

12-Mo. Forecast

\$9.60
Rent (\$\$/sf/mo)



0.5%
Rental Growth



4.6%
Vacancy Rate



Economic Rebounds Amidst Global Recovery

Singapore GDP turned around by 1.3% qoq in Q1 2021, following three consecutive quarters of negative growth. Unemployment rate continued to decline to 2.6% in Q1 2021, from 3.3% in the last quarter of 2020. Performance across sectors remained disparate in Q1 2021, with yoy expansions in Accommodation (19.0%), Manufacturing (10.7%), Information & Communications (6.4%) and Finance & Insurance (4.7%). On the other hand, sectors such as Construction (-22.7%), Transportation & Storage (-16.5%), Administrative & Support (-12.9%) and Food & Beverage Services (-9.4%) continued to contract yoy. GDP forecast for the whole of 2021 maintains at 4 to 6%, against the backdrop of a robust recovery of global economies and increased business activities with the accelerated vaccination roll-out.

Rents Grew as Net Demand Remained Positive

CBD grade A rents returned to growth at 0.5% qoq, reaching \$9.60 psf/mo in Q2 2021 after five consecutive quarters of decline. This came with CBD grade A net demand staying positive for a second consecutive quarter, albeit at very weak levels. Net demand was positive at 17,000 sf in Q2 2021 and 51,000 sf in Q1 2021. Nonetheless, vacancy rates for CBD grade A continued to climb to 4.6% in Q2 2021, up 0.4 percentage points from Q1 2021 as net supply grew faster than net demand. The key drivers of net supply growth being the completion of Afro Asia i-Mark and the addition of Lazada One to C&W's grade A basket. Outside CBD, rents in Suburban (all grades) rose by 0.2% qoq amid lower vacancy rates. Whereas City Fringe (all grades) rents fell by 0.5% qoq, dragged lower by non-grade A buildings.

Prime Office Buildings to Shore Up Recovery

Transiting into a new normal of hybrid working, many key occupiers are embarking on a flight to quality amid more attractive rents. This is evidenced by the rental growth amongst prime CBD grade A buildings that came in at 1.0% qoq, while rents for non-prime CBD grade A buildings expand by only 0.1% qoq. Technology and investment firms have leased (or looking to lease) much of the CBD grade A spaces cut back by banks, and other firms will continue to be drawn by Singapore's status as a preferred investment destination in Asia. Also, the islandwide grade A upcoming supply is limited and the bulk of which to be completed after 2022. The two main grade A new supply contributors in H2 2021 and 2022, CapitaSpring and Guoco Midtown, are already seeing strong pre-commitments and active negotiations respectively. Most of the office space at Rochester Commons (expected completion in 2022) is also reported to be taken up by Sea Limited. In view of tight supply and rising demand amidst economic recovery, grade A office rents could embark on a gradual rebound and are projected to chalk up a rental growth 1 to 3% in H2 2021. Market recovery will be two-tier, with prime office buildings recovering the fastest, while older buildings lag behind. Nonetheless, as prime office buildings fill up, demand will spill over to the other buildings in the CBD.

SINGAPORE ECONOMIC INDICATORS Q1 2021

12-Mo. Forecast

1.3%
Real GDP Growth



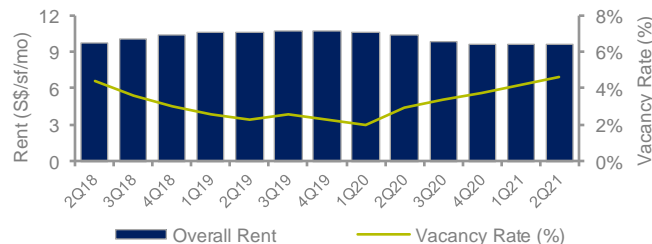
0.8%
Inflation Growth



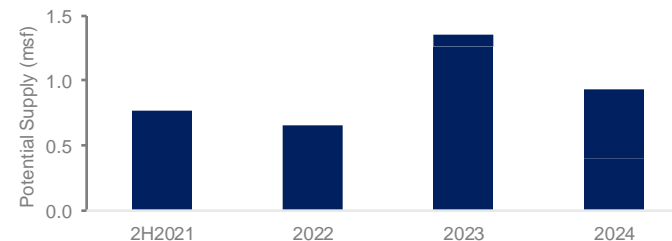
2.9%
Unemployment



GRADE A CBD RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



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

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	296,588	3.3%	1,260,000	11.13	8.29	6.95	
Raffles Place	7,424,767	467,893	6.3%	728,000	9.54	7.11	5.96	
Shenton Way / Tanjong Pagar	4,971,049	290,405	5.8%	667,000	9.49	7.07	5.92	
City Hall / Marina Centre	4,475,745	168,801	3.8%	0	9.18	6.84	5.73	
Orchard Road	2,981,632	119,044	4.0%	0	8.65	6.45	5.40	
Bugis	1,347,172	37,404	2.8%	1,050,000	9.39	7.00	5.86	
GRADE A CBD TOTAL	30,201,079	1,380,135	4.6%	3,705,000	9.60	7.15	5.99	
City Fringe [^]	6,908,450	358,525	5.2%	1,138,000	6.96	5.19	4.34	
Suburban [^]	7,479,056	416,903	5.6%	1,353,000	5.56	4.14	3.47	

[^]All Grades

US\$/S\$ = 1.342; €/S\$ = 1.602, as of 28 June 2021

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
CapitaSpring	Raffles Place	PGIM	10,000	Relocation
158 Cecil Street	Shenton Way	Endowus	7,800	Relocation
PLUS Building	Raffles Place	IWG's Regus	22,000	Expansion

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
9 Penang (30% Stake)	Orchard	Suntec REIT / Haiyi Holdings	296
Portfolio of strata offices at Suntec City	City Hall / Marina Centre	Suntec REIT / Undisclosed Fund	197
108 Robinson Road	Shenton Way	Sin Capital Group / PGIM Real Estate	143
Westgate Tower (40% Interest)	Suburban	Low Keng Huat / Sun Venture	97
Samsung Hub (9FL)	Raffles Place	Sun Venture / Lee Kim Tah Group	Close to 53

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