

# Costly, but Singapore is value for money: Savills

**Measured against GDP per capita, high costs of housing a business look cheap**

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SINGAPORE offers the best value for locating a business in terms of accommodation costs when compared with other top world cities, a report said yesterday, even if the headline numbers are fairly high.

In its latest World Cities Review, property consultancy Savills said that in absolute terms, Hong Kong has the highest total accommodation costs among 10 cities studied, at US\$1.625 million annually, followed by New York and London which had total annual costs of US\$1.553 million and US\$1.533 million respectively.

Singapore was sixth at US\$1.005 million per annum. Rounding up the rear was Mumbai, at US\$440,000 annually. But the Republic was top in Savills' "value for money" ranking, which measures total costs against the GDP per capita for each city.

This means the revenues to be had from housing a business compared against employees' real estate costs are likely, but not guaranteed, to be much higher in Singapore than any of the other cities in the study.

"In other words, it is worth paying more to accommodate an executive team in Singapore with its high GDP than in the low GDP Mumbai," said Yolande Barnes, director of Savills world research.

Ranked by this concept of "value for money", Singa-



pore is actually less than half the cost of locating a business in Hong Kong and nearly five times cheaper than Mumbai.

Even Hong Kong, with its high accommodation costs, is seen as being four times cheaper than Mumbai by this measure.

Savills defines total accommodation costs as the sum of the annual rent and occupation costs for both residences and offices for a control unit representing a typical group of people that might start up or expand a

global business in any country.

It believes this measure is more likely to reflect the total costs that companies need to accommodate their staff, compared with the more commonly quoted headline rent or capital costs.

"We think that it is one of the more important measures of city competitiveness and value," the report said.

From an investment viewpoint, Savills noted that residential real estate

appears to be a "viable investment asset class", with rental growth outperforming that for office rents in the first half of this year.

In general, the agency was more upbeat about the potential of residential real estate in what it called the "old world" cities of London, Paris, New York, Tokyo and Sydney, compared to the "new world" cities of Hong Kong, Singapore, Shanghai, Mumbai and Moscow.

Its top picks included New York and Tokyo,

where residential rental yields are attractive when compared against 10-year government bonds. It was less upbeat about all but Singapore among the "new world" cities, where gross yields were weak compared with government bonds.

Prime office rents in the "old world" cities have also done better than "new world" rents, raising questions over the fundamentals of supply and demand in cities, such as Singapore, Mumbai and Moscow, Savills cautioned.