Singapore / February 2013

Market Update

CORPORATE LOCATIONS

Summary / Stable times ahead for 2013

The Singapore economy showed better than expected growth in the last quarter of 2012 by 1.1% year on year. The GDP growth for the whole year was just below the Government forecast of 1.5%, coming in at around 1.2%. The target for GDP growth in Singapore this year is 2%.

Despite weakening demand from the finance sector, where many of the banks have already secured their new premises over the past two years, the office market continued to be supported by mainstream industries such as oil & gas, shipping, and the business sectors.

Demand

Net take up in 2012 was 1.3 million sq ft

The net take up in 2012 was a commendable 1.3 million sq ft, which is slightly above the 10 year average of 1.27 million sq ft (excluding 2010 and 2011 which were exceptional years) – although only 80,000 sq ft was taken up in Q4 2012. One of the largest deals to be announced recently was the pre-leasing of 90,000 sq ft of space in **Asia Square Tower 2** to Allianz Insurance who will be moving from Centennial Tower and other locations.

Elsewhere The Bank of India is relocating from The Corporate Office to **158 Cecil Street** and GroupM has expanded significantly leasing 42,000 sq ft in **China Square Central**. French bank Credit Industriel et Commercial (CIC) has leased 31,000 sq ft in **MBFC Tower 3**.

Decentralised locations are popular provided the transport is convenient and the very impressive **The Metropolis** at North Buona Vista Drive (completion circa Q2 – 2013) has secured two large pre-lets of 105,000 sq ft and 83,000 sq ft with companies like Proctor & Gamble, Shell and Neptune Orient Lines all showing an interest.

Supply

Occupancy for Grade A buildings in CBD at 93%

There is still a healthy amount of supply from existing stock with some overhang from the new developments/major movers completed last year and this will be further bolstered by the completion this year of **Asia Square Tower 2** (780,000 sq ft net office space) and **The Metropolis** (1,058,000 sq ft). So tenants should have good choices although some mid-tier buildings are beginning to show limited availability whilst others have large space on offer.

The occupancy rate for Grade A offices in the CBD is a relatively high at 93% compared with the 10 year average of around 90%. **Orchard Road** has the lowest vacancy rate of 1% followed by **City Hall** 4%. **Shenton Way** and **Raffles Place** have the highest at 16% and 8% respectively because this is where the bulk of new supply has come from.

Marina Bay area particularly Millennia Tower and Centennial Tower will be affected by major relocations.

Q1 2013

Rentals

Top prime rates average around $10.50 - $12 psf

Grade A office rentals now stand at an average of around $9.60 per sq ft which is a drop in the region of 13% over the whole of 2012. However, rates in secondary buildings dropped only 3% to around $7.20 per sq ft over the same period because of low vacancy rates in these buildings.

The premium developments have effective rates ranging from $10.50 to $12.00 per sq ft. Raffles Place has a wide variance ranging from approximately $7.00 per sq ft to the most expensive being **Maybank Tower** at $14.00 per sq ft. Rents in Tanjong Pagar/Shenton Way generally average around $7.50 per sq ft and Orchard has been firm at $9.50 per sq ft.

Market Forecast

Prime Grade A rents beginning to bottom out

Demand is expected to continue at current levels from medium sized companies although the financial sector will remain subdued. It will be supported from tenants who need to move because their buildings will be redeveloped like the occupiers of Keppel Tower, International Factors Building and The Corporate Office.

Rentals are stabilizing with the drop in Grade A office rates beginning to bottom out. There will be perhaps a further 5% to 7% correction in 2013 and rates in secondary locations may be affected by increased competition from out of town developments, but are expected to be stable.

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