

## Q2 2019 RETAIL MARKET SNAPSHOT

Upcoming New Supply (Q3 2019 - 2023):

**3.8 million sq ft GFA**  
(5.7% of total current stock)

Average Prime Retail Rents (Island-wide):

**S\$30.50 psf pm**

**No Change\* q-o-q**

\*Island-wide prime rents moved marginally in Q2 2019



**ANGELA HOE**  
Head, Retail

“Singapore shoppers’ preferences have elevated; rather than branding, they place greater emphasis on design, sustainability and comfort.”

## RETAIL RENTS STABILIZED AS THE MARKET REACHES A NEW EQUILIBRIUM

Average gross rents of prime retail spaces remained largely flat quarter-on-quarter (q-o-q) in Q2 2019 amid moderated growth in visitor arrivals and weaker retail sales by both local and overseas shoppers. Notwithstanding the weaker spending, rents of prime retail spaces continued to hold for their visibility and strong foot traffic.

As the brick and mortar market continued to face competition from the e-commerce market, the retail market is slowly reaching a new equilibrium. The millennial shoppers sought for practical and comfort reasons, looking beyond the branding of the products.

**Growth in total International Visitor Arrivals (IVA) moderated heavily as visitors from several key markets recorded year-on-year (y-o-y) declines.**

EXHIBIT 1

### International Visitor Arrivals and Total Tourism Receipts

Total Visitor Arrivals  
(January to May 2019)



**7.8 million**  
**1.5% y-o-y**

Total Tourism Receipts  
for 2018



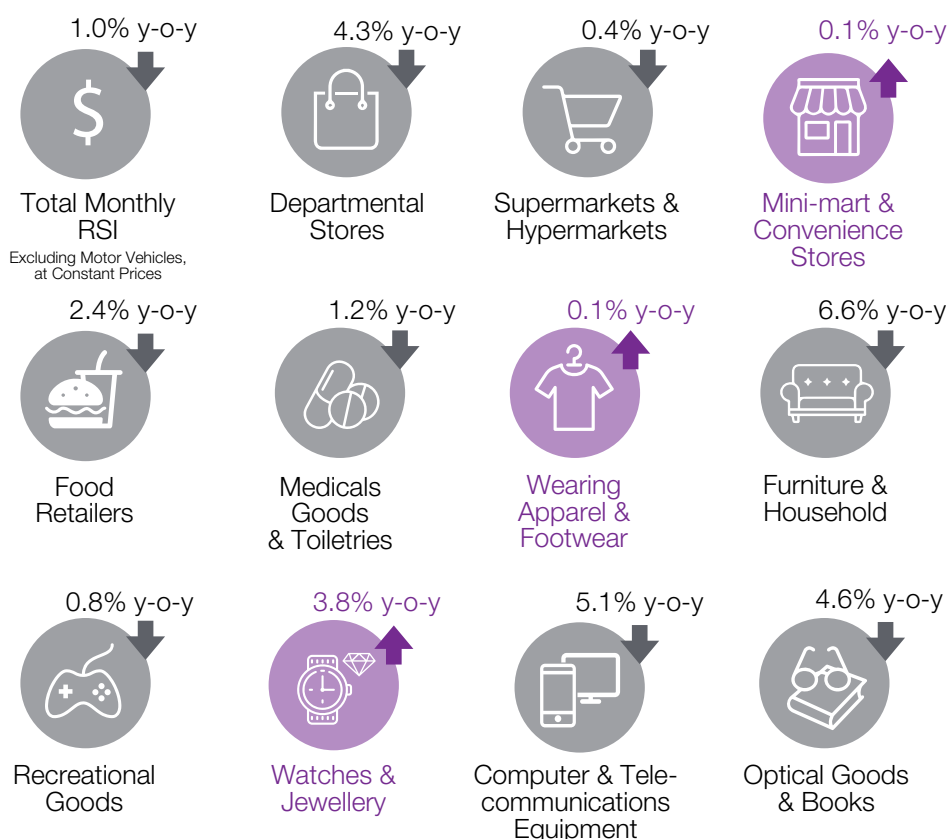
**S\$26.9 billion**  
**0.5% y-o-y**

Source: Singapore Tourism Board, Knight Frank Research.  
Latest available data updated as at 2 June 2019.

- **Total International Visitor Arrivals (IVA) growth from January to May 2019 moderated to 1.5% y-o-y**, compared to the 6.2% y-o-y growth achieved for whole of 2018. Nonetheless, the current rate of growth still falls within Singapore Tourism Board's (STB) projections of a 1.0% to 4.0% increase y-o-y by end 2019.
- **Visitor arrivals from China grew at 3.8% y-o-y from January to May 2019 to 1.5 million visitors.** The pace of growth is slower compared to the 11.5% y-o-y increase over the same period in 2018, due to a weaker Chinese Yuan and dampened Chinese consumer sentiments.
- **Visitor arrivals from Indonesia and India declined 2.4% and 1.8% y-o-y respectively.** The stronger Singapore dollar against the Indian Rupee and Indonesian Rupiah contributed to the decline in visitor arrivals.
- **Total Tourism Receipts (TR) for the whole of 2018 reached S\$26.9 billion, a 0.5% y-o-y increase.** Higher tourism spending on Sight Seeing, Entertainment & Gaming (+4% y-o-y) and Other TR Components (+17% y-o-y) were offset by lower spending in Shopping (-13% y-o-y), Accommodation (-6% y-o-y), and Food & Beverage (-2% y-o-y).

**Overall monthly Retail Sales Index (RSI) (excluding Motor Vehicles, non-seasonally adjusted at constant prices) declined by 1.0% y-o-y, as consumers became increasingly cautious.**

## EXHIBIT 2

**Monthly Retail Sales Index on At Constant Prices, May 2019**

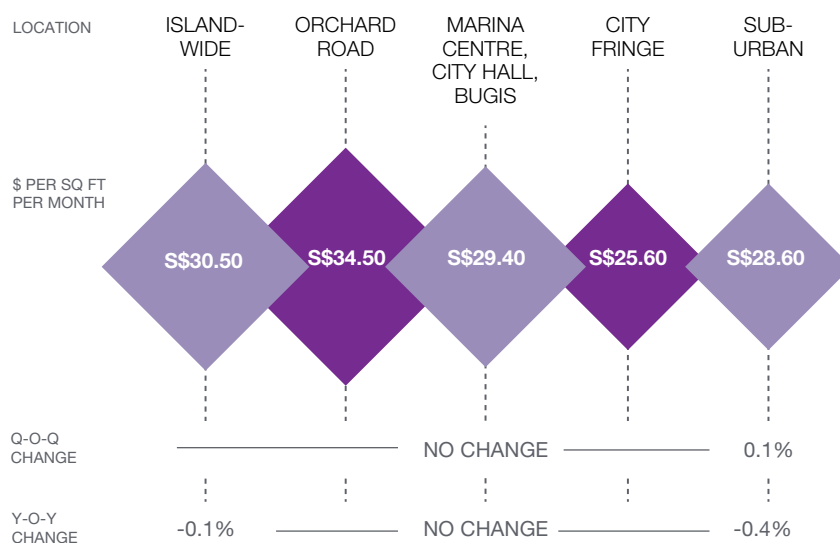
Source: Singstats, Knight Frank Research.  
Monthly Retail Sales Index updated from Singstats as at 15 July 2019

- **Retail sales for most trade categories declined y-o-y in May 2019.** Furniture & Household retail sales fared the worst, declining by 6.6% y-o-y as new demand tapered corresponding to fewer private residential sales.
- **Retail sales for Watches & Jewellery sale saw a 3.8% y-o-y increase** in retail sales over the same period on the back higher sales in gold jewellery due to the Akshaya Tritiya festival.
- **Businesses under the retail trade industry foresee less favourable business condition in second half of 2019 compared to the first half.** Given the more uncertain macro-economic outlook, and new trade and geo-political tensions arising in the region, retailers turned more pessimistic.

Island-wide prime retail rents\* in Q2 2019 remained largely unchanged q-o-q as consumer sentiment remains muted.

EXHIBIT 3

Average Gross Rents of Prime Retail Spaces\*, Q2 2019



Source: Knight Frank Research Note: Q-O-Q change for island-wide prime rents moved marginally in Q2 2019.

\* 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.

- **Overall island-wide prime retail rents remained largely flat q-o-q at S\$30.50 per sq ft per month (psf pm) in Q2 2019.** The retail market is reaching a new steady state on the whole.
- **Rents of prime retail spaces at the Orchard Road remained unchanged at S\$34.50 psf pm in Q2 2019.** Tight supply in the precinct, coupled with stable foot traffic from locals and tourists helped support prime retail rents in the area.
- **There was no change in prime retail rents in Marina Centre, City Hall and Bugis Precinct in Q2 2019.** Healthy foot traffic in the precinct supported the prime rents in the precinct despite dampened shopper sentiments.
- **Prime retail rents in the City Fringe precinct stood flat at S\$25.60 psf pm in Q2 2019.** Malls that served a large residential catchment continued to do well.
- **In Q2 2019, prime rents in suburban malls recorded a slight uptick of 0.1% q-o-q, albeit a y-o-y decline of 0.4%.** The slight uptick probably reflected the rents of areas of high traffic that appealed to the F&B retailers.

## EMERGING TRENDS IN SINGAPORE AND INTERNATIONAL RETAIL MARKETS

### Personalised loyalty programmes boost shopper engagement and help retail players build strong relationships with shoppers

- Shoppers are looking for value-added reward programmes beyond expenditure-based rewards systems. Landlords and retailers are offering experiential rewards and services to interact with shoppers and build strong relationship with their target audiences.
- For example, Reebok launched Unlocked in April 2019, its new tiered membership program, offering free delivery and returns, VIP services, events, and other personalised offers. The program was described as 'value-based', where shoppers can create a unique profile on the platform and will be rewarded for social interactions with Reebok, in addition to loyalty points traditionally associated with dollars spent. This includes reviewing Reebok products or attending Reebok events. Through such interactions, Reebok can gather crucial information regarding shoppers' tastes and preferences, thereby providing tailored and customised offers.
- In Singapore, Capitaland partnered Grab, and rolled out new benefits for Capitaland Mall shoppers in January 2019, where shoppers can convert GrabReward points into STAR\$, or exchange the GrabReward points for CapitaVouchers.

### Changing mindset of millennial shoppers shaping global luxury fashion scene

- The rise of the 'athleisure' trend stemmed from a changing taste and preference amongst millennial shoppers. On one hand, millennial shoppers lean towards expressing their individuality by experimenting with classic and modern elements, thereby creating their own styles. On the other hand, millennial shoppers are demanding versatile, durable, and sustainable fashion choices as they are increasingly educated on conscious consumerism.
- The rise of social media and increasing acceptance of casual streetwear designs in workplace, especially amongst modern industries such as IT and Tech Startups, are also bringing luxury streetwear and athleisure apparels to the forefront of fashion.
- Banking on the popularity of "Athleisure" apparels, high-end fashion houses are shifting their brand positioning to appeal to millennial shoppers. Some examples included Ralph Lauren's collaboration with London-based streetwear label Palace (October 2018), Louis Vuitton – Supreme's limited edition line (July 2017), and Fendi's launch of limited edition athleisure apparels with Fila (September 2018).

## MARKET OUTLOOK

Amid continued challenges faced by the retail sector and downside risks from an uncertain trade environment, retail rents in the Central Region are expected to come under further pressure. Knight Frank envisages rents in the Central Region to decline up to 2.0% y-o-y by end 2019.

- **Retailers and landlords will continue to face pressure to explore new market segments and innovations that value add to shoppers.** Notwithstanding the downward pressure for retail rents, prime retail spaces with excellent frontage and accessibility will remain resilient due with strong demand from retailers.
- **Island-wide occupancy will likely remain stable, hovering between 91.0% and 93.0% for 2019,** on the back of tapering new retail supply beyond 2019.

#### EXHIBIT 4

#### Notable New Store Openings in Singapore

Retailers	Location	Category	Type of opening in Singapore
Philipp Plein	Marina Bay Sands	Fashion	First boutique store in South East Asia
D2-i	Paragon	Fashion	First store in Singapore dedicated to contemporary labels from Indonesia
Tiger Street Lab	Jewel Changi Airport	Food & Beverage	First global experiential concept store
Marquee	Marina Bay Sands	Entertainment & Leisure	First outlet in Singapore
Barry's Bootcamp	Robinson Road	Fitness & Health	First outlet in Asia
UFC Gym®	CityLink Mall	Fitness & Health	First outlet by Ultimate Fighting Championship
Good Food Coffee & Bakery	VivoCity	Food & Beverage	First outlet in Singapore
Stosa Cucine	Apex @ Henderson	Furniture & Household	First outlet in Asia

Source: Various web sources, Knight Frank Research

## EXHIBIT 5

## Key Events in the Retail Landscape

SINGAPORE	
Gamescon Asia set to hold its inaugural event in Singapore in 2020.	Gamescon, the world's largest computer games fair, is set to hold its first Asian edition in Singapore. Traditionally, Gamescon has over 30,000 attendees every year. This is seen as a step for Singapore to further enhance its position as the destination for key business events and conferences.
Las Vegas Sands unveiled ambitious expansion plans for Marina Bay Sands integrated resort.	The new addition will strengthen Marina Bay Sands integrated resort as a world-class tourism and BTMICE destination in the region. The expansion plan includes a 15,000-seater convention centre, a 1,000-roomed all-suite hotel, and other retail offerings. The expansion plan is expected to boost growth in Singapore's tourism and business travel market, benefiting retail and tourism players in Singapore.
Singtel opened its first unmanned pop-up store along Pickering Street.	This will be the flagship store built to showcase Singtel's success in achieving digital transformation. Shoppers can browse and make instant purchases via an automated checkout system, and provide payment services for bills, prepaid cards, and Dash Wallets. The shop is fully automated and integrates online and offline platforms, while utilizing facial recognition technology.
ASIA	
SM Group introduced its first customer service robot to enhance shopper experience.	In April 2019, SM Group unveiled its in-mall service robot named Sam, which is equipped with facial technology and designed to provide higher quality customer service to shoppers. Sam can provide customized greetings and solutions to shoppers looking for more information. This is envisaged to enhance shopper experience within the mall as the shopper journey becomes more seamless and fun.
Green-screen studios installed to engage shoppers in Temple Mall, Hong Kong.	Six selfie walls and a green-screen studio were installed at Temple Mall where shoppers can re-enact famous TV and film love scenes in a campaign to engage and entertain shoppers. Shoppers who spend a minimum sum can register to rent costumes and props to take photo.
Robotic furniture set to debut in Hong Kong in 2020, designed with highly dense living in mind.	IKEA, a furniture and houseware giant, has teamed up with start-up Ori to develop robotic furniture to increase the efficiency of residential spaces. In June 2019, the company showcased its moving room divider, a prototype that can function as a bed, walk-in closet or sofa, or frees up separate work space depending on users' needs.
Newly opened Aldi China stores incorporated lessons learnt from online channel to cater to local demand	After gathering two years of online market experience and lessons learnt via e-commerce channel T-mall, Aldi has opened two brand new pilot stores in China in July 2019. The stores are designed to portray Aldi's devotion to providing products of quality and value, while the store format is set to cater to the grocery shopping habits of Chinese consumers. There are also on-site Food stations, with readily-made meals for takeaway, as well as dining kiosks. Aldi will continue to monitor key information and data from its online and offline platform, before tweaking and optimising its business format in future.
Tiffany & Co. launched its first overseas café in Tokyo	Tiffany & Co.'s new Tiffany @ Cat Street is nestled at the Harajuku district where it offers designated areas for jewellery customisation, photo booth, and a jewellery vending machine.

Source: Various web sources, Knight Frank Research

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