

# Retail



## Non-prime retail develops rapidly

Benefitting from a growing population and upgraded infrastructure, the retail ambiance in non-prime areas is improving.

- Guangzhou's population increased by 2.8% year-on-year (YoY) to 14.9 million by the end of 2018.
- Guangzhou's retail sales of consumer goods grew by 7.6% YoY to RMB925.6 billion by the end of 2018.
- One new shopping centre debuted in Q1/2019, increasing the total stock of Guangzhou's retail property market to approximately 5.14 million sq m.
- The city-wide vacancy rate fell by 0.5 of a percentage point (ppt) quarter-on-quarter (QoQ) to 8.4%. The average prime area vacancy rate increased by 0.1 of a ppt QoQ to 6.2% whilst the rate in non-prime areas decreased by 0.9 of a ppt QoQ to 11.8%.
- City-wide average rents increased by 1.9% QoQ to RMB744.4 per sq m per month.
- No en bloc sales transactions were disclosed in Q1/2019.
- Given the volume of new completions, the average vacancy rate of the Guangzhou retail property market is forecast to spike, which should concurrently lead to more moderate rental growth across the board in 2019.
- The optimisation of the local economy—as planned and implemented by the local government—is expected to help people living and working in Guangzhou increase their disposable income, thereby encouraging consumption and supporting the sustainable development of the local retail property market.

“Traditional consumption patterns are being affected by the combination of online and offline retail markets, and the city is likely to see further developments in the New Retail sector.”

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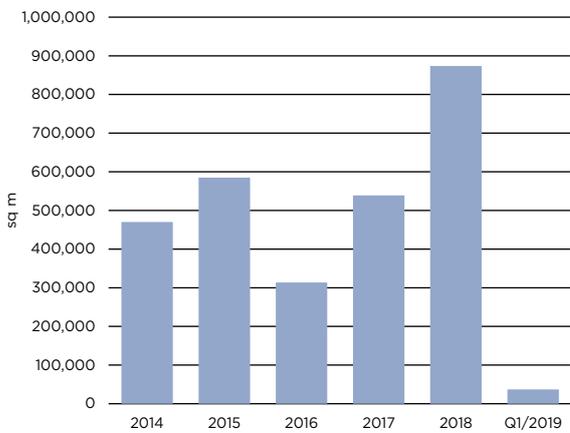
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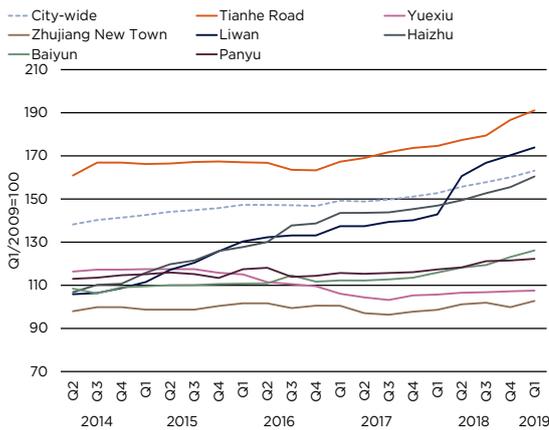
#### RETAIL

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**GRAPH 1: Total GFA Of New Supply, 2014 to Q1/2019**

Source: Savills Research

**GRAPH 2: Vacancy Rates By Submarket, Q2/2014 to Q1/2019**

Source: Savills Research

**SUPPLY**

One new project, Lisheng Grandbuy Mall in Liwan, debuted in Q1/2019, contributing a total retail GFA of 37,000 sq m. Lisheng Grandbuy Mall is the second shopping centre developed by Grandbuy Group, a well-known retail operator in Guangzhou, and is the largest shopping centre in western Guangzhou.

**DEMAND**

Demand in the Guangzhou prime retail market remained stable in Q1/2019. The city-wide vacancy rate decreased by 0.5 of a ppt QoQ to 8.4% in Q1/2019. The vacancy rate of the prime area edged up by 0.1 of a ppt to 6.2% whilst that of non-prime area fell by 0.9 of a ppt to 11.8%.

Right after the launch of various experiential stores in Guangzhou, by brands such as Xpeng, Xiaomi, Fengxing Milk and others, the online cosmetic brand, Perfect Dairy, opened its first offline experiential store in the Grandview Mall (正佳广场) during Q1/2019 and would open another store in Metropolitan Plaza (西城都荟) later this year. More e-tailers were shifting their business focus to offline experiential stores in order to strengthen their customers' shopping experience and, consequently, expanding their customer bases and obtaining higher market share.

Meanwhile, supported by an increase in disposable income, local consumers preferred international fashion and cosmetic brands, enticing several retailers from these sectors to enter or expand in Guangzhou's retail market; global cosmetics brand Nars and British fashion house Burberry set up their first cosmetics shops in Parc Central (天环广场) while Korean cosmetic brand Iope also leased area for a flagship store in the same compound. In addition, international fashion brands Coach and MSGM opened new stores in K11, and Kate Spade and Coach set up new stores in IGC (天汇广场).

Demand from the F&B sector remained strong during the quarter, as demonstrated

by the take-up of 135 Noodle Restaurant at K11 and several restaurants in OneLink Walk (万菱汇), including Smart Cool Pot (小酷窝), Hakka (好客家), The Maple Leaf (枫叶) and Chaomiguo (潮米果).

**RENT**

Rents in the Guangzhou prime retail property market continued to rise in Q1/2019. City-wide average rent edged up by 1.9% QoQ to RMB744.4 per sq m per month. The average rent for prime areas increased by 1.5% QoQ to RMB1620.0 per sq m per month while that for non-prime areas increased by 2.0% QoQ to RMB407.7 per sq m per month.

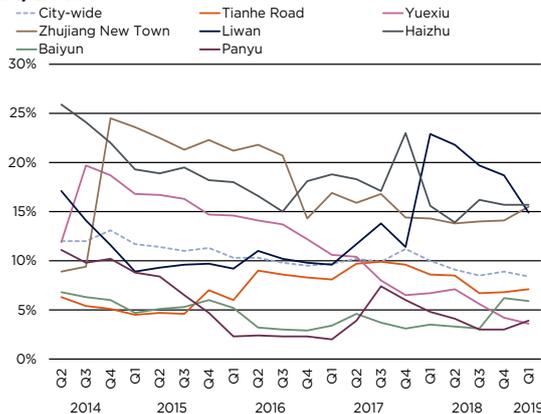
**INVESTMENT**

No en bloc sales transaction was announced in Q1/2019. However, domestic and international institutional investors continued to show increasing interest in the Guangzhou retail property market, evidenced by the growing volume of inquiries for income-producing and value-added assets. From investors' perspectives, factors such as price level, yield, location, building structure and sellers' backgrounds were major considerations, which in some cases extended negotiation processes and affected final decision-making.

**OUTLOOK**

From a supply perspective, 11 new shopping centres with a total GFA of approximately 1.29 million sq m are scheduled to launch during 2019. Given the volume of new completions, the average vacancy rate of Guangzhou's retail property market is forecast to spike, which should concurrently lead to more moderate rental growth across the board in 2019.

The optimisation of the local economy—as planned and implemented by the local government—is expected to help people living and working in Guangzhou increase their disposable income, thereby encouraging consumption and supporting the sustainable development of the local retail property market.

**GRAPH 3: Rental Indices By Submarket, Q2/2014 to Q1/2019**

Note: Calculation of rental indices for all submarkets starts from Q1/2009 except for:  
1. Baiyun - Q4/2010 2. Zhujiang New Town, Panyu - Q1/2013

Source: Savills Research

**TABLE 1: Future Supply Forecast in Q2/2019**

PROJECT	SUBMARKET	RETAIL AREA (SQ M)
Aoyuan International Centre	Panyu	128,000
Luogang Aoyuan Plaza	Huangpu	45,000

Source: Savills Research