

SINGAPORE RESEARCH RETAIL



Q3 2019 RETAIL MARKET SNAPSHOT

Upcoming New Supply (Q4 2019 - 2023):

3.6 million sq ft GFA
(4.0% of total current stock)

Average Prime Retail Rents (Island-wide):

S\$30.50 psf pm
No Change* q-o-q

MORE RETAILERS AND LANDLORDS ADOPTED AUGMENTED AND VIRTUAL REALITY TO ENHANCE SHOPPER EXPERIENCE

Singapore prime retail rents remained flat quarter-on-quarter (q-o-q) in Q3 2019, despite facing downward pressure from slower retail sales and lower tourism receipts. Under the challenging retail conditions, prime units remained in demand as tenants competed for frontage and greater foot traffic.

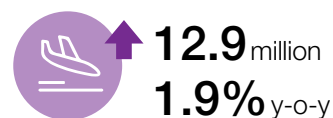
To draw more consumers to physical stores, more landlords and retailers across different trades adopted virtual reality and augmented reality to enhance the shopping experience. The technology used is further integrated with Artificial Intelligence to analyse consumer preferences so that retailers can curate unique offerings for their clients.

Visitor arrival growth moderated albeit within Singapore Tourism Board's projection.

EXHIBIT 1

International Visitor Arrivals and Total Tourism Receipts

Total Visitor Arrivals
(January to August 2019)



Total Tourism Receipts
for Q1 2019



Source: Singapore Tourism Board, Knight Frank Research.
Latest available data updated as at 14 October 2019.



ANGELA HOE
Head, Retail

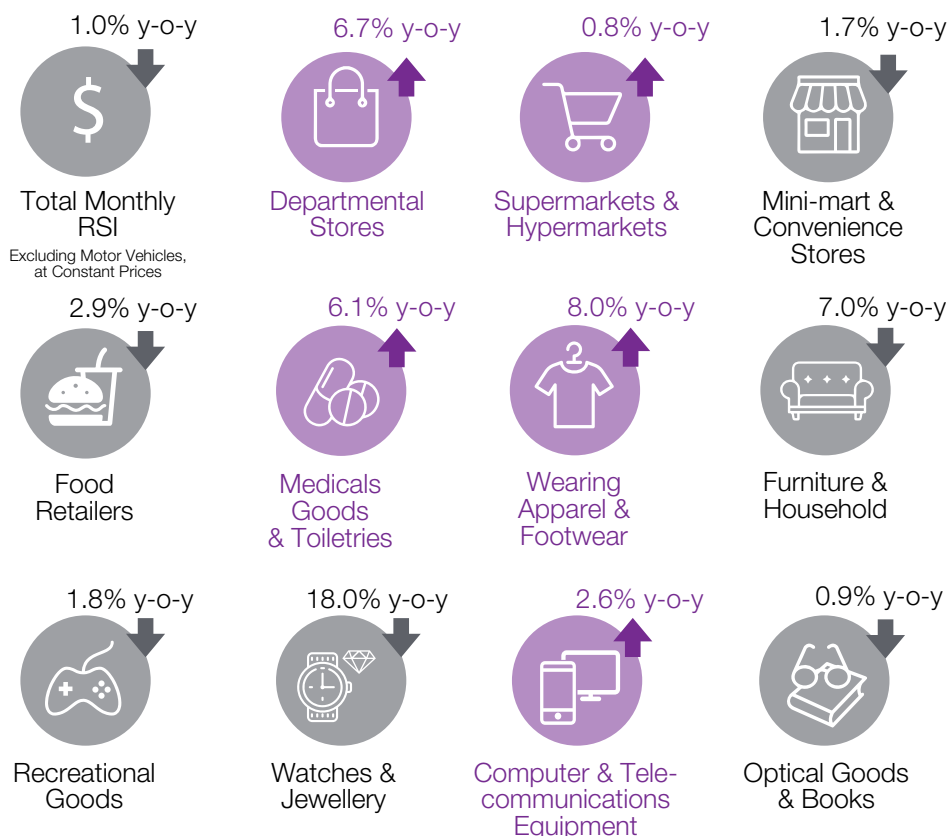
“In order to draw more footfall and increase spending, more retailers are adopting augmented and virtual reality technology to curate personalised shopper experience and excite the sensory senses of the shopper. Notwithstanding, technology cannot replace the human touch, but it only amplifies the need of high quality service.”

- **Growth in visitor arrivals to Singapore moderated from 7.5% year-on-year (y-o-y) from January to August 2018 to 1.9% y-o-y over the same period in 2019.** The growth was slower due to a myriad of reasons. The Travel and Tourism Competitiveness Report 2019 published that seven of the nine South-east Asia improved their travel and tourism competitiveness while that of Singapore declined. Additionally, visitors were more cautious in spending under the uncertain economic environment, especially for visitors from countries that are impacted by the trade war, and they prefer to go to cities with lower cost of living.
- **Nevertheless, there was an increase in visitors attending Business Travel and Meetings, incentives, conferencing, exhibitions (BTMICE) events held in Singapore.** These BTMICE events helped pushed up the number of visitor arrivals. A strong regional headquarter presence, especially in the professional services, food and beverage, and technology industries, has attracted organisations to set up BTMICE events in Singapore.
- **BTMICE events is expected to remain as a key contributor to visitor arrivals to Singapore in the next three years.** This year, Singapore held the Kaspersy Security Analyst Summit 2019 in April and the Ingram Micro One APAC 2019 in August. Notable upcoming events include the 18th Asia Pacific Life Insurance Congress 2021, SAP Field Kick-Off Meeting 2020 and 2021, and Food&Hotel Asia – HoReCa and F&B 2020.
- **Tourism Receipts in the first quarter of 2019 declined by 4.8% y-o-y to S\$6.5 billion amid weaker global economic outlook.** Tourism spending declined in shopping (-7% y-o-y), accommodation (-12%), and food & beverage (-7%). In contrast, tourism spending on other TR components increased by 2% y-o-y, boosted by BTMICE travel demand.

The monthly Retail Sales Index declined in August 2019 as shoppers held back spending on consumer discretionary.

EXHIBIT 2

Monthly Retail Sales Index on At Constant Prices, August 2019



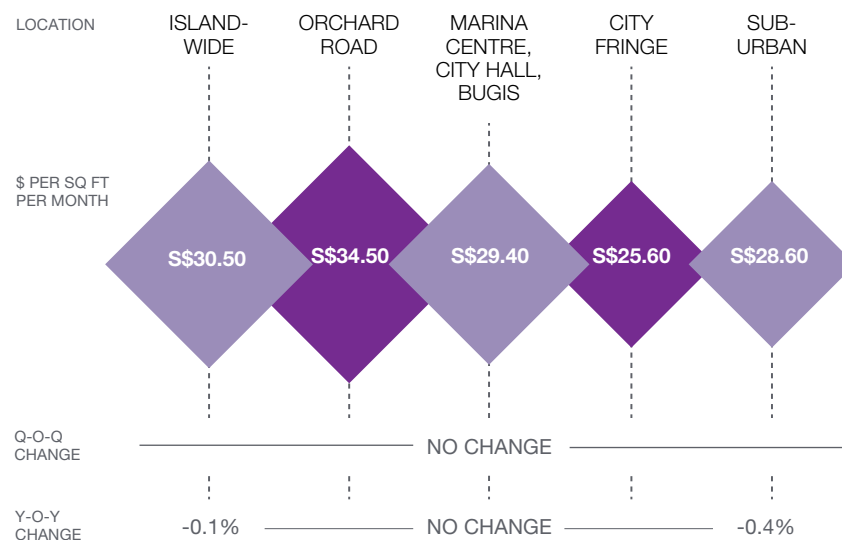
Source: Singstats, Knight Frank Research.
Monthly Retail Sales Index updated from Singstats as at 14 October 2019

- **The retail sales index (excluding Motor Vehicles, at constant prices) declined 1.0% y-o-y in August 2019 as shopper confidence chipped.** According to The Conference Board® and Nielsen's Global Consumer Confidence Index, Singapore consumer confidence index softened from 96 points in Q4 2018 to 92 points in Q2 2019 and further softened to 89 in Q3 2019. While the Singapore labour market remained tight, consumers surveyed by Nielsen cited volatility in the global economy as one of the main concerns and the respondents are placing greater emphasis on savings and investments for potentially difficult days ahead.
- **The retail sales index for essentials such as Supermarkets & Hypermarkets, Medical Goods & Toiletries and Fast Food grew by 0.8%, 6.1%, and 7.9% y-o-y respectively.** Conversely, discretionary spending declined, reflected by decreases in retail sales indices for Watches & Jewellery and Furniture and Households by 18.0% and 7.0% y-o-y respectively.
- **Online retail sales increased 14.7% y-o-y in August 2019.** The improvement of the user-interfaces of online channels and the availability of more and easier payment options encouraged more shoppers to purchase online.
- **Business expectations in the food & beverage services industries were less optimistic compared to a year ago.** A net weighted balance of 7% of food & beverage service providers surveyed expect business conditions to pick up from July to December 2019, compared to a net weighted balance of 37% from a year ago. Separately, the retail trade industry foresees headwinds in the second half of 2019 owing to tapered consumer sentiments.

Rents of prime retail spaces remained flat q-o-q in Q3 2019, as the retail market continued its stable state.

EXHIBIT 3

Average Gross Rents of Prime Retail Spaces*, Q3 2019



Source: Knight Frank Research * 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.

- **Singapore prime retail rents stayed flat q-o-q at S\$30.50 per sq ft per month (psf pm) in Q3 2019.** The retail market has reached a steady state, and occupancy levels in shopping malls have been stable since 2016. Island-wide occupancy rate of retail spaces in Q2 2019 was 92.3%, close to the three-year average occupancy of 92.2% from 2016 to 2018.
- **Prime retail rents in the Orchard Road precinct remained unchanged q-o-q in Q3 2019.** Limited new supply helped support prime retail rents in the Orchard precinct despite lower tourism spending. The prime units also attracted demand from new-to-market brands that sought greater visibility to consumers.
- **There was no change in prime rents in the Marina Centre, City Hall, and Bugis precinct in the third quarter of 2019,** with the market reaching an equilibrium.

- **The prime rents of the retail space in the City Fringe precinct also stayed unchanged q-o-q Q3 2019.** The retail occupancy rate of the City Fringe precinct went up marginally from 90.5% in Q1 2019 to 90.8% in Q2 2019.
- **In Q3 2019, the rents of prime retail units in the suburban precinct stayed flat at S\$28.60 q-o-q.** While retail sales were lower, the suburban retail rents were supported by lower upcoming retail supply.

EMERGING TRENDS IN SINGAPORE AND INTERNATIONAL RETAIL MARKETS

More retailers are adopting Augment Reality (AR) and Virtual Reality (VR) as immersive technology improves in resolution and quality.

- With the millennials accounting for more of total retail spending, more retailers are considering using AR and VR to engage millennial shoppers and enhancing in-store experiences. In a survey conducted by Gartner in July and August 2018, about 46% of retailers cited plans to deploy AR and VR solutions by 2020 to improve their customer service and retail experience.
- Besides the 'wow' and entertainment factors, the use of VR and AR through smart devices by shoppers can also help retailers collect data on the shoppers' journey and preferences. This will drive future retail offerings in-store and online.
- With more use cases and the cost of adopting AR and VR decreasing, more retailers are seeking to work with technology solution providers to use AR and VR to showcase their products.
- In Q3 2019, there were several retailers that adopted immersive technologies to improve shopper experience. Globally, Larceny Kentucky Straight Bourbon Whiskey launched "Unlock the Rickhouse", an AR application in September. Shoppers were encouraged to explore rickhouses and learn more about the brand and its products. Over at India, Audi opened a new showroom equipped with AR and VR technology in August. The technology allowed car buyers to customise and experience their preferred configuration of Audi cars before making purchasing decisions.
- In Singapore, the newly opened Golden Village Cinema at Funan also introduced its Virtual pods in the foyer in June, providing virtual reality gaming and cinematic trailers for movie goers while waiting. More recently, Clarins also launched House of Clarins, a campaign to attract shoppers, in September 2019 to visit their pop-up store. Shoppers can test and learn about Clarins' products through an AR enabled gaming experience.

Advancements in 5G network set to empower retail players through enhanced big data and artificial intelligence capabilities.

- In May 2019, the Infocomm Media Development Authority announced plans to roll out at least two nationwide 5G networks as early as 2020. With this new technology, there will be significant improvements in network capacities, up to 20 times faster surfing speeds, and the ability to connect to 1,000 times more devices.
- In the retail market, players can leverage on 5G technology to collect, process, and utilise data from every aspect of the shopping experience with significant improvements in efficiency.
- Adoption of such technology empowers retail players to respond faster to changing consumer needs, curating optimised and personalised shopping experience for shoppers.

MARKET OUTLOOK

Against the backdrop of a weak macro-economic outlook, the retail sector is expected to remain soft through end 2019.

- **Knight Frank envisages rents in the Central Region to decline up to 2.0% y-o-y.** Consumer sentiments are expected to be weaker in view of the slower economic growth. Notwithstanding such, the expected increase in visitor arrivals through BTMICE events and the lifestyle amenities in malls should sustain or increase the footfall for the tenants.
- **Island-wide occupancy of retail spaces is likely to remain stable till end 2019.** Limited completions in the upcoming quarter will help support occupancy rates, barring any external shocks.

EXHIBIT 4

Notable New Store Openings in Singapore

Retailers	Location	Category	Type of opening in Singapore
Beauty Lab (Dyson)	Funan	Beauty & Wellness	World's first concept store by brand
Anello	Jewel Changi Airport	Fashion	First physical store in Singapore
Emma Dessert	Plaza Singapura	Food & Beverage	First overseas outlet by brand
Little Damage	Wheelock Place	Food & Beverage	First store in Singapore by brand
Starter Lab Bakery	Havelock Road	Fitness & Health	First overseas store by the brand
Threeppy	Funan	Mini-mart & Convenience	Premium version of Daiso, and first in Singapore and Southeast Asia
Pet Lovers Express	VivoCity	Others	First supermarket store-in-store concept by brand

Source: Various web sources, Knight Frank Research

EXHIBIT 5

Key Events in the Retail Landscape

SINGAPORE	
Home grown tailor brand launched new concept store at Capitol Piazza	CYC, a Singapore tailor brand, opened their relocated store at Capitol Piazza in July 2019. An interactive screen allows shoppers to custom build and visualise outfits from a selected range of fabrics, buttons, and collar styles. To complement its offerings, the brand also collaborated with Hong Kong bespoke shoe brand, ShoeArtistry, for shoes customised to fit shoppers perfectly. In addition, the store has a children space and an Instagram-able wall dedicated to young families, enhancing overall store experience for shoppers.
Taobao opened first concept store at Funan	Taobao opened its first physical South-east Asia store in Funan in September 2019. Taobao Store by Virmall offers over 300 products across trade categories in its 6,000 sq ft store. The store is equipped with VR technology, allowing shoppers to better visualise each product. At the same time, shoppers can also purchase and collect their Taobao items in-store at their convenience.
Zero-waste store, The Source Bulk Food, opened its first Singapore store in July 2019	The Australia brand opened its first ASEAN store in Singapore in July 2019, a step to expand into the region. Located at Cluny Court, the shop offers over 350 food and household items. Shoppers are encouraged to bring their own container and fill up desired products.
ASIA	
Central Phuket shopping centre unveiled new entertainment and leisure tenants, including the world's largest underwater bar	Nestled within Aquaria Phuket, Thailand's largest aquarium at over 107,000 sq ft in size, Andasi Phuket will be the world's largest underwater bar offering luxurious and unmatched experience to shoppers who visit the attraction. In addition, the Trick Eye Museum within the facility is also envisaged to become the world's first Augmented Reality art museum. This project is set to strengthen Central Phuket's position as a choice tourism destination for luxury and leisure experiences.
Pricerite opened its first store accepting cryptocurrency	With the August launch of its new retail concept store at MegaBox in Hong Kong, Pricerite will become the first retail chain store in Hong Kong to accept cryptocurrency. Along with the two other stores in Hong Kong, Pricerite stores will accept Bitcoin, Ethereum, and Litecoin as payment options. The initiative is in-line with the brand's commitment to using advanced technology to enhance retail offerings.
Paradigm Mall partners Sim Leisure Group to build an indoor theme park.	Under the partnership, Sim Leisure Group is building a 35,000 sq ft indoor version of its Escape Challenge at Paradigm Mall, Java. The space was leased to the group for 12 years. This comes on the back of the trend of introducing leisure and entertainment into the shopping malls. Apart from bringing higher foot traffic from targeted audiences such as youths and young families, tenants offering leisure and entertainment inject vibrancy into the malls and provide a distinction from other malls.

Source: Various web sources, Knight Frank Research

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

Angela Hoe
Head
Retail
6228 7335
angela.hoe@sg.knightfrank.com

**FOR FURTHER INFORMATION,
PLEASE CONTACT:**

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

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



© Knight Frank Singapore 2019

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 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315.