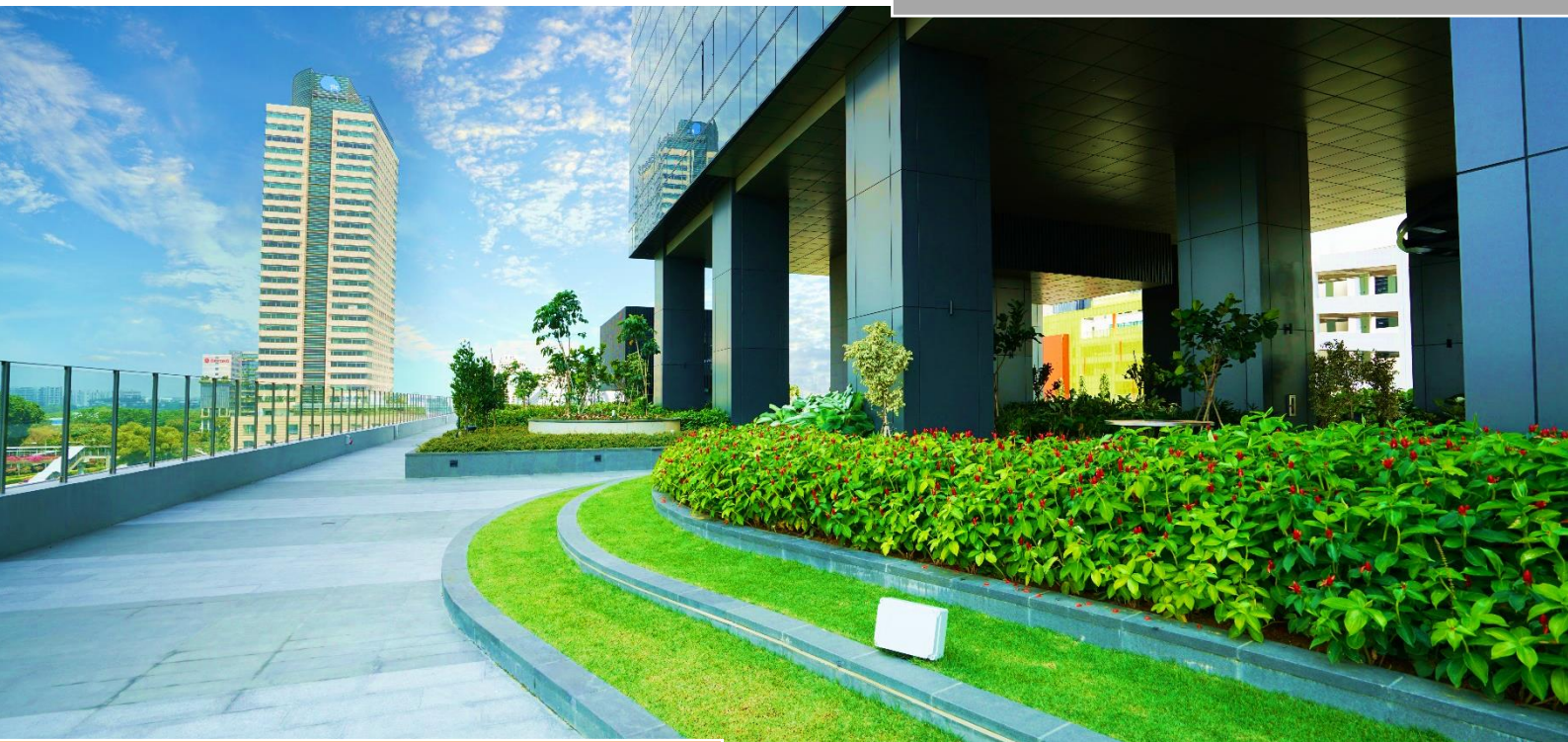


RENTS DECLINE AMID WEAKER DEMAND

Office Market Trends Q3 2024



Vision Exchange

In the third quarter of 2024, prevailing economic uncertainties and elevated costs led to a decrease in demand for office space, resulting in falling rental rates. The down trend was further exacerbated by an increase in new office supply from the previous quarter.





Mountbatten Square

PRICE TREND

In the third quarter of 2024, overall office prices continued to rise, albeit at a slower pace. Recent interest rate cuts have made bank loans more affordable; however, uncertain economic conditions and high costs have kept investors cautious about new office investments. As a result, some investors have decided to wait for more favourable market conditions before making any commitments.

According to data from the Urban Redevelopment Authority (URA), the overall price index increased at a slower pace of 0.6 per cent from 113.2 in Q2 2024 to 113.9 in Q3 2024.

Office prices within the Central Area and in the Fringe Area similarly grew slower in Q3 2024, by 0.6 per cent and 0.4 per cent quarter-on-quarter (q-o-q), respectively.

Chart 1 Overall prices grew slower by 0.6 per cent q-o-q

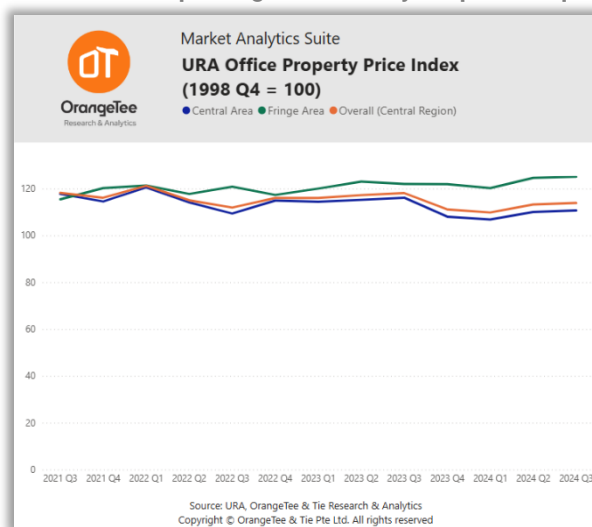
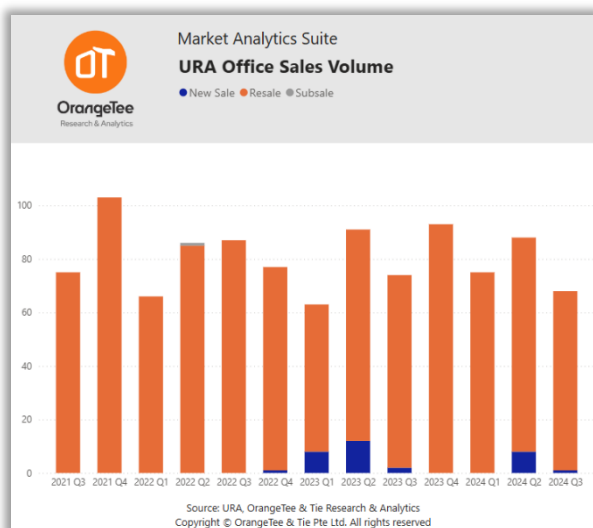


Chart 2 Overall office sales dipped by 22.7 per cent



SALES VOLUME

Some investors hesitated to invest in new office units until market conditions improved. Consequently, fewer offices were sold last quarter.

Data showed that sales transactions dipped by 22.7 per cent from 88 units in Q2 2024 to 68 units in Q3 2024. Among the 68 transactions, only one was a new sale.

In the last quarter, total sales value registered a significant decline of 68.5 per cent, dropping from S\$1.22 billion in Q2 2024 to S\$385 million.

Table 1 Top office sales in Q3 2024 (Above \$20 million)

S/N	Project Name	Address	Area (SQFT)	Transacted Price (\$)	Unit Price (\$PSF)
1	Solitaire On Cecil	148 Cecil Street (13 th Floor)	13,132	55,150,000	4,200
2	-	6 Raffles Quay #16-XX/XX	10,129	36,000,000	3,554
3	Tong Building	302 Orchard Road (4 units)	6,867	35,000,000	5,097
4	Tong Building	302 Orchard Road (4 units)	6,867	33,500,000	4,878
5	Tong Building	302 Orchard Road (4 units)	6,867	31,330,000	4,562
6	Prudential Tower	30 Cecil Street #01-XX	5,716	26,500,000	4,636

Source: URA, OrangeTee & Tie Research & Analytics

The sale of the entire 13th floor of the upcoming office building, Solitaire at Cecil, totalled \$55.1 million, was registered as the highest sale transaction in Q3 2024. This was followed by two units in an office building along Raffles Quay that sold for \$36 million.

Three bulk sales at Tong Building changed hands for \$35 million, \$33.5 million, and \$31.3 million, respectively. Lastly, a unit at Prudential Tower was sold for \$26.5 million.

RENTAL TRENDS

In the third quarter of 2024, many companies remained in their existing office spaces rather than relocate to another place. This decision was largely influenced by persistent economic uncertainty and elevated costs, compelling organizations to emphasize cost management over expansion initiatives.

Some firms outsourced specific business functions, while others focused on retaining and upskilling their employees. This strategic approach facilitated the implementation of flexible work arrangements and enabled the optimization of office environments for essential business operations and collaborative activities.

As a result, fewer leases were signed. Based on data from URA, overall rental transactions dipped by 1.3 per cent q-o-q to 1,478 from 1,497 in Q2 2024. The number of new leases signed in the Fringe Area* and Suburban Area** similarly fell by 15.8 per cent and 13.7 per cent q-o-q, respectively. Conversely, there was a 5.4 per cent q-o-q increase in rental transactions in the Central Area.

Correspondingly, overall office rents registered a marginal decline of 0.5 per cent last quarter, following a 3.1 per cent growth in Q2 2024 (Chart 4). The decline may be due to an increase in new office supply, which has put downward pressure on rental prices. Meanwhile, office rents in the Central Area dipped by 0.5 per cent q-o-q while the Fringe Area posted a 0.2 per cent q-o-q growth.

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

**Suburban Area: Planning areas outside the Central Region

Chart 3 Fewer rental contracts signed in Q3 2024

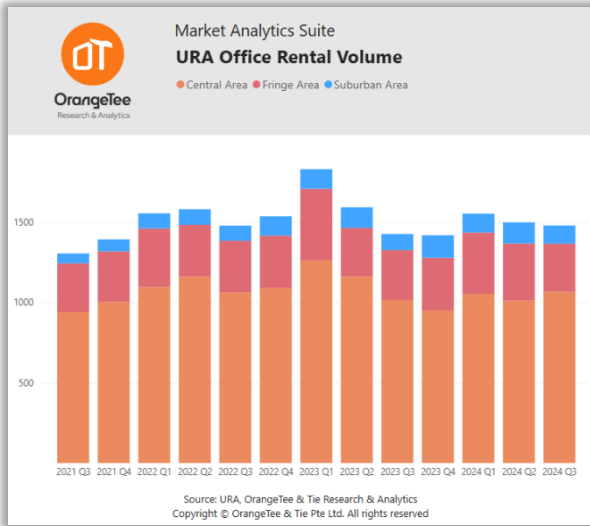
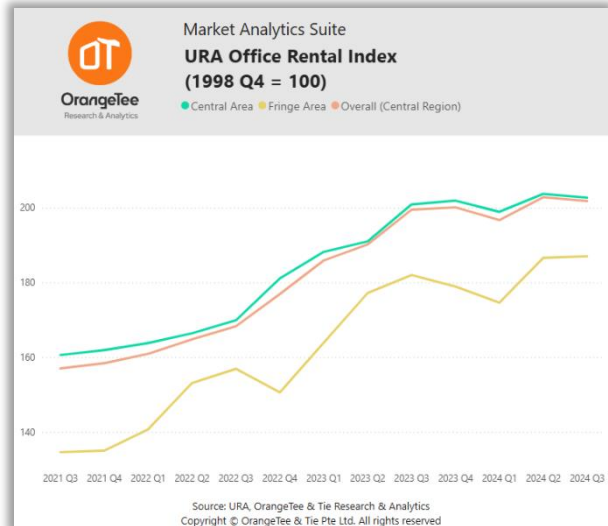


Chart 4 Overall rents dipped by 0.5 per cent



STOCK AND OCCUPANCY

During the third quarter of 2024, approximately 36,000 square meters of available office space were added to the market (Chart 5).

The increase can be attributed to the completion of IOI Central Boulevard Towers at Central Boulevard and Labrador Tower at Pasir Panjang Road.

Consequently, the vacancy rate for Category 1 offices slightly increased from 10.1 per cent in Q2 2024 to 10.3 per cent in Q3 2024. Likewise, the vacancy rate for Category 2 offices rose from 11.1 per cent to 11.3 per cent during the same period (Chart 6).

During the same period, there was an increase of about 17,000 sqm in the total occupied office stock, following 2 consecutive quarters of decline.

This increase can be attributed to tenants who had pre-committed to the new offices and are now moving in to occupy the newly completed spaces.

Chart 5 Change in available & occupied office spaces

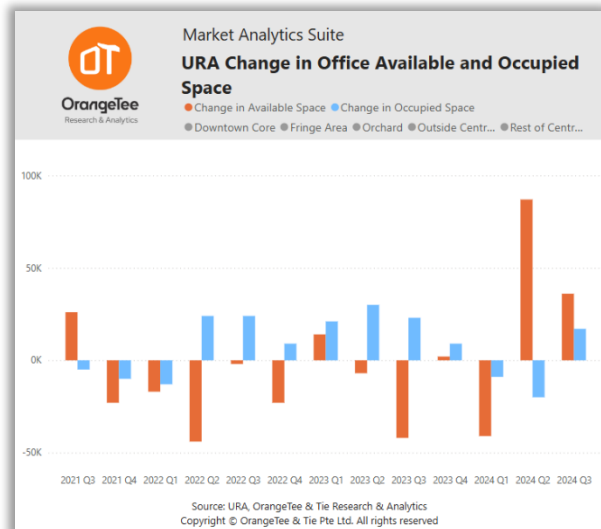
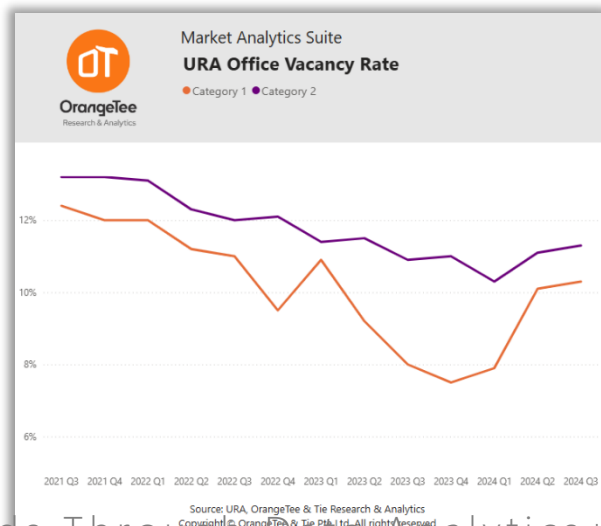


Chart 6 Vacancy rate for Cat 1 offices rose slightly



Office Market Summary

Indicators	2021 y-o-y	2022 y-o-y	2023 y-o-y	1H 2024	Q3 2024 q-o-q	Projections for 2024
Price Index (% Change)						
Overall (Central Region)	-5.8%	-0.1%	-4.2%	1.9%	0.6%	NA
Central Area	-8.9%	0.3%	-6.0%	1.9%	0.6%	NA
Fringe Area	8.3%	-2.4%	3.9%	2.2%	0.4%	NA
Sales Volume (Units)						
Total Sale (New Sales + Resale + Sub-sale)	351	316	321	163	68	NA
New Sale	0	1	22	8	1	NA
Resale	350	314	299	155	67	NA
Rental Index (% Change)						
Overall (Central Region)	1.9%	11.7%	13.1%	1.3%	-0.5%	1% to 2.5%
Central Area	1.2%	11.9%	11.5%	0.9%	-0.5%	NA
Fringe Area	3.1%	11.6%	18.8%	4.3%	0.2%	NA
Rental Volume (Units)						
Overall	5,547	6,144	6,261	3,048	1,478	5,900 to 6,100
Central Area	3,987	4,407	4,385	2,064	1,066	NA
Fringe Area	1,261	1,332	1,386	736	299	NA
Suburban Area	299	405	490	248	113	NA

Source: URA, OrangeTee & Tie Research & Analytics

Outlook

Despite the recent interest rate cuts by the Fed, which have made borrowing cheaper, uncertain economic conditions continue to prompt caution among office space investors and occupiers regarding their purchasing or leasing decisions. They are likely to prioritize business stability and cost management. On the supply side, while new office space has entered the market in the past two quarters, the completion of other projects, such as Keppel South Central and the Shaw Towers redevelopment, is expected to be delayed. However, we anticipate that office prices and rents will remain resilient and begin to rise by the end of the year, with the expected addition of another newly completed office, Paya Lebar Green, to the market.

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