

CBD Grade A

12-Mo.
Forecast
\$10.44
Rent (\$\$/sf/mo)

0.8%
Rental Growth (qoq growth)

4.5%
Vacancy Rate
SINGAPORE ECONOMIC INDICATORS
Q3 202212-Mo.
Forecast
3.8%*
Real GDP Growth

7.3%
Inflation Growth

2.0%
Unemployment


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

* GDP Growth for the whole of 2022 based on MTI's
advance estimates

Slowing Economic Growth

Singapore's GDP growth is projected to soften to 0.5%-2.5% y-o-y in 2023, after landing at 3.8% y-o-y for the whole of 2022. The city-state's open economy will be affected from sharp slowdowns projected in the US and Eurozone amidst rising interest rates and an unclear trajectory of geopolitical tensions. The tightening in financial conditions in advanced economies is weighing heavily on growth, with its full effects to be felt in 2023. Singapore nonetheless remains supported by a flight to safety as firms affected by global uncertainties seek out a safe harbour to set up shop.

Rent Growth Underpinned by Tight Supply

Notwithstanding the vacancy rate that rose to 4.5% in Q4 2022 from 3.6% in Q3 2022, CBD Grade A office rents continued to climb 0.8% q-o-q in Q4 2022 driven by higher grade office developments amidst the ongoing flight to quality. On a y-o-y basis, CBD Grade A office rents grew 6.5% in 2022, as net demand reached 870,000 sf outweighing net supply of 760,000 sf from the redeveloped Hub Synergy Point and the new Guoco Midtown. The rental uptrend might abate amidst a weakening global economy and a slowdown in tech demand. Rental growth for CBD Grade A office is projected at 2%-4% y-o-y in 2023, fueled by higher property service charges and a still-tight supply situation. IOI Central Boulevard Towers, the only new CBD Grade A development in 2023, is 30% pre-committed by Amazon. New CBD Grade A office stock will only amount to about 0.7 million sf (msf) per annum from 2023 to 2028, lower than the ten-year historic annual average of 1 msf. Redevelopments in the CBD coupled with a progressive expiry of transitional office sites over the next few years could further tighten supply and spur displacement demand.

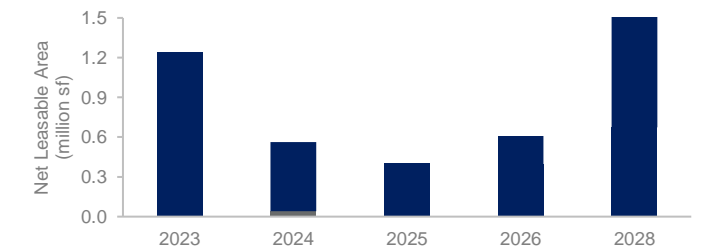
Slower But Steady Demand

As some tech occupiers announced large-scale layoffs or are subletting their space amidst higher financing costs, we expect more shadow spaces to emerge. CBD Grade A office shadow spaces has reached about 0.3 msf in 2022, near to twice the pre-pandemic level of 0.2 msf (average 2015-2019). Although economic headwinds and the recalibration of tech growth are expected to weigh on CBD office demand, a continued flight to quality and resilient demand from other sectors could partially mitigate a slowdown in tech demand. Financial and professional services firms, which contributed to a quarter of new leases in the CBD in 2022, could also expand in the CBD as they tap on the rising wealth in Asia Pacific. Co-working operators could also expand, albeit gradually, amidst occupiers' greater demand for more flexible spaces and leases that help to reduce their capex and support them through tough economic times.

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	252,811	2.8%	1,242,000	12.34	9.15	8.60
Raffles Place	8,344,145	317,706	3.8%	394,000	10.49	7.78	7.31
Shenton Way / Tanjong Pagar	5,083,049	314,845	6.2%	1,584,000	10.21	7.57	7.12
City Hall / Marina Centre	4,475,745	267,234	6.0%	40,000	9.85	7.31	6.87
Orchard Road	2,981,632	57,702	1.9%	672,000	9.30	6.90	6.48
Bugis	1,997,172	220,287	11.0%	405,000	10.10	7.50	7.04
GRADE A CBD TOTAL	31,882,457	1,430,585	4.5%	4,336,000	10.44	7.74	7.27
City Fringe [^]	7,596,000	342,637	4.5%	650,000	7.27	5.39	5.07
Suburban [^]	6,419,034	247,950	3.9%	1,611,000	5.78	4.29	4.03

[^]All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.348; €/S\$ = 1.435, as of 29 December 2022

RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Guoco Midtown	Bugis	Pacific International Lines	60,000	New lease
Guoco Midtown	Bugis	Ant Group	40,000	New lease
Marina One East Tower	Marina Bay	Abrdn	20,000	New lease
Frasers Tower	Tanjong Pagar	Ontario Teachers' Pension Plan	11,100	New lease

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
Lazada One 50% stake	Bugis	ARA Asset Management / Kenedix	361.5
Springleaf Tower Level 28-29	Tanjong Pagar	UOB / Esteel Enterprise	53.9
15 Scotts Road Level 4	Orchard	Singapore Institute of Management Group / Cortina Holdings	49.0

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