

Top-grade office rents hit record as hikes speed up

Republic Plaza asks for above \$13 psf after clinching deal with financial firm

By JOYCE TEO
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RENTALS at top-quality office buildings have hit an all-time high, with Republic Plaza now asking for \$13 per sq ft (psf) or more a month.

Republic Plaza raised its asking price after a deal was sewn up above \$12 psf in the lead-up to Christmas about a fortnight ago.

A financial institution new to Singapore is believed to have committed to about 3,000

sq ft of space there at around \$12.50 psf, sources said.

This compares with the previous record level of nearly \$10 psf set in 1996 for average top-grade Grade A office rents in the Central Business District.

The highest recorded rent then for an office building was \$11.80 psf, said Mr Donald Han, managing director of Cushman & Wakefield.

Average rents of Grade A office space are now \$8.61 psf, up two-thirds from \$5.17 psf last year, according to Colliers International.

The speed of rent revisions has picked up considerably in the past few months, with landlords revising up their rentals once a deal is done, consultants said.

With sought-after office buildings enjoying almost full

occupancy, any remaining space – likely to be small – can fetch premium rents, they said.

A lot of the demand is coming from financial institutions.

“We are seeing rental commitments of as high as \$12 to \$13 psf in Raffles Place. However, it is limited to Grade A office buildings,” said Knight Frank’s director of business space, Ms Agnes Tay.

One George Street, which is some distance from Raffles Place, is now commanding rentals of \$9.50 to \$10 psf, up from over \$4 about two years ago, sources said.

Premium buildings such as 6 Battery Road and One Raffles Quay have already breached the \$11 psf mark, said Mr Han.

Rents at the newest premium building One Raffles Quay, which offers large column-free

floor plates, already hit \$10 psf a few months back.

Overall rents have increased by almost 50 per cent since a year ago and for certain premium Grade A buildings, effective rents have doubled, Mr Han said.

For this year, consultants are projecting further increases in office rents, led by Grade A buildings, as supply will remain tight until the Marina Bay Financial Centre is ready around 2010.

However, in general, tenants are beginning to resist stratospheric rents, said Mr Han.

“Tenants who are seeking to renew or expand this year would probably have budgeted a rent increase of 10 to 20 per cent,” he said. “It’s difficult to justify to their head office that they now have to fork out

much more than what was originally budgeted for.”

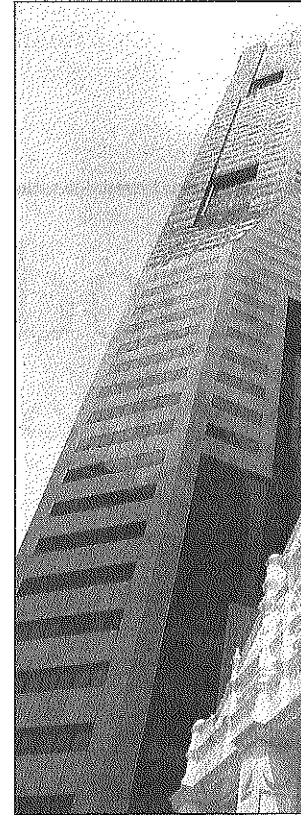
As a result, some tenants have moved out of Raffles Place completely while others have moved their non-core activities to suburban areas.

Some local firms have even chosen to buy their own space as their monthly mortgage payment is substantially below the high monthly rents in Raffles Place, said Mr Han.

Indeed, occupancy costs in Singapore have shot up by 65 per cent year on year, to US\$7,860 (S\$12,136) per workstation per year, said a statement from DTZ Debenham Tie Leung (SEA).

The rise was the highest across all 134 locations surveyed for DTZ’s global office occupancy costs report, it said.

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SOARING COSTS: A unit at fetch as much as \$13 psf as office rents have risen two-thirds

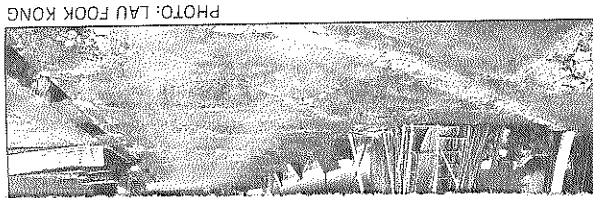


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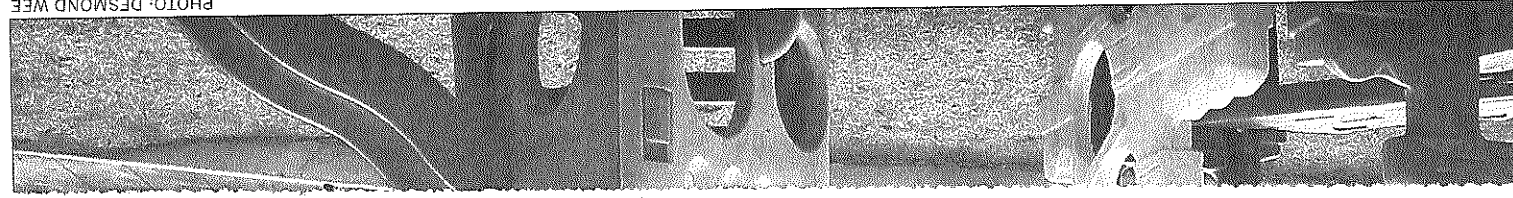


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