



RISING COST OF RENTAL IN SINGAPORE

SURVEY REPORT

2023



CONTENTS

3 Executive Summary

4 Introduction

5 Respondent demographics

6 Increased Cost for Businesses in Singapore

7 Rising Cost of Residential Rental

8 Rising Cost of Office Rental

9 The Impact on Businesses in Singapore



EXECUTIVE SUMMARY

Global uncertainty owing to the Ukraine War, US-China Trade War and Covid-19 pandemic have led to rising inflation costs in Singapore. Such inflationary pressures have led to a sizeable increase in the cost of rental properties for expatriates and office spaces. International and local business communities in Singapore are feeling the heat from this rise in costs.

This inquiry was conducted by the European Chamber of Commerce in collaboration with European and non-European national business groups, all of which are based in Singapore. Respondents surveyed are from local and international businesses operating in Singapore, with ties to the aforementioned business groups. This survey sought to assess the extent and severity of impacts of rising costs of rental on business operations in Singapore.

The survey found that soaring rental costs is a key issue that warrants government intervention. Rising costs of rental account for almost half of the increase in business operational costs. Rising costs of residential rental is highlighted as the main reason for the increase in business operational costs. Companies offer financial aid to subsidise expatriate employees' residential rental costs in Singapore. Almost 40% of companies surveyed provide each employee additional financial aid of more than \$1500 per month.

With the rising cost of rent, inflationary pressures and other operational costs, 70% of businesses surveyed are facing increasing difficulty in maintaining operations in Singapore. They expressed a desire to relocate their businesses out of Singapore, should the situation worsen. Apart from the financial impacts on business, 97% of companies surveyed indicated that employees exhibited visible anxiety and psychological distress over rising costs of residential rental in Singapore.

The survey concludes that soaring costs of residential rental need to be managed. Otherwise, these costs may remain a major threat to the survival of business and expatriate communities in Singapore.

INTRODUCTION

International and local business communities based in Singapore have raised their concerns over the rising cost of residential and office spaces. These businesses are challenged with balancing profitability amid the rising costs of business in Singapore.

This survey was circulated among the members of 14 European National Business Groups in Singapore, which consist of the AHK Singaporean-German Chamber of Industry and Commerce, the Austrian Business Association, Belgium-Luxembourg Chamber of Commerce, Central and Eastern European Chamber of Commerce, Danish Business Association, Dutch Chamber of Commerce, French Chamber of Commerce, Irish Chamber of Commerce, Italian Chamber of Commerce, Norwegian Business Association, Spanish-Singaporean Chamber of Commerce, Swedish Chamber of Commerce and Swiss Chamber of Commerce. It was also circulated among the members of the Singapore International Chamber of Commerce and the Canadian Chamber of Commerce.

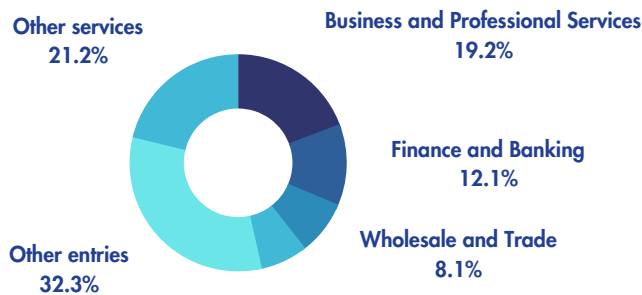
The survey gathered responses from 268 businesses from diverse industries operating in Singapore. Respondents were asked to answer 10 multiple choice questions to ascertain the impact of the rising cost of rent on businesses in Singapore.

We have our deep appreciation and gratitude for the valuable contributions and inputs of the respondents. We thank them for their openness and transparency in responding to the survey. Their contributions have been instrumental in shaping the findings of this report. It is our hope that this report can serve as a critical resource for policymakers, business leaders and researchers seeking to understand the challenges faced by business communities in Singapore.

RESPONDENT DEMOGRAPHICS

INDUSTRY BREAKDOWN

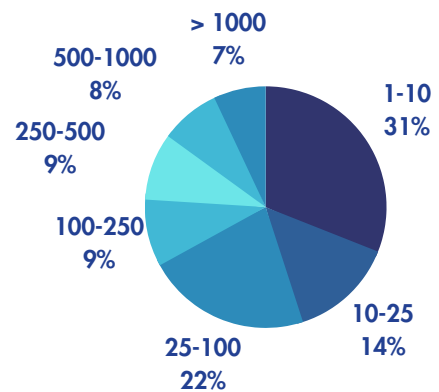
268 respondents from various organisations responded to the survey indicating their awareness of the rising costs of residential and office rentals in Singapore.



As shown, 19.2% of the respondents are working in Business and Professional services, 12.1% in Finance and Banking and 8.1% are specialised in Wholesale and Trade. However, 21.2% of the responses can be categorised under 'other services', and 32.3% under 'other entries'.

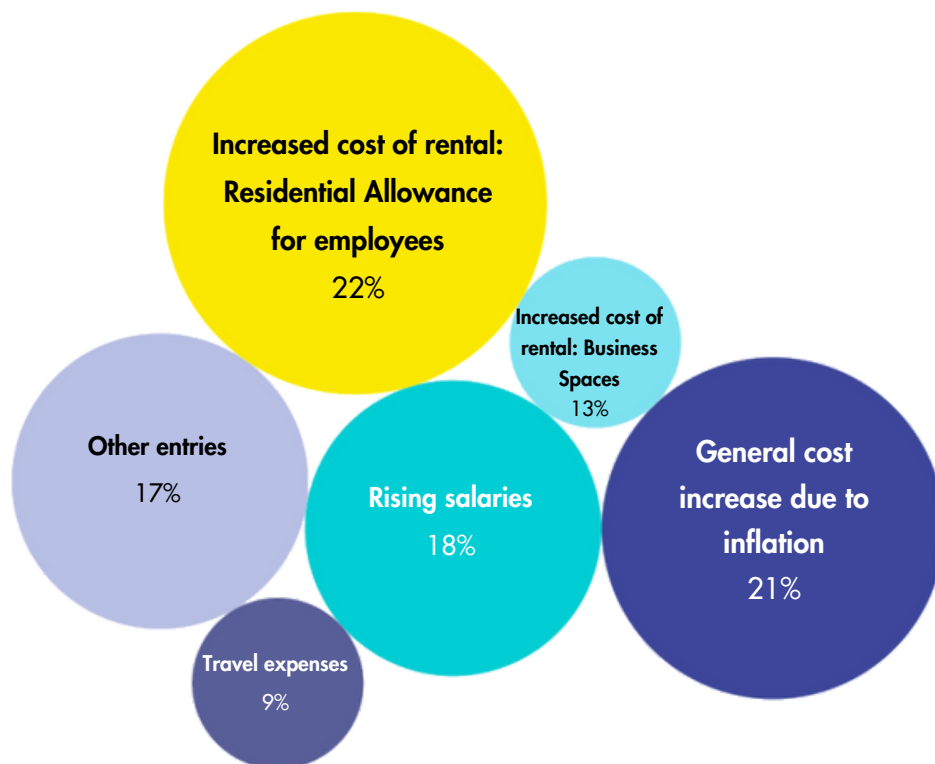
The respondents indicated their companies operate in a variety of areas. This not only showcases a good overview of this issue in different industries, but provides interesting and diverse solutions to rental costs concerns.

Moreover, the ratio of respondents from various sizes of companies was fairly well-distributed. The respondents are employed by companies of all size categories. Companies with less than 100 employees represent more than 50% of the respondents.



INCREASED COST FOR BUSINESSES IN SINGAPORE

Choose the three most important factors that have led to an increase in operational costs in Singapore.

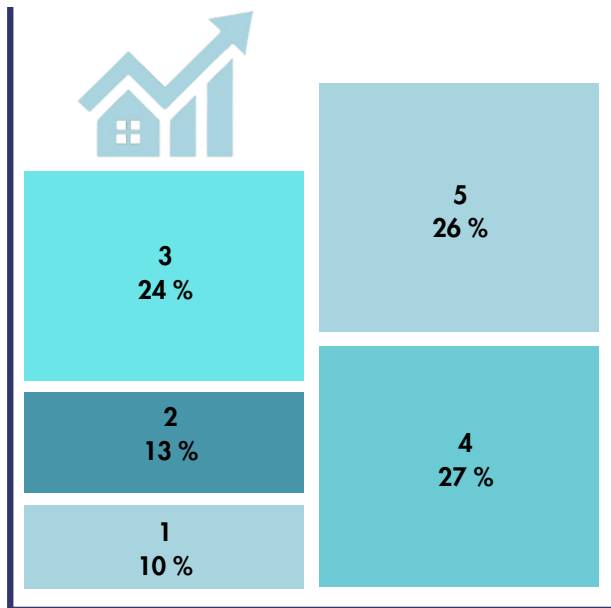


The operational costs are the expenses which are related to the operation of a business, or to the operation of a device, component, piece of equipment or facility. They are the cost of resources used by an organization just to maintain its existence.

According to the respondents, the three most important factors that have led to an increase in operational costs in Singapore are the 'increased cost of rental: residential allowance for employees', the 'general cost due to inflation', and the 'rising salaries'. Furthermore, another important factor is 'other entries' which include the high turnover and recruitment costs, the government-controlled costs, and the shipping costs.

RISING COST OF RESIDENTIAL RENTAL

Rate how badly your business has been affected by rising costs of residential rental.
With 1 being the least badly affected and 5 being the most badly



Undeniably, the residential rental cost has increased for the past 2 years in Singapore. It can be explained by some delays in the completion of private housing projects, increased demand for private rentals as a result of both the return of foreign students and expatriate workers looking for somewhere to live, or measures taken by the Government to cool the public housing market.

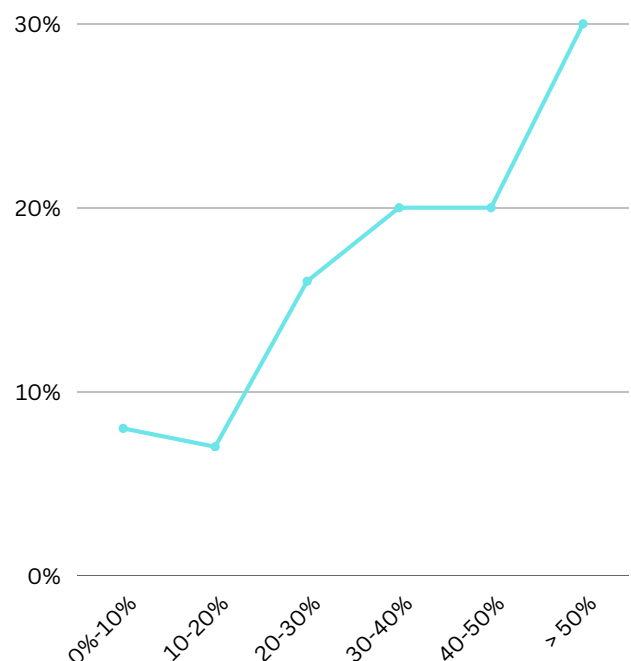
On a scale of 1 to 5, where 1 was the least affected and 5 was the most affected, most (27%) respondents selected number 4, followed closely by number 5 (26%).

This result confirms that the rising costs of residential rental badly affected businesses in Singapore.

If you, as an individual, have renewed your residential housing lease in 2022 or 2023, what was the extent of increase in your rental costs?

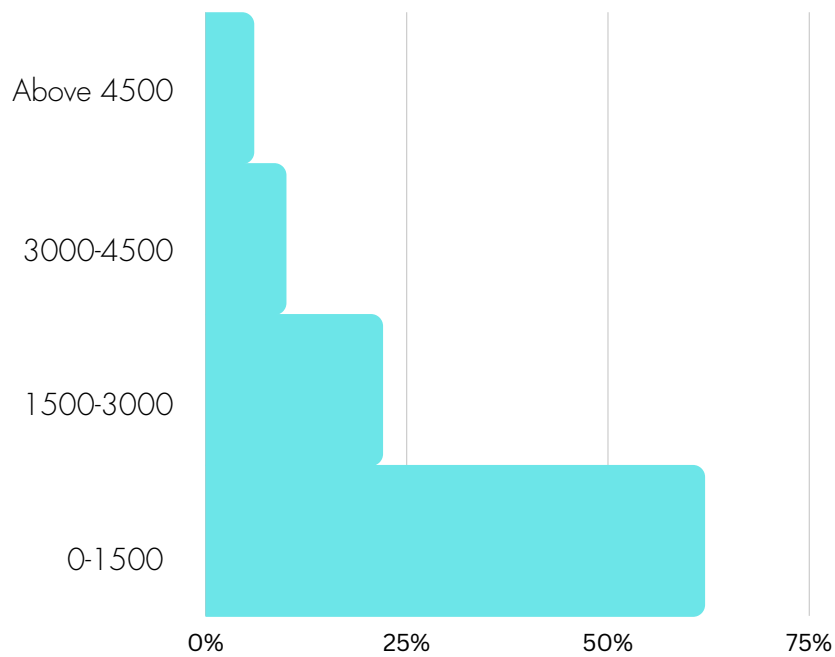
The results of this inquiry reveal that for 50% of the employees, who had to renew their residential housing lease this year or last year, the extent of the increase in their rental costs was more than 40%. Furthermore, for 36% of them, the extent of the increase was between 20% and 40%.

It is a significant increase that has a direct consequence on European expatriates and businesses in the city-state.



RISING COST OF RESIDENTIAL RENTAL

On average, how much additional monthly aid is given to each staff member affected by rising costs of residential rent?



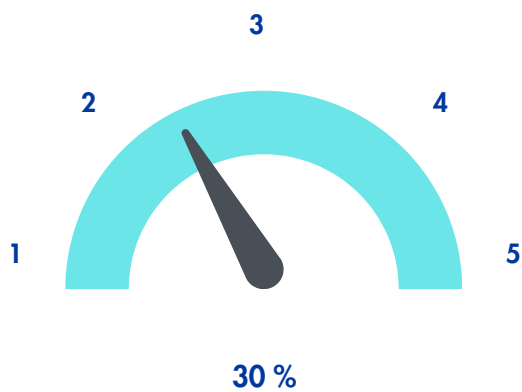
Despite a major extent of increase in employees' rental costs, their company does not provide sufficient monthly aid.

On the left, it is seen that 62% of those surveyed don't receive any support or less than \$1,500/month from their company to meet their rent increases. Only 38% of the companies give more than \$1,500 per month to each staff member affected by rising residential rents.



RISING COST OF OFFICE RENTAL

Rate how badly your business has been affected by the rising costs of office rental space.
With 1 being the least affected and 5 being the most affected.



While the cost of residential rents has increased over the past two years in Singapore, so has the cost of office rental space. Aside from demand and supply, it can be explained by the rising cost of building materials and manpower costs, the high inflation, and a strong Singapore Dollar.

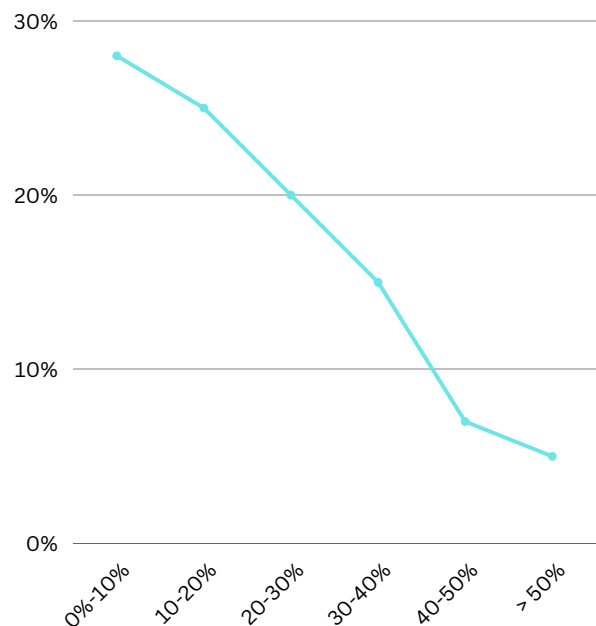
On a scale of 1 to 5, where 1 was the least affected and 5 was the most affected, 30% of those surveyed selected the number 3 to rate how badly their business has been affected by the rising costs of office rental space.

If your company has renewed its office lease in 2022 or 2023, what was the extent of increase in rental costs?

Both office and residential rental space costs have increased in the past few months.

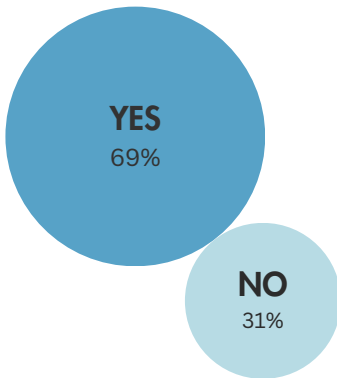
The diagram on the right visualises the extent of the increase in rental costs. In 28% of the respondents whose company renewed their lease in recent months, the extent of increase in rental costs was only up to 10%, 25% was between 10% and 20%, and 20% was between 20% and 30%.

Additionally, the survey highlights that office rental space cost has less increased than residential rental cost. For 50% of the employees, who have had to renew their residential housing lease in recent months, the extent of the increase in their rental costs was more than 40%, while such an increase represents only 12% of office leases.



THE IMPACT ON BUSINESSES IN SINGAPORE

Given the rising costs of operations, would you relocate some of your personnel out of Singapore?



To understand what could be the direct impact of such an increase in costs of operations, EuroCham asked the survey participants whether they would be willing to relocate some of their staff out of Singapore.

Almost 3/4 of them would be ready to relocate their personnel out of Singapore. This situation is not sustainable, if the costs of operations do not decrease or if the companies do not get help from the government, Singapore will lose its attractiveness to foreign companies which will decide to relocate their offices to neighbouring countries.

Is there visible psychological stress and afflicted work performance among your employees, owing to the volatile housing situation?



Last but not least, the survey makes clear that opinions are similar on the psychological effects of the volatile housing situation. More than 97% of businesses surveyed say that the volatility of the housing situation leads to visible psychological stress and reduced work performance on their employees, including 25% of them 'always'.

Support for the rising cost of rental in Singapore would not only limit employees' expenses but also provide them with breaks conducive to their well-being at work and outside.



OUR PARTNERS



Singaporean-German Chamber
of Industry and Commerce
Deutsch-Singapurische
Industrie- und Handelskammer



DutchCham
SINGAPORE



Also in partnership with





European Chamber of Commerce, Singapore
138 Robinson Road, #11-04 Oxley Tower
Singapore 068906

info@eurocham.org.sg
+65 68366681

