

Residential Leasing



Leasing volumes rebound

The leasing market was dominated by tenancy renewals and a shift to more affordable options including smaller-sized units or city fringe and suburban areas.

- Leasing volumes for private residential properties rose strongly with 26,927 transactions captured in the third quarter of 2020, up 34.4% quarter-on-quarter (QoQ) and almost on par with the 27,025 recorded in Q3/2019.
- In terms of rental prices, the most popular units in Q3/2020 were those leased in the range of S\$2,000 to S\$4,000 monthly, followed by units from S\$4,000 to S\$6,000 monthly.
- According to the URA's latest statistics, rental prices of non-landed private residential properties island-wide slipped 0.6% QoQ in Q3/2020.
- Rents for high-end non-landed private residential projects tracked by Savills recorded a bigger drop of 1.6% QoQ in Q3/2020.
- Notwithstanding limited completions, net take-up of private residential properties continued to shrink for a

second straight quarter, posting a negative 2,605 units in Q3/2020. Consequently, the island-wide vacancy rate rose 0.8 of a percentage point (ppt) QoQ to 6.2% at the end of September.

“Rents are under pressure from restricted in-bound traffic which cannot offset foreigners departing.”

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RESEARCH

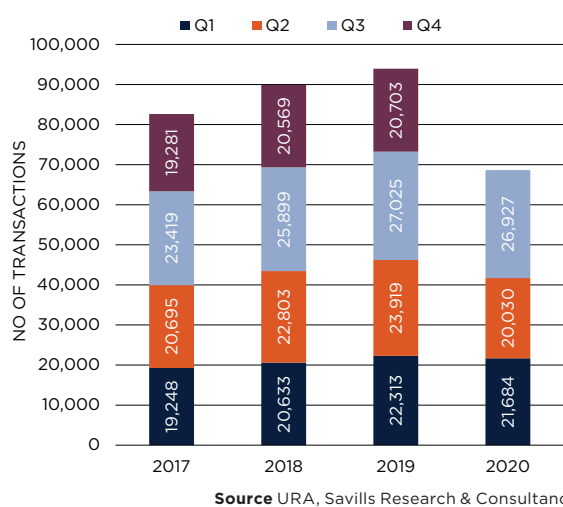
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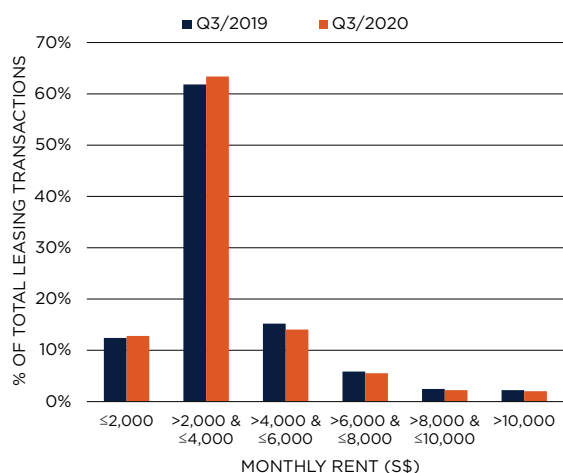
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GRAPH 1: Leasing Transaction Volumes Of Private Residential Units, 2017 to Q3/2020



Source URA, Savills Research & Consultancy

GRAPH 2: Percentage Of Leasing Transaction Volume By Rental Range, Q3/2019 vs Q3/2020



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Based on the Census of Population 2020, Singapore’s total population shrank slightly by 0.3% year-on-year (YoY) to 5.69 million at the end of June 2020. This is the first fall since 2013 and was mainly caused by a 2.1% YoY decrease in the non-resident population - foreigners who are working, studying or living in Singapore but not granted permanent residence.

Arising from the fallout of the COVID-19 pandemic, the total foreign workforce (excluding foreign domestic workers) in the city-state shrank by 66,400 or 5.7% in the first six months of 2020. According to the Labour Market Report Q2/2020, the fall in foreign employment has been sharper than that for locals; the decline in foreign employment was also more widespread across all sectors than locals.

In spite of the shrinking foreign workforce which is the major demand driver for private residential units in Singapore, leasing volumes for such properties rose strongly with 26,927¹ transactions commenced in the third quarter of 2020, up 34.4% QoQ and almost on par with the 27,025 recorded in the same period of 2019.

For landed houses, the number of leases increased by 59.4% QoQ and 3.9% YoY in the reviewed quarter. In the non-landed residential property sector, the leasing volume was up 32.8% QoQ with the quarterly increase witnessed across all market segments; however, on a yearly basis, the island-wide leasing number slipped by 0.7% YoY, largely due to the -4.4% contraction seen in the Core Central Region (CCR).

Arising from the immediate negative effects caused by the COVID-19 epidemic, coupled with on-going job uncertainties/losses and pay cuts, the leasing market was generally dominated by existing tenants’ renewing and/or relocating to more affordable tenements, such as smaller-sized units in the vicinity or to city fringe or suburban areas. Meanwhile, the lease tenure for a substantial number of contracts is shorter than the typical two years, and in many

¹ Based on data downloaded from URA’s Realis on November 17th.

cases even down to only three to six months.

Based on the rental contracts for non-landed private residential properties that commenced islandwide, the top five projects in terms of leasing volume in Q3/2020 are Queens Peak on Dundee Road, D’Leedon at Leedon Heights, The Sail @ Marina Bay on Marina Boulevard, Commonwealth Towers on Commonwealth Avenue and J Gateway on Gateway Drive, which together recorded 862 transactions. Compared with the other four developments which have been on the most active list in previous quarters, Queens Peak near the Queenstown MRT Station is a new entrant. Since its completion in March this year, 237 units or 32.2% of its 736 units have been tenanted, with a majority taken up when Singapore entered Phase Two of the reopening on June 19th. Among these units leased out at Queens Peak, 135 are one-beds with rents ranging from S\$2,050 to S\$2,800 per month, while 68 are two-bedroom units with a monthly rental range of S\$2,550 to S\$3,600.

Island-wide, in terms of rental prices, the most popular units in Q3/2020 were those leased at in a monthly range of S\$2,000 to S\$4,000, followed by units from S\$4,000 to S\$6,000, units below or equal to S\$2,000 monthly and units renting for more than S\$6,000. They made up a respective 63.4%, 14.0%, 12.8% and 9.8% of the total volume in the quarter. Compared with Q3/2019, although the ranking remained the same, the percentage of units with rents below S\$4,000 monthly increased while those with rents above S\$4,000 monthly declined (as shown in Graph 2). The statistics tie in with our observations that tenants have been seeking to move to more affordable locations.

RENTS

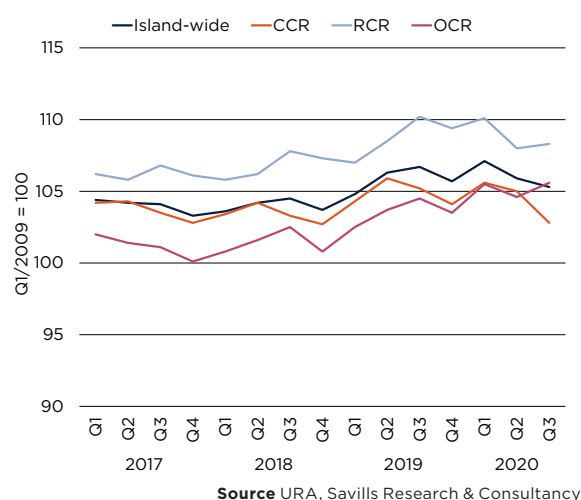
According to the URA’s latest statistics, island-wide rents of non-landed private residential properties slipped 0.6% QoQ in Q3/2020. Although rents for such units in the Rest of Central Region (RCR) and Outside Central Region (OCR) inched up 0.3% QoQ and 1.0% QoQ respectively, supported by

TABLE 1: Non-Landed Private Residential Projects With Most Leasing Transactions, Q3/2020

PROJECT NAME	POSTAL DISTRICT	LOCATION	NUMBER OF LEASING TRANSACTIONS	MEDIAN RENT (\$ PSF/MONTH)
Queens Peak	3	Dundee Road	227	4.76
D’Leedon	10	Leedon Heights	185	3.78
The Sail @ Marina Bay	1	Marina Boulevard	162	4.87
Commonwealth Towers	3	Commonwealth Avenue	157	4.76
J Gateway	22	Gateway Drive	131	4.43

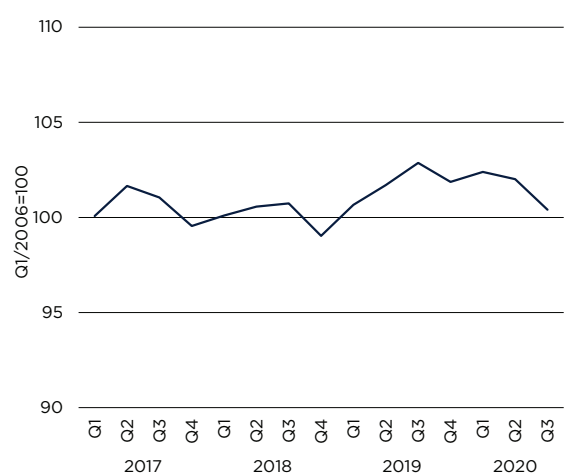
Source URA, Savills Research & Consultancy

GRAPH 3: Rental Indices Of Non-Landed Private Residential Properties, Q1/2017 to Q3/2020



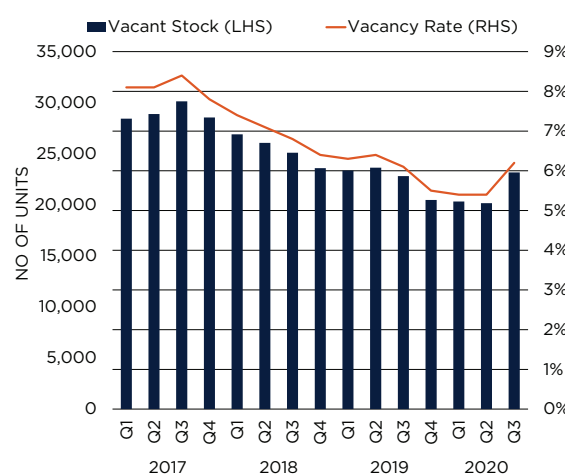
Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-End, Non-Landed Residential Rental Index, Q1/2017 to Q3/2020



Source Savills Research & Consultancy

GRAPH 5: Vacant Stock And Vacancy Rates Of Private Residential Units, Q1/2017 to Q3/2020



Source URA, Savills Research & Consultancy

TABLE 2: Major Private Residential Projects Completed, Q3/2020

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	NO. OF UNITS COMPLETED
Artra	Alexandra View	FEC Skyline Pte Ltd	RCR	400
Amber 45	Amber Road	UOL Development (Amber) Pte Ltd	RCR	139

Source URA, Savills Research & Consultancy

buoyant leasing activity in the city fringe and suburbs, the rental growth was offset by the 2.1% QoQ decline recorded in the CCR in conjunction with shrinking demand in the high-end market. These rental movements can be explained by tenants moving from more expensive accommodation in the CCR to fringe or suburban areas.

In a similar vein, rents for high-end non-landed private residential projects tracked by Savills recorded a bigger drop of 1.6% QoQ in Q3/2020. Together with the 0.4% QoQ contraction recorded in Q2/2020, average monthly high-end rents have fallen 1.9% cumulatively from S\$4.19 per sq ft (psf) in Q1/2020 to S\$4.11 psf in Q3/2020. Owing to weak demand for high-end condominiums and private apartments, coupled with increasing vacancies, some landlords have accepted relatively lower offers from tenants; nevertheless, the rental decline was still moderate.

STOCK AND VACANCY

In Q3/2020, 570 private housing units received their Temporary Occupation Permits (TOPs) with most of these coming from the Artra at Alexandra View (400 units) and Amber 45 at Amber Road (139 units). Together with the 1,614 units completed in the first half and the 891 units expected to be completed in the last quarter, we expect the market to register a total of 3,075 newly completed units for the whole year. The fall in new completions is mainly attributed to disruptions to construction activity due to the pandemic.

Notwithstanding the limited new supply year-to-date, net demand for private residential properties continued to shrink for a second straight quarter and posted a negative 2,605 units in Q3/2020. This is the lowest number since the URA data was made available. Consequently, the island-wide vacancy rate for private residential properties rose 0.8 of a ppt from 5.4% at the end of June to 6.2% at the end of September. This is also the biggest quarterly jump since Q3/2016.

OUTLOOK

With the unemployment rate rising gradually, the Singapore government has prioritized the protection of the local workforce and tightened policies on issuing new work passes. For example, the minimum qualifying

salary for an Employment Pass (EP) has been raised to S\$4,500 for new applications from September 1st; while the minimum qualifying salary for EP candidates in the financial services sector will be raised to S\$5,000 for new applications from December 1st. These stricter policies may result in a further shrinkage of the foreign workforce in the near term, as it will become more challenging for foreigners who have being laid off in the last few months to find a new job and they will therefore have to leave. In a challenging business environment, the higher salary bar may also see employers push back against hiring junior foreigners, thereby affecting rents for singular tenements or room lettings.

From the time that infection rates in worker dormitories fell to near zero, Singapore has fared well in its fight against COVID-19. However, rising infection numbers in major developed economies and developing Southeast Asia mean that travel restrictions will be maintained at a high level. Although Singapore is in ongoing discussions with various countries and regions on developing bilateral arrangements for safe travel, in and outbound travel will remain a shadow of the numbers recorded in the pre-COVID era, resulting in only a trickle of inbound foreigners, including expatriates and international students.

It is therefore expected that leasing demand for private residential properties from foreigners will remain weak in the near term, and in turn, this will put downward pressure on rents, particularly for large units in the high-end market. However, relocations to cheaper accommodation in the city fringe and suburban areas should ensure that rents in these areas remain resilient. In the meantime, the confluence of two factors, weak in-bound worker traffic and greater out-bound traffic from those who have lost their jobs, will lead to a contraction in the pool of tenants. We expect downside pressure on rents to continue over Q4/2020 and Q1/2021. However, we believe that once spring arrives in the Northern Hemisphere, and when more countries have access to various vaccines, in-bound foreign worker traffic should improve. On a positive note, the low interest rate environment is reducing the urgency of landlords to lease out at all cost.