

# Singapore Flash Note

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DBS Group Research . Equity

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## Singapore Retail and Hospitality

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### Open the floodgates!

- Social gathering limit doubled to 10 pax and work from office limit increased to 75%
- Travel to adopt a Vaccinated Travel Framework (VTF) with close to zero quarantine and testing requirements for fully vaccinated arrivals
- Passenger traffic volume to return to 50% of normalised levels this year; exponential spike when VTL returned last month
- Expect increasingly positive datapoints and earnings surprises to drive valuations higher

### What's New

Domestic relaxation as part of the new "living with COVID" measures

- Further relaxation measures were announced by Prime Minister Lee Hsien Loong this morning in a national address.
- <Surprise!> Social gathering limit doubled from 5 pax to 10 pax, including dine-in.
- Workplaces will allow up to 75% of employees to return.
- Wearing of facemasks will now be optional outdoors, subjected to pre-existing social distancing limit of one metre.
- Capacity limit for larger events and gatherings (involving more than 1,000 people) has been increased to 75%.
- Sale and consumption of alcohol after 10:30pm will now be allowed for F&B operators.

- All rules to take effect starting from next Tuesday, 29<sup>th</sup> March.
- *Further news to watch out for: Night entertainment venues including clubs to potentially see resumption in operation in the coming weeks.*

### New border measures reminiscent of pre-COVID travel

- Current framework involving Vaccinated Travel Lanes (VTL) will be transitioned to a Vaccinated Travel Framework (VTF).
- All existing VTL flights and ferries will be replaced with measures under VTF.
- There will now be two travel categories going forward: (1) General travel category for fully vaccinated travellers and (2) Restricted category for travellers from regions of concern (currently zero countries on the list).
- Fully vaccinated travellers arriving by air and sea will no longer be required to take an on-arrival COVID test, subject to a negative pre-departure test.

### Our thoughts

**All clear for retail to re-claim its past glory.** The announcement of a further relaxation of social distancing has surpassed all expectations. Social cap will see a doubling to 10 pax, alongside the relaxation of alcohol sale and consumption past the stipulated time of 10:30pm. F&B operators will likely see a surge of large bookings in the coming weeks or months encompassing



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Live more, Bank less

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families, friends, and, potentially, corporate groups, as long-awaited gatherings are finally given the green light to proceed. The return to office trend, alongside further relaxation within the F&B space, will help build up transient traffic flow at retail malls, which has now generally hovered around 60% of normalised levels. The return of tourists will also be the long-awaited boost for our central landlords, as Singapore now expects passenger traffic to return to 50% for the full year, with a good proportion of deep-pocketed leisure travellers, who are ready to open their wallets along Orchard Road.

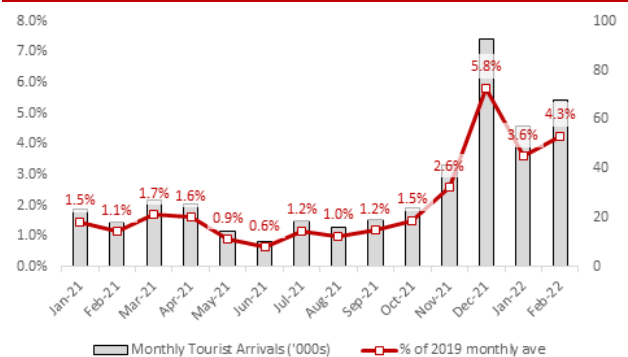
Moreover, the last and final trade sector of entertainment will finally be allowed to operate, including KTV and nightclubs. While rental rebates have now been few and far between, we think that a good portion of these rebates has been given selectively to nightclub and entertainment operators for the likes of those at Clarke Quay. Rental rebates will likely be floored this year, with greater leasing momentum in the coming quarters as the ball shifts towards the landlords' court.

**Boarding gates are open.** Passenger traffic at Changi Airport reached 18.2% of pre-COVID levels last week, with it set to achieve a country target of raising passenger volumes to at least 50% of pre-COVID levels this year. While we note that approximately 38% of inbound travellers are returning Singaporeans and PRs (as at 15 Feb 2022), we expect a higher mix of foreigners tapping into the newly relaxed Vaccinated Travel Framework going forward. Given that we are just one month into the return of VTL, which were re-started on 25<sup>th</sup> February 2022, passenger traffic has reached good traction, back to 18.2% of pre-COVID levels last week, or a level that is more than fourfold the monthly traffic for February prior to the start of VTL. The exponential increase in arrivals is

a positive surprise amidst pent up demand for travel. The timely announcement of the new VTF framework alongside the relaxation of Asian borders help put Singapore in the forefront in a bid to capture tourist demand as neighbouring countries such as Indonesia have also substantially relaxed border entry requirements for foreigners.

With tourism and hospitality at a standstill for the past two years, the soft target of 50% of passenger volumes for the whole year will allow hoteliers to ramp up room demand in time. Alongside the return of conferences, large events, and, potentially, the nightlife scene in Singapore in the coming few weeks, key leisure and corporate demand flows will take shape in the coming months to sustain the exponential momentum in tourist arrivals in March. We expect the pipeline of MICE events to see greater certainty for the rest of the year, including the much-anticipated Formula 1 Grand Prix in Oct 22.

### Monthly tourist arrivals tracker (% of 2019 average)



Source: STAN, DBS Bank

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