

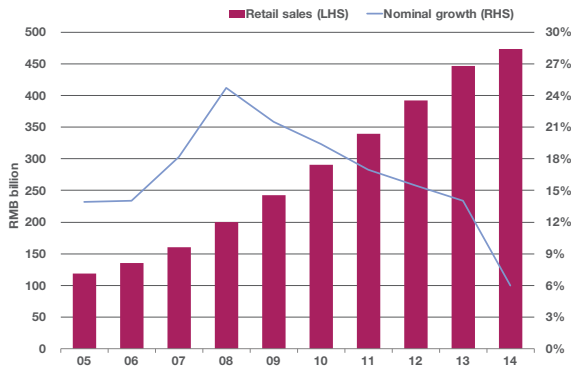
# Asian Cities Report

## **Tianjin Retail**

1H 2015

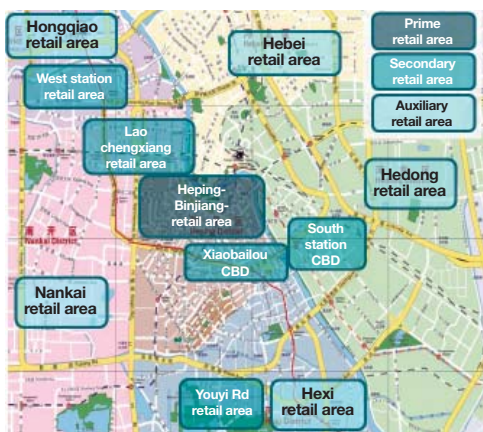


GRAPH 1  
Retail sales and growth rate, 2005–2014



Source: Savills Research & Consultancy

MAP 1  
Major retail areas, 2H/2014



Source: Savills Research & Consultancy

MAP 2  
Metro network, 2020E



Source: Baidu

### Economic overview

Tianjin’s retail sales witnessed a steady growth rate before 2008 but slowed between 2009 and 2013, registering an annual average rate of 16.5%. In 2014, Tianjin’s retail sales totalled RMB430.6 billion, up 6.0% year-on-year (YoY). Tianjin’s per capita disposable income for urban residents reached RMB31,506 in 2014, up 8.7% YoY, with per capita consumption expenditure at RMB12,352 in the first half up 8.6% YoY. Increasing retail demands and spending power indicate great potential in the Tianjin retail market and favourable market expectations.

### Retail market overview

In light of the city’s ongoing development, the existing retail market seems ill-equipped to deal with the fast-growing and diversified consumption needs. However, due to improved transportation and large newly-established retail projects, many emerging retail areas have begun to take shape. Tianjin’s retail market is evolving into multiple retail areas and expanding towards suburban and fringe areas.

### Traditional retail areas

Heping-Binjiang-Nanjing Road is considered the traditional retail area in the city centre, with the majority of existing projects being department stores. The newly opened Riverside 66 shopping mall fills the gap and has succeeded in enriching retail formats in the area.

#### Tianjin Riverside 66

Located on the bustling Binjiang Road, the 135,000 sq m shopping mall is positioned as the centrepiece of this traditional commercial district, introducing upmarket fashion brands such as Armani, Anne Karen and F. Faconnable, some of whom are establishing their first flagships in Tianjin.

The upcoming Metropolitan Plaza and Teemall will help the area garner more popularity and further enhance its overall quality and atmosphere as a retail hub.

Other traditional retail areas include Xiaobailou CBD, Youyi Road and Lao

Chengxiang. The Lao Chengxiang retail area is the earliest developed tourist and cultural region in Tianjin, where the more traditional stores stand in clear contrast to modern shopping malls and department stores, attracting many local residents and tourists from other cities. Xiaobailou CBD, located at the edge of Heping, Hexi and Hedong districts, is another driver of Tianjin’s retail market.

### Emerging retail areas

With large mixed-use developments springing up alongside the expanding transportation network, Tianjin’s retail market is gradually spreading towards the peripheral areas of the city, with multiple emerging retail areas taking shape.

Despite the current low levels of retail stock, South Station CBD is the most promising emerging retail area. This is mainly due to a number of high-end new projects being developed by renowned developers, such as Kerry Riverside Place, COFCO Joy City and CITIC Plaza, which expected to be launched in the near future. With metro line 9 now operational and metro line 4, which is currently under construction, expected to be completed in 2017, accessibility is slowly improving. Benefiting from improved transportation and high-end projects, the area will see enhanced values and garner more interest from developers and investors.

Other emerging retail areas are still in their infancy, backed up by one or two large retail projects catering to the surrounding neighbourhood. Jinbin Road in Hedong district, which connects the city centre and Binhai New Area witnessed an improvement in retail atmosphere with the establishment of the 170,000 sq m Wanda Plaza in 2010. High-end residential projects from renowned developers such as Vanke and Sino-Ocean Land followed, generating new demand to support the retail area. The AEGEAN, located on the opposite side of Wanda Plaza and developed by Red Star, is expected to be launched in 2016, adding 250,000 sq m to the market.

## Outlets

In recent years, despite increasing pressure on physical stores from e-commerce platforms, outlets featuring affordable luxury have stood out, becoming a strong competitor to shopping malls. Since 2011, Tianjin's retail market has seen three outlets launched, namely Wuqing Tientsin Florentia, Konggang New Yansha Outlets and Jinghai Tuanbo Park Outlets, totaling 190,000 sq m. Veneto in Wuqing district and F&A Outlets in Binhai New Area are expected to be launched in 2015, adding a total retail GFA of 90,000 sq m and 110,000 sq m respectively.

The increasing number of outlets is an indicator of not only the growing demand for luxury goods at an affordable price but also the maturity of Tianjin's retail market.

## Supply and stock

Before 2004 department stores played a dominant role in Tianjin's mid- to high-end retail market; however, the city has gradually entered into an era of shopping mall dominance since 2008. Tianjin's retail market witnessed fast growth from 2010 to 2013, with an average annual supply of 570,000 sq m, and witnessed a supply peak of 699,000 sq m in 2012.

In 2014, five new projects were launched onto the retail market, namely Aeon Mall and Riverside 66 in the city (excl. Binhai), as well as Hangu Youyi Mall, Powerlong City Plaza and TEDA Mall in Binhai New Area, adding a total retail GFA of 546,000 sq m. By the end of 2014, the city-wide retail stock reached 4.2 million sq m.

## Rents and vacancy rates

Rents maintained a stable growth rate from 2007 to 2012, but fell slightly in 2013 due to the sluggish economic environment. In Q4/2014, Tianjin city's (excl. Binhai) first-floor retail rents dropped 6.2% quarter-on-quarter (QoQ) to RMB464 per sq m per month, while occupancy rates rose 1.2 percentage points (ppt) to 84.0%. Heping-Binjiang-

Nanjing Road, a prime retail area, witnessed the highest rents due to its favourable location.

## Outlook

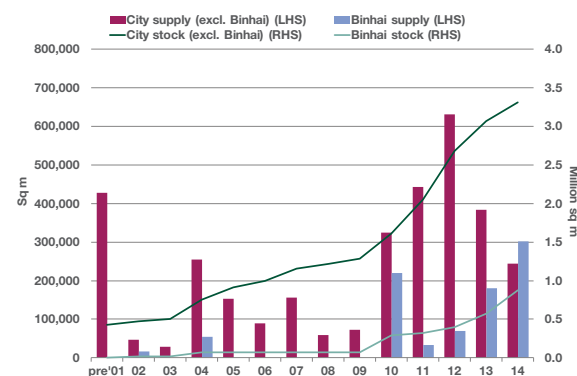
Seven high-end projects are expected to be launched onto the city (excl. Binhai) market in 2015, adding a total of 520,000 sq m retail space. Binhai New Area will receive two high-end projects with a total retail GFA of 450,000 sq m. This supply influx may place downward pressure on rents and occupancy rates. Most new projects will be located in emerging areas, which indicates the market is set to continue to further decentralise.

Upcoming supply in Binhai New Area is positioned at the mid- to high-end market, offering local residents the option of shopping in Binhai New Area as opposed to travelling to the city centre.

With the rapidly expanding market and higher quality new supply, Tianjin's retail projects are expected to face tougher competition, especially traditional retailers already facing fierce competition from fast-growing e-commerce platforms as well as due to standardisation. As a result, landlords have begun to realise the need for unique characteristics and innovation. It is likely that shopping malls will need to reposition their projects and make improvements to keep up with the evolving retail market.

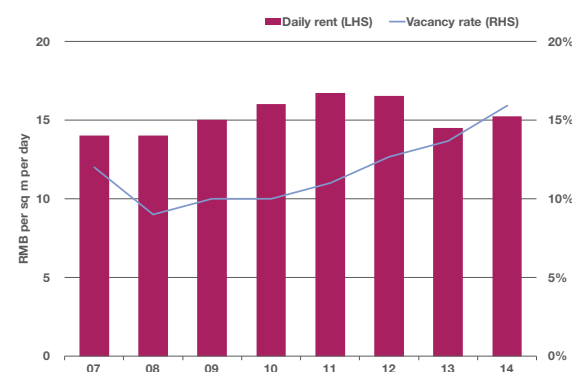
The slowing growth of retail sales may force retailers to remain more conservative when choosing new store locations. ■

GRAPH 2  
Supply and stock, pre-2001–2014



Source: CEIC, Savills Research & Consultancy

GRAPH 3  
Retail rents and vacancy rate, 2007–2014



Source: Savills Research & Consultancy

TABLE 1  
Key future retail supply, 2015

Project	District	Retail GFA (sq m)
Tianjin International Trade Centre	Xiaobailou area	34,000
GoGo Park	Hedong district	60,000
Metropolitan Plaza	Nanjing Road	76,000
Teemall	Hebei district	78,000
Kerry Centre	South Station CBD	80,000
Veneto	Wuqing district	90,000
Delight City	Nankai district	100,000
YOHO Mall	Konggang district	55,000
SM City	Konggang district	398,000

Source: Savills Research & Consultancy

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