

“As Singapore continues to forge towards newfound normalcy, the retail sector is poised for sustained recovery in 2023, even in the face of global economic uncertainties.”

ETHAN HSU, HEAD, RETAIL



Singapore Research

Retail

Q4 2022

LIFE AND VIBRANCY BUILD IN THE RETAIL SECTOR DESPITE GLOBAL ECONOMIC GLOOM

Prime retail rents recovered within expectations in 2022

- Recovery in Singapore’s retail market was building momentum in compelling fashion in the latter half of 2022. Shopper crowds, street activities, public events, vibrancy and a general buzz signalling that the worst of the pandemic is past, returned to the prime Orchard Road shopping belt, boosting sales of the businesses there. Especially so, in the holiday period during the final months of the year. Devoid of a regular stream of patrons for much of 2020 and 2021, alfresco and entertainment venues filled with customers who were deprived of the activities that such outlets and services provided. Coinciding with the festive season, Christmas trees and lights brightened up the streets, fostering footfall.
- Despite many Singaporeans travelling out of the city for the holidays, the uptick in local consumers and foreign visitors palpably signified global accord of a return to normalcy in an endemic world, ushering in a new wave of confidence for both retailers and landlords.
- With the retail sector finally out of the woods, at least for now, regardless of the looming economic headwinds, prime retail rents island-wide averaged S\$26.10 psf pm, pointing to a 1.7% q-o-q increase in Q4 2022, and an overall 2.6% growth for the year (Exhibit 1). Suburban malls weathered the pandemic better than those in the Central Area. However with the world generally opening up and workers brought back to the office throughout 2022, it was the Orchard area that recorded the highest increase of 3.1% y-o-y to S\$29.10 psf pm, followed by the Marina Centre, City Hall and Bugis regions with rents up 2.6% y-o-y at S\$23.90 psf pm in the fourth quarter, as a result of the steady flow of international visitors.

Retail sales performance

- Following the 2.2 million international tourist arrivals recorded in Q3 2022, the number of visitors grossed almost 2.6 million in Q4 2022. With tourists’ footfall

MARKET SNAPSHOT

\$29.10 ORCHARD PSF PM

\$26.00 SUBURBAN PSF PM
PRIME RETAIL RENT

3.6 MILLION SF GFA
UPCOMING SUPPLY
(Q4 2022 TO 2026)

Knight Frank Research
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moving progressively towards healthy pre-pandemic levels, the demand for retail services propped up sales.

- Given the increase in domestic consumption, the retail market (excluding motor vehicles) contributed a total of about S\$3.6 billion of sales in October 2022. In November, year-end online sales events such as 11.11, Black Friday and Cyber Monday fuelled another S\$3.6 billion, with online sales improving 2.0 percentage points month-on-month to reach 16.5% of retail sales, as retailers sought to entice consumers with price discounts and brand promotions (Exhibit 2).
- Alongside the more optimistic backdrop, the retail sales index (RSI) rose 12.0% in October and other 5.9% y-o-y in November. The Food & Alcohol, Wearing Apparel & Footwear, and Department Stores’ segments contributed significantly to the expansions in October and November.

Local brands going global

- Local brands that flourished during the pandemic, have grown their businesses and platforms through the pandemic years with some extensively expanding beyond Singapore. Known Singapore brands like Charles & Keith, Love, Bonito, Castlery and Paradise Group are notable names that have established their presence and brand recognition not only domestically, but overseas as well.
- The ongoing rise in popularity and trust in the made-in-Singapore label

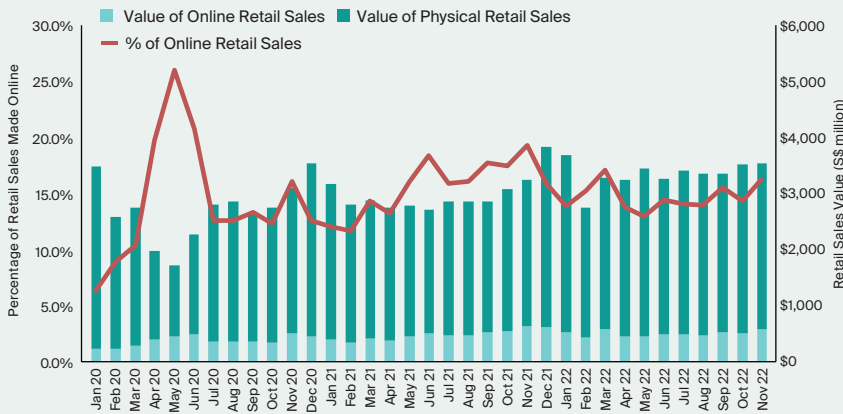
Exhibit 1: Average Gross Rents of Prime Retail Spaces*, Q4 2022

LOCATION	AVERAGE GROSS RENT OF PRIME SPACES (\$\$ PSF PM)	Q-O-Q CHANGE (%)	Y-O-Y CHANGE (%)
Island-wide	\$26.10	1.7%	2.6%
Orchard	\$29.10	2.2%	3.1%
Marina Centre, City Hall, Bugis	\$23.90	1.8%	2.6%
City Fringe	\$22.30	1.5%	1.9%
Suburban	\$26.00	1.0%	2.1%

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 November 2022



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

with consumers around the globe shows a promising path ahead for homegrown brands and talents to be recognised internationally. Coupled with more government support schemes in place to help local firms expand their footprint beyond Singapore, more will continue to make their mark overseas. As such, landlords and owners of retail space should be increasingly more receptive and sanguine in leasing out prime mall spaces to further encourage and support the growth of these homegrown brands.

- Apart from local brands expanding their reach, the retail market in Singapore has also progressively matured. Despite the difficulties and struggles that the pandemic caused, many retailers were able to adapt to the fast-changing and challenging landscape, optimising various channels for the enhancement of their business. Today, many retailers and landlords competently harness digitalisation and omnichannel commerce, benefitting from multiple platforms.

Market outlook

- Looking ahead, as local consumers continue to grow in affluence and sophistication, the next stage in the retail evolution could see the rise of personalisation and bespoke services for a tailored retail experience, especially for the premium shopper. Not limited to customised messaging on fashion apparel and accessories, we could also see more curated retail events, entertainment services and even dining menus. This personal and customised touch would sit well with the influx of new private wealth in Singapore.
- The retail sector endured and has come through an extremely difficult time of unprecedented challenge, only starting to gain traction from the removal of measures from Q2 onwards. And even with the worsening of economic conditions, as well as the impact to domestic consumption due to the increase in Goods and Services Tax (GST) and rising labour costs, the retail sector is nonetheless in a much better position now than it was under severely restrictive trading conditions while in the throes of the pandemic. So long as there are no size limits to gatherings and quarantine requirements for cross border arrivals, prime rents of retail space are likely to grow between 3% and 5% for the whole of 2023, with the prime shopping belt Orchard Road leading the recovery.

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