

Lack of planning

Singaporeans dream of retiring at 54 and enjoying a better standard of living from then on, but they are not saving enough for it, survey shows.

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MONEY

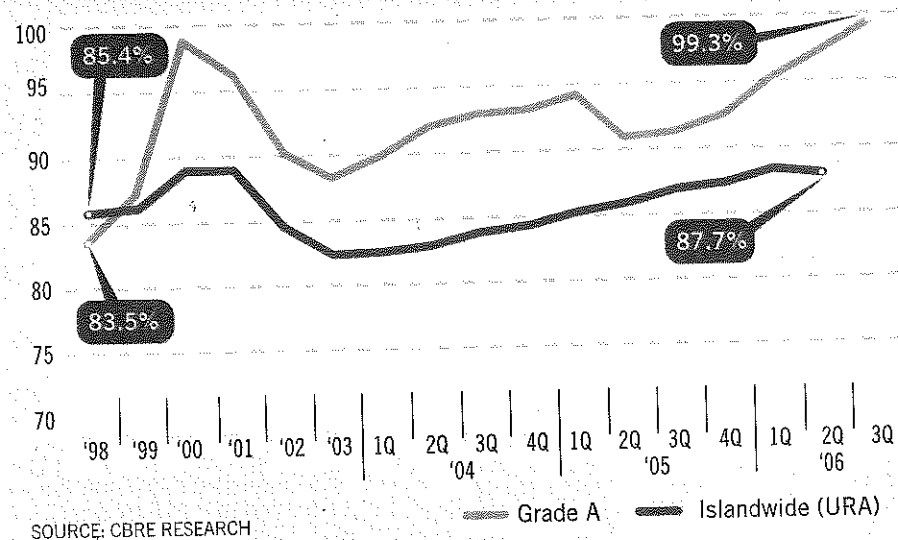
THE STRAITS TIMES TUESDAY, OCTOBER 10 2006



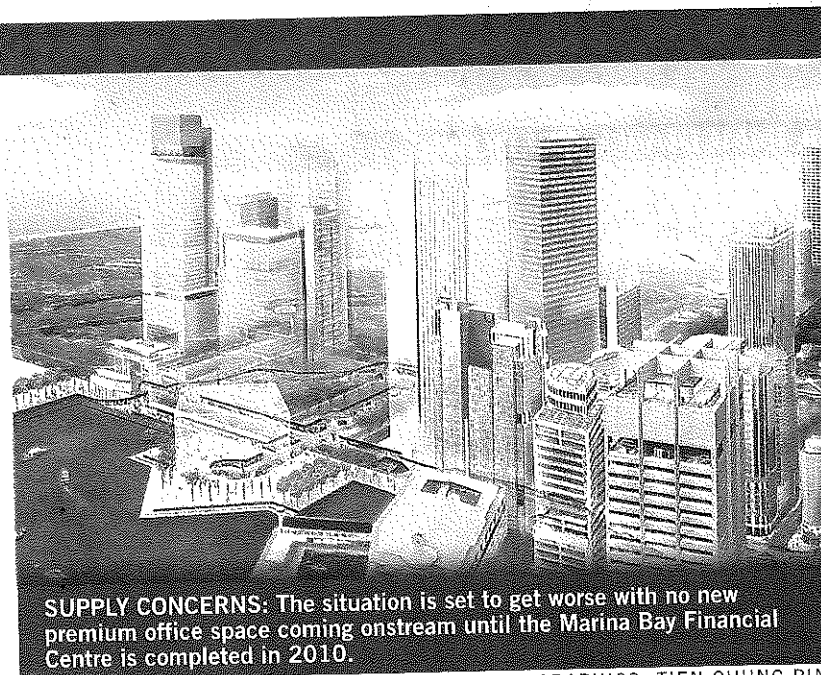
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» SPACE SQUEEZE

Office occupancy levels (prime Grade A and islandwide)



SOURCE: CBRE RESEARCH



SUPPLY CONCERNS: The situation is set to get worse with no new premium office space coming onstream until the Marina Bay Financial Centre is completed in 2010.

GRAPHICS: TIEN CHUNG PING

Top-grade office space nears 100% occupancy

Supply crunch as fresh data shows Grade A space is 99.3% taken up

By FIONA CHAN

OCCUPANCY rates for premium office buildings in the city have hit a historic high as the supply crunch for such prime space worsens.

New figures from property consultancy CB Richard Ellis (CBRE) show that the most-coveted "Grade A" office space is now 99.3 per cent taken up, surpassing the previous high of 98.8 per cent in 2000.

The supply squeeze, coupled with persistently strong demand, will mean that companies looking to expand here

will find it problematic to do so, said property consultants yesterday.

The current recovery in office rents will also quicken and there will be an accelerated spillover to lower-grade and suburban offices, which are seeing strong take-up.

Grade A refers to the most premium office space, which tends to be located in districts such as Orchard Road, Raffles Place, Tanjong Pagar and Marina Centre.

They are in severe shortage because developers have been reluctant to build new offices in recent years as a result of the "unspectacular" performance of offices from 1996 to 2002, said Mr Moray Armstrong, executive director of office services at CBRE, the leader in the office leasing market.

The already tight supply situation is set to get worse with

almost no new premium office space coming onstream until the Marina Bay Financial Centre (MBFC) is completed in 2010.

Even then, the MBFC will offer about 1.6 million sq ft of Grade A offices, taking the total new supply of office space over the next three years to about 2.4 million sq ft, said Mr Armstrong. This will meet only half the projected demand in that period, which is expected to be at least 1.5 million sq ft a year, or almost five million sq ft by end-2009.

The space crunch has already forced expanding firms to explore new options.

"Some firms may 'decouple' their operations," said Mrs Ong Choon Fah, DTZ Debenham Tie Leung's executive director. This means moving backroom operations like call centres that do not need prime front-office space to suburban areas.

Mrs Ong raised the example of Merrill Lynch, which recently took up offices at "less prime" HarbourFront for its operational support services.

At least one other financial services client at CBRE is also looking to grow its front-office "client-facing operations" in its Central Business District (CBD) space by moving back-office operations to business parks perhaps, said Mr Armstrong. The spillover into less premium offices has seen take-up rates rise.

In the CBD, which also includes lower-grade offices, occupancy rates as a whole rose to hit 95.5 per cent in the third quarter, up from 92.9 per cent in the previous three months.

And in the suburban areas, offices were 98.5 per cent occupied by the end of last month, a sharp rise from the 94 per cent take-up in the second quarter.

Yet such space is running out quickly too, said Mr Chris Archibold, regional director and head of markets at Jones Lang LaSalle. "The reality is, for Singapore at the moment, there isn't much back-office space either," he said. This may result in firms choosing to expand in the region rather than in Singapore, he added.

"Most of the clients we work with are regional businesses, and if there is no space available here, some of them will look at moving business units or expanding business units in other countries. It's not the case to date but it will definitely be the case over the next 12 to 18 months."

In the meantime, rents have also started to soar.

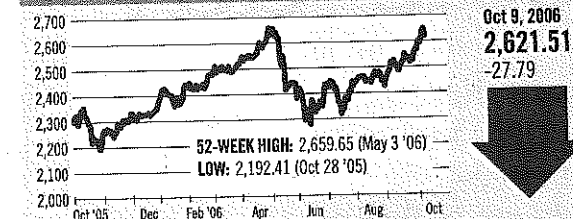
In the third quarter this year, average monthly prime rents climbed by 15 per cent over the previous quarter to \$6.90 per sq ft (psf), said CBRE in a report yesterday.

Average Grade A rents rose 11.8 per cent to \$7.60 psf month over the same time, hitting \$10 psf at the brand-new One Raffles Quay.

CBRE estimates that by year-end, monthly prime rents will reach \$7.30 psf while Grade A rents will hit \$8.30 psf on average.

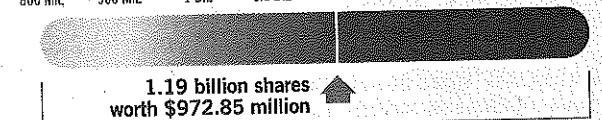
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STOCK TRADING VOLUME

800 MIL 900 MIL 1 BIL 1.1 BIL 1.2 BIL 1.3 BIL 1.4 BIL 1.5 BIL



CURRENCIES

	BUYING	SELLING
Australian dollar	1.1720	1.1870
Euro	1.9890	2.0110
Sterling pound	2.9540	2.9870
US dollar	1.5800	1.5980
Yen (100 units)	1.3288	1.3436

UP & DOWN

Gainers: 198
Losers: 403
Unchanged: 645

» CREDIT ADVICE

'Financial clinic' bus goes out to SMEs

A FINANCIAL clinic-on-wheels has hit the road dispensing credit advice to owners of small and medium-sized enterprises (SMEs).

The "BizHealth-On-the-Go" bus made its first stop yesterday - at Ubi Tech Park - and will eventually call at five more industrial parks this week.

The team of credit specialists on board provides a range of free services, including consultation on the mix of financing options open to SMEs, pointers on government-assisted financing and grants, as well as how private-equity and venture-capital funding could be tapped.

About 100 individual financial health checks, including balance sheet assessments, are expected to be conducted for firms using the service.

It is an express service as well. Business owners will be given a preliminary set of recommendations based on their current situation as well as strategic reports suggesting follow-up actions - all within an hour.

More than 40 firms have registered for the clinic, which was organised by business information provider Dun & Bradstreet Singapore (D&B) and credit adviser Evolve Maximus. Firms that are interested can call D&B at 6565-6161 or e-mail mcm@dnb.com.sg.

The bus will be at Shun Li Industrial Park today, iHub and Phase Z.Ro Technopreneur tomorrow, Enterprise Centre on Thursday and TechPoint on Friday.

LORNA TAN