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Unsustainably high rents are a risk for landlords too

Stiffer external competition in the retail landscape should exert pressure on landlords to rein in prices.

Sing Tien Foo


A general practitioner offered more than $52,000 a month to rent a HDB shop space in Tampines earlier in 2025. At roughly $93 psf, the rate was almost three times the typical winning bids for GP clinics in new estates in recent years. ST FILE PHOTO


Flor Patisserie closed its Siglap outlet after 15 years, following a 57 per cent rent hike. Singapore's retail rental market is complex, and each segment of landlords has its unique challenges, the writer says. ST PHOTO: BRIAN TEO

When a general practitioner (GP) offered more than $52,000 a month to rent a small HDB shop space in Tampines earlier in 2025, it triggered outrage among Singaporeans, amid worries that the supernormal rent would be passed on to patients through higher medical bills.

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A pilot scheme to evaluate bids for clinic spaces at HDB estates, rolled out in May at Bidadari, will hopefully go some way towards averting such problematic instances when neighbourhood GPs are generally in short supply, leaving residents with few alternatives.

Still, the problem appears more commonplace. While rents of shops leased directly from HDB have held steady, those of privately held HDB shops have doubled in the past year.

Recent reports of the closure of prominent local retail and F&B businesses following rent hikes have also raised concerns, including Nicher Bakery near Sembawang Road and several tenants at Parkway Parade. What's happening here?

It's tempting to see such developments as a simple case of cruel market forces with landlords as the villains: the highest bidder wins, while other potential tenants are pushed out. Property owners hike rents and pocket extraordinary amounts.

But the story is way more complicated. In today's retail environment, with e-commerce encroaching on retail foot traffic and Singapore shoppers flocking to Johor Bahru or Japan, overly aggressive rent hikes can hurt landlords as much as they can hurt tenants. If high rents drive out viable operators, weaken the tenant mix, or leave prime units empty, landlords risk eroding the long-term value of their commercial property.

WHY THE HIGHER RENTS?

The early 2020s were rough for retailers, but they were not a disaster. Rental relief and property tax rebates during the Covid-19 pandemic cushioned the retail sector, stabilising rent while keeping tenants afloat as social distancing restrictions were implemented and foot traffic declined.

Contrary to public sentiment that rents have been pushed up astronomically since, broader indicators, as shown by the Urban Redevelopment Authority's retail rental indexes in central and fringe areas, reveal a decline in rental rates of about 1 per cent per quarter on average from the first quarter of 2020 to the first quarter of 2025.

This, coupled with consumer prices rising by 0.74 per cent over the same period, suggests a healthy buffer for businesses seeking competitive rentals and headroom for rent increases.

What then explains the growing number of rental increases? One possible effect comes from a first string of lease renewals since the pandemic, where terms had been advantageous to shop operators. Tenants, especially those who negotiated and locked in lease terms at the low base during the pandemic, faced a bigger impact when their rents jumped in the current market.

Regardless, average increases in rents across old and new tenants haven't been unreasonable. Retail leases saw an average uptick of 7.7 per cent in rents in suburban malls owned by CapitaLand Integrated Commercial Trust (CICT) for the first half of 2025.

This number reflects rent growth when a lease is renewed and is estimated as the change between average incoming rents and average outgoing rents. However, the number is still much lower than the oft cited Flor Patisserie's 57 per cent rental surge.

That is not to downplay disconcerting issues raised by headline news. Several recent cases have shone the spotlight on the fresh structural challenges faced by a specific segment: longstanding tenants who have made shophouses their homes.

Flor Patisserie closed its Siglap outlet after 15 years, following a 57 per cent rent hike. Heritage restaurants, such as Chew Kee Eating House, have publicly questioned whether they can survive renewals at higher rents, while Ka-Soh announced the cessation of operations at its last outlet.

There are still options available for small businesses seeking rental properties, given that the Singapore retail property market remains competitive and vibrant. Although island-wide vacancies hit a decade-low of 6.2 per cent in 2024, the opening of new malls like Punggol Coast Mall and the revamped Cathay in 2025 has boosted alternatives.

Demand for retail spaces remains strong. Flashy foreign retail brands are entering the Singapore market. Flush with expansion capital, many are taking up premium space in prime malls. Japanese thrift shop giant 2nd Street was quick to assume Pomelo's premises at 313@Somerset, and Chagee's rapid spread is unmistakable.

A VIBRANT RETAIL RENTAL LANDSCAPE

The trouble with pointing the finger at mall operators and landlords, and making big pronouncements on the needed action to rescue small businesses from spiking commercial rent, is that Singapore's retail rental market is complex, and each segment of landlords has its unique challenges.

This is a competitive and vibrant sector. Other than real estate investment trusts (Reits) with large portfolios of malls, institutional owners include private funds, AsiaMalls Management (which owns Century Square, Hougang Mall, Tampines 1, Tiong Bahru Plaza, and White Sands) and developers including Pontiac Land, City Developments, and UOL which hold malls for investments.

Perennial Holdings, which owns Capitol, Chijmes and Chinatown Point, has led consortiums in rejuvenating Golden Mile Complex and redeveloping the former AXA Tower into Skywaters.

These large landlords argue that they should command a premium from tenants for their efforts in actively managing and enhancing their property values. They already employ a mix of fixed and turnover-based rents, aligning landlord income partly with tenant performance and exercising flexibility to cater to anchor tenants and small speciality stores. They have a vested interest in keeping their store mix fresh and interesting to attract a consistent stream of shoppers and anchor their malls as engaging experimental destinations.

Meanwhile, retailers benefit from coordinated promotional activities, tenant curation, and professional asset management. Like Mapletree Pan Asia Commercial Trust did with VivoCity, and Frasers Centrepoint Trust (FCT) has with Hougang Mall, Reits also refurbish and upgrade their malls from time to time, enhancing their appeal, introducing new retail concepts, and improving facilities.

However, the question often revolves around how much rent is enough. CICT charges occupancy costs – fixed rent plus a percentage of the tenant's turnover – averaging 17 per cent of store revenue based on data from malls owned by CICT and FCT from 2018 and 2024. The Singapore Tenants United for Fairness argues for a lower rate of 5 per cent to 15 per cent, citing Hong Kong's Link Reit, reported at 13.1 per cent for the nine months ending in December 2024.

Here, it's essential to keep in mind that Reit-owned malls rarely employ a one-size-fits-all approach to rent, preferring to charge higher occupancy costs for retailers that rely on ambient foot traffic, compared with lower costs for crowd-pulling shops with a unique brand and a loyal customer base. Their mall management team is also likely to filter out potential tenants willing to stomach higher occupancy costs but running contrary to the mall's positioning or creating externalities, such as KTV lounges or nightclubs.

Strata-titled malls, such as Lucky Plaza and Orchard Towers, and individually owned shophouses, by contrast, usually charge fixed rents, meaning they share little of the business risks, making them more "rent maximising" and less flexible when tenants struggle. And without a professional mall management team, many lack coherent branding, footfall strategies, or maintenance standards.

But even here, there are limits to how much they can raise rent before losing a distinctive tenant, which could undermine a mall's identity and reduce its ability to attract foot traffic.

GROWING EXTERNAL COMPETITION

The bigger danger for both landlords and tenants is that competition is no longer just across the street – it's online and across borders.

E-commerce platforms like Shopee, Lazada, Shein, Taobao, Pinduoduo and Amazon have gained customers here. In 2023, four out of five households had purchased something online, compared to three out of five in 2018. Online shopping accounted for 12 per cent of household spending in 2023, up from less than 5 per cent in 2018.

Meanwhile, the falling yen is fuelling shopping sprees in Japan, and a strong Singapore dollar has turned Johor Bahru's malls into a weekend playground. The Johor Bahru-Singapore Rapid Transit System (RTS) Link, set to open in 2026, will only exacerbate cross-border retail leakage at a time when more Singaporeans are already substituting domestic spending with overseas spending in F&B and retail, according to research by Visa in 2024.

Malaysian cities are particularly popular destinations for Singaporeans, given the weak ringgit and their proximity, with seven cities making Singapore's top 10 most visited destinations. Multiple surveys show that price is king for Singapore consumers, and high local prices are a persistent motivator for shifting spending overseas. In this environment, landlords that push rents to unsustainable levels risk accelerating the very shift they fear: consumers abandoning local malls for cheaper or more convenient alternatives.

FINDING WIN-WIN OUTCOMES

Singapore has taken some steps to improve landlord–tenant relations. The code of conduct for retail leases, now enshrined in law, requires transparency on rental formulas and curbs "whichever is higher" clauses. This helps level the playing field, but it doesn't address the fundamental issue: what is a sustainable rent that allows both sides to thrive?

The answer lies less in rental prices and more in the kind of partnership mall operators and shop retailers want. Mall operators can work with tenants to pilot new retail concepts, co-invest in experiential offerings, and use flexible leases to share risk. Initiatives such as the L^IFE Retail Accelerator at *Scape or the Retail Maverick Challenge by EnterpriseSG and CapitaLand show what's possible.

The alternative is a slow erosion of Singapore's retail ecosystem – empty units, homogeneous tenant mixes, and a further shift of spending to e-commerce and overseas malls. That's a lose-lose outcome.

Sustainable rents are not charity. They're an investment in long-term asset value and in the competitiveness of Singapore's retail sector. In a world where consumers have more choices than ever, landlords and tenants will stand or fall together.

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