MARKET IN MINUTES
Savills Research

Residential Leasing

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Rents continue to soften

Challenging business conditions for multinationals have turned the leasing market from a landlord to a tenant's market.

- A total of 19,680 leases of private residential homes, excluding executive condominiums (ECs), were inked island-wide in Q1/2024. This translates to a 2.0% contraction compared to the same period a year ago.
- The rents of non-landed private residential homes island-wide by the Urban Redevelopment Authority (URA) continued to ease by 1.6% quarter-on-quarter (QoQ). Similarly, the average monthly rent of high-end condominiums tracked by Savills continued its downward trend for the third straight quarter in Q1/2024.
- According to market feedback, fewer viewings are now scheduled for each unit available for lease and an increasing number of tenants are playing musical chairs trying to source the cheapest accommodation or one that is asking the same rent as what they were paying previously. Also, more and more landlords are becoming flexible in their rental negotiations.
- Out of the total completed stock, 27,729 units are vacant, significantly declining 16.8% from a quarter ago, therefore the overall vacancy rate improved by 1.3 percentage points (ppts) QoQ to 6.8%.
- Of late, there has been more feedback that another wave of younger professionals is arriving, and this may support rents for room lettings or co-living premises. However, the number of leases signed for whole unit lettings should remain soft as such lettings do not translate one-one to stamped leasing contracts. Therefore, for 2024, we are still forecasting rents to fall 5% year-on-year (YoY).

"Owing to challenging business conditions, companies are continuing with cost cutting measures and this will spill over to the tenancy market."

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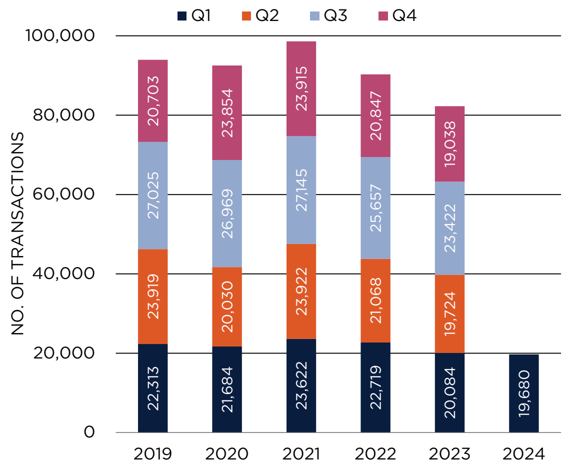
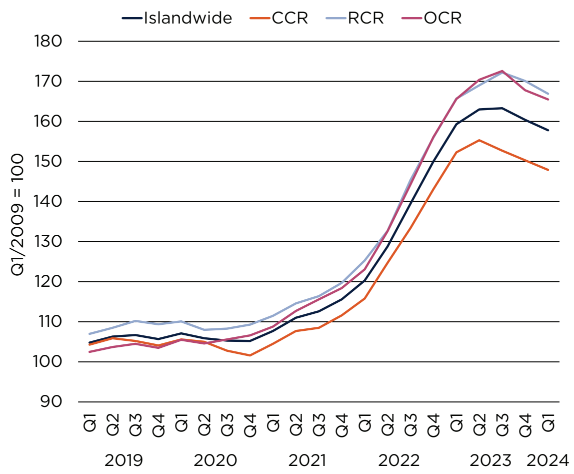
GRAPH 1: Leasing Transaction Volumes of Private Residential Units, 2019 to Q1/2024



Source URA, Savills Research & Consultancy

GRAPH 2: Rental Indices of Non-landed Private Residential Properties, Q1/2019 to Q1/2024



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Fuelled by a recovery in the tourism sector, Singapore's economy grew 2.7%[1] YoY in the January-March period of 2024, accelerating from the 2.2% expansion in the previous quarter. On a QoQ seasonally adjusted basis, however, the nation's GDP only rose 0.1% in the first quarter, after a 1.2% increase in the previous three months. This suggests that in the first quarter, the country's manufacturing sector and some sectors of services producing industries were still relatively fragile amid global economic uncertainty and geopolitical risks. Furthermore, escalating tensions in the Middle East and the risk of a delayed easing in interest rates could threaten this year's economic rebound.

Local business sentiment weakened due to economic uncertainties and cost increases. The top priorities for businesses have shifted to reducing costs and ensuring that cash flow remains positive. As a result, the expansion of total employment (excluding Migrant Domestic Workers) fell to 4,900 in Q1/2024. Preliminary data released by the Ministry of Manpower (MOM) also showed that the employment change in the reviewed quarter was entirely contributed by an increase in resident employment. In contrast, non-resident employment contracted for the first time since Q3/2021 due to cooling labour demand starting from 2023. It may hint that the most dependable driver of Singapore's residential leasing market is cooling off.

Inevitably, the moderation in both economic growth and employment expansion is therefore restraining leasing demand for private residential properties. Based on the URA data, 19,680 leases of private residential homes, excluding ECs, were inked island-wide in Q1/2024. This translates to a 2.0% contraction compared to the same period a year ago and is also 10.9% lower than the historical five-year average of 22,084 transactions in the first quarter from 2019 to 2023. By market segments, the number of leasing contracts in the Rest of Central Region (RCR) decreased most in the reviewed quarter, by 6.4% YoY, followed by the Core Central Region (CCR) with a YoY decline of 1.3%. On the other hand, rental contracts in the Outside Central Region (OCR) rose by 1.5% YoY, probably due to higher demand for more affordable homes, as well as a flux of new home supply, particularly in the second half of last year.

Similar to the previous quarter, Normanton Park, The Florence Residences and The Sail @ Marina Bay remained in the list of top five non-landed projects with the highest leasing contracts in Q1/2024. The other two new projects joined the list are the 2,203-unit Treasure At Tampines and the 1,468-unit Parc Clematis in Clementi. Both in the OCR, these two newly completed projects ranked second and third with 221 and 211 leasing transactions in the reviewed quarter. Among all leases, the proportion of small units with size ranging from 400 sq ft to 700 sq ft (mostly one and two-bedders) was high.

RENTS

The rents of non-landed private residential homes island-wide by the URA continued to ease by 1.6% QoQ in Q1/2024, after a fall of 1.8% in the previous quarter. By locality, rents in the RCR fell by the the most at 1.9% QoQ, followed by those in the CCR and the OCR which came off 1.6% QoQ and 1.4% QoQ respectively. Compared with the previous quarter, the quarterly rental decline accelerated in the RCR while remained at the same pace in the CCR. In contrast, the OCR saw a smaller decrease. New homes usually fetch better rents and this could have moved

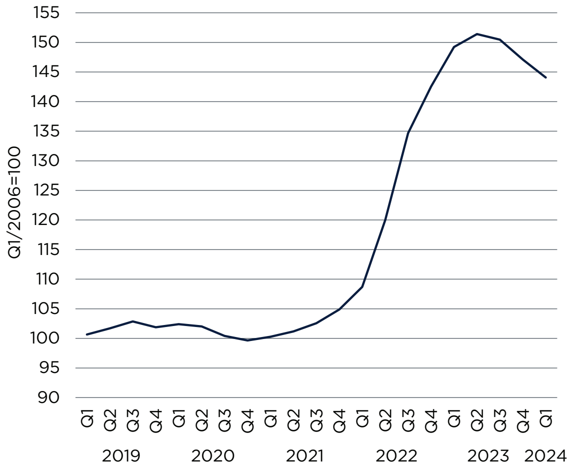
1 Advance estimates

TABLE 1: Non-landed Private Residential Projects with Most Leasing Transactions, Q1/2024

PROJECT NAME	POSTAL DISTRICT	LOCATION	NUMBER OF LEASING TRANSACTIONS	MEDIAN RENT (S$ PSF/MONTH)
Normanton Park	5	Normanton Park	427	5.72
Treasure At Tampines	18	Tampines Lane	221	4.94
Parc Clematis	5	Jalan Lempeng	211	5.91
The Florence Residences	19	Hougang Avenue 2	122	5.33
The Sail @ Marina Bay	1	Marina Boulevard	102	6.92

Source URA, Savills Research & Consultancy

GRAPH 3: Savills High-end, Non-landed Residential Rental Index, Q1/2019 to Q1/2024



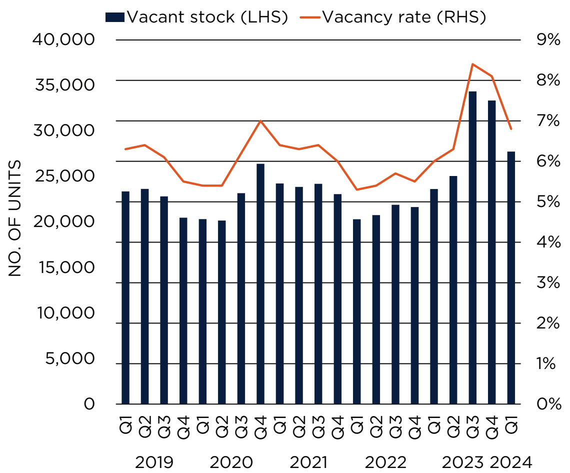
Source Savills Research & Consultancy

TABLE 2: Major Private Residential Projects Completed, Q1/2024

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	NO. OF UNITS
Meyer Mansion	Meyer Road	Meyer Mansion Pte Ltd	RCR	200

Source URA, Savills Research & Consultancy

GRAPH 4: Vacant Stock and Vacancy Rates of Private Residential Units, Q1/2019 to Q1/2024



Source URA, Savills Research & Consultancy

the needle up for OCR rents. Also, the new completions tend to have more smaller sized units which fetch higher rents on a S$ per sq ft (psf) basis.

Similarly, the average monthly rent of high-end condominiums tracked by Savills continued its downward trend for the third straight quarter, with average monthly rents falling by 2.1% QoQ to S$5.89 psf in Q1/2024.

According to market feedback, fewer viewings are now scheduled for each unit available for lease and an increasing number of tenants are playing musical chairs trying to source for the cheapest accommodation or one that is of the same rent as what they had signed on previously. Also, more and more landlords are becoming more flexible in their rental negotiations. In short, the rental market has turned from a landlord to a tenant's market.

STOCK AND VACANCY

The market saw just 241 private residential units receiving their Temporary Occupation Permits (TOPs) in the first quarter of 2024. Out of these, 200 units are from Meyer Mansion, a freehold condominium project located at Meyer Road in Marine Parade.

The completion number in Q1/2024 is a sharp contraction from the last couple of quarters and the lowest since Q2/2020 when only 86 units were completed. Coupled with the demolition of some units, the island-wide stock of completed private residential properties shrank by some 188 units to 410,400 units in Q1/2024. This is the first time after the housing stock had steadily grown for three and a half years from Q3/2020. Out of the total completed stock, 27,729 units are vacant, significantly declining 16.8% from a quarter ago, therefore the overall vacancy rate improved by 1.3 ppts QoQ to 6.8%. Vacancy rates dropped across all the market segments, with the RCR recording the highest decrease of 1.5% QoQ, followed by the OCR at 1.4% QoQ and the CCR at 0.9% QoQ.

OUTLOOK

The number of new completions in the private residential market (excluding ECs) in 2024 is expected to be about 8,650 units. As this number is significantly lower than the 19,968 units completed in 2023, it may reduce the downside pressure on rents. However, there is still some negative spillover effect because a significant number of the 4,085 private residential units completed in Q4/2023 are still in the market for tenants.

Also, with companies facing challenging business conditions, the need to trim overheads will continue to lead to reduced rental demand by foreigners.

So far, rents have been declining in an orderly fashion. We believe that one of the reasons for this well-mannered adjustment is that landlords have not panicked to sign on tenants who gave low ball offers. This could be due to lagged behaviour effects which we saw in 2022 when landlords were still slow to adjust rents up when the available stock for lease was dwindling fast. Now, the same may be playing out when landlords who saw themselves missing out on the rental bonaza last year just after their 2022 vintage leases were signed, now want to be recompensed for the opportunity cost.

Of late, feedback from agents who have concluded leasing deals is revealing more enquiries from young singles or young couples. This seems like another cycle building for a new batch of incoming professionals. However, whether this is the start of a long cycle, or a short one is still unclear because these could just be partial replacement headcount for the more expensive foreign professionals who had left. Still, this feedback is not universally experienced by agents. The high-end segment of the rental market is, according to ground feedback again, still slow. In the meantime, because of cost pressures, companies who are expanding are doing so in lower cost cities in the region. In short, the rental market has turned from a landlord to a tenant's market. If the feedback that another wave of younger professionals is arriving is true, this may support rents for room lettings or co-living premises. The number of leases signed for whole unit lettings should, however, remain soft as such lettings do not translate one-one to stamped leasing contracts. For 2024, for the reasons cited above, we are forecasting rents to fall by 5% YoY.