

SINGAPORE RESEARCH RETAIL



Q2 2018 RETAIL MARKET SNAPSHOT

Upcoming New Supply (H2 2018 - 2022):

6.3 million sq ft GFA
(9.6% of total current stock)

Average Prime Retail Rents (Island-wide):

S\$30.50 psf pm

No Change q-o-q



WENDY LOW

**Executive Director & Head,
Retail**

“To sustain the retail market, landlords and retailers should jointly look at creating more experiential lifestyle community experiences for their customers, and at the same time embracing technology.”

RETHINKING THE USE OF RETAIL SPACE AMID SUBDUED RETAIL OUTLOOK

Competition in the retail sector is intensifying across both the online and offline platforms. E-commerce players continue to ramp up efforts to draw tech-savvy consumers while landlords and retailers reinvent brick-and-mortars shops with new retail formats and concepts to draw footfall.

Notwithstanding, the high operating costs in Singapore and fast-changing consumer preferences continue to weigh on the retail market. Island-wide prime retail rents¹ stayed flat in Q2 2018 on a quarter-on-quarter (q-o-q) basis.

Increasing International Visitor Arrivals (IVA) and total Tourism Receipts (TR) suggest potential in Singapore retail market.

EXHIBIT 1

International Visitor Arrivals and Total Tourism Receipts



↑ Total Visitor Arrivals
(cumulative as at June 2018)

7.6% y-o-y



↑ Total Tourism Receipts as
at Q4 2017

1.5% y-o-y

Source: Singapore Tourism Board, Knight Frank Research. Data updated as at 31 July 2018

¹ Prime spaces refer to rental-yielding units between 350 and 1,500 sq ft with the best frontage, connectivity, footfall and accessibility in a mall which are typically ground level of a retail mall and/or the basement level of a retail mall that is linked to a MRT or bus station.

- **Total IVAs to Singapore by number continued to climb steadily, reaching a record high in June 2018.** Compared to the same period last year, cumulative visitor arrivals increased from 8.5 million in June 2017 to 9.2 million in June 2018, translating to a 7.6% increase y-o-y in cumulative IVA. The higher arrivals came from Indian visitors (16.5% y-o-y increase) as well as Chinese visitors (11.4% y-o-y increase), likely to be due to promotional efforts by Singapore Tourism Board in the respective countries.
- **Total TR increased to 6.5 billion in Q4 2017, a 1.5% y-o-y increase,** led by an increased spending in Other Tourism Receipts components (16.5% growth y-o-y).

Overall monthly Retail Sales Index (RSI) (Excluding Motor Vehicles) registered mixed performances across retail categories.

EXHIBIT 2

Monthly Retail Sales Index, as at June 2018



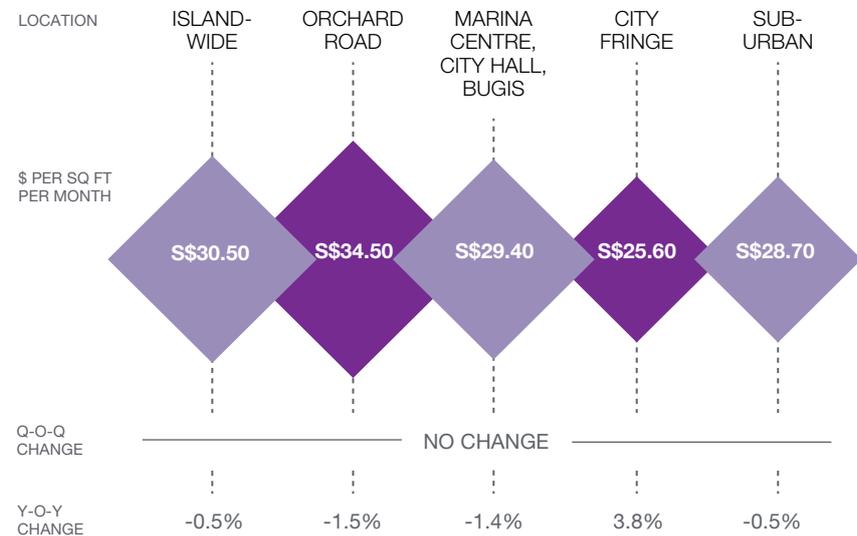
Source: Singstats, Knight Frank Research. Monthly Retail Sales Index updated as at June 2018.

- **The overall monthly RSI declined** from 105.5 in January 2018 to 93.1 in April 2018, before inching up to 96.9 in June 2018. The performance among the different categories were mixed. Recreational Goods recorded the highest increase in sales at 6.2% y-o-y in June 2018, while sales from Departmental Stores, Mini-mart & Convenience Store, and Food & Beverage Retailers declined 2.4%, 0.9%, and 2.1% y-o-y respectively.
- **Employment in the wholesale and retail trade has shrank by 2,500 headcounts in Q1 2018** as traditionally labour-intensive retail segments such as F&B and Mini-mart & Convenience stores continues to adopt technology to manage manpower costs.

Island-wide prime retail rents are reaching an equilibrium while prime rents in the City Fringe area continues to outperform the other segments.

EXHIBIT 3

Average Gross Rents of Prime Retail Spaces, Q2 2018



Source: Knight Frank Research

- **Overall island-wide prime retail rents remained unchanged** q-o-q at S\$30.50 per square feet per month (psf pm) in Q2 2018. Notwithstanding, rents are lower on a y-o-y basis for 14 consecutive quarters since Q1 2015 in a soft retail market due to disruption by e-commerce and subsequently, uncertain external conditions since Q4 2017.
- Q2 2018 rents in Orchard Road, Marina Centre, City Hall, Bugis, and Suburban precincts declined across the three segments on a y-o-y basis.
- **Prime retail rents in the City Fringe precincts rose by 3.8% y-o-y in Q2 2018**, largely due to an increase in rents in malls with large catchment of residential population. Tenants were willing to pay a bit more to locate in the prime spaces in these malls amid keener competition in the retail scene.

EMERGING TRENDS OF SINGAPORE AND INTERNATIONAL RETAIL MARKETS

Retailers partner e-commerce players to invest in Big Data analytics to understand the fast-changing taste and preference of consumers.

- To retain and capture new market share, retailers are utilizing information captured through e-commerce and social media platforms to curate the right shopping experience for their target audience.
- Intersport and Tmall launched a futuristic megamall in Beijing in May 2018. The technology-driven retail model will provide an entertaining and educational shopper experience for consumers. At the same time, the technology can generate insights to shopper taste and preference through both online and offline channels.

Retailers reinvent lifestyle-led shopper experience with multi-concept stores through technology and cross collaboration with different trade mix.

- Retailers are leveraging on virtual and augmented reality technology to engage the shoppers. For instance, GROHE SPA tapped on virtual reality (VR) technology to help consumers and designers to visualise and plan their selections. Likewise, VR technology is utilised in L'Occitane's pop-up café to let users enjoy the landscapes of the French countryside.

- There are likely to be more collaboration between different trades and concepts to form new consumer experiences. For example, Hutspot in Amsterdam is a mixed-concept store between Fashion, Homeware and Furnishing, and Beauty retailers. The flagship store acts as a co-retailing platform where artisans add an ever-changing collection of fashion apparels and furniture, along with an onsite-barber shop.

MARKET OUTLOOK

Average rents in the Central area are envisaged to fall by up to 2.0% y-o-y by end 2018 while island-wide occupancy rates are likely to remain steady for H2 2018.

- **Average rents in the Central Region is envisaged to drop up to 2.0% y-o-y by end 2018**, while prime retail rents are expected to remain resilient due to its limited supply and sustained demand from international retailers.
- **Island-wide occupancy will continue to stay flat for H2 2018.** Despite reports of several high profile exits from the local market. Singapore, especially Orchard Road, remains a draw to brands to showcase their products and concepts, using the island-state to springboard their expansion to the rest of the region.

EXHIBIT 4

Notable New Store Openings in Singapore

Retailers	Location	Category	Nature of Brand in Singapore
JustCo	Marina Square	Co-working Space	New concept located in a shopping mall
Two Hana	Century Square	Food & Beverage	New Korean-Western concept from Seoul Gardens
Samsonite for Her	Paragon	Lifestyle	New concept store for ladies
HERA	Takashiyama	Beauty and Wellness	New Korean brand
Sketchers	Suntec City	Fashion	New concept
M)phosis	Century Square	Fashion	Re-opened under new management
Mahota Market	Century Square	Dining & Grocery Hybrid Concept	Expansion
Tsui Wah	3A River Valley Road, Clarke Quay	Hong Kong Tea Restaurant	First outlet in South East Asia

Source: Various web sources, Knight Frank Research

EXHIBIT 5

Key Events in the Retail Landscape

SINGAPORE	
Kinofy launched e-commerce platform for businesses looking to enter the China market	End-to-end commerce platform Kinofy was launched in April 2018 in partnership with government agencies to support businesses looking to enter the retail market in China. Built on the WeChat platform, this will help shorten the gestation period for companies entering the Chinese market.
Century Square reopened with refreshed look and new tenants	Century Square reopened on 6 June 2018 after undergoing a S\$60 million AEI.
Capitland partners e-payment players to launch StarPay	Capitland launched its all-in-one payment service, StarPay, with e-payment partners GrabPay, NETSPay, DBS PayLah!, American Express, and Alipay. This is the first payment service with a comprehensive list of payment providers as well as payment methods. StarPay is set to be launched across 17 malls.
ASIA	
Recovery in Hong Kong tourism and shopping scene gained momentum in Q2 2018	Retail sales in Hong Kong registered a double-digit growth in June 2018, a fifth straight month of growth on the back on strong tourism growth, and improving employment and income conditions.
Breitling Beijing opened its first flagship store in Asia	Swiss luxury watchmaker Breitling opened its first flagship boutique store in Asia at Beijing's WF Central. The group hopes to tap on the growing high-income consumers in the Asian markets.
Starbucks opened new Hong Kong Flagship at Causeway Bay	Starbucks opened its new Hong Kong flagship store at level one of Lee Garden Three. Positioned as "an urban retreat within a bustling city", the flagship store features a first-ever standalone Teavana Bar and a 'Mixology Bar', moulding "A third space" for social interactions among shoppers.

Source: Various web sources, Knight Frank Research

FOR RETAIL LEASING ENQUIRIES, PLEASE CONTACT:

Wendy Low
Executive Director and Head
Retail
6228 7348
wendy.low@sg.knightfrank.com

FOR FURTHER INFORMATION, PLEASE CONTACT:

Lee Nai Jia
Senior Director and Head
Research
6228 6878
naijia.lee@sg.knightfrank.com

Wong Shanting
Manager
Research
6228 7339
shanting.wong@sg.knightfrank.com

Lucy Zhu
Analyst
Research
6228 6584
lucy.zhu@sg.knightfrank.com



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