

# Singapore office market continues recovery in Q1: URA

Rental index of office space in the Central Region up 2.6%; marks third consecutive quarterly rise in the index

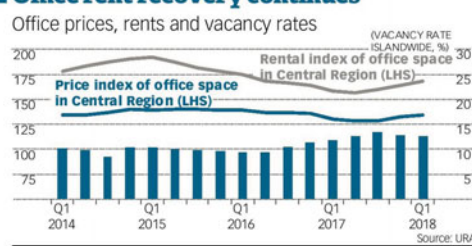
LATEST data from the government show that the recovery in the Singapore office market continued in the first quarter of this year.

The Urban Redevelopment Authority's rental index of office space in the Central Region rose 2.6 per cent in the first quarter of this year over Q4 2017. This is the same pace of quarter-on-quarter increase as in Q4 2017 and marks the third consecutive quarterly rise in the index since it bottomed in the second quarter of 2017; the index has chalked up a cumulative recovery of 7.7 per cent in less than a year.

URA's price index of office space in the Central Region rose 1.3 per cent in the first quarter, a slower pace of increase compared with the 2.7 per cent rise in the previous quarter.

Savills Singapore senior director of research and consultancy Alan Cheong said: "The rise in both prices and rents came as no surprise given improved sentiments amongst buyers, landlords and tenants. For rents, the healthy pre-commitment by tenants last year has absorbed a substantial amount of space in the new builds. On

## Office rent recovery continues



top of that, the secondary space has found replacement tenants in the form of co-working space.

"As landlords expect the momentum from 2017's strong take-up to spill over 2018, they have become more bold to ask for higher rents."

JLL's head of research and consultancy, Singapore, Tay Huey Ying, said: "The rapid shift from a tenant-favourable to a landlord-favourable market has fuelled the third consecutive quarter of uptick in the rental index."

Colliers International's head of office services, Duncan White, said: "Renewed strength among businesses, especially the services sectors, coupled with a limited stock of upcoming new CBD supply over 2018-2020, likely drove the brisk rental recovery."

URA's data showed that as at end-Q1 2018, there was a total supply of about 791,000 square metres (sq m) gross floor area (GFA) of office space in the pipeline, up 32.5 per cent from the 597,000 sq m GFA of office space in the pipeline in the

previous quarter.

URA also said that the amount of occupied office space increased by 14,000 sq m net lettable area (NLA) in Q1 2018, compared with the increase of 55,000 sq m in the previous quarter. The stock of office space rose by 11,000 sq m NLA in first quarter 2018, compared with the decrease of 4,000 sq m in the previous quarter. The islandwide vacancy rate of office space at the end of the first quarter of this year dipped to 12.5 per cent from 12.6 per cent at the end of the previous quarter.

Desmond Sim, head of research for Singapore and South-east Asia at CBRE, said: "Office rents are expected to continue growing till the next supply influx post-2020."

Savills' Mr Cheong said: "Given that all parties in the office leasing nexus are vectoring positively in their views of their respective businesses, we expect rents to continue to rise for prime Grade A space. Already, there is evidence of such optimism when S\$15 per square monthly rental has been achieved for partial floor lettings in the Marina Bay area. This may rise to S\$16 psf by the later part of 2018."

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Date: 28 Apr 2018