

Briefing Retail sector

January 2016



Image:Evergrand CC Plaza, Jiaozhou

SUMMARY

Nine projects were launched in 2015, adding 609,000 sq m and pushing total stock up to 4.5 million sq m. Stock is expected to increase by 35% in 2016.

- Overall retail sales rose to RMB583.14 billion in the first 11 months of 2015, up 12.4% year-on-year (YoY). This reflects the increasing consumption patterns of the area.

- Five projects – Evergrande CC Plaza (恒大中渝国际广场) in the Jiaozhou area (Yubei district); Ba'nian Wanda Plaza (巴南万达广场) in the Longzhouwan area (Ba'nian district); Casin Plaza (财信广场) in the Jiangbeizui CBD; Starlight World (协信星光天地) in the Daping area (Yuzhong District); and Liyang Xixi Mall in the Yangjiaping area (Jiulongpo district) – were launched onto the market in

Q4/2015, adding 377,000 sq m and bringing total stock to over 4.5 million sq m.

- City-wide prime shopping mall vacancy rates rose 0.2 percentage points (ppts) quarter-on-quarter (QoQ) to 2.0%.
- City-wide prime shopping mall rents increased 0.2% in Q4/2015, to RMB23.7 per sq m per day.
- Seventeen shopping malls are scheduled to be launched onto the market in 2016, adding over 1.6 million sq m and increasing market stock by

35%. Of these new projects, 70% are located in non-prime areas such as Xinpaifang and Zhaomushan.

.....

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

.....

→ Market overview

Retail sales totalled RMB583.14 billion in the first 11 months of 2015, up 12.4% YoY. F&B sales reached RMB81.1 billion during the first 11 months of 2015, up 14.6% YoY, and non-F&B sales totalled RMB502.0 billion, up 12.3% YoY. This indicates that F&B tenants in shopping malls provide positive growth and attract more consumers.

Vacancy rates

City-wide prime shopping mall vacancy rates rose 0.2 ppt QoQ to 2.0%. In prime retail areas¹, vacancy rates increased 0.4 ppts QoQ to 2.9%. This is predominantly due to Stage Mall in the Guanyinqiao area which is currently undergoing a

¹ Prime retail precincts: Jiefangbei CBD and Guanyinqiao

tenant adjustment and repositioning development.

Non-prime retail areas² saw vacancy rates increase 0.1 ppts QoQ to 1.1%, mainly due to the negative performance of some shopping malls, for example the Huanghua New Century Mall in the Shapingba precinct.

Prime shopping mall rents increased 0.2% in Q4/2015, to RMB23.7 per sq m per day. Primary retail area rents rose 0.5% QoQ to RMB26.1 per sq m per day, while secondary retail area rents fell 0.4% QoQ to RMB19.2 per sq m per day. The increase is predominantly due to strong rental performances in areas like Guanyinqiao. For example, North Paradise Walk and Starlight 68 Plaza are popular among consumers, which allows for rent increases. However, due to the growth of vacancy rates in non-prime areas, a decrease in rents has been witnessed in an attempt to attract new tenants.

Retailer information

DC Comics opens first store in south western China at Imix Park, Jiefangbei

DC Comics, an international brand from Warner Bros. Entertainment, launched on 11 November. The store mainly attracts cartoon fans due to the collection of DC Comic superhero brand merchandise. The store carries fashion accessories, clothes and various comic collections.

Memories of Times Gourmet Complex launched first Chinese store in Chongqing at Tiandi Phase 1, Hualongqiao

Memories of Times Gourmet Complex, a spinoff brand from the well-known documentary 'A Bite of

China', opened on 11 November. Occupying over 30,000 sq m, the restaurant stocks foods from different provinces in China. It also contains an experience zone which includes a display area of various cooking techniques and foods from different cultures.

Gateone launched first store in China at Starlight 68 Plaza, Guanyinqiao

Gateone, the French high-end brand of menswear established in 1992, opened its first store in mid-west China. Located on the second floor of Starlight 68 Plaza, the store concept follows clean, classic lines and emulates Vogue.

Pleats Please launched their first store in mid-west China at Starlight Plaza, Jiefangbei

Pleats Please, the sister brand of famous Japanese brand Issey Miyake, opened its first store in south-west China. The store is the fourth one in China following those in Shin Kong Place in Beijing, Deji Plaza in Nanjing and Jing An Kerry Centre in Shanghai.

Project news

Ba'nan Wanda Plaza launched on 30 October

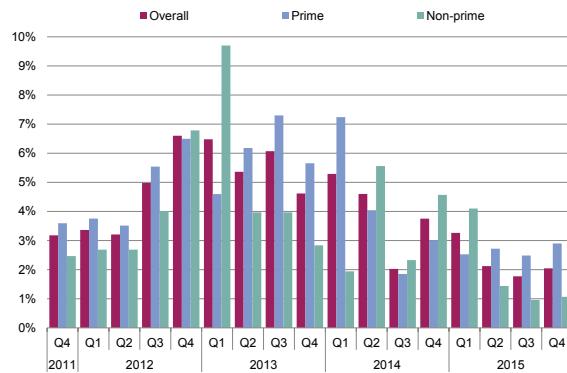
The 177,000-sq m Wanda Plaza opened at the end of October in the Ba'nan district. The shopping mall is the third one in Chongqing, following Nanping and Wanzhou, with brands such as Wanda Imax cinemas, Kids Place, Starbucks and Bravo YH. Sales reached RMB20 million, attracting 300,000 people on opening day.

Evergrande CC Plaza launched on 18 December

Evergrande CC Plaza, which opened in December, is positioned as a middle- to high-end shopping mall. Occupying 100,000 sq m, the

CHART 1

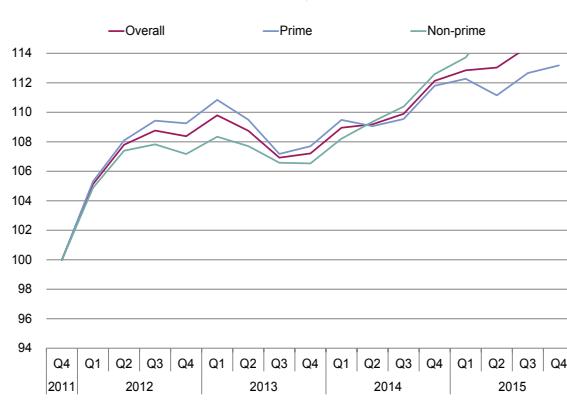
Vacancy rates by area, Q4/2011–Q4/2015



Source: Savills Research

CHART 2

Retail rental indices, Q4/2011–Q4/2015



Source: Savills Research

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

shopping mall is expected to become a popular destination in the Jiazhou area. The modern, outside aesthetic has a double-skinned curtain wall covered by LED dot matrix. Fast-fashion brands such as H&M, MUJI and UR have been included in the tenant mix.

Starlight world opened on 30 December

At the end of December, Starlight World was launched in the Daping district. Occupying 50,000 sq m, the project is positioned as a mid-end shopping mall. Brands like Burger King, Yonghui supermarket and Bona cinema have been introduced to meet the needs of local residents.

Casin Plaza launched on 22 December

Casin Plaza, occupying 30,000 sq m, launched in the Jiangbeizui CBD in late December. It is the second high-end shopping mall in the Jiangbeizui

CBD. The project has attracted brands such as Decathlon, Cross IMAX cinemas and Ugly Monkey Café.

Market outlook

2015 saw nine projects entering the market, seven of which were shopping malls located in emerging retail areas. This is an indication that developers still have confidence in the Chongqing retail market, particularly in emerging areas which house a large number of residents. As a result, the competition between traditional and emerging areas is expected to intensify and developers will put more emphasis on positioning, leasing and attracting consumers to these new projects.

Due to the influx of new supply, which is mainly located in emerging areas, and limited time to absorb it, vacancy rates are expected to continue to increase over the next few years.

Seventeen new projects are expected to launch in 2016, adding over 1.6 million sq m to the market. The majority of these projects are located in emerging areas, namely the Yubei district, Han City in the Xinpaifang area, Aegean Shopping Mall in the Zhaomushan area, and Shinkong Mitsukoshi in the Jiazhou area. These largely-populated areas will provide plenty of footfall for the new projects. The existing transport facilities are a convenient contribution to the development of the new retail areas. For example, the Qiansimen Bridge, launched in 2015, aided in the speedy development of the retail market in the Jiangbeizui CBD, which has already seen the launch of two shopping malls. ■

Please contact us for further information

Savills Research



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

Savills Project Development & Consultancy



Dave Law
Senior Associate Director
+8628 8665 7375
dave.law@savills.com.cn

Savills Agency



Eric Wo
Managing Director
+8628 8658 7111
eric.wo@savills.com.cn

Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.