

Briefing Retail sector

October 2015



Image: Guotai Plaza, Jiefangbei CBD

SUMMARY

The city's retail market is developing rapidly, with a number of new brands entering this year, leading to falling vacancy rates and increasing rents in shopping malls.

- Overall retail sales rose to RMB413.69 billion in the first nine months of 2015, up 12.1% year-on-year (YoY),

- Two projects – Guotai Plaza (国泰广场) in the Jiefangbei CBD and Jialing Tiandi Ph1 in Hualongqiao – began soft operation in Q3/2015, adding 100,000 sq m to the market.

- City-wide prime shopping mall vacancy rates decreased 0.3 of a

percentage point (ppt) quarter-on-quarter (QoQ) to 3.8%.

- Prime shopping mall rents increased 1.2% in Q4/2015, to RMB23.6 per sq m per day.

- Over 270,000 sq m of shopping mall space is scheduled to be launched onto the market in the last quarter of 2015.

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 “The decentralisation of Chongqing’s retail market is continuing at a fast pace as many new brands decide to launch their first stores in emerging areas.” Dave Law, Savills Research

➔ Market overview

Chongqing's retail sales totalled RMB413.69 billion in the first nine months of 2015, up 12.1% YoY. Three shopping malls are expected to be launched onto the market in Q4/2015, adding 270,000 sq m, all of which is located in emerging areas, such as the Banan district.

Vacancy rates

City-wide prime shopping mall vacancy rates fell 0.3 of a ppt QoQ to 1.8%. Prime retail areas¹, vacancy rates fell 0.2 of a ppt QoQ to 2.5%. Non-prime retail areas² saw vacancy rates fall 0.4 of a ppt QoQ to 1.0%. This can be attributed to the strong performance of projects which continued to introduce new brands, such as MixC mall in the Yangjiaping area.

¹ Prime retail precincts: Jiefangbei CBD and Guanyinqiao

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

Prime shopping mall rents increased 1.2% in Q3/2015, to RMB23.6 per sq m per day. Primary retail area rents rose 1.4% QoQ to RMB26 per sq m per day, while secondary retail area rents rose 1.0% QoQ to RMB19.3 per sq m per day. The overall increase is mainly due to strong rental performances in a number of well-operated projects, such as Paradise Walk in Guanyinqiao and MixC mall in Yangjiaping.

Retailer information

Chongqing Happy Ocean World opened in Chongqing-Chongqing Tiandi, Hualongqiao

Chongqing Happy Ocean World launched in the retail part of Enterprise World #2, Chongqing Tiandi. The 9,000 sq m store is the only indoor oceanarium in Chongqing, with 13 themed areas and over 300 types of animals aiming to attract families.

Decathlon opened its first flagship store in Chongqing-Kmall, Yuanjiagang

Decathlon, a French, sports-related store, launched its first flagship store in the Yuanjiagang district in August. Located on B2 of Kmall next to Chongqing Olympic Sports Center, the store occupies 5,000 sq m, with 400 sq m dedicated to a kids' experience zone and a 10 metre climbing wall.

Suning launched the first "cloud retail" store in Jiefangbei CBD

Suning updated its Expo Super Store to a "cloud retail" store at the beginning of September. Occupying nearly 20,000 sq m, the store integrates online and offline operations to become a combined 'offline business/e-Commerce/retail service provider'. According to sources, sales reached RMB50 million within three days of the opening, attracting over 100,000 people. A second store opened in the Guanyinqiao area at the end of September.

McDonald's opened the first rail transit restaurant in Niujiatuo station (line 2)

McDonald's, the world's largest fast food brand, launched the first rail-transit restaurant of Chongqing

at the end of August. The restaurant is located on the fourth floor of Niujiatuo station – the transfer station of lines 2 3. Customers can overlook the beautiful scenery of the Jialingjiang River and the city through the full-length glass curtain wall, the dominant feature of the restaurant.

Adidas launched the biggest HomeCourt flagship store in south-west China in Paradise Walk, Guanyinqiao

Adidas opened the biggest HomeCourt flagship store of south-west China at the end of August, occupying 650 sq m. The store is located on the third floor of Paradise Walk in the Guanyinqiao area and includes lines such as Adidas originals and Neo products.

Project news

Guotai Plaza in the Jiefangbei CBD began soft operation at the end of September

Guotai Plaza, developed by the Jiahe Development Group, held its soft opening in September, adding 50,000 sq m to the market. The mall is positioned as a green shopping mall, mainly attracting mid- to high-end consumers by introducing brands such as Tommy Hilfiger, Gant and Chloechen. In addition, fast food brand Burger King opened its first store in a prime area of the mall.

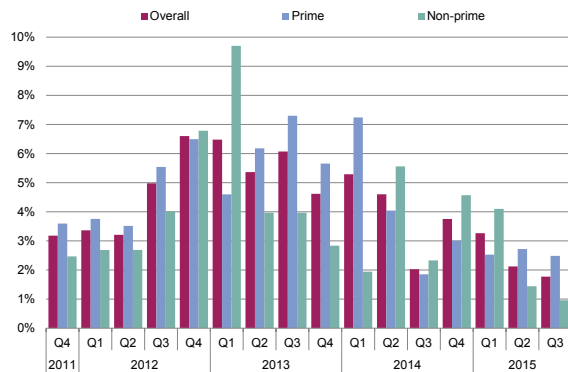
Jialing Tiandi Ph1 in the Hualongqiao CBD began soft operation in September

Jialing Tiandi Ph1 recently began soft operation, adding 50,000 sq m to the market. Anchor tenants include Broadway Cinemas, Memories of Times and Gourmet Complex, which are expected to generate high footfall in the future.

Two Imix Parks completed tenant mix adjustments

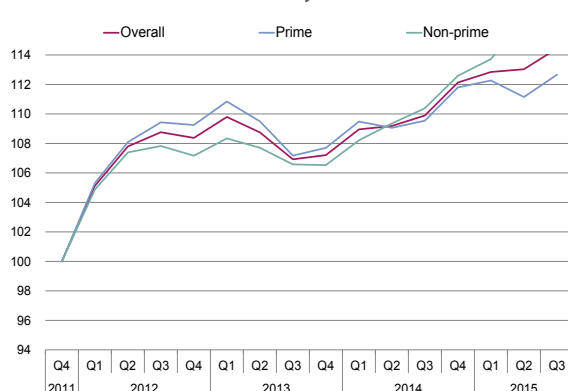
After going through a period of tenant-mix adjustment, Imix Park in the Jiefangbei CBD now targets a younger, more fashion-conscious consumer, introducing brands such as Under Armour and La Chapelle. Imix Park in the Daping area began to introduce a number of popular brands focusing on children and F&B in the hope of attracting more local families.

CHART 1
Vacancy rates by area, Q4/2011–Q3/2015



Source: Savills Research

CHART 2
Retail rental indices, Q4/2011–Q3/2015



Source: Savills Research

Retail market news

Low-tax shops witness strong performance in Chongqing

Chongqing now has 11 famous low-tax shops, mainly located in the Xiyong Comprehensive Free Trade Zone of the Shapingba district and the Lianglu-Cuntan Free Trade Port in the Yubei district. Although the GFA of these shops varies from 200 sq m to 70,000 sq m, the majority are under 2,000 sq m. This type of store mainly attracts mid- to high-end customers looking to purchase low-tax food and clothes from international brands. The turnover of the largest low-tax store in

Chongqing reached RMB500 million in the first six months of 2015, proving the demand for these types of stores.

Market outlook

Chongqing's retail market is going through a period of maturity with new brands being introduced, leading to decreases in vacancy rates and increases in shopping mall rents. The majority of new brands to the market are entering shopping malls in emerging business areas, which further reflects the trend of decentralisation on the market. Hanhan's restaurant, 'Nice to

Meet You', opened its first store in Chongqing in Paradise Walk in the Daping district.

Three shopping malls – Wanda plaza, Shui On Jialing Tiandi and Starlight World – are expected to be launched onto the market in Q4/2015, adding 270,000 sq m. Although all new projects are located in emerging areas, the status of the developers is expected to attract residents to shop there, leading to an upward trend of overall rents in emerging areas. ■

TABLE 1 **Selected future supply, Q4/2015**

Project name	Location	Expected completion	Retail GFA (sq m)
RJ8 Center	Xinpaifang	Q4/2015	120,000
Wanda Plaza	Ba'nan	Q4/2015	100,000
Starlight World	Daping	Q4/2015	50,000

Source: Savills Research

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