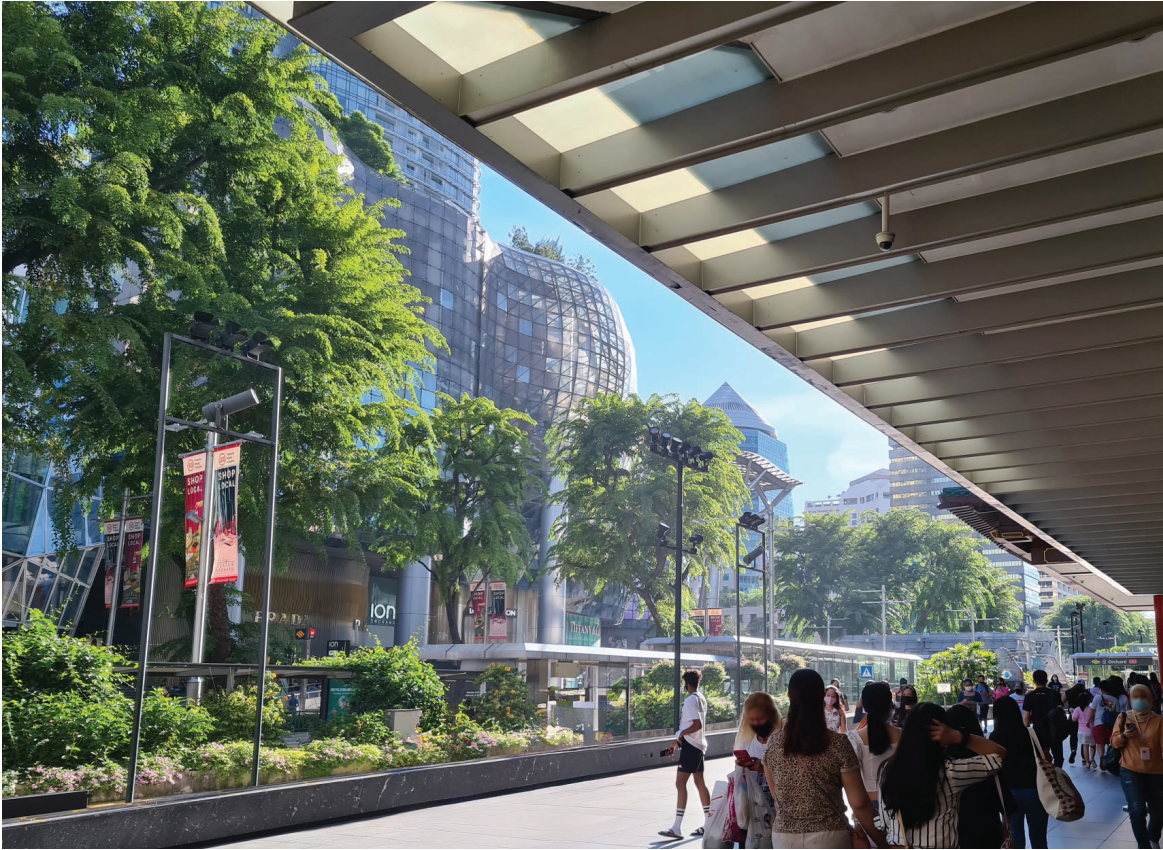


# Retail



## Overall growth momentum to moderate

More challenges ahead as pace of recovery eases.

- Retail sales turned negative in Q4 due to higher outbound travel and inflation reigning in discretionary spending. Although sales for some segments were lifted by Singles' Day sales in November, overall retail sales (excluding motor vehicles) weakened in Q4. Food & Beverage (F&B) sales fell on the back of lower sales in restaurants and fast-food outlets.
- The islandwide vacancy rate for retail space eased further by 0.7 of a percentage point (ppt) QoQ to 6.5% in Q4, the lowest since 2014.
- The rental growth for Savills basket of malls remained stable in Q4, with monthly rents in Orchard Area rising 1.3% QoQ to S\$22.70 psf. For the Suburban Area, the average retail mall passing rent in the Savills basket rose by 0.8% QoQ again to S\$14.70 psf in Q4.
- As the continued recovery in tourist arrivals and spending helps to support rents in the tourist shopping belts, average rents in Orchard Road are expected to rise by around 3% to

5% YoY in 2024. Meanwhile, average rents in the suburbs are expected to stay flat this year, as cost push inflation is offset by weaker domestic spending due to outbound travel and weak real wage growth.

“It may be a tale of two regions as the continued improvement in tourist arrivals and spending benefits Orchard Road malls while outbound travel may reign in spending in suburban malls.”

ALAN CHEONG, SAVILLS RESEARCH

### Savills team

Please contact us for further information

#### SINGAPORE

**Marcus Loo**  
CEO, Singapore  
+65 6836 6888

**Sulian Claire**  
Executive Director  
Retail & Lifestyle  
+65 6415 3880  
stwijaya@savills.com.sg

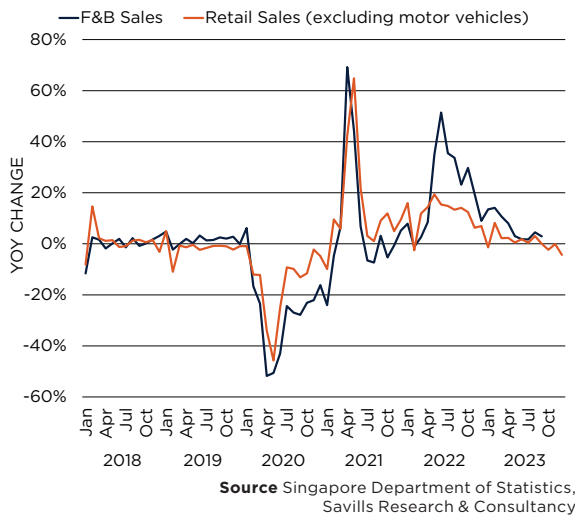
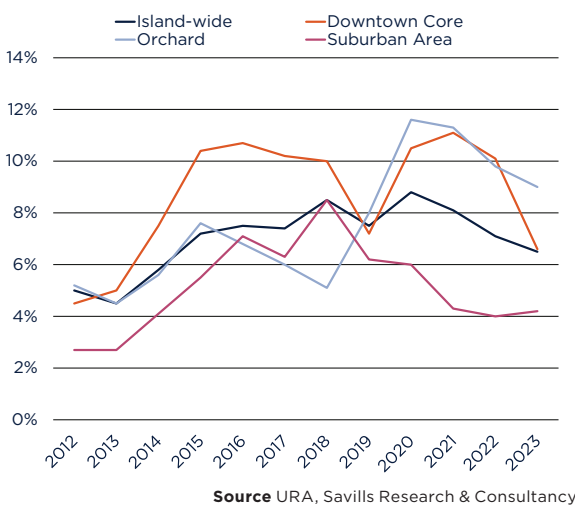
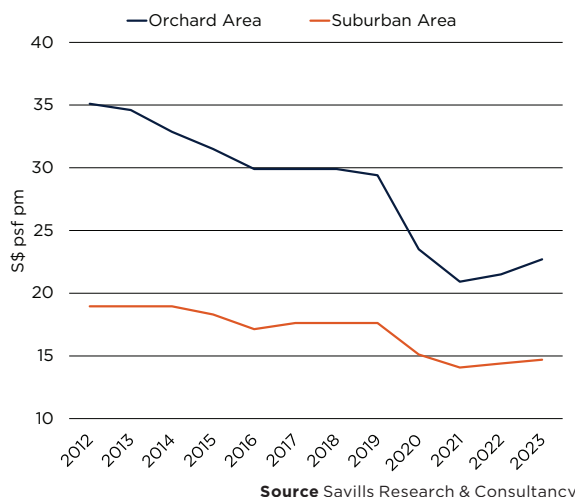
#### RESEARCH

**Alan Cheong**  
Executive Director  
Singapore  
+65 6836 6888  
alan.cheong@savills.com.sg

**Simon Smith**  
Regional Head of  
Research & Consultancy,  
Asia Pacific  
+852 2842 4573  
ssmith@savills.asia

Savills plc  
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.



**GRAPH 1: Retail Sales and F&B Services Index, 2018 to 2023****GRAPH 2: Vacancy Rate, 2012 to 2023****GRAPH 3: Average Retail Mall Passing Rents, 2012 to 2023****MACROECONOMIC OVERVIEW**

Singapore's economy gained momentum in Q4/2023 as the manufacturing sector rebounded in that quarter. According to the Ministry of Trade and Industry, the Singapore economy grew 2.2% year-on-year (YoY) in Q4/2023, surpassing the 1.0% expansion in the previous quarter. For the whole of 2023, the economy expanded by 1.1%, easing from the 3.8% growth in 2022. Notably, the accommodation, retail trade and F&B services continued to grow in tandem with the ongoing recovery in tourism numbers. Compared with 2022, total visitor arrivals more than doubled to over 13.6 million in 2023, or slightly over 70% of 2019 levels. With tourism receipts exceeding S\$20 billion for the first nine months, total receipts are expected to reach S\$24.5 billion to S\$26 billion in 2023, which is about 90% of 2019 levels.

For the year 2023, retail and F&B sales continued to grow, albeit at a slower pace. After some moderation in sales growth for the first three quarters, sales turned negative in Q4 due to higher outbound travel at year-end. Local spending was further reigned in because of inflation and uncertainty over wage increments for 2024. Although sales for some segments (watches & jewellery and computer & telecommunications equipment) were lifted by Singles' Day sales in November, retail sales (excluding motor vehicles)<sup>1</sup> weakened in Q4 amid softer sales in categories such as recreational goods and furniture & household equipment. F&B sales<sup>2</sup> fell on the back of lower sales in restaurants and fast-food outlets. (Graph 1)

**VACANCY RATES EASED TO RECORD LOW**

The islandwide vacancy rate for retail space eased further by 0.7 of a percentage point (ppt) QoQ to 6.5% in Q4, the lowest since 2014. (Graph 2) It was attributed to the improved take-up rate across the island, especially in the Central Region. Coinciding with the vacancy rate in the Downtown Core Planning Area hitting a record low of 6.6% (-1.3 ppt QoQ), the Orchard Planning Area also hit a three-year low of 9.0% (-3.1 ppts QoQ). Meanwhile, the Suburban Area also experienced a healthy take-up with net demand coming in at 140,000 sq ft in Q4. However, although the islandwide net demand totalled 807,000 sq ft in 2023, the take-up rate is showing signs of a slowdown. The average take-up in the preceding two years was 1.03 million sq ft.

Similarly, rental growth also showed signs of moderating, with the Urban

Redevelopment Authority's (URA) retail rental index slipping by 0.1% QoQ in Q4. While the tourism recovery helped to support the rents in popular tourist destinations (e.g. Orchard Area and Marina Bay Area) in the Central Area (-0.1% QoQ), rents in the Fringe Area fell by 0.5% QoQ in Q4. Nonetheless, the rental growth within the Savills basket of malls<sup>3</sup> remained stable in Q4, with average monthly rents in Orchard Area rising 1.3% QoQ to S\$22.70 psf. For the Suburban Area, the average retail mall passing rent in the Savills basket rose by 0.8% QoQ again to S\$14.70 psf in Q4. (Graph 3)

**LUXURY WATCH RETAILERS TO FACE CHALLENGES AMID SUBDUED SPENDING**

The demand for luxury timepieces soared during the pandemic as consumers had more to spend for high-end timepieces which they might otherwise have spent on travelling. As outbound travel resumed, demand for luxury timepieces started to show signs of slowing. Coupled with weakening economic conditions and rising costs, consumers began cutting back spending on larger ticket items. While watch retailers such as Cortina and The Hour Glass reporting profit declines in 1H/2023, due mainly to weaker spending power. Some high-end retailers had also shut their poorer-performing stores. For instance, The Hour Glass store, which had been in Parkway Parade mall, vacated their premise in November.

Despite the slowing sentiments, Watchmaker Richard Mille opened its flagship store in Singapore, which is also its largest in the world. Spanning 7,500 sq ft in Orchard Road, the new store aims to provide a different experience with a restaurant, a bar, a sports bar, a watchmaking counter and a hidden library.

**SUPPLY IN THE PIPELINE**

According to Savills estimates, more than 3.4 million sq ft of retail space are expected come online in the next four years (2024 to 2027) — averaging 872,000 sq ft of new retail space per year. This is double the annual average supply of 478,000 sq ft of the last five years (2019 to 2023). The major upcoming completions include the redevelopment of Marina Square, Harbourfront Centre and Forum Mall. Notably, the projects such as the Pasir Ris Mall, the retail component of the revamped Grand Hyatt Hotel Singapore and the renovation of The Cathay are expected to be completed this year. Another large insertion of supply is expected to complete in 2027 and 2028, with a bulk of 2.6 million sq ft of new retail space coming onto the market.

<sup>3</sup> Savills estimated average obtainable rents in the area.

TABLE 1: Major Projects in the Pipeline

ESTIMATED COMPLETION	DEVELOPMENT	LOCATION	ESTIMATED NLA (SQ FT)*
2024	Pasir Ris Mall	Pasir Ris Central	264,000
N/A	Office/retail development (partial redevelopment of Marina Square)	Raffles Boulevard	660,000
N/A	Office/retail development (redevelopment of HarbourFront Centre)	Maritime Square	316,000
N/A	Office/retail/hotel development (redevelopment of Forum The Shopping Mall, the voco Orchard Singapore hotel, and office development HPL House)	Cuscaden Road/Orchard Road	202,000
2025	Punggol Digital District	Punggol Way	173,000
mid-2030s	Changi Airport Terminal 5	Tanah Merah Coast Road	435,000

Source Company announcements, URA, Savills Research & Consultancy  
 \* Savills estimates based on an efficiency rate of between 70% and 75%.

TABLE 2: Retail Rental Forecast , 2024F

PERIOD	ORCHARD ROAD (YOY CHANGE)	SUBURBAN AREA (YOY CHANGE)
2024F	+3% to 5%	0%

Source Savills Research & Consultancy

## OUTLOOK

The continued recovery in air travel and tourism demand should support growth in Singapore's tourism related sectors. For retail, the main beneficiaries will be shops and F&B establishments along Orchard Road and the CBD. Nonetheless, overall, the pace of growth for most of the sectors is set to ease from 2023. Although the tourism recovery could be driven by improved global flight connectivity and capacity, as well as the mutual 30-day visa exemption between Singapore and China, Singapore's tourism numbers in 2024 are likely to remain below pre-COVID levels. In the face of geopolitical and economic uncertainties, travel sentiment and the global travel recovery could also weaken. Meanwhile, the strong Singapore dollar and high prices are encouraging locals to spend overseas, exerting further pressure on retail and F&B sales this year. This will affect the Fringe and Suburban retail and

F&B establishments more than those along Orchard Road and in the CBD.

Although occupier demand for retail space may soften as sluggish domestic consumption impedes sales growth and thus dampens some retailers' expansion plans, retail rents are projected to stay firm. Landlords' rental expectations are likely to rise alongside higher property operating costs, especially for malls with healthy footfall and excellent accessibility. The wages of security guards, maintenance crews and even administrative staff have gone up substantially. As the continued recovery in tourist arrivals and spending helps to support rents in the tourist shopping belts, average rents on Orchard Road are expected to rise by around 3% to 5% YoY in 2024. Meanwhile, average rents in the suburbs are expected to stay flat this year, as cost push inflation is offset by weaker domestic spending due to outbound travel and weak real wage growth.