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THE BUSINESS TIMES

business-times.asia1.com.sg



A SINGAPORE PRESS HOLDINGS PUBLICATION

MICA (P) 202/12/2006

Friday, June 8, 2007

Office space prices rise to new heights

Space at Central fetches record \$2,850 psf; 1 Finlayson Green overtakes 1996 high

By **KALPANA RASHIWALA**
[SINGAPORE] New record prices have been set for the Singapore office market. Far East Organization is believed to have sold a floor at the 99-year leasehold Central project above Clarke Quay MRT Station for \$2,850 per square foot (psf) of net lettable area to a Singapore fashion trading company.

And over in the prime Raffles Place office belt, Hong Leong Group has sold 1 Finlayson Green for just under \$231 million, or around \$2,650 psf based on the freehold office building's existing net lettable area of about 86,500 square feet.

If the buyer, a unit of UK-based property fund group Develica, leases out the 19-storey building on the basis of one tenant per floor, the lettable area can be raised to about 93,500 sq ft, translating to a unit price of \$2,470 psf.

Whichever per square foot price is used for 1 Finlayson Green, as well as the price achieved for the floor at Central, they have all surpassed the previous record of \$2,200 psf for office space set in early 1996.

That was when Straits Steamship Land, now Keppel Land, sold seven floors of what is now known as Prudential Tower in the China Square area to Prudential Assurance Company Singapore.

Industry observers expect even higher benchmarks to be achieved soon.

News of these fresh benchmarks will also lead to further upward revisions in sellers' asking prices for other office transactions

under negotiations, market watchers reckon.

There could also be further upward revaluations of major Singapore office landlords like CapitaCommercial Trust, Keppel Land, City Developments, Singapore Land and Suntec Reit.

Market watchers are nevertheless unsurprised by the fresh record prices achieved, as they come at a time of strong rent escalation fuelled by a shortage of office space.

CB Richard Ellis data show that the average prime Grade A office rental value of \$10.60 psf per month in the first quarter of the year is up 76.7 per cent from the same period last year and more than double the \$4.48 psf at the bottom of the current cycle plumbed in the third quarter of 2003.

A DTZ Asia-Pacific office update issued yesterday showed that a 29.6 per cent increase in Grade A office occupancy costs in Singapore between the fourth quarter last year and the first quarter this year was the second highest rate of escalation in 19 markets surveyed. Only New Delhi posted a bigger gain — 36.33 per cent.

The latest annual occupancy cost of US\$86.21 psf for Singapore was the fourth highest of the 19 markets. Only Hong Kong (US\$167.56 psf), Tokyo (US\$119.70 psf) and New Delhi (US\$87.29 psf) surpassed Singapore.

The acquisition of 1 Finlayson Green will be the seed investment for Develica's Asia-Pacific fund.

"We view Singapore as

a strong growth market and we are getting a lot of interest from (investors in) Europe, US and the Middle East," Develica Asia-Pacific chief executive officer Chris Brown said when contacted by BT yesterday.

Mr Brown, who was formerly Jones Lang LaSalle's Asia-Pacific chairman, said that while 1 Finlayson Green's current rental income would translate to a 3.5 per cent net yield based on Develica's acquisition price, "the reality is we have leases expiring this year and next year and it won't take too long to raise the yield to 5-plus per cent".

Mr Brown said that four floors in the building had been deliberately left vacant by the vendors to offer the new investor the chance of yield appreciation.

One floor at 1 Finlayson Green was leased in February this year at a monthly rental of \$10.50 psf, considerably higher than the average \$6.50 psf contracted rent in the building. Market talk is that a unit at Republic Plaza nearby was

recently leased at around \$15 psf.

DTZ Debenham Tie Leung brokered the 1 Finlayson Green deal.

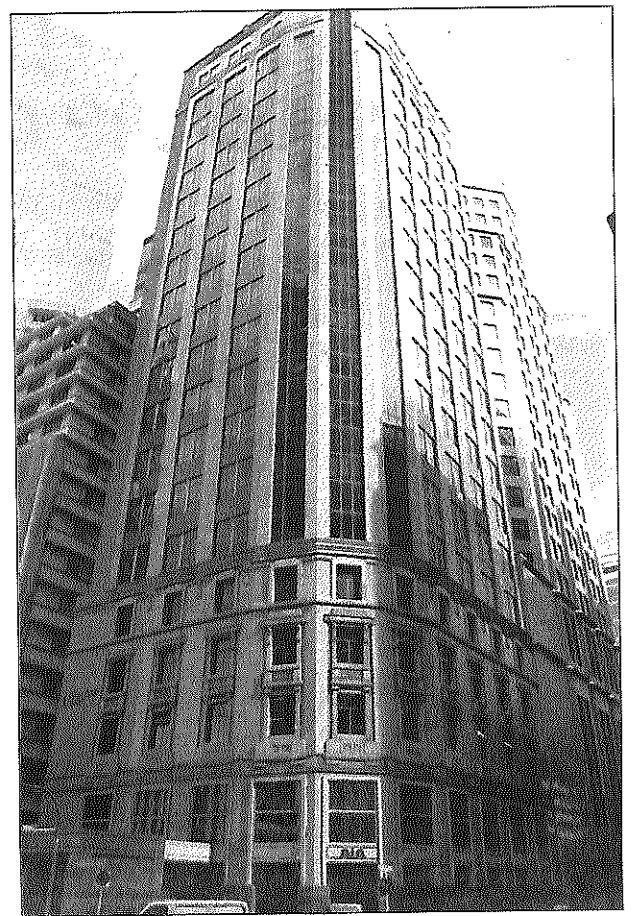
As for Central in the Clarke Quay area, the record \$2,850 psf achieved for an office floor was for a high floor — believed to be above the 20th level of the development's 25-storey office tower.

The floor has a strata area of around 13,300 sq ft. Far East is now understood to be left with about eight more floors of offices to sell at Central with sizes of around 9,000 sq ft to 13,000 sq ft, mostly on the top floors.

Far East began selling offices at Central last year at prices starting from \$1,300 psf.

Besides offices, Central also includes a mall, which has opened, and another block with small office, home office (Soho) units. The office and Soho towers are slated for completion by early next year.

Strong interest in rental of state properties, Page 9



ARTHUR LEE

1 Finlayson Green: price in region of \$2,650 psf, or \$2,470 psf based on one tenant per floor

growth propel FG50 fast track

tors, compared to just five last year. Following the boom in the economy, a record 240 businesses qualified

three-year CAGR of 718.2 per cent. Taking second honours is Tat Hin Builders which carries out interior and exterior wood working projects

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