

“The spectre of a recession is currently being mitigated by business activity normalising to pre-pandemic levels and headcount growth, maintaining demand for office space.”

CALVIN YEO, MANAGING DIRECTOR, OCCUPIER STRATEGY AND SOLUTIONS



Singapore Research

Office

Q3 2022

OFFICE RENTS CONTINUED TO INCREASE DESPITE LOOMING HEADWINDS

Rents and Occupancy

- **Prime Grade office rents in the Raffles Place / Marina Bay precinct increased 1.4% q-o-q in Q3 2022, averaging \$10.51 psf pm**, with rental growth rising by a cumulative 5.3% y-o-y since rents bottomed out in Q3 2021. Due to the non-excessive supply of new office inventory coupled with increasing demand for prime space, market balance shifted to landlords providing support for the higher rents this quarter.
- **Occupancy levels in the Raffles Place / Marina Bay precinct remained healthy** at 95.4% with the overall CBD occupancy maintaining 93.6% during the quarter. Many businesses are bringing employees back to the office as functions resume to pre-pandemic levels and as companies expand head count in the second half of the year to meet the operational needs of a normalising economy.

Exhibit 1: Average Office Rentals, by Key Precincts in Q3 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+	\$11.45 - \$11.95	1.7%	2.8%	0.0
Raffles Place / Marina Bay Grade A	\$9.40 - \$9.90	1.2%	8.6%	0.2
Marina Grade A	\$9.30 - \$9.80	1.3%	4.2%	0.1
Beach Road / Middle Road Grade A	\$8.90 - \$9.40	1.3%	4.7%	1.2
Shenton Way / Robinson Road / Tanjong Pagar Grade A	\$9.25 - \$9.75	1.7%	8.4%	3.0
Orchard Grade A	\$8.15 - \$8.65	1.2%	4.5%	-2.1
City Fringe West - Alexandra / Harbourfront	\$6.60 - \$7.10	2.2%	2.8%	-0.3
City Fringe North - Novena / Newton	\$6.95 - \$7.45	1.4%	2.3%	-0.3
City Fringe East - Paya Lebar	\$6.50 - \$7.00	2.6%	6.3%	0.0
Suburban East	\$4.55 - \$5.05	1.5%	8.9%	0.0
Suburban West	\$5.30 - \$ 5.80	1.3%	9.6%	0.9

Source: Knight Frank Occupier Strategy and Solutions

Demand Drivers

- Business service firms in the Asia-Pacific (APAC) region are increasingly relocating their headquarters to Singapore due to geopolitical tensions. With Singapore identified as a key business node by many multinational companies (MNCs) in a continued “flight to safety”, demand for office space was healthy as corporates sought the stability of the city-state for business continuity.
- Technology start-ups from South-East Asian countries such as Indonesia, private equity companies and family offices (FOs) have also been on the increase in Singapore, attracted by

MARKET SNAPSHOT

4.6 MILLION SF (GROSS FLOOR AREA)
ESTIMATED CBD NEW SUPPLY (Q3 2022-2026): ▲ Q-O-Q

93.6%
CBD OCCUPANCY ▼ Q-O-Q

\$10.51 PSF PM
PRIME OFFICE RENTS ▲ Q-O-Q

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the established sophisticated financial infrastructure and political stability. TR Capital opened an office at CapitaGreen in Singapore as the private equity firm expanded its investment footprint in South-East Asia.

- As commerce needs evolve, so too the office landscape. WeWork opened its largest co-working office space at 21 Collyer Quay, occupying over 220,000 sf. Co-working spaces provide new market entrants and funded start-ups with a good flexible and conducive working environment, before these companies grow and transit to traditional leasing arrangements. With the availability of co-working spaces, older, increasingly obsolete office buildings in the CBD will experience stiff competition for such occupiers. To remain competitive in the contemporary office arena, ageing office buildings might need to consider redevelopment or asset enhancement options so as to remain relevant.

Economic Sentiment and Outlook

- Total employment reached 99.5% of pre-pandemic levels in Q2 2022 with retrenchments at a record low, and further expansions in business headcounts expected. In a survey conducted by the ManpowerGroup, one in two companies plan to increase headcount by Q4 2022, despite ongoing economic and geopolitical headwinds. Sectors such as banking, finance, real estate and insurance registered an increase in hiring sentiments by ten percentage points q-o-q in Q3 2022 and 44 percentage points y-o-y.

- In addition, Deputy Prime Minister and Finance Minister Lawrence Wong announced a new S\$400 million grant to grow local talent for financial services in line with the Financial Services Industry Transformation Map (ITM) 2025 to foster future-ready manpower in the sector. This financially trained workforce catering to the global needs of international institutions and the current upward trajectory in hiring activity, is expected to offset and outpace any reduction in office space requirements due to remote working in the medium- to long-term.
- And though global inflation, supply chain and material disruptions, and geo-political unrest are combining to push global economies into a slowdown, Singapore remains poised as a shelter for multi-national firms to weather the coming economic challenges, barring further redundancies in certain technology segments. With occupancies steadily tightening and leasing activity to remain firm for the rest of 2022, Knight Frank maintains its forecast of 3% to 5% growth in rents for the whole of the year with the sector increasingly becoming a landlord's market going into 2023.

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
Surbana Jurong Campus	Cleantech Loop	Western Water Catchment	248,915	SJ Capital (JID) Pte Ltd
Total Key Supply 2022			1,176,614	
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
Extension of Odeon Towers	North Bridge Road	Downtown Core	46,382	UOL Group Limited
Total Key Supply 2024			1,871,500	
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

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