

Briefing Retail sector

May 2016



Image: Han City, Liangjiang New Area

SUMMARY

The retail market witnessed a good start to 2016, with a decrease in vacancy rates and an increase in rents.

- Overall retail sales rose to RMB176.53 billion in the first three months of 2016, up 13% year-on-year (YoY).

- One project, Han City (韩国城), in the Liangjiang New Area, was launched onto the market in Q1/2016, adding 50,000 sq m to the market and bringing total stock to 4.6 million sq m.

- City-wide prime shopping mall vacancy rates decreased by 0.1 of

a percentage point (ppt) quarter-on-quarter (QoQ) to 1.9%.

- City-wide prime shopping mall rents increased 0.3% in Q1/2016, to RMB23.8 per sq m per day.

- Two high-end shopping malls, Coincord International Centre(天和里) in the Guanyinqiao district and IFS in the Jiangbeizui CBD, are expected to be launched onto the market in Q4/2016, adding a total retail GFA of 143,000 sq m.

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 “As brands in the retail market are largely homogenised across a number of malls, the introduction of new and different brands has become an effective way for many shopping centres to attract consumers.” Dave Law, Savills Research

➔ **Market overview**

Retail sales totalled RMB176.53 billion in Q1/2016, up 13% YoY. Wholesale and retail sales reached RMB150.36 billion in Q1/2016, up 12.8% YoY, while F&B and accommodation sales totalled RMB26.17 billion, up 14.0% YoY.

Vacancy rates

City-wide prime shopping mall vacancy rates fell 0.1 of a ppt QoQ to 1.9%. Prime retail areas¹ saw vacancy rates decrease by 0.2 of a ppt QoQ to 2.7%. The decrease in vacancy rates is mainly due to some projects, such as the ASE shopping mall in the Jiefangbei CBD, attracting new tenants with low rents, which caused a slight increase in occupancy rates.

Non-prime retail areas² saw vacancy rates remain at 1.1% in Q1/2016. Projects such as Starlight Plaza in Nanping, West Paradise Walk in Yangjiaping, and the Wangfujing Department Store, renewed long-term leases with retailers, resulting in high occupancy rates of 99.6%, 99.4% and 99.7% respectively.

Prime shopping mall rents recorded a slight increase to an average of RMB23.8 per sq m per day, up 0.3% QoQ. Primary retail area rents rose 0.4% QoQ to RMB26.3 per sq m per day, while secondary retail area rents increased 0.1% QoQ to RMB19.3 per sq m per day. In order to maintain footfall, F&B stores are now taking up a larger portion of space within shopping malls, totalling about 35.3% of city-wide stock.

Retailer information

Mann Coffee launches first concept store in China at Longfor Starry Street, Beibin Road

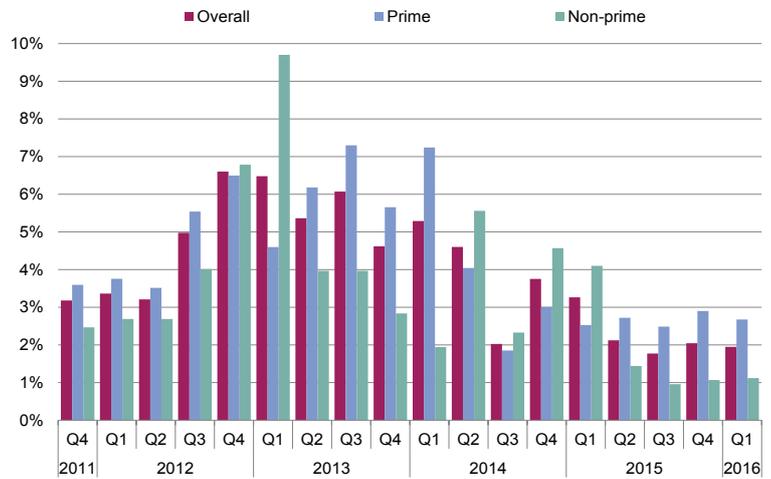
On 1 January 2016, the first concept store of Mann Coffee opened at Longfor Starry Street, Beibin Road. This store occupies 3,000 sq m which

¹ Prime retail areas: Jiefangbei CBD and Guanyinqiao.

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

CHART 1

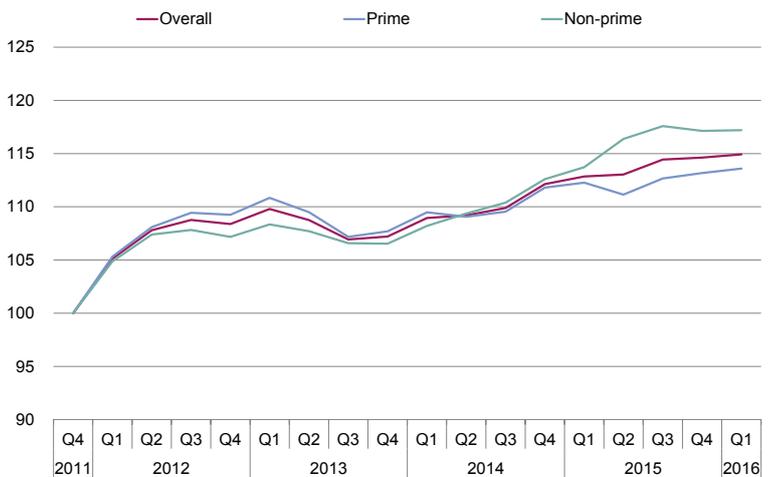
Vacancy rates by area, Q4/2011–Q1/2016



Source: Savills Research

CHART 2

Retail rental indices, Q4/2011–Q1/2016



Source: Savills Research

includes their coffee culture zone and the baking studio.

YSL Beauty enters the Chongqing market in Maoye Plaza, Guanyinqiao

On 22 January 2016, YSL Beauty opened its first beauty store in Chongqing at Maoye Plaza. This is the third YSL Beauty store in south-west China after those in the Taikoo Li Shopping Centre in Chengdu and the Parkson Department Store in Kunming.

The new concept store of Nenlü Tea opened at ASE Centre, Jiefangbei

On 30 January, the new concept store of NenlüTea had its soft opening in the ASE Centre in Jiefangbei. The store provides not only a variety of original tea drinks but also other services such as tea ceremonies and a tea culture salon.

Spriky Hotpot launches first store in ASE Centre, Jiefangbei

The new brand Spriky Hotpot under the Chongqing Cygnet Dining Group

opened its first store at the ASE Center in Jiefangbei. They also launched their new “litchi flavour” hotpot which targets young adults as their primary consumers.

Parkson Department Store in Daping closed on 31 March 2016

Parkson’s 20-year lease expired and given their long-term negative performance, the store in Daping formally closed on 31 March. In addition, Parkson in Naping will be repositioned with more fashion and food brands, better serving people working in the area.

Project news

NOVA Department Store at IMIX Park closed on 25 February 2016

With the closure of the NOVA Department Store, the IMIX Park started to re-plan the zone, including redesigning traffic flow and introducing more Korean fashion brands such as Mixxo, Spao and Buckaroo.

Chongqing Han City grand opening on 18 January 2016

Chongqing Han City, located beside the Lianjiang Xinfu square, formally

opened on 18 January. It occupies 170,000 sq m, and includes the Galaxy Museum, N37 Shopping Street and the TMG Art Centre. More than 20 Korean brands entered this project and occupy approximately 10,000 sq m, including but not limited to Mann Coffee, BB Barbecue, Nine Road Pizzeria, Cityzoo and Kimikoyong.

Longfor Yuanzhu Paradise Walk and U City Paradise Walk Phase introduced anchor stores – CGV Cinema and Yonghui Bravo Supermarket

CGV Cinema is approximately 6,000 sq m and covers IMAX, 4DX and Sweetbox halls. The Yonghui Bravo Supermarket in Longfor Yuanzhu Paradise Walk is 4,180 sq m and their store in U City covers 10,000 sq m.

Market outlook

One high-end shopping mall, Coincord International Centre(天和里), in Guanyinqiao, is expected to launch onto the market in Q4/2016. Average rents in primary retail areas are likely to slightly rise. Another high-end shopping mall, IFS in the Jiangbeizui CBD, is expected to increase rents and assist in

maturing the retail market in the Jiangbeizui CBD. These two high-end shopping malls are expected to assist in attracting more long-term cooperative high-end brands to enter the city, such as Dior and Chanel.

Brands within the city’s retail market, especially fast-fashion brands and F&B brands, are largely homogenised across a number of malls. Therefore, the introduction of new and unique brands to the market has become an effective way for many shopping centres to attract consumers. For example, IMIX Park closed some stores of popular brands and introduced more first-entry brands to the city’s retail market, such as Mixxo, Spao and Buckaroo. ■

Please contact us for further information

Research



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

Project Development & Consultancy



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

Agency



Eric Wo
 Managing Director
 +8628 8658 7828
 eric.wo@savills.com.cn

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