

HIGH-QUALITY OFFICE SPACES TO REMAIN A PRIORITY IN 2025

Office Market Trends Q4 2024



Vision Exchange

Companies are prioritizing the optimization of their business operations in light of prevailing economic uncertainties, rather than to pursue expansionary initiatives. New leases may continue to decline as organizations may retain their current spaces while they wait for opportunities to relocate to higher-quality facilities this year.



OrangeTee
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RENTAL TREND

During the fourth quarter of 2024, economic uncertainties continued to impede the expansion plans of some international firms. These firms focused on optimizing their business operations through talent retention and investing in new technologies and digitalization, particularly those situated in central regions or desirable locations. As such, more companies have opted to retain their current office spaces, while they wait for opportunities to relocate to higher-quality offices.

As a result, fewer leasing contracts were signed last quarter. According to data from the Urban Redevelopment Authority (URA), overall rental volume fell marginally by 3.8 per cent from 1,484 units in Q3 2024 to 1,427 units in Q4 2024 (Chart 1). Similarly, over the same period, a 5.8 per cent drop was observed in the rental volume in the Central Area, while a 1.3 per cent and 0.9 per cent increase was seen in the Fringe Area* and Suburban Area**, respectively. For the whole of 2024, 5,959 office units were leased, a 4.8 per cent drop from 6,261 units in 2023.

Due to a decline in leasing demand, overall office rents decreased by 0.9 per cent last quarter, which was a further decline from the 0.5 per cent drop in the prevailing quarter (Chart 2). Office rents in the Central Area dipped by 1.2 per cent quarter-on-quarter (q-o-q) while the Fringe Area posted a 0.6 per cent q-o-q growth. On a yearly basis, overall rents remained stable compared to a 13.1 percent increase in 2023. The downward pressure on the rental index may have been due to the significant increase in office supply this year, particularly with the completion of IOI Central Boulevard Towers, which added 1.2 million square feet of office space to the market.

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

Chart 1 Fewer rental contracts signed in Q4 2024

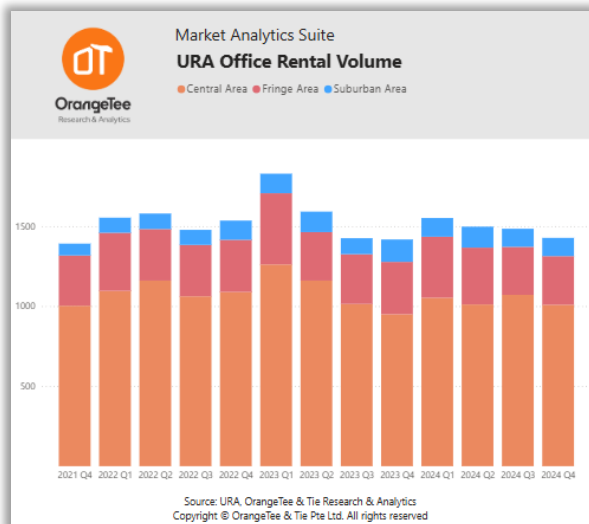
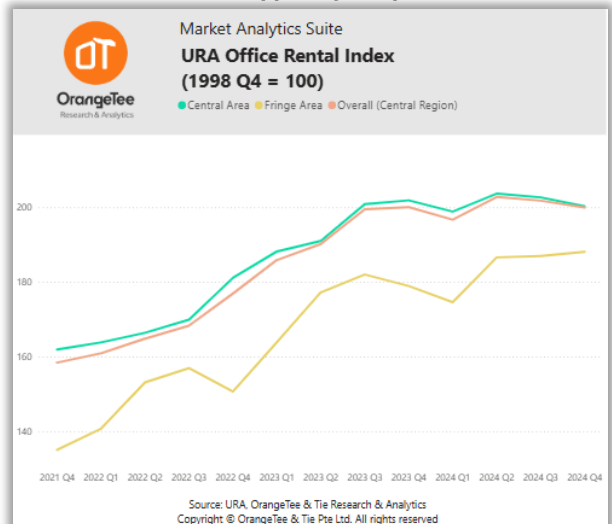


Chart 2 Overall rents dipped by 0.9 per cent



STOCK AND OCCUPANCY

In Q4 2024, approximately 14,600 square meters (sqm) of office space was completed, bringing a total of 235,876 sqm of space into the market in 2024. This was more than double the amount of space completed in 2023 at about 103,466 sqm. This was largely due to the completion of the 1.2 million sqft IOI Central Boulevard Towers in the second and third quarters of 2024.

Despite the increase in supply, vacant office spaces decreased by 29,000 sqm (Chart 3). This decline is attributed to more tenants occupying the new office spaces completed in previous quarters. Consequently, the vacancy rate for Category 1 offices dipped from 10.3 per cent in Q3 2024 to 9.1 per cent in Q4 2024. Meanwhile, the vacancy rate for Category 2 offices remained unchanged at 11.3 per cent (Chart 4).

Chart 3 Change in available & occupied office spaces

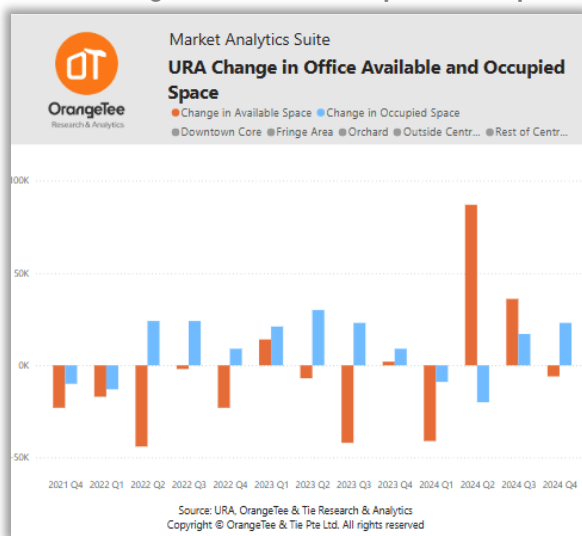
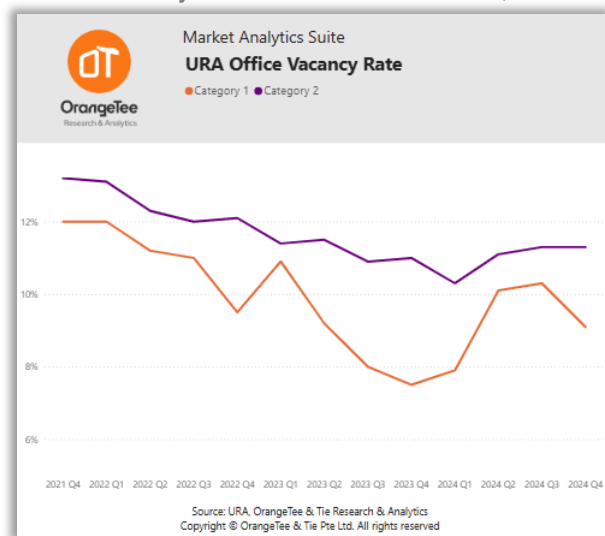


Chart 4 Vacancy rate for Cat 1 offices fell in Q4 2024



PRICE TREND

In Q4 2024, office prices fell after experiencing two consecutive quarters of growth. Due to ongoing economic uncertainties stemming from trade disputes and geopolitical tensions, many investors chose not to pursue new office investments. As a result, sellers of office space adjusted their expectations and accepted lower offer prices.

URA data revealed that the overall office price index dipped by 0.7 per cent from 113.9 in Q3 2024 to 113.1 in Q4 2024 (Chart 5). Office prices within the Central Area fell by 0.9 per cent q-o-q, while those in the Fringe Area rose by 0.6 per cent over the same period. For the whole of 2024, office prices grew by 1.8 per cent, rebounding from a 4.2 per cent decline in 2023 (Chart 6). This marks the first annual price growth since 2018, when prices rose by 5.7 per cent.

Despite the prevailing economic uncertainties, business sentiment is still stronger than during the Covid-19 period. Consequently, a price recovery was observed throughout 2024, even though there was a decline in prices in the final quarter of the year. Previously, firms tended to prioritize cost management and stability instead of making new investments in office spaces.

Chart 5 Overall prices dipped by 0.7 per cent q-o-q

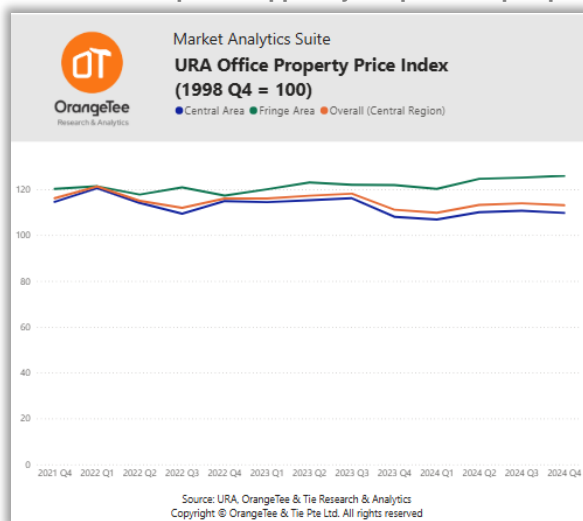


Chart 6 Office prices grew by 1.8 per cent in 2024

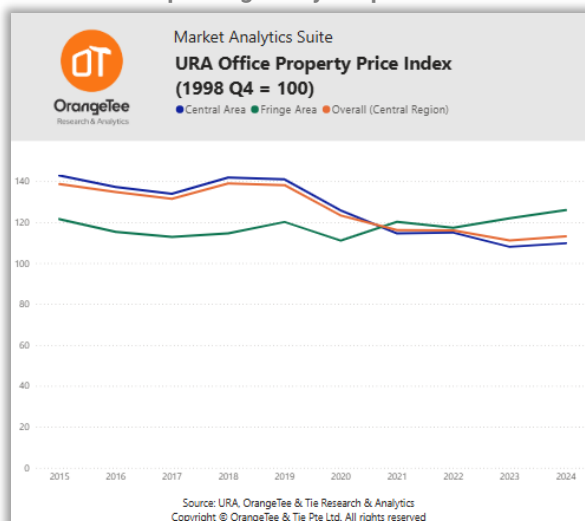
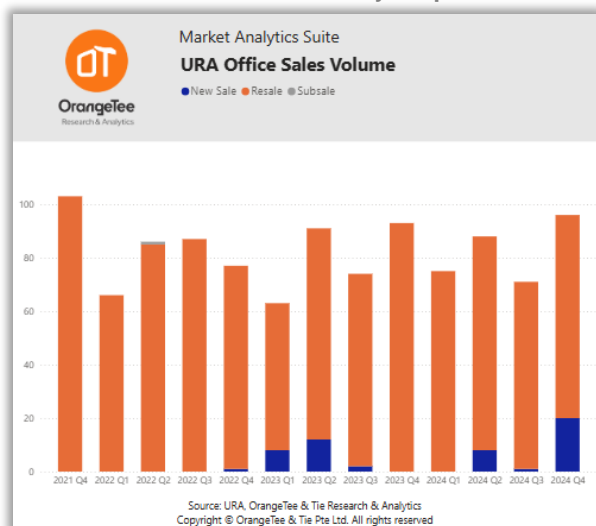


Chart 7 Overall office sales rose by 8.6 per cent



SALES VOLUME

During the last quarter, there was an increase in office sales, largely driven by the sale of new office units in the mixed-development project, One Sophia.

According to URA data, the number of sales transactions rose by 8.6 percent, increasing from 71 units in Q3 2024 to 96 units in Q4 2024 (Chart 7). Of these transactions, 20 were new sales from One Sophia.

One Sophia attracted investors due to its prime location, strong potential for capital appreciation, and possibility of generating good rental yields.

Table 1 Top office sales in Q4 2024 (Above \$10 million)

S/N	Project Name	Address	Area (SQFT)	Transacted Price (\$)	Unit Price (\$PSF)
1	Suntec Tower One	7 Temasek Boulevard (3 units)	11,787	35,888,888	3,045
2	-	108 Robinson Road #10-01	4,736	18,438,800	3,893
3	Suntec Tower Three	8 Temasek Boulevard #40-02	4,833	16,432,200	3,400
4	GB Building	143 Cecil Street (4 units)	5,500	10,880,000	1,978
5	Suntec Tower One	7 Temasek Boulevard #13-02	3,498	10,319,100	2,950

Source: URA, OrangeTee & Tie Research & Analytics

The total sales value fell by 23.4 per cent to S\$298.5 million last quarter from S\$389.6 million in Q3 2024. The top sale belonged to three units at Suntec Tower One that changed hands for about S\$35.9 million (Table 1). This was followed by an office unit along Robinson Road, a unit at Suntec Tower Three, four units at GB building, and another unit at Suntec Tower One, which sold for S\$18.4 million, S\$16.4 million, S\$10.9 million and S\$10.3 million, respectively.

Office Market Summary

Indicators	2022	2023	Q3 2024	Q4 2024	2024	Projections for 2025
Price Index (% Change)						
Overall (Central Region)	-0.1%	-4.2%	0.6%	-0.7%	1.8%	NA
Central Area	0.3%	-6.0%	0.6%	-0.9%	1.6%	NA
Fringe Area	-2.4%	3.9%	0.4%	0.6%	3.3%	NA
Sales Volume (Units)						
Total Sale (New Sales + Resale + Sub-sale)	316	321	71	96	330	NA
New Sale	1	22	1	20	29	NA
Resale	314	299	70	76	301	NA
Rental Index (% Change)						
Overall (Central Region)	11.7%	13.1%	-0.5%	-0.9%	0%	0% to 2%
Central Area	11.9%	11.5%	-0.5%	-1.2%	-0.8%	NA
Fringe Area	11.6%	18.8%	0.2%	0.6%	5.1%	NA
Rental Volume (Units)						
Overall	6,144	6,261	1,484	1,427	5,959	5,900 to 6,100
Central Area	4,407	4,385	1,071	1,009	4,144	NA
Fringe Area	1,332	1,386	300	304	1,340	NA
Suburban Area	405	490	113	114	475	NA

Source: URA, OrangeTee & Tie Research & Analytics

Outlook

Office space investors and tenants will likely remain apprehensive about making major purchasing or leasing decisions this year amid the persistent economic uncertainties, stemming from potential policies implemented by the recently-elected US President Trump, and the ongoing geopolitical tensions. Many are expected to focus on alternative strategies to sustain or grow their businesses, primarily through attracting and retaining workers, or investing in new technologies and digitalization to improve business productivity. Therefore, fewer new leases may be signed this year.

In the meantime, the availability of new office supply will be limited, with approximately 162,000 square meters of office space set to be added to the market. This new supply includes the completion of the office components of Keppel South Central, Shaw Towers, Paya Lebar Green, and Punggol Coast Mall.

With these factors in mind, office rents may rise moderately by up to 2 per cent and about 5,900 to 6,100 new leases could be signed in 2025.

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