

Q4 2023

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# Impending GST hike spurs spending in Q4 2023

► “Outbound travel during the year-end holiday season led to a muted festive period. Still, the approaching hike in the goods and service tax (GST) rate saw sales registers ring as consumers brought forward large purchases in the last quarter of the year.”

ETHAN HSU, HEAD, RETAIL

## ENROUTE BACK TO PRE-PANDEMIC, BUT NOT THERE YET

The Singapore Tourism Board (STB) reported a total of 12.4 million visitor arrivals in the 11 months from January to November with an excess of over 1.0 million for each month since March 2023. Nonetheless, annual visitor arrivals as at November 2023 still fell short of the 2019 pre-pandemic record of 19.1 million by 35.3%, plateauing for four consecutive months since August. The dip in tourist arrivals may be due to seasonal trends, costly airfares and accommodation, and the extended recovery of business travel alongside the slow recovery of inbound visitors from China.

The average gross rent of prime spaces island-wide in Q4 2023 increased 1.1% q-o-q and 3.6% y-o-y to S\$27.00 psf pm (Exhibit 1). Prime retail rents in all micromarkets except for

suburban areas experienced annual growth of more than 4.0%, with the Marina Centre, City Hall, Bugis micromarket showing the highest increase of 5.0% y-o-y and 1.5% q-o-q. Prime rents in suburban malls increased by a more moderate 0.5% y-o-y after having recovered from the pandemic much earlier than shopping centres in the Central Region.

## RETAIL SALES PERFORMANCE

Retail spending showed an uptick in October and November, with retail sales (excluding motor vehicles) reaching S\$3.6 billion and S\$3.7 billion respectively (Exhibit 2). This increase was fuelled by the approaching year-end festivities, with some consumers rushing purchases before the looming GST hike to nine percent took effect on 1 January 2024.

Online retail sales rose 2.4 percentage

# S\$30.30

 PSF PM

Orchard Prime Retail Rent

# S\$26.10

 PSF PM

Suburban Prime Retail Rent

# 3.6

 MILLION SF GFA

Upcoming Supply (Q4 2023 to 2027)

points (pp), increasing from 14.7% in October to 17.1% in November, marking the highest proportion since March 2022 when it was 17.2%. The surge in online sales can be attributed to consumers gearing up for the festive season at the end of the year.

## MUTED RETAIL ACTIVITY FROM CONSUMERS DESPITE BRANDS ACTIVELY BUILDING PRESENCE

With the year-end school holidays, the last quarter of 2023 was quieter, as many Singaporean families took the chance to travel overseas in the first full year without travel restrictions. The strength of the Singapore dollar and passport coupled with travel fairs and events in the months leading up to the final quarter of 2023, resulted in the large numbers travelling overseas, as retailers noted that the volume of retail activity was not as robust as expected.

Nonetheless, the impending goods and services tax (GST) rate increase to nine percent compelled many local shoppers to make big-ticket purchases before the end of 2023, especially with discretionary items such as furniture and home appliances.

Local and foreign brands continued to build a physical presence in Singapore's retail scene. On the domestic front, there remains a strong entrepreneurial spirit in the younger generation of retailers and F&B operators as many

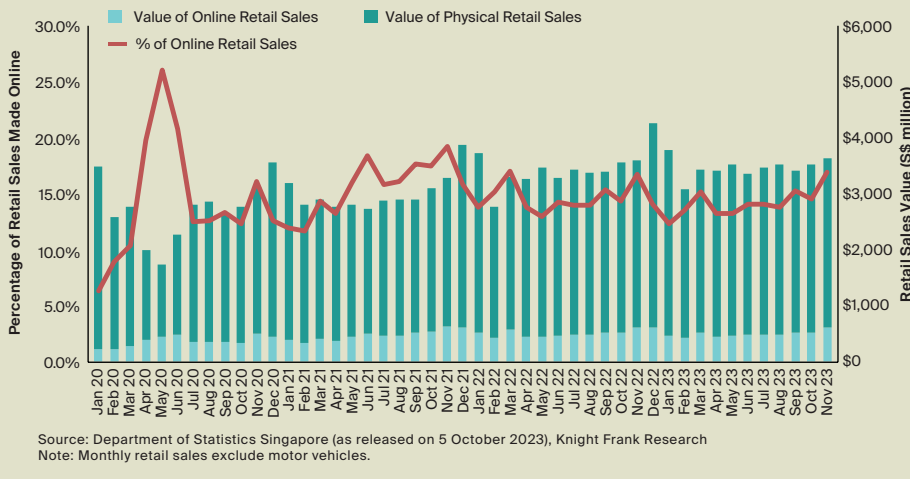
Exhibit 1: Average Gross Rents of Prime Retail Spaces\*, Q4 2023

LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (\$\$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	\$27.00	1.1%	3.6%
Orchard	\$30.30	1.0%	4.0%
Marina Centre, City Hall, Bugis	\$25.10	1.5%	5.0%
City Fringe	\$23.30	0.9%	4.6%
Suburban	\$26.10	0.9%	0.5%

Source: Knight Frank Research

\*Prime retail spaces refer to rental-yielding units between 350 sf and 1,500 sf with the best frontage, connectivity, footfall and accessibility in a mall, typically located on the ground level and/or the basement level of a retail mall that is linked to an MRT station or bus interchange. Average gross rents of prime retail spaces are rounded to the nearest S\$0.10.

## Exhibit 2: Monthly Retail Sales as at November 2023



are well-travelled and technologically savvy, often utilising a slick combination of online and physical channels, along with kickstart capital from investors looking at these businesses to drive new concepts and opportunities for an increasingly discerning customer base.

Alongside local enterprise creation, international brands also made comebacks, some having left Singapore at the onset of the COVID-19 outbreak. For example, Sasa made a comeback by opening its first physical store at Jurong Point in December after leaving in 2019. Other brands are on the lookout for additional space for expansion. In Orchard Road, Nike will be opening a flagship store at 268 Orchard Road fronting Singapore’s premier shopping belt. Multi-label retailer Club 21 opened a two-storey 8,000 sf boutique at COMO Orchard. With international visitors and Singaporean shoppers bringing vibrancy back to Orchard Road, new experiential activity centres like Trifecta, a sports and lifestyle facility in Somerset that opened in October, offer greater experiential retail diversity along the shopping street. Entertainment activities have returned and are expected to become more prominent in the year ahead. Cinemas and theatres are refreshing their offerings by partnering smaller players with original ideas and novel concepts to provide a wider range of services and depth of experiences for consumers.

### MARKET OUTLOOK

Although 2023 was one of sustained recovery for the retail sector, inflation has resulted in upward cost pressures. Uncertainty from military conflict in the Middle East and geo-political tensions in the South China Sea and north Asia also threaten to unhinge growth prospects.

Notwithstanding the above risks, the outlook for 2024 is positive and will likely be characterised by the continued improvement of visitor arrivals to Singapore for both business and leisure purposes. Tight occupancy levels prevail at many popular malls both in Orchard Road as well as suburban areas, with these healthy levels expected to maintain throughout the course of 2024. Many existing retailers continue to scout locations for expansion. At the same time, international brands look to set up new presence in Singapore to tap into the growing affluence and consumer strength of middle-class societies in Southeast Asia. The ongoing normalisation of travel patterns, return-to-office momentum, and recreational activities post-pandemic will underpin occupancy and rents in the retail sector. As a whole, prime retail rents are envisaged to increase between 2% to 4% for the year ahead.

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