The Office

A review of the Singapore office market

Inside

Singapore’s top 30 rental choices

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New developments dominate the leasing market

The brand new developments have certainly continued to dominate the office leasing market this year with all three big schemes attracting an impressive list of new tenants. Asia Square Tower 1 continues to interest those companies looking for the largest floor plates and new tenants here include Google — circa 150,000 sq ft (moving from AXA Tower), White & Case (relocating from Singapore Land Tower), Julius Baer leasing around 60,000 sq ft (relocating from One George Street), Lloyds of London taking 65,000 sq ft (also from One George Street) and Marsh & McLennan leasing 100,000 sq ft (relocating from China Square Central). Other banks to relocate here are Bank Sarasin (from Robinson 77) and Citic Bank International (from Prudential Tower). China Trust is also understood to have leased at least 13,000 sq ft on level 33.

Demand for office space has returned to more active levels after a slight lull in the earlier part of this year. The strong pace of the office leasing market in 2010, particularly for the larger deals, was unlikely to be sustainable since this was when the major schemes for 2011 secured their anchor tenants. These included Citibank leasing 250,000 sq ft in Asia Square Tower 1, ANZ Bank and BNP Paribas both taking 200,000 sq ft and 150,000 sq ft respectively in Ocean Financial Centre whilst Bank of America/Merrill Lynch leased 120,000 sq ft in OUE Bayfront. Visa International also joined Ogilvy & Mather as the first anchor tenants for 71 Robinson.

Ocean Financial Centre has attracted those companies that wish to remain in a 100% prime Raffles Place location and quite a few companies that wish to remain in a 100% Ocean Financial Centre.

Other tenants who have moved here include law firms K & L Gates, Stamford Law and iFast. Other tenants here include Bank Sarasin (from Robinson 77) and Citic Bank International (practically in Prudential Tower). China Trust is also understood to have leased at least 13,000 sq ft on level 33.

SUMMARY OF MAJOR RELOCATIONS 2011/12

<table>
<thead>
<tr>
<th>Company</th>
<th>New Building &lt; Previous Building</th>
<th>Size sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citibank</td>
<td>Asia Square Tower 1 &lt; Millennia Tower</td>
<td>250,000</td>
</tr>
<tr>
<td>Google</td>
<td>Asia Square Tower 1 &lt; AXA Tower</td>
<td>150,000</td>
</tr>
<tr>
<td>White &amp; Case</td>
<td>Asia Square Tower 1 &lt; Singapore Land Tower</td>
<td>35,000</td>
</tr>
<tr>
<td>Julius Baer</td>
<td>Asia Square Tower 1 &lt; One George Street</td>
<td>65,000</td>
</tr>
<tr>
<td>Bank Sarasin</td>
<td>Asia Square Tower 1 &lt; 77 Robinson Road</td>
<td>TBC</td>
</tr>
<tr>
<td>Marsh &amp; McLennan</td>
<td>Asia Square Tower 1 &lt; China Square Central</td>
<td>100,000</td>
</tr>
<tr>
<td>Lloyd’s of London</td>
<td>Asia Square Tower 1 &lt; One George Street</td>
<td>65,000</td>
</tr>
<tr>
<td>Citic Bank Int’l</td>
<td>Asia Square Tower 1 &lt; Prudential Tower</td>
<td>15,000</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>Ocean Financial Centre &lt; Tung Centre</td>
<td>150,000</td>
</tr>
<tr>
<td>ANZ Bank</td>
<td>Ocean Financial Centre &lt; OUB Centre</td>
<td>200,000</td>
</tr>
<tr>
<td>Drew &amp; Napier</td>
<td>Ocean Financial Centre &lt; Ocean Towers</td>
<td>100,000</td>
</tr>
<tr>
<td>Allen &amp; Overy</td>
<td>Ocean Financial Centre &lt; Clifford Centre</td>
<td>TBC</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>Company</td>
<td>New Building &lt; Previous Building</td>
<td>Size sq ft</td>
</tr>
<tr>
<td>Bank of America</td>
<td>OUE Bayfront &lt; Marina Bay</td>
<td>120,000</td>
</tr>
<tr>
<td>Bain &amp; Company</td>
<td>OUE Bayfront &lt; AXA Tower</td>
<td>65,000</td>
</tr>
<tr>
<td>Skandinaviska</td>
<td>OUE Bayfront &lt; Singapore Land Tower</td>
<td>15,000</td>
</tr>
<tr>
<td>Visa International</td>
<td>71 Robinson Road &lt; 16 Collyer Quay</td>
<td>55,000</td>
</tr>
<tr>
<td>Partners Group</td>
<td>71 Robinson Road &lt; Robinson Centre</td>
<td>20,000</td>
</tr>
<tr>
<td>Clifford Chance</td>
<td>MBFC Tower 3 &lt; One George Street</td>
<td>30,000</td>
</tr>
<tr>
<td>RIM (Blackberry)</td>
<td>Shell House, UE Square &lt; One George Street</td>
<td>20,000</td>
</tr>
<tr>
<td>Tata Consultancy</td>
<td>Mapletree Anson/Change Biz Park &lt; UIC Building</td>
<td>30,000</td>
</tr>
<tr>
<td>Lion Group</td>
<td>One George Street &lt; Expansion</td>
<td>15,000</td>
</tr>
<tr>
<td>John Wiley &amp; Son</td>
<td>Solaris @ One North &lt; Parkview Square</td>
<td>68,000</td>
</tr>
<tr>
<td>Nike Singapore</td>
<td>Mapletree Business City &lt; Suntec &amp; Eightirum</td>
<td>100,000</td>
</tr>
<tr>
<td>Novartis</td>
<td>Mapletree Business City &lt; Keppel Towers</td>
<td>TBC</td>
</tr>
</tbody>
</table>
With supply of top quality office space increasing, rental growth this year has been restricted to single digits other than brand new schemes/developments and this bodes well for future stability of the Singapore office market. There was a widening gap between the rental expectations of landlords and what tenants were prepared to pay and this firmer resistance from occupiers coupled with increased choice quelled any escalation of rentals.

Still, the growth in rates has been noticeable with average top prime rates now around $13.00 per sq ft. Ocean Financial Centre and Asia Square Tower 1 are the most expensive new developments at between $14.00 and $16.00 per sq ft. However, the rate of rental increases is slowing and we are still 40% off the previous peak of $22.00 per sq ft in Q2/Q3 of 2008. The prospects are for rents to plateau off so there is little danger of reaching those levels again anytime soon.

In Raffles Place, rentals range from $10.00 to $13.00 per sq ft and most buildings in Robinson Road/Shenton Way range from $8.00 to $9.00 per sq ft. There are very few buildings inside the CBD where the asking rate is less than $7.00 per sq ft and even Beach Road is up to around $8.00 to $8.50 per sq ft. The median rate for Suntec City is around $9.00 - $10.00 per sq ft whilst Millennia Tower/Centennial Tower are approximately $11.00 - $12.00 per sq ft.

Orchard Road has always held its rates well with Winsland House quoting $13.00 per sq ft and Wheelock Place $14.50 per sq ft. Ngee Ann City and Wisma Atria both stand at $11.00 per sq ft, Shaw Centre is $7.50 per sq ft and Triple One Somerset at $9.50 per sq ft. Plaza By The Park now commands $8.50 per sq ft and Raffles City Tower is $11.50 per sq ft.
New Developments

1. OUE Bayfront

Completed in June 2011 this premium Grade A 18-storey office development provides a total floor area of approximately 500,000 sq ft. The average floor plate size is around 26 - 30,000 sq ft and the scheme has attracted tenants such as Merrill Lynch, Allen & Overy, Skandilia Banken and Citrix Systems Singapore. The project was awarded BCA Green Mark Certificate and other features include a roof terrace restaurant/bar and a pedestrian bridge link to Raffles Place. The scheme is approximately 70% leased out.

$13.50 psf

50 Collyer Quay
Units from 3,677 – 27,000 sq ft

2. Asia Square Tower 1

Completed in June 2011, Tower 1 is the first phase of an integrated development including twin office towers, a 5 star hotel (Westin Group) with entertainment and conference facilities, a 6-storey ‘Cube’ central show piece of 100,000 sq ft of greenery, restaurants and gastrobars. The office tower has 38 floors (6-43/F) with an average floor plate size of 32,500 – 35,000 sq ft providing a total area of 1,250,000 sq ft. There are 313 car parking spaces and there is an underground link to the MRT network. The scheme was one of the first projects in Singapore to be awarded LEED Core & Shell Platinum. Anchor tenants include Citibank, Google, Marsh & McLennan and Lloyd’s of London.

$14.00 - $16.00 psf

8 Marina View
Units from 3,677 – 34,000 sq ft

3. Ocean Financial Centre

Designed by world-renowned architectural firm, Pelli Clarke Pelli (whose other projects include Petronos Towers in KL, 2 IFC in Hong Kong and World Finance Centre in Beijing) this state-of-the-art scheme comprises a 43-storey office tower with a typical floor plate of approximately 20,000 sq ft and provides a total office space of 850,000 sq ft. Completed in March 2011 the anchor tenants include ANZ Bank, Bank Paribas and Drew & Napier. The project includes a 5-storey podium car park and 1-storey basement retail link. OFC is another office development in Singapore to be awarded the Platinum Green Mark Award by the Building and Construction Authority. The scheme is 80% committed with tenants.

$14.00 - $16.00 psf

10 Collyer Quay
Units from 6,000 – 23,000 sq ft

4. MBFC Tower 2

Part of the massive Marina Bay Financial Centre complex, Tower 2 (completed earlier this year) is a 50-storey office building with 43 floors of offices with an average sized floor plate of approximately 25,000 sq ft and provides a total office space floor area of 1,000,000 sq ft. Anchor tenants include American Express, BHP Billiton, Bank Pictet, Barclays Bank, Nomura, The Macquarie Group and Prudential. The tower is 90% leased out.

$13.50 psf

10 Marina Boulevard
Units from 5,000 – 25,000 sq ft

5. One Raffles Place Tower 2

Due for completion in December 2011, this S$540 million scheme comprises a 38-storey office tower designed by Paul Tange of Tange Associates (son of Kenzo Tange - designer of the original OUB Centre, now called One Raffles Place Tower 1). A total of 350,000 sq ft of office space will be provided with an average floor plate size of 11,000 sq ft that will appeal to most medium sized businesses. Features include basement car parking and a two-storey viewing gallery.

$11.00 - $13.00 psf

1 Raffles Place
Units from 4,000 – 11,000 sq ft

$14.00  - $16.00 psf

10 Marina Boulevard
Units from 5,000 – 25,000 sq ft

50 Collyer Quay
Units from 3,677 – 27,000 sq ft
Some Recommended Leasing Options

Upper Mid Range  Between $8.00 - $10.50 psf

- **Chevron House**
  36 Raffles Place
  Units from 1,484 - 25,000 sq ft

- **16 Collyer Quay**
  Units from 1,500 - 19,000 sq ft

- **China Square Central**
  18 Cross Street
  Units from 2,000 - 20,000 sq ft

- **DBS Tower II**
  6 Shenton Way
  Units from 3,600 - 16,000 sq ft

Lower Mid Range  Between $7.50 - $8.00 psf

- **The Concourse**
  300 Beach Road
  Units from 1,500 - 9,500 sq ft

- **Fuji Xerox Towers**
  80 Anson Road
  Units from 1,012 - 13,455 sq ft

- **Burlington Square**
  175A Bencomoen Street
  Units from 1,000 - 12,000 sq ft

- **158 Cecil Street**
  Units from 7,180 - 10,086 sq ft

- **Robinson 112**
  112 Robinson Road
  Units from 1,507 - 7,000 sq ft
Some Recommended Leasing Options

Economy Options  
Between $6.00 - $7.00 psf

Central Mall  
390 Havelock Road  
Units from 1,184 - 3,207 sq ft

King's Centre  
390 Havelock Road  
Units from 1,184 - 3,207 sq ft

RCL Centre  
11 Keppel Road  
Units from 1,800 - 13,000 sq ft

Valley Point  
491B River Valley Road  
Units from 1,500 - 31,000 sq ft

Decentralised Locations  
Between $5.00 - $7.80 psf

Harbourfront Centre  
1 Maritime Square  
Units from 1,000 - 21,840 sq ft

Tampines Grande  
9 Tampines Grande  
Units from 15,000 - 13,000 sq ft

PSA Building  
460 Alexandra Road  
Units from 2,433 - 15,000 sq ft

NTUC Tampines Junction  
300 Tampines Avenue 5  
Units from 5,000 - 25,000 sq ft

Mapletree Business City  
10 Pasir Panjang Road  
Units from 15,000 - 25,000 sq ft
The completion of three major schemes in the financial district (namely Ocean Financial Centre, OUE Bayfront, Asia Square Tower 1) all in the same year, has created a knock on effect with many companies relocating from established buildings freeing up a significant amount of space in the secondary market. The buildings most affected by this movement in the market are actually good quality buildings but not quite prime locations and these include One George Street and China Square Central.

Marina Bay Financial Centre Tower 3
Completion June 2012

MBFC Tower 3 is a 46-storey office tower and will be one of the largest single office buildings in Singapore with a total floor area of 700,000 sq ft. Tenants who have signed up to take space in this development include McGraw Hill and law firms Ashurst and Wong Partnership.

Asia Square Tower 2 is phase two of a massive integrated development providing 26 floors of office space between levels 6/F and 31/F with an average floor plate of around 30,000 sq ft. The scheme includes retail space on lower floors as well as a new Westin Hotel and 267 car parking spaces.

Looking further into the future, South Beach on Beach Road is a Sir Norman Foster designed mixed-use development providing a total of 1.5 million sq ft of office/retail/hotel space of which the office content could be as much as 1 million sq ft. Scheduled date for completion is around 2015.

Recently announced was a JV redevelopment of Market Street car park between CapitaCommercial Trust and CapitaLand who plan to develop an ‘Ultra Modern Grade A’ 40-storey office tower of around 887,000 sq ft. Work is expected to start on site soon once the last existing tenants have vacated and the scheme is expected to be completed in December 2014.

Another major scheme in the pipeline is the 1.7 M sq ft Guocoland project next to International Plaza on Peck Seah Street/Choon Guan Street which will provide 1 million sq ft of offices plus hotel/retail and residential space. Designed by Skidmore, Owings & Merrill (designers of the new WTC in New York) the scheme is destined to be an impressive landmark development.

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Finally, the Government has shown its determination to keep Singapore costs competitive by releasing two more sites in Paya Lebar and Marina Bay that will provide a further 1.84 million sq ft. The other important site earmarked for the development of 1 million sq ft of office space is the greenfield site next to Parkview Square bounded by Ophir Road & Beach Road.

Overall, the supply situation is very healthy and has been exceptionally well planned, which in turn should ensure Singapore’s competitiveness over other major financial centres in the region for the foreseeable future. Singapore has approximately 8.4 million sq ft of office space planned to be completed between H2 2011 and 2015 which will offer ample choice of affordable high quality space.

8.4 million sq ft of space scheduled to be completed by 2015

The most important schemes in the CBD scheduled to be completed in 2012/3 are Marina Bay Financial Centre Tower 3 and Asia Square Tower 2, and outside the CBD UE Biz Hub (500,000 sq ft) in Changi Business Park.

One George Street

Overall, the supply situation is very healthy and has been exceptionally well planned, which in turn should ensure Singapore’s competitiveness over other major financial centres in the region for the foreseeable future. Singapore has approximately 8.4 million sq ft of office space planned to be completed between H2 2011 and 2015 which will offer ample choice of affordable high quality space.

There is no doubt that the increase in supply has moderated rental growth and as the flight to quality continues, it is the established buildings in prime locations that will feel the impact most. There are relatively high occupancy rates in the micro-markets of Tanjong Pagar and Orchard Road and these areas are less affected by the relocations in the financial district.

We expect a period of stability in the rental market for the next few years as the overhang of secondary space is slowly absorbed and with several new major schemes coming on stream over this period, any fluctuations in rates should be kept to a minimum.

The future looks good for the Singapore office market

It is predicted that the importance of Singapore as a regional financial hub will grow significantly over the next 2-3 years as other major financial centres such as Hong Kong become stifled by lack of supply and growth hindered there by escalating rentals. Hong Kong’s average prime rates are already at record levels of HK$150 per sq ft ($S25.00 per sq ft) and are set to increase further for the next 3 years whereas Singapore’s average stands at $13.00 per sq ft and should be stable over the same period. The future looks good for the Singapore office market.