

# RISING VACANCY OFFERS OPPORTUNITY FOR LANDLORDS TO INTRODUCE NEW RETAIL CONCEPTS

As island-wide vacancy rate touched 7.3% in Q1 2016, the highest since 2011, some landlords are seizing the opportunity to introduce new retail concepts in their property assets.

## Market Pulse

### Animation-themed cafés drew strong interest

The recent opening of the POMPOMPURIN Café at Orchard Central drew long queues from diners. From May 2016, Singapore will also be welcoming the world's first 24-hour Hello Kitty café, which focuses on providing a holistic experience. Part of the café will be carved out to accommodate life-sized 3D Hello Kitty models where diners may pose for photos with. Additionally, a pop-up café featuring the Pokemon theme will open between May and July this year at Bugis Junction. Last September, the DC Comics Super Heroes Café opened in The Shoppes at Marina Bay Sands.

### Waning retail market drives retailers towards consolidation and re-strategising

Amid continuing headwinds in Singapore's retail scene with moderating consumer spending and onslaught of e-commerce, Jay Gee Melwani Group will be closing down some of the stores that showcase the British brand New Look and French menswear chain Celio, owing to high cost and lower sales. Following its restructuring process in Singapore last year, Al-Futtaim Group announced that they will further close at least ten loss-making stores in Singapore. In addition, home-grown fashion brand Raoul has also closed its last physical outlet in Paragon, even as their fashion line is available online. Conversely, retailers such as Uniqlo and Victoria Secrets leveraged on the softer retail market, and have announced the opening of their flagship stores in Singapore this year.



**WENDY LOW**  
Executive Director & Head, Retail

“As island-wide vacancy climbed further in 2016, landlords can take the opportunity to inject fresh look and introduce new retail concepts into the market.”

#### EXHIBIT 1

#### Notable new store openings

Retailers	Location	Category	Nature of Brand in Singapore
Decathlon	Technopark @Chai Chee	Sports equipment and apparel	New-to-Market
Christian Dada	268 Orchard	Fashion & Accessories	New-to-Market
Timbre +	JTC LaunchPad	Food & Beverage	New-to-Market
Hive by Wala Wala	Havelock Road	Food & Beverage	New-to-Market

Source: Various web sources, Knight Frank Research

#### EXHIBIT 2

#### Key events in retail scene

SINGAPORE	
Opening of Uniqlo Global Flagship Store in Singapore and South-east Asia	The flagship store will take up close to 29,000 sq ft across three levels in Orchard Central. Slated to open in H2 2016.
Smoothie King exited Singapore	The American food chain has closed all its stores in Singapore, after its owners and chief executive Wan Kim sold his interest in the South Korean operations. Smoothie King Singapore was wholly owned by Smoothie King Korea.
ASIA	
MYANMAR: BreadTalk sealed master franchise agreement with Myanmar Bakery Co	BreadTalk and Shwe Taung Group's Myanmar Bakery Co recently signed a master franchise agreement. Come early 2017, BreadTalk will open its first bakery in one of Shwe Taung's shopping centres.

Source: Various web sources, Knight Frank Research

## Prime Retail Space Rents

### Island-wide prime retail rents slipped further in Q1 2016

Island-wide retail rents for prime spaces slipped 1.1% q-o-q to \$32.20 per sq ft (psf) in Q1 2016 amid a waning retail market. Whilst prime retail rents in Orchard Road remained unchanged at S\$35.20 psf, Marina Centre, City Hall and Bugis precinct, City Fringe and Suburban saw prime retail rents decline by between 0.6% and 3.5% q-o-q in Q1 2016. In particular, prime retail rents in City Fringe were dragged lower by malls with weaker positioning and overall retail trade mix.

## Market Outlook

### Island-wide vacancy rate expected to surge further in 2016

Moderating prime rents and consolidation of major retailers are some of the signs pointing towards higher island-wide vacancy rate by the end of 2016. Concurrently, the subdued global economic outlook continues to

weigh on consumer and retailer confidence. Despite these downside factors, enterprising landlords can take advantage of the situation to introduce new retail concepts, which could help promote growth of footfall and encourage consumer spending. The introduction of new retail concepts can help landlords create a point of differentiation by providing an experiential shopping experience. Separately, major retailers can take advantage of the softer retail market to launch flagship stores which, apart from offering an extensive product range, also double up to affirm the strength of their brands in the market.

Average rents in the Central Region are envisaged to fall further by around 5.0% y-o-y in Q4 2016, while prime space retail rents could soften by up to -2.0% y-o-y in Q4 2016. Overall occupancy could also slip by up to 3 percentage points to between 90% and 92% by Q4 2016. Conversely, demand for suburban retail spaces are expected to remain fairly stable as these malls remain supported by the captive resident catchment population.

EXHIBIT 3

### Average Gross Rents of Prime Retail Spaces, Q1 2016

Location	Average Gross Rents for Prime Spaces (S\$ per sq ft / month)	Quarter-on-Quarter Change (q-o-q)	Year-on-Year Change (y-o-y)
Island-wide	S\$31.20	-1.1%	-3.0%
Orchard Road	S\$35.20	No change	-0.5%
Marina Centre, City Hall, Bugis	S\$31.60	-0.6%	-3.9%
City Fringe	S\$24.70	-3.5%	-5.4%
Suburban	S\$29.40	-1.9%	-4.8%

Source: Knight Frank Research

(1) Knight Frank revised its basket of prime retail space in Q1 2016

(2) Retail Rents are rounded off to the nearest ten cents

(3) 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.

**FOR RETAIL LEASING ENQUIRIES, PLEASE CONTACT:**

**Wendy Low**  
Executive Director and Head Retail  
6228 7335  
wendy.low@sg.knightfrank.com

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

**Alice Tan**  
Director and Head Consultancy & Research  
6228 6833  
alice.tan@sg.knightfrank.com

**Debbie Lam**  
Manager Consultancy & Research  
6228 6821  
debbie.lam@sg.knightfrank.com

**Wong Shanting**  
Assistant Manager Consultancy & Research  
6228 7339  
shanting.wong@sg.knightfrank.com



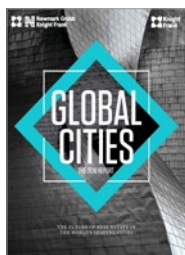
© Knight Frank Singapore 2016

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Pte Ltd and its subsidiaries for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Pte Ltd and its subsidiaries in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Pte Ltd to the form and content within which it appears. Knight Frank Pte Ltd is a private limited company which is incorporated in Singapore with company registration number 198205243Z and CEA licence number L3005536J. Our registered office is at 16 Raffles Quay #30-01 Hong Leong Building Singapore 048581.

## RECENT SINGAPORE AND GLOBAL RESEARCH PUBLICATIONS



The Wealth Report 2016



Global Cities 2016



Singapore View Mar - Jun 2016



Office Bulletin Q1 2016

For further information about the company, please visit [www.knightfrank.com.sg](http://www.knightfrank.com.sg)