

SINGAPORE

Office Q2 2024

CBD Grade A

12-Mo. Forecast

\$10.84
Rent (\$\$/sf/mo)



0.2%
Rental Growth (qoq growth)



5.4%
Vacancy Rate



Green Shoots Emerging

Driven mainly by the finance & insurance, transportation & storage and wholesale trade sectors, Singapore's GDP expanded by 3.0% yoy in Q1 2024, extending the 2.2% growth in Q4 2023. Within the finance & insurance sector, demand for wealth management services is expected to rise as interest rates peak. The IT & information services segment within information & communications sector also saw robust growth in the quarter, fueled by the ongoing global electronics recovery. With expected rate cuts in major economies and Singapore maintaining low unemployment, office demand could steadily pick up later this year.

Cooling Rental Growth

With many Grade A office landlords largely holding on to their asking rents given still-high occupancy rates, CBD Grade A office rents continued to edge up by 0.2% qoq in Q2 2024, albeit slowing from the 0.5% qoq growth in the previous quarter. A similar trend was seen in decentralised offices. Decentralised All Grades office rents climbed 0.3% qoq in Q2 2024, a decline from the 0.5% qoq growth in the preceding quarter. In the first half of 2024, CBD Grade A office and Decentralised All Grades office rents grew by 0.7% and 0.8% ytd respectively, lower than their 1.3% and 1.6% growth in the same period last year.

Against the backdrop of higher supply and weakened demand, rents of CBD Grade A offices and Decentralised offices are expected to grow marginally at about 1-2% in 2024. Nonetheless, as interest rate concerns recede and US elections concludes this year, office demand could gradually improve and support rent levels alongside a slight tapering of new supply pressure.

More Options for Occupiers as Secondary Space Rises

CBD Grade A office vacancy rates rose to 5.4% in Q2 2024, from 3.6% in Q1 2024, as new supply from IOI Central Boulevard Towers and Odeon 333 (combined NLA of 1.3 msf) surpassed the net demand of 0.6 msf in the quarter. Excluding pre-committed spaces at IOI Central Boulevard Towers, the net demand would fall to only 33,000 sf, on par with the 30,000 sf in previous quarter. While the broad market remains resilient, expansionary office demand remains slow as occupiers continue to face CapEx constraints to relocate or expand. Amidst slower demand, more secondary office spaces may be coming into the market. About 1 msf* of secondary CBD Grade A office spaces may come on stream between H2 2024 and 2025, primarily from Raffles Place and Marina Bay, driven by a combination of right-sizing and a flight to quality. On a positive note, CBD Grade A office shadow spaces have reduced to around 0.2 msf in Q2 2024, nearing pre-pandemic levels and down from the previous peak of 0.3 msf in Q2 2023, as some spaces have been backfilled by occupiers on a flight to quality.

SINGAPORE ECONOMIC INDICATORS Q1 2024

12-Mo. Forecast

3.0%
Real GDP Growth



3.0%
Inflation Growth



2.1%
Unemployment

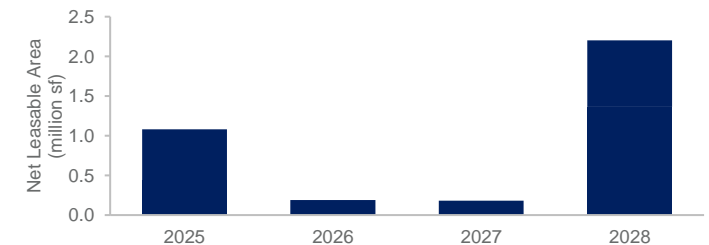


Source: Ministry of Trade & Industry (MTI), Moody's Analytics

GRADE A CBD RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



* Currently occupied space that are expected to be vacated upon expiry over the next 12 months from June 2024

MARKET STATISTICS

GRADE A CBD SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	VACANCY RATE	PLANNED & UNDER CNSTR (SF)	S\$/SF/MO	GRADE A GROSS EFFECTIVERENT* US\$/SF/MO	EUR/SF/MO
Marina Bay	10,242,414	812,296	7.9%	0	12.68	9.36	8.74
Raffles Place	8,358,713	399,202	4.8%	434,000	11.04	8.14	7.61
Shenton Way / Tanjong Pagar	5,083,049	294,210	5.8%	1,856,000	10.55	0.00	0.00
City Hall / Marina Centre	4,475,745	152,263	3.4%	0	10.37	7.65	7.14
Orchard Road	2,981,632	58,630	2.0%	672,000	9.54	7.03	6.57
Bugis	1,997,172	70,300	3.5%	435,000	11.24	8.29	7.74
GRADE A CBD TOTAL	33,178,725	1,159,322	5.4%	3,396,000	10.84	7.99	7.46
City Fringe [^]	7,826,730	315,622	4.0%	686,000	7.45	5.49	5.13
Suburban [^]	6,419,034	315,914	4.9%	1,101,000	6.14	4.53	4.23

[^]All Grades

*Gross Effective Rents are after adjustments for any incentives

US\$/S\$ = 1.356; €/S\$ = 1.452, as of 30 June 2024

RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One George Street	Raffles Place	WPP	45,000	New lease
IOI Central Boulevard Towers	Marina Bay	Freshfields Bruckhaus Deringer	17,000	New lease
Prudential Tower	Raffles Place	The Work Boulevard	12,000	New lease
Suntec Tower 2	City Hall	Yulong Petrochemical	10,000	New lease

KEY SALES TRANSACTIONS – Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (S\$ Million)
Mapletree Anson	Tanjong Pagar	Mapletree Pan Asia Commercial Trust / PAG	775
20 Harbour Drive	HarbourFront / Alexandra	Mapletree Investments / Keppel Education Asset Fund	160
30 Prinsep Street	Bugis	Income Insurance / Lim family of Midview group	147
Solitaire on Cecil (9 th Floor)	Shenton Way	TE Capital Partners JV LaSalle / Shanghai Langning Trading Co	51.5
Wilmer Place	City Hall	Wilmer and Sons / LHN Group JV Ching Chiat Kwong & Family	26.5

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