

Singapore Office REITs

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China tech giants to spur office demand

- Tencent, after Alibaba and ByteDance, has named Singapore as its Asia hub and could spur another upcycle of Singapore office demand
- Given the high occupancy and limited upcoming supply until FY22, this is significant news as it reiterates our positive stance on Singapore office REITs
- Potential beneficiaries are Grade A prime CBD office landlords such as CCT/KREIT or business parks
- Top picks for office sectors are KREIT and MCT

What's New

The media reported today that China's tech giant, Tencent has picked Singapore as its Asia hub after setbacks in the US and India. There are other China tech companies, such as Alibaba and ByteDance, which have reportedly made plans to expand in Singapore. This is significant news as it reiterates our positive stance on Singapore office REITs and that investors should watch out for this as an inflection point. The sector remains attractive at 0.8x P/NAV. Our top pick is KREIT (BUY, TP: S\$1.35) and MCT (BUY, TP: S\$2.25) - link to report: [Singapore Office REITs: Grab it while it lasts](#)

Relook at office fundamentals; it may be stronger than you think. This is a jab in the arm for the office landlords, in the midst of all the 'noise' from corporates potentially looking to downsize their footprint in the midst of an increased adoption of flexible work arrangements and higher unemployment. That said, we believe the entry of new investments bodes well not only to spur the Singapore economy and job creation but also implies new demand for office space in Singapore. While the return of existing office

space will likely be more gradual, demand from these tech giants is immediate (judging by the job postings on various career platforms). With news of this inflow of new demand (employment, new office space from Chinese tech firms), it will be an emerging datapoint to track, especially in the market of low supply (2020-2022).

Given the high occupancy and limited upcoming supply in the office market, we believe the new office demand and the potential multiplier spillover impact it will bring will once again spur the Singapore office market to its next phase of upcycle along with the recovery of the Singapore economy.

Potential beneficiaries – CCT/KREIT. While the details are yet to be known, potential beneficiaries among the listed office REITs include CCT (with its upcoming completion of CapitaSpring) and KREIT (with its portfolio of quality Grade A office assets) These REITs have vacancies to be filled given planned upcoming vacancies.

While business parks may be an option, we understand that there are minimal vacancies within the Alexandra precinct and one-north precinct which may attract these tech firms. While science park properties may be an option, we believe that a redevelopment will be needed in order to attract them to relocate there.

Still negative? Time to relook! Perhaps potential vacancies may not be that big of a threat for the office landlords now contrary to talks about the demise of office sector post COVID-19 with the greater adoption of work-from-home. Just look around you, how many have returned to office and how many are planning their return to office?



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**Share price appreciation + dividends*

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