SUMMARY

This dissertation is a study into the factors influencing HDB retail shop rents. The study covers only those HDB retail shops provided with residential accommodation on the upper floors and let by open market tendering in 1988 and 1989. Those shops with rents fixed by HDB according to some policies are excluded from the analysis. The research focuses upon eight estates spread over the island:

Northern Zone:
1) Ang Mo Kio Estate
2) Hougang Estate
3) Yishun Estate

Western Zone:
4) Clementi Estate
5) Bukit Batok Estate
6) Jurong Estate

Eastern Zone:
7) Bedok Estate
8) Tampines Estate
The dissertation broadly involves four basic steps:-

1) Based on retail management theory and practice, all possible factors affecting rental values of HDB retail shops are identified.

2) Regression and correlation techniques and the SAS software are used to analyse consistencies of relationships between these factors and HDB retail shop rents.

3) Using empirical theories, the dissertation seeks to explain the reasons for the significance or insignificance of factors affecting rent variations.

4) The dissertation finally gives recommendations as to how HDB retail shop rents can best be determined in order to reflect market conditions and to facilitate shops management.

The bulk of HDB retail shops especially those within the older estates are let at historical rents with no rent revision. Furthermore these shops are let under various schemes with different methods of rent determination introduced as rent policies change over time. Attempts to rectify this rent
anomaly were not very successful because of implementation difficulties and the vast implications rent increases have on tenants.

The diversity of rent determination under the various schemes and the ever changing rental policies make market rental valuation of HDB retail shops difficult. It has also affected the tender bids submitted by potential tenderers thereby distorting market rentals of HDB retail shops. All these have contributed to immense irregularities in the rentals charged for HDB retail shops.

Statistical analysis on the 324 data shows that the three chief determinants of rent variations are in order of importance:

1) trade use;
2) type of planned centre (i.e. whether located within neighbourhood centre, precinct or clustered precincts; and
3) catchment indicator of an estate which reflects its population intensity relative to the number of shops in that estate.
Other findings of the analysis are as follows:

1) Rental levels in precincts are generally lower than those within clustered precincts or neighbourhood centres in respect of all trade types except for clinics and special goods or services. This is because shops within precincts are situated further from major population centres such as town centres, MRT stations or bus interchanges. They are planned to serve the convenience of local residents and therefore a much lower population intensity. Furthermore the pulling effect on customers for shops within precincts is weaker as both the number and variety of shops are much lower.

2) Shop rents in neighbourhood centres are generally higher than those in clustered precincts especially for those trade types which thrive on pedestrian flow or the pulling effect on customers. Trades dealing in essential goods are not so much dependent on the pulling effect on customers. Therefore rents of such shops in neighbourhood centres are equivalent to those within clustered precincts. The only exception is saloons.

3) Saloons within precincts fetch similar rentals as those in neighbourhood centres but both are lower than those within clustered precincts. Clinics in precincts on the
other hand, seem to fetch higher rentals than those within neighbourhood centres which in turn are higher than those in clustered precincts. Both these trade types serve a much wider hinterland and are less location-sensitive. Their rents depend on the residual income available which is determined by the skills or professionalism and operational efficiency of the tenant.

4) The existence of a nearby competitive shopping centre has minimal effects on HDB retail shop rents. This is because HDB retail shops serve the needs of mainly HDB residents, workers or shoppers different from shops in private shopping centres. HDB retail shops are also planned to serve a defined population base. These two reasons also explain why the general shop rental levels within one HDB estate are not very different from those in other estates located far away from the first estate referred to.

The dissertation therefore shows that HDB retail shop rents depend on the operating incomes of the tenants which are determined by not only non-quantifiable factors such as business acumen, economic and political climate but also on:--

- trade type;
- locational attributes of shop in terms of accessibility
and nearness to population centres;

- estate's characteristics such as age, history, design and layout.

The dissertation finally gives recommendations on how shops can be let at fair market rentals without causing undue hardships to tenants while at the same time facilitating market valuations and shops management. One of the most important considerations is that HDB retail shops should be let having regard to not just their locational attributes or population catchment but also the trade use and the expected or average residual income associated with the trade. This is because rent is the residue of the tenant's operating income which varies with different trades. This method of rent determination would help to optimise use of shop space and ensure a good mix of trades in terms of optimal rental income whilst serving the needs of consumers or residents.

It is also recommended that rent determination be streamlined so that all rents are pegged to a common yardstick i.e. the current market rental for that shop with a specified trade use.

Regular rent revisions should also be incorporated to ensure rent consistency among the various types of shops with different trade uses and locations.