

## 6.8 BUSINESS SERVICES

### OVERVIEW

The business services sector expanded by 2.8 per cent year-on-year in the fourth quarter, extending the 3.3 per cent growth posted in the previous quarter.

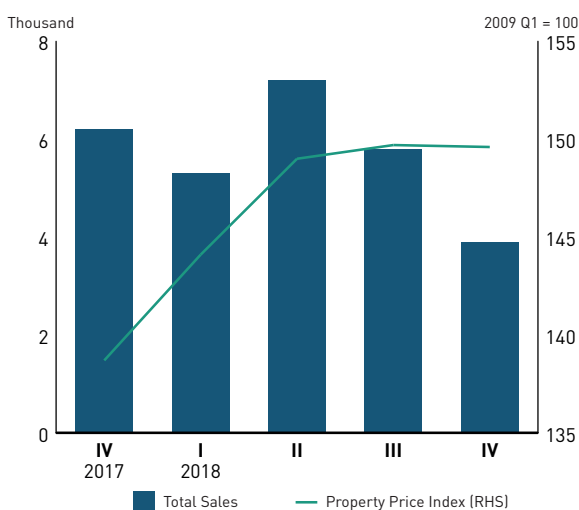
For the whole of 2018, the sector grew by 3.0 per cent, picking up from the 1.8 per cent growth in the previous year.

### REAL ESTATE

In 2018, the growth of the business services sector was weighed down by the real estate segment. Notably, the real estate segment contracted by 0.9 per cent in 2018, although this represented an easing from the 5.7 per cent decline seen in 2017.

The private residential property market weakened on the back of the property market cooling measures implemented in July 2018, with the prices of private residential units recording their first decline in the fourth quarter after five consecutive quarters of increase. On a quarter-on-quarter basis, prices dipped marginally by 0.1 per cent in the fourth quarter, reversing the 0.5 per cent increase seen in the previous quarter. For the whole of 2018, prices rose by 7.9 per cent, faster than the 1.1 per cent increase recorded in 2017.

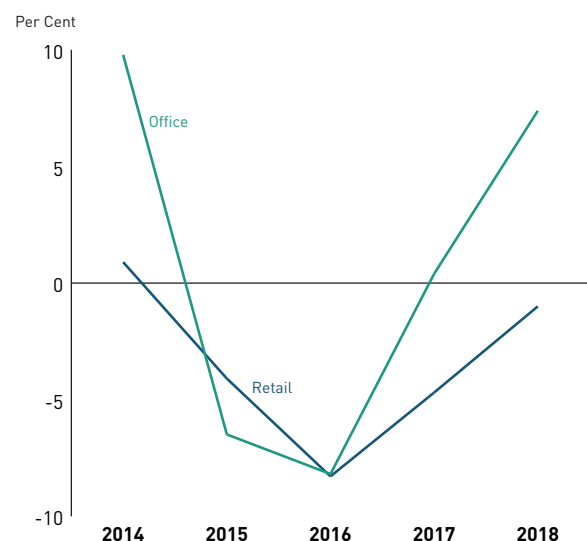
*Exhibit 6.29: Total Sales of Private Residential Units and Private Residential Property Price Index*



In tandem with the fall in prices, private residential property sales volumes also posted sluggish growth. Total private residential property sales fell by 38 per cent year-on-year in the fourth quarter, steeper than the 14 per cent contraction registered in the previous quarter. For the full year, total sales declined by 11 per cent to 22,139 units, compared to the 25,010 units sold in 2017 (Exhibit 6.29).

In the commercial space segment, the retail space market remained lacklustre in 2018. Private retail space rentals contracted by 1.0 per cent in 2018, following the 4.7 per cent fall in the previous year (Exhibit 6.30). The weak performance was due to lower rentals in the Central Area (-1.7 per cent), although rentals in the Fringe Area increased (1.3 per cent). Bucking the trend, the prices of private retail space grew by 0.6 per cent in 2018, a turnaround from the 8.8 per cent decline recorded in the previous year.

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



For the office space market, office space prices rose by 5.7 per cent in 2018, a reversal from the 2.4 per cent contraction in 2017. Likewise, private office space rentals grew by 7.4 per cent in 2018, picking up from the 0.4 per cent increase in the previous year (Exhibit 8.30). The pickup in office rentals was due to higher rentals in the Central Area (7.9 per cent) and Fringe Area (3.8 per cent).

In the industrial space market, overall prices recorded flat growth in 2018, following the 5.7 per cent decline in 2017. Meanwhile, overall rentals fell slightly by 0.3 per cent, moderating from the 2.8 per cent decline seen in 2017. In particular, the rentals of private warehouse space contracted at a more modest pace of 0.9 per cent in 2018 compared to the 5.7 per cent decrease registered in 2017 (Exhibit 6.31).

## PROFESSIONAL SERVICES

Growth of the professional services segment remained healthy in 2018, supported by activities in the architectural & engineering, technical testing & analysis (2.1 per cent) and the business & management consultancy (3.7 per cent) sub-segments. However, the segment was weighed down by the weakness in the head offices & business representative offices sub-segment (-1.1 per cent).

*Exhibit 6.31: Occupancy Rate and Rental Growth of Industrial Space*

