

"A sizzling performance from the tourism industry and the economy as a whole added cheer to the year-end shopping season. However, competition kept rental growth in check despite stronger demand."



Image: nex Mall

- Singapore received a record of 11.6 million visitors in 2010, a 20 per cent increase on 2009 figures
- The island-wide vacancy rate dipped from 6.5 per cent at the end of Q3/2010 to 5.8 per cent at end of 2010
- URA rental indices for Central and Fringe Areas continued their steady ascent, albeit at a conservative pace of 1.6 per cent and 1.9 per cent respectively
- The average base rents for prime malls in Orchard Road held firm at S\$34.50 per sqft per month in Q4/2010
- The quarter saw the completion of nex at Serangoon Central and two new F&B hotspots – Bedok Point and myVillage at Serangoon Gardens
- The historic Capitol site will have almost 300,000 sqft of retail and entertainment space, including a Golden Village cinema with the highest seating capacity in Singapore
- Amara Shopping Centre will receive a S\$32 million makeover to be rebranded as 100 AM
- The Atrium@Orchard is undergoing asset enhancement work and will have around 127,000 sqft of retail space upon completion in Q3/2012

Market Commentary

The highly-anticipated nex at Serangoon Central welcomed shoppers in Q4/2010 amid the bustling year-end festivities. Sprawling over 600,000 sqft, almost the size of ION Orchard, nex plays host to a wide array of retail brands and concepts, bringing suburban shopping to a whole new level. Among its key tenants is Cold Storage, which offers a range of exclusive imported products, while department store Isetan has dedicated space for handbags and fashion lines from Japan. The mall also features a 2,000 sqft dog run on its roof garden, the first of its kind in Singapore, and an extended-hours retail and food zone which opens until 2am.

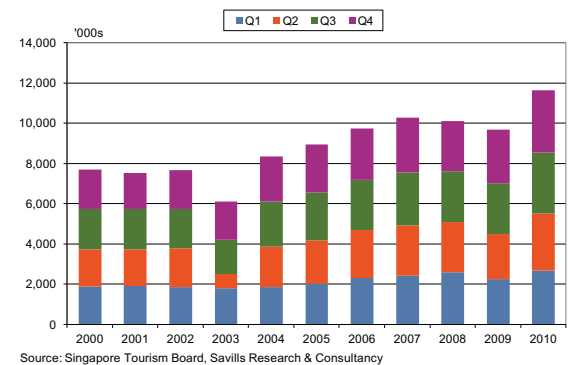
Activity in the downtown core picked up in the reviewed quarter. The joint venture involving Perennial Real Estate, which won the tender for the historic Capitol site, unveiled that it will allocate about half of the site's 542,382 sqft maximum gross floor area to retail and entertainment uses. Capitol Theatre will be revamped into a cinema with the highest seating capacity in Singapore to be run by Golden Village. Across the road, Raffles City Shopping Centre has completed its basement refurbishment. Shoppers and food lovers are now spoiled for choice with a total of 57 shops, F&B kiosks and restaurants at Basement 1 as well as 19 new shops at Basement 2.

Also in the downtown core, Amara Shopping Centre in Tanjong Pagar will receive a S\$32 million makeover to be rebranded as 100 AM. The repositioning aims to draw the fast-rising number of residents as well as the large working population in the area. About 40 per cent of the mall's tenant mix will be set aside for F&B. It is also understood that supermarket giant FairPrice Finest has pre-leased 22,000 sqft of space in the mall.

Reflecting renewed confidence, the investment market picked up in the reviewed quarter. Far East Organization purchased Paramount Hotel and Paramount Shopping Centre for S\$214 million, S\$47 million of which was paid for the 95 strata shop units. Separately, Guthrie GTS and Sun Venture Property partnership purchased 86 office units and 77 retail units in the Adelphi from CapitaLand for S\$218.1 million or S\$1,225 per sqft of the total strata area. In the meantime, several retail properties were put up for sale in the quarter, including 57 shops at Hougang Green Shopping Mall, Serene Centre, PoMo and Tanglin Shopping Centre.

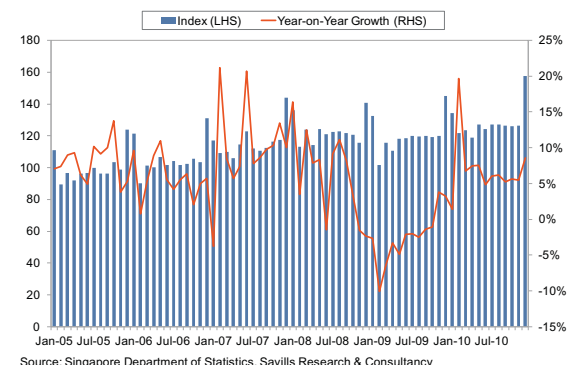
2010 was a strong year for Singapore tourism. With the opening of two integrated resorts and a host of mega events, Singapore received a record of 11.6 million visitors in 2010, a 20 per cent increase from 2009. Shopping, sightseeing and entertainment topped visitors' expenditure lists last year.

Visitor Arrivals, 2000 – 2010



December retail sales excluding motor vehicles rose by 8.6 per cent year-on-year. Medical goods and toiletries, clothes and footwear, furniture and household equipment, and watches and jewellery were the main growth drivers throughout Q4/2010, reflecting the strong economic, employment, wages and tourism performance in 2010.

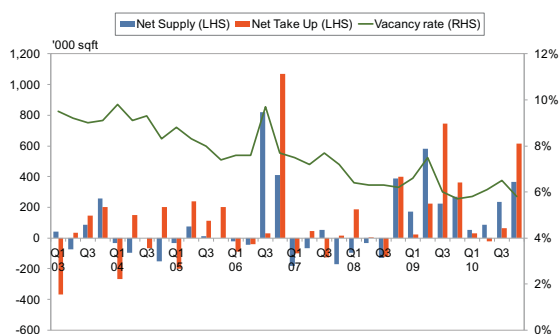
Retail Sales Excluding Motor Vehicles, Jan 2005 – Dec 2010



Demand, Supply and Vacancy Rate

According to the URA, around 508,000 sqft of shop space (excluding F&B and entertainment) was completed in Q4/2010. Retail projects completed in the quarter include nex at Serangoon Central, myVillage at Serangoon Gardens and Bedok Point with the latter two set to be the next F&B hotspots.

Demand, Supply & Net Absorption of Shop Space in Singapore, Q1/2003 – Q4/2010



Source: URA, Savills Research & Consultancy

Take-up in the quarter was strong with new malls such as nex almost fully committed ahead of opening, while existing retail space continued to be absorbed. In the Orchard shopping belt, Topshop opened its largest store outside the UK and the US at Knightsbridge in December while in the downtown core Marina Bay Sands continued to add new stores, including Kids 21, Rosebullet and REDValentino. The island-wide vacancy rate dipped from 6.5 per cent at end of Q3/2010 to 5.8 per cent at end of 2010.

Future Supply

There is approximately 5.4 million sqft of shop space in the pipeline for 2011 to 2015 and beyond. A number of retail projects are due to be completed in 2011, including Changi City Point, the 207,000 sqft retail component at Changi City developed by a joint venture between Ascendas and Frasers Centrepoint. Separately, the asset enhancement project for the Atrium@Orchard has commenced and the development will have around 127,000 sqft of retail space upon completion in Q3/2012.

The following are notable projects in the pipeline:

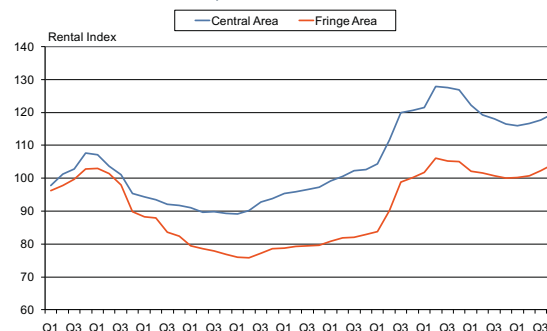
Development	Location	Estimated NLA (sqft)	Estimated TOP
Scotts Square	Scotts Road	75,000	2011
Katong Mall Addition & Alteration	East Coast Road	207,000	2011
Greenwich V	Seletar Road	45,000	2011
Changi City Point	Changi Business Park Central 1	207,000	2011
Junction 10	Woodlands Road	121,000	2011
JCube	Jurong East St 13	204,000	2011
The Atrium@Orchard	Orchard Road	127,000	2012
Specialists' Shopping Centre and Hotel Phoenix Redevelopment	Orchard Road	224,000	2013
Commercial space at Sports Hub	Nicoll Highway	400,000	2014
South Beach	Beach Road	126,000	2015

Source: Savills Research & Consultancy

Rental Values

The URA rental indices for Central and Fringe Areas continued their steady ascent, albeit at a conservative pace of 1.6 per cent and 1.9 per cent respectively. Although landlords have reportedly upped their asking rents, market resistance is still prevalent due to copious new supply in the past two years. In Q4/2010, the average base rents for prime malls in Orchard Road held firm at S\$34.40 per sqft per month.

Retail Rental Index, Q1/2000 – Q4/2010



Source: URA, Savills Research & Consultancy

Outlook

The outlook for the retail sector remains positive as the economy continues on its growth trajectory, projected to be between 4 and 6 per cent in 2011. The latest survey by Hudson showed that hiring expectations have risen for the seventh straight quarter to reach the highest level seen since Q2/2000. Retail sales are expected to remain healthy underpinned by strong domestic market sentiment and the tourism industry. We expect rents for prime malls in Orchard and suburban submarkets to rise by about 5 per cent in 2011.

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