Singapore

Flash Note

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Paya Lebar Quarter close to 80% pre-committed

- **Great Eastern, NTUC Income, and IWG reported to be leasing c.232k square feet of space at Paya Lebar Quarter (PLQ)**
- **High pre-commitment level at PLQ underlines multi-year upturn in the Singapore office market**
- **Maintain Overweight call on office REITs**
- **Top picks: CapitaLand Commercial Trust (BUY, TP S$2.10) and Suntec REIT (BUY, TP S$2.30)**

What's New

Great Eastern and NTUC Income leasing space

- Based on a Business Times article, Great Eastern, a listed subsidiary of OCBC, will be leasing around 125,000 square feet (sqft) of space or four floors at the 13-storey Tower 3 at Paya Lebar Quarter (PLQ). This follows SMRT and CBRE which had earlier leased 97,000 sqft (three floors) and 31,000 sqft (one floor) of space respectively in the same tower. According to the article, Great Eastern will be using the space at PLQ for its agency business and will be relocating from its existing premises at 200 Changi Road.
- NTUC Income is also rumoured to have leased 55,000 sqft or two levels at Tower 2.
- In addition, IWG was reported to be in advanced discussions to lease about 52,000 sqft in Tower 1 for its lifestyle co-working concept, Spaces.
- Assuming Great Eastern, NTUC Income, and IWG take up the reported space, the pre-commitment level will increase to close to 80% from c.50% reported earlier this year.
- PLQ is an integrated mixed used development with more than 800,00 sqft of Grade A office net lettable area, 340,000 sqft of retail space and 429 residential units, named Park Place Residences. It is located next to the Paya Lebar MRT station which is on both the East-West and Circle MRT lines. The development is a joint project by Lendlease and Abu Dhabi Investment Authority. PLQ is scheduled to be completed in third quarter this year. Signing office rents at PLQ are reported to be between S$7-8 per square foot/month.

Our thoughts

- We believe the high pre-commitment level at PLQ bodes well for the Singapore office market, given earlier concerns that PLQ would affect demand for office buildings in the CBD and act as an overhang over the market.
- With pre-leasing at Frasers Tower which is scheduled to be completed later this year also over 70%, indicating healthy leasing demand, we remain confident that the Singapore office market remains on a multi-year upturn given modest new supply over the next 3-4 years. Thus, we reiterate our overweight stance on the office REITs, with our top picks being **CapitaLand Commercial Trust (BUY, TP S$2.10)** and **Suntec REIT (BUY, S$2.30).**

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return i.e. > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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