

SINGAPORE RESEARCH OFFICE



Q3 2018 OFFICE MARKET SNAPSHOT

Total Stock
86.4 million sq ft
▲ 0.4% q-o-q

New Supply (Q3 2018)
381,000 sq ft

Upcoming New Supply (Q4 2018 - 2022):
7.4 million sq ft

Overall Prime Office Rents:
\$S\$10.60 psf pm

OFFICE RENTS CONTINUE TO APPRECIATE ALBEIT AT A SLOWER PACE IN Q3 2018

Prime¹ grade office rents maintained its growth momentum, increasing by 1.0%q-o-q in Q3 2018



CALVIN YEO
Executive Director & Head,
Office Advisory

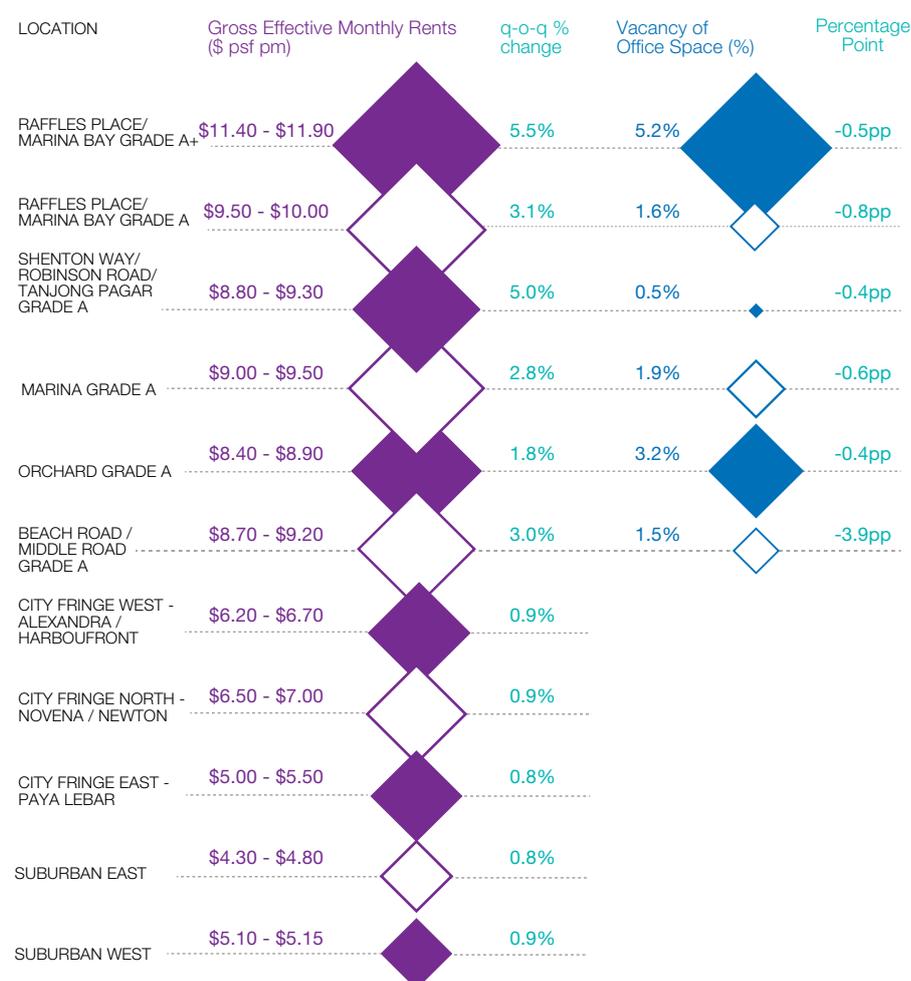
“While the limited supply of premium office space will lead the increase in rent, there are pockets of opportunities in good buildings that can help meet demand.”

- Grade A+ office rents in Raffles Place/Marina Bay precinct went up by about 5.5% q-o-q to \$11.61 per sq ft per month in Q3, after rising by 12.5% in Q2. In H1 2018, the rents rose sharply from a lower base to reflect the limited availability of Grade A+ office space. In Q3, the office rents grew more sustainably following an acute surge in Q2.
- While the ongoing trade disputes between US and China may have business sentiments among manufacturing companies, all service sectors except for the real estate sector, are optimistic of their outlook for H2 2018 according to the Business Expectations survey of the service sector. The improved outlook helped support the demand and rents of all precincts in the CBD, with vacancy of the Grade A offices in the CBD contracting.
- Mitigating rising demand and rents is the availability of co-working spaces. Companies may use co-working spaces to manage their expansion under current market conditions. The rates offered by the co-working platforms are competitive, with more developers and landlords introducing their own platforms. The developers and landlords that have started their own co-working brands include Keppel Land (KLOUD centre), Mapletree Investments (CoQoons Co-working), Ascendas-Singbridge and Lendlease. Other developers collaborate with existing operators through joint ventures and partnership included Frasers Property and JustCo, CapitaLand and The Work Project, which jointly acquired Collective Works, and CDL and Distrii.

¹ Overall prime rents is defined as the average of Grade A+ & A Raffles Place / Marina Bay precinct

EXHIBIT 1

Average Office Rentals, by Key Precincts in Q3 2018



Source: Knight Frank Office Advisory

Rents are based on effective gross rents (inclusive of service charge).

Rents are based on a lease term of at least three years.

Rent estimates are 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.

Availability of office space for lease is based on Knight Frank Research basket of office buildings monitored in each respective precinct.

EXHIBIT 2

Notable shifts and expansions in Q3 2018

Tenant	Sector	New Location	New Size (sf)
HSBC Singapore	Banking	Marina Bay Financial Centre	140,000
Lazada	E-commerce	AXA Tower	109,000
Allianz	Insurance	ASB Tower	50,000
Ministry of Health	Government	Spring Singapore	20,000
China Construction	Real Estate	Frasers Tower	16,000
Braemar Shipping Services	Shipping	80 Robinson Road	11,000
Nexia TS Pte Ltd	Accounting	80 Robinson Road	11,000
Servcorp	Co-working	Suntec tower 3	10,000

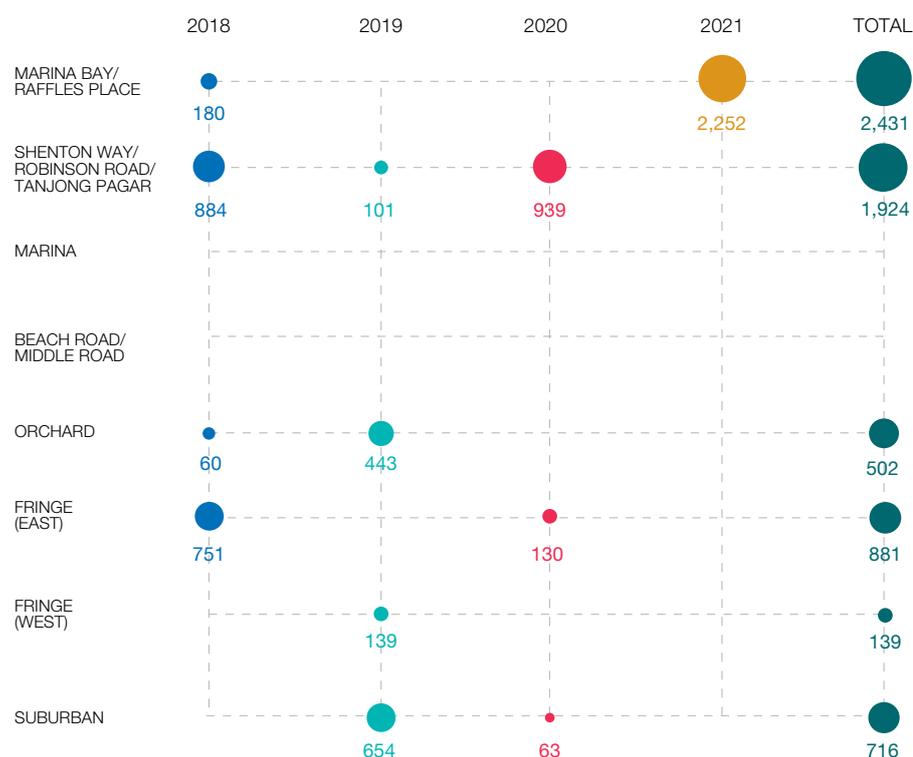
Source: Knight Frank Office Advisory

Major movements in the Office Market

- Banks and insurance companies remained active in the leasing market in Q3.** HSBC Singapore will be relocating its head office to Marina Bay Financial Centre Tower 2, and it will take up 140,000 sq ft. Lazada is expanding their current office at AXA Tower to 109,000 sq ft. Separately, Allianz has reportedly leased slightly over 50,000 sq ft at ASB Tower.

EXHIBIT 3

Upcoming Office Supply (Gross Floor Area), as at Q3 2018



Source: URA (as at Q3 2018), Knight Frank Research

Demand drivers of the Office Market

- **According to the Ministry of Trade and Industry, Singapore's economy grew by 2.6% y-o-y, slowing from the 4.1% growth in Q2.** The services industries grew by 2.9%, led by growth in finance and insurance, business services and wholesale and retail trade sectors.
- **There is greater demand for data scientists and information technology professionals in the financial sector as the banks expand their digital services.** For instance, United Overseas Bank for instance, announced plans to introduce a Digital Bank for ASEAN customers that use a data-centric business model in August. It launched a pan-regional Engagement Lab to personalise the services for its customers. Separately, HSBC is committing US\$15-17 billion for spending in technology and growth over the next two years, and the bank's Singapore franchise is expected to secure a large part of the investment.

Outlook

- Office rents in the CBD are expected to continue increasing due predominantly to the growth of the service sector. Correspondingly, the information technology, financial and insurance, management consultancy and legal sectors are benefitting from the cross-border opportunities in the region. There is also greater demand from media and digital marketing, with the pervasive use of social media.
- Coupled with the lack of supply of CBD offices, steady demand is expected to continue pushing rents up. However, the availability of co-working space will help mitigate the demand for expansion space and rising rents.
- However, the trade disputes between China and United States, and the slowing manufacturing sector may weaken business sentiments and slow down demand.
- For the whole of 2018, we expect office rents in CBD to grow by 18% to 22% with the lack of new supply till 2020/2021.

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:

Lee Nai Jia
Senior Director and Head
Research
6228 6878
naijia.lee@sg.knightfrank.com

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

Lucy Zhu
Analyst
Research
6228 6584
lucy.zhu@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.