



Office Q1 2023

## CBD Grade A

**\$10.52**  
Rent (\$\$/sf/mo)
12-Mo.  
Forecast
**0.8%**  
Rental Growth (qoq growth)

**4.4%**  
Vacancy Rate
SINGAPORE ECONOMIC INDICATORS  
Q4 2022
**2.1%**  
Real GDP Growth

**6.6%**  
Inflation Growth

**2.0%**  
Unemployment
12-Mo.  
Forecast

## Cautious Economic Outlook

In 2023, Singapore's economy is expected to grow 0.5%-2.5% y-o-y, down from 3.6% y-o-y in 2022. While there are positive signs on the horizon, the mood remains cautiously optimistic. On one hand, global energy and food prices have receded from their peaks and China's unexpected reopening is expected to provide a fillip to global economic growth. However, global financing conditions could remain tight in 2023 as major central banks worldwide stay committed to combat inflation. Additionally, concerns about the fragility of the global financial sector would dampen business confidence and limit capital expenditure. Nonetheless, Singapore's economic fundamentals remain sound, with unemployment rate forecasted to remain low at 2.2% in 2023. Given increasing economic uncertainties, flight to safety for global capital is expected to continue, and this could benefit 'safe havens' such as Singapore.

## Rental Uptrend Sustains

CBD Grade A office rents rose 0.8% q-o-q in Q1 2023, on par with Q4 2022's growth. Despite a more cautious leasing environment, limited Grade A supply have continued to sustain rental growth amidst a flight to quality. CBD Grade A office net demand in Q1 2023 remains in positive territory, reaching 38,000 sf in Q1 2023 and vacancy rates have tightened further to 4.4% from 4.5% in the prior quarter. Landlords continue to hold on to their asking rents as vacancy rates remain low. City fringe and Suburban all grades office rents also grew by 0.7% q-o-q and 0.8% q-o-q respectively in Q1 2023. While Suburban office vacancy rates stayed stable at 3.9% in Q1 2023, City fringe office vacancy rates tightened to 4.1% from 4.5% in the previous quarter.

## Every Cloud has a Silver Lining

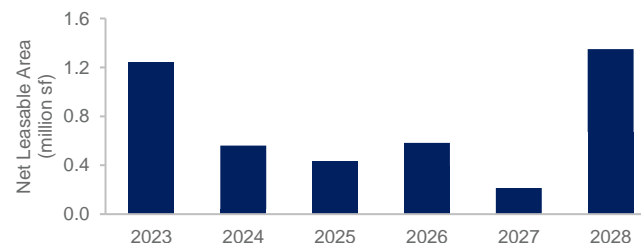
While CBD Grade A vacancy rates remain low, stresses are slowly accumulating as office shadow space has continued to rise amidst a tech slowdown. CBD Grade A shadow office spaces have risen to 328,000 sf in Q1 2023, from about 260,000 sf in Q1 2022. Notably, while office shadow space levels has risen, most is attributed to the tech sector and does not indicate widespread distress in the office market. Given Singapore's tight office market and limited new supply over the medium term, this could be an opportunity for firms looking to relocate to prime office spaces. Landlords who are willing/able to provide fitted spaces or offer capital contributions to help off-set a tenants fit-out costs would be better positioned to capture this demand.

Notwithstanding recent turmoil in the global banking sector, demand from finance and professional services, a key driver of office demand, is still expected to grow, amidst China's re-opening and continued relocation of companies to Singapore. Anecdotally, there has been an increase of leasing enquiries from Chinese companies. Also, smaller technology and sustainability-related companies continue to seek office space. In sum, given Singapore's diversified tenant demand, the office market could potentially ride out this wave of volatility with rents edging higher in 2023.

## GRADE A CBD RENT &amp; 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\$/SF/MO	GRADE A GROSSEFFECTIVE RENT* (S\$/SF/MO)		
						US\$/SF/MO	EUR/SF/MO	
Marina Bay	9,000,714	257,070	2.9%	1,242,000	12.48	9.38	8.63	
Raffles Place	8,358,713	416,415	5.0%	394,000	10.58	7.95	7.32	
Shenton Way / Tanjong Pagar	5,083,049	324,322	6.4%	1,603,000	10.29	7.73	7.11	
City Hall / Marina Centre	4,475,745	159,804	3.6%	40,000	9.93	7.47	6.87	
Orchard Road	2,981,632	40,252	1.3%	672,000	9.33	7.01	6.45	
Bugis	1,997,172	209,071	10.5%	435,000	10.24	7.70	7.08	
<b>GRADE A CBD TOTAL</b>	<b>31,897,025</b>	<b>1,375,950</b>	<b>4.3%</b>	<b>4,385,000</b>	<b>10.52</b>	<b>7.91</b>	<b>7.28</b>	
City Fringe <sup>^</sup>	7,596,000	294,978	4.1%	650,000	7.32	5.51	5.06	
Suburban <sup>^</sup>	6,419,034	251,509	3.9%	1,721,000	5.82	4.38	4.03	

<sup>^</sup>All Grades

\*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.330; €/S\$ = 1.446, as of 31 March 2023

## RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Labrador Tower	City Fringe	Prudential	150,000	New lease
CapitaSky	Shenton Way	RSP Architects	25,000	New lease
Guoco Midtown	Bugis	Publicis Groupe	55,000	New lease

## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
39 Robinson Road	Shenton Way / Tanjong Pagar	Viva Land Investment & Development Holdings / Yangzijiang Realty	399.0
GSM Building	Bugis	Multiple Unit Owners / LHN Group	80.0

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