



## Wuhan brand development slows

First stores are increasingly concentrated in a select number of locations.

- There were no new projects opening in Q1/2019, so the total stock remained at 5.11 million sq m. New project launches are expected to be concentrated in 2H/2019.
- General retail brands, especially child-related facilities and fashion brands, were active during the quarter, accounting for 59% of new leasing. Popular internet celebrity brands continued to expand their offline footprint.
- Shopping malls attracted customers by setting up pop-up stores and fashionable photo spots and interactive scenes to enhance engagement within their retail spaces.
- Retail projects were active in filling vacant stores, and the overall vacancy rate edged down 0.3 of a percentage point (ppt) quarter-on-quarter (QoQ) to 5.6%. However, Wuhan submarkets showed a polarisation trend, and the vacancy rate in some community shopping centres in Qingshan and Xudong areas reached 10%-15%.
- The vacancy rate in prime areas fell by 0.2 of a ppt QoQ to 5.8% while the vacancy rate for non-prime areas declined to 5.6%, down by 0.3 of a ppt QoQ.
- Overall average first-floor rent dropped by 0.7% QoQ to RMB482.6 per sq m per month. The rental performance was stable in prime areas, and the average rent in non-prime areas dropped slightly, by 0.8% QoQ.
- Eight projects are expected to open in 2019, with an estimated new supply area of 600,000 sq m.
- The new projects will enrich Wuhan's retail landscape and intensify regional competition, with vacancy rates expected to rise in some regions.

“Several high-quality shopping malls will launch onto Wuhan's retail market in 2019, with most in mature areas. Shopping mall competition will grow fiercer in the rest of 2019.”

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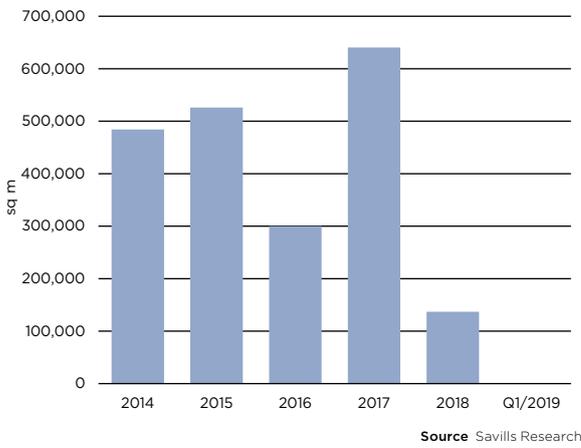
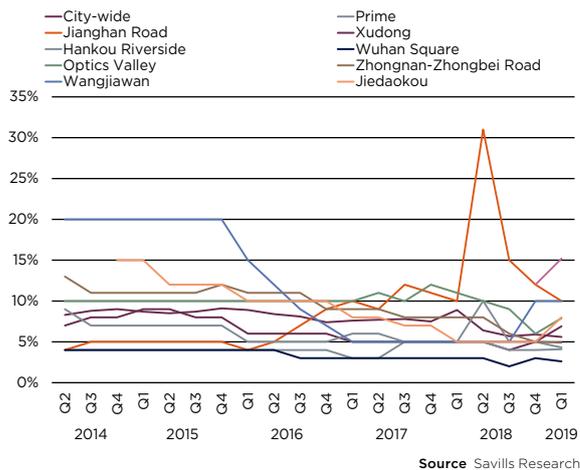
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**GRAPH 1: Retail Supply, 2014 to Q1/2019****GRAPH 2: Submarket Vacancy Rates, Q2/2014 to Q1/2019****MARKET OVERVIEW**

Retail sales of consumer goods in Wuhan totaled RMB120.2 billion by the end of February 2019, up 9.0% YoY. The Consumer Price Index stood at 101.8 and the per capita disposable income of permanent urban residents in Wuhan was RMB43,405 in 2018, up 9.2% YoY.

**SUPPLY AND DEMAND**

There were no new projects opening in Q1/2019, so the total stock remained at 5.11 million sq m. New project launches are expected to be concentrated in 2H/2019.

In terms of rental demand, general retail brands, especially child-related facilities and fashion brands, were active, accounting for 59% of new leasing. The first stores of French luxury brand IRO and new menswear brand MJU:T from Marisfrolg opened in Wuhan International Plaza. The first 7-Eleven shop and the first authorised Huawei experience store opened on Han Street. The first Popmart and the first store from culture creativity brand Hanzhi Zaomeng opened in Horizon while Swedish household brand NOME opened stores in three locations: M+, CapitaMall Wusheng and Creative City.

Popular online brands continued to expand offline. Nayuki gift store opened in Wushang Square. The fourth Heytea opened in Wuhan International Plaza while the first Lelecha in Wuhan committed to space in Wanda International Plaza. The first Camelia store opened in Wuhan Tiandi.

Shopping malls added and improved their interactive spaces to generate retail buzz. For example, Wuhan International Plaza opened an LV pop-up store, and Wanda Plaza Lingjiaohu opened a Lancome pop-up store. CapitaMall 1818 created an Instagram-worthy "Orange City Institute" exhibition to attract customers.

**RENTS AND VACANCY RATES**

The overall vacancy rate edged down 0.3 of a ppt QoQ to 5.6%. However, the submarkets are starting to polarise and the vacancy rate in some

community shopping centres in Qingshan and Xudong areas reached 10%-15%.

The average vacancy rate in prime areas fell by 0.2 of a ppt QoQ to 5.8%. Projects in Wuhan Square area recently completed brand adjustments and the overall vacancy rate dropped by 0.7 of a ppt QoQ. The average vacancy rate in non-prime areas declined to 5.6%, down by 0.3 of a ppt QoQ. Both Optics Valley and Zhongnan Zhongbei Road performed well during the quarter. The vacancy rate dropped by 1.5 ppts QoQ to 3.5% in Optics Valley and by 1.8 ppts QoQ on Zhongnan Zhongbei Road to 2.7%.

Wuhan's average first-floor rent dropped by 0.7% QoQ to RMB482.6 per sq m per month. The rental performance in prime areas was stable while the average rent in non-prime areas dropped slightly, by 0.8% QoQ. Affected by the national economic slowdown, some brands have slowed down their expansion, causing owners to adjust their rent policies. The rents in Xudong, Hankou Riverside, Wangjiawan, Jiedaokou, Qingshan and other areas fell slightly.

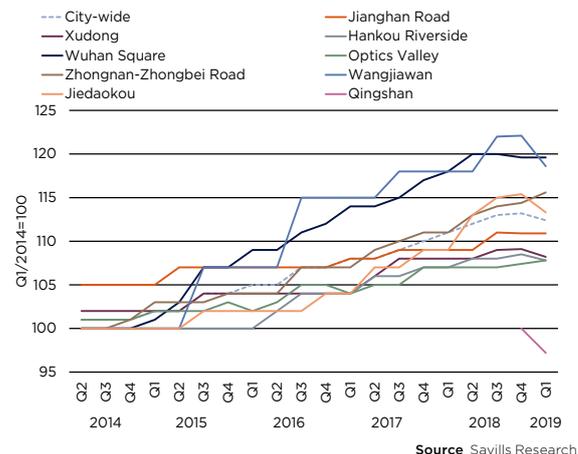
Recent policy adjustment, average rents of Wuchang Riverside dropped by 7.6% YoY to RMB110.0 per sq m per month. Nevertheless, some projects performed well, contributing to a substantial decrease in the vacancy rate to 34.1%.

The existing stock in Wuhan CBD was further absorbed. The average rent was RMB112.5 per sq m per month, up 8.5% YoY, while the vacancy rate dropped to 37.9%.

**MARKET OUTLOOK**

Eight projects are expected to open in 2019, with an estimated new supply area of 600,000 sq m. Among them, Horizon North and Greenland Being Funny have attracted much market attention from the local media.

New projects will enrich Wuhan's retail landscape and intensify regional competition, with vacancy rates expected to rise in some regions.

**GRAPH 3: Submarket Rental Indices, Q2/2014 to Q1/2019****TABLE 1: Upcoming Downtown Retail Projects, Q1/2019**

PROJECT	RETAIL GFA (SQ M)	AREA
Horizon North	72,000	Hankou Riverside
Desman Shopping Mall	70,000	Zhongnan Zhongbei Road
Wanda Plaza Dongxihu	100,000	Dongxihu
Huafa Zhongchenghui	80,000	Wuhan CBD
Hankou K11	57,000	Wuhan Square
Greenland Being Funny	120,000	Wuchang Riverside
Classmate Plaza	66,000	Optics Valley
Langold Centre	97,000	Jiangnan Road

Source: Savills Research