

Residential Leasing



Rental growth takes a breather

In the last quarter of 2018, the island-wide leasing volume for private residential properties fell sharply by 20.8% quarter-on-quarter (QoQ).

- For the whole of 2018, total leasing transaction volume increased 8.7% year-on-year (YoY) to 89,020. The annual growth rate was higher than 2016's 8.2% and 2017's 7.6% rate.
- After three consecutive quarters' growth, island-wide private home rents fell 1.0% QoQ in Q4/2018, according to the Urban Redevelopment Authority (URA).
- In the last quarter, the key drag appeared to be landed properties, whose rents fell by 2.1% QoQ, while rents of non-landed residential properties slipped 0.8% QoQ.
- The Savills basket of high-end non-landed private residential rents fell by 1.7% QoQ to S\$4.05 per sq ft per month in Q4/2018, representing a marginal decline of 0.5% on an annual basis.
- With the completion of 4,720 units in Q4/2018, the island-wide stock of private residential properties stood at 369,991 units. Of these, 23,596 units are vacant, 6.0% fewer than the previous quarter.
- New completions in 2019 and 2020 should remain moderate compared with 2018. Coupled with the withdrawal of housing stock from en-bloc sites, little risk of physical oversupply for completed private homes appears likely for the next two years.

“In 2019, as many overseas workers from the Technology, Media and Telecommunication sector are making a beeline for Singapore, expect rental demand to be stronger than expected.”

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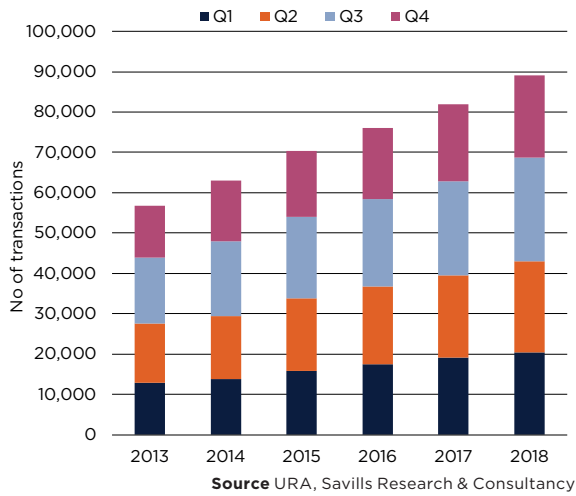
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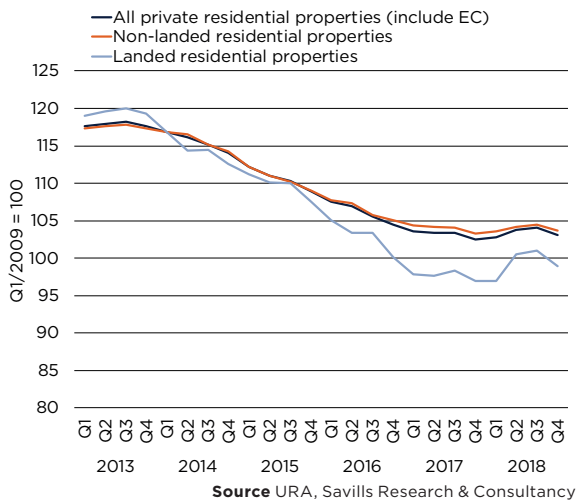
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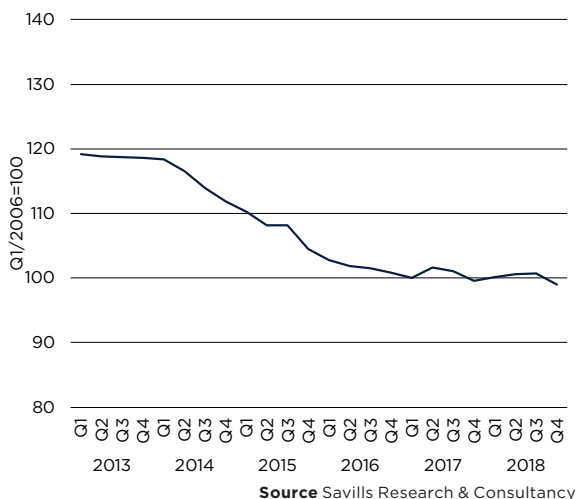
GRAPH 1: Leasing Transaction Volumes Of Private Residential Units, Q1/2013 to Q4/2018



GRAPH 2: Rental Indices Of Private Residential Properties, Q1/2013 to Q4/2018



GRAPH 3: Savills High-End, Non-Landed Residential Rental Index, Q1/2013 to Q4/2018



MARKET OVERVIEW

After a strong Q3, the private residential leasing market slowed down in the last quarter of 2018, possibly due to the seasonal outflow of overseas workers who return to their home countries for the year-end seasonal festivities. The URA's statistics showed a total of 20,337¹ leasing transactions island-wide from October to December 2018, down 20.8% from the previous quarter. However, this figure was still 6.4% higher than the 19,105 recorded in the same period of 2017, and was the highest Q4 number since 2000.

In Q4/2018, the most popular projects among tenants were The Sail @ Marina Bay, Marina One Residences at Marina Way, D'Leedon at Leedon Heights, Icon at Gopeng Street and Reflections at Keppel Bay, together contributing a total of 597 leasing transactions. Compared with the other four relatively old developments, Marina One Residences is new, and was completed in the last quarter of 2017. Since then, 267 units in the project, or nearly half of the total units sold as at year-end 2018, have been rented out.

For the whole of 2018, total leasing transaction volume increased 8.7% YoY to 89,020. The annual growth rate was higher compared with 2016's 8.2% and 2017's 7.6% rate. The buoyant leasing market in 2018 was firstly supported by displaced occupants in the private residential projects that have been collectively sold from the second half of 2016. Over the course of 2H/2017 to 2018, as developers took possession of their developments, this group managed to partially offset declining demand from expatriates. Secondly, shorter lease terms (six months to one year) became common, resulting in more leasing deals signed for a same residential

¹ Based on data downloaded from URA's Realis on 4 March 2019.

property. Lastly, the July 2018 round of cooling measures diverted some potential buyers' demand from purchasing to renting.

RENTS

According to the URA's latest data release, after three consecutive quarters of increases, island-wide private home rents fell 1.0% QoQ in Q4/2018. The key drag was landed properties, whose rents fell by 2.1% QoQ in the reviewed quarter, after rising 3.6% in Q2 and 0.5% in Q3. Rents of non-landed residential properties also slipped 0.8% QoQ in Q4.

For the whole of 2018, overall rents of private residential properties inched up by 0.6%, while rents of landed and non-landed properties increased by 2.0% and 0.4% respectively.

Similarly, the Savills basket of high-end non-landed private residential rents fell by 1.7% QoQ to S\$4.05 per sq ft per month in Q4/2018, representing a marginal decline of 0.5% on an annual basis.

STOCK AND VACANCY

With the completion of 4,720 units in Q4, by the end of 2018, the island-wide stock of private residential properties stood at 369,991 units. Several big projects received their Temporary Occupation Permits (TOPs) in the quarter, including Kingsford Waterbay at Upper Serangoon View (1,165 units), North Park Residences at Yishun Central 1 (920 units), The Poiz Residences at Meyappa Chettiar Road (731 units), Principal Garden at Prince Charles Crescent (663 units) and Symphony Suites at Yishun Close (660 units).

Out of the total stock, as at year-end 2018, 23,596 units were vacant, 6.0% less than the previous quarter. The vacancy rate for island-wide private residential properties also tightened for the fifth straight quarter, falling

TABLE 1: Non-Landed Private Residential Projects With Highest Leasing Transactions In Q4/2018

PROJECT NAME	POSTAL DISTRICT	LOCATION	NUMBER OF LEASING TRANSACTIONS	MEDIAN RENT (S\$ PSF/MONTH)
The Sail @ Marina Bay	1	Marina Boulevard	157	4.72
Marina One Residences	1	Marina Way	142	4.72
D'Leedon	10	Leedon Heights	101	4.02
Icon	2	Gopeng Street	99	5.57
Reflections at Keppel Bay	4	Keppel Bay View	98	4.13

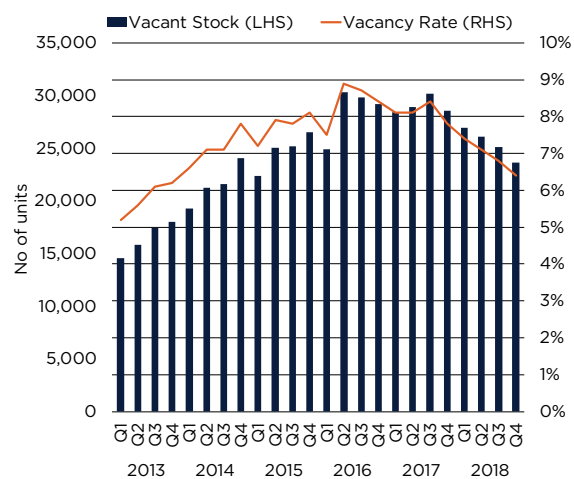
Source URA, Savills Research & Consultancy

TABLE 2: Major Private Residential Projects Completed, Q4/2018

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	NO. OF UNITS COMPLETED
Kingsford Waterbay	Upper Serangoon View	Kingsford Property Development Pte Ltd	OCR	1,165
North Park Residences	Yishun Central 1	North Gem Development Pte Ltd/Frasers Property North Gem Trustee Pte Ltd	OCR	920
The Poiz Residences	Meyappa Chettiar Road	MCC Land (Potong Pasir) Pte Ltd	RCR	731
Principal Garden	Prince Charles Crescent	Secure Venture Development (Alexandra) Pte Ltd	RCR	663
Symphony Suites	Yishun Close	EL Development (Yishun) Pte Ltd	OCR	660
City Gate	Beach Road	Bayfront Ventures Pte Ltd	RCR	311
Bijou	Jalan Mat Jambol	JU-I Properties Pte Ltd	RCR	120

Source URA, Savills Research & Consultancy

GRAPH 4: Vacant Units And Vacancy Rates Of Private Residential Units, Q1/2013 to Q4/2018



Source URA, Savills Research & Consultancy

40 basis points QoQ to 6.4% by year-end 2018. Compared to the previous quarter, the vacant stock of landed houses and non-landed units fell by 9.0% and 5.5% respectively.

OUTLOOK

In 2018, 9,112 private residential units received their TOPs, declining 44.6% from a year earlier and setting the lowest number since 2007. New completions in 2019 and 2020 should remain moderate compared with 2018. According to the URA’s statistics, some 8,926 private homes are expected to be completed in 2019, followed by 4,332 units in 2020. Coupled with the withdrawal of housing stock from en-bloc sites, little risk of physical oversupply for completed private homes appears likely for these two years.

On the ground, leasing activity picked up in the first quarter of 2019, with the bulk of the increase arising from overseas nationals working in the TMT (technology, media and telecommunication) sector. Several factors, such as government incentives, a stable political environment, access to Southeast Asia and reliable digital infrastructure, have attracted many tech firms to move to the city-state. In a 2019 report on Singapore hiring trends by Glassdoor, hiring in Singapore’s tech industry outpaced that in the financial sector in 2018, signalling a burgeoning tech market and presence in Singapore. In the future, we can expect a steady inflow of skilled foreign workers in the TMT sector. In addition, domestic demand will be continuously

supported by displaced occupants in collective sales developments, and the numbers of potential buyers who choose to postpone purchases and turn to the leasing market, given the cooling measures will remain unchanged.

As we are forward-looking, published statistics have yet to indicate the future sectorial composition of employers of overseas workers. We based our forecast on what we are observing or hearing at ground level. While traditional economic sectors such as manufacturing, banking and financial services sectors are expected to be affected by slower business conditions, the amount of activity in the TMT sector is continuing to increase, more than offsetting the decline of the former sectors and playing out the benefits of a diverse economy. The leasing market of private homes is expected to stay buoyant in 2019 with rents holding up well, and the saying that rents are continuing to decline or that it is more difficult to lease out an apartment will fade into history this year. We forecast that private residential rents in 2019 will increase 1% to 3% YoY. It should be noted that this increase may not be evenly spread across the island as overseas workers in the TMT sector may cluster around business parks and offices in the CBD, which may imply that more accessible and newer developments may stand to benefit from the surge in overseas TMT workers seeking tenancy.