

CBD Grade A

12-Mo. Forecast

\$10.17
Rent (S\$/sf/mo)



1.6%
Rental Growth (qoq growth)



5.1%
Vacancy Rate



SINGAPORE ECONOMIC INDICATORS Q1 2022

12-Mo. Forecast

3.7%
Real GDP Growth



4.6%
Inflation Growth



2.2%
Unemployment



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

Recession Risk Rises Amidst Steady Economic Growth

Singapore has started 2022 from a position of strength, with its economy expanding by 3.7% yoy in Q1 2022 and most sectors on recovery amidst economic reopening. GDP growth for the whole of 2022 is expected to be around 3%-5%. However, recession risks have risen from an amalgamation of rising inflation and interest rates due to ongoing Ukraine-Russia conflict, Covid-related lockdowns in China and tightening monetary policies in advanced economies. Nonetheless, Singapore's pro-business environment could appeal to firms seeking the flight to safety in times of uncertainty, and we anticipate the office market to continue growing in the second half of 2022 despite at a slower pace.

Upward Rental Trend to Sustain

Supported by a return-to-office momentum, rental growth was shown across both the CBD and the decentralized office submarkets. CBD Grade A office rents climbed 1.6% qoq in Q2 2022 even as vacancy rate rose to 5.1% from 4.6% in the prior quarter. The uptick in vacancy rates is due to a lag between relocations and lease negotiations, and vacancy rates are expected to come down in Q3 2022. Robust activities for small to mid sized office spaces in the Grade A market and rising inflationary pressures have fueled rental increases. A flight to quality and new demand from wealth management firms coupled with continued demand to return to the office is expected to tighten CBD Grade A office vacancy rates towards 4% and rents to go up 5.4% for the whole of 2022.

Decentralised office rents also rose by 0.4% qoq in Q2 2022 as vacancy rates tightened to 5.3% from 5.6% in the previous quarter. Decentralised offices are expected to see higher demand as cost-conscious tenants move towards lower cost options outside of the CBD amidst rising central office rents and redevelopments. For 2022, decentralised office rents are expected to increase by 3.2% yoy.

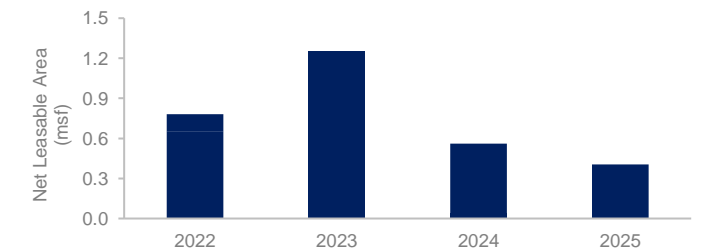
Sizzling Tech Demand May Cool Temporarily

Technology firms are a key office demand driver in Singapore and at the forefront of the government plans for the development of the digital economy. The tech sector drove about 25% of new lease transactions in H1 2022 - second only to financial firms which drove about 40% of new lease transactions in H1 2022. Notable tech transactions in the CBD this year so far include online fashion retailer Shein's lease at Marina Bay Financial Centre Tower 3, digital asset company Amber Group's lease at Frasers Tower. However, future tech demand could be weighed down by tightening financing conditions. The impending rise in interest rates has roiled equity markets and saw a steep devaluation of tech companies. Some major tech firms have also announced layoffs. As such, office demand from tech could cool over the short-term. Nonetheless, well-capitalised and growing tech firms could still drive pockets of demand, given strong long-term tech growth prospects.

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 * (S\$/SF/MO)		
						US\$/SF/MO	EUR/SF/MO	
Marina Bay	9,000,714	274,726	3.1%	1,257,000	11.95	8.58		8.21
Raffles Place	8,344,145	557,461	6.7%	0	10.21	7.34		7.02
Shenton Way / Tanjong Pagar	4,971,049	380,663	7.7%	1,715,000	10.03	7.20		6.89
City Hall / Marina Centre	4,475,745	201,165	4.5%	40,000	9.62	6.91		6.61
Orchard Road	2,981,632	112,586	3.8%	0	9.04	6.49		6.21
Bugis	1,347,172	64,344	4.8%	1,055,000	9.91	7.12		6.81
GRADE A CBD TOTAL	31,120,457	1,590,945	5.1%	4,066,000	10.17	7.30		6.99
City Fringe [^]	7,596,000	409,839	5.4%	650,000	7.15	5.13		4.91
Suburban [^]	6,319,034	327,896	5.2%	1,683,000	5.68	4.08		3.90

[^]All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.392; €/S\$ = 1.454, as of 30 June 2022

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
International Plaza	Tanjong Pagar	JustCo	48,000	New lease
Marina Bay Financial Centre Tower 1	Marina Bay	BlackStone	42,000	New lease
Asia Square Tower 1	Marina Bay	Capital Partners	35,000	New lease
Asia Square Tower 2	Marina Bay	Citadel Enterprise	31,000	New lease
Guoco Midtown	Bugis	Boehringer Ingelheim	30,000	New lease

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
CapitaSky (70% interest)	Raffles Place	Tokyo Tatemono, Mitsui & Co / Capitaland Integrated Commercial Trust	1,260
Westgate Tower	Suburban	Sun Venture Group / AEW	675
Twenty Anson	Tanjong Pagar	AEW / KKR	599

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