RENTS REMAIN STABLE DESPITE MACROECONOMIC UNCERTAINTY

Office Market Trends Q1 2025

Vision Exchange

In the first quarter of 2025, CBD Grade A office rents remained flat for a ninth consecutive quarter. Amid the ongoing economic uncertainity, leasing activity was primarily driven by lease renewals and flight-to-quality moves into smaller CBD office spaces.

OrangeTee Research & Analytics
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Uncovering Trends Through Data Analytics+

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Rental Trend | Stable

Office rents remained relatively stable in the first quarter of 2025. According to data from the Urban Redevelopment Authority (URA), office rents in the central region rose by 0.3 per cent quarter-on-quarter (q-o-q) in Q1 2025, following two consecutive quarters of decline. Rents in the Central Area, a subset of the central region, posted a marginal increase of 0.1 per cent q-o-q (Figure 1).

Within the Central Area, the average rent of Grade A offices in the Central Business District (CBD) remained stable at S$9.80 psf in Q1 2025 for the 9th consecutive quarter. This is because CBD Grade A office rents in Raffles Place and Shenton Way/ Robinson Road/ Tanjong Pagar have been holding firm (Table 1).

Amid the economic uncertainties driven by ongoing geopolitical tensions and trade policies, the demand for Grade A CBD office spaces remained strong due to lease renewals and flight to quality moves among tenants. As a result, demand rose for smaller, more modern office spaces in the CBD. Some firms were also using shadow office space more effectively such as repurposing previously underutilized area to accommodate hybrid work models.

Looking ahead, many firms will likely adopt a wait-and-see approach before committing to expansionary plans or opting for larger and higher-quality office spaces. Consequently, tenants may continue to favour lease extensions or utilize shadow spaces to manage high business costs.

Figure 1: URA office rental index

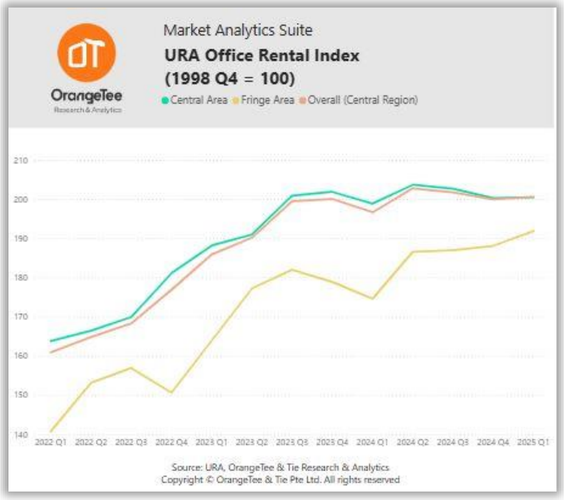


Table 1: Average office rents of Selected CBD micro-markets

Selected CBD Micro-markets	Q4 2024	Q1 2025	Q-o-Q % Change
Marina Bay (Premium)	S$12.90	S$12.90	0%
Raffles Place (Grade A)	S$10.55	S$10.55	0%
Shenton Way/ Robinson Road/ Tanjong Pagar (Grade A)	S$9.00	S$9.00	0%
CBD Grade A	**S$9.80**	**S$9.80**	**0%**

Source: URA, OrangeTee & Tie Research & Analytics, ETC Research

Occupancy | Marginal decline

In Q1 2025, URA data showed a marginal decline in the island-wide occupancy rate of office spaces, slipping by 1.1 percentage points q-o-q to 88.2 per cent from 89.4 per cent in Q4 2024. The decline may be attributed to an increase in available office space following the completion of two new offices – Keppel South Central (in the Downtown Core) and Paya Lebar Green (in the Fringe Area). As a result, occupancy rates in both the Downtown Core and Fringe Areas have similarly dropped by 1.4 percentage points (Figure 2).

Office data from ETC Research (part of Realion Group) showed that the island-wide net absorption of office spaces was 518,000 sq ft NLA last quarter. This figure includes 214,000 sq ft NLA net absorption of office space within the CBD area, but excludes approximately 192,000 sq ft NLA pre-committed to Keppel South Central (Figure 3). Over the same period, non-CBD offices in the central region experienced a 146,000 sqft NLA increase in net absorption, driven by the 90,000 sqft and 41,000 sqft net absorption in the City Hall/Bugis and Bras Basah areas, respectively. Meanwhile, decentralized offices recorded a negative net absorption of 35,000 sqft NLA last quarter despite pre-committed office spaces in Paya Lebar Green. This can be attributed to office spaces being vacated in the Alexandra and Paya Lebar areas.

Shadow space saw its first decline after three consecutive quarters of increases. Data from ETC Research showed that it fell by 14.4 per cent q-o-q to 373,000 sqft in Q1 2025 from 436,000 sqft NLA in the preceding quarter. The decline can be attributed to an increased preference for CBD office spaces, which underscores the robust demand for corporate offices in central locations.

Figure 2: URA Office Occupancy rates

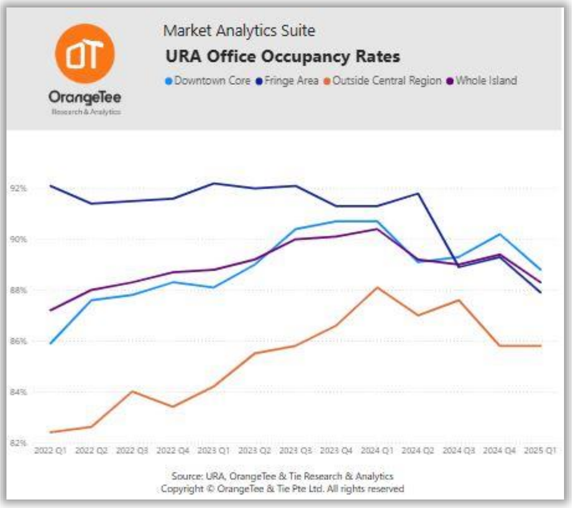
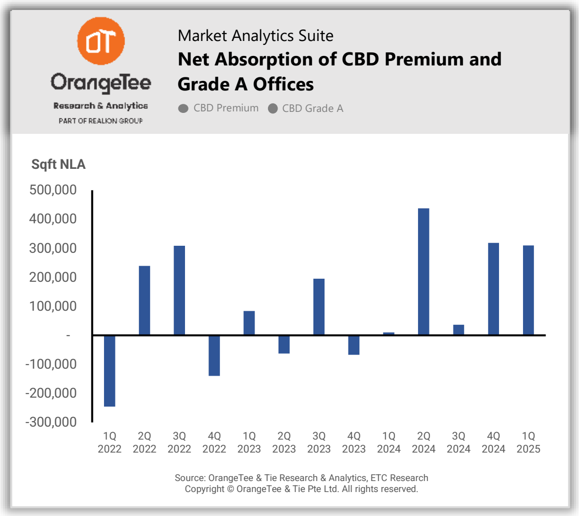


Figure 3: Net absorption of CBD Premium and Grade A offices



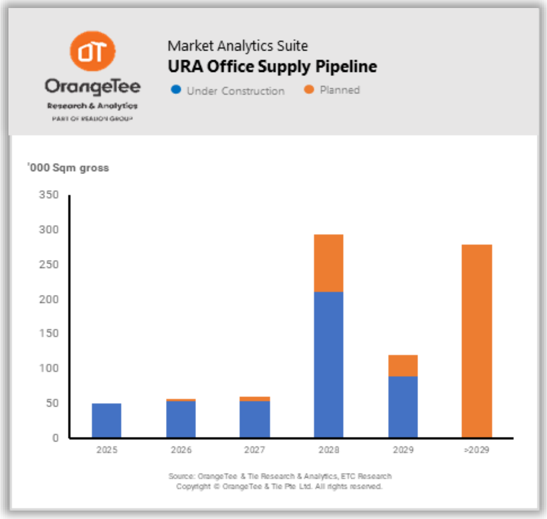
Artist's impression of Vision Exchange

Supply | Two new completions

According to URA data, about 112,000 square metre (sqm) GFA of office space was completed in Q1 2025, a seven-fold increase compared to the 14,600 sqm GFA completed in the preceding quarter. This was primarily attributed to the addition of 93,300 sqm GFA from the two newly completed offices. Addition & Alteration (A&A) works on the office components of Cross Street Exchange, The Cathay, and the Punggol Coast Mall also contributed to the quarterly total.

The rest of 2025 may witness limited new office supply, with a projected completion of only 50,000 sqm GFA (Figure 5).

Figure 5: URA Supply pipeline



Investment Sales | Stable sales

Office investment sales maintained a stable level in the first quarter of 2025, compared to Q4 2024. The total investment sales fell by 73.1 per cent q-o-q from S$778 million in Q4 2024 to S$210 million in Q1 2025.

Investors are likely to remain cautious about new investment deals as they continue to monitor the trade war situation, which will affect the trajectory of interest rates. A potential interest rate cut may boost investor confidence in the office sector.

In the last quarter, there was only one collective sale, which totalled S$25 million. This sale involved Tannery Holdings Pte Ltd, an existing shareholder, acquiring additional shares in Woodlands Square Pte Ltd, a private limited company that owns and develops Wood Square. In addition, the largest investment sale during the same period was a 24th-storey strata-titled office unit located at 20 Collyer Quay, which sold for S$91.8 million.

Table 2: Investment sales in Q1 2025 (Above S$10 million)

Project Name	Address	Area (Sqft)	Transacted Price (S$)
N.A.	20 Collyer Quay #24-XX	29,160	91,800,000
Tokio Marine Centre	20 Mccallum Street #05/06/07-XX	19,052	67,530,000
Woods Square	Woodlands Square	N.A.	25,000,000
Suntec Tower Three	8 Temasek Boulevard #24-XX	4,801	15,363,200
One Sophia	1 Sophia Road #05-XX	3,380	10,261,000

Source: URA, The Business Times, OrangeTee & Tie Research & Analytics

Outlook | Resilient demand; Limited supply

Despite the recent 90-day agreement between the U.S. and China to reduce steep tariffs, which aims to ease their trade war and potentially create downward pressure on inflation (possibly leading to lower interest rates), significant economic uncertainty still exists. This ongoing uncertainty is likely to continue affecting interest rate policies, which, in turn, would influence the expansion plans of investors and tenants.

Nonetheless, Singapore's status as a regional business hub may continue to appeal to global businesses, potentially sustaining the demand for offices.

Concurrently, new office supply remains limited this year, with mainly the redevelopment of the Shaw Towers. This is expected to encourage greater take-up of office spaces in recently completed offices, potentially supporting rental growth.

In light of these considerations, we maintain our rent forecast, anticipating a moderate increase of up to 1.5 per cent for the current year.

Office Market Projection

Indicators	2022	2023	2024	Q4 2024	Q1 2025	Projection for 2025
URA Rental Index (% Change)						
Overall (Central Region)	11.7%	13.1%	0%	-0.9%	0.3%	0% to 1.5%
Central Area	11.9%	11.5%	-0.8%	-1.2%	0.1%	N.A.
Fringe Area	11.6%	18.8%	5.1%	0.6%	2.0%	N.A.

Source: URA, OrangeTee & Tie Research & Analytics

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