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.

EXHIBIT 1
Average Gross Rents of Prime Retail Spaces, Q2 2016

<table>
<thead>
<tr>
<th>Location</th>
<th>Average Gross Rents for Prime Spaces (S$ per sq ft / month)</th>
<th>Quarter-on-Quarter Change (q-o-q)</th>
<th>Year-on-Year Change (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island-wide</td>
<td>S$31.20</td>
<td>No change</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Orchard Road</td>
<td>S$35.20</td>
<td>No change</td>
<td>0.4%</td>
</tr>
<tr>
<td>Marina Centre, City Hall, Bugis</td>
<td>S$31.40</td>
<td>-0.4%</td>
<td>-4.2%</td>
</tr>
<tr>
<td>City Fringe</td>
<td>S$24.70</td>
<td>0.1%</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Suburban</td>
<td>S$29.50</td>
<td>0.3%</td>
<td>-3.7%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Retailers</th>
<th>Location</th>
<th>Category</th>
<th>Nature of Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phantaci</td>
<td>Orchard Central</td>
<td>Fashion &amp; Accessories</td>
<td>New to Market</td>
</tr>
<tr>
<td>AkemiUchi</td>
<td>Plaza Singapura</td>
<td>Homeware and Home Furnishings</td>
<td>Expansion</td>
</tr>
<tr>
<td>K+</td>
<td>Scotts Square</td>
<td>Multi-concept</td>
<td>New-to-Market</td>
</tr>
<tr>
<td>Honolulu Cafe</td>
<td>Centrepoint</td>
<td>Food &amp; Beverage</td>
<td>New-to-Market</td>
</tr>
</tbody>
</table>

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

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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