

Q3 2023

knightfrank.com.sg/research

Growth of retailer's market beyond brick and mortar

“Singapore’s retail market continues to ride on the wave of heightened global interest as international and local brands carry on expanding their market presence both in physical stores and online platforms. Social media proved hugely beneficial for retailers, especially those who can leverage synergies across multiple channels effectively to optimise shopper engagement.”

ETHAN HSU, HEAD, RETAIL

RENTS OF PRIME RETAIL SPACES GROWING IN TANDEM WITH VISITOR ARRIVALS

In the first nine months of 2023, the Singapore Tourism Board (STB) reported a total of around 10.1 million visitor arrivals, with more than a million each month for seven consecutive months from March to September. Although the numbers have not yet achieved the pre-pandemic monthly average of 1.5 million visitor arrivals, there is positive momentum that is steadily building. The third quarter of 2023 registered a total of approximately 3.9 million visitor arrivals, which is an increase of 72.5% y-o-y, and 14.5% q-o-q. Visitor arrivals typically increase in the second half of the year with more large-scale public events such as the National Day Parade in August, the Formula One Singapore Grand Prix

night race and Singapore River Festival in September as well as the year-end holiday festivities.

The average gross rent of prime spaces island-wide increased 1.1% q-o-q and 4.3% y-o-y to S\$26.70 psf pm in the third quarter of 2023 (Exhibit 1), improving over the 0.5% q-o-q growth in the previous quarter. Prime retail rents in all micromarkets grew by more than 5% y-o-y, except for the suburban areas that registered a more moderate growth of 0.6% y-o-y, after having recovered much earlier than the retail spaces in the more central areas of the island. Nevertheless, suburban prime retail rents expanded the most on quarter with a 2.1% increase to S\$25.90 psf pm.

RETAIL SALES PERFORMANCE

Retail spending gained momentum in July and August as figures for retail

S\$30.00

 PSF PM

Orchard Prime Retail Rent

S\$25.90

 PSF PM
Suburban Prime Retail Rent¹

3.5

 MILLION SF GFA

Upcoming Supply (Q3 2023 to 2027)

sales (excluding motor vehicles) registered S\$3.5 billion in both months (Exhibit 2). This increase was supported by the larger inflow of visitor arrivals attending international business and entertainment events organised in Singapore.

Online retail sales tracked stable performance comprising 14.2% of all sales in both June and July. However, this decreased by 0.4 percentage points (pp) to 13.8% in August, partly due to sales fatigue from frequent online promotional campaigns such as the monthly 1.1, 2.2 etc sales events on various online shopping platforms.

BURGEONING INTEREST IN DESTINATION SINGAPORE AS HOSPITALITY RECOVERY BUILDS MOMENTUM

The crisis management of the COVID-19 outbreak brought positive attention to Singapore, enhancing its status as a fundamentally safe and well-managed ecosystem, especially for investors looking for a stable base for business operations and growth opportunities. Post-pandemic, foreign brands continue to be attracted to Singapore, looking to extend their market share and footprint in the Asia Pacific region. World-renowned French pastry chef Cédric Grolet recently opened his first outlet in Asia with a new patisserie at COMO Orchard in

Exhibit 1: Average Gross Rents of Prime Retail Spaces*, Q3 2023

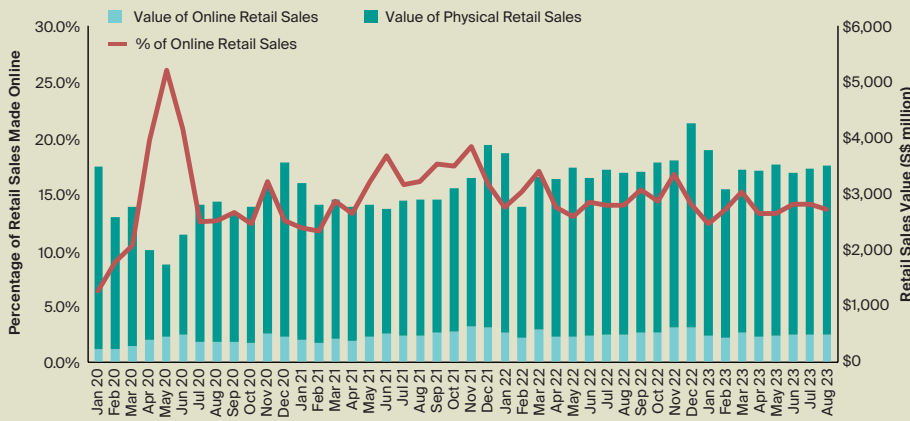
LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (\$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	\$26.70	1.1%	4.3%
Orchard	\$30.00	0.9%	5.2%
Marina Centre, City Hall, Bugis	\$24.70	0.8%	5.3%
City Fringe	\$23.10	1.2%	5.1%
Suburban ¹	\$25.90	2.1%	0.6%

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.

¹ Average gross rents of prime retail spaces of suburban malls in Q1 and Q2 2023 were revised to S\$25.70 psf pm and S\$25.40 psf pm respectively to retrospectively reflect the opening of new malls.

Exhibit 2: Monthly Retail Sales as at August 2023



Source: Department of Statistics Singapore (as released on 5 October 2023), Knight Frank Research
 Note: Monthly retail sales exclude motor vehicles.

September, bringing a new global flavour to an increasingly cosmopolitan Singapore. At the same time, local brands such as Love, Bonito have been making waves overseas with expansion into countries such as Malaysia, Hong Kong as well as a pop-up store in the USA.

Singapore is also fast becoming a destination of choice for many international artistes such as Taylor Swift, Coldplay, Twice, Ateez and Lauv, who have all made Singapore a dominant stop for their concert tours. Major events are steadily returning, like the Sundown Festival in August and the upcoming ZoukOut dance music festival that will be held later in December. In addition, there are more meetings, incentives, conferences and exhibitions (MICE) events held in Singapore during the quarter. These included the WorldSkills ASEAN 2023 in July and COMEX 2023 in August and September respectively. The attendance of event goers brought more visitors to Singapore with spillover benefits for retail spending, hospitality and tourism.

With lessons learnt from the pandemic on the use of social media, retail operators have been able to combine the best of innovative online and traditional physical channels to connect with a larger customer base. As such, several local brands were able to marry both to draw large followings on social media that created viral bursts of sensational shopper interests and crowds. The Paper Bunny and Beyond The Vines were able to attract attention on both online and offline stores, as new products and promotions generated viral responses during marketing campaigns from a digitally-savvy demographic base.

MARKET OUTLOOK

Going forward, retailers will continue to evolve and adopt new tools to obtain trend-based competitive advantages over competitors for the attention and spending dollar of consumers. With the increasing visitor arrivals, the remaining three months of 2023 will likely see the retail market consolidating the improvements achieved since Singapore opened its borders, culminating in year-end activities to wrap up a largely positive and eventful year.

Barring any unforeseen global or regional upheaval, and notwithstanding the uncertain economic outlook, the retail sector in Singapore remains firmly on course to strengthen in 2023 and into early 2024. Prime retail rents should stay the course, increasing between 3% to 5% for the whole of 2023.

For Retail Leasing enquiries, please contact:



Ethan Hsu
 Head
 Retail

+65 6228 6832
 ethan.hsu@sg.knightfrank.com

For further information on the report, please contact:



Leonard Tay
 Head
 Research

+65 6228 6854
 leonard.tay@sg.knightfrank.com



Sim Li Wei
 Analyst
 Research

+65 6228 6856
 liwei.sim@sg.knightfrank.com

Recent Publications



THE WEALTH REPORT 2023



Q2 2023 RETAIL REPORT

SUBSCRIBE to updates and reports delivered to your inbox

SIGN UP ONLINE