

Briefing Residential leasing

December 2016

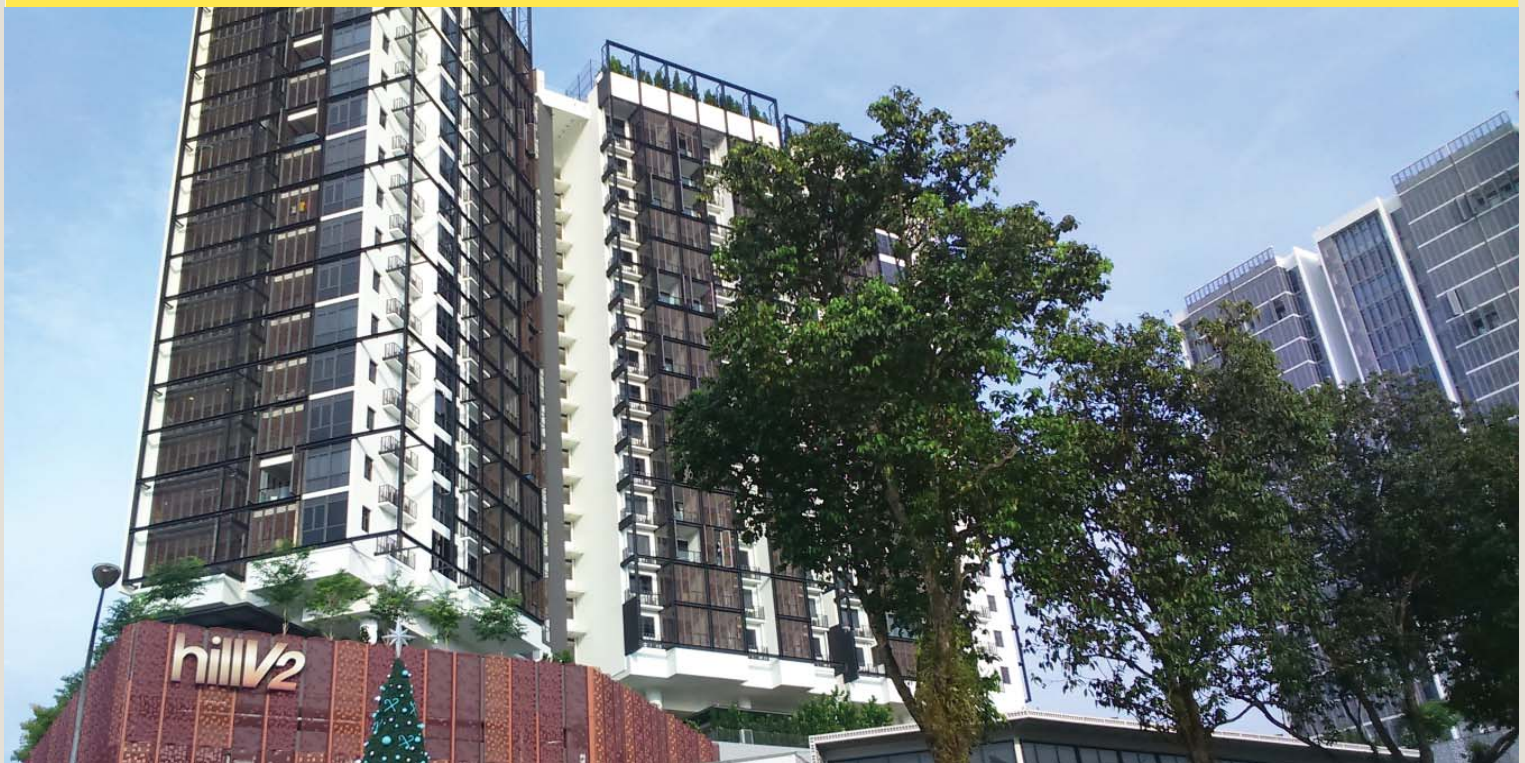


Image: The Hillier, Hillview Avenue

SUMMARY

Housing supply continues to outweigh demand, especially following the flood of new completions in Q2 and Q3/2016 which are still unsold/unoccupied.

- Leasing demand continued to improve in the third quarter of 2016, with approximately 21,587 deals transacted.

- From data supplied by the Urban Redevelopment Authority (URA), non-landed private residential rents dropped by 1.4% quarter-on-quarter (QoQ) in Q3/2016, meaning rents are 4.0% lower year-on-year (YoY).

- In Q3/2016, the Savills basket of luxury non-landed private residential

- rents inched down by 0.4% QoQ or 6.1% YoY, to S\$4.15 per sq ft per month.

- Vacancy rates for private homes across the island inched down 0.2 of a percentage point (ppt) QoQ in Q3/2016, but at 8.7%, remains on the high side.

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 “With major infrastructure spending and a growing high-tech sector all requiring more overseas workers, the fog surrounding the rental market appears to be less thick.”
 Alan Cheong, Savills Research

→ Leasing demand

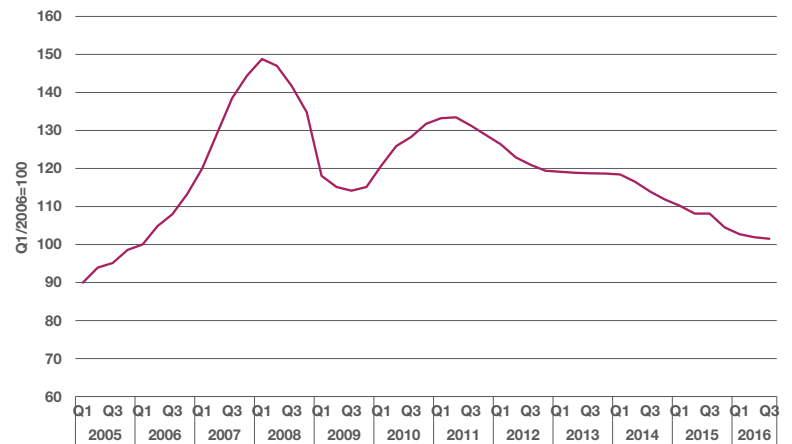
Leasing demand continued to improve in the third quarter of 2016, with approximately 21,587 deals transacted. This is a 12.2% increase from the previous quarter and the highest quarterly number since Q3/2015. At the luxury end of the market, rental volumes held strong, logging a 21.1% QoQ rise with 6,820 transactions. Mid-sized (three- to four-bedroom) units garnered the strongest demand, especially in Districts 9 & 10, where can achieve monthly rents of S\$14,574 for a four-bedroom apartment in Ardmore Park condominium.

In the city fringe, rental contracts are also coming through – particularly in areas like Geylang and Kallang where it has crossed the 1,000-mark. This can be attributed to their proximity and easy accessibility to the city, as well as suburban areas, via public and private transportation.

Rents

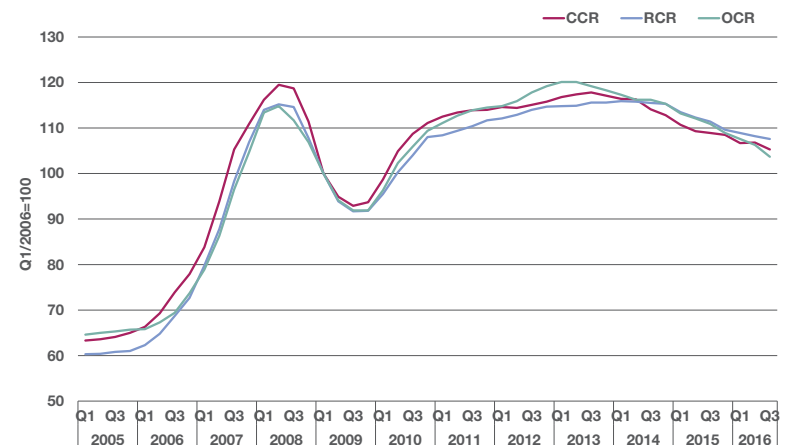
Notwithstanding the pick-up in leasing activity, sluggish market conditions continued to weigh down on private residential rents. From data supplied by the URA, non-landed private residential rents dropped by 1.4% QoQ in Q3/2016, down 4.0% YoY. Across market segments, the suburbs registered the biggest decline, with rents falling 2.4%, followed by the city area and the city fringe, which fell by 1.4% and 0.6% respectively.

GRAPH 2 Savills High-end residential rental index, 2005–Q3/2016



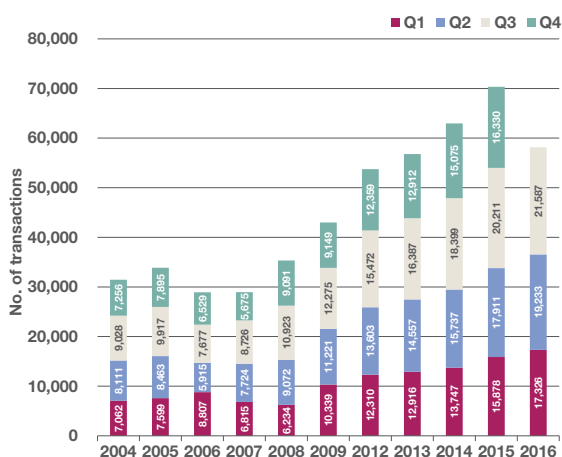
Source: URA, Savills Research & Consultancy

GRAPH 3 Non-landed residential rental index, 2005–Q3/2016



Source: URA, Savills Research & Consultancy

GRAPH 1 Transaction volumes, 2004-Q3/2016



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

Although the CCR remains the most expensive segment of the rental market, the increase in availability of properties in this location puts further pressure on rents. In Q3/2016, the Savills basket of luxury non-landed private residential rents inched down 0.4% QoQ to S\$4.15 per sq ft per month; on an annualised basis this translates to a 6.1% decline.

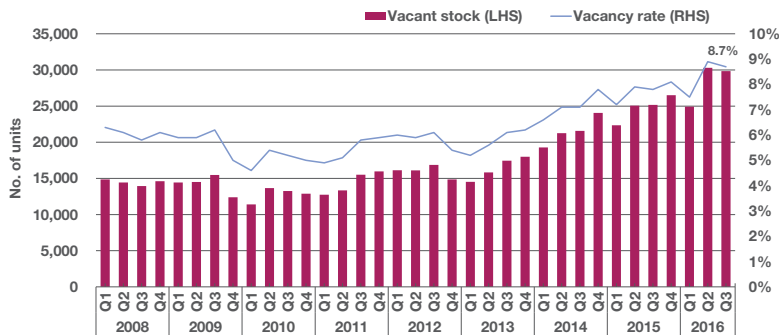
Stock & vacancy

As at Q3/2016, there was an island-wide stock of 343,647 private residential homes. This quarter also marks the completion of the freehold Robinson Suites which comprises one- and two-bedroom units in various configurations. At 97% sold,

its location in the CBD and small unit sizes should find tenants quite easily, provided the asking rents are reasonable.

Nonetheless, the housing supply continues to outweigh demand, especially following the flood of new completions in Q2 and Q3/2016 that are still unsold/unoccupied. Vacancy rates for private homes across the island inched down 0.2 of a ppt QoQ in Q3/2016, but at 8.7% remain on the high side. ■

GRAPH 4
Vacant units & vacancy rates of private homes, 2008–Q3/2016



Source: URA, Savills Research & Consultancy

TABLE 1
Major projects completed in Q3/2016

| Project name | Location | Category | Estimated no. of units |
|-------------------------|---------------------|----------|------------------------|
| Sky Vue | Bishan Street 15 | RCR | 694 |
| Jewel @ Buangkok | Compassvale Bow | OCR | 616 |
| Echelon | Alexandra View | RCR | 508 |
| Eco Sanctuary | Chestnut Avenue | OCR | 483 |
| Stratum | Elias Road | OCR | 380 |
| Corals at Keppel Bay | Keppel Bay Drive | RCR | 366 |
| The Tembusu | Tampines Road | OCR | 337 |
| The Hillford | Jalan Jurong Kechil | OCR | 281 |
| Seventy Saint Patrick's | St. Patrick's Road | OCR | 186 |
| Robinson Suites | Robinson Road | CCR | 167 |

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

Despite gloomy job statistics in the finance sector, there are other industries that are still growing here. In November, e-commerce giant Amazon announced its plans to launch in Singapore by Q1/2017 – joining the ranks of other large MNCs like Google, which is establishing an engineering hub here. Alongside the tech sector, upcoming major infrastructure projects, like the construction of the multi-billion dollar Singapore section of the high-speed rail to Kuala Lumpur, is expected boost job creation. Whether one looks to the URA rental price index or Savills basket of high end non-landed luxury property rents, after having fallen for the umpteenth quarter, a base should soon be reached. With growth in the high-tech sector alongside major infrastructure spend in the coming years, the influx of overseas workers into Singapore on Employment Passes should increase. Although there is no exact clarity as to when rents are expected to stabilise, however, the fog surrounding the rental market appears to be less thick.

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