

Residential Leasing



Rental growth eases with lower demand

The sharp rental increases caused by delays in housing completions and arriving foreigners have become a concern for companies and a stress point for foreign tenants.

- According to the Urban Redevelopment Authority (URA), the number of leases for private residential properties island-wide fell for a second straight quarter in Q1/2023, down another 3.8% quarter-on-quarter (QoQ) to 20,050.
- The rental index for island-wide private residential properties rose at a slightly slower pace of 7.2% QoQ from 148.1 in Q4/2022 to 158.8 in Q1/2023.
- In Q1/2023, the average monthly rent of high-end non-landed residential projects tracked by Savills also continued its upward trend for a ninth successive quarter rising by 4.7% QoQ to S\$6.11 per sq ft (psf), albeit at a slower rate compared with the previous three quarters.
- In line with a slowdown in the leasing market, the net take-up of private homes in the reviewed quarter shrank significantly and lagged the new completions during the same period. This led the island-wide vacant private residential properties to climb 9.1% QoQ to 23,624 units. The overall vacancy rate therefore rose 0.5 of a percentage point (ppt) on a quarterly basis to 6.0% by the end of Q1/2023.
- Our forecast for non-landed private property rents in 2023 remains at 5% to 10% for the mid-tier and mass market segment while luxury apartments may see a rise of 10% to 15%, driven by some foreign high net worth individual demand who because of the new 60% ABSD levy may decide to rent while waiting for their permanent residency or Singapore citizenship. Rents for the mid and mass market segments may soon plateau and there exists an increasing likelihood that they may soften in 2H/2023 as economic challenges come at a time of higher numbers of new completions.

“Economic headwinds have been more instrumental in lowering rental transactions than high rents diverting foreigners from Singapore.”

ALAN CHEONG, SAVILLS RESEARCH

Savills team

Please contact us for further information

SINGAPORE

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

George Tan
Managing Director
Livethere Residential
+65 9792 8913
gtan@savills.com.sg

RESEARCH

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

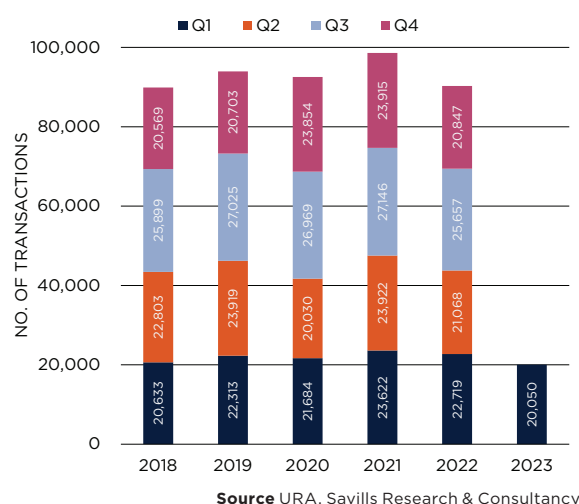
Simon Smith
Regional Head of
Research & Consultancy
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk

MCI (P) No. 061/02/2022
Company Reg No. 198703410D

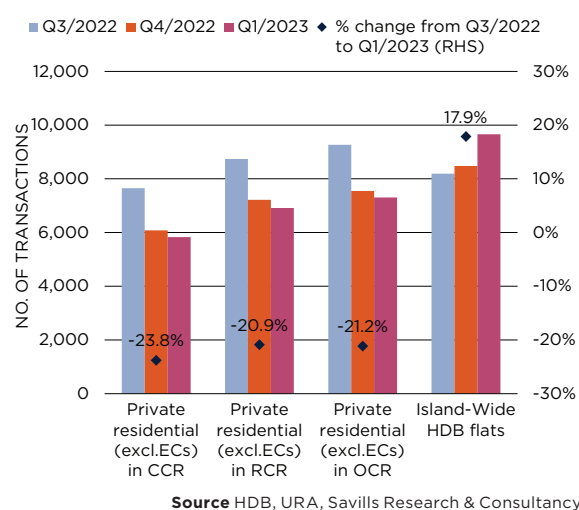
Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.



GRAPH 1: Leasing Transaction Volumes of Private Residential Units, 2018 to Q1/2023



GRAPH 2: Leasing Transaction Volumes of Private Residential Units vs HDB Flats, Q3/2022 to Q1/2023



MARKET OVERVIEW

According to the Urban Redevelopment Authority (URA), the number of leases for private residential properties island-wide fell for a second straight quarter in Q1/2023, down 3.8% QoQ to 20,050. The leasing volume contracted by 11.7% on a yearly basis and was also the lowest first quarter number of the last six years. Broken down by housing type, leasing deals for island-wide landed houses dropped by 1.7% QoQ, while leasing transactions of non-landed units posted a greater decline of 4.0% QoQ, with broad-based decreases across all the market segments – down 4.1% in the Core Central Region (CCR), 4.0% in the Rest of Central Region (RCR), and 3.8% in the Outside Central Region (OCR).

From 2010 to 2019 statistics, the number of private residential leasing transactions in Singapore had been rising by an annual average of 7.8% pre-COVID. However, this pattern was disrupted by the pandemic and the expected transaction increase did not materialise in 2022 even though travel restrictions mostly ended globally.

Skyrocketing rents caused by a supply crunch of leasable homes and an influx of foreigners with the border reopening have instead grabbed headlines and become a major concern for companies who hire expatriate workers. A recent survey by the European Chamber of Commerce in Singapore said about 40% of 268 firms it polled were giving employees additional aid of more than S\$1,500 a month because of rent increases. If the situation worsens, 70% of the firms are ready to move foreign staff overseas.

Leasing demand was also affected by the slowing regional economies and turmoil in the banking sector. Consequently, the

number of layoffs is increasing with those who are still hiring slowing down their onboarding process. In addition, the high rents have also shifted leasing demand to more affordable locations or alternative accommodation. As such, leasing volumes in the private residential segment have suffered two consecutive quarters of QoQ declines. However, in the public sector, the number of approved applications to rent out HDB flats has risen by 17.9% from Q3/2022 to Q1/2023, with most of the increase in Q1/2023.

For non-landed private residential projects with the highest leasing volume, Jadescape on Shunfu Road topped the list for the first time with 148 leases in Q1/2023. The project was developed on the former Shunfu Ville enbloc site and is within walking distance of the Marymount MRT station. Since its completion in Q4/2022, a total of 169 units (or 14% of the total 1,206 units) had been rented out by March 2023, with a majority (139 units or 82.2% of total leased units) being one to two-bedroom units.

In line with the previous quarter, the other most popular developments among tenants in Q1/2023 were Parc Esta, D’Leedon, The Sail @ Marina Bay and Marina One Residences. In terms of ranking by the number of leases signed, these four projects came in from second to fifth with 136, 126, 113 and 104 contracts recorded, respectively. All their median rents have increased from a quarter ago, ranging from 2.2% to 7.5%.

RENTS

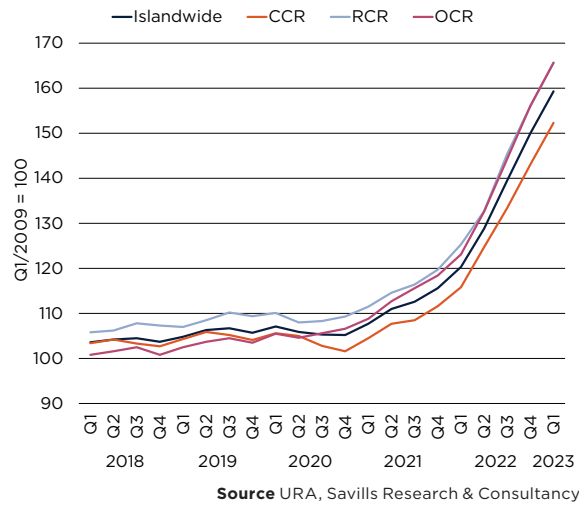
According to the URA, the rental index for island-wide private residential properties rose at a slightly slower pace of 7.2% QoQ from 148.1 in Q4/2022 to 158.8 in Q1/2023. Though the overall rental increase is not as much as in the previous quarter, it is still

TABLE 1: Non-landed Private Residential Projects with Most Leasing Transactions, Q1/2023

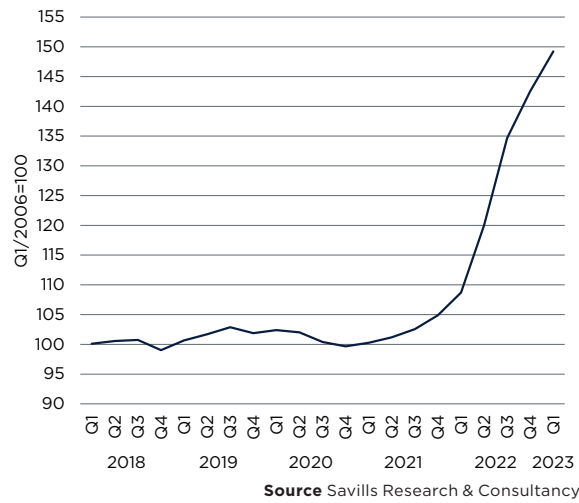
PROJECT NAME	POSTAL DISTRICT	LOCATION	NUMBER OF LEASING TRANSACTIONS	MEDIAN RENT (\$\$ PSF/MONTH)
Jadescape	20	Shunfu Road	148	6.88
Parc Esta	14	Sims Avenue	136	7.24
D’Leedon	10	Leedon Heights	126	5.75
The Sail @ Marina Bay	1	Marina Boulevard	113	7.26
Marina One Residences	1	Marina Way	104	7.37

Source URA, Savills Research & Consultancy

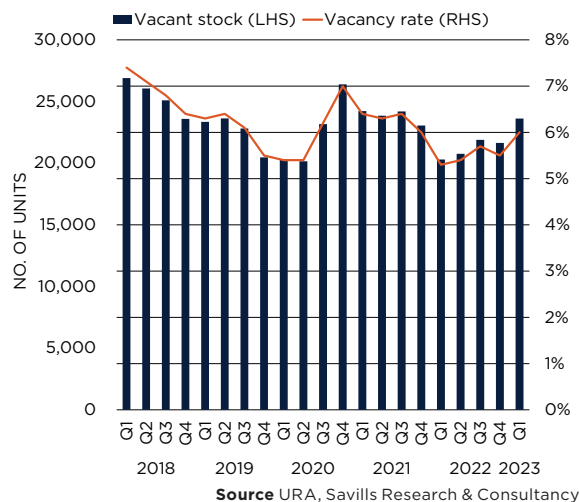
GRAPH 3: Rental Indices of Non-landed Private Residential Properties, Q1/2018 to Q1/2023



GRAPH 4: Savills High-end, Non-landed Residential Rental Index, Q1/2018 to Q1/2023



GRAPH 5: Vacant Stock and Vacancy Rates of Private Residential Units, Q1/2018 to Q1/2023



considered strong and across all residential property types. Rents of landed homes island-wide rose fastest by 14.5% during the quarter. This was also the highest quarterly growth for this property segment since statistics were available. Rental pressure has persisted for landed houses given their limited supply. For non-landed properties, the rental performance is almost similar for all three regions - the CCR increased by 6.4% QoQ, the RCR by 6.2% QoQ and the OCR by 6.1% QoQ. The easing of the rental increase was due to less demand pressure and more new completions.

In Q1/2023, the average monthly rent of high-end non-landed residential projects tracked by Savills also continued rising. This is the ninth successive quarter of increase and it rose by 4.7% QoQ to S\$6.11 per sq ft (psf). However, the rate of change was slower compared with the previous three quarters. In Q1/2023, we noticed that there were more projects in our basket which recorded rental declines on a quarterly basis, suggesting that some landlords have become more flexible in view of weakening demand and greater resistance from tenants.

STOCK AND VACANCY

As of end March 2023, there were 394,062 available private homes across the island, an increase of 0.7% from the 391,198 units three months ago. The major projects completed in the reviewed quarter are mostly located in the RCR. These include projects such as Avenue South Residence at Silat Avenue (988 units), Kent Ridge Hill Residences on South Buona Vista Road (548 units), Riviere on Jiak Kim Street (455 units) and Mayfair Gardens on Rifle Range Road (additional 215 units).

In line with a slowdown in the leasing market, the net take-up of private homes in

the reviewed quarter shrank significantly and lagged new completions during the period. This led the number of island-wide vacant private residential properties to climb 9.1% QoQ to 23,624 units. The overall vacancy rate rose 0.5 of a percentage point (ppt) on a quarterly basis to 6.0%.

By market segment, the rise in vacancy was seen in both the CCR and the RCR. The RCR recorded the greatest rise of 1.3 ppts QoQ to 9.2%, as the substantial number of new completions over the past few quarters continued to exert pressure on vacancy. For the CCR, the net absorption of private homes shank by 266 units. Consequently, the vacancy rate went up by 0.8 of a ppt to 7.7%, reversing the decrease for the past five consecutive quarters. Waning leasing demand against surging rents in this micro-market was the main reason behind the rise in vacancy. In contrast, the vacancy rate in the OCR posted a quarterly decline of 0.3 of a ppt to 3.3%, the lowest since Q1/2014 when the time series began.

OUTLOOK

The angst that foreigners experience when seeking new tenancies or negotiating renewals of their rental accommodation appears to be coming to an end. Although Q1/2023's rental growth was still a strong 7.2% QoQ, the strength was concentrated in the first one and the half months of the year. From mid-February, feedback from our leasing experts points to pockets of increasing slack, especially in the under S\$10,000 monthly rental bracket. As this report goes to print in May 2023, and as more private non-landed projects complete and the vacant period starts to stretch, landlords are more willing to negotiate, something which they were less inclined to do at the start of the year.

TABLE 2: Major Private Residential Projects Completed, Q1/2023

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	NO. OF UNITS
Avenue South Residence	Silat Avenue	United Venture Development (Silat) Pte Ltd	RCR	988
Kent Ridge Hill Residences	South Buona Vista Road	Oxley Spinel Pte Ltd	RCR	548
Riviere	Jiak Kim Street	Frasers Property Quayside Pte Ltd	RCR	455
Mayfair Gardens	Rifle Range Road	Citrine Property Pte Ltd	RCR	215
Parksuites	Holland Grove Road	Kentish View Pte Ltd/ Lucky Pinnacle Pte Ltd	CCR	119
Rezi 24	Lorong 24 Geylang	Development 24 Pte Ltd	RCR	110
Mont Botanik Residence	Jalan Remaja	Citrine Property Pte Ltd	OCR	108

Source: URA, Savills Research & Consultancy

Residential Leasing

Table 3A shows the percentage change in rents between March 2023 and January 2022. The cells in red indicate negative rental change. Table 3B shows the percentage change between March 2023 and December 2022. Clearly, the number of cells shaded red has increased in the second table, and although the number of cells showing rental increases still outnumber those falling, it does indicate that the rental market is probably close to peaking. The reasons are fundamental. For one, we will have about 17,600 units completing in 2023 (vs approximately 9,000 units in 2022). Also,

the inbound in foreign numbers may be limited due to challenges facing most real economy and technology related companies.

Although Q1/2023 rents rose by 7.2% QoQ, with increasing economic challenges, private residential rents may start to plateau and then there exists the increasing likelihood that they may soften in 2H/2023. In the first quarter, the 11.7% YoY decline in private rental transactions and 5.2% YoY decline in HDB rental applications is in our opinion a leading indicator of demand falling more out of economically driven factors rather

than higher rents pushing foreign demand away from Singapore. All in, our forecast for non-landed private property rents in 2023 remains at 5% to 10% for the mid-tier and mass market segment while luxury apartments may see a rise of 10% to 15%, driven by some foreign high net worth individual demand who because of the new 60% Additional Buyer's Stamp Duty (ABSD) levy may decide to rent while waiting for their permanent residency or Singapore citizenship.

TABLE 3A: Non-landed Rents by Bedroom Type and District, March 2023 vs January 2022

DISTRICT	REGIONS	1 BEDROOM			2 BEDROOM			3 BEDROOM			4 BEDROOM		
		25%	50%	75%	25%	50%	75%	25%	50%	75%	25%	50%	75%
D01	CCR	34%	31%	33%	29%	35%	33%	36%	41%	47%	71%	80%	66%
D02	CCR	34%	41%	37%	32%	28%	30%	22%	-12%	17%			
D03	RCR	38%	43%	33%	37%	39%	40%	40%	39%	33%	36%	36%	29%
D04	CCR	20%	15%	14%	42%	43%	49%	26%	29%	20%	23%	31%	48%
D05	RCR	33%	31%	27%	43%	47%	41%	37%	46%	40%	41%	50%	34%
D06	CCR	22%	12%	9%	42%	23%	10%						
D07	CCR	33%	39%	38%	40%	44%	35%	-2%	24%	33%	-6%	17%	-9%
D08	RCR	36%	32%	36%	26%	36%	41%	39%	40%	51%	23%	24%	27%
D09	CCR	41%	32%	37%	35%	24%	24%	27%	22%	25%	38%	28%	21%
D10	CCR	40%	36%	33%	36%	33%	40%	40%	38%	29%	43%	38%	45%
D11	CCR	33%	35%	36%	34%	32%	23%	38%	22%	19%	36%	51%	39%
D12	RCR	38%	30%	32%	42%	38%	38%	27%	37%	38%	14%	23%	27%
D13	RCR	43%	35%	42%	36%	37%	24%	42%	42%	56%	48%	46%	47%
D14	OCR	35%	43%	33%	29%	36%	34%	38%	47%	56%	29%	27%	30%
D15	RCR	40%	50%	25%	41%	47%	39%	37%	36%	33%	36%	40%	25%
D16	OCR	52%	52%	41%	40%	44%	40%	50%	44%	50%	45%	41%	31%
D17	OCR	33%	42%	45%	45%	46%	37%	52%	46%	33%	35%	21%	50%
D18	OCR	42%	50%	39%	42%	38%	39%	41%	45%	43%	54%	63%	67%
D19	OCR	30%	36%	28%	46%	37%	33%	38%	30%	30%	29%	48%	35%
D20	OCR	32%	39%	40%	46%	43%	41%	36%	39%	38%	21%	20%	36%
D21	RCR	58%	48%	50%	36%	34%	34%	48%	47%	31%	38%	47%	42%
D22	OCR	32%	30%	28%	54%	50%	48%	39%	43%	40%	18%	18%	31%
D23	OCR	27%	30%	28%	42%	46%	38%	41%	43%	41%	46%	53%	67%
D25	OCR	28%	30%	23%	29%	38%	38%	38%	30%	25%	-44%	-39%	-38%
D26	OCR	36%	36%	36%	40%	29%	41%	34%	29%	40%	25%	32%	28%
D27	OCR	19%	24%	23%	50%	35%	36%	44%	41%	33%	83%	100%	92%
D28	OCR	58%	41%	42%	55%	54%	36%	54%	45%	31%	61%	49%	41%

Source URA, Savills Research & Consultancy

TABLE 3B: Non-landed Rents by Bedroom Type and District, March 2023 vs December 2022

DISTRICT	REGIONS	1 BEDROOM			2 BEDROOM			3 BEDROOM			4 BEDROOM		
		25%	50%	75%	25%	50%	75%	25%	50%	75%	25%	50%	75%
D01	CCR	2%	4%	2%	2%	9%	8%	10%	17%	10%	45%	25%	26%
D02	CCR	11%	10%	7%	6%	0%	0%	-11%	0%	-16%			
D03	RCR	3%	0%	-5%	4%	0%	2%	7%	-2%	0%	5%	3%	-5%
D04	CCR	9%	6%	0%	4%	7%	9%	6%	5%	0%	5%	20%	22%
D05	RCR	10%	3%	0%	8%	2%	2%	4%	4%	5%	-3%	-6%	-11%
D06	CCR	-6%	-8%	-6%	33%	25%	14%						
D07	CCR	3%	4%	2%	11%	16%	17%	-12%	11%	50%	-48%	-34%	-26%
D08	RCR	3%	3%	6%	11%	13%	9%	6%	2%	8%	-17%	-16%	-16%
D09	CCR	6%	2%	2%	4%	-2%	-3%	2%	4%	0%	5%	10%	-4%
D10	CCR	9%	6%	0%	5%	0%	0%	11%	9%	4%	9%	8%	17%
D11	CCR	3%	0%	3%	8%	-2%	-6%	15%	-5%	0%	10%	30%	18%
D12	RCR	4%	0%	3%	12%	5%	5%	0%	4%	6%	-18%	-20%	-11%
D13	RCR	7%	3%	6%	9%	0%	-7%	0%	-2%	2%	45%	46%	47%
D14	OCR	8%	7%	0%	-6%	3%	2%	5%	12%	12%	43%	22%	-18%
D15	RCR	8%	6%	-3%	6%	5%	0%	7%	10%	3%	5%	3%	1%
D16	OCR	7%	9%	9%	9%	8%	5%	10%	2%	10%	14%	14%	10%
D17	OCR	4%	4%	4%	14%	9%	6%	9%	2%	2%	-4%	-6%	26%
D18	OCR	8%	7%	7%	3%	0%	-3%	17%	10%	9%	13%	19%	19%
D19	OCR	4%	3%	0%	9%	0%	0%	5%	2%	2%	2%	13%	-2%
D20	OCR	4%	7%	0%	6%	8%	4%	13%	11%	4%	-12%	-13%	0%
D21	RCR	25%	7%	0%	3%	3%	2%	8%	11%	-4%	-8%	-6%	-12%
D22	OCR	10%	0%	-3%	13%	5%	4%	8%	11%	8%	6%	7%	0%
D23	OCR	4%	0%	0%	6%	6%	0%	9%	8%	7%	16%	-5%	11%
D25	OCR	-8%	-4%	-10%	-16%	0%	3%	14%	5%	5%	-60%	-56%	-54%
D26	OCR	11%	7%	-6%	17%	6%	2%	11%	0%	7%	14%	15%	23%
D27	OCR	-4%	-7%	-13%	10%	3%	-3%	15%	8%	2%	-9%	-4%	-12%
D28	OCR	11%	3%	0%	13%	12%	3%	14%	18%	12%	33%	28%	16%

Source URA, Savills Research & Consultancy