

# Briefing Retail sector

January 2015

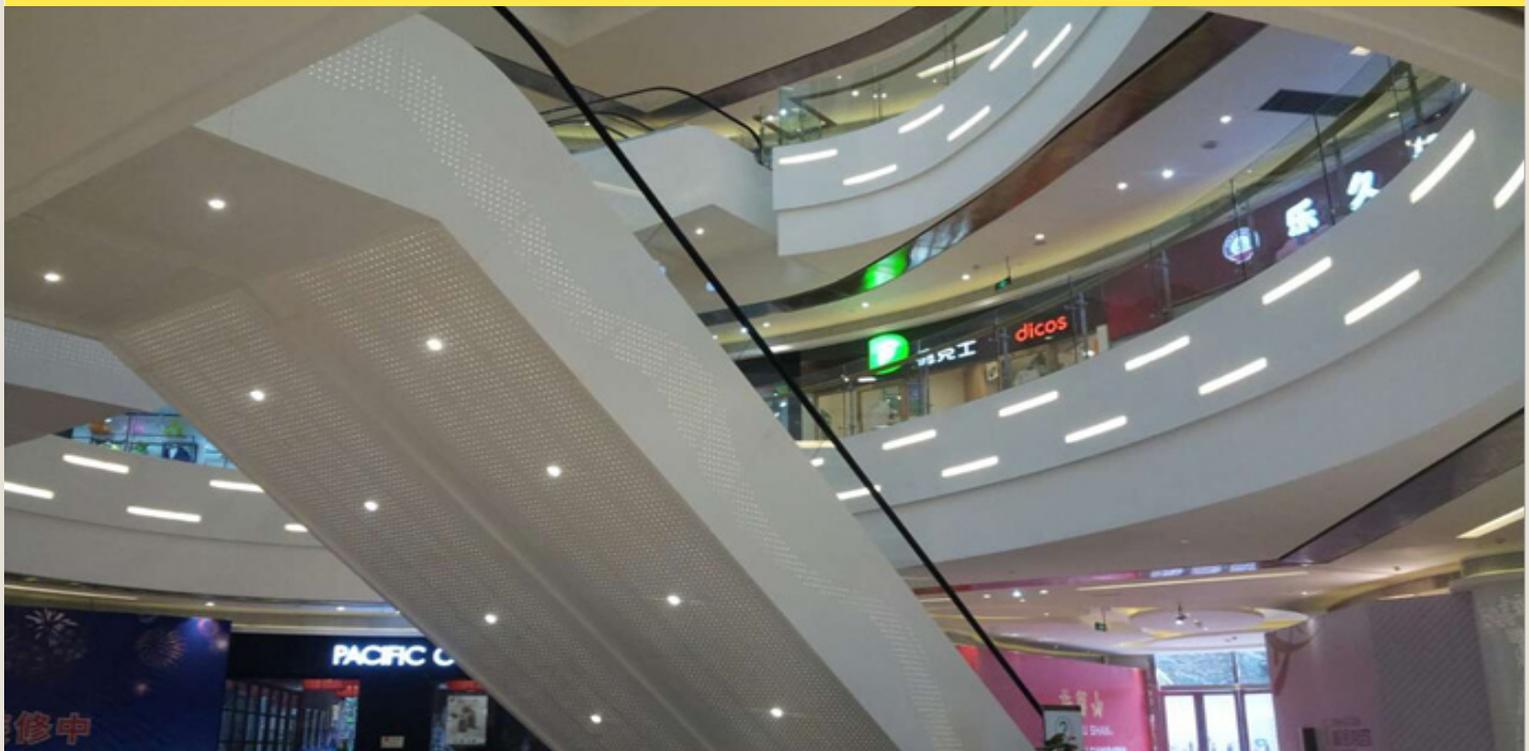


Image: 81 plaza, Jiefangbei CBD

## SUMMARY

Eight projects were launched in 2014, adding 919,400 sq m and pushing total stock up to over 3.6 million sq m. Market stock is scheduled to grow by 30% in 2015.

- Overall retail sales rose to RMB461.51 billion in the first 11 months of 2014, up 13% year-on-year (YoY), reflecting that consumption power of the most populous municipality is growing.
- Four projects – 81 Plaza (八一广场) in the Jiefangbei CBD (Yuzhong district), Times Walk Paradise Ph 2 (时代天街2期) in the Daping area (Yuzhong district), Xinxin (新新购物中心) Park in Dashiba (Jiangbei district) and Huachen Fortune shopping mall (华辰财富购物中心) in the Yubei district – were launched onto the market in Q4/2014, adding 416,000 sq m and bringing total stock to over 3.6 million sq m.
- City-wide prime shopping mall vacancy rates rose 1.8 percentage points (ppts) quarter-on-quarter (QoQ) to 3.8%.
- Prime shopping mall rents increased 2.0% in Q4/2014, to RMB23.5 per sq m per day.
- Over 1.2 million sq m of shopping mall space is scheduled to be launched onto the market in 2015, enlarging stock by 30%. New market players are expected to continue to upgrade the local market by introducing new brands.

“As an increasing number of new projects enter the market and existing projects constantly adjust tenant mix to ensure footfall, city-wide prime shopping mall vacancy rates are expected to continue to increase over the next few years.” Dave Law, Savills Research

➔ **Market overview**

Chongqing's retail sales totalled RMB461.51 billion in the first 11 months of 2014, up 13% YoY. F&B sales reached RMB40.0 billion during the first 11 months of 2014, up 16.7% YoY, while clothing sales totalled RMB24.3 billion, up 8.0% YoY. Impacted by the rise of online shopping, the speed of clothing sales' growth has slowed. However, positive growth in retail sales has further proven that consumption power of the most populous municipality is continuously growing.

**Vacancy rates**

City-wide prime shopping mall vacancy rates rose 1.8 ppts QoQ to 3.8%. In prime retail areas, vacancy rates increased 1.1 ppts QoQ to 3.0% as a result of new projects opening in the Jiefangbei CBD and the Guanyinqiao area. Non-prime retail areas saw vacancy

rates increase 2.3 ppts QoQ to 4.6%, mainly due to the negative performance of some shopping malls.

Prime shopping mall rents increased 2.0% in Q4/2014, to RMB23.5 per sq m per day. Primary retail area rents rose 2.1% QoQ to RMB26.5 per sq m per day, while secondary retail area rents fell 2.1% QoQ to RMB18.6 per sq m per day. The increase is mainly due to strong rental performances in prime areas like Guanyinqiao. As the most mature area in northern Chongqing, Guanyinqiao has become the most popular shopping destination, allowing for continued positive rental appreciation. However, projects in non-prime areas are losing anchor tenants, resulting in downward pressures on rental level to attract new tenants.

**Retailer information**

**Innisfree launched its first store in Chongqing – Star Light Times square, Nanping**

Innisfree, a second-tier cosmetic brand from Korea, opened its first store in October in Starlight Times Square. This was quickly followed by stores opening in November in 81 Plaza in the Jiefangbei CBD, and in December in CapitaMall in Shapingba.

**The first Palace Cinema of Chongqing begins operation – MixC, Yangjiaping**

Palace Cinema, the high-end brand of Broadway Cinema, launched its first picture house in Chongqing in MixC – a duplex totalling 8,000sqm, equivalent to 1,800 seats – on November 15. Another two Palace Cinemas are reported to be opening in Jialing Tiandi Ph I and Starlight Plaza

**Hogan launches a boutique store in Chongqing – Times Square, Jiefangbei CBD**

Hogan, the Italian luxury brand under TOD'S SPA, opened a new boutique store on November 6 in Times Square, with a full range of fashion including shoes, clothes, accessories and bags.

**Kids Fiesta launched the biggest flagship store in south-west China – Jinyuan shopping mall, Jiangbei district**

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Jinyuan shopping mall, Jiangbei district.

**Project news**

**Times Walk Paradise Ph II in Daping opened on December 4, 2014**

Times Walk Paradise Ph II entered the market, adding 150,000 sq m. The mall is positioned as a lifestyle shopping centre for people of all ages, combining children's entertainment, leisure, sports and beauty brands. Brands such as 24-hour Book Centre of Chongqing, Century Star Rink and Maan Coffee were introduced to serve the mid-end market. Moreover, it has also introduced Haipai Fitness Club, with its 1,000 sq m swimming pool, becoming the first mall in Chongqing with such an indoor facility. It demonstrates that an increasing number of developers are seeking differentiation amid fierce competition for both tenants and customers

**81 Plaza in the Jiefangbei CBD opened on December 12, 2014**

81 Plaza, located in the Jiefangbei CBD, opened in December 2014. The 36,000 sq m project is positioned as a fashion shopping mall. Major tenants include Forever 21, Innisfree and an Adidas A-level flagship store. The project also introduced a series of F&B retailers such as Yi Sushi, Shunfeng 123 • COCO, Zunpin Beefsteak, Hui Lau Shan and Pacific Coffee, which offer various choices for office workers in the CBD areas. Alongside Yingli IFC, this creates a new fashion and food hub for the Jiefangbei CBD.

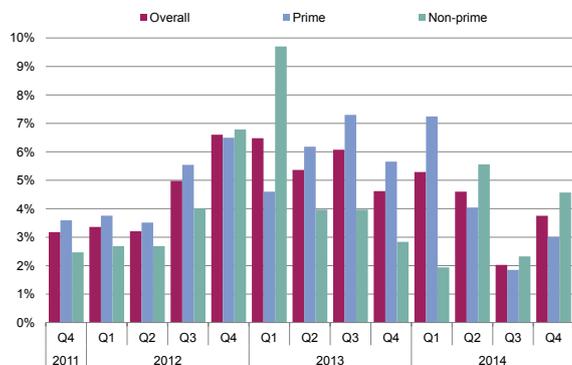
**Xinxin (新新) Park in Dashiba opened on December 19, 2014**

Xinxin Park, the first eco shopping mall in Chongqing (with a 20,000sq m outdoor eco park), is finally operational. Located at the border of the Yuzhong, Jiangbei and Shapingba districts, the mall will attract footfall from all areas. Its public space is decorated with green plants and flowers, and the 180,000sqm mall is anchored by a 40,000sq m New Century Department Store, a 1,400sq m Century Star Rink and a Stellar IMAX cinema with a 15m-high screen.

**Huachen Fortune shopping mall (华辰财富购物中心) in Liangjiang new zone held its soft opening on October 1, 2014**

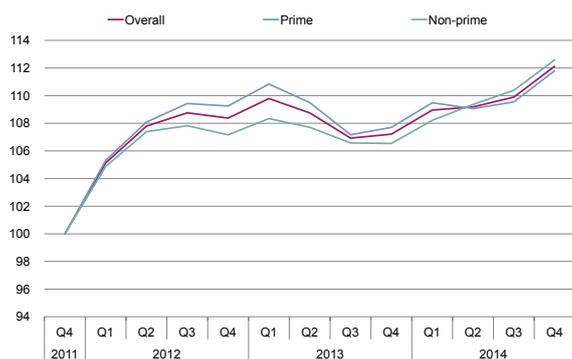
The Huachen Fortune shopping mall, occupying 50,000sqm, is located

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



Source: Savills Research

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



Source: Savills Research

in the Liangjiang new zone. During the soft opening, anchor tenant Jinyi Cinema (5,000sq m), had a series of promotions to attract customers. Its occupancy rate, however, currently stands at 60% as most stores – such as Harbour house, Hani kids and Gahoo HK restaurant – are still being fitted out.

**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.

**Huanghua New Era Shopping Mall (煌华新纪元) in the Shapingba district began another round of tenant adjustment in October 2014**

In order to make room for new anchor tenant New Century Department Store, New Era Shopping Mall’s first to fifth floors will be under a period of adjustment, with only Zara and Starbucks currently open. New Century Department Store (previously located at Rongxin building (融信大厦) for the last 12 years), is expected to move to the New Era Shopping Mall, taking up 30,000sqm within the first to fifth floors, and opening in May, 2015.

**Retail market news**

**Coffee brands expand in Chongqing**

More than 15 coffee brands, including Starbucks, Costa, Caffe Bene, MAAN Coffee, Pacific Coffee and BGCafé, have entered shopping malls within Chongqing, helping to attract customers. Starbucks is well-positioned to attract business customers, similar to Costa and Pacific Coffee, while Korean brands such as Caffe Bene are focusing on the young and fashionable demographic. The coffee shops are expected to expand rapidly in traditional districts, especially prime areas such as the Jiefangbei CBD and the Guanyinqiao district. As coffee shops, acting as a mini-anchor tenant, are highly favoured by landlords, more are expected to enter the Chongqing market.

**Market outlook**

2014 witnessed a large influx of shopping malls entering the market, causing standardised competition in positioning, tenant mix and brands. New projects in the next year will have to face fiercer competition and the challenge of seeking differentiation. Gradually, new shopping malls are not only positioned to be a shopping place but also a place to experience different lifestyles.

Increases in rents have shown the good performance of existing projects, especially those in prime

areas. Nevertheless, as increasing numbers of new supply need time to be absorbed (for example, WFC Mall in the Jiefangbei CBD and Sunshine New Century Mall in the Guanyinqiao district), vacancy rates are anticipated to continue increasing over the next year.

Chongqing is expected to receive 13 new developments in 2015, adding over 1.2 million sq m to the market. Most of these incoming projects are located in emerging areas and benefit from mature infrastructure, such as the Jinyu Dacheng Mall in the Chayuan precinct and IFS in the Jiangbeizui CBD. Metro line6, linking south-east and north-west Chongqing, will begin operation at the beginning of 2015, and is expected to significantly improve the connectivity between emerging and prime retail areas. For example, office workers in the Jiefangbei CBD can be attracted to emerging areas such as Chayuan and Jiangbeizui to shop and live. As the metro system ensures customers gain mobility, competition between different areas will encourage tenants to come up with ways to attract these consumers. ■

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