“The retail market remained upbeat and continued to gather momentum into the holiday season, in tandem with the recovering economy.”

- November retail sales figures, excluding motor vehicle sales, rose 4.0 per cent year-on-year, for the first time in 9 months.
- November tourist arrivals saw a positive gain of 8.4 per cent year-on-year.
- Malaysian-based retailer Valiram Group, is to be the sole operator of the 30,000 sq.ft. multi-label luxury retail segment in Resorts World Sentosa.
- Singapore Changi Airport intends to increase existing commercial space by about 5 per cent to boost retail revenue.
- CapitaMall Trust (CMT) revives its redevelopment plans for Jurong Entertainment Centre.
- Mandarin Gallery and 313@somerset which were completed in Q4/2009 are now fully let.
- Vacancy rate declines from 6.0 per cent in the previous quarter to 5.7 per cent in Q4/2009, the lowest level since Q1/1993.
- URA Central and Fringe rents continue to fall, albeit at a slower pace.
Over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.
Retail briefing

Demand, Supply and Vacancy Rate

In the reviewed quarter, demand improved significantly registering a net absorption of 361,000 sq.ft. Most of the demand came from the 2 new malls along Orchard Road - Mandarin Gallery and 313@somerset which were completed in Q4/2009. Both of the malls were 100 per cent pre-let on their opening. Reflecting the healthy absorption of the new malls, the island-wide vacancy rate declined from 6.0 per cent in Q3 to 5.7 per cent in Q4, the lowest since Q1/1993.

Future Supply

According to URA’s statistics, there will be another 4.48 million sq.ft. of retail space slated for completion between 2010 and 2014. About 43 per cent of the supply is expected to enter the market in 2010, mostly from The Marina Bay Sands Integrated Resort (590,508 sq.ft.), the Resorts World at Sentosa (485,344 sq.ft.) and Nex in Serangoon Central (570,810 sq.ft.).

Rental Values

The economic downturn has caused landlords to lower their rents in order to attract and retain tenants since Q3/2008. As the macroeconomic conditions improve, there are less compelling reasons for landlords to maintain rents at a low level. We noted some recent upward revisions in asking rents. Hence, the rental index for central and fringe areas saw modest declines of 1.4 per cent and 0.6 per cent quarter-on-quarter respectively.

Outlook

The outlook for the retail market is generally positive on the back of improving global and local economic conditions. Although the latest Mastercard Consumer Survey revealed that consumers are likely to remain prudent in the next six months, we expect improving hiring sentiment and a more positive business environment to boost consumer spending. The opening of the two Integrated Resorts in the next couple of months will rejuvenate the tourism landscape. Furthermore, the Meetings, Incentives, Conventions and Exhibitions (MICE) sector has at least 10 major shows set in 2010, each expected to draw more than 5,000 foreign delegates. The Singapore Airshow in February is reported to bring in more than 112,000 trade visitors, among them government leaders, airline heads, and military personnel. The optimism in the retail market should lead to an increase in demand for retail space, slowing the decline in retail rents which has been evident over the last five quarters. Prime rents are expected to rise by 5 to 10 per cent over the whole of 2010.