## CPF RATING: NEEDS IMPROVEMENT

Singapore's pension system is the best in Asia, according to the ninth edition of the Melbourne Mercer Global Pension Index released in October. It scored a B rating with an overall index value of 69.4, rising 2.4 points from 2016. The city-state beat out China which had an overall index value of 46.5, India (44.9), Indonesia (49.9), Japan (43.5), and Korea (47.1), which are the five other Asian nations covered by the index.

Despite its stellar rating, the Singapore pension system still needs some improvement, said Garry Hawker, Asia zone wealth business coordinator, director of strategic research, growth markets at Mercer. "As one of the most developed pension schemes in Asia, Singapore has continued to make improvements through CPF in providing more flexibility to its members," he said. "The overall index value for the Singaporean system could be further increased by reducing the barriers to establishing tax-approved group corporate retirement plans; opening CPF to non-residents who comprise more than one-third of the labour force; and increasing the labour force participation rate at older ages as life expectancies rise," Hawker noted. Singapore scored highest in the integrity sub-index at 80.7.

**Quest for sustainability**

Globally, Singapore ranked seventh out of the 30 countries covered by the index. Denmark topped the rankings for the sixth straight year. Jacques Goulet, president of health and wealth at Mercer, stressed that countries should address sustainability when considering pension reform."Increasing life expectancies and low investment returns are having significant long-term impacts on the ability of many systems around the world to deliver adequate retirement benefits both now and into the future," Goulet said. "These pressures have alerted policymakers to the growing importance of intergenerational equity issues."


Shared kitchen of a co-living space by Ascott

# Co-living is the new cool for Singapore's Gen Y

Every year, millennial travellers are spending more than US$200b, and are set to be the largest spending travel demographic by 2020. "Millennials are highly adaptable and much more willing to share facilities. When they seek out accommodation, it is not just about a room night's stay, but also about the social experience and being able to plug into the local community," said The Ascott Limited (Ascott) vice president for Brand & Marketing and Digital Innovation Mindy Teo.

As a response, co-living spaces for the travelling generation have emerged and a few have started playing around with the concept. Such was the story of 28 year old Yoan Kamalski and 36 year old Zenos Schmickrath co-founders of co-living technology Hmlet.

"I believe Singapore is moving towards this new trend. Many studies show that humans are happier and more fulfilled thanks to the connections and people in their lives, not so much because of money, success or fame. Real estate in Singapore and Hong Kong is highly priced, and because of our demanding type of mentality, the co-living concept is a necessity," said Hmlet CEO Yoan Kamalski.

**The cheapest rooms are priced at $900 whilst the premium master's bedrooms can cost up to $2,000 per month.**

**A new way of living**

Hmlet allows users to find room rentals on a month-by-month basis with a minimum commitment of three months. Rooms have basic necessities like water, electricity, internet, and cleaning & ironing services. Users can apply for membership through a form where they can choose the type and price of the room, the location, their length of stay, the number of people to live with, and even the necessities they want. Right after, the applicants are put through personality matches, so that they can live with roommates they aren't likely to complain about.

According to the website, the cheapest rooms are priced at $900 whilst the premium master's bedrooms can cost up to $2000 per month. The properties automatically provide services like cleaning and ironing. Kamalski said they will soon add chef services to the lineup of services offered in their spaces.

These amenities are just some of the perks of using Hmlet, noted 28-year old expatriate Jenni Ukkonen. She also reckoned that the more flexible contracts and the promise of friendly connections in a foreign land convinced her to rent in Hmlet. Since she is currently employed as a community and events associate intern, she's benefitting from the friendly bonds in the co-living hub.

"I have made great friends with all my flatmates and in a way, I feel like I have a family in Singapore now," she said. "One of the great advantages is. that everything is included in your

Founders of co-living technology Hmlet

28-year old expat Jenni Ukonen and her roommate at Hmlet

fixed monthly rent. It is something that you appreciate as a Millennial expat," she said.

Co-living is more practical and economical said Carol Chen, 35, CEO and founder of designer dress rental startup Covetella, who also chose to reside in Hmlet instead of a traditional apartment. "I've become best friends with some of my housemates and so far I haven't lived with anyone I didn't like," she said, although she admitted there can be some lack of complete privacy and inconvenience when guests visit.

Myles Huang, director of research in Asia Pacific capital markets at JLL said there is "very strong interest" for co-living arrangements among millennials like Carol and Jenni who were born between the early 1980s and early 2000s, as they are more open to the idea of social networking and the sharing economy.

"Co-living houses may offer short-term accommodation and host regular events for residents, many of which are students, startup founders or employees, young professionals, as well as artists and creatives," he said.

Co-living has also become popular due to rising accommodation costs in cities like Singapore, which was ranked the fifth most expensive city in the world to rent a home, according to U.K.-based property portal Nested. "Many singles, students or young workers find conventional apartments out of their reach because of high rents, deposits and furnishing costs," said Huang. "Although pricings of co-living space are quite diverse, they are generally more affordable."

**"Ascott is targeting 10,000 units under the co-living space lyf brand by 2020.**

Industry giants like Ascott have also responded in a pretty similar view. It has acquired properties under its lyf brand with lyf Funan Singapore in which is expected to open in 2020 and lyf Farrer Park Singapore which will open in 2021. "We are open to both investment and management contracts in markets where we see demand for such coliving spaces," said Teo.

Given this demand, Teo said Ascott is targeting 10,000 units under the co-living space lyf brand by 2020.

But Daniel Beck, CEO and founder of co-living.com warned that as more big players join the market, there might be a need for developers to diversify beyond cities and professionals in the gig economy, and competing not only in price but also differentiation.

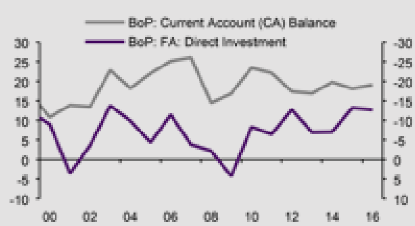
"We need to see someone go for suburbs and exotic destinations," he said. " I'd love to see co-living in more remote destinations, getting away from cities, and niche communities such as surfing, skiing, climbing, mixed martial arts and bicycling."

## THE CHARTIST: SINGAPOREANS HAVE A HEALTHY HOARD OF SAVINGS

With Singapore's working age population expected to decline starting 2020 and its number of elderly set to boom, the city-state is staring at a gloomy prospect of depressed domestic demand and economic growth. But it has a saving grace: a healthy hoard of savings.

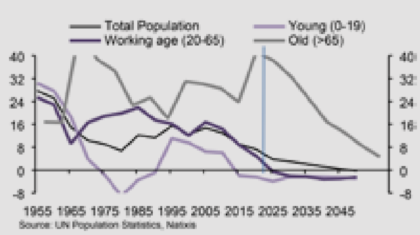
"With global trade unlikely to resume its past high growth rates, Singapore will find it difficult to export its way out of a demographic decline," said Trinh Nguyen, senior economist, emerging Asia at Natixis. "The good news is that Singapore is ageing with plenty of savings." She said Singapore's yearly current account surplus reaches roughly 20% of GDP, and local corporates are already deploying these savings to expand overseas in faster growing markets as the domestic economy becomes saturated.

**Singapore is ageing with plenty of cash**




*Sources: CEIC, Natixis*

**Sinapore faces a demographic time bomb (growth %)**




*Sources: UN Population Statistics, Natixis*