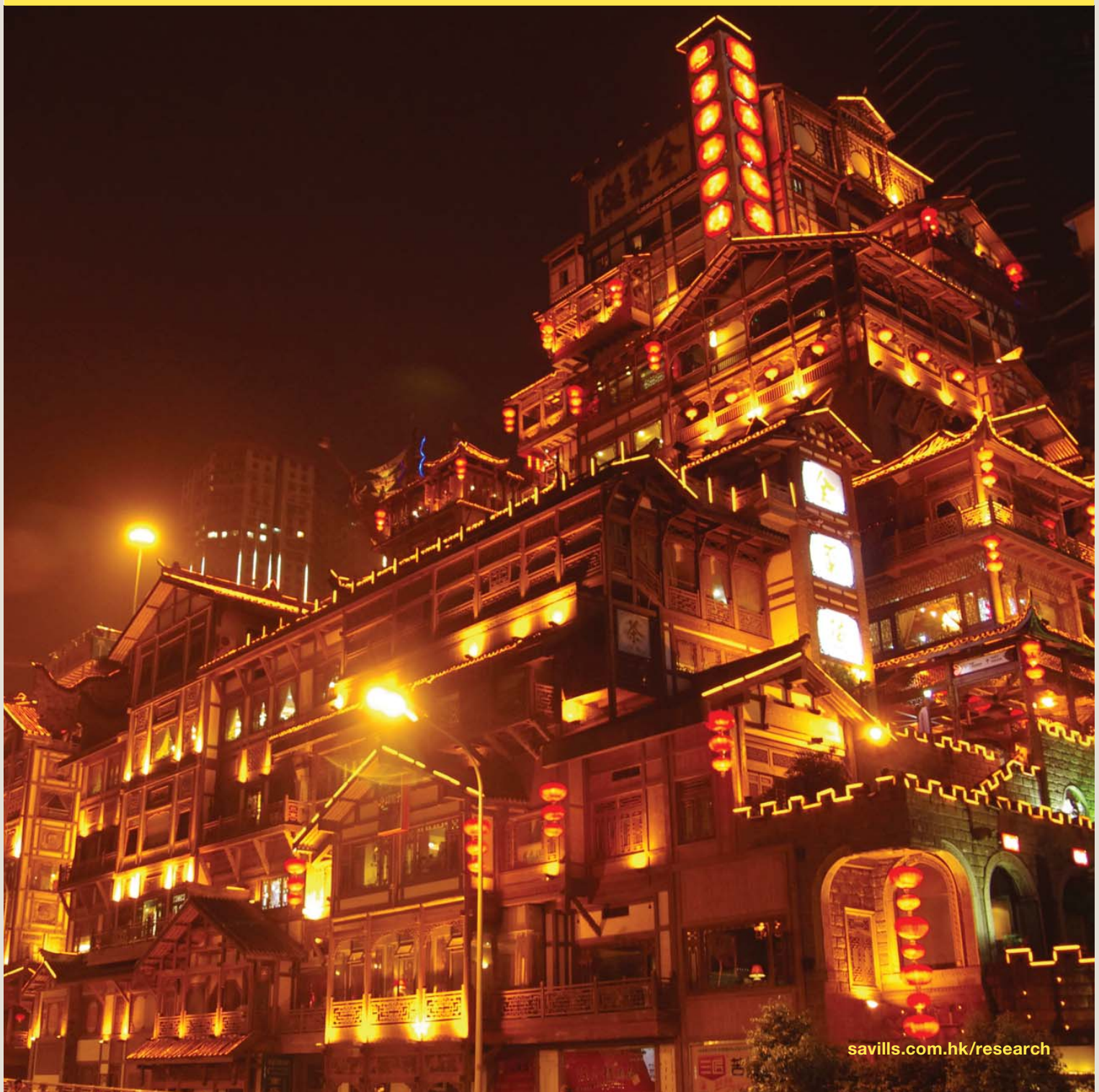


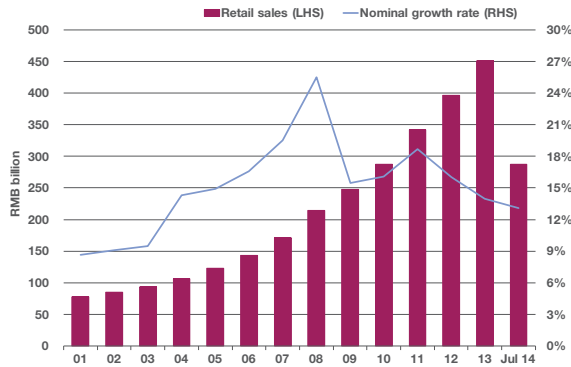
Asian Cities Report

Chongqing Retail

2H 2014



GRAPH 1
Retail sales, 2001–2014 YTD



Source: Chongqing Statistics Bureau, Savills Research & Consultancy

MAP 1
Metro network, 2007–2020E



Source: Official website of Chongqing Metro

MAP 2
Main retail area, Q2/2014



Source: Savills Research & Consultancy

Retail sales

Chongqing's retail sales have witnessed stable growth over the last 14 years. From 2001 to July 2014, retail sales registered a nominal compound annual growth rate (CAGR) of over 10.5%. In the first seven months of 2014, retail sales totalled RMB288 billion, with year-to-date year-on-year growth reaching 13.1%, making Chongqing a leader in terms of total retail sales in south western China.

The improvement in infrastructure has given momentum to the development of Chongqing's retail market. By the end of 2013, Chongqing's metro network had expanded its coverage to 160 km, with lines 1, 2, 3 and 6 operational. According to metro network planning approved by the National Development and Reform Commission, Chongqing's metro coverage will reach 215 km by 2020. The quality of the metro network system, combined with other modes of transport, is expected to ease transportation and stimulate consumption.

Retail areas

Traditional areas

Traditional areas, Jiefangbei and Guanyinqiao, still dominate the market due to the quality and size of retail stock. Jiefangbei central business district (CBD), regarded as Chongqing's city centre, has attracted many high-end consumers and tourists with the opening of the flagship stores of upmarket brands such as Louis Vuitton and Prada. Jiefangbei CBD also recorded the highest rental rates of all the retail areas in Chongqing. Guanyinqiao, favoured by local consumers who live to the north of the city, is regarded as Jiefangbei's main competition due to its high footfall. In addition to the mid-end market, Guanyinqiao is also experiencing a change in the type of tenants it attracts, with an upward trend in more upscale brands such as Gucci, Armani and Ralph Lauren to serve high-end consumers.

Other traditional areas such as Nan'ping and Shapingba continue to lag behind, mainly as a result of the lower quality and smaller size retail stock, due to limited land supply and increasing traffic congestion. With the launch of the MixC development onto the market in Q3/2014, Yangjiaping is expected to receive 350,000 sq m of new supply, upgrading the retail market in the area by introducing luxury brands such as Hermes and Longchamp.

Thanks to urbanisation, macro planning and improved infrastructure, seven emerging retail areas are attracting attention and could eventually redefine the retail distribution pattern in Chongqing.

Emerging areas - Xinpaifang and Zhaomushan

Due to the increasing development in the north of Chongqing in the last few years, families with high purchasing power have bought property surrounding the northern Xinpaifang and Zhaomushan areas. This has continued to increase retail demand. A large amount of new retail supply is expected to enter the market in these areas from now to 2018, with projects such as the opening of Shin Kong Mitsukoshi satisfying the mid-to-high-end customer needs.

Emerging areas - Jiangbeizui

Dubbed the "Little Lujiazui" of the upper Yangtze River region, Jiangbeizui is targeting city-wide high-end consumers with quality projects such as the International Financial Square (IFS) development by Wharf.

Emerging areas - Chayuan

Chayuan, the future administrative centre of Nan'an district, has limited retail stock serving residents of the region and workers from neighbouring industrial parks.

Emerging areas - Hualongqiao and Daping

Once used as an industrial base, Hualongqiao has been transformed into a leisure and high-end shopping destination with the opening of the Shui-On Group's Chongqing Tiandi in 2010. As a traffic hub connecting

surrounding urban districts, Daping is targeting city-wide mid-end consumers, with projects including Longfor's 170,000 sq m Times Paradise. An additional 150,000 sq m of supply is expected to be released onto the market in 2015.

Emerging areas - Xiyong

Xiyong is expected to become the second retail area in Shapingba district, satisfying the needs of residents and the younger demographic from University City and high-tech corporations such as Foxconn and Acer.

Supply and stock

By the end of Q2/2014, Chongqing's retail stock reached 3.14 million sq m. Chongqing's retail supply has surged since 2008, with the majority of mid-to-high-end shopping malls and department stores distributed within the Jiefangbei and Guanyinqiao areas.

Jiefangbei comprises of 26% of total retail stock, totalling over 810,000 sq m. Jiefangbei CBD accommodates some of the most mature developments in Chongqing, such as the province's first shopping mall, Metropolitan Plaza, and what is considered its most high-end mall, Times Square.

Due to the newly opened 350,000 sq m Mix C project developed by China Resources, Yangjiaping district has surpassed Guanyinqiao in terms of volume, becoming the second largest retail area, with over 610,000 sq m of stock. However, its overall quality and number of retail projects still lag behind that of Guanyinqiao, which records the third largest stock, totalling 549,000 sq m. Projects such as Paradise Walk and New Century Department store in Guanyinqiao district are among the most popular shopping destinations in Chongqing. By Q4/2014, Guanyinqiao will regain its second position in terms of stock as the mid-to-high-end Stage Mall and Sunshine New Century Mall will be launched onto the market, adding 106,000 sq m to Guanyinqiao's retail stock.

Rents

Q2/2014 saw prime first floor shopping mall rents¹ climb 0.4% to RMB27.4 per sq m per day. Shopping mall rents in non-prime areas increased by 0.9% to RMB18.9 per sq m per day. As the popularity of online shopping increases, retailers are more cautious about new store openings, while developers are adopting a more flexible leasing strategy to attract quality retailers. As more quality projects enter the market, rents are likely to be suppressed.

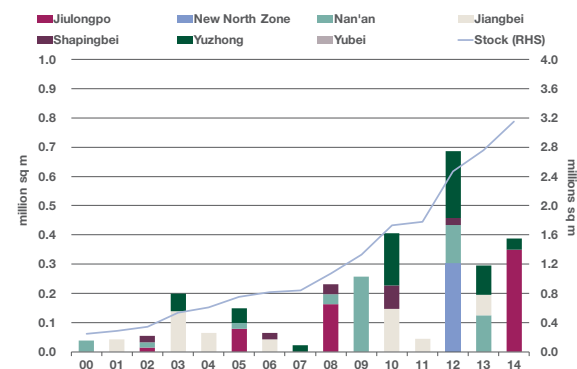
Outlook

Chongqing's retail market is expected to receive over 3.34 million sq m of new supply by 2018, increasing stock by 51%. Most projects will be located in the emerging Jiangbeizui and Xinpaifang areas, which are still operated predominantly by local developers. With regard to the substantial influx of volume, vacancy rates in projects situated in emerging areas are expected to trend upwards.

Making projects distinctive is becoming increasingly difficult. In order to be unique and encourage higher footfall, landlords are more willing to utilise various agents to secure tenants instead of relying solely on their own leasing teams to achieve higher take-up rates and more diversity in brands. Rental appreciation will eventually suffer as developers typically sacrifice rents for occupancy rates. Recent retail market players to enter the market are likely to have more options and will be seen as a good means of reinvigorating the retail industry in the world's largest municipality. ■

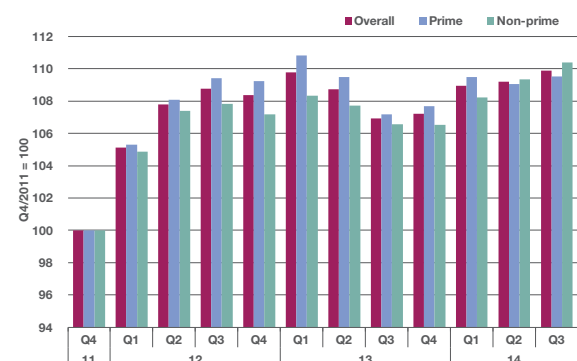
¹ Here refers to rents of LG floor in shopping malls.

GRAPH 2
Supply and stock of retail space, 2000–Q3/2014



Source: Savills Research & Consultancy

GRAPH 3
Rental breakdown by prime and non-prime areas, Q4/2011–Q3/2014



Source: Savills Research & Consultancy

TABLE 1
Future supply of selected shopping malls, 2014E–2018E

Project name	Delivery time	Location	GFA (sq m)	Developer
MixC	2014	Yangjiaping	350,000	China Resources
Stage Mall	2014	Guanyinqiao	20,000	Rongheng
IFS	2015	Jiangbeizui	110,000	Wharf
Shin Kong Mitsukoshi	2016	Xinpaifang	180,000	Shing Kong Mitsukoshi
Park Place	2016	Jiangbeizui	110,000	Park Place
Chongqing Tower	2018	Jiefangbei	46,000	Bloomage Land

Source: Savills Research & Consultancy

ASIA PACIFIC HEADQUARTERS

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

Robert McKellar - CEO, Asia Pacific
Raymond Lee - CEO, Greater China
Chris Marriott - CEO, South East Asia
Christian Mancini - CEO, North East Asia
Charles Chan - MD, Valuation & Professional Services, Greater China



HONG KONG SAR

Savills (Hong Kong) Limited

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 2869 6738
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) 2801 6100 Fax: (852) 2501 5810
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited

8/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1628 Fax: (852) 2508 1883
Contact: Johnnie Chan E-mail: jckchan@savills.com.hk
EA Co. Licence: C-002955

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

20/F Shanghai Central Plaza, 381 Huaihai Middle Road, Shanghai 200020, China
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Albert Lau E-mail: Albert.Lau@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: Billy Chau E-mail: Billy.Chau@savills.com.cn

Savills - Guangzhou

Room 906, R & F Centre, 10 Hua Xia Road, Zhu Jiang New Town
Guangzhou, 510623, China
Tel: (86) 3892 7168 Fax: (86) 3892 7030
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn

Savills - Shenzhen

Unit A, 5/F, Anlian Plaza, 4018 Jintian Road, Futian District, Shenzhen 518026, China
Tel: (86) 755 8828 5707 Fax: (86) 755 8828 5676
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn
Offices in Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Xiamen, 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: Jeffrey Hong Email: jeffrey.hong@propertyconnection.co.id

Savills - Japan

Savills Japan Co., Ltd
CR Kamiyacho Building 10F, 1-11-9 Azabudai, Minato-ku,
Tokyo 106-0041, Japan
Tel: (81) 3 5562 1700 Fax: (81) 3 5562 1705
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Korea

Savills Korea
11/F Seoul Finance Center, 84 Taepyungro-1-ga
Chung-gu, Seoul, Korea 100-768
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188
Contact: K.D. Jeon E-mail: kdjeon@savills.co.kr

Savills - Malaysia

Savills Rahim & Co
Level 17, Menara Uni. Asia, 1008 Jalan Sultan Ismail, 50250
Kuala Lumpur, Malaysia
Tel: (60) 3 2691 9922 Fax: (60) 3 2691 0096
Contact: Robert Ang E-mail: robertang@savillsrahim-co.com

Savills - Myanmar

Savills Myanmar Limited
192 Kaba Aye Pagoda Road, Bahan Township, Yangon
Tel: (95) 9 250 515 035
Contact: Richard Emerson Email: remerson@savills.com.mm

Savills - Philippines

KMC MAG Group
8/F Floor Sun Life Centre, 5th Ave
Bonifacio Global City 1634, Philippines
Tel: (632) 403-5519
Contact: Michael McCullough Email: michael@kmcmaggroup.com

Savills - Singapore

Savills (Singapore) Pte Ltd.
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712
Tel: (65) 6836 6888 Fax: (65) 6836 2668
Contact: Chris Marriott E-mail: cjmarriott@savills.asia

Savills - Taiwan

Savills (Taiwan) Limited
17F-1, Exchange Square, 89 Sung Ren Road
Xin-Yi District, Taipei, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu E-mail: cchu@savills.com.tw
Office in Taichung

Savills - Thailand

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

Savills - Vietnam

Savills Vietnam Ltd. Co.
18/F, Fideco Tower, 81-85 Ham Nghi Street
District 1, Ho Chi Minh City, Vietnam
Tel: (84) 8 3823 9205 Fax: (84) 8 3823 4571
Contact: Neil MacGregor E-mail: nmacgregor@savills.com.vn
Office in Hanoi

AUSTRALIA

Savills - Australia

Savills (Aust) Pty Ltd.
Level 7, 50 Bridge Street, Sydney, Australia
Tel: (61) 2 8215 8888 Fax: (61) 2 8215 8899
Contact: Paul McLean E-mail: pmclean@savills.com.au
Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast.

NEW ZEALAND

Savills - New Zealand

Level 8, 33 Shortland Street, Auckland NZ 1010
Tel: (64) 9 951 5910 / (64) 9 951 5911
Contact: Doug Osborne E-mail: dosborne@savills.co.nz
Contact: Paddy Callesen E-mail: pcallesen@savills.co.nz

NORTH AMERICA

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

UNITED KINGDOM / EUROPE / SOUTH AFRICA

Savills - Europe

33 Margaret Street, London W1G 0JD
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Jeremy Helsby E-mail: jhelsby@savills.com
Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden. Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa.

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 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 of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No person in the employment of the agent or the agent's principal any authority to make any representations or warranties whatsoever in relation to these particulars and 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. 2014 (VIII/14)