

SOFTER RETAIL MARKET: GOLDEN OPPORTUNITY FOR RETAILERS AND LANDLORDS TO TEST RETAIL CONCEPTS

Mixed bag of rental performance across island in Q2 2016

- Marina Centre, City Hall and Bugis precinct saw prime rents fall for the third consecutive quarter.
- In contrast, prime rents of City Fringe and Suburban areas grew, with the injection of new prime space and revamped shopping malls.
- Orchard Road prime rents remained stable on the back of continued demand and limited supply of prime spaces.

Large format wellness operators offer holistic retail experience to shoppers

- Emerging anchor tenants, like Yunomori Japanese Onsen & Spa and Calla Spa have landed in Kallang Wave Mall and Suntec City respectively.
- Occupying above 10,000 square feet (sq ft) of space each, these large format wellness operators also provide healthy dining options so that consumers may have a rejuvenating spa and dining experience.
- Such operators offer a whole suite of spa and wellness services at various price points, catering to a wide spectrum of consumers.

Home grown retailers can inject Singapore flavour and differentiate malls

- To counter the weaker retail scene, mall owners are looking towards local retailers to add refreshing retail options to their existing trade mix.
- K+, a multi-concept shop by Kinetic Singapore, will open its doors in Scott Square come July 2016. Spanning 4,300 square feet (sq ft) of space, K+ will feature six local brands as their main collaborators.
- Local jewellery designer, Choo Yilin, will open a flagship boutique in Mandarin Gallery in July 2016.
- In the last few years, home-grown online brands such as Naiise, MDS, and Love Bonito, have successfully established their presence in the local shopping malls.



WENDY LOW
Executive Director & Head, Retail

“Some malls are including large format lifestyle and wellness service providers as anchor tenants, to offer their shoppers an added experiential retail experience.”

EXHIBIT 1

Average Gross Rents of Prime Retail Spaces, Q2 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	No change	-2.1%
Orchard Road	S\$35.20	No change	0.4%
Marina Centre, City Hall, Bugis	S\$31.40	-0.4%	-4.2%
City Fringe	S\$24.70	0.1%	-4.2%
Suburban	S\$29.50	0.3%	-3.7%

Source: Knight Frank Research

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

(2) 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.

Landlords faced with push from market to refresh retail mix

- Despite these downside factors, enterprising landlords can take advantage of the situation to introduce new retail concepts.
- Landlords hope to provide an experiential shopping experience and also create a point of differentiation in the competitive market with the introduction of new retail concepts.
- Rents of these retail units may, however, be compromised in the short-term, while these concepts and brands are being incubated

Market Outlook Rents expected to moderate further amid falling occupancies in H2 2016

- Average rents in Central Region are envisaged to fall by 5.0% y-o-y by Q4 2016, while prime rents soften by up to 2.0% y-o-y.
- With an estimated upcoming supply of 1.7 million sq ft of retail net lettable area by end-2016, island-wide occupancy rate could decline from 92.8% in Q4 2015, to between 90.0% and 92.0% in Q4 2016.
- Suburban malls remain a bright spot, as demand for good quality suburban space stays resilient.

EXHIBIT 2

Notable new store openings

Retailers	Location	Category	Nature of Brand
Phantaci	Orchard Central	Fashion & Accessories	New to Market
AkemiUchi	Plaza Singapura	Homeware and Home Furnishings	Expansion
K+	Scotts Square	Multi-concept	New-to-Market
Honolulu Cafe	Centrepoint	Food & Beverage	New-to-Market

Source: Various web sources, Knight Frank Research

EXHIBIT 3

Key events in retail landscape

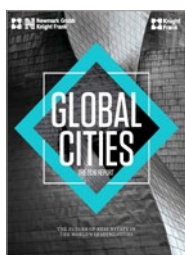
SINGAPORE	
Exit of 1 Market by Chef Wan	The 11,000 sq ft restaurant, which served halal Asian cuisine in buffet, closed permanently in June 2016. The management cited difficulty in sustaining the business amid high operating expenses.
Closure of Funan DigitalLife Mall for renovation	The mall officially closed on 30 June 2016 to undergo major renovation over the next three years and, will be repositioned to an integrated development designed as a "lifestyle destination".
ASIA	
MYANMAR: Crystal Jade heading to Myanmar	BreadTalk and Shwe Taung Group's Myanmar Bakery Co signed a master franchise agreement. Come early 2017, BreadTalk will open its first bakery in one of Shwe Taung's shopping centres.
SOUTH KOREA: Lotte tests "Virtual Fitting Service"	The Lotte Department Store will launch a special mirror that provides a virtual reflection of the customer wearing the clothing by applying a 3D image of the product to the customers' body in H2 2016.

Source: Various web sources, Knight Frank Research

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Island-wide Forecast for Q4 2016

Average rents (Central region)
drop by up to 5.0% y-o-y

Prime retail rents
drop by up to 2.0% y-o-y

Occupancy
90.0% - 92.0%

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