

# Asian Cities Report

## **Shenyang Retail**

2H 2015

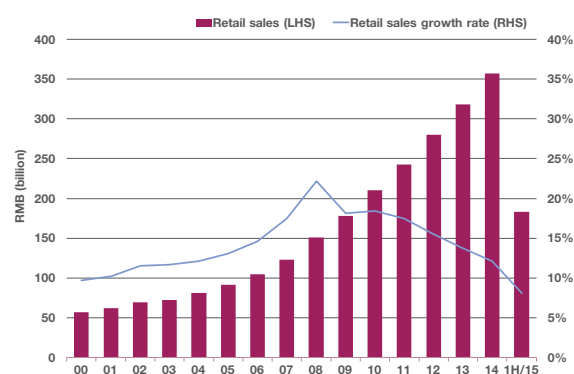


**TABLE 1**  
**Macroeconomic indicators, 1H/2015**

Project	Units	Value	YoY growth (%)
GDP	RMB bil	334.22	3.8
Foreign direct investment (FDI)	US\$ bil	0.54	-69.9
FAI	RMB bil	319.2	-11.0
REI	RMB bil	75.06	-32.4
Retail sales	RMB bil	183.26	8.1
Disposable income per capita (urban)	RMB	18,290	6.5
Consumer product index (CPI)	PY=100	100.9	-

Source: Shenyang Statistics Bureau, Savills Research & Consultancy

**GRAPH 1**  
**Shenyang retail sales, 2000–1H/2015**



Source: Savills Research & Consultancy

**MAP 1**  
**Major retail areas, 2015**



Source: Savills Research & Consultancy

## Economic overview

Over the past six months, Shenyang’s GDP growth rate has further slowed, registering at RMB334.22 billion at the end of 1H/2015 at a growth rate of 3.8%, much lower than China’s national GDP. Other major indicators also appear to be slowing. In 1H/2015, Shenyang’s total investment in fixed assets amounted to RMB319.2 billion, down 11 percentage points (ppts) year-on-year (YoY). Real estate investment amounted to RMB75.06 billion, down 32.4% YoY. Boosted by the spring festival, retail sales totalled RMB183.26 billion in the first half of 2015, up 8.1% YoY.

## Market overview

Shenyang is known as the economic, cultural, transportation and trade hub of north-east China. The release of the “Strategy of Improving the Development of Industrial Bases of Northeast China” 2003 impacted all north-eastern markets and allowed Shenyang’s GDP to rise to the second highest of all cities in Liaoning, Jilin and Heilongjiang provinces, coming in only slightly lower than Dalian. The manufacturing industry remains the pillar industry driving Shenyang’s economy.

Shenyang’s retail market is relatively active, attracting customers from both the surrounding area and other regions such as Harbin, Changchun and other cities in Liaoning province, making it the second largest retail market in northeast China.

Shenyang’s retail market can be divided into 11 areas: five traditional retail areas; four emerging areas; and two specialty retail areas.

### Traditional retail areas

Taiyuanjie and Zhongjie are the two oldest and most mature retail catchments in the city.

Taiyuanjie, located in Heping area, has a total mid- to high-end retail stock of nearly one million sq m. Taiyuanjie is dominated by department stores—accounting for 34% of total stock. This area is home to a cluster of high quality

projects, such as The Centre, Xinglong 100 and Wanda Plaza, all developed by domestic developers including the Zhongxing Group and Happy Family Group. Due to the huge supply over the last few years in Shenyang, and the impact of e-commerce, competition in Taiyuanjie catchment area is becoming fierce, leading to a number of high-end department stores shutting down, such as Isetan and New Mart.

Zhongjie has a total mid-to high-end retail stock of 1.76 million sq m and consequently is the largest retail area in Shenyang. Most brands are positioned as mid-end, attracting a large number of consumers, especially young people. Zhongjie is home to a number of projects developed by well-known developers such as Joy City and Jiu-Guang Department Store. These projects attracted a number of fast-fashion, lifestyle, health and beauty, F&B, and entertainment retailers including H&M, Zara, Gap, MUJI, Sephora and CGV, and in turn brought a significant upgrade to the retail market.

### Emerging retail areas

There are four major emerging areas in Shenyang, including North Station, Municipal Government Square, Wulihe and Hunan. The emerging areas are along the major street in Shenyang – Qingniandajie. Most projects in the areas are positioned as mid- to high-end. Forum 66, developed by Hanglung Properties, is positioned as a high-end project, attracting a number of luxury brands, such as Armani and Chanel. A number of these brands are setting up their first stores in Shenyang.

## Supply, stock and demand

Before 2007, Shenyang mid- to high-end retail market supply averaged 128,000 sq m per year. However, between 2008 and 2013, average annual supply increased to over 700,000 sq m. By the end of 1H/2015, the total stock reached 5.73 million sq m, with shopping centres dominating the market,



accounting for 54% of the total stock. Due to this large amount of new supply, a situation of oversupply is being seen, leading to city-wide vacancy rates increasing to 18.4% by the end of 1H/2015.

In view of the fierce competition caused by the influx of supply, department stores were threatened, with some deciding to exit the Shenyang market, such as the closure of the Central and Zan. Some landlords had to start tenant adjustments to attract higher footfall, such as the Joy City and Dun'an One Mall. Retailers, especially the luxury and fashion (including fast-fashion) brands, became more cautious in terms of expansion in the face of anti-graft campaigns imposed by the government combined with a relatively saturated market. However, the demand from F&B, child-related, entertainment (including cinemas, KTVs, ice parks and so on) and lifestyle retailers is still strong, with high expansion rates.

## Rent

Prime shopping mall retail rents have witnessed a slow appreciation over the past four years. As competition increases, landlords are losing bargaining power against tenants. By the end of 1H/2015, Shenyang's prime shopping centre first-floor rents decreased 0.9% half-on-half (HoH) to RMB367.0 per sq m per month.

This was largely a result of a substantial level of new supply in recent years intensifying market competition. Landlords are expected to keep rents flat or even begin to offer rental incentives to secure healthy occupancy rates.

## Outlook

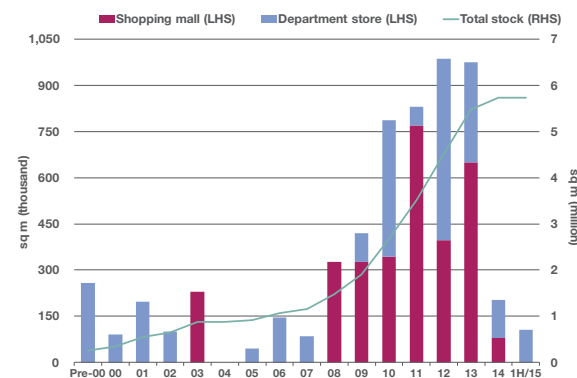
Similar to other second-tier cities, the Shenyang retail market is expected to experience an oversupply issue with a supply surge expected between 2016 and 2018. A total of 12 projects, with a total retail GFA of approximately 1.4 million sq m, are expected to enter the market, totalling almost 24% of the current stock. A large portion of the new supply will be shopping

malls and will mostly be located along the Golden Corridor.

Given the substantial level of supply, both city-wide occupancy rates and overall rents are expected to decline as landlords are expected to have to offer more incentives to both rents and leasing terms.

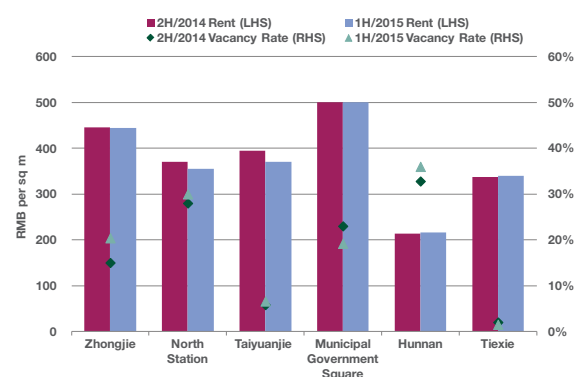
In terms of tenant mix, landlords are expected to continue to favour retailers commanding higher footfall and requiring larger amounts of space, particularly fashion, F&B, lifestyle, child-related and entertainment retailers, despite their weak rental affordability compared with fashion and accessory brands. ■

GRAPH 2  
Mid- to high-end retail supply and stock, pre-2000–1H/2015



Source: Savills Research & Consultancy

GRAPH 3  
Major retail area rents and vacancy rates, 2H/2014 vs 1H/2015



Source: Savills Research & Consultancy

\* Total office GFA including leasable space totals 66,000 sq m

TABLE 2  
Future projects, 2H/2015

Project	Retail area	Retail GFA (sq m)
Yifang Plaza	Wulihe	140,000
MixC City	Tiexi Square	120,000
Avenue of Stars	Zhongjie	113,000

Source: Savills Research & Consultancy

## ASIA PACIFIC HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2842 4400 Fax: (852) 2888 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 3699  
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  
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, 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: +603 2092 5955  
Contact: Christopher Boyd Email: chris.boyd@savills.com.my

### Savills - Myanmar

Savills Myanmar Limited  
192 Bo Myat Htun Street (Middle Block)  
Pazundaung Township, Yangon, Myanmar  
Tel: +95 1 122 3341  
Contact: Richard Emerson Email: remerson@savills.asia

### 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, Bangkok, Bangkok 10500, Thailand  
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339  
Contact: Robert Collins E-mail: rcollins@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, 2015 (IX/15)*