

Residential Leasing



Rents fall across the board

Given the weakening economy and labour market combined with seasonal factors, private residential property leasing activity slowed further in the last quarter of 2023.

- The number of rental contracts for landed houses fell heavily in Q4/2023, by 29.6% QoQ. Out of the non-landed properties, the quarterly decline in leasing contracts has been broadly similar across market segments, in the range of 17.0% to 19.3%.
- For the whole of 2023, a total of 82,257 private residential properties island-wide were rented out, 8.9% lower than the 90,291 transactions concluded in 2022.
- The island-wide rental index of non-landed private residential units by the Urban Redevelopment Authority (URA) slipped by 1.8% QoQ in the fourth quarter of 2023, registering the first drop since Q4/2020, signalling the ease of rental momentum.
- The average monthly rents for high-end non-landed private residential projects tracked by Savills fell another 2.2% QoQ to S\$6.02 per sq ft (psf) in Q4/2023.
- Overall vacancy rate of private residential properties eased by 0.3 of a percentage point (ppt) QoQ to 8.1% as of Q4/2023.

- Although there is a possibility that rents may ultimately head back to early 2022 levels, a 35.3% decline, that is not our central scenario. Higher mortgage rates and property taxes may add friction to any downside correction as landlords in general will attempt to pass these costs to the tenant. We expect rents to fall 5.0% YoY in 2024.

“Layoffs in the tech and banking industries will have a flow through effect on the rental market. However, higher mortgage rates and property taxes could be passed on to tenants, slowing rental declines.”

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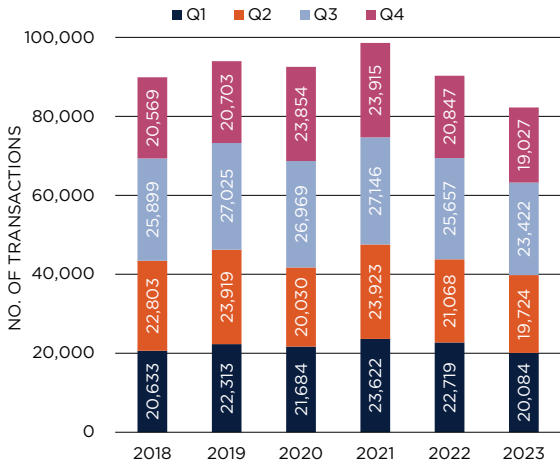
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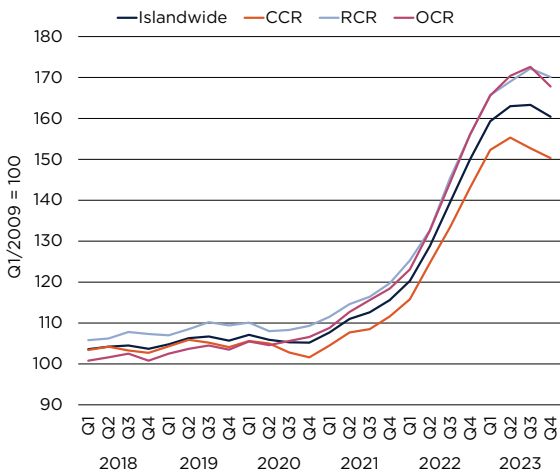


GRAPH 1: Leasing Transaction Volumes of Private Residential Units, 2018 to 2023



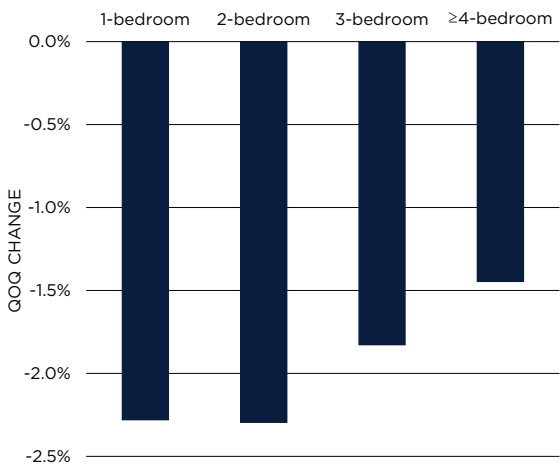
Source URA, Savills Research & Consultancy

GRAPH 2: Rental Indices of Non-landed Private Residential Properties, Q1/2018 to Q4/2023



Source URA, Savills Research & Consultancy

GRAPH 3: QoQ Change of Median Rents by Unit Type for Non-Landed Private Residential Properties, Q4/2023



Source URA, Savills Research & Consultancy

MARKET OVERVIEW

Data from the Ministry of Trade and Industry (MTI) showed that Singapore’s economy expanded by 2.2% YoY in Q4/2023. This was an acceleration from the anemia growth recorded in the first three quarters of the year. Nevertheless, the country’s GDP growth came in at only 1.1% in 2023, a slower pace from the 3.8% growth in 2022.

Due to a rise in geopolitical rifts and economic instability, together with rapid advances in generative artificial intelligence, there are indicators that Singapore’s labour market is slowing down. From preliminary data released by the Ministry of Manpower (MOM), total employment change (excluding migrant domestic workers) moderated significantly to 89,400 for the whole year of 2023. In contrast, for 2022, the number was 227,800. Meanwhile, retrenchments more than doubled from a record-low of 6,440 in 2022 to 14,320 in 2023. As downside risks in the global economy remain, the authority warned that business reorganisation or restructuring may lead to further retrenchments and unemployment rates may edge up. For example, the massive layoffs in the technology industry in the last two years seem to be continuing, with companies such as Google, Amazon, Duolingo and Twitch announcing cuts to their workforce just in the first month of 2024.

With business restructuring to pare down costs, the labour market suffers and coupled with the seasonal factor and an influx of new home completions, it was not surprising that the leasing activity of private residential properties in the city state slowed further in the last quarter of 2023, down 18.8% QoQ

to 19,027 transactions. The number of rental contracts for landed houses decreased the most in Q4, by 29.6% QoQ. Out of the non-landed properties, the quarterly decline in leasing contracts has been broadly similar across market segments, in the range of 17.0% to 19.3%. Ultimately, a total of 82,257 private residential properties island-wide were rented out for the whole of 2023, 8.9% lower than the 90,291 transactions concluded in 2022. This was also the lowest leasing volume since 2016.

Leasing activities remained strong in newly completed large condominiums. This is observed in the list of top five non-landed projects with the highest leasing contracts in Q4/2023. Except for The Sail @ Marina Bay, the other four projects in the list, namely Normanton Park, Affinity At Serangoon, Avenue South Residence and The Florence Residences, just received their Temporary Occupation Permits (TOP) in Q2/Q3 of 2023 and all have more than 1,000 units each.

RENTS

The island-wide rental index of non-landed private residential units by the URA slipped by 1.8% QoQ in the fourth quarter of 2023. This was the first QoQ decline since Q4/2020. Rents for such properties also fell across all the market segments. The biggest QoQ drop was seen in the Outside Central Region (OCR) at 2.8%, followed by the Core Central Region (CCR) at 1.6% and the Rest of Central Region (RCR) at 1.2%.

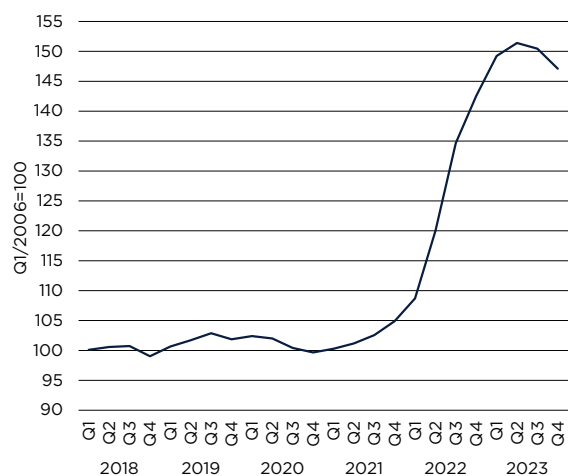
A check of median rents for non-landed private residential properties from the REALIS also confirmed that the rental decline has been permeating through all unit types in Q4/2023. Compared with a quarter

TABLE 1: Non-landed Private Residential Projects with Most Leasing Transactions, Q4/2023

PROJECT NAME	POSTAL DISTRICT	LOCATION	NUMBER OF LEASING TRANSACTIONS	MEDIAN RENT (\$\$ PSF/ MONTH)
Normanton Park	5	Normanton Park	320	6.14
Affinity At Serangoon	19	Serangoon North Avenue 1	156	5.57
Avenue South Residence	3	Silat Avenue	142	6.53
The Sail @ Marina Bay	1	Marina Boulevard	142	6.95
The Florence Residences	19	Hougang Avenue 2	126	5.51

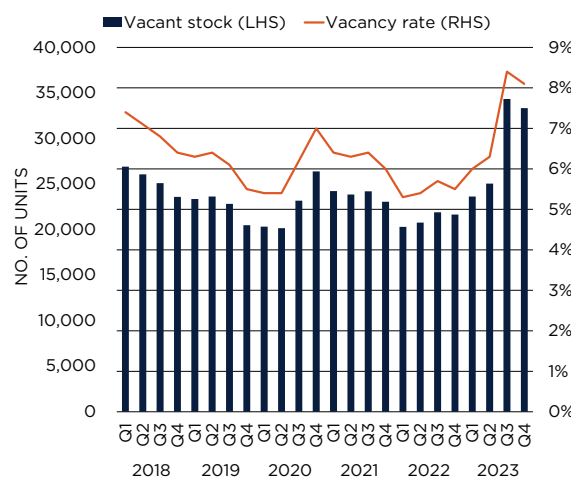
Source URA, Savills Research & Consultancy

GRAPH 4: Savills High-end, Non-landed Residential Rental Index, Q1/2018 to Q4/2023



Source Savills Research & Consultancy

GRAPH 5: Vacant Stock and Vacancy Rates of Private Residential Units, Q1/2018 to Q4/2023



Source URA, Savills Research & Consultancy

ago, both the one-bedroom and two-bedroom units registered the greatest rental decline of 2.3%, while the three-bedroom units fell by 1.8% and the bigger units with more than three bedrooms by 1.4%.

In Q4/2023, out of all the projects in the Savills basket, more than half (60.5%) showed rental declines on a quarterly basis, while 13.2% remained unchanged. As such, after a marginal drop of 0.6% QoQ in Q3/2023, the average monthly rents for high-end non-landed private residential projects tracked by Savills fell another 2.2% QoQ to S\$6.02 psf in Q4/2023. The positive rental growth seen in the first half of the year was partially offset by the weakness shown in the fourth quarter, resulting in a moderation of growth rate of 3.2% for the whole of 2023. On top of increasing supply of new competitors in the vicinity and cheaper alternatives around the island, landlords had to stay flexible to secure leases as the tenant pool for these high-end homes has considerably shrunk because of tough business conditions.

STOCK AND VACANCY

A total of 4,085 private residential units received their TOPs in the last quarter of 2023. Major projects completed in the quarter include Parc Clematis at Jalan Lempeng (1,468 units), Sengkang Grand Residences at Compassvale Bow (680 units), Leedon Green at Leedon Heights (638 units) and Amber Park at Amber Garden (592 units).

For most of the projects that were affected by construction delays during the pandemic breakout, they were completed in 2023. Consequently, the total completions of private residential units more than doubled to 19,968 units in 2023 from a year ago. This was also the highest annual number since 2016.

By the end of 2023, the island-wide stock of completed private residential properties stood at 410,588 units. Out of the total stock, 33,340 units are vacant, down 2.9% QoQ. Despite of falling leasing volume, there were increasing activities from these new completions and also owner-occupiers moving in. The net demand therefore surged to 4,926 units in Q4/2023, reversing the contraction of 915 units recorded in a quarter ago. Together with fewer new completions in the same quarter, the overall vacancy rate of private residential units eased by 0.3 of a ppt QoQ to 8.1%. By region, improved vacancy rates were found in both the CCR and RCR, falling 0.2% QoQ and 1.2% QoQ respectively. On the other hand, vacancy rate in the OCR continued to trend upwards for the third straight quarter, albeit at a much slower pace of 0.1% QoQ.

Nevertheless, the net new supply of 19,390 private homes for the whole of 2023 substantially exceeded a net demand of 7,697 units. Thus, by year's end, the vacancy rate rose by 2.6 ppts from a year ago. Vacancy rates rose across all the market segments, with the OCR recording the highest increase of 3.8% YoY, followed by the CCR and the RCR at 2.9% YoY and 0.2% YoY, respectively.

OUTLOOK

Although the momentum for rental adjustments is increasing in strength, at the landlord level, those who have an existing lease which will expire in the coming months are expected to raise rents when it ends. This is because the incumbent tenants are paying rents that are still 10% to 15% lower than the current rates. However, landlords who are asking for rental increases greater than that will find to their dismay

TABLE 2: Major Private Residential Projects Completed, Q4/2023

PROJECT NAME	LOCATION	DEVELOPER	LOCALITY	NO. OF UNITS
Parc Clematis	Jalan Lempeng	Sing-Haiyi Gold Pte Ltd	OCR	1,468
Sengkang Grand Residences	Compassvale Bow	Siena Residential Development Pte Ltd	OCR	680
Leedon Green	Leedon Heights	Asia Radiant Pte Ltd	CCR	638
Amber Park	Amber Gardens	Aquarius Properties Pte Ltd	RCR	592
Verdale	De Souza Avenue	C&C (JKK) Pte Ltd	RCR	258
Coastline Residences	Amber Road	SL Capital (3) Pte Ltd	RCR	144

Source URA, Savills Research & Consultancy

that not only enquiries fall to negligible levels, but also the unit may remain vacant for a prolonged time. Tenants are now flooded with an array of choices given that a significant number have relocated out of the country and the 19,968 units that were completed in 2023 offer alternatives and are new builds. This year, another 9,636 units are expected to be completed, about the same as the 9,526 units in 2022 (the year that saw a 29.7% YoY increase in private residential rents).

Although we had a strong run up in rents in 2022, with 9,526 units completing, that year, that may not repeat itself in 2024. The malaise impacting the tech industry is leading to massive

headcounts cuts for what used to be the highest paying jobs in the market. Additionally, foreign banks are also in the process of streamlining their departmental lines as they re-align their business focus and seek to improve overall productivity. In short, companies in the developed economies had in the post pandemic years (2021 to 2022) over hired and are now shedding workers to undo that. This process of streamlining is still ongoing at the time of writing, and we believe that it will not cease for a few more months.

Although there is a possibility that rents may ultimately head back to early 2022 levels, a 35.3% decline, that is not our central scenario. Higher

mortgage rates and significantly higher property taxes assessed for the year of assessment 2024 may add friction to the downside correction as landlords in general will attempt to pass these costs to the tenant. That may even lead some to take the illogical route of leaving the units vacant for months rather than accept a low-ball offer. We expect rents to fall 5.0% YoY in 2024.