

Q1 2024

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Star-studded start to 2024 a boon for the retail sector

► “Amid operating cost challenges and a strong Singapore dollar that might be a bane for tourists, retailers have had a good start to the year on the back of international events and Swiftonomics that have brought international visitor arrivals ever closer to pre-pandemic norms.”

ETHAN HSU, HEAD, RETAIL

INCREASING VISITOR ARRIVALS, GROWING RENTS

In 2023, the Singapore Tourism Board (STB) reported a total of 13.6 million visitor arrivals, falling within its forecast of 12 million to 14 million visitors. As of February 2024, visitor arrivals have stabilised with at least one million each month for a year since March 2023. With the first two months of 2024 recording 1.4 million visitors each, visitor arrivals to Singapore are steadily approaching pre-pandemic norms. Many globally acclaimed events were held in Singapore in the first three months of the year, such as concerts by international acts and the biennial Singapore Airshow. In addition, the implementation of the mutual 30-day visa-exemption arrangement between Singapore and China in early February contributed to Chinese tourists regaining the pre-pandemic lead as the top source of arrivals in the first two months of 2024.

The average gross rent of prime retail spaces island-wide in Q1 2024 increased 0.6% q-o-q and 3.4% y-o-y to S\$27.20 psf pm (Exhibit 1). On a quarterly basis, prime retail rents in the Orchard micromarket grew the most at 0.8%, in part benefiting from the spinoff effects of international business and entertainment events. On a yearly basis, prime retail rents in the Marina Centre, City Hall, Bugis micromarket increased the most at 4.4%. At the same time, growth of prime retail rents in the Suburban micromarket eased, showing signs of stabilising from the runup during the pandemic era.

RETAIL SALES PERFORMANCE

Retail spending slowed in January and February, as retail sales (excluding motor vehicles) fell from S\$4.2 billion in December to (Exhibit 2) to S\$3.8 billion and S\$3.4 billion respectively. Likewise, online retail sales declined

S\$30.50

 PSF PM

Orchard Prime Retail Rent

S\$26.20

 PSF PM

Suburban Prime Retail Rent

5.7

 MILLION
SF GFA

Upcoming Supply (2024 to 2028)

1.6 percentage points (pp), from 14.5% in December to 12.9% in January and further declined 0.2 pp, reaching 12.4% in February. The visible decline in spending was due to the peak in December 2023 during the festive period in addition to pre-GST hike purchases, especially for big-ticket items, before the GST increase to nine percent took place on 1 January 2024. Thereafter, retail activity eased to normative levels in the first two months of 2024.

SINGAPORE, AN INTERNATIONAL VENUE FOR ASIA... AND THE WORLD

In Q1 2024, Singapore took the spotlight in Asia, as many international acts made the city-state a major stop on concert tours. In certain instances, Singapore was the only stop in Asia. International acts such as Coldplay, Mayday and Taylor Swift attracted many concertgoers from the region, and boosted Singapore's economy by up to an estimated S\$500 million from their collective arrivals and consumer spend. Additionally, the biennial Singapore Airshow in February was attended by several international stakeholders involved in the global aviation industry. Air travel of within seven hours from most of the Asia Pacific's gateway and capital cities has placed Singapore at the forefront of Asia, as a location that has the infrastructure and economic capacity to organise and host world class events.

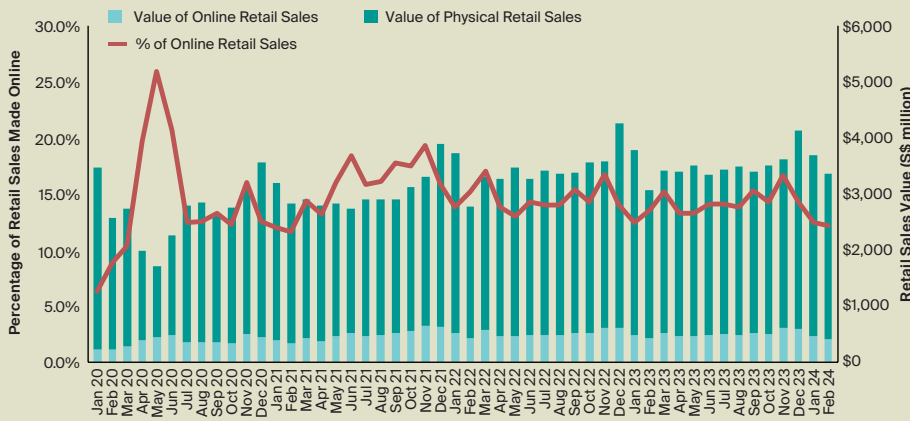
Exhibit 1: Average Gross Rents of Prime Retail Spaces*, Q1 2024

LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (S\$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	\$27.20	0.6%	3.4%
Orchard	\$30.50	0.8%	3.4%
Marina Centre, City Hall, Bugis	\$25.30	0.7%	4.4%
City Fringe	\$23.40	0.5%	3.6%
Suburban	\$26.20	0.4%	2.2%

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 February 2024



Source: Department of Statistics Singapore (as released on 5 April 2024), Knight Frank Research
 Note: Monthly retail sales exclude motor vehicles.

In an environment where the hospitality sector is fast recovering and visitor arrivals normalising, many Asian brands made inroads into Singapore, with Chinese and Indonesian brands making the most headway into the local retail market. New-to-market players in the café scene included Luckin Coffee and Cotti Coffee from China, as well as Tanamera Coffee, Kenangan Coffee and Fore Coffee from Indonesia. These debutants have expanded rapidly in Singapore with more South-east Asian brands also registering their interest in setting up shop here.

Notwithstanding Singapore’s flourishing reputation as a versatile regional venue for diverse activities, the retail sector cannot solely rely on global celebrities and MICE (Meetings, Incentives, Conferences and Exhibitions) activities for sustained growth. More entertainment and leisure options are needed alongside retail shops and food outlets, especially in areas with substantial tourist traffic such as Orchard Road and the city fringe. For Orchard Road and the Central Area to become a world-class draw for visitors, these locations need to be positioned as an entertainment hub with retail as part of the mix. Visitors should be able to access a wide variety of experiences apart from shopping and dining, such as museums, galleries, street performances and award-winning creative acts in multiple formats, for these human elements drive vibrancy beyond the physical construct of malls and event venues.

At the same time, within this context of Singapore’s retail development, the Third Edition of the revised Code of Conduct for Leasing of Retail Premises by the Fair Tenancy Industry Committee that came into effect on 1 February 2024 will make an indelible impact on the industry from 2024. The two key objectives of the Code of Conduct are: to guide landlords and tenants in lease negotiations and for inclusion of certain terms in qualifying leases, to ensure a fair and balanced position; and to provide landlords and tenants with a framework to ensure compliance and provide for an accessible dispute resolution channel. With this new chapter governing landlord and tenant relations, the creation of greater fairness can make the retail sector more transparent, facilitating better chances of survivability for a greater diversity of retail and F&B operators.

MARKET OUTLOOK

Visitor arrivals to Singapore will continue to grow, and rents and occupancy levels are expected to stay at healthy levels for the rest of 2024. Many existing retailers of both local and international origins will continue to look for expansion opportunities to build a stronger presence in Singapore, in order to cultivate brand awareness in the increasingly affluent Southeast Asian market. For the whole of 2024, prime retail rents are envisaged to increase between 2% and 4%.

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