

Briefing Retail sector

November 2014



Image: Mixc, Yangjiaping

SUMMARY

Chongqing's retail market is undergoing significant changes with increasing amounts of new supply and new brands being introduced into the market.

- Overall retail sales rose to RMB327.7 billion in the first eight months of 2014, up 13% year-on-year (YoY).

- Three projects including the first phase of MixC in Yangjiaping district, Stage Mall and Sunshine New Century Mall in Guanyinqiao district were launched onto the market in Q3/2014, adding 456,000 sq m bringing total stock to over 3.1 million sq m.

- City-wide prime shopping mall vacancy rates fell 2.6 percentage points (ppts) quarter-on-quarter (QoQ) to 2.0%.

- Prime shopping mall rents increased 0.6% in Q3/2014, to RMB23.9 per sq m per day.

- Another round of new market players are expected to continue the upgrade trend in the Chongqing retail market. High fashion brands including Hermes, Stuart Weitzman,

Balmain are entering the city's retail market for the very first time..

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 "Developer and retailer confidence in Chongqing's retail market can be seen through decreases in occupancy rates and increases in prime shopping mall rents."
 Dave Law, Savills Research

➔ **Market overview**

Chongqing's retail sales totalled RMB327.79 billion in the first eight months of 2014, up 13% YoY. F&B sales reached RMB27.7 billion during the first eight months of 2014, up 15.4% YoY, while clothing sales totalled RMB16.9 billion, up 9.4%YoY.

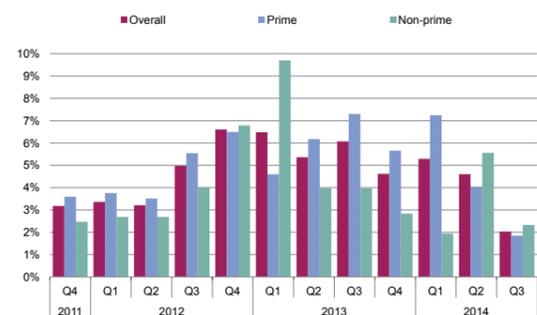
After a period of undersupply seen in the first half of 2014, Chongqing's retail market received three shopping malls in Q3/2014, adding 456,000 sq m. All of the new supply is located in traditional districts such as Guanyinqiao and Yangjiaping.

Vacancy rates

City-wide prime shopping mall vacancy rates fell 2.6 ppts QoQ to 2.0%. In prime retail areas¹, vacancy rates fell 2.1 ppts QoQ to 2.0% as a result of new store openings in

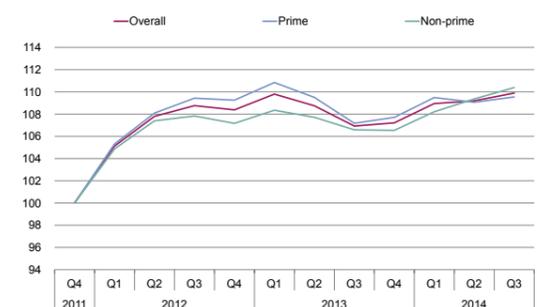
¹ Prime retail areas: Jiefangbei CBD and Guanyinqiao.

CHART 1 **Vacancy rates by area, Q4/2011–Q3/2014**



Source: Savills Research

CHART 2 **Retail rental indices, Q4/2011–Q2/2014**



Source: Savills Research

TABLE 1 **Selected future supply**

Project name	Location	Expected completion	Retail GFA (sq m)
81 Plaza	Jiefangbei CBD	Q4/2014	50,000
Guotai Plaza	Jiefangbei CBD	Q4/2014	50,000

Source: Savills Research

Jiefangbei CBD and Guanyinqiao district.

Non-prime retail areas² saw vacancy rates fall 3.3 ppts QoQ to 2.3%, which can be attributed to recently repositioned projects, such as Huanghua New Century in Shapingba area, achieving positive performance.

Prime shopping mall rents increased 0.6% in Q3/2014, to RMB23.9 per sq m per day. Primary retail area rents rose 0.4% QoQ to RMB27.4 per sq m per day, while secondary retail area rents fell 0.9% QoQ to RMB18.9 per sq m per day.

Retailer information

First Apple Store opened in Chongqing – North Paradise Walk, Guanyinqiao

Apple opened its first store in Chongqing on 26 July 2014 at North Paradise Walk with a glass wall that reaches 11 metres in height, the tallest and largest single-storey glass wall among all Asian Apple stores. A further two Apple Stores will be opened in Guotai Plaza of Jiefangbei CBD and MixC of Yangjiaping by the end of 2014.

Chopard opens its third store in western China – WFC, Jiefangbei CBD

Chopard, a classic Swiss luxury watch, jewellery and fine accessories retailer, opens its third store in western China. The opening of the third store follows one in IFS of Chengdu and another in Nan Street of Xi'an, showing the Chopard's confidence in the western Chinese market.

Forever 21 launched its first store in Chongqing – 81 Plaza, Jiefangbei CBD

Forever 21, an American fast fashion brand, launched its first store in

² Non-prime retail areas: Shapingba, Yangjiaping and Nan'ping.

Chongqing on 27 September 2014. The store occupies 2,800 sq m spanning three floors. Another two stores are rumoured to be opening soon in Hangzhou and Wuxi.

D2C launches two stores in Chongqing – MixC, Yangjiaping & Stage Mall, Guanyinqiao

D2C, a Chinese brand that combines collections from several international fashion designers in once place, opened two stores in September 2014. The flagship store is located in Stage Mall, occupying 5,000 sq m and while the second store is located in MixC, occupying 300 sq m.

Stayreal launches its first store – North Paradise Walk, Guanyinqiao

Stayreal, a fashion brand started by Taiwanese singer Ashin, opened in North Paradise Walk. It is aimed at younger consumers with rock-style t-shirts and apparel.

Suning opens an Expo store on 26 September 2014– Guanyinqiao, Chongqing

Suning upgraded its old store in Guanyinqiao to an Expo store, becoming the largest home appliance store in in south-western China.

Project news

Ruifu Outlets in Jiefangbei is planning to close for tenant-mix adjustments

Ruifu Outlets, the first "City Outlets" located in Jiefangbei CBD, is planning to close for tenant-mix adjustments. Poor leasing performance along with dominant positioning of West Outlets located near the Jiangbei Airport and rumours of fake commodities have placed a downward trend on the performance of Ruifu Outlets. After the adjustments, it will expand from 30,000 sq m to 40,000 sq m introducing younger, more fashionable brands and entertainment brands.

MixC (phase I) in Yangjiaping area, opened on 19 September 2014. MixC opened its seventh and largest mall in China, covering 350,000 sq m. It enabled almost 100 new brands to enter the Chongqing retail market including high-end brands such as Moncler, Longchamp, Roger Viver and international fashion brands such as Zara Home, Monki, Hollister and D2C. Opening day saw more than 80% of tenants open their stores simultaneously and witnessed revenues reaching RMB15 million and a footfall of more than 400,000 visitors.

Stage Mall in Guanyinqiao district, opened on 30 September 2014

The 20,000 sq m Stage Mall features a Broadway theme by naming each retail floor after different Broadway shows, such as Cats, Moulin Rouge and The Wizard of Oz. By way of introducing brands like Balmain, Maria Luisa and Neil Barrett, the mall is targeting mid-to-high fashion demographics.

Sunshine New Century Mall in Guanyinqiao district, opened on 30 September 2014

Affiliated to New Century Department Store Group, Sunshine New Century Mall has adding 86,000 sq m to the retail market. The mall is positioned as a lifestyle shopping centre, combining children's entertainment, leisure

and beauty and spa brands. Brands like Maxmara Weekend, Shellys and Blumarine were introduced to serve the mid-end market. Fangsuo Commune (方所), while still currently in the fit-out period, will open its first store within the mall and is expected by the end of 2014.

Retail market news

Guanyinqiao retail area expansion on schedule

Guanyinqiao retail area will expand from 1.5 sq km to 3 sq km in the next three to five years. In order to attract consumers, an additional 15,000 parking spaces will be added to the area and free wifi will be offered within the main retail area in Guanyinqiao district as part of the "Internet Guanyinqiao" project.

Market outlook

Chongqing's retail market is undergoing significant changes with new supply increasing and more decentralized retail areas emerging. Due to large amounts of new brands entering strong performing projects, landlords of newer projects will have to offer very competitive rates and incentives to secure the correct tenant mixes.

To set themselves apart from the competition, landlords of newer

projects are more willing to introduce brands and initiate promotional campaigns to raise public awareness. However, due to the volume of new supply, new retailers will be cautious about opening new stores in newer projects as they are unsure if sufficient footfall can be attracted to remain profitable.

Decreases in vacancy rates and increases in prime shopping mall rents have showed developer and retailer confidence in the retail market. Two retail projects, 81 Plaza and Guotai Plaza in Jiefangbei district, are expected to be handed over in Q4/2014 adding 100,000 sq m of new supply to the market. Absorption of these projects is expected to be slow, resulting in low pre-commitment rates and a rise in prime vacancy rates in the short term. ■

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