



In demand: Colliers International's Tay Huey Ying said good quality office buildings in the regional centres are seeing very strong demand as evidenced by their almost full occupancy rates

Raffles Place Grade A office rents up 34%

By **ARTHUR SIM**

AVERAGE monthly gross rents of Grade A office space in Raffles Place have risen 34 per cent in the first nine months of the year, exceeding all previous highs for the same period since the 1990s.

Compared with the trough seen 10 quarters ago, today's average monthly gross rents for Grade A office space in Raffles Place is also 75.4 per cent higher.

In a report by Colliers International, Tay Huey Ying, director for research and consultancy, also noted that Grade A office rents had increased by 8.6 per cent quarter-on-quarter (q-o-q) to reach \$6.92 psf.

She added that average Grade A rents in Raffles Place could surpass 2001's peak of \$7.77 psf by mid-2007, and 1996's all-time high of \$9.77 psf by 2009, "or even earlier".

The lack of new office office space is seen to be exerting pressure on rents, so much so that Grade B office space is enjoying an upswing in rents with a q-o-q increase of 15.3 per cent.

"Grade B offices are, indeed, enjoying the spillover effects from Grade A. In general, average rents of Grade B offices have risen by up to 37.2 per cent in the first nine months of this year," added Ms Tay. Average occupancy rates have also risen by 3 percentage

points during the same period, from 90.4 per cent in Q4 2005 to 93.4 per cent in Q3 2006.

Ms Tay also noted that rental growth in Q3 2006 was broad-based with Grade A office space in regional locations such as Tampines experiencing the largest rent hike of 15.4 per cent. "Good quality office buildings in the regional centres are seeing very strong demand as evidenced by their almost full occupancy rates. But regional centres are not growing per se due to lack of land for development," she added.

Average island-wide occupancy rate has risen 6.5 per cent over 11 quarters

from a low of 82.1 per cent in Q4 2003 to an estimated 88.6 per cent as at Q3 2006.

The tight supply situation is also exacerbated by the withdrawal of some 1.5 million sq ft of office space from buildings like NatWest Centre and 1 Shenton Way for redevelopment.

Ms Tay said that owners of commercial buildings are exploring possibilities of collective sales but face challenges. Issues such as "tenant compensation for early termination, reluctance to sell due to good fengshui for business operations or owners who are enjoying lucrative rental returns", are some obstacles in the way of commercial collective sales, she said.

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