

SINGAPORE

Office Q1 2024

CBD Grade A

12-Mo. Forecast

\$10.81
Rent (\$\$/sf/mo)



0.5%
Rental Growth (qoq growth)



3.6%
Vacancy Rate



Economic Growth to Improve

Singapore's economy is expected to grow by 2.7% yoy in 2024, picking up from the 1.1% yoy expansion for 2023. 2024 may be a year of two halves, with stronger growth is expected in H2 2024, as financial conditions are expected to ease amidst lower inflation. Economic growth will be driven by a recovery in manufacturing and trade-related sectors amidst a rebound in global electronics demand. A continued recovery in air travel and tourism demand would continue to support growth for consumer-facing sectors. However, downside risks remain. Escalations in geopolitical tensions could intensify price pressures given disruptions in global supply chains and energy markets. Financial conditions could also stay restrictive for longer if the global disinflation process is disrupted by cost shocks like adverse weather. Despite lingering uncertainties, Singapore's office market remains resilient in navigating global economic shifts, supported by her status as a safe-haven and vibrant regional business hub. Singapore's unemployment is expected to remain low at about 2% in 2024 and would be supportive of office demand.

Rental Growth Starts to Slow

In Q1 2024, CBD Grade A office rents inched 0.5% qoq higher as landlords largely held on to their rental expectations amidst low vacancy rates. While there were pockets of relocation activities, occupiers largely remained cautious with some opting for short term renewals. CBD Grade A office vacancy rates dropped slightly to 3.6% in Q1 2024, from 3.7% in the last quarter. However, CBD Grade A office rental growth is starting to moderate, reflecting cautious occupier sentiments amidst CapEx constraints and still-tight financing conditions. CBD Grade A net demand remains positive for Q1 2024 though it is muted at about 30,000 sf.

Decentralised all grades office rents moved up 0.5% qoq in Q1 2024, slowing from the 0.9% qoq in the preceding quarter. This came as decentralised all grades office vacancy rates climbed moderately to 3.5% in Q1 2024 from 3.3% in Q4 2023.

More Incoming Supply to Moderate Rental Growth

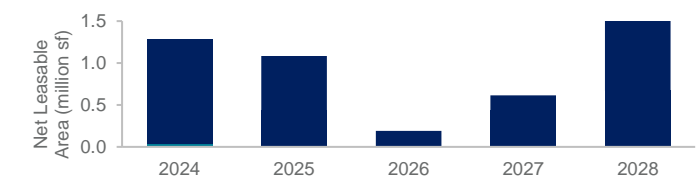
A slew of available CBD Grade A office supply from both primary and secondary markets will come on stream from the Q2 2024. IOI Central Boulevard Tower is expected to achieve TOP in April. Cost discipline in the tech sector could lead to more secondary office stock returned to the market in H2 2024. Additionally, islandwide office shadow stock has risen to 0.4 msf in Q1 2024, from 0.3 msf in the prior quarter.

The increase of new CBD supply (1.3 msf) into the market, the highest for till 2028, coupled with more available secondary spaces presents a window of opportunity for tenants. While office demand is expected to improve in tandem with economic growth and a continued flight to quality, new supply is expected to outpace demand this year, leading to higher vacancy rates in 2024. That said, this window of opportunity would not last indefinitely, with slowly accumulating pent-up office demand given rising office-using employment coupled with higher office attendance. This demand could be slowly released as occupier CapEX constraints are eased in tandem with financing conditions.

GRADE A CBD RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



SINGAPORE ECONOMIC INDICATORS Q4 2023

12-Mo. Forecast

1.1%*
Real GDP Growth



4.0%
Inflation Growth



2.0%
Unemployment



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

* Full-year GDP growth for 2023

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	303,057	3.4%	1,242,000	12.68	9.41	8.70	
Raffles Place	8,358,713	372,866	4.5%	418,000	11.00	8.16	7.54	
Shenton Way / Tanjong Pagar	5,083,049	196,671	3.9%	1,856,000	10.51	7.79	7.21	
City Hall / Marina Centre	4,475,745	99,405	2.2%	40,000	10.36	7.69	7.11	
Orchard Road	2,981,632	56,279	1.9%	672,000	9.52	7.06	6.53	
Bugis	1,997,172	131,044	6.6%	435,000	11.19	8.30	7.67	
GRADE A CBD TOTAL	31,897,025	1,159,322	3.6%	4,663,000	10.81	8.02	7.42	
City Fringe [^]	7,826,730	274,335	3.5%	686,000	7.42	5.50	5.09	
Suburban [^]	6,419,034	228,871	3.6%	1,101,000	6.12	4.54	4.20	

[^]All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.348; €/S\$ = 1.458, as of 28 March 2024

RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Guoco Midtown	Bugis	Gunvor	30,500	New lease
Guoco Midtown	Bugis	Bank of Communications	23,000	New lease
Duo Tower	Bugis	Chevron	80,000	Renewal

KEY SALES TRANSACTIONS – Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (\$ Million)
Vision Exchange (21 st Floor)	Jurong	Undisclosed	59
GB Building (4 units on 8 th Floor)	Shenton Way / Tanjong Pagar	Undisclosed	10.8

WONG XIAN YANG

Head of Research

Singapore & SEA

+65 6232 0885 / xianyang.wong@cushwake.com

JERYL TEOH

Senior Director

Commercial Leasing, Singapore

+65 6876 6197 / jeryl.teoh@cushwake.com

DEYANG LEONG

Senior Director

Commercial Leasing, Singapore

+65 6248 3023 / deyang.leong@cushwake.com

cushmanwakefield.com

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