

Residential Leasing




Market enters seasonal slowdown

Number of leases for private residential properties started in the final quarter fell to 20,653.

- The most popular projects among tenants in Q4/2019 were The Sail @ Marina Bay, City Square Residences, Duo Residences, High Park Residences and Bayshore Park.
- One- and two-bedroom apartments are gaining popular in the current market. Major reasons behind this phenomenon include shrinking housing package and family size for expatriates and increasing supply of such units.
- The latest statistics from the URA showed that the rental index for overall private residential properties in Q4/2019 slipped by 1.0% quarter-on-quarter (QoQ).
- The average monthly rent of high-end non-landed residential properties in Savills basket also fell by 1.0% QoQ to S\$4.17 per sq ft in Q4/2019.
- Q4's vacancy rate for island-wide private residential properties fell to 5.5%, the lowest in almost seven years.

“COVID-19 has prompted many firms to look at how human resources are managed but it is too early to tell what the knock-on effects will be on our private residential leasing market.”

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RESEARCH

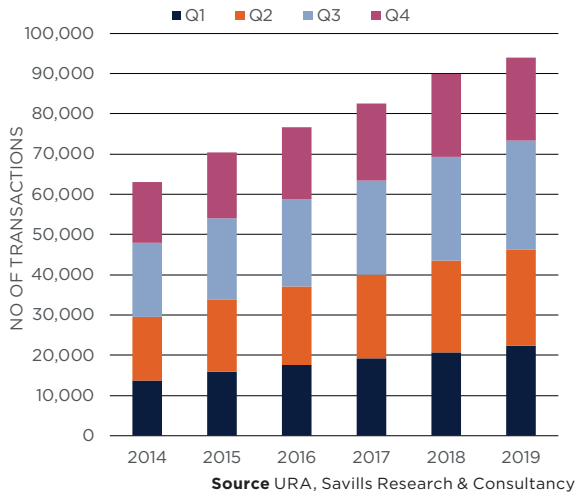
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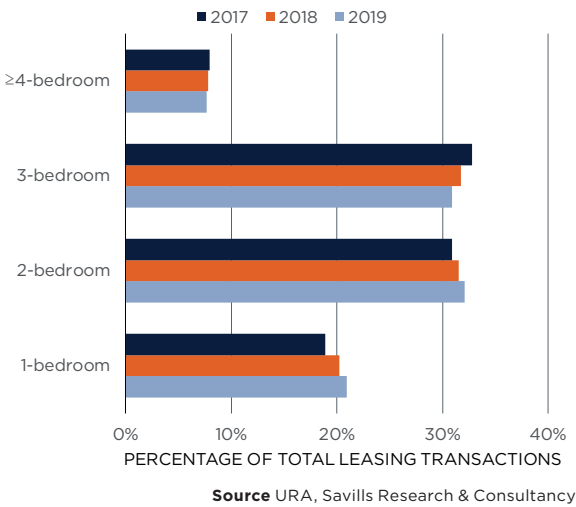
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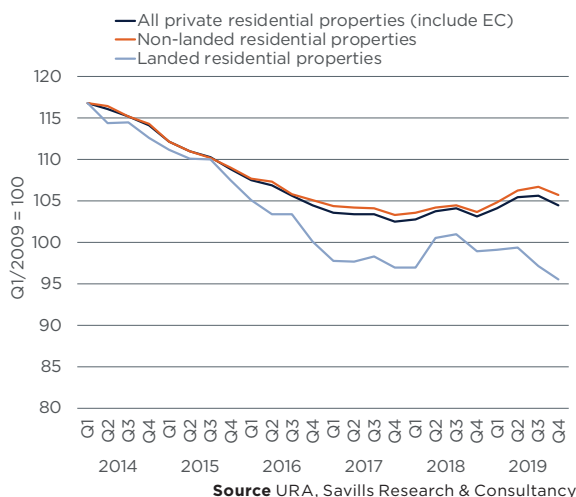
GRAPH 1: Leasing Transaction Volumes Of Private Residential Units, Q1/2014 to Q4/2019



GRAPH 2: Percentage Of Leasing Volume By Number Of Bedrooms, 2017 to 2019



GRAPH 3: Rental Indices Of Private Residential Properties, Q1/2014 to Q4/2019



MARKET OVERVIEW

The private residential leasing market entered a seasonally slow period in the last quarter of 2019. A total of 20,653¹ leases commenced island-wide in the reviewed quarter, representing a sharp decline of 23.6% QoQ. However, this still represented a marginal growth of 0.4% from the same period of last year.

The most popular projects among tenants in Q4/2019 were The Sail @ Marina Bay, City Square Residences, Duo Residences, High Park Residences and Bayshore Park, contributing a total of 534 leasing transactions. Among these developments, High Park Residences on Fernvale Road in the Sengkang area saw 301 units rented out by the end of December since its completion in March 2019. The numbers rented out accounted for 21.7% of the total 1,390 units. This project, which is next to the Thanggam LRT Station, could be popular among the working population at the Seletar Aerospace Park.

For the whole of 2019, the total leasing volume increased 4.5% year-on-year (YoY) to 93,920. A check of rental contracts for non-landed private residential properties from the URA showed that, although the number of leasing transactions rose across the board, the percentage of small-sized units over the total leasing volume has steadily increased over the last few years. As shown in Graph 2, the percentage for one-bedroom units has increased from 18.9% in 2017 to 20.9% in 2019, and similarly for two-bedroom apartments, up from 30.9% in 2017 to 32.1% in 2019. On the other hand, from 2017 to 2019, the market share slipped 1.9 percentage points (ppts) for three-bedroom units and 0.3 of a ppt for units with

at least four bedrooms. This reconfirmed that small units are gaining popular in the current market. Major reasons behind this phenomenon include shrinking housing packages and smaller expat families as well as an increasing supply of small units.

RENTS

With softer leasing demand, rents in the final quarter of 2019 correspondingly fell from the previous quarter. The latest statistics from the URA showed that rental index for overall private residential properties in Q4/2019 slipped by 1.0% QoQ. Rents for landed houses dropped most, falling 1.6% QoQ, followed by -1.0% QoQ for non-landed residential properties in both the Core Central Region (CCR) and the Outside Central Region (OCR). Rents for non-landed units in the Rest of Central Region (RCR) registered a smaller decline of 0.7% QoQ.

Nevertheless, backed by high leasing volume, limited new completions and low levels of vacant stock, overall rents for private homes registered a yearly growth of 1.4% in 2019. In particular, for non-landed residential properties, rental growth was witnessed across the board at 1.4% YoY in the CCR, 2.0% YoY in the RCR and 2.7% YoY in the OCR.

Similarly, due to seasonal reasons, the average monthly rent of high-end non-landed residential properties in Savills basket fell 1.0% QoQ to S\$4.17 per sq ft in Q4/2019. However, rents rose by 2.9% from a year ago, reversing the eight consecutive annual declines registered since 2011.

STOCK AND VACANCY

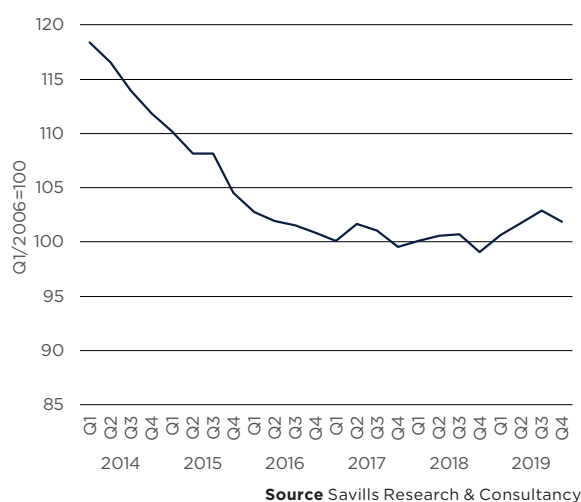
The final quarter of 2019 saw a total of 2,298 private residential units obtaining their Temporary Occupation Permits (TOPs). Most of this new supply came from four projects

TABLE 1: Non-Landed Private Residential Projects With Highest Leasing Transactions, Q4/2019

PROJECT NAME	POSTAL DISTRICT	LOCATION	NUMBER OF LEASING TRANSACTIONS	MEDIAN RENT (S\$ PSF/MONTH)
The Sail @ Marina Bay	1	Marina Boulevard	145	4.94
City Square Residences	8	Kitchener Link	101	3.70
Duo Residences	7	Fraser Street	97	5.46
High Park Residences	28	Fernvale Road	96	3.24
Bayshore Park	16	Bayshore Road	95	2.51

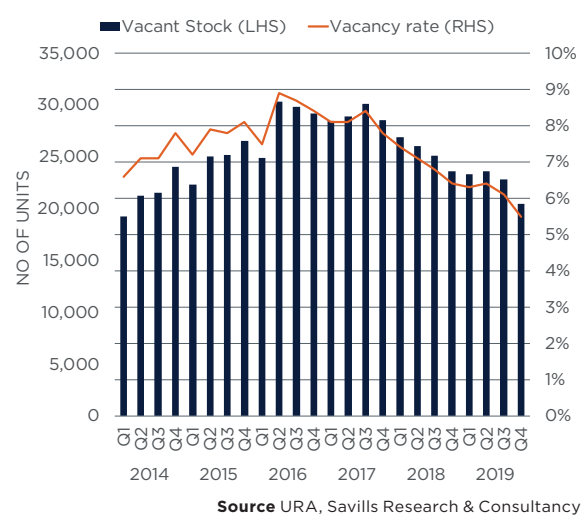
Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-End, Non-Landed Residential Rental Index, Q1/2014 to Q4/2019



Source Savills Research & Consultancy

GRAPH 5: Vacant Stock And Vacancy Rates Of Private Residential Units, Q1/2014 to Q4/2019



Source URA, Savills Research & Consultancy

developed on government land sale (GLS) sites. These are GEM Residences at Lorong 5 Toa Payoh (578 units), Parc Riviera at West Coast Vale (752 units), Park Place Residences at PLQ on Paya Lebar Road (429 units) and Stars on Kovan on Upper Serangoon Road (395 units).

For the whole of 2019, new completions in the private residential segment totalled only 7,527 units, the lowest since 2007. Coupled with stock withdrawn for redevelopment due to collective sales, the island-wide stock of completed private residential homes edged up 1.0% from a year ago, or 3,570 units, to 373,561 units. During the same period, the total vacant stock of such properties decreased 13.2% YoY, or 3,117 units, to 20,479. As a result, Q4's vacancy rate fell by 0.9 of a ppt YoY to 5.5%, the lowest in almost seven years. Improving vacancy rates and decreasing vacant stocks were witnessed across all the market segments.

OUTLOOK

The continued spread of the coronavirus has forced many companies to postpone their relocation plans. Therefore, the leasing market is expected to see a significant drop in transaction volume over a short timeframe. Nevertheless, we expect rents to remain relatively stable during the same period on the back of limited new completions in 2020 and the low vacancy rate in existing stock.

As the authorities capture leases for whole units, there is an increasing possibility that the vibrancy of the leasing market is understated. With the profile of incoming overseas workers tending towards singles or couples without children, instead of renting a whole unit by themselves, more are inclined to rent rooms or sign up for

co-living space. Therefore, although leasing numbers are expected to increase with the completion of more projects, this may not reflect the even greater demand from more incoming overseas workers. This means that rents will be biased towards the upside.

This is our view if COVID-19 is a temporary phenomenon. However, COVID-19 may have set in motion longer term issues on how corporates address their manpower risk planning to account for disruptions to work place access. The routes companies could take are manifold and at this stage it is still too early for any clear picture to emerge. This may overcome the pre-COVID-19 expectations of greater relocations from HK arising from the unrest there. Whether the final corporate structures companies adopt on a global and regional basis are beneficial for Singapore's private residential leasing market is therefore moot for now.

Sidestepping that unknown, we maintain our view that 2020 will be a year where younger overseas staff from tech companies and disruptors will make for a strong leasing market. This is supported in part by an increasing number of Singaporeans who share a less traditional outlook and therefore prefer to rent than buy. If COVID-19 proves short lived, our rental forecast for 2020 is +2 to +3% YoY.

TABLE 2: Major Private Residential Projects Completed, Q4/2019

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	NO. OF UNITS COMPLETED
GEM Residences	Lorong 5 Toa Payoh	GEM Homes Pte Ltd	OCR	578
Parc Riviera	West Coast Vale	EL Development (West Coast) Pte Ltd	OCR	752
Park Place Residences at PLQ	Paya Lebar Road	Roma Central Pte Ltd/ Milano Central Pte Ltd/ Verona Central Pte Ltd	RCR	429
Stars of Kovan	Upper Serangoon Road	Kovan Treasure Pte Ltd	RCR	395

Source URA, Savills Research & Consultancy