# Briefing
# Residential leasing

September 2017

Image: Sky Habitat at Bishan Street 15

## SUMMARY

The rate of rental deceleration slowed in Q2/2017.

- In Q2/2017, the Singapore economy recorded a better-than-expected growth of 2.9% year-on-year (YoY). Meanwhile, some positive signs emerged in the labour market, with decreasing unemployment levels for residents and citizens, and redundancies falling from last quarter.

- The leasing volume for island-wide private residential properties rose further to 20,347 deals in Q2/2017, representing an increase of 7.7% quarter-on-quarter (QoQ) and 5.9% YoY.

- The top five projects with the highest leasing deals signed in the reviewed quarter include D'Leedon, J Gateway, ECO, The Sail @ Marina Bay and Reflections at Keppel Bay. A total of 995 leasing transactions were captured for these five projects in Q2.

- URA's statistics showed that the rental index for island-wide private residential properties dipped another 0.2% QoQ in Q2/2017, less than the 0.9% drop recorded in the previous quarter.

- The average monthly rents for Savills basket of high-end non-landed residential properties was S$4.16 per sq ft in Q2/2017, representing an increase of 1.6% QoQ.

- As of end Q2/2017, the whole island has a total of 28,888 vacant private residential units, up slightly from Q1's 28,442. Nevertheless, this small increase of vacant stock did not impact the overall vacancy rate, which stayed unchanged at 8.1% from a quarter ago.

"Although supply is increasing and tenants' budgets continue to compress, the rental market has been very resilient and should stay at this level, even if more supply comes on line."
Alan Cheong, Savills Research

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## Market overview

Propelled by a stronger performance of the manufacturing sector, as well as accelerated YoY growth in some services sectors such as wholesale & retail trade, finance & insurance and business services, compared to the same period last year, the Singapore economy recorded a better-than-expected growth of 2.9% in Q2/2017. Together with Q1's 2.5%, the local economy grew 2.7% for the 1H/2017. Backed by the faster growing economy in Q2, the Ministry of Trade and Industry (MTI) announced on 11 August 2017 that the full year GDP growth forecast had been narrowed to a 2% to 3% band, from the earlier 1% to 3% range.

Although the health of the labour market is still unstable, some positive signs emerged in Q2/2017. Preliminary data released by the Ministry of Manpower (MOM) showed that the seasonally adjusted overall unemployment rate stayed at 2.2% as of the end of June 2017. However, compared with three months ago, it declined among residents (from 3.2% to 3.1%) and citizens (from 3.5% to 3.3%). Redundancies continued to decrease to 3,500 in Q2/2017, down from 5,440 in Q4/2016 and 4,000 in Q1/2017.

The leasing volume for island-wide private residential properties rose further to 20,347[1] deals in Q2/2017, representing an increase of 7.7% QoQ and 5.9% YoY. Breaking down the quarterly growth numbers further, leasing transactions rose in the overall landed property segment (2.8%), non-landed residential units in the Core Central Region (CCR) (12.6%) and Outside Central Region (OCR) (13.1%). On the other hand, non-landed private homes in the Rest of Central Region (RCR) edged down by 0.5% QoQ.

The top five projects with the highest leasing deals signed in the reviewed quarter include D'Leedon, J Gateway, ECO, The Sail @ Marina Bay and Reflections at Keppel Bay. A total of 995 leasing transactions were captured for these five projects in Q2, according to URA's data.

1 Based on data downloaded from URA's Realis on 5 September 2017.

## Rents

URA's statistics showed that the rental index for island-wide private residential properties dipped another 0.2% QoQ in Q2/2017, less than the 0.9% drop recorded in the previous quarter. The rental decline has decelerated for three consecutive quarters since Q4/2016.

By property type, the overall rental index also posted a marginal quarterly decrease of 0.1% for landed houses and 0.2% for non-landed homes respectively. For non-landed units, the OCR recorded a 0.6% QoQ drop, reversing the increase in the previous quarter, while the RCR continued to shrink by 0.4% QoQ albeit at a slower rate. In contrast, rents of condominiums and apartments in the CCR edged up 0.1% QoQ.

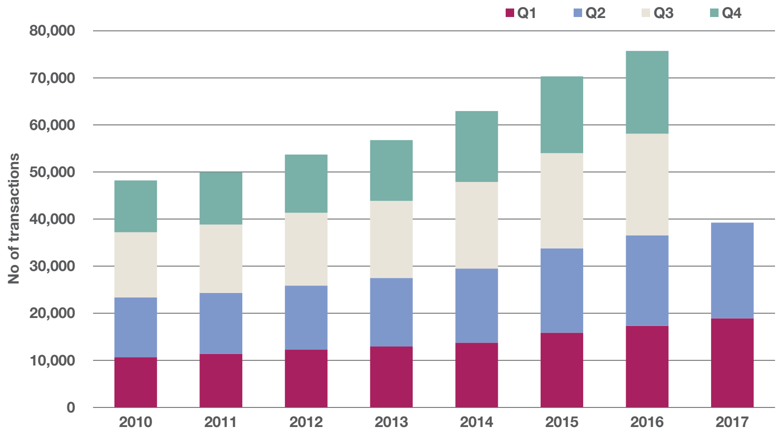
Despite the continuing rental decline seen for all private residential properties segments and in most of the locations, it has now become clearer that the rents for private homes should start to stabilise in the near term on back of improving economic environment, a stronger than expected occupancy rate and the narrowing rental gap between suburban private non-landed homes and public housing units.

In dollar terms, based on the URA's statistics[2], the median rents of non-

2 Based on data downloaded from URA's Realis on 5 September 2017.

GRAPH 1

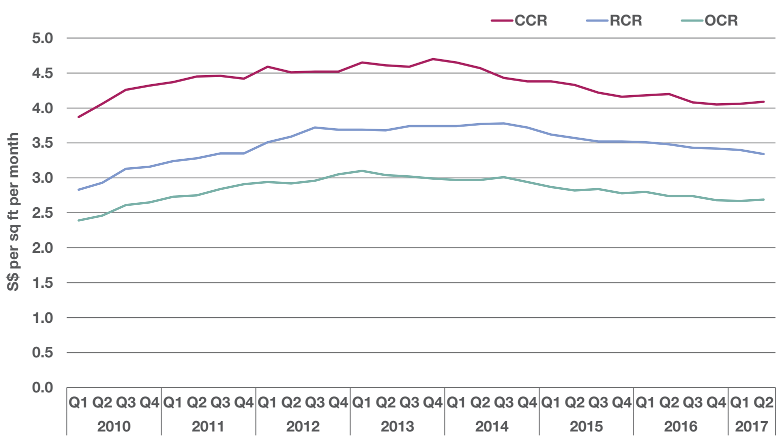
### Leasing transaction volumes of private residential units, Q1/2010–Q2/2017




Source: Urban Redevelopment Authority (URA), Savills Research & Consultancy

GRAPH 2

### Median rents of non-landed residential properties by locality, Q1/2010–Q2/2017




Source: URA, Savills Research & Consultancy landed private homes in Q2/2017 were S$4.09 per sq ft (psf) in the CCR, S$3.34 psf in the RCR and S$2.69 psf in the OCR.

In Q2/2017, the average monthly rents for Savills basket of high-end non-landed residential properties was S$4.16 per sq ft, representing an increase of 1.6% QoQ. Some renewal leases achieved higher rents than new leases, but were still cheaper compared with those first signed in two years ago. Coupled with the relocation cost, therefore, the tenants chose to stay. This could be one major reason behind the rental increase in the high-end market segment.

## Stock and vacancy

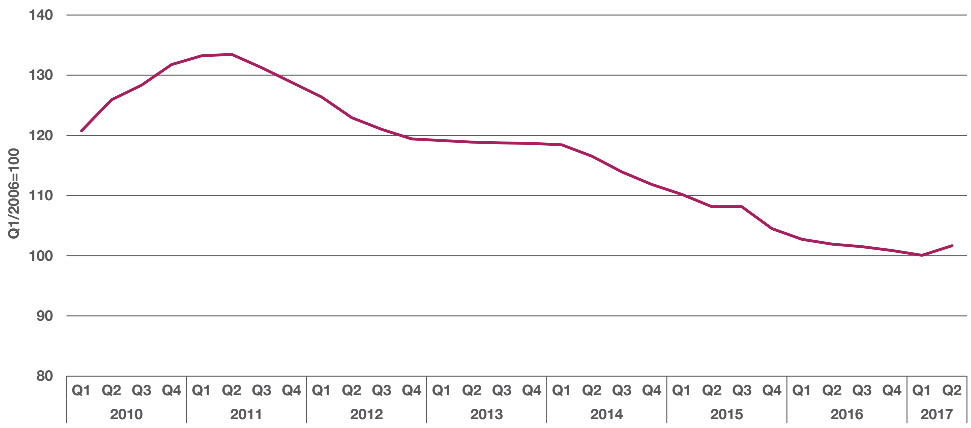
As of end Q2/2017, the island-wide stock of vacant private residential units stood at 28,888. This was up slightly from Q1's 28,442. Nevertheless, as demand also increased, this small increase of vacant stock did not impact the overall vacancy rate, which stayed unchanged at 8.1% from a quarter ago.

In spite of substantial growth of private residential units contributing by new completions in the reviewed quarter, the vacancy rates have eased in both the RCR and OCR by 0.3% QoQ and 0.1% QoQ respectively. Strong leasing activities were found in projects located near MRT stations, especially those had received temporary occupation permits (TOPs) in the recent quarters. This has helped to mitigate vacant stock in these two market segments. Some of these newly completed projects that were highly sought after by the tenants in Q2/2017 are J Gateway in Jurong East, ECO and The Glades at Bedok, Bartley Ridge on Mount Vernon Road and Eight Riversuites at Whampoa East.

On the other hand, the CCR showed an increase of 665 units in its vacant stock with the average vacancy rate inching up by 0.7 of a percentage point (ppt) in the reviewed quarter. Take-up of private residential units in this market segment has been declined fast for two successive quarters since Q1/2017.

GRAPH 3

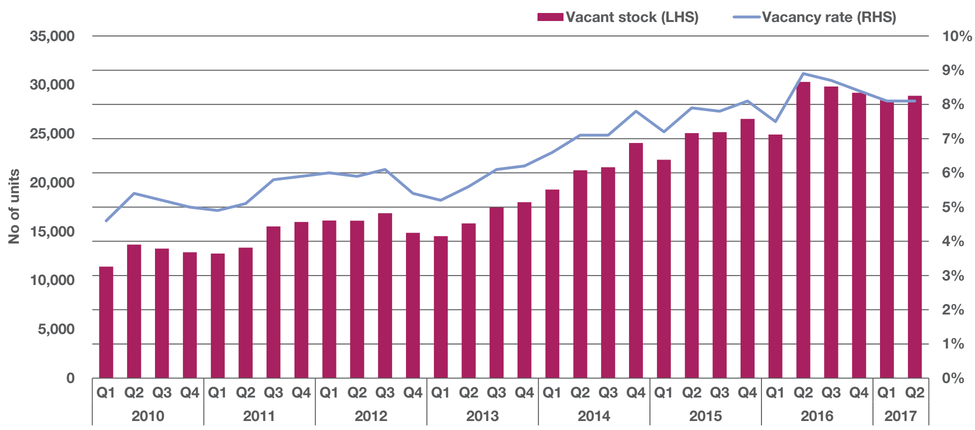
### Savills high-end, non-landed residential rental index, Q1/2010–Q2/2017




Source: Savills Research & Consultancy

GRAPH 4

### Vacant units and vacancy rates of private residential units, Q1/2010–Q2/2017




Source: URA, Savills Research & Consultancy

TABLE 1

### Major private residential projects completed in Q2/2017

| Project name | Location | Developer | Locality | Total no. of units |
|---|---|---|---|---|
| The Trilling | Jalan Lempeng | Clementi Development Pte Ltd | OCR | 755 |
| DUO Residences | Fraser Street | Ophir-Rochor Residential Pte Ltd | CCR | 660 |
| The Santorini | Tampines Street 86 | MCC Land (Singapore) Pte Ltd | OCR | 597 |
| Rivertrees Residences | Fernvale Close | Watervine Homes Pte Ltd | OCR | 495 |
| The Venue Residences | Tai Thong Crescent | Crescent View Developments Pte Ltd | RCR | 266 |
| Waterfront @ Faber | Faber Walk | World Class Land Pte Ltd | OCR | 210 |
| Spottiswoode Suites | Spottiswoode Park Road | Spottiswoode Development Pte Ltd | RCR | 183 |
| Guillemard Suites | Guillemard Road | MK25 Pte Ltd | RCR | 146 |

Source: URA, Savills Research & Consultancy

# OUTLOOK

## The prospects for the market

The URA on 30 June 2017 lowered the minimum stay duration for all private properties which have been approved for residential use. With the revision, landlords can rent out their private homes for a shortest possible time of three months, from the current six months. Also, with effect from 15 May 2017, the maximum number of unrelated occupants who may be accommodated in a property is six.

These two recent policy actions will increase leasing transactions. However, the changes are not anindication of market recovery as they are technical in nature. Nevertheless, the residential leasing market has shown resilience with vacancy levels trending down since Q2/2016. Going forward, rents should continue to hover around current levels, due to uncertainties in the global economy and corporates whose prospects are being disrupted by both technology and structural factors.

# Please contact us for further information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