Q2 2025

Commercial

Office, Industrial, Retail

Upticks In Commercial Sector

A product by Realion Research

At A Glance | Q2 2025

			QoQ Change	YoY Change
Office		CBD Grade A Rents: **S$9.80 psf**	0.0%	0.0%
		Occupancy Rate: **95.0%**	0.5% pt	0.2% pt
		Shadow Space: **420,000 sq ft**	12.4%	25.6%
		Supply Pipeline: **6.3 million sq ft (H2 2025 to 2029)**		
Industrial		Multiple-User Factory Rents: **S$2.09 psf**	0.0%	1.0%
		Occupancy Rate: **88.8%**	-0.2% pt	-0.2% pt
		All Industrial Price Index: **109.6**	1.4%	5.5%
		Supply Pipeline: **35.8 million sq ft (H2 2025 to 2029)**		
Retail		Orchard/Scotts Road 1st Storey Rents: **S$41.60 psf**	0.5%	1.5%
		Supply Pipeline: **1.8 million sq ft (H2 2025 to 2029)**		

Key Highlights

Office

CBD Grade A rents remained unchanged at S$9.80 psf in Q2 2025, despite occupancy rates increasing by 0.5 percentage points.

Shadow space rose 12.4 per cent to approximately 420,000 sq ft net lettable area. The supply pipeline is expected to be constrained from 2025 to 2027, but completions may rise in 2028 and 2029.

Industrial

Multiple-user factory rents remained stable at S$2.09 psf in Q2 2025, as occupancy rates fell 0.2 percentage points to 88.8%.

Overall industrial price index increased by 1.4 per cent in Q2 2025. Approximately 4.5 million sq ft of gross floor area was added to the total industrial stock.

Retail

Retail rents increased across all segments with Orchard/Scotts Road 1st storey rents recording S$41.60 psf in Q2 2025.

We anticipate a limited new supply of retail spaces from now until 2028. The lack of new completions will favour rental rate growth for existing retail properties.

Office | Stability Through Selectivity

Rental Trend

Stable amidst uncertainties

- Office rents remained relatively flat for the first half of 2025. According to data from the Urban Redevelopment Authority (URA), office rents in the Central Region declined by 0.3 per cent quarter-on-quarter (q-o-q) in Q2 2025, reversing the 0.3 per cent increase in Q1 2025.

- The rental index in Central Area posted a 0.4 per cent q-o-q decline in Q2 2025, more than reversing the 0.1 per cent rise in Q1 2025 (Figure 1).

- Within the Central Area, Central Business District (CBD) Grade A office rents remained unchanged at S$9.80 psf in Q2 2025 for the 10th consecutive quarter, as tenants favoured smaller office spaces upon renewals or rightsized for operational efficiency.

Figure 1: URA Office Rental Index

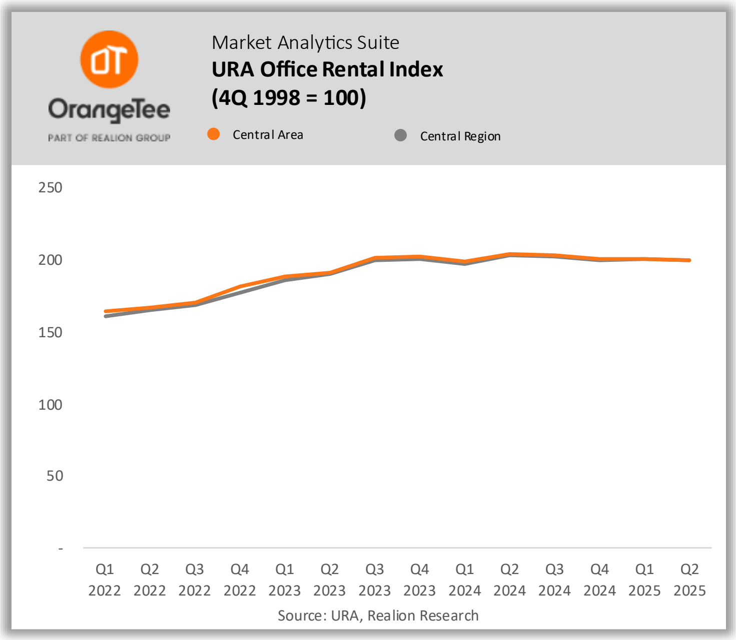


Table 1: Selected CBD micro-market rents

Selected CBD micro-market	Q1 2025	Q2 2025	Q-o-Q Change	Occupancy Rate
Marina Bay (Premium)	S$12.90 psf	S$12.90 psf	0.0%	95.3%
Raffles Place (Grade A)	S$10.55 psf	S$10.55 psf	0.0%	95.4%
Shenton Way/ Robinson Rd/ Tanjong Pagar (Grade A)	S$9.00 psf	S$9.00 psf	0.0%	85.5%

Source: Realion Research

Sales Trend

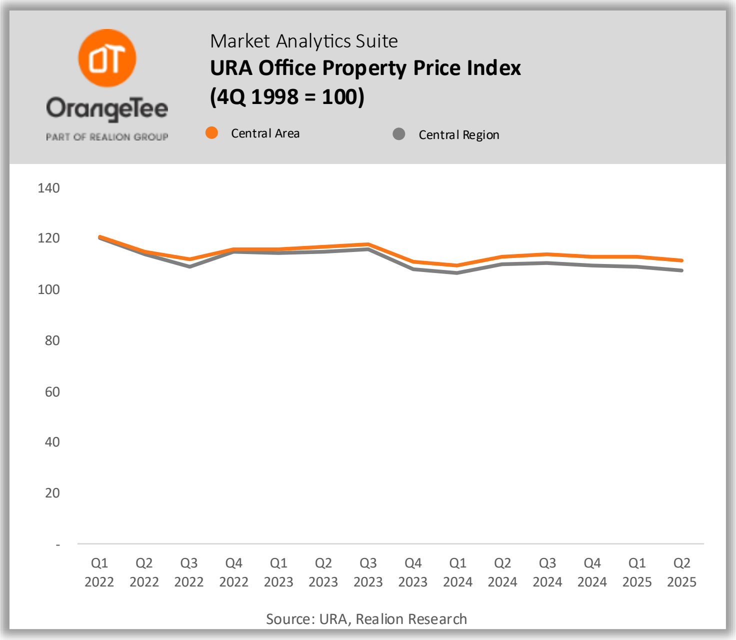
Boosted by corporate deals

- Office prices continued their declining streak for the 4th consecutive quarter. URA's office space property price index for the central region declined 1.1 per cent q-o-q in Q2 2025 to 111.7 from 112.9 in Q1 2025. On a year-on-year (y-o-y) basis, prices declined 1.3 per cent.

- Despite the decline in the URA price index, total office sale quantum rose to S$1.17 billion in Q2 2025 from S$0.37 billion in Q1 2025, representing a 218.7 per cent increase.

- Office transactions, being irregular and deal-driven in nature, were boosted by a corporate sale and purchase agreement for a 50.1 per cent stake in South Beach. City Developments Limited sold the mixed-development project to its joint-venture partner, IOI Properties Group, for an estimated sale consideration of S$834.20 million.

Figure 2: URA office property price index



Occupancy

Demand for Premium and Grade A

- Occupancy rates rose across all market segments in the Central Area (CBD), the broader Central Region, and Outside Central Region (OCR). Realion's island-wide occupancy rates rose to 95.0 per cent in Q2 2025 from 94.5 per cent in Q1 2025, with an island-wide net absorption of 365,000 sq ft in net lettable area (NLA).

- The CBD area recorded a 0.4 percentage point increase in occupancy rates to 94.0 per cent and 157,000 sq ft in NLA of net absorption in Q2 2025. The demand was supported by renewals and a continual shift towards higher-grade office spaces.

- On the other hand, leasing demand for Grade A and premium office spaces held steady in non-CBD areas. In the non-CBD areas of the Central Region, occupancy rates rose modestly by 0.3 percentage points to 97.0 per cent, with a net absorption of 61,000 sq ft in NLA.

- In the decentralised areas or OCR, occupancy rates rose to 94.7 per cent from 94.0 per cent, with a net absorption of 147,000 sq ft NLA. Q2's increased leasing activities reversed the two preceding quarters of declines. Tampines and Alexandra contributed 81,000 sq ft and 65,000 sq ft of NLA, respectively.

- More tenants could be looking for opportunities to move or downsize their office spaces. Shadow space rose to 420,000 sq ft NLA in Q2 2025, representing a 12.5 per cent q-o-q increase from the 373,000 sq ft NLA recorded in Q1 2025. (Figure 4).

Figure 3: URA office occupancy rates

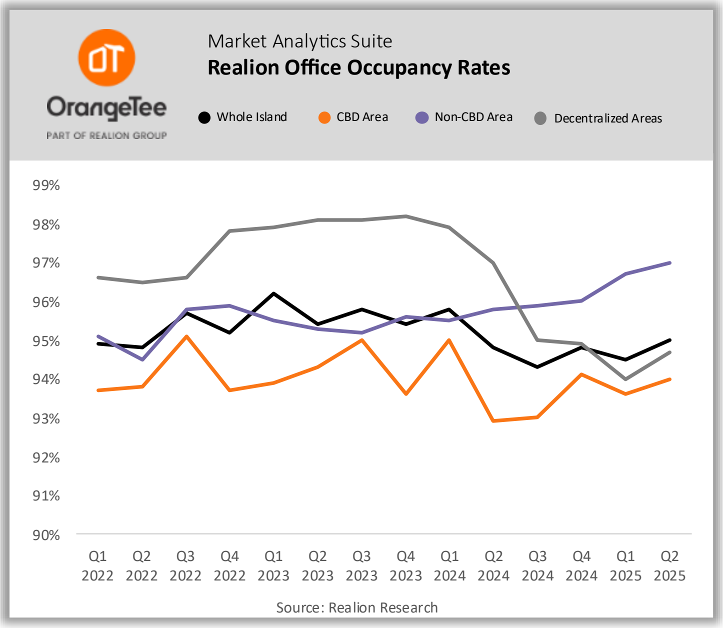
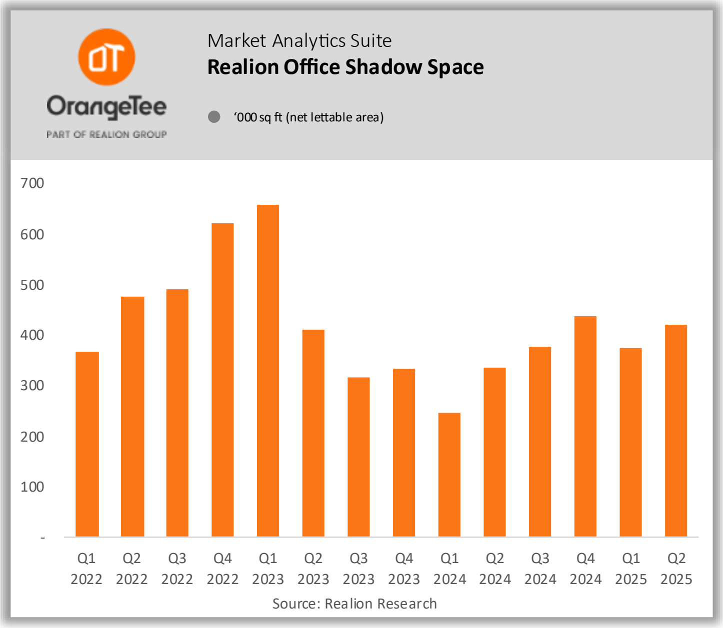


Figure 4: Shadow space



Office | Stability Through Selectivity

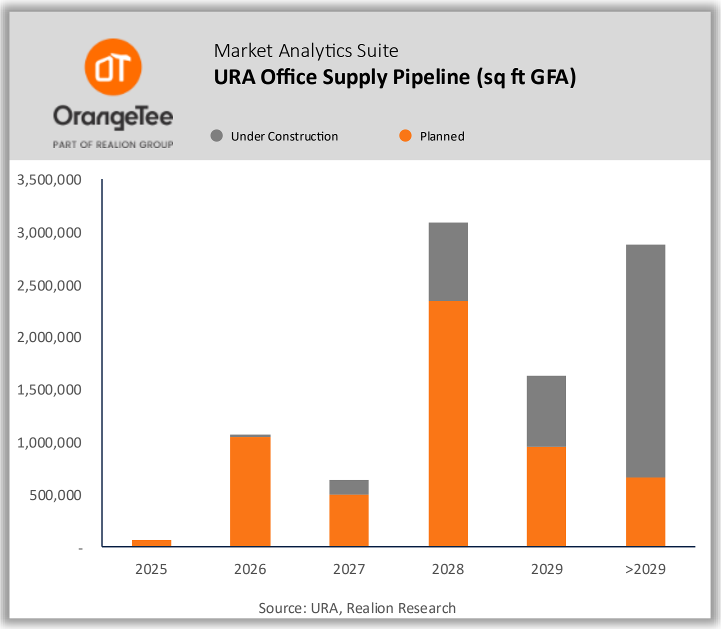
Supply

Limited supply pipeline until 2027

- The supply pipeline is expected to stay limited. A total of 1.78 million sq ft gross floor area (GFA) could be added for the rest of 2025 until 2027.

- Notable projects in the pipeline include Shaw Towers, which will contribute 477,000 sq ft GFA and is expected to be completed in 2026, Newport Tower with 257,000 sq ft GFA in 2027, and Clifford Centre with more than 500,000 sq ft GFA in 2028.

Figure 5: URA Office supply pipeline



Outlook

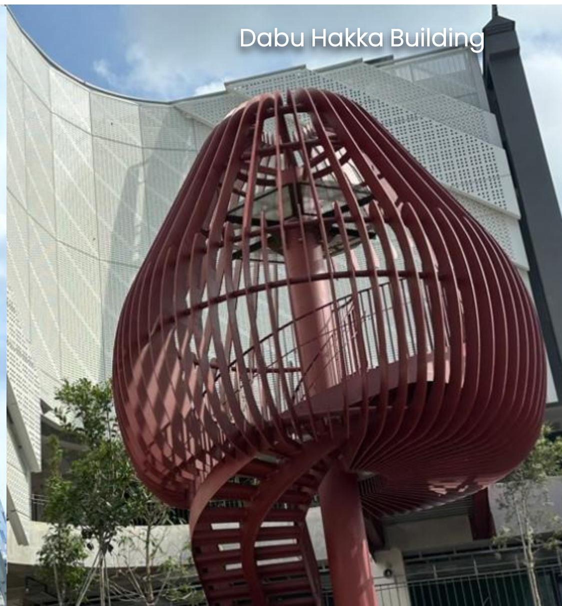
Favourable interest rate environment

- The Ministry of Trade and Industry's (MTI) advanced GDP estimates showed that Singapore' economy grew by 4.3 per cent y-o-y in Q2 2025. Growth was mainly driven by trade-related clusters. Economic growth for 2H 2025 is expected to moderate as output levels may pull back due to global trade uncertainties.

- Nonetheless, interest rates are expected to continue their downward trend for the rest of the year. The 3-month compounded Singapore Overnight Rate Average (SORA) on the Monetary Authority of Singapore (MAS) have continued to decline at a steady rate of 50 basis points per quarter since Q4 2024 to Q2 2025.

- The lower interest rate environment may boost interest in both price and rents within the office sector. Investors are likely to evaluate opportunities based on total returns. We expect prices for central region office spaces to grow by 1 to 2 per cent in 2025.

- Office rental demand is expected to remain tepid for the rest of 2025. Tenants may be cautious as they approach office leasing and/or renewals due to the global trade uncertainties. This could be balanced by a limited supply of office space from 2025 to 2027. Therefore, the net impact may see CBD premium and Grade A office space rents holding steady or growing by up to 1 per cent this year.



Artist's impression of Food Vision

Industrial | Stable Amid Uncertainty

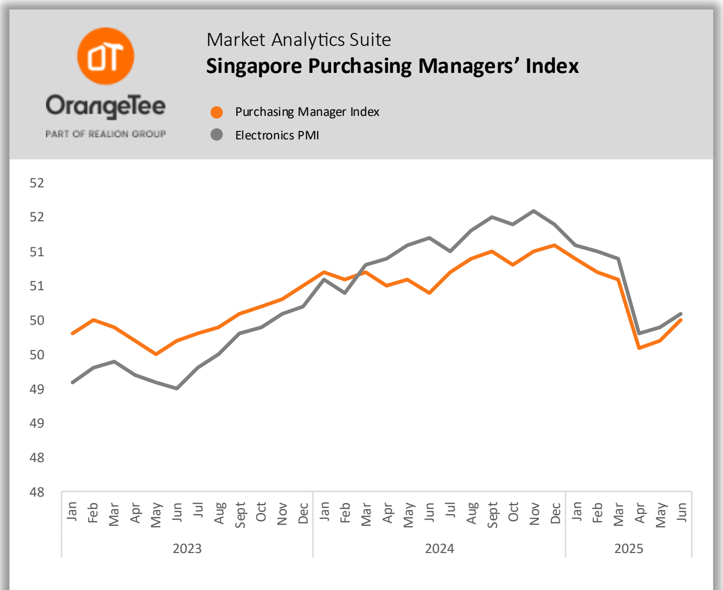
Manufacturing Performance

Signs of Caution

- The manufacturing sector slowed in Q2 2025 with global trade policy and tariffs concerns disrupting supply chains. Based on data from the Singapore Institute of Purchasing and Materials Management (SIPMM), the Purchasing Managers' Index (PMI) declined to 50.0 in June 2025 from 50.6 in March 2025 (Figure 6), dipping below the 50.0 PMI in April and May 2025.

- A reading below 50 indicates that the manufacturing sector is declining, while a reading above 50 signifies growth.

Figure 6: Singapore purchasing managers' index (PMI)



Source: SIPMM, Realion Research

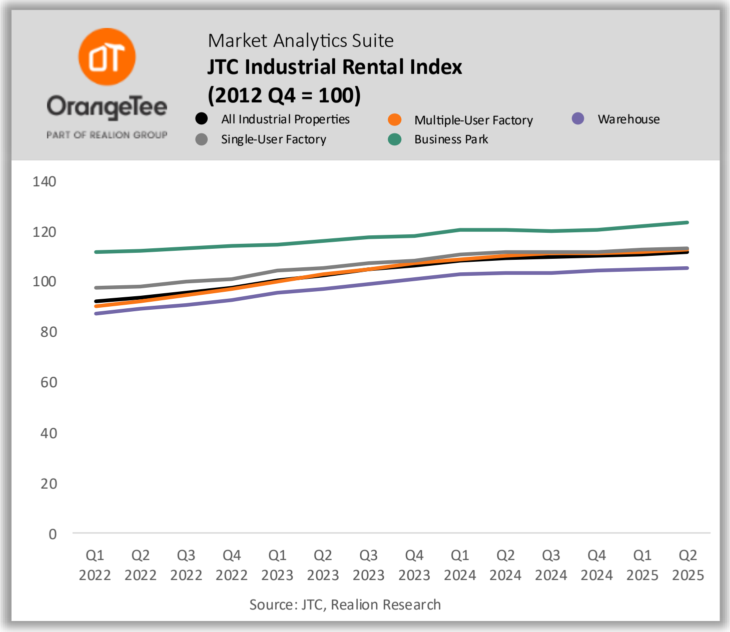
Rental Trend

Rents rise modestly amidst demand

- Industrial rents rose across the board, with the overall JTC rental index for all industrial property increasing by 0.7 per cent q-o-q to 111.5 in Q2 2025. In contrast, rents across our tracked industrial basket remained broadly unchanged over the same period.

- Rental volume rose by 11.7 per cent q-o-q to 3,360 units in Q2 2025, driven by increases in Multiple-User Factories (13.8 per cent), Single-User Factories (10.8 per cent), and Warehouses (8.2 per cent). In contrast, Business Park rental volumes fell by 15.1 per cent.

Figure 7: JTC industrial rental index



Sales Trend

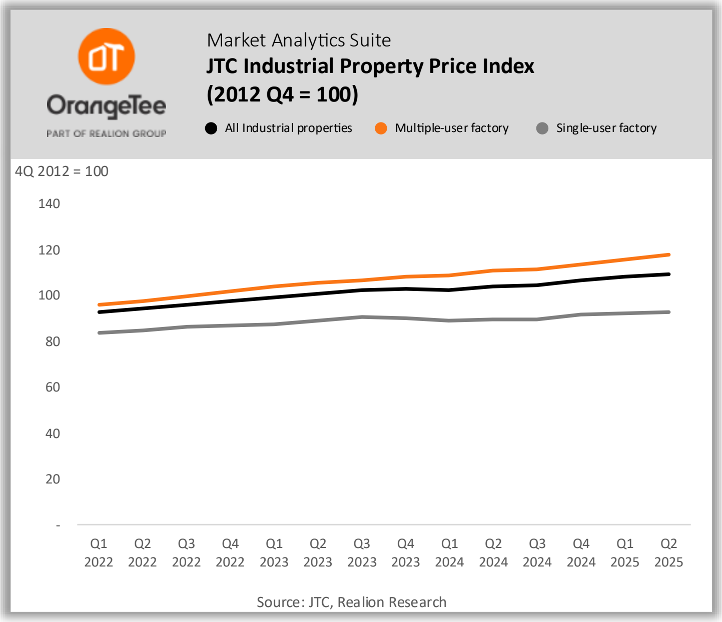
Steady Growth

- Industrial property prices continued to grow steadily in Q2 2025, notwithstanding the global trade and economic uncertainties. The JTC industrial property price index for all industrial properties increased by 1.4 per cent q-o-q and by 5.5 per cent over the preceding year. The price growth was driven largely by multiple-user factories, which posted a quarterly increase of 1.7 per cent compared to the 0.4 per cent growth for single-user factories.

- Transaction volume in Q2 2025 was higher when compared to the preceding quarter. Based on caveat data, 461 industrial properties were transacted in Q2 2025, representing a 12.8 per cent increase from the 407 transactions in Q1 2025.

- Total industrial sales quantum in Q2 2025 increased by 20.7 per cent to S$928.2 million from S$769.2 million in Q1 2025. The largest caveated transaction was a multiple-user factory in the Marsiling industrial estate, sold for S$135.2 million in May 2025. The multiple-user factory was one of the three properties divested by MapleTree Industrial Trust in Q2 2025.

Figure 8: JTC industrial property price index



Industrial | Stable Amid Uncertainty

Occupancy

Positive absorption

- Overall industrial occupancy slipped marginally to 88.8 per cent in Q2 2025 from 89.0 per cent in Q1 2025 due to an increase in new completions.

- The decline in overall occupancy rates was attributed to the warehouse and multiple-user factory segments. The warehouse occupancies fell to 88.8 per cent from 90.5 per cent in Q1 2025, while multiple-user factory occupancies declined to 91.0 per cent in Q2 2025 from 91.3 per cent in the previous quarter. In contrast, demand for Business Parks rose to 76.7 per cent from 75.9 per cent. Similarly, single-user factories rose to 89.0 per cent from 88.6 per cent over the same period.

- Despite a marginal dip, net absorption remained positive at about 3.1 million sq ft of NLA. The decline in occupancies was due to new supply from JTC Space @ Ang Mo Kio and the final phase of Punggol Digital District.

Figure 9: JTC industrial property occupancy rate

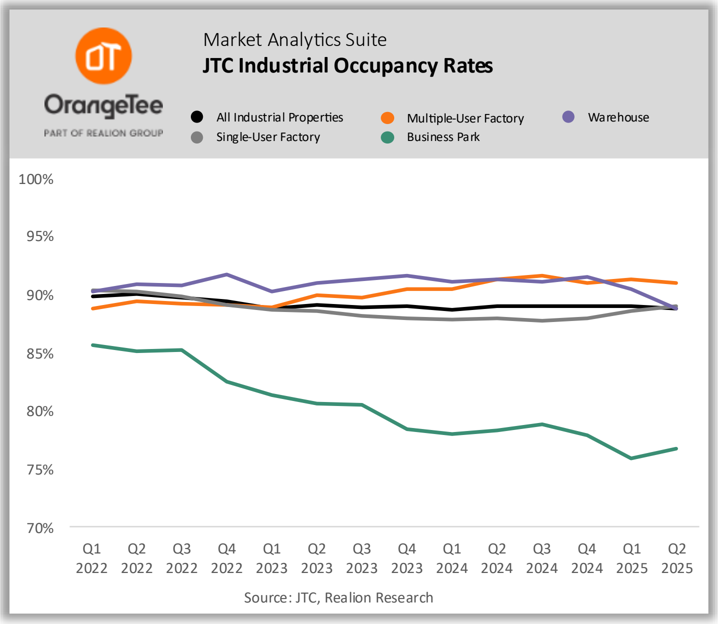
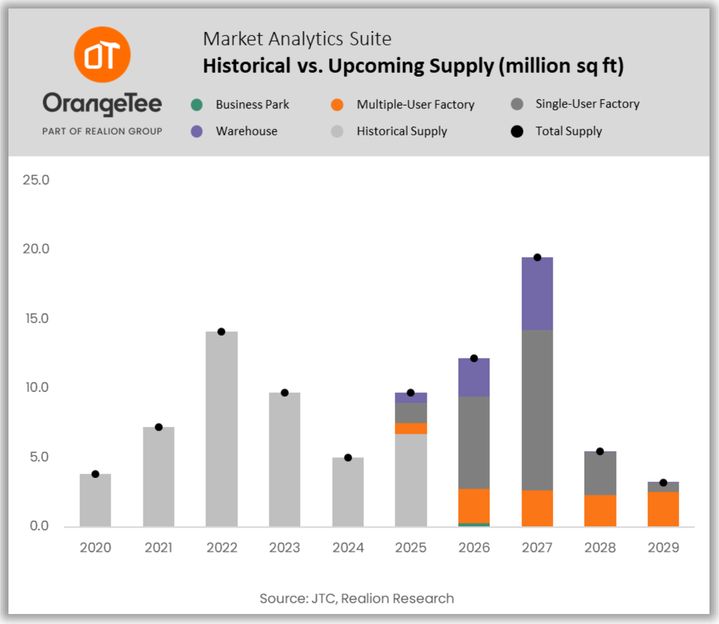


Figure 10: JTC historical and upcoming supply



Supply

More supply ahead

- In Q2 2025, around 4.5 million sq ft GFA was added to the total industrial stock. Based on planning approvals as of June 2025, an additional 3.0 million sq ft of industrial space is expected to be completed over the remainder of the year. Multiple-user factory space accounts for 27 per cent of the upcoming supply, while warehouse space makes up 25 per cent. The remaining supply comprises of single-user factory space.

Outlook

Uncertainties remain

- The manufacturing sector is expected to face continual global trade uncertainties and headwinds as the end of the 90-day US tariff pause takes effect. Tariff headwinds may weigh on the industrial sector and impact overall growth.

- Nonetheless, according to Singapore Economic Development Board (EDB), the manufacturing sector business outlook for the next six months recovered to a positive 5 per cent net weighted balance. Optimism in the electronics and precision engineering segments is expected to drive growth in the upcoming months.

- Furthermore, interest rates are expected to continue their downward trend for the rest of the year. The lower cost of borrowing will create a more favourable buying environment for investments in the commercial sector.

- The supply pipeline of industrial space completions may reach approximately 3.0 million sq ft GFA this year. The new supply may exert pressure on rents. We expect overall industrial rents to grow by 1 to 3 per cent in 2025

Retail | Demand Remains Steady

International Visitors Arrival

Tourism Momentum Sustained

- In Q2 2025, international visitor arrivals stood at 4.0 million, marking a 6.6 per cent decline from the 4.3 million recorded in the previous quarter. On a y-o-y basis, arrivals increased by 4.0 per cent. Demand from key source markets such as China and Indonesia remained stable during the quarter. The Singapore Tourism Board maintained its full-year forecast of 17.0 to 18.5 million international visitor arrivals, reflecting continued confidence in the tourism recovery.

Rental Trends

Retail Market holds steady

- In Q2 2025, Singapore's island-wide retail occupancy rate eased to 92.9 per cent, down from 93.2 per cent in the previous quarter. The largest decline was observed in the Other City Areas, where the occupancy fell from 92.5 per cent to 91.5 per cent. Orchard/Scotts Road recorded a slight decrease from 93.2 per cent to 93.1 per cent. Similarly, the Fringe/Suburban Areas occupancy rates decreased slightly from 93.5 per cent to 93.4 per cent. Despite the small declines, demand in suburban areas remained steady.

- In Q2 2025, prime first-storey rental rates on Orchard/Scotts Road increased by 0.5 per cent to S$41.60 psf, supported by limited new supply and steady tourism activity. Rents in Fringe/Suburban Area increased to S$34.50 psf, while the Other City Areas recorded an increase to S$ 19.50 psf.

- The overall rental growth is attributed to higher operational and staffing costs, following the implementation of new regulatory requirements for foreign workers. Leasing activity remained stable with many retailers relocating within malls. Meanwhile, consumer behaviour continues to be a key challenge for the retail sector.

Figure 11: International visitor arrivals

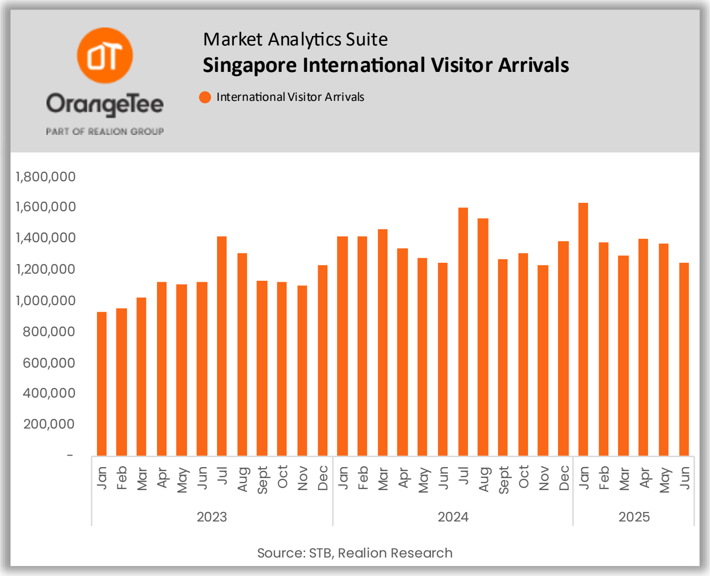


Figure 12: URA retail occupancy rate

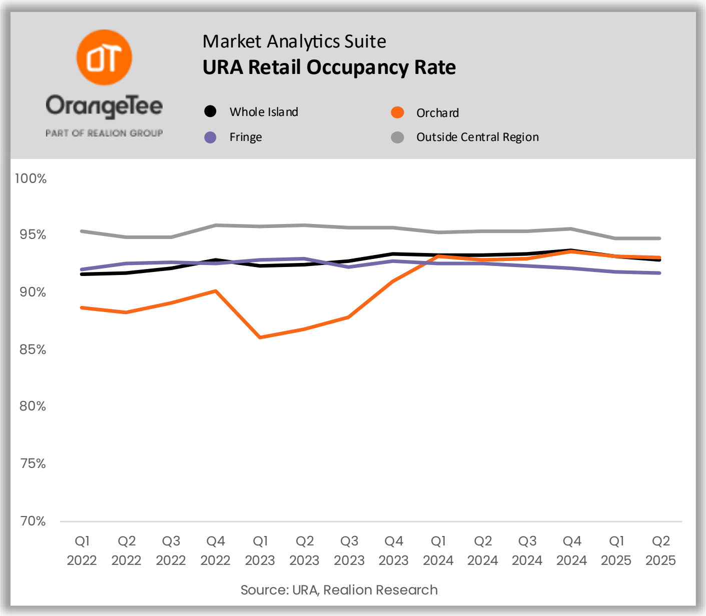


Table 2: Realion retail micro-market rents

	Q1 2025	Q2 2025	QoQ Change
Orchard/Scotts Road			
First Storey	S$ 41.40 psf	S$ 41.60 psf	0.5%
Upper Storey	S$ 15.50 psf	S$ 15.60 psf	0.5%
Other City Areas			
First Storey	S$ 19.40 psf	S$ 19.50 psf	0.5%
Upper Storey	S$ 8.65 psf	S$ 8.70 psf	0.5%
Fringe/Suburban Areas			
First Storey	S$ 34.35 psf	S$ 34.50 psf	0.5%
Upper Storey	S$ 18.30 psf	S$ 18.40 psf	0.5%

Source: Realion Research

Retail | Demand Remains Steady

Sales Trend

Investor Interest Remains Strong

- Two notable retail transactions were recorded last quarter. Frasers Property acquired Yishun 10 Cinema Complex for S$48 million in a sale-and-leaseback deal with Golden Village, and Jun Jie Development secured Tanjong Katong Complex site for S$90 million through a government tender. These reflect continued investor confidence in retail assets and redevelopment opportunities.

Outlook

Modest Rental Growth in Near Term

- There were no major retail project completions last quarter. The supply pipeline is expected to increase from 2028 onwards, with notable contributions from the Fringe/Suburban and Other City Areas. The upcoming supply reflects long-term confidence in retail demand and urban development, offering opportunities for retailers to expand into new and growing catchments.

- Retail rents in Singapore are expected to see continued modest growth in the near term, supported by limited supply in Orchard/Scotts Road and steady tourism activity. However, rising business costs and tighter manpower regulations are likely to keep retailers cautious, with leasing activity largely focused on relocations or downsizing rather than new store openings.

Figure 13: URA retail supply pipeline

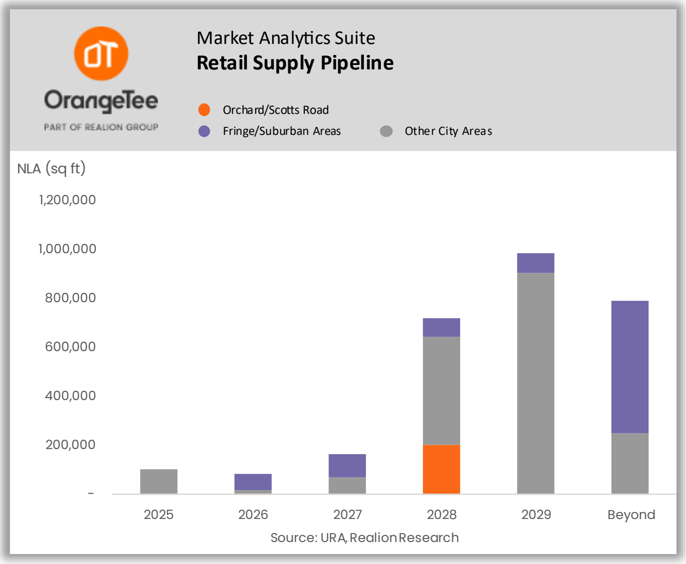


Table 3: Selected major upcoming development

Selected Major Upcoming Development	NLA '000 sq ft
2025	
CanningHill Square	90
Shaw Tower Redevelopment	11
2026	
Lentor Modern	65
ParkRoyal Collection Faber House	6
2027	
Clifford Centre Redevelopment	35
Chill @ Chong Pang	53
2028	
Harbourfront Centre Redevelopment	316
Forum mall, voco Orchard Hotel	202
2029	
Marina Square Redevelopment	660
Golden Mile Complex Redevelopment	87
	1,525

Source: Realion Research

Commercial | Projection Table

Indicators	2022	2023	2024	Q1 2025	Q2 2025	H1 2025	Projection for 2025
Office							
CBD Grade A Rents	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0% to 1%
URA Price Index (Central Region)	0.3%	-6.0%	1.6%	-0.6%	-1.0%	-1.6%	1% to 2%
Industrial							
JTC Overall Rental Index	6.9%	8.9%	3.5%	0.5%	0.7%	1.2%	1% to 3%
JTC Overall Price Index	7.5%	5.1%	3.5%	1.5%	1.4%	2.9%	2% to 4%
Retail (Prime 1st Storey)							
Orchard/Scotts Road Rents	5.1%	5.4%	2.7%	0.5%	0.5%	1.5%	1% to 3%
Other City Areas Rents	2.0%	1.5%	0.7%	0.0%	0.5%	0.6%	1% to 2%
Fringe/Suburban Areas Rents	5.3%	3.8%	1.9%	0.4%	0.5%	1.3%	1% to 2%

Source: URA, Realion Research

A product by Realion Research

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