savills
第一太平戴維斯

Savills World Research
China

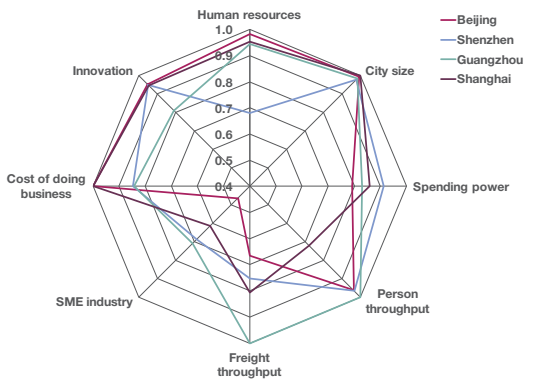
Asian Cities Report
Guangzhou Retail

1H 2015

savills.com.hk/research

GRAPH 1

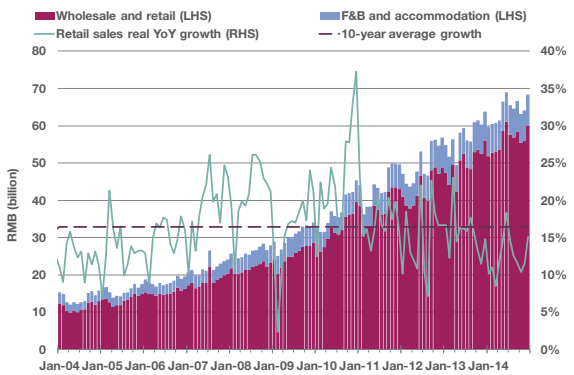
Forbes China list of best cities for business, 2014



Source: Forbes, Savills Research & Consultancy

GRAPH 2

Retail sales, Jan 2004–Dec 2014



Source: Guangzhou Statistics Bureau, Savills Research & Consultancy

MAP 1

Guangzhou retail areas

Source: Savills Research & Consultancy

City overview

Guangzhou, the commercial and trade centre of southern China, has witnessed fast growth in both city construction and economic development in recent years. In 2014, Guangzhou's GDP reached RMB1,670.6 billion, up 8.6% year-on-year (YoY), higher than the national level of 7.4% YoY.

Forbes China ranked Guangzhou as the best city for business in 2014, for the second consecutive year, scoring highly in infrastructure for both cargo and passenger traffic. Compared to last year, Guangzhou also gained strength in the human resources and innovation index. Moreover, retail sales in Guangzhou witnessed strong growth over the past ten years. Between 2004 and 2014, retail sales registered a nominal compound annual growth rate (CAGR) of over 16%, making the city's retail market one of the fastest growing in mainland China. In 2014, retail sales totalled RMB769.8 billion, with YoY growth at 12.5%, which places Guangzhou third among first-tier cities, after Shanghai and Beijing.

Retail sales in Guangzhou, however, registered a 12.5% YoY fall in growth in 2014, a decrease of 2.7 percentage points (ppts) from 2013. This is mostly due to the slowing of the national economy and domestic consumption.

Market overview

Currently, Guangzhou's retail market can be divided into seven areas, including the prime areas of Tianhe Bei and Yuexiu, and the emerging areas of Zhujiang New Town, Panyu New Town, Baiyun New Town, Liwan and Haizhu. Prime areas, accounting for 56% of the total stock by the end of 2014, dominate the retail market in terms of size and quality. Tianhe Bei in Tianhe district is undoubtedly the frontrunner of Guangzhou's retail market, achieving the highest rents. Feeling the pressure of the slowing down domestic economy and effects of online shopping, shopping malls in this area are pursuing aggressive measures to adjust their tenant mix, such as decreasing the amount of space allocated to traditional department stores in order to maintain substantial footfall. Grandview Plaza in Tianhe Bei is building a 50,000 sq m indoor aquarium, converting part of the space formerly occupied by Friendship Department Store. Yuexiu, however, as the traditional retail area of Guangzhou, is facing difficulty in attracting satisfactory occupancy rates due to the older, lower quality facilities of shopping malls. Shopping malls in this area, concentrated on Huangshidong and Beijing Road, mostly opened for business in the early 1990s. Benefiting from the advantageous location and convenient transportation links, the area continues to achieve relatively high rents, above RMB1,000 per sq m per month, double that of rents seen in emerging areas.

At the same time, emerging areas have also seen rapid development during the last few years, most notably in Baiyun New Town, Zhujiang New Town and Panyu New Town. These areas are supported by the development of the city metro system, an increasing number of mid to high-end residential communities and government initiatives for development, including improving infrastructure networks and support facilities. Zhujiang New Town, Guangzhou's CBD, now attracts more F&B and fast-fashion retailers as the main clients are office workers from the surrounding areas. While retail projects in Panyu New Town and Baiyun New Town are mostly aimed at the mid-end family market and leisure retailers, targeting the surrounding three to five km cluster of residential communities.

Stock

By the end of Q4/2014, Guangzhou's retail stock reached 4.0 million sq m, the majority of which was mid- to high-end shopping malls and department stores distributed over two prime retail areas and four emerging retail areas.

Tianhe Bei comprises around 1.2 million sq m of retail stock, accommodating some of the most

mature shopping malls, such as Tee-Mall, Grandview Plaza and Taikoo Hui. This is primarily home to mid- to high-end shopping malls and department stores. The area continues to mature as retailers continue to view the area as the first choice when entering the Guangzhou retail market. The area will see a new high-quality project opening in 2015, adding 47,000 sq m to the market.

Retail stock in Huangshidong and Beijing Road in Yuexiu reached 633,000 million sq m by the end of 2014. Yuexiu is the traditional retail area in Guangzhou, with most projects completed 20 years ago. Projects in this area include department stores, shopping streets and several shopping malls. Three new projects are currently under construction and are estimated to be completed before 2018.

Emerging areas such as Zhujiang New Town and Panyu New Town will become the major new supply areas in the next three to four years. However these areas accounted for less than 1.5 million sq m in stock by the end of 2014. These areas have witnessed a number of large-scale shopping malls entering the market over the last five years, such as the 220,000-sq m Baiyun Wanda Plaza in 2010 and the 130,000-sq m G5 Mall in 2011. 2017 will see emerging areas receive the majority of new supply, leading to the areas accounting for 52% of the city's total stock by the end of 2017.

Retailers

Oversea retailers are cautious about expansion plans due to the slowing economic growth and increasing popularity of online shopping. Fast-fashion brands as well as F&B brands, however, are continuing to open new stores in Guangzhou. H&M, a Swedish fast-fashion brand, opened three new stores in Guangzhou in 2014, including a 1,200 sq m store in Po Park Plaza in Tianhe district and a 2,000sq m store in Peace World Plaza in the Yuexiu district. While Urban Revivo, a French fast-fashion brand, opened two new stores in Q4/2014. One 1,500 sq m store in Po Park Plaza and another in G.T Land Spring Square in Zhujiang New town with a store area of 1,000 sq m.

In emerging areas, retailers are likely to gain more bargaining power on rents as landlords are willing to make concessions in order to achieve suitable occupancy rates. Effective footfall and consumption power in the surrounding areas are additional concerns. Prime retail areas, however, have been and are expected to continue being a safe haven for retailers.

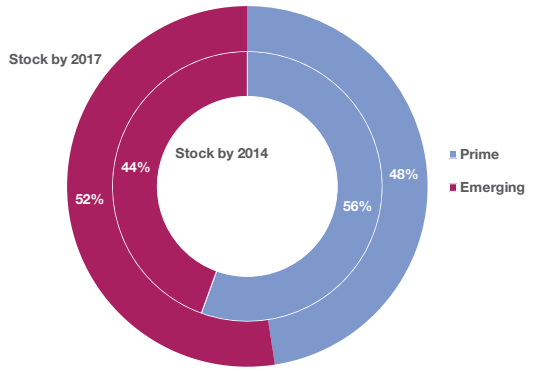
Market outlook

Guangzhou's retail market is expected to receive a total of 1.8 million sq m of new supply between 2015 and 2018, increasing stock by 46%. The majority of the supply is located in emerging areas, which will see several multi-phase mid- to high-end shopping malls, mainly by domestic developers.

As an influx of supply is expected, several projects scheduled to be handed over in 2016 or 2017 have already started to market to retailers. It will take some time for the market to absorb the new supply, especially given the concentration of projects in emerging areas. As market competition between retail projects intensifies, new supply in emerging areas will require more time to obtain satisfactory occupancy rates, and rental discounts could be offered in order to attract quality brands. City-wide rental growth will be limited and may experience downward pressure in the short- to mid-term. Overall, the retail market in Guangzhou is expected to continue the current trend of adjustment.

GRAPH 3

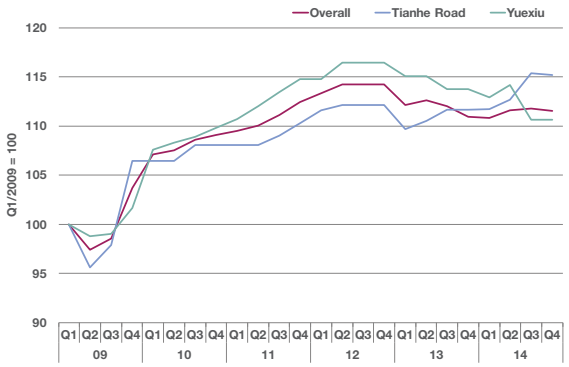
Retail stock distribution, 2014 and 2017



Source: Savills Research & Consultancy

GRAPH 4

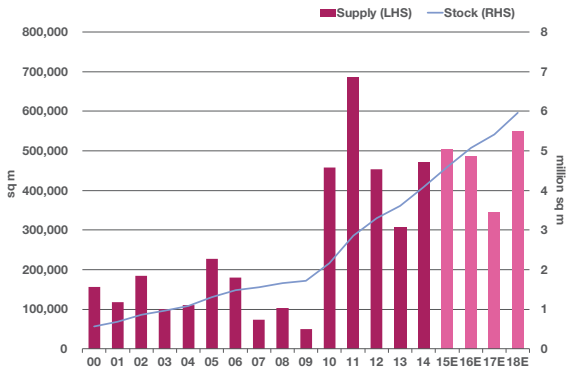
Shopping mall rental index, Q1/2009–Q4/2014



Source: Savills Research & Consultancy

GRAPH 5

Future retail supply, 2000–2018E



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

savills
savills.com

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
13/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 (Malaysia) Sdn Bhd
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur, Malaysia
Tel: (60) 3 2092 5955 Fax: (60) 3 2092 5966
Contact: Christopher Boyd E-mail: chris.boyd@savills.com.my

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 from or in any manner, in part or as a whole without written permission of the publisher, Savills. © Savills (Hong Kong) Limited. 2015 (IV/15)