

CBD Grade A

\$10.67
Rent (\$\$/sf/mo)

12-Mo.
Forecast

0.9%
Rental Growth (qoq growth)



3.9%
Vacancy Rate

SINGAPORE ECONOMIC INDICATORS
Q2 2023

0.5%
Real GDP Growth

12-Mo.
Forecast

5.1%
Inflation Growth



1.9%
Unemployment



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

GDP Forecast Narrows as Economic Gloom Deepens

The Ministry of Trade and Industry (MTI) has cut its forecast for Singapore's 2023 GDP growth to 0.5%-1.5% y-o-y, from 0.5%-2.5%, and after her economic growth averaged 0.4% y-o-y in H1 2023. Sluggish external demand has invariably impacted the nation's open economy. Major trading partners, United States and Eurozone, are expected to see tepid growth in H2 2023 as effects of elevated interest rates catch up. While China continues to face headwinds from uncertainties in its property market. Nonetheless, there are signs that inflation is easing, and the interest rate cycle is approaching its peak. Singapore core inflation fell for a fourth consecutive month to 3.4% y-o-y in August 2023, the lowest since April last year. The 3-month compounded Singapore Overnight Rate Average (SORA) has risen to 3.70% as of end-September from 3.00% at the start of this year. This is much slower than its rise from 0.19% to 1.97% between January and September in 2022.

Rents Persevere Despite Uncertainties

CBD Grade A office rents grew 0.9% q-o-q in Q3 2023 as vacancy rates tightened to 3.9%, from 4.3% in the previous quarter. CBD Grade A office net demand stayed positive, at 124,000 sf in Q3 2023, with occupiers continually seeking quality office spaces. Notably, CBD Grade A office shadow space has also lowered to 299,000 sf (0.9% of total CBD Grade A office stock) in Q3 2023, from 334,000 sf (1.0% of total CBD Grade A office stock) in the previous quarter. Occupiers on a flight-to-quality have seized the opportunity to secure prime spaces amidst low direct vacancies.

With occupancy levels remaining high and new supply kept limited, most landlords, especially those of newer Grade A buildings, have held firmly to their rental expectations. In Q3 2023, decentralised all grades office rents also climbed 0.7% q-o-q amidst vacancy rates tightening to 3.4%, from 3.5% in the prior quarter. Although the balance of power is still skewed toward landlords, office demand remains fragile. Many occupiers are facing Capex constraints with some opting to renew their leases rather than relocate.

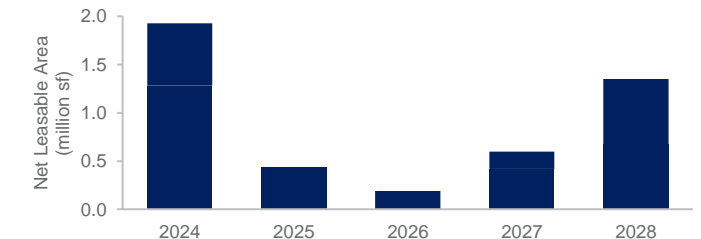
Rental Growth May Moderate Amidst Higher-for-Longer Interest Rates

Office rental growth while still positive, could moderate in subsequent quarters as more supply flows into the market. The completion of IOI Central Boulevard Towers and Keppel South Central will contribute about 1.9 million sf of new office supply next year, while substantial secondary stock could emerge. With the heightened interest rate environment expected to persist into 2024, occupiers' demand may remain tepid. Tenants with lease expiries over the next two years should take this window of opportunity to start their office search or negotiations early.

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	230,091	2.6%	1,242,000	12.67	9.23	8.79	
Raffles Place	8,358,713	291,770	3.5%	418,000	10.73	7.82	7.44	
Shenton Way / Tanjong Pagar	5,083,049	291,641	5.7%	1,603,000	10.42	7.59	7.23	
City Hall / Marina Centre	4,475,745	182,825	4.1%	40,000	10.15	7.39	7.04	
Orchard Road	2,981,632	45,086	1.5%	672,000	9.41	6.85	6.53	
Bugis	1,997,172	208,158	10.4%	435,000	10.45	7.61	7.25	
GRADE A CBD TOTAL	31,897,025	1,249,571	3.9%	4,410,000	10.67	7.78	7.41	
City Fringe^	7,746,000	263,690	3.4%	1,814,000	7.45	5.43	5.17	
Suburban^	6,419,034	222,744	3.5%	1,520,000	5.91	4.30	4.10	

^All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.372; €/S\$ = 1.441, as of 28 September 2023

RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
CapitaGreen	Raffles Place	Rakuten	44,000	New lease
Millenia Tower	City Hall	iNova Pharmaceuticals	17,000	New lease
Capital Square	Raffles Place	Raysdata	17,000	New lease
Mapletree Anson	Tanjong Pagar	Checkout.com	9,600	New lease

KEY SALES TRANSACTIONS - Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
Solitaire on Cecil (7FL)	Shenton Way	TE Capital Partners JV LaSalle / Undisclosed	50.5
Nomu (3FL)	Orchard	Founders of Woha Architects / IMC Group	24.0

WONG XIAN YANG

Head of Research

Singapore & SEA

+65 6232 0885 / xianyang.wong@cushwake.com

JERYL TEOH

Senior Director

Commercial Leasing, Singapore

+65 6876 6197 / jeryl.teoh@cushwake.com

DEYANG LEONG

Senior Director

Commercial Leasing, Singapore

+65 6248 3023 / deyang.leong@cushwake.com

cushmanwakefield.com

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