

Retail Q1 2020

Prime
Rents
(\$PSF/MO)\$35.27
OrchardQoQ
Chg12-Mo.
Forecast\$21.63
Other City Areas\$31.85
SuburbanECONOMIC INDICATORS
4Q 2019

1.0%

Real GDP Growth

YoY
Chg12-Mo.
Forecast

0.6%

Inflation Growth

-1.4%

Retail Sales Growth

Source: Ministry of Trade & Industry

Recession on the Horizon as COVID-19 Affects the Global Economy

Amidst global trade tensions, the Singapore economy saw slower growth and grew by only 0.7% in 2019, the lowest in a decade. Against this backdrop, retail sales fell by -1.6% in 2019, as consumers became more cautious on spending. In 1Q2020, overall GDP growth contracted by 2.2%, amid mounting border controls and lockdowns globally. For the whole of 2020, the Ministry of Trade & Industry expects the GDP growth to fall by -1.0% to -4.0%, which could potentially be the largest economic contraction in over 2 decades.

Singapore Government Rolls Out Multiple Stimulus Packages

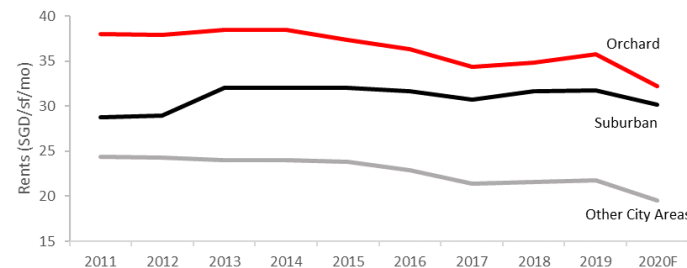
To limit the spread of COVID-19, the Singapore government has implemented heightened safe distancing measures from 7th April to 4th May 2020. All non-essential businesses will be shutdown during this period. As such, the government rolled out a third stimulus package on the 6th of April. Key initiatives pertinent to the retail market include the co-funding of local employee salaries, a 100% property tax rebate for retail malls or the retail components of mixed-developments and the deferment of contractual obligations such as paying rent or loans for up to 6 to 12 months. Landlords will have to pass on full property tax rebate savings to tenants, which can roughly translate to around 1 month of net rent.

In our view, the greatest impact to tenants will be from the deferment of contractual obligations which will allow tenants who have been materially affected by COVID-19 to defer rental payments for up to six to twelve months. This will help alleviate cashflow issues and will allow most tenants to continue operating over the short term. However, landlords would have to bear heightened risks if businesses continue to deteriorate after 6 to 12 months of support.

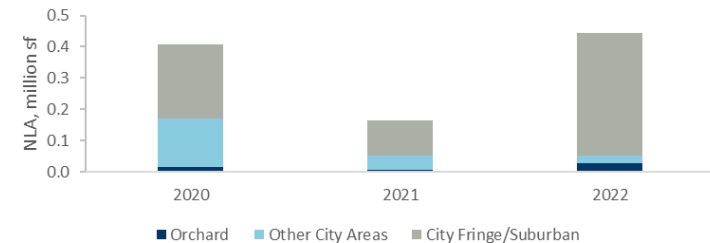
Retail Rents to Fall in 2020

Prime rents have been relatively resilient as the full impact of COVID-19 has not yet fully materialise. Orchard prime rents (\$35.27 psf/mo) and Other City Areas (\$21.63) fell by 1.4% and 0.6% respectively. On the other hand, Suburban (\$31.85 psf/mo) prime rents rose slightly by 0.3%. Given an impending recession, prime rents are expected to fall across the board in 2020. Orchard will see the largest impact as restrictions on tourists are likely to persist. As companies implement telecommuting in April, Other City Areas rents will be badly affected as well. Suburban malls are expected to show the most resilience as consumers would still carry on with necessity shopping albeit at a lower frequency. Going forward, retail rents across the board are expected to decline in 2020 as recession worries and uncertainties regarding COVID-19 remain.

RETAIL PRIME RENTS



RETAIL SUPPLY PIPELINE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT SPACE (SF)	OVERALL VACANCY RATE	2019 OVERALL NET ABSORPTION (SF)	2019 OVERALL NET SUPPLY (SF)	PLANNED & UNDER CNSTR (SF)	PRIME EFFECTIVE RENT (\$\$/SF/MO)*	QoQ Change (%)
Orchard	7,437,924	592,020	8.0%	(118,404)	96,876	78,146	35.27	(1.4)
Other City Areas	17,846,712	1,485,432	8.3%	473,616	430,560	219,045	21.63	(0.6)
Suburban	41,775,084	2,970,864	7.1%	882,648	129,168	1,294,148	31.85	0.3
SINGAPORE TOTAL	67,059,720	5,048,316	7.5%	1,237,860	656,604	1,691,439	27.25	(0.5)

*Rental rates reflect average gross effective rates at prime spaces

SIGNIFICANT OPENINGS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
JEM	Suburban	Don Don Donki	>26,000	Expansion
International Building	Orchard	IDS	4,240	Expansion
89 Neil Road	Other City Areas	Shake Shack	>7,300	Expansion
ION Orchard	Orchard	Clarins SkinSpa	2,850	Expansion
63 Hillview Avenue	Suburban	Grab Kitchen	6,000	New

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANTS	SF
Great World City (AEI)	Other City Areas	Cold Storage, Golden Village, Meidi-Ya, Uniqlo	430,000
Tekka Place	Other City Areas	NTUC FairPrice, Starbucks, Ya Kun Cafe	70,000
30 Raffles Place	Other City Areas	True Fitness, Dimbulah, Le Rouge	51,400

SIGNIFICANT RETAIL PROJECTS – PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF*	COMPLETION DATE
Shaw Plaza (AEI)	Suburban	62,700	2021
One Holland Village	Suburban	76,500	2021
The Woodleigh Mall	Suburban	201,900	2022

*Estimated Net Leasable Area

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