MARKET IN MINUTES
Savills Research

Office



Brisk activity amid tight supply

Despite a cautious global outlook, the office leasing market appears to be experiencing much more activity compared to the start of 2025. With tight vacancies and limited new supply, rental growth momentum remains strong.

- Building on the momentum in Q2/2025, there has been more office leasing activity in Q3/2025, particularly for premium grade buildings. While companies are seen to be finding space to move to, this is more focused on cost savings, rather than business expansions.

- The office investment sales market saw a strong comeback in the quarter, after two consecutive quarters. Strong activity in the market was supported by the low-interest rate environment. While there was a surge in block transactions, the strata sales market turned lacklustre, with strata deals declining to four from 12 in Q2/2025.

- From Savills' in-house data, the vacancy rate of CBD Grade A offices remained unchanged at 7.0% in Q3/2025, after declining for two consecutive quarters. The quarter-on-quarter (QoQ) decrease in vacancy rates of Grade AAA and A offices were offset by an increase of 1.5 percentage points (ppts) in vacancy rate of Grade AA offices due to the inclusion of the newly completed Keppel South Central into the office stock.

- With the strong office occupancies at the back of a tight pipeline supply of new buildings, CBD Grade A office rents continued their upward trajectory for a sixth consecutive quarter by 0.8% QoQ to S$9.93 per sq ft in Q3/2025. This was the highest since Q1/2020 when office rents were at S$10 per sq ft. The steady take-up of office space amid easing interest rate concerns and limited office supply led to higher rental expectations of landlords.

- Owing to the lack of new supply for Grade A CBD offices from now to end-2027, we believe that office rents for Grade A offices should continue to rise at rates about 2-3% per annum for the next two years. Arising from substitutive effects, rents for non-Grade A CBD office rents may rise by similar amounts.

"Notwithstanding uncertain business conditions, the lack of supply of premier grade offices in the CBD will continue to push rents higher."

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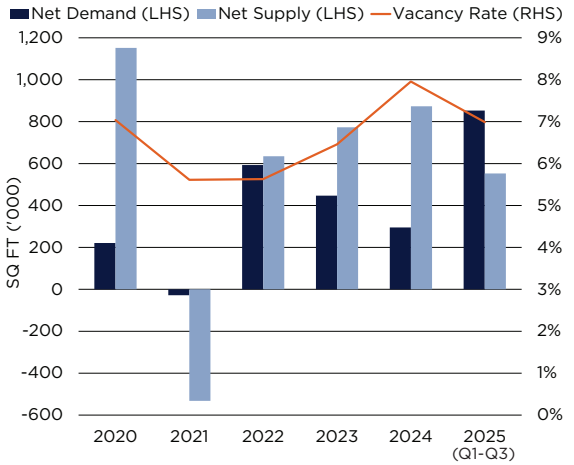
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GRAPH 1: Net Demand, Net Supply and Vacancy Rate of CBD Grade A Offices, 2020 to Q3/2025



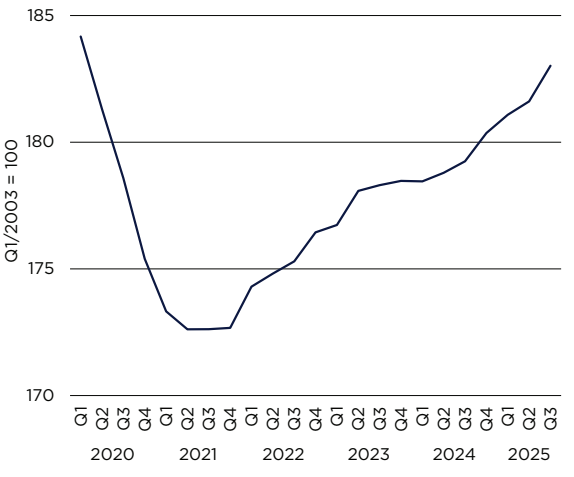
Source Savills Research & Consultancy

TABLE 1: Micro-market Grade A Office Rents and Vacancy Rates, Q3/2025

LOCATION	MONTHLY RENT (S$ PER SQ FT)	VACANCY RATE (%)
Marina Bay	13.17	9.6%
Raffles Place	10.24	5.3%
Shenton Way	9.12	3.3%
Tanjong Pagar	8.70	25.3%
City Hall	10.52	2.1%
Orchard Road	9.02	1.4%
Beach Road/ Middle Road	8.10	4.2%

Source Savills Research & Consultancy

GRAPH 2: Rental Indices of CBD Grade A Offices, Q1/2020 to Q3/2025



Source Savills Research & Consultancy

MARKET COMMENTARY

From advance estimates released by the Ministry of Trade and Industry (MTI), Singapore's economy expanded by 2.9% year-on-year (YoY) in Q3/2025, slowing down from the 4.5% growth in the second quarter of 2025. On a QoQ seasonally adjusted basis, the Singapore economy grew 1.3%, a marginal moderation from the 1.5% expansion in the previous quarter. Both the goods producing and services producing industries registered slower YoY growth, with a larger slowdown for the goods producing industries, particularly the manufacturing sector. The growth of the manufacturing sector remained flat YoY in Q3/2025, moderating from the 5.0% expansion in the previous quarter. The services producing industries grew 3.5% QoQ in the quarter, slowing from the 4.5% in Q2/2025. Among the various groups within the services producing industries, the group of sectors consisting of the information & communications, finance & insurance and professional services was the only group that recorded a higher YoY growth as compared to the previous quarter. This group of sectors grew by 4.4% in Q3/2025, slightly higher than the 4.3% in Q2/2025. All sectors within the group expanded during the quarter. Growth in the information & communications sector was mainly led by the IT & information services segment, while that in the professional services sector was largely supported by the head offices & business representative offices segment. Expansion in the finance & insurance sector was driven by the banking and activities auxiliary to financial services segments.

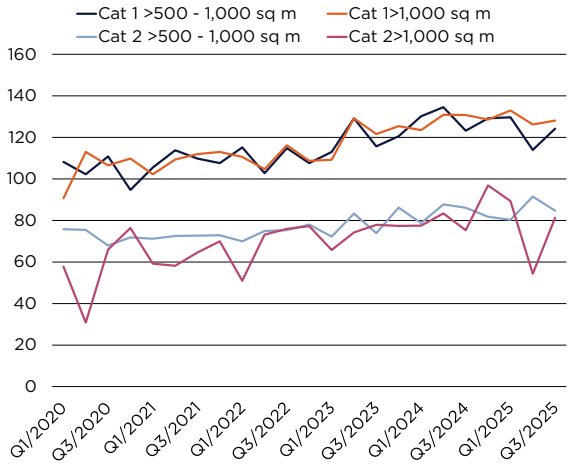
Following the pickup in activity in the office leasing market since Q2/2025, the momentum increased in Q3/2025. This was especially so for the Grade AAA buildings, with companies looking for spaces, particularly fitted ones. It has also been noted that while these companies are seen to be looking for spaces to relocate, the motivation for the relocation is more targeted at cost savings/rental reduction, rather than expansion of business operations. For the Grade AAA offices, with the newly completed IOI Central Boulevard Towers almost filled, tenants wishing to relocate to similar grade buildings began backfilling the vacant spaces at some developments. When this backfilling is over, we believe that there may not be many options open for tenants to consider. Given that these buildings have been mostly filled up, tenants can only choose to renew in 2026 onwards.

After contracting for two consecutive quarters, the office investment sales market saw a strong performance in Q3/2025. The activity in the market was supported by the low-interest rate environment. Investors were particularly drawn to high-quality, income-generating assets. While investment activity in strata offices slowed after a brief pickup in the previous quarter, there was a surge in block transactions in Q3/2025. In Q2/2025, there were no block deals. The largest transaction in the quarter was the acquisition of a 55% interest in the commercial component of CapitaSpring for S$1.045 billion by CapitaLand Integrated Commercial Trust (CICT). This worked out to S$2,822 per sq ft based on the net lettable area of 370,315 sq ft. CICT will therefore gain full ownership of the 51-storey office tower in Raffles Place. The second largest office investment deal was Lendlease Global Commercial REIT's sale of the office component of Jem for S$462 million to Keppel's Sustainable Urban Renewal strategy. Separately, the strata sales market was much more lacklustre, as strata office transactions declined to four in Q3/2025 from 12 in Q2/2025. Out of which, the largest strata deal was for the 35th floor of Suntec Tower One, which was sold for nearly S$34.0 million, or S$3,364 per sq ft based on the strata area of 10,097 sq ft. The unit price of S$3,364 per sq ft was the highest for the development so far for 2025.

DEMAND AND VACANCY

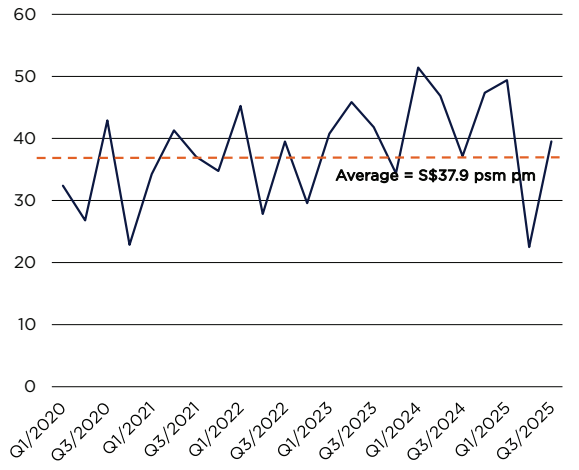
From data compiled by Savills, after decreasing for two consecutive quarters, the vacancy rate of CBD Grade A offices remained unchanged at 7.0% in Q3/2025. However, on a YoY basis, vacancy rates continued to grow by 0.9 of a ppt. While vacancy rates of Grade AAA and A offices declined by 1.1 ppts and 0.3 of a ppt to 7.3% and 5.9% respectively in the quarter, there was an offset from the increase of 1.5 ppts in vacancy rates of Grade AA offices to 7.6%, which was primarily led by the inclusion of the newly completed Keppel South Central into the office stock. Excluding Keppel South Central, vacancy rates of Grade AA offices would have contracted significantly by over 2.0 ppts. For the premium Grade AAA offices, the decline would have been the third consecutive quarter of decrease. Almost all the buildings in the Grade AAA office stock recorded improvements in occupancies, with companies are adopting a "flight-to-quality" posture. In a similar light, the vacancy rate of Grade A offices contracted for the fourth consecutive quarter and the vacancy of 5.9% was the lowest since Q2/2020 when it was 4.9%. On the other hand, the increase in vacancy rates for Grade AA offices came after two consecutive quarters of decline, as tenants are still gradually moving into Keppel South Central, which obtained TOP in Q1/2025. Excluding this development, buildings which had significant vacant space were seeing them gradually being backfilled from tenants relocating in search

GRAPH 3: Category 1 and 2 Office Rents in S$psm pm, Q1/2020 to Q3/2025



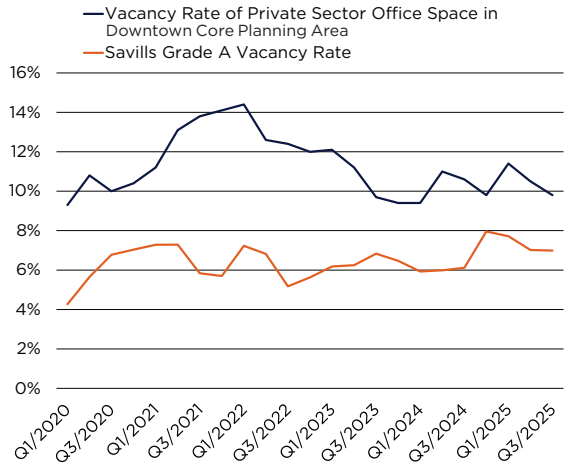
Source URA, Savills Research & Consultancy

GRAPH 4: Spread Cat 1 - Cat 2 Office Space for >500 - 1,000 sq m (S$psm pm) Q1/2020 to Q3/2025



Source URA, Savills Research & Consultancy

GRAPH 5: Vacancy Rates for Downtown Core Offices, Q1/2020 to Q3/2025



Source URA, Savills Research & Consultancy

of more economical rents. Capital Square, for instance, had large amount of the space left vacant by Amazon and Morgan Stanley re-filled. The vacancy rate at the office building improved with new tenants such as Quantedge Capital, Audi Singapore and Sumitomo Mitsui Banking Corporation (SMBC) stepping in. As such, for the overall CBD Grade A office market, net demand remained in positive territory for the fourth consecutive quarter, improving to 525,000 sq ft in Q3/2025 from the 245,000 sq ft in Q2/2025.

The vacancy rate for CBD Grade A offices improved across all micro-markets, except for Tanjong Pagar, which saw a rise to 25.3% due to the inclusion of Keppel South Central into the office stock. It should be noted that the vacancy rate in the area would have fallen should Keppel South Central be excluded in the computation. With tenants continuing to move into the building, vacancy rates are expected to reduce and stabilise in the next few quarters. Among the micro-markets with QoQ declines in vacancy rates, the largest contraction was observed for Raffles Place, which fell from 7.5% in Q2/2025 to 5.3% in Q3/2025, the lowest since Q2/2020 when vacancy rate reached 4.2%. Similarly, vacancy rates in Marina Bay and Shenton Way contracted by over 1.0 ppts on a QoQ basis. Vacancy rates in the remaining micro-markets decreased by 0.1 to 0.5 of a ppt QoQ in Q3/2025.

Although office vacancy rates declined on a quarterly basis, it was still higher compared to the same quarter a year ago. The increase was attributed to the rise in the Tanjong Pagar micro-market. Still, even if we put aside the Tanjong Pagar micro-market, the vacancy rate for offices in Marina Bay rose 5.4 ppts YoY as well, which was also due to the addition of IOI Central Boulevard Towers in Q4/2024. On the other hand, the remaining five micro-markets registered YoY declines in in vacancy rates, with office vacancies in both Raffles Place and Beach Road/Middle Road falling by over 3.0 ppts. The YoY decline in vacancy rates in the other micro-markets were between 0.8 of a ppt and 2.7 ppts.

RENTS

As office occupancies remained strong on the back of a tight supply situation, average rents for CBD Grade A office buildings continued rising. For Q3/2025, they rose for a sixth consecutive quarter by 0.8% on a QoQ basis to S$9.93 per sq ft. This was the largest quarterly increase since Q1/2022 when office rents rose 0.9% QoQ. The CBD Grade A office rents of S$9.93 per sq ft was also the highest since Q1/2020 when office rents were at S$10 per sq ft. The steady take-up of office space amid easing interest rate concerns and limited office supply led to higher rental expectations of landlords. On a YoY basis, rents grew by a larger 2.1%, the fastest YoY growth since Q4/2022 when office rents increased 2.2%.

With companies adopting a "flight-to-quality" posture, the growth momentum for Grade AAA office rents was the strongest, increasing 1.0% QoQ to $13.19 per sq ft. This was the sixth consecutive quarter of increase, with the rent at the highest level since Q1/2015 when it was S$13.59 per sq ft. With the newly completed IOI Central Boulevard Towers largely filled up, there are not many alternatives for tenants planning to move into premium offices, resulting in landlords hiking up their rents. In a similar light, rents of Grade AA and A offices continued to increase as well, inching up 0.7% and 0.8% QoQ to S$10.85 and S$8.81 per sq ft respectively in the quarter. For both, the rents in Q3/2025 were the highest since Q1/2020 when rents were at S$10.85 and S$8.95 per sq ft respectively. On a YoY basis, rents of Grade AAA office buildings registered the largest increase of 2.9%, the highest since Q3/2023 when they rose 3.1% YoY. In contrast, Grades AA and A saw rents increasing 2.2% and 1.8% respectively.

Across the submarkets, all submarkets excluding Beach Road/Middle saw quarterly rental increase in the quarter. Office rents in Beach Road/Middle Road remained unchanged for the third consecutive quarter. Among the remaining submarkets, the highest rental growth was seen in Marina Bay, with office rents increasing for the sixth consecutive quarter by 1.1% QoQ to S$13.17 per sq ft, the highest since Q1/2015 when rents were at S$13.75 per sq ft. The low vacancy levels amongst existing buildings, and a lack of upcoming completions of premium grade office buildings brought about the rental escalation in this submarket, which comprises largely the Grade AAA buildings. Office rents in City Hall also rose by a rather similar magnitude of 1.0% QoQ to S$10.52 per sq ft in Q3/2025. The other submarkets registered QoQ rental increases between 0.5% and 0.9% in the quarter. For Orchard Road, the increase of 0.5% came after six consecutive quarters of no rental movements.

OUTLOOK

While rents from Savills' basket of CBD Grade A office space increased 0.8% QoQ and 1.5% YTD, the URA's rents for Category 1 and 2[1] office buildings showed a slightly different picture with QoQ rents for Category 1 buildings with lettings >1,000 sq m rising 1.5% but falling 0.4% YTD. The difference could be due to buildings covered and definitional issues. Nevertheless, what can

1 Category 1 refers to office space in buildings located in core business areas in Downtown Core and Orchard Planning Area which are relatively modern or recently refurbished, command relatively high rentals and have large floor plate size and gross floor area. Category 2 refers to the remaining office space in Singapore which are not included in "Category 1".

still be discerned is that rents are generally still climbing as of the date of lease contract. (Please refer to Graph 3.)

The rise in Category 1 rents has pulled up rents for Category 2 buildings as well. Graph 4 shows that the spread between the two categories have been averaging S$37.9 psm pm (S$3.52 per sq ft pm) and had been rather constant, albeit there is some fair bit of volatility on a QoQ basis. One interpretation is that the two segments of the market are substitutes. The rising cost of renting Grade A space is bootstrapping up lower grade office buildings in the CBD.

Indeed, there appears to be a gravitation by offices to take up space in the lower grade office buildings in the Downtown Core because we are seeing that vacancy levels for offices in the area have been falling while our basket of Grade A offices have been witnessing rather stable vacancy rates. Please refer to Graph 5.

With the supply of Grade A office space limited for 2026 and 2027, the rents for the premium grade of office space in the CBD are likely to continue rising. This is likely to be the case despite companies facing uncertain business prospects and other cost push pressures. However, companies will not sit idly by and continue to let operating costs build. On the office leasing front, what may entail then is the move by large office space users to attempt to downsize upon lease renewal or lease out excess space as their existing lease still has some years to run. The shadow space content in the market is thus likely to remain a feature in this market. For companies with less heft, rents for Grade A office space may still be too high and are likely to continue to squat in lower grade buildings or co-working spaces. New to market multinational companies, especially those in the realm of frontier technology, because they do not follow stodgy old economy company house rules on office space practices and to avoid inflexible lease term structures, could resort to serviced offices and co-working spaces or site in the lower spectrum of Grade A offices.

Owing to the lack of new supply for Grade A CBD offices from now to end-2027, we believe that office rents for Grade A offices should continue to rise at rates about 2-3% per annum for the next two years. Arising from substitutive effects, rents for non-Grade A CBD office rents may rise by similar amounts.