

# HUNGRY FOR LESS

## PENT-UP RENTAL DEMAND FOR SHOEBOX UNITS

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Rental contracts signed for shoebox units more than doubled in 1H13 compared to 1H12. The surge in volume is attributed to the increase in shoebox unit supply from newly completed projects, the strong rental take-up rate suggests a pent-up demand for such units in the rental market.

# RENTAL MARKET

## HUNGRY FOR LESS, PENT-UP DEMAND FOR SHOEBOX UNITS

### Market Overview

Rental demand continued to strengthen despite a slowing economy. A total of 12,352 rental contracts in the non-landed private residential market have been reported in the second quarter of this year, a growth of 16.7% q-o-q or 11.6% y-o-y. Overall, the rental demand for non-landed private residential units in 1H13 has remained positive, with a total of 22,937 rental contracts signed, a 10.2% rise compared to 1H12.

### Breakdown by Unit Size

Breaking down rental demand by unit sizes, shoebox units grew by a staggering 93% y-o-y, outshining the other unit sizes (see Table 1).

Despite having the lowest market share of 3.3%, shoebox units contributed as much as 26% of the total rental growth from 1H12 to 1H13.

Rental demand for shoebox units first spiked in 2H12, where the number of rental contracts signed increased by more than two-fold to 797 from 388 in 1H12.

This surge in rental contracts signed is mostly attributed to new shoebox units completed in the second half of 2012, which contributed 55% and 35% of the total shoebox rental demand in 2H12 and 1H13, respectively.

The significant increase in shoebox units available in the rental market from newly completed projects supports the notion that a substantial

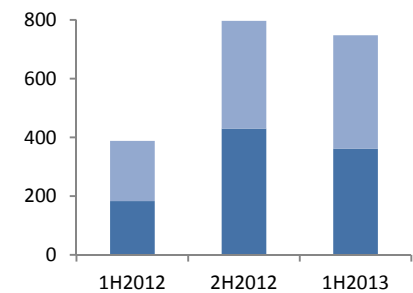
Table 1: Rental contracts signed by unit size

Unit Size (sq ft)	1H12	1H13	Growth
300-500	388	748	93%
500-800	2,391	2,663	11%
800-1,000	4,350	4,687	8%
1,000-1,400	6,741	6,867	2%
>1,400	5,629	5,829	4%

\*Exclude unit sizes with less than 15 rental contracts signed

Source: URA, Square Foot Research

Figure 2: Rental contracts signed for shoebox units, Q1'12 to Q2'13



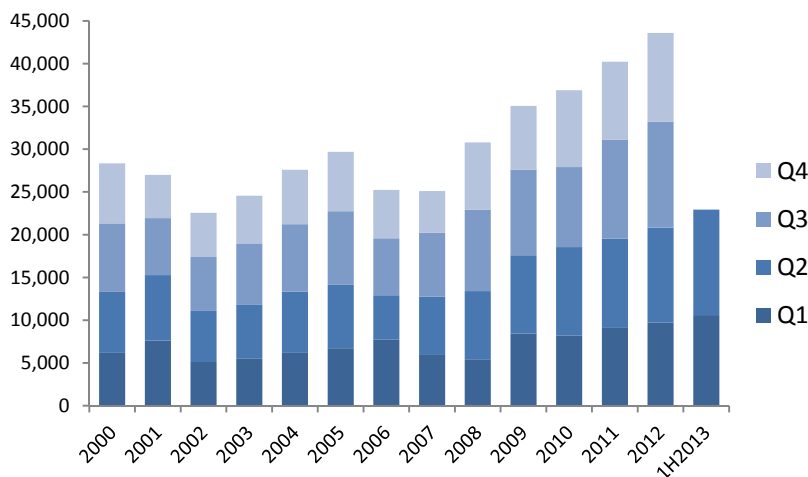
Source: URA, Square Foot Research

percentage of shoebox units are bought for investment purposes. Contrary to sceptical sentiments on the investability of shoebox units, the hike in rental contracts signed seems to indicate that there is a pent-up demand for such units, and that investors are enjoying good returns.

### Shoebox Units

Shoebox units are attractive to tenants as they bridge the gap between room and apartment rental, offering the privacy that is lacking in room rental and at a lower rent compared to larger apartment.

Figure 1: Rental Volume, Q1'2000 to Q2'2013



Source: URA, Square Foot Research

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Pitched as the “Boutique Luxury Residences”, shoebox units are usually creatively designed with a modern outlook to compensate its small area. These units are primarily targeted at young single professionals or couples without kids seeking for accommodations that are conveniently situated near their workplace, within city fringe, at the expense of space.

### A Practical Choice

Culturally, how accepting tenants are to shoebox units affects its demand in the rental market. The concept of shoebox units is not something unique to Singapore but prevalent worldwide especially in busy cities and countries where land is precious.

Driven by practicality and sustainability, expatriates in Singapore may turn to cheaper accommodations as the cost of living continues to rise. According to Mercer’s 2013 Cost of Living survey, Singapore is now the second most expensive city in Asia and the fifth most costly location worldwide.

For expatriates living alone or with their spouse, a well-equipped unit with adequate living space may suffice.

Convenience and affordability are their main priority.

Shoebox units, thus, may seem as an attractive option, given its contemporary design, affordable rental as well as its location.

### Location Matters

Currently, about three quarter of the estimated 150 projects comprising shoebox units are located in the Central Region. Out of the 50 projects completed since 2012, 38 of them are located in the Central Region whereas the remaining are located outside of the Central Region.

Based on the total rental contracts signed in the past 6 quarters, the Central Region saw a higher rental take-up rate compared to Outside of Central Region.

### Core Central Region

The rental take-up rate for new projects with shoebox units in district 9 and 10 is strong. Vivace saw a 91% take-up rate based on the number of rental contracts signed versus the estimated number of shoebox units available. It is interesting to note that the number of rental contracts signed within a year for RV Suites exceeded the number of shoebox units in the project. This may be due to rental contracts that are short-term in nature (6 months) that have expired or early termination on rental contracts. Whichever the case may be, the high replacement rate is yet another indication that rental demand for such units is strong.

Figure 3: Rental take-up rate of shoebox units completed since 2012

#### Central Region

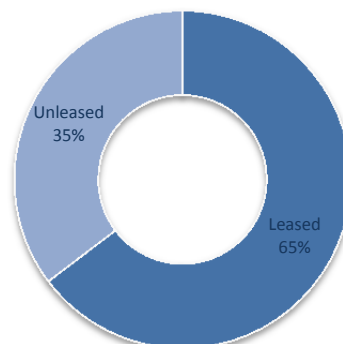
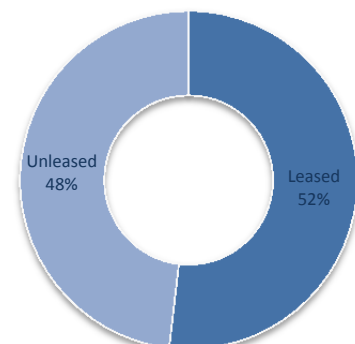


Figure 4: Rental take-up rate of shoebox units completed since 2012

#### Outside of Central Region



Source: URA, Square Foot Research

# RENTAL MARKET

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### Rest of Central Region

Ranked by rental demand, the top two projects with shoebox units completed since 2012 are Centra Suites with 88% rental take-up rate and Centra Studios at 81%. Both projects are coincidentally located in district 14. There are a total of 6 new projects with shoebox units completed since 2012 in district 14, with an average take-up rate of 65.8% as of 1H13.

### Outside of Central Region

Suites @ East Coast tops the list in OCR with a rental take-up rate of 68%. Siglap V achieved 63.8% rental take-up rate for its shoebox units despite entering the market only in 2013. Although shoebox units fetch a higher per-square-foot rental, the lower rental quantum is really the key in keeping demand alive.

### **Conclusion**

Rental demand remains strong in 1H13 on the back of an increasing trend since 2007. The number of rental contracts signed for shoebox units increased by more than two-fold compared to a year ago, indicating a pent-up demand for such units.

Rental demand going forward is likely to remain buoyant as job market prospects remain positive in Singapore. In addition, restrictions imposed on residential property purchases by permanent residents and foreigners may further fuel rental demand.

However, with record high number of projects completing in 2014/2015, the surge in overall supply may drive rents down, offering tenants a greater variety of choices beyond shoebox units at increasingly competitive rental prices, this may ultimately affect the draw towards shoebox units.

# SHOEBOX RENTAL TAKE-UP

## CENTRAL REGION

Project name	Postal district	Completion year	Total no. of units	Est. no. of shoebox units	No. of rental contracts signed	Rental take-up rate <sup>1</sup>	Avg. rental <sup>2</sup>
ALEXIS	3	2012	293	112	77	68.8%	\$3,130
CAVAN SUITES	8	2012	36	33	24	72.7%	\$2,530
CITY LOFT	8	2012	40	34	29	85.3%	\$2,640
PARC SOMME	8	2012	30	18	10	55.6%	\$2,750
VIVACE	9	2012	85	62	57	91.9%	\$3,340
RV SUITES*	10	2012	96	15	18	-	\$3,400
SUITES @ SHREWSBURY	11	2012	15	12	7	58.3%	\$2,740
AIRSTREAM	12	2012	70	41	21	51.2%	\$2,450
BLISS LOFT	12	2012	48	12	7	58.3%	\$2,790
DOMUS	12	2012	104	26	9	34.6%	\$3,280
OPAL SUITES	12	2012	19	16	12	75.0%	\$2,440
SUITES @ TOPAZ	12	2012	46	33	15	45.5%	\$2,410
THE VERVE	12	2012	106	34	15	44.1%	\$2,800
8@WOODLEIGH	13	2012	330	28	20	71.4%	\$2,840
CASA AERATA	14	2012	78	40	27	67.5%	\$2,510
CENTRA STUDIOS	14	2012	51	48	39	81.3%	\$2,540
CENTRA SUITES	14	2012	62	58	51	87.9%	\$2,610
LA BRISA	14	2012	84	38	19	50.0%	\$2,560
SUITES@CHANGI	14	2012	44	40	21	52.5%	\$2,540
TREASURES@G19	14	2012	27	24	13	54.2%	\$2,570
BELLA CASITA	15	2012	57	24	16	66.7%	\$2,680
ISUITES @ MARSHALL	15	2012	32	15	12	80.0%	\$2,480
ONAN SUITES	15	2012	29	3	2	66.7%	\$2,480
STUDIOS@TEMBELING	15	2012	25	13	7	53.8%	\$2,690
SUITES@ KATONG	15	2012	51	36	25	69.4%	\$2,510
THOMSON V TWO	20	2012	74	45	31	68.9%	\$2,700
SUITES DE LAUREL	21	2012	72	11	5	45.5%	\$2,660
LOFT @ RANGOON	8	2013	24	22	12	54.5%	\$2,890
LEICESTER SUITES	13	2013	47	41	2	4.9%	\$2,750

Based on transaction in the past 6 quarters, Source: URA, Square Foot Research

Note: (1) Rental take-up rate is computed based on the percentage of rental contracts signed over the estimated number of shoebox units available in the project. (2) Average rental has been rounded down to the nearest tens. \*Rental take-up rate for RV suites has exceeded 100%, presumably due to new contracts signed in replacement of old contracts that have expired or terminated.

# SHOEBOX TAKE-UP RATE

## OUTSIDE OF CENTRAL REGION

Project name	Postal district	Completion year	Total no. of units	Est. no. of shoebox units	No. of rental contracts signed	Rental take-up rate <sup>1</sup>	Avg. rental <sup>2</sup>
PALMERA EAST	14	2012	32	15	6	40.0%	\$2,770
SUITES @ EUNOS	14	2012	28	18	11	61.1%	\$2,590
ESPIRA SUITES	15	2012	46	30	11	36.7%	\$2,690
HERITAGE EAST	15	2012	65	44	19	43.2%	\$2,590
SUITES @ EASTCOAST	15	2012	116	70	48	68.6%	\$2,320
OPTIMA	16	2012	297	24	15	62.5%	\$3,190
ISUITES @ TANI	19	2012	20	8	2	25.0%	\$2,550
PRIMO RESIDENCES	19	2012	64	15	4	26.7%	\$2,550
RESIDENCES BOTANIQUE	19	2012	81	3	2	66.7%	\$2,800
CASPIAN	22	2012	712	18	7	38.9%	\$2,770
SIGLAP V	15	2013	114	19	12	63.2%	\$2,480

*Based on transaction in the past 6 quarters, Source: URA, Square Foot Research*

*Note: (1) Rental take-up rate is computed based on the percentage of rental contracts signed over the estimated number of shoebox units available in the project. (2) Average rental has been rounded to the nearest tens.*

# APPENDIX

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