

**Q1 2019 RETAIL
MARKET SNAPSHOT**

Upcoming New Supply (2019 - 2023):

4.9 million sq ft GFA
(7.4% of total current stock)

Average Prime Retail Rents (Island-wide):

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

SOCIAL DESTINATIONS ARE CURATED TO ATTRACT FOOTFALL AND INCREASE DWELL TIME

Prime retail rents remained flat quarter-on-quarter (q-o-q) in Q1 2019 despite the increase in tourists' spending in 2018 and the uptick in retail sales in January 2019. Downside risks remained, as projections of economic growth for Singapore were moderated. Singapore remained vulnerable to the trade disputes and slowing global economy.

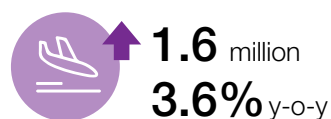
To stay ahead of the curve, landlords and retailers are focusing on placemaking, curating social destinations to attract and engage shoppers.

Growth in total International Visitor Arrivals (IVA) in January 2019 moderated to 3.6% year-on-year (y-o-y).

EXHIBIT 1

International Visitor Arrivals and Total Tourism Receipts (TR)

Total Visitor Arrivals
(January 2019)



Total Tourism Receipts
for 2018*



Source: Singapore Tourism Board, Knight Frank Research.

Latest available data updated as at 31 March 2019. *Total Tourism Receipts based on STB preliminary estimates.



WENDY LOW
Head, Retail

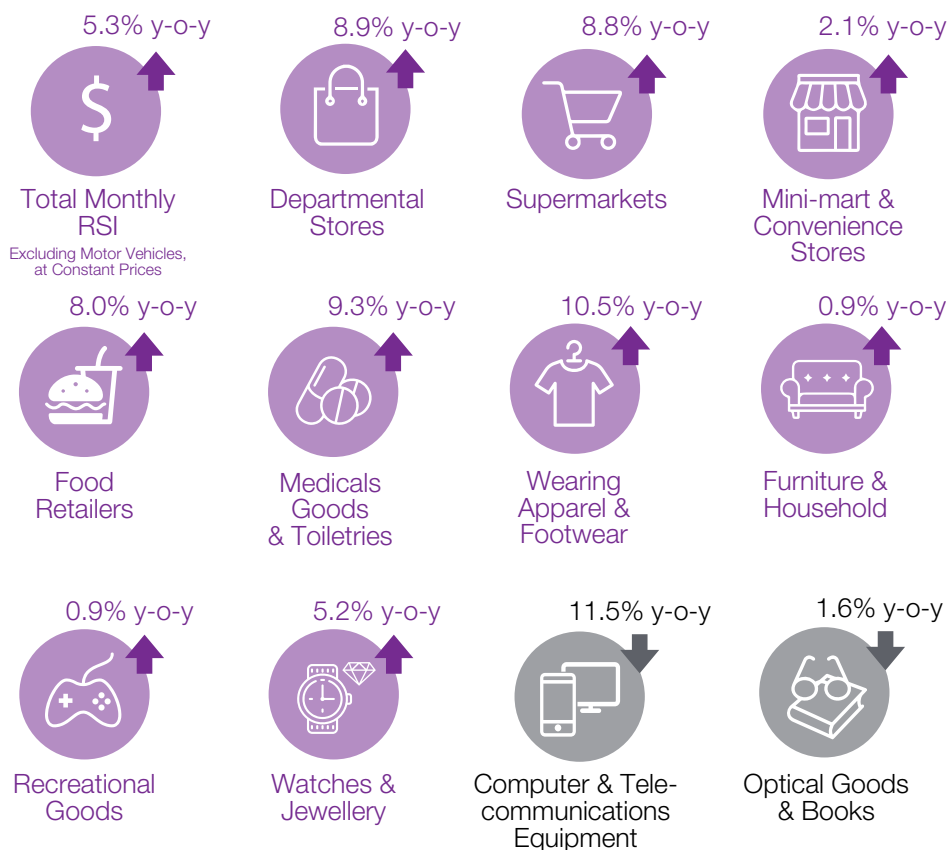
“The current focus of placemaking in retail sector seems to be on millennials. However, there is much more potential to be tapped by using placemaking to create social spaces that encourage inclusivity.”

- **The growth in visitor arrivals to Singapore in January 2019 was largely supported by growth in visitors from China and Australia.** Notwithstanding, the pace of growth in visitor arrivals slowed, compared to the 5.6% y-o-y increase in January 2018. This was due partly to fewer visitors from Indonesia, and India.
- **Chinese visitors grew nearly 10.0% y-o-y, and China remained Singapore's top visitor source market.** The increased flight connectivity to China contributed to the growth in Chinese visitors from both tier one and tier two cities. For example, there were new and increased flights between Singapore and Nanchang, Haikou and Jinan in China in 2018.
- **Visitors from India decreased 3.4% y-o-y,** due partly to the closure of several Indian airports amid the mounting tension between India and Pakistan.
- **Overall Tourism Receipts from January to September 2018 increased at a moderate pace of 1.1% y-o-y.** Growth is dragged by lower (-12% y-o-y) spending by Chinese visitors in Q3 2018. There were more day-trippers to Singapore and more travellers that went to multiple destinations, resulting in shorter stays in the country. Unfavourable exchange rates also capped spending by Indonesian and Malaysian visitors.
- **Despite the uncertainty from geo-political tensions and possible terror threats in the region, the Singapore Tourism Board projected a cautiously optimistic outlook.** STB projects IVA and TR to grow by 1.0% to 4.0% y-o-y and 1.0% to 3.0% y-o-y respectively by end 2019.

Real household income grew 2.6% y-o-y in 2018, partly due to the tight labour market and sustained economic growth. Overall monthly Retail Sales Index (RSI) improved in January.

EXHIBIT 2

Monthly Retail Sales Index (RSI) on Current Prices, January 2019

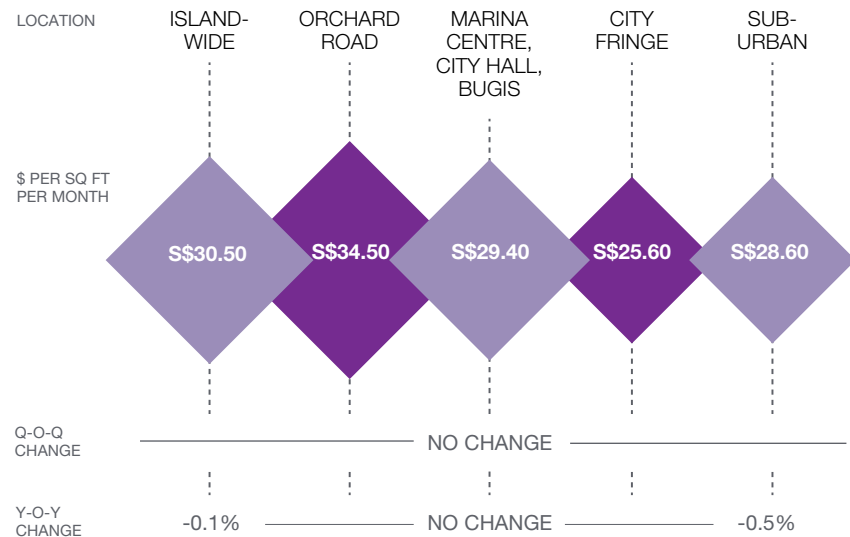


Source: Singstats, Knight Frank Research.
Monthly Retail Sales Index updated from Singstats as at 31 March 2019

- **Monthly Retail Sales Index (excluding Motor Vehicles, at current prices) rose 5.3% y-o-y in January 2019**, supported by increase in sales across most retail categories. The y-o-y growth in spending is possibly due to an earlier Chinese New Year in 2019 (5-6 February) compared to that in 2018 (16-17 February).
- **Retail sales in Wearing Apparel & Footwear increased the most** at 10.5%, followed by Medical Goods & Toiletries and Departmental Stores at 9.3% and 8.9% y-o-y respectively. Separately, Computer & Telecommunications Equipment recorded the largest decline in sales at 11.5%.
- **Sales of Food & Beverage Services increased 5.9% y-o-y in January**. The Retail Trade and Food & Beverage Services sectors anticipate improved business outlook in H1 2019 as compared to H2 2018. However, there will be greater urgency to adopt automation, as the foreign worker quota in services sector will be cut to 35% by 2021.

Island-wide average prime retail rents remained flat q-o-q in Q1 2019, with the market at the steady state.

EXHIBIT 3

Average Gross Rents of Prime Retail Spaces*, Q1 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.

- **Island-wide prime retail rents remained flat q-o-q in Q1 2019.** Whilst retail sales improved in January, it is still premature to conclude that the retail sector has turned the corner. Retailers were largely cautious and were likely to refrain from overcommitting on higher rents.
- **Prime rents in Orchard Road precinct stood at S\$34.50 psf pm in Q1 2019, unchanged q-o-q.** The lack of new supply within the Orchard precinct helped support the prime rents in Orchard Road. Notwithstanding, the uncertain external environment curbed rents to increase further.
- **Prime rents in the Marina Centre, City Hall, and Bugis precinct remained flat q-o-q.** Occupancy of major malls improved as landlords adopted new lifestyle concepts to increase footfall and tenant sales. Nevertheless, it remains to be seen whether the increase in sales and footfall can be sustained.
- **Prime rents in City Fringe precinct stood level q-o-q at S\$25.60 psf pm.** The performance of malls was mixed, with rents of well-managed malls at choice locations being more resilient against the headwinds.
- **Prime rents in the Suburban precinct remained flat q-o-q in Q1 2019.** While the prime spaces in suburban precinct remained highly demanded, retailers were unwillingly to commit higher rents due to challenging landscape.

EMERGING TRENDS IN SINGAPORE AND INTERNATIONAL RETAIL MARKETS

Landlords and retailers are adopting placemaking through building community spaces that are functional, exciting, and interactive for users.

- Placemaking is an approach to the planning, design and management of public spaces. It capitalises on local community's assets and potential, thus creating and promoting the place identity (Seoul's Dongdaemum Design Plaza, Singapore's Bras Basah). Successful placemaking creates shared-community experiences and memories that connects individuals and communities to their heritage.
- More landlords and retailers are curating spaces serving as a focal point to attract shoppers, increasing footfall and dwell time within retail spaces.
- A recent example is Our Tampines Hub, Singapore's largest integrated community and lifestyle hub, that brings together multiple agencies and offering a comprehensive range of services and facilities including sports, recreational, retail and communal spaces. It is designed and carefully curated to induce synergy between the complementary spaces, catering for interaction and bonding among residents and fostering greater sense of identity.
- However, offering such spaces may be costly to the landlords as there will be less net lettable area. Hence, some malls leverage on the Community/Sports Facilities Scheme, under which bonus Gross Floor Area (GFA) for community and/or sports uses is allowed over and above the maximum permissible GFA, to cushion the loss of rent. One example is library@habourfront, a public library newly opened on the third floor of VivoCity. The opening of a public library within the shopping mall will complement the mall's existing offerings and encourage repeated visitorship.
- Retailers are also using placemaking approach to offer better shopping experience within their shops. A case in point was the largest Starbucks store in the world in Nakameguro, Tokyo which features Starbucks' largest Teavana tea bar and its first dedicated community space for events featuring thought leaders. The interior design is intended to create an upmarket experience, foster human connection, and create positive social impact in the communities served.

Landlords and retailers are using social media to attract mobile-savvy shoppers offline to physical stores.

- Retailers are leveraging on targeted marketing via visual social media channels such as Facebook, Instagram and other social media platforms to attract shoppers to visit physical stores. Such channels provide an excellent platform for retailers to showcase their products. More retailers are making use of the social media platform to engage the shoppers. A survey published by Deloitte in 2015 showed that digitally-influenced shoppers spent 20% more than their peers. Furthermore, shoppers are 29% more likely to purchase on the same day when they used social media to help shop either before or during their trip. Shoppers are also nearly four times as likely than non-users to spend more on purchases.
- One example is Victoria's Secret, which rolled out a marketing campaign where shoppers could exchange a gift for a selfie taken in front of its store display in 2018. Another instance was MyMM, which created content-driven mobile commerce and social media campaigns to drive traffic to their pop-up store. The Trend Hunter themed pop-up in Shanghai in 2018 encouraged shoppers to feel and touch merchandise featured on their websites.
- Closer to home, beauty retailer Yves Saint Laurent (YSL) launched its YSL Beauty Hotel in Singapore on 16 March 2019. It is a one-day pop-up event, featuring neon lights, thematic rooms, and showcasing YSL beauty products. More importantly, almost the entire pop-up area is designed to be 'Insta-worthy'.

MARKET OUTLOOK

The uncertain outlook of the global economy is likely to weigh on retail sales and rents, with greater pressure on landlords and retailers to innovate and engage shoppers. Knight Frank maintains its forecast and envisages average rents in the Central Region to change by 0.0% to -3.0% y-o-y in 2019.

Island-wide occupancy rates are likely to remain stable, hovering between 91.0% to 93.0% by end 2019.

EXHIBIT 4

Notable New Store Openings in Singapore

Retailers	Location	Category	Type of opening in Singapore
HiRoller Indoor Skating Rink	Downtown East	Entertainment	Singapore' biggest indoor skating rink
Salt Media @ Capital Tower	Capital Tower	Entertainment	First cinema in Singapore's CBD
Huggs-Epigram Coffee Bookshop	Maxwell Road	Food & Beverage	First bookstore dedicated to offering only Singaporean books.
Chateau d'Ax	Palais Renaissance	Furniture and Homeware	First Singapore store
Siri House	Dempsey Hill	Property	Multi-concept space comprises sales gallery of properties in Thailand, restaurant/bar, retail concept stores and art gallery
Roche Bobois	Boon Siew Building	Furniture and Homeware	First store in Singapore
Manifesto	Mandarin Gallery	Fashion	First flagship by the multi-label concept store
Stefano Ricci	Marina Bay Sands	Fashion	Introducing its new ultra-luxury shopping concept in Singapore

Source: Various web sources, Knight Frank Research

EXHIBIT 5

Key Events in the Retail Landscape

SINGAPORE	
Design Orchard opened along Orchard Road, set to congregate local craftsmanship, creativity, and talents	Jointly developed by the Singapore Tourism Board and Jurong Town Corporation, the retail mall will be an incubator for collaboration amongst local craftsman and entrepreneurs as well as a platform to showcase made-in-Singapore products.
Integrated development, Tekka Place, on schedule for opening in Q4 2019	Tekka Place is projected to have a soft launch in the fourth quarter of 2019. The mixed development comprises a 320-rooms serviced apartment, Citadines Rochor, and nearly 70,000 sq ft of retail space. A brand-new food hall concept, XinTekka, will be introduced to shoppers. There will be dedicated spaces to host exhibitions, artworks, and performances for the local community, promoting vibrancy in the precinct.
Jewel Changi Airport scheduled to open on April 17, is envisioned to become an iconic destination mall for multi-dimensional lifestyle experiences	Conceptualised to be a world-class development where "Singapore Meets the World, and the World Meets Singapore", the mall integrates elements of Nature, Leisure, and Entertainment with retail concepts to curate a unique retail experience for all visitors. New-to-Singapore brands in the development include Pokémon Centre Singapore, Shake Shack, Pink Fish, TONITO, and Läderach. The Forest Valley and Canopy park enhances retail and F&B offerings to induce an idyllic dining experience within an indoor garden environment. Visitors can be entertained at anchor tenant Shaw Theatres or dine at new to Singapore F&B brand Xiao Bin Lou offering theatrical performances relating to Chinese heritage and culture. Furthermore, home-grown brand Naiise, is set to launch a brand-new concept, Naiise Iconic, a café concept with in-store activities to offer visitors an interactive retail experience.
Boardwalk AdVENDture launched at Sentosa Boardwalk with 35 cashless vending machines	Royal vending launched 35 cashless vending machines, collectively known as Boardwalk AdVENDture, to dispense unique set of experience for visitors. The vending machines are clustered across four sections. Gift Street provides vending machines dispensing local crafts and souvenirs for visitors looking to bring a token home while Foodie Zone sells signature local cuisines at affordable rates. Further to that, Fun Alley holds game machines for visitors looking to entertain themselves and Fresh Point provides refreshments for visitors to beat the heat. The automated cluster is cashless-enabled, allowing visitors to pay via mobile methods such as DBS Paylah! and WeChat Pay, further enriching the retail experience for visitors to Sentosa.
Deliveroo unveiled its futuristic Deliveroo Food Market in collaboration with Eatsa	Launched on 12 March, the food market at one-north is Deliveroo's third and largest Editions site. In addition to its delivery-only kitchen, Deliveroo Food Market includes a 40-seat dine-in area, serving local office catchment within one-north. The food market houses 7 restaurant operators providing 11 dining concepts across its 10 kitchens. Prominent F&B retailers include Nam Nam, Omakase Burger, and Bonchon. Being fully automated, the futuristic dining site also marks Deliveroo's collaboration partner, Eatsa's first launch in Asia. Diners order meals via its ordering kiosks and collect their food at 'digital cubbies' which operates similarly to that of a PopStation.

ASIA

Siam Piwat Co plans to invest in two mega malls after ICONSIAM success story

Siam Piwat Co announced plans to invest approximately 70 billion baht in two mega shopping mall projects, following ICONSIAM's success.

ICONSIAM is a 750,000 sq ft mega development that comprises two shopping malls, an exhibition hall, entertainment amenities, a museum, hotel, and residential blocks.

Future malls are set to match ICONSIAM in scale.

China's new comprehensive e-commerce law took effect on January 1.

The comprehensive law covers a wide range of e-commerce related matters including registration and licensing, taxation, e-payments, dispute resolution, and intellectual property rights.

In particular, the law implies that e-commerce platforms will be jointly-liable with merchants for the sales of counterfeits, an attempt to tackling China's reputation as a major source of counterfeit and knock-off merchandise.

The new law is envisaged to improve the e-commerce ecosystem to protect the interests of merchants and consumers.

Smart store serves beverages at Happy Lemon teashop in Shanghai

In a collaboration between Happy Lemon, and Alibaba-backed Koubei, a pilot 'smart-store' has begun operations in Shanghai.

Shoppers can purchase over 40 variations of drinks via their smartphones. A notification for collection will shortly be sent to the shopper after the robot tea-mixer completes making the customized drink.

Source: Various web sources, Knight Frank Research

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