MARKET OVERVIEW

1. SINGAPORE ECONOMIC OVERVIEW

Singapore's economic growth slowed in 2022 amidst global uncertainty

Singapore's Gross Domestic Product (GDP) expanded 3.6% yoy in 2022[1], slower than the 8.9% growth in 2021.

The prolonged Russia-Ukraine conflict and China's COVID-Zero policy have affected global supply chains, disrupted global energy supply, and led to an increase in commodity prices and utility costs, resulting in global inflation. The 2022 Singapore consumer price index ("CPI") rose by 6.1%, which is significantly higher than the 2.3% increase in 2021. The median monthly household income also grew 6.1% in nominal terms, to S$10,099 in 2022.

Population grew 3.4% yoy to 5.6 million in 2022. Overall unemployment rate was 2.1%[2] in 2022, 0.6 percentage points lower than 2021.

The total retail sales index[3] (excluding motor vehicles) for December 2022 registered a 5.8% yoy growth. The increase was driven by a yoy boost in discretionary spending across Food & Alcohol (27.8% increase yoy), Watches & Jewellery (19.2%), Wearing Apparel & Footwear (16.5%), and Cosmetics, Toiletries & Medical Goods (11.5%). The F&B[4] index grew 5.9% yoy.

Growth expected to taper in 2023

Global economic uncertainties are likely to persist in the short-to-mid-term. The Ministry of Trade and Industry forecasts Singapore's GDP to grow slower at 0.5% to 2.5% in 2023. While the increase[5] in GST[6] could impact consumer spending in 2023, measures such as the S$6.0 billion Assurance Package and S$1.5 billion Support Package will help to cushion the impact.

Tourism market benefitting from reopened borders

With the reopening of international borders, Singapore Tourism Board (STB) recorded 6.3 million international arrivals in 2022, 18.1 times higher than in 2021. Indonesia, India and Malaysia are amongst the top visitor arrivals at 17.5%, 10.9% and 9.4% of total visitors respectively.

The total tourism receipts from January to September 2022 was S$9.0 billion, representing a 653.0% yoy[7] increase. STB's full year 2022 estimate for tourism receipts is between S$13.8 billion and S$14.3 billion.

STB has set aside S$500 million to support the tourism sector, including the SingapoReimagine Marketing Programme, which encourages cross-sector collaboration to boost tourism. In addition, with China reopening its borders from 8 January 2023, retail sales in Singapore is expected to improve in 2023.

STB forecasts 2023 international visitor arrivals of 12 million to 14 million, and tourism receipts of S$18 billion to S$21 billion in 2023. The expected international arrivals is expected to be approximately between 60% and 70% of the levels of tourism arrivals in 2019 (19.1 million).

STB thereafter expects tourism to fully recover to pre-pandemic levels by 2024. This will likely provide a boost to retail sales in tourist-dependent retail submarkets like Orchard Road.

2. SINGAPORE RETAIL MARKET

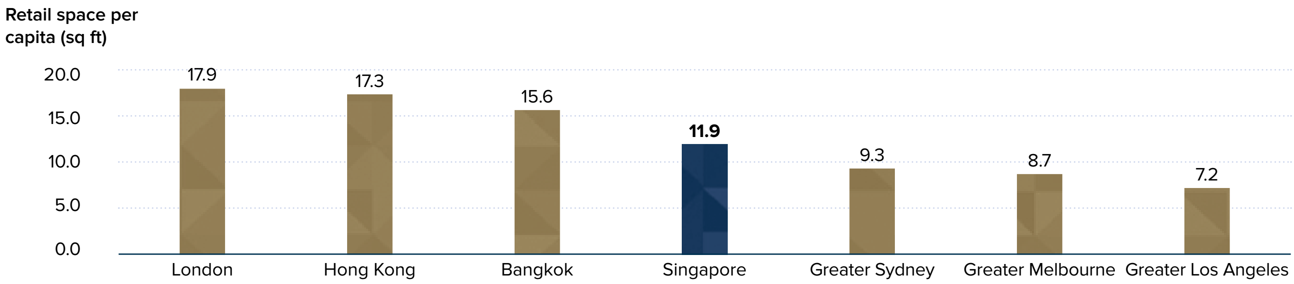
2.1 RETAIL MARKET OVERVIEW

Minimal new additions, lower retail space per capita vs other developed cities

As at 4Q 2022, island-wide retail supply increased 0.6% yoy to 67.1 million sq ft. 74.4% of the total retail supply is privately owned. The retail space per capita for Singapore is estimated at 11.9 sq ft per capita. Orchard Road retail stock increased 0.4% yoy to 7.3 million sq ft in 4Q 2022, representing 14.6% of the total private retail stock.

1 All data used in this report is as at 21 February 2023.
2 Preliminary
3 Retail Sales Index (2017=100), in Chained Volume Terms (seasonally adjusted), Monthly, SA (SSIC 2015 Version 2018). This is in real terms and does not include the effects of inflation
4 Food & Beverage Services Index, (2017 = 100), In Chained Volume Terms, Monthly, Seasonally Adjusted
5 GST will increase from 7% in 2022 to 8% in 2023 and 9% in 2024
6 Goods and Services Tax
7 YoY increase over the same period in 2021

CHART 1: RETAIL SUPPLY PER CAPITA OF DEVELOPED CITIES 2022[8]



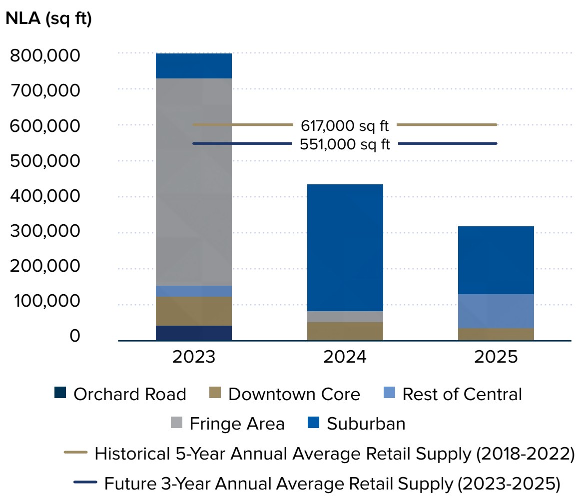
Source: CBRE, GOV.UK, Rating and Valuation Department, Property Council of Australia, Singstat, Australian Bureau of Statistics, United States Census Bureau

Future retail supply lower than historical average supply

The total retail pipeline supply from 2023 to 2025 is projected to be 1.7 million sq ft, of which 42.8% will be completed in suburban locations. Notable upcoming retail supply includes the Sengkang Grand Mall, One Holland Village, The Woodleigh Mall, Pasir Ris Mall and the completion of asset enhancement initiative (AEI) works at Shaw Plaza Balestier.

The future average pipeline supply of 551,000 sq ft per annum, is lower than the historical average of 617,000 sq ft per annum.

CHART 2: FUTURE RETAIL SUPPLY (2023 – 2025)



Source: CBRE, URA

Island-wide occupancy and rents raised in 2022

Island-wide occupancy increased by 1.0 percentage point yoy to 92.9% in 4Q 2022, with island-wide net absorption for the past twelve months at 1.0 million sq ft. With the progressive recovery of visitor arrivals, alongside limited supply within the submarket, Orchard Road's occupancy rate increased to 90.7% in 4Q 2022, a yoy expansion of 1.7 percentage points.

Similarly, suburban occupancy rate increased by 0.7 percentage points yoy to 96.2% in 4Q 2022.

Island-wide prime retail rents increased 1.6% yoy to S$25.15 psf/month in 2022, which is a turnaround from the 2.2% yoy contraction in the preceding year. Orchard Road and suburban prime retail rents[9] grew 1.0% and 2.3% yoy to S$34.55 and S$30.80 psf/month respectively in 2022.

2.2. CATCHMENT OVERVIEW

Return of tourists will benefit Paragon

Paragon is located along Orchard Road, the prime shopping belt for residents and tourists. This includes the Orchard Planning Area (primary catchment), Newton and Tanglin Planning Areas (secondary catchment). A majority of the 33,000 residents[10] in these areas live in private housing (98.7%). The tourist market is another main catchment for Paragon as Orchard Road is a popular tourist destination. Paragon could potentially be a key beneficiary of the reopening of borders, with a steady increase in tourist arrivals noted since April 2022.

8 **London:** Derived from the internal floor area of retail sector floorspace, Office of National Statistics and Population Census 2021, **Hong Kong:** Derived from retail premises and other premises designed or adapted for commercial use, with the exception of purpose-built offices, Rating and Valuation Department and Brand Hong Kong, **Bangkok:** Derived from CBRE total retail supply and Bangkok Post, **Singapore:** Derived from CBRE islandwide retail supply and Singapore Department of Statistics, **Greater Sydney:** Derived from gross lettable area, Property Council of Australia and Australian Bureau of Statistics, **Greater Melbourne:** Derived from gross lettable area, Property Council of Australia and Australian Bureau of Statistics, **Greater Los Angeles:** Derived from CBRE total retail supply and U.S. Census Bureau.

9 Retail rental rates are quoted on a gross basis (inclusive of service charge)

10 Source: Singapore Department of Statistics, as of end June 2022

The Clementi Mall's catchment expected to increase in the next 3 years

The Clementi Mall is located in a matured residential estate whose catchment includes the Clementi Planning Area (primary catchment), Bukit Timah and Queenstown Planning Areas (secondary catchment).

The Clementi Planning Area has approximately 93,500 residents[11]. Approximately 9,700 new residential units are expected to complete over the next three years, translating to a potential increase of about 30,000 new habitants[12].

There is also an estimated total student population of 110,000 within the catchment area.

The Rail Mall will see growth in both residential & visitors catchment

The Rail Mall serves about 300,000 residents within its catchment across Bukit Batok and Bukit Panjang, 18.7% of them live in private housing[13].

Approximately 1,900 new private residential units are estimated to be completed by 2025, translating to a potential population increase of approximately 5,700 new habitants.

In addition, the total student population within the vicinity is estimated at 35,000.

Additional catchment includes visitors to The Rail Corridor, a former railway line that is now a popular nature trail stretching from Tanjong Pagar to Kranji.

2.3 INVESTMENT MARKET FOR RETAIL ASSETS

S$5.1 billion worth of retail assets transacted in 2022[14]

The total transacted value for retail assets in 2022 was S$5.1 billion[15], a 555.5% increase from 2021. Major transactions included Lendlease Global Commercial REIT's acquisition of a 68.2% stake in Jem for S$1.4 billion (S$2,329 psf based on NLA) in 1Q 2022, Fraser Centrepoint Trust's acquisition of a 10.0% stake in Waterway Point for S$132.3 million (S$3,398 psf based on NLA) and Fortune REIT's acquisition of Stars of Kovan for S$88.0 million (S$3,887 psf based on NLA) in 3Q 2022.

Retail yields have remained similar to 2021. As at 4Q 2022, suburban retail yields ranged between 4.8% and 5.3%.

2.4 RETAIL OUTLOOK

Experiential retail and green retail continue to drive the retail market

The proportion of online retail sales[16] in Singapore (excluding motor vehicles) was 14.2% in December 2022, a 1.9 percentage points decline from December 2021, but 6.6 percentage points higher than the period before COVID-19. Compared to other countries, Singapore's online retail sales is similar to that of the U.S.A (14.7%)[17] in 4Q 2022, and higher than that of Australia (10.4%)[18], but lower than that of the UK (25.4%)[19] and China (31.3%)[20] for the same period.

The elevated proportion of online sales indicates that consumers have shifted towards online channels, particularly since the onset of the pandemic. This has led to the adoption of omnichannel approaches. The expectations of consumers have also risen as they look for unique experiences that online channels are unable to provide. Many landlords have had to reinvent their customer experience and introduce creative placemaking to attract shoppers. These included pop-up stores, activity-based tenants and omnichannel-enabled retailers.

In addition, consumers are increasingly more aware of their carbon footprints, and an increasing number now prefer brands that commit to environmental sustainability. While landlords are increasingly working towards their sustainability goals, retailers are also introducing green retail concepts to attract the environmentally-conscious consumer.

11 Source: Singapore Department of Statistics, as of end June 2022. Residents comprise Singapore citizens and permanent residents
12 New habitants could potentially comprise Singapore residents and non-residents
13 Private housing includes 'Condominiums and Other Apartments', as well as 'Landed Properties'
14 The figure does not include the transaction of the mixed use development at 28 and 30 Bideford Road
15 The figure does not include the transaction of the mixed use development at 28 and 30 Bideford Road
16 Out of the total sales of the respective industry
17 Source: Census.gov
18 Includes both Food and Non-Food online retail sales
19 Source: Office of National Statistics, United Kingdom
20 Source: National Bureau of Statistics of China

A resilient retail outlook

While economic and local challenges, e.g. labour shortages, may compel retailers to exercise prudence in their expansion plans, the return of international visitors will continue to drive retail demand going forward, especially in the Orchard Road submarket. The performance in the suburban market will likely continue to remain resilient amid strong demand from its local catchment and limited supply. Furthermore, the below-historical average retail supply in the next few years, coupled with resilient consumer sentiments, would likely contribute to retail demand and keep island-wide retail vacancy tight. This will support rent recovery in Orchard Road in 2023, while also pushing up rent in the Suburban market.

3. SINGAPORE MEDICAL SUITE PROPERTY MARKET

3.1. INDUSTRY TRENDS

Singapore's total healthcare market in 2022 is estimated to be worth approximately S$21.7 billion[21]. According to the Medical Tourism Index 2020 – 2021[22], Singapore is ranked second globally out of 46 destinations.

Aging population and rising affluence will increase demand for quality healthcare services

Singapore has one of the highest life expectancy in the world. The average life expectancy in 2021 was 83.5 years[23] and is likely to increase over time with medical advancement. The proportion aged 65 years and above is expected to grow from 16.6% in 2022 to 25.0% by 2030. Additionally, according to Credit Suisse, the proportion of millionaires (USD) to the total population in Singapore was 5.3% in 2021. The number of millionaires in Singapore is projected to increase by 61.9% by 2025 to 437,000 from the current 270,000 millionaires. Aging population and rising affluence are likely to contribute to increased demand for quality healthcare services.

Singapore as an urban wellness destination will boost the Singapore healthcare market

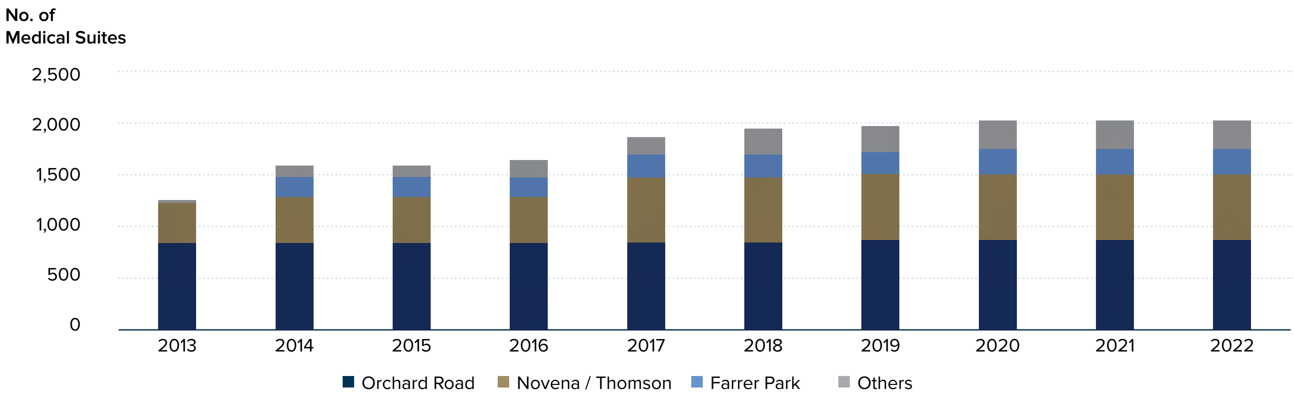
STB aims to position Singapore as an urban wellness destination. Unlike medical tourism, which focuses on identifying and treating conditions, wellness tourism focuses on preventive healthcare through reducing stress, improving overall mental health and encouraging a healthy lifestyle. This is likely to bode well for Singapore's healthcare market.

3.2. SUPPLY

Limited future supply

As of 4Q 2022, there were approximately 2,050 medical suites. There was no new supply of medical suites in the past twelve months. An estimated 15 units of medical suites within Woodleigh Mall is expected to come to market in 2024.

CHART 3: MEDICAL SUITE SUPPLY BY PRECINCTS (2013 – 2022)



Source: CBRE, Health Promotion Board

21 Source: Statista
22 Source: Medical Tourism Association
23 Source: Singapore Department of Statistics

3.3. DEMAND AND RENTS

Medical suites near retail and hospital facilities command higher rents

In 2022, the asking gross rent for medical suites along Orchard Road is estimated to be S$14.00 psf/month, likely fuelled by the anticipated return of medical tourists and limited medical suites supply within the precinct.

The asking monthly gross rents for medical suites in Novena/Thomson and Farrer Park are approximately S$10.80 and S$6.10 psf/month respectively.

In general, medical suites in prime locations with proximity to malls, hotels and hospital facilities command higher rents.

3.4. MARKET OUTLOOK

Singapore's healthcare sector is supported by strong fundamentals

The Singapore government projects that healthcare expenditure would be approximately S$27 billion or 3.5% of GDP by 2030.

Medical suites within Orchard Road Submarket are expected to remain attractive to medical professionals due to its proximity to Mount Elizabeth Hospital, a network of reputable practitioners, and other lifestyle offerings within the vicinity.

Moving forward, the combination of these factors is likely to keep vacancy tight and potentially contribute to sustained rental growth within the medical suite market.

4. AUSTRALIA ECONOMIC AND RETAIL MARKET OVERVIEW

4.1. MACRO-ECONOMIC OVERVIEW

Australia GDP rebounded but expected to moderate in 2023

Australia's GDP grew 5.9% yoy in September 2022, rebounding from the previous year's low base when about half the population was in COVID-19 related lockdowns. CPI rose 7.8% yoy in December 2022 on the back of strong consumer spending.

The population grew 1.1% yoy to 26.0 million, while unemployment stood at 3.5% in December 2022.

Total retail sales for 2022 was approximately A$411.5 billion[24], representing a 11.4% yoy increase over 2021.

While the economy has remained resilient despite high inflation and increasing interest rates, the economic growth in Australia is forecasted to slow this year. The Reserve Bank of Australia (RBA) projects GDP growth at 2.75% for 2022 and expects it to moderate to 1.5% over 2023 and 2024.

4.2. RETAIL SALES AND EMERGING RETAIL TRENDS IN AUSTRALIA

Rise in retail spend but caution may set in

Although interest rates increased and inflation rose significantly, Australian retail sales still grew 7.5% yoy[25] in December 2022, mainly from discretionary spending and food-related retail.

However, discretionary spending is expected to moderate going forward as inflationary pressures and rising interest rates impact the cost of living.

A paradigm shift towards digital, experiential and sustainable retailing

Online retail sales[26] increased 7.8% yoy to A$3.8 billion, accounting for 10.4% of the total retail sales in December 2022. Even though online retail sales has slowed, it remains well above pre-pandemic levels[27].

Major landlords are focusing on improving their omnichannel shopping experience, and supporting their physical stores with digital and technology solutions. Some landlords are also exploring plans to develop entertainment and dining precincts within shopping centres.

Long-term sustainability initiatives by major landlords include the issuance of green bonds, installation of solar panels, use of LED lighting, drone delivery solutions and continued investments in sustainability through electrical infrastructure, energy, water and waste management.

24 Current prices on a seasonally adjusted basis
25 Current prices on a seasonally adjusted basis
26 On a seasonally adjusted basis
27 Online Sale (Seasonally Adjusted) for December 2019 was 6.9%

4.3. CATCHMENT ANALYSIS

Tourism minimal impact on performance of Westfield Marion & Figtree Grove Shopping Centre

Westfield Marion Shopping Centre is a regional mall located in Marion, South Australia (SA), while Figtree Grove Shopping Centre is a sub-regional mall located in Wollongong, New South Wales (NSW). Both malls are largely dependent on their residential catchment area and less reliant on the tourism market. Therefore, although the country's tourism market was adversely affected by the pandemic border controls, trends in tourism have had minimal impact on the performance of both shopping centres.

Figtree Grove Shopping Centre serves a generally higher income household population

Figtree Grove Shopping Centre has a 30-min drive time population of 313,700 and a 15-min drive time population of 177,700 as of 2022. The annual growth rate of the 30-min drive time and 15-min drive time population between 2022 and 2027 is expected to be 0.6% to 0.8%.

Located within a 15-min drive time of the centre are six hospitals with a total of about 910 beds, as well as two tertiary institutions (University of Wollongong and Nan Tien Institute) with approximately 30,000 onshore students enrolled collectively.

The median weekly household income for the 15-min drive time area is A$1,339, which is 4.5% higher than the median weekly household income for NSW.

Other key shopping centres within Wollongong include Wollongong Central and Warrawong Plaza. Figtree Grove Shopping Centre's strong tenant mix allows the centre to leverage on the non-discretionary spend of residents in the trade area.

Limited new competition for Westfield Marion

Westfield Marion's positioning is well-supported by its 1.5 million sq ft of lettable area and diverse trade mix. The centre has a 30-min drive time population of 672,400 and a 15-min drive time population of 214,400 as of 2022. The annual growth rate of the 30-min drive time and 15-min drive time population between 2022 and 2027 is expected to be 0.8%.

The median weekly household income for the 15-min drive time area is A$1,388, which is 2.1% higher than the median weekly household income for SA.

Major shopping centres in Greater Adelaide include the Rundle Mall retail cluster in the CBD, Burnside Village Shopping Centre, Westfield Tea Tree Plaza and Colonnades Shopping Centre.

Burnside Village Shopping Centre, an upscale shopping centre, is undergoing an expansion that involves demolishing approximately 60,000 sq ft of the existing building space and developing an additional 200,000 sq ft of gross leasable area, consisting of a new supermarket, restaurants and specialty stores. This will be the only significant new competition for Westfield Marion.

New Initiatives in South Australia

In October 2022, South Australia Parliament revised the Shop Trading Hours Act which allowed shops to trade for an additional two hours on Sunday, and up to midnight on three additional weekdays between 11 and 23 December. This is expected to boost retail sales.

4.4. RETAIL MARKET OVERVIEW

Resilient demand for non-discretionary retail & limited new supply will support Wollongong retail

Retail sales in NSW increased 13.2% yoy to A$129.6 billion in 2022, on the back of easing COVID-19 restrictions.

While online retailing and COVID-19 have had some impact on retail demand, the demand for non-discretionary retail (convenience, food retailing and services) has remained resilient.

From 2018 - 2022, Wollongong only saw the completion of Railway Parade Shop (NLA ~9,000 sq ft) and the retail component of The Patris Residences. No new major completions or major supply is expected over the next three years in Wollongong.

Vacancy levels for sub-regional centres in Wollongong remained at approximately 2.0% as of 4Q 2022.

MARKET OVERVIEW

Net face rents have remained relatively flat across 2021 and 2022 in Wollongong, at approximately A$1,140 psm/annum in 4Q 2022. Rental incentives in 2021 and 2022 have maintained at 20%. Based on the current economic environment, rents and rental incentives in Wollongong are expected to hold steady over the next twelve months.

Limited supply in Greater Adelaide will support occupancy & rents

Demand across most retail trade types have remained resilient in Greater Adelaide[28], as SA was not as severely impacted by COVID-19 induced lockdowns, unlike NSW or Victoria.

Retail sales for SA increased 9.4% yoy in 2022 to A$26.0 billion. Vacancy levels as at 4Q 2022 was approximately 3.7% for regional malls.

Between 2018 and 2022, Greater Adelaide had a total of approximately 800,000 sq ft of new retail supply across the CBD, neighbourhood, as well as sub-regional and regional markets. Between 2023 and 2025, only approximately 500,000 sq ft of retail space is expected to complete. Approximately 150,000 sq ft is in the CBD and neighbourhood retail space. The limited new supply further exacerbates the lack of opportunities for retailers to expand within Greater Adelaide.

Regional net face rents in Greater Adelaide have remained consistent yoy at A$1,305 psm/annum in 4Q 2022, 2.8% lower compared to pre-pandemic levels. Rent incentives on new leases in existing projects have remained at approximately 20% in 2021 and 2022.

4.5. INVESTMENT MARKET FOR RETAIL ASSETS

Limited retail transactions in Wollongong and South Australia in 2022

In 2022, there were 8 Regional, 10 Sub-Regional and 57 Neighbourhood mall transactions totalling approximately A$4.0 billion.

There was no major transaction in the Wollongong Area and only one major transaction in SA, comprising the sale of 50% of Colonnades Shopping Centre to Nikos Property Group for A$140.0 million (A$3,162 psm based on GLA) at a yield of 7.0%.

4.6. RETAIL OUTLOOK

Resilience amidst high inflation and increasing interest rates

RBA expects economic growth in Australia to slow this year as rising interest rates, the higher cost of living and declining real wealth weigh on growth.

The relatively elevated interest rate environment could also weigh on potential investors. As such, capitalization rates could remain flat or potentially expand gradually.

Nevertheless, the retail markets in Wollongong and Greater Adelaide are expected to remain resilient, with vacancy rates to remain tight, and rents and rent incentive levels to remain stable over the next twelve months.

CBRE
21 February 2023

28 The Greater Adelaide region includes the Greater Adelaide Capital City Statistical Area, where Westfield Marion Shopping Centre is located within, Yankalilla, Alexandrina, Murray Bridge, Adelaide Hills, Onkaparinga, Mount Barker, Barossa, Light and Adelaide Plains

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HEIGHTENED MARKET VOLATILITY

We draw your attention to the fact that a combination of global inflationary pressures (leading to higher interest rates) and the recent geopolitical events in Ukraine, in addition to the on-going effects of the global COVID-19 pandemic in some markets, has heightened the potential for greater volatility in property markets over the short-to-medium term. Experience has shown that consumer and investor behaviour can quickly change during periods of such heightened volatility. Investment decisions should reflect this heightened level of volatility and caution is advised in this regard.

You should note that the conclusions set out in this report are current as at the date outlined only. Where appropriate, we recommend that market conditions are monitored closely, as we continue to track how market participants respond to current events