

Medical suites looking good to investors

Growth of medical industry and fewer restrictions drive demand, say consultants

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[SINGAPORE] Medical suites, a sub-segment of the commercial property market, are coming onto the radar screens of investors, who are seeing the niche field as an alternative asset class.

These commercial properties, meant for medical usage and traditionally sold mainly to doctors, have seen rising interest from investors, according to consultants that BT spoke to.

Although there are no official statistics on the proportion of buyers who are non-doctors, anecdotal statements by some developers suggest that around 30 per cent of new suites currently being developed are going to investors.

"Medical suites are commercial properties, they are untouched by cooling measures," said Mary Sai, executive director at Knight Frank. "Long term, they are also good investment assets."

There are around 1,400 medical suites in Singapore currently, according to estimates by Knight Frank and Jones Lang LaSalle (JLL).

Some of these units, such as those in Camden and Paragon medical centres, are only for lease. A few others, which are part of hospitals such as Gleneagles and Mount Elizabeth, are open for sale only to doctors to curb speculative investment, said Parkway Pantai, which operates both hospitals.

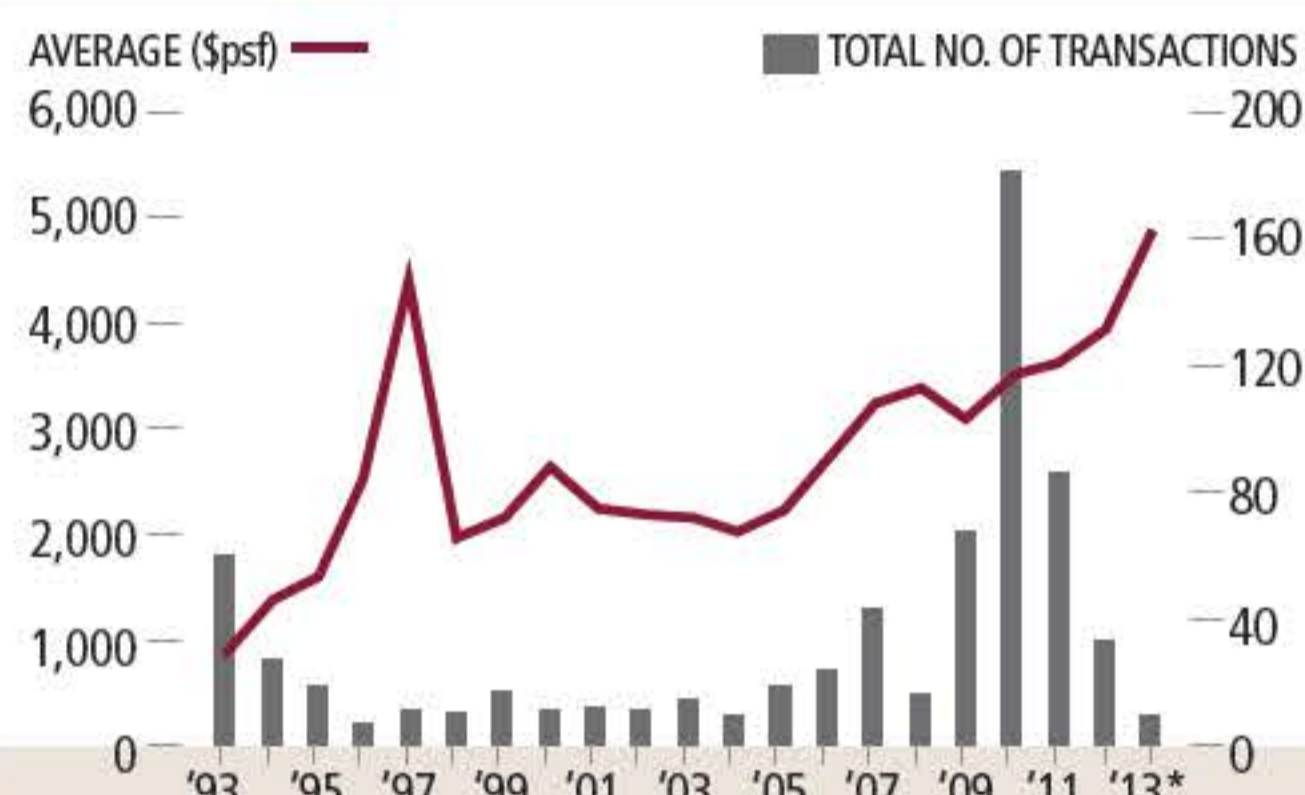
Prices of these suites, usually sub-1,000 square feet in size, have been trending upwards over the years. According to URA caveats, the average price of medical suites at Mount Elizabeth Hospital last year was around \$7,100 per square foot, over 40 per cent higher than the \$5,000 psf average in 2010.

"The growth in the overall medical industry has been driving prices up," said Karamjit Singh, head of investments and residential at JLL. "The fact that there are established centres means there's always going to be a premium for being housed in an established centre."

Traditional property de-

Following general trends

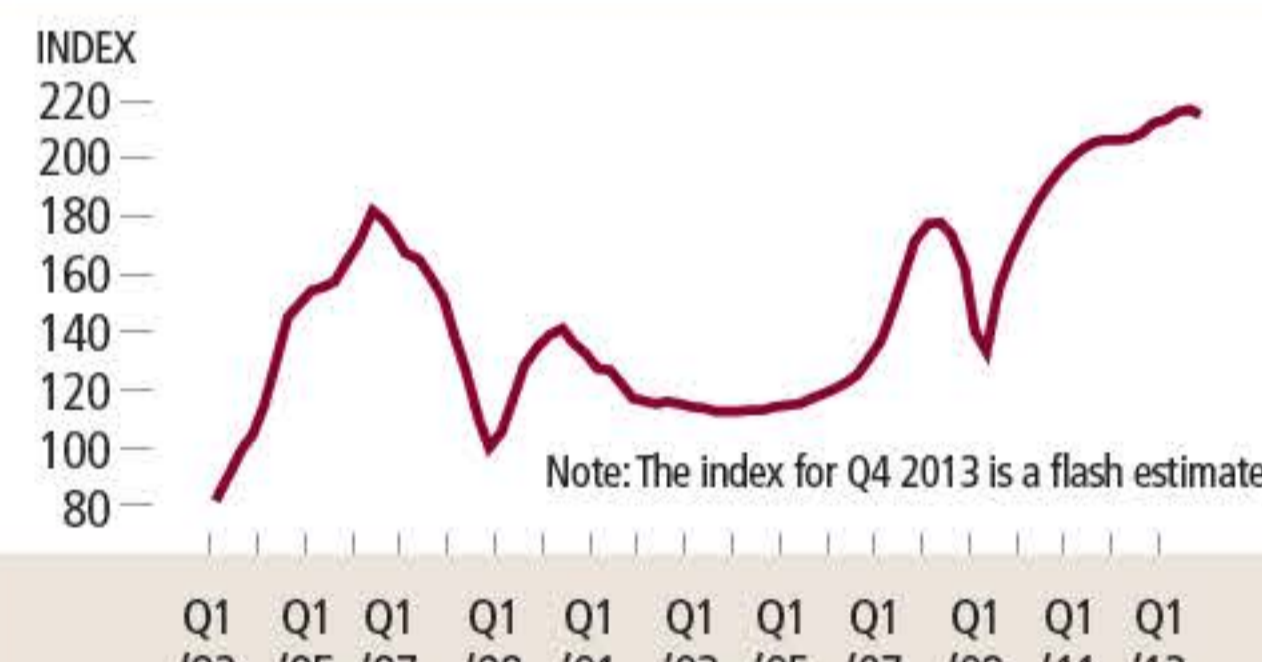
Overall average unit prices of medical suites



Notes: Includes Connexion, Gleneagles Medical Centre, Mount Elizabeth Medical Centre, Mount Elizabeth Novena Hospital, Novena Medical Centre, Novena Specialist Centre and Orchard Specialist Centre
* Up till June

Source: SISV Realink, Knight Frank Research

Private residential Property Price Index (4Q98=100)



Note: The index for Q4 2013 is a flash estimate

Source: URA

velopers have started taking interest in the industry as well, with at least five new mixed developments – housing around 500 medical suites or over 35 per cent of current supply – to be ready by 2018.

These new units, which were going for around \$4,000 to \$4,500 psf in the past year, can be bought by doctors and investors, but end usage must be for medical purposes.

The first of these to open is Connexion located above Farrer Park MRT station. The mixed development – comprising a hotel, hospital and 189 medical suites – will open in stages from the second quarter of this year. The take-up rate has been strong, with some 98 per cent of its medical suites sold, said developer and manager Farrer Park Company.

Far East Organization, which is developing the upcoming SBF Center, has seen similar success, with just one of its 48 medical

suites left for sale. SBF Center, located in the central business district, also has office space.

In the pipeline is Royal Square, a joint venture between developers Hoi Hup Realty and Malaysian Sunway Developments. The medical suites were launched late last year, with 60 per cent of the 171 units sold. The building – located at the junction of Thomson and Irrawaddy roads near the upcoming Novena Health City – is also home to Singapore's first Courtyard by Marriott hotel.

Two other developments have yet to open for sale.

One is RB Capital's Farrer Square, across the road from Connexion. A spokesman there said that the company has registered healthy interest for its 42 units. The medical suites are accompanied by a ground floor retail strip and a 300-room hotel by Park Hotel Group.



Suites for sale: An artist's impression of the Vision Exchange in Jurong East. All 53 medical suites there will be for sale. PHOTO: SIM LIAN GROUP

The other is Vision Exchange by Sim Lian group in Jurong East, down the road from the upcoming Ng Teng Fong General Hospital. All 53 medical suites there will be for sale and Sim Lian is open to both doctors and investors.

Said JLL's Mr Singh: "The investor community will take notice of these as an alternative investment, which was never available to start with, and now it's available."

He added that factors important to investors include how leasable medical suites are – such as proximity to a hospital, as well as the type of specialist mix in the development.

Proximity to a hospital would help boost the value of medical suites as certain treatments need to be referred to hospitals, said Ms Sai. She added that doctors were generally "good, secure tenants" for investors who wanted to rent units out.

"Over the years, people appreciate that this is a kind of asset that they can own," she said. "Some of them do make money, as subsequent asking price enable them to easily make 20-30 per cent in 2-3 years."

Prices of such medical suites, however, have not always defied gravity. They have followed general market trends, encountering falls during financial crises, and can also be affected by policies such as the Total Debt Servicing Ratio, which affect the property market in general. Ms Sai noted that the movements howev-

er appear less drastic, possibly due to medical suites being a more specialised type of property investment with fewer transactions.

Going forward, consultants believe that prices of such suites will continue to see steady growth. They cited factors, including fewer restrictions in the commercial property market compared to residential, as well as overall growth in the medical industry, driving demand.

The increase in the number of medical suites is part of a bigger expansion of the entire healthcare industry in Singapore. Over the next six years, some seven new hospitals are expected to open here. These include Farrer Park Hospital at Connexion, Sengkang General Hospital and Jurong Community Hospital.

Both local and foreign demand have driven the need for more medical facilities.

A study by business consultancy RNCOS estimates the medical tourism industry in Singapore to be worth around \$1.74 billion last year, with growth expected to continue at a compounded annual rate of about 30 per cent until 2017. Domestic demand for medical needs have also been rising, experts say, citing a growing and ageing population, as well as the rising popularity of aesthetic procedures.

Mr Singh said: "I think the general appreciation is that the medical industry as a whole will continue to rise – it's recession-proof to a certain extent."