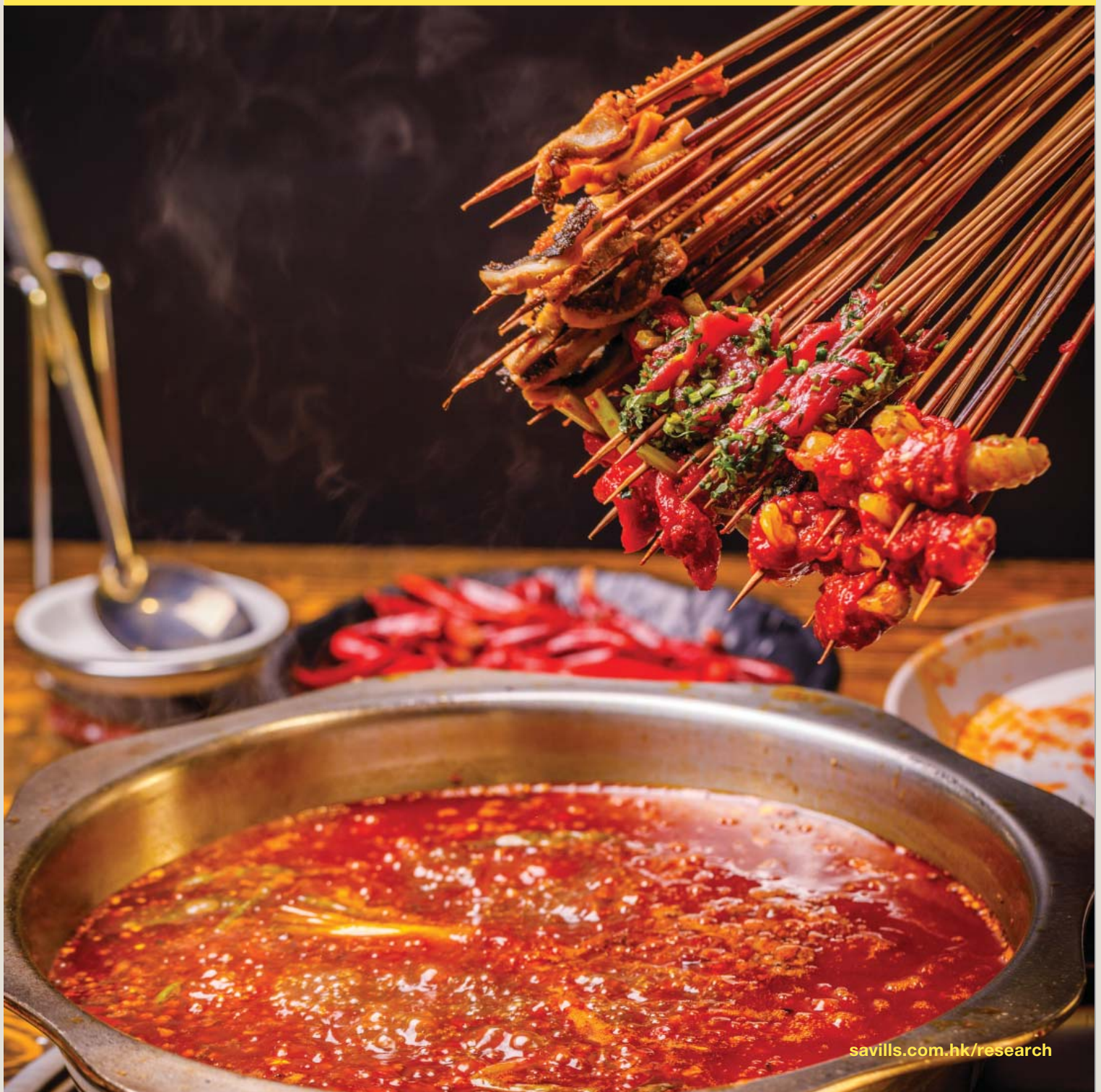


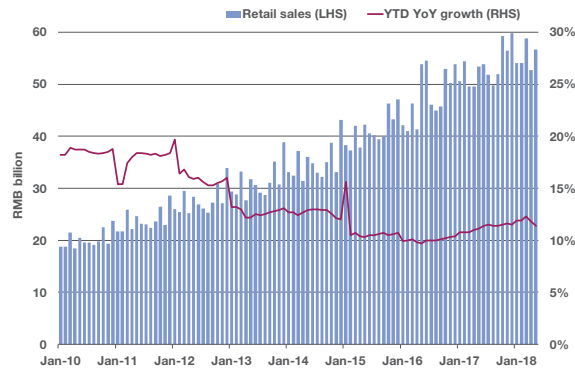
# Asian Cities Report

## **Chengdu Retail**

2H 2018

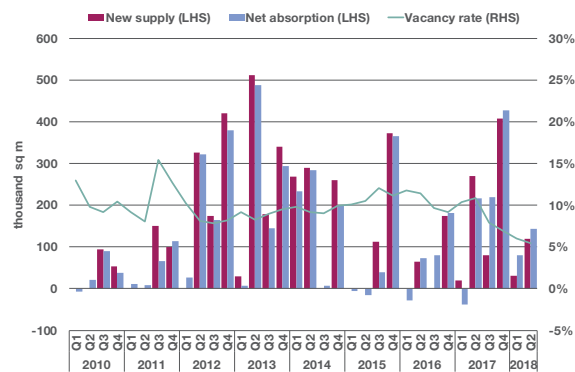


**GRAPH 1**  
**Total retail sales of consumer goods**  
**Chengdu, 2010 – May 2018**



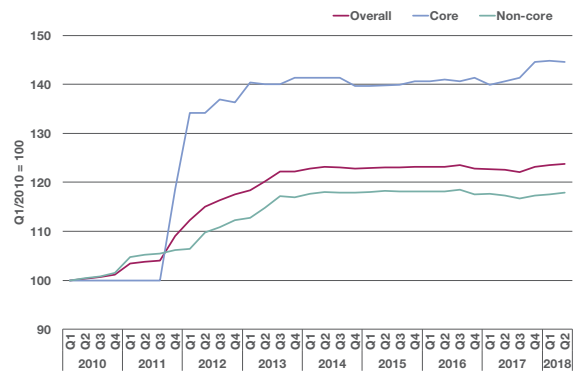
Source: Chengdu Bureau of Statistics, Savills Research

**GRAPH 2**  
**Supply, take-up and vacancy, 2010 – Q2/2018**



Source: Savills Research

**GRAPH 3**  
**Rental index, 2010 – Q2/2018**



Source: Savills Research

**City overview**

In the “2018 Commercial Appeal Ranking of Chinese Cities” by CBN Weekly, released in April 2018, Chengdu once again won first place among other new first-tier cities. The ranking takes into consideration commercial resources aggregation, accessibility, residents’ vitality, lifestyle diversity, and future flexibility. Chengdu, as one of the most important centres in Western China, has promising opportunities for future commercial development.

The total retail sales of consumer goods in Chengdu in 1H/2018 reached RMB332.6 billion, increasing 11.1% year-on-year (YoY). This strong growth signifies that the city has growing consumption power. Retail sales of commodities above quota increased at a rate twice that of general commodities. Traditional businesses have accelerated their integration with the internet, pushing online sales to maintain a high growth rate while city-wide online sales above quota increased by 37.6% YoY during 1H/2018.

**Retail market overview**

From 2017 to 1H/2018, eleven shopping malls with a total GFA of 927,853 sq m entered the Chengdu retail market, pushing the total shopping mall stock up to about 5.52 million sq m. Nine of these new projects opened in 2017, and another two were completed in 2018.

Due to the high occupancy rate of new projects and active leasing demand, the Chengdu retail property market has shown a good absorption performance since 2017. The overall vacancy rate continued to decline, decreasing by 1.5 percentage points (ppts) from 2017 to 5.4% in 1H/2018. Both positive market sentiment and strong absorption capacity endowed mall owners with more bargaining power, causing the city-wide shopping mall first-floor average rent to rise steadily.

In terms of demand, general retail and F&B are still the major sources of new leases. However, the lifestyle sector has become more sub-divided in recent years in order to cater for the upgraded needs of consumers, which makes it an important part of current shopping malls. In addition,

as other retailers such as furniture and automotive retailers start to open showrooms or outlets in shopping malls - instead of in traditional furniture malls or as standalone stores - malls in Chengdu are slowly becoming one-stop shopping places. Furthermore, as more brands expand into the Chengdu market with the “new retail” model, shopping malls will have to carry out upgrades and adjustments in tenant mix and operations to meet retailers’ demands.

In the past few years, more and more small-scale, block-style retail properties - like the recently completed Upark+ - which offer more outdoor space compared with traditional shopping malls, have begun to sprout in Chengdu. Although these properties diversify the consumption scene, they also challenge existing shopping malls in the area.

**Chunxi Road-Yanshikou: traditional retail centre**

Chunxi Road is a well-known retail street in China located in Chengdu’s city centre. As a traditional retail centre of Chengdu, Chunxi Road-Yanshikou is the core of Chengdu’s retail property market. Meanwhile, it is also the submarket with the highest rent, almost twice the city-wide average rent.

However, around 2010 several shopping malls, including SM Plaza, Jinhua Wanda Plaza, and MixC, opened in the submarkets further from Chunxi Road-Yanshikou and along the 2nd Ring Road. These shopping malls attracted a lot of people, thereby significantly enhancing the competitiveness of these submarkets. As a result, it became hard for the old department stores in Chunxi Road-Yanshikou to maintain their appeal. Faced with unprecedented challenges, department stores in the city centre experienced a tough period of transformation. But with the opening of two landmark projects in 2014 in the Chunxi Road-Yanshikou submarket, International Financial Square (IFS) and Sino-Ocean Taikoo Li Chengdu, the area has regained its status as the city’s central shopping district. Additionally, the current extension of Chengdu’s subway network is expected to enlarge

the catchment of this submarket. However, several projects, such as Yanlord Landmark and the One, began undergoing tenant-mix adjustments in early 2018, thus the average vacancy rate of Chunxi Road-Yanshikou rose in 1H/2018.

Due to its locational advantage and reputation, Chunxi Road-Yanshikou submarket is still the preferred area for brands who are considering their first store in Chengdu.

### The Southern High-tech Zone: new retail centre

The High-tech Zone is the new engine of Chengdu's economic development. The Southern High-tech submarket, which encompasses the area to the south of South Railway Station within the High-tech Zone, has risen as another retail centre in Chengdu in recent years.

U-fun, a shopping mall located in Financial City in Southern High-tech submarket, opened on 25th May 2018 with a total GFA of 120,000 sq m. The project houses more than 20 brands' first stores in Chengdu and over 40 brands' first stores in the southern region of the city, bringing much attention to the Southern High-tech submarket in 1H/2018. The trend of southward city development continues as businesses and residents continue to relocate from the Old City<sup>1</sup>, promoting the rapid growth of the Southern High-tech submarket. Coupled with consistently high-quality new supply as well as the strong consumption power of residents in the surrounding area, the Southern High-tech retail market will continue to grow, becoming a new retail centre in Chengdu.

In terms of supply, the Southern High-tech submarket is leading city-wide on both total volume and project numbers. Also, the average shopping mall first-floor rent in the Southern High-tech submarket is higher than other submarkets except the Old City. Additionally, the Southern High-tech submarket is keeping up with the Old City in terms of project quality and diversity.

In terms of demand, the falling vacancy rate in the Southern High-tech submarket shows sustained leasing demand in the area. Although

the penetration level of major brands is lower compared to the Old City, the Southern High-tech submarket has already become the preference for a number of brands expanding in Chengdu.

### Market outlook

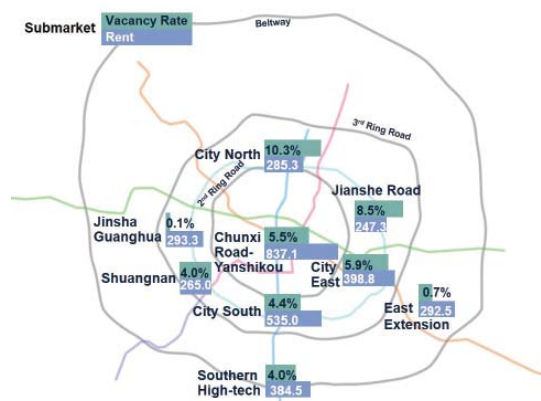
There will be five shopping malls opening in 2H/2018, adding a total of approximately 710,000 sq m GFA onto the retail market, a significant increase YoY. This supply peak will result in intense competition between some projects in the short run. It is expected that the overall vacancy rate will trend upwards, thereby causing rental growth to slow or decline in some submarkets.

Up to 2021, the total volume of new supply in Chengdu will measure around 2.65 million sq m. Only 6.7% of new supply will be located in the core area (Chunxi Road-Yanshikou) and more than half of new projects will be situated in the Southern High-tech and City East submarkets.

In order to adapt to the wants and needs of ever-changing consumers, other than having long-term tenants, owners increasingly use thematic pop-up stores to test brands, better understand the local market, and brand their shopping malls. Meanwhile, they continue to establish more active connections with consumers to acquire effective feedback. ■

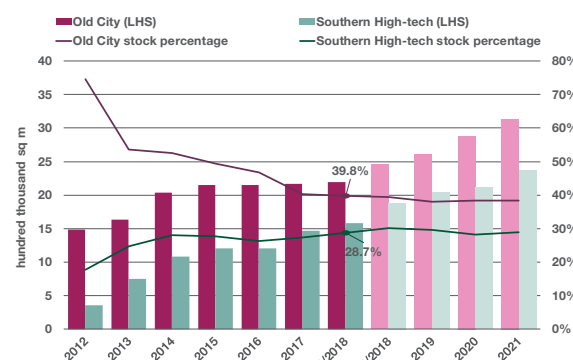
<sup>1</sup> The area along and within the 2nd Ring Road, which includes the whole Chunxi Road-Yanshikou submarket, and part of Jianshe Road, City East, City South and City North submarkets.

MAP 1 Submarket rents and vacancy rates, 1H/2018



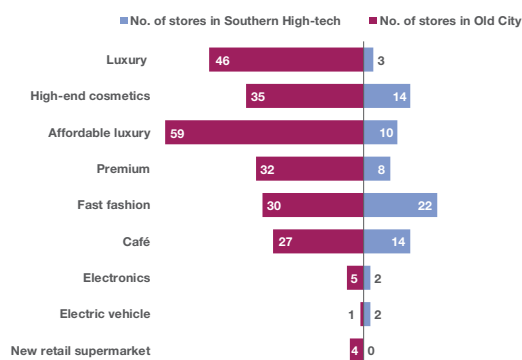
Source: Savills Research

GRAPH 4 Retail property stock comparison, 2012 – 2021



Source: Savills Research

GRAPH 5 Major brand penetration comparison\*



Source: CREIS, Savills Research  
Brand penetration comparison is based on the analysis of the number of stores for 128 international retail brands (including F&B and Fashion). We compare brand penetration level between different areas by calculating the actual number of stores in nine categories.

## ASIA PACIFIC HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2842 4400 Fax: (852) 2868 4386



### ASIA PACIFIC EXECUTIVE COMMITTEE

CEO, Greater China  
Contact: Raymond Lee E-mail: rlee@savills.com.hk

Executive Chairman, Asia Pacific  
Contact: Robert McKellar E-mail: rmckellar@savills.asia

CEO, South East Asia  
Contact: Christopher Marriott E-mail: cjmarriott@savills.asia

CEO, Asia Pacific (Ex Greater China)  
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

COO & CFO, Asia Pacific  
Contact: Tim Robinson E-mail: tbrobinson@savills.asia

CEO, Australia & New Zealand  
Contact: Paul Craig E-mail: pocaig@savills.com.au

### HONG KONG SAR

#### Savills (Hong Kong) Limited

23/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2842 4534 Fax: (852) 3007 2458  
Contact: Raymond Lee E-mail: rlee@savills.com.hk  
EA Co. Licence: C-002450

#### Savills Valuation and Professional Services Limited

28/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2840 4806 Fax: (852) 3007 4523  
Contact: Charles Chan E-mail: ccchan@savills.com.hk  
EA Co. Licence: C-023750

#### Savills Property Management Holdings Limited

805-13 Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong  
Tel: (852) 2534 1688 Fax: (852) 2508 1883  
Contact: Johnnie Chan E-mail: jokchan@savills.com.hk  
EA Co. Licence: C-002993

#### Savills Guardian (Holdings) Limited

7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong  
Tel: (852) 2512 1838 Fax: (852) 2887 3698  
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk  
EA Co. Licence: C-004089

### MACAU SAR

#### Savills - Macau

Savills (Macau) Limited  
Suite 1309-10, 13/F Macau Landmark,  
555 Avenida da Amizade, Macau  
Tel: (853) 8506 6288 Fax: (853) 2878 1805  
Contact: Franco Liu E-mail: fliu@savills.com.mo

### CHINA

#### Savills - Shanghai

25/F Two ICC, 288 South Shaanxi Road,  
Shanghai 200031, China  
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699  
Contact: Siu Wing Chu  
E-mail: siuwing.chu@savills.com.cn

#### Savills - Beijing

2101 East Tower, Twin Towers, B-12 Jianguomenwai  
Avenue, Chaoyang District, Beijing 100022, China  
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299  
Contact: Anthony McQuade  
E-mail: anthony.mcquade@savills.com.cn  
Offices in Chengdu, Chongqing, Dalian, Guangzhou,  
Hangzhou, Nanjing, Shenyang, Shenzhen, Tianjin, Wuhan,  
Xiamen, Xi'an and Zhuhai

### ASIA

#### Savills - Indonesia

PT Savills Consultants Indonesia  
Panin Tower – Senayan City, 16th Floor, Unit C  
Jl. Asia Afrika Lot. 19, Jakarta 10270, Indonesia  
Tel: +62 (21) 293 293 80 Fax: +62 (21) 293 293 81  
Contact: Craig Williams Email: craig.williams@savills.co.id

#### Savills - Japan

Savills Japan Co., Ltd  
15/F Yurakucho ITOCiA, 2-7-1 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan  
Tel: (81) 03 6777 5150 Fax: (81) 3 6777 5105  
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

#### Savills - Korea

Savills Korea  
13/F Seoul Finance Center, 136 Sejong-daero  
Jung-gu, Seoul 04520, Korea  
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188  
Contact: Crystal Lee E-mail: csjlee@savills.co.kr

#### Savills - Malaysia

Savills (Malaysia) Sdn Bhd  
Level 9, Menara Milenium, Jalan Damanlela, Bukit  
Damansara  
50490 Kuala Lumpur, Malaysia  
Tel: (603) 2092 5955  
Contact: Christopher Boyd  
Email: chris.boyd@savills.com.my

#### Savills - Singapore

Savills (Singapore) Pte Ltd.  
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712  
Tel: (65) 6836 6888 Fax: (65) 6836 2668  
Contact: Marcus Loo E-mail: marcus.loo@savills.com.sg

#### Savills - Taiwan

Savills (Taiwan) Limited  
21/F Cathay Landmark, No.68, Sec. 5, Zhongxiao E. Road  
Xinyi District, Taipei City 110, Taiwan  
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929  
Contact: Frank Marriott E-mail: fmarriott@savills.asia  
Office in Taichung

#### Savills - Thailand

Savills (Thailand) Limited  
26/F Abdulrahim Place, 990 Rama IV Road  
Silom, Bangkok, Bangkok 10500, Thailand  
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339  
Contact: Robert Collins E-mail: rocollins@savills.co.th

#### Savills - Vietnam

Savills Vietnam Ltd. Co.  
18/F, Ruby Tower, 81-85 Ham Nghi Street  
District 1, Ho Chi Minh City, Vietnam  
Tel: (84) 28 3823 9205 Fax: (84) 28 3823 4571  
Contact: Neil MacGregor  
E-mail: nmacgregor@savills.com.vn  
Offices in Danang, Hanoi and Ho Chi Minh City

### INDIA

#### Savills - India

Savills India  
Level 8, Vibgyor Towers, Bandra Kurla Complex  
Mumbai 400 051 India  
Tel: (91) 22 4090 7300  
Contact: Bhavin Thakker Email : bthakker@savills.in  
Offices in Bangalore and Gurgaon

### AUSTRALIA

#### Savills - Sydney

Savills (Aust) Pty Ltd.  
Level 25, 1 Farrer Place, Sydney, Australia NSW 2000  
Tel: (61) 2 8215 8830 Fax: (61) 2 8215 8899  
Contact: Simon Fenn E-mail: sfenn@savills.com.au

#### Savills - Melbourne

Level 48, 80 Collins Street, Melbourne VIC 3000  
Tel: (61) 3 8686 8000 Fax: (61) 3 8686 8088  
Contact: Stuart Fox E-mail: sfox@savills.com.au  
Offices in Adelaide, Brisbane, Canberra, Gold Coast, Notting  
Hill, Parramatta, Perth and Sunshine Coast

### NEW ZEALAND

#### Savills - New Zealand

Level 6, 41 Shortland Street, Auckland NZ 1010  
Tel: (64) 9 951 5911  
Contact: Thomas McAlister E-mail: tmcalister@savills.co.nz  
Offices in Auckland and Christchurch

### THE AMERICAS

#### Savills - New York

Savills Studley, 399 Park Avenue, 11th Floor,  
New York, NY 10022  
Tel: (1) 212 326 8610 Fax: (1) 212 326 1034  
Contact: Mitchell Steir  
E-mail: msteir@savills-studley.com  
Offices across Canada, the Caribbean, Colombia, Mexico  
and the United States

### UNITED KINGDOM, EUROPE, THE MIDDLE EAST AND AFRICA

#### Savills - Europe

Savills, 33 Margaret Street, London W1G 0JD  
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773  
Contact: Mark Ridley E-mail: mridley@savills.com  
Offices across Austria, Bahrain, Belgium, Czech Republic,  
Denmark, Finland, France, Germany, Greece, Guernsey,  
Hungary, Ireland, Italy, Jersey, Luxembourg, Monaco,  
Netherlands, Norway, Poland, Portugal, Qatar, Russia,  
South Africa, Spain, Sweden, Switzerland, UAE and the  
United Kingdom

Updated: 18 September 18

**Savills, the international real estate advisor established in the UK since 1855 with a network of over 600 offices and associates globally.**

This document is prepared by Savills for information only. Whilst reasonable care has been exercised in preparing this document, it is subject to change without prior notice and these particulars do not constitute, nor constitute part of, an offer or contract; interested parties should seek independent professional advice from lawyer, accountant and surveyor and should not rely on the statements or representations herein but must satisfy themselves by inspection or otherwise as to the accuracy, completeness and correctness of the contents hereto. No warranties or representations whatsoever is given by Savills in respect of the contents hereto. Savills cannot be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills. © Savills (Hong Kong) Limited. 2018 (11/18)