

OFFICE MARKET SNAPSHOT

Upcoming New Supply (2018 - 2021):
6.9 million sq ft
(8.1 % of total current office stock¹)

Prime Office Space² Available for Lease
7.7% (or 1.0 mil sq ft NLA)

Average Prime Rents³:
S\$8.96 psf pm
▲ 1.7% q-o-q

CONTINUED RECOVERY OF PRIME GRADE OFFICE RENTS WITH SPACE AVAILABILITY DECLINING

The office market showed continued signs of recovery in the fourth quarter of 2017, with active leasing activity gathering pace.

Prime grade office rents on the rise for three consecutive quarters.

- Grade A+ office space rents saw an increase of 1.7% quarter-on-quarter (q-o-q) at Raffles Place / Marina Bay precinct in Q4 2017 with a fall in total space available for lease by 1.5% q-o-q. Landlords of Grade A+ office buildings are gradually adjusting rents upwards in view of the limited new supply of prime offices coming on stream until 2020.
- Grade A office space rents increased across several precincts, with Suntec / Marina Centre precinct witnessing the highest growth by 1.7% q-o-q in Q4 2017. Grade A office space rents in Shenton Way / Robinson Road / Tanjong Pagar, City Hall and Orchard Road precincts also saw increases of 1.2% to 1.3% q-o-q.
- Overall prime rents (Grade A+ and A in Raffles Place / Marina Bay) rose by 1.5% year-on-year in Q4 2017, compared with 0.7% y-o-y decline in the previous year.
- Space availability for lease in most precincts saw a decline, with tenants from various industries signing up spaces in Q4 2017.
- Notable Grade A office space take-up in the quarter include 56,000 sq ft at Suntec Tower 5 by co-working space provider WeWork, and 73,000 sq ft at Duo Tower by multinational energy corporation Chevron.



CALVIN YEO
Executive Director & Head,
Office Advisory

“We expect prime rents to rise further in 2018 particularly with the wane of new office supply over the next 3 years”

¹ Source: URA, data as of Q4 2017. ² Source: Knight Frank Office. Note: Prime office space includes only Grade A+ & Grade A office buildings in the Raffles Place / Marina Bay precinct. ³ Source: Knight Frank Office. Average prime rents is defined as the average of Grade A+ & A office rents in Raffles Place / Marina Bay precinct.

EXHIBIT 1

Average Office Rentals, by Key Precincts in Q4 2017

LOCATION	Gross Effective Monthly Rents (\$ psf pm)	q-o-q % change	Availability of Office Space for lease (vacancy %)	q-o-q % change
RAFFLES PLACE/ MARINA BAY GRADE A+	\$9.30 - \$9.80	1.7%	9.6%	-1.5%
RAFFLES PLACE/ MARINA BAY GRADE A	\$8.10 - \$8.60	1.7%	4.5%	-1.6%
SHENTON WAY/ ROBINSON ROAD/ TANJONG PAGAR GRADE A	\$7.70 - \$8.30	1.3%	2.9%	-2.8%
MARINA CENTRE/ SUNTEC GRADE A	\$7.80 - \$8.30	1.7%	4.7%	-1.9%
CITY HALL GRADE A	\$8.00 - \$8.50	1.2%	1.8%	0.3%
BUGIS GRADE A	\$7.62 - \$7.52	1.3%	10.4%	0.3%
ORCHARD GRADE A	\$7.90 - \$8.40	1.2%	5.5%	-3.8%

Source: Knight Frank Office

(A) Rents are based on transacted leases and on a lease term of at least three years and are expressed as values rounded to nearest 10-cent. (B) Rents are estimated based on leases of a whole-floor office space on the mid-floor levels of office properties, and taking into account rent free period and other concessions. (C) Availability of Office space for lease is based on Knight Frank Research basket of office buildings tracked in each respective precinct. (D) Office space available for lease is not representative of the entire Bugis precinct.

EXHIBIT 2

Shifts and expansions of selected enterprises in Q4 2017

Tenant	Sector	New Location	New Size (sf)
WeWork	Co-working space	Funan	40,000
WeWork	Co-working space	Suntec Tower Five	56,000
WeWork	Co-working space	71 Robinson Road	30,000
Chevron	Energy	DUO Tower	73,000
JustCo	Co-working space	Ocean Financial Centre	22,000
Accenture	Consultancy	DUO Tower	16,000

Source: Knight Frank Office

Demand drivers of office spaces in 2017

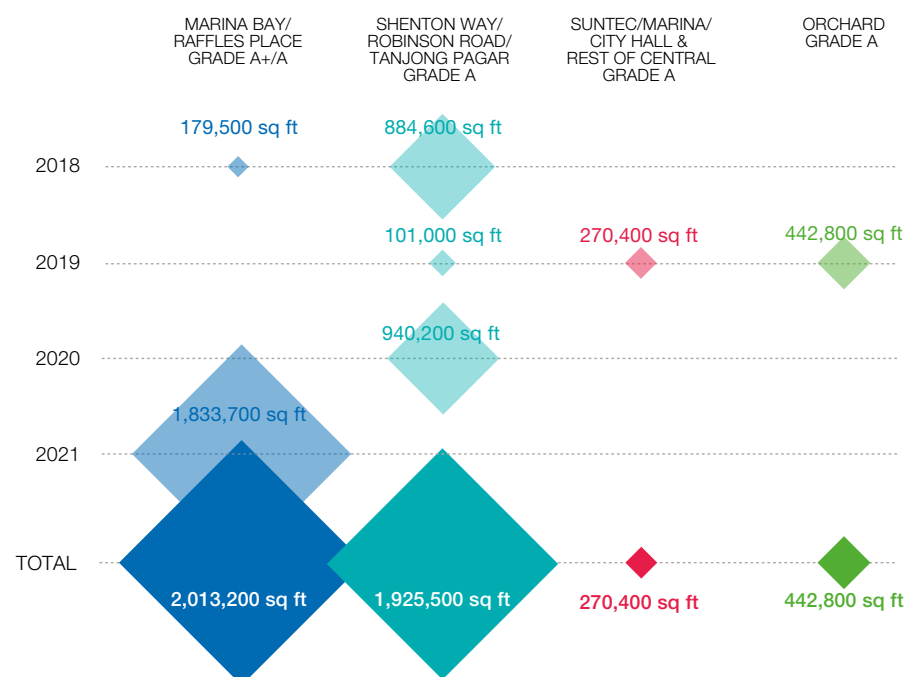
- The Monetary Authority of Singapore (MAS) continues to push for fintech growth.** In the second annual Fintech Festival held in November 2017, MAS announced a \$27 million grant for a dedicated fintech hub in Singapore's Central Business District at 80 Robinson Road, which will host fintech start-ups. The potential growth of the fintech industry is expected to drive demand for office space.
- Co-working spaces rose as a hotspot demand driver in 2017.** Co-working space providers alone took up some 300,000 sq ft of office space in 2017, which amounted to approximately 20% of all major relocation and expansion activities in the office market in 2017. Major take up include WeWork taking up 56,000 sq ft of office space in Suntec Tower 5 and JustCo taking up 40,000 sq ft of office space in UIC Building and 70,000 sq ft at Marina One. A trend to watch is co-working centres catering long term arrangements to an increasing group of traditional office space occupiers who are switching to this new community workstyle.

Economic Sentiment

- **The local labour market continued to stabilise as the economy generally improved.** According to the Manpower Group's Singapore Employment Outlook Survey for Q1 2018, the Finance, Insurance & Real Estate (FIRE) sector is embarking on stronger hiring plans in the next quarter compared to the same period one year ago that in turn will drive demand for office space with headcount growth
- **For the whole of 2017, Singapore's economy grew by 3.5%⁴.** This is in line with the GDP growth forecast of 3.0% to 3.5%. The services industries expanded by 3.0% y-o-y, primarily driven by the finance & insurance, wholesale & retail trade and transportation & storage sectors. For 2018, GDP is forecast to expand by 2.5%, amid stable global growth and overall recovery across industries.

EXHIBIT 3

Upcoming Office Supply (Gross Floor Area), as at Q4 2017



Source: URA (as at Q4 2017), Knight Frank Research

Outlook

- **The 'flight to quality and efficiency' supply-led demand for prime office space that was dominant in 2017 is expected to continue in 2018.** Tenants are relocating to larger and more efficient floor plates to fulfil their evolving operational requirements, over less and / or scalable office space through various activity-based workplace solutions.
- **The brighter economic prospects of Singapore in 2018,** particularly with government and private sector initiatives driving growth in the new economy, is expected to increase demand for office space. For example, fintech hub Lattice80 has recently announced plans to conduct an initial coin offering (ICO) in 2018, which may catalyse a new segment of office space demand not seen in previous year. Notwithstanding that, demand sources are still likely to come from a broader base of industries such as professional services, with technology and co-working centres leading the demand.
- **With lack of building completions, new office space supply will wane until 2020,** and prime grade office rents are expected to rise in the near term.
- **Prime office rents are expected to rise by at least 8.0% to 12.0% year-on-year by Q4 2018.**

⁴Based on advance estimates provided by the Ministry of Trade and Industry

FOR OFFICE LEASING ENQUIRIES, PLEASE CONTACT:

Calvin Yeo
Executive Director and Head
Office Advisory
6228 6887
calvin.yeo@sg.knightfrank.com

FOR FURTHER INFORMATION, PLEASE CONTACT:

Alice Tan
Director and Head
Consultancy & Research
6228 6833
alice.tan@sg.knightfrank.com

Wong Shanting
Assistant Manager
Research
6228 7339
shanting.wong@sg.knightfrank.com

Caleb Hong
Analyst
Research
6228 7317
caleb.hong@sg.knightfrank.com



© Knight Frank Singapore 2018

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Pte Ltd and its subsidiaries for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Pte Ltd and its subsidiaries in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Pte Ltd to the form and content within which it appears. Knight Frank Pte Ltd is a private limited company which is incorporated in Singapore with company registration number 198205243Z and CEA licence number L3005536J. Our registered office is at 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315.