

(BN) Banks Chasing Millionaires Create Singapore's Canary Wharf
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(Adds details from wealth report in 20th paragraph.)

By Pooja Thakur and Sanat Vallikappen

Oct. 10 (Bloomberg) -- Singapore's Marina Bay area is emerging as the city's new financial hub, with banks including Standard Chartered Plc and Barclays Plc taking bigger offices as they pursue Asia's expanding ranks of millionaires.

As new construction pushes rents in the area lower, financial-services companies are consolidating operations from the central business district about a 10-minute walk away that was first built almost two centuries ago. Standard Chartered last year relocated from 11 buildings across the city to one tower in the new office area, while Barclays moved from six to two in the district.

"Our growth in Singapore has been incredibly quick over the past few years," Tony Padgett, head of corporate real estate services at Barclays in Singapore, said in an interview.

"Banks tend to go for the prime locations in cities, they gravitate towards the same area like they've done in Canary Wharf in London or Wall Street in New York."

Singapore's emergence as Asia's center of wealth management prompted the government in 2005 to start expanding the business district around Raffles Place, building on reclaimed land from the Singapore Strait to accommodate demand from the likes of Citigroup Inc. and UBS AG. The island-country had \$512 billion of private-banking assets in 2010, the largest such pool of money in Asia, according to the latest available figures from the Boston Consulting Group.

Singapore's millionaire households expanded by 14 percent last year, according to a Boston Consulting study published May 31. The proportion of millionaire homes in the city of 5.3 million people was 17 percent, the highest in the world, followed by Qatar and Kuwait.

Seeking Quality

Located at the southern tip of Singapore, the 360-hectare (890-acre) Marina Bay development sits on reclaimed land about 1 kilometer (0.6 mile) from Raffles Place, named after Sir Stamford Raffles, who founded Singapore in 1819. Gaming tycoon Sheldon Adelson opened his landmark Marina Bay Sands hotel and casino in 2010, and its infinity pool spanning the top of the resort's three towers is a feature of the city's skyline.

Marina Bay's offices, with large floor plates, column-less structures and emergency backup facilities, have become attractive to global banks relocating regional functions to Singapore after the government opened up the financial industry following the 1997 Asian economic crisis.

"It's a flight to quality," Toby Dodd, country manager for Singapore at property broker Cushman & Wakefield Inc., said in an interview.

HSBC Holdings Plc, Europe's biggest bank, still has its Singapore head office at Raffles Place, as does United Overseas Bank Ltd., Southeast Asia's third-largest lender.

Cheaper Rent

Raffles Place, which sits at the mouth of the Singapore River, saw an exodus of retailers to locations such as Orchard Road in the 1960s and 1970s. Financial firms replaced them in towers such as Republic Plaza and Singapore Land Tower.

Cheaper rents are now encouraging banks to shift to Marina Bay. Average gross rents in the area fell the most among office locations in Singapore in the third quarter, declining 4.4 percent from the previous three months, according to property broker DTZ Holdings Plc. Rents slid 10 percent this year to S\$10.75 (\$8.75) per square foot per month as large buildings were completed every year since 2010, DTZ said in September.

Rents in newly completed buildings in Raffles Place with similar specifications to those in Marina Bay dropped 4.3 percent to an average of S\$11 per square foot, DTZ said. Newly completed buildings in Raffles Place had 92.7 percent occupancy compared with the Marina Bay area's 83 percent for the quarter ended Sept. 30, DTZ said.

Global Headquarters

"In the last two, three years we have seen a lot of supply in the Marina Bay area," Chua Chor Hoon, DTZ's head of research for the Asia-Pacific region, said. "It's more an issue of demand and supply."

DBS Group Holdings Ltd., Southeast Asia's biggest lender, occupies about half of a 46-story tower in Marina Bay Financial Centre, while Barclays' offices are spread across 12 floors in an adjoining tower.

Standard Chartered, which has the global headquarters of its private bank in Singapore, occupies 24 floors in Tower 1 of the Marina Bay Financial Centre. The London-based lender takes up 900,000 square feet of office space and employs more than 7,300 people in the island-state, with 62 percent in the Marina Bay office.

"Five years ago, we recognized that there's going to be a new central business district," Tina Singhsacha, chief of staff in Singapore at Standard Chartered, said in an interview. The move to one location "allows for fantastic decision-making, fast and greater accessibility across functions in the bank."

Forex Hub

The move to Marina Bay has allowed Standard Chartered to build its biggest trading floor in Asia, with 65,000 square feet spanning three floors and 800 trading desks. Its trading floor at Battery Road, north of Raffles Place, where its corporate office was previously located, was half that size.

Singapore is the largest foreign-exchange trading center in Asia after Tokyo, according to a triennial survey by the Bank for International Settlements, the most recent in September 2010. Average daily foreign-exchange turnover in Singapore was \$300 billion, according to a July 30 report from the Singapore Foreign Exchange Market Committee.

Singapore, with the highest density of millionaires, and Hong Kong together manage about \$1 trillion of offshore funds, and may overtake Switzerland within 15 to 20 years as wealth in Asian nations excluding Japan surges at a rate of over 11 percent per year, Boston Consulting said in a report in June.

Wealth Business

Seven countries in the Asia-Pacific region were among the top 20 with the fastest growing millionaire populations in 2011, according to a report by Capgemini SA and RBC Wealth Management.

“The wealth business has moved in its entirety to the new location in Marina Bay,” Padgett of Barclays said. “Wealth was expanding here quite a lot and needed more space.”

The area is also home to Asia Square, whose occupants include anchor tenant Citigroup and Google Inc. Asia Square, owned by MGPA, a Macquarie Group Ltd.-controlled fund manager with \$11 billion in property assets, will complete next year its second tower, which will include a 305-room Westin hotel that will open in 2014.

“Being in the heart of the financial district, if there are any issues, we have collective bargaining power,” said Lay-Sie Teo, chief operating officer, Singapore and Asia emerging markets, at UBS. “When you have other banks that are co-tenants with you, you’ve got a bigger voice.”

Decay, Renewal

UBS occupies 230,000 square feet, housing about half its 2,000 employees in Singapore, at One Raffles Quay, in a building just west of Marina Bay Financial Centre. Barclays’ other office in the new business district is also located there.

Singapore joins other financial hubs in the Asia-Pacific region that have experienced a move from established business districts because of demand for space as the region’s economic growth outstrips the rest of the world.

“The process of decay and then renewal happens all the time across cities,” Nick Axford, executive director and head of research for the Asia-Pacific region at property broker CBRE Group Inc., said in a phone interview from Hong Kong.

Still, the euro-zone crisis is hurting expansion plans at some banks. European companies account for 51 percent of the space occupied in the Marina Bay area, followed by 22 percent from Asia and 20 percent from North America, according to Los Angeles-based property broker CBRE Group Inc.

Longer term, demand is likely to hold up as global banks increase operations in Asia. Julius Baer Group Ltd., the 121-year-old Swiss wealth manager, will move global functions to Singapore as it diversifies costs away from the Swiss franc, Chief Executive Officer Boris Collardi said in February.

“We are part of the right skyline,” Standard Chartered’s Singhsacha said. “We’re sending the right messages to the client.”

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