

By Charles Yue  
JUL TO SEP 2023 Series V 104  
On-going Newsletter for 21<sup>st</sup> 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

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40th Anniversary in Real Estate  
1983 To 2023

## A) THE RENTAL MARKET.

Some tenants were given lower or depressed rent for the last 2 years ( from April 2020 to March 2022 ) during the Covid-19 pandemic.

Landlords supported the tenants by giving rental discounts, waived strict contract requirements or gave indulgence on rental terms or payment deadline. The Government mandated rental waivers, rental support and in some cases, the priority to pre-terminate the lease contract.

Due to geopolitical discord and the increase in inflation and interest rates, many items like food, utility, raw materials and labour cost have all gone up.

Now, some tenants are adjusting to higher operating cost, and lower consumption due to consumers adjusting to higher costs of goods and services. Some tenants are squeezed from both sides from higher business costs and the inability to pass the costs to the final consumers.

Some tenants are able to accept the rent increase for new lease and lease renewal while some tenants have to relocate or close down the business operation. Some will struggle to adapt to higher cost, lower margin, drop in demand and shortage of manpower. The tenants will need to find a new formula to increase productivity or innovate with better services or giving better "value" to maintain their customer base or increase the market share.

Expectation was high when China lifted the Zero Covid-19 restrictions in December 2022. Many expected the China's Re-opening to give a boost to the business and economy of Asia, especially South East Asia. Many investors and businesses, were optimistic and venture to invest early, hoping to ride the expected surge in tourists and consumption. To date, no significant demand has triggered in. China has its own problems to solve and the consumers there are reluctant to spend money for fear of another pandemic or other draconian measures to be enforced leading to everyday hardship and loss of income.

Landlords will need to be cautious as they negotiate on the rent increase for both new lease and lease renewal. Many tenants are having challenging times to maintain their business operation. Landlord may wish to call us at HP 96736477 to discuss on how best to increase rent to strike a win-win situation for both parties.

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## B) THE SALE MARKET.

The market characteristics of retail shops for sale are that the loan interest rates are rather high at 4% to 5% while the gross yield may just be 2% to 3% for Freehold properties, ( before deducting property tax, maintenance fee, repairs, agent fees and risk taking ).

Some would-be investors are still not put off by this high interest rate as the interest rate may be peaking soon and will eventually come down as inflation rate drops. Already, the US FEDERAL RESERVE BANK may pause the interest rate increase or may just increase for one or 2 more times at 0.25% per increment for 2023.

Over the last 2 years, some investors have parked their money in short-term cash holdings like keeping cash, buying bonds, treasury bills, fixed deposit, or put into the cash account of the stock brokers to earn higher interests. They may now view that times may be ripe to divert some money to invest in physical assets like stocks, REITS and properties.

While the liquid assets may produce 3% to 4% gross returns, the real inflation rate is 5% to 6%. So, there is erosion of real returns.

A good comparison could be made between keeping short-money in the financial institutions to earn interest and buying some beaten-downed US stocks, China, Hong Kong or Singapore stocks. Such returns were much higher compared with the money market.

Perhaps, what we are seeing now in the market, are the manifestation of the worst of times. Crisis is also opportunity to capture with high returns for your long-term investment.

Conversely, potential sellers of retail property may consider to sell to re-balance their investment portfolio due to their age, change of life-style, avoiding " Asset-Rich, Cash Poor " Syndrome and capturing the investment opportunities lying ahead.

Owners may wish to contact us to check on the current selling price. They may also wish to call on us at HP 96736477 to have our opinion on how much their properties are worth for rent or sale.



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