indices for both multiple and single-user factory spaces upheld the rising trend since 2020, where 3.8% YoY and 3.2% YoY growth were attained respectively. According to JTC, the median rent of multiple-user factory spaces was recorded at S$2.40 psf pm. The 75th percentile rent was taken as a proxy for the high-specs industrial spaces, which was recorded at S$3.00 psf pm as at 4Q 2024. Likewise for single-user factory spaces, the median and 75th percentile rents were comparatively lower than the multiple-user factory spaces, at S$1.92 psf pm and S$2.50 psf pm.

7.5 Outlook

Largely driven by the rise in adoption of AI, demand for semiconductor chips is expected to heighten, further boosting the prospects and performance of Singapore's advanced manufacturing. Though the government policy stance from the US is still under review, the potentially higher tariffs on US imports under the Trump administration could impact global trade and Singapore's manufacturing export performance. Yet in view of likely monetary easing and lower interest rates, factory investment sales activity is expected to increase as financing conditions improve and investors seek opportunities in new or value-added factory properties. Against this backdrop of market uncertainties, Knight Frank predicts factory rents to experience modest annual growth of 1% to 3% by the end of 2025.

8. LOGISTICS AND DISTRIBUTION CENTRES (WAREHOUSES)

8.1 Stock and Supply

As at 4Q 2024, Singapore has 126.4 million sq ft of warehouse stock. The bulk consists of private warehouse space at 122.2 million sq ft (96.6%). The remaining 4.2 million sq ft (3.4%) are public warehouse spaces owned and managed by JTC. The net supply of warehouse space was registered at 1.4 million sq ft, 36.5% YoY lower than the previous year, as the completion of some projects were delayed by the pandemic and spilled over to 2025 and 2026. Prominent completions in 2024 include LOGOS Ehub (1.3 million sq ft GFA) and 4 Benoi Crescent (0.7 million sq ft GFA), both of which are located at the western end of Singapore.

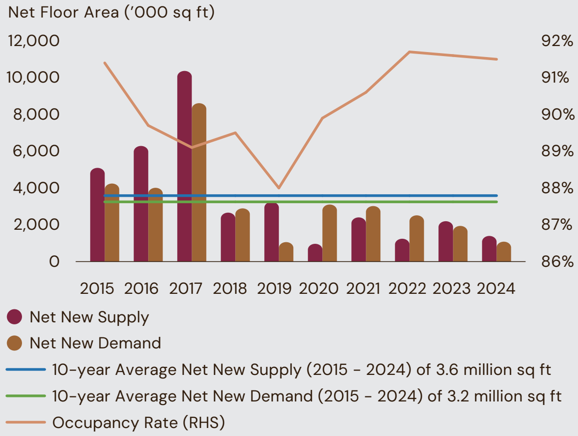
8.2 Demand and Occupancy

As at 4Q 2024, the net demand for warehouse space was 1.1 million sq ft, which represents a stark 44.2% YoY decline from the previous year. This could be attributed to the consolidating plans of some third-party logistics firms due to the decline in global demand. Despite so, the demand for prime logistics assets such as those located in high-accessibility locations and good building specifications remained high, which is reflected in the stable overall occupancy rate of warehouse spaces at 91.5%, on par with the past two years where occupancy peaked at 91.7% in 2022.

8.3 Future Supply

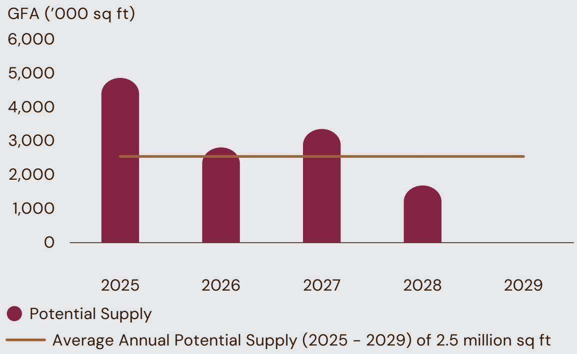
Singapore is expecting an estimated 12.7 million sq ft of new warehouse stock from 2025 to 2028, of which more than one-third of publicly announced stock is slated for completion in 2025. Notable upcoming warehouse developments include DSV Pearl (721,074 sq ft GFA) and one warehouse along Toh Guan Road East by CLAR (548,098 sq ft GFA).

Net New Supply, Net New Demand and Average Occupancy of Warehouse Space



Source: JTC J-Space, Knight Frank Consultancy

Potential Supply of Warehouse Space



Source: JTC J-Space, Knight Frank Consultancy

Upcoming Major Warehouse Developments in 2025

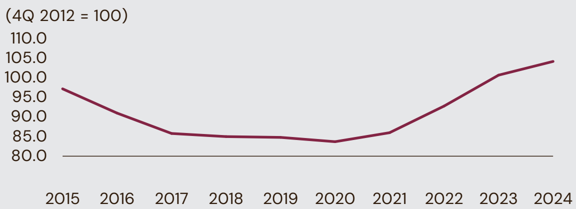
Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
5 Toh Guan Road East	Toh Guan Road East	West	CLAR	548,098
Warehouse development	Tuas Road	West	Boustead Trustees Pte Ltd	642,928
DSV Pearl	Tukang Innovation Drive	West	Logos Pacv SG Propco Pte Ltd	721,074
Single-user industrial development	Benoi Sector	West	TL Development (WDG) Pte. Ltd.	1,131,824

Source: JTC J-Space, Knight Frank Consultancy

8.4 Rents

The JTC rental index for warehouse grew 3.5% YoY in 4Q 2024. This demonstrates consecutive rental growth for 17 consecutive quarters since 4Q 2020. In line with the stable occupancy of warehouse spaces in Singapore, the rental market is resilient, with healthy demand for good quality warehouse spaces. The 25th percentile, median and 75th percentile rents for the nationwide warehouse rents were S$1.72 psf pm, S$2.13 psf pm and S$2.70 psf pm respectively, which translated to 3.6% and 1.4% YoY growth for the 25th percentile and median rents, while the 75th percentile remained largely on par.

JTC Rental index of Warehouse Space



Source: JTC J-Space, Knight Frank Consultancy

8.5 Outlook

The warehouse market demonstrated relative resilience in terms of rents and occupancy, despite the moderation of expansionary demand in 2024 as occupiers prioritised to optimise their existing spaces amid elevated rents, high energy and labour costs as well as trade policy uncertainty. To enhance the competitiveness of warehouse assets in attracting more tenants and occupiers, landlords are actively exploring asset enhancement initiatives or redevelopment opportunities to convert general warehouse facilities into modern prime logistics assets, as the leasing demand for such assets remains high and resilient.

While the warehouse supply pipeline is estimated to be the highest this year, prime logistics supply is projected to peak from late 2025, presenting a fitting time for occupiers to secure prime logistics space with less competitive market conditions this year compared to 2023. Knight Frank forecasts overall warehouse rents to trend on a relatively flatline trajectory with up to 1% growth by end 2025.

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Independent Market Report

Australia

BY CBRE RESEARCH, FEBRUARY 2025

1. MACROECONOMIC OVERVIEW & OUTLOOK

The Australian economy experienced subdued growth across 2024, weighed down by decreasing yet persistent inflation. While headline inflation has eased from its peak in 2022, partly due to cost-of-living relief measures such as electricity bill rebates and tax cuts, core inflation remained elevated. The aggregate demand for goods and services continued to outstrip supply, although the gap has narrowed, leading to trimmed inflation of 3.2% as of 4Q 2024.

Despite grappling with both local and international headwinds, Australia's GDP growth remained stable, recording an increase of about 1.4% in 2024. However, this figure falls short of the 10-year trend rate of 2.9%, pushed down by sticky inflation and high interest rates. Productivity growth has been notably sluggish, highlighting a lack of momentum within the private sector.

Australia boasts a well-balanced economy, with diverse sectors contributing to its Gross Value Added (GVA). In 2024, mining and agriculture together represented 17% of GVA, while education & healthcare accounted for 13% and professional & administrative services made up 11%. This diversity helps to mitigate risks associated with reliance on any single industry, thereby fostering economic stability and growth.

Business investment levels remained robust in 2024. Public investment hit a record high, fuelled by increased defence expenditures as well as projects related to public hospitals, roads and utility infrastructure, thereby stimulating growth in domestic demand.

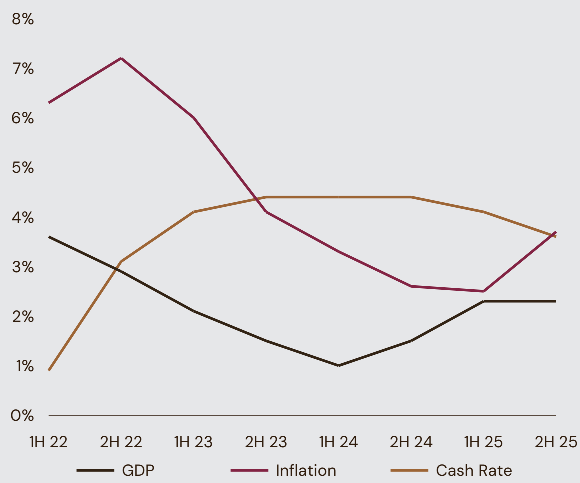
Throughout the year, the labour market remained tight, characterized by robust employment and participation rates. The unemployment rate stood at 4.0%, while the participation rate reached a historical high of 64.5% in December 2024. Although job vacancies have returned to normalised levels seen in 2019, demand for labour continued to be elevated, making it increasingly challenging and expensive to fill open positions. The ongoing recovery in tourism has bolstered job growth in the retail and hospitality sectors, while steady population growth and an aging demographic have continued to spur demand in the health and social assistance industries.

Household income growth has ticked up over the year, buoyed by the income tax cuts that took effect on 1 July 2024. However, the decline in real disposable income, coupled with the ongoing effects of stringent financial conditions, has continued to hinder household spending, particularly on non-essential goods. As a result, household consumption remained considerably muted as most households chose to prioritise saving instead of spending.

The softer consumer spending was also due to the decline in net migration. Following multiple record rises in net overseas migration, 2023 to 2024 marks the first annual decline since the lifting of pandemic-related border restrictions. Net migration has decreased to 446,000 individuals, down from 536,000 the year before. This trend has impacted Australia's economy, which has historically relied on immigration for population growth and economic activity, leading to softer consumer spending.

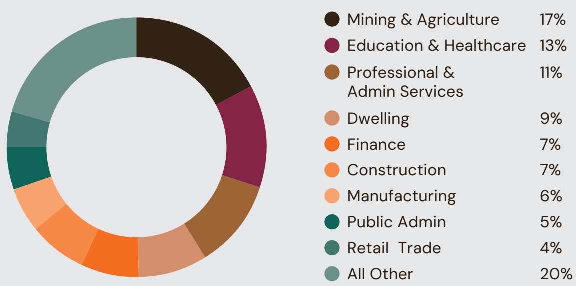
The challenging cost landscape squeezed the dwelling pipeline and non-dwelling building activities, revealing a significant capacity shortfall within the construction industry. Low residential vacancy rates have resulted in a pronounced mismatch between supply and demand, pushing housing stock to record lows. Meanwhile, median dwelling prices in Australia rose by approximately 6.5% in 2024.

Economic Indicators



Source: Australian Bureau of Statistics, CBRE Research

Contribution to GDP Growth by Industry



Source: Australian Bureau of Statistics, CBRE Research

Looking ahead, while some uncertainty remains regarding the outlook for 2025, the Australian economy is projected to grow by 2.3% this year, setting the stage for a gradual soft landing and more stable growth over the next couple of years. At its February 2025 board meeting, the Reserve Bank of Australia (RBA) reduced the cash rate by 25 bps to 4.10%, marking the first cut in four years. This decision was influenced by the observation that inflationary pressures are easing more rapidly than anticipated. The rate reduction is expected to provide much-needed relief to households facing cost-of-living challenges. There is the potential for several interest rate cuts throughout the year, aimed at achieving a target range of 2% to 3%, which would spur investment and stimulate consumer spending.

Having reached 27.2 million in 2024, Australia's population is forecast to grow by 440,000 (+1.6%) in the year ending June 2025. However, the unemployment rate is likely to rise slightly, given challenges in some industries and businesses' concerns about the global economy, although it should remain relatively tight, staying below the long-run average. Immigration is likely to be a key driver of economic growth, with an estimated 340,000 new migrants in 2025, which could help alleviate the shortage of available labour as Australia seeks to attract new workers.

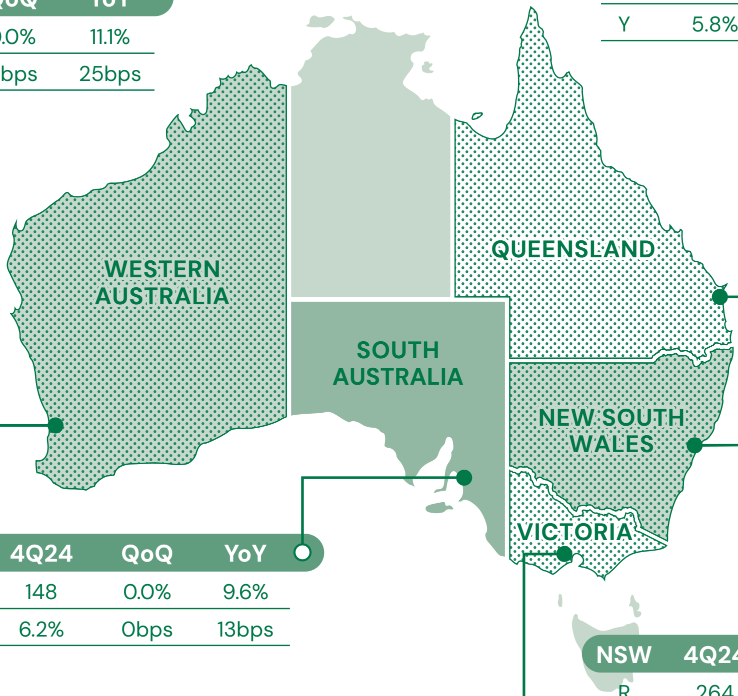
In 2025, real income growth and consumer spending are likely to rise. The consumer sentiment outlook is poised to improve off the back of continued utility subsidies and growth in annual real wages. The expansion of public services to accommodate a growing population is on track to continue driving economic growth in the short term.

2. INDUSTRIAL & LOGISTICS MARKET PERFORMANCE & TRENDS

In 2024, Australia's Industrial and Logistics sector experienced a decline in take-up below historical levels with the addition of 2.4 million square metres (sqm) of new supply. The national super prime weighted-average net face rent grew by 8.3% year-on-year (YoY), reaching A$182 psm per annum (p.a.) as at December 2024. However, rental growth slowed as the year progressed due to increasing vacancy rates, relatively higher supply (pushing up incentive levels), and tenants becoming more price-sensitive in a high-cost environment.

Although vacancy rates have continued to move upwards since 1H 2023, for most major markets across Australia, the vacancy rate remains relatively low (averaging 2.5%, as at 2H 2024). The national vacancy rate remains one of the lowest globally, reflecting the ongoing demand for high-quality industrial space.

Industrial and logistics investment sale volumes totalled approximately A$11 billion – nearly double the long-run average of A$5.5 billion. Industrial yields in Australia have significantly declined over the past 20 years due to structural shifts in demand, driven by e-commerce growth and the resilience of industrial assets, which have made them attractive to investors. However, since mid-2022, higher interest rates have significantly impacted the commercial property market in Australia. As the RBA increased interest rates to combat inflation, the cost of borrowing rose, leading to a softening of yields in the Industrial sector. The national midpoint yield for super grade assets increased by approximately 20 basis points (bps) YoY to 5.9% in 4Q 2024 for super grade assets.



WA	4Q24	QoQ	YoY
R	150	0.0%	11.1%
Y	6.3%	0bps	25bps

QLD	4Q24	QoQ	YoY
R	162	0.0%	9.1%
Y	5.8%	-4bps	-4bps

SA	4Q24	QoQ	YoY
R	148	0.0%	9.6%
Y	6.2%	0bps	13bps

NSW	4Q24	QoQ	YoY
R	264	4.5%	7.9%
Y	5.5%	0bps	13bps

VIC	4Q24	QoQ	YoY
R	148	0.0%	5.9%
Y	5.9%	0bps	25bps

R - Net Face Rents (supply-weighted average)
Y - Yields (midpoint)

Source: CBRE Research

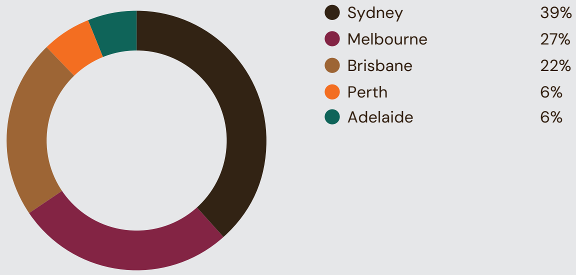
2.1 Take-up & Supply

Over the past decade, gross take-up across the country has averaged approximately 3 million sqm per year. The higher demand levels witnessed during COVID-19 – particularly between 2020 and 2022 – drove take-up well above historical norms. Before 2020, the long-term average was around 2.2 million sqm, representing a more typical level of demand. While take-up has moderated over the past three years, the total for 2024 of 2.5 million sqm remains above the pre-2020 average.

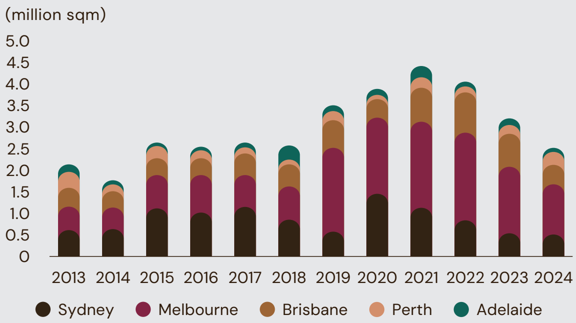
In 2024, approximately 2.4 million sqm of new supply entered the market, most of which was absorbed, as reflected in persistently low vacancy levels of about 2.5% for 2H 2024.

The supply pipeline for 2025 is projected to reach 2.4 million sqm, exceeding the ten-year average of 1.8 million sqm, with 40% of this space already pre-committed.

The expected distribution of new floorspace by city in 2025 is as follows:

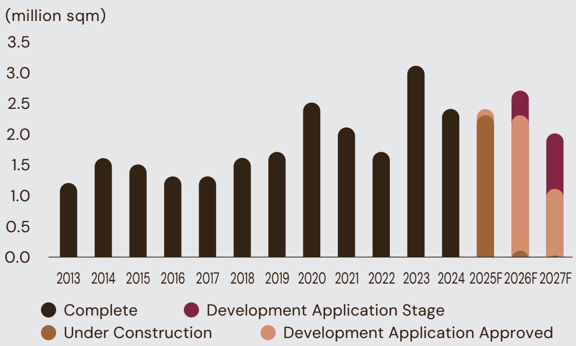


Gross Take-up



Source: CBRE Research

Development Supply



Source: CBRE Research

2.2 Rents & Vacancy

The national super prime weighted-average net face rent increased by 1.7% quarter-on-quarter (QoQ) to A$182 psm p.a., slightly surpassing the previous quarter's growth rate. Sydney was the only market to record rental growth during this period.

Incentive levels for super prime-grade assets in 4Q 2024 remained steady, averaging 17% (supply-weighted). However, since 3Q 2023, incentives have risen by 6%. Even though vacancy rates are low by global standards, incentives have increased due to competition among landlords to attract a smaller pool of large, quality tenants for stable, long-term income.

On a YoY basis, national super prime, prime and secondary supply-weighted-average face rents grew by 8.3%, 5.9% and 7.3%, respectively. Perth recorded the strongest rent growth in 2024 at 11.1%, driven by tight vacancy levels in the market. We expect positive rental growth across all markets this year, although at a lower YoY growth rate than in 2024.

2.3 Investment Markets

Australia's industrial and logistics investment sale volumes for income-producing assets over A$10 million have totalled around A$11 billion for 2024 – close to double the long-run average. The concentration of activity (by value) was in Sydney.

For 2025, we forecast approximately 25% volume growth. This increased activity is supported by CBRE's Research's 2025 Investor Intentions Survey, which found that Industrial retains its first place as the preferred sector for investment this year.

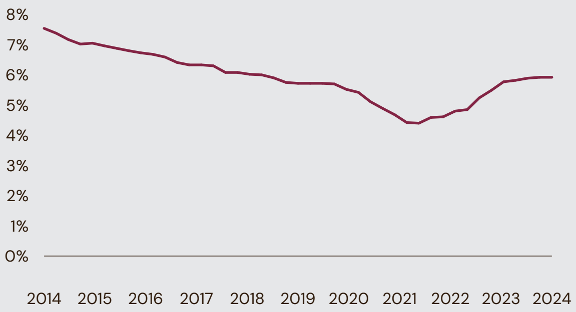
Yields remained steady over the quarter, with the national midpoint yield for super grade assets at 5.9% (as at 4Q 2024) compared to 5.8% in 4Q 2023. We expect to see yield compression across some markets in Australia of between 10 and 25 bps in 2025.

2.4 Outlook

We are witnessing a steady increase in the vacancy rate across all cities as demand normalises. Rental growth rates across all cities have been slowing since 2Q 2023, following record high growth rates. Despite this, we expect positive rental growth in 2025, as vacancy remains among the lowest levels globally (averaging 2.5% nationally, as at 2H 2024).

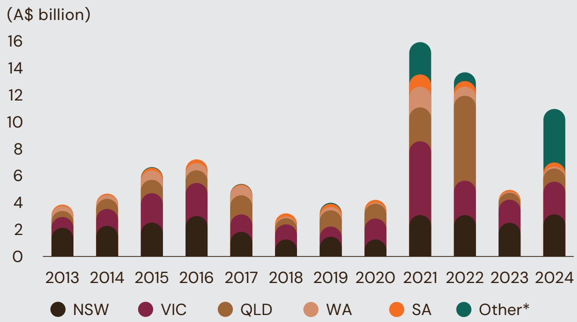
Over the medium to long term, Australia's supply of serviced zoned industrial land will remain constrained, and this will continue to affect the limited development supply pipeline. This scarcity, combined with Australia's expanding net exports, e-commerce sector and strong population growth, will continue to support the long-term growth of the sector.

Super Prime Yield



Source: CBRE Research

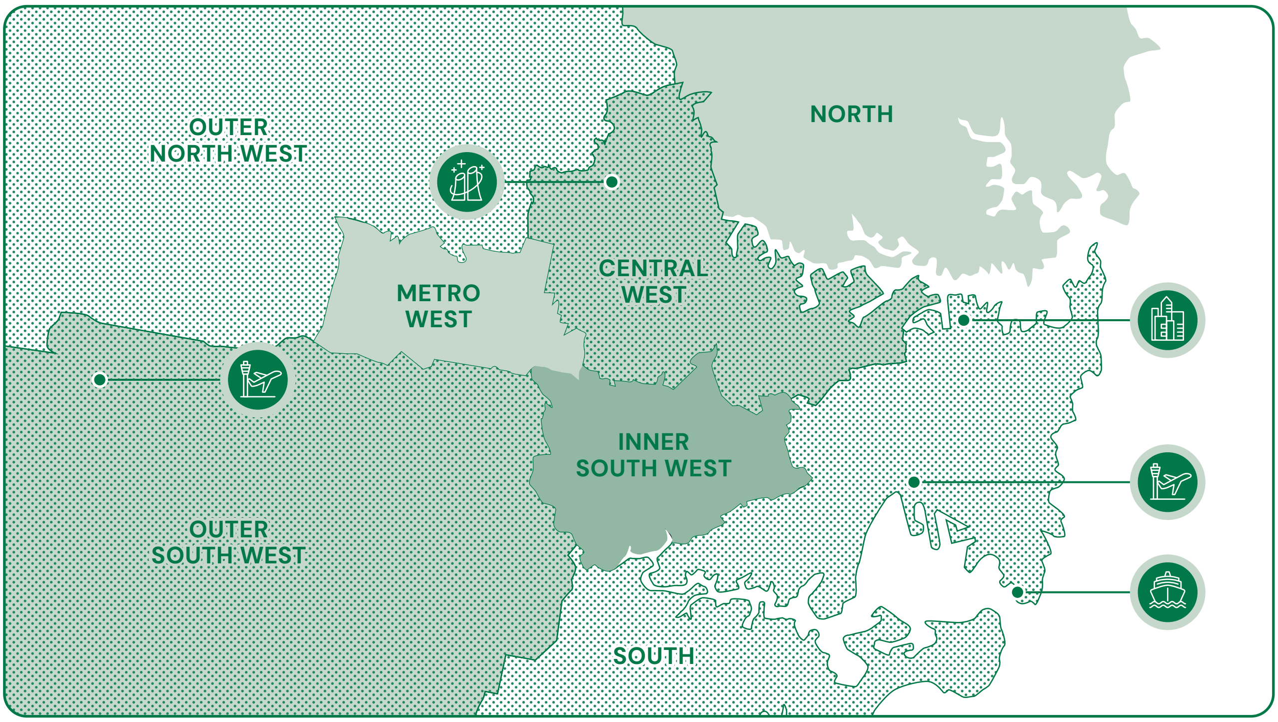
Investment Volume



Source: CBRE Research

* *Other reflects portfolio sales across multiple cities where individual asset prices have not been disclosed.*

3. SYDNEY INDUSTRIAL & LOGISTICS MARKET

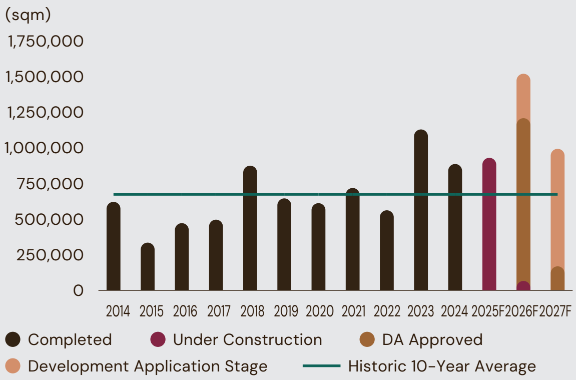


3.1 Stock & Supply

As of 2H 2024, the total Sydney Industrial & Logistics stock accounted for 34.5 million sqm. The majority of stock is located in Sydney's Outer North West and Outer South West.

The total new supply delivered in 2024 reached approximately 890,000 sqm, which is 32% above the 10-year average of 673,000 sqm, but 21% below 2023 levels of 1.1 million sqm. Major projects that reached practical completion in 2024 included Winnings Appliances Warehouse on the Aspect Industrial Estate (66,600 sqm), Connect Estate in Villawood (69,150 sqm), and Woolworths National Distribution Centre (44,900 sqm) at the Moorebank Intermodal Precinct.

Development Supply



Source: CBRE Research

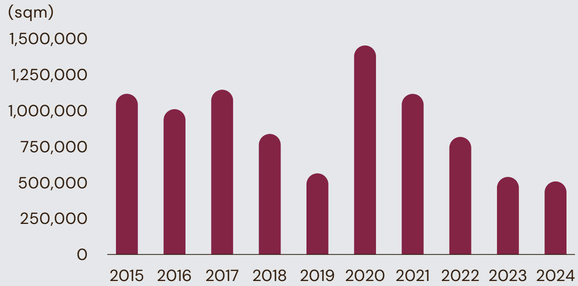
3.2 Demand & Occupancy

Despite two consecutive years of above-average supply and lower levels of leasing activity in 2024 compared to the previous year – owing mainly to normalising demand, demand for space has remained strong. This led to the swift absorption of all new supply, as reflected in the consistently low vacancy rate. As of 2H 2024, the vacancy rate of Sydney was 2.1%.

In 2024, total floorspace leased in Sydney was led by the Transport, Postal & Warehousing sector (26%), followed by Manufacturing (21%) and Retail Trade (20%). Retail trade has seen significant growth over the past five years, increasing its share from 9% to 20%. This surge has been driven by the expansion of e-commerce, the growing demand for last-mile delivery facilities, and retailers securing warehouse space to strengthen supply chain resilience.

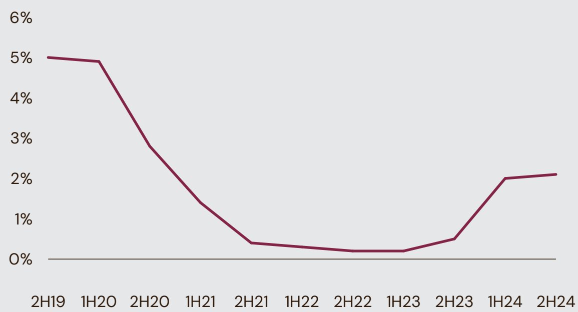
In Sydney, leasing activity has predominantly concentrated within the Outer North West precinct, which accounted for 57% of leased floorspace over 2024. A significant portion of the space leased in this precinct has been in new developments. The Outer North West remains attractive to occupiers due to its modern infrastructure, strategic location, and strong connectivity, including access to the M7 motorway, enabling distributors to reach 70% of Sydney's population within a 40-minute drive. Additionally, its proximity to the upcoming Western Sydney Airport (set to open in 2026) further enhances its appeal. As a result, the Outer North West saw significant tightening, with vacancy dropping from 3.7% to 2.6% due to strong take-up of speculative builds and sub-lease space. Infill markets like Central West and Metro West recorded rising vacancy levels, partially offsetting the decline in outer precincts.

Take-up



Source: CBRE Research

Vacancy Rate



Source: CBRE Research

Vacancy Rate by Sub-market

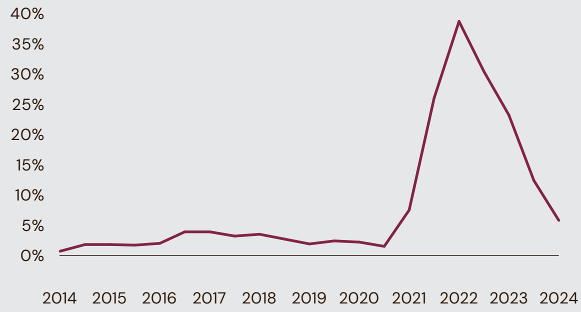
	Central West	Inner South West	Metro West	Outer North West	Outer South West	South Sydney
Dec 2023	0.6%	1.1%	0.4%	0.6%	0.0%	0.7%
Dec 2024	2.7%	0.9%	1.1%	2.6%	2.4%	2.3%

3.3 Rents

Sydney's low vacancy rate has driven rent growth as occupiers have limited options for securing the floorspace and fit-outs that meet their needs. Super-prime net face rents in Sydney have increased by 5.8% in 2024, now averaging A$276 psm p.a.. Although rental growth has slowed over the past 18 months, we expect rents to continue rising at an average of 4% in 2025, driven by persistently low vacancy levels.

However, net effective rents decreased slightly across all asset grades in 4Q 2024 due to increased incentives. Incentives for super prime, prime and secondary grades rose by 1.4 ppt, now averaging 15%, 16%, and 17% respectively. This reflects pressure on landlords with older warehouses to compete with the influx of super prime developments.

Super Prime Rent Growth



Source: CBRE Research

Super Prime Rents by Sub-market (as at December 2024)

	Central West	Inner South West	Metro West	Outer North West	Outer South West	South Sydney
Rent (A$ psm p.a.)	290	260	250	230	250	375
Change (YoY)	1.8%	0%	13.6%	9.5%	8.7%	4.2%
Incentives (%)	15%	17%	15%	17.5%	13%	12%

Source: CBRE Research

3.4 Future Supply

The 2025 supply pipeline is projected to total around 930,000 sqm, similar to the level completed in 2024 and 38% above the 10-year annual average of approximately 673,000 sqm. Despite the higher-than-average new space expected in 2025, the pre-commitment rate for this pipeline is relatively strong, currently nearing 50%.

In 2025, the Outer North West Sydney precinct is set to dominate the industrial landscape, accounting for 71% of the city's total industrial floor space—up significantly from 52% over the past five years. This growth is driven by lower land costs, enhanced infrastructure, and rising demand for large-scale warehousing.

In contrast, other key Sydney precincts hold much smaller shares, with the Outer South West at 14%, the Inner South West at 9%, and South Sydney, Central West, and Metro West each contributing just 2%. Thus, the limited availability of space in infill areas has further solidified the Outer North West as Sydney's primary logistics and distribution hub.

Key projects expected to reach practical completion in 2025 include:

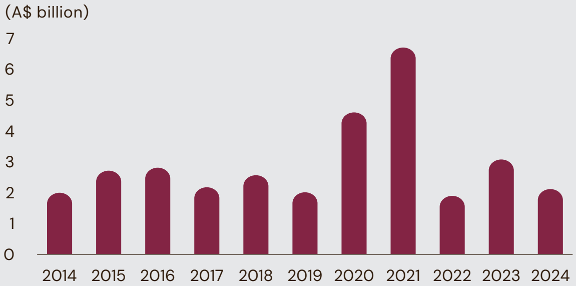
- Warehouse 3B, Gazcorp Industrial Estate, Horsley Park, c. 80,000 sqm;
- Warehouse 2-5, Erskine Business Park, Erskine Park, c. 48,000 sqm; and
- Momentum M7, Gazcorp Industrial Estate, Horsley Park, c. 45,000 sqm.

3.5 Investment Market

In 2024, the total investment volume reached approximately A$2.1 billion. Though activity was 31% below 2023 and the 10-year average of A$3.1 billion, we expect sales to increase over the next 12-18 months as interest rates decrease. The largest investment transaction of 2024 was Gaw Capital's 2-34 Davidson Street, Chullora for A$115 million.

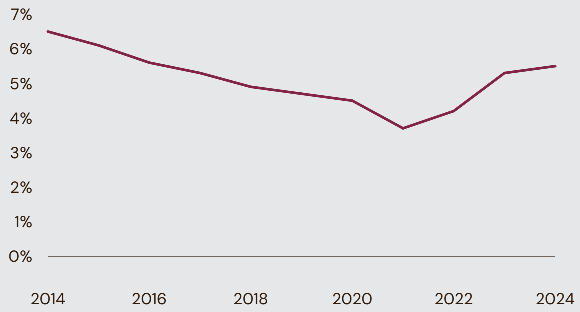
Midpoint yields across all asset grades have expanded from 2023. Yields for super prime assets sat at 5.46% in 4Q 2024, up from 5.33% in 4Q 2023. Prime yields also increased from 5.50% to 5.63% over the year. Yields have stabilised over the second half of 2024, underpinned by limited transactional activity and recent deal evidence over 2H 2024, which has reinforced current yields.

Investment Volume



Source: CBRE Research

Super Prime Yield



Source: CBRE Research

3.6 Outlook

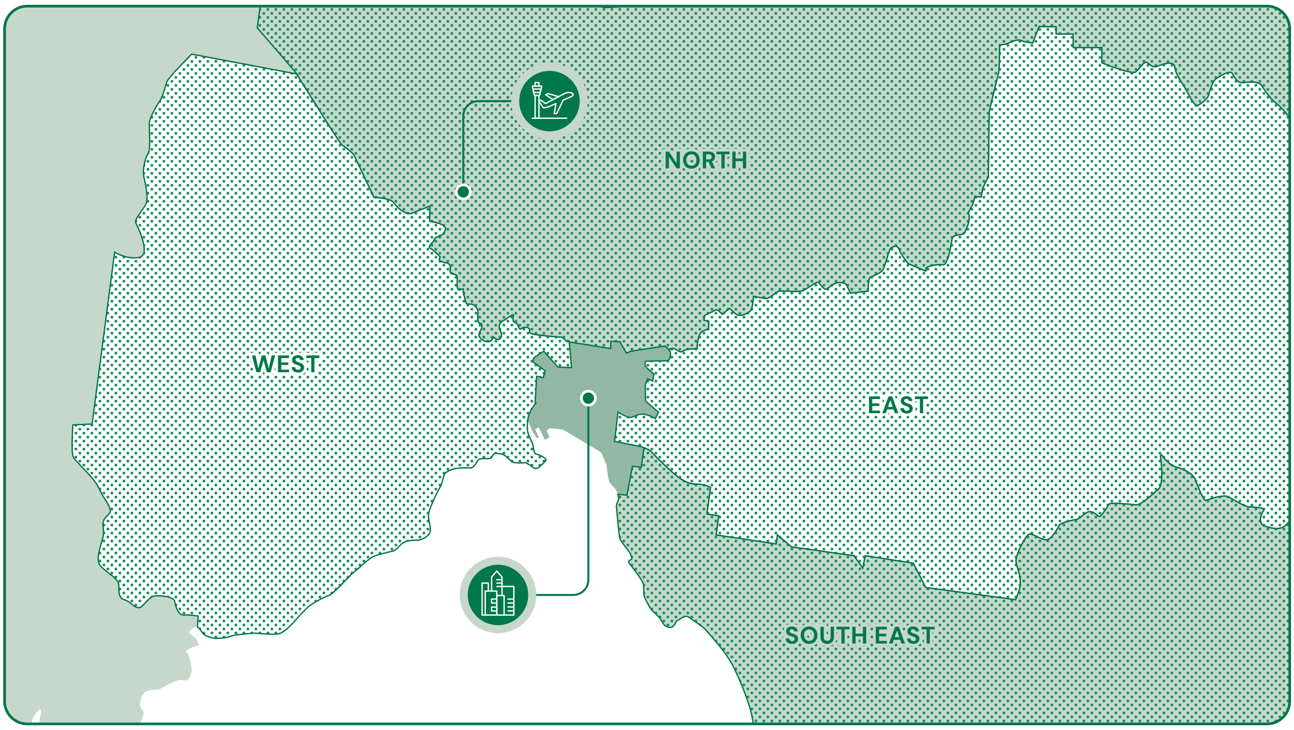
Although take-up levels slowed throughout 2024, we anticipate a rebound in 2025 as rising incentives encourage occupiers to commit to new space requirements in a more tenant-friendly market. Furthermore, Sydney's low vacancy rate (2.1%) is expected to support pre-leasing activity. As sub-lease availability is expected to decline further in 2025, overall vacancy rates may either stabilise or trend downwards.

We expect rental growth to remain positive in 2025, albeit at more normalised levels. Despite elevated supply anticipated in 2025 and 2026, steady pre-commitments on new developments are expected to mitigate downward pressure on rents. Incentives are likely to rise throughout 2025 and will remain the primary tool for landlords to remain competitive as existing leases expire.

Average land values for all lot sizes decreased or remained stagnant on a YoY basis, except for selected land parcels in Metro West and Outer North West. Uncertainty around interest rate trends and elevated capital costs have created a cautious environment for institutional investment in industrial land. The rising cost of borrowing has not only increased project financing expenses but also narrowed profit margins, making such investments less appealing in the short term.

Compression in cap rates of up to 100 bps is anticipated between early 2025 and late 2027.

4. MELBOURNE INDUSTRIAL & LOGISTICS MARKET



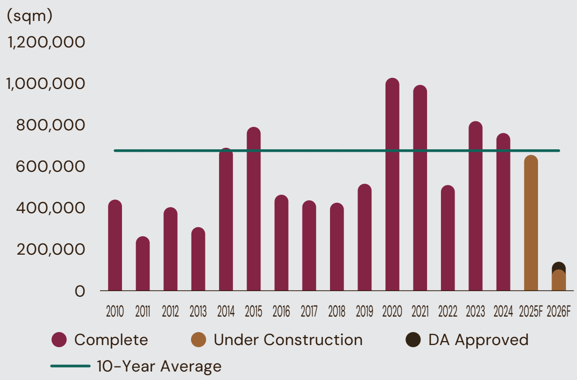
4.1 Stock & Supply

Overall, as of 2H 2024, the total Melbourne Industrial & Logistics stock accounted for 30.7 million sqm. The stock is predominantly located in the West (40.2% or 12.3 million sqm), followed by South East/East (34.4% or 10.6 million sqm), the North (21.1% or 6.4 million sqm) and City Fringe (4.6% or 1.4 million sqm).

In 2024, supply completions in Melbourne (approximately 760,000 sqm) declined from 2023 (approximately 818,000 sqm), largely due to high debt and construction costs, which continued to constrain the supply pipeline. During the year, a significant portion of completions was located in the West and South East, which made up 45% and 36% of the total floorspace completed in Melbourne, respectively. Significant completions in 2024 include:

- 90 Palmers Road, Truganina (40,000 sqm);
- Regent RV in the North (31,000 sqm);
- 127-145 Cherry Lane, Laverton North (26,000 sqm); and
- 162 Momentum Way, Ravenhall (22,000 sqm).

Development Supply



Source: CBRE Research

Vacancy Rate by Sub-market

	North	City Fringe	West	East & South East
Dec 2023	0.7%	0.0%	2.9%	1.0%
Dec 2024	3.4%	7.3%	4.8%	1.9%

Source: CBRE Research

4.2 Demand & Occupancy

All of Melbourne's industrial and logistics sub-markets recorded a decline in leasing volumes and enquiries in 2024 compared to the previous year.

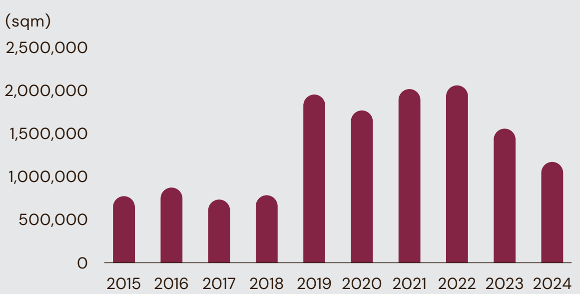
In 2024, take-up volumes reached 1.1 million sqm, a decrease of 0.4 million sqm or 26.0% compared to the previous year, with Melbourne's West precinct accounting for nearly 57% of the total. This concentration can be attributed to higher vacancy rates in the West (4.9%) compared to the rest of Melbourne (3.6%), along with a significant influx of existing and future supply.

Leasing enquiries saw a decline of 26% YoY, which can be linked to occupiers focusing on enhancing efficiencies within their current tenancies rather than pursuing new spaces, coupled with easing supply chain constraints. Tenants who previously sought additional space in a tight vacancy environment have now shifted their strategy, opting to lease only when required. This cautious strategy indicates a broader reassessment of space utilisation and long-term planning among businesses.

The Transport, Postal & Warehousing industry continued to drive leasing volumes, representing 54% of activity across the state, followed by the Retail Trade sector at 21% and Manufacturing at 13%.

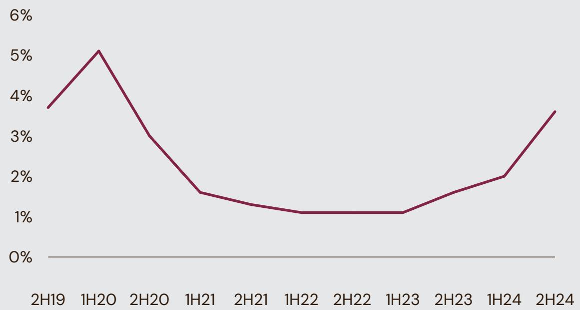
Vacancy rates increased to 3.6%, resulting in a slowdown in rental growth and prompting some tenants to delay their decision-making. However, the vacancy rate is still considered low, indicating that while there is a cooling in activity, the fundamental demand drivers for industrial space in Melbourne remain strong.

Take-up



Source: CBRE Research

Vacancy Rate



Source: CBRE Research

4.3 Rents

In 2024, Melbourne's industrial market experienced significant rent expansion across all grades of stock. Net face rents saw an increase of 7.8% YoY to reach A$156 psm p.a. for super prime assets, 4.9% YoY to record A$149 psm p.a. for prime assets and 5.2% YoY to A$122 psm p.a. for secondary assets. The South East was an outlier market, recording an average net face rent increase of 18.5% YoY due to a lack of available land and limited opportunities for future development in an undersupplied market.

Despite solid rent growth, the overall market was characterised by a combination of rising vacancy rates and muted demand, which contributed to a slower pace of growth as the year progressed. In response to the evolving market dynamics, some landlords and asset owners actively sought longer lease terms to secure more stable and predictable income streams while mitigating risks associated with fluctuating demand and vacancy rates.

Super Prime Net Face Rents by Sub-market (December 2024)

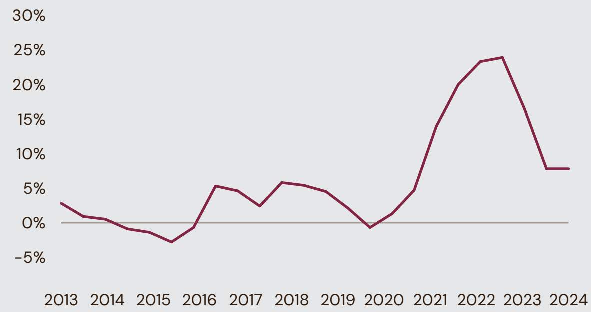
	North	City Fringe*	West	East	South East
Rent (A$ psm p.a.)	140	190	130	185	170
Rent Growth (YoY)	3.7%	2.7%	Stable	8.8%	17.2%
Incentives (%)	25%	12.5%	25%	17.5%	22.5%

** Rents in the City Fringe market correspond to prime grade assets*
Source: CBRE Research

In the meantime, incentives saw a notable YoY increase across Melbourne. Incentives for super prime assets climbed by 437 bps, reaching 22.5%. Prime assets experienced a 500 bps increase, bringing incentives to 18.5%, while secondary assets saw a 370 bps lift, resulting in incentives of 13.6%. This upward trend in incentives reflects the competitive landscape within the industrial sector, as landlords seek to attract tenants amidst a backdrop of rising vacancies and flagging demand. Overall, while rent growth was evident, the market's complexities underscored a balancing act between maintaining rental rates and offering attractive terms to potential tenants.

Melbourne's industrial precincts are experiencing diverging demand increasingly, though this trend is not as stark as in the city's office market. In the Inner precinct (the City Fringe), industrial rental rates remain the highest in the state (A$190 psm p.a.), yet many occupiers find these pricing levels prohibitively expensive. Only specific occupiers need inner-city locations, where the buildings are typically older and smaller, benefiting businesses that require quick access to their suppliers and customers. Despite this challenge, large institutional landlords have demonstrated a strong ability to maintain rental rates during negotiations, while private owners tend to exhibit more flexibility in their pricing strategies. In 2H 2024, a significant amount of vacancy (7.3%) emerged within this precinct, which is anticipated to spur competition among landlords.

Super Prime Rent Growth



Source: CBRE Research

4.4 Future Supply

In 2025, approximately 768,000 sqm of industrial space is projected to enter the market, a similar level to 2024. The pre-commitment level for the 2025 projects under construction stands at around 19.6% of the total supply. However, this figure is expected to rise throughout the year, aligning with leasing activity trends observed in 2024. Despite this positive outlook, it is important to note that some projects may face delays or be mooted over 2025, reflecting the ongoing uncertainty in the development landscape.

The projected pipeline for the years 2025 to 2026 is expected to display a distribution where Melbourne's West precinct accounts for 42% of the new floorspace, followed by the South East at 34% and the North at 24%.

The interplay of decreasing demand and rising vacancies suggests that rental growth will likely be weak throughout the next year. As a result, developers across Melbourne are proceeding with caution, leading to expectations of relatively low supply levels in the coming years compared to historical trends.

4.5 Investment Market

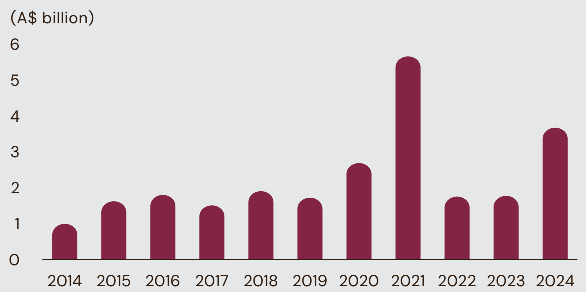
In 2024, investment volumes in Melbourne remained consistent with historical levels, reflecting a stable yet evolving market landscape. Changing investor preferences have played an instrumental role in shaping this environment. During 2021 to 2022, investors gravitated towards short-weighted average lease expiry (WALE) assets, aiming to capitalise on potential rental upside amid a phase of rapid growth. A prime example of this pattern was the sale of 95-105 South Gippsland Highway, which transacted at A$88 million in April 2021 (a two-year WALE and an initial yield of 4.9%).

In 2024, investor preferences shifted towards assets with longer WALEs of around five years. This change is largely driven by the desire for greater certainty in rental income, which has become increasingly important in the context of low leasing demand, marginal rental growth and rising vacancy levels.

Throughout 2024, total transaction volumes reached approximately A$3.7 billion, spread across about 100 transactions (for transactions greater than A$5 million). The year was marked by several significant portfolio transactions, highlighting the ongoing interest in larger-scale investments. Notably, ESR executed a major sale of a portion of the LOGOS Australia Logistics Venture, which accounted for A$533 million in investment volumes across six Melbourne assets (a total of 11 assets across the country). This example indicates that while the market is adapting to changing dynamics, there remains robust activity among institutional players seeking to solidify their portfolios in a conservative economic environment.

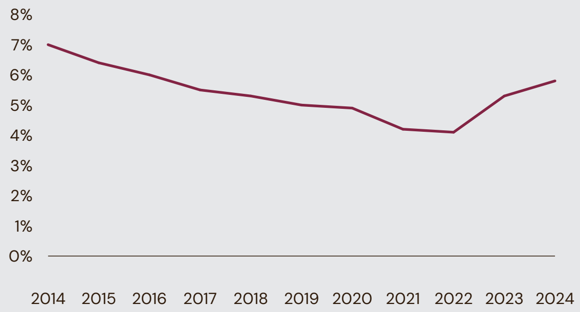
In 2024, super prime yields increased by 25 bps, reaching 5.89%. Similarly, prime and secondary yields expanded by 25 and 26 bps, settling at 5.94% and 6.42%, respectively. Yields in Melbourne have somewhat stabilised following a more significant expansion in 2023.

Investment Volume



Source: RCA, CBRE Research

Super Prime Yield



Source: RCA, CBRE Research

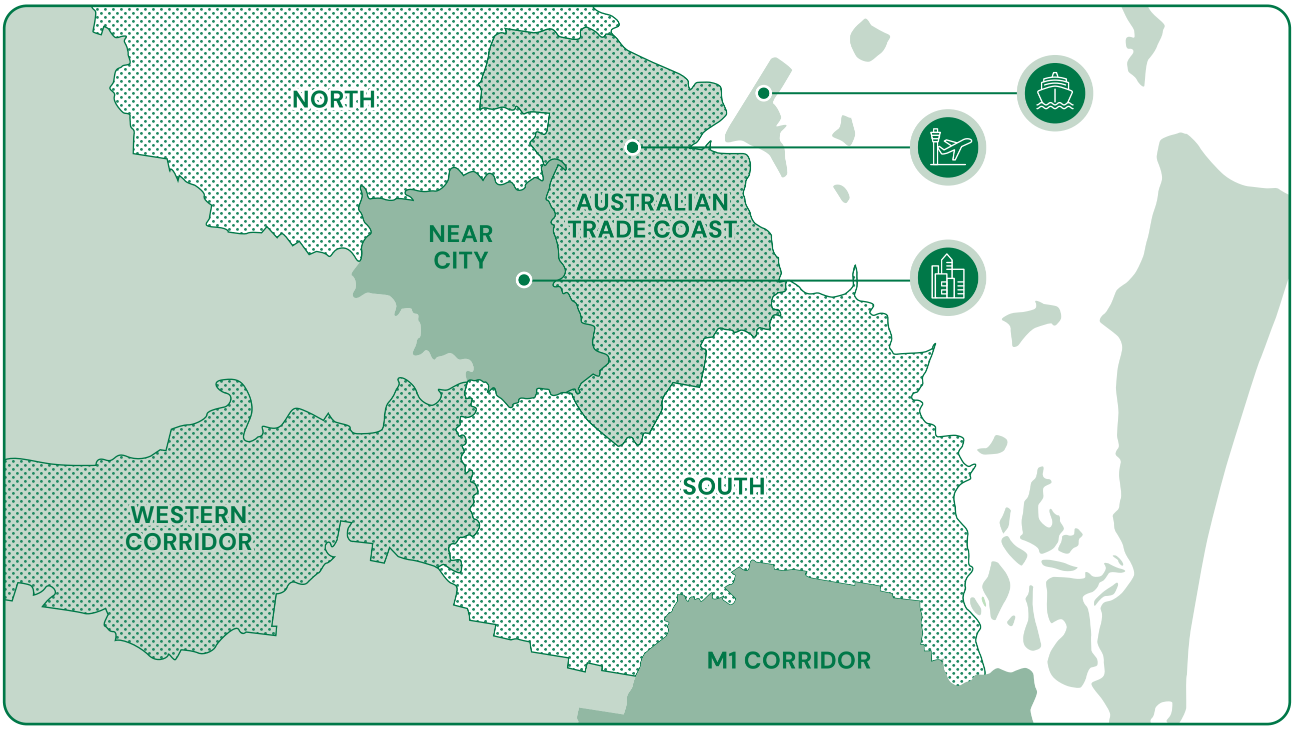
4.6 Outlook

After 12 months of single-digit rental growth in most markets, CBRE forecasts rental growth to stabilise at around 5% in 2025. There will also be increased pressure on incentive levels as landlords respond to rising vacancy rates. It is likely that super prime rental growth will exceed overall growth in 2025, buoyed by Melbourne tenants' ongoing preference for higher-quality spaces. Additionally, Melbourne's industrial supply pipeline may experience notable delays throughout 2025, potentially boosting rental growth in certain areas. Nonetheless, landlords are set to continue prioritising income stability by pursuing longer-term leases with greater incentives.

Land values are likely to remain relatively stable across the state. While owner-occupiers remain moderately active, other groups have begun to be more hesitant as economic feasibility concerns rise in the current elevated interest rate and high construction cost environment. Nevertheless, the green shoots of new factors driving demand have emerged over the recent years, particularly concerning land designated for data centres, pushing up land prices.

In 2025, CBRE estimates yields for all industrial assets to remain stable. Industrial investment volumes in Melbourne may soften when compared to 2024, mainly due to expectations of softer foreign investment levels, which are a direct result of the absentee owner surcharge increasing to 4% in 2024. The increase in the surcharge may deter foreign investors and make investment more challenging, resulting in price adjustments in a cooler market environment.

5. BRISBANE INDUSTRIAL & LOGISTICS MARKET



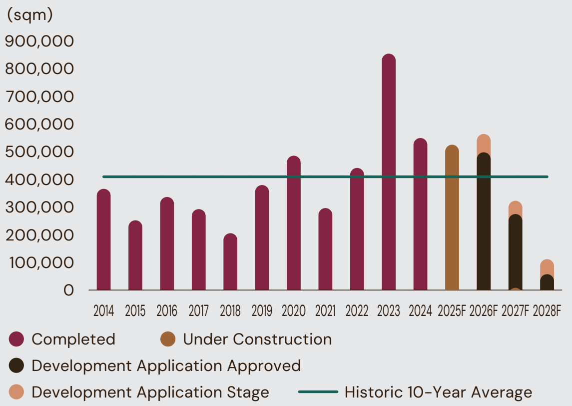
5.1 Stock & Supply

In 2024, the Brisbane industrial market added approximately 550,000 sqm of new space, representing an increase of approximately 26% over the 10-year annual average of about 409,000 sqm, but a 36% decrease from 2023 levels. The majority of new developments completed during the year were located in the South (35%), Western Corridor (22%) and Gateway South (16%) precincts. The largest developments completed over the year included:

- Stage 1 of the Crossbank Industrial Estate (44,664 sqm) located at Anton Road, Hemmant (Gateway South);
- 520-538 Wembley Road Warehouse Building (26,000 sqm) located in Berrinba (Outer South);
- Building 4 (26,000 sqm) of the Acacia Ridge Business Park located at 30 Fox Road (Outer South); and
- Stage 1 of the Ellison Estate development (23,600 sqm) located at 22 Ellison Road, Geebung (North).

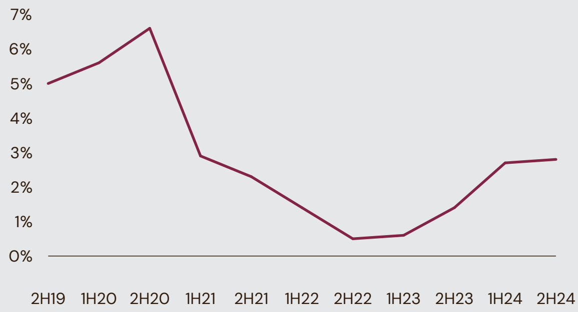
Construction delays from 2021-2022 have led to a substantial increase in supply over the past two years, as several projects were delayed and are now completed in 2023 and 2024. Overall, as of 2H 2024, the total Brisbane Industrial & Logistics stock accounted for 20.2 million sqm. The distribution of stock in Brisbane is led by the South region, accounting for 27.8% (5.6 million sqm), followed closely by the Western Corridor with 22.1% (4.6 million sqm) and the Australian Trade Coast with 16.8% (3.4 million sqm), while the Near City region has the smallest share with 1.1% (0.2 million sqm).

Development Supply



Source: CBRE Research

Vacancy Rate



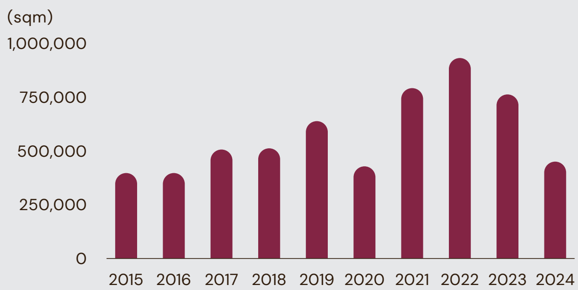
Source: CBRE Research

5.2 Demand & Occupancy

In 2024, the Brisbane industrial market recorded a gross take-up of approximately 451,100 sqm, reflecting a decline of 302,864 sqm or 40.2% YoY. This figure is also 22% below the 10-year average of around 581,000 sqm. This is primarily due to the Australian economy's slowdown and rising interest rates weighing on consumer behaviour, resulting in reduced activity from the third-party logistics sector in the leasing market in 2024. Despite an uptick in vacancy rates in Brisbane to 2.8% as of 2H 2024, new developments are still in demand due to their premium and efficient warehouse spaces.

Demand for industrial space came from occupiers in the Transport, Postal & Warehousing (52%), Retail Trade (35%), and Health Care & Social Assistance (9%) industry sectors.

Take-up



Source: CBRE Research

5.3 Rents

Recent activity in the occupier market, combined with tight vacancy rates, has resulted in significant YoY growth in average prime face rents across several precincts. Specifically, prime grade rents in the Gateway South precinct have climbed by 20.0%, the North precinct has experienced a 14.3% increase, and the Gateway North precinct has seen a rise of 10.0%.

Incentives for prime assets have risen to an average of 15.0%, compared to 12.4% the previous year, indicating that owners are becoming more flexible in response to market conditions. Despite the increase in vacancy rates during 2H 2024, overall levels remain historically low, which suggests that the market remains competitive for landlords, but may be shifting towards a more tenant-friendly environment.

As of the end of 2024, Brisbane's average net face rents for super prime, prime and secondary assets were A$170 psm p.a., A$156 psm p.a. and A$138 psm p.a. respectively. This reflects annual upward growth rates of 9.2% for super prime assets, 12.2% for prime assets and 15.0% for secondary assets.

Super Prime Rents by Sub-market (as at December 2024)

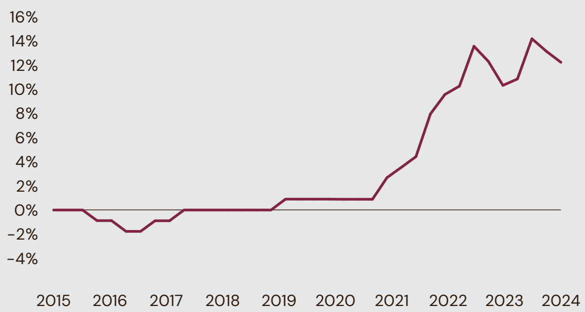
	ATC	South	North	West	M1 Corridor
Rent (A$ psm p.a.)	187.5	155	182.5	155	155
Rent Growth (YoY)	8%	7%	12%	9%	11%
Incentives (%)	14.5%	15%	16%	15%	15%

Source: CBRE Research

Vacancy Rate by Sub-market

	ATC	South	North	West	M1 Corridor
Dec 2023	1.3%	2.7%	0.2%	0.4%	2.0%
Dec 2024	2.9%	4.1%	2.7%	2.1%	1.4%

Source: CBRE Research



Source: CBRE Research

5.4 Future Supply

The supply pipeline for 2025 is projected to reach approximately 525,000 sqm, which is 22% above the long-term average. The pre-commitment rate for 2025 is currently about 25% (as of 4Q 2024). The Western Corridor and South precincts are anticipated to comprise 36% and 21%, respectively, of the total floorspace delivered in 2025.

As construction costs increase, developers are pursuing higher rents to ensure new projects remain financially viable. This trend underscores the increasing pressure on the industrial market, where cost management is becoming crucial for project feasibility. As a result, there may be a tightening in supply over the coming years, potentially leading to increased competition among tenants for available space.

The strong demand for industrial land and limited supply has driven up land values, with the majority of absorption happening in the Western Corridor (26%) and M1 Corridor (26%) over 2023-2024. As the Near City and Trade Coast areas are more constrained, we estimate that the South, Western Corridor and M1 Corridor will be the main drivers of future demand for industrial land. Major projects to complete in 2025 include:

- New-Gen Business Park, Western Corridor (85,000 sqm);
- Stage 4 of the Willawong Distribution Centre, South (46,000 sqm); and
- Electrolux's Distribution Centre, Gateway South (22,000 sqm).

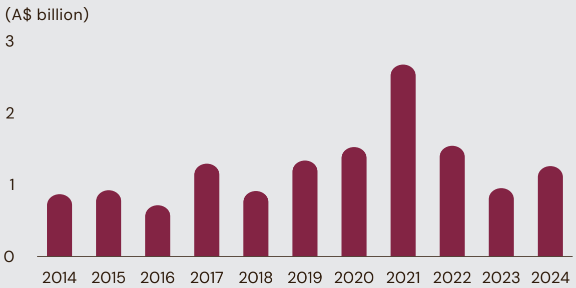
5.5 Investment Market

In 2024, investment volumes increased by approximately 46% compared to the previous year, totalling A$1.3 billion (for transactions greater than A$5 million), which is broadly consistent with the 10-year annual average. The increase in transaction volumes indicates a boost in investor confidence amid greater clarity regarding potential interest rate cuts. According to CBRE data, there is strong demand from interstate investors who are already established in Sydney and Melbourne, along with interest from smaller syndicates.

Significant transactions include the sale of Interchange Industrial Estate in the North (Saltwater Circuit, Narangba) for around A$77 million, offering an initial yield of 5.82% and the sale of Darra Industrial Estate in the Western Corridor (30 Acanthus St, 509 Boundary Rd & 64 Argyle Parade, Darra) for approximately A$65 million with an initial yield of 5.10%.

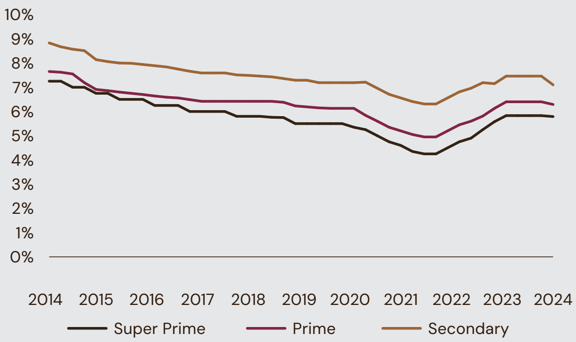
In 2024, yields have compressed slightly, with the average yield for super prime, prime and secondary grade assets at 5.8%, 6.3% and 7.1%, respectively, reflecting a gradual return of investor confidence.

Investment Volume



Source: CBRE Research

Yields by Asset Grade



Source: CBRE Research

5.6 Outlook

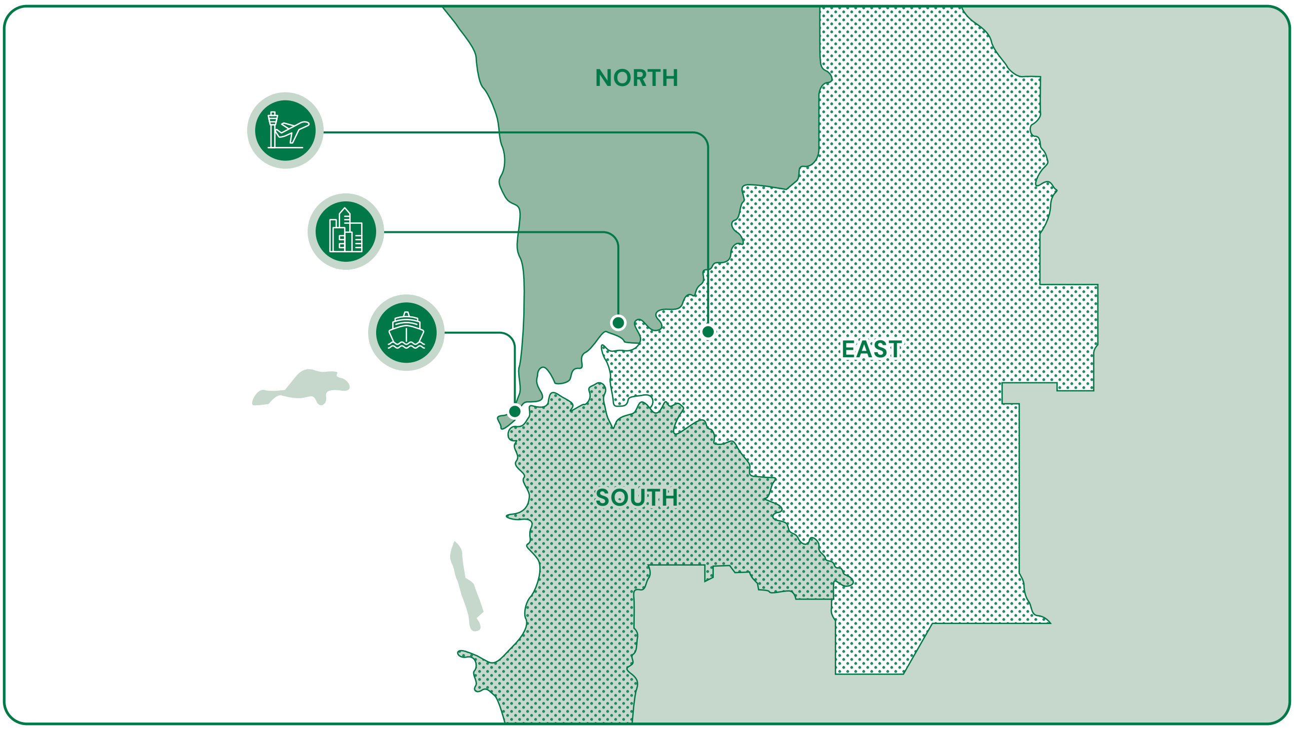
Brisbane's industrial and logistics space take-up is expected to decline further as occupiers adjust their expansion plans due to weakening consumer sentiment. The combination of economic uncertainty and changing market dynamics is prompting businesses to prioritise operational efficiency and cost management over aggressive growth strategies. Despite this, there has been interest in the large number of speculative industrial and logistics developments expected to be completed in 1H 2025.

As a significant number of projects which were initially slated for completion in 4Q 2024 have encountered delays, the influx of new supply may create temporary upward pressure on vacancy rates and face rents in the short term. We expect that landlords are open to offering more attractive incentives to keep current tenants and lure new ones as rents remain high, amidst competition from the new supply that is expected to hit the market.

Looking further ahead, we forecast that Brisbane's rental growth from 2026 to 2027 is on track to outpace historical averages. However, in the near term, we expect rental growth to stabilise due to a large volume of stock coming online over the next 12 months, which may moderate immediate increases in rental rates. This growth will be a result of robust population increases, constrained supply of available land for development and sustained demand from large occupiers who are already established in major markets like Sydney and Melbourne. These companies are likely to add additional space in Brisbane as they look to expand their operations, attracted by the region's economic potential and favourable business environment in the longer term.

We estimate yield compression of approximately 15 bps for super prime industrial assets, while prime and secondary spaces are likely to remain stable over the next year.

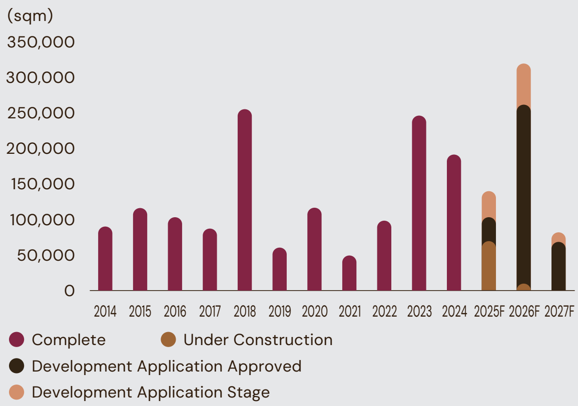
6. PERTH INDUSTRIAL & LOGISTICS MARKET



6.1 Stock & Supply

In 2024, new development supply reached approximately 194,000 sqm, exceeding the 10-year historical average of approximately 123,000 sqm. Significant project completions included the Toyota Autoparts Distribution Centre at 33 Miles Road, Kewdale, which contributed approximately 23,000 sqm and 655 Welshpool Road East in Wattle Grove, adding about 21,000 sqm. Overall, as of 2H 2024, the total Perth Industrial & Logistics stock accounted for 15.9 million sqm.

Development Supply



Source: CBRE Research

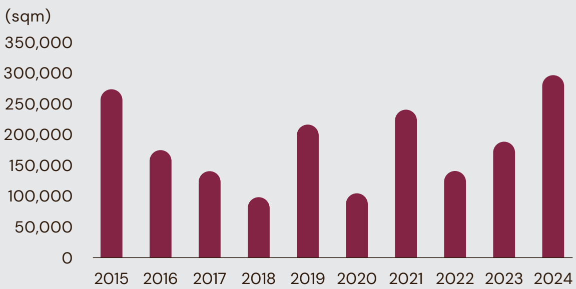
6.2 Demand & Occupancy

Total gross take-up for 2024 reached approximately 296,000 sqm, a significant increase from the 189,000 sqm recorded in 2023 and above the 10-year historical average of approximately 173,000 sqm. This growth can be attributed to strong demand from owner-occupiers, driven by an increase in stock availability.

Despite a nationwide softening of macroeconomic conditions, Western Australia's state economy has continued to support industrial market demand. The majority of leasing activity was concentrated in the Transport, Postal & Warehousing sectors (54%), followed by Agriculture (8%) and Professional Services (6%). Most industrial activity is concentrated in the South and East precincts, mainly due to the greater availability of industrial land and improved access to major arterial road networks and ports. In 2024, Perth's East industrial precinct accounted for roughly 60% of total take-up, while the South precinct made up about 36%. The North precinct represented around 5% of industrial take-up.

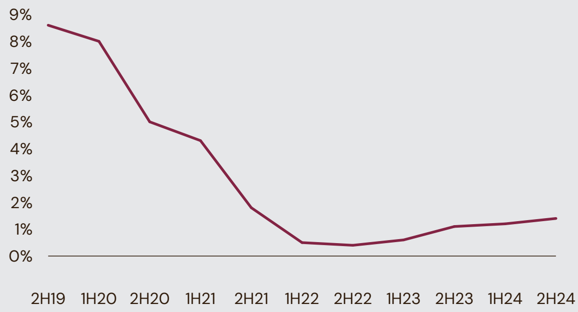
While Perth's industrial vacancy rate saw a slight uptick of 30 bps to an average of 1.4% in 2H 2024, it remains the lowest in the nation. The East precinct experienced the highest rise in vacancy, increasing by 140 bps YoY to 2.6%, largely due to the completion of several larger speculative projects during the year. The South precinct also recorded an increase of 30 bps YoY, reaching 1.8%. Despite this, the quality and strategic locations of these developments suggest they are expected to be leased by 1H 2025. Conversely, vacancy rates in the North precinct tightened by 10 bps YoY, falling to 0.1%.

Take-up



Source: CBRE Research

Vacancy Rate



Source: CBRE Research

Vacancy Rate by Sub-market

	North	South	East
Dec 2023	0.5%	1.6%	1.2%
Dec 2024	0.1%	1.8%	2.6%

Source: CBRE Research

6.3 Rents

Super prime industrial net face rents increased by 11.1% YoY to an average of A$150 psm p.a., while incentive levels rose significantly, averaging 12.5%, up from 5.0% YoY. Prime rents also saw a rise of 7.7% YoY, reaching A$130 psm p.a., indicating a gradual deceleration in rent growth compared to the peaks observed in 2022. Incentive levels for prime properties have increased to 10%, up from 5% YoY.

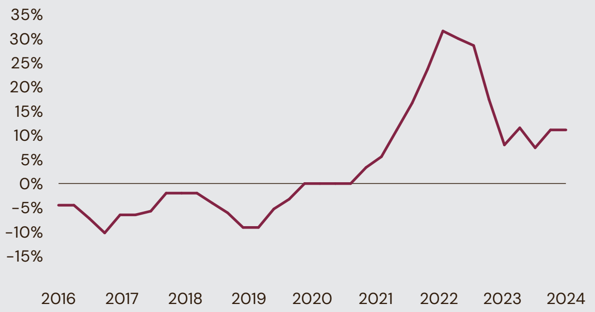
Rents for secondary grade industrial stock edged up by 1.8% YoY to an average of A$112 psm p.a., with incentives remaining stable at 8.0% YoY. Due to the lower level of institutional ownership in the secondary grade market, private owners have been less inclined to simultaneously raise face rents and incentive levels, unlike institutional investors in the super prime and prime segments, which have seen a softening of market conditions over the past year.

Super Prime Rents by Sub-market (as at December 2024)

	North	South	East
Rent (A$ psm p.a.)	150	150	135
Change (YoY)	11%	11%	11%
Incentives (%)	5%	5%	5%

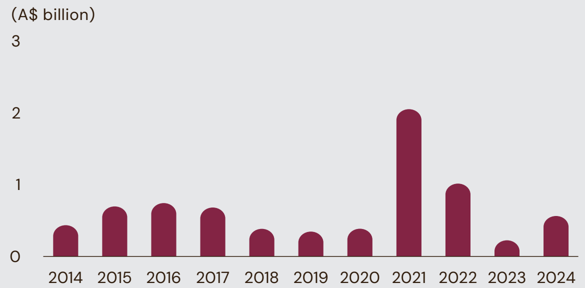
Source: CBRE Research

Super Prime Rent Growth



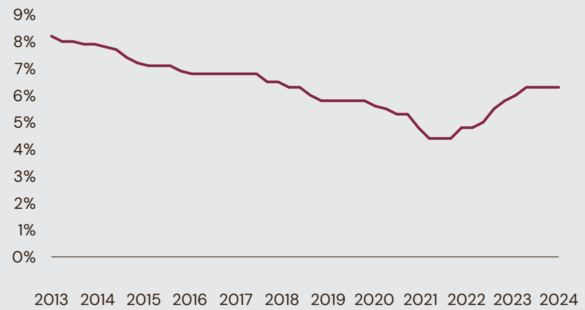
Source: CBRE Research

Investment Volume



Source: CBRE Research

Super Prime Yield



Source: CBRE Research

6.4 Future Supply

An average supply of approximately 180,000 sqm per annum is projected to be delivered between 2025 and 2027, about 45% higher than the 10-year historical average. The majority of this new supply will be concentrated in the East (54%) and South (35%) precincts, while the North precinct is expected to account for approximately 12%. The pre-commitment rate for the forward supply pipeline through 2027 is nearly 60%.

Several notable projects are on track to be completed in 2025, including the Wallis Drilling facility (220 Bushmead Road, Hazelmere), which is projected to deliver approximately 37,000 sqm and the Hazelmere Interchange – North (Lot 119 Lakes Road, Hazelmere), expected to provide approximately 22,000 sqm. This influx of new developments reflects a growing demand for industrial space in the East precinct.

6.5 Investment Market

In 2024, industrial sales transactions in Perth reached A$567 million, a significant increase from the A$229 million recorded in 2023. This rebound in transaction volumes can be attributed to improved clarity regarding the likelihood that interest rates in Australia have peaked during the current cycle. However, despite this recovery, transaction volumes are still below the 10-year annual average of A$700 million, highlighting an ongoing disparity between buyer and vendor pricing expectations.

Super prime grade yields expanded to 6.25%, reflecting a 25 bps increase YoY, while prime grade yields rose to 6.5%, up by 17 bps YoY. In contrast, yields for secondary-grade properties remained stable at 7.5%.

6.6 Outlook

Rent growth is expected to continue its deceleration in 2025, driven by an influx of new stock and rising vacancy rates as new developments come online. While Western Australia's economy remains strong, the pace of rental growth is likely to moderate compared to the substantial increases seen in recent years.

Industrial land values are poised to keep increasing, driven by low vacancy rates, sustained demand for industrial and logistics spaces and a promising outlook on declining interest rates, which enhance project feasibility. In recent years, developers have faced difficulties in ensuring project viability due to rising debt costs.

Despite a slight uptick in vacancy rates in 2024 and softer take-up, industrial vacancy rates are projected to stay below historical averages in the short term.

Investment activity in industrial developments is projected to rise in 2025 due to expected interest rate declines and robust investor demand for industrial assets. Additionally, as vendor pricing expectations adjust, sales of development sites may see a rebound later in the year.

Considering the yield expansion that has already occurred and the current interest rate outlook, we estimate that super prime industrial yields will start to compress by around 30 bps, while prime and secondary asset yields are expected to tighten by approximately 25 bps in 2025.

7. SUBURBAN OFFICE MARKET OVERVIEW

Key themes influencing the outlook of Australian office markets include the normalisation of leasing activity, a shift towards premium buildings and sub-markets, and a significant decline in future supply due to funding and construction challenges.

7.1 Normalisation of Leasing Activity

Since the pandemic, office attendance in Australia has significantly improved. By 3Q 2024, national average CBD visitation reached 73% of pre-COVID levels, a notable increase from 54% in 3Q 2022, despite challenges posed by a flu season.

In 2024, Australian CBDs recorded a net absorption of 81,100 sqm—the best performance in two years. Non-CBD markets also saw positive net absorption of 37,600 sqm over the last year, with Brisbane Near City, Macquarie Park, and North Sydney leading the way in 2024. National sublease volumes continued to decrease over 4Q 2024, falling to 180,360 sqm. This figure represented a three-month decline of about 19,940 sqm (-10.0%). This is the lowest national total since the start of the pandemic.

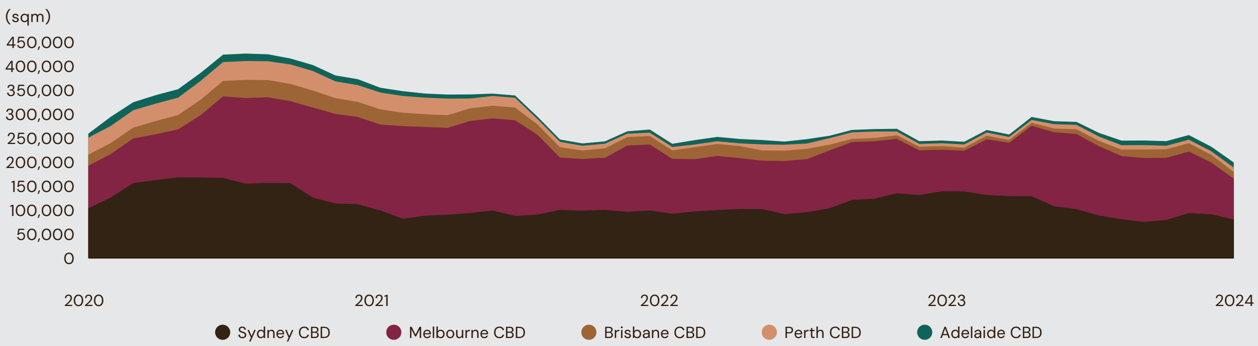
Early signs of normalisation in leasing activity are emerging. The occupier market had been adversely affected by tenants downsizing due to hybrid work models. However, as of early 2024, this contractionary activity has been decreasing in frequency, with an uptick in tenant expansion driven by headcount growth. Many larger tenants have already "right-sized" their spaces in response to the new hybrid working environment, and it appears that the right-sizing cycle that began in late 2023 is nearing its conclusion.

7.2 Premiumisation

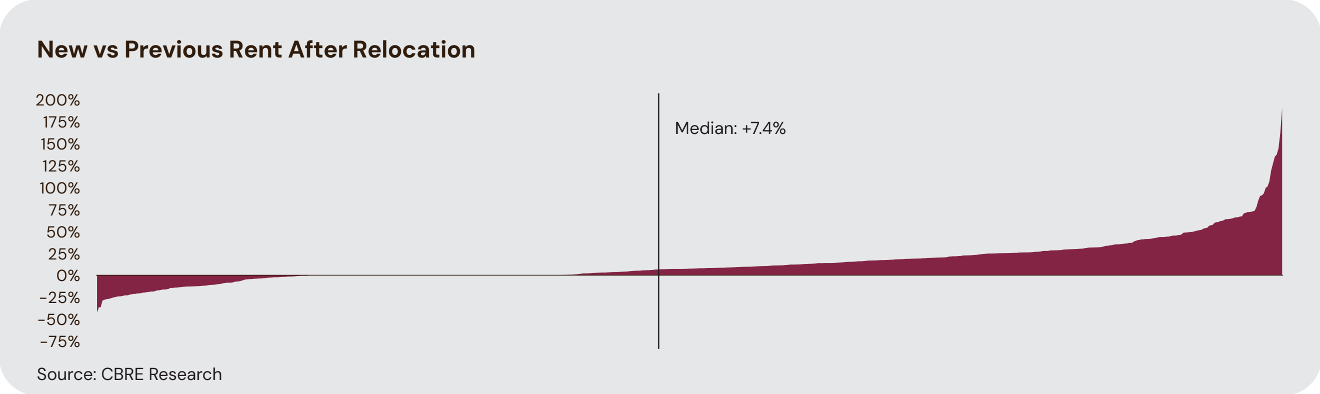
The ongoing flight-to-quality trend has persisted into 2024 and is anticipated to continue into 2025 as tenants increasingly seek to upgrade their office spaces. Nearly 75% of relocation decisions in major city CBDs have resulted in tenants choosing premises with equal or higher market rents. This trend has led to tenants moving both within the CBD and from suburban areas to fringe and central locations.

For these relocations, the median net face rent is 7.4% higher than what would have been paid if tenants had stayed in their original spaces. Moving allows occupiers to position themselves closer to their customers, reconfigure workplace designs to attract and retain top talent, and align with ESG goals by incorporating enhanced energy and wellness features in their new premises.

Sublease Availability by Market

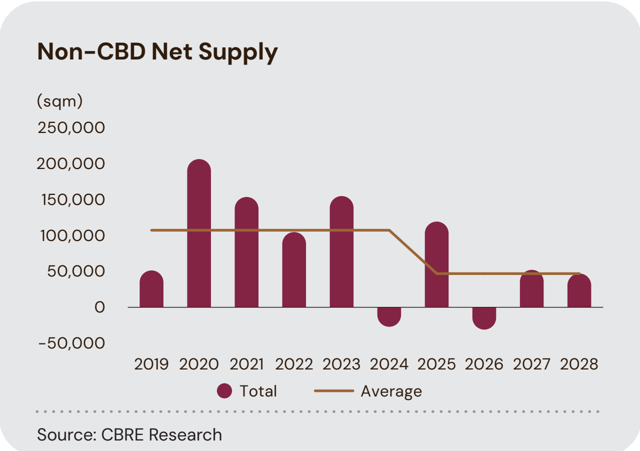


Source: CBRE Research



7.3 Supply Cut

Feasibility for new office projects in Australia is facing significant challenges due to high construction costs, softening cap rates, and funding difficulties. Consequently, the pipeline for office developments from 2027 onwards is expected to fall substantially below the average, leading to a tightening market in the medium term. According to CBRE research, non-CBD net supply is projected to average just 47,000 sqm annually through 2028, less than half the 107,000 sqm per year recorded since 2019.



8. SYDNEY METRO OFFICE MARKET

8.1 Stock & Supply

By the end of 2024, Sydney CBD was projected to have approximately 5.3 million sqm of office space. Approximately 165,000 sqm of space was added to Sydney CBD's office market in 2024. Some major projects include 1 Elizabeth Street (75,000 sqm), Parkline Place (48,000 sqm), 39 Martin Place (30,000 sqm).

8.2 Demand & Occupancy

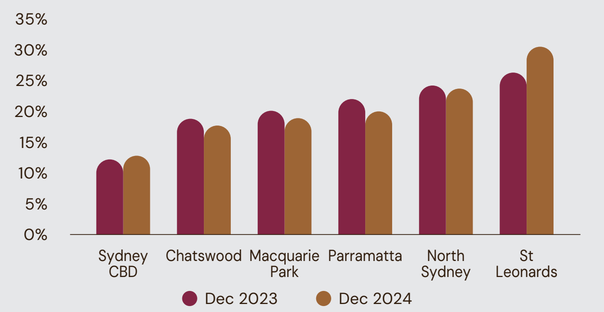
Sydney CBD recorded overall net absorption of 41,600 sqm over the 12 months leading up to December 2024, with leasing demand showing signs of improvement in 2H 2024. During this period, overall net absorption was at 46,200 sqm, a large increase from the -4,630 sqm in 2H 2023. While the prime market witnessed a strong net absorption of 85,900 sqm in 2024, the secondary market faced a decline of -44,200 sqm, underscoring the ongoing flight-to-quality trend where prime assets continue to excel.

Net absorption figures were mixed across the Metro Sydney sub-markets, with Macquarie Park, North Sydney, and Parramatta recording positive absorption in the last 12 months, while Chatswood and St Leonards recorded negative net absorption. The flight-to-quality trend observed in the CBD was also prevalent in Metro markets. Notably, several sub-markets recorded positive prime net absorption, including 10,500 sqm in North Sydney, 19,400 sqm in Macquarie Park, and 12,900 sqm in Parramatta.

According to Property Council Australia (PCA) data, the overall CBD vacancy rate rose to 12.8% in 2H 2024, marking an increase of 120 bps from 1H 2024 and 60 bps since the end of 2023. While leasing activity showed signs of improvement, the influx of new supply in the latter half of 2024 contributed to the rise in vacancy rates during this period.

In most Metro sub-markets, vacancy declined over 2024. These included Parramatta (-200 bps), Macquarie Park (-130 bps), Chatswood (-110 bps) and North Sydney (-60 bps). Conversely, St Leonards saw an increase of 410 bps over the course of the year.

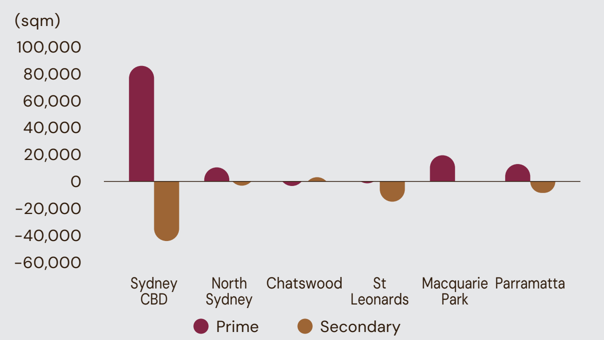
Office Vacancy Rates by Sub-market



Source: PCA, CBRE Research

Looking ahead, the flight-to-quality trend is expected to continue into 2025, fuelled by the introduction of new, high-quality developments. As occupiers seek to transition from older stock, the demand for upgraded offices is expected to rise.

Net Absorption by Building Grade in 2024



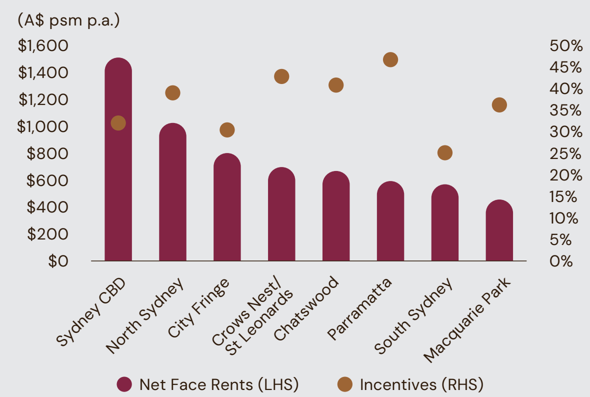
Source: PCA, CBRE Research

8.3 Rents

In 2024, face rental rates in Sydney experienced a continued upward trend, primarily driven by a flight-to-quality among occupiers favouring prime-grade assets in central locations. By the end of the year, prime net face rental rates reached A$1,510 psm p.a. in the CBD, A$1,025 psm p.a. in North Sydney, A$456 psm p.a. in Macquarie Park, and A$593 psm p.a. in Parramatta, reflecting YoY growth of 5.1%, 3.2%, 3.4%, and 1.9% respectively.

Attracting tenants has remained challenging, which has prompted landlords to increase incentives. The most significant increases in incentives were observed in secondary-grade assets and suburban office markets, particularly in Macquarie Park and North Sydney. By the end of 2024, incentives in the CBD, North Sydney, Macquarie Park, and Parramatta stood at 32.0%, 39.2%, 36.2%, and 46.7% respectively. Notably, the Sydney CBD Core saw a decrease of 130 bps in incentives, whereas North Sydney, Macquarie Park, and Parramatta experienced increases of 430, 200, and 60 bps, respectively.

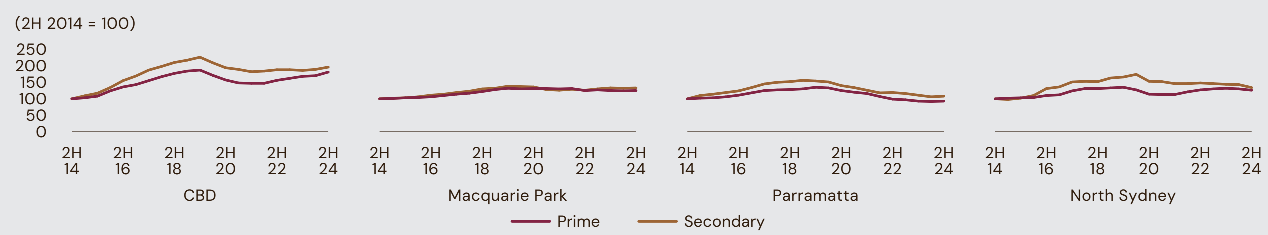
Rents and Incentives



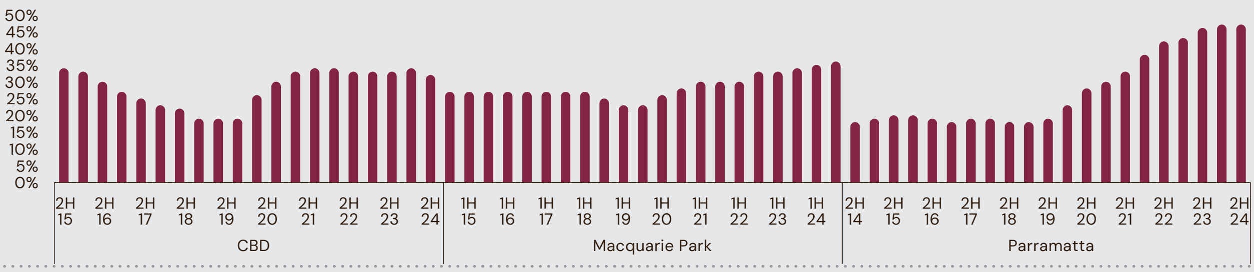
Source: PCA, CBRE Research

The contrasting trends in net face rental rates and incentives have led to mixed effective rental rate growth across Metro Sydney. In the Sydney CBD, reduced incentives resulted in a significant 7.7% YoY increase in effective rents, reaching A$943 psm p.a. in Q4 2024. In contrast, North Sydney saw a 5.0% decline in effective rents to A$566 psm p.a. due to rising incentives. This trend is projected to persist into 2025, with prime assets in the CBD expected to see the strongest growth in effective rents.

Indexed Net Effective Rents by Sub-market and Grade



Source: CBRE Research

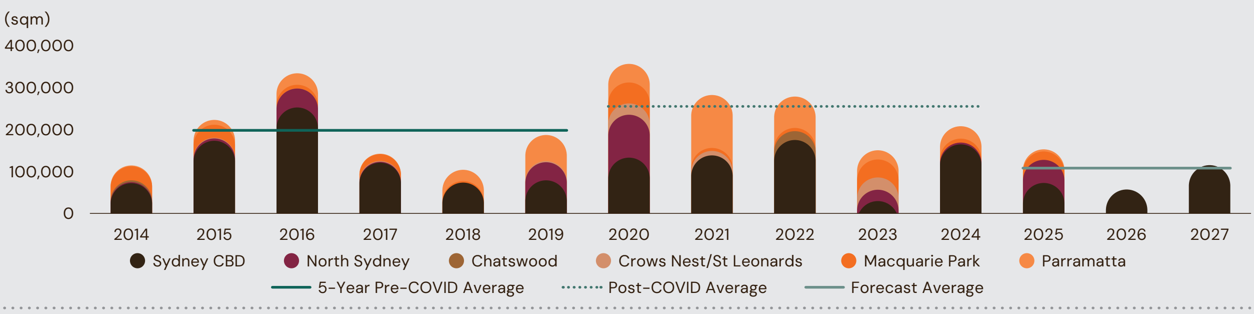


Source: CBRE Research

8.4 Future Supply

Vacancy increases in Sydney have been driven by a slowdown in leasing activity and elevated levels of new supply. Prior to the pandemic, new supply averaged 198,000 sqm per year over five years, but this figure rose to 255,000 sqm annually from 2020 to 2024.

However, looking forward, supply is expected to decrease due to high construction costs, with new supply projected to be minimal over the next three years. New office supply in Sydney CBD and its surrounding sub-markets is anticipated to reach an average of 108,000 sqm p.a. through to 2027. Most of this new supply is anticipated to be concentrated in Sydney CBD, which will see a total of 240,000 sqm added from 2025 to 2027. North Sydney, Macquarie Park, and Parramatta are expected to contribute 55,000 sqm, 20,000 sqm, and 5,000 sqm respectively in 2025.



Source: CBRE Research

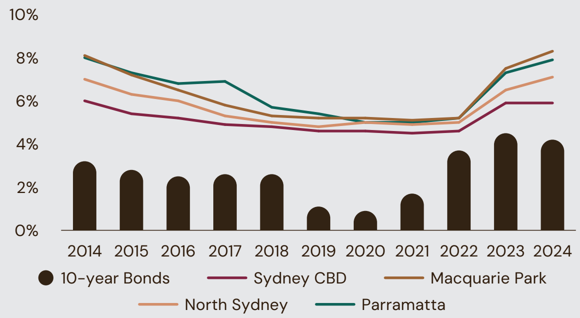
8.5 Investment Market

In 2024, Sydney's investment activity showed a slight rebound, reaching an annual volume of A$7.1 billion, up from A$3.3 billion the previous year. However, this figure remains one of the lowest in a decade, primarily due to persistently high interest rates and increased debt costs, which have widened the pricing expectations between buyers and sellers. The Reserve Bank of Australia's interest rate cuts in February 2025 have sparked optimism for a stronger office sector recovery, with further rate reductions anticipated in 2025.

Key transactions in 2024 included a 66% stake in the 55 Pitt St development, the acquisition of 333 George St for A$395 million, and a 50% stake in 255 George St for A$364 million.

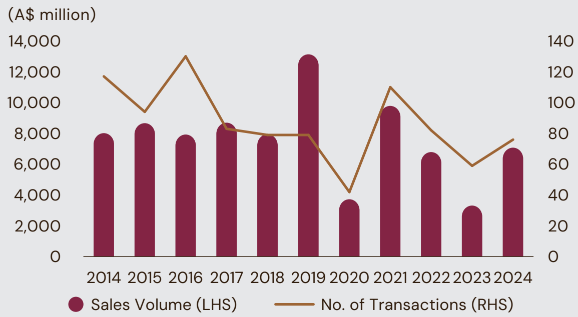
Since the onset of the cash rate hike cycle in 3Q 2022, cap rates have gradually expanded, with indicative yields rising between 150 and 320 bps from peak pricing to trough. By the end of 2024, prime office yields in Sydney ranged from 5.25% for Premium CBD assets to 8.0% to 9.0% for those in certain Metro markets. Notably, the pace of yield increases has slowed, particularly in the CBD, where yields decreased by 13 bps in the last quarter—marking the first decline since 4Q 2021. This trend suggests that indicative yields may be nearing their peak.

Prime Office Yields



Source: CBRE Research

Investment Volume



Source: CBRE Research

8.6 Macquarie Park Sub-Market

Macquarie Park is located approximately 13 kilometres north-west of the Sydney CBD. The Macquarie Park office sub-market is stabilizing after a recent influx of new supply. From 2020 to 2024, Macquarie Park added approximately 117,000 sqm of new supply—almost 10% of Sydney's total new supply—compared to approximately 59,000 sqm (about 6% of total supply) from 2015 to 2019. In 2024, total new deliveries amounted to just 9,300 sqm, significantly lower than in 2023.

After experiencing a negative net absorption of -46,000 sqm in 2023, the area rebounded in 2024, achieving a net absorption of 19,300 sqm. Demand for prime office space remains more robust than for lower-grade assets, with 19,400 sqm absorbed, compared to -150 sqm for secondary spaces.

While the ongoing flight-to-quality trend has seen tenants relocating or consolidating into more central locations and contributing to increased vacancy in many suburban areas, Macquarie Park has one of the lowest vacancy rates among Sydney's metro sub-markets at 18.9%, driven by demand from specialized sectors like life sciences.

In 4Q 2024, prime net face rental rates rose by 3.4%, reaching A$456 psm p.a., up from A$441 psm p.a. in 4Q 2023. While incentives remained stable during the pandemic, they have begun to rise in recent quarters, with prime incentives increasing by 200 bps to 36.2% in 4Q 2024. Despite marginal increases in face rental rates, rising incentives have caused net effective rents to decrease over the past year, ending 4Q 2024 at A$291 psm p.a.. Nonetheless, this reflected a marginal YoY decline of 0.6%.

Looking ahead, we maintain a positive outlook for the prime segment of this market. Leasing fundamentals are projected to strengthen over the next year, particularly due to the limited new supply expected in 2025, with no additional deliveries anticipated in 2026 or 2027.

8.7 Outlook

While the outlook remains uncertain, we anticipate that 2025 will be an improved year for Sydney's office market, driven by strengthening fundamentals and a positive shift in investor sentiment. There were some major announcements in 2024 from private sector organisations to mandate in-office attendance, suggesting that business leaders are not comfortable with where office attendance has settled.

We expect office leasing across Sydney to continue to be driven by the flight-to-quality trend in 2025. This will further drive the bifurcation between prime and secondary leasing markets and between core and non-core geographies. While demand for space in the CBD will remain elevated, we also expect strong demand to develop for the highest-grade assets in metro sub-markets.

In 2025, vacancy rates across Sydney are forecast to remain similar to 2024 levels but begin to trail downwards due to limited new supply being delivered.

Prime net face rental rates are expected to increase across the majority of sub-markets and Sydney Core in 2025. Incentives are anticipated to decrease in most of the city due to declining vacancy rates as a result of tightening supply. North Sydney is expected to see rising prime vacancy over 2025 due to a new project being delivered, but it will decrease again in 2026. We expect most sub-markets of the city, especially those with the strongest occupancy (such as the CBD Core and Macquarie Park), to see net effective rental rate growth in 2025.

We see office investment activity recovering through 2025. Our forecasts are for +25%, with the recovery enduring into 2026. Investor sentiment towards office assets has improved, ranking second as the preferred sector for investment in CBRE's Asia Pacific 2025 Investor Intentions Survey. We expect Australia will be active for office investment in 2025 due to its strong rental prospects. Our view is that Sydney (particularly the Core precinct) will be the first to observe cap rate tightening in this cycle, given the weight of capital targeting that city. We expect Sydney CBD Core yields to contract by approximately 50 bps by late 2025.

9. MELBOURNE METRO OFFICE MARKET

9.1 Stock & Supply

As of end 2024, Melbourne CBD's stock stood at approximately 5.2 million sqm of office space. In 2024, several office developments were completed across the metro area, adding approximately 71,000 sqm of new office space, primarily in Melbourne's City Fringe.

9.2 Demand & Occupancy

In 2024, Melbourne's metro leasing market has shown distinct trends. Tenant preferences have become clearly defined across different precincts, influencing leasing activity throughout the market. In particular, a clear flight-to-quality trend is evident, leading to a lag in second-grade office fundamentals.

As of 2H 2024, vacancy rates for prime assets are lower than those for secondary-grade properties in both fringe and suburban locations. As of 4Q 2024, prime vacancy rates in St Kilda Road are at 26.4%, while Southbank reports 18.3%.

Melbourne's fringe precincts are showing a mixed performance. In the past six months, Southbank recorded positive total absorption of +636 sqm, while St Kilda Road faced negative absorption amounting to -6,702 sqm. This marks a notable improvement for Southbank compared to 1H 2024. Influenced in part by negative net supply, the total vacancy rate in Southbank saw a slight decline of 102 bps to 17.6% over the last six months. In contrast, St Kilda Road has been significantly affected by shifting tenant preferences for quality assets in Melbourne, experiencing a 196 bps increase in vacancy to 29.3%.

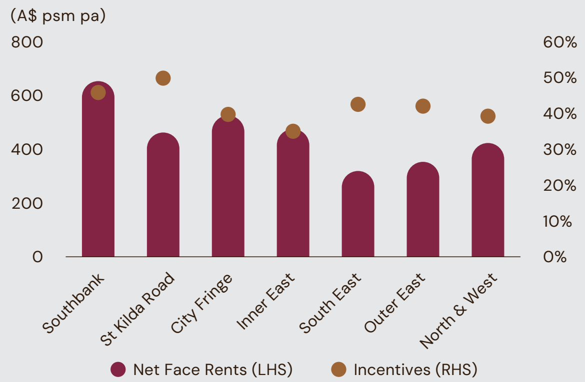
9.3 Rents

In 2024, prime face rents across all of Melbourne's metro markets saw positive YoY growth, except for the St Kilda Road precinct. This decline is linked to the heightened competition between fringe and CBD assets. St Kilda Road reported prime net face rents of $462 psm p.a., reflecting a 0.2% decrease from the previous year, whereas Southbank saw rents rise to $653, marking a 1.8% increase compared to the same period.

Suburban precincts have demonstrated greater resilience to this trend, as the tenant composition in these areas often reflects the unique characteristics typically found in non-central suburbs. Tenants in these locations often prioritise features such as larger spaces, accessibility and a more community-oriented environment. Additionally, being closer to workshops and staff is a significant factor, making suburban locations increasingly attractive to certain businesses. Consequently, rental growth in these locations has remained relatively stable over the same period, as some tenants have shown a preference for leasing space outside of CBD locations.

Recent developments in Melbourne's CBD office market have driven incentives in underperforming areas up, ultimately dampening leasing demand for metro assets. While the average prime effective rents have declined across all metro precincts over the past five years, some areas have experienced modest recoveries from the lows experienced in 2020-2021, maintaining effective rents at 5% to 10% below pre-pandemic levels. The strong presence of private owners in the suburban market has played a key role in sustaining incentives and face rents.

Prime Metro Face Rents and Incentives (as at 4Q 2024)



Source: CBRE Research

9.4 Future Supply

Melbourne's metro office market is facing minimal new supply with a total expected delivery of approximately 184,000 sqm across the City Fringe and Inner East over 2025-2026. Approximately 45,000 sqm is currently under construction, with completion expected in 2025, while approximately 147,000 sqm is currently in the development application phase. No new developments are anticipated in Southbank and St Kilda Road.

Despite short-term challenges such as rising construction costs, elevated debt costs and increased lender scrutiny, most of these projects are likely to be completed due to their size and the profiles of their owners. However, the feasibility of new projects may continue to be under significant pressure due to the combination of high construction costs and softening cap rates.

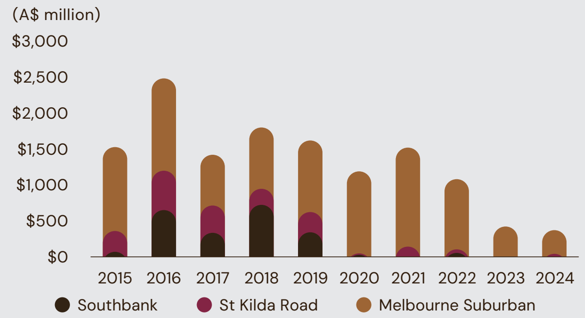
9.5 Investment Market

Melbourne's metro investment sale volumes have fallen over the past 12 months, reaching historic lows of approximately A$371 million, with approximately A$329 million occurring in suburban areas. This figure is significantly below the long-term average of about A$544 million. Large institutions were mostly absent from the metro market this year, leaving small developers and owner-occupiers as the most active participants. In 2024, two significant transactions took place within Botanicca Corporate Park, Richmond (located on the Melbourne CBD fringe) – Botanicca 9 (588A Swan St) was sold for A$41.5 million, while Botanicca 7 (572-576 Swan St) achieved a sale price of A$38.5 million.

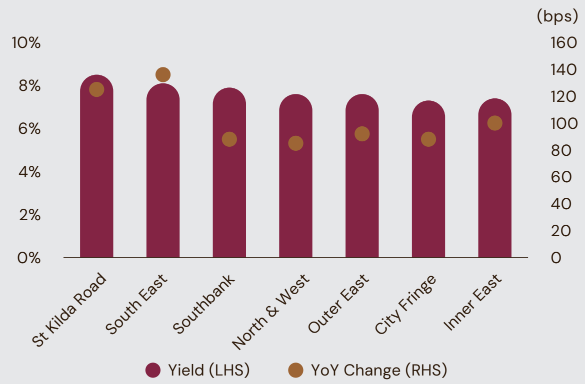
Yields in the Melbourne office market have experienced substantial expansion over the past two years, particularly in the fringe and suburban precincts. St Kilda Road and Southbank have reported the highest yields at 8.88% (+139 bps YoY) and 8.47% (+119 bps YoY) respectively. Valuations for fringe and suburban assets have fallen from pre-COVID levels.

Despite this, a clear bifurcation exists within Melbourne, as high-quality assets in core suburban areas have shown greater resilience. There is a strong preference among investors for key locations across metro markets, which is fuelling ongoing yield variations and boosting local investment activity.

Metro Investment Volume



Fringe and Suburban Prime Office Yields (as at 4Q 2024)



Source: CBRE Research

9.6 Mulgrave Sub-Market

Mulgrave is a suburban sub-market within Melbourne's Outer East, featuring a variety of large-scale stand-alone office developments and several business parks, including the Nexus Business Park and the Mulgrave Innovation Precinct.

The market has gained popularity among businesses from diverse sectors such as technology, retail, manufacturing, government and industrial, providing affordable office spaces outside Melbourne's CBD. The key competitive advantages of Mulgrave include spacious floor plates, ample on-site parking in major developments and proximity to essential transport links. Tenants seeking these features will find few alternatives available within Melbourne's suburban market.

Broadly, the vacancy rate in Mulgrave has remained high, hovering around 18% in 2024, and incentives have climbed to about 40%-50% due to weak demand, which has exerted upward pressure. This situation has given tenants leverage in negotiations, consistent with trends observed across Melbourne's office market.

9.7 Outlook

The outlook for the Melbourne metro office market remains mixed, with further bifurcation anticipated both between and within precincts throughout 2025. There are growing concerns about weakening demand for metro assets as existing properties compete with select CBD stock in key areas. For example, Docklands (a Melbourne CBD precinct) exhibited an average prime incentive rate of 62.7% in 2024, 1466 bps higher than the prime CBD average, impacting metro demand. With elevated incentives in certain CBD precincts, net effective rents in the CBD have become competitive with those in some suburban areas. We expect this cannibalisation between precincts to persist next year, primarily affecting Southbank, St Kilda Road and the City Fringe.

Non-fringe precincts are expected to be less affected by the above trend, as tenant profiles in these areas are notably more concentrated around key suburbs. Tenants in these areas are often businesses that prioritise proximity to key operational facilities, which can include warehousing, distribution centres or service hubs. Overall, we estimate that the flight-to-quality trend is poised to continue to lead tenants in these precincts toward high-quality hubs and assets. While overall vacancy levels are considered high in the outer precincts, this is influenced by outliers with both very high (>50%) and very low (<5%) vacancy rates.

Metro office investment activity is projected to remain relatively soft during 1H 2025, with a potential acceleration in the latter half boosted by interest rate cuts. Investor sentiment regarding office assets has been mixed as investors work to gain confidence in the sector's recovery. We forecast that yields will either remain flat or experience slight downward pressure in the upcoming year.

10. BRISBANE METRO OFFICE MARKET

10.1 Stock & Supply

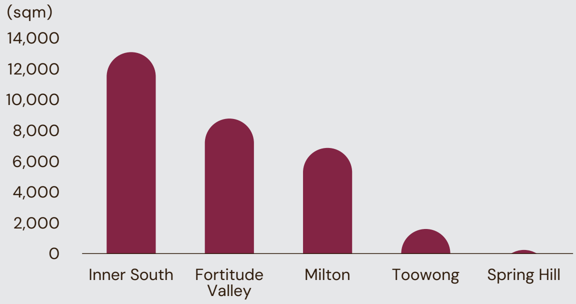
As of January 2025, Brisbane CBD has an estimated 2.3 million sqm of office space, according to PCA data. There were no new projects completed in Brisbane in 2024 as high construction costs delayed the start of new projects. The most recent completion was the refurbishment of Christie Centre at 320 Adelaide Street which added only 16,500 sqm to the market.

10.2 Demand & Occupancy

The smaller end of the tenant market has experienced a slowdown over the past six to 12 months, likely due to challenges such as rising interest rates and higher wages. In contrast, larger corporations continue to be active, albeit with slower decision-making processes.

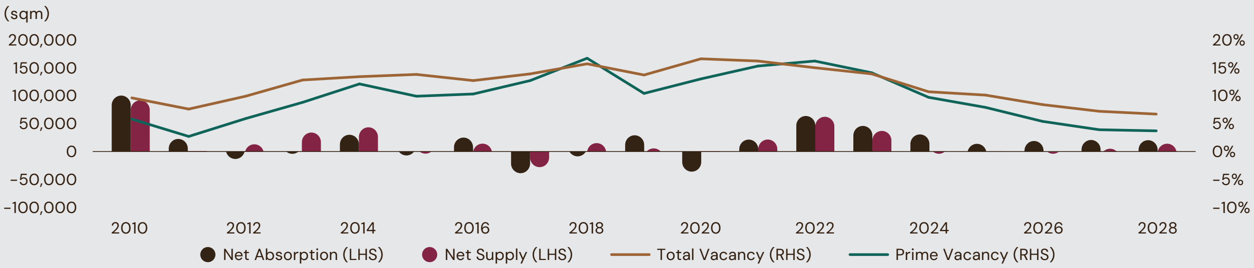
Over the 12 months leading up to December 2024, net absorption in the Brisbane Near City reached 30,600 sqm. In contrast, the CBD recorded an overall net absorption of 13,900 sqm across all grades. In 2H 2024, Brisbane's Near City office achieved a net absorption of 14,600 sqm, marking the highest rate in the non-CBD market. Consequently, Brisbane's Near City office vacancy rate decreased from 12.0% to 10.7%.

Metro Office Near City Net Absorption in 2024



Source: CBRE Research

Metro Office Near City Net Absorption, Supply and Vacancy



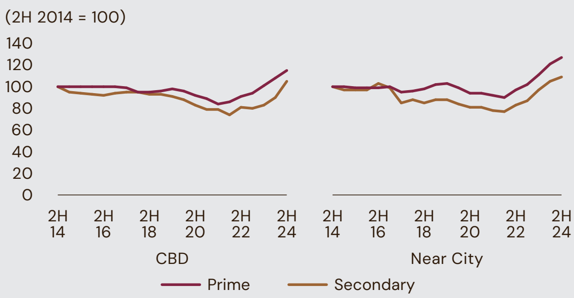
Source: CBRE Research

10.3 Rents

In 4Q 2024, prime gross face rents in the Near City rose to A$754 psm p.a., reflecting a QoQ increase of 2.2% and YoY growth of 6.0%. This trend mirrors that of the CBD, where gross face rents increased by 2.2% to A$1,015 psm p.a., driven by a tightening market and a significant rise in construction costs for new developments. Moreover, incentives have decreased from 42.0% a year ago to 39.6% in 4Q 2024, leading to a notable rise in effective rents, which grew by 3.0% QoQ and 13.6% YoY.

The Brisbane Near City secondary market has also experienced solid growth with gross face rents increasing by 5.2% over the past year. Incentives have decreased from 43.0% to 41.2%, contributing to an effective rental growth of 11.5% YoY.

Metro Office Indexed Net Effective Rents by Sub-market and Grade



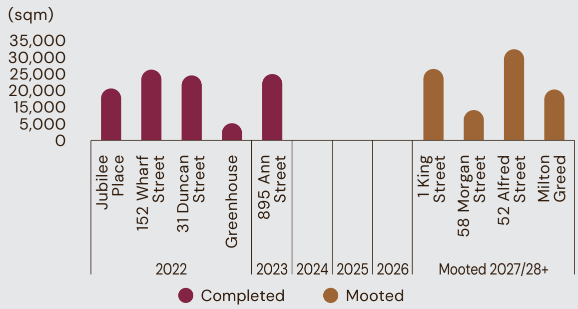
Source: CBRE Research

10.4 Future Supply

Over the next three years, the Brisbane CBD and its surrounding sub-markets are projected to receive approximately 156,000 sqm of new office supply, representing about 6.7% of Brisbane's current stock. However, there is currently no new supply under construction in Brisbane's Near City. Only two buildings are slated for completion in Brisbane's CBD in 2025. They are 205 North Quay (44,000 sqm) and 360 Queen Street (46,000 sqm). The Waterfront Brisbane project is expected to be delivered in early 2028.

The current landscape of high construction and financing costs, coupled with softening cap rates is exerting pressure on project feasibility. While some developers are continuing to market new projects, tenants can expect to pay significantly higher rents in these developments.

Metro Office Near City Development Supply



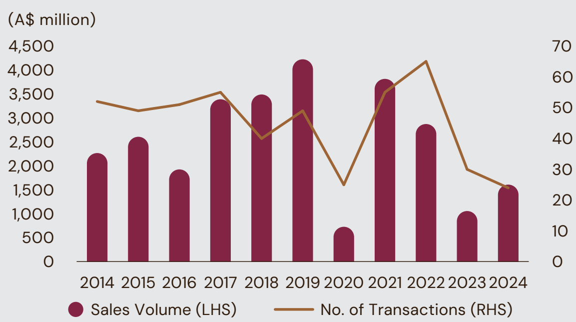
Source: CBRE Research

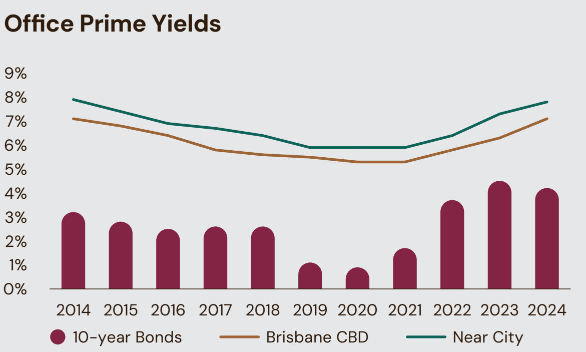
10.5 Investment Market – CBD and Near City

Transaction volumes in Brisbane grew by 54% YoY in 2024, reaching A$1,296 million which remains below the long-term average of A$1,860 million. The most significant sale in 4Q 2024 was 145 Ann Street in the CBD, which was bought by Aware Super from Dexus for A$215 million. Volumes in the Near City have remained very low at just A$208 million in 2024, less than half the long-term average of A$600 million.

Indicative yields in Brisbane's CBD have risen by 170 bps since 3Q 2022, coinciding with the onset of the cash rate hike cycle, while cap rates in Brisbane's Near City have expanded by 190 bps over the same period. By the end of 2024, prime office yields are reported at 7.1% for CBD assets and 7.8% for Near City assets.

Investment Volume





Source: CBRE Research

10.6 Fortitude Valley Sub-Market

The Fortitude Valley market has seen slower leasing activity in 2024, with the overall net absorption for 2024 sitting at 8,800 sqm, according to PCA data. This is a significant decline from 2023 which saw 33,400 sqm of office space absorbed.

However, vacancy rates in Fortitude Valley improved, declining from 11.8% to 9.6% over the past year, which is one of the lowest vacancy rates amongst Brisbane's Near City sub-markets. This positive trend is attributed to strong net absorption in 2023 and a lack of new supply.

With no new supply projected for delivery in 2025 and beyond, the vacancy rate is expected to continue to decline over the medium term.

10.7 Outlook

The Australian and Queensland economies are projected to experience below-trend growth due to the impact of rising interest rates on household spending and a slowdown in construction activity. However, ongoing population growth with white-collar migration, is expected to bolster demand in Brisbane's office sector.

Net absorption has exceeded historical averages in recent years, driven by heightened government leasing, growth among SMEs, and some corporate expansions. This elevated demand is anticipated to normalise over the next 12 months.

Currently, there is no construction underway in the Near City and no new supply until at least 2027, which will contribute to a further decline in vacancy rates. The CBD supply outlook remains constrained, with only three buildings expected to be completed by the end of 2028. With a conservative net absorption forecast of 13,000 to 19,000 sqm over the next two years, total vacancy is projected to fall below 10% by the end of 2025, with prime vacancy potentially reaching 7% to 8%.

The outlook for rental growth remains optimistic, bolstered by the significant rise in economic rents for new developments and continued tightening of vacancy rates.

Looking ahead, transaction volumes are anticipated to improve over the next 18 months, now that the interest rate cutting cycle has commenced. Brisbane's rental growth is expected to persist due to limited supply, enhancing buyer interest. This is improving investment sentiment in Brisbane, although most offshore groups are still primarily focused on the Sydney market.

Independent Market Report

United States

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2025

1. MACROECONOMIC OVERVIEW & OUTLOOK

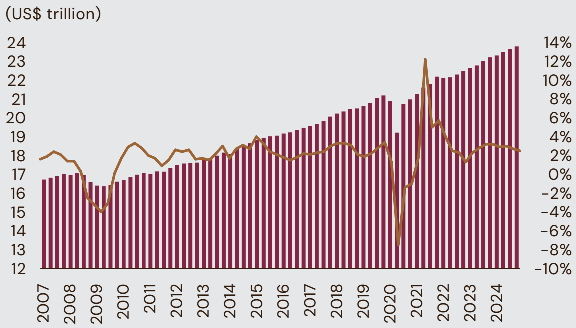
1.1 Gross Domestic Product (GDP)

The United States (US) economy continued to expand at a steady pace in 2024. Real GDP grew at a YoY pace of 2.5% in 4Q 2024, which is below the 3.2% pace in 4Q 2023, but equal to the average over the past 10 years. Personal consumption remains the biggest driver of the economy, accounting for 87.5% of growth in 2024.

Interest rate-sensitive sectors continued to face headwinds in 2024. Residential investment contracted in 2Q and 3Q of 2024, while the manufacturing sector experienced weakness in job growth and new order activity in the face of slowing global demand. Despite high borrowing costs, business investment was a positive contributor to GDP growth in 2024, supported by strong corporate balance sheets and fiscal stimulus from policies such as the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act as well as the Inflation Reduction Act (IRA).

Strong growth was accompanied by easing inflation, with the annual average Personal Consumption Expenditures (PCE) Price Index growth rate slowing to 2.5% in 2024, which is 130 bps below the 2023 annual average rate. Despite persistent service-sector inflation in 2024, CBRE expects price increases to moderate toward the US Federal Reserve (Fed) 2% target in 2025 as productivity gains and a slightly softer job market reduce the growth of unit-labour costs. Notably, shelter costs increased at the slowest pace in three years, while energy prices declined for the fifth consecutive month in December 2024. The CPI's shelter component, which accounts for nearly 40% of the index's total value, had the smallest annual increase since January 2022 at 4.6%.

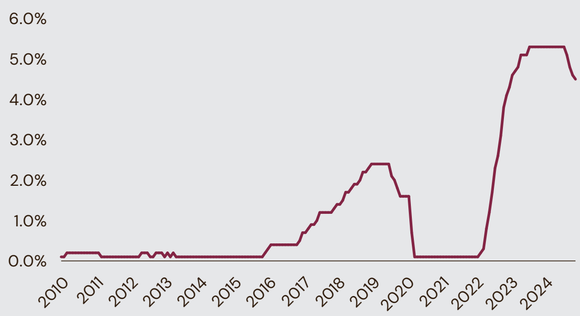
Real GDP and GDP Growth



Source: US Bureau of Economic Analysis, US Federal Reserve Bank

At its December 2024 meeting, the Fed made its third rate cut for the year, lowering the federal funds rate by 25 bps to a range of 4.25% to 4.50%. The move signals the Fed's ongoing effort to balance economic growth and price pressures. The Fed increased its 2025 inflation outlook to 2.5% (based on PCE) and its GDP growth forecast to 2.1%, while also indicating it will continue to reduce the size of its balance sheet. CBRE anticipates that the 10-year Treasury yield will remain above 4% through 2025 as markets are digesting the continued large federal budget deficit and potential for more stimulative fiscal policy. CBRE expects the Fed to make two additional interest rate cuts totalling 50 bps in 2025, assuming inflation does not significantly change course.

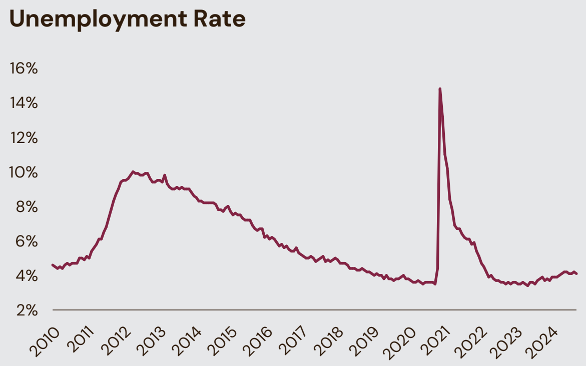
Federal Funds Rate



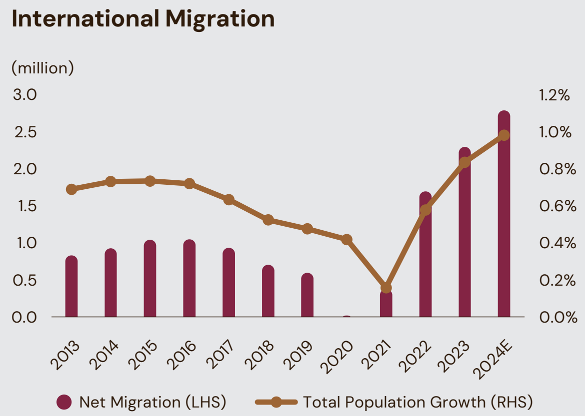
Source: US Federal Reserve Bank

1.2 Labour Market

In 2024, the US labour market remained robust, despite major shocks like hurricanes and strikes, but the market showed some signs that it is starting to soften. The unemployment rate was on a slow, steady upward trajectory throughout 2024, and the labour force participation rate dropped over the last quarter of the year. Conversely, the private sector job openings rate in the Job Openings and Labor Turnover Survey (JOLTS) from the Bureau of Labor Statistics (BLS) had been trending down since early 2022, but it started to increase in the last few months of 2024. In what was the strongest month of 2024, the labour market accelerated in December and strongly exceeded expectations. The US economy added 307,000 jobs, while the unemployment rate declined modestly to 4.1%.

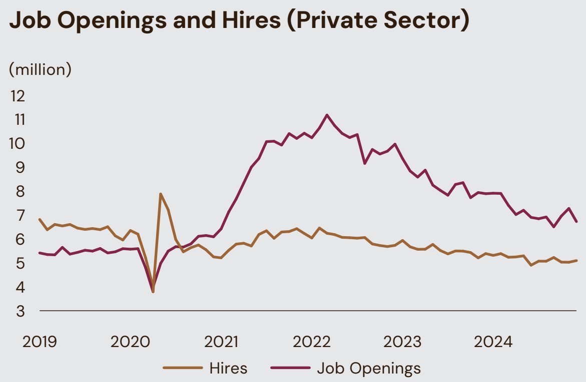


Source: US Bureau of Labor Statistics



Source: US Census Bureau
Note: The US Census Bureau recently improved its integration of federal data sources on immigration into its population estimates methodology providing better estimates of net migration in its current vintage (2020-2024). US Census population estimates are captured mid-year.

Employment growth is still coming primarily from services, with most job gains in health care, social assistance, leisure and hospitality. State and local governments continued to add jobs, despite concerns that the exhaustion of pandemic-era stimulus funding might have depleted state and local budgets. Although office-using job growth was weaker than the overall economy in 2024, continued economic growth and less uncertainty about office utilisation patterns should support improved office fundamentals going forward. In December, average hourly earnings rose 3.9% YoY, well above inflation. The economy created 2.2 million jobs in 2024, averaging 186,000 new jobs per month. Over the last decade, the US has added 1.9 million jobs annually, on average.



Source: US Bureau of Labor Statistics

1.3 Population & Migration Trends

In 2024, strong net international migration drove the highest US population growth since 2021. The US population grew by almost 1.0% between 2023 and 2024, according to the US Census Bureau's December 2024 estimate. This reflects a continued resumption of international migration into the US after pandemic-era lows, with 2.8 million immigrants (on net) accounting for 84% of the US population growth in 2024. Natural increase also contributed to population growth, as births outnumbered deaths by nearly 519,000 in 2024.

It is unlikely that the nation's levels of natural increase will rise substantially in the future due to population aging—making immigration a key factor of future US demographic growth. The Trump administration's proposed policies regarding immigration control and deportations could sharply reduce US population gains.

1.4 Government Policies

Fiscal stimulus, most notably the IRA, far exceeded other western countries and was a key driver of the strong economic expansion of the US in the post-pandemic era. The IRA, as well as the CHIPS and Science Act, are driving a boom in infrastructure and factory construction, particularly data centres and electronic product manufacturing facilities, which will boost US economic potential over the coming years.

However, the re-election of Donald Trump and the Republican sweep of Congress could lead to significant policy changes, casting doubt on the US economic outlook. While the specifics and timing of potential policy shifts remain unclear, tax cuts, higher tariffs, reduced immigration, layoffs of federal employees and deregulation of various sectors are anticipated under the new administration. The House majority will remain very narrow, and the slim seat margin will likely limit the size and scope of policies Congress can implement.

On the tax front, an extension of most expiring provisions of the Tax Cuts and Jobs Act of 2017 (TCJA), reinstatement of 100% bonus depreciation, and a reduction of the corporate income tax rate for domestic manufacturing to 15% is expected. It also seems very likely that new tariffs will be imposed, with particularly steep increases proposed for imports from some countries (e.g.

China) and of specific goods (e.g. metals). While such proposals could be interpreted as a bargaining tool in trade negotiations, if these tariffs are enacted as stated, they could lead to higher inflation and reduced overall demand, as well as higher interest rates and a stronger US dollar.

Additionally, severely curbed immigration could decrease real economic growth by limiting employment growth and accelerating inflation through higher wages. A large-scale deportation program has not been attempted since the Eisenhower Administration in 1953. While it is likely that a deportation program will be put in place, it remains to be seen if it will result in the permanent removal of a significant percentage of unauthorized immigrants.

1.5 Economic Outlook for 2025

The US enters 2025 with positive economic momentum, characterized by robust gains in wealth and income. Strong stock market returns and disposable income growth in 2024 are expected to drive consumer spending growth of between 2% and 4% in 2025. Strong corporate earnings and falling interest rates should continue to support hiring. The avoidance of tax increases in 2025 is positive for consumption and investment, along with the prospect of lighter government regulations in certain sectors. Barring a significant change of course by the Executive Branch, the Infrastructure & Jobs Act of 2021 will continue to sustain construction activity, while increased defence spending will support US manufacturing. The tech sector, particularly semiconductor companies, posted strong performance in 2024 and is expected to continue advancing, especially in AI and medicine. The e-commerce sector is projected to reach a record-high share of total retail sales, driving demand for warehouse and distribution space. The US healthcare sector is also poised for growth, driven by an aging population, growing healthcare spending, and new technologies.

However, there are several risks and headwinds to consider. A slower pace or pause of interest rate cuts by the Fed could occur if inflation picks up. Global risks include a potential recession in China and continued appreciation of the US dollar, which would make US exports more expensive and dollar-denominated loans harder to repay. The federal budget deficit poses a longer-term risk, potentially leading to higher interest rates and mortgage rates. The potential for new tariffs could create pricing and scarcity challenges for both consumers and producers, with industries such as e-commerce, construction, and pharmaceuticals among those likely to be most impacted. Labour availability remains a significant issue for the US healthcare system, prompting a growing reliance on technologies like AI to address workforce pressures.

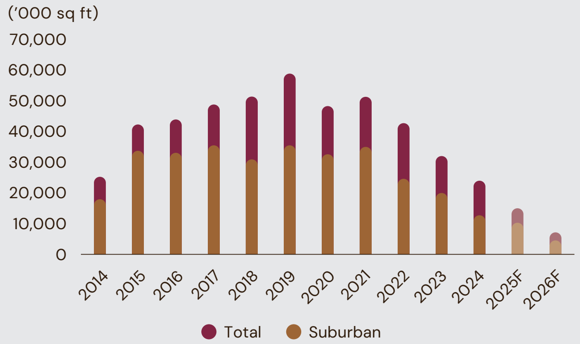
At the end of 2025, CBRE forecasts YoY real GDP growth of 2.2%, inflation at 2.4%, unemployment steady at 4.0% to 4.5%, the 10-year Treasury yield at 4.4% and the federal funds rate down to 4.0%. Nonetheless, potential risks from inflation, global economic conditions, fiscal policy, and new tariffs need to be closely monitored.

2. OFFICE MARKET PERFORMANCE & TRENDS

Increasing tenant requirements, positive demand for space and a reduction in new supply indicate that the US office market is finally stabilising after its pandemic-induced downturn. With office attendance reaching a steady state and a relatively stable economy, occupiers can conduct portfolio planning with increased confidence. Occupier sentiment is starting to shift from a contraction-oriented approach to one of stabilisation and even expansion, supporting office space absorption. This positive shift, along with a significant slowdown in new supply and declining interest rates, set the stage for the most optimistic outlook in years. However, certain challenges remain, including subpar office-using job growth, a substantial amount of sublease space and high vacancies in less desirable office properties. Additionally, the Trump Administration's plans for significant downsizing in the federal workforce could create a drag on the otherwise optimistic outlook for office-using job growth, most notably in markets with a large federal government presence. Estimated resignations and layoffs of federal employees already totalled around 100,000 within the first month of Trump taking office.

The office construction pipeline is notably thin, with new supply expected to fall to 17 million sq ft in 2025, well below the 10-year average of 44 million sq ft. Completions totalled 24 million sq ft in 2024, the lowest annual amount since 2013. The diminishing construction pipeline will reduce supply-side pressure on vacancy but make availability of space in prime buildings increasingly limited.

Construction Deliveries

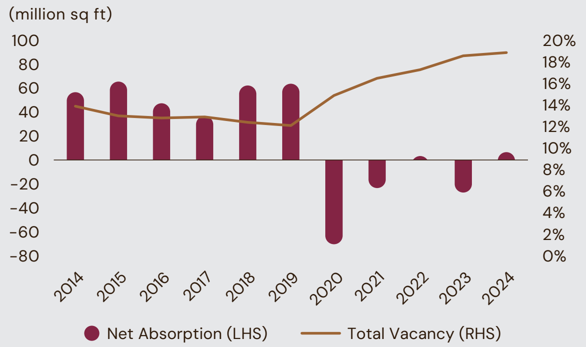


Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

Increased conversion and demolition activity will remove more of the largely vacant and outdated office space from the market. While conversion activity will remain well above historic norms, these projects still represent a small fraction of the overall office market. More financial incentives, in addition to an anticipated reset of pricing, will be needed to make these projects financially viable.

Many occupiers have finished right-sizing and most mandate some office attendance. This has supported net absorption, which ended the year at a positive 6.5 million sq ft, signalling a returning strength after the 9.3 million sq ft of negative net absorption in 1Q 2024. The trend towards stronger market activity appears broad-based. CBRE's Office Market Absorption Diffusion Index—which measures the spread of markets that are expanding vs. contracting—was positive in 2Q 2024. A value higher than zero indicates that on balance, more markets are seeing positive rather than negative absorption, which means occupancy gains are occurring in a diverse set of markets.

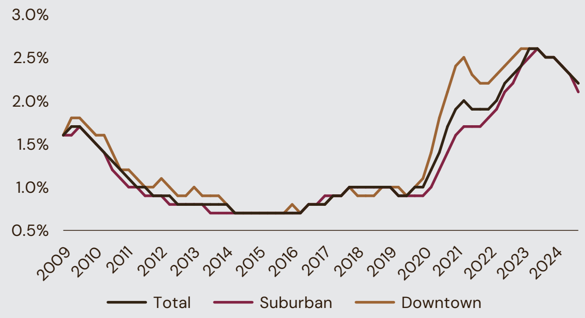
Net Absorption and Vacancy Rate



Source: CBRE Research, CBRE Strategic Investment Consulting

Positive net absorption and fewer construction completions kept the overall office vacancy rate stable at 18.9% at the end of 2024. This likely represents the cyclical peak for office vacancy, which is 220 bps higher than the vacancy rate of 16.8% during the Global Financial Crisis. Vacancy rates are expected to begin falling in the later part of 2025. Sublease vacancy fell steadily in 2024, due to both increased leasing activity and lease expirations, meaning spaces that were previously listed as subleases are now being listed directly by the landlord. At the end of 2024, the sublease vacancy rate was at 2.2%, down 40 bps from its recent peak of 2.6% in 3Q 2023.

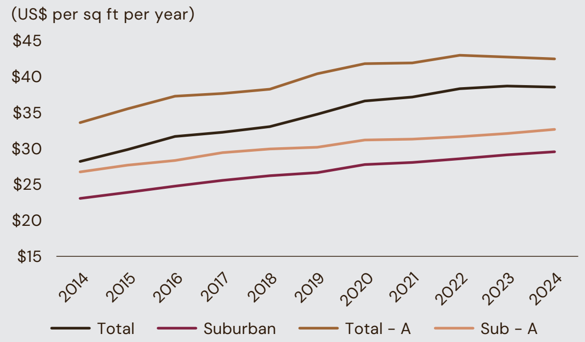
Sublease Vacancy Rate



Source: CBRE Research, CBRE Strategic Investment Consulting

Office rents have been slow to respond to the positive turn in other fundamentals, as landlords continue to have low leverage in lease negotiations. Although asking rents are holding firm, including a 0.6% YoY increase in 2024, many landlords are more flexible in rental negotiations in terms of incentives. Consequently, the average effective rent remains down 8.4% from pre-pandemic levels.

Average Gross Asking Rent



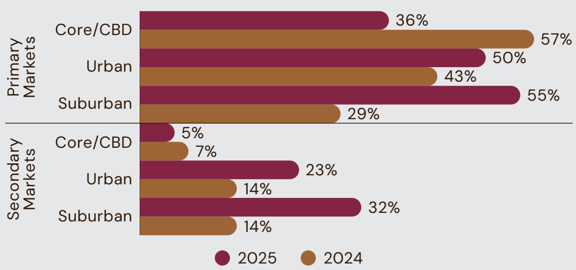
Source: CBRE Research, CBRE Strategic Investment Consulting

The performance gap between high-quality and lower-quality office assets will persist in 2025, particularly in terms of location. Office buildings in vibrant, walkable mixed-use districts that include both residential buildings and prime office space will achieve the highest occupancies and rents. Commodity buildings, meaning assets in less desirable areas that lack premium amenities and modern features, are the most at risk of losing tenants. Landlords of commodity buildings, who are also competing with the 175 million sq ft of discounted sublease space on the market, may have to lower asking rents or offer other concessions. Meanwhile, available prime office inventory will reduce due to the slowdown in new construction. By conservative estimates, vacancy in prime buildings is expected to return to its pre-pandemic rate of 8.2% by 2027. Tightening availability will give owners of prime buildings the upper hand in lease negotiations and rents will continue to rise.

As the highest quality office space becomes increasingly limited and expensive, more demand will spill over to the next tier of buildings. Well-located Class A- and B+ properties are expected to see stronger absorption in 2025, though tenants are likely to continue pushing for shorter and more flexible lease terms to allow for the possibility of shifting space needs and/or upgrading to a better space once new construction resumes. More cost-conscious tenants in sectors such as government, healthcare and education will continue to drive demand for the large pool of available Class B and C space. Across all quality tiers, office tenants will be increasingly diligent in ensuring that landlords are financially stable enough to service their debt and maintain their properties.

Since the onset of the pandemic, the suburban office segment has shown sustained outperformance over CBD offices. This is largely due to occupiers locating close to where workers live—which in many US cities remains the suburbs, due to the need to entice workers back to the office. CBRE's US Investor Intentions Survey for 2025 underscores both the shift in preference from prime to Class A offices and an increasing focus on suburban offices across all quality tiers and market sizes. 64% of 2025 survey respondents indicated favouring Class A office, up from 43% in 2024 as investors seek out properties with upgrade potential for demand spillover from trophy assets. Meanwhile only 23% of respondents favoured prime/trophy office, down from 57% in 2024. Similarly, the share of respondents favouring suburban office locations roughly doubled YoY.

CBRE US Investor Intentions Survey Favoured Office Location Strategy



Note: Respondents could choose multiple location strategies, meaning the totals may not sum to 100%.

Overall, CBRE expects that office property sales will remain challenged in 2025 although improvements are expected, as investors remain very discerning. CBRE expects a pricing reset across all sectors, with office pricing set to rise in 2025 and office cap rates to compress slightly from 2024 highs.

Tailwinds for the office sector include falling interest rates, corporate confidence, deregulation and an expected increase in office attendance rates albeit modest. Against these positives are lower office jobs growth due to labour shortages and rising utilization of AI. On balance, CBRE expects that the healthy pipeline of tenants actively seeking office space should support an increase in total leasing volume of around 5% in 2025. Smaller tenants that are looking for spaces between 10,000 and 20,000 sq ft are expected to account for more than half of total leasing volume.

3. SAN DIEGO OFFICE MARKET[1]

3.1 Stock & Supply

Office supply continued to grow in San Diego in 2024 with 225,000 sq ft of new supply added, which represents 0.4% of the 64.5 million-sq-ft inventory. This supply addition largely helped to boost the occupancy rate as both completed projects were mostly pre-leased. In the University Town Center (UTC) sub-market, Alexandria Real Estate delivered Alexandria Point, a 171,102-sq ft Class A office building that was fully pre-leased by the IT & defence company Leidos. In Rancho Bernardo, Drawbridge Realty delivered an 83,482-sq ft Class A office building, of which 55,227 sq ft was pre-leased by ASML. Later in the year, an additional 8,500 sq ft was absorbed by an undisclosed tenant, meaning all but approximately 3% of new supply in 2024 was occupied. The newly completed supply was offset by a small number of buildings being removed from the leasable inventory, the most notable of which was the 233,000-sq-ft Carlsbad Research Center, which was sold to an owner-user.

3.2 Demand & Occupancy

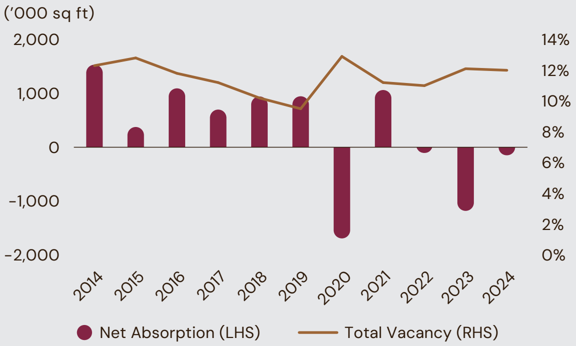
While new occupied supply helped boost net absorption, a handful of large tenant move-outs plus slower new leasing activity (down by 5% from the previous year) ultimately led to negative net absorption of 149,000 sq ft in 2024.

Despite the net increase in vacant space, the overall reduction in leasable inventory (much of which had been vacant) led to a YoY decrease of 10 bps in the suburban office vacancy rate, which ended the year at 12.0%. The rate in San Diego was among the lowest in the US and 660 bps below the national average. The vacancy rate of Class A office in San Diego also declined 90 bps YoY to 14.7% as net absorption turned positive.

1 *Unless otherwise noted, statistics refer to suburban office only*

New leasing activity in suburban San Diego was driven by a diverse mix of tenant industries. Professional services (including insurance, legal and real estate) and tech (including defence) companies accounted for more than 75% of new leasing activity. Leasing activity was split nearly evenly between Class A and Class B/C properties, with the professional services companies dominating Class A leasing, while technology companies were the predominant lessors of Class B/C space. New leasing activity was fairly distributed geographically, but Mission Valley and UTC led all sub-markets, accounting for more than one quarter of the suburban office activity.

Net Absorption and Vacancy Rate



Source: CBRE Research, CBRE Strategic Investment Consulting

After a brief uptick in 2023, sublease vacancy dropped 60 bps YoY to 1.9%, which is roughly 70 bps higher than the average over the last 10 years. Most of the sublease vacancy is in Class A assets, where the sublease vacancy rate is 3.5%, but this is 130 bps lower YoY than 2023.

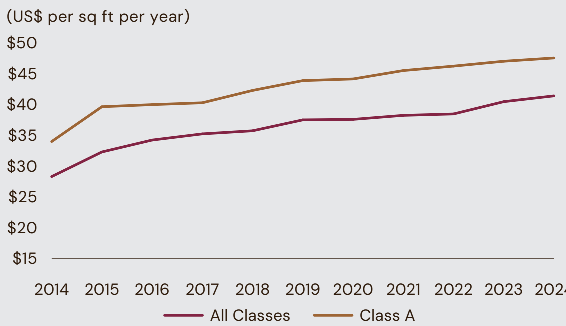
Although Class A represents only 39% of the total rentable inventory in the market, 72% of the vacant sublease space was in Class A properties at the end of 2024. More than one-third of the sublease vacant Class A space is in one property—the i3 Campus in UTC—which was previously vacated by the biotech company Illumina in 2023. The other large vacancy is the former MedImpact building in Scripps Ranch, which at 158,000 sq ft accounts for an additional 18% of the Class A sublease space. These large block Class A assets have typically been a prime target of large tech and defence occupiers, so these properties should garner interest if the sector continues growing in San Diego.

3.3 Rents

The relatively low vacancy rate and stable leasing activity helped sustain rent growth in 2024. The average asking rent across all classes in suburban San Diego increased 2.3% YoY to US$41.31 per sq ft per year in 2024, while the average Class A rent increased 1.1% to US$47.56 per sq ft per year over the same period.

More deals included free rent, and the average number of free months increased slightly by 0.8 months from 5.1 in 2023 to 5.9 in 2024. This indicates that landlords are offering some additional concessions to keep rents elevated. However, the average total lease term has increased slightly by 3 months to 75 months. This means that as a share of total consideration, the additional free rent offered was relatively minor.

Average Gross Asking Rent



Source: CBRE Research, CBRE Strategic Investment Consulting

3.4 Future Supply

There was no office construction actively underway in suburban and downtown San Diego at the end of 2024. Even with substantial deliveries in 2021 to 2024, the inventory in suburban San Diego has fallen 3.3% since the peak in 4Q 2020. Most of the lost office supply was due to life sciences conversions in sub-markets like UTC and Sorrento Mesa. Conversion activity has mostly halted as the life sciences real estate market cooled in 2024, but given the long-term trajectory of the sector, there may be more traditional office converted in the coming years, which would help keep inventory in line with demand, especially for less desirable Class B/C assets.

Construction Deliveries

Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

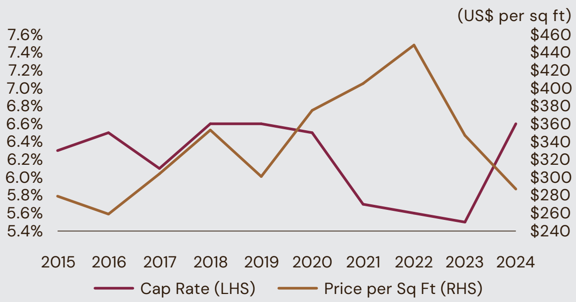
3.5 Investment Market

Sales activity rebounded slightly in suburban San Diego in 2024. Total sales volume increased by 36% YoY to US$968 million, but aside from the previous year, it was the lowest volume since 2009. Nearly half of the sales activity was in 4Q, a potential indication of more activity in 2025. The largest sale of the year was a portfolio acquisition of three Class A assets in UTC. King Street Properties purchased the 175,000-sq ft campus from Alexandria Real Estate for an estimated US$120 million or US$691 per sq ft at an undisclosed cap rate. On average, the price per sq ft across suburban San Diego fell 17% YoY to US$287 — the lowest since 2016.

Falling values placed upward pressures on cap rates, with the average cap rate increasing 110 bps YoY to 6.6%. However, this is still in line with the average cap rate before the pandemic.

CBRE expects cap rates to continue to remain elevated above 6.5% through the first half of 2025 before more aggressive sales activity begins pushing up values and driving moderate cap rate decompression in late 2025 through 2026.

San Diego Suburban Cap Rate and Value



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

3.6 Outlook

Despite the headwinds facing the national office sector, the San Diego suburban office market is well-positioned for the next several years, with relatively low vacancy and very limited supply risk. Many of the major tech, defence and life sciences tenants in the region have been slow to expand in recent years, as they re-evaluate their office utilization strategies, but many companies in these sectors have already begun enforcing more strict return-to-office protocols that may require more space in the coming years. Additionally, companies in the region received more than US$5.8 billion of venture capital funding in 2024, which was a 43% increase compared to 2023, a trend that bodes well for tech and life sciences growth. CBRE expects net absorption to swing positive in 2025 and 2026, which will drive vacancy lower and maintain upward pressure on rent growth.

3.7 Sorrento Mesa Sub-market

In 2024, Sorrento Mesa saw negative net absorption of 107,000 sq ft and vacancy rose 200 bps YoY to 14.8%. The bulk of this negative net absorption can be attributed to one large non-renewal even as growing local tech company, Whova, leased 40,300 sq ft at Seaview Corporate Center II. The Class A vacancy rate increased by 290 bps YoY to 18.3% after negative 86,000 sq ft net absorption.

The average rent remained largely stable despite the negative net absorption and higher vacancy. Overall, the average rent for all classes fell marginally by 1.0% YoY to US$47.15 per sq ft per year. For Class A space, the average lease rate increased 2.7% to US$54.79 per sq ft per year.

Despite the recent negative momentum in the sub-market, Sorrento Mesa remains an attractive destination for growing tech companies in the region, which bodes well for more absorption in the coming years.

3.8 Rancho Bernardo Sub-market

Rancho Bernardo was one of the top performing markets in 2024 in terms of net absorption, which was positive 154,000 sq ft on the year. Class A properties accounted for 119,000 sq ft of the total, driving down the Class A vacancy rate by 100 bps YoY to 9.7%. Due to a building reclassification in CBRE's statistics, the overall vacancy rate increased 150 bps YoY to 14.0%.

The all-class average lease rates rose slightly by 0.3% YoY to US$38.67 per sq ft per year, while the Class A average lease rate accelerated at 4.1% YoY to US$46.33 per sq ft per year.

There are no construction projects underway in Rancho Bernardo, so the vacant inventory is likely to stay low in the coming years which should maintain an upward pressure on rents, especially for Class A properties.

Rancho Bernardo is a major corporate headquarters sub-market, with large defence, engineering and tech firms, many of whom own the buildings that they occupy. Given the recent strong leasing activity and rent growth, it is possible more owner-occupiers will opt to consolidate their campus footprints and list unoccupied buildings. There are also several office properties in Rancho Bernardo that are under consideration for conversions, with property owners exploring office-to-residential conversions to meet the growing demand for housing, which could further lower availability in the sub-market.

4. RALEIGH-DURHAM OFFICE MARKET

4.1 Stock & Supply

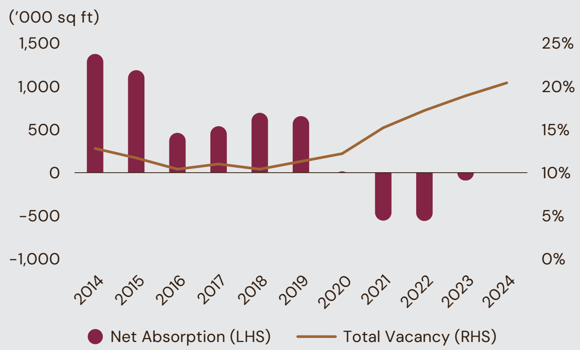
After multiple years of new supply outpacing demand, a slowdown in construction activity allowed the Raleigh-Durham suburban office market to end 2024 on an optimistic note. Only 119,065 sq ft—0.3% of the market's 41.0 million sq ft of suburban office inventory —delivered in 2024, which was the second slowest year for new office deliveries in the last decade. Completions decreased by 87% from 2023 to 2024, while the current office pipeline is empty for the first time since 2011.

4.2 Demand & Occupancy

Despite improvement at the end of the year, annual suburban office net absorption in the Raleigh-Durham market was negative in 2024 for the fourth consecutive year. Net absorption fell to negative 541,000 sq ft in 2024, in line with large occupancy losses in 2021 and 2022. However, 6,235 sq ft of suburban office space was absorbed on net in 4Q, a marked improvement from 1Q 2024, which had 391,000 sq ft of negative absorption.

The vacancy rate increased to 20.4% at the end of the year, although the sublease vacancy rate fell 70 bps from 2023 levels to 3.1%. Leasing activity rose in the market in 2H 2024 with much of the activity concentrated in downtown sub-markets, though a few notable leases were signed in the Research Triangle Park (RTP)/I-40 sub-market.

Net Absorption and Vacancy Rate

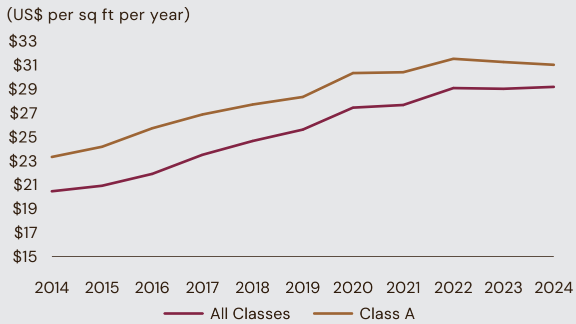


Source: CBRE Research, CBRE Strategic Investment Consulting

4.3 Rents

The average asking rent for Raleigh-Durham suburban office held steady in 2024, finishing the year at US$29.13 per sq ft per year—a 0.6% increase YoY. The average asking rent for Class A suburban office declined by a marginal 0.7% in 2024 to US$30.97 per sq ft per year.

Average Gross Asking Rent

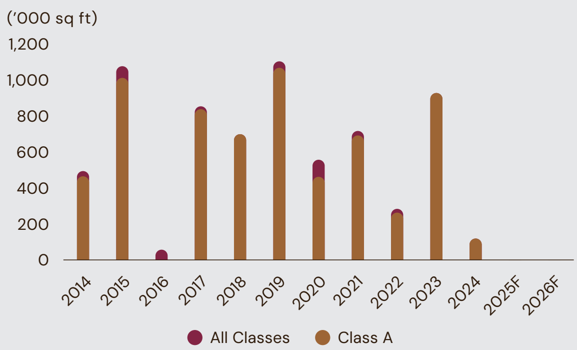


Source: CBRE Research, CBRE Strategic Investment Consulting

4.4 Future Supply

For the first time since 2011, Raleigh-Durham's office construction pipeline is empty. No projects are expected to break ground for the foreseeable future, which means the window for securing premium space may narrow rapidly once demand improves. As tenants continue the "flight-to-quality" trend in Raleigh-Durham, well-located and amenitized Class A buildings should continue to outperform commodity space in the market.

Construction Deliveries



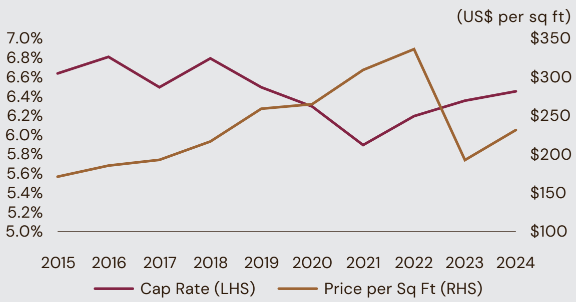
Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

4.5 Investment Market

After a dearth of sales through most of the year, several office buildings traded in 4Q. The largest office transaction of the quarter was Easterly Government Properties' purchase of Crossroads I, II and III in Cary from Menlo Equities for US$72.5 million (US$246 per sq ft). The Crossroads buildings are 100% leased with most of the space occupied by the Wake County Public School System.

Suburban office sales in Raleigh-Durham totalled US$550 million, a 37% increase on 2023 investment volume. Despite this uptick, investment volume in 2024 was still the second lowest annual total since 2013. The average price per sq ft rebounded in 2024, up 20% from 2023 to an average of US$232 per sq ft. The median cap rate ticked up to 6.5%, just 20 bps above the 10-year average median rate.

Raleigh-Durham Suburban Cap Rate and Value



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

4.6 Outlook

With no new supply slated to be added to the market in the near term and demand expected to increase, fundamentals should begin to improve in 2025.

Mirroring national trends outlined, bifurcation will remain prevalent, with stubbornly high vacancy a persistent issue at one end of the spectrum and a dwindling supply of premium leasing opportunities at the other. The region's top-tier buildings will continue to outperform. While this segment of the market is currently experiencing above-average vacancy due to the prevalence of newly constructed buildings, it has also witnessed the strongest demand. Vacancy for top-tier buildings is expected to fall rapidly, with competition for space likely to become fierce by 2026.

Raleigh-Durham office sales are expected to increase in 2025, driven by opportunistic investors and distressed sales. A rise in transactions will provide much-needed price discovery and facilitate the rehabilitation or redevelopment of buildings that are facing obsolescence. As one of the fastest growing regions in the US, Raleigh-Durham will be a sought-after destination for capital as the markets thaw.

4.7 Research Triangle Park (RTP)/I-40 Sub-market

As the largest suburban office sub-market in the Raleigh-Durham area, RTP/I-40 stands out as a critical driver of economic activity and development within the region. The RTP/I-40 sub-market is strategically located near key amenities, including prominent research institutions, esteemed universities and the Raleigh-Durham International Airport. Central to this sub-market is RTP, the largest research park in the US, which hosts numerous science and technology firms, educational institutions, and an array of startups, making it a vibrant hub for innovation and entrepreneurship.

The RTP/I-40 sub-market recorded negative net absorption of 127,000 sq ft in 2024 and the total vacancy rate climbed 280 bps to 24.1%. However, the sublease vacancy rate decreased 140 bps YoY to 6.2%. Sublease availability, which includes occupied sublease listings, continued to decline in 2024 and finished the year at 10.6%. Similarly, Class A sublease vacancy declined 240 bps YoY to 7.7%.

Rent growth was not hampered by these trends and remained steady. In 2024, the average asking rent for suburban office declined slightly, by 0.5% YoY to end the year at US$28.39 per sq ft per year. In a similar trend, Class A average asking rents decreased by 0.6% YoY to US$29.88 per sq ft per year.

Despite some softening headline numbers, leasing activity in the sub-market picked up in the second half of 2024. The largest lease of the year in the RTP/I-40 Corridor was Oracle's 154,852-sq-ft renewal at 5200 East Paramount Parkway, which occurred in July. Other significant 2024 deals include the Federal Emergency Management Agency (FEMA) short-term lease for the 117,840 sq ft Danbury Hall, which was taken to manage disaster relief in Western North Carolina, and Durham Tech's lease of a 62,490-sq-ft building located at 41 Moore Drive.

There are currently no known office projects under construction in the sub-market.

5. PORTLAND OFFICE MARKET[2]

5.1 Stock & Supply

The 25-million-sq ft suburban office market in Portland moved toward stabilization in 2024 as leasing activity showed signs of improvement. For the second consecutive year, there were no new office construction deliveries in 2024, allowing the market to gradually shift back towards balance.

2 *Unless otherwise noted, statistics refer to suburban office only*

5.2 Demand & Occupancy

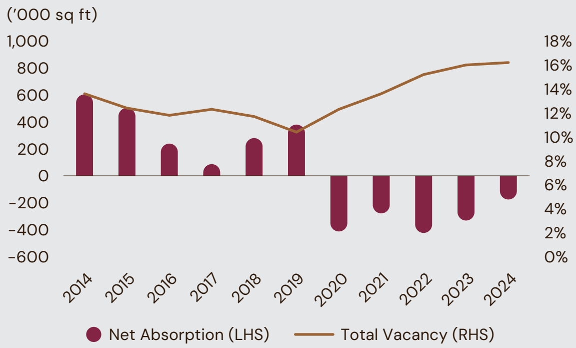
Despite a resumption in office-related employment growth, restructurings and space reductions continued to shrink demand. In 2024, the suburban office market recorded 175,000 sq ft of negative net absorption, accounting for 0.7% of existing inventory. While this marked the fifth consecutive year of negative net absorption, it also marked the smallest annual decrease over this period. While Portland's overall suburban office vacancy rose 20 bps to 16.2%, it is still below the national suburban average vacancy rate of 18.6%.

The suburban Class A market, which represents about 43% of the suburban Portland office inventory, continued to show higher overall vacancies than the Class B/C market in 2024. However, leasing activity increased for Class A assets, as tenants look to consolidate within higher quality spaces with modern features and amenities. This resulted in positive Class A net absorption of 55,000 sq ft, and the Class A vacancy rate edged down 30 bps to 17.2% in 2024.

Suburban sublease vacancy fell 40 bps to 2.0% in 2024, after reaching a high of 2.4% in 2023, as available space fell below 1 million sq ft. Sublease vacancy also decreased for Class A space, falling 20 bps YoY to 2.5% in 2024. Some portion of the decline in sublease vacancy over the past year has been due to sublease listings expiring and rolling over to direct listings, rather than an increase in occupiers signing subleases.

There were signs of improving tenant demand in late 2024, along with commitments toward longer lease terms. Like many US office markets, a downsizing trend has been evident in Portland as smaller spaces of 2,500 sq ft or less have made up a disproportionate share of leasing activity, but there were signs of tenants beginning to take larger spaces. In 2024, the average suburban lease was over 4,600 sq ft, up from 2,300 sq ft in 2023, with 11 leases over 20,000 sq ft in 2024, up from seven in 2023. Leasing activity remains fairly diverse across industries, with legal and professional services accounting for a large share of activity in recent quarters.

Net Absorption and Vacancy Rate



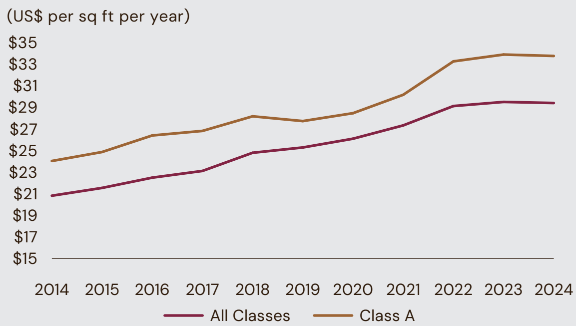
Source: CBRE Research, CBRE Strategic Investment Consulting

5.3 Rents

With high levels of availabilities in the suburban market, suburban rent growth has been muted. The overall and Class A average asking rents showed modest YoY decreases of 0.3% and 0.4% to US$29.36 per sq ft per year and US$33.71 per sq ft per year, respectively.

Given the shift towards hybrid work and a preference to reduce commuting time, suburban Class A offices offer an alternative to downtown Class A space. Free rent concessions declined in 2024, with fewer leases including free rent and the average amount of free rent falling. Among leases that did include free rent, the average length of free rent given fell by 1.5 months to 5.4 months in 2024.

Average Gross Asking Rent



Source: CBRE Research, CBRE Strategic Investment Consulting

5.4 Future Supply

The only project currently under construction is the 366,000-sq ft Terminal 1 project in Vancouver, Washington, which is scheduled to deliver in 2025. The project is entirely leased to ZoomInfo, which means that the project will have a positive impact on vacancy and net absorption when delivered.

Construction Deliveries

Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

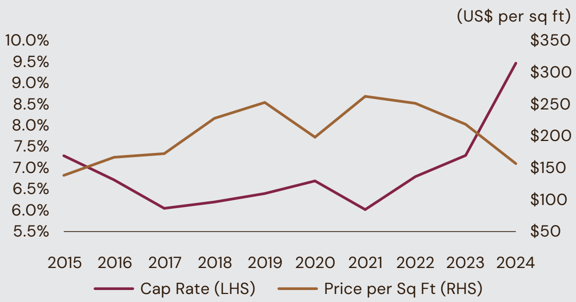
5.5 Investment Market

The suburban investment market remained sluggish in 2024, reflecting the effect of higher financing costs and leasing market uncertainty. Sales activity totalled US$381 million in 2024, a modest 3% increase in volume from 2023, of which about one quarter were owner/occupier sales. In addition, there were several transactions that were value-add opportunities. One notable sale was Sunset Corporate Park III in Hillsboro, a fully occupied 103,000-sq ft property, which traded for US$37 million or US$358 per sq ft.

With a rising proportion of distressed and value-add properties transacting, the average sales price per sq ft faced downward pressure. In 2024, the average price per sq ft for suburban sales was US$157, down 28% from 2023.

Estimated market cap rates for suburban Portland offices was 9.5% in 2024, a sharp increase from 7.3% in 2023. CBRE expects cap rates for Portland institutional-grade office properties to stabilize in 2025, before tightening slightly in 2026.

Portland Suburban Cap Rate and Value



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

5.6 Outlook

Job growth is expected to be favourable over 2025. Despite the cutbacks at Intel, the tech sector overall is likely to see additional expansion, while the metropolitan area also benefits from growth across other sectors. However, the region's high-tech orientation will continue to have implications for "right-sizing" by office occupiers as they continue to work through space requirements for flexible and hybrid-work models.

As the positive demand for Class A suburban space showed in 2024, occupiers will continue to value higher quality spaces with amenities for their employees. Portland's suburban office market is at a better starting point than many other suburban office markets, due to its below-average suburban vacancy, improving Class A dynamics and little additional supply coming to market over the next several years.

5.7 Beaverton/Sylvan Sub-market

With the headquarters of Nike, Inc., along with several innovative high-tech firms, Beaverton/Sylvan has long been a desirable suburban location. The market showed improvement in 2024, posting 17,000 sq ft of positive net absorption, which lowered the overall vacancy rate to 12.6% in 2024, a 180 bps drop from 2023.

The sublease vacancy rate improved markedly, falling 190 bps YoY to 0.4%. For Class A assets, the sublease vacancy rate is slightly higher at 0.6% but this is still low compared to the rest of Portland's suburban office market.

The average asking rent was up 2.2% YoY in 2024 to US$25.97 per sq ft per year. The Class A average asking rent was US$26.88 per sq ft per year, an increase of 2.4% from 2023 levels. With the average Class A asking rent 20.3% below the overall suburban Portland average, the sub-market retains a significant competitive advantage which may attract smaller price-sensitive companies that are looking to lease quality space.

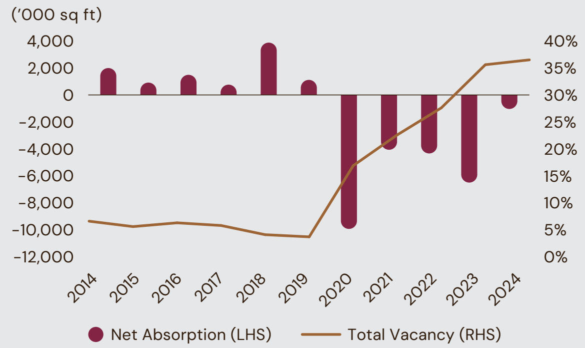
5.8 Sunset Corridor/Hillsboro Sub-market

After the Sunset Corridor/Hillsboro office sub-market suffered a setback in 2023, when Wells Fargo put over 100,000 sq ft back on the market, conditions stabilized in 2024. Net absorption of space was a positive 74,000 sq ft, or 3.3% of inventory. The overall vacancy fell to 25.4%, down 330 bps from a peak of 28.7% in 2023. Overall sublet vacancy remained high at 10.4% in 2024, but this is a 150-bps improvement from the previous year.

The Class A market, which was disproportionately affected by sub-listings from Wells Fargo and other users in 2023, continued to struggle with high vacancy. However, Class A vacancy fell to 30.6% in 2024, down from a high of 38.1% in 2023. Net absorption of Class A space totalled 83,000 sq ft, or 7.5% of existing inventory. New leases to high-tech tenants, including a 45,000-sq-ft lease to Planar Systems Hillsboro's Sunset Corporate Park, helped to push the market in a positive direction in 2024.

Stronger activity in the market helped drive the overall average asking rent up 8.1% YoY to US$26.17 per sq ft per year in 2024. The average Class A asking rent performed even better, up 8.4% YoY to US$28.53 per sq ft per year.

Net Absorption and Vacancy Rate



Source: CBRE Research, CBRE Strategic Investment Consulting

6. SAN FRANCISCO OFFICE MARKET[3]

6.1 Stock & Supply

After five years of increasing vacancy and supply growth, the last competitive office project in the pipeline, Mission Rock, delivered in the City of San Francisco in 1Q 2024. Located in the Mission Bay/China Basin sub-market, the 300,000-sq-ft Class A tower (including 286,000 sq ft of office space) delivered fully vacant, but as at year-end, leasing activity in the project brought the office portion of vacancy down to 194,000 sq ft or 67.8%.

6.2 Demand & Occupancy

The San Francisco office market appears to be turning a corner, but office owners still face significant challenges in 2024. Negative net absorption was just over one million sq ft, which represents 1.2% of the market. This drop in occupancy led to a 90-bps change in the vacancy rate YoY to 36.5% by the end of 2024. The sublease vacancy rate fell by 160 bps YoY to 8.7%, which was both a consequence of leasing and subleases expiring, meaning the listings became direct vacancies.

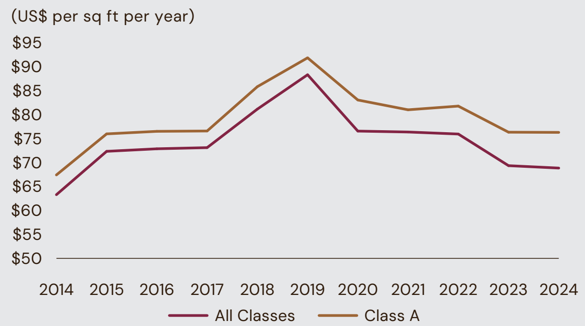
The market has been more heavily impacted by a higher adoption of work-from-home and hybrid work arrangements given the large presence of the tech sector. Given that Class A represents about 70% of the inventory, the trends were similar to the overall market, and the Class A segment accounted for virtually all of the negative net absorption in 2024. The vacancy rate reached 36.0% at the end of the year, which is slightly below the overall figure.

6.3 Rents

These trends have hindered rent growth, with the average asking rent falling 0.7% to US$68.78 per sq ft per year, the lowest level since 2014. The average asking rent for Class A was virtually flat, falling by 0.1% to US$76.20 per sq ft per year.

Free rent concessions appear to have increased to maintain occupancy and rent levels. Approximately 80% of transactions in 2024 involved free rent, which was about the same as 2023. The average months of free rent increased by 0.8 months from 6.2 months in 2023 to 7.0 months in 2023. At the same time, lease terms increased by 5 months from 74 months in 2023 to 79 months in 2024, which means part of the free rent increase scaled with the extended length of leases.

Average Gross Asking Rent



Source: CBRE Research, CBRE Strategic Investment Consulting

3 *Unless otherwise noted, statistics refer to San Francisco County (synonymous with City boundaries)*

6.4 Future Supply

Supply growth will be virtually non-existent in the coming years, which should mean that the vacancy rate is peaking if leasing activity stabilises or accelerates going forward.

In 2021, the completion rate reached 3.1% or approximately 2.7 million sq ft of the office inventory. In 2024, this figure was down to 0.3% or 286,000 sq ft, and no supply additions are expected in the next two years. The biggest proposed project in the pipeline is Tishman Speyer's Phase II expansion of Mission Rock, which would include a 750,000-sq ft office tower, but the project timeline is uncertain. It will most likely deliver in 2027 at the earliest.

Construction Deliveries

Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

6.5 Investment Market

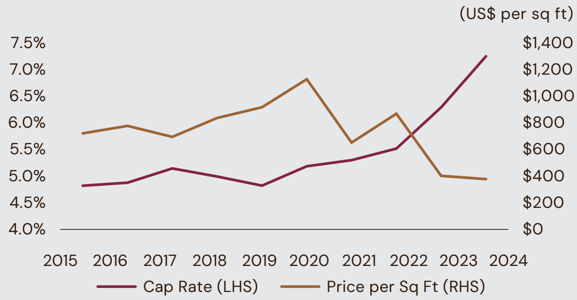
Office investment sales activity remained slow but picked up compared to the previous two years. Total sales activity increased 15% YoY to US$746 million, but this figure is well below the billions of US dollars invested annually from 2010 to 2021.

Pricing has been impacted by this dip in interest, with the average price per sq ft down 6% YoY to US$379, the lowest since 2011. Rapidly declining values have meant major cap rate expansion. The average market cap rate increased 100 bps to 7.3%, the highest level since 2009.

There were a few deals of note, the largest of which was NBIM's acquisition of two San Francisco properties as part of an eight-property portfolio buyout with former partner TIAA-CREF as the seller. The two properties—Foundry Square II and the Airbnb HQ—sold for a combined US$555 million or US$597 per sq ft. Another major sale was Hudson Pacific Props' acquisition of 1455 Market St from CPP Investment Board for US$96.6 million or US$95 per sq ft. The sale was also a partner buyout, and no cap rate was reported.

Values are not expected to bottom out until 2026. However, cap rate expansion is expected to be relatively moderate given ongoing high vacancy and weak rent growth, which is expected to translate to muted net operating income (NOI) growth.

San Francisco Cap Rate and Value



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

6.6 Outlook

For both the overall San Francisco and South of Market (SoMa) markets, fundamentals are expected to bottom out in the first half of 2025, with vacancy rates and net absorption rebounding toward the second half of 2025 and into 2026. The lack of new construction projects in the pipeline will push any new activity to existing assets. Well-located buildings with appropriate modern configurations should begin to attract tenants, especially as prices continue to fall. Many major tech companies have started enforcing more strict return-to-office policies, which could lead to more leasing activity as attendance increases. San Francisco is also the US epicentre of the current AI industry boom, and the sector is more likely to favour in-person collaboration, which should also boost tenant demand in the coming years.

6.7 South of Market (SoMa) Sub-market

Net absorption in SoMa rebounded in 2024 to 138,000 sq ft or 1.5% of the inventory. This was the first positive year for the sub-market since 2019. Consequently, the vacancy rate fell by 190 bps YoY to 40.6% at the end of 2024. Sublease vacancy also improved by 350 bps YoY to 13.9% since peaking in 2021 at 21.8%, but a share of that was due to expiring sublease vacancies, meaning the sub-lessor is no longer responsible for the lease and the landlord is listing these spaces direct. The Class A vacancy rate ended 2023 at 40.1%, which was approximately in line with 2023. Sublease vacancy accounts for more than 40% of the total Class A vacancy in 2024, but the sublease vacancy rate figure declined by 450 bps YoY to 16.2%, which is nearly half the peak of 31.9% in 2021.

The positive momentum was not enough to spur rent growth for the overall market, likely due to the significant vacancy that remains. The average asking lease rate fell by 1.6% YoY to US$63.14 per sq ft per year. Unlike the overall market, rents have not been as severely impacted for Class A assets. The average asking lease rate for Class A in SoMa increased 5.3% YoY to US$78.93 per sq ft per year. This is due in part to some of the available properties with the highest rents moving from sublease listings to direct listings.

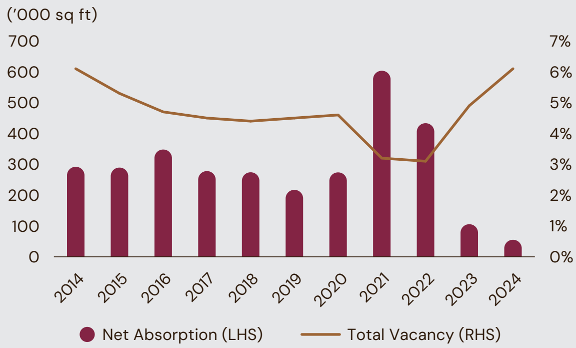
7. LOGISTICS MARKET PERFORMANCE & TRENDS

Industrial real estate demand skyrocketed in the US in recent years, largely due to structural factors relating to effects of the pandemic. Key examples include acceleration of e-commerce sales growth and greater emphasis on supply chain resilience, including maintaining higher inventory levels, adding more facilities to distribution networks, and increasing domestic sources of production. In addition, a supportive federal policy environment, with the Infrastructure Investment and Jobs Act (IIJA), IRA, as well as the CHIPS and Science Act, each providing direct funding and tax incentives for domestic manufacturing projects, construction spending for manufacturing facilities has more than doubled since 2021 (even after adjusting for inflation).

As these trends helped boost demand for both distribution and manufacturing space, real estate availability fell to historic lows and rent growth to abnormal highs, which drove developers to significantly increase industrial construction starts in 2021 and 2022. Moderating demand levels, coupled with speculative completions, began driving up industrial availability in late 2022, and this trend continued (albeit at a slower rate) throughout 2024.

While leasing activity over the past 24 months has not reached the record levels of 2021 and 2022, it remains well above pre-pandemic levels. The roughly 840 million sq ft of leasing activity in 2024 was up from 2023 and nearly on par with 2022 levels, and volume is expected to remain around this level in 2025. Despite robust leasing, net absorption will remain low, since much of the new leasing will come at the expense of older facilities (i.e. tenants upgrading). Buildings constructed before the year 2000 accounted for more than 100 million sq ft of negative absorption in 2024, while buildings completed after 2022 posted more than 200 million sq ft of positive absorption. This trend will continue in 2025 in locations where there still is first-generation space to lease, as occupiers seek out modern building characteristics and increasingly look to implement automation and other technological advancements.

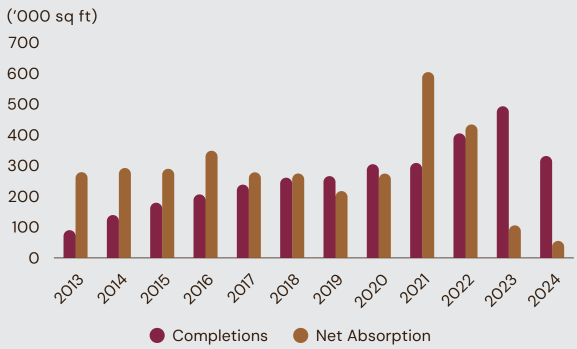
Net Absorption and Vacancy



Source: CBRE Research, CBRE Strategic Investment Consulting

Despite strong demand for newer properties, the sheer scale of the construction pipeline has led to a near-term supply overhang. Of the more than 1 billion sq ft of space delivered in 2023 to 2024, roughly 40% was still vacant as of 4Q 2024, which largely explains the steep rise in vacancy since 2022. This substantial amount of available first-generation space will enable further flight-to-quality. Due to the significant slowdown in construction starts over the past two years, completions are expected to fall by 21.5% in 2025 and remain below the 2024 level for several years, which should help rebalance supply-demand dynamics moving forward.

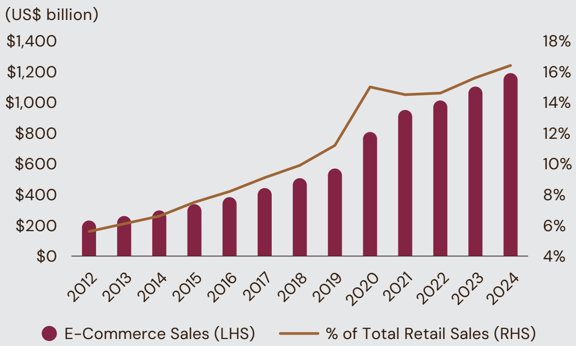
Completions and Net Absorption



Source: CBRE Research, CBRE Strategic Investment Consulting

Recent history was characterized by a boom in e-commerce spending and the reorientation of logistics networks to support this change. E-commerce sales and the e-commerce share of total retail sales both continued growing at a steady pace in 2024. The rate of change has slowed after the pandemic-era spike in 2020, but consistent sales growth is expected to continue throughout the remainder of the decade. CBRE estimates that by the end of the decade (4Q 2029), e-commerce will account for 21% of retail sales, a 460-bps increase from the 4Q 2024 estimate of 16.4%.

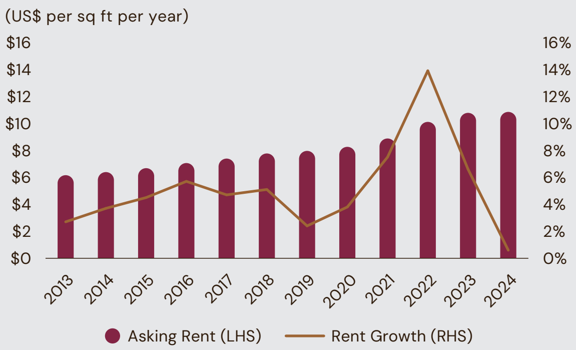
E-Commerce Sales Growth



Source: U.S. Census Bureau

Going forward, total availability levels are expected to remain below multi-decade norms but elevated compared to the past 10 years which will continue to weigh on nominal rent growth, particularly compared to the boom of 2021 to 2022. In 4Q 2024, asking rent growth was 0.6% YoY, the lowest level since 2012, and more markets saw rent level declines for the first time. Rent growth is poised to remain firm in 2025 as the pace of construction eases. In the longer term, rental growth is anticipated to track closely with inflation. CBRE expects industrial cap rates to have peaked in 2024 and forecasts they will fall by 30 bps by the end of 2025.

Asking Rent and Rent Growth YoY



Source: CBRE Research, CBRE Strategic Investment Consulting

Evolving supply chains and relatively healthy consumer spending will continue to support underlying industrial fundamentals, presenting investment opportunities in the sector. Investors still favour Class A industrial assets in major markets, seeking locations that can fulfil consumer expectations and ensure supply chain resilience. The most sought-after assets for these purposes tend to be near robust transportation networks, including major interstate highways, rail lines, airports and seaports.

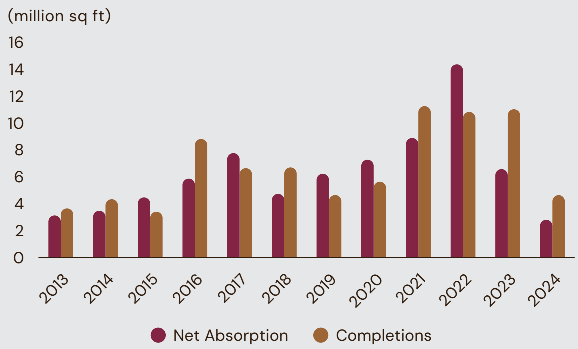
The US industrial market will enter a new cycle in 2025, including a return to some pre-pandemic demand drivers. Industrial occupiers will focus on longer-term strategies to improve warehouse efficiency, ensure supply chain resiliency and meet the needs of an evolving consumer base. Third-party-logistics (3PL) providers are expected to account for more than a third of total leasing volume in 2025 as companies outsource their warehousing and distribution to maintain flexibility and focus more on their core competencies. Although trade policy remains uncertain at the time of writing, nearshoring trends likely will continue to boost demand for industrial buildings near the US-Mexico border and along the Interstate 29 and Interstate 35 north-south corridors, which includes Kansas City. As companies continue to seek ways to reduce supply chain disruptions, transportation costs or potential foreign tariffs, they are increasingly likely to relocate their manufacturing and distribution operations in or near the US (i.e., onshoring). These strategic locations and corridors offer easy access to major markets, ports and transportation networks, which will further their appeal in the coming years.

8. KANSAS CITY LOGISTICS MARKET

8.1 Stock & Supply

After three straight years of historically high construction activity in Kansas City, new supply additions slowed dramatically in 2024 to just over 4.6 million sq ft. This represented about 1.4% of the total inventory, which is the lowest construction delivery rate since 2015 and 210 bps lower than the pace of new supply in 2023. Though supply additions were limited, all but two of the 13 delivered buildings were at least partially vacant at the time of delivery, which meant more than 3.4 million sq ft of new vacant space hit the market during the year.

Net Absorption and Completions

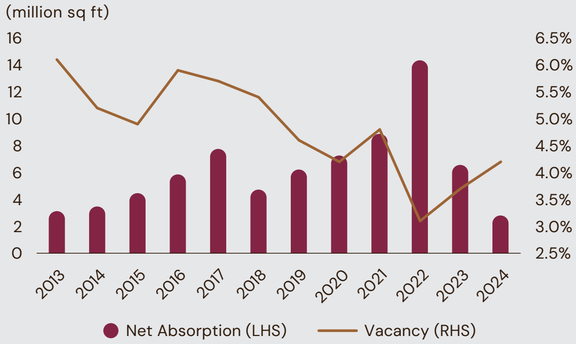


Source: CBRE Research, CBRE Strategic Investment Consulting

8.2 Demand & Occupancy

Demand softened in the Kansas City market in 2024, with net absorption reaching 2.8 million sq ft for the year. This led to a 50-bps YoY increase in the vacancy rate to 4.2% at the end of 2024, although it is still low by historic standards as it remains 60 bps below the average vacancy rate of the last ten years.

Net Absorption and Vacancy



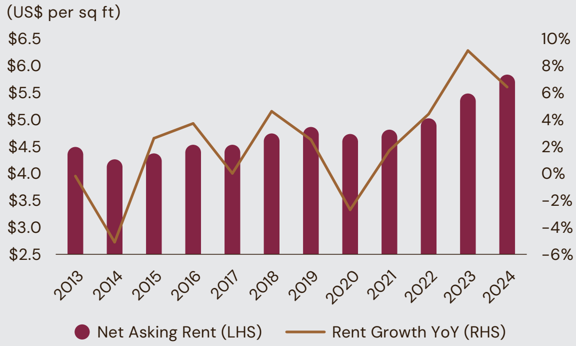
Source: CBRE Research, CBRE Strategic Investment Consulting

8.3 Rents

Despite the rise in the vacancy rate, the average asking triple-net (NNN) rent rose to US$5.83 per sq ft per year in 2024, up 6.4% from 2023. This was the second fastest annual growth rate in at least 12 years. The majority of new space hitting the market was in modern bulk distribution facilities, which typically command higher asking rents than older facilities, in part explaining the steep rise in asking rents. Many new assets qualify for a property tax abatement (typically 50%) for the first 10 years of the project, which means that on a gross basis, rent increases are likely less dramatic than what is reflected in the average NNN asking rent.

According to an analysis of more than 100 lease comparables, landlords had to offer more concessions to sustain rent growth. A greater share of transactions included free rent, and for those deals that included periods of free rent, the average number of free months increased by 1.3 months from 2.7 in 2023 to 4.0 in 2024. However, the average length of a lease term increased from 70 to 83 months, meaning some of that free rent was absorbed by longer-term transactions.

Net Asking Rent and Rent Growth YoY

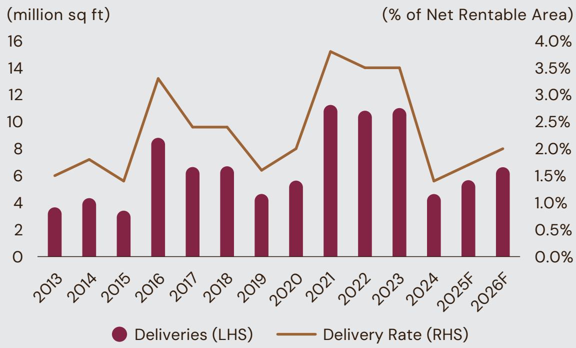


Source: CBRE Research, CBRE Strategic Investment Consulting

8.4 Future Supply

Construction activity likely bottomed out in 2024, and deliveries are expected to increase moderately in the coming years as the market has largely absorbed the new space and the vacancy rate remains historically low. Construction cost inflation has generally normalized as well, making it more reasonable for developers to start projects again. The consistent rent growth in the market should also incentivise more development. However, it is unlikely that the volume of construction over the next few years will reach the quantities delivered in 2021 to 2023.

Construction Deliveries and Delivery Rate



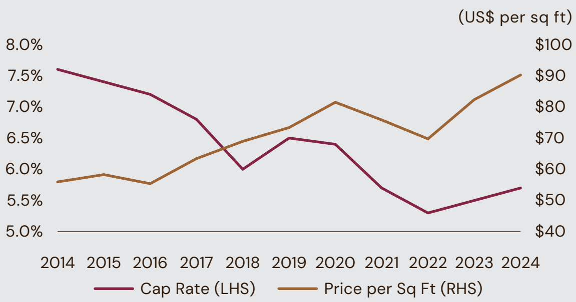
Source: CBRE Research, CBRE Strategic Investment Consulting

8.5 Investment Market

Investment sales activity accelerated moderately in 2024, as investors continue to adjust to a higher interest rate environment that has raised the cost of capital. Total investment volume increased 10% YoY to US$293 million in 2024, which was approximately half of the average over the past 10 years.

Despite the dearth of activity, pricing remained strong and increased 9.6% YoY to US$90.20 per sq ft in 2024. The average cap rate continued to rise slowly, up 20 bps YoY to 5.7%. Cap rates are expected to begin compressing again in 2025 as investor activity rebounds and values begin to appreciate more aggressively than NOI and rent growth expectations, but this will depend somewhat on if and how much interest rates fall throughout the year.

Institutional-Grade Cap Rate and Value



Source: NCREIF, Real Capital Analytics, CBRE Strategic Investment Consulting

8.6 Market Outlook

Demand is expected to improve in the coming years, but consistent supply growth will lead to continued moderate increases in the vacancy rate. The vacancy rate will still remain low by historic standards (5% to 6%), which will allow for stable rent growth as well as tenant flexibility for expansion and relocation options. Rent growth is expected to be in the 2% to 3% per year range in the coming two years, which will be in line with other major Midwest markets in the US. The ongoing supply growth and central geographic location of the market should make it especially attractive for large warehouse, distribution, logistics and food & beverage companies seeking modern bulk distribution facilities in the near future.

8.7 East Jackson County Sub-market

Jackson County is the largest of the Kansas City sub-markets, but supply did not grow as quickly in the county as it did across the rest of the market, with just over 500,000 sq ft (0.5% of inventory) hitting the market in 2024.

Despite the low volume of new supply, it exceeded net absorption and the vacancy rate in Jackson County increased 100 bps YoY to 4.8% at the end of 2024, which was 60 bps above the market average. Most of the net new vacancy came from modern bulk distribution facilities (at least 100,000 sq ft, 28-feet clear height, and built after 1989), which had a 0% vacancy rate at the end of 2022, but significant deliveries in 2023 and move-outs in 2024 have driven the vacancy rate to 20.7% for this segment of the sub-market. Despite this rise in vacant supply, trends across the rest of the market and most other major US markets suggest that this type of space remains in high demand and will likely be absorbed over the next couple of years, especially with a limited supply pipeline in the sub-market.

This influx of newer available property helped drive the average NNN asking rent up 11.5% YoY to US$5.74 NNN per sq ft per year. Bulk distribution facilities recorded even more significant growth of 29.1% to US$5.95 NNN per sq ft per year. There is only 546,000 sq ft of construction activity underway in the market, nearly 80% of which is pre-leased or build-to-suit, meaning the vacancy rate will likely decline as existing supply is absorbed in the coming two years.

8.8 North and South Johnson County Sub-market

Johnson County is the second largest sub-market in Kansas City and accounted for a substantial share of the supply growth in 2024. More than 2.6 million sq ft of net new supply hit the market in 2024, which amounted to 2.9% of the inventory.

Net absorption nearly kept up with supply growth, totalling 2.2 million sq ft or 2.4% of the inventory. Absorption of new supply additions played a role in net new occupancy, and explains why the vacancy rate was flat YoY at 5.6%.

Rent growth accelerated YoY in 2024 by 4.7% to US$6.23 NNN per sq ft per year, weighed down by older, smaller and likely less-functional facilities. Healthy demand for bulk distribution facilities drove more substantial rent growth as the average asking lease rate for bulk facilities of all ages grew by 12.9% YoY, while modern bulk facilities (built 1990 or later) increased by 12.7%.

At 1.8 million sq ft, 4.8% of the Johnson County modern bulk distribution inventory is underway. As of end-2024, 71% of the under-construction product is either pre-leased or build-to-suit, which means the impact on the vacancy rate will likely be limited. Over the next several years, most new construction will likely only start with a tenant-in-tow, which should further limit supply risk and help keep upward pressure on rents.

8.9 Northland Sub-market

The Northland region is comprised of Platte and Clay Counties, which accounted for 72 million sq ft of industrial space in total at the end of 2024. Platte County is much smaller (25% of the Northland region) but is by far the fastest-growing county in the region. As of 4Q 2024, Platte County accounted for 6% of existing metropolitan inventory, but its construction pipeline accounted for 42% of the active construction sq ft in the metropolitan. Meanwhile, the construction pipeline in Clay County is non-existent, with no active projects underway at the end of 2024.

More than 950,000 sq ft was delivered across the two counties in 2024, nearly all in Platte County. Net absorption reached 154,000 sq ft as the positive absorption in Clay County was fully offset by negative absorption in Platte County. This difference drove the Northland vacancy rate up 110 bps YoY to 3.3%. The vacancy rate in Clay County fell 10 bps to 1.8%, which is the lowest of any county in the metropolitan. Stronger inventory growth and weaker leasing in Platte County led to a 460-bps increase in the vacancy rate to 7.7%.

Despite the jump in vacancy, the average asking rent grew in both counties. The average asking rent in Clay County grew by 4.1% YoY to US$5.28 NNN per sq ft per year, while the average rent in Platte County grew 4.3% YoY to US$5.76 NNN. Overall, the average asking rent in the Northland region grew by 4.9% YoY to US$5.52 NNN per sq ft per year. The region's growth rate is higher than the counties that compose it because a significant share of the available space shifted to Platte County, where rent is significantly higher.

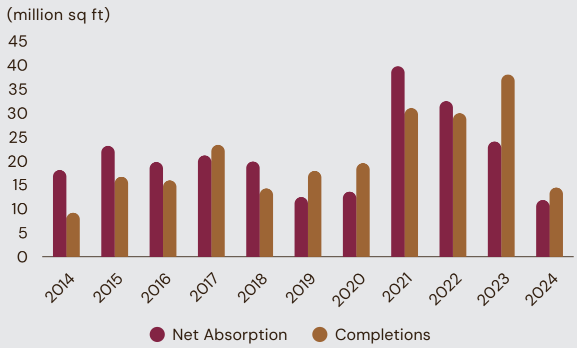
Though 2.1 million sq ft remains under construction in the region at the end of 2024, 75% of the space is already pre-leased or build-to-suit, which should bode well for occupancy and stronger rent growth assuming sustained demand.

9. CHICAGO LOGISTICS MARKET

9.1 Stock & Supply

After record-high construction deliveries in 2023, new industrial supply slowed substantially in 2024. Approximately 14.4 million sq ft, or 1.1% of the inventory, hit the market in 2024, but this is the lowest share since 2018. As of end 2024, only 1.0% of the market (12.7 million sq ft) remained under construction. This is also the lowest since 2018, indicating slower supply growth for at least the next year and moderate growth thereafter, which should limit supply risk.

Net Absorption and Completions

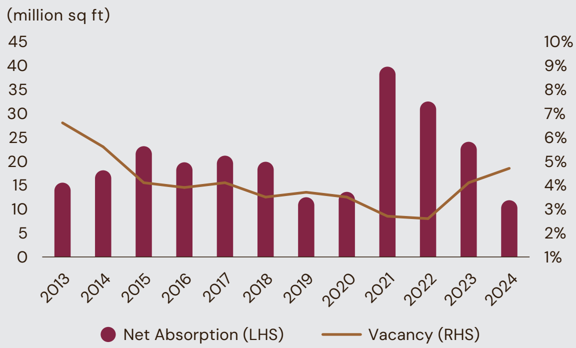


Source: CBRE Research, CBRE Strategic Investment Consulting

9.2 Demand & Occupancy

Net absorption fell to 11.8 million sq ft in Chicago in 2024, which is the lowest amount of new occupancy in more than 10 years and approximately half of the 2023 figure. Leasing activity of existing and new supply remained strong, but the relatively limited volume of construction deliveries meant less new space to occupy. Due to strong leasing of existing space by electronics, e-commerce and 3PL companies, the impact on vacancy was relatively limited, with the average vacancy rate increasing 60 bps to 4.7%. The sublease availability rate ticked up above 1% in 2024, approximately double the 2023 rate. While this will be a trend to watch, the figure remains low and is unlikely to cause significant stress on market occupancy in the coming year.

Net Absorption and Vacancy

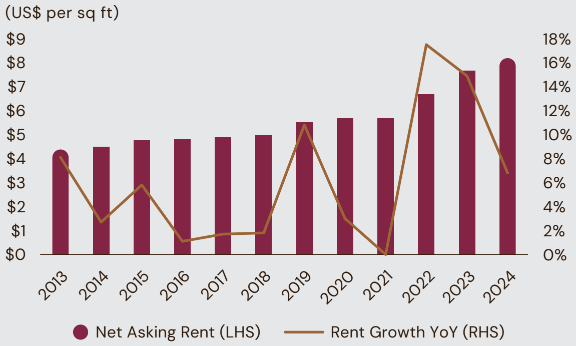


Source: CBRE Research, CBRE Strategic Investment Consulting

9.3 Rents

The pace of rent growth slowed but remained relatively high, with the average NNN asking lease rate up 6.8% YoY to US$8.19 per sq ft per year — a record price for the market. Though base rents increased, landlords were more likely to provide free rent than in previous years. For deals that did include periods of free rent, the average number of free months increased by 0.7 months from 2.6 in 2023 to 3.3 in 2024.

Net Asking Rent and Rent Growth YoY

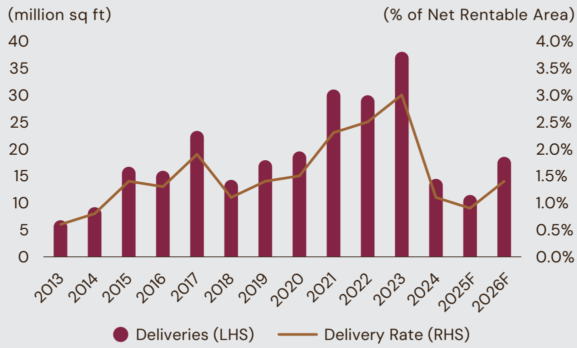


Source: CBRE Research, CBRE Strategic Investment Consulting

9.4 Future Supply

The supply pipeline has declined to only 12.7 million sq ft under construction as of end 2024 — the lowest since 2018. Of these projects, 58% are build-to-suit and 11% are pre-leased speculative projects, meaning at least 70% of the near-term pipeline will be occupied upon delivery. These projects largely having a tenant-in-tow, combined with a slowdown in new supply, should help ease pressures on vacancy in the coming year. Construction activity is likely to continue to slow in 2025 as rising construction costs, potential tariffs and a challenging lending market will cause some developers to wait on starting new projects. Additionally, the vacancy rate across newer Class A[4] product remains significantly elevated at 12.3%, which should limit new speculative project starts. As tenants, owners and developers adjust, the pace of activity should accelerate slightly in 2026, but remain well below the pace of new construction in 2021 to 2023.

Construction Deliveries and Delivery Rate

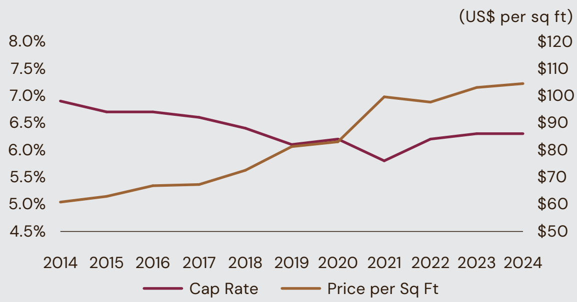


Source: CBRE Research, CBRE Strategic Investment Consulting

9.5 Investment Market

After consecutive years of lower transaction volume, Chicago's industrial investment sales activity rebounded in 2024, totalling nearly US$4.5 billion, which was 17% higher than 2023. Despite this uptick, investment volume in 2024 was still the second lowest annual total since 2016. The average price per sq ft inched up 1% to an average of US$104.43 per sq ft, which is 31% above the 10-year average. The average cap rate remained flat at 6.3%, just 10 bps below the 10-year average rate.

Cap Rate and Value



Source: NCREIF, Real Capital Analytics, CBRE Strategic Investment Consulting

4 *Class A industrial are buildings built after 2000, with 32-feet or greater clear height and early suppression fast response (ESFR) sprinklers.*

9.6 Outlook

Chicago's scale and strategic central location will keep the market attractive for large distributors and manufacturers in the coming years. Despite a slight increase in the vacancy rate from an influx of speculative developments, demand for industrial space remains strong. While a significant amount is still under construction, it represents a small share of the overall inventory. When combined with the high pre-lease rate, vacancy rate and supply risk remain low in the near term, which should help sustain rent growth and continue to attract investors.

CBRE expects rents to continue to grow by about 3% in 2025 and another 2% in 2026, which is lower than recent years. Net absorption is also expected to be relatively weaker, due to low existing vacant supply in the market and limited expected construction activity. The vacancy rate will likely increase moderately, especially among older and obsolete assets, but the rate should remain low as newer and higher quality assets are absorbed in the coming years.

9.7 O'Hare Sub-market

O'Hare is Chicago's third largest sub-market and has been one of the tightest. The vacancy rate increased 100 bps YoY to 3.0% in 2024, but this remains 170 bps below the market average. Leasing activity fell by 8% and new construction deliveries were virtually non-existent, which drove net absorption to a negative 550,607 sq ft for the year.

Despite this, supply has remained relatively tight, which drove strong rent growth in 2024. The average Class A asking rent increased 6.8% YoY to US$13.63 NNN per sq ft per year, while the average Class B/C asking rent increased 16.0% YoY to US$11.95 NNN per sq ft per year.

The sub-market is likely to remain tight in the coming years as the amount of space under construction has fallen to just under 100,000 sq ft or 0.1% of the existing inventory. This limited construction, paired proximity to one of the largest airports in the world, will continue to drive demand and in turn, rent growth in the sub-market, in the coming years.

9.8 Central DuPage/Kane Sub-market

Central DuPage has been a growing sub-market in recent years. Leasing activity increased by 27% YoY in 2024, which helped drive net absorption to nearly 850,000 sq ft for the year. Construction deliveries also helped, with more than 543,000 sq ft hitting the market in 2024. The combination of these factors led to a 10 bps drop in the vacancy rate to 3.6%.

Strong interest in the sub-market has pushed rent growth, with the average Class A rent increasing 6.9% YoY to US$9.11 NNN per sq ft per year and the average Class B/C rent increasing 6.5% YoY to US$8.70 NNN per sq ft per year.

Only one project remains under construction, which is being built speculatively (i.e., no pre-leasing) and set to deliver in early 2025. Even if the project remains vacant at delivery, the impact on the vacancy rate will be about only 70 bps given its size of approximately 297,000 sq ft. Given the recent price premium for Class A warehouses in the sub-market, along with limited availability, it is unlikely the property will remain vacant for long. The existing tightness in the market could help drive more net absorption in 2025.

9.9 South Suburbs/South Cook County Sub-market

After dramatic supply growth in 2023, new construction deliveries were virtually non-existent in 2024, which allowed for occupancy to catch up and absorb the new supply. Because of the ample new supply delivered in preceding years, the vacancy rate in South Suburbs has been higher than other sub-markets in the metropolitan area, but this gap is narrowing.

After more than 680,000 sq ft of net absorption in 2024, the vacancy rate fell by 140 bps in the sub-market to 5.2%, only 50 bps above the metropolitan average. The remaining construction pipeline is modest with 567,000 sq ft underway, which represents about 1% of the sub-market inventory.

Ample activity helped drive rent growth in 2024, with the average Class A rent increasing 7.1% YoY to US$11.38 NNN per sq ft per year, while the average Class B/C rent grew at 6.3% YoY to US$7.71 NNN per sq ft per year.

9.10 I-88 Corridor/Far West Suburbs Sub-market

The I-88 Corridor is the second tightest sub-market (in terms of vacancy rate) in Greater Chicago. A surge in leasing activity in 2024 pushed the vacancy rate down further by 60 bps to 2.7%. Demand was strong with nearly 1.1 million sq ft of net absorption, aided by the 430,000 sq ft of new supply that hit the market in 2024.

Four properties totalling just under 2 million sq ft remain under construction in the sub-market. Build-to-suit projects account for approximately 40%, while all of the remaining 60% (about 1.2 million sq ft) is speculative and yet to be pre-leased. Unless a large number of new speculative projects break ground in 2025, there is unlikely to be significant supply risk for the near future and the sub-market vacancy rate should remain below the market average.

Rent growth was strong in 2024 for both Class A and Class B/C facilities. The average asking lease rate for Class A properties increased 7.0% YoY to US$6.84 NNN per sq ft per year, while the average rent for B/C properties increased 6.5% YoY to US$6.67 NNN per sq ft per year. Direct available space is limited in the sub-market and concentrated in a small number of buildings, so asking rent growth may be volatile in the coming year.

9.11 Southwest Cook County/Far Southwest Suburbs Sub-market

The vacancy rate in the Far Southwest Suburbs has been rising in recent years mainly due to a prolonged period of significant new supply amid weaker demand. As recently as 2022, the vacancy rate was the tightest in the metropolitan area. Since then, the vacancy rate has increased 410 bps to 5.0%. New leasing activity was relatively strong at 2.7 million sq ft but significant move-outs led to negative net absorption of 91,000 sq ft, with leasing activity being concentrated in properties that were previously occupied.

Rent growth was strong once again, despite the negative net absorption. The Class A average asking lease rate increased 7.1% YoY to US$8.43 NNN per sq ft in 2024, while the Class B/C rate increased 6.7% YoY to US$8.01 NNN per sq ft per year in the same period.

The supply risk going forward should be mitigated by only 0.3% of the inventory being under construction. While the vacancy rate has risen in the sub-market, it is still only 30 bps above the metropolitan average.

9.12 I-39 Corridor/Rockford Sub-market

Along the I-39 Corridor, the Rockford Area is the most distant suburban sub-market from Chicago's city centre. The sub-market is relatively small and has not had significant new construction in several decades, but that changed in 2024 with more than 1.5 million sq ft (4.0% of the market) delivering in the year. After occupied construction deliveries drove net absorption to nearly 1.7 million sq ft, the vacancy rate fell 70 bps to 3.7% at the end of 2024. Class A assets make up just 10% of the inventory and there is no vacant space in any of them.

The estimated average asking rent in Class A assets was up 7.0% YoY to US$5.05 NNN per sq ft per year while the average Class B/C rent was up 6.7% over the same period to US$4.85 NNN per sq ft per year.

As of end 2024, 1.2 million sq ft is still under construction in the sub-market, which accounts for 3.2% of the inventory. The only project underway is a cold-storage/distribution build-to-suit for Wal-Mart, which should boost net absorption and help decrease the vacancy rate when delivered, but that is not expected until 2027.

Independent Market Report

United Kingdom/Europe

BY KNIGHT FRANK LLP, FEBRUARY 2025

1. UK MACROECONOMIC OVERVIEW & OUTLOOK

The overall picture in 2024 has been one of economic resilience. The global battle against inflation has largely been won, interest rates are drifting downwards, and many economies are navigating a soft landing. However, downside risks remain, including geopolitical uncertainties and uneven regional recoveries.

The UK economy performed better than expected in the first half of 2024, demonstrating resilience amid global challenges. GDP expanded by 0.7% in 1Q and 0.4% in 2Q, before stalling in 3Q. However, growth resumed in 4Q with a modest 0.1% expansion. Despite this, the Bank of England has recently halved its 2025 growth forecast to 0.75%, citing a stagnating economy. Inflation is expected to rise to 3.7% in the third quarter of 2025, driven by higher energy prices and government-regulated household bills

Looking ahead, the UK economy is anticipated to regain momentum, although tightening fiscal policy and the lagged impact on household spending are expected to act as headwinds to activity. Despite these headwinds, Oxford Economics forecasts steady growth for the UK, with GDP expected to rise by 1.0% in 2025, 1.6% in 2026, 1.7% in 2027 and 1.8% in 2028

Across the world, global headline inflation continues to decline from its peak, albeit the pace of disinflation has slowed. With lingering stubborn inflation and continually evolving global geopolitics, the path is unlikely to be smooth. In the UK, inflation has steadily declined with CPI falling below the Bank of England's (BoE) 2% target for the first time in three years, reaching 1.7% in September 2024 and has since moderated to 2.5% in December 2024 in line with the BoE's forecasts. Looking ahead, Oxford Economics expects UK inflation to drift up to a peak of 3.5% in 3Q 2025, before returning below the 2% BoE target by 2Q 2030.

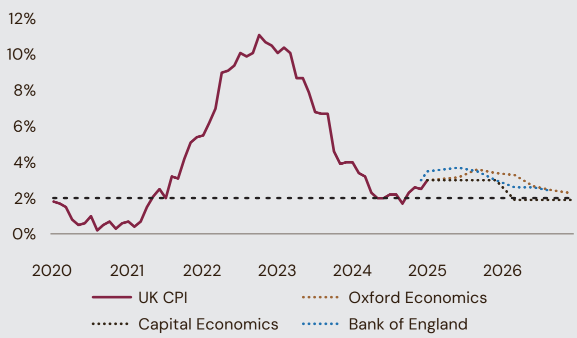
Central banks worldwide have shifted gears, commencing their monetary easing cycles. The BoE, European Central Bank (ECB) and the US Federal Reserve (Fed) have each implemented interest rate reductions, cutting rates within a range of 75– 125 bps. These moves have brought benchmark rates to 2.75% in the Eurozone, 4.50% in the UK and 4.50% in the US. With a lower inflationary environment, markets widely anticipate further rate reductions going into 2025 and 2026. However, expectations for the BoE's trajectory in 2025 remain divided. Capital Economics forecasts three 25 bps rate cuts, bringing rates down to 3.75% by 4Q 2025. In contrast, money markets are currently pricing in 50 bps of cuts, which would leave the UK base rate at 4.00% by year-end.

Over the past year, the UK has experienced a gradual loosening of labour market conditions. The unemployment rate held steady at 4.4% in the three months to December 2024, below market expectations of a rise to 4.5% and remaining well below the long-term average of 6.7%. Wage growth picked up momentum, with annual average earnings (excluding bonuses) accelerating to 5.9% in December, up from 5.6% in the preceding three-month period. Private sector wage growth climbed further to 6.2%, though it remained slightly below the BoE's forecast of 6.3%. Despite the recent uptick in wage growth, forecasters, including the Office for Budget Responsibility, anticipate moderate improvements in the labour market, with the unemployment rate expected to decline to 4.2% in the first quarter of 2025 and further to 4.0% by year-end.

Over the year to December 2024, the volume of retail sales (excl. fuel) rose 2.9%. Consumer spending has shown solid recovery in 2024, with sales values projected to grow around 2% and volumes (number of units sold) by 0.5%. Looking ahead to 2025, spending power is expected to rise at a more gradual pace, supported by low unemployment and sustained wage growth. Knight Frank forecasts retail sales volumes and values to grow by 2.5% in 2025, slightly below the 10-year average of 3.5%.

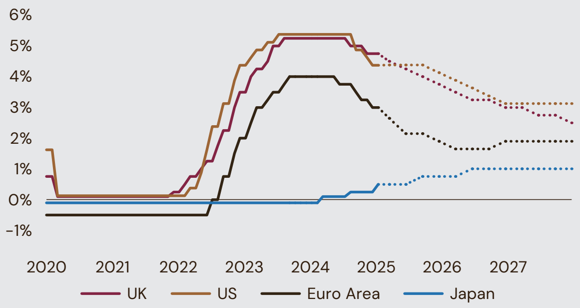
In 2024, the Labour Party emerged as the governing political force, ending 14 years of Conservative rule. Since taking office in early July, Prime Minister Keir Starmer and Chancellor Rachel Reeves have presented an ambitious vision for 'national renewal', centred on driving economic recovery, strengthening public services, and enhancing the nation's infrastructure. Recently, Starmer announced plans to establish the UK as a global leader in AI. The government's *AI Opportunities Action Plan* outlines bold measures, including the creation of AI growth zones, an expansion of the UK's compute capacity, and a £14 billion commitment to develop new data centres.

UK Inflation Forecasts



Source: Knight Frank Research, ONS, Oxford Economics, Capital Economics, Bank of England MPR February 2025

Central Bank Base Rate Forecasts



Source: Knight Frank Research, Macrobond, Oxford Economics

2. UK LOGISTICS MARKET PERFORMANCE AND TRENDS

The UK logistics market in 2024 returned to pre-pandemic dynamics. Following a slowdown in demand in 2023 with below-average take-up, 2024 was a year of stabilisation with take-up levels reverting to pre-pandemic norms.

Occupiers grappled with increased operational costs throughout the year, leading to prolonged decision-making, suspended expansion plans, and an increase in tenant-released supply. Despite these challenges, demand remained steady, with take-up exceeding the volumes recorded in 2023. While in square footage terms, the first and second halves of 2024 (1H and 2H) recorded similar levels of take-up, at approximately 18 million sq ft, the number of transactions increased by 18% in 2H, reflecting a higher frequency of deals in the latter half of the year.

The longer-term outlook for the sector remains one of continued growth. The occupier market remains supported by strong fundamentals – the continued growth of e-commerce and ongoing risks to international supply chains are driving greater reliance on local suppliers and the need to hold additional stock. These trends are expected to fuel expansion prospects for the medium to long term.

After muted activity post-pandemic, 3PLs have begun to return and there are currently several sizable 3PL requirements in the market. Demand from this segment is driven by expansion in retail demand from rising real wages, as well as the drive for efficiencies, ongoing supply chain threats, and the desire to outsource supply chain operations where risks are high and margins are low.

Similarly, manufacturing demand is growing, with examples of the reshoring of production bases rising and generating new space requirements to create supply chain sustainability and greater process automation. The occupier pool is broadening and interest in warehouse space is increasingly coming from alternative sources as new sectors seek to secure space to meet their evolving business needs. This is leading to a shift in demand beyond the traditional industrial and logistics tenants of urban distribution, retail, and manufacturing.

Rising population pressures, increasing incomes, and long-term structural changes in our lifestyles will continue to drive growth in the occupier market. While macroeconomic challenges and margin pressures have prompted businesses to adopt a more cautious, value-driven approach, activity remains steady. Occupiers are prioritising supply chain resilience, automation, and modern facilities with strong ESG credentials.

2.1 UK Stock & Supply

The total standing stock of industrial and logistics properties over 50,000 sq ft increased by 1.6% in 2024, marking a slowdown in growth compared to 3.2% and 3.5% in the previous two years, respectively. Approximately 20 million sq ft of new stock was completed in 2024, including both available space and space that was pre-committed on either a build-to-suit (BTS) or pre-let basis. This represents a decline from the approximate 33 million sq ft that completed in 2023, and 37 million sq ft in 2022.

In terms of current supply levels, the availability of industrial and logistics stock in the UK for units over 50,000 sq ft rose by 35.7% over the 12 months to 4Q 2024, to 83.2 million sq ft. Availability of new space increased by 32.7% YoY as construction works completed on several new developments. The annual rise in second-hand supply of 37.3% was a result of the challenging economic backdrop and inflationary pressures leading to some tenant distress. The overall supply uplift translated into a softer vacancy rate of 7.3% in 4Q 2024, from 5.5% in 4Q 2023. The vacancy rate remains below the 10-year pre-pandemic average of 8.3%, and while vacancy levels may increase further, they are expected to peak in 2025 before starting to moderate.

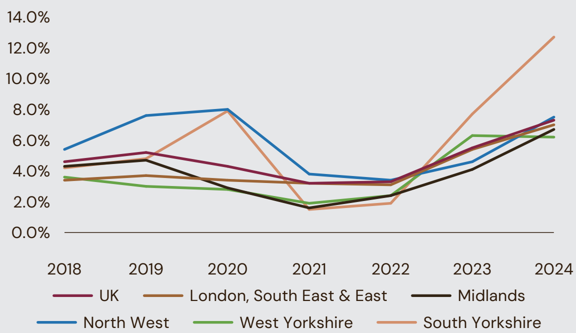
The most significant rise in vacancy has been recorded in the South Yorkshire region. Two years ago, the vacancy rate here was just 1.9%; this has risen to 12.7% in 4Q 2024. In the Midlands, the vacancy rate rose from 2.4% to 6.7%, while the two-year increase in the North West was from 3.4% to 7.5%. Despite the uplift in availability in these markets, certain unit sizes in parts of these regions remain in short supply. For example, Sheffield in South Yorkshire faces a shortage of available stock for units between 50,000 and 250,000 sq ft, the size band where demand is greatest, with only four units available and all are second-hand buildings. Only two units in Sheffield are new-build units, both of which are over 250,000 sq ft.

West Yorkshire shows a different story – the vacancy rate had dipped to sub-2% two years ago. Development activity during 2023 restored inventory levels to 6.3% by year-end. Despite the return of second-hand space and a small handful of development completions during 2024, robust take-up levels in the region left availability at end 2024 roughly on par with the same period last year, with the vacancy rate dipping by 10 bps YoY to 6.2%.

Despite the overall rise in availability, some regions have fared better than others and certain unit sizes and new builds in some locations remain in short supply. Challenges in the development market during the year impacted the delivery of new stock, and the short-term development pipeline is particularly constrained in some regional markets.

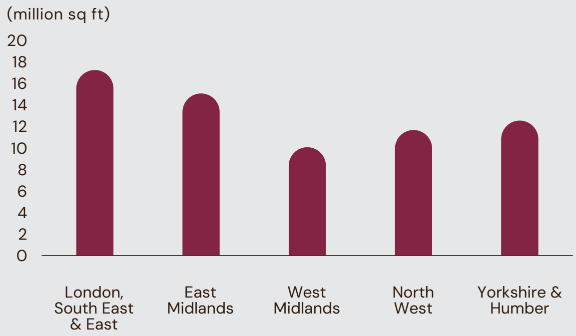
Approximately two-thirds of all space available across the UK is second-hand, and with the occupier focus on high-quality space with strong ESG credentials, some of this will fall short of the fit-out and amenity requirements of many modern occupiers. It may also fall short of tightening Minimum Energy Efficiency Standards (MEES), which apply to commercial landlords and property owners for properties that do not meet the requirement of achieving an EPC rating of C by 2028. Such properties will need refurbishment works to bring them up to standard, which may not be viable for some assets.

Vacancy Rates (Units Over 50,000 Sq Ft)



Source: Knight Frank Research

Regional Availability As At 4Q 2024 (Units Over 50,000 Sq Ft)



Source: Knight Frank Research

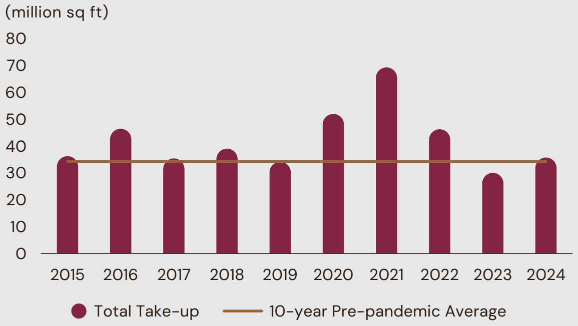
2.2 UK Demand

A total of 35.7 million sq ft was secured by occupiers during the year, which is 19.0% ahead of the 30 million sq ft recorded in 2023 and 4.3% above the 10-year pre-pandemic average of 34 million sq ft (units over 50,000 sq ft).

Occupier activity in 2024 demonstrated increased activity by all four major occupier sectors. Distribution firms accounted for 38% of all floor space taken in 2024, with take-up volumes increasing by 8% YoY. Manufacturing firms represented 29% of the annual total, with volumes rising by 36% annually. While retailers' share of take-up remained stable YoY at 22%, easing inflationary pressures and a renewed sense of confidence resulted in retailers signing 8% more space in 2024 compared with 2023. The occupier market is becoming increasingly diverse, with demand coming from a broader range of sub-sectors. Take-up by non-traditional (Other) occupiers grew by 15% YoY and comprised 11% of the annual total.

While new and modern space remains the focus for most occupiers, the return of second-hand space is providing occupiers with more choices. The share of take-up represented by second-hand space rose to 52% in 2024, (from 48% in 2023 and 32% in 2022), 80% of which was Grade A or B. Take-up of new, speculative space rose by 20% YoY and accounted for 26% of the total, similar to its proportion in 2023. Development and financing cost increases and a slowing speculative development pipeline led occupiers to shift further away from BTS units and pre-let options, and towards existing buildings, including those that have undergone high-quality refurbishments. Notwithstanding this trend, the BTS and pre-let/pre-sale markets performed particularly well in the Midlands region, comprising 38% of Midlands' 2024 take-up, an increase from 26% in 2023 and more than doubling YoY. Five large BTS transactions were completed in the region during the year, four of which were in the East Midlands.

Take-up (Units Over 50,000 Sq Ft)



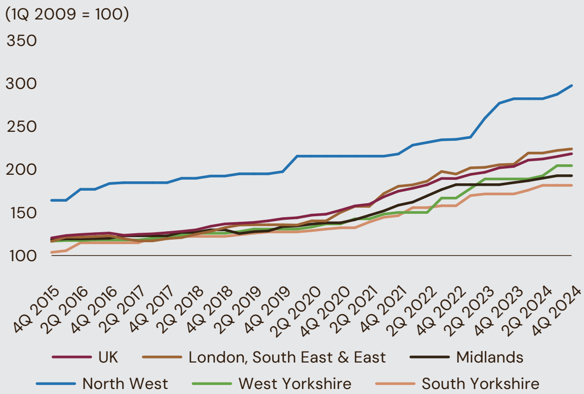
Source: Knight Frank Research

2.3 UK Rents & Incentives

Prime rents remained resilient throughout 2024, with rental growth recorded in all core markets. Landlords held firm on headline rents to protect value, incentives ticked upwards instead, with landlords offering more competitive terms to attract occupiers and minimise void periods.

Prime rents in the UK for units over 50,000 sq ft increased by 8.0% YoY, to just under £12.00 per sq ft, with the pace of growth marginally stronger than 7.0% in 2023. Rents in London, South East & East remained the highest in the UK, with prime rents for units over 50,000 sq ft in West London increasing by 9.1% YoY to £30.00 per sq ft in 4Q 2024. The North West market registered annual rental growth of 15.0% in 2024, standing at £11.50 per sq ft in Manchester at year-end for units over 50,000 sq ft. In Sheffield (South Yorkshire), prime rents for units over 50,000 sq ft grew by 9.8% to £9.00 per sq ft, and in Leeds (West Yorkshire), prime rents rose by 5.1% to £9.20 per sq ft. Annual growth of 9.1% was registered in Birmingham (West Midlands) to £12.00 per sq ft, with prime rents in Northampton (East Midlands) remaining stable YoY at £10.00 per sq ft.

Prime Rent Index (Units Over 50,000 Sq Ft)



Source: Knight Frank Research

2.4 UK Future Supply

Development activity, particularly speculative starts, has been slowing over the past two years due to increased debt and building costs. There is a current pipeline of 24.2 million sq ft that is under construction and expected to complete in 2025 (units over 50,000 sq ft). This estimate includes both available space and space that has already been committed on either a BTS or pre-let basis. Despite relatively high levels of vacancy across the market, the supply constraints in certain size bands and specific locations are helping to provide developers with the impetus to bring new schemes forward.

In terms of speculative development, approximately 13.8 million sq ft of space was under construction by the end of 4Q 2024, down from 15.3 million sq ft in 4Q 2023 and 21.3 million sq ft in 4Q 2022 (units over 50,000 sq ft). This slowdown in development will moderate the delivery of vacant speculative space to the market during 2025, and further planned speculative development, beyond that already underway, is limited.

The development response moving into 2025 varies from region to region; the London, South East & East had the largest pipeline of speculative development at the end of 2024, followed by the West Midlands and North West regions. In London, South East & East, space under construction was 24% higher YoY in 4Q 2024, at 3.5 million sq ft, while the North West saw a 19% annual increase in space under construction, recording 2.6 million sq ft of space. However, many regions experienced a YoY decline in the volume of space under construction in 2024. The East Midlands and West Midlands saw YoY reductions of 40% and 28%, to 1.8 million sq ft and 2.7 million sq ft, respectively. In West Yorkshire, construction activity has fallen significantly, with the only two projects started in 2024 now completed—222,000 sq ft at Baytree Leeds—and no speculative developments underway at present. Meanwhile, seven units are under construction in South Yorkshire, though none are located in Sheffield.

Speculative Under Construction (Units Over 50,000 Sq Ft)

Source: Knight Frank Research

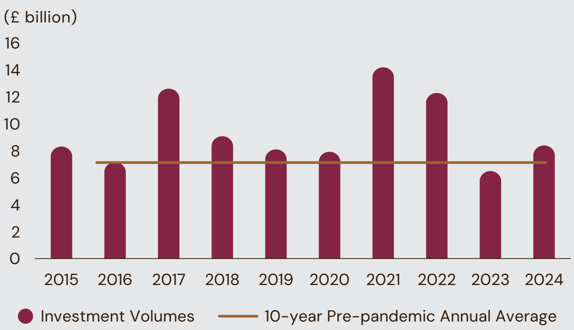
2.5 UK Investment Market

Investment activity in 2024 was very much 'a tale of two halves'. Activity in the first half of the year remained challenged by high financing costs, a gap between purchaser and vendor expectations, and softening yields. Despite a weak start, activity gathered pace during the second half following two BoE base rate cuts which provided confidence to investors around the direction of travel for pricing.

Investment volumes for 2024 reached £8.4 billion. Of this, £4.9 billion (58%) was recorded in the second half of the year and £2.5 billion in the final three months of the year alone. At this level, investment for the year is 29% above 2023 and 18% ahead of the 10-year pre-pandemic annual average of £7.1 billion.

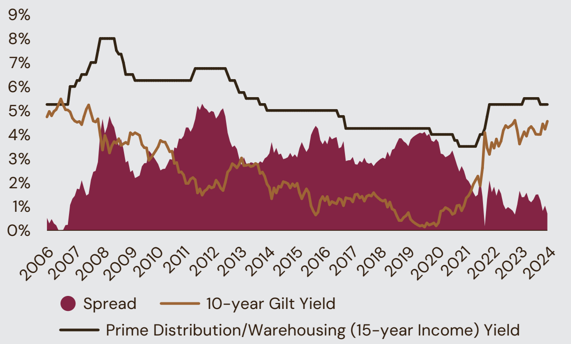
On a regional level, activity in London, South East & East region grew by 53%, while South and West Yorkshire registered investment growth of 67% and 130%, respectively. The final quarter saw some large-scale transactions boost the Midlands total investment, while some competitive bidding and a number of high-profile transactions completed in the North West. However, based on the data that has been recorded so far, volumes in the North West and Midlands regions are roughly the same as the levels recorded in 2023.

Industrial and Logistics Investment Volume



Source: Knight Frank Research, RCA

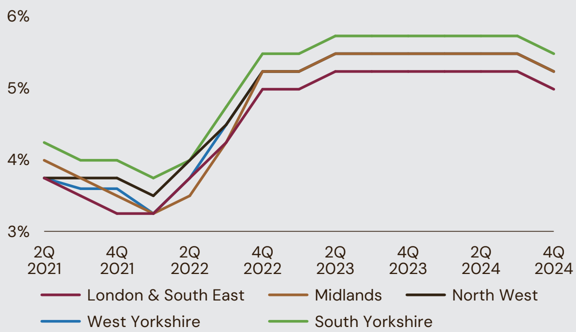
Industrial Prime Yields and Gilts



Source: Knight Frank Research, Macrobond

The repricing in prime yields in 2022 and 2023 was rapid, but the bottom of the market has now passed. Prime yields in London, South East & East market softened by 200 bps between 2Q 2022 and 2Q 2023 – from 3.25% to 5.25% and remained at this level for six consecutive quarters. 4Q 2024 saw the start of the market transition with prime yields sharpening to 5.00%, marking the first compression in a new prime pricing cycle. Similar trends in regional markets saw prime yields in the Midlands, North West, West Yorkshire and South Yorkshire trending 25 to 50 bps higher, but all compressing by 25 bps in 4Q 2024. As borrowing costs fall, gilt yields compress, and transaction volumes gain momentum, we expect some further modest yield sharpening in 2025.

Regional Prime Yields Reprice (15-year Income NIY)



Source: Knight Frank Research

In terms of active capital, the buyer profile remains dominated by cross-border capital, accounting for exactly half the total invested in 2024, though its share of the market declined from 56% in 2023 and 58% in 2022. REITs and Listed Property Companies were far more acquisitive in 2024, accounting for 12% of investment respectively. This compares to 5% and 6% in 2023 and 2022, respectively.

2024 Top Investment Deals in the UK

Property	Region	Price	Yield	Purchaser	Vendor
International Trading Estate, Brent Road, Southall	London, South East & East	£315m	–	Global Technical Realty	Royal London AM
THG Icon, Altrincham	North West	£180m	5.35%	RN3 Partners	Moulding Capital
Questor Industrial Estate, Dartford	London, South East & East	£146.5m	5.16%	Chancerygate	Schroders AM
Western Avenue Business Park, Acton	London, South East & East	£123m	4.07%	Prologis	DTZ Investors
Tesco, DIRFT Central, Daventry	East Midlands	£105.1m	4.24%	Sunrise Real Estate	Canada Life Ltd
Mountpark, Omega II, Warrington	North West	£105m	4.75%	Mirastar	Mountpark
GXO Logistics, Unit M Derby Commercial Park	East Midlands	£86.1m	5.37%	Mapletree	Ares
Co-op, St. Helens	North West	£59m	5.79%	Brookfield	M&G
DHL, Manton Wood, Worksop	South Yorkshire	£54.1m	5.25%	Private Investor	Alpha Real Capital
Premier Park, Trafford Park	North West	£46.9m	3.32%	M&G	Lothbury IM

Source: Knight Frank Research

The latter half of 2024 saw the depth of the buyer pool expanding, not just for prime properties but also for secondary and value-add opportunities. The final quarter in particular was characterised by positive sentiment and busier transactional activity, with strong bidding on high-quality assets and multiple offers for schemes that previously attracted only a few. A significant amount of capital remains poised for deployment, particularly on core income-producing assets. Investors are facing intense competition for assets that offer strong reversionary potential.

2.6 UK Outlook

The outlook for the logistics sector remains positive. Occupier demand in 2025 will remain broadly consistent with the levels seen this year. Approximately 7 million sq ft was under offer at year-end (existing stock and space under construction), representing 20% of take-up in 2024 and 4.0% higher compared with the volume of space under offer at end-2023. Active requirements remain robust across all size bands and regional geographies; these could translate into transactions in the first half of 2025.

The UK's occupier market is highly diverse and, as such, demand for space has a relatively broad base. However, different segments of the occupier market have different drivers and move at different speeds. As a result, 2025 may see shifts in the types of demand and location preferences. The occupier market is underpinned by strong fundamentals, driven by e-commerce growth and supply chain risks, which are increasing occupiers' reliance on the need for additional stock. These trends continue to drive expansion prospects for the medium to long term. However, in the near term, most operators will face rising operating costs in 2025, with energy and labour costs both set to rise. This may prompt some firms to put their business expansion plans on hold.

As operators contend with rising costs, we may continue to see cases of business restructurings and bankruptcies. However, for some operators, these increasing costs will boost appetite for automation and efficiency improvements, and, in some cases, this may require upgrades to facilities.

Occupier demand remains focused on the best-quality assets. This is anticipated to result in 'best-in-class' assets continuing to outperform the wider market in terms of rental growth.

In 2024, warehousing supply grew as new builds reached practical completion and second-hand space returned to the market. Despite this, the UK vacancy rate remains below the pre-pandemic average, with some areas still lacking 'best-in-class' stock. Slowing new stock delivery in 2025 is expected to stabilise the vacancy rate, heighten competition and drive further rental growth, particularly for prime stock.

Key Market Forecasts

Average Rental Growth	2024	2025	2026	2027	2028	5-YR CAGR (2024-2028)
UK	5.7%	4.0%	2.9%	2.7%	2.8%	3.6%
London	5.1%	4.4%	3.7%	3.5%	3.5%	4.1%
South East	6.4%	4.6%	3.3%	3.0%	3.1%	4.1%
Eastern	5.5%	4.2%	3.1%	2.8%	2.9%	3.7%
East Midlands	4.5%	3.4%	2.4%	2.1%	2.2%	2.9%
West Midlands	5.2%	3.6%	2.5%	2.3%	2.5%	3.2%
North West	6.9%	4.5%	2.8%	2.3%	2.3%	3.8%
Yorks & Humber	5.6%	3.8%	2.4%	2.0%	2.1%	3.2%

Source: RealFor, MSCI

Forecasts indicate that average rents for UK industrial will continue to rise over the next five years, albeit at a slower rate. RealFor forecasts that average rents in the UK grew by 5.7% in 2024, based on the latest 4Q 2024 forecasts. A more moderate growth rate of 4.0% is forecast for 2025 (albeit revised up from 3.7% in the previous quarter's forecasts), with rental growth slowing to 2.9% in 2026. Although rental growth is slowing in the industrial sector, expectations far exceed those for other sectors, with 2.6% average rental growth forecast for UK offices this year (2025).

More granular analysis shows that the North West region is expected to have seen the most substantial rental growth for 2024 of 6.9%, followed by the South East (6.4%), the South West (5.7%), and Yorkshire & the Humber (5.6%). The Eastern region is forecast to have recorded 5.5% growth, while 5.2% and 4.5% are predicted for the West and East Midlands, respectively. For 2025, the largest rental growth is also expected for the South East, North West and London, of 4.6%, 4.5% and 4.4%, respectively. London and the South East lead rental growth expectations over the five-year forecast (2024-2028), with a 4.1% compound annual growth rate (CAGR) predicted for both markets.

On the investor side, positive sentiment, a broadening buyer pool, lower debt costs and robust prospects for rental growth, are all likely to lead to a rise in industrial investment volumes in 2025. While higher UK gilt yields at the start of the year have tempered momentum slightly, the fundamentals of the sector remain positive, and investors continue to favour the sector over other asset classes.

Prime pricing stabilised throughout most of 2024 before trending positive in the final quarter, albeit the performance gap between prime and secondary assets may continue. Occupational performance will be the predominant driver of real estate returns in 2025. According to the latest forecasts from RealFor, the UK industrial and logistics sector offers stronger rental growth and capital appreciation prospects than other commercial real estate sectors.

RealFor's capital value forecasts for 2024 show growth of 2.7% for the UK, with higher growth rates of 4.6% and 4.1% predicted for 2025 and 2026, respectively. Capital value growth forecasts are driven by GDP and employment (both general and manufacturing), consumer spending and CPI inflation.

Key Market Forecasts

UK	2024	2025	2026	2027	2028
Capital Value Growth	3.7%	6.0%	4.2%	3.3%	2.2%

Source: RealFor, MSCI

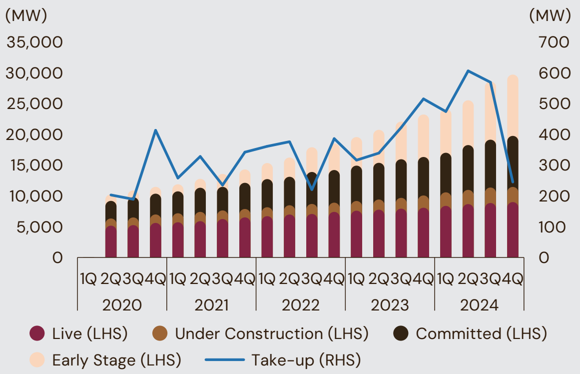
3. UK & EUROPEAN DATA CENTRE MARKET

Data centres continue to be one of the most exciting real estate asset classes across Europe, with demand for data centre capacity outstripping supply. Colocation vacancy rates across Europe have fallen to 8.1%, a 0.2 ppt reduction on vacancy rates recorded at the end of 2023. The FLAP-D markets – Frankfurt, London, Amsterdam, Paris, and Dublin – continue to dominate deployment across Europe. 594 megawatt (MW) of new data hall space was deployed across Europe, 58% of which was focused in the FLAP-D markets.

Take-up has remained strong despite challenges regarding the availability of new capacity, with Europe recording 1,380 MW of space transacted during the year. However, owing to issues surrounding the provisioning of live IT capacity, the act of pre-leasing is become an ever-prevalent trend in Europe. During 2024, 11% of leasing transaction were against built IT space, with the remaining 89% (1,227 MW) comprising pre-lease agreements. Europe's under construction pipeline is 60% pre-let, alongside 25% of the market's medium-to-long-term capacity also being pre-let.

AI continues to be a key talking point amongst data centre operators, brokers, investors and developers. Europe has seen a 300% uptick in AI leasing activity amongst colocation facilities, with 107 MW worth of dedicated AI space transacted during the year. These specialised deployments have seen requirements for space diversify beyond secondary markets, with activity recorded in key European markets in London and Paris. However, power limitations continue to be an ever-present issue amongst these key European markets, with these issues compounded by the dense energy requirements associated with AI.

UK and European Supply and Take-up

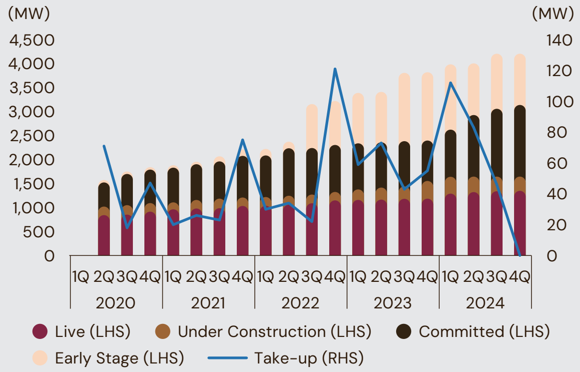


Source: Knight Frank Research/DC Byte

3.1 London (UK) Data Centre Market

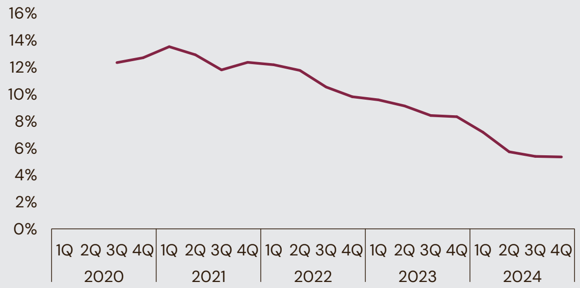
London, Europe's largest data centre market and the second largest colocation market in the world, has seen healthy growth in its data centre market following on from a tempered prior year. 163 MW was energised over the course of 2024, representing a 13.8% uptick in volumes recorded at the end of 2023. This is ahead of the average European growth rate of 11.4%, with growth in London accounting for 17.7% of total deployment across Europe. London's long-term pipeline has topped 2.5 gigawatt (GW), the largest pipeline volume in Europe. 91 MW worth of projects-initiated construction, alongside the continued development on a further 206 MW.

London Supply and Take-up



Source: Knight Frank Research/DC Byte

London Vacancy

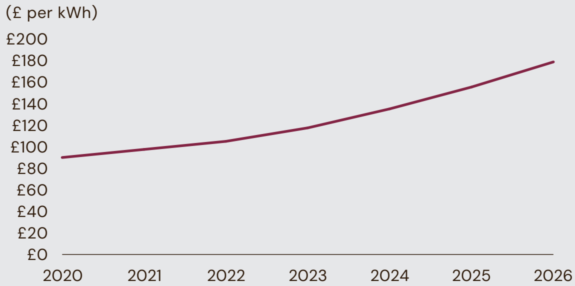


Source: Knight Frank Research/DC Byte

Vacancy rates in London continue to fall as supply constraints, combined with ever-growing data demand pressures, resulted in continued absorption of any availability within the market. As of 3Q 2024, more space had been transacted in London over the first three quarters of the year than was transacted during 2023 as a whole. This has pushed vacancy rate down to a record low of 5.3%. London fosters a sizeable legacy retail colocation scene. When excluding these vacant volumes, which can skew market vacancy rates, market vacancy drops to 2.6%.

London's construction pipeline represents 12.1% of total construction volumes across Europe, a fall from the 19.0% representation recorded at the end of 2023. Microsoft's 96 MW Bashley Road development remains the largest ongoing project in the market, capacity at which is aimed at servicing London's growing cloud-AI scene. Vantage is engaged in a further 32 MW expansion to its Cardiff deployment, whilst Yondr is working on its second phase, a 30 MW capacity deployment at its Wexham Road site which will be occupied by Microsoft.

London Wholesale Colocation Pricing

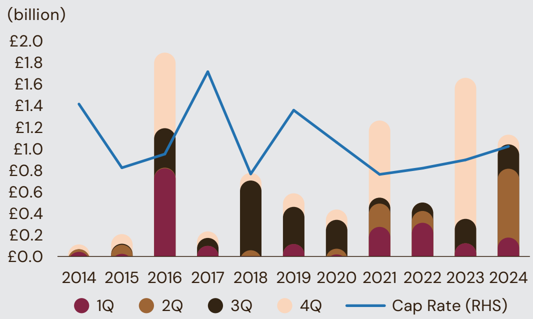


Source: Knight Frank Research

Colocation rents are expected to rise by 100% between 2020 and 2026, with annual increases of 10% – 15%. A slowdown in 2028/2029 could potentially occur should power from the Iver-B substation be confirmed. This surge in colocation pricing is an indication of the heightened tension between increased demand from hyperscale tenants seeking larger deployments and supply constraints. Wholesale pricing is currently between £120 – £135 per kWh, with two hyperscale deals currently in negotiation at £130 – £135 per kWh. Retail pricing is far less predictable but has witnessed a similar uptick in pricing this year, currently settling at £200 per kWh.

£1.13 billion was transacted in the UK data centre sector during 2024. Although this represents a 32% decline in transactions when compared with 2023 volumes, the previous year was bolstered and skewed by a major portfolio purchase in the fourth quarter. 2024 did not benefit from any major portfolio purchases, instead accumulating a healthy volume of single asset sales. The largest transaction of the year was KKR's £315 million purchase of the International Trading Estate in Ealing, West London, which KKR plans to redevelop into a new hyperscale data centre campus. Other notable transactions include Digital Realty's £158 million purchase of two sites on the Slough Trading Estate, Ark's £125 million purchase of a 100 MW site in Bushey, Hertfordshire, and Blackstone's £110 million acquisition of the BritishVolt in Northumberland, plans for which feature a new AI data centre campus.

London Investment Volumes

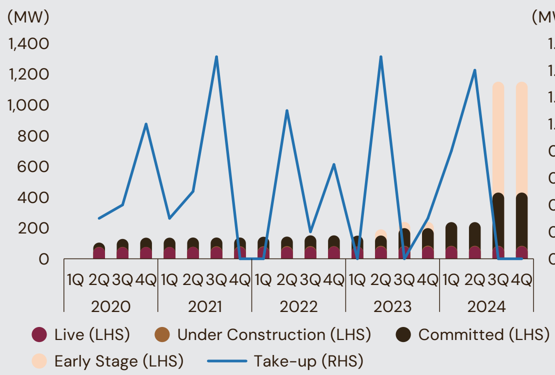


Source: Knight Frank Research/RCA

3.2 Manchester (UK) Data Centre Market

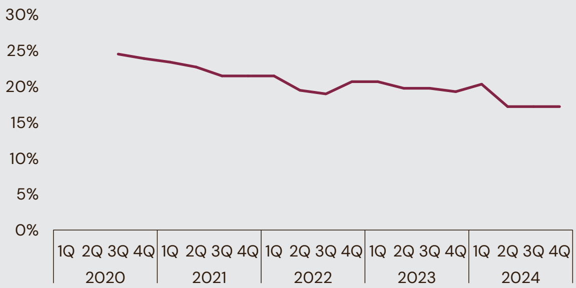
Manchester is the second largest market in the UK, however it represents only 3.5% of the UK's live colocation capacity. The market is home to global colocation providers, such as Equinix. In 2Q 2024, Blackstone acquired a site in Northumberland where it plans to develop a 750 MW AI data centre campus. However, plans are unlikely to be realised until the 2030s. There has been segmented development in the market over the course of 2024, with less than 2 MW of new live IT capacity being added. Construction pipelines remained stagnant with no new projects breaking ground. KAO Data acquired power for its upcoming 40 MW development, however construction has not commenced as at end-2024. The majority of market activity is focused on long-term decade-long developments, including the 750 MW deployment from Blackstone in Northumberland and a new 192 MW campus from Microsoft located east of Leeds.

Manchester Supply and Take-up



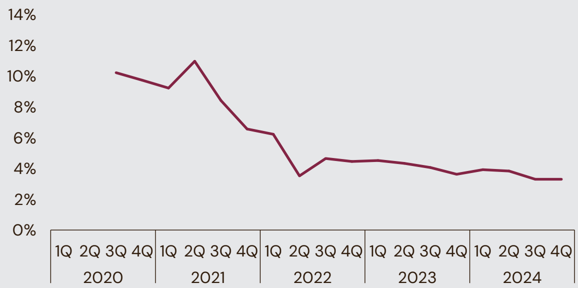
Source: Knight Frank Research/DC Byte

Manchester Vacancy



Source: Knight Frank Research/DC Byte

Paris Vacancy

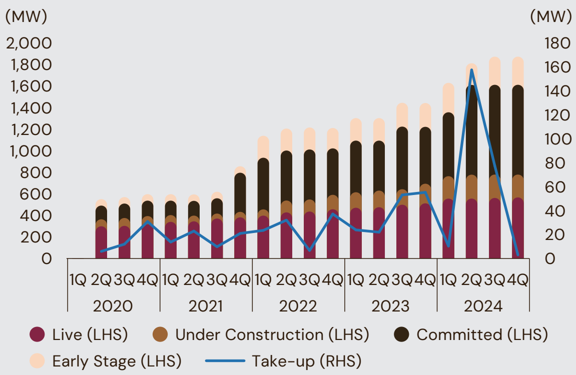


Source: Knight Frank Research/DC Byte

3.3 Paris (France) Data Centre Market

The Paris data centre market has remained the fifth largest in Europe. Having previously fallen behind its FLAP-D counterparts, the market saw the second fastest rate of growth amongst FLAP-D markets with 10.8% growth of live IT over the course of 2024. 55 MW of new IT capacity was added during 2024, bringing total live market capacity to approximately 564 MW. Developing under the radar are subscale cloud providers that are looking to expand further into Europe, to which France is home to one of the largest subscale providers – OVH. All these dynamics have the potential to push demand for data centre colocation.

Paris Supply and Take-up

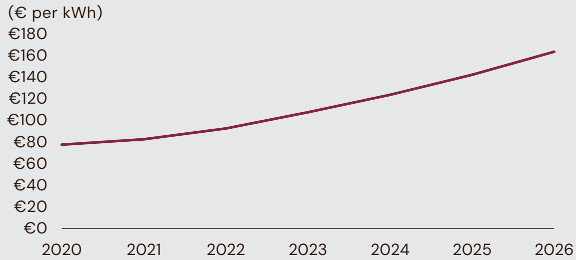


Source: Knight Frank Research/DC Byte

Vacancy rates in Paris, as with many other European markets, continue to fall, with Paris being one of the most supply constrained markets in Europe. The vacancy rate in Paris is currently 3.8%, representing even higher supply constraints than markets such as London. There exists less than 2 MW of available wholesale colocation capacity in Paris, resulting in the market being unable to satisfy any cloud demand in the short term. Data centre development in North Paris has become extraordinarily difficult due to a lack of appropriate land and available power. Recent power shortages in the north of the city, combined with zoning restrictions implemented for the 2024 Olympics, compounded issues for providers and others seeking to build in this region over 2024.

Construction volumes in Paris represent 8.8% of total construction volumes in Europe, and despite being the smallest FLAP-D market, Paris has the third highest volume under construction. CloudHQ's Lisses campus is currently the largest project in development in the region, with 74.4 MW under construction and 74.4 MW in the pipeline. This is followed by DATA4, which has a 60 MW expansion to its PAR1&2 site and due to complete in 1Q 2025.

Paris Wholesale Colocation Pricing

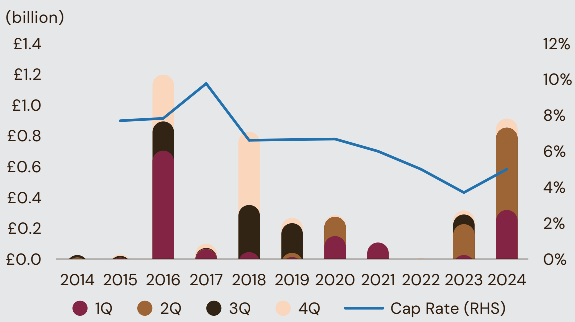


Source: Knight Frank Research

In line with general European trends, combined with falling market availability and a lack of pipeline in the near future, colocation rents are seeing annual increases of 10% -15% and expected to grow 111% between 2020 and 2026. Pressure is not expected to relax until 2026, post the Olympics demand spike and once a suitable portion of new supply can attain power. Wholesale pricing is currently between €110 – €120 per kWh, with expectations for pricing to be north of €160 per kWh by 2026. A hyperscale deal between €110 – €115 per kWh is currently in negotiation.

€912 million worth of data centre transactions occurred in France in 2024, nearly triple the volume recorded in 2023. The largest transaction of the year was Morgan Stanley's €535 million acquisition of Altice France's new UltraEdge colocation business, a portfolio consisting of 257 data centres totalling 45 MW. Other notable transactions include Blackstone's €149 million acquisition of Digital Realty's PAR13 facility in 1Q 2024 and an €100 million acquisition of a portfolio of Orange assets. Digital Realty purchased a 828,000 sq ft development site in Paris for €70 million, upon which it plans to develop a 77 MW data centre.

Paris Investment Volumes

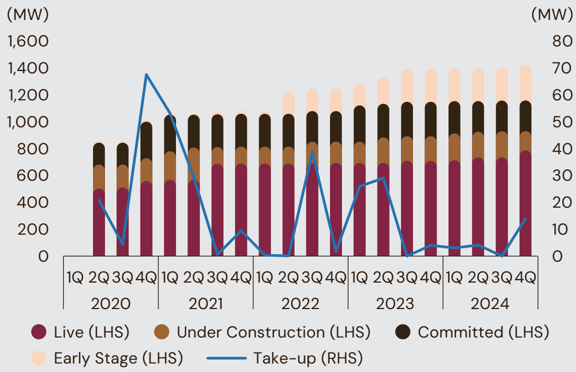


Source: Knight Frank Research/RCA

3.4 Amsterdam (The Netherlands) Data Centre Market

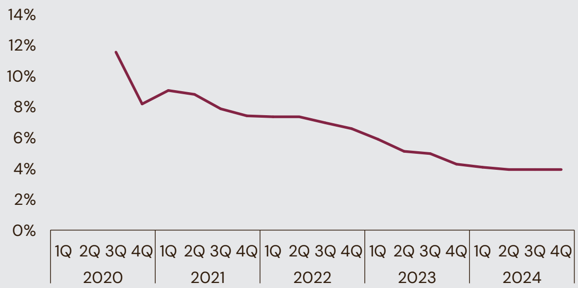
Despite being the third largest market in Europe and the FLAP-D block, Amsterdam hosts the smallest pipeline of all FLAP-D markets, with less than 500 MW in its combined committed and early-stage pipelines. All other FLAP-D market host long-term pipelines in excess of 1GW. Prior to the data centre moratorium in 2019, Amsterdam was on track to become the fastest growing FLAP-D market, having grown at 19.2% annually during the three years leading up to this. Since then, the market has experienced near flat growth, with live IT expanding at a CAGR of only 2.4% between 2021 and 2023. As a result of the strict power and planning regulation in place, live IT capacity is expected to grow less than 1% in 2024.

Amsterdam Supply and Take-up



Source: Knight Frank Research/DC Byte

Amsterdam Vacancy

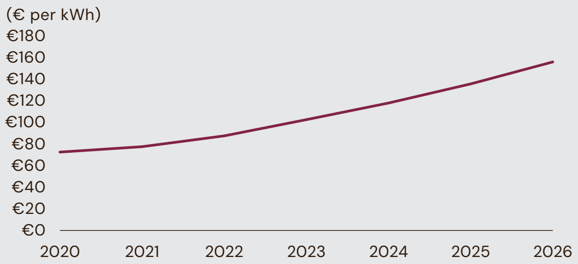


Source: Knight Frank Research/DC Byte

Colocation vacancy in Amsterdam is presently 4.9%, making it one of the most supply-constrained markets in Europe, and the third most constrained in the FLAP-D block. As with many core markets across Europe, sites with less than 2 MW of availability will be unable to attract any hyperscale cloud demand. Vacancy in Amsterdam, when excluding single-site availability of less than 2 MW, falls to less than 1%, with this rate falling further to 0% when considering only sites with more than 5 MW availability.

Construction volumes in Amsterdam are the smallest in the FLAP-D block, with 182 MW under construction across the regions of Amsterdam and Middenmeer. Construction in Amsterdam is heavily constrained by local regulations that came into affect following the 2019 moratorium. The municipalities of Amsterdam and Haarlemmermeer were subject to strict 10-year annual power allocation, limiting growth to a maximum of 70 MVA and 67 MVA respectively. Local grid operator TenneT has also confirmed that there will be no new demand capacity made available until key infrastructure upgrade works can be completed, which are not due for completion until 2031.

Amsterdam Wholesale Colocation Pricing

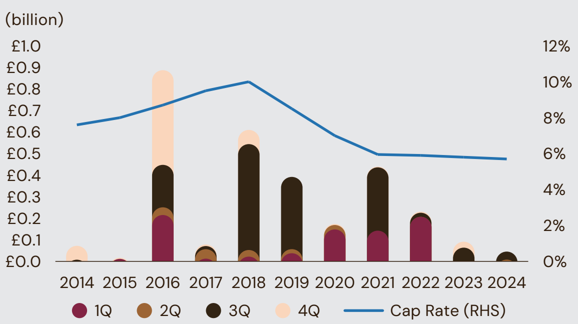


Source: Knight Frank Research

Despite being one of the cheaper FLAP-D markets historically, the recent squeeze on supply has seen annual rental increases in the region of 15% – 20% in 2024. Wholesale pricing in Amsterdam is currently €110 – €125 per kWh, however this is expected to rise sharply over the coming years. At the close of 2024, there exists a hyperscale deal currently in negotiation between €135 – €140 per kWh.

Transactions in the data centre sector in Amsterdam for 2024 totalled €45 million, a 50% decrease from volumes recorded in 2023. A heightened supply-demand imbalance has resulted in existing operators being uninterested in offloading assets in the market, as they will not be able to replace these and maintain their current footprint. A lack of power availability has also reduced the feasibility of development sites in the city, given that operators will be unable to acquire any sizeable power for these locations until the mid-2030s. The only notable transaction of the year was Digital Realty's purchase of the AMS8 facility from AXA Group, where it is already the existing tenant.

Amsterdam Investment Volumes

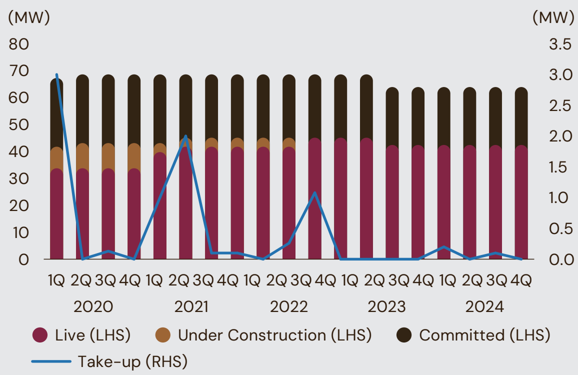


Source: Knight Frank Research/RCA

3.5 Geneva (Switzerland) Data Centre Market

Despite being a small market within Europe, Switzerland offers many unique features not found in most locations across Europe. Renowned for its strong commitment to data privacy and sovereignty, combined with its robust data protection laws, the country has become a prime location for data centres. Its central position enables businesses to effectively connect with most major European markets, reducing latency and improving data transfer speeds. Additionally, the country's mountainous terrain offers natural protection against physical threats, making it an attractive option for disaster recovery and backup facilities. However, no new facilities were deployed in Geneva in 2024, resulting from the market's niche sector demand and small cloud market. Take-up has also been unremarkable, with less than 0.5 MW transacted over the course of the year due to limited availability.

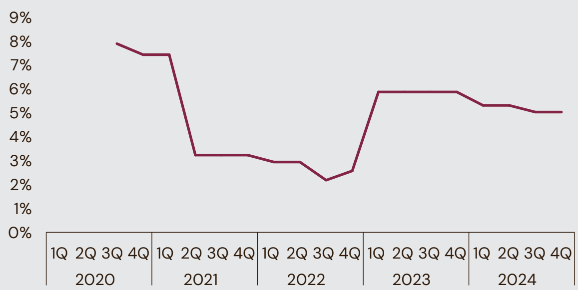
Geneva Supply and Take-up



Source: Knight Frank Research/DC Byte

There exists only 1.8 MW of availability in Geneva, resulting in a vacancy rate of 5.0% which is in line with core European markets such as the FLAP-D block. The small capacity available is incapable of attracting any hyperscale demand. Wholesale capacity remains in its infancy in Geneva, currently offered in only one facility.

Geneva Vacancy



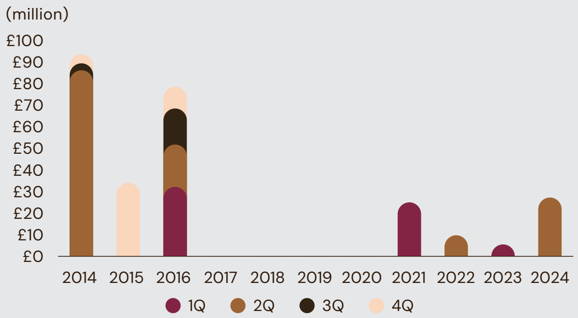
Source: Knight Frank Research/DC Byte

Construction volumes in Geneva have remained stagnant over the course of the year, with no projects currently in development. The largest pipeline project is STACK Infrastructures 20 MW Phase Two development at its wholesale focused GEN02 facility.

Consequently, pricing has become unpredictable within this market. However, given the homogeneity of the product offered by data centres, estimates would be in the €100 – €110 per kWh range, with a 10% – 15% annual increase in 2025. Wholesale pricing is currently €105 – €110 per kWh, with the latest hyperscale deals completing at €107.50 per kWh.

No data centre assets were transacted during 2024. The only notable transaction was a €27 million acquisition of a tech office block, plans for which include the potential redevelopment into a data centre.

Geneva Investment Volumes



Source: Knight Frank Research/RCA

Important Notice

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