CUSHMAN & WAKEFIELD

AI IMPACT: OFFICE INSIGHTS

SINGAPORE

Better never settles

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01

ABOUT THE STUDY

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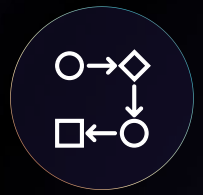
OBJECTIVE

To assess how artificial intelligence influences commercial real estate outcomes not through a single forecast, but through a range of plausible macroeconomic conditions

APPROACH

- Draws on emerging research from economists and technologists about the potential impacts of AI
- Uses econometric models and a scenario-based framework integrated into Cushman & Wakefield's House View forecasts; AI is one of many factors driving forecasts
- Focuses on technology's **transmission to** all economic drivers of CRE demand, not AI adoption or exposure alone

WHY THIS MATTERS



Macro-to-CRE linkage: Explicitly traces how AI impacts flow through the economy into real estate fundamentals

Sector differentiation: Recognises that AI will affect **CRE sectors differently, through multifaceted economic channels**

Decision-oriented: Built to support **strategy considerations for occupiers and investors**, not just research conclusions

AI IMPACT

Baseline scenario: Economy

STABLE GROWTH BACKDROP

A gradual normalisation in real GDP growth through 2030 before settling around 1-2% as base effects begin to limit the investment impulse from the AI electronics cycle.

PRODUCTIVITY & GROWTH GAINS

AI adoption continues at an incremental pace rather than a structural step-change, providing a modest boost to productivity. Gains build gradually and arrive late in the decade.

HARDWARE & HUB

Singapore sits on both sides of the AI trade: semiconductors and data-center capacity supplying the regional build-out, and a workforce positioned to capture productivity gains as they diffuse.

LABOUR MARKETS

NEAR-TERM

Employment adds 69,500 jobs in 2026 before hiring settles near 20,000 across 2027 and 2028.

LONG-TERM

The economy expands even as job growth slows: output increasingly comes from productivity rather than headcount and unemployment holds at 2.1%.

INFLATION NORMALISES

CPI peaks at 1.9% in 2026 on imported energy costs, then eases to 1.0% by 2028.

EXCHANGE RATE

The SGD appreciates steadily from 1.31 to 1.16 per US dollar by 2035 on a modest positive NEER slope.

10-YR BONDS

The 10-year SGS yield holds around 2.2%, matching its 2015–24 average and implying no change in real rates.

AI BACKDROP

Singapore

Singapore's AI hub status reinforces office demand

#1

Globally for AI diffusion & adoption[1] · #2 for AI readiness[1]

As AI adoption deepens across the economy, technology and innovation-led occupiers are expected to become growing source of leasing demand, supporting the long-term fundamentals of the CBD Grade A office market.

Job displacement is real, but AI supports higher-value employment

5.3%

of SG job postings were AI-related in 2025, up from 3.3% in 2024[2]

Office-using workforce grew 2.1% CAGR (2015–2025)[3], outperforming most regional peers. Continued growth in technology, professional services and AI-related activities should support office-based employment and reinforce the resilience of the Grade A office market.

As workspaces evolve, Grade A offices will continue to be favoured

48%

Grade A rental premium over Grade B in 2026, up from 34% in 2019

As routine tasks become increasingly automated, offices are playing a larger role in collaboration, innovation and client engagement. This is driving occupiers towards high-quality workplaces in highly connected, amenity-rich locations.

[1]Salesforce's Global AI Readiness Index, [2]PwC 2025 AI Jobs Barometer, [3]Moody's Analytics

WE MODEL 4 UNIQUE SCENARIOS

Scenario	Probability	AI Adoption & Productivity	Macro Backdrop	Labour Market	CRE Implications (High Level)
S1: Productivity-Led Expansion	15%	Rapid global adoption; Singapore captures both the hardware cycle and the hub's augmentation	Faster growth in services exports; a steeper S$NEER slope imports disinflation while domestic rates fall	AI largely augments labour; unemployment tightens	Broad demand growth across sectors; strong rent growth and rising values
S2: C&W Baseline – Gradual Adoption	50%	Steady AI adoption; moderate productivity gains	GDP growth comes off cyclical highs and normalizes around 1-2%	Job growth slows, unemployment flat at 2.1% on a capped workforce	Demand holds up in the near-term but sector differences emerge as AI is more widely adopted
S3: AI Bust – Growth Shock	25%	AI fails to meet near-term expectations; capex freezes and productivity is delayed	Credit event will trigger a mild recession in 2027, with recovery starting from 2028	Employment holds through 2027 then clears in 2028; marginal rise in unemployment	Cyclical slowdown in demand; higher vacancy and rent pressure, followed by recovery
S4: Displacement	5%	Rapid AI adoption and productivity at the expense of labour substitution	AI substitutes Singapore's exported cognitive work, but the automated output is domiciled onshore	Structural job losses; prolonged higher unemployment	Soft demand; downside pressure on rents and values

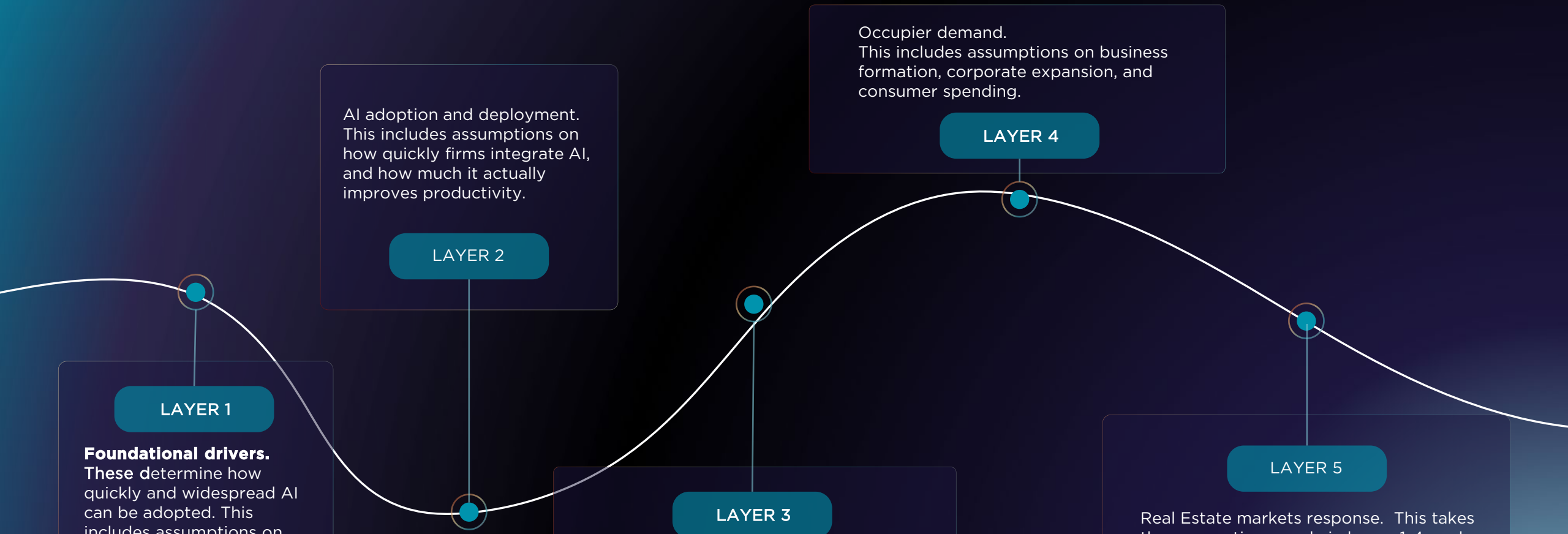
*Scenarios will not sum to 100% to allow for other possible scenarios

02

KEY ASSUMPTIONS

AI IMPACT STUDY: OUR APPROACH

Our approach was to model AI's impact through a chain of transmissions



LAYER 1

Foundational drivers. These determine how quickly and widespread AI can be adopted. This includes assumptions on govt regulation, power grid capacity and data center development.

AI adoption and deployment. This includes assumptions on how quickly firms integrate AI, and how much it actually improves productivity.

LAYER 2

LAYER 3

Macroeconomic transmission. This translates presumed productivity gains into economic outcomes.

Occupier demand.
This includes assumptions on business formation, corporate expansion, and consumer spending.

LAYER 4

LAYER 5

Real Estate markets response. This takes the assumptions made in layers 1-4, and converts them into economic inputs, which we plug in our CRE models to forecast: supply/demand/rents, etc.

ECONOMIC SCENARIOS/ASSUMPTIONS

SCENARIO 1
Productivity-Led Expansion

15% Probability

- Faster AI adoption broadly augments labour and raises productivity growth.
- Real GDP growth outperforms baseline by 1 to 1.5 percentage points, averaging 2.8% through the second half of the decade.
- Robust job market as work pass quotas release into AI-complementary positions; unemployment tightens to 1.9%.
- Inflation capped near 1.5% as MAS lowers domestic rates.
- AI-driven global demand lifts semiconductor and precision-engineering exports; data-center and fabrication capex extends the investment cycle.

SCENARIO 2
C&W Baseline

50% Probability

- Gradual AI adoption produces modest increase in productivity; GDP decelerates from 2026 onwards.
- Overall job growth slows though office-using employment remains resilient, with unemployment remains flat at 2.1%.
- Inflation peaks below 2% in 2026 on imported energy costs and eases to 1.0% by 2028.
- SORA anchors around 1% and the SGS 10-year holds at 2.2%, real rates hold steady across the forecast horizon.
- The AI electronics cycle moderates through the end of the decade, along with manufacturing output.

SCENARIO 3
AI Bust - Slowcession

25% Probability

- AI fails to meet elevated expectations, triggering an equity correction and tightening global access to credit.
- The correction hits in late 2026, with the downside landing in 2027 as hyperscaler and fabrication capex freezes.
- MAS eases through the exchange rate while SORA follows global rates to a 0.25% floor.
- The economy stabilises in 2028 and returns to growth, unemployment peaks near 3.8%.
- Surviving compute capacity is repriced cheaply, and deferred adoption proceeds; the delayed dividend arrives from 2029.

SCENARIO 4
Dystopic/Displacement

5% Probability

- AI adoption advances rapidly but proves more labour-substituting than augmenting, targeting Singapore's exported cognitive work.
- AI begins to replace skilled professional roles before any guardrails are implemented.
- Employment growth turns negative; unemployment plateaus near 3.7% amid a reduction in the non-resident workforce.
- Inflation runs at just 0.3% and the SGS 10-year compresses to 1.55% structurally.
- Gains accrue to capital over labour; output holds up as the automated activity is domiciled onshore.

*scenarios will not sum to 100% to allow for other possible scenarios

OFFICE SCENARIOS/ASSUMPTIONS

SCENARIO 1
Productivity-Led Expansion

15% Probability

- **Vacancy:** CBD Grade A vacancy to tighten sharply by 2027 as AI-driven productivity gains support stronger office demand. While new supply may lift vacancy temporarily in 2028, market conditions are expected to remain tight.
- **Rents:** Strong occupier demand and limited supply are expected to support above-trend rental growth
- **Cap rates:** Strong leasing fundamentals and income growth are expected to place slight downward pressure on cap rates.
- **Total return:** Strong rental growth and supportive capital market conditions are expected to support sustained double-digit returns.

SCENARIO 2
C&W Baseline

50% Probability

- **Vacancy:** CBD Grade A vacancy to tighten to 3.7% by end-2026, given limited supply and continued flight to quality. Vacancy could fall below 2.0% beyond 2029 as the supply pipeline tapers.
- **Rents:** Tightening vacancies and constrained supply are expected to support rental growth, with CBD Grade A rents forecast to increase by 4.8% in 2026. Growth is expected to moderate thereafter, averaging 3.7% p.a. over 2026-2030.
- **Cap rates:** CBD Grade A office cap rates are expected to stabilise at 3.5% from 2026 onwards, supported by a relatively stable interest rate outlook despite lingering uncertainty over the rate path.
- **Total return:** Sustained rental growth and stable cap rates are expected to support total returns. With limited available CBD office stock for sale, capital value growth should be driven primarily by income growth.

SCENARIO 3
AI Bust – Growth Shock

25% Probability

- **Vacancy:** CBD Grade A vacancy is expected to rise significantly in 2028, amid weaker business confidence and slower demand, before gradually improving as economic conditions recover.
- **Rents:** Softer leasing demand is expected to place downward pressure on rents in the near term, before recovering as economic conditions improve.
- **Cap rates:** Weaker market fundamentals are expected to place upward pressure on cap rates in the near term, with stabilisation expected as conditions improve.
- **Total return:** Returns are expected to be volatile in the near term but rebound strongly as leasing demand and investor sentiment improve.

SCENARIO 4
Dystopic/Displacement

5% Probability

- **Vacancy:** CBD Grade A vacancy is expected to remain elevated as AI-driven labour substitution reduces office space demand.
- **Rents:** Elevated vacancy and weaker leasing demand are expected to weigh on rental growth, resulting in rental declines over 2028-2030.
- **Cap rates:** Structural demand weakness and softer rental prospects are expected to place upward pressure on cap rates, limiting capital value growth.
- **Total return:** Weaker occupier demand and softer capital values are expected to keep returns below the baseline scenario.

*scenarios will not sum to 100% to allow for other possible scenarios

AI IMPACT: OFFICE DEMAND

AI Impact Dimension	Office
What AI primarily drives	Knowledge-worker employment & space use
Exposure to AI-driven employment shifts	**High** – demand tied to white-collar job growth
Exposure to AI productivity gains	**Second-order** – efficiency may reduce space per worker
Downside risk if adoption disappoints	Structural vacancy risk
Outcome uncertainty across AI scenarios	High
Net AI impact signal	Near-term stable, long-term lift to demand

Grade A Office Net Absorption 2026-30 (sqft, millions)	Forecast	Change from baseline
S2: Baseline	4.7	-
S1: Upside – Expansion	4.8	+0.1
S3: Downside - AI Bust	4.3	-0.4
S4: Downside – Displacement	3.6	-1.1

Source: Cushman & Wakefield Research

03

ECONOMIC SCENARIOS

AI IMPACT: GDP

Real GDP growth, annual % change

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	3.1%	5.0%	5.0%	2.9%	2.9%	2.8%	2.7%
S2: Baseline	3.1%	5.0%	4.8%	2.0%	1.4%	1.0%	1.1%
S3: Downside - AI Bust	3.1%	5.0%	4.3%	-0.5%	2.3%	1.9%	1.4%
S4: Downside - Displacement	3.1%	5.0%	4.7%	1.8%	1.2%	1.1%	1.2%

Baseline:

- Growth normalises through 2030 as the cycle turns rather than matures.
- The deceleration reflects the fading AI electronics up-cycle, tariff friction on trade worth 180% of GDP, and a slowdown in the structural growth rate.
- The impact of AI is primarily through the export channel rather than productivity in the baseline; semiconductor demand drove the cyclical growth boom through 2026.

Source: Moody's Analytics, Cushman & Wakefield Research

AI IMPACT: LABOUR PRODUCTIVITY

GDP per worker, annual % change

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	2.5%	2.2%	2.9%	1.5%	1.6%	2.0%	2.0%
S2: Baseline	2.5%	2.2%	3.1%	1.4%	0.9%	0.7%	1.0%
S3: Downside - AI Bust	2.5%	2.2%	2.8%	0.2%	4.4%	0.4%	0.2%
S4: Downside - Displacement	2.5%	2.2%	3.1%	2.5%	2.0%	2.6%	2.9%

Baseline:

- The productivity cycle is forecast to ease through 2030 before stabilising.
- The 2026 investment surge is concentrated in AI-linked semiconductor capacity, supplemented by public infrastructure buildout, briefly fades toward the end of the decade.
- The baseline assumes that the impact of AI is gradual through the rest of the decade as the current investment boom fades, then diffuses more widely in the early 2030s.

Source: Moody's Analytics, Cushman & Wakefield Research

AI IMPACT: JOB GROWTH

Annual change in total employment, thousands

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	+32.1	+72.6	+85.3	+59.2	+55.3	+34.8	+30.0
S2: Baseline	+32.1	+72.6	**+69.5**	**+23.2**	**+19.0**	**+10.7**	**+6.2**
S3: Downside - AI Bust	+32.1	+72.6	+61.1	-28.4	-26.1	+51.0	+26.6
S4: Downside - Displacement	+32.1	+72.6	+65.0	+22.1	+3.1	-22.1	-41.2

Baseline:

- Close to 70,000 new employment in 2026 before moderating over the forecast horizon amid demographic headwinds.
- The slowing employment growth is primarily driven by demographics: the overall unemployment rate remains at 2.1% throughout the forecast horizon.

Source: Cushman & Wakefield Research

AI IMPACT: OFFICE-USING EMPLOYMENT

Annual change in office employment, thousands

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	+15.6	+30.2	+31.9	+41.4	+34.7	+35.6	+37.3
S2: Baseline	+15.6	+30.2	**+29.2**	**+24.2**	**+23.7**	**+20.0**	**+18.2**
S3: Downside - AI Bust	+15.6	+30.2	+18.5	-23.5	+0.8	+46.3	+37.8
S4: Downside - Displacement	+15.6	+30.2	+9.9	-6.1	-12.6	-21.9	-28.4

Source: Cushman & Wakefield Research

Baseline:

- Office employment remains resilient throughout the forecast horizon after fading from post-pandemic highs.
- Office employment increasingly becomes a driver of total employment as office-intensive industries, especially financial services, maintain hiring throughout the forecast horizon.
- A larger driver is rising office intensity within industries, led by other services and manufacturing as administrative, engineering and planning roles displace frontline ones.

AI IMPACT: INFLATION

Headline Consumer Price Index, annual % change

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	0.1%	0.9%	2.0%	1.6%	1.4%	1.5%	1.5%
S2: Baseline	0.1%	0.9%	1.9%	1.4%	1.0%	1.2%	1.4%
S3: Downside - AI Bust	0.1%	0.9%	1.9%	0.6%	-0.3%	0.7%	1.2%
S4: Downside - Displacement	0.1%	0.9%	1.9%	1.0%	0.6%	0.4%	0.3%

Source: Moody's Analytics, Cushman & Wakefield Research

Baseline:

- Inflation peaks at 1.9% in 2026, driven by an external energy shock rather than domestic demand, then eases to 1.0% in 2028, before drifting back to ~1.5% in the 2030s.
- Pass-through from the spike in energy prices is milder than elsewhere in ASEAN which saw sharper acceleration.
- MAS steepened the S$NEER appreciation slope in April and July 2026, in first tightening cycle since 2022, importing disinflation without touching domestic rates.

AI IMPACT: BENCHMARK RATE

SORA, %

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	0.7%	1.8%	1.1%	0.9%	0.9%	0.9%	0.9%
S2: Baseline	0.7%	1.8%	1.1%	1.0%	1.0%	1.0%	1.0%
S3: Downside - AI Bust	0.7%	1.8%	1.0%	0.5%	0.3%	0.5%	0.7%
S4: Downside - Displacement	0.7%	1.8%	1.1%	0.8%	0.6%	0.5%	0.5%

Baseline:

- SORA falls sharply from 1.8% in 2025 to settle at 1.0% from 2027 as the post-pandemic inflation and subsequent energy shock passes through.
- SORA settles above the levels of the mid-2010s as investment demand remains robust, but below the 3.4–3.6% peak of the recent 2023 and 2024 boom.
- Domestic funding costs settle near their lowest sustained level since the pre-2022 era, with no tightening assumed anywhere in the horizon.

Source: Moody's Analytics, Cushman & Wakefield Research

AI IMPACT: LONG TERM YIELDS

10-Year SGS Yield

	2015-19 avg.	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	2.2%	2.3%	2.2%	2.4%	2.5%	2.5%	2.5%
S2: Baseline	2.2%	2.3%	2.1%	2.2%	2.2%	2.2%	2.2%
S3: Downside - AI Bust	2.2%	2.3%	2.0%	1.5%	1.4%	1.7%	2.0%
S4: Downside - Displacement	2.2%	2.3%	2.1%	2.0%	1.8%	1.7%	1.6%

Source: Moody's Analytics, Cushman & Wakefield Research

Baseline:

- The 10-year Singapore Government Securities yield settles at 2.2% through the forecast horizon, in line with pre-pandemic levels.
- The negative yield spread to US Treasuries reflects expectations for a modest appreciation of the Singapore dollar rather than any domestic risk premium.
- Only the upside lifts yields as a productivity shock raises the equilibrium real rate by expanding investment demand and expected income.

04

OFFICE SCENARIOS

AI IMPACT: OFFICE

CBD Grade A vacancy rate

	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	4.4%	3.6%	2.0%	2.7%	1.5%	1.5%
S2: Baseline	4.4%	3.7%	2.5%	3.5%	2.5%	1.6%
S3: Downside - AI Bust	4.4%	4.1%	4.8%	6.4%	4.2%	2.4%
S4: Downside - Displacement	4.4%	4.3%	3.8%	5.6%	5.2%	4.9%

- Office is the asset class with the widest scenario dispersion, because demand, driven by office employment, is amongst the most exposed to both the upside and downside risks from AI.
- Supply helps to limit any upside risk to vacancy across all scenarios. Limited supply through 2027 means a significant decline in vacancy before an influx in 2028 temporarily pushes vacancy higher.
- Nonetheless, even under the Displacement scenario, Grade A office vacancy rates are projected to fall below 5% by 2030 amidst a constrained supply pipeline.

Source: Cushman & Wakefield Research

AI IMPACT: OFFICE

CBD Grade A rent growth

	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	2.2%	6.2%	7.5%	4.4%	4.4%	6.5%
S2: Baseline	2.2%	4.8%	3.5%	3.0%	3.6%	3.6%
S3: Downside - AI Bust	2.2%	3.2%	-2.7%	-8.1%	5.7%	7.7%
S4: Downside - Displacement	2.2%	4.8%	1.1%	-0.6%	-5.7%	-2.3%

- Baseline rent growth stabilises around 3.4% annually from 2027 amid a supply-constrained market.
- In the Expansion scenario supply is unable to respond to AI-driven office demand until after 2030, pushing average annual rental growth higher through the end of the decade.
- An AI bust would see a temporary negative shock to rents, followed by a robust recovery and return to the baseline growth path in the 2030s.
- Under the Displacement scenario, reduced demand acts as a headwind to rental growth.

Source: Cushman & Wakefield Research

AI IMPACT: OFFICE

CBD Grade A total returns

	2025	2026F	2027F	2028F	2029F	2030F
S1: Upside - Expansion	0.3%	12.0%	16.5%	10.2%	10.4%	12.2%
S2: Baseline	0.3%	11.8%	9.0%	5.5%	8.3%	8.2%
S3: Downside - AI Bust	0.3%	9.6%	-2.3%	-6.3%	14.6%	13.6%
S4: Downside - Displacement	0.3%	9.5%	4.4%	1.0%	-1.9%	1.6%

- Baseline cap rates remain stable at about 3.5% from 2026 onwards despite tightening vacancy and rent growth amidst persistent global economic uncertainty.
- Structurally lower vacancy in the Expansion scenario reduces the risk profile of offices, tightening the spread to the risk-free rate.
- The AI bust scenario sees a rapid recovery as a recovery of rents and lower vacancy rates drive total returns.
- While in the Displacement scenario capital growth turns negative in 2028, amidst a wave of new supply and weaker demand.

Source: Cushman & Wakefield Research

05

STRATEGIES/ RECOMMENDATIONS

WHAT OCCUPIERS AND INVESTORS SHOULD DO

Focus, Flex, Futureproof

SECTORAL ADVICE

	AI IMPACT	OCCUPIER RESPONSE	INVESTOR RESPONSE
OFFICE	Workforce volatility increases	**Add flex buffer capacity:** Complement core space with flexible workspace to accommodate evolving workforce needs.	**Underwrite shorter lease risk:** Selective conversion to flexible workspace to broaden appeal. Though flex allocations typically do not exceed 15% of total office space based on recent new developments.
	Routine work automates	**Renew short on commodity:** Retain flexibility in non-grade A space and direct longer commitments towards workplaces that support collaboration and innovation.	**Underweight commodity stock:** Targeted retrofits and repositioning strategies to maintain competitiveness against higher-quality assets.
	Bifurcation widens	**Secure hubs and upgrade spec:** Prioritise Grade A offices in highly connected, amenity-rich locations before the quality premium widens further.	**Overweight adaptable prime:** Greater exposure to future-ready assets in work-live-play locations with stronger leasing resilience.
	Business formation accelerates	**Lock in best space early:** Secure quality space ahead of vacancy compression, with CBD Grade A vacancy expected to decline to below 2.0% beyond 2029.	**Build exposure in growth hubs:** CBD and city-fringe submarkets remain key areas to watch as AI-related business activity supports leasing demand

TIMING / TRIGGER POINTS

- Don't time the AI curve
- Time adoption

PRACTICAL ACTIONS

1. **Watch the barometer**
   Track utilisation signals, watch for inflections
2. **Recut demand planning**
   Map workflows to space
3. **Build Option Value**
   Use flex, breaks options expansion rights

CUSHMAN & WAKEFIELD

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for occupiers and investors with approximately 53,000 employees in over 350 offices and nearly 60 countries. In 2025, the firm reported revenue of $10.3 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

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