

CBD Grade A

12-Mo. Forecast

\$10.01
Rent (\$\$/sf/mo)



2.1%
Rental Growth (qoq growth)



4.6%
Vacancy Rate



Clouds Gather on the Economic Horizon

Singapore's economic outlook remains stable with GDP growth forecasted at 3%-5% in 2022 amidst a re-opening of the global economy. However, the outlook is clouded by geopolitical developments and the trajectory of the pandemic. Firstly, the Ukraine conflict has further disrupted supply chains and stroked higher inflation due to higher energy and food prices. Additionally, a surge in Covid-19 cases in China has led to lockdowns across the country which would exacerbate supply chain disruptions. Prolonged supply chain disruptions and high inflation are potential downside risks that could weigh on the global economy and Singapore's economic outlook.

A Broad-based Office Recovery on the Cards

Amidst tightening vacancy rates, CBD Grade A office rents climbed 2.1% qoq in Q1 2022, higher than 1.7% qoq in the preceding quarter. CBD Grade A vacancy rates tightened to 4.6% in Q1 2022 from 4.9% in Q4 2021. Decentralised office markets continue to recover, albeit at a gradual pace. City Fringe (all grades) and Suburban (all grades) office rents grew by 1.1% and 0.7% qoq respectively in Q1 2022 amidst stable economic conditions. City Fringe office vacancy rates tightened to 5.5% while suburban vacancy rates inched higher to 5.7%. We anticipate a continued recovery for the decentralised office market, given commercial decentralisation activities, spillover demand from the CBD, and limited new grade A decentralised office supply. Rochester Commons, the only new Grade A decentralised office development this year, has been mostly pre-committed by Sea Group. The next decentralised Grade A office development, Labrador Tower, will only be completed in 2024.

Office Rents to Trend Higher Despite Increasing Downside Risks

The Ukraine conflict is not expected to have a direct impact on the Singapore office market. Singapore has a limited presence in Ukraine and Russia and it does not import many essential supplies from the region. However, inflationary pressures would remain elevated, due to higher energy prices and supply chain disruptions. Also, lockdowns in China, a key trade partner with Singapore, have exacerbated supply chain disruptions. The confluence of these factors would raise firms operating costs and weigh on office expansion demand.

However, the aforementioned economic uncertainties could slow the rise of interest rates as central banks keep interest rate hikes manageable to balance recession risks and high inflation. A slower increase in interest rates bodes well for economic growth and property demand. Additionally, the reopening of Singapore's economy remains on track and more people will be returning to the office, boosting occupiers' confidence to take up more office space. From 29th March, up to 75% of workers will be allowed to return to the office. In all, we are sanguine on the office outlook given a strong demand for top quality office spaces and a tight supply situation. As such, CBD Grade A office rents are still expected to trend higher at about 5% yoy in 2022.

SINGAPORE ECONOMIC INDICATORS Q4 2021

12-Mo. Forecast

6.1%
Real GDP Growth



3.7%
Inflation Growth

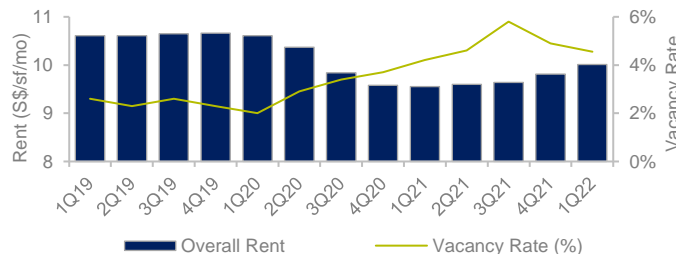


2.4%
Unemployment

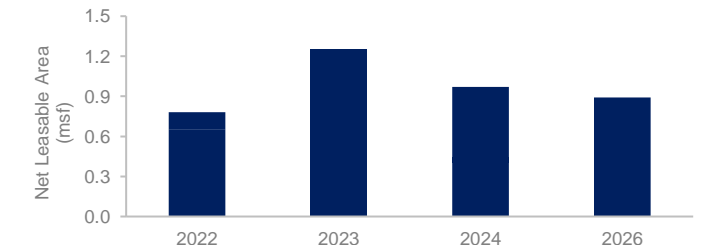


Source: Ministry of Trade & Industry (MTI),
Moody's Analytics

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 GROSS EFFECTIVE RENT* (\$\$/SF/MO)		
						US\$/SF/MO	EUR/SF/MO	
Marina Bay	9,000,714	325,005	3.6%	1,257,000	11.71	8.65		7.75
Raffles Place	8,344,145	597,755	7.2%	0	10.02	7.41		6.63
Shenton Way / Tanjong Pagar	4,971,049	216,518	4.4%	1,719,000	9.81	7.25		6.49
City Hall / Marina Centre	4,475,745	126,585	2.8%	40,000	9.56	7.06		6.32
Orchard Road	2,981,632	113,695	3.8%	0	8.97	6.63		5.94
Bugis	1,347,172	38,639	2.9%	1,055,000	9.83	7.27		6.51
GRADE A CBD TOTAL	31,120,457	1,418,197	4.6%	4,071,000	10.01	7.40		6.63
City Fringe [^]	7,380,722	409,624	5.5%	845,000	7.14	5.28		4.72
Suburban [^]	6,319,034	362,042	5.7%	1,683,000	5.64	4.17		3.73

[^]All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.353; €/S\$ = 1.511, as of 31 March 2021

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6 Battery Road	Raffles Place	The Work Project	48,000	New lease
Guoco Midtown	Bugis	BASF	25,000	Relocation
Marina Bay Financial Centre Tower 3	Marina Bay	Shein	21,000	New lease
One Raffles Quay North Tower	Marina Bay	Crypto.com	17,000	New lease

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (\$ Million)
Cross Street Exchange	Raffles Place	Frasers Logistics & Commercial Trust / PAG	810.8
55 Market Street	Raffles Place	AEW / Kajima Corporation	286.9

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.

©2022 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.