

Briefing Retail sector

May 2015



Image: Oriental Mall, Jiangbeizui CBD

SUMMARY

Chongqing's retail market is expected to see a new supply peak over the next two years, with the majority of new projects scheduling their openings in emerging retail areas.

- The first shopping mall to enter Jiangbeizui CBD, Oriental Mall, was the only supply launched in Q1/2015, adding 87,000 sq m of retail supply to the market.

- City-wide prime shopping mall vacancy rates fell 0.5 of a percentage point (ppt) quarter-on-quarter (QoQ) to 3.3%.

- Prime shopping mall rents increased 0.6% in Q1/2015 to RMB23.4 per sq m per day.

- The market is expecting a new supply peak over the next two years, with thirty projects scheduling their grand openings. The majority of new projects expected to be launched are distributed in emerging retail areas, including Jiangbeizui CBD, Hualongqiao and Xinpaifang areas.

“Due to the influx of higher-quality supply expected to launch in emerging retail areas, city-wide vacancy rates are expected to increase in the mid-term. High-end projects, such as Wharf IFS in Jiangbeizui CBD, are expected to introduce more brands into the local retail market and help emerging areas to generate higher levels of footfall.”

Dave Law, Savills Research

➔ Market overview

During the Chinese New Year period, retail sales totalled RMB6.6 billion, up 12.4% year-on-year (YoY).

Electronic products and F&B sales witnessed strong growth mainly due to promotions provided by retailers. This trend is likely to continue as the approaching short holidays typically generate higher footfall and boost retail sales.

Vacancy rates

City-wide prime shopping mall vacancy rates decreased 0.5 of a ppt QoQ to 3.3%. In prime retail areas¹, vacancy rates fell 0.5 of a ppt QoQ to

¹ Prime retail areas: Jiefangbei CBD and Guanyinqiao.

2.5%, while non-prime retail areas² saw vacancy rates decrease 0.5 of a ppt QoQ to 4.1%.

The decrease in vacancy rates is mainly due to the gradual absorption of projects launched in 2014 by the market attracting new tenants, which slightly increased occupancy rates.

Prime shopping mall rents increased 0.6% in Q1/2015 to RMB23.4 per sq m per day. Primary retail area rents rose 0.4% QoQ to RMB26.0 per sq m per day, mainly due to strong rental performances in prime areas such as Guanyinqiao. Secondary retail area rents rose 1.0% QoQ to RMB18.8 per sq m per day; as a result of new market players, such as MixC Mall, continuing to push up rents.

Apple Store opened a new store in MixC Mall, Yangjiaping

Apple launched its third store in Chongqing on 7 March. The store, located in MixC Mall, occupies 4,000 sq m, with a 30m high glass wall.

Candy Master opened a new store in the MixC Mall, Yangjiaping

Apple launched its third store in Chongqing on 7 March. The store, located in MixC Mall, occupies 4,000 sq m, with a 30m high glass wall.

Project news

Oriental Mall opened on 8 February, 2015

Oriental Mall opened on 8 February, adding 87,000 sq m to the market. The mall is positioned at the high-end of the market introducing luxury brands at lower prices. It also launched an app as an omni-channel option. Moreover, the Mandarin Oriental Group, the world famous six-star luxury hotel chain, is expected to open a new hotel within Oriental Mall, which will attract more high-end customers.

New Century Department Store in Shapingba area opened on 12 February, 2015

New Century Department Store (previously located in Rongxin Building (融信大厦) for the last 12 years), moved to the New Era Shopping Mall, taking up 30,000 sq m within the first to fifth floors. The new department store significantly upgrades the retail market of Shapingba area, introducing new cosmetic brands such as L'Occitane and SK-II.

More than one third of the dessert stores located in B1 of the Stage Mall closed within three months. These included 85°C, NYF, Coco Tea and YO.BA, and their closure was due

Retailer information

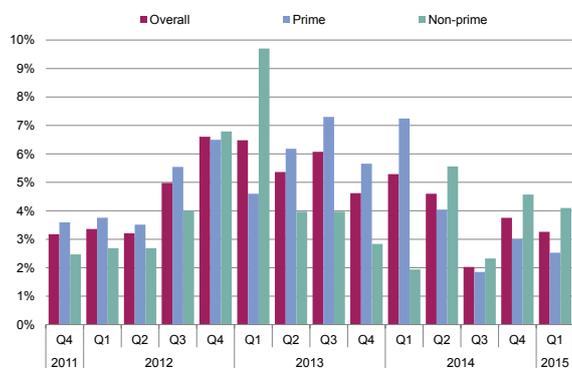
Pedder Red launched its first store in Chongqing in Times Square, Jiefangbei CBD

Pedder Red, the affordable luxury brand under Pedder Group offering shoes, bags and accessories, opened its first store in Chongqing. This followed the first store in Shanghai. Its third store is scheduled to open in Chengdu.

The first Fangsuo Commune in Chongqing held a soft opening in the Stage Mall, Guanyinqiao

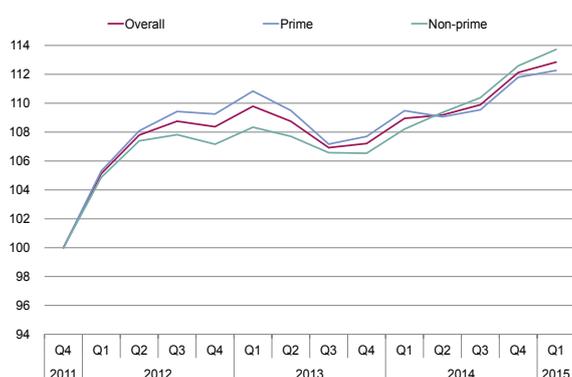
Fangsuo Commune, a popular book store from Guangzhou, held its soft opening on 16 March in Chongqing. The store occupies 2,400 sq m, which includes a bookstore, a cafe and a gallery. This is their third store in China following stores in Guangzhou and Chengdu.

CHART 1
Vacancy rates by area, Q4/2011–Q1/2015



Source: Savills Research

CHART 2
Retail rental indices, Q4/2011–Q1/2015



Source: Savills Research

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

to a combination of unsuccessful promotions, low footfall levels and the high rents in the mall causing many to terminate leasing agreements early. However the landlord plans to solve this problem through introducing diversified brands and better promotions to attract more customers.

Market outlook

Thirty retail projects are expected to be launched over the next two years, adding more than 2.8 million sq m of retail space. 80% of these

new projects are located in emerging retail areas, including Wharf IFS in Jiangbeizui CBD and the first phase of Jialing Tiandi (嘉陵天地) in Hualongqiao area. Landlords, including Wharf IFS, which already benefit from long-term relationships with international brands will encourage more brands of the calibre of Fendi and Lane Crawford to enter the Chongqing retail market. However, landlords who find it difficult to attract their ideal tenant mixes will feel the pressure

to increase footfall in emerging retail areas.

The decentralisation trend has gradually presented itself in the Chongqing market. The influx of new retail spaces may push vacancy rates in emerging retail areas up in the short- to mid-term. Additionally, shopping malls in emerging retail areas will see a better rental performance due to the introduction of high quality shopping malls and high-end brands. ■

TABLE 1 **Selected future supply**

Project name	Location	Expected completion	Retail GFA (sq m)
Guotai Plaza	Jiefangbei CBD	Q2/2015	50,000
Jialing Tiandi Ph1	Huolongqiao	Q2/2015	50,000
Starlight World	Daping	Q3//2015	50,000
Wanda Plaza	Ba' nan	Q3//2015	100,000
RJ8 Center	Xinpaifang	Q4//2015	12,000
IFS	Jiangbeizui CBD	Q1/2016	11,000
Shin Kong Mitsukoshi Department Store	Xinpaifang	Q2/2016	180,000

Source: Savills Research

Please contact us for further information

Savills Research



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

Savills Project Development & Consultancy



Dave Law
 Senior Associate Director
 +8628 8658 7120
 dave.law@savills.com.cn



Eric Wo
 Deputy Managing Director
 +8628 8672 1810
 eric.wo@savills.com.cn



Backy Fung
 Director
 +8628 8658 7841
 backy.fung@savills.com.cn

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