

Residential Leasing

10 November 2011

"Leasing volume reached a new high with 13,028 leases signed in Q3, defying cautionary headwinds sparked by the deepening crises in the US and eurozone."



Image (centre) : Scotts Square, Orchard Road

- Singapore's economy grew by 5.9% in the reviewed quarter, driven mainly by an expansion in the biomedical manufacturing cluster.
- In view of the on going weakness in the global economy, Singapore's GDP growth forecast for 2011 has been downgraded by the Ministry of Trade and Industry (MTI) from 5%–7% to around 5%.
- Hiring expectations fell from 56% in Q3 to 42% in Q4, with the banking and financial services sector reporting the lowest expectations.
- Leasing demand continued to surge with an impressive 13,028 leases signed in Q3.
- Rents of private residential properties rose at a slower pace of 0.8%.
- The average monthly rent for high-end non-landed residential properties tracked by Savills held steady at S\$5.37 per sq ft per month.
- Rental growth for luxury residential homes is expected to hover between 1% and 2% for the full year of 2011.

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Market overview

Despite risks of a double-dip recession from uncertainties surrounding the faltering US economy and sovereign debt crisis in Europe, Singapore's economy grew by 5.9% year-on-year in Q3. This was an improvement from the 1.0% growth seen in Q2, with growth contributed mainly by an expansion in the biomedical manufacturing cluster. On a seasonally adjusted quarter-on-quarter annualised basis, the economy grew by 1.3%.

Singapore's GDP growth may be reduced markedly for the next few quarters as demand for local exports is expected to ease and slowdown persists in major industries. The MTI has consequently downgraded Singapore's growth forecast for 2011 from 5%–7% to around 5%.

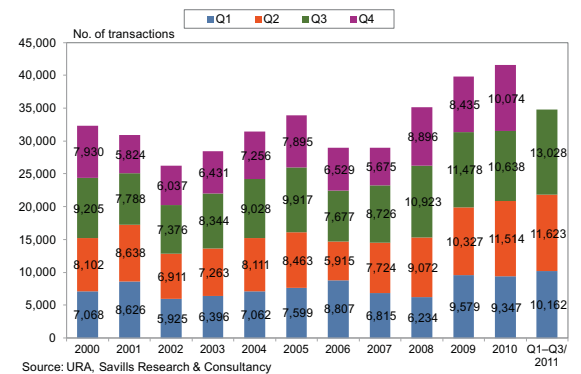
In light of escalating weakness in the global economy, more companies are expecting a smaller headcount growth in Q4. According to the October–December 2011 Hudson Report which polled more than 460 executives across different business sectors, hiring expectations fell across most sectors, from 56% in Q3 to 42% in Q4.

The banking and financial services sector saw the lowest expectations at 30%. Many of the international banks in Singapore are trimming costs and reducing hiring on the back of the current financial turmoil. The healthcare and life sciences, and IT&T sectors similarly reported a 23- and 10-percentage point drop in expectations to 44% and 51% in Q4 respectively. Manufacturing and industrial is the only sector which saw expectations rise in Q4, with greater demand for high-tech and specialist roles as many major expansion projects are expected to be implemented this year.

Nevertheless, Singapore continued to see strong employment growth in Q3/2011. Based on estimates from the Ministry of Manpower, 32,300 jobs were added this quarter, an increase from the 24,800 jobs added in Q2. The unemployment rate has consequently slipped to 2.0% in Q3 from 2.1% in Q2.

Once again, leasing volume hit a record high of 13,028 transactions in Q3, a 12.1% quarter-on-quarter and 22.5% year-on-year increase. Leasing volume is expected to remain robust in Q4 as more foreigners are expected to be redeployed here as unemployment surges in the west, while the balance of economic power is tilting towards Asia. Year-to-date, 34,813 leases were registered and the total leasing volume for 2011 is poised to surpass last year's record of 41,573 transactions.

Transaction volume, Q1/2000–Q3/2011



Rents

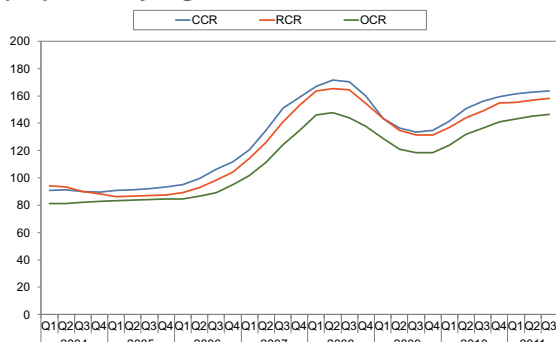
According to the Urban Redevelopment Authority's (URA) rental index, rents of private residential properties rose at a slower pace of 0.8% in Q3/2011, compared with 1.3% in the previous quarter.

By region, rental growth of non-landed properties in the core central region (CCR) and outside of central region (OCR) has similarly slowed from last quarter, registering marginal increases of 0.4% and 1.0% respectively in Q3. In contrast, rents of non-landed properties in the rest of central region (RCR) rose by 1.0% this quarter, slightly higher than the 0.9% increase in Q2.

Island-wide median rents for all non-landed properties, excluding executive condominiums, hit a high of S\$3.44 per sq ft per month, 3.3% higher than the previous quarter. The total transaction value also hit a new record of S\$54.2 million in Q3/2011.

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Rental index for non-landed private residential properties by region, Q1/2004–Q3/2011



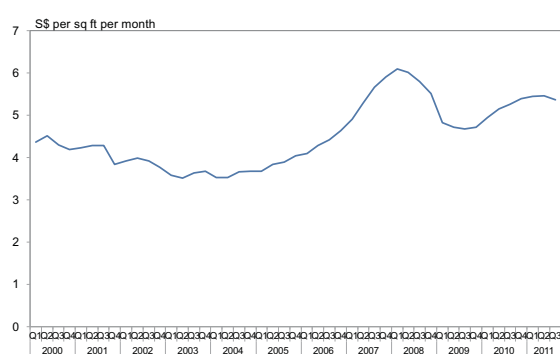
Source: URA, Savills Research & Consultancy

The average monthly rent for high-end non-landed residential properties tracked by Savills was S\$5.37 per sq ft per month in Q3/2011, dipping 1.6% quarter-on-quarter. On a year-on-year basis, prime rents are still 2.3% higher than the S\$5.25 per sq ft per month registered in Q3/2010.

New supply

In Q3, 4,565 private residential units received temporary occupation permits, comprising 4,298 non-landed units and 267 landed units. Major new completions include Livia (724 units), Clover by the Park (616 units), Soleil @ Sinaran (417 units), Oasis @ Elias (388 units), The Rochester (366 units), Scotts Square (338 units), Martin Place Residences (302 units), Kovan Residences (268 units), One Devonshire (152 units), Woodsville 28 (110 units), and Newton Edge (104 units). The influx of completed homes in recent months is expected to exert some short-term pressure on future rents going forward.

Average rent of high-end non-landed residential homes, Q1/2000–Q3/2011



Source: Savills Research & Consultancy

Outlook

While firms may take a more cautious approach on hiring for the next few months, rents are expected to remain firm in the next quarter from sustained demand of long-term expatriates.

The influx of completed homes in the coming months may continue to exert short-term pressure on rents. As such, the full-year rental growth may stabilise, with luxury residential home rentals rising between 1% and 2% for 2011. However, the volume of leasing transactions is expected to continue to grow as more foreigners relocate to Singapore.

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