

KNIGHT FRANK RETAIL RESEARCH

Singapore Retail: How are we faring compared to key Asian cities?

Singapore Retail : **How are we faring compared to key Asian Cities?**

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01.

SINGAPORE'S RETAIL SALES PERFORMANCE : STABILITY OR WEAKNESS?

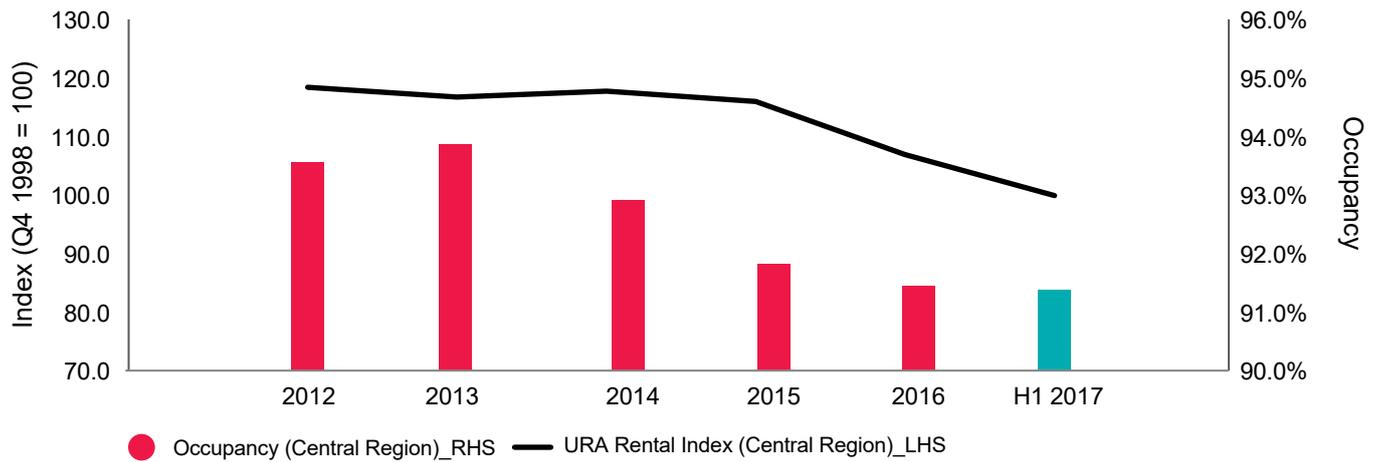
Recent retail sales data in Singapore showed positive signs of recovery but weak retail sentiment is seen persisting. In July, retail sales went up 1.8 per cent year on year but notably, there were other lacklustre indicators in the first half of 2017. The Retail Sales Index (RSI), which has been trending downwards since 2014, reported a fall of 4.2 per cent in Q2 2017 compared to end 2016. Island-wide occupancy depressed to 91.9 per cent in Q2 2017, while the Urban Redevelopment Authority's Retail Rental Index for the Central Region declined by 7.1 per cent year-on-year, in the same quarter.

Notwithstanding the Mastercard Index of Consumer confidence, which upgraded Singaporeans' confidence level to neutral during H1 2017 from pessimistic territory in H2 2016, the weaker retail sentiment is expected to linger as local consumers continue to tighten their spending amid stronger headwinds brought on by global economic and political uncertainties.

One question that warrants our attention is whether Singapore is losing out to other key Asian cities in the retail scene. It is hence fitting to consider the significance of tourism in the retail scene and how Singapore fares vis-à-vis other cities through some concrete indicators.

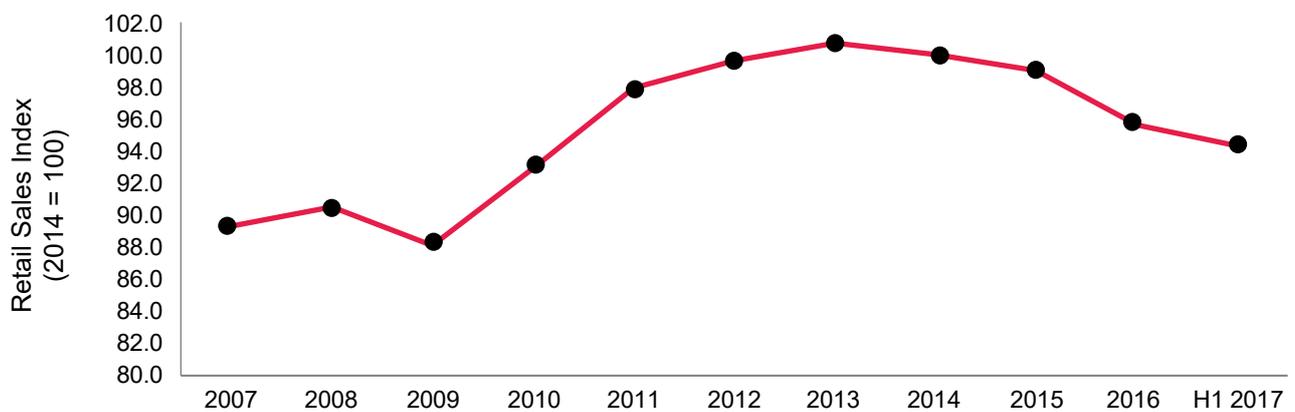
URA RETAIL SPACE RENTAL INDEX AND OCCUPANCY (CENTRAL REGION)

Source : URA, Realis, Knight Frank Research



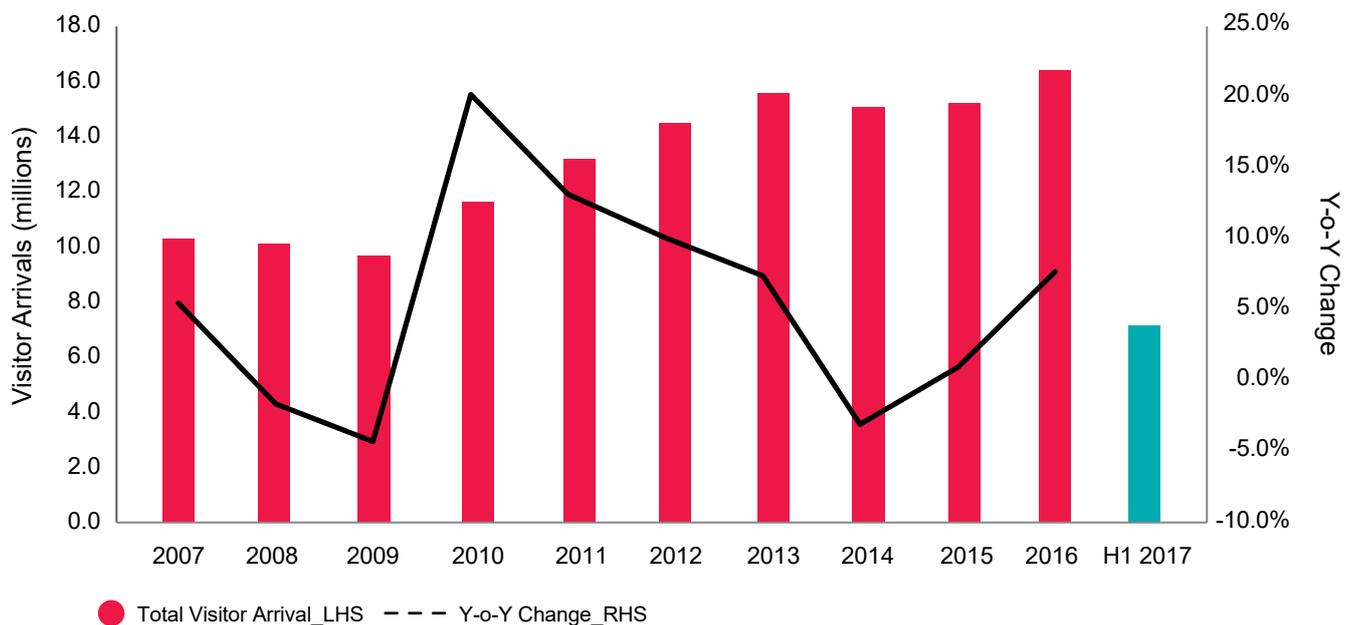
RETAIL SALES INDEX

Source : Singstat, Knight Frank Research



INTERNATIONAL VISITOR ARRIVALS TO SINGAPORE

Source : Singapore Tourism Board, Knight Frank Research



02.

TOURISM SECTOR'S CONTINUED ROLE IN SINGAPORE'S RETAIL SCENE

Apart from local consumers, Singapore's tourism industry has been a key pillar supporting the retail sector, with the country widely regarded as one of the most popular retail destinations in Asia. The city state's easy access to a wider array of both well-known and unique international brands that other cities in the region fail to offer presents an attractive entry market and launchpad for other South-east Asian markets for retailers. Additionally, the relatively high affluence of Singaporeans also attracts new retailers to set up their presence here in order to gain market share. In 2016, international visitor arrivals and tourism receipts scaled to a new high of 16.4 million and S\$24.6 million respectively, a strong affirmation of Singapore's importance as one of Asia's leading retail destinations.

To understand the benefit of tourism on the Singapore retail scene, Knight Frank studied tourism receipts from shopping and food & beverage services (F&B), to determine its impact on retail sales value. Between 2007 and 2011, tourism receipts from shopping and F&B accounted for an annual average of 14.8 per cent of total retail sales (including motor vehicles), but the proportion subsequently declined to 14 per cent between 2012 and 2016. Consequentially,

tourism receipts from shopping and F&B per capita trended downwards after 2008, but reported an improvement from 2016.

Since 2015, the government has pulled out more initiatives to shore up tourist arrivals and promote tourism receipts in Singapore. For instance, the Singapore Tourism Board (STB) launched a series of campaigns primarily targeting China and Malaysia last year, in a bid to encourage more visitors to Singapore. Partnership deals were signed with major

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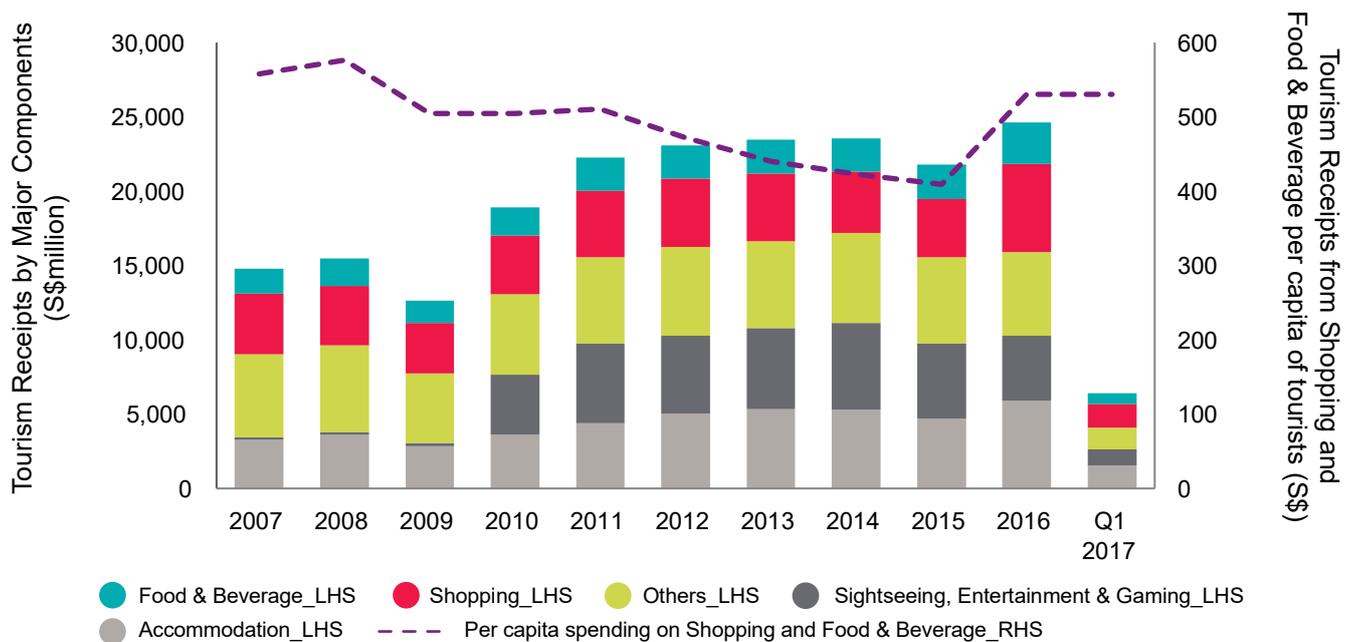
Chinese digital players to jointly promote Singapore as a destination choice to Tier 1 and 2 Chinese cities, and a marketing campaign to draw weekend travellers from Malaysia leveraged on repeat visitors looking for a short weekend trip to Singapore.

The initiative paid off as Chinese visitors to Singapore hit a new high in Q1 2017 to more than 850,000, a year-on-year growth of 13.7 per cent. Despite the weaker Malaysian ringgit against the Singapore dollar, data from STB showed a 50.4 per cent year-on-year increase in spending on shopping and F&B by visitors from Malaysia, in Q1 2017. As a result, overall tourism receipts increased 4.4 per cent quarter on quarter in Q1 2017.



SINGAPORE TOURISM RECEIPTS FROM SHOPPING AND F&B PER CAPITA DECLINED BETWEEN 2008 AND 2015

Source : Singstat, Knight Frank Research



03.

HONG KONG, SINGAPORE TOP THE REGION FOR RETAIL TOURISM BUT OTHERS ARE CATCHING UP

To better evaluate and benchmark Singapore's position against other retail tourism hubs, Knight Frank developed a general matrix comprising eight pillars of assessment, namely **Air Transport Infrastructure, Safety and Security, Prioritisation of Travel and Tourism, Tourist Service Infrastructure, International Openness, Affordability of Retail and F&B services, State and Pace of Digitisation, and Ease of Tax Refund**. For the purpose of this study, Knight Frank defines retail tourism hubs as cities with an established retail presence.

Hong Kong and Singapore emerged as the top two retail destinations when compared to other key Asian retail

hubs. However, Singapore should not rest on its laurels as fast-developing retail cities like Kuala Lumpur, Beijing and Shanghai are catching up, with more affordable retail offerings and easier access to digital and mobile payments. Retail competition is intensifying as more Asian cities are vying for the same tourist dollars.

Some notable regional cities not tracked by Knight Frank include Bangkok and Seoul, which have been gaining ground through unique retail experiences and their plethora of local brands. Moving forward, Singapore will need to reinvent its retail scene to strengthen its position as one of the top Asian retail tourism hubs.



EVALUATION AND BENCHMARKING OF SINGAPORE AGAINST OTHER KEY RETAIL DESTINATIONS IN ASIA

	HONG KONG	SINGAPORE	SHANGHAI	BEIJING	KUALA LUMPUR
					
AIR TRANSPORT INFRASTRUCTURE	5.52	5.29	4.31	4.31	4.55
SAFETY & SECURITY	6.47	6.45	4.99	4.99	5.75
PRIORITIZATION OF TRAVEL & TOURISM	5.77	6.03	4.80	4.80	4.74
TOURIST SERVICE INFRASTRUCTURE	4.39	5.42	3.23	3.23	4.66
INTERNATIONAL OPENNESS	3.89	5.21	3.00	3.00	4.08
AVERAGE SCORING BASED ON TOURISM COMPETITIVENESS	5.44	5.71	4.34	4.34	4.71
AFFORDABILITY OF RETAIL AND F&B SERVICES	2.20	2.00	1.80	4.00	5.00
STATE & PACE OF DIGITIZATION	2.02	2.35	3.95	3.95	3.81
EASE OF TAX REFUND	5.00	4.00	3.00	3.00	3.00
TOTAL SCORE	4.55	4.54	3.61	4.05	4.47
OVERALL RANKING	1	2	5	4	3

Source : World Economic Forum, Mastercard Global Website, Various government websites, Knight Frank Research

Note: The higher the score value, the better the city fares as a retail destination. Weightage of each factor is based on Knight Frank's assessment and scoring. These shortlisted cities are based on a pre-selected basket of cities tracked by Knight Frank Research.

1. Only key factors, which reflect the Tourism Competitiveness from the Travel & Tourism Competitiveness Report 2017, by the World Economic Forum were shortlisted for purpose of this study.

2. Knight Frank Research studied the affordability of Retail and F&B services based on a pre-selected basket of goods and services.

3. State and pace of digitisation is assessed by the Digital Evolution Momentum Score Index in 2017, by Mastercard.

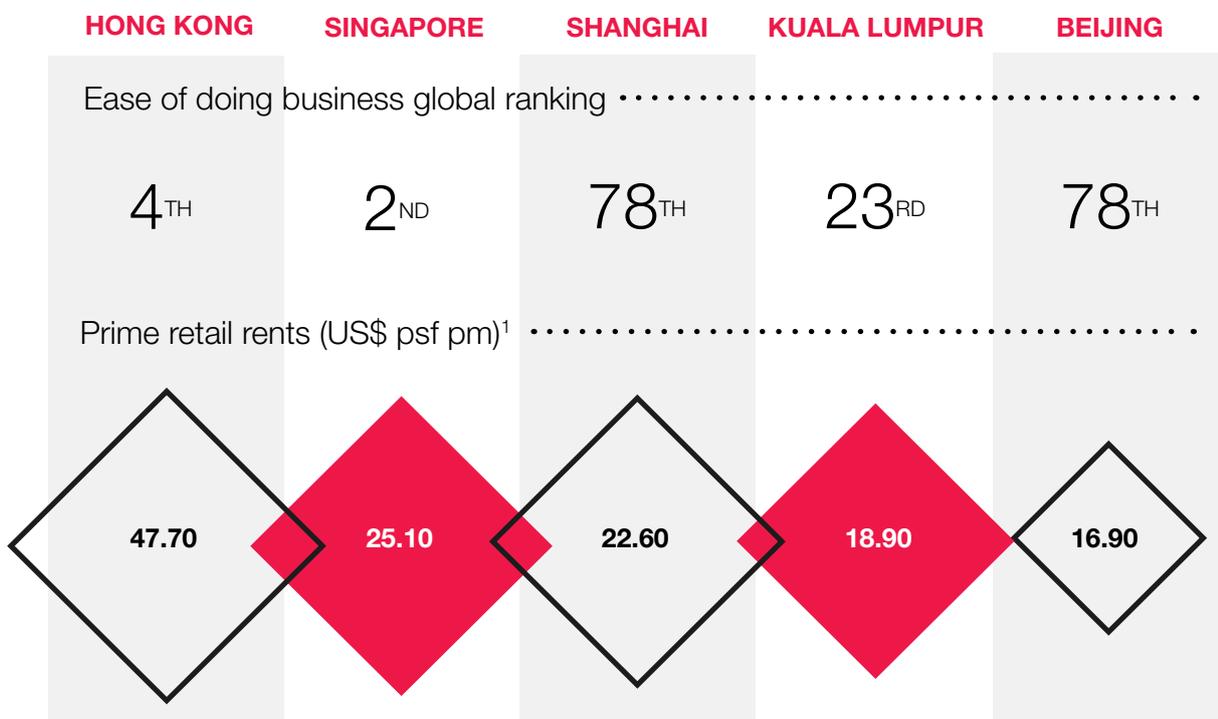
4. Knight Frank Research assessed the ease of tax refund, measured by studying the tax refund policies of the respective cities, according to the various government agencies websites.

SINGAPORE'S STILL COMPETITIVE AS A RETAIL HUB FOR RETAILERS

According to latest rankings from the World Bank in 2016 on the ease of doing business in the world, Singapore ranked second, followed closely by Hong Kong in fourth position. Meanwhile, Asian neighbours Malaysia and China still lag behind at 23rd and 78th position respectively. Having a more conducive regulatory environment to start and operate a business is key to attracting retailers to set up their presence in the region. With Singapore emerging top, there is stability and ease for retailers to enter the local market as compared to other key retail cities.

In terms of prime retail space rents analysed by Knight Frank Research, Beijing fared the best as an affordable market for retailers at US\$16.90 per square foot per month as of Q1 2017 compared to Kuala Lumpur, Singapore and Shanghai, which stood at US\$18.90, US\$25.10 and US\$22.60 per square foot per month respectively. This is far lower than Hong Kong, which saw rents standing at US\$47.70 per square foot per month in the same period. Prime retail space rents in Beijing and Shanghai have also trended upwards over the last few quarters and are forecast to rise further, allowing Singapore's prime retail space rents to remain competitive among its peers and further attract retailers into the market.

EASE OF DOING BUSINESS AND PRIME RETAIL RENTS IN KEY RETAIL ASIAN CITIES



Source : World Bank, Knight Frank Research
 All prime retail rents are as at Q1 2017. ¹Prime retail rents in Hong Kong, Shanghai and Beijing is defined as prime shopping centre ground floor rents. Prime retail rents in Kuala Lumpur is defined as prime retail space rents in Kuala Lumpur city centre. Prime retail rents in Singapore here refers to rents of 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 located in the Orchard precinct.



05.

CAPITALISING ON OUR STRENGTHS AND UNIQUENESS

STB assistant chief executive Lynette Pang once said:

“”

In today's fast-changing tourism and consumer landscape, we cannot stay still.

It is therefore crucial for landlords, retailers and relevant government agencies to think “out of the box” to allow new brands and exciting concepts to flourish and take shape.

Increasingly, the experiential factor is key in making a difference to Singapore's retail scene. Shopping malls can reinvent themselves with unique experiential retail spaces that set them apart from the mainstream. For example, the opening of Jewel Changi Airport in early 2019 will distinguish itself as home to Singapore's largest indoor garden and the world's largest indoor waterfall, featuring a light and sound show every night to enable visitors to shop, dine and play in one place. The new Funan DigitalLife Mall, set to open end-2019, will be the first commercial building in Singapore to allow cycling through the building, and have rooftop farms that offer a rest from the urban crowd. With such unique and activity-based retail zones, landlords are better able to make their retail spaces break out of the homogeneity among retail malls.



Another key element is to accentuate Singapore's identity through affordable local retail brands, as well as the unique Singaporean heritage and cultural blend. Since late 2015, popular local retailers such as Naiise, Benjamin Barker, Prints, and Love, Bonito have developed their presence alongside established international retailers in Orchard Road. Love, Bonito, for instance, opened its flagship store in 313@Somerset spanning 4,603 sq ft of retail space. By allowing local brands to thrive and create a 'Singapore identity' that is appealing to tourists, retailers can better market and position themselves to shoppers, increasing the likelihood of an uptick in spending.

Retail spaces in Singapore have been seen as repetitive across the many shopping malls on the island, with competing brands employing similar modes of product display. A mindset change in how retail spaces could be utilised will go a long way in establishing a multitude of concepts to make the Singapore retail landscape an exciting one. Meanwhile, the warehouse retail scheme introduced in 2004 that brought success to retailers

like IKEA and Courts in Tampines could also work well for other giant retail players. However, with stringent requirements in place for such developments, some retailers may have felt stifled by the restrictions imposed, leading to the demise of the programme in 2007. With the upcoming development of the Jurong Innovation District and Punggol North, warehouse retail concepts could be revisited with better collaboration and flexibility among relevant government agencies, landlords, and retailers to allow for diverse and affordable retail offerings that are differentiated from the usual shopping malls.

The story of Singapore's growth as one of Asia's leading retail hubs is one that will be told for many years to come. With tourism dollars being significant to the retail industry, it is imperative that Singapore continues to flourish vis-a-vis its peers. Proactive collaboration among key stakeholders such as retailers, landlords, government agencies and consultants would be an important step for Singapore to strengthen its current status as a key retail destination in Asia.

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