

6.10

REAL ESTATE AND PROFESSIONAL SERVICES¹⁵

OVERVIEW

The real estate sector shrank by 11 per cent year-on-year in the fourth quarter, extending the 18 per cent contraction in the previous quarter. For the whole of 2020, the sector contracted by 14 per cent, worse than the 1.6 per cent decline recorded in 2019.

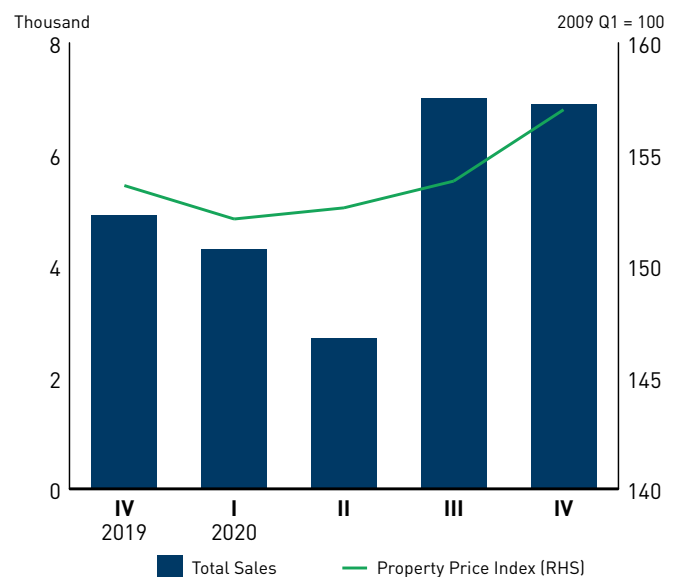
The professional services sector contracted by 7.5 per cent year-on-year in the fourth quarter, easing from the 11 per cent decline in the previous quarter. For 2020 as a whole, the sector shrank by 9.7 per cent, a sharp reversal from the 5.4 per cent growth in 2019.

REAL ESTATE

The private residential property market remained resilient in the fourth quarter. On a quarter-on-quarter basis, private residential property prices rose by 2.1 per cent during the quarter, improving from the 0.8 per cent increase in the preceding quarter. For the whole of 2020, prices rose by 2.2 per cent, extending the increase of 2.7 per cent seen in 2019.

In tandem with the rise in prices, private residential property sales volume also increased in the fourth quarter. Specifically, total private residential property sales surged by 42 per cent year-on-year during the quarter, faster than the 22 per cent growth registered in the previous quarter. For the full year, total sales grew by 9.2 per cent to 20,909 units, from the 19,150 units sold in 2019 (Exhibit 8.28).

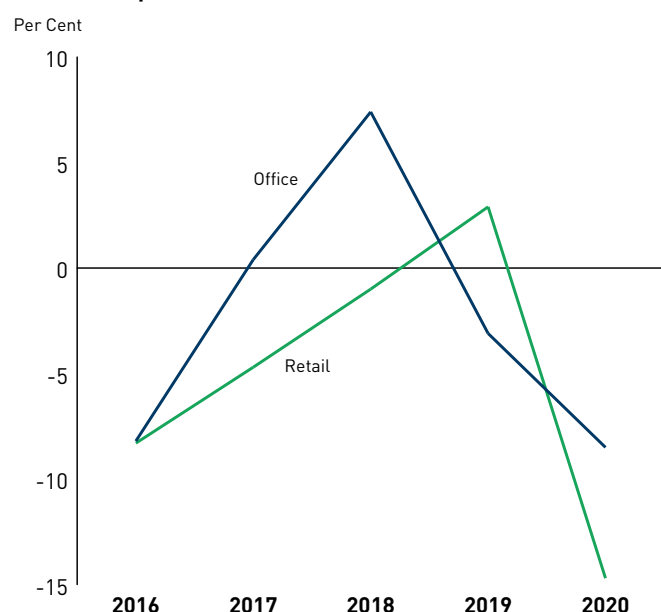
Exhibit 6.28: Total Sales of Private Residential Units and Private Residential Property Price Index



¹⁵ With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the Business Services sector will be disaggregated into their constituent Real Estate, Professional Services and Administrative & Support Services sectors. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).

In the commercial space segment, the retail space market worsened significantly in 2020. Specifically, private retail space rentals fell by 15 per cent, a sharp reversal from the 2.9 per cent increase in the previous year (Exhibit 8.29). The weak rental performance was due to lower rentals in the Central Area (-13 per cent) and Fringe Area (-15 per cent). Similarly, the prices of private retail space declined by 4.5 per cent in 2020, in contrast to the 1.3 per cent increase recorded in 2019, with prices in the Central Area and Fringe Area shrinking by 10 per cent and 3.9 per cent respectively.

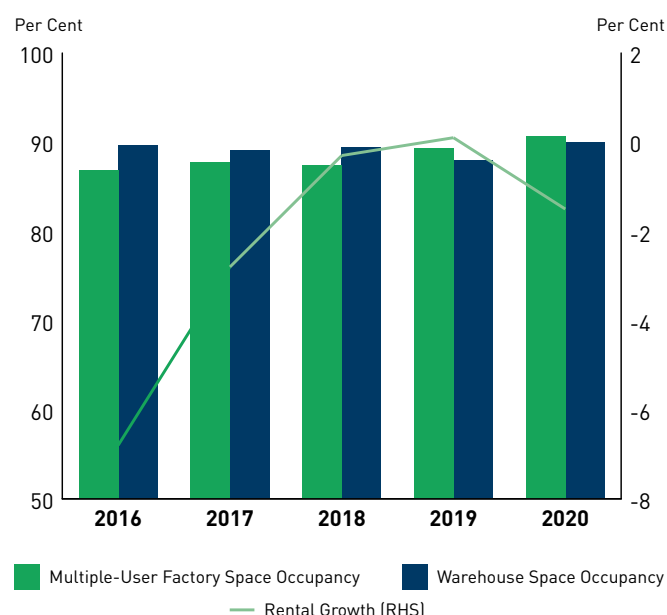
Exhibit 6.29: Changes in Rentals of Private Sector Office and Retail Spaces



The office space market also weakened in 2020, with rentals falling by 8.5 per cent, larger than the 3.1 per cent decline recorded in the previous year. The decline in office rentals was due to lower rentals in the Central Area (-9.0 per cent) and Fringe Area (-8.5 per cent). Meanwhile, prices in the office space market plummeted by 11 per cent in 2020, significantly worse than the 0.6 per cent decline in 2019.

In the industrial space market, overall rentals for the whole of 2020 declined by 1.5 per cent, reversing the 0.1 per cent growth seen in the previous year. Rentals of all types of industrial property space (i.e., single-use factories, multiple-user factories, warehouses and business parks) shrank in 2020 (Exhibit 8.30). Meanwhile, the overall prices of industrial properties fell by 2.7 per cent in 2020, extending the 0.3 per cent decline in 2019.

Exhibit 6.30: Occupancy Rate and Rental Growth of Industrial Space



PROFESSIONAL SERVICES

In 2020, the professional services sector contracted, with all segments of the sector registering declines. The contraction in the sector was largely driven by the architectural & engineering, technical testing & analysis segment, as well as the other professional, scientific & technical services segment, which shrank by 16 per cent and 14 per cent respectively.