

CBD GRADE A MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
5.5% Vacancy Rate	▲	▼
\$10.87 Gross Effective Rent, PSF/mo	▲	▲
0.3% Rental Growth, QoQ change	▼	▲

ECONOMIC INDICATORS Q2 2024

	YOY Chg	12-Month Forecast
2.9% Real GDP Growth	▲	▼
2.8% Inflation Growth	▼	▼
2.0% Unemployment	▲	▲

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

STEADY ECONOMIC CONDITIONS

Singapore's GDP is forecast to grow 2%-3% yoy in 2024, up from 1.1% last year as external demand strengthens amidst a global policy rate cuts and continued recovery in electronics demand and tourism. The U.S. Federal Reserve has voted to cut Federal Funds Rate by 50 bps to 4.75%-5%, marking the first easing cycle since the pandemic. Another 50 bps cut is expected by the end of 2024. A continued fall in interest rates should improve occupier confidence to expand and relocate, though this dynamic may play out over a few quarters.

RENTAL GROWTH PERSISTS DESPITE HIGHER VACANCIES

Despite a slight increase in vacancy rates to 5.5% in Q3 2024 (from 5.4% in Q2 2024), CBD Grade A office rents grew 0.3% qoq. The rise in vacancy rates was due to occupiers' consolidation of office footprint amidst hybrid work.

Although vacancy rates have increased, office deal activity has rebounded, fueled by interest from financial institutions, professional firms, and flexible workspace operators. Many occupiers continue to seek premier spaces for purposes of brand positioning, talent acquisition and retention, and ESG compliance. However, they remain cost-conscious and are moving ahead with options that are seen to provide the best bang for buck.

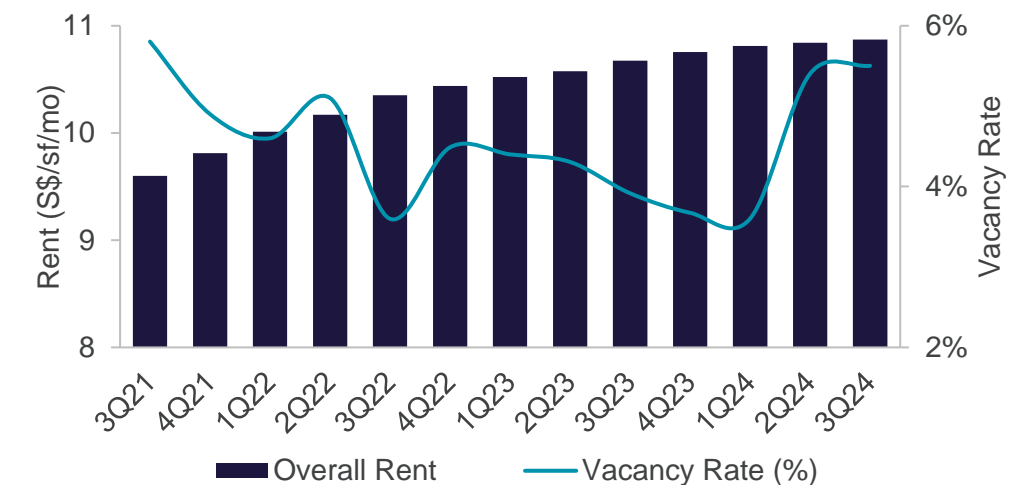
As such, we observe that rents at the top-end of the Grade A market have slowed, while rents for well-located and older Grade A stock, which can still meet occupiers ESG requirements have continued to edge higher.

TIGHTER SUPPLY CONDITIONS IN 2025 TO 2027

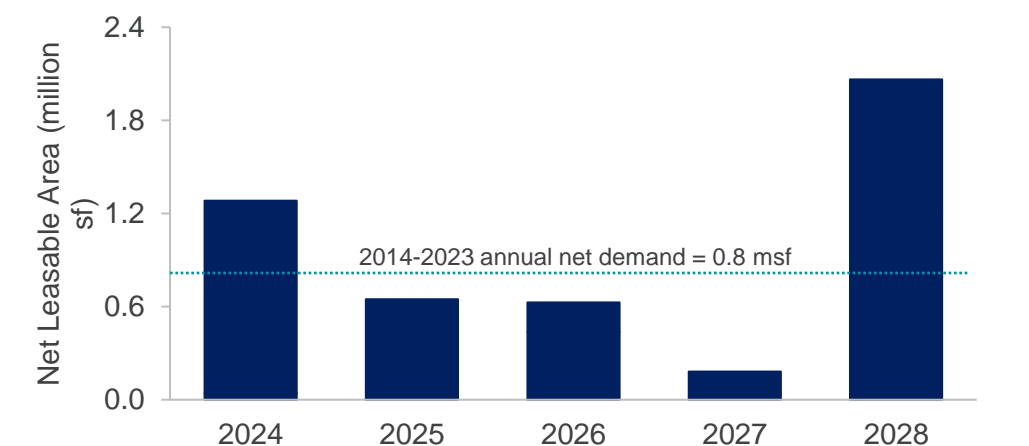
The recent completion of IOI Central Boulevard Towers has brought the new CBD Grade A office supply this year to 1.2 msf, exceeding the ten-year average annual net demand of 0.8 msf and added pressure on vacancy rates and rental growth. Keppel South Central is expected to complete next year, while the completion of Shaw Tower, originally set for 2025, has been delayed to 2026.

Against this backdrop, the CBD Grade A market will enter a tight supply situation between 2025 and 2027 before rebounding in 2028. Given the impending interest rate decline and delay in new office completions, occupiers need to be ready to capitalise on opportunities before a potential rise in optimism.

GRADE A CBD OFFICE GROSS EFFECTIVE RENT & VACANCY RATE



GRADE A CBD SUPPLY PIPELINE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	PLANNED & UNDER CNSTR (SF)	GRADE A GROSS EFFECTIVE RENT *		
					S\$/SF/MO	US\$/SF/MO	EUR/SF/MO
Marina Bay	10,242,414	915,824	8.9%	0	12.64	9.81	8.80
Raffles Place	8,358,713	401,887	4.8%	434,000	11.06	8.58	7.70
Shenton Way / Tanjong Pagar	5,083,049	253,997	5.0%	1,510,000	10.61	8.23	7.39
City Hall / Marina Centre	4,526,745	120,032	2.7%	0	10.50	8.14	7.31
Orchard Road	2,981,632	40,433	1.4%	790,000	9.56	7.41	6.66
Bugis	1,997,172	98,132	4.9%	435,000	11.30	8.77	7.87
CBD GRADE A TOTAL	33,189,725	1,830,305	5.5%	3,425,000	10.87	8.43	7.57
City Fringe (All Grades)	7,826,730	356,232	4.6%	686,000	7.49	5.81	5.22
Suburban (All Grades)	6,637,034	280,589	4.2%	989,000	6.16	4.78	4.29

*Gross Effective Rents are after adjustments for any incentives
US\$/S\$ = 1.289; €/S\$ = 1.436, as of 24 September 2024

RECENT KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Marina Bay Financial Centre Tower 3	Marina Bay	Giga Device	13,600	New lease
Ocean Financial Centre	Raffles Place	The Executive Centre	23,000	Expansion
Marina Bay Financial Centre Tower 2	Marina Bay	Moomoo Financial	17,000	New lease
Lazada One	Bugis	Uniqlo	11,000	New lease

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	PRICE (M)
Stamford Court	City Hall	Singapore Land Group / PGIM Real Estate JV Elevate Capital Partners	132
Tong Building (6 th floor)	Orchard	Nanyang Holdings / Parkway Hospitals Singapore	31.3

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