

Nearly 2 in 3 property executives see continued relevance of traditional office space: NUS survey

Respondents say co-working spaces are more likely to play a complementary role

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ABOUT 65 per cent of respondents who are senior executives in the real estate industry felt that co-working spaces would not entirely replace traditional office space, said a survey published by the National University of Singapore (NUS) on Monday (Jun 3).

While co-working spaces are popular due to increased flexibility and affordability, the majority of respondents said that such spaces are "far more likely to play a complementary role instead of replacing traditional office space".

Co-working spaces have grown steadily in the last decade.

The onset of the pandemic had contributed significantly to the sector's growth, with the number of such spaces increasing from 16,599 globally in 2018 to 34,618 in 2023.

This is projected to rise to 41,975 spaces in 2024, noted NUS.

Along with the growth of the co-working sector, alternative work arrangements such as hybrid working or flexible workspace arrangements have also played a significant role in influencing office space demand, said NUS.

Stable demand

Although the respondents predicted that demand for office space would remain stable across various sectors in the near future, about 44 per cent of them expect the family office and wealth management sectors to drive demand for such traditional office space, the survey found.

Sing Tien Foo, provost's chair professor of real estate at the NUS Business School, said: "We are seeing a slowdown in demand for office space from the information and communication technology sector, which is a major source of demand for Grade A office space. The weakening business sentiment and global instabilities have put more pressure on larger firms, which have become more cautious in their space expansion planning."

Office rents though, are still increasing, albeit at a slower rate, added Prof Sing.

The findings also revealed that about 65 per cent of the respondents indicated that there would be no significant increase in new

demand for office space.

Prof Sing explained: "Office demand from small and medium-sized enterprises and those from the financial services sector is not incrementally large enough to absorb the drop in demand from the technology sector, which as a result, reduced the overall net office space demand."

Positive impact

On the flight-to-quality phenomenon, 59 per cent of the respondents regarded this as having a positive impact on the overall Central Business District (CBD) office market, as more firms look to improve the quality and location of their office spaces.

The demand for "healthier and more sustainable workspaces would influence the future CBD of-

fice market", said 56 per cent of the respondents.

Another key finding from the survey was that two-thirds of respondents predicted that deintensification and decentralisation of office space would occur in the CBD, partly driven by the government's planning strategy and the remote-working trend.

The development of Jurong Lake District as the second CBD was cited as part of this decentralisation plan.

The quarterly survey was conducted by NUS' Department of Real Estate and Institute of Real Estate and Urban Studies.

Survey respondents came from developer firms, property consulting/services firms and other sectors such as architecture, banking and legal.



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