

Slower net absorption may affect recovery in office rents

FRESH supply typically places downward pressure on office rents. But data from NUS' Institute of Real Estate and Urban Studies (IREUS) shows that while the net supply of office space was limited in 2020, the take-up was slower too. This will have implications for the recovery in office rents. **BY NISHA RAMCHANDANI**

- With negative absorption seen in Q2 2020 and Q4 2020, office rents in the downtown core planning area are expected to remain under pressure, says deputy director of IREUS, Lee Nai Jia. Negative net absorption suggests firms are relinquishing spaces and generally results in a decline in rents.

- Though net supply was also negative in Q3 2020 (-23,000 square metres) and Q4 2020 (-1,000 square metres), this may not translate to a pickup in demand going forward as companies could turn to co-working spaces to grow instead.

- While demand from co-working players was already showing signs of easing pre-pandemic, that could change going forward thanks to the shift towards flexible working. Still, co-working players are likely to be cautious about expanding their footprint, unlike in recent years (2015-2019) where they were battling for market share.

- This year, demand for CBD office space will likely come from big tech firms, as they choose Singapore as their regional headquarters, reckons Dr Lee. But uncertainties in the economy and the ability to work remotely may also temper companies' willingness to take on more space, he added.

Slower net absorption and upcoming office supply may hamper office rent recovery

