Briefing
Residential leasing

March 2018

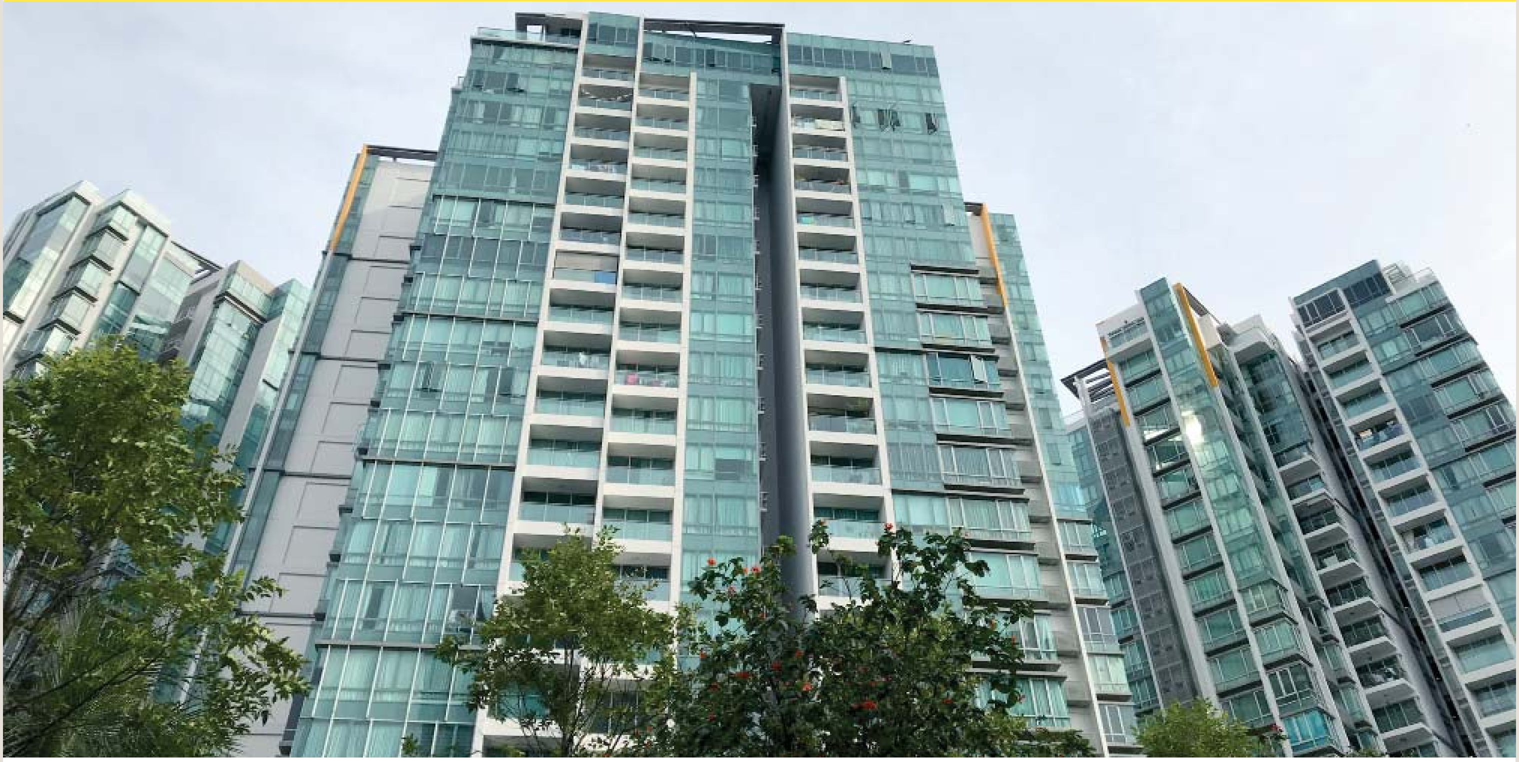

Image: One Amber at Amber Gardens.

SUMMARY

Luxury rents continued to fall, albeit at a slower rate.

- For private residential properties, for the last quarter of 2017, there were 18,946 leases that commenced island-wide. This represented a decline of 17.7% quarter-on-quarter (QoQ), but on a yearly basis, a rise of 7.7%.

- In Q4/2017, the most popular projects among tenants were The Sail @ Marina Bay, Duo Residences, Caribbean at Keppel Bay, City Square Residences and D'Leedon, contributing a total of 530 leasing transactions.

- Latest data from the URA showed that, after a short-term stabilisation in Q3/2017, island-wide private residential property rents slipped by 0.9% in Q4/2017.

- In Q4/2017, the average rent of high-end non-landed residential properties in Savills basket continued the downward trend, falling another 1.5% QoQ to S$4.07 psf.

- Island-wide, the stock of completed private residential units was 364,295 units as of end-December 2017, an increase of about 4,200 units or 1.2% from three months before. But the island-wide vacancy rate improved 0.6ppt from 8.4% in Q3 to 7.8% in Q4.

"Although buying sentiment has improved and the economy is performing better, it may take a few more quarters of push back by landlords to arrest continuing expectations of falling rents among tenants." Alan Cheong, Savills Research

MCI (P) No. 187/03/2016
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Market overview

After the peak season in Q3/2017, the private residential leasing market entered its typical slowdown in the last quarter. The quarter in review was no exception and thus for private residential properties, 18,946[1] leases commenced island-wide in Q4/2017, representing a decline of 17.7% QoQ. However, on a yearly basis, it has risen 7.7%. For the whole of 2017, the total leasing transaction volume increased 7.3% YoY to 81,211. Although this is the highest number since 2000, the YoY growth rate has moderated compared with the previous three years.

In Q4/2017, the most popular projects among tenants were The Sail @ Marina Bay, Duo Residences, Caribbean at Keppel Bay, City Square Residences and D'Leedon, contributing a total of 530 leasing transactions. Among these five developments, Duo Residences in the Bugis area is the newest one and newly received its Temporary Occupation Permit (TOP) in Q2/2017. Since then, tenants have moved into 118 units in the project, accounting for nearly 18.0% of the total 660 units.

Rents

The latest data from the URA showed that, after a short period of stabilisation in Q3, island-wide private residential property rentals in Q4/2017 had slipped by 0.9% QoQ. Rents for landed houses dropped the most, falling 1.3% QoQ, followed a 1.0% for non-landed residential properties in the Outside Central Region (OCR). Rents for non-landed units in both the Core Central Region (CCR) and Rest of Central Region (RCR) posted a decline of 0.7% QoQ.

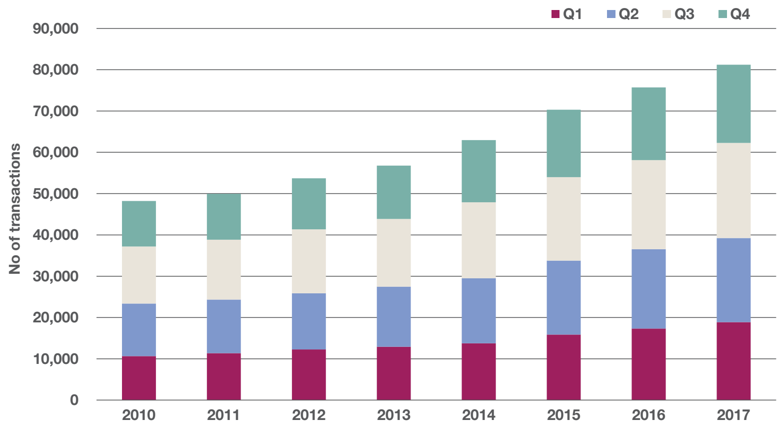
By end-2017, overall rents for private homes registered a drop of 1.9% year-on-year (YoY), following the 4.0% fall in 2016. Decelerated rental decline was witnessed across both property type and location, which may suggest that rents would begin to find support and are heading towards the bottom of its down cycle.

Based on the URA's statistics[2], the median rent of private non-landed homes in Q4/2017 was S$4.01 per

1 Based on data downloaded from URA's Realis on 28 November 2017
2 Based on data downloaded from URA's Realis on 5 March 2018.

GRAPH 1

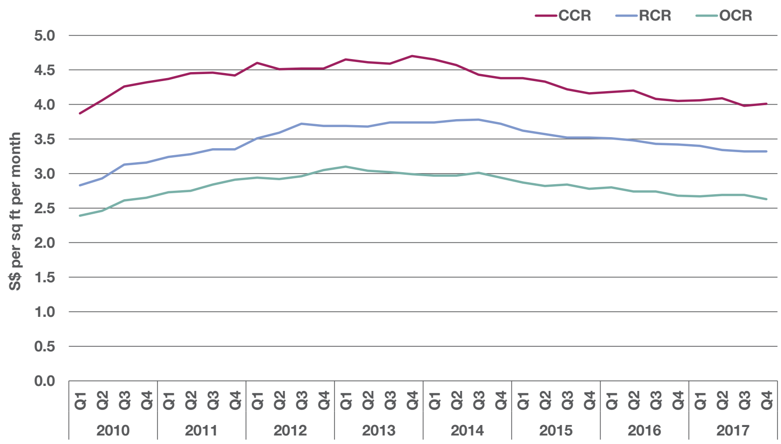
Leasing transaction volumes of private residential units, Q1/2010–Q4/2017



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

GRAPH 2

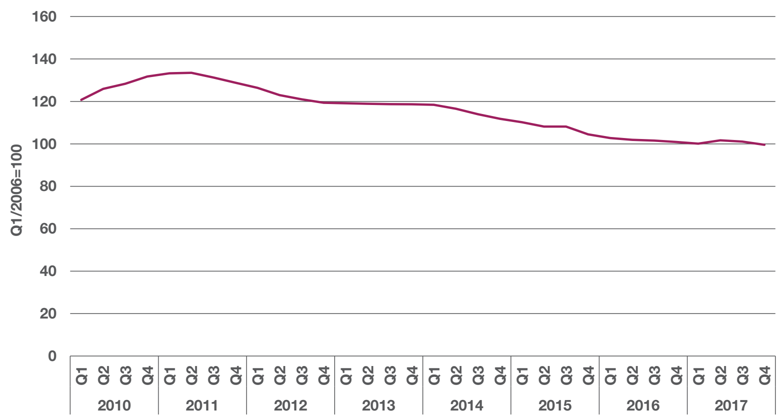
Median rents of non-landed residential properties by locality, Q1/2010–Q4/2017



Source: URA, Savills Research & Consultancy

GRAPH 3

Savills high-end, non-landed residential rental index, Q1/2010–Q4/2017



Source: Savills Research & Consultancy

sq ft in the CCR, S$3.32 per sq ft in the RCR and S$2.63 per sq ft in the OCR.

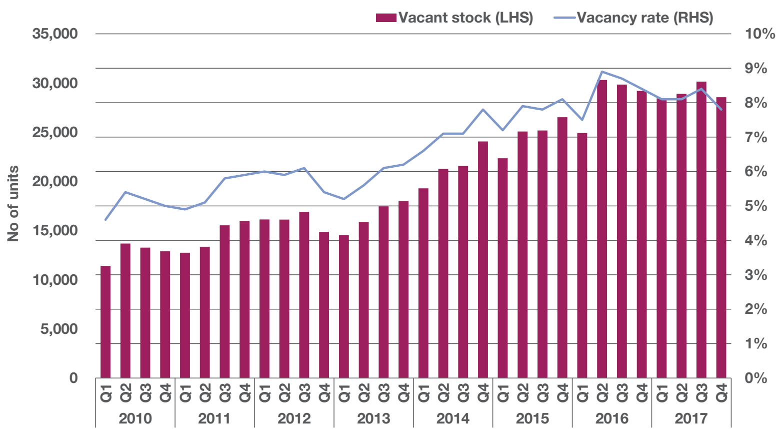
After a seasonal uptick in transaction volume in Q3, the leasing activity in the CCR slowed down significantly in the last quarter of 2017. This, together with a surplus of higher-end properties on the market and a reduction of inbound professionals, made landlords offer attractive rents to lease out their units. In Q4/2017, the average rents of high-end non-landed residential properties in Savills basket therefore continued the downward trend, falling another 1.5% QoQ to S$4.07 per sq ft. However, compared with a year ago, rents only declined by 1.3%, the smallest yearly drop in four years.

Stock and vacancy

Island-wide, the stock of completed private residential properties was 364,295 units as at 31 December 2017, an increase of approximately 4,200 units, or 1.2% from three months ago. A few large projects were completed in the Oct-Dec period, the majority situated in the CCR and RCR. These include Marina One Residences (1,042 units), Sims Urban Oasis (1,024 units), Commonwealth Towers (845 units) and V On Shenton (510 units). In contrast, new completions in the OCR were relatively limited. The only major one is the 912-unit D'Nest, in which 350 units were completed in Q4.

GRAPH 4

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



Source: URA, Savills Research & Consultancy

In spite of substantial increase seen in the available stock, Q4's vacancy rate only inched up marginally by 0.3% in the CCR and 0.2% in the RCR, from a quarter ago, due to a moderate growth of vacant stock during the same period. In view of declining leasing volumes, it appears that the number of owner-occupied private residential units in these two market segments has increased quickly in the last quarter of 2017. In the OCR, the decrease of leasing volume and limited new supply have helped the vacancy rate to improve by 1.4% QoQ from 7.3% in Q3 to 5.9% in Q4. In total, as at the end of 2017, the island-wide vacancy rate of private residential properties was 7.8%, down 0.6% from the 8.4% in three months ago. In addition, there are a total of 28,560 vacant units as at year-end, representing a decrease of 5.2% QoQ and 2.2% YoY. The improving vacancy rate and decreasing vacant stock will give housing owners some breathing space amid the current subdued rental market.

TABLE 1

Major private residential projects completed in Q4/2017

Project name	Location	Developer	Locality	Total no. of units completed
Marina One Residences	Marina Way	MS Commercial Pte Ltd/MS Residential 1 Pte Ltd/ MS Residential 2 Pte Ltd	CCR	1,042
Sims Urban Oasis	Sims Drive	Sims Urban Oasis Pte Ltd	RCR	1024
Commonwealth Towers	Commonwealth Avenue	Wealthall Development Pte Ltd	RCR	845
V On Shenton	Shenton Way	UIC Investments (Properties) Pte Ltd	CCR	510
D'Nest	Pasir Ris Grove	Hong Realty Pte Ltd	OCR	350
Eon Shenton	Shenton Way	70 Shenton Pte Ltd	CCR	132
The Rise @ Oxley - Residences	Oxley Rise	Oxley Rise Pte Ltd	CCR	120

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

In a bid to give Singaporeans fair access to more high-quality jobs, the government is making changes to the Fair Consideration Framework (FCF), which requires employers to advertise job vacancies for 14 days on the national Jobs Bank before submitting employment pass (EP) applications. From 1 July 2018, the FCF advertising requirement will be broadened to firms with 10 or more employees and job positions that pay a fixed monthly salary of less than S$15,000. With companies prioritising the hiring of local workers over foreigners, it is expected that leasing demand from expatriates could be affected.

On the other hand, due to the euphoria of successful collective sales since 2016, a few thousand housing units will be withdrawn from the market to give way to redevelopment. These displaced owners may need more time to look for a replacement home or wait out the 30 months before they can apply for a Built-To-Order HDB flat and this could boost leasing demand for private residential units in the next few years. To some extent, it will offset the falling demand from foreigners.

According to the URA, there are a total of 10,634 private residential units completing in 2018. This is significantly lower than the actual completion of 20,803 units in 2016 and 16,685 units in 2017. The lower number of completions, together with the improving economy, and improving sentiment in the sales market, may cause owners to push back against further lower rental offers and slow the decline in 2018. However, given the broad based expectations by tenants, both locals and overseas, that rents are expected to remain soft, it may still take a few more quarters before the current rental decline is arrested.

Please contact us for further information

Savills Singapore

Christopher J Marriott
CEO
Southeast Asia
+65 6415 3888
cjmarriott@savills.asia

Jacqueline Wong
Executive Director
Residential Leasing and
The Private Office Sales
+65 6415 3878
jacqueline.wong@savills.com.sg

Savills Research

Alan Cheong
Senior Director
Singapore
+65 6415 3641
alan.cheong@savills.com.sg

Simon Smith
Senior Director
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk