

Office Q4 2023

CBD Grade A

12-Mo. Forecast

\$10.75
Rent (S\$/sf/mo)



0.8%
Rental Growth (qoq growth)



3.7%
Vacancy Rate



On Course for A Gentle Touchdown

Amidst sluggish global economic conditions, Singapore's economy is expected to grow by 1.2% yoy in 2023. However, the outlook is expected to be brighter in 2024 with the global economy on course for a soft landing as inflation cools and global interest rates peaks. Singapore's economic growth this year is expected to improve to around 2% yoy, albeit a still-high interest rate environment could weigh on office demand. Nonetheless, Singapore's office market remains underpinned by steady return-to-office levels alongside a tight labour market. In 2024, unemployment rates are expected to remain low at 2.1%.

Upward Rental Trajectory to Slow

CBD Grade A office rents expanded 0.8% q-o-q in Q4 2023 amidst persistent flight to quality and lower vacancies. In Q4 2023, CBD Grade A office vacancy rates tightened again to 3.7%, from 3.9% in the last quarter, as net demand remained positive at 60,000 sf in the quarter. For 2023, CBD Grade A office net demand reached 255,000 sf, less than a third of the 870,000 sf in 2022. This was due to softer office demand amid the economic slowdown and ongoing CapEx constraints due to tightened financing conditions, coupled with limited new supply. As such, many tenants renewed their leases rather than relocate. While office demand is expected to improve in 2024, it remains tempered by still-high interest rates, and with more supply in 2024, CBD Grade A office rental growth could moderate to 1.0-2.0% y-o-y in 2024 from 3.0% y-o-y in 2023.

Decentralised all grades office rents grew 0.9% q-o-q in Q4 2023, with vacancy rates narrowing to 3.3% from 3.4% in the prior quarter. Decentralised offices continued to see sustained demand from cost conscious occupiers given their relatively lower rents compared to the CBD. After rising 3.3% y-o-y in 2023, decentralised office rents could see an up to 2.5% y-o-y growth this year, backed by a lower cost base and limited Grade A office supply.

A Window of Opportunity

Occupiers with expiring leases in 2024/2025 may take advantage of the more options this year to negotiate their leases, before the market returns to a tight supply situation in 2025. In 2024, IOI Central Boulevard Towers, Keppel South Central, Labrador Tower and Paya Lebar Green would cumulatively bring about 2.9 million sf (msf) of new office NLA islandwide, significantly higher than the past 10-year average (2014-2023) of about 1.1 msf. Notably, about 34% of new office supply in 2024 have already been pre-committed (as of end 2023). On the other hand, the pent-up demand for office spaces could be accumulating with total office-using employment growing strongly in recent years and many organisations encouraging workers to return to the office. Some offices have thus become increasingly crowded given that office footprints have remained largely unchanged or rightsized. Against this backdrop, relocation and expansion activities could gradually pick up, especially in the second half of 2024 as economic growth improves and interest rate concerns recede.

SINGAPORE ECONOMIC INDICATORS Q3 2023

12-Mo. Forecast

1.2%*
Real GDP Growth



4.1%
Inflation Growth



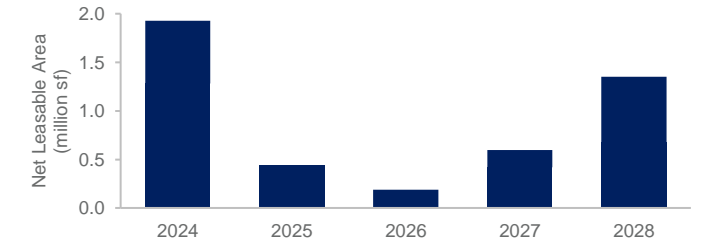
2.0%
Unemployment



GRADE A CBD RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



Source: Ministry of Trade & Industry (MTI), Moody's Analytics

* GDP growth for the whole of 2023, based on MTI's advanced estimates

MARKET STATISTICS

GRADE A CBD SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	VACANCY RATE	PLANNED & UNDER CNSTR (SF)	S\$/SF/MO	GRADE A GROSS EFFECTIVE RENT* (\$\$/SF/MO)		
						US\$/SF/MO	EUR/SF/MO	
Marina Bay	9,000,714	298,075	3.3%	1,242,000	12.68	9.58	8.68	
Raffles Place	8,358,713	298,626	3.6%	418,000	10.82	8.17	7.40	
Shenton Way / Tanjong Pagar	5,083,049	253,908	5.0%	1,856,000	10.53	7.96	7.21	
City Hall / Marina Centre	4,475,745	99,810	2.2%	40,000	10.28	7.76	7.04	
Orchard Road	2,981,632	59,389	2.0%	672,000	9.47	7.16	6.49	
Bugis	1,997,172	179,864	9.0%	435,000	10.49	7.92	7.18	
GRADE A CBD TOTAL	31,897,025	1,189,672	3.7%	4,663,000	10.75	8.12	7.36	
City Fringe [^]	7,826,730	259,625	3.3%	686,000	7.52	5.68	5.14	
Suburban [^]	6,419,034	211,720	3.3%	1,101,000	5.96	4.50	4.08	

[^]All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.324; €/S\$ = 1.461, as of 27 December 2023

RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Lazada One	Bugis	Government Technology Agency	20,000	New lease
20 Collyer Quay	Raffles Place	The Work Boulevard	19,000	New lease
IOI Central Boulevard Towers	Marina Bay	Edrington	15,000	New lease
Guoco Tower	Tanjong Pagar	Workday	6,000	Expansion

KEY SALES TRANSACTIONS – Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (\$ Million)
Shenton House	Shenton Way	Undisclosed / Lee Yeow Seng	538.0
VisionCrest Commercial	Orchard	Union Investment / Metro, TE Capital, LaSalle Investment	About 450
Wilkie Edge	Bugis	Lian Beng Group JV Apricot Capital / Keppel Capital	350.0

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