

Will the rental market continue to favour landlords?

PICTURES: SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

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Concerns over leasing affordability in the local rental market have been raging since the start of 2022. According to market watchers at that time, an impending increase in rental prices was forecast to be just around the corner. A year on, their predictions have largely come to pass, and the rental market seems to have swung in favour of landlords in recent quarters.

This has raised the ire of many tenants in Singapore — both locals and foreigners. Some of the more exasperated ones took to social media in the early months of this year to recount their experiences. They cited a near-doubling of rents in certain residential areas and difficulties in securing affordable apartments, especially in the Core Central Region (CCR).

The heating up of the rental market is covered in the latest Real As State video, part of a monthly video series produced by *EdgeProp Singapore*. According to Alan Cheong, executive director of research and consultancy at Savills Singapore, landlords and tenants can expect most of the rental increases this year to occur in the first six months, before generally moderating in the second half of the year.

Based on URA data, the non-landed private residential rental index went up by 30% y-o-y in 2022. While this headline-grabbing number has stoked the market in recent months, it pales in comparison to the jump in the rental index in 2007, says Cheong.

In 2007, the rental index surged approximately 40% y-o-y. “That situation arose when the stock of available rental properties at the time could not meet the demand from tenants and investors,” he says.

The event that rocked the market and caused rents to surge was the government’s award of the Marina Bay Sands site in May 2006. This spurred opportunistic investors to snap up most of the available rental properties in the central region, so as to capitalise on strong rental demand when the project was completed.

According to Cheong, this removed some rentable properties from the market and broadly raised rents at the time.

Demand-supply mismatch galvanising rents

Cheong says that the current rental market has been galvanised as a result of a relatively low stock of rentable properties, especially in the CCR and CBD where new residential project completions have been relatively low over the



Over the past few months, rents have gone up in areas such as Orchard Road (pictured) and Bukit Timah

past year or so. The mismatch between available rental supply and incoming tenant demand is pushing up rental prices, he says.

“While the increase in interest rates is one of the many factors that motivate landlords to increase their asking rents, the greatest determinant of the high rents is the balance of demand and supply in the rental market,” he adds.

Cheong says that rental demand has been strong since the second half of 2022. On the supply side, the pipeline of new rental units entering the market has been tight due to “pandemic-induced delays” in some construction projects.

As a result of higher rental prices, some tenants who used to lease apartments in the CCR have to look further afield in other regions for affordable properties. Based on feedback from the Savills residential leasing team, tenants have gone to as far as Jurong East in some cases.

“Rents have climbed to a level where it has eroded the personal consumption of some renters and reduced their housing affordability. As a result, this group has no choice but to move further from the central region,” says Cheong.

He adds that tenants with families have been especially hard-hit by this change. Prevailing market conditions mean that they are generally priced out of most large-sized apartments, forcing this group to enter the suburban neighbourhoods.

“On the other hand, most singles have been able to find alternatives, such as downsizing to smaller-sized apartments or turning to the variety of co-living properties on the market,” he says.

A concern over the heated rental market is the negative impact this could have on Singapore’s overall competitiveness as an affordable,

attractive global city for foreign talent. “In the short term, it is likely that most tenants will just have to accept the fact that rents have increased,” says Cheong.

However, if the situation persists, some multinational corporations may have to consider the higher rental prices when they intend to hire overseas nationals to live and work in Singapore, he says.

Cheong believes that the prevailing market condition is a “one-off” situation. “Moving forward, the trend of the rental market is expected to be more subdued. In fact, any increase in rents is likely to be front-loaded into the first two quarters of this year. There is a chance that rents may soften in the second half of this year,” he says.

Tenants unruffled by higher rents

While market conditions have motivated landlords to increase their asking rents, most of them have been able to find replacement tenants who are willing to accept the higher rents, says Jac Ong, associate vice president at List Sotheby’s International Realty.

As a specialist in residential leasing and apartment sales, she is in regular contact with expatriates looking to lease homes in Singapore. She says that the pandemic experience has made many renters prioritise larger living spaces.

Ong adds that many returning Singaporeans who have lived and worked overseas in the past few years are also reclaiming the properties they own, thus pulling them out of the rental market. This is another reason why the supply of rentable properties has dipped.

“It has actually been easier to find replace-

ment tenants, even if the landlord is asking for a higher price than before. Most tenants understand that the rental market is quite exuberant at the moment and are willing to renew their leases at a higher price because they don’t want to deal with the hassle of moving out,” says Ong.

In general, the tenants still in the market to rent are mostly expats relocating to Singapore for the first time or have been here for some time. They typically comprise professionals whose nationalities include French, Americans, Australians, British and Chinese.

She attributes the steady rental demand in recent months to several multinational corporations that are, or will be, setting up offices in Singapore. These companies are in industries ranging from manufacturing to banking and finance, as well as technology.

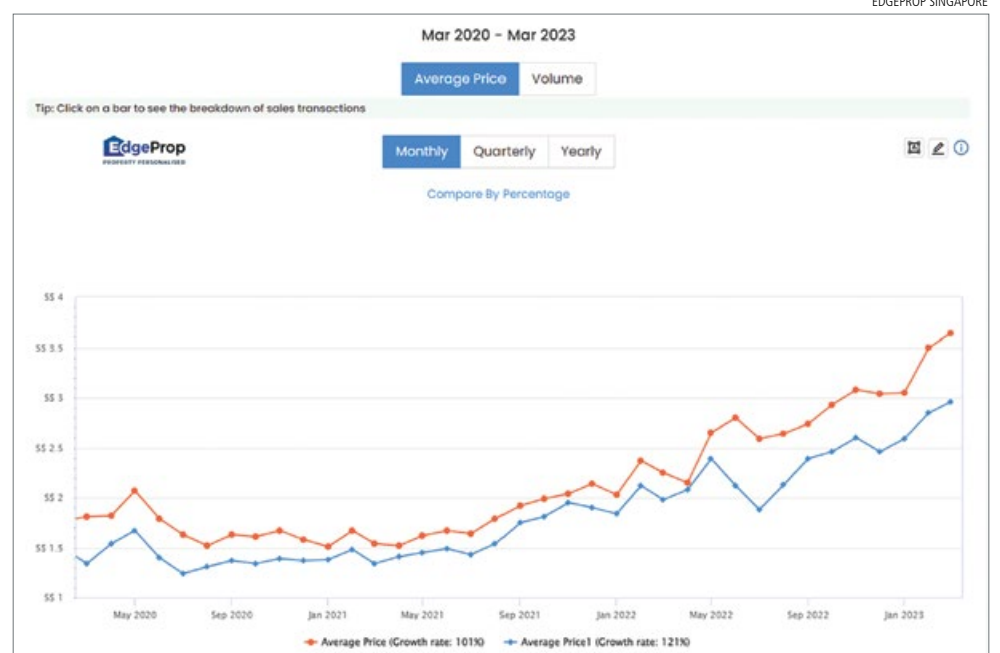
However, while apartment rents have been steady, rental demand for landed homes such as bungalows and Good Class Bungalows has noticeably fallen in the last few months, says Ong. “Supply of these premium homes in Singapore is very low, and available properties that appear on the market for rent generally get taken up very quickly.”

Looking ahead, Ong believes that on-the-ground enquiries for apartments will remain more or less the same for the rest of this year. “Many more expats are expected to arrive in Singapore for work, which will fuel demand in the local rental market,” she says. ■

Catch the full interviews and video feature on this month’s episode of *Real As State*, available on our YouTube channel and Facebook page from April 28



Condos along Robertson Quay. A mismatch between rental demand and stock of rentable properties is driving rents up



Graphs of rental caveats for the Core Central Region (orange) and Rest of Central Region (blue) generated by EdgeProp’s Market Trend tool