

Briefing Residential leasing

July 2012



Image: Marina Collection

SUMMARY

Rental demand will reflect an increasing number of tenants with lower budgets.

- While sticking to its earlier forecast of between 1% and 3% for 2012, the Ministry of Trade and Industry (MTI) advised that Singapore's growth outlook remains cautious for the rest of the year.
- The slowing economy has started to claim some casualties in the banking and finance sectors.
- Leasing demand remained robust in the first two months of the reviewed quarter with transactions hovering above 3,800 per month.
- Median rents for all non-landed properties held steady at S\$3.53 per sq ft per month in April and May.
- The average monthly rent of high-end non-landed residential properties tracked by Savills dipped 3% quarter-on-quarter (QoQ) and 8% year-on-year (YoY).
- Island-wide median rents are expected to rise by 5% by the end of the year.

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 "Rental indices are expected to rise due to the volume of new expatriate arrivals seeking accommodation in small format apartments, but demand for high-end housing will remain subdued as rental budgets are constrained."
 Alan Cheong, Savills Research

➔ **Market overview**

As the troubles in Europe remain at the forefront of the global economic agenda, they are having an increasingly profound effect on Asia, and especially Singapore which is highly dependent on exports and foreign direct investment. According to sources from Credit Suisse, Singapore's exports to the eurozone account for more than 12% of the economy, while the private sector holdings of eurozone debt and equities are higher than in most Asian countries, with the exception of Hong Kong.

In Q1/2012, the 1.6% YoY economic growth was below the market consensus forecast of 1.8%. Although sticking by its earlier forecast of between 1% and 3% for this year, the MTI has advised that the country's

growth outlook remains cautious for the rest of the year.

The slowing economy has already claimed some casualties in the banking and finance sectors globally. Reuters reported in June that many investment banks and brokerages across Asia embarked on multiple rounds of job cuts, including CLSA, Deutsche Bank, Goldman Sachs and UBS. They have targeted to cull senior expatriates and junior bankers across the financial and equities businesses. HSBC for instance has planned to cut over 2,200 jobs in the UK and 100 jobs in Singapore, targeting senior and management roles. Another 1,000 employees will be redeployed globally to reduce costs and boost profitability.

More banks and financial services, especially in the west, are expected

to continue cutting costs and freezing hiring in the coming months. The unemployment situation in developed economies may force their talent to turn to Asia for greener pastures. Notwithstanding the fact that multinationals are continually retrenching, some corporations are expected to relocate more expatriates here. This should hold up the rental market.

Leasing demand

Despite the slowing global economy, leasing demand here remained robust in the first two months of the reviewed quarter. Leasing transactions rose above 3,800 each month with 4,128 and 3,881 leases inked in April and May respectively. In the first five months of this year, there were a total of 18,948 leasing transactions, surpassing the volume recorded over the same period in 2010 (16,944) and 2011 (17,836) as well as the six-month leasing volume for each year from 2000 to 2008.

Non-landed home demand remained robust, rising 8.6% month-on-month to 3,748 units in April and settling down to 3,503 units in May. Further, demand for landed homes fell marginally from 380 units in April to 378 units in May.

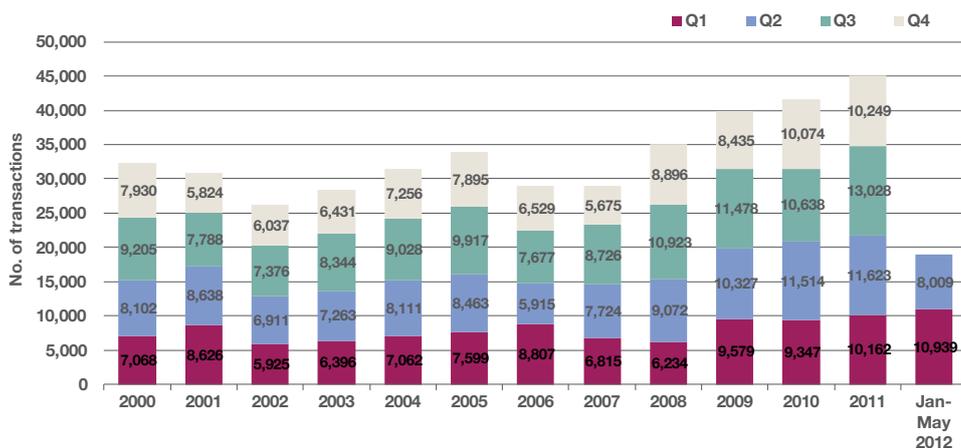
Rents

Based on data released by the Urban Redevelopment Authority (URA), island-wide median rents for all non-landed properties, excluding executive condominiums, held steady at S\$3.53 per sq ft per month in April and May this year. Island-wide median rents for landed homes continued to rise this quarter reaching S\$2.63 per sq ft per month in April and S\$2.65 per sq ft per month in May.

Owing to strong leasing volume and sustained rental levels, the total transaction value for all properties hit an eight-month high of S\$19.7 million in April. Although the transaction value fell slightly in May to S\$18.7 million, it is still higher than the S\$16.8 million recorded last year. The transaction value for the two months has reached S\$38.4 million, 8% higher than a year ago.

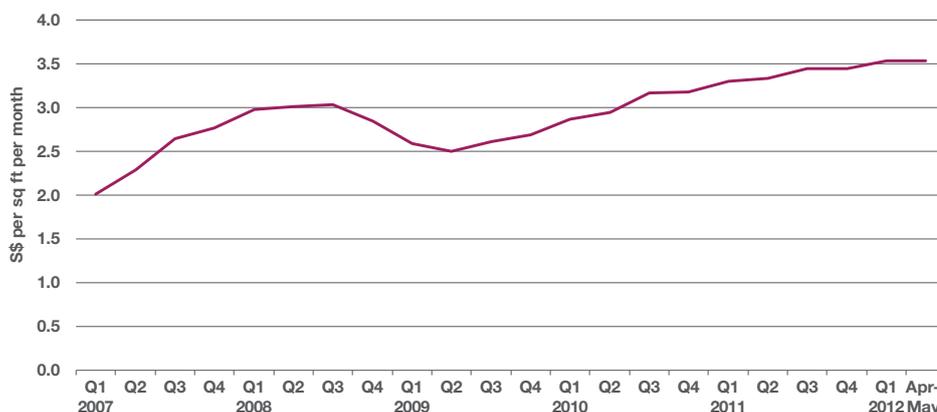
The rents of high-end non-landed residential properties tracked by Savills showed a four-month consecutive fall. The average monthly rent dipped to S\$5.03 per sq ft per month in Q2/2012, sliding 3% QoQ. On a YoY basis, prime

GRAPH 1 **Transaction volume, 2000–Jan to May 2012**



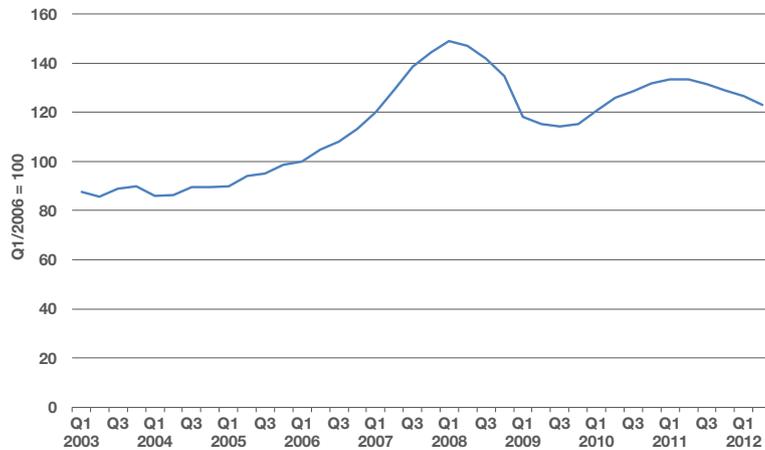
Source: URA, Savills Research & Consultancy

GRAPH 2 **Median rents of non-landed residential homes, Q1/2007–Jan to May 2012**



Source: URA, Savills Research & Consultancy

GRAPH 3 Savills high-end rental index, Q1/2000–Q2/2012



Source: Savills Research & Consultancy

→ rents fell by 8% from S\$5.46 per sq ft per month in Q2/2011.

Some high-end condominium leases closed by Savills in Q2 include a One Devonshire unit let for S\$16,000 per month, a Marina Collection unit at S\$15,500 per month and a Royal Oaks @ Anderson unit at S\$15,000 per month.

Although leasing activity for the landed segment remained generally muted in Q2, Savills brokered a couple of significant deals – a Chartsworth Park Good Class Bungalow for S\$35,000 per month, a detached house on Swiss Club Avenue for S\$20,000 per month and another on Vanda Avenue for S\$17,000 per month. ■

OUTLOOK

The prospects for the market

Overall leasing demand is expected to peak by the end of Q2 to mid-Q3, thereafter slowing until the end of the year. Leasing volume of high-end homes is expected to ease next quarter as rental budgets continue to shrink. This may see many mid-level expats moving to the suburban areas.

The demand for small-format homes and suburban homes is expected to rise as rental budgets diminish. Owing to increasingly greater completions and the leasing-out of these small-format units, island-wide median rents may increase marginally by up to 5% by the end of the year.

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