

Retail



Retail market remained stable in Q4/2018

Although four new projects debuted in Q4/2018, the overall vacancy rate in Guangzhou's prime retail market remained stable.

- Guangzhou's retail sales of consumer goods grew by 7.5% year-on-year (YoY) to RMB844.1 billion by the end of November 2018.
- Four new shopping centres opened in Q4/2018, increasing the total stock of the local retail property market to approximately 5.98 million sq m.
- The city-wide vacancy rate increased by 0.1 of a percentage point (ppt) quarter-on-quarter (QoQ) to 6.1%. The average vacancy rate in prime areas increased by 0.2 of a ppt QoQ to 4.3% whilst that of non-prime areas remained at 6.9%.
- The demand for child-related facilities remained strong.
- Rents in the Guangzhou prime retail property market continued to increase over the fourth consecutive quarter.
- City-wide average rents increased by 3% QoQ to RMB740.4 per sq m per month.
- No en-bloc sales transactions were disclosed in Q4/2018.
- The number of investment opportunities increased due to the corporate financial resolutions and divestment strategies of several developers-cum-investors.
- Given the volume of new completions, the average vacancy rate in the Guangzhou retail property market is forecast to increase. Due to the nature and characteristics of the retail property market, average rent is anticipated to be stable, although rental levels will continue to be polarised in different submarkets.

“The Pazhou retail leasing market was active during Q4/2018, as shown by the increased volume of leasing inquiries and negotiations compared with the previous quarter.”

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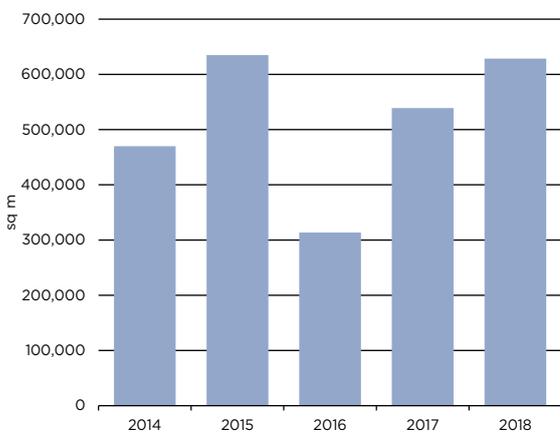
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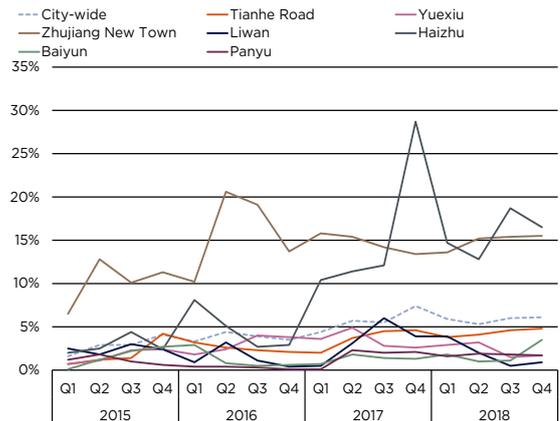
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GRAPH 1: Total GFA Of New Supply, 2014 to 2018

Source Savills Research

GRAPH 2: Vacancy Rates By Submarket, 2015 to 2018

Source Savills Research

SUPPLY

Four new shopping centres with a total retail GFA of approximately 474,500 sq m debuted in the Guangzhou prime retail market during Q4/2018. One of the new completions, the Tianhe Vanke Mall, was located in Tianhe district; three other new projects, Aeon Mall Jingshazhou, New Park and PASO (West Area), were all located in Baiyun district.

DEMAND

Demand in the Guangzhou prime retail market remained stable in Q4/2018. Four new projects debuted, increasing the city-wide net take-up to approximately 280,000 sq m. The city-wide average vacancy rate rose by 0.1 of a ppt QoQ to 6.1% by the end of Q4/2018. By segment, the average vacancy rate in prime areas edged up slightly by 0.2 of a ppt QoQ to 4.3% while that for non-prime areas remained unchanged, as low as 6.9% by the end of 2018.

Two home and lifestyle brands, Nōme and Miniso, expanded their market share by opening more retail outlets in Guangzhou shopping centres. For example, Nōme opened stores in Grandview Mall, OneLink Walk, Po Park Plaza, Aeon Mall Jingshazhou and New Park while Miniso leased two stores in Po Park Plaza and Aeon Mall Jingshazhou.

Meanwhile, notable leasing transactions in the F&B sector during Q4/2018 included: Cantonese catering brand Taotaoju (陶陶居) leasing a new store at PASO (West Area) and Tai 2 Chinese Sauerkraut Fish (太二酸菜鱼) opening outlets in Metropolitan Plaza and Panyu Wanda Plaza.

In addition, the demand for child-related facilities remained strong. For example, early education centres such as Pony Running, Lego Education, My Gym along with children's playgrounds Molly Fantasy, Cartoon World and Alphaland all opened in Aeon Mall Jingshazhou. Golden Rainforest and FasTrack English both opened in Panyu Wanda Plaza.

RENT

Rents in the Guangzhou prime retail property market continued to increase for the fourth

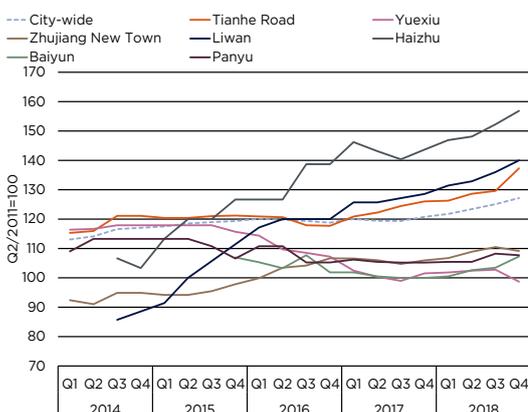
consecutive quarter. City-wide average rent increased by 3% QoQ to RMB740.4 per sq m per month by the end of Q4/2018. The average rent in prime areas increased by 3.9% QoQ to RMB1,460.3 per sq m per month while the rate for non-prime areas increased by 1.3% QoQ to RMB362.8 per sq m per month.

INVESTMENT

Although there were no en-bloc sales transactions during Q4/2018, the Guangzhou retail property investment market benefited from the establishment and further development of the Greater Bay Area, with investment sentiment and interest from multiple investors surging noticeably throughout 2018. In addition, the number of investment opportunities increased due to the corporate financial resolutions and divestment strategies of several developers-cum-investors.

OUTLOOK

The Guangzhou retail property market should continue to be positive in the long term, supported by the growing momentum of economics and demographics, albeit challenges on operational capability and precise project market positioning persist. Looking into 2019, new supply in the Guangzhou retail property market is expected to increase to approximately 364,000 sq m, and total stock will subsequently expand to approximately 6.35 million sq m by the end of 2019. The rapid development of online business platforms has caused owners of shopping centres to pay more attention to upgrading the consumption and shopping experience, attracting more footfalls from online to brick-and-mortar retail premises. Given the volume of new completions, the average vacancy rate in the Guangzhou retail property market is forecast to increase. However, due to the nature and characteristics of the retail property market, average rent is anticipated to be stable, although rental levels will continue to be polarised in different submarkets.

GRAPH 3: Rental Indices By Submarket, 2014 to 2018

Note: Calculation of rental indices for all submarkets starts from Q1/2009 except for: 1. Zhujiang New Town, Liwan, Haizhu, Baiyun and Panyu - Q1/2013

Source Savills Research

TABLE 1: Future Supply Forecast In 2019

PROJECT	RETAIL AREA (SQ M)	SUBMARKET
Free Man Garden	56,000	Huadu
Si Hai Center	80,000	Panyu
Henderson Center	78,000	Yuexiu
Wanbo Teemall	150,000	Panyu

Source Savills Research