

SINGAPORE RESEARCH OFFICE



Q4 2018 OFFICE MARKET SNAPSHOT

Total Stock
87.0 million sq ft
▲ 0.7% q-o-q

New Supply (Q4 2018)
381,000 sq ft

Upcoming New Supply (2019 - 2023):
7.6 million sq ft

Overall Prime Office Rents:
S\$10.95 psf pm



PRIME OFFICE RENTS EXPECTED TO APPRECIATE IN 2019

Prime¹ grade office rents went up by 22.2% for whole of 2018 and the upward trend expected to continue in 2019



CALVIN YEO
Executive Director & Head,
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“Due to the lack of supply, rents are expected to continue increasing in 2019 barring any economic headwinds that would mute the demand for space.”

- Prime Grade office rents in Raffles Place/Marina Bay precinct rose by 22.2% in 2018 to \$10.95 per sq ft per month, after going up by 3.3% quarter-on-quarter (q-o-q) in Q4. The increase in rents was supported by limited supply of Grade A+ and Grade A offices in the CBD and demand of some 999,000 sq ft by Co-working, Banking, Finance and Insurance sectors.
- The outlook for the Information & Communications sector remains optimistic and it is likely to drive demand for office space, according to a Business Expectations Survey by the Ministry of Trade & Industry.
- The high occupancy of Grade A+ and Grade A office space in the Raffles Place/ Marina Bay precinct resulted in increased demand for Grade A office space in the Shenton Way/ Robinson Road/ Tanjong Pagar precinct, driving rents up by 4.5% q-o-q.
- Rents in the City Fringe and Suburban precincts stayed stable, resulting in a widening rental gap with prime office space. The widening gap makes decentralisation more appealing to companies of significant size and having functions that can be decoupled.

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 Q4 2018

LOCATION	Gross Effective Monthly Rents (\$ psf pm)	q-o-q % change	Vacancy of Office Space (%)	Percentage Point
RAFFLES PLACE/ MARINA BAY GRADE A+	\$11.60 - \$12.10	2.5%	1.9%	-3.3pp
RAFFLES PLACE/ MARINA BAY GRADE A	\$9.80 - \$10.30	2.1%	1.4%	-0.2pp
SHENTON WAY/ ROBINSON ROAD/ TANJONG PAGAR GRADE A	\$9.20 - \$9.70	4.5%	0.7%	0.2pp
MARINA GRADE A	\$9.20 - \$9.70	2.2%	1.8%	-0.1pp
ORCHARD GRADE A	\$8.40 - \$8.90	0.2%	0.8%	-2.4pp
BEACH ROAD / MIDDLE ROAD GRADE A	\$8.80 - \$9.30	1.9%	1.8%	0.3pp
CITY FRINGE WEST - ALEXANDRA / HARBOURFRONT	\$6.30 - \$6.80	0.3%	3.9%	
CITY FRINGE NORTH - NOVENA / NEWTON	\$6.50 - \$7.00	0.0%	2.4%	
CITY FRINGE EAST - PAYA LEBAR	\$6.10 - \$6.60	28.0% ¹	6.5%	
SUBURBAN EAST	\$4.40 - \$4.90	-	2.2%	
SUBURBAN WEST	\$5.10 - \$5.60	0.6%	-	

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.

¹The sharp increase in average office rents in Paya Lebar was due to the inclusion of Paya Lebar Quarters in our basket.

EXHIBIT 2

Notable shifts and expansions in Q4 2018

Tenant	Sector	New Location	New Size (sq ft)
Wework	Co-working	MYP Centre	85,000
Campfire	Co-working	139 Cecil St	85,000
JustCo	Co-working	China Square Central	35,000

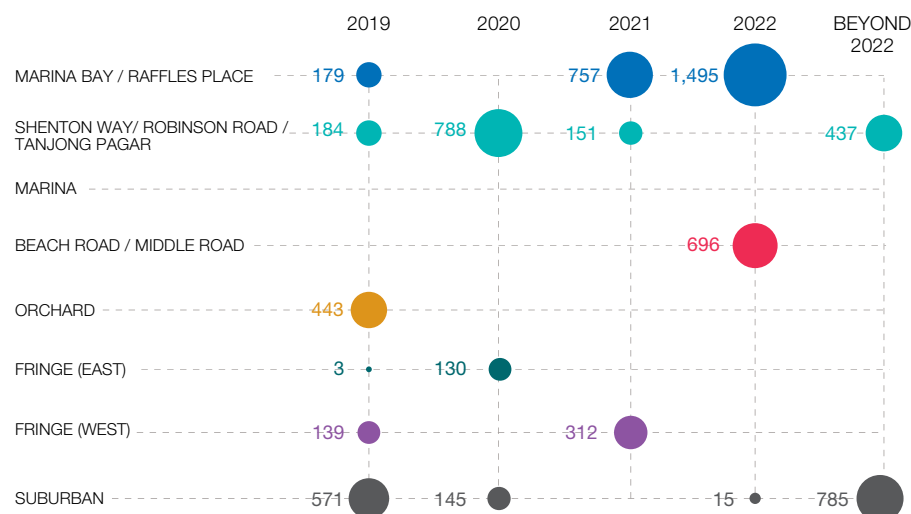
Source: Knight Frank Office Advisory

Major movements in the Office Market

- **Co-working space operators have been actively taking up space in 2018, with more new entrants in Q4 such as** Hong Kong based co-working operator Campfire Collaborative Spaces, leasing 85,000 sq ft over 16 floors at 139 Cecil Street, to become their largest site globally.

EXHIBIT 3

Upcoming Office Supply (Gross Floor Area), as at Q4 2018



Source: URA (as at Q4 2018), Knight Frank Research

Demand drivers of the Office Market

- The Information & Communications sector is expected to expand amongst other areas, in the area of advanced cybersecurity for corporations and institutions, following several high-profile leaks of personal data. There will also be funding for financial companies to develop cybersecurity as the Monetary Authority of Singapore launched a S\$30 million Cybersecurity Capabilities Grant to raise the cybersecurity level of the financial sector. A road map to identify and deal with “next-generation cyberthreats” in the Telecommunications sector over the next 5 years will also start in 2019, and likely drive growth.
- The potential demand for cybersecurity services in the Southeast Asia region also attracted Multinational Companies to set up their regional headquarters in Singapore. Trend Micro Incorporated set up their regional headquarters for Asia Pacific, Middle East and Africa in Singapore, taking up office space at Suntec Tower Four. BT, a British cybersecurity company, also opened its headquarters in January 2019 with around 300 staff.
- While there are concerns over the slowing Chinese economy, ongoing geopolitical tension and volatile oil prices, Singapore may benefit from the potential growth of the Southeast Asian economy. A case in point is Dyson, moving their headquarters to Singapore and Shiseido, moving its Asia Pacific Headquarters from Tokyo to Singapore in January 2019.

Outlook

- Prime office rents in the CBD are expected to go up in 2019 by 8% to 10%, barring any economic headwinds. The growth will be supported by the expansion of the Information & Communications Technology and Business Services sectors. The ease of doing business in Singapore with its deep pool of skilled workers will continue to attract companies to locate and grow here.
- Growth in rents will be most significant in Grade A+ offices in the Raffles Place/ Marina Bay precinct due to the limited supply in 2019.
- While companies are increasingly adopting activity-based workplace concepts to enhance collaboration and space efficiencies, many are not squeezing headcount drastically into reduced space, in view of overall staff well-being and productivity output derived from conducive workplace.
- Companies are also seen incorporating experience centers within their offices to showcase culture, innovation and products to both clients and staff, coupled with collaborative workspaces for connecting with partners. For the headquarters of BT Singapore, which opened in January 2019, the “Customer Experience Centre” provides an interactive experience on their global connectivity services, cloud migration and cybersecurity solutions. Such use of the office space as a business platform is expected to maintain or increase net space requirements.

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