

transcript

mobility matters, episode 4: singapore spotlight on real estate and cost-of-living

WITH HOST: EISEN ESERJOSE AND CASPER ASPERIN, AND GUESTS: SANNY LINAWATI AND JAZZER TAN



eisen

Hello, and welcome to Mobility Matters. This is Eisen Eserjose from Global Learning and Development, and I will be your host today. Today, I'm very excited to launch part one of a two-part series focusing on Singapore as an assignee destination. In this episode, we will take a deep dive into Singapore real estate trend and the Singapore standard of living, and since we will be talking about Singapore, we will have subject matter experts joining us today. Let me introduce you to my co-host, the Director of Global Talent Mobility in Cartus, Casper Asperin. Hi Casper!

casper

Hey, Eisen! Hi, everyone. It's Casper Asperin. As Eisen said, I am the Client Services Director over at Cartus, based in Singapore, who relocated previously from the Philippines. Okay, like Eisen said, we do have our expert panels on our podcast today. So, first off, allow me to introduce Jazzer Tan, he is our Key Executive Officer for Cartus Destination and Real Estate Services. Jazzer leads the real estate team and oversees the administration and management of Cartus estate agency work. He has over a decade of experience in the real estate industry. And Jazzer has spanned his career across residential, commercial, and international properties. Hi Jazzer!

jazzer

Hello, I'm very happy to be here, thank you.

casper

Hi Jazzer! And we also have the Director of Cartus Destination and Real Estate Services, Sanny Linawati. Sanny leads the Cartus APAC Destination Service Delivery teams, including Singapore, and have over 15 years of global mobility experience. Accustomed to managing cross-functional teams of relocation professionals, Sanny excels in driving service excellence from our APAC regional team. Sanny is an Indonesian National and she spent formative years in Jakarta before relocating to China in 2001, and is currently based in Shanghai. Hi, Sanny!

sanny

Hello, I'm glad to be here too.

eisen

Thank you. So, let's get into it. Let's start with the housing market in 2022. Because it's been challenging for assignees and employers to find permanent housing, but I'm pretty sure it's been challenging for your agents as well. Rentals went up by a whopping average of 30%, lease renewals were around 40% to 70%, and sometimes 100% increase from the last rental rate. Multiple property fall-throughs, agent scams, I could go on and on. And we're not just talking about the usual popular central locations in Singapore. This went to locations beyond what we call the core central region, which are good residential areas but not as heavily explored. So, Jazzer, what happened in 2022?

jazzer

Demand and supply dynamics determine the direction of rental price movement. In the mid-2020s, Singapore exited the circuit breaker and re-opened business operation, lifting some restrictions on essential travel for business purposes. In 2022, Singapore was one of the first country in Asia to fully open for business and visitors. Being the fore runners in re-opening, Singapore has gained first-mover advantage and attracted businesses and talent all over the globe. Coupled with the increase in inbound volume, we had a shortage of new supply, due to supply chain issues, and delays in construction sectors. In the disparity of an increase in demand and decrease in new supply, resulting in a transition from a tenant market to a landlord market.

casper

I think supporting that, Jazzer, from a global talent mobility perspective, it definitely coincides with what we see on paper. I think we did have a lot of initiations, a lot of moves that came into Singapore. And I think even beyond the international mobility scene where, you know, all of us have had participation in, there were other relocations that happened as well. So, folks who are coming here just for tourist purposes, folks who are coming here for education, so that really led to like what you were saying earlier, the imbalance between the supply and demand that was available in the market.

jazzer

Yes, you're right. And because of that, in general, the rental has increased an estimate of 30% for 2020 and over 50% for private non-landed residential apartments comparing now and pre-pandemic. Rental had consistently increased month-on-month for 27 months. And in a landlord market, landlords have the upper hand in negotiating these terms, they can demand higher rent and more favourable terms too.

eisen

Oh yeah, well, actually, personally I have heard of astronomical offers being made just for the landlord to consider them as a tenant. Are you able to give us a little preview or examples of the demands that landlords have asked for, or even what prospective tenants were willing to offer?

jazzer

Landlords generally purchase assets for investment, return-on-investment is one of the key factors to consider a purchase, and higher rental would translate to a higher ROI. In an inflationary market where prices of goods and services are increasing, landlords may be concerned about the impact on inflation on their rental income. To hedge against the risk, some landlords may seek further protection rental instead of the current rental rates. So currently, right now, what we are seeing in the market is that some landlords are asking for a rental adjustment of 50%, even 70%. And we have some cases where landlords actually request for 100% (increase). And depending on the circumstances of the tenant, we will actually advise them if the rental renewals is actually advisable, because if they are having a local move, there could be some additional costs. For example, they could require transportation fee, they will require accommodation, temp. housing fee, and storage fee. So, we will do a comparison for them. And of course, give them valuable advice to help them decide or make an informed decision on that. Tenants always review the terms of the agreement in totality and seek professional advice if necessary, before committing on any basis.

eisen

So, in Singapore housing is much more regulated, which is as of the moment, I will take it as a good thing because a lot of information is made available for public access. So, tell me Jazzer, help us understand from your perspective, how is it like for you and your team of agents who actually support the tenants? What were the challenges that you had? What did you experience as you tried to source for properties and showed properties to our customers and clients?

jazzer

Yes, it has definitely been a challenging time for us as the work to support our clients and help them find suitable rental properties. We have faced our numerous challenges as a tenant representative trying to support our clients in finding suitable rental properties during a landlord market. One of the most significant challenges we face during this period is a shortage of good quality housing supply. This meant that we have had to work harder to find available properties that fits our client requirements and budget. Additionally, landlords are generally more selective on tenant profile and less willing to negotiate on lease terms and rental rates. We had tenants who are more chill or less decisive in making a commitment, even if the property meets their requirement and budget. We understand that they may need more time to discuss and decide sometimes, and we do provide valuable advice and consultation to weigh the pros and cons for tenants to make a more informed decision. It's actually worth noting that in a landlord market, good quality housing that is well maintained and conveniently located tend to move fast. In such circumstances, time can work against the tenant, often resulting in a missed for the apartment or be caught in a rental competition with another competing offer. But despite the challenges, it was definitely rewarding to see our clients finally find apartments that meet their needs and preferences.

casper

I guess, I would share or even ask Jazzer a quick question about that. I think we've seen and experienced a lot of shock, at least from a client perspective. So typically, at least over at Cartus, you know, the consultants, whenever someone is renewing their properties. Before we jump-start any renewal discussions, we would typically validate stuff with our mobility contracts. And obviously once Jazzer's team comes in, they start the conversations with the landlord. I think it did shock a lot of our client contacts and our employees as well that, you know, the landlords were asking for astronomical pricing. And I think in some cases, we've seen fall-throughs even on negotiations just because of how competitive the market is right, Jazzer? I mean, I think at least for last year, even if a person has been living in that property, if they don't agree to the new pricing, sometimes the landlord would prioritize a new tenant to come in just so that they can earn that money back.

jazzer

Yes, correct, you are right. So, after all, we will all see if the asking price is within the market acceptable range to make a decision.

casper

I guess that's where we rely a lot on the information that Jazzer and his team really tries to produce for us. Again, there are a lot of avenues where we can validate some of the asks of the landlord. But again, going back to renewal, I think and giving some examples as well. Eisen, I think we've had cases where people were bidding for an apartment, you know, there were prospective tenants who actually offered to do the renovations themselves just so that they can have an edge over other prospective tenants. So that is something that's super new. But I think Jazz's team was pulling hairs at those kinds of experience, because there were definitely some, I guess, out-of-this world requests that have been thrown into the whole negotiation process that threw everyone off-guard, and it really became a bidding open market.

eisen

So, just out of curiosity, would you say that the tenants have lost their negotiating power with the landlords when it comes to the market in Singapore?

jazzer

Okay, I know that in a landlord market, usually landlord has the upper hand. Of course, when landlord has the upper hand, they have some choices. And when tenants are at the mercy of the landlord, there isn't much choices left for them. So, I would not say that tenant do not have choices, but the choices could be limited. And by participating in a landlord market, they need to make their offer more competitive comparing to their competitors, in order to have a chance to secure the apartment that they prefer.

casper

Right, I think, you know, having good relationship with your landlord as an existing tenant, definitely helps. But, of course, the attraction of the investment, landlord see the property as an investment property, right? At the end of the day, it's all about number one, money; and who they perceive can take care of the property. So, I think a lot of the time, you know, there is that balance between standing up for what you believe the value of the property is, from a tenant perspective, when you're trying to make

an offer, and be able to compromise on a few things as well, because, you know, sometimes employees come in with a list of priorities that they would have, and thinking that they can get everything. However, of course, the more detailed you are, in a way, in terms of what exactly you want in the property, sometimes, it's hard to see the compromise there. So, I think, it really was extremely hard for some of us, for some of our customers, and for some of our clients, to really try and identify what is critical for them to have in the property, and negotiate that in when having discussions with their landlords.

eisen

Oh, yeah. Well, I would agree on that, because I'm a tenant myself. And as a renter myself, I have to play the priorities myself, like, which is more important? Would it be the travel time, amenities, you know, closer to the grocery, closer to the train station? So, things like this. Do you advise your customers or clients about the priorities when it comes to providing housing or showing housing to their employees?

jazzer

Yes, definitely. When we kick off the program, the first thing we will do is to review our tenant criteria and categorizing them into two categories, mainly the essential requirements, and desired preferences. Our primary focus will be to address the needs first. It is important for us to assess whether the criteria are feasible in the local context. Taking for example, we will determine if the housing allowance is sufficient for a particular apartment size in a specific location. We will then have conversations with our tenant, offering them advice and provide them with options to consider. So, throughout the process of search, we are continuously we assess and fine-tuned the CPQ until we find their choice home.

eisen

Thank you Jazzer. But let's now talk about the cost-of-living, or the standard of living in Singapore, because hearing that and comparing the cost of housing to other countries in America, Europe, for example, New York, or San Francisco, or in the UK, Singapore is comparable to those cities. Singapore is a great country to live in, it's easily accessible, it's safe, it's well-developed, the infrastructure is overall very stable. If we're talking about the access to goods and services, again, we have access to a lot of variety. So, I will throw this question to Sanny, can you tell us more about the cost-of-living in Singapore, and how it compares with the other major cities that we've mentioned?

sanny

That is true. With the access, stability, and security, Singapore, along with New York, Switzerland, UK, and even Hong Kong, they continue to dominate the most popular and conversely, most expensive countries in the world. That is, of course, coupled with more economic indicators, like high inflation, how strong the Singapore dollar is, and the typical lifestyle in Singapore. In one of the studies conducted by DBS, which is a local bank here in Singapore, it was cited that while people are spending within their means, there is a rising in the expense to income-ratio stamping from pen-up spending over COVID.

eisen

So, I would like to ask Casper, how much does it cost now to live in Singapore? And what are the considerations if you're an expat from those countries that we've mentioned earlier?

casper

I think I'll answer your question two ways. I think we have to represent both the company as well as the employees. I think from a company perspective, it really is a dictation, or the study of the current basket of goods that they have. So, usually, you know, when you send an employee on an expat assignment, they will generate some data, they would engage with an international data provider to try and come up with a reasonable or a balance sheet approach when it comes to providing the support to their employees or expats. With a balance sheet approach, it is basically, if you were back in your home country, and if you did not relocate, you'd be spending on these things. You'd be spending on housing, utilities, food, etc. So, when you go on an expat assignment, the expectation is, it's not going to be a free assignment, you are expected to spend within your means as if you were back in your home country, it's just that there is an acknowledgment that the host country that I'm sending you on an assignment on, may be a little bit more expensive. So, that is the allowance that I would give you to compensate that difference.

So, I think, first and foremost, for both, it's a genuine place of, you know, putting accountability of smart spending as well on the employees. So, the employees would have to relocate and would need to understand what their role is in that whole process and maintaining that lifestyle, as well on assignment. So, I think, to answer your question, how much does it cost? I think number one, obviously, you have to compare home and host. If you're relocating as a local employee, meaning you get a local salary, then obviously you just need to make sure that you calculate your net spending. So, I think, if I'm not mistaken, on the average, if I'm looking at my own lifestyle, right, I think, let's talk about food, you would probably spend around \$1000, included food, everything including food and utilities, I think that would be around \$1000 a month, if I'm not mistaken, \$1000-\$1500. But then again, there are a lot of variety of places where you can get all those basic needs. Right Sanny? I think that's how we're trying to look at cost-of-living.

sanny

Correct, you're looking at about \$500 to \$1000 on the average for cost-of-living.

eisen

Yeah, but that's a very interesting insight to bring up, you know, of course, inflation, currency strength, that actually plays a role, but it's the choice of the lifestyle that could affect the benchmarking data on the cost-of-living, really.

casper

I mean, if you look at it, when we're looking at locations, and if you're talking about global clients, you are looking at maybe hub locations in each of the regions. So, you've got in the US, of course, maybe New York or San Francisco, and in Europe or the middle Europe, Middle East area, that would probably be London. And then of course in Asia, Singapore is known to be the hub but obviously Hong Kong is also one of the locations that we are considering, and if you actually compare, for example, like the cost-of-living in New York, is probably around one \$1,400-ish. If you're looking at London, a little bit cheaper, around \$1200, and then Hong Kong, I guess Hong Kong is closer to Singapore around \$1100. Singapore again, you know, with a prediction, you'd probably spend around \$1000-\$1100 for a single person.

So, you know, it really is these highly popular locations we're in, you find them consistently, actually on the list of

most expensive countries, or the most expensive cities that anyone can relocate into. And, you know, to Sanny's point, because of infrastructure, because of everything, and how popular it is, centre for trade for each of those regions. That's also one of the key drivers of why cost-of-living is a little bit higher in these countries compared to their neighbouring countries. But that doesn't mean that it's an unlikely place for us to live in. It still is, right?

eisen

I would agree, though. But also, just to add, of course, there are a variety of services or even essentials that you could buy from groceries that you could purchase, you know, from different types of groceries, I mean, even the pricing might be different from a local store to a foreign supermarket in Singapore, at least.

sanny

And I think for the listener, would also need to take into consideration most especially, if you're an expat, the calculation of your cost-of-living, example, in Singapore, but how about the cost-of-living in your own home country as well, this probably have to be considered too.

esien

Right. Most of our clients continue to use the balance sheet approach for the expat policies. For expats are paid using the salary structure back at home. So, if the cost-of-living back home is high, comparable to Singapore, then that cost-of-living allowance may not be as high compared to someone living in a country where cost-of-living is way cheaper. Right?

sanny

Yeah. That's why most of our clients have a protest, to question the data of the International provider, if cost-of-living has risen in Singapore, why didn't the allowance go up? One of the most common situations from last year was that because cost-of-living, everyone's shooting up right. And it just so happened that your home country rose up just as much, or even more than Singapore, that led to the expectation that if you were not on assignment, you would have spent more anyway since the costs of goods have risen.

casper

Like what Sanny said, right, just reiterating. You know, I think sometimes, our employees or even us, we forget that, okay, if you're an expat, you have a point of comparison, in terms of what the expectation is of what your spending is. And again, if the cost-of-living allowance for this instance, did not go up, I think there is some adjustments that sometimes, we do need to make right in terms of spending. So, like we were talking about earlier, you know, when it comes to food, sure, maybe to someone else, when I say the normal spending on a monthly basis for a single person is \$1000-\$1500. Maybe they would jump and say, oh, that's too expensive, I probably won't do that, because if I go to the hawker centre, I'd probably just spend a maximum of \$5 or \$7 for a meal, and it's a complete meal. But of course, for some other people, they probably don't eat there that often, they probably would rather go and dine in a restaurant, which they could easily spend what at least \$30 on a proper meal. If you go for a Sunday brunch, you buy your own avocado toast, anything with avocado here is expensive. So, say you spent like \$25 on a meal.

Again, it's really this variety of options that's available in Singapore, which makes it great because then you have safe and cheap options that you can take, not only for food, but for transportation, as well like riding a bus, riding the train, I think commute is so much more convenient and so much safer here in Singapore compared to you know, other countries where maybe public transportation is not as accessible. And then you've got transportation, like, you know, you take your grab, your hailing apps, or take your normal taxi, which of course would cost a little bit more. You could spend around \$500-\$600 a month for you to actually go to work, go to the places that you want to on a monthly basis. And of course, owning a car. I think everyone would agree here owning a car in Singapore is probably expensive, more expensive. You'd spend roughly around \$2000-\$3000 a month, just for the repayment of your loans or maintaining of the car, gas, and everything else. So again, you can go low range, you can go local living, or you can go extremely high, extremely luxurious. So, I think it really is a balance trying to find a balance of what the expectation is, and what you know, the lifestyle you choose here in Singapore.

eisen

Thank you. So, I think we have time for one last question. And you know, to summarize everything as well. So, with all these challenges, Singapore remains one of the top destinations for assignees due to excellent infrastructure and ease of living, also as a strategic location for many businesses in Asia. So, shall we look into the future, and what's coming within the next 12 months or in the next year? This question goes to Jazzer, Sanny, and Casper.

jazzer

Maybe I could summarize on the real estate rental market. Year-to-date, we are still facing an upward pressure month-on-month. On the supply side, we are expecting roughly more than 18,000 new private residential supply to be ready this year. However, the newer developments tend to be priced higher than the surrounding comparable apartments. And we expect the rate of increase to taper down from the second half of 2023 when the impact of slowing economy makes their way through the residential demand. Right. We have been hearing news about cost-cutting, so on and so forth. Overall, I'm expecting a more moderate rent increase for the year.

sanny

Well, I guess this is a very difficult question you throw, especially in the time of so many uncertainties. What I can share to wrap up is, since my approach is more on the facts and data, I guess conducting twice a year on cost-of-living and rental data can help everyone to do some advance planning, for employer and also for employee, for their financial well-being. This is my suggestion.

casper

That's true, I think the constant review of the cost-of-living data or the housing data just to make sure that it's relevant. And it allows clients to anticipate questions, as well to address questions that their employees may ask, it doesn't necessarily mean it would lead to any adjustments, but at least, they know that what they're offering their employees are still relevant. I think that's a key conversation that they would need to have, you know, not only with their international data provider, but with their mobility companies that supports them, such as Cartus. Right. I think that's one thing. And again, you know, that's one thing that constantly as a team, we have been working together on, you know, whenever there are housing or allowance reviews, our clients would check in with us just

to use us as a sounding board to see whether what they're offering is still relevant, does it worth increase? Or does it warrant a decrease? I don't think we would advise at this point in time, to adjust any of their policies very, very drastically, just because like what Jazzer said, it could go down, it could taper down pretty soon. And all we have to do is really just watch the market very, very closely.

And I think last but not the least, we do need to make sure that again, prioritization, I think Jazzer said this earlier, prioritization is key. You know, make sure if you are relocating employee, make sure that you have that discussion with your consultants or whoever is helping you manage that move. Just because, such as the Cartus consultant, we would know previously what's happening, not only for a single employee, but for all the engagements that we are moving with. So, you know, tap onto the expertise of your relocation management company like Cartus. And we can help with making sure that we communicate or advise you on what probably is the right way to prioritize certain things. Again, be open-minded to those types of feedback, because we're all here to help everyone to make that smooth adjustment into the new country.

And again, for those who are living here in Singapore, regardless of an expat or a local, I think establishing good relationship with the landlord when we're talking about housing, you know, that's something that we encourage our employees to do. Just because it could make a difference, it

probably won't give you so much discount, but it definitely will help in terms of negotiating some of the lease terms, negotiating the pricing to a certain point, I think that is the kind of maintenance of relationship that would help you, and really, return the favour back to you if you do establish a good relationship with your landlord. And then again, just my two cents to close off what Sanny had suggested, I think that review and that countercheck and counter-balance, we do have a lot of things in place in order for us to cross-check, and really validate what we have. We have a lot of white papers that we release on market insights, that releases on a regular basis, that would help our own clients to try and understand the market more, and formulate, and future proof their policies and their allowances, for the sake of their employees and their company.

eisen

Thank you so much. That's very good tips, really. However, this is all the time we have. So, I hope all the listeners have learned something that you could go ahead and use with their relocation with a client or a customer. I would like to thank Jazzer, Sanny, and Casper on all your insightful sharing. And to all the listeners, we hope you enjoyed today's episode. If you're interested in learning more about what we've discussed today, feel free to email us at Cartussolutions@Cartus.com, or visit Cartus.com for our extensive resource library.

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