

(A).THE RENTAL MARKET.

After the announcement was made that Singapore will relax its border control and mobility restrictions in March 2022, there was market exuberance that commercial activities and shopper traffic will improve.

Indeed, there are much improvement of travellers coming in and out of Singapore. Trades like Money Change, Food & Beverage shops, Hair and Beauty and Fashion retailers all saw business improvement.

There are more shops being rented out, especially those which have water supply. Many youth or Covid-19 induced new entrepreneurs seek out shops for their vision to be financial independence instead of getting a job.

Rent for newly rented out shops and lease renewed have been increased as Covid-19 pandemic depressed business activity and the recent high inflation-induced cost of livings.

But, there are also some challenges to the retail trades like the recent bear market affecting stocks and crypto currency investments. Instead of buying into luxury pre-owned watches and bags, people are selling out to realize cash for their investment loss or for everyday living expenses.

The last 2 years of Covid-19 restrictions have created new habits and many Hair Salons and Beauty outlets have painfully found out that their regular customers are not coming back to patronize their shops. People work at home, not compelled to keep up with smart appearance and walk to their neighbourhood shops to groom themselves at a much cheaper cost and lower spending budgets.

Lack of manpower is a big issue, as the foreign workers went back to be re-united with their family members and loved ones. They may stay awhile back home or choose to take up new employment in their own country so as to be closer to their family. The locals are not taking up such jobs as the income is not decent enough to maintain their Singapore's high cost of living.

With the Malaysian border and other countries' being opened without complicated and senseless Covid-19 restrictions, locals are travelling to take advantage of the lower cost and seek solace and temporary respite from the past regimental Covid-19 rules. These out-bound overseas travel has resulted in retail money flowing out, at least for a while until their "revenge spending" get depleted.

(B). THE SALE MARKET.

The positive factors of the sale market are :

(1). As the Covid-19 restrictions open up, more travel and retail activity will bring in more business income, so the rent and sale price of shops should be adjusted upward. These will make up for the depressed rental income and Government mandated rental waivers and moratorium.

(2). The continuous high inflation and high interest rates also called for inflation-pegged pass-over of high cost to consumers and tenants as almost all types of costs have gone up.

(3). Due to the Additional Buyer Stamp Duty (ABSD), some residential property buyers are considering to buy commercial properties. A 17% extra stamp duty payment is a lot of money if a Singapore citizen wishes to buy a 2nd residential property.

(4). The supply of retail shop has been decreasing as looming enbloc sale will diminish supply. The new owner-developer will not sell strata titled units because the developer will need to have good management control to maintain successful retail operation. They are also forced by new Government rules of not selling new retail strata units in prominent and gazetted zone like in the Central Business District, Orchard Road or certain corridors of main thoroughfare.

But, there are also imminent negative factors that will affect the sale of shops:

(1). The U. S. FED induced interest rate will mean borrowing cost will rise for new and existing owners. Unless buyers pay in total cash of a property, the loan installment will get higher and higher for 2022 and 2023. The gross yield will come down and cashflow may turn negative after deducting costs for loan installment, property tax, maintenance fee and other incidentals.

(2). Peoples' lives are getting more and more difficult in Singapore and the cost of living will be getting higher and inequality is deepening. People may cut down and abstain from consumers discretionary and even consumer staples of goods and services. There are talks of impending recession that could be triggered first by U.S. and then spreading to the World within the next one or two years.

(3). As gross yield drops, buyers having to leverage to take up loans, will expect the investment returns and yield to go up. Price of shop may need to drop in tandem to entice buyers to take risk on the shops for sale. Unless there is a market equilibrium, few sales may result and some buyers will wait for a more reasonable investment return.

Market forces are interacting fast with constant conflicting factors that may cause people to sit on the fence. In uncertain times, "Cash is King", pending an obvious and clearer outcome.

For the benefit of owners, they may contact us to check on the prices of the latest shops sold so that owners can be informed of the constantly evolving market situations. You may also wish to call on us at **HP 96736477** to have our opinion on how much your properties are worth for rent or sale.

