

12-Mo. Forecast

\$9.58
Rent (\$\$/sf/mth)

-2.7%
Rental Growth

3.7%
Vacancy Rate

SINGAPORE ECONOMIC INDICATORS Q3 2020

12-Mo. Forecast

-5.8%
GDP Growth

-0.3%
Inflation Growth

3.4%
Unemployment

Source: Ministry of Trade & Industry, Oxford Economics

Singapore's Economy Contracted at a Slower Pace

On the back of the economic re-opening, Singapore's GDP contracted at 5.8% yoy in Q3 2020, a considerable improvement from the record decline of 13.2% in the previous quarter. The Construction, Transportation & Storage and Accommodation & Food Service sectors continued to be the largest contributors to the contraction. The Manufacturing and the Information & Communications sectors grew by 10.0% and 2.0% yoy respectively, a turnaround from their contractions in Q2 2020. GDP growth is forecasted to land between +4.0% to +6.0% in 2021. Total office-usage employment declined by 2,300 workers in Q3 2020, an improvement from 15,000 workers in Q2 2020.

Grade A CBD Net Demand Reached 94,000 sf, the lowest in a decade

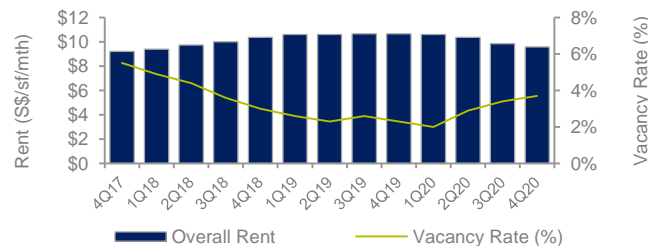
Amidst challenging business conditions and on-going flexible work arrangements, Grade A CBD office vacancy rates reached 3.7% in Q4 2020, from 3.4% in Q3 2020, as Grade A CBD net demand amounted to only 94,000 sf, the lowest in a decade. Grade A CBD office rents fell 2.7% qoq in Q4 2020 to reach \$9.58 psf/mth. For the whole of 2020, Grade A CBD office rents have fallen by 10.1% yoy. On the other hand, city fringe and suburban office spaces were more resilient given their lower rental levels and demand from displaced tenants due to office redevelopments in the CBD such as AXA Towers and Fuji Xerox Tower. Outgoing Fuji Xerox tenants, Prudential Assurance and Fuji Xerox will be relocating out of the CBD to the city fringe at UE Bizhub West and Mapletree Business City respectively. For the whole of 2020, City fringe and suburban office rents fell by 3.2% and 1.9% respectively.

Demand Drivers to Shift

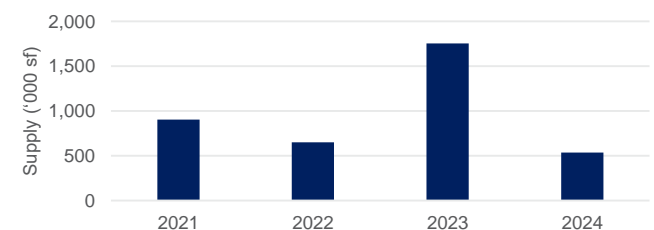
Office vacancy rates could rise further as firms remain cautious and right-size their workspace requirements amid the uncertain business environment. For example, Mizuho Financial Group is looking to cut about 16% of space, and Sompo Insurance reduced its office space by 50%. With a slowdown in business expansion, office leasing activity in 2020 was driven largely by renewals and relocations. A notable case reported this quarter was CIMB Bank's relocation to 30 Raffles Place, where its lease is expected to begin in early 2022.

Moving forward, we expect technology and investment firms will continue to expand and steer demand in view of Singapore's status as a gateway city to Southeast Asia and ongoing concerns over the future of rival financial hub, Hong Kong. Amazon will take up three floors relinquished by Citigroup in Asia Square Tower 1, Alibaba and Lazada are in advanced negotiations to occupy about 135,000 sf of space at 5One Central. Also, Ray Dalio, founder of the world's largest hedge fund, Bridgewater Associates, is opening a family office in Singapore to run his investments across the region, while D.E. Shaw & Co, a U.S. hedge fund, has plans to expand into Singapore in 2021.

GRADE A CBD RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



MARKET STATISTICS

GRADE A CBD 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	9,000,714	247,343	2.7%	1,260,000	10.99	8.28		6.75
Raffles Place	7,425,478	272,529	3.7%	728,000	9.65	7.27		5.93
Shenton Way / Tanjong Pagar	4,826,773	300,361	6.2%	804,000	9.32	7.02		5.73
City Hall / Marina Centre	4,475,745	114,131	2.5%	0	9.23	6.95		5.67
Orchard Road	2,981,632	120,716	4.0%	0	8.73	6.57		5.36
Bugis	1,132,173	34,762	3.1%	1,050,000	9.64	7.26		5.92
GRADE A CBD TOTAL	29,842,515	1,089,842	3.7%	3,842,000	9.58	7.21		5.88
City Fringe [^]	6,908,450	406,329	5.9%	1,248,000	7.00	5.27		4.30
Suburban [^]	7,701,278	503,168	6.5%	1,346,000	5.55	4.18		3.41

[^]All Grades

US\$/S\$ = 1.328; €/S\$ = 1.628 as at 20 December 2020

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
30 Raffles Place	Raffles Place	CIMB Bank	> 50,000	Relocation
79 Robinson Road	Shenton Way / Tanjong Pagar	Boston Consulting Group	46,700	Relocation

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$)
Keppel Bay Tower	Harbourfront / Alexandra	Keppel Land / Keppel REIT	657.2M

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