

## CBD Grade A

12-Mo. Forecast

**\$10.35**  
Rent (S\$/sf/mo)



**1.8%**  
Rental Growth (qoq growth)



**3.6%**  
Vacancy Rate



### Economic Outlook Darkens

Singapore's economy expanded by 4.4% yoy in Q2 2022, fueled by resurgent business activities from economic reopening. However, H2 2022 growth is expected to slow, with GDP growth forecast for the whole of 2022 narrowing to 3%-4%. As inflation soars, central banks across the world are tightening monetary policy, weighing on global economic growth. US interest rates are poised to go higher with the US Fed determined to fight inflation. This would pull interest rates across the world higher, including Singapore. Business sentiment is expected to remain cautious as firms seek to shore up their balance sheets amidst a clouded outlook on interest rates and inflation.

### Office Demand Defy Recession Concerns

CBD Grade A office rents rose 1.8% qoq in Q3 2022, amidst a flight to quality and a tight supply situation. Vacancy rates tightened to 3.6% in Q3 2022 from 5.1% in the last quarter, driven by tech and finance occupiers. CBD Grade A net demand in Q3 2022 reached 580,000 sf, a quarterly high since Q4 2019 and exceeding the 112,000 sf of net supply stemming from the redeveloped Hub Synergy Point.

As CBD Grade A vacancy rates tighten, demand has spilled over towards other markets. The CBD Grade B office rents rose by 1% qoq as vacancy rates fell to 7.8% in Q3 2022 from 9.4% in the last quarter. Office rents in decentralised markets (City Fringe and Suburban) also climbed 1.3% qoq in Q3 2022 amidst vacancy rates tightening to 5% in Q3 2022 from 5.3% in the prior quarter.

### Growth in a New Economic Reality

Office rental growth is expected to slow towards end-2022 and into 2023 as businesses grow wary of a potential recession. Technology firms, a key office demand driver, have largely become more cautious on the back of tightening financing landscape. Some however have continued to expand, reflecting their long-term confidence in Singapore. Amazon is taking up about 369,000 sf of office space at IOI Central Boulevard Towers, and ByteDance has further expanded in the CBD. Non-bank financial and professional services firms are also driving demand for small-mid sized offices and co-working spaces in the CBD.

Upcoming new Grade A office developments have witnessed a healthy pre-commitment rate. Guoco Midtown's office tower has attained about 60% pre-commitment rate (including advanced negotiations) as of end-Aug 2022, and IOI Central Boulevard Towers (2023) is about one-third pre-leased. Despite a darkened outlook, the Singapore office market is anchored on a strong position. It enjoys a tight supply situation over the short-mid term and a resilient underlying office demand given its status as a global business and tech hub.

Against this backdrop, CBD Grade A office rents are expected to grow by 5.5%-6.5% yoy this year, and slower in 2023 at about 2%-4% yoy.

## SINGAPORE ECONOMIC INDICATORS Q2 2022

12-Mo. Forecast

**4.4%**  
Real GDP Growth



**5.9%**  
Inflation Growth



**2.1%**  
Unemployment

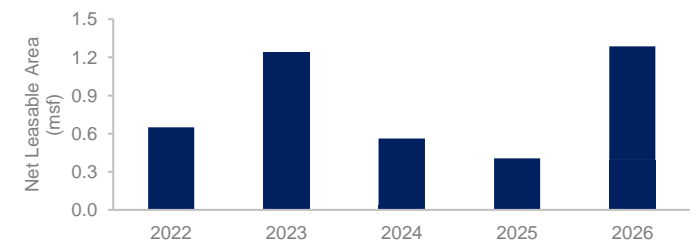


Source: Ministry of Trade & Industry (MTI),  
Moody's Analytics

### 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         | 169,361            | 1.9%         | 1,242,000                  | 12.19        | 8.52                                       |           | 8.67        |
| Raffles Place               | 8,344,145         | 314,668            | 3.8%         | 394,000                    | 10.38        | 7.26                                       |           | 7.39        |
| Shenton Way / Tanjong Pagar | 5,083,049         | 348,030            | 6.8%         | 1,584,000                  | 10.13        | 7.08                                       |           | 7.20        |
| City Hall / Marina Centre   | 4,475,745         | 165,523            | 3.7%         | 40,000                     | 9.77         | 6.83                                       |           | 6.95        |
| Orchard Road                | 2,981,632         | 71,153             | 2.4%         | 0                          | 9.28         | 6.48                                       |           | 6.60        |
| Bugis                       | 1,347,172         | 53,831             | 4.0%         | 1,055,000                  | 9.98         | 6.98                                       |           | 7.10        |
| <b>GRADE A CBD TOTAL</b>    | <b>31,232,457</b> | <b>1,122,566</b>   | <b>3.6%</b>  | <b>4,314,000</b>           | <b>10.35</b> | <b>7.23</b>                                |           | <b>7.36</b> |
| City Fringe <sup>^</sup>    | 7,596,000         | 334,654            | 4.4%         | 650,000                    | 7.24         | 5.06                                       |           | 5.15        |
| Suburban <sup>^</sup>       | 6,319,034         | 358,045            | 5.7%         | 1,713,000                  | 5.75         | 4.02                                       |           | 4.09        |

<sup>^</sup>All Grades

\*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.431; €/S\$ = 1.406, as of 30 September 2022

## KEY LEASE TRANSACTIONS Q3 2022

| PROPERTY                            | SUBMARKET  | TENANT             | SF      | TYPE      |
|-------------------------------------|------------|--------------------|---------|-----------|
| IOI Central Boulevard Towers        | Marina Bay | Amazon             | 369,000 | New lease |
| Marina Bay Financial Centre Tower 1 | Marina Bay | Stephenson Harwood | 17,000  | New lease |
| One Raffles Quay North Tower        | Marina Bay | Gibson Dunn        | 15,000  | New lease |
| Guoco Midtown                       | Bugis      | VP Bank            | 11,000  | New lease |

## KEY SALES TRANSACTIONS Q3 2022

| PROPERTY            | SUBMARKET     | SELLER / BUYER          | PRICE (\$ Million) |
|---------------------|---------------|-------------------------|--------------------|
| Samsung Hub Level 8 | Raffles Place | Wincome Group / Unknown | 53.1               |

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