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RESOLUTE AND RESILENT

INDEPENDENT MARKET RESEARCH REPORT 2024/25

Contents

Independent Market Research Report

- Where "Hong Kong" is mentioned, it refers to the Hong Kong Special Administrative Region.
- Due to rounding differences, figures throughout this report may not add up to the totals shown, and percentages may not total 100%.

Independent Market Research Report

BY COLLIERS INTERNATIONAL (HONG KONG) LIMITED

Singapore

1.1 Economy

- According to the Ministry of Trade and Industry ("MTI"), Singapore's economy grew 4.4% in 2024, faster than the 1.8% growth in 2023. This growth was fuelled by the wholesale trade, finance & insurance and manufacturing sectors, in tandem with an upturn in the global electronics cycle and elevated trading activities amidst shifts in global and domestic financial market sentiments.
- For 1Q 2025, GDP expanded 3.9% yoy, moderating from the 5.0% growth from 4Q 2024. This was largely driven by the wholesale trade, manufacturing, as well as finance and insurance sectors. In particular, growth in the manufacturing and wholesale trade sectors was likely partly supported by front-loading activities ahead of anticipated tariff hikes by the US.
- Headline inflation moderated to 2.4% in 2024 from 4.8% in 2023. This was due to more stable prices post-GST hike in 2024, declining global inflation and a stronger Singapore dollar moderating imported goods prices. Services inflation has also eased.
- According to the Ministry of Manpower ("MOM"), Singapore's unemployment rate remained stable at 2.0% in 2024 compared to 1.9% in 2023, with fewer retrenchments than last year. Despite slower employment growth, employment demand remained strong in professional services, financial services, and health and social services sectors.

Tourist Arrivals

16.5M ▲ **21.5% yoy**

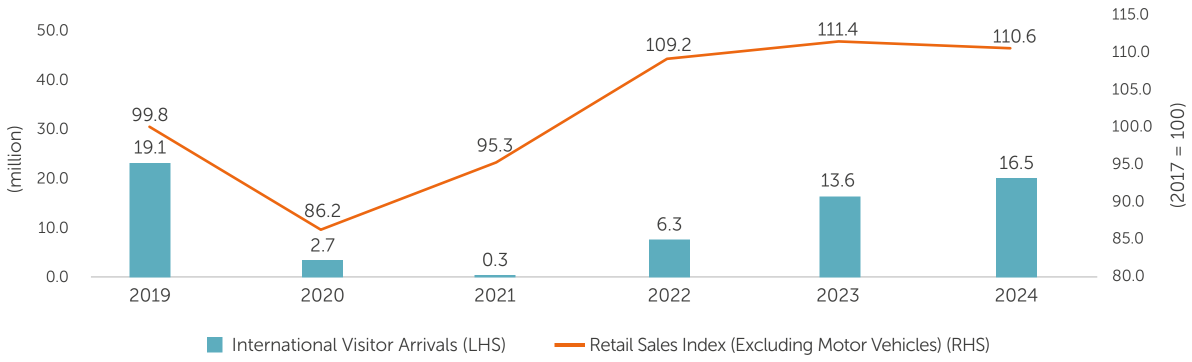
(In 2024)

- Singapore's tourism sector recovered strongly in 2024, with international visitors reaching 16.5 million, a 21.5% yoy increase from 2023, representing 86.4% of the pre-pandemic level in 2019. This was largely driven by the visa exemption arrangement with China and Singapore's strong growth in air connectivity. Singapore's strong calendar of international events and sold-out concerts attracted fans from overseas, generating spillover benefits to tourism-related industries such as retail and hospitality.
- Chinese visitor arrivals have picked up strongly following China's reopening in early 2023. There were 3.1 million Chinese visitors in 2024, more than double the 1.4 million recorded in 2023 and approximately 85.0% of pre-pandemic levels. Indonesia, China and India were the leading sources of visitors to Singapore.
- The tourism sector is expected to continue its recovery in 2025, supported by an extensive lineup of live entertainment and new attractions. Notable developments include the addition of Minion Land at Universal Studios Singapore and Asia's first adventure wildlife park, Rainforest Wild Asia. Nonetheless, recovery may be softened by weakened consumer confidence with the imposition of US tariffs.

1.2 Outlook

- According to MTI, Singapore's economy is expected to grow by 0.0% to 2.0% in 2025, on the back of expected weakening of external demand and significant uncertainties in the global economy resulting from the sweeping tariffs introduced by the US and the ensuing US-China trade war.
- The manufacturing sector is likely to be hit by weaker global demand. Softening global trade will also weigh on the growth of the wholesale trade sector as well as the transportation & storage sector due to an expected fall in demand for shipping and air cargo services.
- Weak business sentiments are likely to affect the finance & insurance sector as firms hold off investments and trading activity amidst the volatile and uncertain market. Firms facing higher input costs from the tariffs are likely to pass on the costs to consumers which might deter consumer spending.

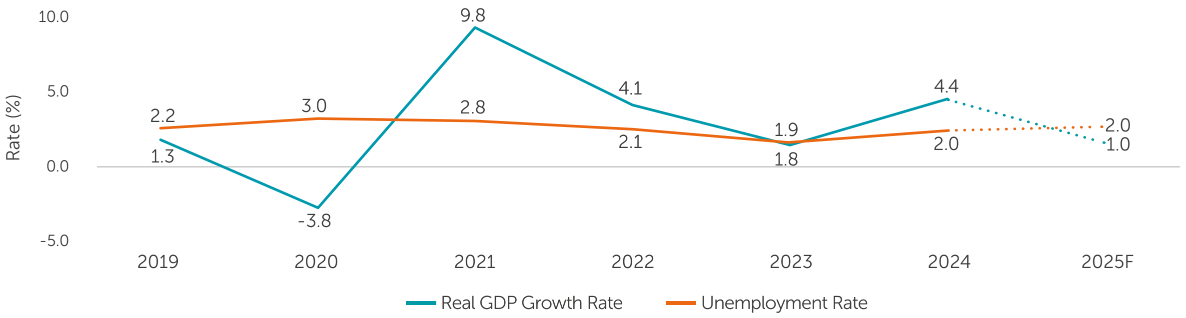
International Visitor Arrivals and Retail Sales Index



Source: Singapore Tourism Board, Singapore Department of Statistics

- However, Singapore has taken proactive steps to diversify its trade relationships beyond the US, strengthening economic ties with other trading partners such as through the newly upgraded ASEAN-Australia-New Zealand Free Trade Area Agreement and the Pacific Alliance-Singapore Free Trade Agreement which came into force on 3 May 2025. The ongoing recovery in air travel and tourism is expected to provide continued support to aviation and tourism-related sectors, which should help mitigate some of the anticipated negative impact on domestic consumption.
- In response to inflation moderating more quickly than expected, the Monetary Authority of Singapore ("MAS") will slightly reduce the slope of the Singapore dollar nominal effective exchange rate policy band. While the Singapore dollar is expected to appreciate at a slower rate, it will maintain a degree of resilience against trading partners' currencies. MAS has forecasted headline inflation for 2025 to fall within the range of 0.5% to 1.5%.
- For Budget 2025, the government has implemented several measures to stimulate economic activities. These include the issuance of cash and Community Development Council vouchers to boost domestic consumption, alongside SG Culture Pass credits that can be redeemed at local attractions to encourage domestic tourism and support local retail spending. To support businesses facing elevated operational costs, the government will provide a 50% corporate tax rebate and enhanced wage support to help cope with high rental and labour expenses. To strengthen future growth drivers, the government has further allocated S$500 million for a national semiconductor R&D fabrication facility to accelerate sectoral development, and an additional S$500 million to enhance biomedical research infrastructure and foster greater industry collaboration.

Real GDP Growth Rate and Unemployment Rate



Source: GDP and Unemployment Rate figures from 2019 to 2024 are from the Singapore Department of Statistics, MTI and MOM. Forecast figures for 2025 are from MTI (for GDP) and Oxford Economics (for unemployment).

1.3 Singapore Retail Market[1]

Total Retail Sales

S$**42.7**B
(In 2024)

▼ **0.8% yoy**

- Despite the strong recovery in tourism, total retail sales decreased by 0.8% from 2023 to 2024. A stronger Singapore dollar, the GST hike and retailers passing on higher operating costs to consumers likely encouraged Singaporeans to spend more abroad.
- All sectors recorded decreases yoy except for Supermarkets & Hypermarkets, Food & Alcohol, Cosmetics, Toiletries & Medical Goods, Furniture & Household Equipment and Watches & Jewellery. Food & Alcohol recorded the highest retail sales growth (8.4%) but was offset by declines in Wearing Apparel & Footwear (-5.6%), Computer & Telecommunications Equipment (-5.8%) and Optical Goods & Books (-5.5%).
- Similar to previous years, the trend of higher year-end retail sales continued, driven by year-end festivities. However, December 2024 retail sales were lower yoy, due to higher level of outbound travel by Singapore residents, contributing to lower domestic retail spending. Despite the generous Budget 2025, new attractions and continued recovery in visitor arrivals, overall retail sales in 2025 are expected to increase modestly by 1.0% to 2.0% as global uncertainties and weaker economic sentiment temper consumption.

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[1] All references to floor area refers to net lettable area ("NLA"), unless otherwise stated.

Existing Retail Stock

68.6M square feet[1] **1.6% yoy**

(As at 31 December 2024)

- Singapore's existing retail stock stood at 68.6 million square feet as at 31 December 2024, with the majority located in the Central Region (65.5%) and the remaining in the Suburban submarket (34.5%).
- The Central Region comprises four major submarkets: Orchard, Downtown Core, Rest of Central Area, and Rest of Central Region (also known as the City Fringe).[2]
- 1.1 million square feet of net retail supply was added to the market in 2024, with the completion of Pasir Ris Mall injecting about 250,000 square feet of retail space into the Suburban submarket and Labrador Tower contributing 30,000 square feet of retail space into the Rest of Central Region submarket.
- As of 31 March 2025, Singapore's existing retail stock stood at nearly 69.0 million square feet, with a net addition of 322,917 square feet of retail supply in 1Q 2025.
- The new completions include the redeveloped Cathay Building adding 77,000 square feet in the Orchard submarket and Punggol Coast Mall adding 202,000 square feet in the Suburban submarket.

Potential Retail Supply

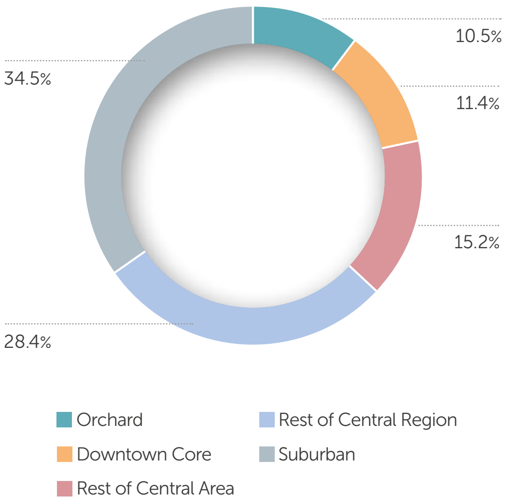
0.7M square feet

(From 2025 to 2027)

- Approximately 0.7 million square feet of space is expected to be delivered from 2025 to 2027. This averages 0.2 million square feet per year, lower than the past five-year annual average of 0.3 million square feet. The majority of the upcoming retail supply is located in the Suburban and Rest of Central Area submarkets at 62.4% and 14.6%, respectively.
- Within the Alexandra/HarbourFront submarket, Raffles Sentosa Resort & Spa Singapore added about 5,000 square feet in 1Q 2025. However, it primarily comprises restaurants and bars, a fitness centre, and meeting/ballroom amenities with no major retail shops.

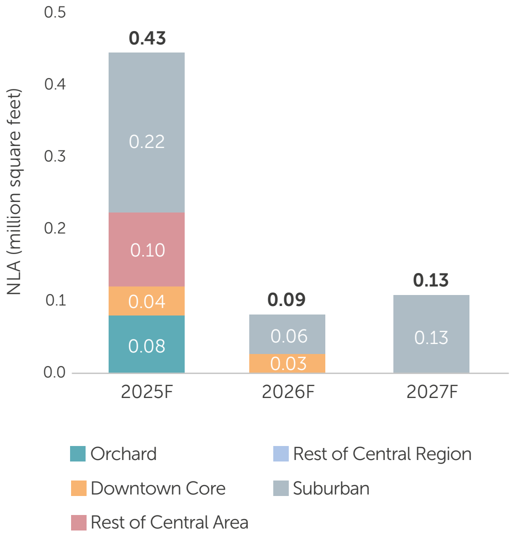
Retail Stock by Submarket

(As at 31 December 2024)



Source: URA, Colliers

Potential Supply by Submarket



Source: URA, Colliers, Project Announcements

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[1] Source: Urban Redevelopment Authority ("URA").

[2] The Central Area consists of the following planning areas as defined by the URA: Outram, Museum, Newton, River Valley, Singapore River, Marina South, Marina East, Straits View, Rochor, Orchard, Downtown Core. Mapletree Business City, mTower and VivoCity, owned by MPACT, are located in the City Fringe.

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Retail Net Take-up[1]

1.3M square feet[2] (Islandwide in 2024)

▲ 57.3% yoy

- The overall net absorption increased significantly by 57.3% yoy in 2024, driven by both new retailers and expansion of existing brands.
- Amidst higher operating costs and lower profit margins, several F&B establishments have been forced to wind up or relocate to areas with lower rents. However, the market showed resilience as newly opened establishments and the influx of foreign sports and F&B brands outpaced the closures, supporting the demand for retail space.
- Demand for retail space was consistently positive across all four quarters. The Suburban submarket's net absorption contributed to almost half of total net absorption in 2024, attributed to the newly completed Pasir Ris Mall in the East Region.
- In 1Q 2025, islandwide net absorption decreased by 125.5% quarter-on-quarter ("qoq") due to cautious retail space expansion on the back of tight labour supply, rising operating costs and prudent consumer spending.

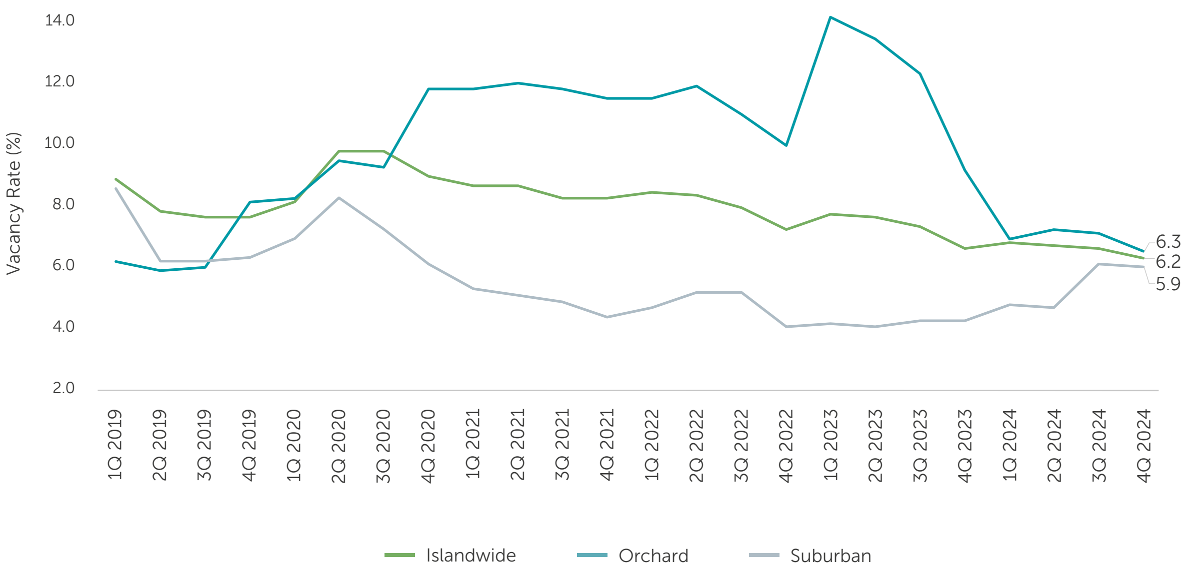
Retail Vacancy Rate

6.2%[3] (Islandwide as at 31 December 2024)

▼ 0.3 Percentage Points ("pp") yoy

- Islandwide retail vacancy rate tightened by 0.3 pp yoy to 6.2% as at 31 December 2024. This was supported by strong occupier demand and moderate new supply.
- Broad-based improvements were observed across most submarkets. In particular, Orchard submarket's vacancy rates recovered to pre-pandemic levels, improving 2.7 pp yoy to 6.3% as at 31 December 2024, indicating improving market sentiments in prime retail spaces. The uptick in vacancy in the second half of 2024 for the Suburban submarket was largely contributed by the newly opened Pasir Ris mall in 3Q 2024.
- Islandwide retail vacancy rate in 1Q 2025 rose by 0.6 pp qoq to 6.8%, largely due to new supply such as The Cathay and Punggol Coast Mall.

Vacancy Rate by Submarket



Source: URA, Colliers

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[1] Net take-up is the sum of space that became occupied during the year minus the sum of space that was vacated over the course of the year.

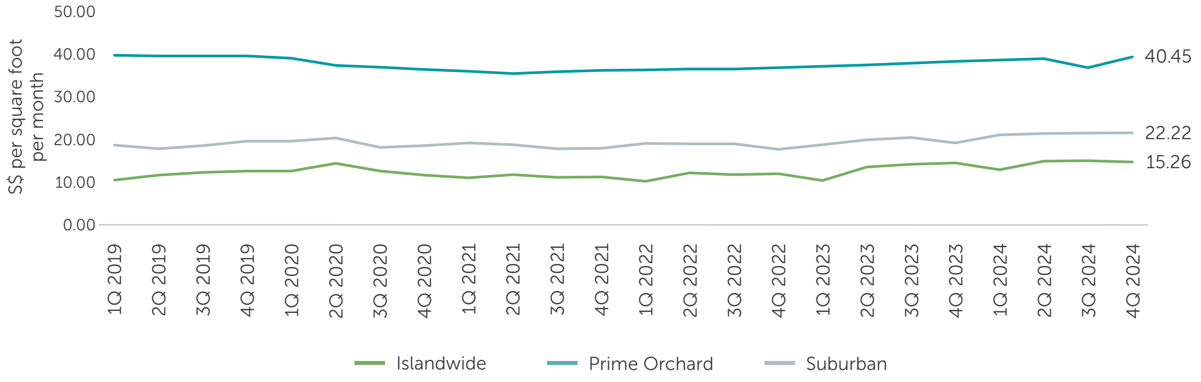
[2] Source: URA.

[3] This refers to the islandwide average vacancy rate of all retail properties and is published by the URA.

Average Retail Rent

S$**15.26** ▲ **1.7% yoy**
per square foot per month[1]
(Islandwide as at 31 December 2024)

- Average islandwide retail rents increased 1.7% yoy to S$15.26 per square foot per month as at 31 December 2024. This was supported by strong take-up of retail space amidst limited new supply. Average islandwide rents surpassed pre-pandemic levels and recorded their highest levels since 31 December 2013.
- Average prime Orchard retail rent[2] has been on an upward trajectory since 3Q 2021, in tandem with the reopening of borders and return of tourists. Rents increased by 3.0% yoy to S$40.45 per square foot per month as at 31 December 2024, narrowing the gap from the pre-pandemic level of S$40.65 per square foot per month as at 31 December 2019.
- Suburban retail rents recorded S$22.22 per square foot per month as at 31 December 2024, 12.8% higher yoy. Rents remained resilient due to the strong catchment populations supporting suburban malls, surpassing pre-pandemic levels in 2019.
- Islandwide retail rent for 1Q 2025 declined by 15.3% qoq to S$12.92 per square foot per month, likely driven by cautious leasing activity among retailers particularly in non-prime retail spaces. On the other hand, Prime Orchard retail rent continued its upward trajectory supported by robust retail demand, while Suburban retail rent dipped slightly.



Retail Rents by Submarket

Source: URA (Islandwide and Suburban Rents), Colliers (Prime Orchard Rent)

Average Retail Capital Value[3]

S$**3,243** per square foot ▲ **1.0% yoy**
(Islandwide as at 31 December 2024)

Average Retail Yield[3]

4.9% ▲ **0.1 pp yoy**
(Islandwide as at 31 December 2024)

- Both islandwide retail capital value and yield as at 31 December 2024 rose slightly on a yoy basis to an average of S$3,243 per square foot and 4.9%, respectively. This was due to resilient rental growth and demand for retail assets, evidenced by sizeable transactions in prime retail areas.
- Key recent retail transactions include the collective sale of Concorde Hotel & Shopping Centre by Hotel Properties Ltd for S$538.4 million (for retail component only and at S$4,962 per square foot), the sale of a 50% interest in ION Orchard from CapitaLand Investment Limited to CapitaLand Integrated Commercial Trust for S$1.1 billion (S$5,928 per square foot), Seletar Mall from Cuscaden Peak Investments and United Engineers Ltd to Allgreen Properties Ltd for S$550.0 million (S$2,902 per square foot), and the sale of a 24.5% interest in NEX from Frasers Property to Frasers Centrepoint Trust for S$523.1 million (S$3,364 per square foot).

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[1] This refers to the islandwide median gross monthly rent of all retail space and is published by the URA.
[2] Average prime Orchard retail rent is based on Colliers' research and valuation metrics on ground floor, basement and MRT-level average retail rent in selected basket of prime retail malls.
[3] Average retail capital value and yield are based on Colliers' research and valuation metrics of prime retail malls.

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- Paragon REIT also accepted a privatisation offer from Cuscaden Peak's Times Properties for S$0.98 a unit (total value of S$2.8 billion), representing a 7.1% premium to Paragon REIT's adjusted net asset value per unit.
- In 1Q 2025, prime islandwide retail capital values remained flat while yields eased slightly to 4.8% due to a decline in rental rates.

Outlook

- Retailers continue to face challenges from manpower shortage, high operating costs and competition from e-commerce and live-streaming platforms. Many F&B retailers that operate on low profit margins are also pressured to scale down.
- Retailers have been observed to utilise AI and digital solutions to enhance customer experience and improve operational efficiency. There are also more experiential retail concepts being introduced including fashion retailers incorporating F&B elements.
- While international visitor arrivals have shown steady recovery, this has been offset by increased outbound travel by Singaporeans. The moderating pace of Singapore dollar's appreciation, as well as new attractions slated to open in 2025, could attract more visitors and support retail spending.
- Singapore remains an attractive market for global brands, notably in the influx and expansion of Chinese retailers. Despite ongoing challenges and weaker business sentiments from the US tariffs, the expected recovery in tourist arrivals and expansionary government initiatives to boost domestic consumption and tourism are likely to support demand for retail space. Prime retail rents are projected to grow by 1.0% to 3.0%, driven by resilient demand for prime retail spaces and limited future supply.
- Rents in suburban areas are expected to grow at a slower pace as compared to prime retail areas. The addition of new homes in suburban areas, in line with the decentralisation trend, may boost footfall in the suburban areas.

1.4 Singapore Office Market[1]

Existing Office Stock

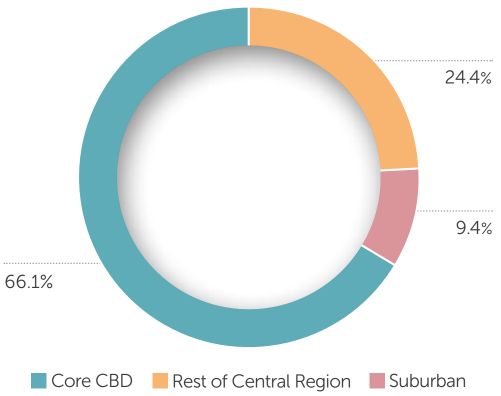
87.4M square feet[2] ▲ **0.9% yoy**

(As at 31 December 2024)

- Singapore's total existing office stock stood at 87.4 million square feet as at 31 December 2024, with the majority in the Core CBD (66.1%), and the remaining in the Rest of Central Region (24.4%) and Outside of Central Region (also referred to as the Suburban submarket) (9.4%).
- The Core CBD refers to the Central Area of Singapore, while the Rest of Central Region is also referred to as the City Fringe.[3]
- Office stock increased by about 818,000 square feet in 2024, mainly due to the completion of the IOI Central Boulevard Towers, a mixed-use development comprising 1.3 million square feet of Grade A office space located in the Core CBD, and Labrador Tower comprising 700,000 square feet of Grade A office space located in the City Fringe.
- As at 31 March 2025, Singapore's existing office stock stood at nearly 88.5 million square feet, with a net addition of 1.1 million square feet of office supply in 1Q 2025.
- The new completions include Keppel South Central and Punggol Digital District, which added 614,000 square feet and 267,000 square feet of office space to the Core CBD and Suburban submarkets, respectively.

Office Stock by Submarket

(As at 31 December 2024)



Source: URA, Colliers

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[1] All references to floor area refers to NLA, unless otherwise stated.

[2] Source: URA.

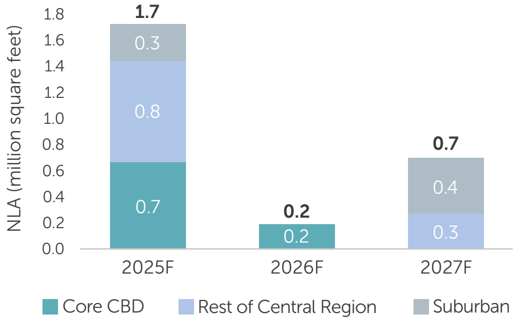
[3] The Central Area comprises the following planning areas as defined by the URA: Outram, Museum, Newton, River Valley, Singapore River, Marina South, Marina East, Straits View, Rochor, Orchard and Downtown Core. Mapletree Business City, mTower and Bank of America HarbourFront, owned by MPACT, are located in the City Fringe.

Potential Office Supply

2.6M square feet

(From 2025 to 2027)

- Approximately 2.6 million square feet of space is expected to be delivered from 2025 to 2027, translating into an annual average of 0.9 million square feet, higher than the past five-year annual average of 0.5 million square feet.
- The Rest of Central Region submarket will account for the majority of this upcoming office supply (40.3%), while the Core CBD and Suburban submarkets will account for 32.2% and 27.5%, respectively.
- Within the Alexandra/HarbourFront submarket, no new supply is expected to be added in 2025. Within the Core CBD submarket, only Keppel South Central is expected to add about 0.6 million square feet of space in 2025. Other notable upcoming developments in 2025 include Paya Lebar Green and Shaw Tower, which will add 0.3 million square feet and 0.4 million square feet, respectively, to the Rest of Central Region submarket.



Source: URA, Colliers, Project Announcements

Office Net Take-up

0.1M square feet[1] ▼ **86.7% yoy**

(Islandwide in 2024)

- Office leasing demand in 2024 contracted 86.7% from the previous year, recording islandwide net absorption of about 0.1 million square feet in 2024. Beyond international banks that have long been reducing their office footprints, technology companies are increasingly adopting similar strategies amid the broader tech sector slowdown and workforce reductions. Meta, for example, has relocated from South Beach Tower to Marina One, securing higher-grade office space while reducing its overall space take-up. Similarly, BNP Paribas has scaled back its footprint at Ocean Financial Centre.
- Flight-to-quality, coupled with efficiency drives and landlords' growing willingness to accommodate tenant demands, has sustained market activity despite volumes remaining below 2023 levels.
- While banking, finance and technology sectors adopt increasingly conservative real estate strategies, previously understated sectors such as legal and professional services have emerged as notable sources of leasing demand, providing a counterbalance to the broader market caution.
- In 1Q 2025, islandwide net absorption decreased by 104.3% qoq, largely due to the newly completed Keppel South Central in the Core CBD submarket.

Office Vacancy Rate

10.6%[2] ▲ **0.7 pp yoy**

(Islandwide as at 31 December 2024)

- Islandwide office vacancy rate experienced a 0.7 pp yoy uptick to 10.6% as at 31 December 2024. This was largely driven by new office buildings including the IOI Central Boulevard Towers and cautious occupier sentiments towards space requirements amid global uncertainties.
- Vacancy rates as at 31 December 2024 in the Downtown Core and Core CBD submarkets were 9.8% and 10.1%, respectively, rising slightly by 0.5 pp and 0.2 pp yoy. Due to flight-to-quality and efficiency drives, vacancy rates have risen in certain older buildings within the CBD while newer and higher quality buildings recorded high occupancy rates.
- Vacancy rate in the City Fringe submarket has been on a downward trend until the first half of 2024, before rising to 10.7% at end-2024, a 2.0 pp increase from 2023. This was likely attributed to the newly completed Labrador Tower in the second half of 2024. City Fringe Grade A offices with access to amenities and connectivity are gaining popularity with tenants seeking more cost-efficient options and proximity to the city.
- 1Q 2025 islandwide office vacancy rate increased by 1.1 pp qoq to 11.7%, mainly due to the addition of new supply which includes Keppel South Central and Punggol Digital District.

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[1] Source: URA.

[2] This refers to the islandwide average vacancy rate of all office properties and is published by the URA.

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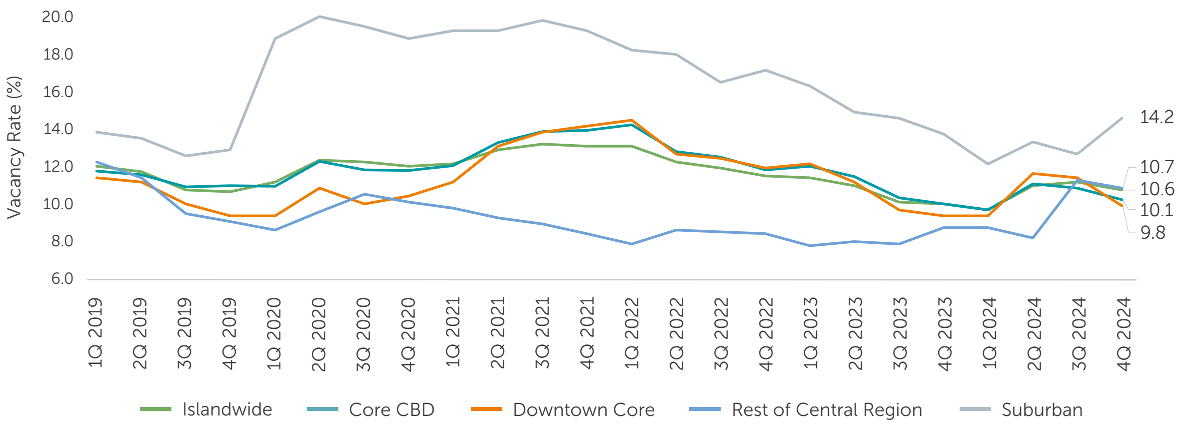


Vacancy Rate by Submarket

Source: URA, Colliers

Average Office Rent

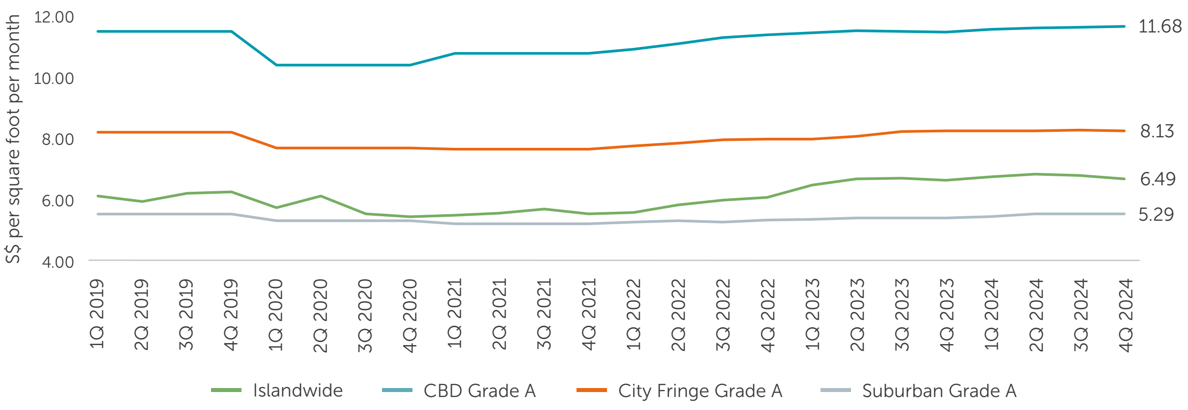
S$**6.49**

per square foot per month[1]

(Islandwide as at 31 December 2024)

▲ **0.8% yoy**

- Average islandwide office rents increased 0.8% yoy to S$6.49 per square foot per month as at 31 December 2024.
- Grade A office rents in the CBD and City Fringe continued to grow in 2024, with yoy growth of 1.7% and 0.1%, respectively. The increase in Grade A office rents was driven by the lack of quality supply particularly in the CBD and flight-to-quality.
- Rents have shown resilience despite some tenant pushback against higher pricing. Conversely, landlords have become more flexible and increasingly willing to provide various incentives or accommodate longer lease terms.
- In 1Q 2025, islandwide office rent increased by 7.4% qoq to S$6.97 per square foot per month. This was mainly driven by higher rental rates achieved in the Suburban submarkets, likely from Grade A offices in Punggol Digital District.



Office Rents by Submarket

Source: URA (Islandwide Rents), Colliers (Submarket Rents)

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[1] This refers to the islandwide median gross monthly rent of all office space and is published by the URA.

Average CBD Grade A Office Capital Value

S$**3,050** per square foot ▼ **1.6% yoy**

(As at 31 December 2024)

Average CBD Grade A Office Yields

3.4% ▲ **0.2 pp yoy**

(As at 31 December 2024)

- CBD Grade A capital values dipped slightly to S$3,050 per square foot but is expected to remain stable, supported by the strong holding power of asset owners amid the limited supply of high quality office buildings. Net yields were up 0.2 pp yoy to 3.4% on the back of resilient rental growth.
- Key recent office transactions include the sale of Mapletree Anson to a private equity firm, PAG, for S$775 million (S$2,352 per square foot) and the sale of 21 Collyer Quay from CapitaLand Integrated Commercial Trust to Sunrise Capital Management for S$688 million (S$3,432 per square foot).
- In 1Q 2025, CBD Grade A office capital value and yield remained flat with limited transactions.

Outlook

- Demand for higher quality office space by banks and technology firms is likely to continue in 2025, although the trend of prioritising quality over quantity is expected to continue.
- Hybrid work arrangements that gained momentum during the pandemic are beginning to stabilise as companies increasingly recognise the value of physical office environments for fostering innovation, collaboration and meaningful social interaction. This shift is reflected in the resilience of office rents and declining vacancies, particularly within the core CBD areas. Notable companies, including Amazon and Grab, have transitioned to full return-to-office policies, while many other companies maintaining hybrid models are evaluating similar moves based on their business needs.
- The movement of tenants from older properties to newly completed developments may contribute to an increase in secondary office stock, leading to some volatility in vacancy rates. This increase in available office space will likely place downward pressure on the rest of the CBD, particularly with Shaw Towers in the fringe CBD completing by mid-2025 and additional secondary stock entering the market in the subsequent months. Legal and professional services are anticipated to absorb some of these secondary office spaces.
- From a macroeconomic perspective, the volatile global policy environment has introduced significant uncertainty to Singapore's economic outlook. This instability is expected to weigh on global investment and trade flows, dampening business confidence and occupier demand. Companies are also expected to adopt more conservative approaches, postponing expansion initiatives or lease commitments until economic conditions demonstrate greater stability.
- Nonetheless, sustained demand from Singapore's strategic position in the regional and global markets underpins a stable outlook for the Singapore office market. With CBD office supply projected to contract over the next two years due to limited new developments, vacancy rates are expected to decline and rental growth may gain momentum. CBD Grade A office rents are expected to increase by 0% to 2% and City Fringe Grade A office rents are expected to increase by 1% to 3%.

1.5 Singapore Business Park Market[1]

Existing Business Park Stock

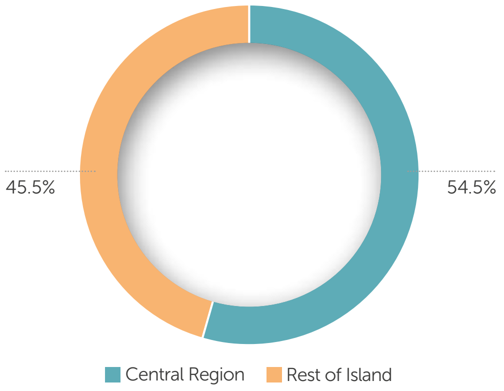
27.2M square feet[2] ▲ **2.7% yoy**

(As at 31 December 2024)

- Singapore's total existing business park stock rose 2.7% yoy to about 27.2 million square feet as at 31 December 2024. The majority of this is clustered in selected areas in the Central Region (54.5%), with the remaining located across the Rest of Island (45.5%).
- The Central Region comprises the Queenstown planning area and the business parks in the region (Mapletree Business City,[3] one-north and Singapore Science Park). The Rest of Island comprises the East Region (Bedok and Tampines planning areas), West Region (Jurong East and Western Water Catchment planning areas) and North-East Region (Punggol).

Business Park Stock by Submarket

(As at 31 December 2024)



Source: JTC Corporation, Colliers

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[1] All references to floor area refers to NLA, unless otherwise stated.

[2] Source: JTC Corporation.

[3] Mapletree Business City, owned by MPACT, is located in the Central Region.

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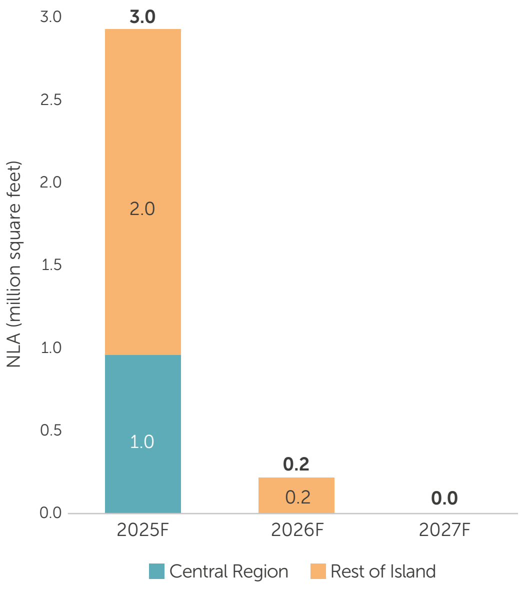
- Approximately 0.7 million square feet of net business park supply was added to the market in 2024, largely contributed by the partial completion of Punggol Digital District which added 0.6 million square feet of space into the North-East Region.
- As at 31 March 2025, Singapore's existing business park stock stood at 28.5 million square feet, with a net addition of 1.3 million square feet of business park supply in 1Q 2025 mainly due to the completion of 1 Science Park Drive at Geneo (1.0 million square feet).

Potential Business Park Supply

3.2M square feet
(From 2025 to 2027)

- Approximately 3.2 million square feet of business park space is expected to be delivered from 2025 to 2027, translating into an annual average of 1.1 million square feet, higher than the past five-year annual average of 0.7 million square feet.
- The Rest of Island submarket will account for the majority (69.6%) of upcoming business park space from 2025 to 2027, while the Central Region will account for the remaining supply (30.4%).
- Within the Central Region, 1 Science Park Drive at Geneo is expected to add about 1.0 million square feet of new supply in 2025 in the Buona Vista/one-north submarket. Within the Rest of Island submarket, Punggol Digital District is expected to add about 2.0 million square feet of new supply.

Potential Supply by Submarket



Source: JTC Corporation, Colliers

Business Park Net Take-up

0.4M square feet[1] **218.8% yoy**
(In 2024)

- Islandwide net absorption averaged at about 420,000 square feet in 2024, increasing 218.8% yoy, a significant improvement from the negative 354,000 square feet in 2023. This was mainly driven by the high take-up of business park space at the newly completed Punggol Digital District (Phase 1).
- The Central Region rebounded from the contraction in 2023, recording a net absorption of 177,000 square feet in 2024, resulting in lower vacancy levels in higher quality business parks.
- Apart from the relocation of selected divisions of Singapore Airlines Limited to One@Changi City, demand for the Rest of Island submarket generally remained muted as occupiers continued to adopt a cautious stance towards major expansions.
- In 1Q 2025, islandwide net absorption increased by 100.0% qoq to 446,239 square feet, largely driven by the Rest of Island submarket which experienced lower vacancy.

Business Park Vacancy Rate

22.1%[2] **0.5 pp yoy**
(Islandwide as at 31 December 2024)

- Islandwide business park vacancy rate continued its upward trend, rising 0.5 pp yoy to 22.1% as at 31 December 2024, the highest level observed in a decade. This was largely driven by the injection of new supply, coupled with subdued demand for business park space as businesses consolidated and implemented measures to optimise space and costs.
- Vacancy rate in the Rest of Island submarket (East and West Region) rose to 36.9% in 2024, with International Business Park in Jurong East recording a 35.6% vacancy rate. The elevated vacancy rates were due to poor connectivity and a lack of amenities particularly in the West Region. The tightening of employment pass criteria further resulted in some businesses offshoring certain services to other regions, hence reducing the demand for workers and business park space in Singapore.
- Conversely, the Central Region maintained relatively low vacancy levels, recording 9.7% vacancy as at end-2024, representing an improvement from the 11.0% vacancy recorded in 2023. This performance reflects the diverging market dynamics between the two submarkets, with tenants continuing to relocate from the Rest of Island submarket to higher-quality business parks in the Central Region.

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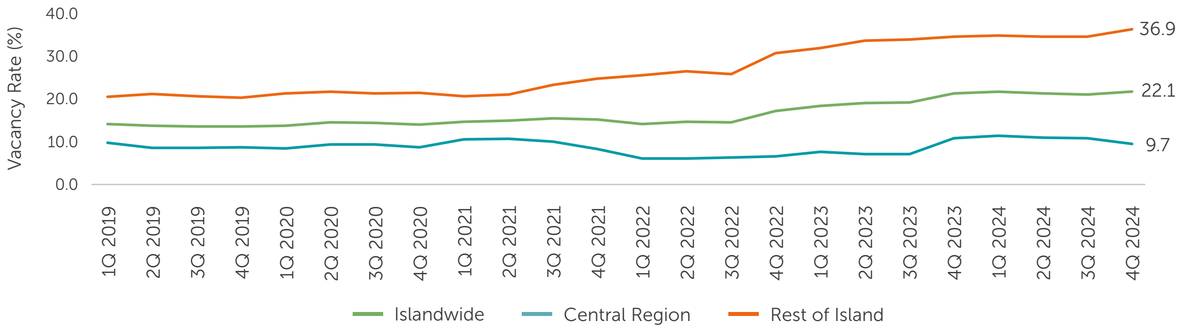
[1] Source: JTC Corporation.
[2] This refers to the islandwide average vacancy rate of all business park properties and is published by the JTC Corporation.

Vacancy Rate by Submarket



Source: JTC Corporation, Colliers

- In 1Q 2025, islandwide business park vacancy rate increased by 2.1 pp qoq to 24.1%, largely due to the newly injected 1 Science Park Drive at Geneo.

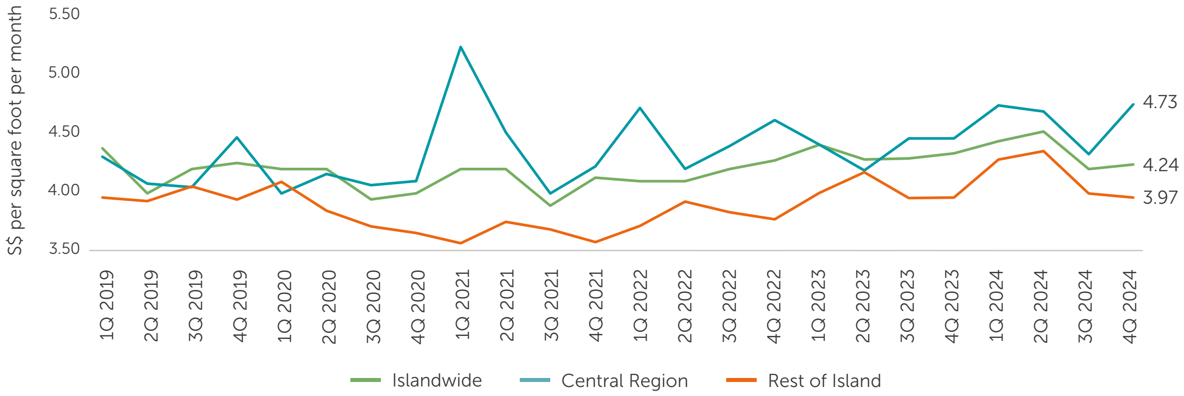
Average Business Park Rent

S$**4.24**
per square foot per month[1]
(Islandwide as at 31 December 2024)

⌄ **2.1% yoy**

- Average islandwide business park rent declined 2.1% yoy to S$4.24 per square foot per month as at 31 December 2024. The market exhibited contrasting performance across submarkets, with the Central Region recording growth while the Rest of Island remained under pressure.
- Average rent in the Central Region recorded 6.3% yoy increase to S$4.73 per square foot per month as at 31 December 2024, driven by demand from high-value and knowledge industries such as the biomedical and life sciences sectors, which showed preference for city fringe locations.
- In contrast, average rent in the Rest of Island submarket remained flat at S$3.97 per square foot per month as at 31 December 2024. This reflects low rents offered by landlords to attract tenants for the older business parks, especially in the West Region where rents declined 6.7% yoy to S$4.20 per square foot per month as at 31 December 2024.
- In 1Q 2025, islandwide business park rent decreased by 1.9% qoq to S$4.16 per square foot per month. This was mainly due to the lower rents in the Central Region, likely driven by the new 1 Science Park Drive at Geneo.

Business Park Rents by Submarket



Source: JTC Corporation, Colliers

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[1] This refers to the average islandwide monthly unit contracted gross rent of all business park space as declared by tenants to Inland Revenue Authority of Singapore through its e-Stamping system and is published by the JTC Corporation. Contracted gross rent includes the base rent and all charges in connection with the lease (such as additional rent, service charge, payment for hire of fittings or equipment, fees for advertising and promotion). It may or may not include any rent-free period and other incentives.

Independent Market Research Report

Average Business Park Capital Value

S$**1,100** per square foot (As at 31 December 2024)

Unchanged yoy

Average Business Park Yield

6.2% (As at 31 December 2024)

Unchanged yoy

- There were limited business park transactions in 2024, as business park assets continued to be tightly held by property owners. Notable transactions included the sale of Eightrium for S$201 million (S$1,134 per square foot) and Solaris for S$501 million (S$1,135 per square foot), both forming part of a portfolio divestment by Soilbuild Group Holdings to Lendlease and Warburg Pincus. Additionally, Ho Bee Land divested a 49% stake in Elementum to Brunei Investment Agency for S$272 million (S$1,492 per square foot). The scarcity of transactions as well as muted rental growth resulted in average net market yields and capital values remaining flat at approximately 6.2% and S$1,100 per square foot, respectively, throughout 2024.
- In 1Q 2025, islandwide business park capital value and yield continued to remain flat with no transactional evidence.

Outlook

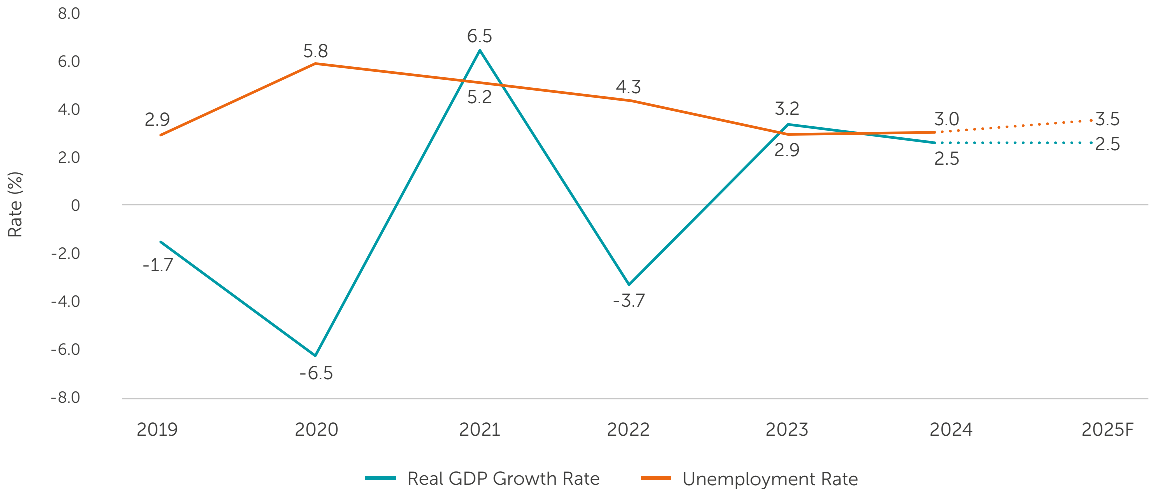
- The business park sector may continue to encounter headwinds, driven by an anticipated increase in supply and softening demand arising from cost pressures and global uncertainties. Particularly, business parks located in the Rest of Island submarket with limited connectivity and amenities could experience higher vacancy rates, while newer and better located ones in the Central Region are better positioned to remain resilient and potentially deliver better performance.
- Rents in the Central Region are expected to achieve modest growth, supported by sustained demand from sectors including biomedical and life sciences. This rental momentum is further underpinned by the ongoing flight-to-quality relocation from the older and peripheral business parks in the Rest of Island submarket, as well as CBD occupiers seeking more cost-effective alternatives.
- Rental growth in the Rest of Island submarket is expected to remain flat, with landlords expected to continue providing competitive leasing terms amid persistently high vacancy levels.
- Industries such as semiconductors and pharmaceuticals which rely on exports to the US may adopt more cautious expansion or relocation strategies given ongoing trade uncertainties, potentially constraining rental growth. However, as companies look to diversify their regional and global supply chain strategies, Singapore's industrial assets including business parks may benefit from redirected demand.
- Despite prevailing challenges, Central Region business parks remain relevant and competitive in Singapore, offering a cost-effective option for occupiers who do not require CBD locations while enabling companies to tap on agglomeration benefits through proximity to industry peers. Ageing business parks in the Rest of Island submarket will need to enhance their value propositions to attract tenants, as relying solely on competitive pricing to improve occupancy rates limits long-term sustainability.

Hong Kong

1.1 Economy

- Hong Kong's GDP growth slowed to 2.5% in 2024, down from 3.2% in 2023, reflecting a decline in private consumption as Hong Kong residents increasingly shifted their spending to Shenzhen and other overseas destinations. This was partially offset by China's economic stimulus measures and global monetary policy easing, which provided some support amidst escalating trade conflicts and global economic uncertainties.
- To strengthen the economy, the Hong Kong government introduced measures to boost trade, including developing the city as an international gold trading hub, enhancing high value-added supply chain services, and reducing import duties. These efforts aim to mitigate external pressures and stimulate growth in key sectors.
- The start of a rate cut cycle in September 2024 and the easing of the loan-to-value ("LTV") ratio in October 2024 provided modest stimulus to investment sentiment. This resulted in a slight increase in property transactions in the second half of 2024, mostly driven by distressed sales from receiverships and opportunistic demand. However, this tentative recovery was quickly affected by uncertainties surrounding the US presidential election, leading to increased investor caution.
- Unemployment rate in Hong Kong experienced a slight increase from 2.9% in 2023 to 3.0% in 2024, reflecting decreased private consumption and hiring freezes in large corporations. The labour market is expected to remain largely stable in the near term, though global economic uncertainties may pose challenges.
- Looking ahead, escalating trade protectionism, particularly from the US, is expected to disrupt global trade and investment flows, presenting challenges for Hong Kong's export-driven economy. Renewed inflationary pressures in the US may further delay anticipated interest rate cuts, potentially dampening global economic confidence. Despite these headwinds, further monetary easing by major central banks could support global demand, providing a counterbalance to these challenges.
- The government has introduced a series of strategic initiatives to revitalise tourism, including monthly fireworks and drone displays, immersive tours and large-scale events. In Hong Kong's Budget 2025, the government has allocated HKD1.2 billion to the Hong Kong Tourism Board to further enhance tourism promotion efforts, such as incentivising cruise lines to establish Hong Kong as a home port and attracting major international sports events like LIV Golf. These measures, alongside broader economic policies, are expected to support the retail sector's gradual recovery in 2025.
- Moving forward, Hong Kong's economy is projected to grow by 2.0% to 3.0% in 2025, while inflation is expected to stay moderate. Domestic costs may rise as the economy expands but external price pressures are likely to stay contained. However, uncertainties arising from geopolitical tensions and trade conflicts could sustain elevated interest rates, while shifting domestic consumption patterns represent key risks that require ongoing monitoring.

Real GDP Growth Rate and Unemployment Rate



Source: GDP and Unemployment figures from 2019 to 2024 are from the Census and Statistics Department. GDP forecast figure 2025 is from the Government of the Hong Kong SAR and Unemployment Rate forecast figure from the International Monetary Fund.

Independent Market Research Report

1.2 Tourist Arrivals

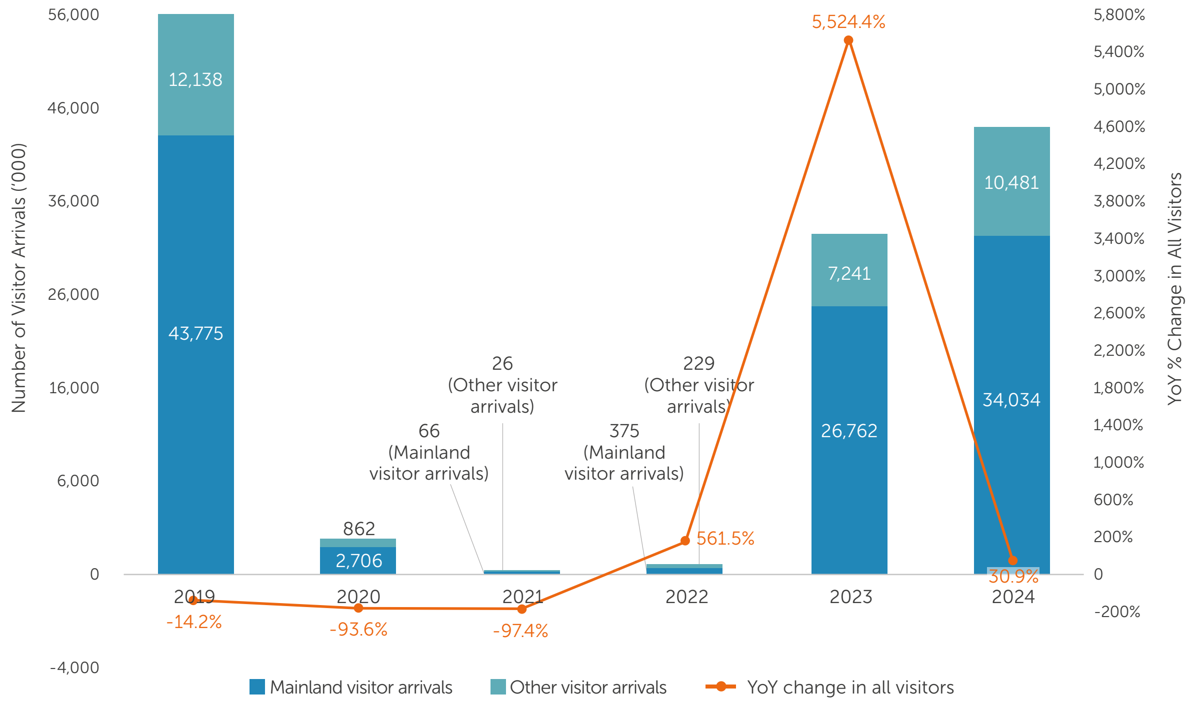
Tourist Arrivals

44.5M
(In 2024)

▲ **30.9% yoy**

- Total tourist arrivals rose by 30.9% yoy from 34.0 million in 2023 to 44.5 million in 2024, reflecting the ongoing recovery of global tourism. However, this remained at only 68% of the arrivals recorded in 2018 and 80% of those in 2019.
- Mainland visitor numbers to Hong Kong increased by approximately 27.2% yoy, driven by government initiatives aimed at boosting visitor inflow. These initiatives include raising the duty-free allowances for Mainland visitors returning from Hong Kong to Mainland, and resuming and expanding the multiple-entry Individual Visit Scheme for Shenzhen residents in December 2024.
- Conversely, outbound departures by Hong Kong residents surged to 104.6 million in 2024, more than double the total tourist arrivals. This highlights a preference by Hong Kong residents to travel overseas, driven by pent-up demand, competitive travel packages, and a desire for new experiences post-pandemic. The high volume of outbound travel also reflects the prevailing cross-border consumption trends, with residents increasingly allocating spending towards shopping, dining and leisure activities in neighbouring regions like Mainland China, Macau, Japan, South Korea and Southeast Asia. This outflow of spending underscores the need for Hong Kong to enhance its domestic appeal and balance cross-border consumption by offering competitive retail, dining and entertainment options to retain local expenditure and attract inbound visitors.
- On the international front, Hong Kong's Budget 2025 highlighted its plan to actively promote major events in sports, arts, culture and music to stimulate tourism and local retail consumption. These efforts aim to position Hong Kong as a global hub for entertainment and cultural experiences, leveraging its unique East-meets-West appeal to draw international tourists and boost its economy.
- In 1Q 2025, Hong Kong experienced a 5.0% qoq decrease in local resident departures to approximately 9.0 million monthly, attributed to a seasonal post-holiday slowdown and higher travel costs. However, the 12.0% yoy increase reflects a sustained recovery in international travel demand, supported by currency stability and improved flight connectivity. Meanwhile, tourist arrivals grew by 2.6% qoq, driven by a 5.1% rise in Mainland visitors, despite a 4.4% drop in non-Mainland visitors due to economic uncertainties, currency depreciation and competition from regional hubs like Singapore and Thailand.

Visitor Arrivals



Source: Hong Kong Immigration Department

1.3 Total Retail Sales

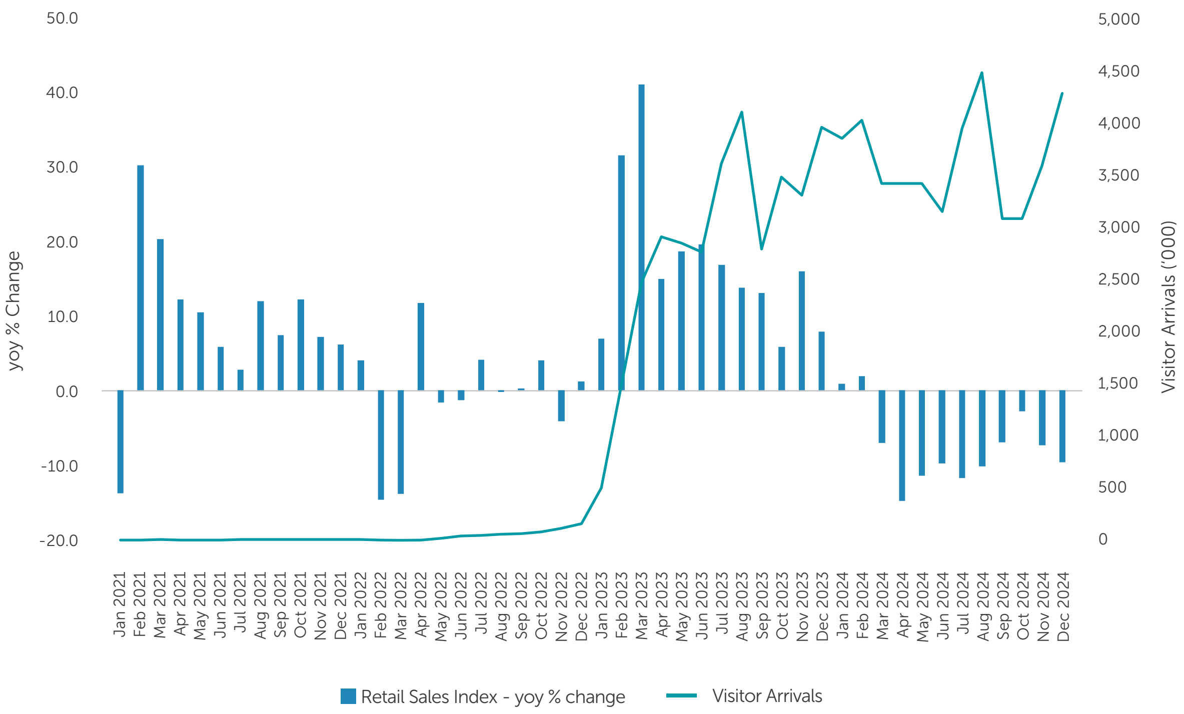
Total Retail Sales

HKD**376.8**B
(In 2024)

7.3% yoy

- In 2024, Hong Kong's retail sales demonstrated fluctuating patterns, experiencing an overall 7.3% yoy decline despite the full relaxation of pandemic measures. The total retail sales reached HKD376.8 billion in 2024, representing only 77.7% and 87.4% of retail sales recorded in 2018 and 2019, respectively. This underperformance reflects shifting consumer preferences toward spending in Shenzhen and other overseas destinations, compounded by broader economic uncertainties. The high base from 2023's post-pandemic rebound further amplified the decline, highlighting challenges in restoring pre-pandemic retail activity levels.
- While January and February 2024 recorded modest yoy growth, subsequent months showed consistent yoy declines. This downward trend can be attributed to two primary factors. First, pent-up demand from the pandemic period led to a surge in outbound tourism, which significantly reduced local private consumption within Hong Kong. Second, despite growth in visitor arrivals, spending behaviours have shifted notably as Mainland visitors, who were historically strong luxury goods purchasers, increasingly prioritised experiential and cultural experiences over traditional retail activities. This transformation contributed substantially to the decline in overall retail sales.
- The cross-border consumption trend of Hong Kong residents purchasing household goods and non-discretionary items in Mainland China, particularly in Shenzhen, has grown significantly due to lower prices, greater variety and enhanced convenience. This trend has led to a decline in local retail sales, increased competition facing traditional Hong Kong brick-and-mortar stores, and heightened pressure on small businesses, while simultaneously raising consumer expectations on affordability and convenience. Looking ahead, the trend is likely to persist as cross-border infrastructure and e-commerce capabilities continue to improve, prompting local retailers to differentiate through unique offerings, superior service or exclusive experiences.
- Hong Kong's monthly retail sales declined by between 3.1% to 13.0% yoy from January 2025 to March 2025, worsening from the previous quarter's 2.8% to 9.6% drop, due to reduced Mainland tourist arrivals and seasonal effects from the absence of major shopping festivals that boosted the market during the preceding quarter.

Retail Sales Index (YoY Change) and Tourist Arrival



Source: Retail Sales figures are from the Census and Statistics Department and Tourist Arrivals figures are from Hong Kong Immigration Department

1.4 Online Retail Sales

Online Retail Sales

7.2% of Total Retail Sales ⌄ **0.7 pp yoy**

(As at 31 December 2024)

- In 2024, online retail sales in Hong Kong experienced a 2.6% yoy decline, reaching HKD31.7 billion. The proportion of online sales also dropped from 7.9% as at 31 December 2023 to 7.2% as at 31 December 2024.
- This downturn primarily reflects shifting consumer behaviours, as the relaxation of pandemic-related restrictions prompted a return to physical retail establishments, reducing the previous reliance on e-commerce platforms. Additionally, broader economic uncertainties may lead consumers to seek more competitive pricing through discounted physical retail outlets and alternative online channels, including Mainland Chinese platforms and overseas resellers.
- As of the end of March 2025, online retail share fell from an average of 9.6% in 4Q 2024 to 7.6% in the first three months of 2025, as e-commerce demand normalised post-holidays and consumers shifted to physical stores for Lunar New Year purchases.

1.5 Hong Kong Retail Market[1]

Existing Shopping Mall Stock[2]

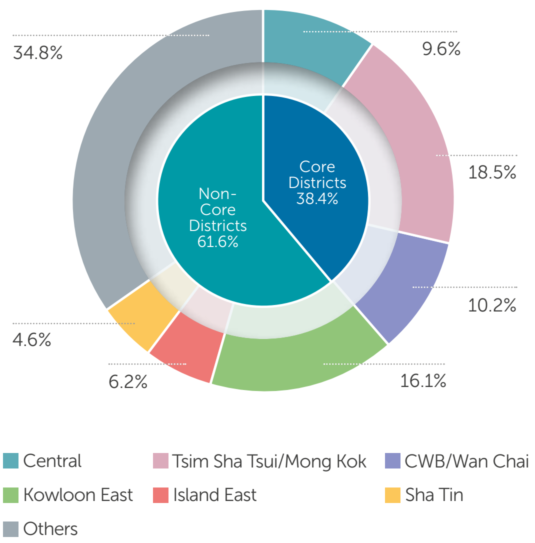
127.6M square feet[3] ⌃ **0.6% yoy**

(As at 31 December 2024)

- The primary retail districts in Hong Kong are Central, Tsim Sha Tsui/Mong Kok, and Causeway Bay ("CWB")/ Wan Chai. Along with the non-core or decentralised areas of Kowloon East, Island East, and Sha Tin, these locations constitute the city's six major retail districts. Currently, core districts represent approximately 38.4% of Hong Kong's retail stock, while non-core districts account for about 61.6%.
- New retail shopping mall supply in 2024 was around 0.7 million square feet. This includes The Millennity (0.5 million square feet) that was opened in 1Q 2024.
- As at the end of March 2025, approximately 183,000 square feet of new retail space was added to Hong Kong's retail stock, bringing the total existing supply to approximately 127.8 million square feet.

Distribution of Retail Stock by Submarket

(As at 31 December 2024)



Source: Rating and Valuation Department, Colliers Research

Potential Shopping Mall Supply

7.1M square feet

(From 2025 to 2027)

- In 2025, approximately 4.7 million square feet of new retail space is expected to be added, with the main hubs being Kai Tak and Chek Lap Kok.
- Kai Tak Sports Centre officially opened on 1 March 2025, adding approximately 0.6 million square feet of retail space to the Kowloon East market. Its opening is anticipated to boost visitor numbers and stimulate commercial activity in the surrounding area.
- Kai Tak, the newly developed area in Kowloon East, will see completion of two major developments from 2Q to 4Q 2025: The Twins Phase 2 and the retail podium of Cullinan Sky Development, which have a combined GFA of 0.7 million square feet.
- Meanwhile, Chek Lap Kok, the island where the Hong Kong International Airport is situated, will contribute to the supply in 2025 with a large-scale development named 11 Skies. Originally set to be completed in 2024, 11 Skies has an estimated GFA of 3.2 million square feet.

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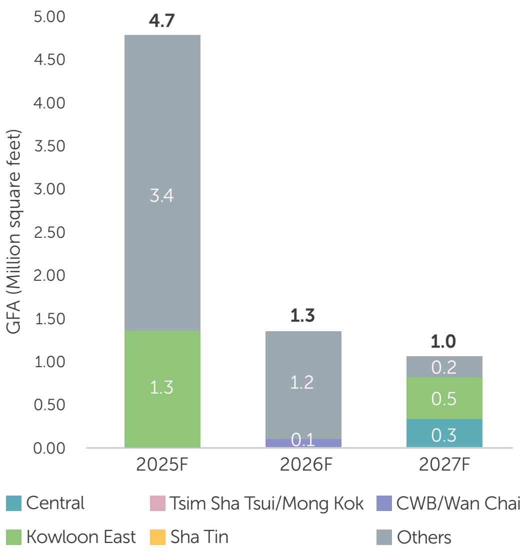
[1] All references to floor area refer to Gross Floor Area ("GFA"), unless otherwise stated.

[2] The data and figures on the retail market are from Colliers International (Hong Kong) Limited and relate to the six key retail districts. MPACT owns Festival Walk, which is located in Kowloon East.

[3] Source: Rating & Valuation Department. Net floor area was converted to GFA for the purpose of this report.

- Looking further ahead, Kowloon East is set to contribute about a quarter of Hong Kong's new retail supply through 2027. Kowloon East expects 1.3 million square feet of new retail space in 2025, followed by 0.5 million square feet in 2027. This will increase competition among landlords and exert downward pressure on rental prices in the area.

Future Supply by Submarket



Source: Rating and Valuation Department, Colliers Research

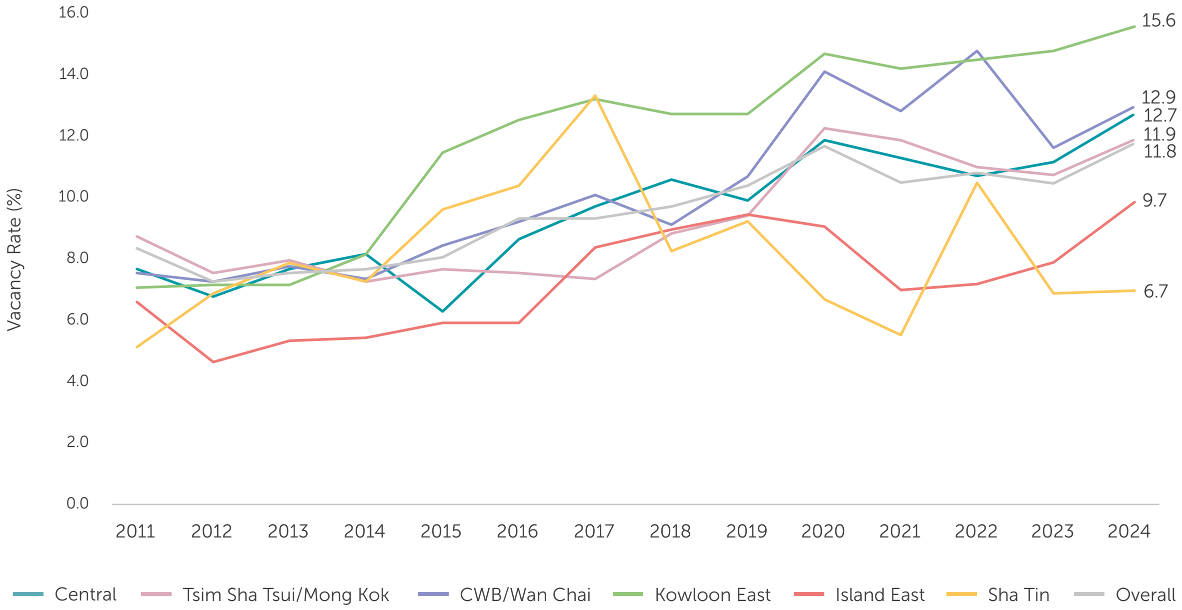
Vacancy Rate

11.8%[1] **1.5 pp yoy**

(Overall as at 31 December 2024)

- The retail vacancy rate increased 1.5 pp yoy to 11.8% as at 31 December 2024. This was driven by a combination of factors, including a 7.2% decline in overall retail sales due to reduced consumer spending and increased outbound travel by locals to cheaper destinations like Mainland China.
- All submarkets experienced a rise in vacancy rates in 2024, with Island East observing the highest rise of 2.2 pp yoy to 9.7% primarily due to its status as a non-core tourist destination. This likely reflects the broader decline in retail sales and shift in consumer spending, resulting in significantly lower foot traffic and reduced demand for retail space. Core districts like Central and CWB/Wan Chai, while partially supported by tourist activity, still experienced yoy vacancy rate increases of 1.9 pp to 12.7% and 1.6 pp to 12.9%, respectively.
- Kowloon East's vacancy level remained the highest of all the submarkets, increasing by 1.0 pp yoy to 15.6%, mainly due to new supply.

Vacancy Rate by Submarket



Source: Rating and Valuation Department, Colliers Research

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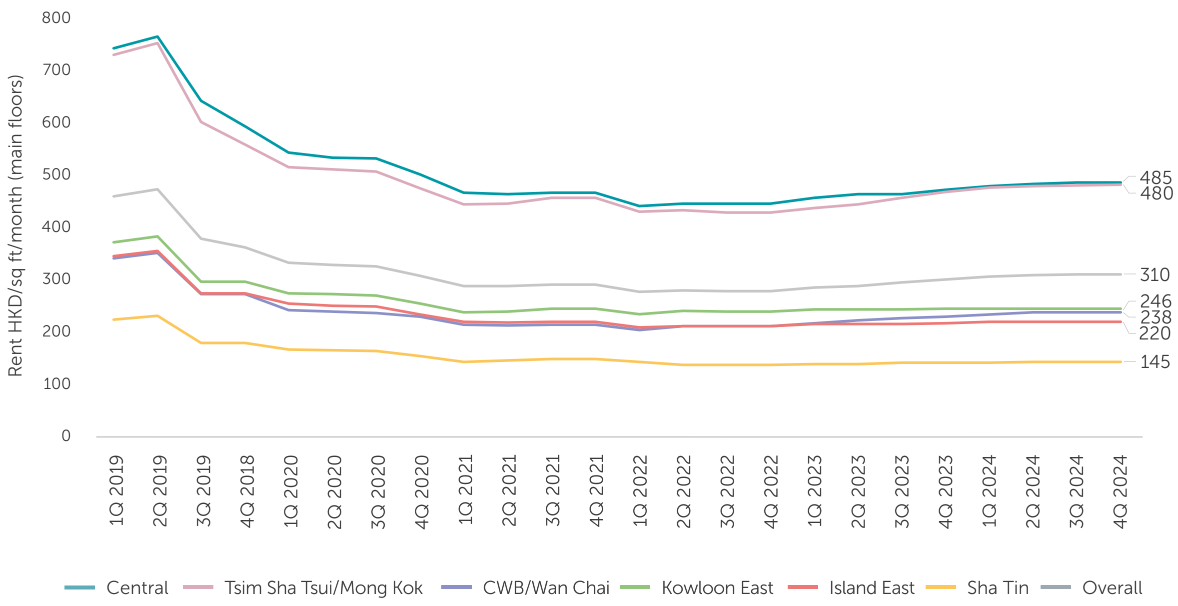
[1] This refers to the average vacancy rate of all retail properties across Hong Kong, including shopping malls, high street shops and retail podiums, and is published by the Rating and Valuation Department.

Average Shopping Mall Rent[1]

HKD**310** ▲ 3.0% yoy
per square foot per month
(Overall as at 31 December 2024)

- Overall rents in Hong Kong showed a generally upward trend and recorded a 3.0% yoy growth. The year commenced strongly with a 1.8% qoq growth in 1Q 2024, driven by successful tourism initiatives which enhanced inbound visitor numbers and bolstered retailer confidence. However, rental growth moderated in the second half of the year, reflecting evolving consumer purchasing patterns and a notable decline in luxury retail spending.
- At the rental peak in 2Q 2019, overall rents reached HKD472 per square foot, compared to HKD310 per square foot in 4Q 2024, representing a 34.3% decline. This indicated that despite the yoy recovery, Hong Kong's retail market has not fully recovered to pre-COVID and social unrests levels.
- While prime retail districts experienced the most robust yoy growth, with CWB/Wan Chai leading at 3.5%, followed by Central and Tsim Sha Tsui/Mong Kok, both recording 2.9% increases yoy, overall retail rents were still lagging behind pre-COVID levels.
- Decentralised areas predominantly serving domestic consumers showed more modest growth, with Sha Tin and Island East registering yoy increases of 1.3% and 0.9%, respectively. This disparity can be attributed to increased outbound travel and significant population outflow throughout 2024.
- Kowloon East saw no improvements in rental levels, likely due to increased market competition from newly completed retail spaces in the area earlier in the year.
- The gradual tourism recovery has provided some support to the retail sector, as retail rents across Hong Kong rose 1.3% qoq and 2.5% yoy to HKD314 per square foot in 1Q 2025. Central led with 2.1% qoq improvement due to its prime location, while non-core submarkets like Island East and Kowloon East followed with 1.4% and 1.2% growth, respectively, and Tsim Sha Tsui/Mong Kok registered more modest growth of 1.0% qoq.

Retail Rent by Submarket



Source: Colliers Research

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[1] Refers to the average rents of shops situated on main floors of the shopping malls from Colliers' database. Main floors are the floors with the highest amount of footfall within a shopping mall.

Leasing Demand

- Despite ongoing uncertainties in Hong Kong's retail market, some signs of activities emerged with selective brand entries and relocations.
- High-street rents remained relatively resilient, as some established brands capitalised on favourable rental conditions for strategic repositioning.
- The fourth quarter of 2024 recorded modest market activities, including DJI's establishment on Russell Street and Lukfook Jewellery's strategic return to Mong Kok, alongside international brand entries such as Marithé + François Girbaud in Causeway Bay and Taobao's Hong Kong debut.
- Mainland F&B retailers have increasingly entered Hong Kong, with brands like Luckin Coffee and Mixue targeting decentralised neighbourhood locations as they pursue competitive pricing strategies to appeal to local consumers.
- Mainland and international brands drove most of the leasing activities in 1Q 2025 as they continued to secure prime locations at competitive rents, including CR7®Life at Times Square, Cosme at Yue Hwa International Building and Heirloom Fortune at Haiphong Road.
- While these developments indicate some interest by retailers in Hong Kong's physical retail market, the overall outlook remains cautious amid broader economic uncertainties and evolving consumer behaviour patterns.

Average Retail Capital Value[1]

HKD**23,861**
per square foot
(As at 31 December 2024)

▼ **27.2% yoy**

Retail Yield[1]

3.4%
(As at 31 December 2024)

▲ **0.5 pp yoy**

- Average retail capital values declined 27.2% yoy to HKD23,861 per square foot as at 31 December 2024. While values remained relatively stable during the first half of the year, the second half saw sharp declines, particularly in Hong Kong Island and Kowloon. This downturn was driven by a combination of factors, including persistent high interest rates, increasing vacancy rates, subdued demand, and an influx of distressed assets into the market.
- Despite the gradual recovery in retail rents, the elevated interest rate environment and diminished investor appetite continued to weigh on capital values. This led to a yield expansion of 0.5 pp yoy to 3.4% as of 31 December 2024, reflecting market recalibration of risk-return expectations as investors accounted for a more challenging operating environment and lower growth prospects.

[1] Information published by the Rating and Valuation Department includes shopping malls, high street shops and retail podiums across Hong Kong. 2024 data is provisional at this stage.

- Long-term adjustments in investor expectations are becoming evident, with Hong Kong's retail market unlikely to return to its previous peak performance in the near term. The combination of structural shifts in consumer behaviour, slower-than-expected recovery in tourism, and elevated interest rates has led to a more conservative market outlook. Investors are increasingly prioritising assets with stable cash flows and lower risk profiles, while remaining selective in their acquisitions.
- In 2024, retail transactions exceeding USD50 million were primarily concentrated in neighbourhood malls with relatively more stable rental income, such as Alto Residences – Greenwich Village, Jubilant Plaza and Intercontinental Plaza. These transactions underscored ongoing asset divestments by investors, particularly amid liquidity pressures and subdued outlook that prompted their exits from non-core holdings.
- In 1Q 2025, there were no significant retail transactions in the market. However, overall retail capital value appreciated 28.6% qoq to HKD31,865 per square foot. This increase was likely due to the low comparison base from 4Q 2024.

Outlook

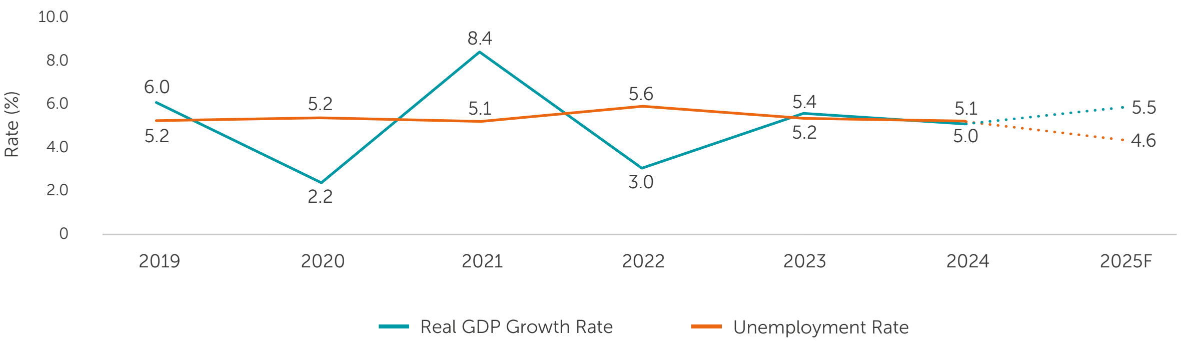
- High-street retail rents remained resilient in 2024, with brands continuing to relocate or expand to prime locations, taking advantage of the existing attractive rents. Looking ahead, Mainland Chinese brands will be the key drivers for leasing activities in both shopping malls and high street retail shops in the near term.
- Visitor arrivals in Hong Kong are expected to maintain recovery as the Hong Kong government continues to implement initiatives to attract more visitors, including international mega arts, cultural and sports events. Outbound travel numbers may also stabilise as the post-pandemic pent-up demand for travelling subsides and domestic spending slowly recovers.
- Several factors are expected to support Hong Kong's economic recovery in 2025 amid persistent trade tensions and global uncertainties. China's monetary easing policies and initiatives to stabilise local property markets provide underlying support. The People's Bank of China ("PBOC") has lowered the seven-day reverse repo rate and increased government spending to improve cash flow and consumer confidence. Additionally, accommodative monetary policies from the US Federal Reserve and other central banks should reduce borrowing costs and enhance overall market sentiment.
- In the retail sector, activity is expected to remain polarised. While prime locations such as Central, CWB and Tsim Sha Tsui may see increased demand, neighbourhood locations like Kowloon East may attract lower interest from tenants. Overall rents are expected to rise moderately by about 1.5% in 2025.
- The anticipated increase in new retail supply in Kowloon East will heighten competition among landlords. However, demand for retail space in the Kai Tak area is expected to grow in the medium to long term, driven by expanding residential and office developments alongside relocation of government institutions.
- Fixed asset investment is likely to grow, although external uncertainties and subdued investor sentiment may result in some volatility.
- Hong Kong's Budget 2025 announced a moratorium on commercial land sales to allow time for the market to absorb existing supply. Enhanced tax incentives for funds, family offices and carried interest aiming to attract private equity and family offices could potentially stimulate demand for high-end property and reinforce Hong Kong's status as a global financial and wealth management hub.
- Additional government initiatives include developing the Hung Hom waterfront as a seaside landmark with yacht facilities to boost luxury tourism and capitalise on the trend of experiential travel. Meanwhile, the introduction of boundary fees on private cars travelling to Mainland China could reduce outbound travel and support local retail consumption.

China

1.1 Economy

- China's 4Q 2024 GDP grew 5.4% yoy, largely boosted by stimulus measures implemented since September 2024. GDP growth for the full year was 5.0%, exceeding market expectations and meeting the official target as government efforts to support the economy mostly offset weak domestic demand.
- Inflation remained muted at 0.1% yoy in December 2024.
- PBOC implemented monetary measures in 2024, including policy rate cuts and easing monetary policies that enhanced liquidity and market confidence. The 10-year Chinese Government Bond yield fell sharply from 2.6% to 1.6% by year-end following PBOC's intervention. Consumer spending, bolstered by expanded trade-in programmes, drove retail sales growth up by 3.5% yoy in 4Q 2024, although this remained at the lower end of forecasts.
- China's industrial sector demonstrated robust performance, with equipment manufacturing and high-tech manufacturing growing 7.7% and 8.9% yoy, respectively, in 2024. New energy vehicles, integrated circuits and industrial robots posted particularly strong gains of 38.7%, 22.2% and 14.2% yoy, respectively.
- The World Bank projected China's growth to moderate to 5.5% in 2025, citing demographic headwinds, rising public and corporate debt levels, and slowing productivity gains. The government has targeted urban unemployment at 4.6% for 2025, with both consumption and investment expected to remain subdued.
- The renminbi is anticipated to experience a managed depreciation against the US dollar in 2025 to support export competitiveness.
- US-China trade tensions have escalated to unprecedented levels recently. This will continue to create economic disruption and complicate global supply chains, affecting business planning. Some sectors, particularly agriculture and manufacturing, have experienced first-order impact through cancelled orders. The prolonged uncertainty complicates long-term sourcing and investment decisions, with the evolving situation expected to sustain economic headwinds that could impact occupier demand and investment sentiment over time.

Real GDP Growth Rate and Unemployment Rate



Source: National Bureau of Statistics, Oxford Economics, International Monetary Fund, Colliers Research

Independent Market Research Report

1.2 Beijing Office Market[1]

Existing Grade A Office Stock

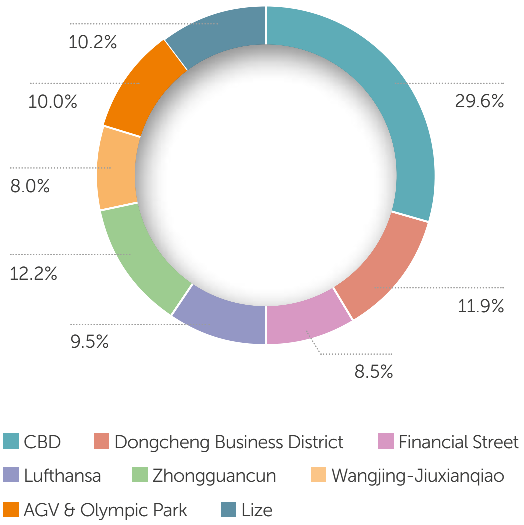
11.8M square metres ^ **5.7% yoy**

(As at 31 December 2024)

- Beijing comprises eight major office sub-markets – the Central Business District ("CBD"), Beijing Financial Street ("Financial Street"), Zhongguancun ("ZGC"), the Dongcheng Business District,[2] Lufthansa, Wangjing-Jiuxiangqiao, Asian Game Village ("AGV") & Olympic Park, and Lize.
- As at 31 December 2024, the CBD remains the submarket with the largest share of the total stock at 29.6% (approximately 3.5 million square metres). The share of total stock in the other submarkets is distributed relatively evenly.

Grade A Office Stock by Submarket

(As at 31 December 2024)



Source: Colliers Research

- A total of 635,890 square metres of new Grade A projects entered the market in 2024, increasing from the 385,200 square metres which entered in 2023. A notable project in 2024 was the National Financial Information Center located in Lize with an NLA of 129,000 square metres.
- No new developments were added to the market in 1Q 2025.

Potential Grade A Office Supply

1.5M square metres

(From 2025 to 2027)

- The supply pipeline will moderate in 2025 in comparison to the significant new supply that had been added to the market in recent years. 175,964 square metres of Grade A office is scheduled to enter the market in 2025. However, supply will pick up again in 2026 with several scheduled large-scale completions, adding 773,530 square metres to the total Grade A office stock.
- Over the next three years, the CBD will introduce 420,000 square metres of new office space. Other submarkets, namely Lize (359,900 square metres), Dongcheng Business District (17,000 square metres), Zhongguancun (50,000 square metres), Financial Street (57,800 square metres), Wangjing-Jiuxianqiao (295,670 square metres) and AGV & Olympic Park (31,130 square metres), will also add to the new office supply. Lufthansa remains the only major submarket without scheduled supply in the near future.
- Notable projects scheduled for completion in 2026 include: CICC & GLP & Hongkong Land Z3 (120,000 square metres), Dajia Insurance Z5 (90,000 square metres), Sino-Ocean Group Z6 (130,000 square metres) in the CBD submarket and Indigo Phase II (T1 - T4) (188,730 square metres) in Wangjing-Jiuxianqiao.

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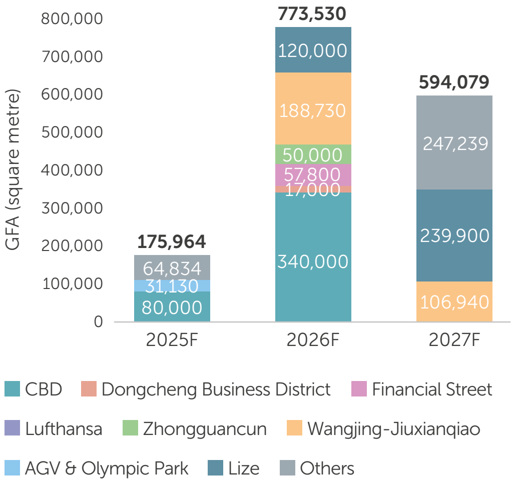
[1] All data and figures on the office market are from Colliers International (Hong Kong) Limited and they relate to the eight office submarkets as outlined on this page. Unless otherwise stated, all area measurements are based on GFA. MPACT owns Gateway Plaza, which is located in Lufthansa.

[2] The Dongcheng Business District comprises East Chang'an Avenue and East 2nd Ring.

- Three major projects are currently marked for 2027 completion: Swire Properties & Sino-Ocean Indigo Phase II (T5-T7) in Wangjing-Jiuxianqiao (106,940 square metres), Zhongyang Plaza being developed in Lize by Wanquan Temple Street Government (156,000 square metres) and a project on the west side of Block 64 of Lize Terminal (83,900 square metres).

Potential Supply by Submarket



Source: Colliers Research

Office Net Take-up[1]

309,433 square metres

(Overall in 2024)

▲ **258.8% yoy**

- Beijing's net take-up accelerated in 2024 with 309,433 square metres of office space absorbed compared to 86,233 square metres in the prior year. This was largely driven by occupiers capitalising on lower rental prices across submarkets, landlords' increased willingness to negotiate lower rental rates to boost occupancy, and pre-leasing activities in newly completed projects.
- Take-up patterns varied considerably across submarkets, with several experiencing tenant withdrawals. Lize, a relatively affordable submarket, recorded significant uptake of 100,711 square metres in 4Q 2024, boosted by new completions including the National Financial Information Centre. Conversely, the more mature office submarkets in Beijing experienced withdrawals in 4Q 2024: CBD (-11,266 square metres), Dongcheng Business District (-17,205 square metres) and Lufthansa (-17,382 square metres). This was driven by occupiers seeking lower rentals and improving cost efficiencies by relocating their back-office functions in secondary locations.
- The movement of large state-owned enterprises and Internet and Technology companies from core locations in Beijing forms part of a trend whereby non-core business functions and back office roles are being shifted to secondary locations to take advantage of lower rents.
- Leasing demand remained soft due to softer economic conditions, with Grade A office activities primarily driven by tenant renewals and relocations rather than expansion. In response to the increased competition, landlords have been offering rental discounts for larger leased areas and more competitive tenant incentives.
- Internet and Technology companies, and state-owned enterprises led leasing demand, followed by finance and professional services firms. The net take-up in 1Q 2025 remained positive at approximately 36,000 square metres, marking the seventh consecutive quarter of demand recovery. However, quarterly take-up volumes stayed subdued due to cautious market sentiment.

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[1] Net take-up is the sum of space that became occupied during the year minus the sum of space that was vacated over the course of the year.

Independent Market Research Report

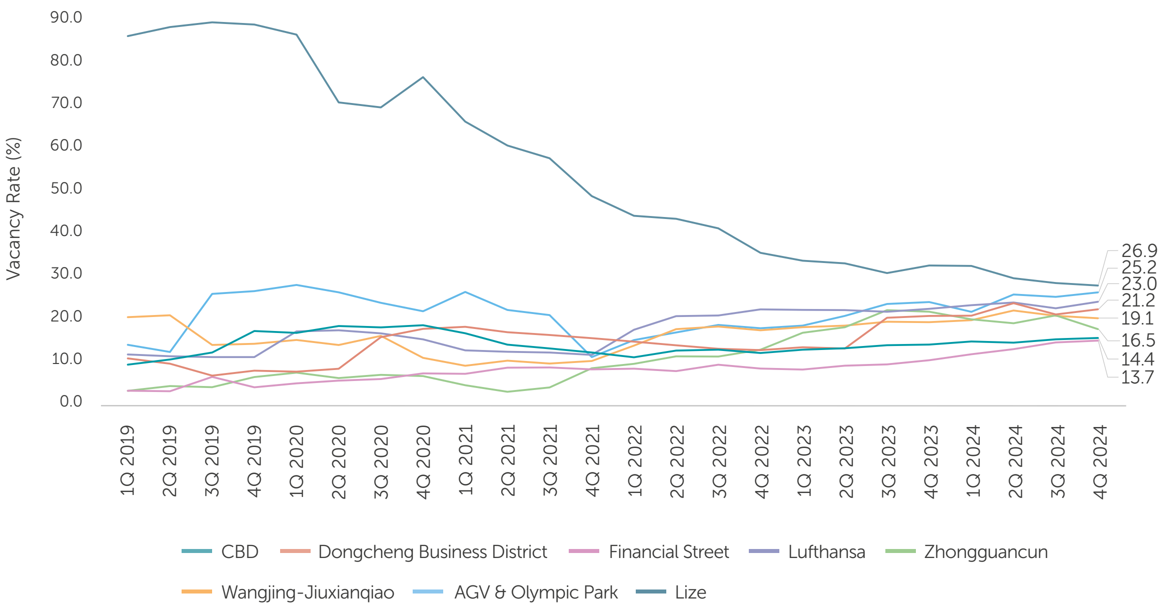
Grade A Office Vacancy Rate

20.0% **^ 0.2 pp yoy**

(Overall as at 31 December 2024)

- The vacancy rate of Beijing's office market reached a new high of 20.0% as at 31 December 2024, surpassing the previous 10-year high of 19.8% in 2023. The rise in vacancy rates was observed across all central business areas, including Dongcheng Business District, the CBD, Financial Street and Lufthansa, as tenants prioritised cost management and moved to less premium locations.
- Beijing's secondary commercial districts benefited from this trend, recording lower vacancy rates. Notably, vacancy rates in Lize and Zhongguancun declined by 4.8 pp and 4.2 pp yoy, respectively, as tenants moved into newly developed office buildings and non-core business functions were relocated out of central Beijing. Landlords in these locations have been able to attract occupiers and boost occupancy by offering rental discounts to relocating tenants.
- Although supply pressure may ease in 2025 due to limited new office supply, demand is likely to remain weak.
- The vacancy rate in the Lufthansa precinct was 23.0% as at 4Q 2024, representing an increase of 1.7 pp from 4Q 2023. Vacancy in Lufthansa was impacted by occupiers downsizing and relocating to more affordable submarkets. As there is no new supply scheduled for completion in Lufthansa, pressure on vacancy is expected to ease in the medium term.
- Beijing vacancy rate in 1Q 2025 was 19.6%. Although this translated into a qoq and yoy decline of 0.4 pp and 0.5 pp, respectively, reflecting a modest recovery, vacancy rate remained elevated.

Grade A Office Vacancy Rate by Submarket



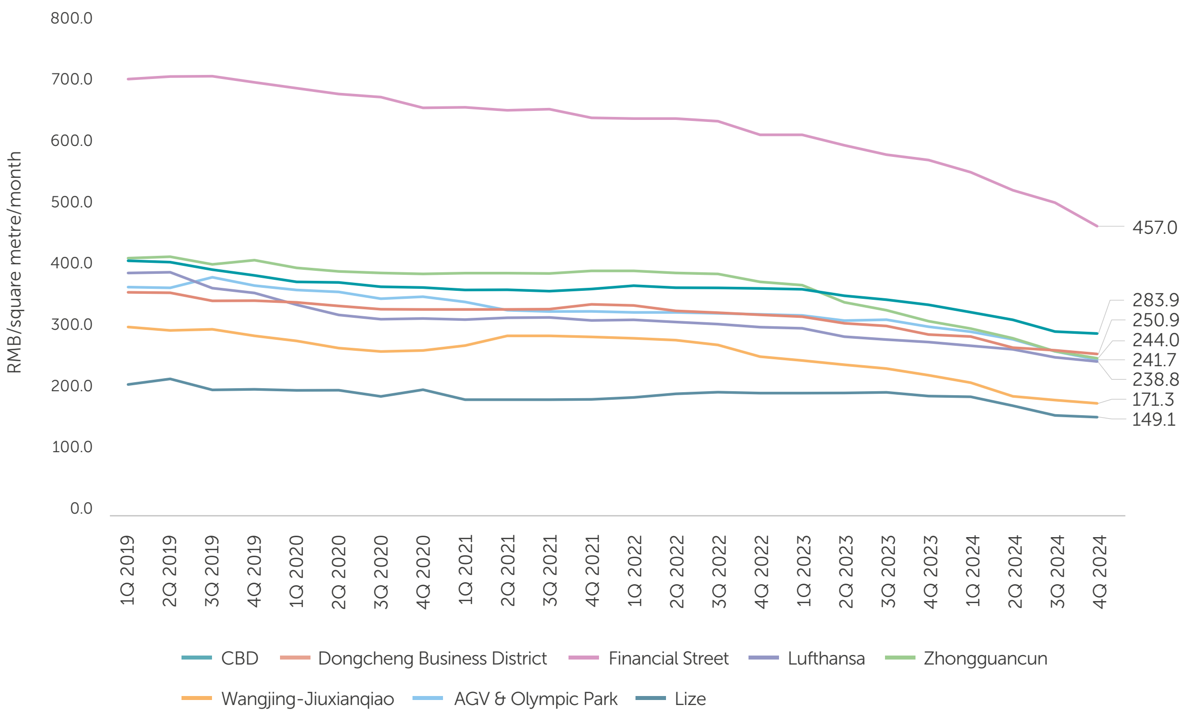
Source: Colliers Research

Average Grade A Office Rent

RMB**251.8** ∨ **16.1% yoy**
per square metre per month
(Overall Net Effective Rent as at 31 December 2024)

- Office rents in Beijing continued their post-pandemic downward trajectory, with the decline widening in 2024. This was driven by new office supply entering the market, cost-cutting measures by tenants, and landlords' willingness to lower rents in the current market conditions.
- The most notable declines in rents were observed in 4Q 2024 in the decentralised office locations. Wangjing-Jiuxianqiao and Zhongguancun experienced yoy rental drops of 20.9% and 19.7%, respectively, while Lize and AGV & Olympic Park recorded declines of 18.6% and 18.0% yoy, respectively.
- Centrally located office precincts also faced rental pressure. Rents in CBD, Dongcheng Business District and Lufthansa experienced yoy decreases of 14.0%, 11.1% and 11.6%, respectively, in 4Q 2024.
- The average office rent in the Lufthansa submarket was RMB238.8 per square metre per month as at 31 December 2024, declining by 11.6% from RMB270.1 per square metre per month a year earlier. This decline can be attributed to slower economic activity that reduced demand, and occupiers relocating or downsizing non-core business functions into more affordable submarkets.
- Financial Street, Beijing's most expensive office district, recorded a more substantial rental decline of 18.9% yoy to RMB457.0 per square metre per month.
- Market rent maintained its downward trajectory, declining by 3.2% qoq and 16.3% yoy to RMB243.8 per square metre per month in 1Q 2025. However, the quarterly rate of decline has narrowed for two consecutive quarters.

Grade A Office Rent by Submarket



Source: Colliers Research

Independent Market Research Report

Average Grade A Office Capital Value

RMB**69,302** per square metre

(As at 31 December 2024)

▼ **8.7% yoy**

Average Grade A Office Yield

3.6%

(As at 31 December 2024)

▼ **0.3 pp yoy**

- Transaction volume in Beijing's office market remained low throughout 2024, with limited activity dominated by domestic and Hong Kong capital. Notable transactions that occurred throughout 2024 included New World Development's RMB1.4 billion sale of XinJing Building in Dongcheng (RMB59,255 per square metre), CapitaLand's sale of a majority stake in Capital Square Beijing to AIA for RMB2.3 billion (RMB53,621 per square metre), and Sino-Ocean Group's RMB4.0 billion sale of a majority stake in Greater Indigo to China Life Insurance and Swire Properties.
- Capital values fell by 8.7% yoy to RMB69,302 per square metre in 4Q 2024. Although transactions were limited, this decline was in contrast against signs of moderate growth observed between 2021 to 2023 following significant COVID-19 related declines in 2020.
- Despite overall softness in the Beijing office market, the average yield compressed 0.3 pp yoy to 3.6%, as the drop in capital values was outpaced by steeper declines in rents and rising vacancy levels. Yield compression was further driven by lower borrowing costs, as China's 1-year prime loan rate declined from 3.5% in January 2024 to 3.1% by the end of the year.
- The downward trend continued in 1Q 2025 with capital values dropping 2.5% qoq, while yields remained stable as rental declines matched the pace of capital value decline.

Outlook

- Over the medium term, the demand in Beijing's office market will be driven primarily by relocations, consolidations and occupiers seeking more cost-effective rents.
- Continued high vacancy and weak demand will sustain the downward rental trend, although at a more moderate pace than the sharper declines recorded in 2023 to 2024.
- The introduction of 1.5 million square metres of new office GFA between 2025 to 2027 will continue to elevate vacancy rates.
- To stay competitive and maintain occupancy, landlords are expected to continue to implement strategies including offering rental reductions, longer rent-free periods and enhancing building amenities and services.
- China's economic outlook for 2025 remains uncertain amid escalating US-China trade tensions continuing to dampen economic sentiment and trade flows. While higher tariffs could lead to prolonged high interest rates through inflationary pressures, the real estate market in China is unlikely to face immediate tariff-related impact. China's planned stimulus measures and domestic technology advancements could also lend some economic support.

1.3 Shanghai Business Park Market[1]

Existing Grade A Business Park Stock

12.3M square metres[2] **7.4% yoy**

(As at 31 December 2024)

- As at 31 December 2024, Shanghai's five core business park submarkets – Zhangjiang Science City[3] ("Zhangjiang"), Caohejing, Jinqiao, Linkong and Shibei – contributed a total of 12.3 million square metres of GFA into Shanghai's business park total stock. This was a 7.4% increase from the previous year.
- Zhangjiang and Caohejing remained as the two largest submarkets, accounting for 3.7 million square metres (29.9%) and 3.5 million square metres (28.3%) of the core business park stock, respectively. Together, they comprise nearly 58% of Shanghai's core business park space.
- In 2024, approximately 0.8 million square metres of new business park space was added. The biggest completion came from Golden Union Park Phase II which added 160,000 square metres of GFA in Caohejing. Other notable completions include Shanghai Riverfront Harbor B-4-2 (127,322 square metres) and The Gate of Science 76-02 and 77-02 (combined GFA of 144,307 square metres), both located in Zhangjiang.
- In 1Q 2025, 265,205 square metres of new business park space was added, increasing the existing supply to 12.5 million square metres. The majority of this new supply was concentrated in Zhangjiang, Jinqiao and Caohejing.

Potential Business Park Supply

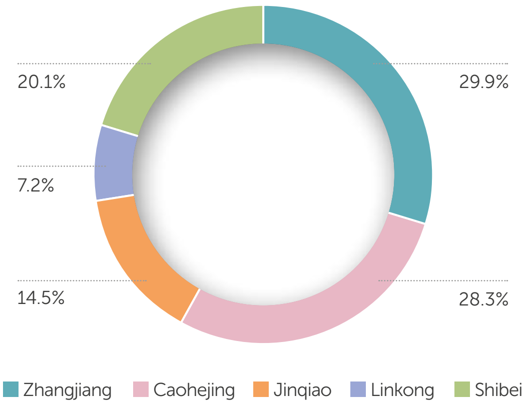
5.0M square metres

(From 2025 to 2027)

- Over 5.0 million square metres of business park space is expected to be added to Shanghai's five core submarkets between 2025 to 2027, averaging 1.7 million square metres annually and significantly exceeding the five-year average from 2020 to 2024. This supply increase stemmed from the resumption of projects after the COVID-19 lockdown in China, creating a supply overhang.
- Zhangjiang and Jinqiao will dominate new additions with 2.0 million and 2.2 million square metres, respectively, representing 84% of the total incoming supply of 5.0 million square metres expected over the next three years to Shanghai's five core business park submarkets. Jinqiao's two largest projects, Golden Valley WHK14-12 Lingxian (302,881 square metres) and Golden Valley WH7-3 (292,000 square metres), are both scheduled for completion in 2025. This influx is expected to drive up vacancy and add pressure to both submarkets.
- In contrast, the other submarkets will see more modest development. Caohejing's projected average annual supply for the next three years will be 80% of its five-year historical average, while Shibei and Linkong will observe limited new supply due to land scarcity, potentially supporting more stable vacancy rates in these submarkets.

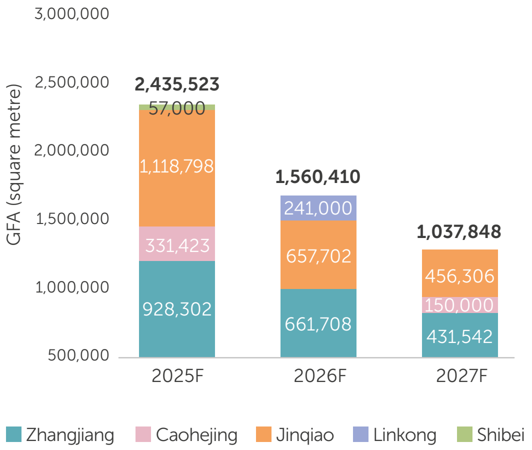
Distribution of Business Park Stock by Submarket

(As at 31 December 2024)



Source: Colliers

Future Supply by Submarket



Source: Colliers

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[1] All data and figures are from Colliers International (Hong Kong) Limited and unless otherwise stated, they relate to the five business parks outlined in this section.

[2] Unless stated otherwise, all measurements are based on GFA.

[3] MPACT owns Sandhill Plaza which is located in Zhangjiang.

Business Park Net Take-up

251,015 square metres ^ **2,104.9% yoy**
(Overall in 2024)

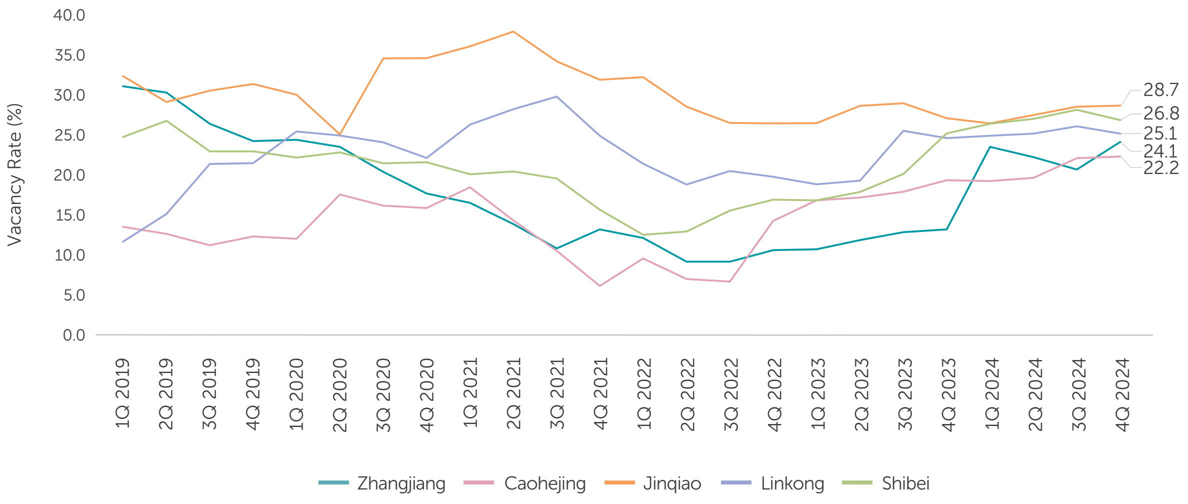
- Demand recovered strongly from 1Q 2024, driven by significant rent declines. Net absorption across the core submarkets surged to 251,015 square metres, representing approximately 69% of the net absorption recorded in 2022. Notably, the Zhangjiang submarket dominated with 198,140 square metres of net absorption (representing 79% of total absorption), while Caohejing showed marked improvement with 24,825 square metres of net take-up.
- In 4Q 2024, Zhangjiang and Shibei recorded substantial positive net absorption, driven by high-quality new developments offered at very low rental levels with enhanced incentives that significantly stimulated leasing demand. Jinqiao also experienced a rebound in net absorption. Caohejing recorded a positive absorption in 3Q 2024 following large-scale leasing at Shanghai Business Park Phase VI (42,499 square metres), although this reversed to negative net absorption of 7,276 square metres in 4Q 2024 partly due to the completion of Golden Union Park Phase II, adding significant new supply to the market. This development had a 100% vacancy as at 4Q 2024.
- In 1Q 2025, the core business markets in Shanghai recorded a negative net absorption of 13,454 square metres, primarily reflecting continued cost pressures faced by tenants.

Business Park Vacancy Rate

24.9% ^ **4.4 pp yoy**
(Overall as at 31 December 2024)

- Shanghai's business park market faced significant supply pressures in 2024, with 0.8 million square metres of new space completed during the year.[1] Amid the increased supply, landlords have responded by reducing asking rents, driving overall rental declines in 4Q 2024.
- 4Q 2024 alone saw six new business park completions within Shanghai's core submarkets, adding 298,650 square metres of GFA. This supply delivery contributed to divergent vacancy rate performance across different submarkets. Zhangjiang experienced the most significant impact, with vacancy rates rising 3.5% qoq as three projects delivered over 205,000 square metres of new supply. However, Caohejing and Jinqiao recorded modest vacancy increases of 0.2% and 0.1%, respectively, while both Linkong and Shibei posted 0.9% and 1.3% qoq declines in vacancy levels, respectively.
- Shanghai's core business park vacancy rate in 1Q 2025 climbed 1.7 pp qoq to 26.1%, driven by an additional 265,205 square metres of new supply entering the market due to the ongoing supply pressure. The supply overhang is expected to persist as 1.6 million square metres of originally planned 2024 supply was delayed to 2025, intensifying the supply overhang.

Business Park Vacancy Rate by Submarket



Source: Colliers

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[1] This relates to business parks other than the five business parks outlined in this section.

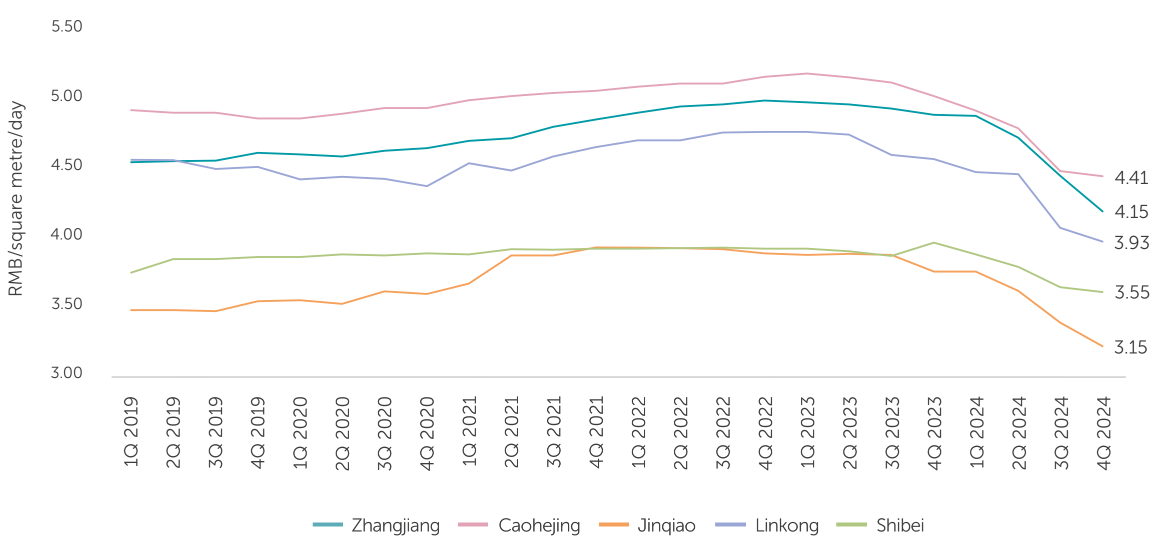
Average Business Park Rent

RMB**3.94**
per square metre per day
(Overall Net Effective Rent as at 31 December 2024)

˅ **12.5% yoy**

- After ten consecutive quarters of rental growth from 4Q 2020 to 1Q 2023, mainly fuelled by the semiconductor and biomedical sectors, Shanghai's business park rents turned and declined for seven consecutive quarters from 2Q 2023 to 4Q 2024. This was largely due to new supply which led to rental reductions and tenant incentives being offered by landlords to support occupancy levels.
- Shanghai's average business park rent declined 12.5% yoy to RMB3.94 per square metre per day as at 31 December 2024. Rents fell across all core submarkets, with Zhangjiang and Jinqiao experiencing steeper yoy declines of 14.7% and 14.9%, respectively, as companies downsized or relocated to more affordable space amid cost-cutting measures.
- In 1Q 2025, rental pressures intensified as landlords continued to offer rental incentives to fill vacant space. This drove rental level down further by 3.4% qoq to RMB3.81 per square metre per day by the end of 1Q 2025.

Business Park Rent by Submarket



Source: Colliers

Average Business Park Capital Value

RMB**25,911** per square metre
(As at 31 December 2024)

⌄ **19.3% yoy**

Average Business Park Yield

5.0%
(As at 31 December 2024)

^ **0.4 pp yoy**

- Capital values in Shanghai's core business parks fell 19.3% yoy to RMB25,911 per square metre as at 31 December 2024. After peaking at the end of 2022, capital values have been declining for eight consecutive quarters.
- Zhangjiang, the most well-established business park submarket, observed a decline in capital values of 21.5% yoy. There were two notable transactions in 2024, being the sale of Online New Economy Park, which transacted for circa RMB2.0 billion at RMB19,067 per square metre and the sale of Guochuang Center Phase 1, which transacted for RMB512.0 million at RMB29,804 per square metre. The Zhangjiang submarket generally records the highest transaction prices and per square metre unit rates among all Shanghai core submarkets.
- Shanghai's core business parks maintained stable yields of 4.1% from 2017 to 2019, with capital values ranging between RMB32,900 and RMB34,700 per square metre. This shifted in 2020 when COVID-19 and global travel restrictions disrupted investment activities and sentiment in the commercial real estate market, resulting in capital value depreciation.
- Shanghai's business park markets experienced a significant slowdown in leasing demand since 2Q 2023, which resulted in the beginning of a downward rental trend. This, combined with significant new supply, led to investors adopting a wait-and-see approach. Consequently, yields rose across Shanghai's core business park submarkets and reached a record high of 5.0% by the end of 2024, representing a 0.4 pp increase from the previous year.
- As of 1Q 2025, capital values in the core business park submarkets declined 3.4% qoq to RMB25,026 per square metre. Yield remained flat qoq at 5.0% as at 1Q 2025 due to a soft recovery of leasing demand countered by the effects of supply influx in the upcoming years.

Outlook

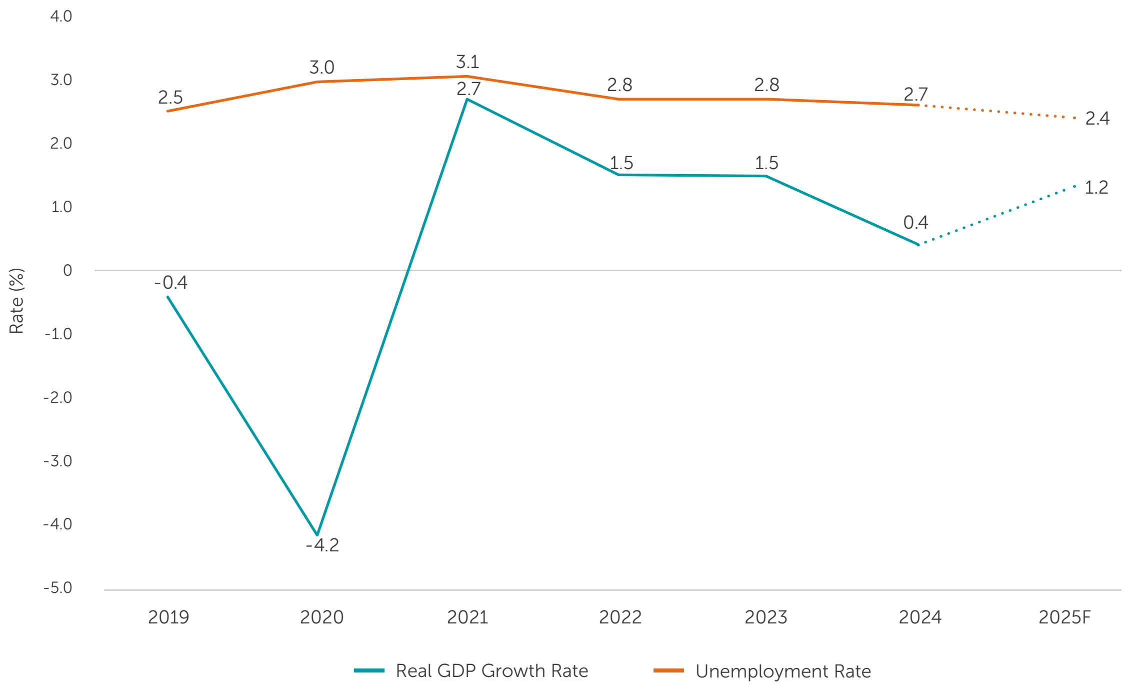
- In the medium term, demand in the Shanghai business park market will primarily come from occupiers leveraging lower rents to upgrade from Grade B to Grade A spaces. However, the market remains constrained and is unlikely to improve without substantial policy support.
- Shanghai business park supply is forecast to increase by approximately 5 million square metres in the medium term. With limited demand growth, this will likely intensify competition, driving further rental reductions and more tenant incentives. Rental levels are thus expected to decline further.
- The Chinese government is increasingly focused on supporting high-tech industries, including advanced technology, biotechnology, pharmaceuticals, modern services and advanced manufacturing, by providing financial resources and favourable regulatory policies. The implementation of further government stimulus measures may translate into new demand for business park space. However, current policy support has yet to translate into meaningful new demand.
- In 2025, China's economic outlook is uncertain amidst trade war tensions with the US. While reciprocal tariffs may create near-term uncertainty for corporate confidence, China intends to leverage this situation to bolster its economy through government support and advancements in domestic technology. This opportunity could accelerate China's push for self-sufficiency in strategic sectors like semiconductors, aerospace and smart vehicles. Shanghai's business parks stand to benefit as import substitution drives medium- to long-term growth in these industries.

Japan

1.1 Economy

- Japan's real GDP growth slowed to 0.4% in 2024 from 1.5% in 2023, driven primarily by a 2.0% contraction in 1Q 2024 and yen appreciation that weakened consumption and capital spending.
- Japan's economy has shown signs of recovery since 2Q 2024. Stronger-than-expected wage growth since the beginning of the year and improving corporate profits had prompted the Bank of Japan ("BoJ") to raise interest rates to 0.5% through three hikes (March 2024, July 2024 and January 2025) – the highest level since the 2008 global financial crisis.
- These rate hikes were in response to rising inflation, which exceeded 3.0% qoq in 2Q, 3Q and 4Q 2024. Full-year inflation was 2.5% in 2024 and is expected to remain controlled within a similar range for 2025.
- Unemployment rate declined by 0.1 pp yoy to 2.7% in 2024, signalling an improving labour market.
- For 2025, the economy is set to recover, supported by improvements in capital investment. Real GDP growth is forecasted at 1.2%, driven by stronger domestic demand, positive business sentiment and anticipated wage increases due to labour shortages, while government measures to lower household costs could further boost private consumption. In the corporate sector, profits are expected to trend upward, alongside higher fixed investments by businesses.
- Despite reaching 17-year highs, real interest rates remain negative. As a result, the BoJ's rate tightening cycle could persist, potentially leading to expansion in capitalisation rates.
- Global trade uncertainties have affected business confidence, increasing import prices and heightening inflation risks. The tightening stance by the BoJ, including reduced bond purchases and potential further rate hikes, combined with a strengthening yen, could potentially dampen exports in the coming year.

Real GDP Growth Rate and Unemployment Rate



Source: Cabinet Office of Japan, Statistics Bureau of Japan

Independent Market Research Report

1.2 Greater Tokyo Office Market

Existing Grade A Office Stock

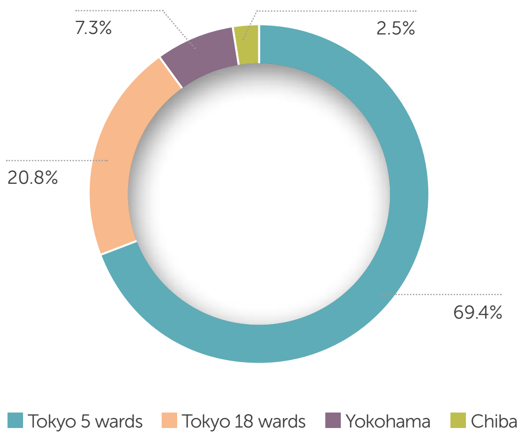
10.7M tsubo[1] ▲ **1.6 % yoy**

(As at 31 December 2024)

- In 2024, around 167,000 tsubo of office space was completed in the Greater Tokyo office market.[2]
- As of 31 December 2024, Tokyo 5 wards held 69.4% of the Grade A office stock, with Tokyo 18 wards following at 20.8%, and Yokohama and Chiba at 7.3% and 2.5%, respectively. Collectively, these submarkets constitute the Greater Tokyo office market.
- In 1Q 2025, approximately 167,000 tsubo of new Grade A office space was completed, of which approximately 90.0% were completed in Tokyo 5 wards.

Distribution of Office Stock by Submarket

(As at 31 December 2024)



Source: Colliers

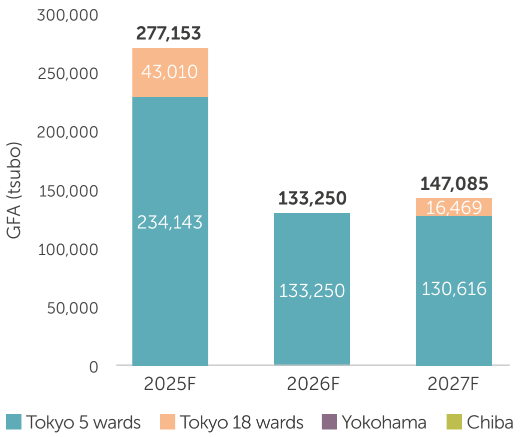
Potential Office Supply

557,488 tsubo

(From 2025 to 2027)

- Greater Tokyo's office supply is set to increase by 277,153 tsubo in 2025, representing nearly half of the total supply expected over the next three years.
- Notable developments scheduled for completion in 1Q 2025 include Takanawa Gateway City District 3 & 4 (54,200 tsubo), Yaesu 1-Chome East District (40,600 tsubo) and the T2 Project (28,000 tsubo), all located within Tokyo 5 wards.
- Looking ahead, the market is expecting an additional 133,250 tsubo of office supply in 2026 and 147,085 tsubo of office supply in 2027. Notable completions in 2026 include Oimachi Tracks Business Tower (37,510 tsubo) in Tokyo 18 wards and Nihonbashi 1-chome Central Redevelopment Block C (39,800 tsubo) in Tokyo 5 wards. For 2027, key developments include World Trade Center Building (24,800 tsubo) in Tokyo 5 wards and Osaki Core Project (13,200 tsubo) in Tokyo 18 wards, both scheduled for completion in 1Q 2027.
- Over the next three years, Tokyo 5 wards will dominate supply with approximately 498,000 tsubo, representing 89% of Greater Tokyo's total new supply. In contrast, supply in the other submarkets remains limited,[3] with Tokyo 18 wards accounting for 59,479 tsubo (or 11%).

Future Supply by Submarket



Source: Colliers

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[1] 1 tsubo = 3.30579 square metres.

[2] We define four submarkets in Greater Tokyo: Tokyo 5 wards, Tokyo 18 wards, Yokohama and Chiba. Tokyo 5 wards comprise five central wards: Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku. Tokyo 18 wards comprise the rest of Tokyo's 23 wards. Yokohama refers to Yokohama city and its 18 administrative wards. Chiba refers to Chiba city and its 6 administrative wards. MPACT has one property located in the Tokyo 5 wards (Higashi-nihonbashi 1-chome Building), four properties located in the Tokyo 18 wards (Hewlett-Packard Japan Headquarters Building, IXINAL Monzen-nakacho Building, Omori Prime Building and TS Ikebukuro Building), 1 property in Yokohama (ABAS Shin-Yokohama Building) and three properties located in Chiba (mBAY POINT Makuhari, Fujitsu Makuhari Building and Makuhari Bay Tower).

[3] While potential developments exist in Yokohama and Chiba, the lack of detailed project announcements makes it difficult to forecast precise volumes of new supply in these submarkets.

Office Net Take-up

422,162 tsubo
(In 2024)

179.0% yoy

- Office market activities were primarily driven by companies' relocation and enhancement of their workplace environments to attract talents. This resulted in a positive net absorption across all submarkets in 2024. Contributed mainly by the increased take-ups in the last three quarters, the office net take-up in 2024 increased by 179.0% yoy to 422,162 tsubo.
- The office market has been experiencing a flight-to-quality trend, with companies selecting office locations that provide better commuting options for employees. This shift has created demand disparities across different areas. In Tokyo 5 wards, offices near JR train lines were more popular, while areas with only subway access experienced lower demand. In Tokyo 18 wards, locations closer to central Tokyo, such as Shinagawa ward, attracted greater interest. In Chiba, where commuting was less convenient, office demand has yet to show signs of recovery.
- As a result, full-year net absorption for Tokyo 5 wards and Tokyo 18 wards grew by 206.9% and 151.5% yoy, respectively, while Yokohama and Chiba recorded declines of 5.6% and 91.6% yoy, respectively.
- Japanese corporate earnings have remained strong, supporting continued office relocations to accommodate workforce expansion. In Tokyo 5 wards, despite new supply expected in 2025, preleasing rates for upcoming buildings have been higher than those observed in recent years, suggesting that the new supply could be effectively absorbed by robust demand.
- In 1Q 2025, the absorption of newly supplied space progressed steadily, resulting in a positive net absorption exceeding 100,000 tsubo. Tokyo 5 wards, Tokyo 18 wards and Yokohama all recorded positive net take-up. In Chiba, however, tenant departures led to a slight negative net absorption. While Chiba's relatively lower rents compared to central Tokyo have attracted some interest, this has yet to result in the absorption of large vacant spaces in Chiba.

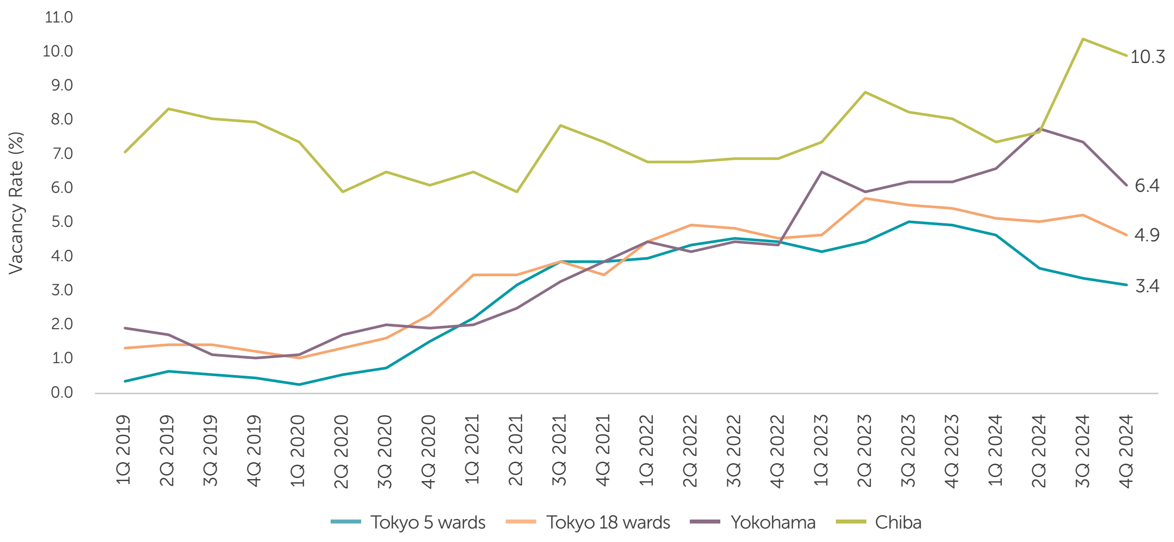
Office Vacancy Rate

4.1%
(Greater Tokyo as at 31 December 2024)

1.4 pp yoy

- Vacancy rates across Greater Tokyo declined by 1.4 pp yoy to 4.1% by the end of 2024, primarily driven by ongoing corporate and workforce expansion. However, the degree of improvement varied across submarkets.
- Tokyo 5 wards, the most prime and sought-after submarket, recorded the sharpest decline in vacancy rates, decreasing 1.8 pp yoy to 3.4% as of 31 December 2024.
- Despite the completion of several large-scale office developments, including Akasaka Trust Tower, Yokohama Sympho Stage West Tower, and Toda Building, the growing scarcity of large office spaces suitable for corporate headquarters in central Tokyo has led to rising demand in peripheral areas with good accessibility and lower costs, such as Yokohama.
- As a result, Tokyo 18 wards and Yokohama also recorded improving vacancies, declining 0.8 pp yoy to 4.9% and 0.1 pp yoy to 6.4%, respectively.

Greater Tokyo Vacancy Rate by Submarket



Source: Colliers

Independent Market Research Report

- Among the four major submarkets of Greater Tokyo, Chiba was the only submarket to experience a vacancy increase, as demand recovery lagged. Vacancy rate in Chiba increased by 1.9 pp yoy to 10.3% with Next Site Chiba Building (3,943 tsubo) being the only completion in 2024.
- In 1Q 2025, despite significant new supply, vacancies were steadily absorbed and the vacancy rate in Tokyo 5 wards remained at 3.5%. Overall vacancy rates either remained or decreased slightly. The tight supply-demand balance continues and is gradually expanding from the core areas to the Tokyo 18 wards and Yokohama.

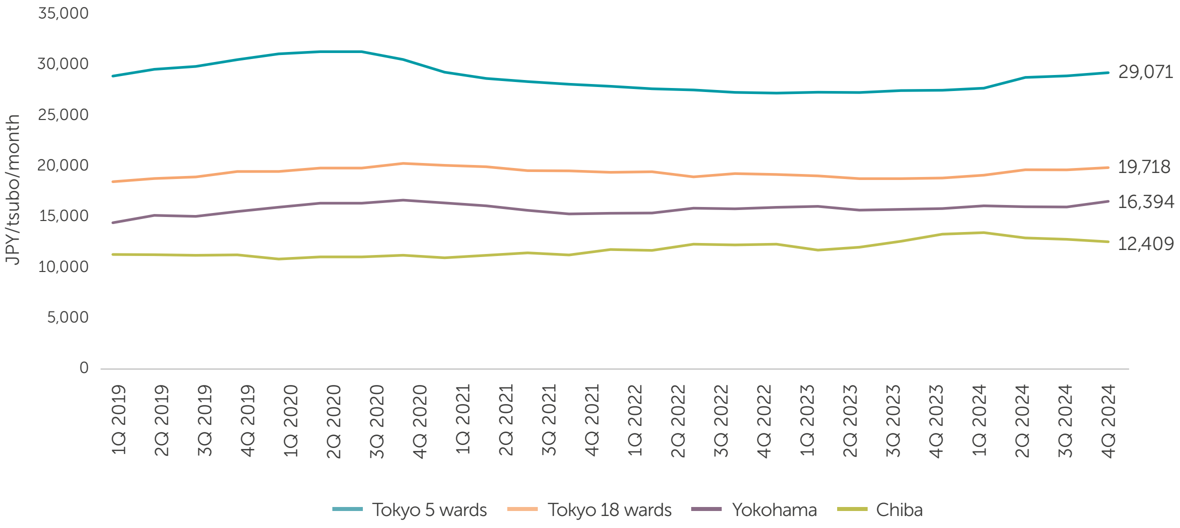
Average Office Rent

JPY**25,781**
per tsubo per month
(Greater Tokyo as at 31 December 2024)

^ 5.9% yoy

- Greater Tokyo's average office rent increased by 5.9% yoy to JPY25,781 per tsubo per month by the end of 2024. This was fuelled by demand consistently outpacing supply during the year. High-quality Grade A office buildings continued to attract strong interest.
- Rental recovery followed a geographic pattern, similar to what was observed in vacancy trends. Recovery in rents began in central Tokyo and extended outward to peripheral areas. Tokyo 5 wards, being the most prime submarket, recorded the highest growth at 6.3% yoy. Submarkets in close proximity to central Tokyo also benefited, with Tokyo 18 wards and Yokohama recording rental increases of 5.5% and 4.5%, respectively. However, the recovery has been delayed in Chiba, where rents fell 5.7% yoy alongside higher vacancies. This is due to landlords in Chiba reducing rents to backfill vacancies.
- In 1Q 2025, average rents continued to rise by 1.2% qoq in the Tokyo 5 wards, supported by strong and growing demand. Meanwhile, average rents in the Tokyo 18 wards and Yokohama declined slightly as higher-rent buildings reached full occupancy and anticipated future lease rates were relatively lower. In Chiba, average rents increased temporarily due to new listings at buildings with relatively higher rent levels.

Greater Tokyo Office Rents by Submarket



Source: Colliers

Average Office Capital Value

JPY**4,562,560** per tsubo ▲ **1.1% yoy**

(As at 3Q 2024[1])

Average Office Net Yield

3.6% ▼ **0.1 pp yoy**

(As at 3Q 2024[1])

- Tokyo's Grade A office market showed continued recovery in 2024, with total transaction volume exceeding both 2023 and 2022 levels.
- Despite BoJ unwinding its ultra-loose monetary policy and moving short-term rates into positive territory, the average capital value of office buildings rose 1.1% yoy to JPY4,562,560 per tsubo by the end of 3Q 2024.
- Current capital values and yields have yet to fully reflect recent rental growth due to typical reporting lags between leasing activities and valuation adjustments. This alignment is expected to materialise going forward as capital values and yields adjust to stronger rental performance, particularly in prime segments where demand remains robust.
- Borrowing costs have risen gradually since 2022, with Japan's rate hike cycle beginning in early 2024 continuing to increase borrowing costs for companies. However, Japan's interest rates remain comparatively low, maintaining its appeal as an attractive investment market.
- In 1Q 2025, the average capital value of Tokyo office buildings shifted from a flat to an upward trajectory. Yields declined from 3.6% as at 3Q 2024 to 3.3% as at 1Q 2025. Investor appetite remains strong, with increased transactions seen in prime-located properties where rental growth is expected, and deals driven by asset reallocation strategies.

Outlook

- Corporate reorganisation and relocation driven by strong workforce expansion and adaptation to new work styles remain key demand drivers. The flight-to-quality trend continues to reshape market dynamics, potentially leading to a redistribution of demand across Greater Tokyo's office submarkets.
- Japan's office market is expected to continue its recovery trajectory from 2024. Limited availability of large-scale office spaces in central Tokyo is driving some demand toward peripheral areas, with potential benefits extending first to Tokyo's 18 wards, then to Yokohama, and eventually to Chiba as market tightening continues.
- Office supply for Greater Tokyo in 2025 is estimated at 277,153 tsubo, up from 166,883 tsubo in 2024, with 234,143 tsubo in Tokyo 5 wards and 43,010 tsubo in Tokyo 18 wards. Despite the higher supply in 2025, high preleasing rates indicate that robust demand is likely to absorb new space effectively.
- Strong demand for central Tokyo has created a landlord-favourable market in Tokyo's 5 wards, Tokyo's 18 wards, and Yokohama, which is expected to drive rental growth. Meanwhile, rental declines in Chiba are expected to persist until vacancy rates in Greater Tokyo tighten further, leading to spillover demand that reduces local vacancies, a process that will likely take more time.
- Borrowing rates for real estate investments are expected to continue their gradual increase. Given BoJ's ongoing monetary policy adjustments and the new government's economic stance, capitalisation rates may expand slightly. This could impact property valuations and investment strategies in the coming quarters, potentially leading to more selective acquisition criteria among investors.

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[1] Capital value and net yield data are based on the latest available information in J-REIT disclosure documents, which are updated semi-annually in 1Q and 3Q.

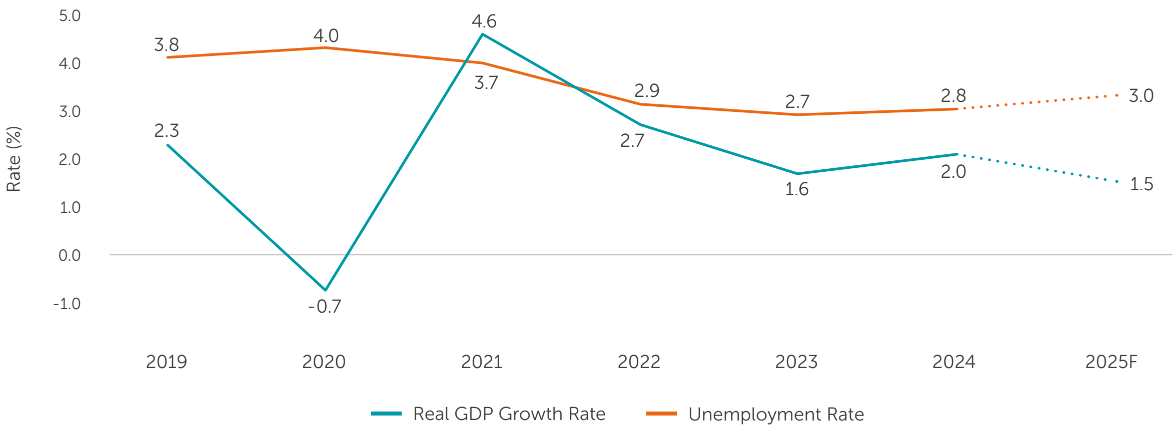
Independent Market Research Report

South Korea

1.1 Economy

- South Korea recorded 2.0% GDP growth in 2024, improving from 1.6% in 2023. This was largely due to the sustained high growth in exports for the automobile and information communications technology ("ICT") industry. The growth was partially offset by a decline in the construction sector and lower consumer demand amid increasing uncertainties in the global and domestic economies.
- The reduced consumption of consumer goods and the fall in global oil prices led to the drop in inflation from 3.6% in 2023 to 2.3% in 2024.
- National unemployment rate remained relatively stable at 2.8% in 2024 as compared to 2.7% in 2023. Nonetheless, the service sector recorded employment growth, implying signs of improvement in the labour market.
- According to the Korean Development Institute ("KDI")'s latest forecast, South Korea's economy is expected to grow by 1.5% in 2025, 0.5 pp lower than the previous year. This slower growth reflects the ongoing decline in domestic consumption and exports due to prolonged global economic uncertainties and volatile international trade conditions.

Real GDP Growth Rate and Unemployment Rate



*Note: Real GDP and yoy variance represents chained 2015 prices, seasonally adjusted.
Source: KDI, Bank of Korea

1.2 Seoul Office Market

Existing Office Stock

(Within the Three Core Business Districts)

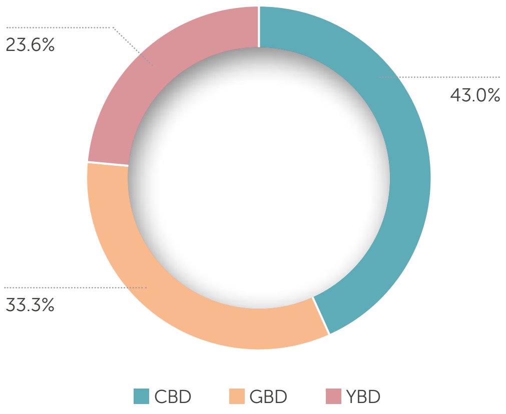
2.8M pyeong[1] ^ **2.4% yoy**

(As at 31 December 2024)

- The Seoul office market comprises three core districts: the Central Business District ("CBD"), the Gangnam Business District[2] ("GBD") and the Yeouido Business District ("YBD"). GBD, Seoul's second largest business district, is known to be the preferred location for information technology ("IT"), technology, media, fashion and pharmaceutical companies. Other key submarkets include the Bundang Business District ("BBD") and the Pangyo Business District ("PBD"), which accommodate IT, technology and start-ups.

Office Stock by Submarket

(As at 31 December 2024)



Source: Colliers

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[1] 1 pyeong = 3.30579 square metres.

[2] MPACT owns The Pinnacle Gangnam which is situated in the GBD.

- New office supply in the major districts of Seoul remained limited throughout 2024, with only three major developments being added to the CBD, GBD and YBD. These completions added a combined GFA of 63,790 pyeong, representing a 2.4% yoy increase in total office supply. This new office supply comprised Meritz Bongrae (12,747 pyeong) in the CBD which was completed in 2Q 2024, TP Tower (42,862 pyeong) in the YBD which was completed in 1Q 2024, and Centrepoint Gangnam (8,181 pyeong) in the GBD which was completed in 4Q 2024. No major additions were made to the BBD and the PBD in 2024.
- In Magok, nearly 240,000 pyeong of new office space was added, including K-Square Magok (42,896 pyeong), LeWest City Tower (58,995 pyeong) and One Grove (95,195 pyeong).
- In 1Q 2025, the Project 107 Building was completed in the CBD, adding a total GFA of 11,754 pyeong. No other Grade A office developments were delivered across the other major business districts during this period.

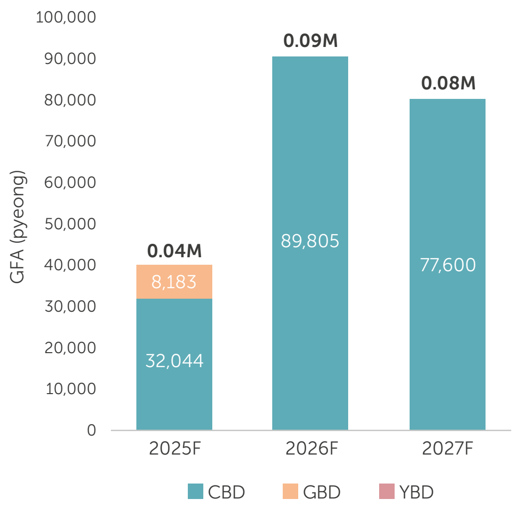
Potential Office Supply

208,000 pyeong

(From 2025 to 2027)

- Approximately 208,000 pyeong of Grade A office supply will be added to Seoul's office market over the next three years, bringing the total office stock to approximately 3.0 million pyeong by 2027.
- The CBD will dominate future supply, accounting for 96.1% of all new developments from 2025 to 2027. The CBD pipeline includes 11 new office buildings scheduled for completion by 2027, with Gongpyeong District 15, 16 as one of the major projects that will add 35,000 pyeong of GFA by 3Q 2026.
- Limited supply is expected in other major districts. Baekam Building (OPUS 459) will add 8,183 pyeong of GFA to the GBD in 2Q 2025. Meanwhile, the YBD, which dominated 2024's new supply with TP Tower's completion in 1Q 2024, representing approximately 67% of new office space across Seoul's major business districts, has no planned additions over the next three years.

Future Supply by Submarket



Source: Colliers

Office Net Take-Up[1]

-59,209 pyeong

(Overall in 2024)

252% yoy

- Seoul's office recorded a negative net take-up of approximately 59,200 pyeong in 2024, down 252% yoy. This was driven by corporate restructuring activities amid economic uncertainty and dampening rental demand. Meanwhile, new supply continued to be added at rates similar to previous years.
- The first three quarters saw negative net take-up of 80,689 pyeong across major business districts, as conglomerates, IT and e-commerce firms restructured operations and relocated to cost-effective areas including Magok, Pangyo and the YBD. However, 4Q 2024 recorded positive net take-up of 21,480 pyeong, driven by financial sector expansion in the YBD and sustained demand from MNCs, gaming companies and conglomerates in the GBD.
- In the YBD, the finance sector was the demand driver, led by KB Kookmin Bank's lease of Anchor 1, a newly completed Grade A building. This took up the remaining space in the project. With no new supply anticipated over the next three years in the YBD, net absorption is projected to turn positive as existing vacancies are absorbed.

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[1] Net take-up is the sum of space that became occupied during the year minus the sum of space that was vacated over the course of the year.

Independent Market Research Report

- In the GBD, tech firms and conglomerates were the demand drivers, with gaming firm Krafton and tech company Heydealer securing 2,200 pyeong and 453 pyeong, respectively. MNCs, including Starbucks Korea, also moved to the GBD. The flight-to-quality trend continued to favour Grade A space while Grade B properties faced challenges in backfilling vacancies. The combination of robust tenant demand and limited future supply is expected to sustain demand momentum for Grade A offices in the GBD.
- The CBD attracted demand from diverse sectors. Examples include the successful preleasing of the renovated Gwanghwamun G Square and tech firm Xiaomi's expanded footprint. Financial sector activities included Korea Financial Telecommunications & Clearings Institute's relocation of its headquarters and Hanwha Life Financial Services' lease of approximately 3,300 pyeong in the CBD.
- In 1Q 2025, Grade A offices in the GBD maintained low vacancy levels and steady leasing demand. Despite some tenant relocations, high-quality office space continued to attract strong interest, a trend likely to persist in the near term given the lack of new Grade A supply.

Office Vacancy Rate

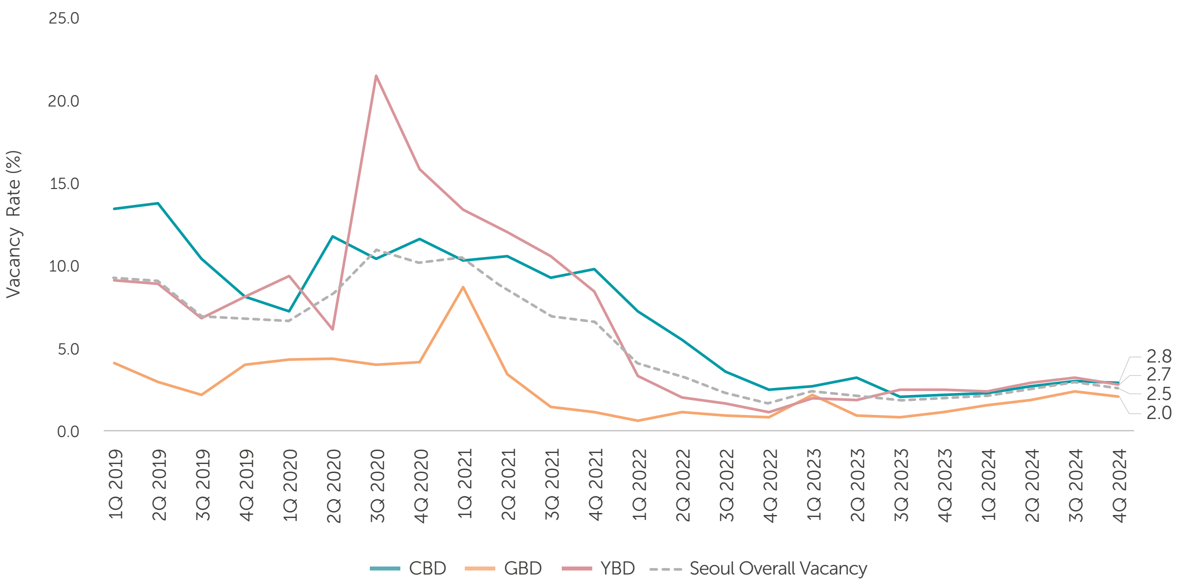
(Within the Three Core Business Districts)

2.5% ^ **0.7 pp yoy**

(As at 31 December 2024)

- The overall vacancy in Seoul's three core business districts rose from 1.8% in 2023 to 2.5% in 2024, mainly due to the completion of new offices and relocations from the three core business districts to lower-cost decentralised locations. Nonetheless, vacancy levels have been kept below 5% for 12 consecutive quarters.
- The flight-to-quality trend continued as tenants increasingly moved into prime office locations, as demonstrated by significant relocations including SK subsidiaries to the Chungmuro 15 building in the CBD.
- GBD's vacancy rate rose 0.9 pp yoy to 2.0% by end-2024. However, this was a 0.3 pp improvement from 3Q 2024, driven by higher demand from tech companies. Overall, vacancy rates within large, high-specification offices in the GBD remained low due to sustained demand for quality offices.
- In 1Q 2025, Seoul's three major business districts recorded an average vacancy rate of 3.8% for Grade A office, representing a 1.3 pp increase from the previous quarter. This rise reflects both corporate relocations and new supply across the districts.
- Notable relocations included companies moving to more cost-effective business zones for operational efficiency and savings. In the CBD, firms such as HK inno.N and Hanon Systems relocated outside the district, while DL Construction moved from the YBD to Magok Business District. Vacancy increases were further driven by new supply, including the Project 107 Building in the CBD and the complete renovation of One Centinel Building (formerly Shinhan Investment Corp. Building) in the YBD.

Vacancy Rate by Submarket



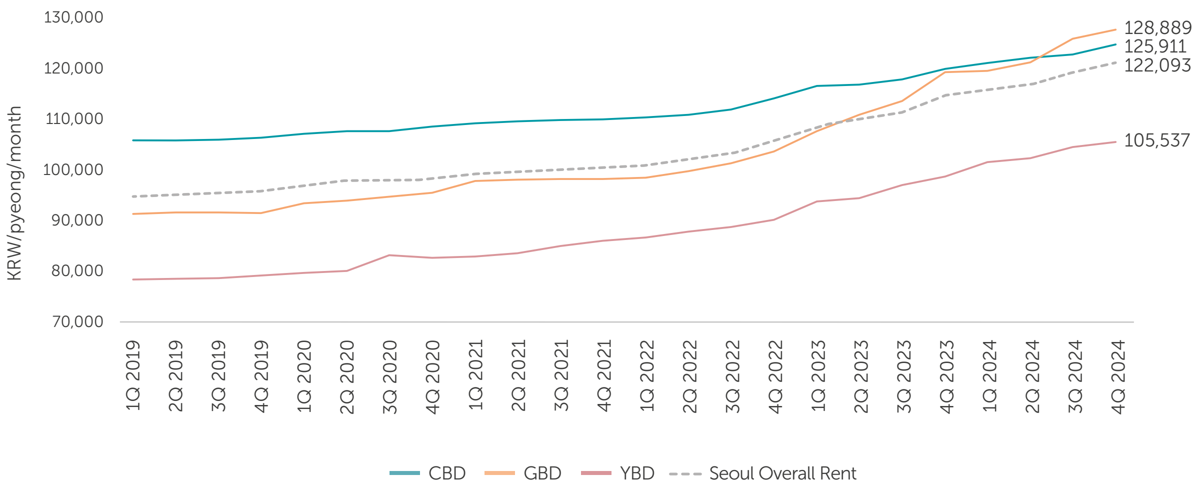
Source: Colliers

Average Office Rent

KRW**122,093** **5.5% yoy**
per pyeong per month
(Overall Net Effective Rate as at 31 December 2024)

- The average net effective rent in Seoul office market has been increasing since 1Q 2018. In 4Q 2024, rents increased 5.5% yoy, reaching KRW122,093 per pyeong per month, driven by a scarcity of new supply and significant leases being secured at new and prime office spaces.
- Despite an increase in vacancy rate and negative net absorption in 2024, overall leasing demand for Grade A office remained strong. As at 31 December 2024, the vacancy rate was low at 2.5% while rent rose by 5.5% yoy. The negative net absorption was primarily attributed to office relocations, but its effect is expected to be temporary.
- The GBD saw higher rental growth of 7.1% yoy to about KRW129,000 per pyeong per month by the end of 2024. The increase in rent in the GBD was primarily driven by a limited availability of office spaces, escalating investment activities, and acquisitions by strategic investors actively pursuing buildings for headquarters' utilisation. YBD rents also saw a significant increase of 7.0% yoy to KRW106,000 per pyeong per month, driven by demand from the finance sector, while the CBD rents rose 4.0% yoy to KRW126,000 per pyeong per month.
- Rental growth was backed by low vacancy rates and low negative net absorption rates across all three districts. Rental growth is projected to stabilise as upcoming new supply mainly concentrated within the CBD, such as the KT Gwanghwamun Building, Gongpyeong District 15, 16 and Euljiro Central Office 3ga 12 District, enters the market.
- Major conglomerates including DL E&C have relocated from established business districts to emerging submarkets such as Magok and the BBD, moderating rental growth in the GBD, CBD and YBD. These relocations were driven primarily by cost advantages, as these new areas offered lower rents while maintaining comparable office quality and facilities. In addition, being located on the outskirts of the major business districts provided improved accessibility for employees.
- Overall Seoul rent levels increased 1.5% qoq and 6.2% yoy in 1Q 2025. This continued growth trajectory was supported by sustained Grade A office demand despite corporate relocations and new completions in the CBD and YBD that led to modest vacancy increases across the major business districts. This rental growth was reinforced by increased lease renewals at the start of the year, as tenants opted to avoid higher costs associated with refurbishment and interior fit-out expenses.
- GBD rents rose 0.3% qoq and 7.2% yoy in 1Q 2025, extending the district's upward trend to 21 consecutive quarters of growth. Strong Grade A office demand and constrained future supply have continued to drive steady rental increases in the GBD.

Office Rent by Submarket



Source: Colliers

Average Capital Value and Yield

Average Office Capital Value

KRW**31.0**M per pyeong ▲ **9.4% yoy**

(As at 31 December 2024)

Average Office Net Yield

4.6% ▲ **0.3 pp yoy**

(As at 31 December 2024)

- Following multiple interest rate hikes by the Fed in 2022, South Korea's central bank cut rates by 25 basis points to 2.75% in February 2025, marking the third reduction since October 2024. This expanded Seoul's office capitalisation rate by 0.3 pp to 4.6% as of 31 December 2024, as investors benefited from lower borrowing costs while securing improved yields.
- Capital values increased 9.4% yoy, driven by high-value transactions in prime locations including KOREIT Tower in the GBD and D Tower Donuimun in the CBD. Meanwhile, 4Q 2024 transactions primarily involved office buildings in peripheral areas of the GBD and CBD which typically commanded lower capital values than prime district locations.
- Capital values declined 11.9% qoq, primarily due to reduced transaction activities that involved smaller buildings in the CBD and YBD. Additionally, substantial supply of buildings for sale in Seoul's office market led to price adjustments.
- GBD capital values dropped 13.2% yoy due to reduced major transactions compared to 2023. However, notable transactions continued as strategic investors sought new headquarters and high-specification offices, including The Asset Gangnam at approximately KRW1.1 trillion and Golden Tower at approximately KRW440.8 billion.
- Transaction volumes in 1Q 2025 declined qoq, reaching KRW1.5 trillion with average capital values of approximately KRW32.7 million per pyeong. Capitalisation rate was compressed to 4.2%, supported by sustained demand for prime office assets in the CBD and GBD. Transaction volumes are expected to increase alongside expanding Grade A office supply.

Outlook

- Rising rental prices and limited leasing options are prompting companies to purchase office spaces for their headquarters rather than lease.
- Driven by strong demand in the key business districts, the Magok office market is emerging as Seoul's new economic hub through an influx of large corporate offices, excellent transportation connectivity, and development of a MICE complex. While traditionally dominated by large domestic manufacturing headquarters, Magok's lower costs compared to Seoul's main business districts appeal to companies seeking savings amid economic uncertainty. Substantial leasable office area is expected in Magok in the first half of 2025.
- Driven by potential oversupply concerns and to meet the demand for premium office space, prime office buildings are enhancing amenity offerings to maximise tenant satisfaction and achieve rent premiums. Enhancement strategies focus on upgrading specifications through extensive remodeling and designing layouts that support hybrid work models. In addition, the integration of health monitoring systems, touchless technologies, and wellness amenities has become a priority for both new projects and renovations. Examples include Centerpolis and Gran Seoul in the CBD.
- Approximately 208,000 pyeong of new office space is anticipated from 2025 to 2027 across the three major business districts, with the CBD accounting for 96.1% of future supply. Vacancy rates are expected to rise due to corporate relocations and the additional supply from upcoming CBD developments and renovations scheduled for early 2025.
- Although the GBD faces temporary demand decline, vacancy rates should remain stable given limited available space. With stable vacancy projections, short-term rents are expected to hold steady. Over the long term, rents are expected to rise gradually due to sustained demand coupled with constrained supply.

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