

Office rent and occupancy rates surging ahead

They are returning at a vigorous pace to boom year levels of the mid-1990s

By JOYCE TEO
Property Correspondent

OFFICE space is the hottest ticket in town, with rent and occupancy rates rising so fast that a return to the levels of the booming mid-1990s is in sight.

The clearest sign of the robust growth is in rent, which is rocketing.

The average monthly rents of prime space in Raffles Place have risen by a whopping 34 per cent from January to \$6.92 per sq ft (psf) in this quarter, according to consultants Colliers International.

"If this blistering pace continues, average monthly gross rents of Grade A space in Raffles Place will surpass 2001's peak of \$7.77 psf by the middle of next year," said its director for research and consultancy, Ms Tay Huey Ying.

The Colliers report also said that the average rents in the best sites in Raffles Place could pass 1996's all-time high of \$9.77 psf by 2009 or earlier.

Swiss bank UBS said in May that rents could surpass the mid-1990s peak by 2010.

Ms Tay said rents could still rise by a further 6 per cent to 8 per cent before the end of the year and 15 per cent to 18 per cent next year.

One Raffles Quay, the largest new office building here, has already hit average rentals of \$8.50 psf to \$9 psf – the

highest in the market, she said.

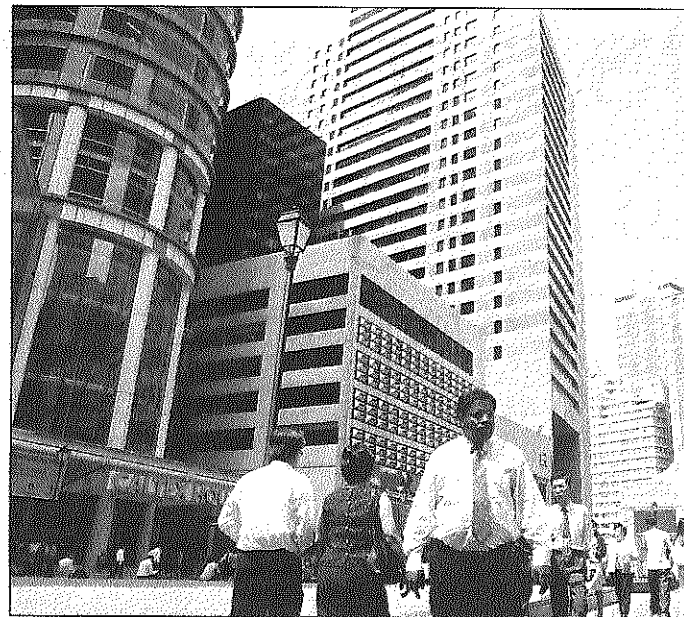
The building is almost fully rented, apart from two units of slightly less than 4,000 sq ft each rumoured to be going for up to \$12.50 psf each.

Occupancy rates are another sign of the market's health. Average rates across the country have risen by 6.5 per cent to about 88.6 per cent in this quarter, said Ms Tay.

And they are tipped to surpass 90 per cent by the end of next year, which would be the first time that level has been crossed since early 1997.

Supply is only going to get tighter in the short run with the expected withdrawal of several buildings slated for redevelopment, including Natwest Centre and Ocean Building.

The problems of supply



BIG JUMP: The average monthly rents of prime space in Raffles Place have risen by 34 per cent from January to \$6.92 psf.

will not be significantly addressed until late 2009, when the huge Business and Financial Centre (BFC) comes on-stream.

Not surprisingly, there has been strong expressions of interest in the BFC from financial institutions, market sources said, with some wanting a minimum of 200,000 sq ft.

"There are some serious parties and pre-commitments can be expected to follow," said Mr Moray Armstrong of consultancy CB Richard Ellis,

which is marketing the space at BFC.

"Developers will expect to take rents beyond what can be done at One Raffles Quay."

Some sizeable deals at One Raffles Quay have been done at \$8 psf and above, he said.

Rents have been racing ahead of capital values, said Ms Tay. This has led to a rise in the net yields of strata office property, from 3.2 per cent in early 2004 to 5.1 per cent now.

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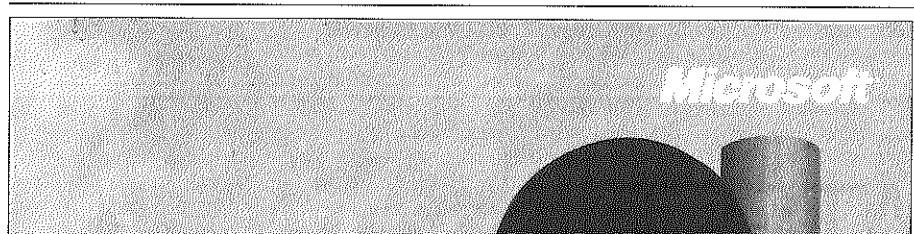
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