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Rents for office space likely to rise: Report

Higher demand mainly from SMEs, in non-financial industries

By RACHAEL BOON

OFFICE landlords seem to have enjoyed a recovery in this quarter with higher rents on the cards, according to a new report yesterday.

The demand for space is coming from small- and medium-sized enterprises (SMEs), mainly in non-financial industries such as media, information and communications, and businesses in professional and business services, said DTZ Research.

Another sign of a more buoyant market is seen in the net absorption rate, which increased to about 350,000 sq ft from July 1 to this point in September.

This is double the net absorption recorded for the three months to June 30.

Net absorption is the difference between the amount of space placed on the market and the amount leased.

However, while occupancy

rates have increased in most areas due to the greater take-up during this period, the islandwide occupancy rate fell by 1.6 percentage points to 94.6 per cent compared with the three months to June 30.

DTZ said that this was due to the completed Asia Square Tower 2, Metropolis Tower 1 and Nexus@one-north. These buildings added more than 1.4 million sq ft of vacant office stock in this quarter.

Ms Cheng Siow Ying, DTZ's executive director of business space, said: "Besides the expansion of space by existing occupiers within the Central Business District (CBD), take-up of office space in this period primarily stemmed from small- to medium-sized firms."

Ms Cheng added that the smaller space requirements by these firms meant that "demand figures have remained relatively modest in 2013".

DTZ also noted that more ser-



The market for office space has seen demand go up this quarter, but while the occupancy rates in most areas have risen, the islandwide occupancy rate fell to 94.6 per cent, mainly due to an increase in vacant office stock. ST FILE PHOTO

vice office operators have been catering to these firms by increasing the available space.

For example, CityHub committed to a new space in Tung Centre

in Collyer Quay, and Regus will open offices in the JTC Summit building in Jurong East.

Ms Cheng added: "Nevertheless, the slow and steady build-up

of demand has resulted in a tighter leasing environment where landlords are now less flexible on rental negotiations and instead have been holding or increasing

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TIGHTER MARKET
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Higher rentals were seen in most areas, particularly in the newer and better quality buildings, said DTZ.

For example, average gross monthly rents in Raffles Place in the CBD are around \$9.40 per sq ft this quarter, up 1.3 per cent on the second quarter, according to DTZ.

Rates in the Shenton Way, Robinson Road and Cecil Street area rose 3.4 per cent this quarter to \$7.50 per sq ft a month over the previous quarter.

DTZ's Singapore research head, Ms Lee Lay Keng, noted that office space demand will remain modest, "as cost-conscious occupiers still prefer to renew existing leases".

She added: "Average rents in the CBD are anticipated to rise on the back of strong occupancy rates and an expected economic improvement, but this increase will be gradual."

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