



Q4 2017 MARKET SNAPSHOT

Upcoming New Supply (2018 - 2022):

5.9 million sq ft GFA
(6.2% of total current stock)

Average Prime Retail Rents (Island-wide):

S\$30.70 psf pm

▼ 0.4% decrease q-o-q



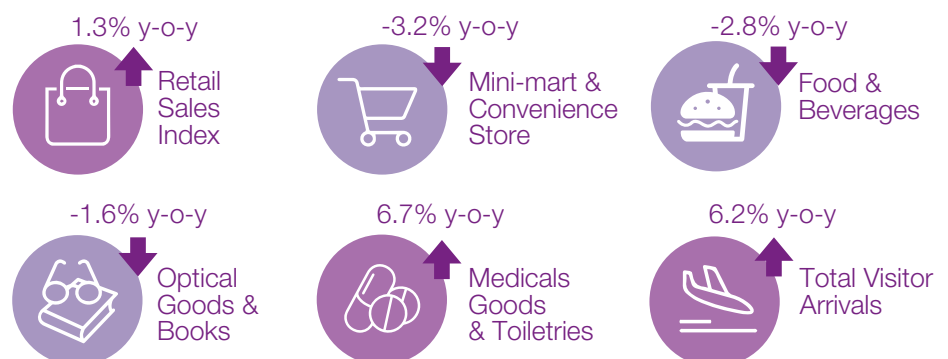
WENDY LOW
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“Notwithstanding upbeat economic sentiment and better retail sales performance, the retail scene still remains challenging for physical retailers due to the onslaught of online shopping. Retailers are now devising ways to tackle this structural change, moving beyond technology adoption to streamlining operational processes.”

RETAILERS NEED TO EVOLVE TO STAY RELEVANT AND COMPETITIVE IN RETAINING AND ATTRACTING NEW CUSTOMERS

The Singapore retail market continued to be weighed down by rising business costs and manpower shortage in 2017. As retailers face competition from e-commerce services and changing consumer expectations, demand for new retail spaces remained soft. Moving forward, landlords and retailers are expected to further integrate technology into their operations and physical stores to attract shoppers in 2018.

Improvement in 2017 overall retail sales and visitor arrivals bring optimism to the challenging retail landscape in Singapore



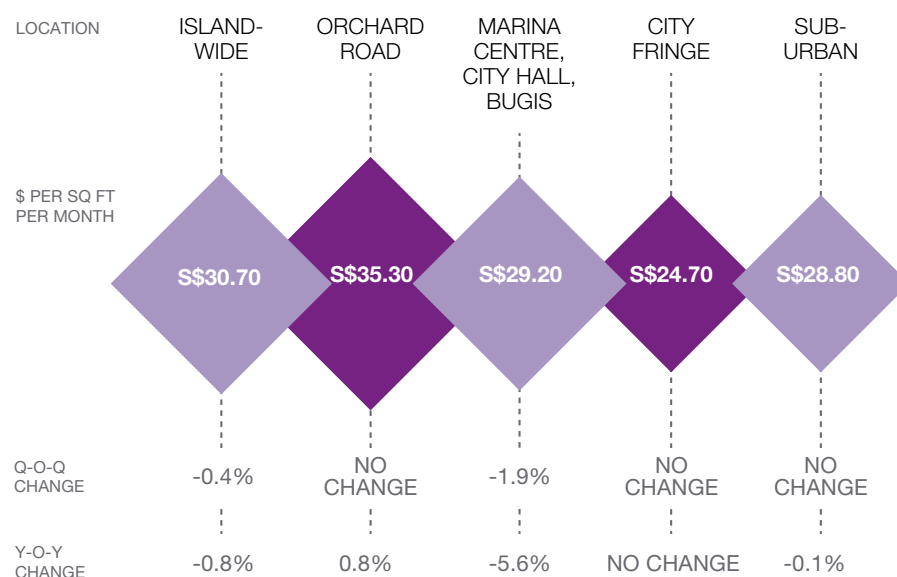
- **Overall Retail Sales Index (excluding motor vehicles; non-seasonally adjusted, at constant prices) rose 1.3% in 2017 as compared to 2016, bottoming out from three years (2014 - 2016) of negative growth.** Of the 13 retail trade categories tracked by the Department of Statistics Singapore, the Medical Goods & Toiletries trade saw the highest increase of 6.7% as compared to a year ago.
- **Nett Employment in the wholesale and retail trade decreased** by 200 headcount the whole of 2017 despite an improvement in retail sales. This decline could have been attributed by on-going consolidation exercise by retailers amid rising business costs and rents.
- **Total visitor arrivals in 2017 reached 17.4 million, 6.2% higher than a year ago.** The significant increase was brought about by the spikes in Chinese, Indonesian and Indian visitors, with their arrivals increasing 11.9%, 10.8% and 7.4% respectively, as compared to a year ago.

Island-wide prime retail rents stayed lower in Q4 2017

- Rents of prime spaces remained weaker than a year ago. On a year-on-year (y-o-y) basis, island-wide prime rents compressed 0.8% from S\$30.90 per square foot per month (psf pm) in Q4 2016 to S\$30.70 psf pm in Q4 2017; with the highest dip in rents experienced in the precinct of Marina Centre, City Hall and Bugis (-5.6% y-o-y) in the same period.
- On a quarter-on-quarter (q-o-q) basis, prime rents for all locations remained unchanged, except for the Marina Centre, City Hall and Bugis precinct, which fell 1.9%, where landlords lowered their rental expectations to prop occupancy rates.
- The moderate performance of prime retail rents was largely due to the retailers' cautious approach towards expansion plans amid threat from e-commerce.
- Notwithstanding strong headwinds in the retail scene, prime rents for retail spaces along Orchard Road remained stable and inched up by 0.8% y-o-y in Q4 2017. This could be attributed to the shopping belt's maintained popularity, especially amongst international retailers, as the prime location to establish their brand's presence.

EXHIBIT 1

Average Gross Rents of Prime Retail Spaces as of Q4 2017

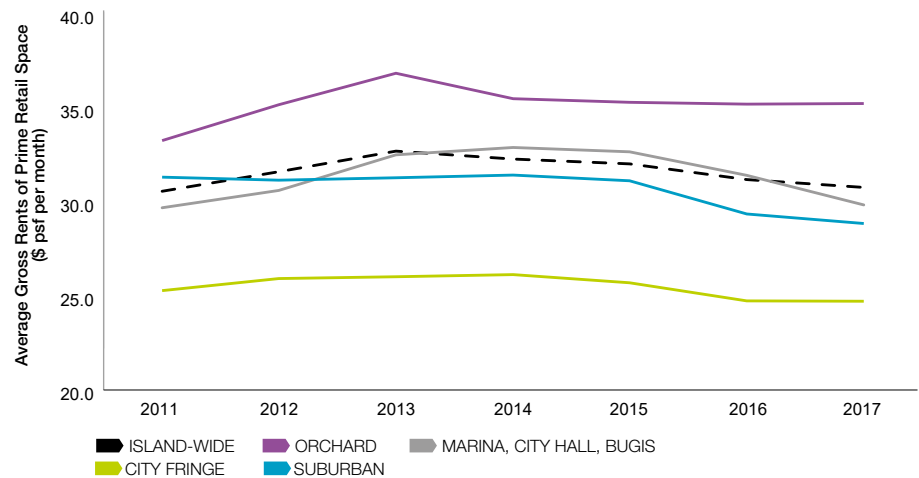


Source: Knight Frank Research

* 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.

EXHIBIT 2

Average Gross Rents of Prime Retail Spaces, 2011 - 2017



Source: Knight Frank Research

Challenging retail climate for both retailers and landlords in 2017

- **Elevated rents and manpower costs have led retailers to embark on a consolidation exercise, with many downsizing or opting to shut down stores.** Victoria's Secret and Uniqlo exited One Raffles Place Shopping Mall, while John Little shut its doors at Plaza Singapura.
- **To mitigate the labour crunch, many retailers turned towards the adoption of technology** to increase productivity and business efficacy. Retailers like NTUC and Sheng Shiong have rolled automated check-out systems to at least 45% of their stores to reduce reliance on manpower.
- **According to the Economic Development Board a nett total of 3,969 retail trade business entities ceased operations between 2015 and 2017.** On the contrary, there was an increase of 1,885 Food & Beverage trade business entities over the same period.

RETAIL TRENDS THAT WILL PERSIST INTO 2018

Going back to 'Bricks'

- **More Singaporeans are expected to shop in-store in 2018.** More retailers are devising ways to draw Singaporeans to shop in-store by offering innovative in-store shopping experience, unique experiential activities and personalised services. For instance, the Shoppes at Marina Bay Sands recently unveiled the Virtual Closet - a walk-in wardrobe utilising interactive digital mirrors which allow shoppers to test fit clothing, apparels and accessories using augmented reality.
- **Physical stores are critical to capture a wider customer base for e-commerce players.** E-commerce players like Alibaba and Amazon started to establish physical stores to capture walk-in patrons. Both Hema Supermarkets & Amazon GO doubled up as storage and fulfilment stations for delivery of web orders, offering a seamless transition between online and offline shopping. According to a survey conducted by International Council of Shopping Centres in 2017, 69.0% of 'click & collect' customers are likely to purchase additional items while they pick up their online orders from physical stores. Local retailers, such as Decathlon, Harvey Norman, Robinsons and Uniqlo, have started allowing their customers to 'click & collect' their purchases at their retail outlets.

Concatenation of work, play and lifestyle in local retail malls

- Local co-working space operators, JustCo, recently took up close to 57,000 sqft within Marina Square's retail space. Some co-working space operators have opened within retail malls so as to offer an integrated 'work-play-shop' concept. Some examples include Multispace in Astana Mall, Kazakhstan, Space&Co in Rouse Hill Town Centre, Melbourne, and Regus co-working spaces in Meadowhall Shopping Centre, United Kingdom.

Unmanned stores and going cashless may pave the way of the future retail landscape.

- The trend of unmanned stores could tackle the issue of persistent labour crunch. Singapore opened its inaugural unmanned Cheers store in Ngee Ann Polytechnic in July 2017. The store uses QR code technology to police the entry and exit of shoppers via a mobile application, and features a unified self-checkout system that accepts various modes of cashless payments. Stores with similar concept launched overseas include Bingo Box in Shanghai, 7Fresh in Beijing and Amazon Go in Seattle.

E-Commerce company to forge alliance with Malls to connect retailers to shoppers both offline and online ("O&O")

- To facilitate a seamless O&O experience, CapitaLand Singapore partnered with Lazada.SG to create a Shop-in-Shop concept, with an underlying objective to drive online traffic into the malls, and vice versa. Shoppers who patronise the CapitaLand official store on Lazada.SG online, can choose to collect their purchases at CapitaLand malls and also earn CapitaLand membership points (STAR\$).
- Click-and-collect lounges set-up in malls to facilitate shoppers' convenience.** Lazada.SG launched two unmanned click-and-collect lounges with CapitaLand malls (Plaza Singapura & Bugis+) featuring collection lockers, fitting rooms and a product-testing bench to enhance overall shopping experience and develop an eco-system that organically increases shopping traffic O&O. Downtown@OUE also launched the OUE Re:Store, which is an unmanned lounge, that allows patrons to order ready-made bento boxes via an app, and collect them at assigned lockers.

Personalisation – 'The New Black'

- Retailers are increasingly adopting personalised services in their business. For example, Luxury retailer Gucci recently launched a new service that allows shoppers to create and personalise their shoes.
- Some retailers such as Nordstrom (Fashion Retailer in the United States) have relied on Big Data Analytics, and even Artificial Intelligence that uses algorithms to capture customer preferences, and push promotional coupons, or suggest limited edition items that are to their liking.

MARKET OUTLOOK

Retail expected to remain challenging for both retailers and landlords in 2018.

- Average rents in the Central Region are envisaged to fall by 3.0% to 5.0% y-o-y,** and Suburban region to decline by up to 3.0% y-o-y by Q4 2018. The more resilient island-wide prime rents are likely to see marginal decrease by up to 2.0% y-o-y in the same period.
- Landlords and retailers alike are expected to further adopt the integration of technology into their operations to:
 - close the gap between online and offline sales
 - further engage the customers via personalised and experiential services.
 - collect customer data to further study their retail behaviour and preferences in light of improving their service engagements.
 - increase customer purchase convenience via the provision of seamless delivery and/or collection avenues that can be arranged across all mobile devices.

- **Island-wide occupancy performance is expected to moderate to between 91.0% and 93.0% by Q4 2018.** With close to 2.1 million sq ft of nett lettable retail space scheduled for completion in 2018, threats from e-commerce and changing consumer preferences, retailers are expected to still take a selective and measured approach towards expansion plans. Suburban malls that are located near major transport nodes, and supported by a strong captive residents' market should maintain healthy occupancy.
- On a positive note, new retail brands and concepts are still looking to establish their presence in the Singapore retail scene this year. The appeal of Singapore as a gateway showcase to the Asian market, coupled with provisions to a conducive business environment, clear institutional frameworks and proactive strategies by the government to grow the tourism industry, continues to offer new-to-market players an attractive business proposition to set up shop in this city state.

EXHIBIT 3

Notable new store openings

Retailers	Location	Category	Nature of Brand in Singapore
Lumine	Clarke Quay Central	Fashion	New-to-market
Don Don Donki	Orchard Central	Department Store	New-to-market
AW Lab	Suntec City	Sports Apparel	New-to-Market
Old Seng Choong	The Central	Food & Beverage	New-to-Market
Fendi	ION Orchard	Fashion	New Store

Source: Various web sources, Knight Frank Research

EXHIBIT 4

Key events in retail landscape

SINGAPORE	
Travelling pop-up store by Fendi	To inaugurate Fendi's new store in ION Orchard, a travelling Fendi kiosk made its debut global appearance in Singapore. Designed as a luxurious Roman-style vintage newsstand, the kiosk featured the SS18 Men's collection, focussing on bags and accessories. The kiosk is now travelling across Asia.
Café that accepts only Cryptocurrency or Credit card payments	The Ducatus Café opened its flagship store in Oxley Tower in January 2018. Owned by a cryptocurrency mining firm (Ducatus Global), the store sells coffee, snacks and branded gifts. The store features a special ATM to facilitate payments made via cryptocurrencies (e.g. Ducatus Coins or Bitcoins) and/or credit cards.
Hans Im Glück selects Singapore as their first international stop for their global expansion plan	The Munich born Gourmet Burger and Bar opened its first global store at International Building.
ASIA	
MALAYSIA: WCT Holdings opens largest mall in Johor Bahru named Paradigm	The largest shopping mall in Johor Bahru, spanning 1.3 million sq ft across seven floors, houses over 500 outlets, an ice-skating rink, a HomePro Outlet and an indoor rock climbing gym. Some of its key tenants include Parkson's departmental store and brands such as Mixxo and Shoppen, which are not available in Singapore.
CHINA: Alfred Dunhill unveils new retail concept in Beijing	The luxury brand has opened a new store in Beijing, featuring its line of men's fashion and accessories. The shop is designed to mimic the brand's flagship store in London, accentuating its home design concept of elegance, sophistication and masculinity.
South Korea: Apple opened its first retail store in Seoul	Apple opened first retail store in Southern Seoul's Garosu-gil district. The store offers an experiential retail concept where customers can try out new products and take inhouse lessons conducted by their staffs.

Source: Various web sources, Knight Frank Research

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