



Asset Management Market Guide: Singapore

Standard Unit of Measurement	Unit of Measurement	Sq ft	The standard method of measurement in Singapore is square feet, with rent expressed as Singapore dollars per sq ft per month.
	Agency Fee (expressed as X months rent)	One month (gross rent)	Letters of offer in Singapore contain much of the lease terms and conditions and form more of a 'memorandum of understanding' than just commercial terms.
Transaction Fees	Agency Fee (payable by landlord/tenant)	Landlord	
	Legal Fees (payable by landlord/tenant)	Tenant	
Rental Payment Fees	Rents	Singapore dollars per sq ft per month Generally charged gross of costs (service charges) that the landlord incurs in operating the building Increases in property tax are generally directly recoverable	The Singapore market currently has a large amount of new supply coming on line. This is putting pressure on rental rates as tenants are currently actively looking around the market for cheaper options. Providing space with existing fit-out allows tenants to look at moving without incurring significant fit-out expenses. As such, while reinstatement clauses are common in Singapore, consideration of fit-out re-use is prudent.
	Typical Lease Term	Typically two to three years, with some having longer terms for larger occupiers	
	Frequency of Rent Payable (in advance)	Monthly in advance	
	Rent Deposit (expressed as X months rent)	Three months gross rent (bank guarantees are less common)	
	Security of Tenure	For the duration of the tenancy until lease expiry	
	Statutory Right to Renewal	None (unless an option to renew is agreed at the outset and specified in the lease)	
	Basis of Rent Increases or Rent Review	Open market rental value usually at expiry of the term or at option	
	Frequency of Rent Increases or Rent Review	At lease renewal	
	Taxation	Stamp Duty	
Local Property Taxes		Landlord pays property taxes based on the rental value or property tax at the point of lease commencement of the asset Tenants are liable for any increase in property taxes during the lease term	
VAT/GST Payable on Rent and Service Charge		GST – 7%	



Disposal Of Leases	Sub-letting and Assignment	Sub-letting is generally prohibited for smaller occupancies (unless to a subsidiary company of the tenant, otherwise subject to landlord approval)	A secondary sub-leasing market has also developed in Singapore. Large multi-national corporations (MNCs), whom may have leased or pre-committed to space and no longer need it, are putting their excess space on the market. The situation has stabilised in the second half of 2010.
	Early Termination	Only by break clause (not common)	
	Tenant's Building Reinstatement Responsibilities at Lease End	Original condition (allowing for wear and tear)	
Service Charges, Operating Costs, Repairs, and Insurance	Service Charges/ Management Fees	Usually quoted with rental charge and payable monthly in advance	There is a focus on the tight control of expenses in Singapore, including service charges, operating costs, repairs and insurance. Innovative procurement practices for hard and soft services can deliver significant cost savings for both landlords and tenants. Areas that can be looked at to reduce such expenses and attract cost-conscious tenants include staffing numbers for services such as security and cleaning.
	Utilities	Electricity and telecommunications and water consumption are separately metered and payable by each tenant	
	Car Parking	Allocation per sq ft leased at a seasonal rate	
	Internal	Tenant responsibility	
	Common Parts (reception, lifts, stairs, etc.)	Landlord (charged back via service charge)	
	External/Structural	Landlord (charged back via service charge)	
	Building Insurance	Landlord (charged back via service charge)	
Purchasing Property	Land Title	Majority of land is owned by the state	There are a large number of foreign investors and MNCs in Singapore. Fund repatriation is relatively simple in Singapore. Strata-titled management is legislated and needs to be managed closely. Due diligence on asset acquisition is very important. It is common to engage various consultants to undertake legal and asset reviews as part of due diligence.
	Foreign Ownership	No significant restrictions on foreign ownership of commercial property	
	Strata Title (partial ownership of the building)	Strata-titled ownership is common	
	Security Deposit	Varies by transaction	
	Agency Fees	Usually a percentage of the purchase price is payable by the owner	
	Legal Fees	Usually borne by the purchaser	
	Stamp Duty	1–3% of the contract amount Payable by the purchaser	
	Other Transaction Costs	Varies by transaction	



Market Conditions Snapshot: Singapore and Southeast Asia

A key element of asset management is to consider the long-term results of current decision making by looking into the future at potential markets dynamics to limit risks and increase returns. The following table provides an outlook for the major markets in Singapore and Southeast Asia over the coming five years. To find out what current market conditions mean for your asset on a tenant-by-tenant and return basis, please don't hesitate to contact one of our Asset Management Services specialists.

Market	2010	2011	2012	2013	2014	Remarks
Singapore						Despite new supply of 0.5 million sqm scheduled for completion between now and end-2012, the peak vacancy rates across Singapore are likely to be lower than previously forecast, due to projected expansion demand and tenant relocation from older stock in the core CBD. The market is likely to remain in landlords' favour until end-2014 with strong projected rental growth.
Bangkok						Political uncertainty has impacted business confidence and dented leasing demand. Although new supply is limited over the next 2-3 years, the vacancy rate in Bangkok CBD is expected to remain at around 20-25% until end-2011. Rentals are expected to correct slightly further in the next 12-24 months.
Jakarta						With only a few projects scheduled between 2H10 and end-2013, leasing demand is expected to outpace new supply and the vacancy rate is projected to continue to trend downward over the next 3-4 years. The market should become landlord favourable from 2011 onwards as rising occupancy levels allow rental growth to pick up.
Ho Chi Minh						With MNCs' space requirements likely to remain steady, demand for Grade A space is unlikely to match new supply and the vacancy rate is expected to remain high over the next 2-3 years. The market will continue to favour tenants and rentals are likely to fall further in the next 2 years.
Manila						Although around 0.4 million sqm of supply is in the pipeline over the next 5 years, the vacancy rate in Makati is expected to remain largely steady as leasing demand from the business process outsourcing industry recovers. Moderate rental growth is expected as landlords need to keep rents competitive with new office accommodation in other precincts (e.g., Quezon City and Bonifacio Global City).
Kuala Lumpur						The leasing market is dominated by the government and local companies, which are likely to remain conservative in space requirements. Demand is unlikely to keep pace with incoming supply over the next 4-5 years, and the vacancy rate in KL City Centre is likely to continue to trend upward. The oversupply situation, coupled with a wider choice of new decentralised space at cheaper rental rates, will provide more bargaining power for tenants. Rentals are expected to correct slightly further in the next 12-24 months.

	Timing for lease expiries and rent reviews should be avoided
	Market uncertainty – timing for lease expiries improving
	Landlord market forecast – good timing for lease expiry and rent reviews.

Source: Jones Lang LaSalle



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