

12-Mo. Forecast

**\$10.37**  
Rent (\$\$/sf/mo)

**-2.3%**  
Rental Growth

**2.9%**  
Vacancy Rate

### SINGAPORE ECONOMIC INDICATORS Q1 2020

12-Mo. Forecast

**-0.7%**  
GDP Growth

**0.4%**  
CPI Growth

**2.4%**  
Unemployment

Source: Ministry of Trade & Industry, Oxford Economics

### Singapore Economy Buckles Under Impact of Pandemic

Singapore's GDP growth turned negative at -0.7% yoy in Q1 2020 as the economy buckled under the impact of the pandemic. Office-using employment grew by only 2,700 workers during the first quarter, a significant decrease from the 5,800 workers added in the preceding quarter. The government is expecting the country to enter its deepest recession ever, with full-year GDP growth in the range of -7.0 to -4.0%.

### Leasing Activity Remained Muted With Risk of Long-Term Structural Shift

Leasing activity remained muted during the second quarter as brokers were unable to close deals during the circuit breaker period. With remote working continuing as the default mode, and corporate occupiers putting the brakes on expansion plans to focus on operational issues arising from the pandemic, future leasing demand in the short-term is likely to remain weak.

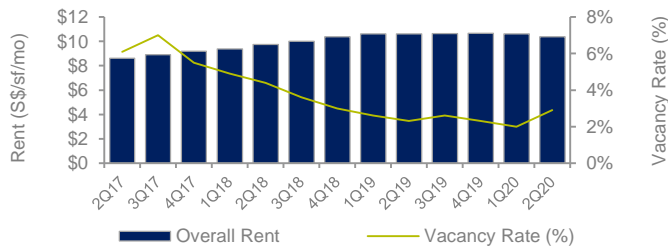
In the long-term, there are concerns that there could be a structural shift in the market if banks and tech firms opt to save on real estate costs and let a large proportion of their workforce continue remote working post-pandemic, which could lead to a lower level of office demand. Large tech firms have already made public commitments, with Twitter and Square announcing that all of their employees would be able to work from home indefinitely, while Facebook unveiled a plan for up to half of its 48,000 workers to telecommute permanently within the decade. Similarly, the banking and finance industry has seen that a significant portion of its work force can operate remotely, leading to many firms re-evaluating their space needs going forward.

### Peak-To-Trough Rental Decline Projected To Be Milder Than Previous Recessions

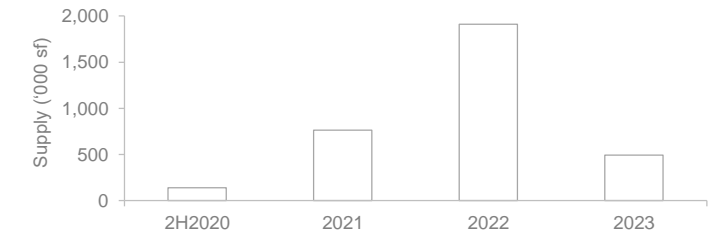
Rental reductions are starting, with the Grade A CBD rent moderating by 2.3% qoq to \$10.37 psf/mo in Q2 2020. The decline is more pronounced in the most expensive buildings, leading to Marina Bay falling by 3.4% qoq to \$12.10 psf/mo. Due to the limited leasing activity during the second quarter, a larger moderation in rents is expected in the third quarter as landlords compete to attract and retain key tenants.

Nevertheless, the peak-to-trough rental decline is likely to be milder than that of previous recessions, which is partially due to the unprecedented stimulus package released by the government. Other mitigating factors include the expansion of pharmaceutical sector, leading to a spillover in corporate space requirements. There is also currently a tight supply situation with only an annual average supply of 0.7 msf entering the market during the period of 2020-2021, significantly lower than the 2010-2019 annual average of 1.2 msf. In addition, Alibaba is entering into a joint venture with a Perennial-led consortium to redevelop AXA Tower, which will result in the displacement of tenants occupying 700,000 sf of space.

### GRADE A CBD RENT & VACANCY RATE



### GRADE A CBD SUPPLY PIPELINE



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	VACANCY RATE	PLANNED & UNDER CNSTR (SF)	S\$/SF/MO	GRADE A EFFECTIVERENT (S\$/SF/MO)		
						US\$/SF/MO	EUR/SF/MO	
Marina Bay	9,001,000	189,300	2.1%	1,260,000	S\$12.10	US\$8.66	€7.75	
Raffles Place	7,425,000	238,600	3.2%	728,000	S\$10.57	US\$7.56	€6.77	
Shenton Way / Tanjong Pagar	4,827,000	233,700	4.8%	804,000	S\$9.78	US\$7.00	€6.26	
City Hall / Marina Centre	4,476,000	92,100	2.1%	0	S\$10.00	US\$7.15	€6.40	
Orchard Road	2,982,000	101,500	3.4%	0	S\$9.39	US\$6.72	€6.01	
Bugis	1,132,000	12,500	1.1%	1,050,000	S\$10.17	US\$7.27	€6.51	
<b>GRADE A CBD TOTAL</b>	<b>29,843,000</b>	<b>867,700</b>	<b>2.9%</b>	<b>3,842,000</b>	<b>S\$10.37</b>	<b>US\$7.42</b>	<b>€6.64</b>	
City Fringe^	6,908,000	277,400	4.0%	1,066,000	S\$7.16	US\$5.12	€4.58	
Suburban^	7,479,000	525,500	7.0%	1,084,000	S\$5.58	US\$3.99	€3.57	

^All Grades

US\$/S\$ = 1.398; €/S\$ = 1.562 as at 20 June 2020

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One Marina Boulevard	Marina Bay	American Express	48,000	New Lease
Guoco Tower	Shenton Way / Tanjong Pagar	Toyota Motors	34,000	Relocation
Suntec Tower 1	City Hall / Marina Centre	BASF	30,000	Renewal
One Raffles Quay South Tower	Marina Bay	Bytedance	20,000	Expansion
Suntec Tower 3	City Hall / Marina Centre	Adobe	14,000	Renewal
Frasers Tower	Shenton Way / Tanjong Pagar	Sensetime	10,000	Expansion

## KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE
AXA Tower (50% stake)	Shenton Way / Tanjong Pagar	Perennial-led Consortium / Alibaba Group	\$840.0M
China Square Central	Raffles Place	Frasers Commercial Trust / Frasers Logistics Trust	\$648.0M
TripleOne Somerset (30% stake)	Orchard	Perennial Real Estate / Shun Tak	\$155.1M

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