Briefing
Residential leasing

December 2017

Image: The Trilinq at Jalan Lempeng

SUMMARY

Overall rents remained unchanged from a quarter ago.

- The third quarter leasing transaction volume continued to rise island-wide, posting a record number at 23,009. The strong growth of leasing deals was witnessed across the board.

- With the decrease in non-residents, which have been the traditional drivers of leasing demand, we believed that in recent years, demand from residents, including citizens and permanent residents, has lent more support to the residential leasing market.

- In Q3, rents for landed properties inched up 0.6% quarter-on-quarter (QoQ), while rents for non-landed residential units continued to fall, but at a slower rate of 0.1% QoQ.

- The increase in availability of properties, together with a declining number of expatriates arriving and their reduced rental packages, have put pressure on rents for high-end non-landed residential units. The cost of renting such properties tracked by Savills contracted by 0.6% QoQ in Q3/2017.

- At the end of September 2017, the overall vacancy rate of private residential units climbed to 8.4% from 8.1%, over a three month period. The latest figure translates to a total of 30,136 vacant private homes island-wide, a 4.3% quarterly increase from Q2/2017 with 28,888 units.

"While rental declines have ceased, the market may still take a few more quarters before it starts to rise in a convincing manner."
Alan Cheong, Savills Research

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Market overview

The third quarter leasing transaction volume island-wide continued to rise, posting a record of 23,009[1] which surpassed the previous high of 21,589 set a year ago. Year-to-date, total leasing volume has also exceeded the corresponding figure in 2016, by 4,129 deals. At this rate, leasing volume is predicted to surpass the record level of 75,727 deals set in 2016, by 2017 year-end.

Strong growth of leasing deals was witnessed across the board. Leasing transactions of landed homes posted 34.9% QoQ growth. In the meantime, leasing deals for non-landed properties rose 11.5% QoQ. This was led by the Core Central Region (CCR), where leasing transaction volume increased 15.7% from Q2/2017, followed by a quarterly growth of 10.2% in the Rest of Central Region (RCR), and 9.3% in the Outside Central Region (OCR).

In Q3/2017, D'Leedon, Reflections at Keppel Bay, The Sail @ Marina Bay and J Gateway continued to be the most popular projects being sought after by tenants. In contrast, Lakeville, a condominium located near Jurong Lake, has replaced Q2's ECO at Tanah Merah in the top list. Collectively, a total of 814 leasing contracts were signed in these five projects for the period from July to September.

Historically, the third quarter of each year is always the peak period for the leasing market, given the start of the academic year for many international schools in mid-August. Therefore, there are a large number of new and renewal leases for families with students in July and August. The buoyant leasing activity in the reviewed quarter may be also attributed to the two recent policy changes, namely the minimum stay duration for all private properties which have been shortened to three months and the requirement that maximum number of unrelated occupants being accommodated in a property to be six.

According to the latest official statistics released in September, Singapore's non-residential population, including Work Permit holders, Employment and S-Pass holders, foreign students, foreign domestic workers and other dependents, fell by 1.6% to 1.65 million in 2017, the first drop in 14 years. With the decrease in non-residents, who have traditionally been the drivers of the leasing demand, we believe that demand from residents, including citizens and permanent residents, has been a growing source supporting the residential leasing market in recent years.

1 Based on data downloaded from URA's Realis on 28 November 2017.

Rents

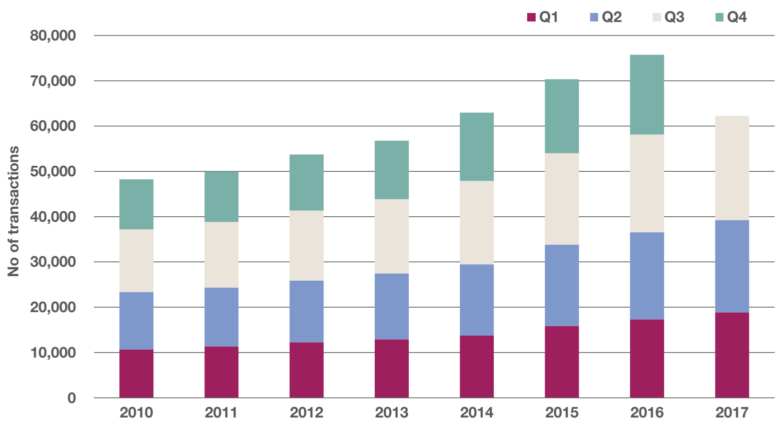
URA's overall rental index for private residential properties stayed unchanged in Q3/2017. The 0.6% QoQ growth, among landed properties in this quarter, helped to arrest the overall 12.5% decline that spanned over 15 straight quarters between Q4/2013 and Q2/2017. However, in the reviewed quarter, rents for non-landed residential units continued to fall, albeit at a slower rate of 0.1% QoQ. The main drag came from the CCR, which saw rents drop by 0.8% QoQ, followed by a 0.3% fall in the OCR. Rental levels in the RCR, in contrast, inched up 0.9% QoQ, reversing the 0.4% decline recorded in a quarter ago.

In dollar terms, based on the URA's statistics[2], the median rent of private condominiums and apartments in

2 Based on data downloaded from URA's Realis on 28 November 2017.

GRAPH 1

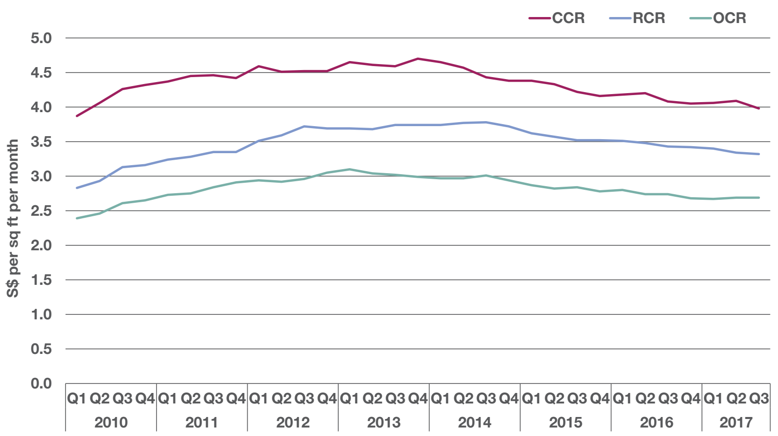
Leasing transaction volumes of private residential units, Q1/2010–Q3/2017



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

GRAPH 2

Median rents of non-landed residential properties by locality, Q1/2010–Q3/2017



Source: URA, Savills Research & Consultancy

Q3/2017 was S$3.98 per sq ft (psf) in the CCR, S$3.32 psf in the RCR and S$2.69 psf in the OCR.

Although the prime districts, such as Orchard, Cairnhill, Bukit Timah, Dunearn, Holland, River Valley and Newton, remain the most expensive segments of the rental market, the increase in availability of properties in these locations has put pressure on rents. As both the number of expatriates arriving and overall rental packages decline, the cost of renting high-end non-landed residential properties tracked by Savills contracted by 0.6% QoQ to S$4.13 psf per month in Q3/2017.

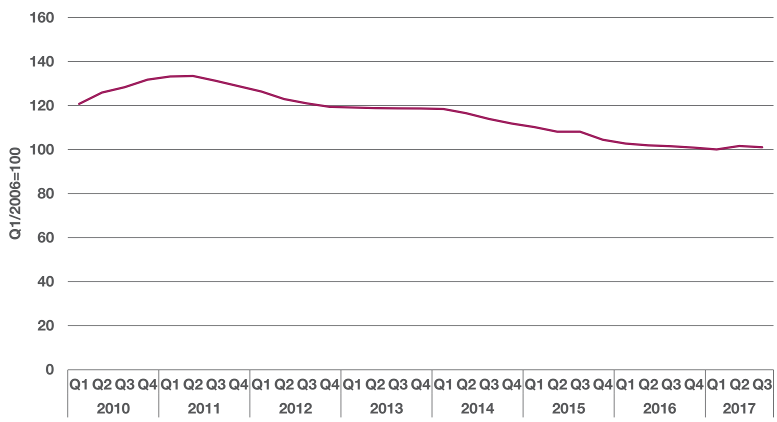
Stock and vacancy

As of end September 2017, the overall vacancy rate of private residential units climbed to 8.4% from 8.1% in Q2. This reflected a total of 30,136 vacant private homes island-wide, a 4.3% quarterly increase from Q2's 28,888 units.

In Q3/2017, a handful of CCR projects, such as Wallich Residence at Tanjong Pagar Centre (181 units), New Futura (124 units) and 3 Orchard By-The-Park (77 units), received their Temporary Occupancy Permits (TOPs). This can partly explain why the vacancy rate in the CCR rose 0.6 of a percentage point (ppt) from a quarter ago.

GRAPH 3

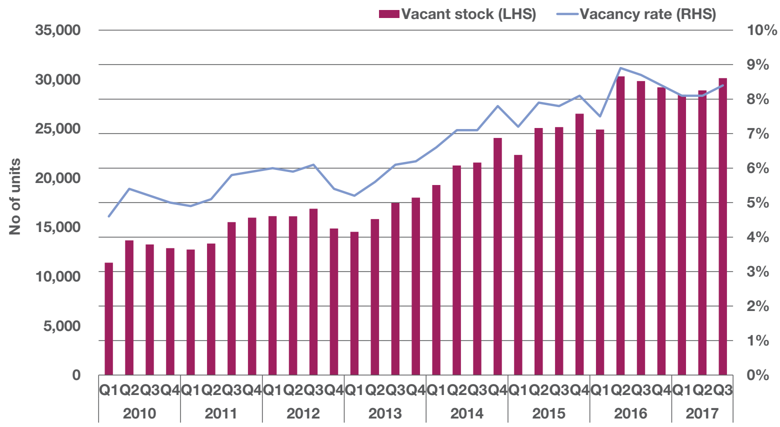
Savills high-end, non-landed residential rental index, Q1/2010–Q3/2017



Source: Savills Research & Consultancy

GRAPH 4

Vacant units and vacancy rates of private residential units, Q1/2010–Q3/2017



Source: URA, Savills Research & Consultancy

TABLE 1

Major private residential projects completed in Q3/2017

Project name	Location	Developer	Locality	Total no. of units completed
Watertown	Punggol Central	Emerald Star Pte Ltd/FC Retail Trustee Pte Ltd	OCR	992
The Panorama	Ang Mo Kio Avenue 2	Pinehill Investments Pte Ltd	OCR	698
D'Nest (Total : 912 units)	Pasir Ris Grove	Hong Realty Pte Ltd	OCR	562
Hillion Residences	Jelebu Road	Sim Lian JV (BP Retail) Pte Ltd/ Sim Lian JV (BP) Pte Ltd	OCR	546
Alex Residences	Alexandra View	Singland Homes (Alexandra) Pte Ltd	RCR	429
The Creek @ Bukit (Total: 260 units)	Toh Tuck Road	Chiu Teng @ Bukit Timah Pte Ltd	RCR	254
Wallich Residence at Tanjong Pagar Centre	Wallich Street	TPC Commercial Pte Ltd/TPC Hotel Pte Ltd/Wallich Residence Pte Ltd	CCR	181
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CCR	124

Source: URA, Savills Research & Consultancy

In the reviewed quarter, the vacancy rates inched up by 0.2% QoQ in both the RCR and OCR. These two market segments saw a few major completions, including Watertown (992 units), The Panorama (698 units), D'Nest (562 out of 912 units), Hillion Residences (546 units) and Alex Residences (429 units). The quick take-up by both owners and tenants, although still slightly lagging behind the new completions, has helped to reduce the pace of increasing vacancies. In Q3/2017, strong leasing activities were found in some areas, such as Reflections at Keppel Bay and Caribbean at Keppel Bay, Lakeville and The Lakefront Residences near Lakeside MRT Station, as well as ECO and Urban Vista near Tanah Merah MRT Station.

OUTLOOK

The prospects for the market

It is expected that rents will remain soft in the near term. However, a base appears to be forming despite rising vacancies and this could be due to landlords pushing back against tenants seeking for even lower rents. The low interest rate charged for mortgages, which at today's rates is even lower than before the Fed started this round of increases in December 2015, is strengthening landlords' holding power. At the same time, the owners from recent en-bloc sites may need to find a replacement abode six to nine months after the completion of collective sales. This will create some demand for the private residential leasing market. Nevertheless, it may still take a few more quarters before rents start to show any broad based improvement. Thus for the period Q4/2017 to mid-2018, rents may still be expected to hover around current levels.

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