

PLB RESEARCH

May 2025

# Commercial & Industrial Market Report

Data as of 15 April 2025 | Prepared by PLB Research Team





# Executive Brief

## Key Theme

- **Office Market Under Pressure**  
Capital values and leasing in the Central Region are softening amid macro uncertainty, with **vacancy rates rising** and **sales activity dropping** sharply.
- **Industrial Sector Resilience**  
Prices continue to grow, especially for **freehold, multiple-user factories** and **RCR assets**. However, **oversupply risks** loom in warehouses and business parks.
- **Flight to Quality & Tenure**  
Across sectors, buyers and tenants show a **clear preference for freehold assets** and **Fringe Region properties** offering value and flexibility.
- **Investor Rotation**  
Industrial is increasingly viewed as an **alternative asset class** to residential due to no ABSD and better rental yields.

## Strategic Implications

Metric	Office	Industrial
Sales Volume (Q1 2025)	79 deals (↓21% q-o-q)	367 deals (↓11.6% q-o-q)
Vacancy Rate	↑ 11.7% (from 10.6%)	Stable at 89%
Capital Value (CCR)	↓ 0.6% q-o-q	↑ 1.5% q-o-q overall
Rental Growth	Fringe: +2.0%, CBD: +0.1%	↓ 1.1% q-o-q (warehouses impacted)
Freehold PSF (Resale)	Office: \$2,559	Industrial: \$830
New Supply (2025)	162K sqm	920K sqm

## Strategic Implications

- **For Investors**  
Prioritise **freehold industrial (esp. RCR & B1)**, or **Fringe Area offices** with tenant stickiness. Avoid business parks and CCR offices in oversupplied pockets..
- **For Occupiers**  
Capitalise on **tenant-favorable lease terms in CBD**; explore **flight-to-quality upgrades** as PSF spreads narrow..
- **For Developers**  
Adopt **staggered release strategies** for warehouses and business parks. Focus on **tenure-secure, mid-size strata units** in decentralised locations.

I. Macroeconomic & Business Environment

Singapore’s economic growth moderated to 3.8% YoY in Q1 2025 amid tariff-driven uncertainties and global trade tensions. The MTI’s GDP growth forecast was downgraded to 0–2%, reflecting caution ahead. Business sentiment in the services sector turned negative (Singapore DOS,

Q2 2025 survey), while the PMI dropped to 50.6, indicating weakening manufacturing. The property market faces dual headwinds: subdued local sentiment and external macro volatility, pressuring demand and decision-making timelines for investors and tenants alike.

II. Commercial Office Sector Analysis

2.1 Capital Values & Transaction Trends

URA property price index of office space in the Central Region slipped by 0.2% q-o-q in Q1, following the 0.7% q-o-q dip in Q4 2024, continuing a prolonged downtrend.

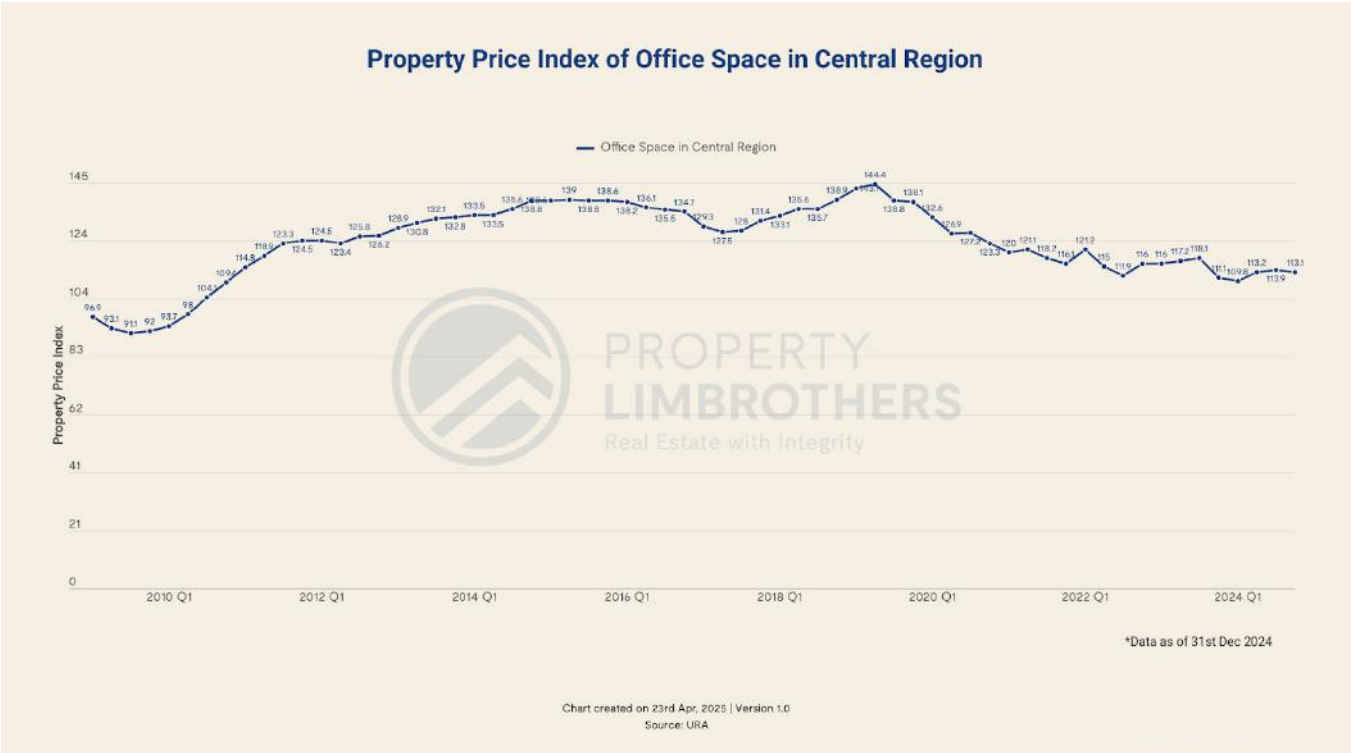


Figure 1: Property Price Index of Office Space in Central Region

This is corroborated by a dramatic fall in transaction volumes:

- Q1 2025: 79 sales deals worth \$348M
- Q2 2025 (as of April): only 14 deals, \$86M



Figure 2: Quarterly Office Sales Volume and Total Value (in \$mil)

This suggests a **liquidity crunch and investment hesitation, particularly in larger or higher-priced strata titles in CCR.**

2.2 Leasing Trends & Rent Stability

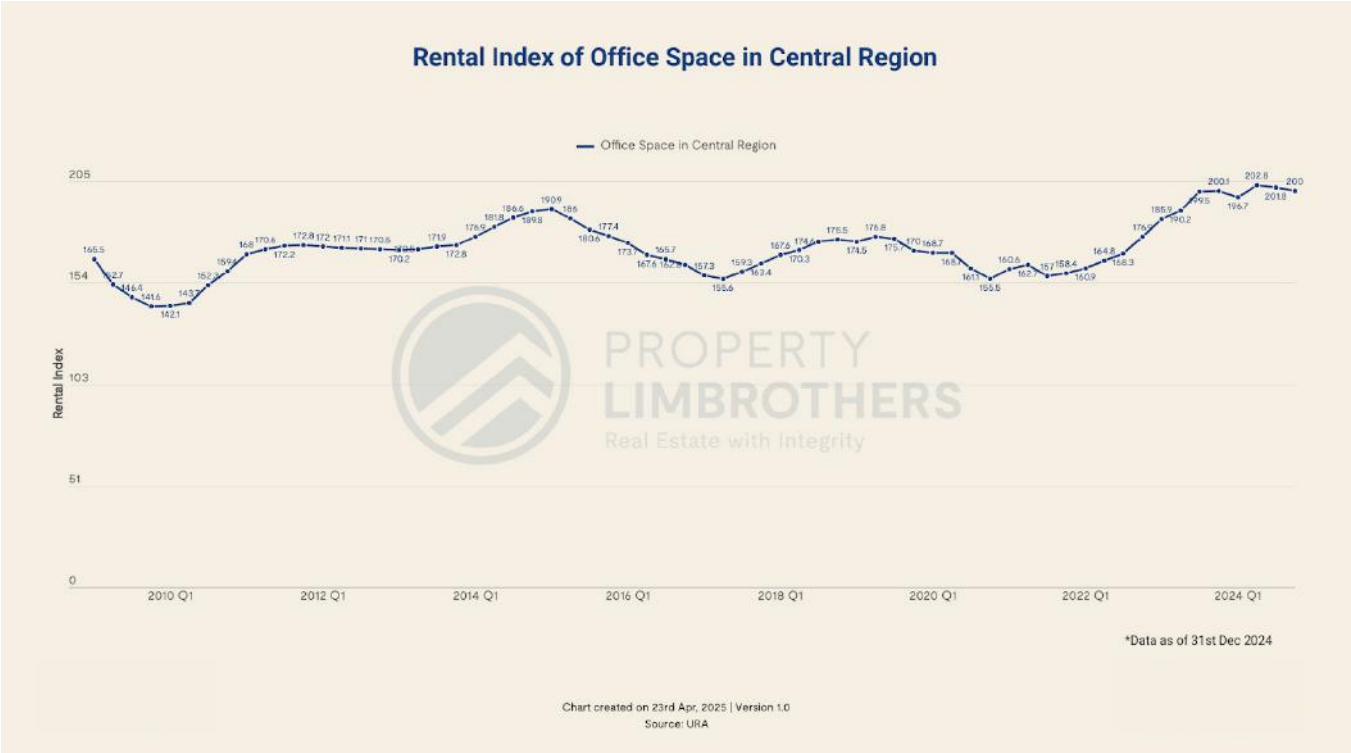


Figure 3: Rental Index of Office Space in Space Region

Office rental index for Central Region rose 0.3% q-o-q, led by:

- Fringe Area: +2.0%
- Central Area: +0.1%

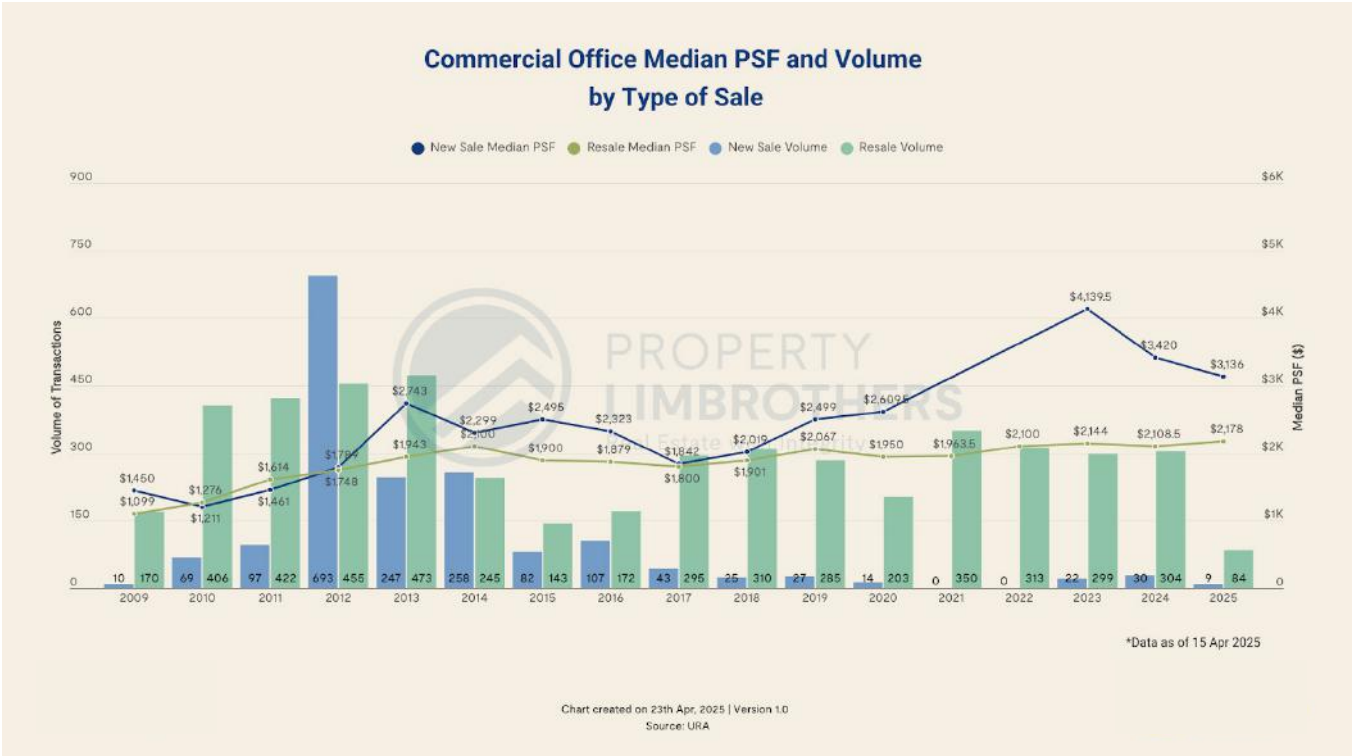


Figure 4: Commercial Office Median PSF and Volume by Type of Sale

Figure 4 shows a flattening in PSF spread between new sales and resale stock, driven by greater interest in resale opportunities offering better yield and negotiability.

While Grade A CBD office demand remains soft, **flight-to-value is redirecting tenants to fringe locations**, supported by hybrid work models and decentralisation strategies.

2.3 Vacancy Risk & Pipeline Supply

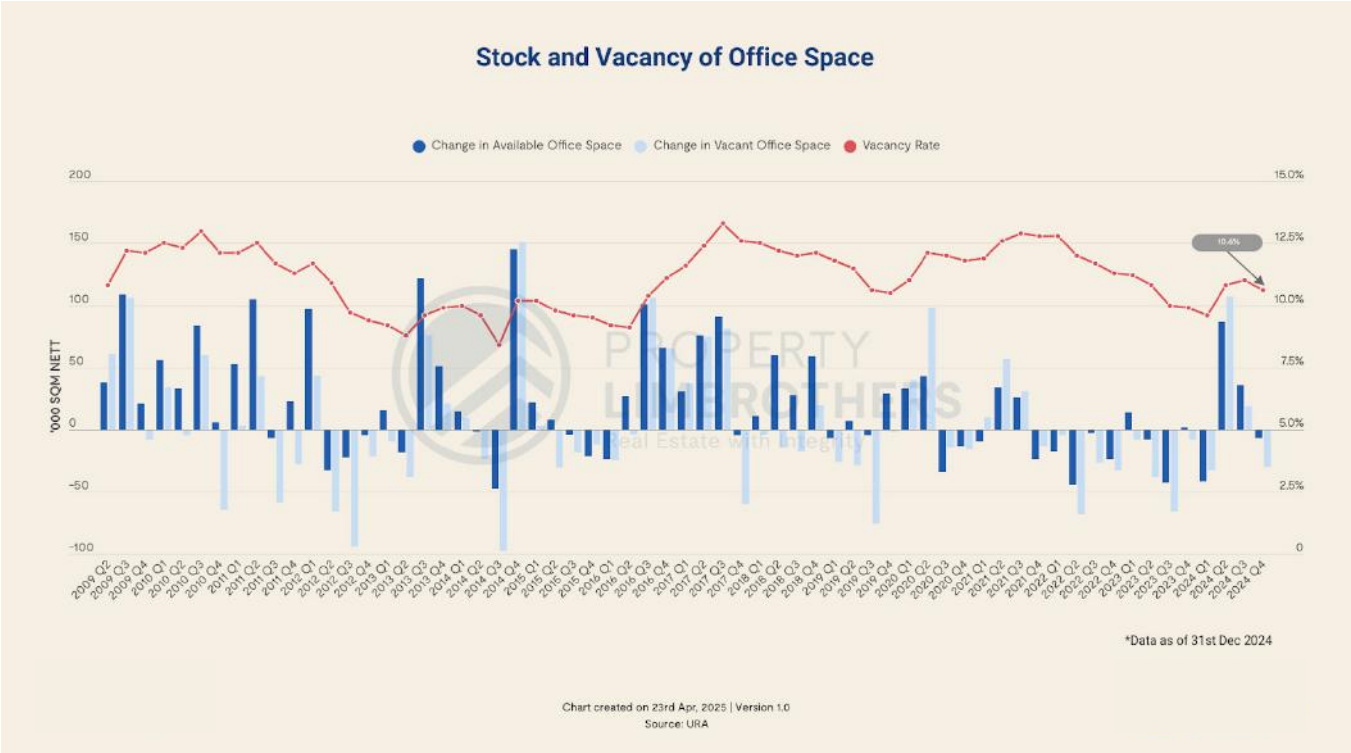


Figure 5: Stock and Vacancy of Office Space

- Office vacancy rose from 10.4% in 4Q 2024 to 11.7% in 1Q 2025, mainly due to 98,000 sqm of completions, including Keppel South Central and Paya Lebar Green.



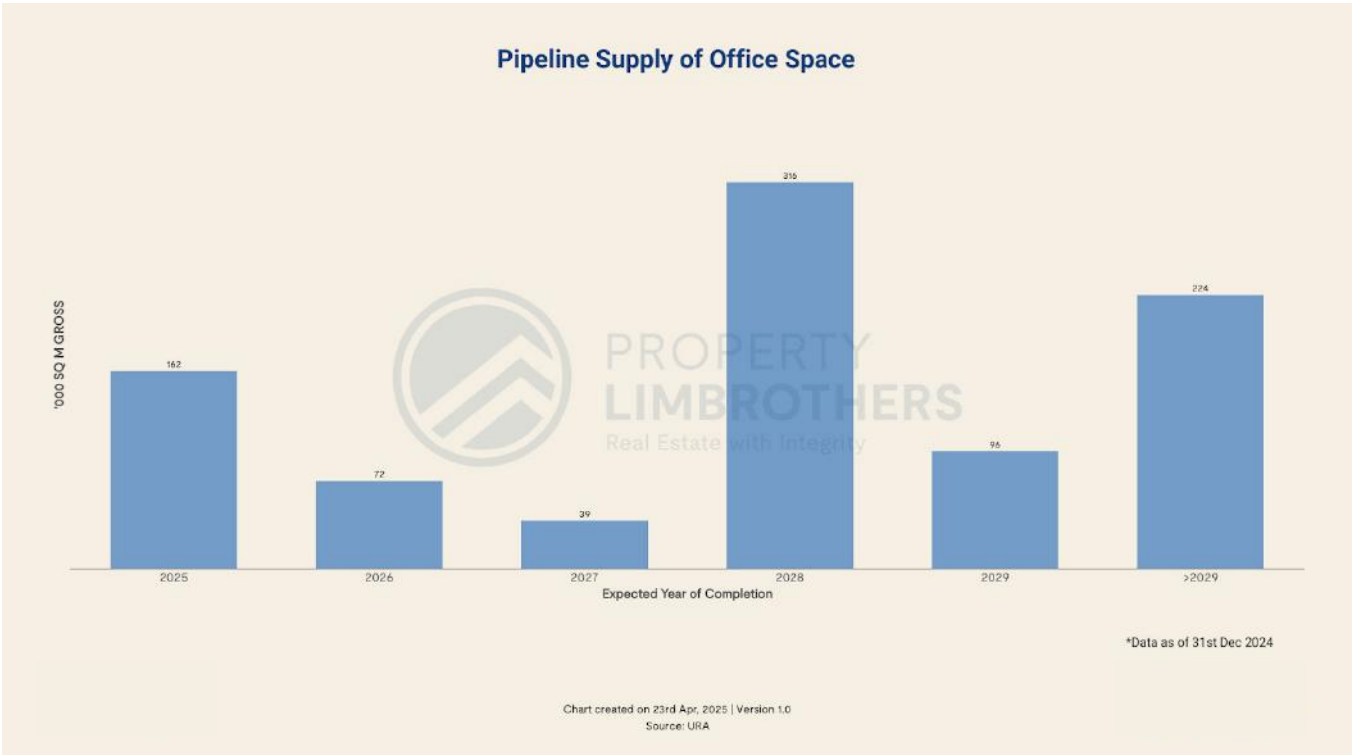


Figure 6: Pipeline Supply of Office Space

- Upcoming supply pipeline: ~910,000 sqm, peaking in 2028 .

**The market faces a multi-year overhang risk, with slower absorption likely to put downward pressure on rental rates** and incentivise aggressive leasing packages.



### III. Industrial Sector Analysis

#### 3.1 Price Trends & Tenure Dynamics

The Industrial Property Price Index rose 1.5% q-o-q in Q1 2025, backed by:

- Multiple-user factories: +1.9% q-o-q, +6.4% y-o-y
- Single-user factories: +0.4% q-o-q, +3.4% y-o-y

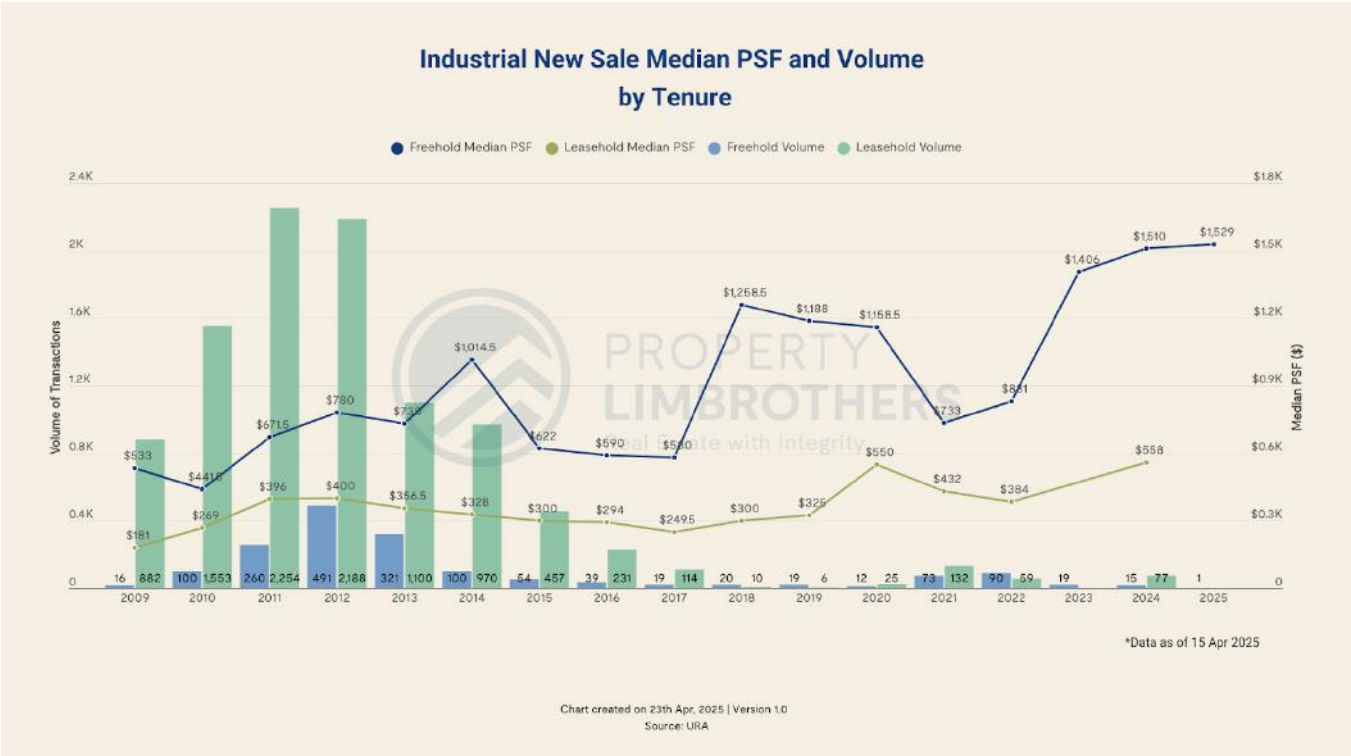


Figure 7: Industrial New Sale Median PSF and Volume by Tenure

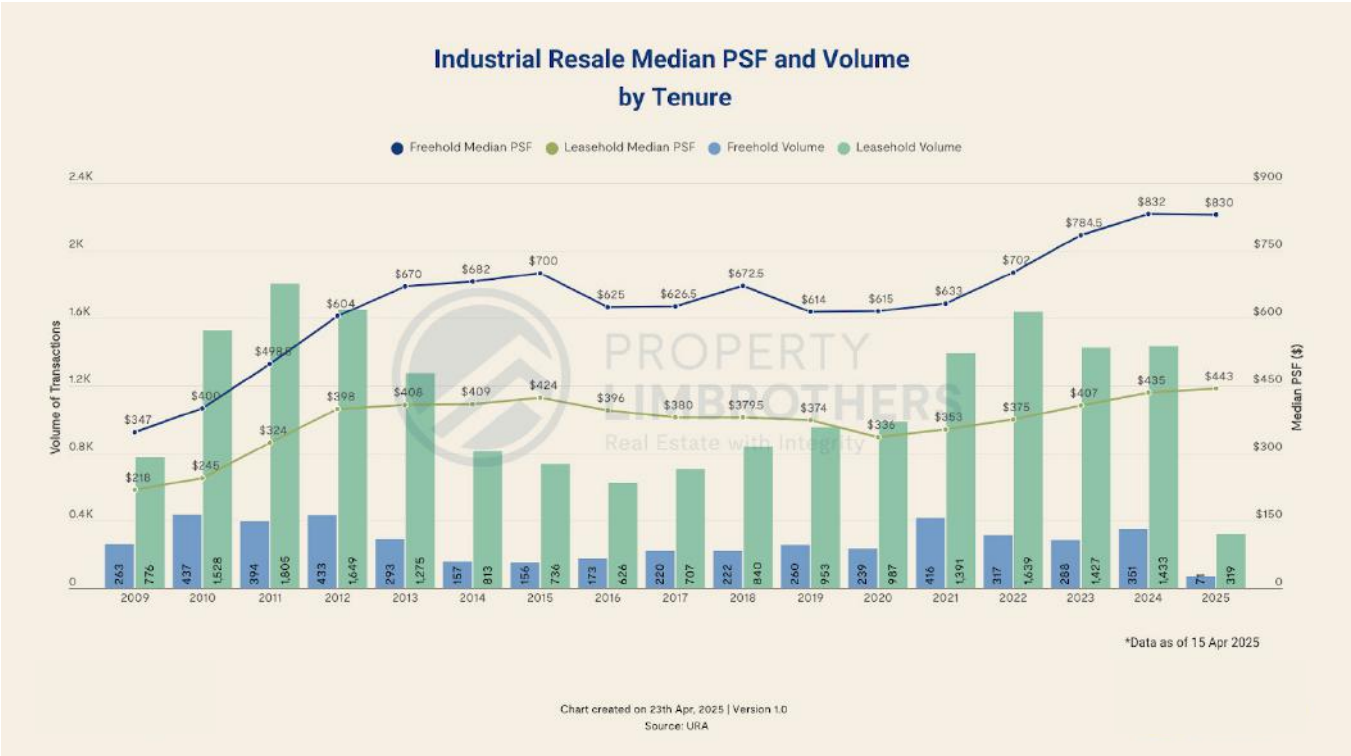


Figure 8: Industrial Resale Median PSF and Volume by Tenure

Figure 7 shows freehold new sale PSF climbing to **\$1,529**, while Figure 8 shows freehold resale PSF at **\$830** vs. leasehold at **\$443**.

The **scarcity of freehold industrial stock**, especially Business 1 sites, is driving **aggressive absorption and strong pricing power**, as evidenced by CT Pemimpin's 59-unit sell-out in 3 days.

3.2 Regional PSF Differentiation

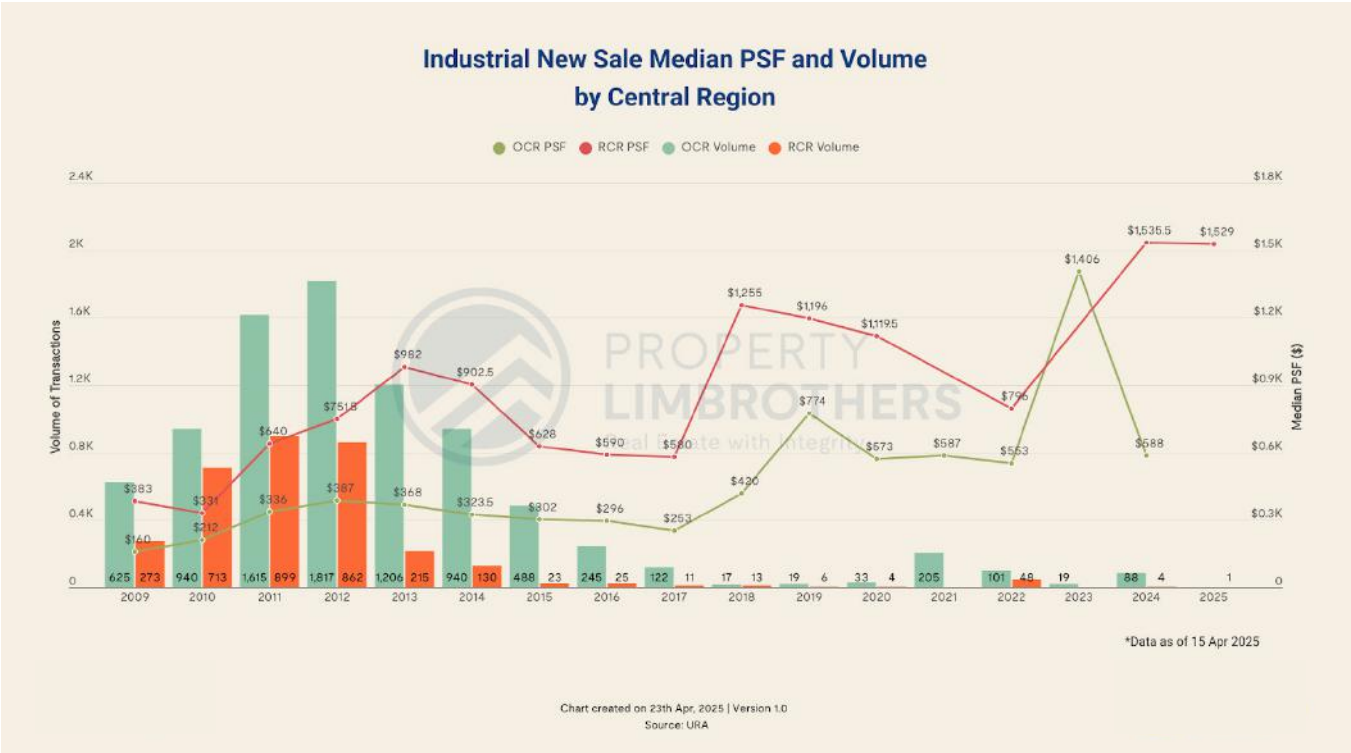


Figure 9: Industrial New Sale Median PSF and Volume by Central Region

- Figure 9 shows RCR median PSF for new sale industrial hit **\$1,529** in 2025, outperforming all other regions.

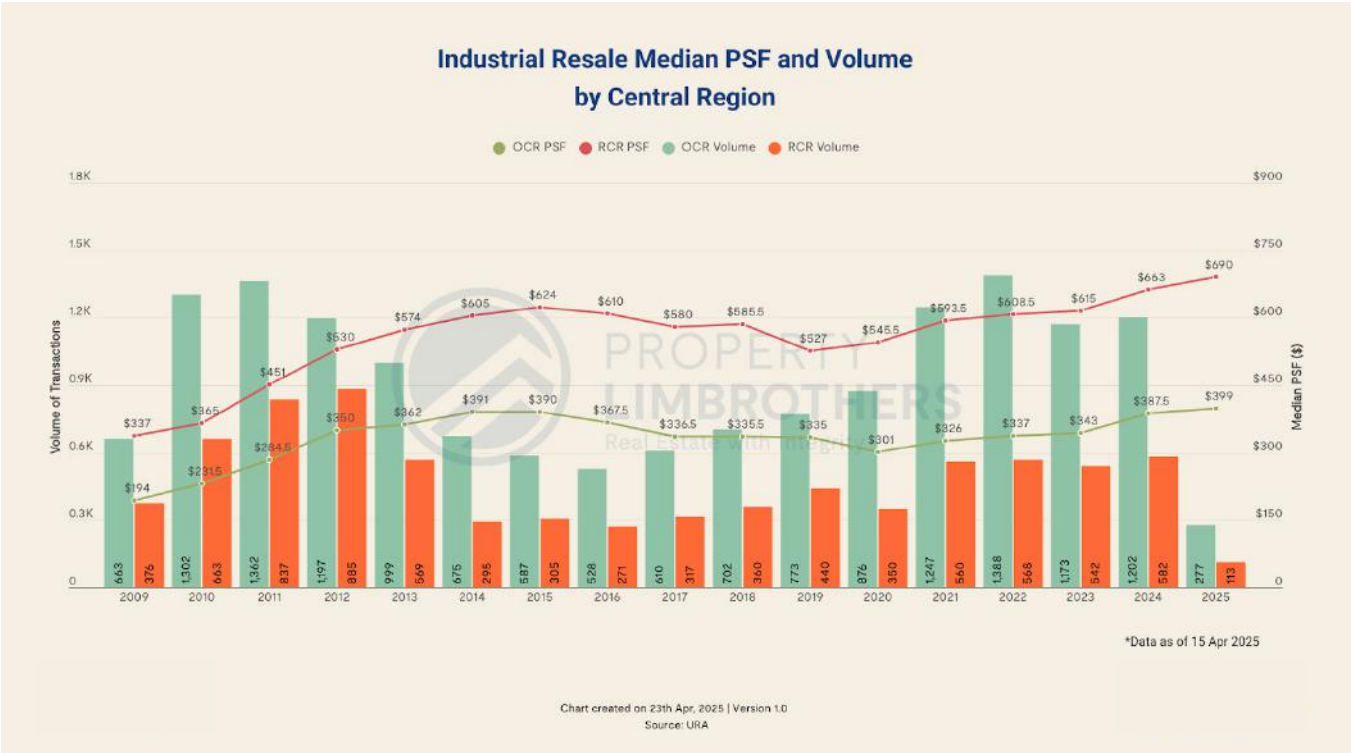


Figure 10: Industrial Resale Median PSF and Volume by Central Region

- Figure 10 reflects RCR resale PSF rising to **\$690**, showing **consistent multi-year appreciation**.
- OCR industrial PSF is lagging at \$399–\$494 despite high transaction volumes.

**RCR offers the best combination of accessibility, investor interest, and scarcity**, and is now the benchmark region for premium industrial plays.



### 3.3 Leasing & Occupancy

- 1Q 2025 saw **3,008 leases signed**, down just slightly from 4Q.
- Warehouse leasing fell the most, with **rental value down 9.6% q-o-q**.
- **Overall occupancy held at 89%**, but **business parks and warehouses saw slippages** of 2.0 ppt and 1.0 ppt, respectively.

Leasing demand for **functional, smaller factory units remains healthy**, while **large-format business parks face oversupply friction**.

### 3.4 Sales by Type of Sale

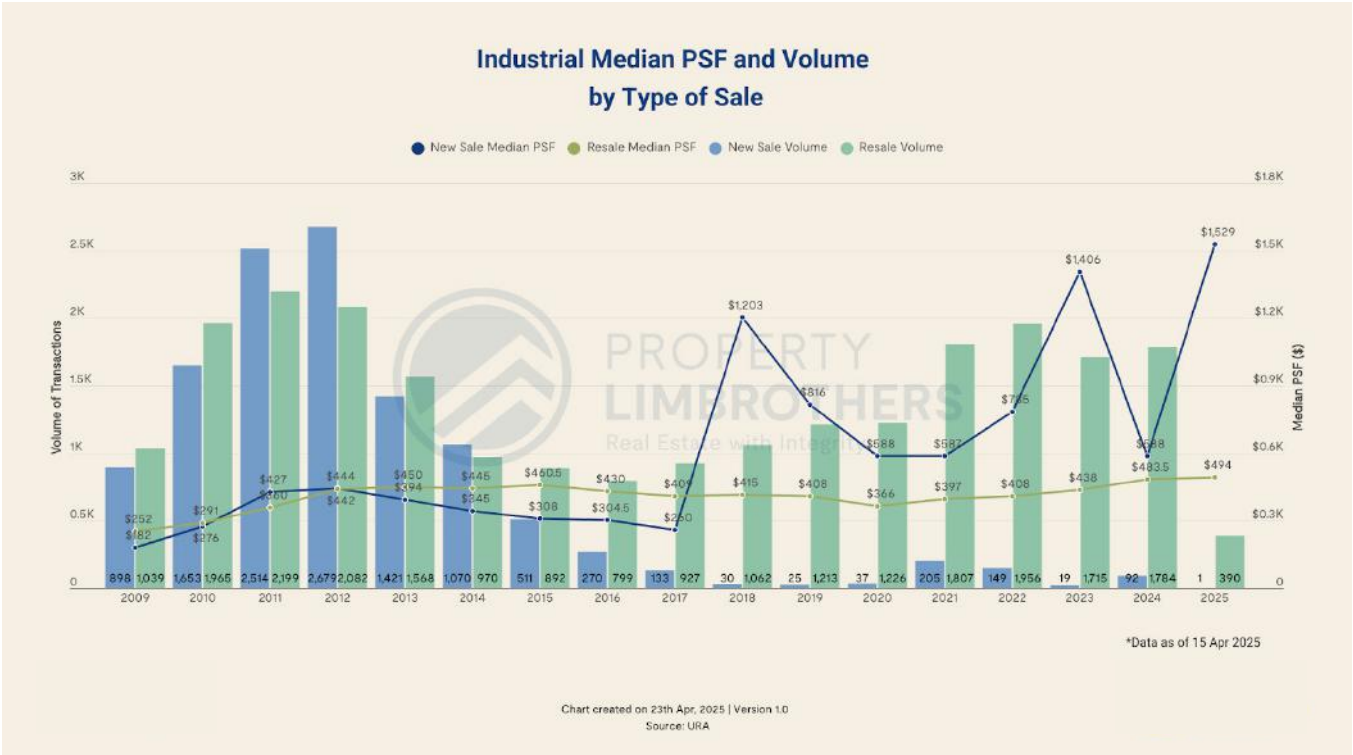


Figure 11: Industrial Median PSF and Volume by Type of Sale

Figure 11 highlights the widening gap:

- New Sale PSF: \$1,529
- Resale PSF: \$494

This indicates **developers are commanding a premium**, but **secondary stock offers stronger risk-reward** for investors seeking yield and liquidity.

V. Strategic Outlook & Recommendations

Segment	Performance	Strategic Insights
Office (CBD/CCR)	↓ Declining	Soft leasing, oversupply, weak investment appetite
Office (Fringe)	→ Stable	Steady rents, better tenant retention, yield upside
Office (Freehold)	↑ Defensive	High scarcity value, low downside risk
Industrial (Multi-user B1)	↑ Strong	Best performing in sales + leasing; investor sweet spot
Industrial (RCR)	↑ Outperforming	Superior PSF growth; attracts premium buyers
Industrial (Warehouse/Business Park)	↓ Oversupplied	Likely to see rental pressure through 2025
Investment Rotation	→ In Progress	From CBD/commercial to industrial (esp. freehold strata)

For an extensive and in-depth overview of the **Commercial and Industrial Trends**, you may head over to <https://disparityeffect.com/>.



# Caveats & Disclaimers

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**Consultation / Sales Enquiries Hotline**  
+65 6232 6719

**General / Sales / Purchase Enquiries**  
[consults@propertylimbrothers.com](mailto:consults@propertylimbrothers.com)

**Business Collaborations**  
[collabs@propertylimbrothers.com](mailto:collabs@propertylimbrothers.com)

