Executive Summary

The residential property market in Singapore peaked in the second quarter of 1996 with the price index hitting a high of 314.6. Fearing a property bubble, the government introduced a series of measures in May 1996 to curb the speculative element in the market. These measures has put a stop to the price escalation and marks the beginning of a market slow down.

The overall objective of these measures were to cool the speculative frenzy, stabilise the market and prevent further price escalation. The effect was almost immediate and between mid 1996 to September 1997, capital values of private residential properties eased by about 15%.

The effect of these measures were compounded by the regional economic and financial crisis which started with the Thai Baht devaluation in July. The effect was highly contagious and by the end of 1997, the entire region has been rocked by the crisis.

The outlook for the private residential property market remains uncertain. The confident level remains weak and the market is still coming to terms with an over supply situation.

Serviced apartments have been in existence in Singapore since the late sixties but their popularity only increased in the eighties when nine new developments came into the market. Serviced apartments are most popular with expatriates and business travelers with short to medium term accommodation needs.
As at 30 June 1998, there were 3,348 units of serviced apartments in Singapore. This figure is expected to increase as six known developments are expected to come on stream by the end of 1999. These new additions will bring the total supply to approximately 4,149 units.

Like all the other sectors of the property market, the serviced apartment market has not been spared by the current economic and financial crisis. The occupancy rate and rental rates have soften. However, it is still out performing both the hotels and residential properties in terms of the returns.

The bearish sentiments in the residential property market and the attractive returns of the serviced apartments have spurred more developers to jump onto the bandwagon.

Two surveys were conducted for this research. The first survey was on the serviced apartment operators and the second on the end-users.

The summary on the survey of operators are as follows.

(a). The industry average room size ranges from 574 square feet for a studio to 1,720 square feet for a penthouse.

(b). The basic in-room facilities are kitchenette, room safe and International Direct Dialing telephone lines.

(c). The most common recreational facilities are swimming pool, sauna and gymnasium.

(d). Generally, most serviced apartments provide services such as daily housekeeping, launderette and 24-hour security services.
(e). The average monthly room rates range from $5,209 for a studio to $15,061 for a penthouse.

(f). The current occupancy rate is approximately 76%.

(g). The result revealed that 5 out of 14 operators responded, have indicated that there are plans for renovation.

The summary on the survey of end-users are as follows:

(a). Over 92% of the expatriates are in the middle or upper management level.

(b). 93% of the expatriates stay for more than 1 year.

(c). The average monthly budget for expatriates ranges from $3001 to $7,000 depending on the level.

(d). The most preferred location for expatriate accommodation are Orchard, Holland and River Valley.

(e). The most important factors influencing the end-users’ choice of serviced apartments are rental rates, company’s policy and location.

(f). The channels most commonly used by companies to get acquainted with the serviced apartments are through direct mail, the Straits Times and Yellow Pages.

(g). The most important recreational facilities are swimming pool, car park lot and gymnasium.
(h). The services considered most important are housekeeping, 24-hour security and laundry services.

(i). The most popular room types are the 2 and 3 bedroom apartments.

A case study was used to illustrate the feasibility of converting a conventional apartment into a serviced apartment. The research shows that it is both financially and physically feasible to convert the subject property into a serviced apartment.

In the financial analysis, it was found that the internal rate of return on the conversion is 8.8% which is higher than the cost of fund of 7.5% per annum. In addition, based on the primary data collected, the subject property is able to accommodate to the needs and requirements of the end-users.