MARKET IN MINUTES
*Savills Research*

# Residential Leasing

savills

# Leasing volume rises amid falling rents

The game of "musical chairs" is being played in the rental market, with tenants moving to cheaper private accommodation as rents have softened and ample options become available from new projects.

- Following a 5.0% quarter-on-quarter (QoQ) rise in Q1, the leasing volume of private residential units (excluding executive condominiums) rose by another 1.7% QoQ to 20,326 transactions in Q2/2024.

- For non-landed homes, rental transactions increased in both the Core Central Region (CCR) and the Rest of Central Region (RCR) compared to the previous quarter, particularly for one- and two-bedroom units.

- The rental index for non-landed properties island-wide continued to decline for a third consecutive quarter in Q2/2024, albeit at a slower rate of 0.8% QoQ. An increase in the number of leasing deals for smaller units (one- and two-bedders) in the CCR and RCR, which command higher rents per sq ft, particularly in newer projects, helped mitigate the overall rental decline.

- In Q2/2024, the average monthly rent of high-end non-landed properties in Savills' basket softened by 1.6% QoQ to S$5.80 per sq ft. This marks the fourth consecutive quarter of decline.

- The island-wide stock of private residential units increased by 0.4% QoQ to 412,002 in Q2/2024, reversing the contraction observed a quarter ago. Of the total completed stock, 25,169 units are vacant, down 9.2% from the previous quarter.

- Ultimately, we believe that rents may find a floor by the end of this year. The reasons are, while more supply is continuing to be released to the market and tenants continue to experience budget constraints, the lower rents are likely to generate a greater migration of tenants from the public flat market and single room lettings to whole apartment leasing. For 2024, we maintain our forecast for a -5% year-on year (YoY) fall in rents.

"As rents have come off significantly, demand is returning, possibly leading to a stabilisation of rents by the end of 2024."

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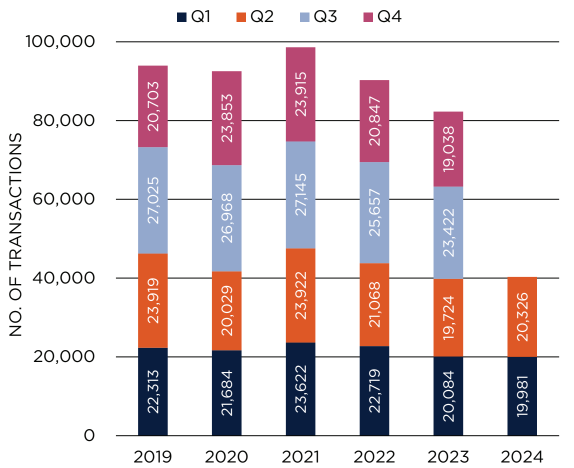
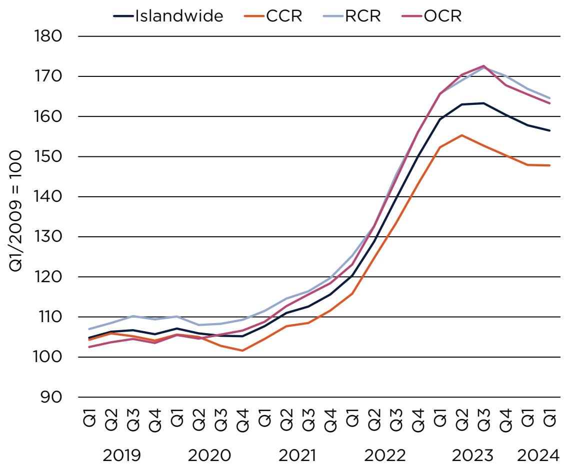
**GRAPH 1: Leasing Transaction Volumes of Private Residential Units, 2019 to Q2/2024**




**Source** URA, Savills Research & Consultancy

**GRAPH 2: Rental Indices of Non-landed Private Residential Properties, Q1/2019 to Q2/2024**




**Source** URA, Savills Research & Consultancy

## MARKET OVERVIEW

Based on advance estimates, in Q2/2024, Singapore's GDP growth slowed marginally to 2.9% YoY, down from the 3.0% gain seen in the January-March period. That said, the economy's expansion exceeded market expectations. On a seasonally adjusted QoQ basis, the economy expanded by 0.4% in Q2, accelerating slightly from Q1's 0.3% increase. The city-state's recovery is gaining some momentum, as both the manufacturing and construction sectors returned to growth during the quarter.

The job market also provided some positive news. Advance data showed that Singapore's total employment (excluding migrant domestic workers) grew by 11,300 in Q2/2024, more than double the increase of 4,700 recorded a quarter ago. Non-resident employment rebounded from the decline in the previous quarter. Meanwhile, retrenchment numbers remained steady, hovering at 3,100 in Q2, marginally up from 3,030 in Q1. However, it is worth noting that the growth in non-resident employment in Q2 was mainly driven by work permit holders working in non-professional, managerial, executive, and technical roles in the construction and manufacturing industries, while employment among both employment pass and S Pass holders declined during this period. This indicates that demand in Singapore's private residential leasing market, especially in the mid- and high-end sectors, remain relatively weak.

Following a 5.0% QoQ rise in leasing volume of private residential units (excluding executive condominiums) in Q1, that statistic grew by another 1.7% QoQ to 20,326 transactions in Q2/2024. Compared to the same period last year, this was a 3.1% increase. The increase in leasing volume was observed in the non-landed property segment which saw a 1.9% QoQ rise while there was a 1.5% QoQ decrease for landed homes.

For non-landed homes, rental transactions expanded in both the CCR and the RCR, increasing by 3.3% QoQ and 3.2% QoQ, respectively. A detailed check of leasing contracts by the number of bedrooms revealed that the growth in these two market segments is mostly driven by greater demand for one- and two-bedroom units. According to the REALIS, the leasing volume of one- and two-bedroom units in the CCR rose by 14.2% QoQ and 7.0% QoQ, respectively. In the RCR, rental contracts for one- and two-bedroom units expanded by 5.2% QoQ and 7.6% QoQ respectively. The increase in leasing volume for these smaller-sized units can be attributed to growing demand from tenants who were priced out of these market segments over the past few years and had moved to either HDB or co-living premises. The game of "music chairs" is unfolding in the rental market as softer rents are motivating tenants to move in search of lower cost apartments. The supply of units from new completions is also providing ample options for tenants. In contrast, leasing volume in the Outside Central Region (OCR) remained stable and contracted marginally by 0.4% QoQ in the quarter.

The top five non-landed projects with the highest leasing volume in Q2/2024 were, Treasure At Tampines in the OCR, Normanton Park in the RCR and in the CCR, Leedon Green, The Sail @ Marina Bay and Marina One Residences. It was noted that the median rents in the three CCR projects have shown a substantial decrease compared to the previous quarter. If we expand the study to include the top 20 projects, we find that the number of projects in the CCR that dropped

**TABLE 1: Non-landed Private Residential Projects with Most Leasing Transactions, Q2/2024**

| PROJECT NAME | POSTAL DISTRICT | LOCATION | NUMBER OF LEASING TRANSACTIONS | MEDIAN RENT (S$ PSF/MONTH) |
|---|---|---|---|---|
| Treasure At Tampines | 18 | Tampines Lane | 179 | 4.87 |
| Normanton Park | 5 | Normanton Park | 162 | 5.74 |
| Leedon Green | 10 | Leedon Heights | 158 | 6.21 |
| The Sail @ Marina Bay | 1 | Marina Boulevard | 144 | 6.54 |
| Marina One Residences | 1 | Marina Way | 123 | 6.54 |

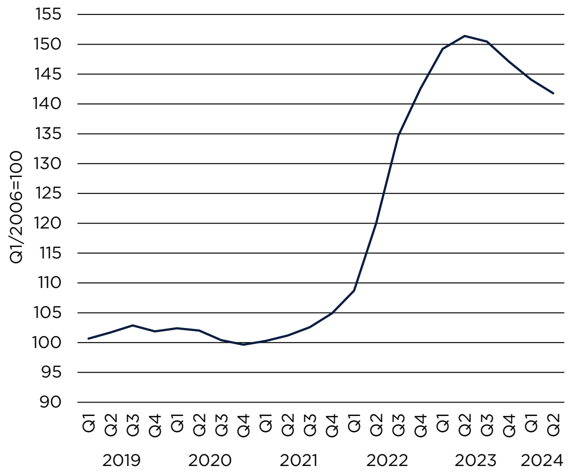
**Source** URA, Savills Research & Consultancy

**TABLE 2: Major Private Residential Projects Completed, Q2/2024**

| PROJECT NAME | LOCATION | DEVELOPER | LOCALITY | NO. OF UNITS |
|---|---|---|---|---|
| Clavon | Clementi Avenue 1 | United Venture Development (Clementi 1) Pte Ltd | OCR | 640 |
| Hyll On Holland | Holland Road | FEC Skypark Pte Ltd | CCR | 319 |
| Midtown Bay | Beach Road | Guoco Midtown Pte Ltd/Midtown Bay Pte Ltd | CCR | 219 |
| One-North Eden | Slim Barracks Rise | One North Development Pte Ltd | RCR | 165 |
| The Atelier | Makeway Avenue | Bukit Sembawang Land Pte Ltd | CCR | 120 |

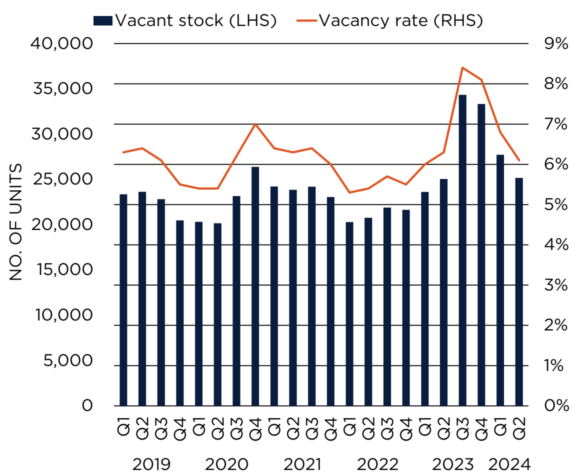
**Source** URA, Savills Research & Consultancy

**GRAPH 3: Savills High-end, Non-landed Residential Rental Index, Q1/2019 to Q2/2024**




**Source** Savills Research & Consultancy

**GRAPH 4: Vacant Stock and Vacancy Rates of Private Residential Units, Q1/2019 to Q2/2024**




**Source** URA, Savills Research & Consultancy

into the top 20 list has been increasing over the last few quarters. There were nine in Q2/2024, up from five each for Q4/2023 and Q1/2024. This suggests that leasing demand for the high-end market segment has slowly returned due to softening rents.

## RENTS

According to the URA, the rental index for non-landed properties island-wide continued to decline for a third consecutive quarter in Q2/2024, albeit at a slower rate of 0.8% QoQ. The deceleration in the downward trend is attributed to the resilience of rents in the CCR, which only decreased by 0.1% from the previous quarter. Rents in the RCR also saw a smaller decline of 1.4% QoQ in Q2, compared to a 1.9% drop in the previous quarter. In these two sub-markets, an increase in leases for smaller units (one- and two-bedders), which command higher rents per sq ft, particularly in newer projects, helped mitigate the overall rental decline. In contrast, rental prices in the OCR fell by 1.3% QoQ in Q2, roughly in line with the 1.4% drop recorded in Q1.

In Q2/2024, the average monthly rent of high-end non-landed properties in Savills' basket softened by 1.6% QoQ to S$5.80 per sq ft. This marks the fourth consecutive quarter of decline and represents a cumulative fall of 6.3% from the recent peak of S$6.19 per sq ft that was achieved in Q2/2023. Given the competition from numerous newly completed units and the increase of property tax for non-owner-occupied residential properties, landlords who have large units in some aging projects have to stay flexible in lease negotiations in order to rent out their units as quickly as possible.

## STOCK AND VACANCY

After a quiet Q1, a total of 1,882 newly completed private residential units (excluding executive condominiums) entered the market during the April-June period of 2024. Three 99-year leasehold condominium projects developed on government land sales (GLS) sites—namely, Clavon at Clementi Avenue 1 (640 units), Midtown Bay on Beach Road (219 units), and One-North Eden at Slim Barracks Rise (165 units) — constituted 54.4% of the quarter's new completions. By market segment, the CCR accounted for the highest proportion of the new stock (50.1%) in the quarter. For the CCR, aside from Midtown Bay, other major completions include Hyll On Holland (319 units) and The Atelier at Makeway Avenue (120 units).

With these completions, the island-wide stock of private residential units increased by 0.4% QoQ to 412,002 as of Q2/2024, reversing the contraction observed a quarter ago. Of the total completed stock, 25,169 units were vacant, down 9.2% from the previous quarter. Supported by increasing leasing activity and more owners moving into their newly completed homes, the net demand of island-wide private residential units has significantly outpaced the corresponding net supply for the reviewed quarter. Consequently, the overall vacancy rate for private homes fell by 0.7 of a percentage point QoQ to 6.1% at the end of Q2/2024. By locality, the vacancy rate in the OCR dropped the most, by 1.1% QoQ, followed by the RCR, which saw a 0.8% QoQ decrease. In contrast, the CCR recorded a 0.4% QoQ increase in the vacancy rate, mainly due to a substantial number of completions during the quarter.

## OUTLOOK

The rental market for private residential properties appears to be pulling out of a dive. Using data extracted from the REALIS, for 1-to-5-bedroom non-landed unit types, rents in Q2/2024 fell 0.7% QoQ. For the 1-to-3-bedroom types, the decline was 1.4% QoQ. In the first quarter of this year, the corresponding drop was 2.0% and 2.1% respectively. For the more popular 2-and 3-bedroom unit types, the number of districts which registered rental declines have fallen. In Q2/2024, the median rent for 2-bedrooms rose in districts 13, 15 and 26 QoQ. In the previous quarter increases were also recorded in three districts (1, 6 and 11). However, for the 3-bedrooms, for Q2, there were five districts (1, 3, 4, 15 and 25) which registered rental QoQ growth, up from four (7, 10, 11 and 26) in the previous quarter.

We believe that rents are now starting to stabilise for several reasons. One would be tenants, who were previously priced out of letting an entire unit in the private market and rented HDB (public) flats instead. As rents in the private end of the housing market have declined significantly, they are upgrading back. Secondly, those who moved to co-living or shared premises, may now opt to rent a unit by themselves since rents now fit their budget. Thirdly, with a slate of new completions, it has become a tenants' market and the less well maintained or located (as in accessibility) properties are now starting to come off more.

To illustrate, in Q1, using the lower end rents for 2-bedroom units (lower end is taken to be the 25th percentile of the rental range), there were five districts which registered QoQ rental increases. But in Q2, this fell to four. The average rental decline for the 25th percentile in Q1 was -1.5% QoQ, increasing to -1.8% in Q2. Using agents' feedback to explain this, in the first quarter, landlords of vacant units which were not in good condition, were still hanging on to high expectations for their rents. Consequently, they were not easily let out. Having waited for a few months, by the second quarter, they began to meet the market and thus we see rents dip more for the lower rental range.

Ultimately, we believe that rents may find a floor by the end of this year. The reason is, while more supply is continuing to be released to the market and tenants continue to face budget constraints, the lower rents are likely to lead to greater migration of tenants from the public flat market and single room lettings to whole apartment leasing. For 2024, we maintain our forecast for a -5% YoY fall in rents.