Retail vacancy rate falls

Chongqing’s vacancy rate dropped to 11.1% as market demand picked up.

- From January to August 2019, the city’s total retail sales of consumer goods reached RMB566.1 billion, a nominal increase of 8.6% year-on-year (YoY).

- Chongqing’s Raffles City Shopping Centre entered the market in Q3/2019, contributing around 235,000 sq m of retail space.

- As new projects continue to enter the market, competition between regional market projects will intensify, and projects must seek unique, differentiated operations in order to attract more customers.

- Demand in the retail property market picked up in Q3/2019. Core business district projects saw numerous brand upgrades, renovations and transformations, and non-core business district projects saw a number of lease transactions conclude, causing the city’s vacancy rate to drop by 0.4 of a percentage point (ppt) quarter-on-quarter (QoQ) to 11.1%.

- The average first-floor rent of the city’s shopping malls stayed the same as Q2/2019, reported at RMB378.1 per square meter per month.

- The opening of Chongqing Raffles City Shopping Centre has brought many first-time brands to the market, such as Jiwu, Old Navy, TWG Tea, and SEVEN BUS.

- As well-known brands continue to enter the Chongqing retail market, brand upgrades and renovations are enhancing the image and profile of Chongqing’s retail environment, as evidenced by the new Raffles City.

“The appearance of Raffles City Shopping Center brings a number of new brands to market and enriches Chongqing’s retail environment.”

SOPHY PAN, SAVILLS RESEARCH

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**MARKET OUTLOOK**

Looking forward to Q4/2019, the opening of Sincere Starlight 68 Phase B in Guanyinqiao should help bring attention back to that core business circle and help set a standard for future projects, further enhancing the competitiveness of that business area. In the short-term, more and more projects will enter the retail market, intensifying competition among retail projects. The vacancy rate may fluctuate slightly, and the downward pressure on rents is expected to remain.

**SUPPLY**

Chongqing Raffles City Shopping Centre opened in Yuzhong district in Q3/2019, bringing approximately 350,000 sq m of new supply to the market. The launch of the new project has also brought many first-time brands to the market, such as Jiwu, Old Navy, TWG Tea, SEVEN BUS and others. Chongqing Raffles City Shopping Centre is located at the junction of the Yangtze River and the Jialing River, near Chaotianmen Wharf. With the opening of the Metro Line 1 in the future, the area will see improvement to its transportation network, integrating rail lines, buses and ferries. The project also has strong tourist appeal and infrastructure; for example, it set up a visitor’s centre and introduced Chongqing-style snacks such as Chenchangyin Twist, Shancheng Tangyuan and Suanlafen to cater to tourists looking for ‘local’ flavour.

**VACANCY RATES**

Demand in the retail property market picked up in Q3/2019; core business district projects undertook numerous brand upgrades and transformations, and non-core business district projects saw a number of lease transactions conclude, causing the city’s vacancy rate to drop by 0.4 of a ppt QoQ to 11.1%.

**RENT**

The average first-floor rent of the city’s shopping malls stayed the same as Q2/2019, at RMB378.1 per sq m per month.

**TELENT NEWS**

On the demand side, several electric vehicle brands continued to expand. In Q3/2019, Tesla opened in the Times Street A Hall. Electric car brand Xioapeng automobile settled nearby, in the Times Street C Hall, while Geely’s Jhie car brand opened in Paradise Walk (West). In terms of F&B, national hot pot restaurants and compete with local brands. In Q3/2019, Haidilao hot pot opened its third store in MIXC Phase I. Famous local hot pot brand Peijie opened one store in Chongqing Raffles City Shopping Centre and one in North Paradise Walk. In the same period, tea brands continued to enter the market, with Lelecha and Loohutang opening first stores in Chongqing, both in Guanyinqiao IMIX PARK.

In terms of operations, retail projects introduced limited-time stores to attract consumers. Examples include the Louis Vuitton pop-up and Tanabata limited-time store in Guanyinqiao Starlight 68 Square, both of which launched limited-edition products to coincide with their launches. In addition, Chongqing Times Square established an ice cream research institute in partnership with the famous Finnish artist Ram Niemi to attract guests.

Due to fierce market competition, retail projects are actively seeking differentiated operations. Shopping malls, such as 81 Plaza located in the core business district of Jiefangbei, successfully introduced flagship stores for Skechers, Puma, Jordan and Li Ning, furthering their reputations with sports brands and customers. Additionally, Jordan entered the World Financial Centre, and McDonald’s opened its flagship store at the Jing Ying Financial Centre, which increased rental activity for Jiefangbei.

**TABLE 1: Selective New Projects in 2019**

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>RETAIL GFA (SQ M)</th>
<th>SUBMARKET</th>
<th>DEVELOPER</th>
</tr>
</thead>
<tbody>
<tr>
<td>StarLight 68 Phase B</td>
<td>78,000</td>
<td>Guanyinqiao</td>
<td>Sincere</td>
</tr>
<tr>
<td>China Resources Wanxianghui</td>
<td>120,000</td>
<td>Dadukou</td>
<td>China Resources</td>
</tr>
</tbody>
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**GRAPH 1: New Shopping Mall Supply, 2014 to Q3/2019**

**GRAPH 2: Vacancy Rates In Each Submarket, Q4/2014 to Q3/2019**

**GRAPH 3: Rental Index in Each Submarket, Q4/2014 to Q3/2019**

Note: Calculation of rental indices starts from Q1/2009 for all submarkets except for:

Source: Savills Research