

## More Fad than Trend?

- Opening of Rapid Train System (RTS) in end-2026 to cut travel time to as low as 15min – a gamechanger for Singaporeans; up to 35% rise in capacity at Woodlands means more outbound travel expected
- F&B & services up to 50% cheaper in JB, we estimate potential leakage in the medium term could increase by SGD1.5-2.1bn, c.3%-4% of 2023 retail spend in Singapore
- Sustainability of “spending leakage” will depend on SG-JB maintaining this “value gap”. Landlords like [FCT](#) (BUY, TP SGD2.70), with 19% exposure to Causeway Point, could dial up tenant, product mix and leverage on higher traffic
- Supermarket sales likely resilient, contrary to market expectations; [DFI](#)'s could benefit from both its premium positioning in SG and exposure in JB

**Shorter travel time to Johor Bahru could boost more outbound travel among Singaporeans.** Parallels have been drawn between the increasing northbound day trippers from Hong Kong (HK) to Shenzhen (SZ) and those from Singapore (SG) to Johor Bahru (JB). With the weak MYR-SGD rate, JB is a popular weekend destination for many Singaporeans (c.530k peak daily travellers over long weekends) due to its “value for money” offerings. With travel time to be potentially cut from >1h to only c.15-30min, day trippers to JB could potentially rise to as high as 700k daily in its peak, a c.32% rise from the 2024 peak. That said, the high number of day trippers count will likely depend on the continuation of price differentials in goods and services between SG and JB, which can be as wide a savings as 50%, depending on the type of consumption basket.

**Projected leakage could be 3%-4% of 2023 retail sales; impact to be felt more in F&B and service trades.** In our channel checks during a visit to JB, we had the first-hand experience of “stretching our SGD”. Cost savings we tracked, came in the range of c.30%-50% for F&B consumption and services (i.e. haircuts, massages, facials etc). Assuming retail spend of SGD100-141 per pax per day (based on Malaysia Tourism Board numbers) and a 40k increase in daily travellers post RTS opening, we estimate an incremental annual retail leakage to JB of SGD1.5-2.1bn in the medium term. Amongst the trade categories, we expect the “substitution effect” to be greater in F&B and service trades. Contrary to expectations, we hold a non-consensus view that the supermarket trade should remain resilient, given the inconvenience of lugging heavy items across the border and low absolute savings.

**Maintain BUY on our defensive retail names – fad, not trend.** The impact to retail sales will come from two sources: Proximity and the trade sectors. We see retail malls in the north of SG feeling the most heat, with trade sectors such as services and F&B the most impacted (c.38% total exposure for malls). **We maintain BUY on Frasers Centrepoint Trust (FCT) and DFI Retail (DFI).** FCT's Causeway Point may see near-term tenant weakness, which could be saved by higher traffic, as the mall serves as a key bypass point to the RTS. Its current share price is attractive at a c.5.5% yield ahead of a turn in interest rates. DFI remains a BUY given its premium supermarket positioning in SG where it targets the less cost-conscious crowd, who is less likely to frequent JB. In addition, it has an extensive Guardian network in JB, which would offset some of the switching behaviour in Singapore.

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### STOCKS

	Price LCY	Mkt Cap USDm	12-mth		Rating
			Target Price LCY	Performance (%) 3 mth 12 mth	
<a href="#">Frasers Centrepoint</a>	2.14	2,840	2.70	(2.3) 0.0	BUY
<a href="#">Sheng Siong Group Ltd</a>	1.49	1,658	1.62	(3.3) (7.5)	HOLD
<a href="#">DFI Retail Group</a>	1.83	2,585	2.70	(10.3) (31.2)	BUY

Source: DBS, Bloomberg  
Closing price as of 9 Jul 2024

## Upcoming RTS expected to significantly improve mobility between SG and JB







Source: Seloloving

## Upcoming Johor-Singapore Rapid Train System a gamechanger for commuters

Completion of JB-SG RTS brings two countries “closer”. The Johor Bahru-Singapore Rapid Transit System (RTS) Link is a cross-border light rail connecting Johor Bahru (JB), Malaysia to Singapore (SG). The RTS is on track to be completed by end-2026. As of 31 May 2024, based on media articles, the construction is ~78% complete, implying good progress. It is expected to significantly improve

human traffic between Singapore and JB. Based on estimates, **the average travel time is expected to reduce from hours to as fast as 15 minutes**. The time saved for travel will greatly bring both countries “closer” and be one of the key drivers of increased visitors for both sides of the causeway, in our view.

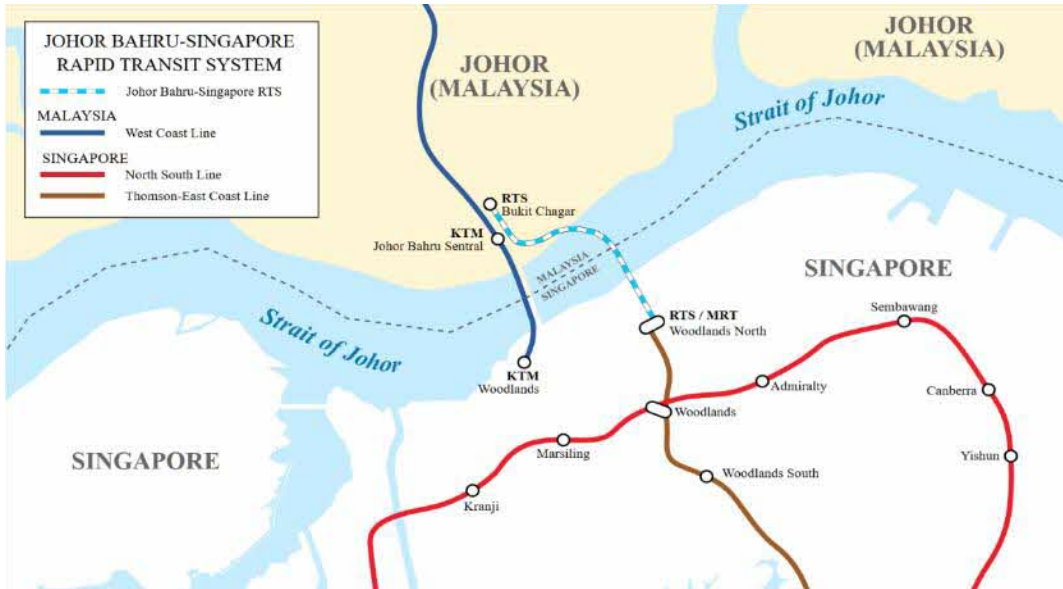
### Types of transportation options across the causeway

	Car	Bus	Malayan Railway	RTS (“future”)
				
Capacity	~300k pax per day	~60k pax per day	~4k pax per day	Up to 190k pax per day; est. 40k daily pax
One-way travel time	Up to 3h	Up to 1h	15 mins	Est. 15-30 mins
Two-way cost	SGD7.40 (Woodlands), SGD10.80 (Tuas)*	SGD2.18 (public bus), SGD3.35 (CW private bus)	SGD6.44	Unconfirmed (Est. S\$3-5)
Experience	Comfortable, own transport, but a traffic jam could mean spending hours in the car	A faster option but waiting times during peak hours could mean a long journey of up to 1 hour	More regular timings but limited capacity	More frequent timings and increase capacity

Source: SBS Transit, CausewayLink, CNA, ICA, DBS estimates (\*refers to toll road costs)

## Will RTS impact SG retail in a similar way as in HK?

**RTS will be linked to the existing MRT line in Singapore, adding an additional layer of convenience**



Source: Seloloving

Higher traveller count from SG to JB could be attributable to combination of cheap goods and services and improved accessibility. According to the Malaysian Immigration Department, average daily travellers between SG and JB increased from 400k in 2019 to 440k in 2023. This could be attributable to cheaper goods and services in JB and improved accessibility.

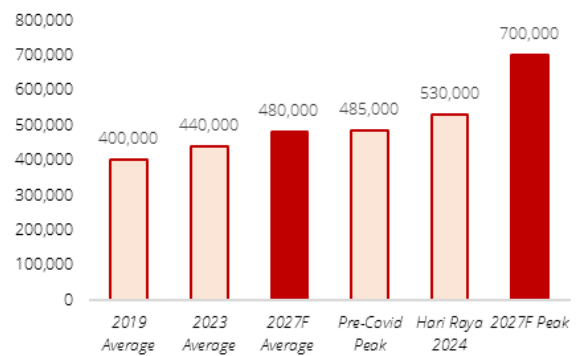
Over the years, the prices of goods and services in JB have become more affordable due to a **weak MYR** (depreciated ~15% against the SGD between 2019 to 2023) and **GST increases in SG** (7% in 2019 to 8% in 2023 and 9% in 2024), resulting in Singaporeans looking for ways to “stretch the dollar”. In addition, from March 2023, Malaysia has allowed Singaporeans to **clear immigration using e-gates**, which has cut customs clearance times from hours to mere minutes. The reduction is especially seen during off-peak hours, which makes the journey to JB more pleasant for consumers.

### SGD appreciated >17% at its peak against MYR since Jan 19



Source: Bloomberg, DBS

### Average daily travellers could jump by ~10% and >46% during peak periods with RTS



Source: ICA, DBS' estimates

**Current journey includes two separate border clearances and c.1h journey from Woodlands stn.** With the opening of the RTS in the future, the most tedious aspects of the journey across the causeway will be eliminated. The current journey (from Woodlands stn), which we split into four separate components (see below table), can be cleared within just below an hour during a non-peak day. However, the wait could extend to three hours during peak periods, which start in stretches from late Friday to Sunday.

**RTS can reduce border crossing time to a third.** Once the RTS is operational, the transit will be made more seamless, with the RTS station directly linked to the Woodlands North Station, which is one MRT stop away from the Woodlands interchange. We understand that customs will need to be cleared at a single point at the end of the journey, which we liken to the current e-gate system that is in place. On a non-peak day, the entire journey with the RTS can potentially be completed within 15-30 mins (in our estimation) – close to a third of the current travel time.

**Streamlining of current SG-JB commute via RTS (Current vs Future)**

	Current journey		Future journey
	Non-peak period	Peak period	With RTS – <i>exp. completion end-2026</i>
Bus Journey from Woodlands Stn to checkpoint	~20-25 mins	~30 mins-1.5 hours	RTS line linked to Woodlands North Stn ~2min train journey
Singapore customs clearance	~10 mins	~20 mins	RTS train journey of 6 minutes with single-point clearance system
Causeway crossing (via bus)	~15 mins	~30 mins	
Malaysia customs clearance	~10 mins	~45 mins-1 hour (~15 mins with e-gate)	
<b>Total</b>	~55 mins-1 hour	~1.5-3 hours +	~15 mins ++

Source: DBS

Increased accessibility brought about by RTS prompt concerns over retail sales outflow, similar to what was seen in Hong Kong (HK)-Shenzhen (SZ), per our Hong Kong team’s recently published report titled [Where will growing Northbound travel take us](#). While we see the similarities with the current RTS situation, we believe there are also key differences worth noting.

To sum up, due to the lower comfort of travelling via the RTS (pictures in appendix), lack of infrastructure support in JB (transport and malls), goods and services tax (GST) on goods entering SG borders, and the continued strength of Malaysian tourist spend in SG, we believe the **impact of the RTS on the SG retail scene would be more muted compared to what’s happening in HK.**

We summarise they key similarities and differences in the table below.

**Overview of key differences between SG-JB and HK-SZ**

	SG-JB	HK-SZ
Similarities	<ul style="list-style-type: none"> <li>- <b>Currency strength driving outbound spending.</b> Strong domestic currency (SGD:MYR increased by ~15%; HKD:CNY increased by ~8% from 2019-2023)</li> <li>- <b>More “value for money” options.</b> Significant savings across the border (of up to c.30% to c.50%)</li> <li>- <b>Infrastructure improvements.</b> Ease in crossing the border (of up to 15-30mins [current and future]) for both SG-JB, post RTS, and HK-SZ from more than an hour previously.</li> </ul>	
Differences	<ul style="list-style-type: none"> <li>- More <b>affordable fares</b> (est. SGD3-5 two-way for RTS)</li> <li>- <b>Less comfort:</b> Only 6% of RTS capacity is seated, the rest is standing</li> <li>- <b>Private hire (Grab)</b> is the key transport mode within JB, which could have a long wait time</li> <li>- <b>Malls in JB are mostly matured</b> with Mid Valley Southkey being the largest and newest (15min car ride from Malaysia checkpoint; Grab wait time could reach 15-30mins during peak hours)</li> <li>- <b>GST to be paid at customs</b> for goods valued at above SGD100, taxes on imported/shipped goods for big-ticket items such as furniture</li> <li>- <b>Resilient southbound tourism:</b> Malaysia’s tourism receipts in 2023 were &gt;20% higher than the 2019 level.</li> </ul>	<ul style="list-style-type: none"> <li>- More <b>expensive fares</b> (RMB120 for second-class High-Speed Rail (HSR); equivalent to SGD22, two-way)</li> <li>- <b>More comfort:</b> No standing allowed or required on HSR</li> <li>- <b>Well-connected train system</b> throughout Shenzhen</li> <li>- <b>Multiple megamalls</b> with extensive entertainment options</li> <li>- <b>No GST</b> for goods purchased in Shenzhen</li> <li>- <b>Soft southbound tourism:</b> Mainland China’s tourism receipts in 2023 were &gt;35% lower than the 2019 level.</li> </ul>

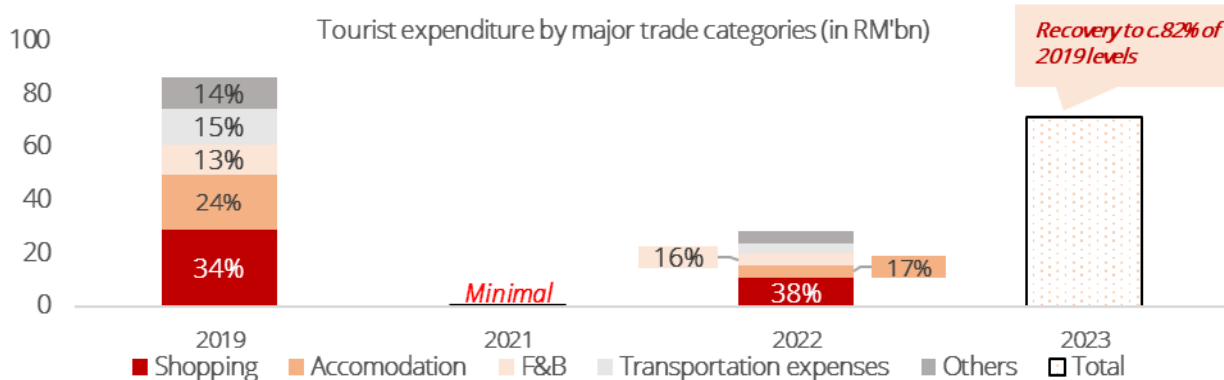
Source: MRT Corp, Singapore Tourism Board, Hong Kong Census and Statistics Department, DBS

### How much do Singaporeans spend in JB?

**Shopping haven for tourists.** The Malaysia Tourism Board’s 2019 publication of a tourist’s profile showed that shopping makes up the biggest component of a tourist’s spending, averaging at a-third of travellers’ wallets. This is followed by accommodation (c.24%) and food & beverage (c.13%). The latest iteration of the report in 2022 showed that although much less was spent on accommodation (c.17%), as a result of the post-pandemic hotel rates, the shopping portion improved only marginally, to c.38%, suggesting that price is not a big factor considered by tourists in Malaysia. Overall tourist receipts recovered to c.82% of pre-pandemic levels in 2023.

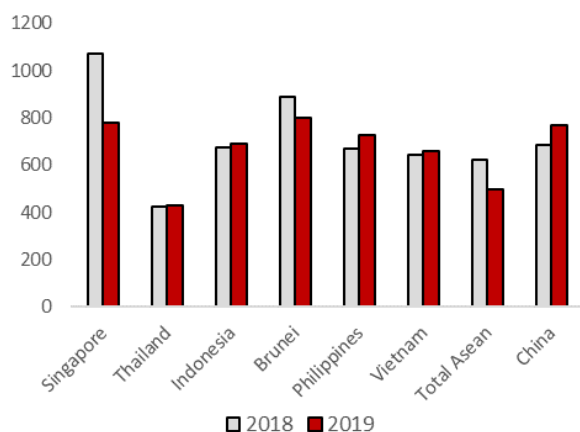
**No concerns over luggage allowance means more shopping for Singaporeans.** Singaporeans are one of the top spenders among visitors in Malaysia, with average spend of c.RM778 per day in 2019. Most of it goes towards shopping, with Singapore visitors spending c.43% on shopping, as opposed to the overall average shopping spend of c.34% seen among visitors to Malaysia. The ability to visit Malaysia by land has made it easier for visitors to purchase consumer goods from Malaysia and take them back to their home countries without having to worry about luggage restrictions compared to when flying in and out of the country. Interestingly, medical tourism in Malaysia is popular amongst Indonesians, making up c.24% of their typical basket spend.

### Tourist profile in Malaysia: Shopping makes up around one-third of typical tourist basket



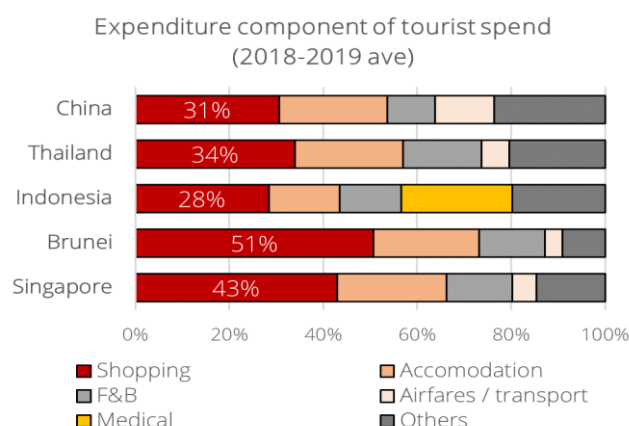
Source: Malaysia Tourism Board, DBS

**Historical tourist profile: Singaporean tourists are amongst top spenders in Malaysia (MYR)**



Source: Malaysia Tourism Board, DBS

**Singaporeans and Bruneians are amongst top shoppers in Malaysia**



Source: Malaysian Tourism Board, DBS

**Singapore tourist profile in Malaysia**

	2016	2017	2018	2019	2022	2023
Total tourist arrivals ('000s)	13,273	12,442	10,616	10,164	5,223	8,308
Average length of stay (days)	4.0	5.2	2.4	2.6	data unavailable	
Average spend per day (in MYR)	721	576	1070	778		
Total tourist expenditure (MYR bn)	38.7	36.9	27.3	20.5		
Total excursionist arrivals ('000s)^				6,869	3,176	6,520

Source: Malaysia Tourism Board, DBS ^Excursionists are defined as same day visitor by MTB

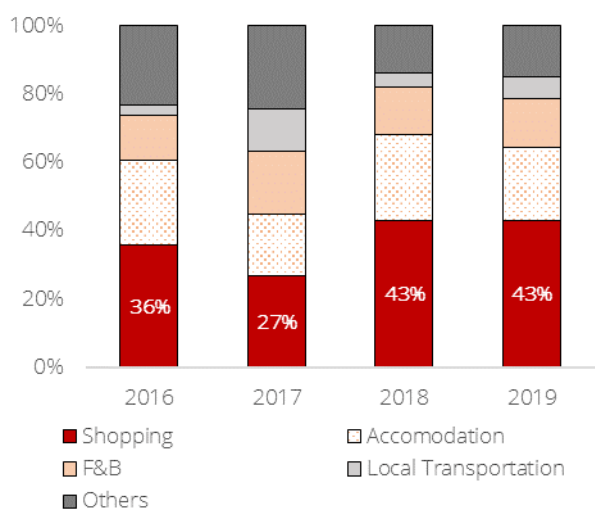
**Travel and spending patterns in Malaysia have shifted substantially.** Over the years, Singaporeans' average length of stay in Malaysia has declined drastically from c.4.0-5.2 days (2016-2017) to 2.4-2.6 days (2018-2019), as destinations further north, in the likes of Genting and Kuala Lumpur, have been dethroned by Johor Bahru. We also have not ruled out the increased number of excursionists that may be changing the mix. Average spend per day is volatile, in the range of MYR576-1,070 per day between 2016 to 2019, given the similarly drastic shift in spending patterns.

**Give some, take some – net 'wallet savings' with shift in travel patterns.** As overall tourist receipts in Malaysia has declined over the years (MYR38.7bn in 2016 to MYR20.5bn in 2019), the concentration of travel within JB, as opposed to further parts of Malaysia, has resulted in a net 'wallet-savings' for visitors, which may be utilised for shopping and day excursions to JB.

A typical Singaporean consumer will dish out the most for shopping, at c.43% of total wallet spend, followed by accommodation (c.22% to 25%). Food spend has generally been consistent over the years at c.14% of total wallet spend. Other spend that has not been detailed makes up the remaining c.15%, which includes medical tourism spend, amongst others.

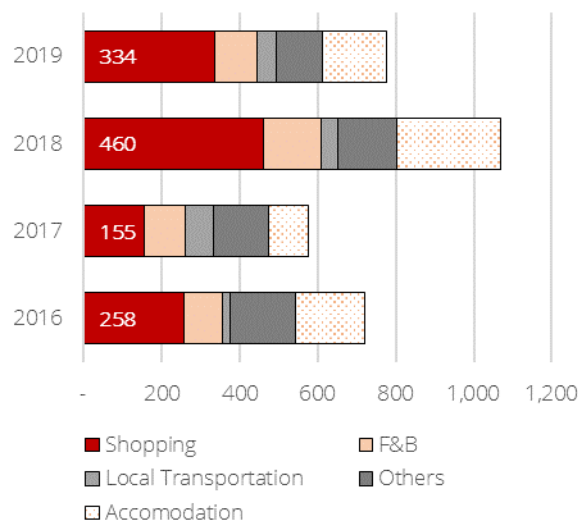
### Incremental impact on Singapore retail sales at c.3-4ppt, capped by RTS capacity

SG tourist receipt components (%)



Source: Malaysia Tourism Board, DBS

SG tourist spend per day (MYR)



Source: Malaysia Tourism Board, DBS

### RTS impact on various trade categories and S-REIT exposure

Listed S-REITs	CICT	FCT	PGNREIT	SGREIT	LREIT	MPACT	Potential RTS Impact
Asset	Portfolio	Portfolio	Portfolio	Wisma Atria	Portfolio	VivoCity	
F&B	34%	37%	19%	30%	36%	34%	High
Beauty Health	14%	15%	16%	8%	9%	6%	Low
Fashion & shoes	13%	11%	12%	43%	21%	16%	Low
Supermarket	5%	6%			6%	6%	Low
Services	5%	8%	6%		5%	5%	High
Leisure Entertainment	4%	3%			4%	4%	Mod
Home furnishing	4%	3%					Low
Electronics	3%	2%				6%	Low
Dep store	3%	3%	12%				Mod
Jewellery & watches	2%	3%	22%	13%		11%	Low
Medical suite / office			13%				
Others	14%	9%	0%	5%	19%	11%	

Source: Companies, DBS



### F&B

We estimated that Singapore's F&B sales amount to SGD11.7bn in 2023, equivalent to ~24% of total local retail sales. Based on our spending pattern during our site visit to JB, we estimated that about 30% of retail spend in JB is on F&B. Accordingly, we believe **around SGD450-620mn in F&B sales could be lost (~4%-5% of 2023 F&B sales)** when the RTS comes online.

- **Considerations:** Differentiate from their JB counterparts through premium offerings; malls can consider onboarding JB-famous eateries for those who want a taste but may be on the fence about making the commute.

### Services

We estimate that Singapore's service sales amount to SGD3.9bn in 2023, approximating ~8% of total SG retail sales. With services providing the biggest price disparity, we estimate that about 40% of Singaporean's spend in JB is on services. Accordingly, we believe that there could be **around SGD580-820mn in service sales lost (~15%-21% of 2023 services receipt)** when the RTS comes online.

- **Consideration:** We see service providers sharpening their niche – some may focus on attractive price positioning, while high-end service providers may focus on service improvement to compete.

### Supermarkets

Given the considerable distance between JB and Singapore, it would be inconvenient for consumers to make substantial grocery purchases from JB on a regular basis. Nonetheless, we believe there could be some demand attrition as more consumers frequent JB for F&B options instead of dining at home.

Given an estimated daily per-pax grocery spend of SGD3.10/day among Singapore residents and 40k new daily travellers expected along JB-SG, we believe the Singapore grocery market could **shrink by SGD45mn, <1% of our modern grocery market size** forecast for 2024 (SGD6.7bn).

- **Consideration:** Supermarkets can focus on improving their high-end offering (CS fresh, etc.), which targets a group of consumers that are less cost-conscious. Convenience can be sold further to the masses by marketing online services and providing free shipping, amongst other benefits.

### Health & beauty

Major established health & beauty stores, such as Guardian and Watsons, are located in major malls in JB. We believe there could be a certain degree of switching among Singaporeans, especially for medication, supplements, and beauty products, which are generally more lightweight and have higher absolute cost savings over groceries.

Nonetheless, we believe the health & beauty traffic is largely driven by impulse purchases and for immediate use cases. As such, **the overall impact on local stores will likely be relatively subdued.**

- **Considerations:** Drugstores may enhance their offerings similar to the likes of Guardian, which has brought in new-to-market Korean skincare brands into its stores.

### Overall

**Current retail value 'leakage' estimated at 5.4%.** A total of 6.9mn day trips were recorded in 2019, with an estimated leakage of SGD1.07bn (inflation-adj.), approximating to 2.2% of total SG retail value. A further portion of JB-goers may visit for a staycation to make the most of their commute, which puts them under the category of tourist arrivals. Assuming c.25% of all tourist receipts are attributed to JB-trippers, the current retail 'leakage' could see a substantial increase to c.5.4%.

**RTS impact could see additional 3%-4% impact on retail sales.** The RTS will reduce travel hurdles for excursionists from SG and accommodate a c.two-fold increase in daily commuters from SG to JB (from the current c.18k excursionists in 2019). We do not rule out the possibility that per basket spend may also see a decline (stocking up for a shorter duration per trip, etc.) with the increased frequency of day-trippers. We expect average spend could fall to as low as SGD100 per pax per day with increased trip frequency to JB. Accordingly, we projected a range of **total retail sales outflow between SGD1.5 to 2.1bn, equivalent to 3-4% of total retail sales in Singapore in 2023.**

### How much do Singaporeans spend now in Malaysia/JB?

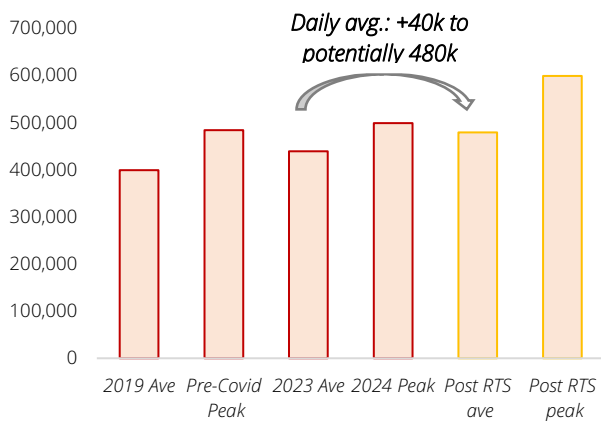
		MYR	SGD
Excursionist	Excursionist spend per day	493	141
	Excursionist count (2019)	<b>6.9 million</b>	
	Total excursionist receipts (2019)	3.39bn	967mn
	<i>Inflation adj*</i>	3.73bn	1.07bn
	<b>% of SG retail value^</b>	<b>2.2%</b>	
Tourist	Tourist receipts from Singapore (2019)	20.5bn	5.9bn
	<i>Inflation adj*</i>	22.7bn	6.5bn
	<b>% of SG outbound expenditure (SGD27.3bn, 2019)</b>	<b>23.7%</b>	
Total	SG outbound spend in JB (Est. excursionist + staycation-er spend 2023)	9.0bn	2.6bn
		<b>% of SG retail value^</b>	
		<b>~ 5.4 %</b>	

Source: Malaysian Tourism Board, DBS

\* (4-yr CAGR of 2.5%, 2023)

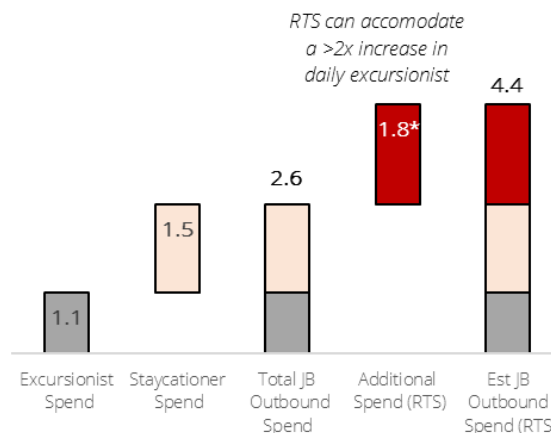
^ SG total retail value at SGD48.4bn in 2023

**RTS expected to ferry 40k travellers per day, which could be incremental given easier accessibility**



Source: Malaysia Tourism Board, DBS

**Retail sales impact of RTS estimated at ~3% to 4%**



Source: Malaysian Tourism Board, DBS

\* Mid-range of impact estimates in the range of SGD1.46bn to SGD2.06bn

**Projected incremental spend when RTS comes online**

	Low	High
Range of expected per pax daily spend (SGD)	100	141
Expected increase in average daily travellers	40,000	
Total incremental outbound receipt (SGD)	1.46bn	2.06bn
<b>% of SG retail value (SGD48.4bn, FY23)</b>	<b>3.0%</b>	<b>4.3%</b>
RTS impact		
Post RTS – SG outbound spend in JB (SGD)	4.1bn	4.7bn
Post RTS - % of SG retail value ^	<b>8.4%</b>	<b>~ 9.7%</b>

Source: DBS

^ SG total retail value at SGD48.4b in 2023

## What does a usual 'Singaporean trip' to JB look like?

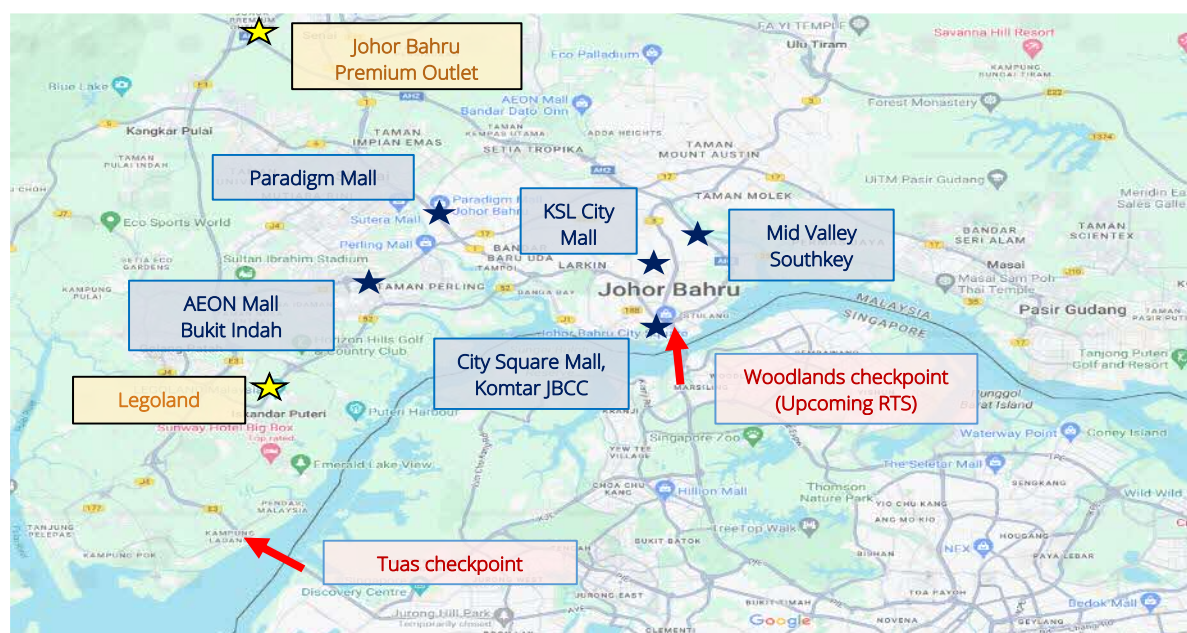
Most Singaporeans enter Malaysia via land. The main mode of transportation across the border into Malaysia is by land, where c.86% of entries is made via either the Tuas Checkpoint or Woodlands Checkpoint, as opposed to c.9% by air and c.1% by sea. The remaining tourists can also take the existing rail system from Woodlands to JB Sentral, which accounts for c.3% of entries but faces extreme capacity limitations, where peak hour rides have to be booked around four months in advance.

**Popular mall clusters around CIQ can be accessed in 15 mins.** We mapped out popular shopping and tourist destinations in Johor Bahru that are frequented by Singaporeans. The retail cluster within close proximity to the checkpoint includes City Square Mall and Komtar JBCC that has direct bridge connectivity from JB customs or CIQ (Customs, Immigration and Quarantine, JB), and can be accessed by with a short three-minute walk. Nearby malls that are frequented include KSL City Mall, which is a lifestyle-focused mall studded with hair salons and facial spas, alongside the newest mall of the lot, megamall Mid Valley Southkey. Both can be accessed in c.15mins by car from CIQ.

**Other tourist destinations include JPO and Legoland.** Another mall cluster includes Paradigm Mall and AEON Mall Bukit Indah, which is towards the north-western Skudai region of Johor Bahru and popular pitstops for those visiting tourist destinations Legoland or Johor Bahru Premium Outlet (JPO). Car is currently the most popular form of transportation amongst Singaporeans, with the furthest of the attractions, Johor Bahru Premium Outlet, a c.40min car ride from CIQ.

**Essential goods the typical JB mall formula.** Approximately 50% of Malaysia's inbound tourists are Singaporeans, and c.86% enter Johor Bahru via land. JB sees substantial Singaporean footfall and sales. The president of JB's Chinese Chamber of Commerce and Industry shared that Singaporeans or returning Malaysians make up c.30%-50% of all revenue in JB. Popular JB malls do enjoy an above-submarket average occupancy rate of between 85% to >90%. We also see similarities in the key tenants anchoring these malls. They comprise grocery market tenants (i.e., Village Grocer), home furnishing tenants (i.e., Mr DIY), as well as fashion tenants (i.e., Padini), and most malls near the border are positioned to capture essential spend from cost-conscious Singaporeans.

## Popular shopping and tourist destinations in JB frequented by Singaporeans



Source: Google Maps, DBS

**Characteristics of JB shopping malls popular with Singaporeans**

Name	JB City Square Mall	Komtar JBCC	KSL City Mall	Mid Valley Southkey	Paradigm Mall
					
Description	Seven-storey mall with 5 storeys of retail	4-storey shopping mall adjacent to City Sq Mall JB	Lifestyle focused retail mall	Megamall spanning 6-storeys of retail	7-storey mall located within the Skudai district
Ownership	Allgreen Properties, JBCC, Iskandar Puteri CC	Al-Salam REIT	KSL Holdings Bhd	IGB Berhad	WCT malls
Year opened	1999	2014	2010	2019	2017 (redeveloped)
NLA (sqft)	402,027	402,027	775,000	2,500,000	1,300,000
GFA (sqft)	450,000	623,374	1,000,000	n.a.	n.a.
Asset valuation	MYR850mn (transacted)	MYR431mn (appraised value, FY23)	MYR422mn (appraised value, FY23)	MYR2.5bn (estimation)	MYR1bn (GDV)
Tenant sales		MYR39.5mn			
Rental revenue		MYR17.0mn		MYR228mn	
Occupancy	>85%	63% (ongoing tenant remix)	c.90%	97%	96% (retail portfolio avg.)
Anchor tenants	H&M, Uniqlo, Queen Karaoke, Mr DIY	Marks & Spencer, Brands Outlet, Padini	YFS, Lotus Supermarket, Golden Screen Cinemas	SOGO, Harvey Norman, Village Grocer	Parkson, Village Grocer, Harvey Norman, Mr DIY
Connectivity (from CIQ)	Direct bridge connection	Direct bridge connection	15-min car ride	12-min car ride	20-min car ride
Trade mix (% GRI/NLA)		Fashion & Access (22% GRI) Food & Beverage (20% GRI) Beauty & Wellness (17% GRI)			

Source: Al Salam REIT AR, KSL Holdings AR, IGB Berhad AR, WCT malls, DBS, Google images

## Our road trip to JB: Is the grass indeed greener across the border?

**Replicating the true Singaporean JB day trip.** We spent one day in JB on a recent visit, and during our post-customs clearance, we shortlisted two main malls for our study – City Square JB and Mid Valley Southkey – to learn the local prices for some of the primary goods and services offered at local shopping malls. Our site visit schedule replicates a typical Singaporean’s JB day trip, barring some of the experiential aspects due to time constraints. We squeezed in three meals, where per-pax spend was “value for money”, in our view.

**Where are the ‘deeper’ discounts?** We shortlisted some of the most common items under seven categories of retail trade and found that the largest pricing disparity exists in **beauty & health products, with around a c.40% disparity in pricing, alongside services and entertainment, which can be sourced at half the price Singaporeans are used to back home.** E-commerce platforms in Singapore, such as Shopee and Lazada, usually sell items at a discount compared to their brick-and-mortar outlets, which narrows the pricing disparity. In this context, beauty and health items bought in JB were just c.20% cheaper compared to the online prices in Singapore. Surprisingly, both electronics (cables, power banks) and homeware products (towels, pillows) can be bought at cheaper prices locally online, as sellers are sourcing these products directly from overseas manufacturers.

**What a typical shopping basket for a “day-tripper” may look like.** Basing our calculations on the Malaysia Tourism Board’s data released on SG tourist spend back in 2019, we estimate that a day tripper spends c.SGD141 on average in JB. This budget can yield two meals, a massage, light grocery and drugstore spend, alongside an appointment at a hair salon or nail parlour.

**Limiting factors at play as well.** For day trippers, time will likely be a key limiting factor, when it currently takes two to three hours to cross the causeway during the peak period. Queues for eateries can also lead to similar waiting time, and this applies to service providers such as salons and massage parlours as well, which substantially dilutes the experience. Certain goods, such as washing machine detergent or toilet paper, though a few dollars cheaper, are a hassle to carry across the border due to their bulky nature, which doesn’t make the savings worthwhile. Other considerations for cross-border purchases include the warranty and exchange policy, which apply to electronic goods and apparel. Certain retailers, in the likes of Lululemon, accept in-store exchange of purchases made at another market, subject to payment of pricing differentials.

### Site visit schedule

Time of the day	Milestones
8:15am	Gathering at Woodlands Stn
9:15am	Crossed customs at Johor Bahru
9:30am	Reached Breakfast Location
11:00am	Data gathering at Citisquare Mall
12:30pm	Lunch at HaidiLao
2:30pm	Data gathering at Midvalley Southkey
4:00pm to 6:30pm	Free & Easy
7:15pm	Dinner at Lala Hotpot
8:30pm	Journey back to Singapore
10:00pm	Entry back into SG borders

Source: Malaysia Tourism Board, DBS

### Price differentials collated for common goods within each trade sector

	Price differentials (JB/SG, %)	
	JB vs. SG Brick & mortar	JB vs. SG Online
Food & beverage	65%	n.a.
Groceries	55%	67%
Beauty & health	60%	80%
Fashion & apparel	70%	70%
Services/entertainment	50%	n.a.
Electronics	90%	137%
Homeware	50%	193%

Source: Malaysian Tourism Board, DBS

**Guess the final bill**

Breakfast – KopiLoco (9:30am)



Food list

- 3 noodle dishes
- 1 nasi lemak
- 4 portions of kaya butter toast
- 1 polo bun
- 7 cold drinks
- 2 hot drinks

Lunch – HaidiLao Hotpot (12:30pm)



Food list

- 1 hot pot soup base
- 6.5 portions of meat
- 3.5 portions of yong-tau fu
- 5.5 portions of vegetables
- 0.5 portion of carbs
- 9 beverages
- 5 condiments

Dinner – Lala hot (7pm)



Food list

- 2 lala hot pot bases
- 6 portions of meat
- 11 portions of vegetables and other sides
- 2 portions of beer
- 1 portion of carbs

Source: DBS

\*Final bill within report appendix

Price comparison of common goods and services	
Food	
 <p>JB – Oriental kopi: MYR9.90 set (~SGD2.90)                      SG – Yakun kaya butter toast set: SGD6.30</p>	 <p>JB – Haidilao Hotpot ~MYR60-80/pax (~SGD20)                      SG – Haidilao Hotpot ~SGD50/pax</p>
Beauty & health	
 <p>JB – Watsons MYR27.20 (~SGD7.80)                      SG – Watsons SGD16.70</p>	 <p>JB – Watsons MYR28.75 (~SGD8.30)                      SG – Watsons SGD14.05</p>
Groceries	
 <p>JB – Village Grocer MYR5.19 (~SGD1.50)                      SG – Giant SGD2.80</p>	 <p>JB – Village Grocer MYR6.79 (~SGD1.96)                      SG – Giant SGD3.50</p>
Entertainment/services	
 <p>JB – REDS salon hair cut MYR60 (lowest tier) (~SGD17.30)                      SG – Picasso salon hair cut SGD42 (lowest tier)</p>	 <p>JB – MM Cineplexes adult ticket MYR20 (~SGD5.80)                      SG – Cathay Cineplexes non-peak adult ticket SGD11.50</p>
Fashion & apparel	
 <p>JB – Adidas Ultraboost MYR479 (~SGD138)                      SG – Adidas Ultraboost SGD279 (GSS @ SGD158.95)</p>	 <p>JB – Uniqlo Ultra Down MYR299.90 (~SGD86)                      SG – Uniqlo Ultra Down SGD99.90</p>

Source: DBS, Companies, Google images, Exchange Rate: 1 SGD: 3.47 MYR



## What's the implication on listed retail-related companies?

### Retail S-REITs

**Impact muted at c.3%-4% of overall retail sales.** The impact of inflation and travel leakage on the Singapore retail market has been prevalent over the past few years, although now having past the peak. The RTS is key to watch as a significant enabler of SG-JB northbound travel in the coming years, despite the 40k cap to its usage capacity. We estimate that the incremental impact to overall Singapore retail sales will be c.3%, which is but a year's worth of inflation. Over time, demand and supply factors should lead to price moderation in Singapore's goods and services near the northern (Woodlands) and JB borders.

**Frasers Centrepoint Trust (FCT) – keep an eye on Causeway Point.** We maintain our BUY call with TP of SGD2.70. Within our S-REIT space, FCT's Causeway Point is located closest to the upcoming RTS, at Woodlands MRT Station. The asset forms c.19% of FCT's retail portfolio AUM (as at 31 Mar 24, includes JV stakes on a pro-rata basis), and sits as one of the few portfolio anchors.

Post the completion of the RTS, we may see some form of weakness in tenant sales at Causeway Point, where its price point will be compared to that of JB malls in the eyes of consumers. However, over time, higher traffic could translate to sales at the mall as it becomes a key bypass point to the RTS. We see the mall adapting to survive and come out stronger post the launch of the RTS, potentially through price-based competition or onboarding of JB-based tenants. The recent price correction implies attractive entry yields of 5.5% (F24F estimates), ahead of the rate cuts.

### Consumer retail

**Sheng Siong Group (SSG) –** we have a HOLD call with TP of SGD1.62. As highlighted earlier, we believe the overall impact from the RTS will be minimal due to the inconvenience of carrying groceries across the causeway for relatively limited savings in absolute terms. We continue to maintain our HOLD call, as we believe the company is fairly valued at ~4% FY24F yield.

**DFI Retail Group (DFI) –** we have a BUY call with TP of USD2.70. On the grocery side, we believe the overall impact is minimal, as the company is focusing on its premium retail offering (CS format), which serves a demography that is less likely to travel to JB to save cost.

On the health & beauty front, we foresee some switching from shopping in Singapore to JB. However, given DFI's extensive Guardian presence in JB, we believe the overall net profit impact is minimal.

We continue to believe the company remains undervalued at ~6% FY24F yield, with continued albeit slower recovery in its North Asia business.

**Appendix**

**Queue for transit bus from Woodlands station to checkpoint**



Source: The Straits Times, DBS

**Current pain points - Queue outside Citisquare Mall at 10am for early commuters**



Source: DBS

**Guess the bill - breakfast at KopiLoco (SGD3.8/pax)**



Source: DBS

**Guess the bill - lunch at Haidilao (SGD26.3/pax)**



Source: DBS

**Guess the bill - dinner at Lala Hotpot (SGD15.7/pax)**



Source: DBS

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

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\*Share price appreciation + dividends

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