

# Briefing Retail sector

February 2014

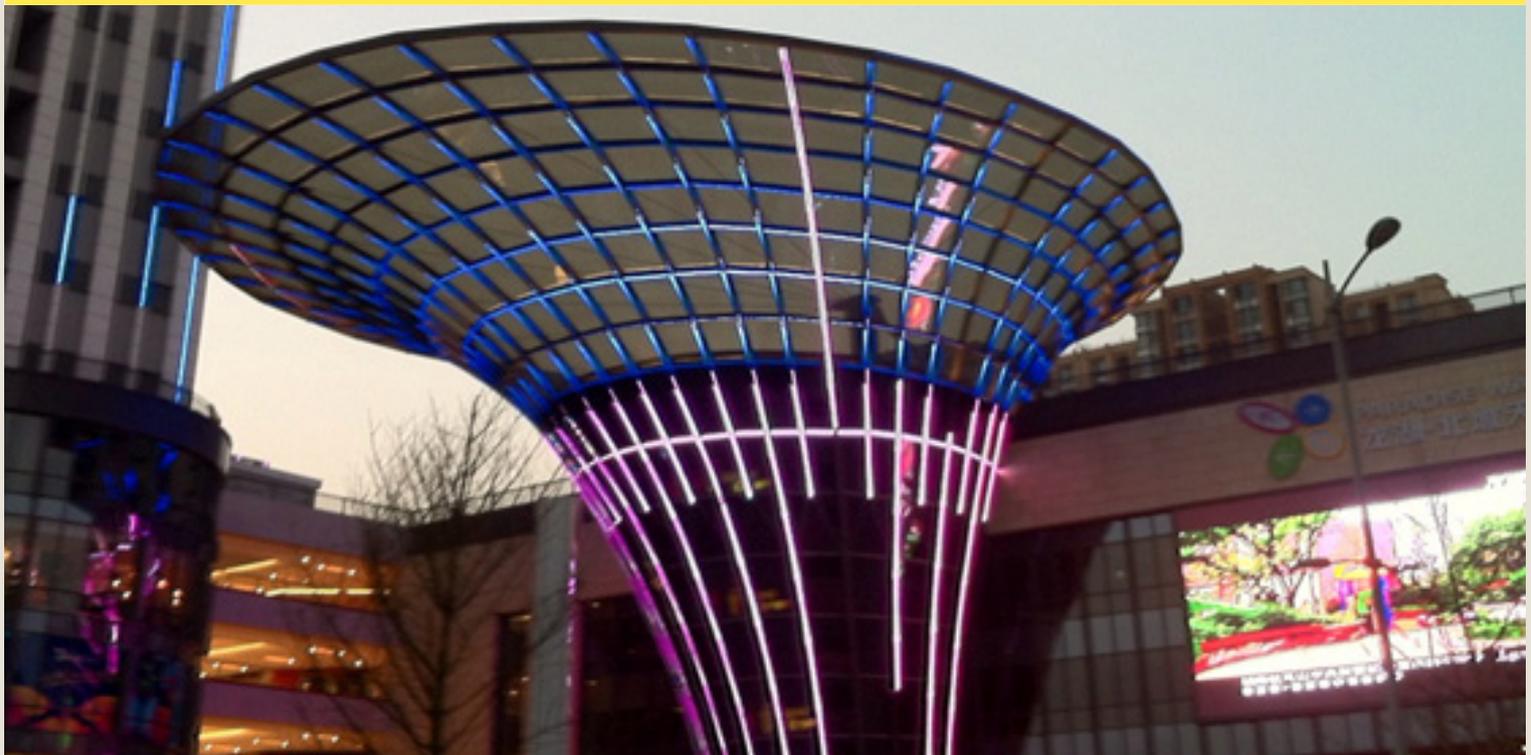


Image: Longfor North Paradise Walk, Chengdu

## SUMMARY

Longfor North Paradise Walk, Maoye Plaza and Jinzhan opened in Q4/2013, adding 300,000 sq m to the Chengdu retail market. A total of nine projects were launched in 2013.

■ Chengdu's overall retail sales rose to RMB336.4 billion in the first 11 months of 2013, up 12.9% year-on-year (YoY).

■ Two new shopping malls and one department store, namely Longfor North Paradise Walk, Jinzhan and Maoye Plaza, were handed over in Q4/2013, adding approximately 300,000 sq m to the market.

■ The city-wide prime shopping mall vacancy rate rose by 2.0 percentage points (ppts) quarter-on-quarter (QoQ) to 9.8%.

■ Prime shopping mall rents increased by 0.5% to RMB16.1 per sq m per day in Q4/2013.

“The recent good performance of retail sales has successfully increased developer and retailer confidence in the market. Chengdu's retail market is undergoing significant changes.”

Dave Law, Savills Research

➔ **Retail sales**

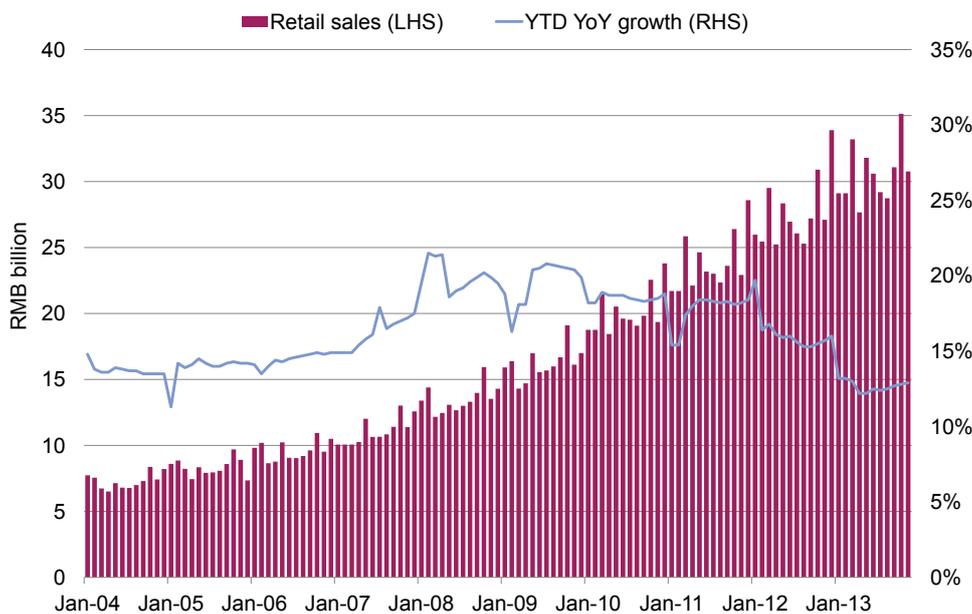
Boosted by the national holiday, retail sales totalled RMB336.4 billion in the first 11 months of 2013, up 12.9% YoY. This positive trend is likely to continue as the Chinese New Year holiday typically helps support retail sales.

**Supply**

**Longfor North Paradise Walk** (龙湖·北城天街)  
Debuting in December 2013, Longfor North Paradise Walk is a mixed-use development of approximately 1 million sq m, consisting of office, retail and residential components. The shopping mall space is 220,000 sq m.

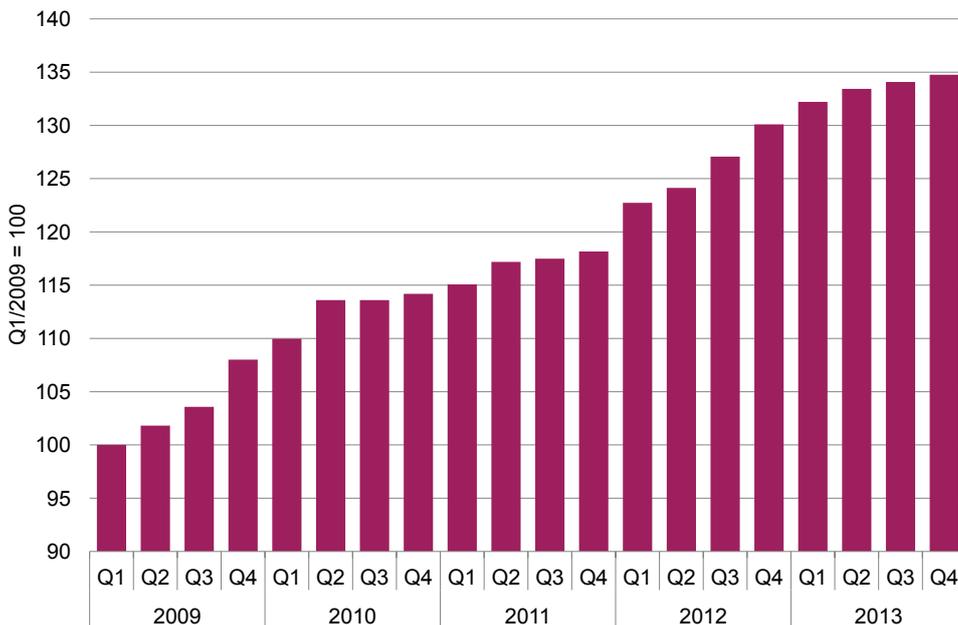
The project is the first Paradise Walk project in Chengdu. Taking advantage of easy access to transport links and the large flow of people, Longfor North Paradise Walk is located in Wukuaishi area in north Chengdu (the traditional wholesale market). Covering six floors (B1/F to 5/F), this project comprises a department store, supermarket, cinema, F&B and entertainment venues. Its tenants include Yonghui Superstores, Suning and Far Eastern Department Stores.

GRAPH 1 **Retail sales, Jan 2004–Nov 2013**



Source: Chengdu Bureau of Statistics, Savills Research & Consultancy

GRAPH 2 **Retail rent index, Q1/2009–Q4/2013**



Source: Savills Research

**Jinzhān** (今站)

Jinzhān opened in December 2013, adding about 40,000 sq m to the Chengdu retail market. Located at Tianfu Square Station, this project is a metro-themed underground shopping centre, with the largest single floor area in the country. Also taking advantage of its location, Jinzhān is directly linked with Metro lines 1 and 2.

Jinzhān has nearly 100 brands covering apparel, cosmetics, beauty care, digital products and F&B. Tenants include Starbucks Coffee, Costa Coffee, C&A, UNIQLO, Only, VERO MODA and Mr & Mrs Aysh.

**Rent**

Shopping mall first-floor rents increased by 0.5% in Q4/2013 to RMB16.1 per sq m per day. Primary retail area rents increased by 0.8% QoQ to an average of RMB25.3 per sq m per day, while non-prime retail area rents rose by 0.4%, reaching an average of RMB13.1 per sq m per day.

Although Jinzhān's rental level is lower than average primary retail rents, primary areas still recorded growth on a project by project basis due to stable leasing demand for mature projects. Average rents are expected to be pushed up in anticipation of the completion of a number of high-end shopping malls, such as IFS and Taikoo Land's The Atrium, which are raising the city's profile and attracting new retailers to the market, despite the fact that they have not yet been handed over.

**Vacancy rates**

City-wide prime shopping centre vacancy rates rose 2.0 ppts in Q4/2013 to 9.8%. Primary area vacancy rates increased by 7.8 ppts reaching 12.4%, while non-prime area vacancy rates rose by 1.6 ppts to 9.6%.

The increase in vacancy rates is mainly due to the opening of two shopping malls this quarter. These two new projects, one in a primary area and the other in a non-prime area, both have vacancy rates much higher than the market average.

**Market information**

H&M Home will launch in Chengdu IFS in January 2014. This is the first store in western China and the fourth currently operating in the country.

The first Chengdu modern toilet-themed restaurant opened in Silver Square in Q4/2013. This restaurant concept, which originated in Taiwan,

immediately caused a stir with its humorous “out-there” concept.

After poor sales performances, Suning Plaza has started a repositioning exercise, which has prompted City Outlets to join in. According to official information, City Outlets will open next year and will occupy the first four floors in Suning Plaza.

**Market outlook**

The recent good performance of Chengdu’s retail sales has successfully increased developer and retailer confidence in the market.

In 2014, Chengdu is expected to receive 19 new retail developments, adding nearly 2 million sq m to the market.

Chengdu’s retail market is undergoing significant changes: firstly, the new retail supply is dominated by shopping malls as opposed to the traditional department store models; secondly, many existing retail developments will have to renovate and reposition themselves in this much more competitive market; and thirdly, a decentralisation trend is gradually becoming obvious in Chengdu’s retail market. ■

**Project focus**

**Yangguang Center (阳光.新业中心)**

Located in Jiuyanqiao area on the First Ring Road, Yangguang Center is a 246,000-sq m mixed-use development, including office, retail and residential components. The retail area of this project is approximately 63,200 sq m. The project is situated near Metro line 2 and

around eight bus routes offer plentiful transport options.

Chengdu’s first Green Tea Restaurant and Hai Di Lao will be launched in this project. Other tenants include OSGH cinemas and Good Home Supermarket.

TABLE 1 **Yangguang Center (阳光.新业中心)**

<b>Location</b>	The Fifth Section of First Ring Road
<b>Developer</b>	Chengdu Yangguang Property Ltd
<b>Retail GFA</b>	63,200 sq m
<b>Expected handover</b>	Q1/2014

Source: Savills Research

**Please contact us for further information**

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