

Briefing Residential leasing

November 2014



Image: Loft@Holland, Holland Road

SUMMARY

A new record of 17,775 leasing transactions was achieved in Q3/2014.

- The Singapore economy expanded 2.4% in the third quarter this year from a year ago, unchanged from the previous quarter but significantly slower than the 4.8% achieved in Q1.
- The labour market remained tight this quarter with the overall seasonally adjusted unemployment rate dipping marginally from 2.0% in June to 1.9% in September.
- The residential leasing market was buoyant in Q3/2014, registering a quarterly increase of 15.2% or an 11.0% growth year-on-year (YoY).
- The rents of private residential homes island-wide continued to soften by 0.8% quarter-on-quarter (QoQ) after a dip of 0.6% in Q2. Similarly, the average monthly rent of high-end condominiums tracked by Savills continued its downward trend since mid-2011, with average monthly rents falling by 2.2% QoQ to S\$4.66 per sq ft.
- The vacancy rate of private residential units remained unchanged at 7.1% for Q3 after increasing for five consecutive quarters since Q2/2013.
- The total number of leasing transactions for 2014 is expected to be higher than a year ago with volumes in the fourth quarter remaining as healthy as the same period last year while island-wide rents will likely soften

further due to the anticipated steady stream of completions.

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 “With leasing numbers still rising strongly, landlord sentiment will be supported and although rents may soften somewhat, we are still not too concerned with the onslaught of supply.”

Alan Cheong, Savills Research

➔ **Market overview**

The Singapore economy expanded 2.4% in the third quarter this year from a year ago, unchanged from the previous quarter but significantly slower than the 4.8% achieved in Q1. From preliminary figures, the labour market remained tight in this quarter. The seasonally adjusted unemployment rate dipped marginally from 2.0% in June to 1.9% in September. Employment growth in Q3 was slowest in the last two years with 27,100 new jobs created in Q3, falling by more than 18.0% compared with a year ago. The majority of new jobs created in Q3 were again from the services sector. It was, however, also the sector with

the most redundancies, comprising more than half of all redundancies in the reviewed quarter. The number of layoffs rose to 3,400 in Q3, an increase of more than 40.0% from the 2,410 affected workers in Q2. The slower employment growth and higher redundancy were a reflection of manpower restructuring woes as well as a result of weak global growth.

Singapore's strict policy restricting the hiring of overseas nationals has resulted in a higher percentage of locals filling job vacancies, reaching its highest level since 2011. The Fair Consideration Framework introduced on 1 August has also made the

job market for local talents more competitive. However, it has in turn highlighted the shortage of local skilled workers which will lead to a need to fill vacancies with overseas personnel.

Leasing demand

Unlike the sluggish residential sales market, the leasing market was buoyant in the third quarter of 2014. According to the Urban Redevelopment Authority (URA), leasing volume of private residential properties¹ reached a new record of 17,775 cases², registering a quarterly increase of 15.2% or an 11.0% growth YoY. Over the first nine months of this year, there were a total of 46,632 leases inked, 8.7% higher than last year's 42,899 leases recorded over the same period.

The high level of leasing activities is a testament to the attractiveness of the city state to overseas nationals. According to an annual HSBC survey, Singapore is the best place in Asia and second in the world after Switzerland, for expatriates to live in, even amidst escalating costs. The survey revealed that Singapore provided good career progression, financial well-being and quality of life for expatriates working here.

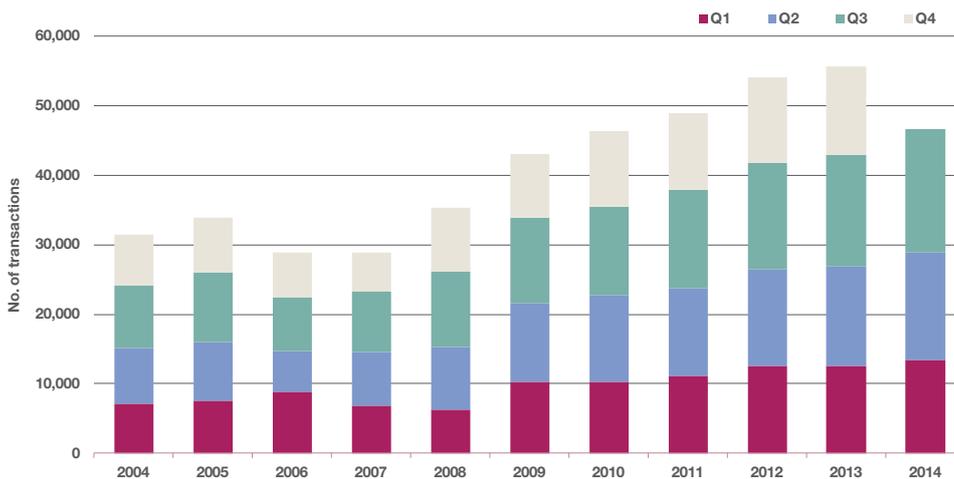
Furthermore, Singapore was ranked by the World Bank as the most business friendly economy in the world for the ninth consecutive year. In the annual Global Competitiveness Report by the World Economic Forum, Singapore has also retained its position for the fourth year running as the world's second most competitive economy. Hence Singapore will continue to appeal to foreign business entities, which will in turn result in the inflow of more expatriates.

Rents

According to URA statistics for 3rd Quarter 2014, the rents of private residential homes island-wide continued to soften by 0.8% QoQ, after a dip of 0.6% in Q2. On a yearly basis, rents declined by 2.5%. Rents of non-landed residential properties reduced by 1.1% in the reviewed quarter compared to the 0.2% drop

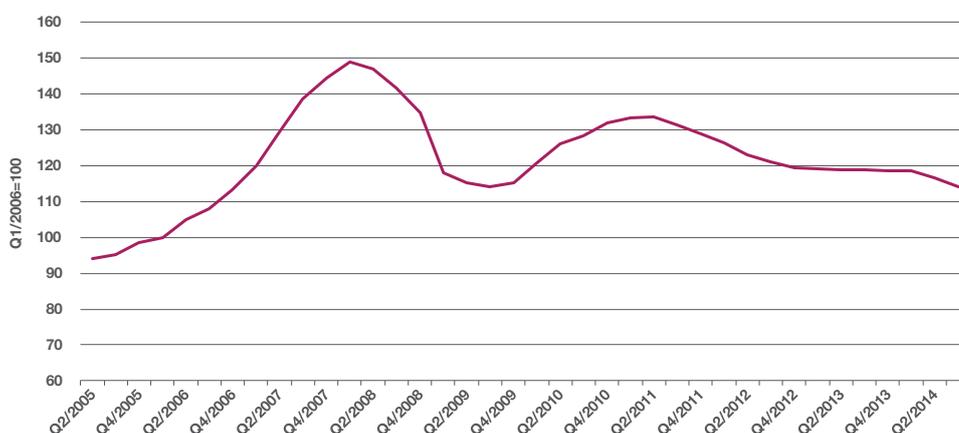
¹ Excluding Executive Condominiums (ECs)
² Downloaded from REALIS on 31 Oct 2014

GRAPH 1 **Transaction volumes, Q1/2004 – Q3/2014**



Source: URA, Savills Research & Consultancy

GRAPH 2 **Savills high-end residential rental index, Q1/2005 – Q3/2014**



Source: Savills Research & Consultancy

in the last quarter. In Q3, rents in the Core Central Region (CCR) fell by the widest margin of 1.9%, followed by the Rest of Central Region (RCR) which weakened slightly by 0.2% while rents in the Outside Central Region (OCR) saw no change.

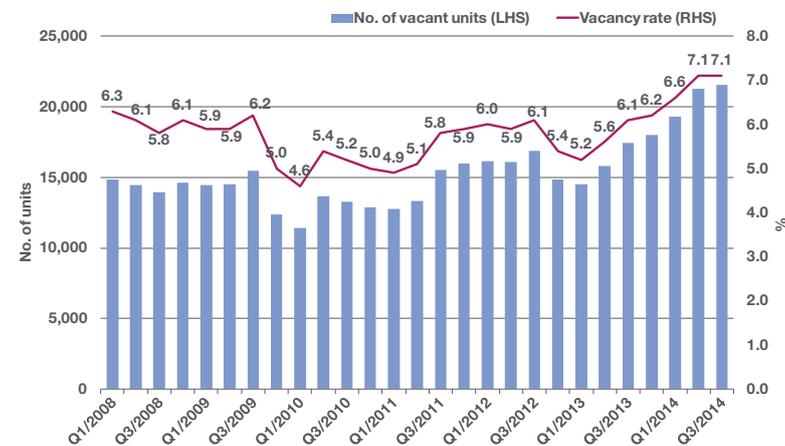
Similarly, the average monthly rent of high-end condominiums tracked by Savills continued its downward trend since mid-2011, with average monthly rents falling by 2.2% QoQ to S\$4.66 per sq ft.

The softening rent of private residential homes is most evident in the CCR especially among luxurious residential units. A possible reason is the shrinking housing budgets in a market where there is an ever increasing supply of new homes. In addition, an increasing number of expatriates are seeking accommodation in the RCR where rents are comparatively lower and its distance from the city is compensated by the availability of public transportation.

Stock and vacancy

At the end of Q3/2014, there were a total of 302,510 available private homes across the island, an increase

GRAPH 3
Vacant units and vacancy rates of private homes, Q1/2008–Q3/2014



Source: URA, Savills Research & Consultancy

of 1.5% from the 297,998 units at the end of June. The majority of new homes granted Temporary Occupation Permits in the period of July to September were mostly located in the OCR while there was only one major project, The Meyerise with 239 units, completed in the RCR.

According to URA statistics, at the end of Q3/2014, the total number of

vacant private homes island-wide stood at 21,569, an increase of 1.4% QoQ. However, the vacancy rate of private residential units remained unchanged at 7.1% for Q3 after increasing for five consecutive quarters since Q2/2013. The high leasing demand seen in the record number of lease transactions inked in this quarter has resulted in more homes being occupied. ■

TABLE 1
Major projects completed in Q3/2014

S/No.	Project name	Location	Category	Total No. of units completed
1	Parc Rosewood	Rosewood Drive	OCR	689
2	Eight Courtyards	Canberra Drive	OCR	654
3	Flamingo Valley	Siglap Road	OCR	393
4	The Lanai	Hillview Avenue	OCR	214
5	Altez	Enggor Street	CCR	280
6	The Meyerise	Meyer Road	RCR	239
7	6 Shenton	Shenton Way	CCR	202
8	Waterscape @ Cavenagh	Cavenagh Road	CCR	200
9	The Peak @ Cairnhill I	Cairnhill Circle	CCR	52

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

Given news of increased manufacturing activity for both domestic and export orders, Singapore's economy could end 2014 on a brighter note. Early indicators show these activities to be at their highest level in more than a year. However, the same

cannot be said about the residential leasing market. Although the total number of leasing transactions for 2014 is expected to be higher than a year ago, with volumes in the fourth quarter remaining as healthy as the same period last year, island-wide rents will likely soften further due

to the anticipated steady stream of completions. By the end of 2014, there will be a total of 4,218 new homes that will added to the existing stock while another 20,200 units are expected to be completed in 2015.

Please contact us for further information

Savills Singapore

Savills Research



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



Jacqueline Wong
Senior Director
Residential Leasing
+65 6415 3878
jacqueline.wong@savills.com.sg



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

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