

(A). THE RENTAL MARKET.

We did various walkabout surveys of Tenants in FAR EAST PLAZA. Most said that compared to 2022, their business turnover has dropped. Singapore lifted COVID-19 travel restriction in April 2022. There was a surge in demand for “REVENGE SPENDING” in travel, retail and F&B activities. However, in 2023, the buying spree has slowed and diminished.

Some of the reasons are:

(1). The on-going increase in interest rate and inflation leads to higher debt servicing of loans, curtailing the borrowers’ ability to spend so as to prioritize their family’s needs first. (We hope the latest announcement for the U S FED to cut interest rate in 2024 will trigger demand).

(2). The high inflation cost of goods and services, especially on food prices, lead to a drop in retailers’ takings. This challenge the retailers’ and tenants’ ability to pay rent.

(3). Singapore has become more and more expensive to live and the locals try to seek value enhancement by going overseas (especially crossing over to Johor Bahru, JB) to spend and using E-commerce to get deep discount.

(4). The expectation that with the China’s Reopening in early 2023, the whole of South East Asian will be lifted up with PRC tourists buying branded goods, staying in good hotels and eat at F&B outlets. Such forecast has not materialized and in fact China has many serious internal problems which may take years to solve!

The Singapore Government has arranged to have a 30-day visa free reciprocal immigration policy with China and it will be implemented in early 2024. Barring some negative social repercussion, we hope the positive impact would increase PRC tourist flow to shopping centres, increase patronage to retailers, hotel & entertainment venues and increase the F&B business turnover.

While the retailing scene may look gloomy, most of the shops in Far East Plaza and Lucky Plaza were rented out with the forecast of further rent increase.

Landlords may wish to call us at HP 96736477 on how this ever changing situation may affect them or to find out the latest market rent opinion for their properties.

(B). THE SALE MARKET.

There are lesser sale transactions for shops for 2023. The reasons include:

1). Higher interest rate. Since early 2022, the U.S. FED interest rate has gone up incrementally and affected most of the interest rates in the World. Higher interest rates mean more money will need to pay or service the loans. If the yield is lower, especially for freehold properties, borrower will need to cough out cash. This has been an important reason why many owners /

borrowers have to sell their properties, especially if they took many loans and maximize their leverage.

2). Holding costs. Inflation and the increase in cost have added on the holding cost to manage the properties. Such costs include GST increase, property tax, maintenance fee, shortage of manpower and escalating labour fee, incidentals and unforeseeable expenses.

3). Due to high inflation and the increase in goods and services costs, especially food prices, consumers have cut back on consumption. Retailers have lower profit margin and gross sale. When the retailing market is difficult, it will affect the tenant’s ability to pay rent and the willingness for rent reversion.

Owners may wish to take profits or diversify into other investments.

Reasons for selling could be :

1). Owners’ lifestyle changes due to age, health, timely distribution to the descendants, or to finance a higher purpose in their callings or pursuing their self-actualization or improve on their mental health.

2). Sell to take profit by diversifying into more liquid or easily managed investments like fixed deposits, bonds, unit trust, ETF, REITS and the equity markets. Such financial products can be used to finance lifestyle expenses in small and gradual recurring amounts. (“Don’t put your eggs in one basket “).

On the 12th of December 2023, there was a special news which could trigger a series of optimism and investment trends. The U.S. FED has announced there was no more interest rate increase for December 2023 and there could be a series of interest cuts in 2024.

People reacted by rushing in to buy stocks and gaining confidence to spend money. There would be lesser amounts to service loans and retailer takings could improve. More money will be circulated among the people and the wealth effect will dawn upon us — rich or poor.

Indeed, 2024 is forecast to be a better and brighter year. Financial burdens would be lightened and good mood would return for many years to come. Life will be a party!

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

Wishing you and your family a bright and cheerful 2024. More Good News will come. DON’T WORRY, BE HAPPY.

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