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By Charles Yue
APR TO JUN 2023 Series V 103
On-going Newsletter for 21st year

Ginza Real Estate Top Awards
Charles Yue
Top Lister (Most Exclusive Listings)
(2002/3/4/5/6/7/8/9/10/11/12/13/14/15/16/17)
Top Producer (Commercial Property)
(2002/3/4/5/6/7/8/9/10/11/12/13/14/15/16/17)
Top Producer (Overall) 2016

Charles Yue H/p: 9673 6477
40th Anniversary in Real Estate
1983 To 2023

A) RENTAL MARKET.

The last 3 years (2020 to 2022) rental income for landlords has been affected by the Covid-19 pandemic. It is not just a single country problem like default in sovereign debts or natural calamity or political conflicts. But a worldwide global phenomenon affecting the health of citizens and the closing of borders. It could be called a “once in a century” freak accident.

Both tenants of shops and landlords have all suffered disruption of business, cashflow and various state of lockdown triggering loss of income.

The rental income and yield were greatly affected by landlords having to cut rent, experienced rent payment delay, default and the government’s mandate to give discount and waiver of rent. Most landlords have shown goodwill and took such damage and loss of income in their stride.

Since the opening of Covid-19 restriction in April 2022 by the government and the re-opening up borders and the gradual relaxation of Covid-19 rule, more tourists and local consumers have increased their spending. Rental rates were adjusted upwards marginally and incrementally since April 2022.

The residential properties rental market has experienced leaps and bound in supply shortage and the raising of rent. Now the commercial properties rental rates are catching up with the rapid increase. Indeed, the Covid-19 pandemic has depressed businesses performance and rental rate for a long period. But since the start of the Lunar New Year in January 2023, rental demand and rental rates have gone up.

Some of the reasons for shop rental increase are:

1). More tourists are coming in and together with the locals are engaged in “ Revenge Spending “ to make up for loss time during the 3 years of Covid-19 interruption.

2). More people are interacting both socially and in business setting and they have plenty of money to spend having “forced-saved” during the Covid-19 restriction period.

3). While U.S. and Europe may face recession and slowdown, the China Re-opening will help to push demand and will help Asia and South East Asia in generating income for goods and services.

4). The inflation induced costs are pushing up prices of most goods and services. Therefore, suppliers and including landlords will need more income to pay for more expensive items like foods, utilities, manpower and cost of borrowing and risk takings.

For 2023, landlords will hope to see more shops getting rented out fast, with new rental rate and higher rent increase for lease renewal. Landlords are welcome to call us at HP 9673 6477 to explore how best to deal with the improving market conditions for getting new tenants or for lease renewal or to deal with tenancy defaults.

B) THE SALE MARKET.

Despite the increasing interest rates due to inflation and the imminent future increase by the U. S. Reserve Bank (Mother of all interest rates), more buyers are looking to buy retail properties. Listed below are factors interplaying on the psyche of the buyers, sellers and those sitting on the fence awaiting for the opportune timing.

1). Would-be sellers may feel that even by putting money in fixed deposits or bonds and treasury bills, they could get very decent yield of 3% to 4% with little or no risk to the capital. This compared with small yield from property investment and having to stomach expenses like property tax, maintenance fee, repairs and default risk of tenant and income tax. Or they may just buy the Real Estate Investment Trusts, (REITS). Little time is involved to monitor or manage the investment yet investors can get dividends and capital gain profit or sell a module quantity of stocks instead of selling the whole property as asset.

2). Buyers may feel that with the ever increase in interest rate versus the gross yield, the formula does not work out to have a logical investment equation. Unless by paying the purchase in total cash, there will be a negative gearing and deficit to finance the mortgages: rental collection is not enough to pay for the mortgage installment. Putting their money in other asset investments may get 4% to 10% of returns depending on the risks involved.

3). Still there are many good reasons to buy retail properties. Many of the established but old shopping malls, especially with freehold title, have been sold enbloc for redevelopment. The new owner-developer will not strata to sell as shopping mall needs good management and marketing expertise. The recent government policy (dated 18/03/2022) will prevent new re-development to sell in strata lots in mostly established locations in Orchard Road, Central Business District (CDB) and selected busy areas of Singapore. Therefore, the supply will get lesser going forward. Also, many potential buyers of residential properties (both locals and foreigners) are diverted to buy retail properties because of the huge additional buyers stamp duty (ABSD).

4). Compared to recent investing in stocks, which may have dropped 50% to 80 % in U. S. and Hong Kong listed exchanges and crypto disasters, property investment still remains a slow but steady rent collecting and capital gain vehicle through the passage of time.

For the benefits of owners, they may wish to contact us to check on the prices of the latest shops sold. They may also wish to call on us at **HP 9673 6477** to have our opinion on how much their properties are worth for rent or sale.

SCAN FOR MORE INFO