

Office Q4 2019

\$10.66
Rent (\$\$/sf/mo)
YoY
Chg12-Mo.
Forecast
0.1%
Rental Growth

2.3%
Vacancy Rate


Economic Growth Remains Subdued

Singapore's economic growth remained weak at 0.7% y-o-y in 3Q2019. Despite the subdued economic growth, office-using employment rose by 11,100 workers during the third quarter, a significant increase from the 6,000 workers added in the preceding quarter. According to advance estimates, the Singapore economy grew by 0.8% y-o-y in 4Q2019, with full-year GDP growth coming in at 0.7%.

Rental Growth Slows Amidst Waning Leasing Demand

During 2019, leasing demand was mainly comprised of firms from the finance, tech, and co-working sectors. In particular, co-working operators expanded aggressively to dominate market share in the flexi-office space. Major co-working players took slightly over 1 msf of space, a substantial increase from 600,000 sf taken up in 2018. However, the pace of expansion will slow as the large co-working players become more cognizant of the need to reduce cash burn and adopt a more conservative approach. Leasing demand from other sectors is also weakening due to the currently cautious business sentiment.

Office rental growth has been slowing in the recent quarters, signaling that rents are nearing the peak. Despite lower market confidence due to weaker economic growth and the escalation of the US-China trade war, landlords have been able to hold their rents steady for the moment due to tight vacancies and limited upcoming supply. During 4Q2019, the Grade A CBD rent rose marginally by 0.1% to \$10.66 psf/mo, resulting in a 2019 full-year rental growth of 2.8%. This was significantly lower than the preceding year, which recorded a robust rental growth of 12.7%.

Rents to Moderate in 2020 Due to Global Economic Headwinds

Going forward, Grade A CBD rents are expected to moderate slightly in 2020 as the global economy continues to face headwinds from the on-going trade war, and the resultant slower growth in the US, Eurozone and Singapore in 2020. These uncertainties are taking a toll on the ability of companies to secure budget for relocation and expansion, limiting the net demand for office space.

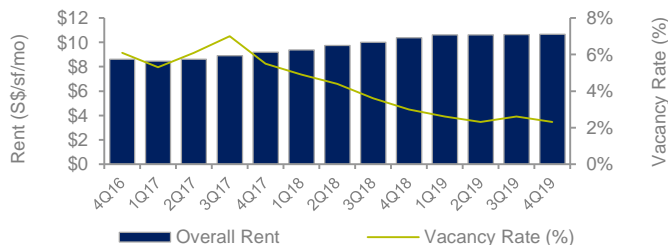
In order to stay put in the CBD, corporate occupiers are also exploring ways to optimize the use of office space, including the use of co-working, re-configuring their office layout, putting people on flexi-hours and reducing the size of the work stations. Nevertheless, further tightening of the office supply due to potential redevelopments and the subsequent expiry of transition offices in the city fringe may limit the softening in rents.

SINGAPORE ECONOMIC INDICATORS Q3 2019

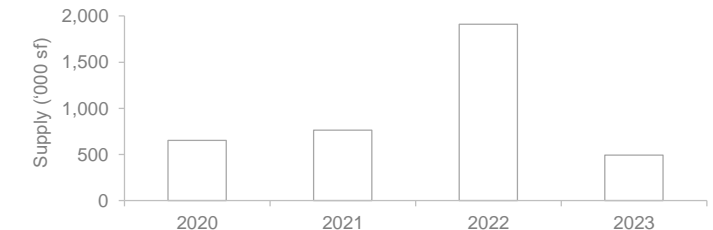
0.7%
GDP Growth
YoY
Chg12-Mo.
Forecast
0.4%
CPI Growth

2.3%
Unemployment


GRADE A CBD RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



Source: Ministry of Trade & Industry



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	VACANCY RATE	PLANNED & UNDER CNSTR (SF)	S\$/SF/MO	GRADE A EFFECTIVE RENT (S\$/SF/MO)	
						US\$/SF/MO	EUR/SF/MO
Marina Bay	9,001,000	202,000	2.2%	1,260,000	S\$12.64	US\$9.33	€8.42
Raffles Place	7,425,000	203,000	2.7%	728,000	S\$10.92	US\$8.06	€7.28
Shenton Way / Tanjong Pagar	4,313,000	76,000	1.8%	1,318,000	S\$10.05	US\$7.42	€6.70
City Hall / Marina Centre	4,476,000	83,000	1.9%	0	S\$10.30	US\$7.60	€6.86
Orchard Road	2,982,000	84,000	2.8%	0	S\$9.39	US\$6.93	€6.26
Bugis	1,132,000	23,000	2.0%	1,050,000	S\$10.17	US\$7.51	€6.78
GRADE A CBD TOTAL	29,329,000	671,000	2.3%	4,356,000	S\$10.66	US\$7.87	€7.10
City Fringe^	6,908,000	204,000	3.0%	1,066,000	S\$7.23	US\$5.34	€4.82
Suburban^	7,213,000	600,000	8.3%	0	S\$5.66	US\$4.18	€3.77

^All Grades

US\$/S\$ = 1.355; €/S\$ = 1.501 as at 20 December 2019

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One Raffles Quay	Marina Bay	ByteDance	60,000	Relocation
OCBC Centre East	Raffles Place	JustCo	45,000	New Lease
30 Prinsep Street	Bugis	WeWork	29,000	New Lease

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
Robinson Centre	Shenton Way	Homax / ARA	132,300	\$340.0M
KH KEA Building	City Hall / Marina Centre	KH KEA Properties / UOL	22,075	\$79.3M
146 Robinson Road	Shenton Way	UOB / UOI	49,853	\$52.0M

KEY CONSTRUCTION COMPLETIONS Q4 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9 Penang Road	Orchard	UBS	381,000	SingHaiyi Group and Suntec REIT and Haiyi Holdings

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