

# Briefing Retail sector

May 2017



Image: Fortune Financial Centre, Parkson Department Store

## SUMMARY

The city's retail market remained stable during the first quarter, with shopping mall vacancy rates and average rents recording a slight decline.

- City-wide retail sales reached RMB197.75 billion in Q1/2017, up 12.0% year-on-year (YoY).
- No new supply entered the market in Q1/2017, while the construction of a new project, Loncin Chongqing Center in Lianglukou, Yuzhong district, began this quarter.
- City-wide prime shopping mall vacancy rates fell by 0.6 of a percentage point (ppt) quarter-on-quarter (QoQ) to 10.0%.
- City-wide prime shopping mall rents declined by 0.9% QoQ to RMB23.3 per sq m per day.

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 "The ongoing upgrading of retail projects which began in 2016, continued in the first quarter, with many projects still in the adjustment process. The trend is expected to last until the middle or end of 2017, by which time the overall quality of the city's retail market will be improved." Dave Law, Savills Research  
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➔ **Market overview**

The city's retail sales reached RMB197.75 billion in Q1/2017, up 12.0% YoY. Sales of electronic equipment grew significantly on the back of strong consumer demand and an increase in construction, by 23.9% YoY.

**Vacancy Rates**

City-wide shopping mall vacancy rates fell by 0.6 of a percentage point QoQ to 10.0%. Prime retail area vacancy rates decreased by 1.2 ppts to 8.3%, while non-prime retail areas increased by 0.2 of a ppt to 12.0%.

The slight decline in vacancy rate is attributed to the opening of a few new stores, including Darry Ring at Yingjia Centre in Guanyinqiao, and Tiansheng'aojiao restaurant at Riyueguang Shopping Center in Jiefangbei.

**Rents**

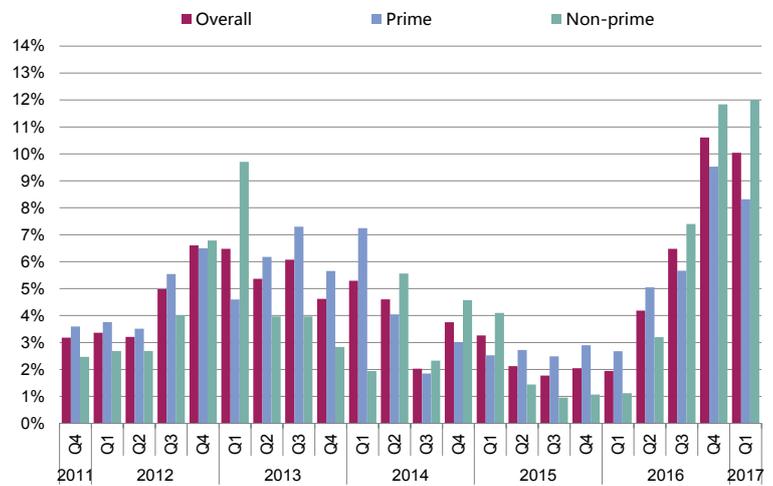
City-wide rents decreased 0.9% QoQ to RMB23.3 per sq m per day in Q1/2017. Rents in prime retail areas decreased by 1.1% QoQ to RMB25.6 per sq m per day, and rents in non-prime retail areas also decreased, down 0.4% QoQ to RMB18.9 per sq m per day.

Largely due to the continuous rise of e-commerce, a number of projects began to reposition themselves and adjust tenant mixes. Average rents continued to decrease as landlords offered lower rents to attract highly sought-after tenants as well as meet the restricted affordability of experience stores.

**Retailer information**

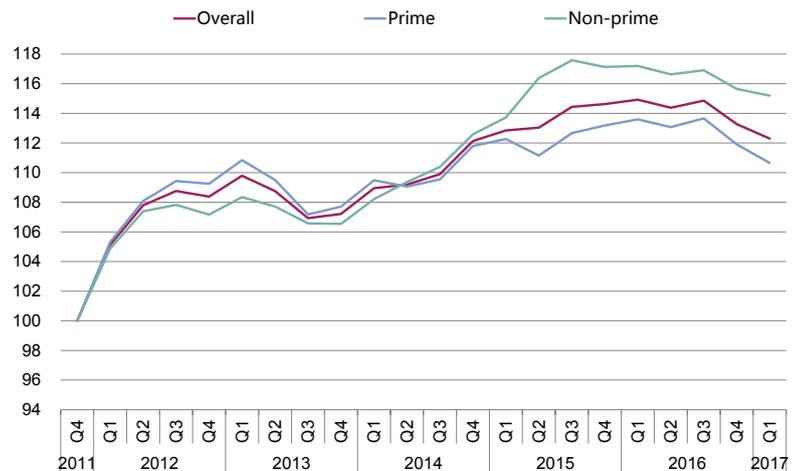
Pop-up space, "One book" Classic Culture opened pop-up bookstore, "One book", opposite the Far Eastern Department Store in Guanyinqiao on 25 March. The 100-sq m concept store functions more as a city library, recommending books rather than selling them to readers; only one book will be

CHART 1 **Vacancy rates by area, Q4/2011-Q1/2017**



Source: Savills Research

CHART 2 **Retail rental indices, Q4/2011-Q1/2017**



Source: Savills Research

available each week over the three months of scheduled operation.

Classic Culture is the oldest privately-owned book store in Chongqing. It relocated from NewYork shopping mall in Jiefangbei in November 2016 to a new space in Dongyuan 1891 on Nanbin road in December.

**Project news**

Parkson department store at Fortune Financial Centre  
Located at No. 1 East Honghu road

in the Yubei district, the Parkson department store at Fortune Financial Centre closed its doors on 19 March. The 30,000-sq m project was the anchor of Fortune Financial Centre during its four years of operation. Faced with severe competition, Parkson has adjusted its brand strategy, closing three of its stores since 2016, in Daping, the MIXC Mall store and the Fortune Financial Centre.

Loncin Chongqing Centre  
Loncin Chongqing Centre, located in

the Lianglukou area of the Yuzhong district, held its foundation laying ceremony on 19 January. Developed by Loncin, the 570,000-sq m project expects to be completed in 2022, and is positioned as a mixed-use urban complex, comprising high-end apartments, a shopping centre, five-star hotel, and offices.

### Market Outlook

The city's retail market remains in a period of transition, with many projects remaining in a stage of repositioning and tenant adjustments that began in the previous quarter. Market fundamentals remained relatively stable during the period, with city-wide vacancy rates falling by 0.6 of a ppt QoQ to 10.0%, while average rents declined to RMB23.3 per sq m per day.

The transitional period is expected to last until later this year, when most of the project adjustments have been completed, improving the overall quality of the city's brick-and-mortar retail market. Occupancy rates and average rents are expected to rise as a result of this competitiveness. However, until the completion, city-wide occupancy rates and rents are expected to remain around their current levels. ■

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