

“As Singapore is known for its compelling business environment with clear and transparent policies, a “flight to safety” here will serve as a mitigating factor supporting office space demand even if the global economy succumbs to recessionary pressures.”

CALVIN YEO, MANAGING DIRECTOR, OCCUPIER STRATEGY AND SOLUTIONS



Singapore Research

Office

Q2 2022

RENTS INCREASED IN Q2 2022 DESPITE POSSIBLE RECESSION

Rents and occupancy

- **Prime Grade office rents in the Raffles Place / Marina Bay precinct increased another 1.1% q-o-q in Q2 2022, averaging S\$10.36 psf pm.** This brought rental growth to 2.3% in the first half of 2022, and 3.8% since rents bottomed out in Q3 2021. Even with a recession on the cards, office rents are still expected to hold firm.
- **Occupancy levels in the Raffles Place / Marina Bay precinct were healthy amid a limited supply of available office space,** improving by a further 1.5 percentage points q-o-q to 95.4%. Overall CBD occupancy levels also recorded improvement. In a reversal of downsizing decisions due to hybrid working, some firms are instead considering options such as restacking and reconfiguration to rejuvenate their office space for flexible working collaboration.

MARKET SNAPSHOT

4.4 MILLION SF (GROSS FLOOR AREA)
ESTIMATED CBD NEW SUPPLY (Q2 2022-2026): ▲ Q-O-Q

93.8%
CBD OCCUPANCY ▲ Q-O-Q

\$10.36 PSF PM
PRIME OFFICE RENTS ▲ Q-O-Q

Knight Frank Research
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- While some technology companies are scaling back in response to falling valuations and rising inflation, the pullback appears to be fairly isolated to businesses with more fragile balance sheets. In Singapore, segments affected include Fintech, as well as E-commerce -related transportation and food businesses as the economy reopens. For instance, Singapore-based Crypto.com is reducing its headcount by 5%, while Shopee is shrinking its ShopeePay and ShopeeFood arm. Nevertheless, tech heavyweights Meta is reported to be in advanced talks to lease as an anchor tenant while Amazon is understood to have leased about 369,000 sf in the upcoming IOI Central Boulevard Towers, pointing to extant office demand from technology players.

Exhibit 1: Average Office Rentals, by Key Precincts in Q2 2022

LOCATION	GROSS EFFECTIVE MONTHLY RENTS (\$ PSF PM)	Q-O-Q % CHANGE	VACANCY (%)	Q-O-Q CHANGE (PERCENTAGE POINTS)
Raffles Place / Marina Bay Grade A+	\$11.25 - \$11.75	1.1%	2.8%	-1.2
Raffles Place / Marina Bay Grade A	\$9.25 - \$9.75	1.0%	8.4%	-1.4
Marina Grade A	\$9.20 - \$9.70	1.0%	4.2%	-0.1
Beach Road / Middle Road Grade A	\$8.75 - \$9.25	1.1%	3.5%	0.5
Shenton Way / Robinson Road / Tanjong Pagar Grade A	\$9.10 - \$9.60	1.0%	5.2%	-1.7
Orchard Grade A	\$8.05 - \$8.55	0.6%	6.9%	1.6
City Fringe West - Alexandra / Harbourfront	\$6.45 - \$6.95	0.8%	3.1%	0.1
City Fringe North - Novena / Newton	\$6.85 - \$7.35	0.3%	2.6%	-1.7
City Fringe East - Paya Lebar	\$6.30 - \$6.85	0.5%	6.3%	0.3
Suburban East	\$4.50 - \$5.00	0.0%	8.9%	-2.4
Suburban West	\$5.20 - \$ 5.70	0.6%	8.7%	1.2

Source: Knight Frank Occupier Strategy and Solutions

Demand Drivers

- As Singapore is known for having a predominantly open business environment with clear and transparent policies, a “flight to safety” to Singapore by private wealth, corporates, and multinational companies (MNCs) affected by tensions in other parts of the world has ensued. Seizing opportunities from this shift in demand due to stringent pandemic restrictions in other parts of Asia will support office space demand, even if the global economy succumbs to recessionary pressures. As a case-in-point, the number of family offices (FOs) was reported to have more than doubled from 203 in 2020 to 453 in 2021, with about 143 new FOs set up in Singapore from January to April 2022 according to data from Handshakes.

Economic Sentiment and Outlook

- Global inflation, supply chain and material disruptions as well as rising interest rates are combining to push global economies into a synchronised slowdown as the world readjusts from the pandemic. Despite the looming headwinds in the next six to 12 months, Singapore as a bastion of stability stands poised to be a shelter, notwithstanding the coming economic challenges, and barring mass redundancies by technology companies.
- If a recession or an extended period of weakness hits global economies, the impact will lead to an inevitable cascade on the overall business climate in Singapore and consequently the office market. Despite this risk to growth, office rents are expected

to withstand economic headwinds and remain on the road to recovery, owing to the tight supply of good-quality spaces at globally competitive rates in Singapore. The government regulates the release of office-zoned land sites, and redevelopment initiatives to build world-class office buildings will continue to attract MNCs to set up in our city-state.

- ♦ Shorter land leases for office developments have also been proposed by the government as part of their long-term plan review. While this allows for flexibility in a fast-changing business environment, the environmental cost of demolishing and rebuilding over compressed time horizons must be considered to ensure alignment with Singapore's sustainability goals.
- ♦ With the limited upcoming supply of CBD Grade A offices, office leasing activity is expected to remain firm throughout 2022, especially as up to 100% of employees are now allowed to return to the workplace. Going forward, Knight Frank maintains a forecast of 3%-5% growth in rents for the whole of the year.

Exhibit 2: Selected Upcoming Office Supply Islandwide

PROJECT NAME	STREET NAME	PLANNING AREA	TOTAL OFFICE SPACE GFA (SF)	DEVELOPER
Guoco Midtown	Beach Road	Downtown Core	773,441	Guoco Midtown Pte Ltd / Midtown Bay Pte Ltd
Hub Synergy Point	Anson Road	Downtown Core	154,258	Hub Synergy (S) Pte Ltd
Rochester Commons	Rochester Park	Queenstown	312,659	Ascendas Vista Property Pte Ltd Acting As Trustee Of Ascendas
Surbana Jurong Campus	Cleantech Loop	Western Water Catchment	248,915	SJ Capital (JID) Pte Ltd
Total Key Supply 2022			1,489,273	
IOI Central Boulevard Towers	Central Boulevard	Downtown Core	1,493,245	Wealthy Link Pte Ltd
One Holland Village	Holland Road	Queenstown	62,603	Commons Residential Pte Ltd / Commons SR Trustee Pte Ltd / Commons Commercial Trustee Pte Ltd
Total Key Supply 2023			1,555,848	
Office/retail development	Hoe Chiang Road	Downtown Core	613,468	K-Commercial Pte Ltd
Labrador Tower	Labrador Villa Road / Pasir Panjang Road	Queenstown	807,293	SP Group
Office/retail development	Jalan Afifi	Geylang	388,975	Certis Cisco Security Pte Ltd
The Woodleigh Mall	Bidadari Park Drive	Toa Payoh	15,382	The Woodleigh Mall Pte Ltd / The Woodleigh Residences Pte Ltd
Total Key Supply 2024			1,825,118	
Office/retail development	Beach Road / Middle Road / Nicoll Highway	Downtown Core	476,604	Shaw Towers Realty Pte Ltd
Office/retail development	Punggol Way	Punggol	421,450	JTC Corporation
Total Key Supply 2025			898,054	

Source: URA, Knight Frank Research

For further information on the report, please contact:



Calvin Yeo
Managing Director
Occupier Strategy and Solutions
 +65 6228 6887
 calvin.yeo@sg.knightfrank.com

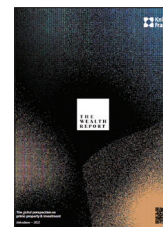


Leonard Tay
Head
Research
 +65 6228 6854
 leonard.tay@sg.knightfrank.com



Khoo Zi Ting
Senior Analyst
Research
 +65 6228 6857
 ziting.khoo@sg.knightfrank.com

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