

# Briefing Retail sector

January 2018



Image: City Walk, No. 901 Shengzi Street, Hi-tech Zone.

## SUMMARY

Q4/2017 saw the highest volume of supply since 2014, with the opening of five new malls located close to mature residential areas.

- Retail sales of consumer goods in Chengdu reached RMB464.8 billion, up 11.4% year-on-year (YoY) for the first three quarters of 2017.
- Five malls opened in Q4/2017, with a total retail area of 407,589 sq m, pushing the total market up to 5.4 million sq m.
- Demand for retail space continued to be strong in Q4/2017

with a total of 428,237 sq m net absorption, increasing greatly by 95.1% quarter-on-quarter (QoQ). Accordingly, city-wide vacancy rates decreased by one percentage point (ppt) to 6.9%.

- First-floor shopping mall rents increased by 0.9% QoQ to an average of RMB422.1 per sq m per month.

“New retail” has arrived in Chengdu with the opening of several supermarkets and unmanned convenience stores. It is expected that more brands will incorporate the “new retail” concept into their stores, further stimulating the retail market in this western economic centre.”  
Dahuang Chen, Savills Research

→ **Economic overview**

Consumer good retail sales in Chengdu reached RMB464.8 billion, up 11.4% year-on-year (YoY) for the first three quarters of 2017.

Catering sector sales totalled RMB58.3 billion, up 12.6% YoY. Meanwhile wholesale and retail sales totalled RMB406.5 billion, up 11.2% YoY. The consumer price index increased 2.3% YoY in Q3/2017.

**Supply**

Five malls opened in Q4/2017, with a total retail area of 407,589 sq m, pushing the total market up to 5.4 million sq m. The new shopping malls are all located in emerging areas of Chengdu, catering for the local community.

**City Walk**

City walk, developed by Xiamen C&D, is located in the southern Hi-tech area with a total GFA of 70,000 sq m. The project focuses on providing F&B and lifestyle brands. Major tenants include Yanjiyou bookstore, Metro supermarket, Lainey Young, Laomatou Hotpot, and Nara Thai restaurant.

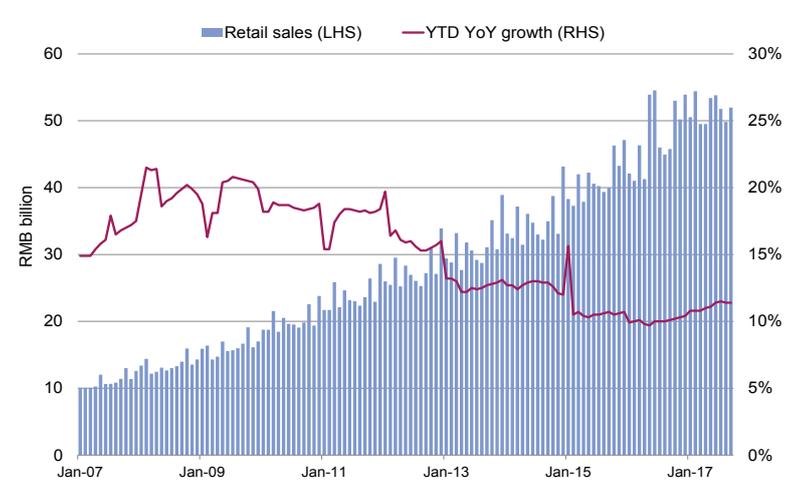
**Wuhou Wanda Plaza**

Wuhou Wanda Plaza, the fourth of Wanda Plazas in Chengdu's urban area, is located in the Shuangnan submarket, with a total GFA of 120,000 sq m. Majority of the tenants are fashion and lifestyle retailers. Major tenants include NITORI furniture, YH Bravo Supermarket, Wanda Kidsplace, Infac City, Uniqlo, Huawei, Starbucks, and Burger King.

**186 Mall**

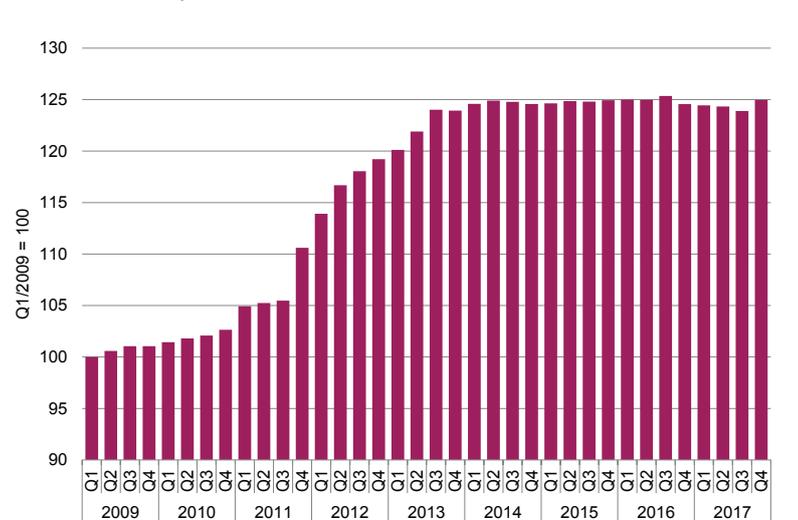
186 Mall, developed by CRCC, is located in the Erxianqiao area. The new mall filled the vacuum of retail market of the densely populated residential area. With a total GFA of 40,000 sq m, fashion and F&B categories make up the most of its tenant mix. Major tenants include Basic House, Ochirly, Hotwind, Starbucks, New Balance, Nike, and Korean restaurant Pankoo.

GRAPH 1 **Retail Sales, Jan 2007-Sep 2017**



Source: Chengdu Bureau of Statistics, Savills Research

GRAPH 2 **Rent Index, Q1/2009-Q4/2017**



Source: Savills Research

**Vacancy Rates**

Demand for retail space continued to be strong in Q4/2017. Net absorption reached 428,237 sq m, increasing greatly by 95.1% quarter-on-quarter (QoQ). Accordingly, city-wide vacancy rates decreased by one percentage point to 6.9%.

Prime retail area vacancy rates fell by 0.6 of a ppt QoQ to 4.4%, thanks to continuous strong demand from international brands; non-prime retail area vacancy rates also fell by 1.7 ppts QoQ to 6.6%, as several shopping malls completed tenant mix

adjustment. Shopping malls which opened in Q4/2017 also has near full occupancy rates.

**Rents**

First-floor average rents in prime areas increased by 2.3% QoQ, supported by strong demand from international brands. First-floor average rents in non-prime areas increased by 0.5% QoQ. As a result, first-floor shopping mall rents in the overall market increased by 0.9% to an average of RMB422.1 per sq m per month.

## Tenant News

Chengdu, especially high-end malls such as Chengdu IFS, Sino-Ocean Taikoo Li Chengdu, MixC and Yintai Centre in99, continued to attract a number of international brands in Q4/2017. In addition, the concept of “new retail” which has brought on significant changes in the malls in first-tier cities has arrived in Chengdu. The quarter saw several openings of supermarkets and unmanned convenience stores, incorporating the concept of ‘new retail’.

### Fashion

Valextra, Roberto Cavalli, Atelies Cologne, Marie Elie and YE's by YESIR expanded into Chengdu with the opening of stores in Sino-Ocean Taikoo Li Chengdu; NIO and Arc Atelier leased in Yintai in99; Marc O'Polo and GIADA opened in Chengdu at MixC.

### New Retail Concept Stores

Super Species by YH Supermarket established in Chengdu with the opening of three stores in Wanda Jinhua Plaza, Longfor Paradise Walk (North) and Longfor Paradise Walk (Jinnan); Hema opened its first store in Chengdu at Fashion Mark; and Suxiansheng opened in Suning Plaza.

### F&B

Awfully Chocolate and Pree expanded into Chengdu with the opening of stores in Sino-Ocean Taikoo Li Chengdu; Damiao Hotpot opened in The Atrium (phase 1); and Lucky Piggy leased its second store in Chengdu at MixC.

### Lifestyle Stores

Poly Avi-Kids opened in Wanda Jinhua Plaza; Astha Yoga leased at Raffles City; and Good Dentist opened in CapitaMall Jinniu.

## Market Outlook

Chengdu's retail market will see huge supply in 2018. Seven malls, totalling 790,000 sq m, are expected to open. These projects are located in non-prime areas, which will help to boost and enhance the development of multi-retail areas in Chengdu. With the opening of these new projects to serve the previously unserved catchments, Chengdu is expected to attract more new categories and brands. In addition, with the arrival of “new retail” in Chengdu, the city's retail market is expected to be more dynamic. ■

## Please contact us for further information

### Research



**James Macdonald**  
Director  
China  
+8621 6391 6688  
james.macdonald@savills.com.cn



**Dahuang Chen**  
Associate Director  
West China  
+8623 6370 3388  
dahuang.chen@savills.com.cn

### Agency



**Eric Wo**  
Managing Director  
West China  
+8628 8658 7828  
eric.wo@savills.com.cn

#### Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.