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# Office rents, prices soar in supply crunch

OFFICE owners and landlords enjoyed impressive gains last year as prices and rentals of office space surged after years of sluggishness.

Rentals jumped 30.3 per cent to hit their highest level in at least eight years, according to new Urban Redevelopment Authority figures.

Office prices rose a more moderate 17 per cent to reach 2002 levels.

But in both cases, growth last year far outpaced that of 2005, when rentals rose by only 12.7 per cent and prices by a mere 4.5 per cent.

As expected, offices in the central area outshone those in fringe locations last year.

Rentals of centrally-located offices rose 31.7 per cent, while those in the fringe area went up by a smaller 22 per cent.

Similarly, prices of offices in the central area climbed 17.2 per cent, compared with the 9.7 per cent price increase elsewhere.

Median prices for central offices rose to \$6.24 per sq ft (psf) in the last quarter. It reached \$2.81 psf for offices in fringe areas.

The surge in office values and rents was due to booming demand for offices and a concurrent supply crunch.

"This level of rental increase is unprecedented in the past decade," said Mr Li Hiaw Ho, executive director of CB Richard Ellis.

Robust economic growth has led to firms, particularly in the banking and financial industries, expanding operations in Singapore and contributing to rising demand for offices.

Investors looking for high rental yields also boosted the interest in office space, said Mr Li.

Despite the already breathless pace, growth in office rents is expected to accelerate further, as demand intensifies and the space shortage worsens.

Occupancy levels have hit a high of 91.7 per cent, their highest since at least 1999. At the same time, less than one million sq ft of office space on average is expected to come onstream each year in the next three years.

Mr Li expects the steepest increase in rentals to occur in the next 12 to 18 months as "demand drivers remain extremely strong".

He estimates that rents of prime offices, the most coveted office space, are likely to escalate by between 35 per cent and 40 per cent this year.

FIONA CHAN