

# Briefing Retail sector

April 2014



Image: WFC Mall, Jiefangbei CBD

## SUMMARY

Following Chinese New Year, Chongqing's retail market showed remarkable growth in Q1/2014. Mid- to high-end malls in prime locations continued to attract retailers and generate footfall.

■ No new retail supply was handed over to the market in Q1/2014.

■ City-wide prime shopping mall vacancy rates rose 0.6 of a percentage point (ppt) quarter-on-quarter (QoQ) to 5.2%.

■ Prime shopping mall rents increased by 1.6% QoQ to an

average of RMB23.8 per sq m per day.

■ Six retail projects are expected to be launched during 2014, adding over 630,000 sq m of shopping mall space and increasing total stock by 21%.

“The large amount of upcoming supply could push city-wide vacancy rates up and put pressure on rental appreciation.”

Dave Law, Savills Research

### ➔ Market overview

Retail sales totalled RMB59.1 billion during the Chinese Spring Festival, up nearly 13.2% year-on-year (YoY). The high growth rate surpassed that of Shanghai and Beijing, as a result of the large population in Chongqing municipality and the outstanding performance of mature projects.

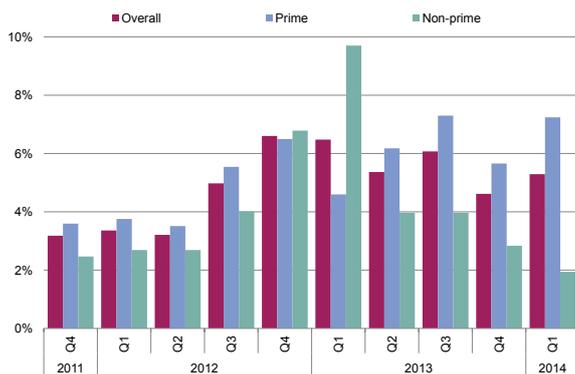
Chongqing is expected to see a surge of new supply in 2014, with over 630,000 sq m handed over to the market, including three high-end retail projects in Jiefangbei CBD and

TABLE 1  
**Selected future supply**

Project name	Location	Expected completion	Retail GFA (sq m)
WFC Mall	Jiefangbei CBD	Q2/2014	37,400
Stage Mall	Guanyinqiao	Q2/2014	26,000
MixC	Yangjiaping	Q4/2014	350,000
Starlight Plaza	Jiefangbei CBD	Q4/2014	45,000
Guotai Plaza	Jiefangbei CBD	Q4/2014	50,000

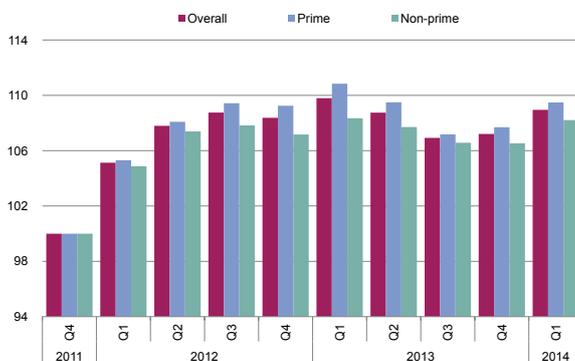
Source: Savills Research

CHART 1  
**Vacancy rates by area, Q4/2011–Q1/2014**



Source: Savills Research

CHART 2  
**Retail rental indices, Q4/2011–Q1/2014**



Source: Savills Research

Guanyinqiao. Due to the upcoming new supply, another round of new retailers is breaking into the market. Brands such as Maria Luisa, Balmain and Neil Barrett will establish their presence in Chongqing for the very first time by entering Stage Mall in Guanyinqiao.

### Vacancy rates

As a number of projects have been undergoing new rounds of tenant mix adjustments, city-wide retail vacancy rates rose 0.7 of ppt in Q1/2014 to 5.3%. In prime retail precincts<sup>1</sup>, vacancy rates rose 1.5 ppts QoQ to 7.2%. This growth can be largely attributed to the poor performance of ASE Centre in Jiefangbei CBD. Additionally, mature projects, such as Metropolitan Mall and Golden Eagle Fortune Mall in Jiefangbei CBD, are both experiencing the departure of multiple F&B tenants.

Vacancy rates in non-prime retail precincts<sup>2</sup> fell 0.9 of a ppt reaching 1.9%, due to the good performances of tenant-adjusted projects such as Huanghua New Century in Shapingba, Paradise Walk (west) in Yangjiaping and Sincere Starlight Plaza in Nanping.

Retailer confidence in the market is still on the rise, and as a result, city-wide shopping mall first-floor rents

<sup>1</sup> Prime retail precincts: Jiefangbei CBD and Guanyinqiao.

<sup>2</sup> Non-prime retail precincts: Shapingba, Yangjiaping and Nanping.

rose 1.6% to an average of RMB23.8 per sq m per day in Q1/2014. Primary retail area rents have been trending upward, with a 1.7% increase QoQ to RMB27.4 per sq m per day, while secondary retail area rents increased by 1.6% QoQ to RMB18.8 per sq m per day.

### Retailer information

#### **IKEA scheduled to debut in March – Northern New District**

IKEA, the world's largest ready-to-assemble furniture retailer, is scheduled to open its biggest standard store in Asia. The store, located in Northern New District, will occupy 45,000 sq m over four floors with a two-floor display zone for furniture and home accessories. Parking spaces (1,570) will be available, as well as restaurants with a 766 person capacity offering both Swedish dishes and local food.

#### **Prada launches western China's biggest flagship store – WFC, Jiefangbei CBD**

Prada, the international high-end fashion brand, opened its biggest flagship store in western China. The store, located in WFC Mall, occupies a 1,008-sq m duplex unit.

#### **Givenchy opened a new store in February – WFC, Jiefangbei CBD**

Givenchy opened a 278-sq m store in WFC with a full range of fashion for men and women.

For its soft opening, the brand invited pop singer Chris Lee to attend the ribbon-cutting ceremony on 27 February.

**Wal-Mart closes store on Nanbin Road – Nan’ping district**

On 4 March, Wal-Mart closed its store on Nanbin Road. Location, fierce competition in the area and poor sales performance are the reasons attributed to its closure. Yongui supermarket is rumoured to have the intention of taking over the store.

**Retail market news**

**Guanyinqiao retail precinct expansion on schedule**

Guanyinqiao retail precinct, the most popular precinct in northern Chongqing, is facing traffic congestion and an undersupply of residential and commercial land. Additionally, external competition from New North Zone and Jiangbeizui has pushed Guanyinqiao to upgrade its shopping environment. According to the government’s

plan, Guanyinqiao retail precinct will grow from 1.5 sq km to 3 sq km in the next three to five years and the accessibility of various new projects, including Sun Valley, will be improved. To increase footfall, another 15,000 parking spaces will be added.

**Project news**

**Times Square – Jiefangbei CBD**

A number of upscale brands, such as Ralph Lauren, moved into Times Square in 2013. Times Square has now turned its attention to its basement floor, adding a mix of F&B retailers such as Creemee J and QQ Rice. This will help to attract mid-end consumers using metro line 2 as Linjiangmen Station is attached to the project.

**Market outlook**

Six retail projects are expected to be launched during 2014, adding over 630,000 sq m of retail space. Sixty percent of new projects scheduled to launch in 2014 are located in non-prime and emerging areas,

including the first phase of MixC and the second phase of Times Paradise Walk. Additionally, Chongqing’s high-end retail market will experience marked growth with the opening of new upmarket malls: WFC Mall, MixC (which announced that Hermés and Dior have already signed leases) and Starlight Plaza (SFC).

It will take time for the market to digest all the new supply, especially the projects in emerging areas. Landlords will find it difficult to attract the targeted tenant mixes and brands, resulting in a need for more creative promotional campaigns to stimulate consumption. Consequently, rents will possibly be lowered to obtain a reasonable take-up rate. ■

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