

6.8 BUSINESS SERVICES

OVERVIEW

The business services sector expanded by 0.4 per cent in the fourth quarter of 2017, similar to the 0.5 per cent growth registered in the previous quarter.

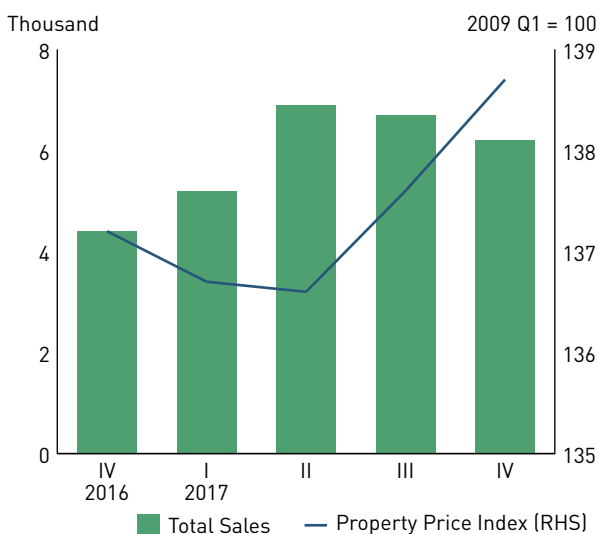
For the whole of 2017, the sector grew by 0.6 per cent, a turnaround from the 0.3 per cent contraction in the previous year.

REAL ESTATE

In 2017, the growth of the business services sector continued to be weighed down by the real estate segment. Specifically, the segment recorded a contraction of 3.3 per cent, although this was a moderation from the 5.6 per cent decline seen in the previous year.

The private residential property market continued to improve in the fourth quarter, with prices of private residential units registering its second consecutive quarter of increase. On a quarter-on-quarter basis, prices rose by 0.8 per cent, comparable to the 0.7 per cent increase seen in the previous quarter. For the whole of 2017, prices edged up by 1.1 per cent, a reversal from the 3.1 per cent fall recorded in 2016.

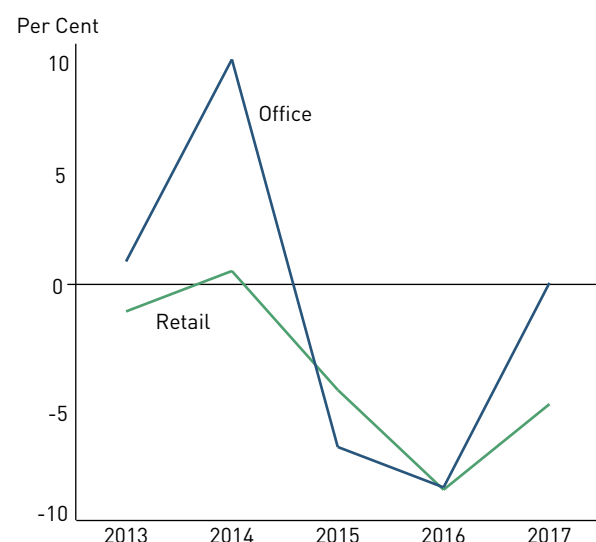
Exhibit 6.29: Total Sales of Private Residential Units and Private Residential Property Price Index



In tandem with the turnaround in prices, sales volumes also posted healthy growth, in part due to pent-up demand, particularly from HDB upgraders and property investors. In particular, total private residential property sales rose by 42 per cent year-on-year in the fourth quarter, extending the 46 per cent increase registered in the previous quarter. For the full year, total sales surged by 53 per cent to reach 25,010 units, surpassing the 16,378 units sold in 2016 (Exhibit 6.29). However, the volume of sales transactions remained modest, compared to the annual average of 28,997 units sold between 2010 and 2014.

In the commercial space segment, the retail space market faced increased headwinds in 2017 on the back of falling prices and rentals. Prices of private retail space declined by 8.8 per cent in 2017, larger than the 5.4 per cent contraction recorded in 2016. Likewise, private retail space rents fell by 4.7 per cent, extending the 8.3 per cent decline in the previous year (Exhibit 6.30). The weak rental performance was driven by lower rentals in the Fringe Area (-6.8 per cent) as well as the Central Area (-3.9 per cent).

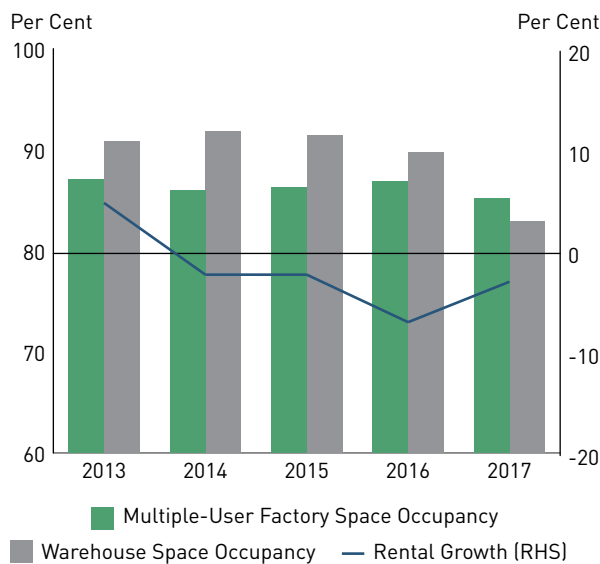
Exhibit 6.30: Changes in Rentals of Private Sector Office and Retail Spaces



For the office space market, office space prices weakened by 2.4 per cent in 2017, comparable to the 2.8 per cent decline in 2016. However, private office space rents increased marginally by 0.4 per cent in 2017, rebounding from the 8.2 per cent decline in the previous year (Exhibit 8.30). The pickup in office rents was primarily supported by higher rentals in the Fringe Area (4.6 per cent).

In the industrial space market, overall prices weakened by 5.7 per cent in 2017, following the 9.1 per cent decrease in 2016. Overall industrial rentals declined by 2.8 per cent, moderating from the 6.8 per cent drop seen in 2016. In particular, rentals of private multiple-user factory space fell by 2.8 per cent, an improvement from the 7.7 per cent decrease in the previous year (Exhibit 6.31).

Exhibit 6.31: Occupancy Rate and Rental Growth of Industrial Space



PROFESSIONAL SERVICES

Growth of the professional services segment improved in 2017, supported primarily by the head offices & business representative offices sub-segment (6.1 per cent). However, the segment was weighed down by weakness in the legal sub-segment (-2.4 per cent).