

Briefing Retail sector

October 2018



Image: UFun, No.300 Jiaozhi Avenue, Hi-tech Zone

SUMMARY

Underpinned by strong leasing demand, the city-wide average vacancy rate fell for a sixth consecutive quarter.

■ Retail sales of consumer goods in Chengdu reached RMB332.6 billion, up 11.1% year-on-year (YoY) in 1H/2018.

■ No new shopping malls debuted in Q3/2018, keeping total market stock at 5.4 million sq m.

■ Demand for retail space remained stable in Q3/2018, with

a net absorption of 18,912 sq m, causing city-wide vacancy rates to fall by 0.3 of a percentage point (ppt) to 5.1%.

■ City-wide average first-floor shopping mall rents increased slightly by 0.2% quarter-on-quarter (QoQ) to an average of RMB429.1 per sq m per month.

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 “The city-wide vacancy rate is expected to continue falling in the short run supported by strong market demand and a decrease in new supply.”

 Dahuang Chen, Savills Research

➔ **Economic overview**

Retail sales of consumer goods in Chengdu reached RMB440.6 billion, up 10.8% YoY in the first eight months of 2018.

Catering sector sales totalled RMB58.2 billion, up 12.6% YoY. Meanwhile, wholesale and retail sales totalled RMB382.3 billion, up 10.5% YoY.

Supply

No new shopping malls debuted in Q3/2018. Thus, total market stock remains at 5.4 million sq m.

Vacancy rates

Demand for retail space remained active in Q3/2018, with a net absorption of 18,912 sq m, causing city-wide vacancy rates to decrease by 0.3 of a ppt to 5.1%.

The prime-area average vacancy rate fell by 0.6 of a ppt QoQ to 4.9% as several shopping malls actively filled empty units where tenants had withdrawn. The vacancy rate in the non-prime retail area decreased by 0.3 of a ppt QoQ to 5.1% after some landlords completed tenant adjustments.

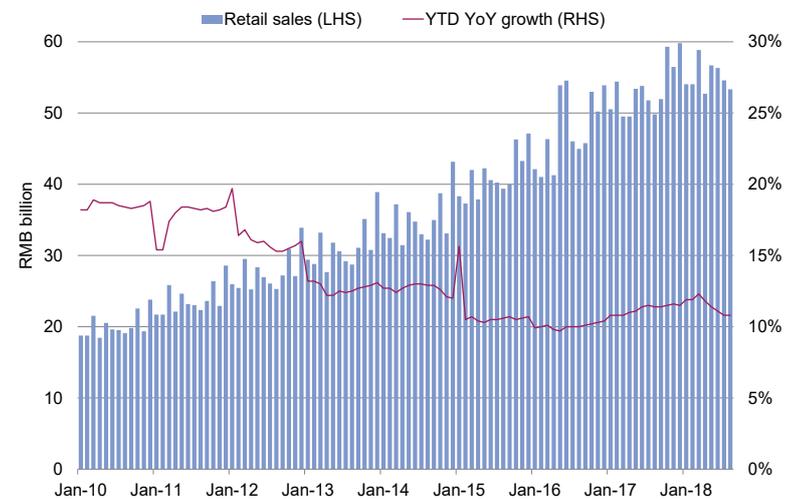
Rents

First-floor average rent in prime areas increased slightly by 0.1% QoQ and the rent in non-prime areas increased by 0.3% QoQ. Underpinned by an overall positive market sentiment, the strong level of absorption pushed the city-wide average first-floor shopping mall rent to RMB429.1 per sq m per month with a slight increase of 0.2% QoQ.

Tenant news

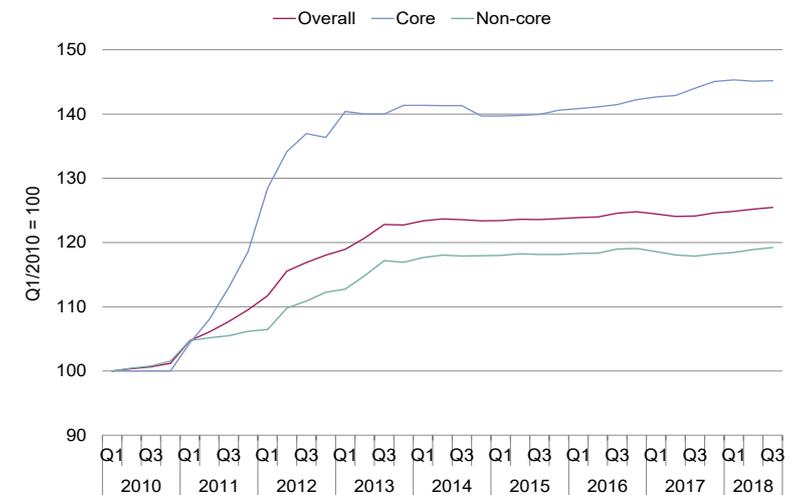
Chengdu's retail market continued to attract a number of international brands in Q3/2018 as several global retail brands expanded into Chengdu's shopping malls. Internet-

GRAPH 1 **Retail sales, Jan 2010-Aug 2018**



Source: Chengdu Bureau of Statistics, Savills Research

GRAPH 2 **Rent index, Q1/2010-Q3/2018**



Source: Savills Research

celebrity brands also continued opening high-profile stores in Chengdu.

Fashion brands

American street-style fashion brand BEENTRILL expanded into the China retail market with its first store opening in Sino-Ocean Taikoo Li; Isabel Marant launched its third store in China in Sino-Ocean Taikoo Li; Champion opened its first southwest China store in Sino-Ocean Taikoo Li.

Cosmetics brands

UK multi-brand cosmetics store Space NK, French luxury cosmetics brand FILORGA, and the Dior flagship store all opened in Sino-Ocean Taikoo Li.

Internet-celebrity brands

The ALLEY's first store in mid-west China opened in MixC while HEYTEA (喜茶) opened its third store in Chengdu at UFun.

Children-related brands
Lego launched its first store in southwestern China in MixC.

Market outlook

Chengdu will see two new malls open in Q4/2018, adding about 330,000 sq m to the retail market.

Supported by an increasing residential occupancy rate, better

work environment, and improving infrastructure conditions, Chengdu's southern area is attracting more and more famous brands into the city's southern submarket. As consumer demands become increasingly personalised, retail sectors such as personal care and child-focused shops and services are becoming more subdivided. ■

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