ABSTRACT

Information and communication technology (ICT) plays a critical role in enabling new market structures, business organization and working practices. Its ability to communicate, interact and exchange of information and capital instantaneously facilitates more international business activities. The increasing demand for high-speed connectivity has induced real estate developers and landlords to upgrade their ICT facilities and wiring-up their office buildings. This demand for high-speed connectivity opens up opportunities for developers and/or landlords to provide value-added services to their office tenants.

There were generally mixed views of the respondent firms on the impact of ICT and broadband connectivity on their office operations and leasing activities. The level of awareness of the ICT and connectivity was high, but, the reaction was rather slow and not obvious in the local real estate industry. This study conducted a mail questionnaire survey which aims to examine how investments in ICT and broadband connectivity will affect the operation costs and revenues of office buildings in Singapore. Views of developers and landlords on their strategies in ICT and broadband connectivity, and likely effects that they will have on the performance of their office buildings were also analysed.
Majority of the respondent firms indicated that provision of ICT and broadband facilities would enhance the marketability of their office buildings and have a positive effect on their occupancy rates. However, it would not increase their monthly rental values in the long term. They perceived that ICT facilities would incur a higher maintenance and running costs. The major differentiating location and property attributes of an office building are still perceived high level of importance among the developers and landlords.

The simulation results showed a positive incremental value of S$263,969. At a significance level of 5%, the null hypothesis was not rejected. There was sufficient evidence that the null hypothesis was true, if the cost of the ICT investment in the building was more than S$1,950,000. (i.e. the difference in the NPV of models with ICT and without ICT investments). At a significance level of 10%, the increment in the NPV values created by the ICT was not significant, if the cost of provision of ICT and broadband facilities was absorbed by the ISP (as base assumption).