

Raffles Place not about to bow out yet

CHIA SIEW CHUIN

WITH a dense concentration of office skyscrapers, plus an impressive tenant directory comprising financial institutions, securities houses, legal, accounting and other professional firms, Raffles Place has established a strong reputation as Singapore's premier office location over the years.

However, with the rapidly emerging New Downtown at Marina Bay, many are wondering if Raffles Place will be able to hold its own.

The New Downtown is the government's brainchild and Singapore's gateway to becoming a global financial centre. Sprawled over 372 hectares of reclaimed land, the New Downtown will be built over 40 years and is expected to accommodate some 28 million sq ft of office space — the size of three Raffles Places. It will

boast new bespoke office developments with high building specifications such as large column-free floor plates of up to 30,000 sq ft, raised flooring, high floor-to-ceiling height, state of the art technology and advanced building services and security systems.

The office buildings will be set amid parks and open spaces, while being fully connected by weather-proof pedestrian links to Raffles Place, the proposed Landmark MRT station and the Common Services Tunnel network (a purpose-built underground tunnel housing all utility services for buildings located within a designated zone of the New Downtown).

It is no wonder that the pioneer office developments in the New Downtown such as One Marina Boulevard and One Raffles Quay are proving to be strong competitors for Raffles

Place. They have attracted large financial institutions and securities houses looking to expand and consolidate some or all of their operations.

In fact, the demand for office space within One Raffles Quay was so overwhelming that all the space within it was fully pre-committed ahead of its completion and benchmark rentals were set in the process.

Despite the growing popularity of the New Downtown, there has not been an exodus of firms from Raffles Place to the New Downtown. Except for a few, such as ABN Amro and Ernst and Young, who will be relocating from OCBC Centre East and Ocean Building, respectively, to One Raffles Quay, the majority of the other firms who have taken up space in One Raffles Quay are relocating from buildings outside Raffles Place.

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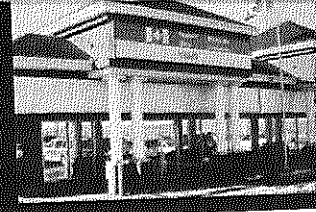
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On the contrary, Raffles Place has seen tenants like Standard Merchant Bank, Pioneer Investment and Visa International expanding within the micro-market, while new tenants, such as Bank of Barado from Mumbai and Saxo Bank (an Internet bank from Copenhagen), continue to flow in. This has resulted in the rapid rise in Raffles Place's average occupancy rate from 85 per cent during the market trough in 3Q 2004 to 95 per cent in 3Q 2006. This has pushed rents up by as much as 67 per cent for Grade A office space during the period. It is testimony that despite the huge attractions of the New Downtown, Raffles Place still remains the choice location for many financial institutions and securities houses.

One key reason is that many firms, particularly medium-sized companies, do not require such high-rated specifications as those provided in the office developments in the New Downtown to justify paying premium rent. The bulk of the office buildings in Raffles Place have the requisite specifications to meet the needs of these firms, which include regularly shaped floor plates ranging between 5,000 sq ft and 10,000 sq ft.

Additionally, Raffles Place has many attributes that the New Downtown would not be able to emulate overnight. For instance, Raffles Place is rich in historical significance as the core of financial activity in Singapore and has an established premier address. Over the years, Raffles Place has built up a well-established network of supporting amenities while the Raffles Place MRT station — which is a major inter-

change in the rail network — provides unrivaled accessibility to tenants located there.

In comparison, the New Downtown, with its handful of office buildings, is in its infancy and will take time to establish its brand name and mature into a conducive business hub. Also, the proposed Landmark and Bayfront MRT stations serving the New Downtown are two stations in the MRT rail network and not interchanges.

Geographically, Raffles Place is centrally sited in the core of the financial business district comprising Marina Centre, Raffles City, Shenton Way and China Square. Any new office node will be seen as an extension to Raffles Place, rather than a replacement, and the New Downtown will be no exception.

The attributes that Raffles Place has over the New Downtown will ensure that it holds its own for at least the next 10 years or so. Beyond that, when the entire Business and Financial Centre is completed and the CBD core is enlarged, we foresee Raffles Place to be the premier location for medium-sized firms. Among them would be those in private banking, wealth management, fund management, accounting and law.

In short, Raffles Place will continue to thrive, and together with the New Downtown, will beat as the heart of Singapore's enlarged CBD.

Chia Siew Chuin is manager, research and consultancy at Colliers International

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Computer Generated Image of St George Wharf

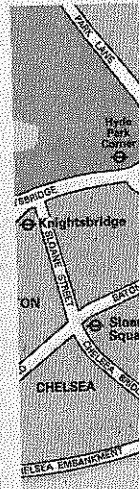
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