

INSIGHT
PAPER

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RETAIL

Singapore retail:
redefining the mall of today and tomorrow

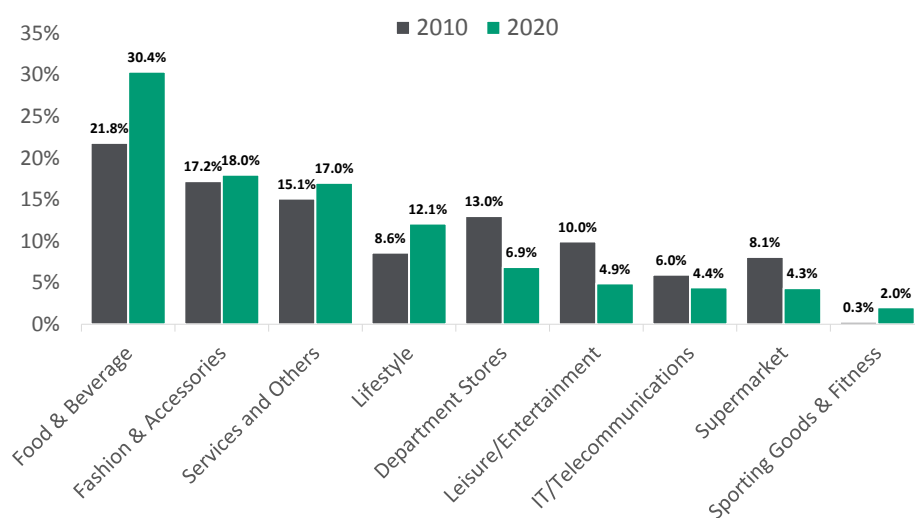
Introduction

The retail industry has been grappling with challenges on multiple fronts over the last decade, such as manpower shortages, competition from e-commerce and a plateau in retail dynamism. The COVID-19 pandemic and its accompanying safety and border restrictions have inevitably shaken the retail industry. Malls located in the central region have faced the brunt of the impact while suburban malls, on the other hand, are more resilient. Trends that were already underway for the retail sector have been accelerated and landlords are reconfiguring their trade mix to keep the malls appealing to shoppers. In this paper, we examine how retail trends and preferences has changed over the last decade and the corresponding evolution in the retail trade mix.

Methodology

The analysis of trade mix utilises tenancy data published by eight¹ commercial REITs in the last decade, whose retail assets account for 20.0% of all private retail stock in Singapore. We have made a number of assumptions² to ensure data compatibility and consistency. Notably, we have simplified the retail trade classifications into nine categories³.

Overall results



Source: EDMUND TIE Research, SPH REIT, Lendlease Global Commercial REIT, Suntec REIT, Starhill Global REIT, OUE Commercial REIT, FCT REIT, MCT REIT, CICT REIT

¹ SPH REIT, Lendlease Global Commercial REIT, Suntec REIT, Starhill Global REIT, OUE Commercial REIT, FCT REIT (Before the merger with AsiaRetail Fund), MCT REIT, CICT REIT

² Gross Rental Income breakdown by REITs assumed as NLA. Mixed-use developments with a high NLA were aggregated to be 100% retail after factoring out the non-retail portion

³ Services & others, department stores, fashion & accessories, F&B, leisure/entertainment, lifestyle, sports & fitness, supermarket, IT/Telecommunications

Rise in F&B footprint



Placemaking efforts have increasingly gained traction over the last decade, with retail malls offering more avenues for food choices to connect people from different walks of life for socialisation. Coupled with the increasing usage of social media, the rise of food bloggers and “Instagrammable” food, consumers are more aware of new cuisines and brands, entrenching the “makan” culture in Singapore. Unsurprisingly, the share of F&B tenants NLA has increased from 21.8% in 2010 to 30.4% in 2020.

A growing preference for a wide variety of cuisine has propelled F&B retailers to expand aggressively. There has also been a proliferation of new to market brands, for example, Japan Rail Café located at Guoco Tower is the first travel themed café from Japan. Beside the dining area, the café also features an event and community zone. Other established international brands such as Shake Shack from United States and Haidilao Hot Pot from China have entered the F&B scene to capture the hearts of many here. Notably, the NLA share of F&B retailers has risen by 8% pts for both prime and suburban malls over the last decade.

Rise in sports & fitness footprint

With the increased emphasis in wellness, leading a healthy and active lifestyle has become a goal for many, kickstarting a greater participation in fitness activities. This has in turn resulted in a higher demand for fitness wear and fitness products to complement such activities and lifestyle choices⁴. Consequently, we have seen more owners leasing out space to fitness brands. The share of sports & fitness tenants grew from a 0.3% share in 2010 to 2.0% in 2020. In prime malls, the footprint for sports & fitness retail tenants grew from nil in 2010 to 2.1% in 2020. In suburban malls, it rose from 0.7% in 2010 to 2.0% in 2020.

Flagship stores featuring limited edition sports merchandise have also gained traction and popularity due to the keen interest from millennials and Generation Z. Brands such as Adidas, Nike, FILA and Limited EDT, which feature special collaborations and different

concepts for some of their outlets, have expanded their retail footprint over the years.

In September 2020, French sporting goods giant Decathlon replaced Metro as an anchor tenant in The Centrepoint, opening a new store featuring 3,200 sqm of experiential retail space. The store aims to meet the needs of customers by integrating an immersive and activity-based concept for their first store in Orchard Road. In 2020, Adidas is one of the top 5⁵ tenants in Funan while Nike is among the top 10⁶ tenants in Changi City Point. More recently in July 2021, London- based activewear SweatyBetty opened its first Singapore store located at Ion Orchard. The brand's mission is for their customers to look and feel amazing while living an active life.

⁴ "The State of Fashion 2021", McKinsey & Company, December 1, 2020

⁵ CICT Annual Report 2020, Top 5 tenants by gross rental income

⁶ FCT Annual Report 2020, Top 10 tenants by gross rental income



Fall in departmental store footprint

The rise of e-commerce as a 24/7 one-stop shopping experience has contributed to the headwinds face by departmental stores. With more speciality retailers selling unique and novel products, the viability of the cookie cutter business model of departmental stores is in question. The NLA share of departmental store tenants fell significantly by 6.1% pts over the last decade.

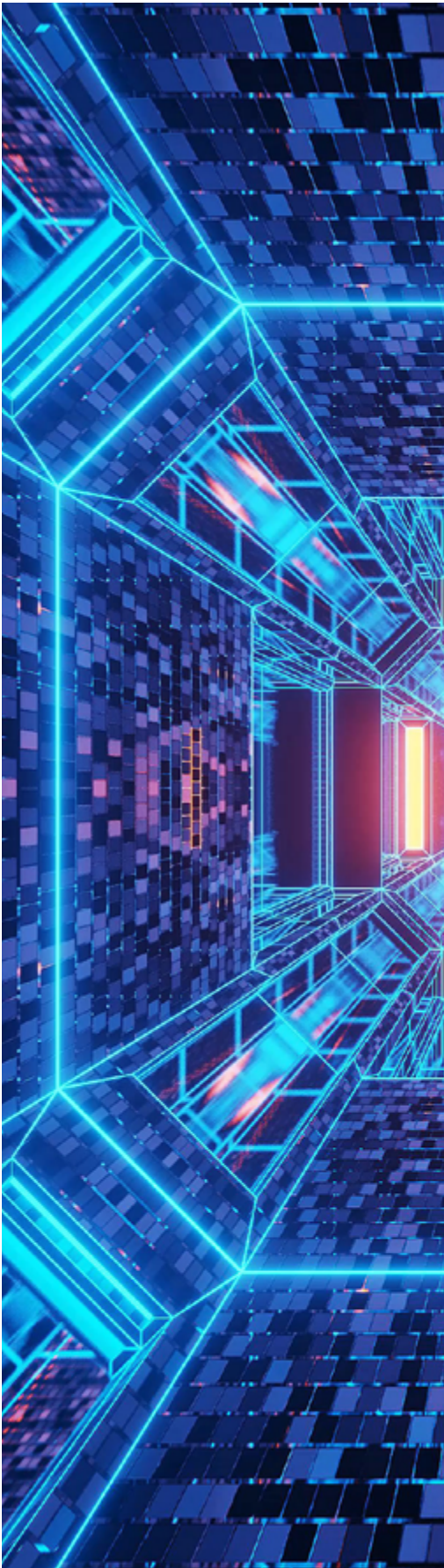
Departmental stores NLA share has fallen by 4.6% pts at prime malls while suburban malls fell by 6.1% pts. Well known department stores have exited the Singapore retail scene over the years. For example, Carrefour closed its last outlet in 2012, John Little shut its doors in 2016 and Metro shuttered its Centrepoint outlet in 2019.

Robinsons has also recently transitioned fully to an online store in June 2021 and Isetan announced that it will be closing its Parkway Parade Store in 2022.

Department stores are actively trying to stay relevant. For instance, Metro has two remaining stores located at Paragon and Causeway Point. Through partnership with e-commerce platform Lazada, Metro LazMall was successfully launched in end 2019. This has enabled Metro to tap on Lazada's existing users and technology to provide their consumers a seamless experience. Livestreams and online giveaways were also part of their marketing strategy to gain more user traffic at their social media sites, broadening its customer base.



Fall in leisure and entertainment footprint



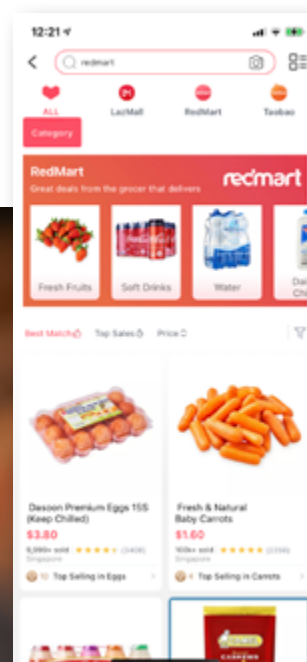
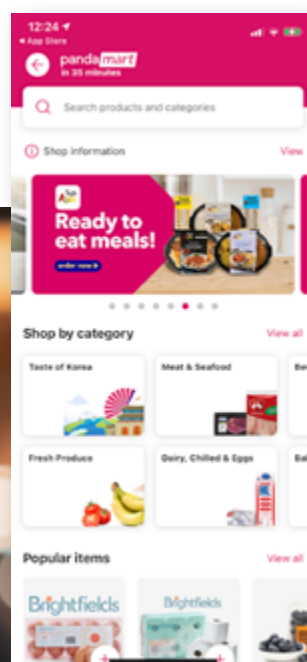
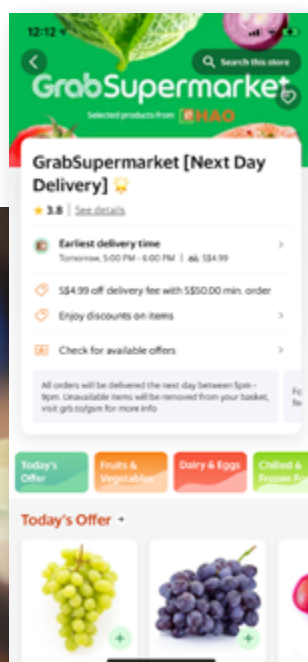
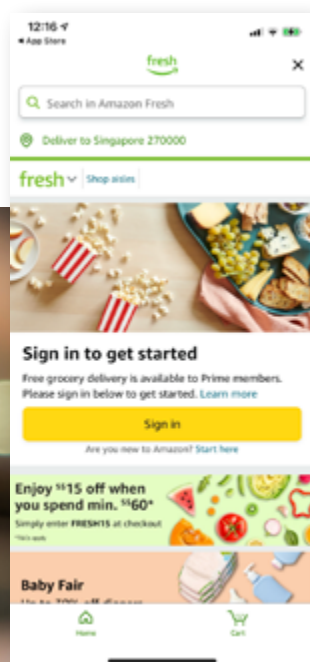
With the rising digital penetration and better connectivity speed, the trend for digital services and content such as online gaming and online streaming services has gained momentum in the last decade. Catalysed by the pandemic restrictions, more are seeing home entertainment as a substitute for physical entertainment avenues such as cinemas and arcades. This was reflected in the overall drop in leisure and entertainment NLA share in retail malls from 10.0% in 2010 to 4.9% in 2020. With a higher concentration to start with, the share of leisure & entertainment tenants located at prime areas has seen a greater decline from 11.8% in 2010 to 6.1% in 2020, compared to a decline from 7.2% in 2010 to 3.9% in 2020 for suburban malls.

Notwithstanding the general decline in leisure and entertainment footprint, we have also seen owners being more selective in terms of the type of entertainment in retail malls to increase footfall. Owners chose to lease large spaces to tenants who can provide unique products and services to consumers and are able to create a different entertainment experience. Some of these tenants include Superpark located at Suntec City which spans 40,000 sq ft across two floors and offers over 20 fun and energizing activities under one roof. 313@somerset entertainment tenants include Fat Cat Arcade featuring a 9,500 sq ft gaming hall and K Bowling Club as a multi-entertainment venue.

Fall in supermarket footprint



The rise of e-commerce has resulted in online grocery shopping picking up speed especially in the last three years. This can be seen by how the proportion of supermarket tenants located in retail malls have fallen by 3.8% pts. With more established online platforms jumping onto the bandwagon of groceries deliveries, more users are opting for online channels to purchase daily necessities due to the speed and ease of delivery guaranteed by these platforms. Noteworthy examples include the launch of RedMart Marketplace in 2015, pandamart under foodpanda in 2019. Amazon Fresh launched on Amazon Singapore in 2020 and the latest entrant is GrabSupermarket under Grab in 2021.



Prime and Suburban malls

Concentration for Prime Malls (2020)

Concentration for Suburban Malls (2020)

14.3%

Services and Others

19.4%

10.6%

Department Stores

3.6%

19.3%

Fashion & Accessories

16.8%

28.3%

Food & Beverage

32.2%

4.6%

IT/Telecommunications

4.3%

6.1%

Leisure/Entertainment

3.9%

13.4%

Lifestyle

11.0%

2.1%

Sporting Goods & Fitness

2.0%

1.3%

Supermarket

7.0%

Source: EDMUND TIE Research, SPH REIT, Lendlease Global Commercial REIT, Suntec REIT, Starhill Global REIT, OUE Commercial REIT, FCT REIT, MCT REIT, CICT REIT

The top four trades in 2020 are tenants from F&B, fashion and accessories, service and lifestyle aggregating to 75.3% and 79.3% of the NLA in prime and suburban malls respectively. With the exception of F&B, there have been distinct differences in the evolution of the other three trades between prime and suburban malls.



Services

The share of services⁷ trades held steady at 14.0% from 2010 to 2020 in prime malls while suburban malls experienced a greater increase, from 16.5% in 2010 to 19.4% in 2020. In line with the growing emphasis on education, the services provided at suburban malls cater directly to residents in the catchment area such as tuition and enrichment activities. The rise of the service sector in suburban malls can also be attributed to the increased demand in beauty, hair and health services, which are driven by rising affluence of the population.



Lifestyle⁸

Lifestyle retailers are taking up more spaces in prime malls as evidenced by the rise of 7.7% pts in space concentration. On the other hand, the NLA proportion in suburban malls saw a drop of 1.9% pts. This could be attributed to consumers' preference to shop for lifestyle products in the central region, since the cluster of malls would bring about a wider variety of goods to consumers.

Japanese urban lifestyle brand Muji opened its first flagship store in 2017 at Plaza Singapura. The 1,640 sqm flagship store features unique concepts such as Café&Meal MUJI and Open MUJI, an open space which is used for educational activities such as exhibition and creative workshops. Owndays, an optical retail brand from Japan, has also increased its retail footprint since opening its first outlet in 2013 to over 30 stores in Singapore.



Fashion and accessories

Fashion and accessories NLA proportion has fallen by 1.5% pts for prime malls while seeing a growth of 4.8% pts in suburban malls. Major brands with spaces located at prime malls such as Esprit and Topshop have since closed all their physical outlets, enabling mall owners with flexibility to curate their preferred tenant mix. The rise of e-commerce has resulted in the fall of fashion and accessories retailers in prime malls. With online channels being available for consumers to make purchases, the role of retail malls is gradually transiting into a place for socialisation and a greater NLA proportion of prime malls is now being allocated to F&B and lifestyle retailers.

On the other hand, international brands, including fast fashion brands like Uniqlo, have been expanding their retail footprint in suburban malls. Currently, Uniqlo is one of the top 10 tenants in Causeway Point and Changi City Point⁹ in 2020. Local brand Love, Bonito has also expanded its retail footprint, as it opened its fourth store (4,300 sq ft) at VivoCity in 2020. The Cotton On Group with brands such as Cotton On, Cotton On Kids and Rubi Shoes also has many outlets located at various suburban malls in Singapore.

⁷ Services includes the categories beauty & health, education, others and services

⁸ Lifestyle categories includes kids' fashion, art & craft, books & stationary, gifts, toys, hobbies, optical and home furnishings & household

⁹ FCT Annual Report 2020, Top 10 tenants by gross rental income

The retail mall of today



The landscape for retail mall players have become more competitive increasingly. We often see owners rejuvenating their malls every few years with Asset Enhancement Initiatives (AEI) to increase the attractiveness of their malls for shoppers and potential tenants. We have seen older malls undergone major AEI works, with Tiong Bahru Plaza reopening in 2016, White Sands and Century Square completing their AEI works in 2018. Other landlords also choose to revitalise their mall strategy through tenant mix optimisation, space reconfiguration and internal rejuvenation. For example, Suntec City had expanded their retail NLA by around 105,000 sq ft in 2015 by decanting low-yield spaces from the Convention & Exhibition Centre. Vivocity had also added 24,000 sq ft of new basement space in 2018 through AEI works to house more fashion, sportswear and lifestyle brands.

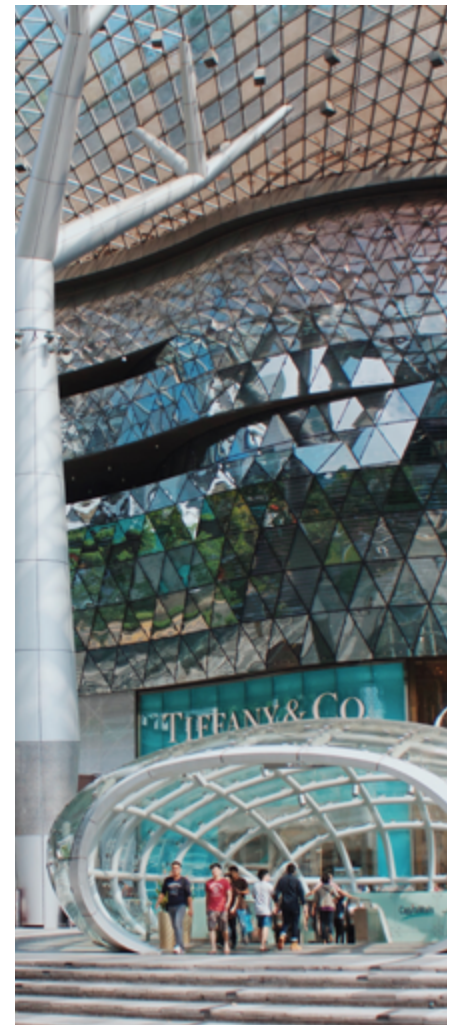
Other than the key shopping precincts located at Orchard, Somerset and Bugis, mall clusters can also be found in suburban regional centres. These include Jurong (Westgate, JEM, JCube, IMM), Tampines (Tampines 1, Tampines Mall and Century Square) and Paya Lebar (Paya Lebar Square, Paya Lebar Quarter and Singpost Centre). The emergence of various mall clusters in decentralised regions of Singapore have also resulted in increased competition within the cluster, with each mall trying to obtain a differentiating factor with their unique selling points and trade mix.

More pop-up store models by online retailers are being adopted by those who wish to venture into physical retailing, as it enables them to save costs, without being committed to long term contracts and incurring large cost on modular



installations. This is especially so for bigger ticket items such as household furnitures, where consumer demand could be better met through a physical store. In 2018, Taobao opened a new retail concept Nomadx located at Plaza Singapura, spanning over 2 floors (11,000 sq ft), combining both digital and physical shopping experiences. The Orchard Road Business Association (ORBA) also has been responsible for setting up pop-up spaces along the prime Orchard Belt since April 2019 and bringing curated event spaces along the pedestrian areas. Past brands who took part in the initiative including Clarins, Tiffany & Co and Nespresso also offer innovative spaces and present fresh offerings to their customers. More recently in April 2021, Lazada pop-up store at Raffles City (10,000 sq ft) took over the space formerly occupied by Robinsons for 2 weeks.

Co-retailing could also be poised to take off in a more meaningful fashion as consumers value experiential retail with a fresh rotation of products with diverse selection of products. Co-retailing has its advantages such as the flexibility in operations space and rent arrangements. An example of co-retailing at work would be a local brand, The Showcase, leasing out its space to various blogshop brands under one roof at Nex and Century Square. Mox is also a brand which offers co-retailing located at Paya Lebar Quarter and Scape Underground, enabling small business owners a venue for their clients to collect their purchases and a physical venue to sell their products at an affordable rate.



The retail mall of tomorrow

1

Greater collaboration between stakeholders

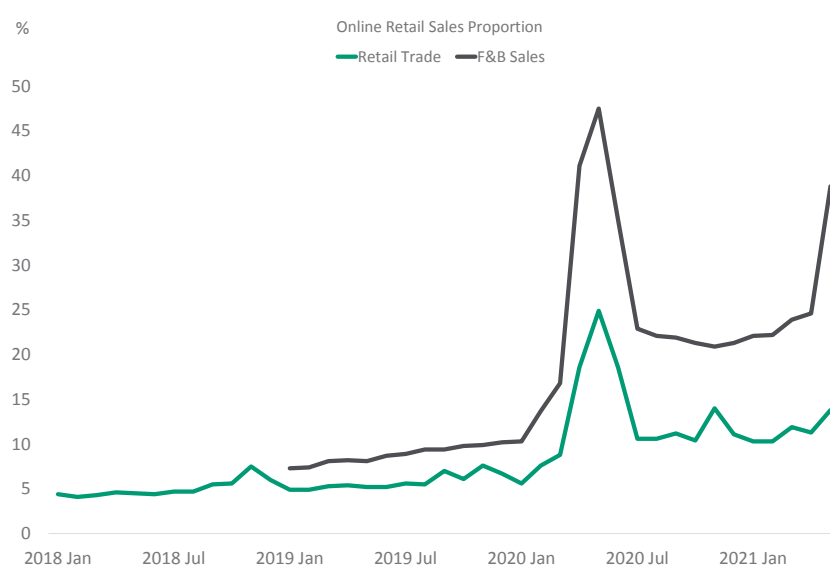
From 1 June 2021, a set of guidelines termed the Fair Tenancy Framework Code of Conduct for Leasing of Retail Premises came into effect. This set of guidelines serve to assist landlords and tenants of qualifying premises to reach a fair and balanced position in lease negotiations, according greater protection to retail tenants. Parties are encouraged to abide by the leasing principles for key tenancy terms as provided under the Code. While the Code is not binding, with effective from 1st June 2021 major landlords have committed to abide by the code of conduct. The landlords are APM Property Management, CapitaLand, City Developments (CDL), Frasers Property Retail, Keppel Land, Mercatus Co-operative, UOL Group, SPH Reit, JTC Corporation and the Housing Board. Additionally, the Fair Tenancy Committee has also advocated the Code to be legislated and to ensure compliance. The Government has also expressed its support and will be working with the industry for such possible legislation.

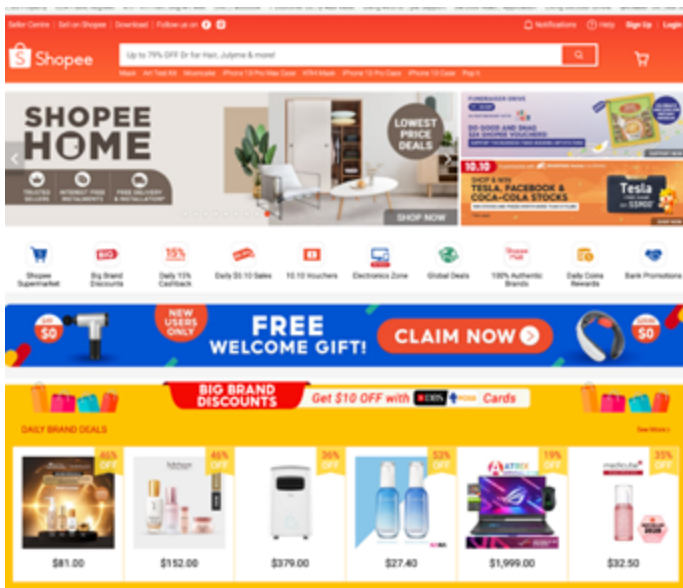
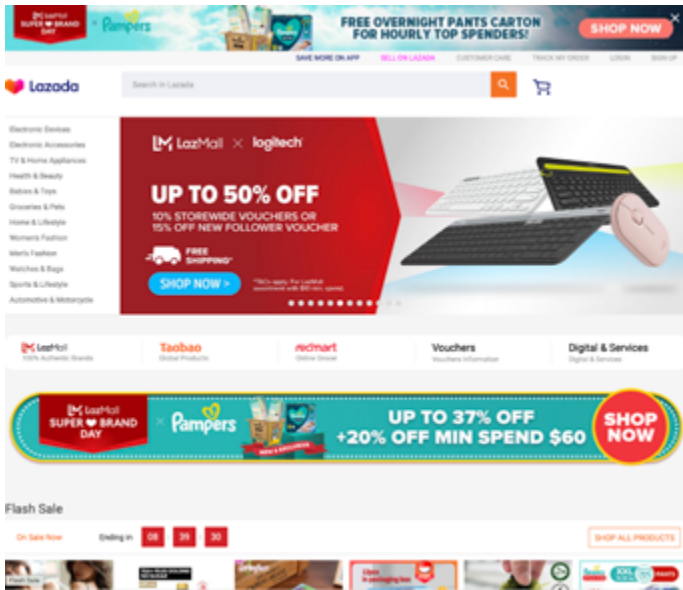
Additionally, the Great Singapore Sale 2021 (GSS) has also taken an omni-channel approach this year, a partnership between the Singapore Retailers Association (SRA) with Lazada, enabling retailers to leverage on the ease of accessibility of applications and online platforms. This opportunity has assisted selected retailers to start on their e-commerce journey.

2

E-commerce struts on

The wheels of e-commerce are set in motion. Coupled with changing consumer taste and behaviour, owners will seek to curate their trade mix and occupiers would want to market their products and services in ways that are appealing to consumers. Pre-Covid, the online share of retail sales was relatively moderate; 5.0% in 2018 and 5.8% in 2019. Catalysed by the circuit breaker lockdown, online retail sales share grew to an average of 12.7% in 2020 and 12.2% in the first half of 2021. With the implementation of dine-in restrictions for the F&B sector, the online share of F&B sales also shot up during the Circuit Breaker in 2020 and Phase 2 (Heightened Alert) in 2021. More retailers are opting for an omni-channel approach, jumping onto the bandwagon of marketing and selling their goods online. On the other hand, their physical retail store concurrently serves as a “look and feel” touchpoint and as a Click-and-Collect point for customers.





E-commerce platforms have also successfully gained a large following due to the usability of the applications and vouchers being offered during special events (for example, Shopee 11.11 sales, Lazada Great Singapore Sale 2021). Certain retailers may be looking to decrease their retail footprint due to the hybrid model of online and offline sales, especially when consumer behaviour shows a permanent shift towards online shopping¹⁰. Demand for prime retail spaces remain firm. For example, the space vacanted by Robinsons at The Heeren was taken up by Courts while One Assembly, a collaboration between CapitaLand and BHG Singapore, has shifted to the other former Robinson outlet at Raffles City.



3 Smart retailing

Retailers are creating more dynamic digital tools to increase the level of consumer engagement by giving customers a memorable store experience. Moving forward, more could follow suit to attract a larger customer base. For example, high end Japanese beauty brand SK II, opened its Future X Smart Store at Singapore Changi Airport in 2019. The store features smart product scans to compliment the Skincare GPS to locate items at the store and a digital interface called the Discovery Bar for customers to gain a deeper understanding on the product offerings.



4

Livestream retail

The next fad thing in retail features livestream shopping, where viewers are able to watch the livestream and shop online concurrently. Additionally, retailers also employ tactics such as releasing coupons during livestreaming to entice viewers to continue watching the session and make their online purchases. This trend has been further entrenched during the pandemic as it enables users to shop online and engage with the live streamer through posting comments and receiving live replies. As live streaming provides the personalised touch for viewers on a larger scale, a wider range of consumers can be reached. With more brands utilising social media platforms (Instagram Live and Facebook Live), consumers are able to view the products first hand before purchasing the products either online or from the physical store.



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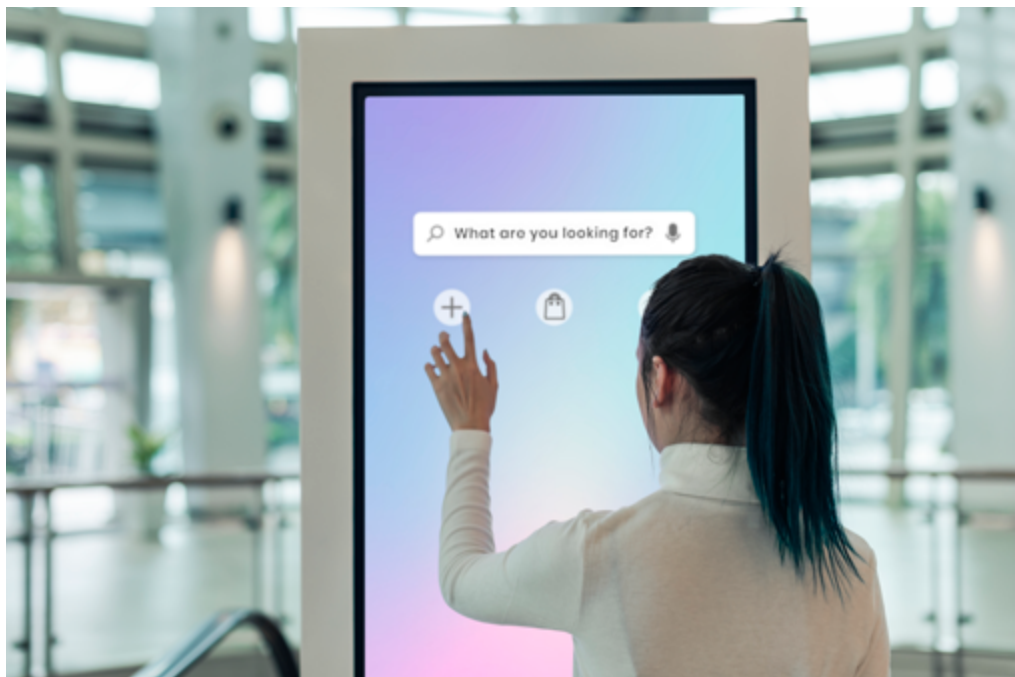
Hybrid model: Co-working at retail malls

Co-working operators could also be more active at retail malls, supported by demand for flexible working spaces in an uncertain economic climate, catering to the new hybrid work paradigm and the rise of the gig economy. With more co-working venues located at retail malls, there is also a wider range of food and retail offerings to cater directly to the needs of the tenants. For example, JustCo opened a co-working space at Marina Square (60,000 sq ft) in 2018, Spaces by IWG opened at One Raffles Place (35,000 sq ft) in 2019 and JustCo expanded at The Centrepont (60,000 sq ft) in 2020.

Conclusion

Owners need to continue to re-imagine their malls and find their niche in terms of capturing the local market, especially in hard-hit tourist shopping spots. It is pertinent to be future-proof and to curate a more resilient trade mix. As more international brands enter Singapore, a wider range of options in terms of both quality and quantity is now being offered to customers. With more competition from these international brands, existing retailers will have to be increasingly innovative in order to retain and attract more consumers.

With brands embracing digitalisation and investing in retail innovation, we believe that physical retailing is not dead, so long as retailers are coming up with innovative ways to create a memorable experience for consumers. With the rise of multi-channels approach such as smart retailing and live streaming, consumers are able to experience fresh ways to enjoy their shopping experience. Additionally, with the challenging retail climate right now, we expect more pop-up stores/concept stores to emerge where retailers and landlords can test their ideas with the market. To this end, co-retailing could be poised to take off in a more meaningful



fashion. After all, even with the rapid rise of e-commerce, physical retailing is still very much ingrained and pertinent in our daily lives. As social creatures, we still need places as avenues for socialisation and human interaction – for example, the discovery of new shops in town could spark interesting conversations and adventures.

The last decade has seen major shifts in retail trends and trade mix. Looking ahead, we expect further tweaks to future-proof malls due to the accentuated need for socialisation and collaboration. The push towards F&B and more co-working spaces will likely continue

although the F&B landscape will also see more delivery and self-pickup extensions of the business model. The industry will continue to innovate with new forms of digital marketing and it is vital that landlords and tenants partner together to navigate the challenges ahead. As the retail landscape continues to evolve, the next big thing in the industry is highly unpredictable. Nevertheless, owners and occupiers have to continue to be agile and adaptable in their business model and the adoption of technological solutions to stay at the forefront of the retail industry.

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