Asian Cities - 2H 2023

SPOTLIGHT
Savills Research

Singapore Residential

Rents are starting to level off for a period of consolidation in 2024

The Singapore private residential leasing market had been on a tear since the beginning to 2022. From Q4/2021 to Q3/2023, rents for both landed and non-landed private residential properties rose 44.0%. For the non-landed segment, rents rose 41.3% over the same period. However, since the start of 2023, the rate of increase for the rents for non-landed properties begun to slow and the quarter-on-quarter (QoQ) change in the third quarter was just 0.2%. (Please refer to Graph 1.)

Extracting the Q3/2023 rents for non-landed homes and breaking them down by bedroom types and by districts, we see a better spectral of colors surrounding the state of the rental market. After removing outliers (defined as observations outside of two standard deviations of the dataset), rents for non-landed properties in general remained relatively flat with a slight 0.2% decline QoQ for all bedroom types (1 to 5 bedrooms) and by the 25th, 50th and 75th percentile. By market segment, rents fell in all three market segments. Rents fell 0.5% in the Core Central Region (CCR – Luxury segment), 0.4% in the RCR (Rest of Central Region – Mid-tier segment) and 0.1% in the OCR (Outside Central Region – Mass Market segment). (Please refer to Graph 2)

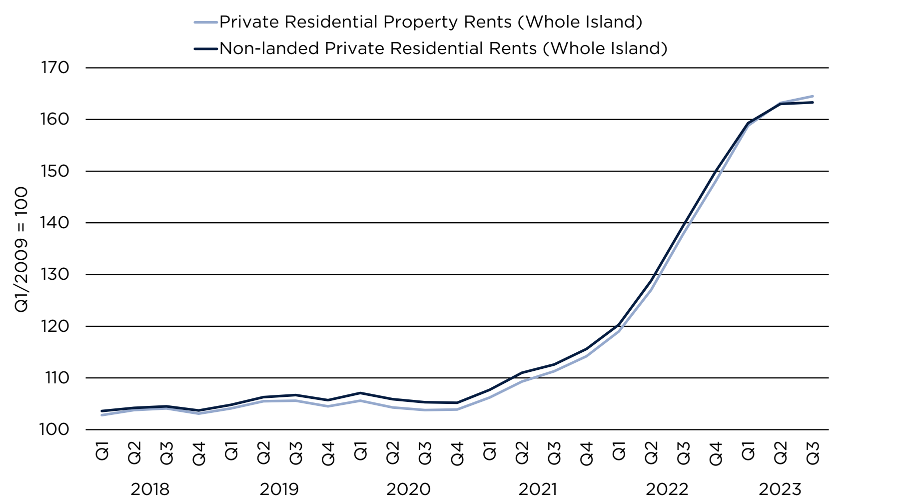
By bedroom types, rents for the 1-, 2- and 5-bedroom types fell by between 0.8% to slightly over 3.0% on a QoQ basis. Rents rose for the 3- and 4-bedroom types by 0.8% and 3.3% respectively. However, due to the paucity of transactions for the 4- and 5-bedroom types, one can expect less confidence in reading off the numbers for these unit types. (Please refer to Graph 3)

Notwithstanding the fact that vacancy rates have been rising throughout the year, on a year-to-date (YTD) basis, rents still managed to rise 7.3% and even on a QoQ basis, the 0.2% decline was not precipitous. This is despite the vacancy rate having pierced the 6% normal vacancy rate from below. (Please refer to Graph 4) The CCR recorded a 5.7% increase while the RCR and OCR rose 7.1% and 8.1% respectively. Confining the analysis to the popular 1-to-3-bedroom types, rents rose 6.8% for the CCR, 8.2% for the RCR and 8.5% for the OCR, with the overall increase at 7.9%.

On a year-on-year (YoY) basis, overall rents rose 14.7%. Among the regions, the RCR rose the most, by 17.0%, followed by the OCR at 15.0% and then by the CCR at 12.0%.

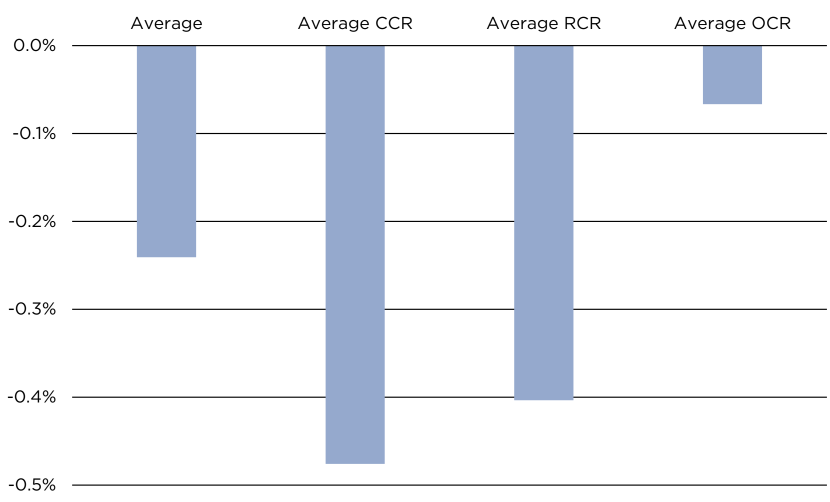
Feedback provided by our residential marketing crew points to the situation that tenants now have a greater choice of apartments to choose from. With about 17,000 units completing in 2023, the tight market conditions in 2022 will find relief. Today, there is considerably less pressure on tenants to attempt to close a rental deal because of the ample availability of choices. In the past 6 months, several mega condominiums were completed, these being Normanton Park (1,862 units), Treasure at Tampines (2,203 units), Parc Clematis (1,468 units) and The Florence Residences (1,410 units). Competition within and amongst these new project completions has left

GRAPH 1: Rental Increases for Private Residential Properties, 2018 to Q3/2023



Source URA, Savills Research & Consultancy

GRAPH 2: QoQ Rental Change by Region (market segment), Q3/2023



Source URA, Savills Research & Consultancy potential tenants with choice aplenty. Also, challenging business conditions and the expansion of manufacturing or regional offices by MNCs in ASEAN is making them relocate foreign professionals to their expanded operations around the region. Combined, these factors are kneading down landlords' expectations.

However, even with the increase in new supply and the rejigging of foreign staffing policies here, rents (going by the 25th, 50th and 75th percentile of measurements) are unlikely to fall sharply in Q4/2023 to 1H/2024. The strong climb-up in rents from 2022 to Q1/2023 is stuck in the minds of landlords and though they are now more willing to negotiate, their floor is not breaking.

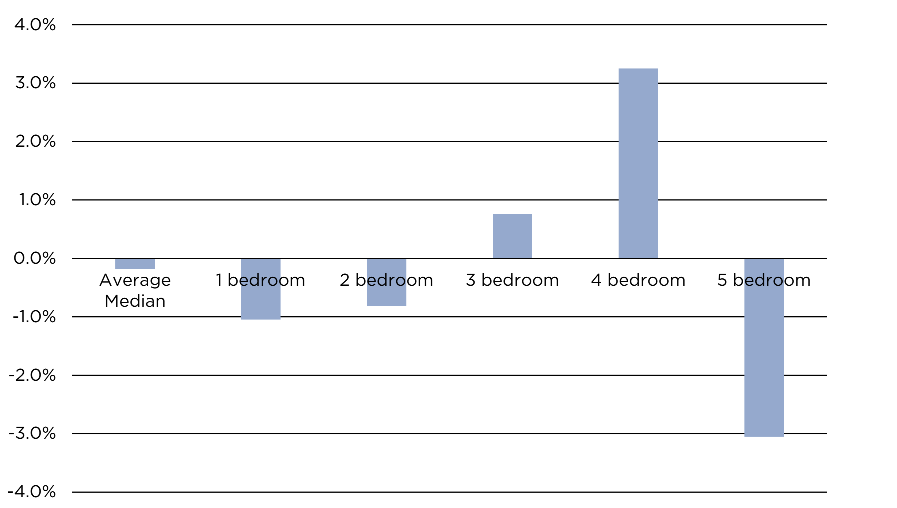
With more completions and softer economic conditions, rents for private residential properties are starting to show signs of inflecting. However, any decline is likely to be shallow and not back to levels where the sharp increase began in early 2021.

For 2023, we believe that overall rents could rise by up to 10.0%. The momentum built up in the first half the year would probably see to it that this scenario would play out.

For 2024, we are forecasting a general rental decline of about 5.0%. Two reasons account for this. One is that a large percentage of the 17,000 new completions in 2023 with another 9,900 units completing next year will be for lease. The vacancy rate in Q3/2023 was 8.4% and for it fall back to the 7+% level, landlords may have to be flexible to meet potential tenants asking rents. That would mean rents are likely to decline. The positive side of this is that the vacant stock of this year's new completions should be soaked over the course of the year. (Please refer to Table 1)

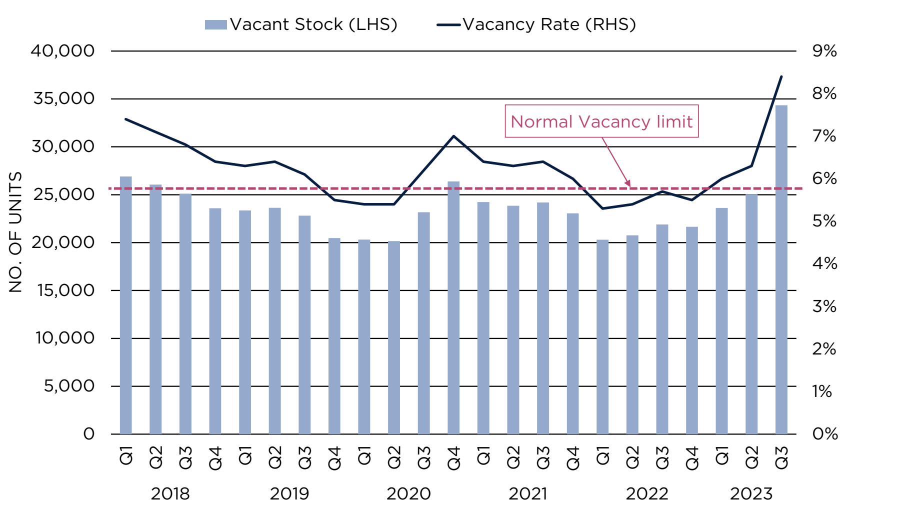
For co-living space, 2024 will be the year where the unfettered spawning of units/rooms for let will come head-to-head against new whole residential unit completions. Already, the market for single room lettings in Q4/2023 is showing signs of softening with rents in the RCR falling from S$2,600 per month at the start of the year to about S$2,100 to S$2,200 per month. Also, viewings are fewer and the time to find another tenant for the room is longer once a tenant exits. Even with a 10% to 15% decline in nine months (December 2023 vs January 2023), the rental gap between private room lettings is too great. This segment of the private leasing market may see rents fall by 10% YoY in 2024.

GRAPH 3: QoQ Rental Change by Bedroom Type, Q3/2023



Source URA, Savills Research & Consultancy

GRAPH 4: Rising Vacancy vs the Normal Vacancy Rate, Q1/2018 to Q3/2023



Source URA, Savills Research & Consultancy

TABLE 1: Non-landed Rental Forecast, 2023 to 2024F

YEAR	PRIVATE NON-LANDED RESIDENTIAL RENTS % YOY GROWTH
2023F	10.0%
2024F	-5.0%

Source Savills Research

savills

For more information about this report, please contact us

Savills Singapore

Marcus Loo
CEO
Singapore
+65 6415 3893
marcus.loo@savills.com.sg

Savills Research

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

Simon Smith
Regional Head of Research
& Consultancy, Asia Pacific
+852 2842 4573
ssmith@savills.asia