

Office Q1 2021

\$9.55
Rent (\$\$/sf/mo)

12-Mo.
Forecast



-0.4%
Rental Growth



4.2%
Vacancy Rate



SINGAPORE ECONOMIC INDICATORS Q4 2020

12-Mo.
Forecast

-2.4%
Real GDP Growth



-0.1%
Inflation Growth



3.2%
Unemployment



Source: Ministry of Trade & Industry (MTI),
Moody's Analytics

Recovery On The Cards

Singapore's economy is on the path to recovery on the back of the gradual resumption of business activities and successful containment of the pandemic in Singapore. GDP shrank only -2.4% yoy in Q4 2020, from -5.8% yoy in Q3 2020. For the whole of 2020, GDP shrank by 5.4%. According to the Ministry of Trade and Industry, Singapore's economy is expected to expand by 4% to 6%, driven by the manufacturing, finance & insurance, and information & communications sectors. Unemployment rates have peaked at 3.3% as of Q4 2020 and are poised to improve in 2021.

Mild Decline in Rents as Landlords Hold Firm on Rents

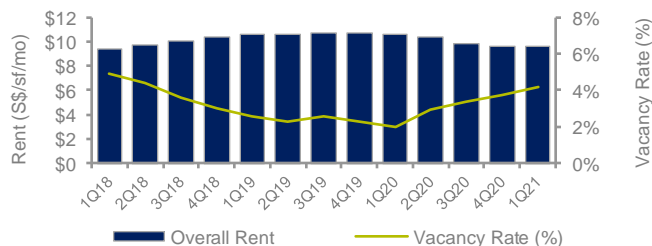
CBD Grade A vacancy rates continued to trend higher, reaching 4.2% in Q1 2021 as companies right-size and adopt more flexible working arrangements. The rise in vacancy rates was driven by the Raffles Place submarket which saw a fall in net absorption fall of 132,000 sf. Other CBD submarkets which saw negative net absorption include Marina Bay (-53,000 sf), City/Hall Marina Centre (-42,000 sf) and Orchard (-24,000 sf). On the other hand, the Shenton Way/Tanjong Pagar and Bugis submarkets achieved positive net absorption upon the strong take up of space at 5One Central and 79 Robinson Road.

Nonetheless, landlords continue to hold firm on their rents in anticipation of economic recovery and relaxation of safe management measures which will lead to more people returning to the office. As such, despite the rise in vacancies, CBD grade A office rents fell slightly to \$9.55 psf/mth, registering a fall of 0.4% qoq in Q1 2021. City Fringe rents were more resilient and fell only 0.1% qoq while suburban rents managed a slight gain of 0.1% qoq in Q1 2021.

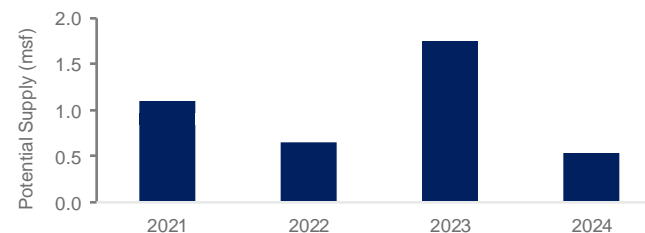
More Banking Space to Come into the Market

Financial institutions have been paring their office footprint as they explore new ways of working amidst accelerated digital transformation. Last year, Citigroup and Mizuho Financial Group have announced plans to cut back on their space at Asia Square Tower 1 and Tower 2 respectively. More banking tenants are expected to follow suit. Over the next two years (2021 and 2022), we estimate that at least 500,000 sf of CBD Grade A office space, representing about 1.7% of total Grade A CBD stock, may be released by banks as secondary or shadow space. This could lead to higher vacancy rates in the Marina Bay and Raffles Place submarkets, where banks are key occupiers. While tech companies will drive demand for office space in 2021, it may struggle to fully absorb the void left by banks. As such, vacancy rates are expected to edge higher, putting pressure on rents over the short term. Nonetheless, as economic recovery gains momentum, the market could bottom out in 2H2021.

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\$/SFMO	GRADE A EFFECTIVE RENT (S\$/SFMO)		
						US\$/SFMO	EUR/SFMO	
Marina Bay	9,000,714	300,137	3.3%	1,260,000	10.96	8.15	6.94	
Raffles Place	7,424,767	403,817	5.4%	928,000	9.58	7.13	6.07	
Shenton Way / Tanjong Pagar	4,826,773	210,225	4.4%	804,000	9.43	7.02	5.97	
City Hall / Marina Centre	4,475,745	156,545	3.5%	0	9.12	6.79	5.78	
Orchard Road	2,981,632	145,098	4.9%	0	8.65	6.44	5.48	
Bugis	1,347,172	36,921	2.7%	1,050,000	9.51	7.08	6.02	
GRADE A CBD TOTAL	30,056,803	1,252,743	4.2%	4,042,000	9.55	7.11	6.05	
City Fringe [^]	6,908,450	359,261	5.2%	1,248,000	6.99	5.20	4.43	
Suburban [^]	7,701,278	457,441	5.9%	1,346,000	5.55	4.13	3.51	

[^]All Grades

US\$/S\$ = 1.344; €/S\$ = 1.579, as of 31 March 2021

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5One Central	City Hall / Marina Centre	Alibaba and Lazada	140,000	Relocation
One Raffles Quay North Tower	Marina Bay	L'Oréal	68,000	New Lease
Guoco Tower	Shenton Way / Tanjong Pagar	ByteDance (TikTok)	58,000	New Lease

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
OUE Bayfront (half- stake)	Raffles Place	OUE C-Reit / Allianz Real Estate and National Pension Service of Korea JV	\$634
Certis Cisco Centre	Paya Lebar	Certis / Lendlease	\$150
The Central (13,336 sf unit)	Chinatown / River Valley	Far East Organization / WKC Holding	\$42

WONG XIAN YANG

Head of Research
Singapore

+65 6232 0885 / xianyang.wong@cushwake.com

MARK D. LAMPARD

Executive Director
Head of Singapore Commercial Leasing
Head of Regional Tenant Representation

+65 6232 0867 /
mark.lampard@ap.cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of US\$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.