Two refurbished projects open

Traditional retail projects are undergoing refurbishments to satisfy upgraded consumption demand.

- Retail sales increased by 5.3% year-on-year (YoY) to RMB774.61 billion in the first eight months of 2019.
- Two new retail projects launched in Q3/2019—Xinchenli Shopping Mall in the Asia & Olympic area, contributing an additional 30,000 sq m of retail GFA to the market, and New Town Plaza in Fengtai district, contributing 20,930 sq m of retail GFA to the market.
- The citywide shopping mall vacancy rate edged up by 0.1 of a percentage point (ppt) to 6.5% during Q3/2019, down by 0.3 of a ppt YoY.
- Citywide shopping mall first-floor rents were stable in Q3/2019, increasing by 0.3% quarter-on-quarter (QoQ) and 1.2% YoY to an average of RMB951.1 sq m per month.
- Average prime rents increased by 0.1% QoQ and 0.7% YoY to RMB1,218.6 per sq m by the end of Q3/2019.
- Average non-prime rents increased by 0.4% QoQ and 1.7% YoY to RMB734 per sq m by the end of Q3/2019.
- Six retail projects are scheduled to enter the market in Q4/2019. Beijing SKP Southern Expansion will open in CBD and Taikoo Li Sanlitun West in Sanlitun, while the remaining four projects will launch in suburban areas.

“Non-prime areas are seeing insufficient supply while existing projects are undergoing renovations to meet higher consumer expectations.”

VINCENT LI, SAVILLS RESEARCH
SUPPLY AND DEMAND

The growth rate of total retail sales registered a 5.3% YoY increase to RMB774.61 billion in the first eight months of 2019. The Beijing Municipal Government has issued policies to revitalise consumption, including extending retail hours to promote “the night economy” and encouraging the “first-store” policy, which incentivises global and new trendy brands to open their first or flagship stores in Beijing.

The retail market saw two new projects launched in Q3/2019. Xinchengni Shopping Mall in the Asia & Olympic area finished its refurbishment, contributing an additional 30,000 sq m of GFA. Originally built in 1993, New Town Plaza in Fengtai district was purchased and renovated by Sun Hung Kai Properties and officially launched this quarter, bringing 20,930 sq m to the market. These refurbished malls are expected to cater to the daily consumption needs of the surrounding residential populations.

As a result, total shopping mall stock increased to 10.25 million sq m, while total department store stock remained at 2.1 million sq m.

In terms of leasing demand and expansion, F&B retailers were the most active, accounting for 34.1% of leasing transactions during the quarter. Demand from fashion retailers was stable and accounted for 23.9% of leasing demand, with the majority of new leases signed by international brands. Fashion accessory retailers also saw strong expansion, accounting for 15.9% of leasing demand.

Prime submarkets are the most favoured locations by retailers and accounted for 61.6% of all new store openings. Non-prime and suburban submarkets accounted for 30.4% and 8%, respectively. The proportion of new international retailers and new domestic retailers was 49.3% and 50.7%, respectively.

RENT AND VACANCY RATES

Citywide shopping mall first-floor rents were relatively stable in Q3/2019, increasing by only 0.3% QoQ and 1.2% YoY to an average of RMB951.1 sq m per month. Average prime rents increased by 0.1% QoQ and 0.7% YoY to RMB1,218.3 per sq m per month. Average non-prime rents increased by 0.4% QoQ and 1.7% YoY to RMB734 per sq m per month by the end of Q3/2019.

The citywide vacancy rate edged up by 0.1 of a ppt to 6.5% by the end of Q3/2019, though this was down by 0.3 of a ppt YoY. The average vacancy rate in prime areas increased by 0.3 of a ppt QoQ to 4.6% and decreased by 0.5 of a ppt YoY. Average vacancy in non-prime areas rose slightly by 0.1 of a ppt to 6.7%, though this was down by 0.1 of a ppt YoY. The average vacancy rate in suburban areas held stable at 7.2% but declined 1.1 of a ppt YoY.

MARKET OUTLOOK

The Beijing Municipal Government has imposed tight controls on prime area retail planning, which restricts land supply for retail usage. The majority of new projects will be either new shopping malls in suburban areas positioned for local residential communities or refurbished traditional retail projects in the prime area that are expected to attract consumers with unparalleled retail experiences. As a result, retail submarkets in Beijing’s prime precincts are facing slowing growth in terms of stock, but the development of suburban retail will steadily come online in the near future.

### Table 1: Select Future Projects, Q4/2019

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>LOCATION</th>
<th>DEVELOPER</th>
<th>RETAIL TYPE</th>
<th>RETAIL GFA (SQ M)</th>
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</thead>
<tbody>
<tr>
<td>Beijing SKP Southern Expansion</td>
<td>CBD</td>
<td>SKP / Kaisa Group</td>
<td>Office Podium</td>
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<tr>
<td>Taikoo Li Sanlitun West</td>
<td>Sanlitun</td>
<td>Swire Properties</td>
<td>Shopping Mall</td>
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<td>Evergrande City Plaza</td>
<td>Chaoyang</td>
<td>Evergrande Group</td>
<td>Shopping Mall</td>
<td>80,000</td>
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<td>ID Mall</td>
<td>Chaoyang</td>
<td>CITIC Capital</td>
<td>Shopping Mall</td>
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<td>AusMall Beijing</td>
<td>Shunyi</td>
<td>Beijing Aojinyuan Real Estate Development</td>
<td>Shopping Mall</td>
<td>120,000</td>
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<tr>
<td>Beijing One</td>
<td>Tongzhou</td>
<td>Perennial Real Estate</td>
<td>Shopping Mall</td>
<td>110,000</td>
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