

# Singapore Flash Note

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DBS Group Research . Equity

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### China Tech Giants soaking up CBD office space

- China's tech giants have signed leases for >100k sf of office space in the CBD at rents of S\$10-11psf
- The large appetite from China tech giants coupled with tight new supply could reduce overhang concerns arising from downsizing fears
- We reiterate that positive factors are slowly playing out, which could offset the impact of potential return of space from flexible work arrangements
- KREIT is the key beneficiary (among SREITs) of expansion by China's tech giants while CICT is the only SREIT with a new office building completing in 2021 (i.e. CapitaSpring)

### What's New

The Business Times reported today that China Tech giants have signed leases for >100k sf of office space in the CBD at rents of S\$10-11psf vs 4Q20 average market rents of S\$10.40psf. We had in fact previously highlighted that China Tech giants could spur new demand for Singapore CBD offices.

We understand that Tik Tok, a unit of Byte Dance, has increased its space requirements at One Raffles Quay (owned by KREIT) to 100k sqft, and has also taken up 58k sqft of space at Guoco Tower. Lazada and Alibaba have signed 140k sqft of space, of which 35k sqft would be under flexible space operator JustCo, at 5One Central in Bras Basah Rd.

### Our Thoughts

**The large appetite from China's tech giants coupled with tight new supply could further reduce**

### overhang concerns arising from downsizing fears.

Given the large appetite from China's tech giants soaking up some of the available office space in the CBD coupled with tight upcoming new supply could further reduce the overhang arising from downsizing fears leading to falling rents. With these tech giants signing rents of S\$10-11psf to S\$11psf, this could be an indicative support level for CBD office rents.

### China Tech giants taking up large space in CBD could spur office demand from other IT / business partner firms.

The realisation that China's tech giants are taking up large space in the CBD could spur potential new demand from other IT / business partners / supply chain firms that may want to relocate closer to these tech giants.

### Remain positive on office sector as impact from return of office space due to flexible work arrangements could be offset by new demand sources.

We reiterate our stance that there are some positive drivers that could partially offset downsizing risks from flexible work arrangements or businesses impacted by COVID-19. The positives include i) expanding office space per employee due to safe distancing, ii) unemployment peaking in 4Q20 and business sentiment to improve in line with economic recovery, and iii) trade sectors that are still expanding including new demand especially from the tech sector.

Our office picks remain **KREIT, CICT** and **MCT**. KREIT has been the key beneficiary (among SREITs) of expansion by China tech companies while CICT is the only SREIT with a new office building completing in 2021 (CapitaSpring with 60% of its space committed / at advanced stage of negotiations).



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