

# PRICES DIP IN Q1 DUE TO SOFTENING DEMAND

## Office Market Trends Q1 2024



Vision Exchange

In Q1 2024, office prices declined due to softened demand amid high borrowing costs. Meanwhile, more office leases were signed as tenants settled for spaces that met their minimum quality requirements and are in good locations.





Mountbatten Square

## PRICE TREND

In the first quarter of 2024, overall office prices dipped for a second consecutive quarter. The higher borrowing costs have made it more expensive for investors to take up new loans for real estate investments. As a result, many investors shifted their focus to refinancing or reducing their debts to manage the high costs.

Investors have grown more cautious, choosing to hold off on new investments until the market becomes more favourable. The shrinking demand for new office spaces led to a 1.2 per cent quarter-on-quarter (q-o-q) decrease in the overall office price index to 109.8 from 111.1 in Q4 2023 (Chart 1), based on data from the Urban Redevelopment Authority (URA).

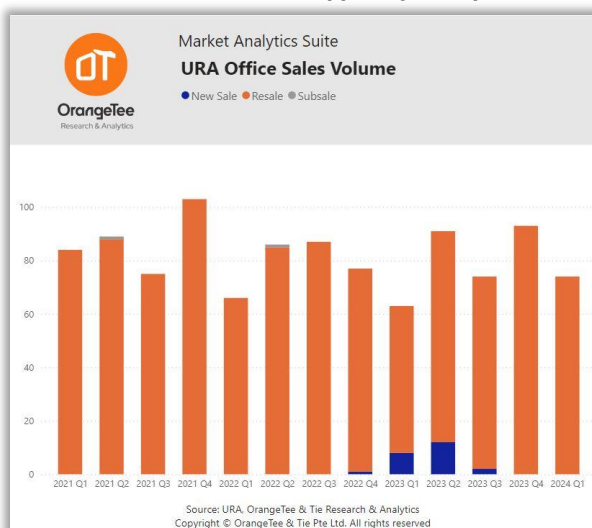
Office prices within the Central Area and in the Fringe Area similarly declined by 1.1 per cent and 1.4 per cent, respectively.

Chart 1 Overall prices fell by 1.2 per cent q-o-q



## SALES VOLUME

Chart 2 Overall office sales dipped by 20.4 per cent



Owing to the high borrowing costs, fewer offices were sold last quarter.

Data showed that sales transactions fell by 20.4 per cent to 74 units in Q1 2024 from 93 units in Q4 2023, all of which were resale transactions.

Additionally, the total sales value recorded last quarter also fell by 83.9 per cent to \$195.2 million from \$1.21 billion in Q4 2023.

**Table 1 Top office sales in Q1 2024 (Above \$10 million)**

S/N	Project Name	Address	Area (SQFT)	Transacted Price (\$)	Unit Price (\$PSF)
1	Vision Exchange	2 Venture Drive (17 units)	14,015	33,322,000	NA
2	Vision Exchange	2 Venture Drive (13 units)	10,775	25,656,000	NA
3	GB Building	143 Cecil Street (4 units)	5,425	10,741,500	NA

Source: URA, OrangeTee & Tie Research & Analytics

The top contributors came from two bulk sales on the 21st floor of Vision Exchange, transacted at \$33.3 million and \$25.7 million respectively. This was followed by another bulk sale on the 8th floor of the GB building, which changed hands for \$10.7 million (Table 1).

## RENTAL TRENDS

As interest rates are expected to remain high, prudent tenants settled for office spaces that met their minimum quality requirements, especially those near or within the Central Area.

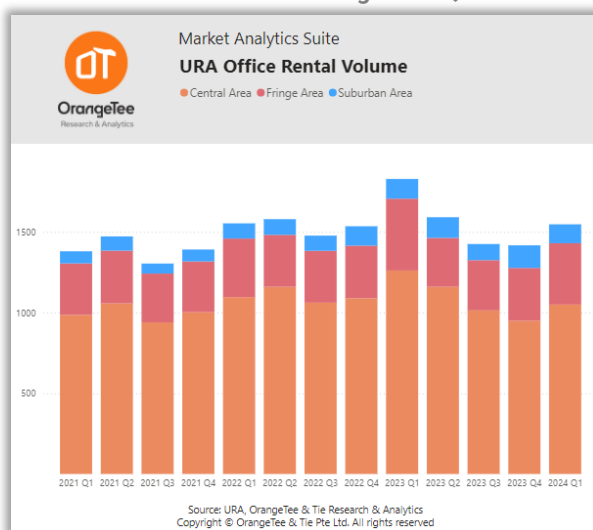
As a result, more rental contracts were signed last quarter as the number of rental transactions rose by 9.2 per cent q-o-q to 1,547 from 1,417 in Q4 2023. The rebound occurred after three consecutive quarters of decline. There was a rise in the number of rental transactions, with a 10.5 per cent increase in the Central Area and a 16.2 per cent increase in the Fringe Area\* on a quarter-on-quarter basis. However, rental volume in the Suburban Area\*\* fell by 16.4 per cent quarter-on-quarter, resulting in fewer rental agreements being signed.

On the other hand, office rents experienced a decline of 1.7 per cent last quarter, following nine consecutive quarters of growth (Chart 4). By region, office rents in both the Central Area and the Fringe Area dipped by 1.5 per cent and 2.4 per cent q-o-q, respectively. This may be attributed to landlords adjusting their rent expectations to retain tenants seeking more affordable options.

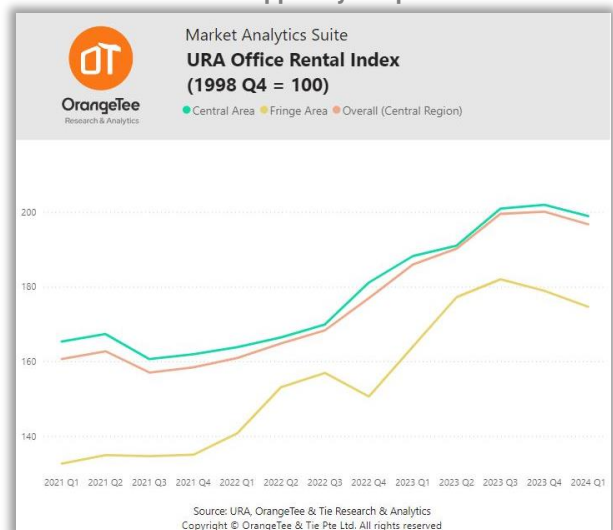
\*Fringe Area: Planning areas within the Central Region, excluding the Central Area

\*\*Suburban Area: Planning areas outside the Central Region

**Chart 3 More rental contracts signed in Q1 2024**



**Chart 4 Overall rents dipped by 1.7 per cent**



# STOCK AND OCCUPANCY

In the first quarter of 2024, there were no major office completions resulting in limited supply of new office spaces.

Furthermore, data indicated a significant decrease of 41,000 sqm in the overall available office space during the last quarter. This decline was likely due to the removal of some offices for redevelopment plans.

Besides, the overall vacant office stock hit a new low of 768,000 sqm, which is the lowest since Q2 2016.

The available space for Category 1 offices decreased more than the vacant space, resulting in a slight increase in the vacancy rate to 7.9 per cent in Q1 2024 from 7.5 per cent in Q4 2023 (Chart 6).

On the other hand, the vacancy rate for Category 2 offices decreased slightly to 10.3 per cent from 11 per cent during the same period. This is due to the limited supply of newly finished offices.

Chart 5 Change in available & occupied office spaces

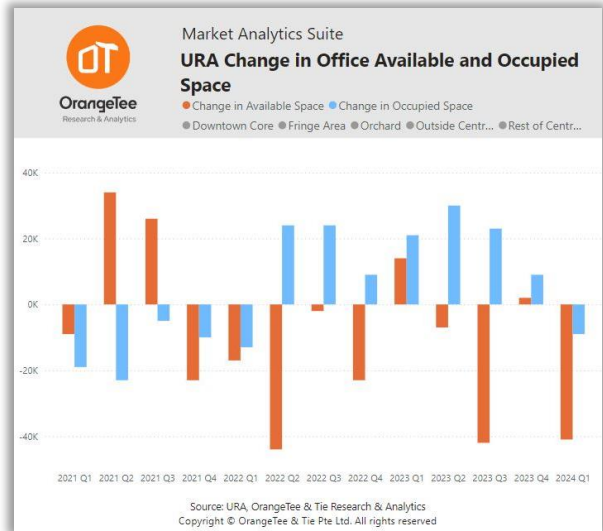
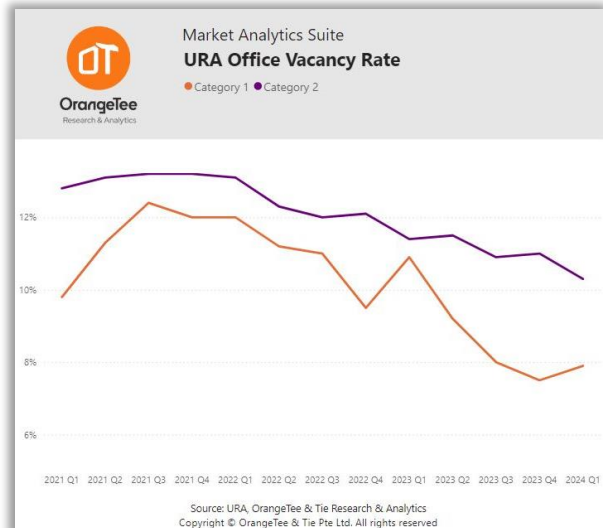


Chart 6 Vacancy rate for Cat 1 offices rose slightly



## Office Market Summary

Indicators	2021 y-o-y	2022 y-o-y	2023 y-o-y	Q4 2023 q-o-q	Q1 2024 q-o-q
<b>Price Index (% Change)</b>					
Overall (Central Region)	-5.8%	-0.1%	-4.2%	-5.9%	-1.2%
Central Area	-8.9%	0.3%	-6.0%	-7%	-1.1%
Fringe Area	8.3%	-2.4%	3.9%	-0.1%	-1.4%
<b>Sales Volume (Units)</b>					
Total Sale (New Sales + Resale + Sub-sale)	351	316	321	93	74
New Sale	0	1	22	0	0
Resale	350	314	299	93	74
<b>Rental Index (% Change)</b>					
Overall (Central Region)	1.9%	11.7%	13.1%	0.3%	-1.7%
Central Area	1.2%	11.9%	11.5%	0.5%	-1.5%
Fringe Area	3.1%	11.6%	18.8%	-1.7%	-2.4%
<b>Rental Volume (Units)</b>					
Overall	5,547	6,144	6,261	1,417	1,547
Central Area	3,987	4,407	4,385	950	1,050
Fringe Area	1,261	1,332	1,386	327	380
Suburban Area	299	405	490	140	117

Source: URA, OrangeTee & Tie Research & Analytics

## Outlook

In view of borrowing costs possibly staying higher-for-longer, office space investors and occupiers are likely to take a cautious approach in their purchasing or leasing decisions to move to higher-quality and better-located office spaces.

Nevertheless, we foresee that office prices and rents may pick up later in the year when more newly completed office units enter the market. Some of the developments that may be completed this year include IOI Central Boulevard, Keppel South Central, Labrador Tower and Paya Lebar Green

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