

Market Update



SUMMARY OF MARKET CONDITIONS

Average vacancy rate now below 5%

The Singapore office market bottomed out in 2004 but the up-turn only started to gather momentum in 2005. The average vacancy rate is now below 5% which technically means there is full occupancy. There is very little supply scheduled to come on stream for the next 2 years with no major development schedule for completion during this period. Demand is also strengthening from all sectors, lead by the financial sector but oil companies, shipping and professional services are also strong.

Very little supply scheduled to come on stream for the next 2 years

Rental rates increased on average around 50% last year but prime office rates jumped by 80%. The tightening of supply and surge in rental rates is being witnessed now in all locations, not just prime Raffles Place. The market has just reached new record levels of \$12.50 per sq ft achieved in Republic Plaza. This rate surpasses the previous peak of \$11.80 per sq ft reached in 1996. The surge in the market has clearly filtered through to secondary and tertiary locations. Even out-of-town locations such as Tampines have seen rental increase from \$3.00 to \$5.00 per sq ft.

Average asking rental rates for the top grade A premium buildings in Raffles Place are now around \$13-\$13.80 per sq ft per month although this is for smaller space and some discount should be given for larger users. Just off prime pitch in locations in Shenton Way / Robinson Road the rates are approximately \$8.00 per sq ft. Further from Raffles Place still, in the Tanjong Pagar area rates average \$6.50 to \$8.00 per sq ft.

In alternative locations such as Orchard Road, premium buildings are being leased for between \$8.00 and \$9.00 per sq ft. Edge of town locations such as Novena Square on Thomson Road are quoting \$8.50 per sq ft. The Suntec City / Marina Bay (Centennial / Millennia Towers) areas command rates of \$8.50 and \$12.00 per sq ft respectively.

It is evident that now, more than ever, it pays to carry out thorough market research. The market is moving forward so fast that rentals are being adjusted almost on a weekly basis. No sooner as one new benchmark level been achieved, the landlord will revise the rates again to a higher level. Some landlords become out of sync with latest rental levels and occasionally one can find some buildings haven't been adjusted and therefore stand out as good value for money.

MARKET MOVEMENTS

Ample movement despite short supply

There has been ample movement in the market despite a chronic shortage of supply. In Raffles Place law firm Latham Watkins have leased one and half floors at Republic Plaza relocating from UOB Plaza 2. At Singapore Land Tower, Bumiputra Commerce / Sothern Bank have just leased a floor. Ocean Towers has leased space to several tenants relocating from Ocean Building include airline Cathay Pacific. Equity Plaza has been reasonable active and the latest large tenant planning to relocate there is stockbrokers Lim & Tan Securities.

Close to Raffles Place, Lloyds of London have just leased the last remaining unit (8,000 sq ft) in One George Street. At Samsung Hub four whole floors are under offer to one party and there is only one unit left. Latest tenants to secure space in this development include Lazards Bank, Trading Technologies, GL Trade, Boardroom, Duane and Rolf & Nolan.

Lloyds of London lease last remaining unit at One George Street

In the Robinson Road area, SIF Building is nearly fully leased and TOP/building completion is not expected until the beginning of February. Latest tenants to secure space here include Consort Bunkers (whole floor) Imarex (whole floor) and DST International. Close by Global Refund have leased a floor at City House, Cooper Gay have leased a floor at 4 Robinson Road and Hoyu have leased a floor at Parakou Building. ACR Capital have leased a floor at GB Building.

In the Tanjong Pagar area, Temasek Tower has again been a popular choice and new tenants to relocate here include Nikko Merchant Bank, Polycom and JD Power. Jit Poh Building has attracted Acclaim Insurance. Keppel Towers has arranged one of the largest leasing recently with Smedvig Offshore leasing two whole floors committing to some 30,000 sq ft.

Outside the CBD, Singapore Post Centre which has huge 50,000 sq ft floor plates has leased one whole floor to HSBC Insurance. Another new tenant to this building is Sanyo relocating from Technopark @ Chai Chee. On the opposite side of town, PSA Building has been particularly busy and major new tenants her include The Nobel Group and Hanjin Shipping. Other new tenants here include RS Components, Tancoal and Advantus Singapore.



WHERE TO FIND OFFICE SPACE

Sourcing for new office space has not been more challenging for several decades. For the most part large space users will have to put their relocation plans on hold and just expand where they can by taking piecemeal units. For the small to medium size requirements there is still reasonable choice for this year although this now comes at a price.

As far as new developments are concerned 135 Cecil Street which has 6,000 sq ft floor plates will be coming onto the market in April. This is a very high quality refurbishment and the developer will be putting in place raised flooring and improving the car parking. The location is convenient for Raffles Place and we expect good demand. The guide asking rate is \$6.50 per sq ft. Visioncrest, just off Orchard Road, is another impressive scheme expected to hit the market in May although the marketing has been postponed for the time being. The average floor size is around 13,000 sq ft sub-divisible and is close to Dhoby Ghaut MRT. Guide rental is in the region of \$10.00 psf.

In Raffles Place, UOB Plaza 2 has the widest variety for small units and Singapore Land Tower, Republic Plaza and OCBC Centre East has larger units available. There are still opportunities at 55 Market Street and Equity Plaza. In Tanjong Pagar there is expected to be some space freed up in both Springleaf Tower and 77 Robinson Road (SIA Building) whilst Lippo Centre and Euro-Asia Centre will have the widest choices. Elsewhere, Suntec City and The Gateway have a good selection of units and in Orchard Road, Ngee Ann City and Winsland House will offer some of the best choices.