



New-to-market retailers gain momentum

Popular tea brands continued to expand throughout Wuhan.

- From January to April 2019, retail sales of consumer goods in Wuhan reached RMB228.56 billion with a year-on-year (YoY) 8.7% growth. The growth rate was 0.4 percentage points (ppts) lower than that in the first quarter.
- In Q2/2019, Desman International Centre in Zhongnan Zhongbei Road and Horizon (North) in the Hankou Riverside area opened, bringing 142,000 sq m of new supply to the market. By the end of Q2/2019, the city-wide retail market stock stood at 6.12 million sq m¹.
- New brands continued to debut in the Wuhan retail market, and first stores were mainly interested in new and core area projects. Popular tea brands continued their ongoing expansion in Wuhan and online brands enhanced their omni-channel operations by setting up physical stores.
- Operators introduced intellectual property (IP) exhibitions to improve customer experience.
- City-wide shopping malls rents showed stable performance during the quarter. By the end of Q2/2019, the average rent of the first floor increased by 0.3% quarter-on-quarter (QoQ) to RMB330.8 per sq m per month.
- The vacancy rate rose 0.3 of a ppt QoQ to 6.2% due to new projects delivery and tenant adjustment.
- In 2H/2019, the Wuhan retail market is expected to be dominated by brand adjustments to existing projects.

“Competition for projects in the main urban areas has become increasingly intense, which requires operators to reach a mature operation capacity. Multiple future projects will postpone their delivery to next year, creating a large pipeline for 2020.”

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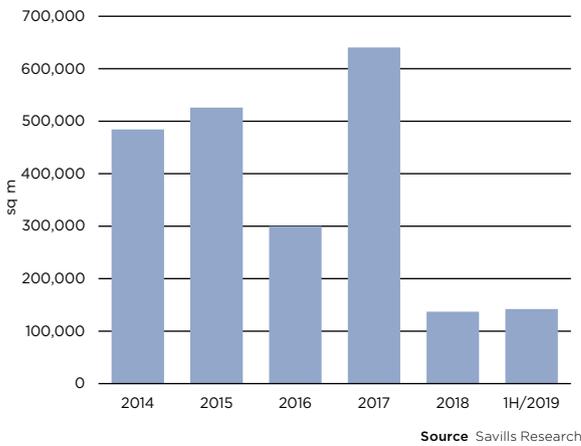
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¹ Samples of the Wuhan retail property market have been adjusted.

GRAPH 1: Retail Supply, 2014 to 1H/2019



MARKET OVERVIEW

From January to April 2019, retail sales of consumer goods in Wuhan reached RMB228.56 billion, an increase of 8.7% YoY, 0.4 pts lower than Q1/2019. The sales volume of the online stores sector increased by 17.5% to RMB19.27 billion, while the sales volume of the store sector increased by 1.9% to RMB95.24 billion. The Consumer Price Index rose 2.4% YoY, 0.7 of a ppt higher than the same period last year.

SUPPLY AND DEMAND

In Q2/2019, Desman International Centre in Zhongnan Zhongbei Road and Horizon (North) in Hankou Riverside opened, adding 142,000 sq m new supply to the market. By the end of Q2/2019, the city-wide retail property market stock rose to 6.12 million sq m.

In terms of leasing demand, market momentum was driven by new-to-market retailers. Brands preferred to set up new stores in new projects and mature landmark retail projects. G-Super, Leading Ideal One, and Meland Club opened their first stores in Horizon (North). Boccadamo, Besonia and Bora Aksu debuted in Wuhan International Plaza. Zhongshuge opened its first bookstore in Chicony Phase 2.

Popular tea brands continued to expand in the Wuhan market, with Lelecha setting up its first store in Hanjie Wanda Plaza and two more stores in Aeon (Jinqiao) and Aeon (Jingkai). Nayuki opened new stores in Horizon (North), M+ and Garden Avenue. Heytea's first bakery in Wuhan committed to Wuhan Tiandi.

Online retailers continued their online-to-offline integration. Vipshop opened two stores in Vary Mall Tanhualin and Wuhan Mall City, and also committed to the New World

Department Store. Neiwai opened its first offline store in Horizon (South).

At the same time, multiple shopping centre operators used IP exhibitions to enhance consumer experience. For instance, Wuhan International Plaza introduced LEGO Fun Park Exhibition and Horizon (North) held a Toy Story 4-themed exhibition. In addition, Horizon introduced "TIME GOES BY" and K11 Select opened GQ Lab to attract crowds.

VACANCY RATES AND RENTS

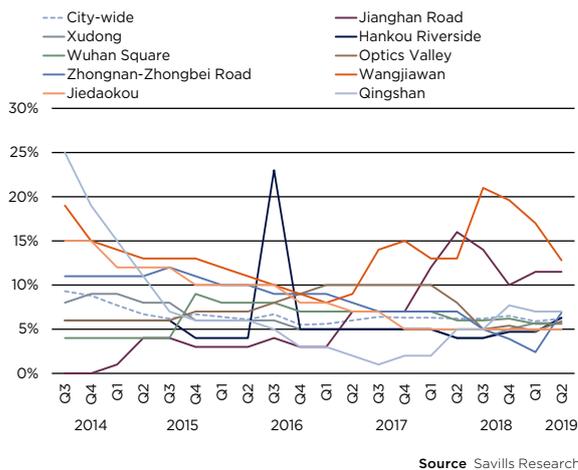
City-wide shopping malls rent were stable in Q2/2019. The average rent of the first floor increased by 0.3% QoQ to RMB330.8 per sq m per month by the end of Q2/2019. The vacancy rate rose 0.3 of a ppt QoQ to 6.2% due to brand changes in several projects during the quarter.

Mature projects in prime areas attracted many new-to-market brands. The average rents for the first floor rose 0.2% QoQ to RMB439.0 per sq m per month. The vacancy rate rose 1.8 pts QoQ to 7.0% as new projects opened. The average rent of the first floor in secondary areas increased 0.2% QoQ to RMB316.5 per sq m per month, and the vacancy rate decreased 0.4 of a ppt to 7.2%. The average rent of the first floor in emerging areas increased by 0.3% QoQ to RMB110.2 per sq m per month, with a stable vacancy rate of 5.0%.

MARKET OUTLOOK

Looking forward to 2H/2019, it is expected that the retail property market in Wuhan will still be dominated by brand adjustments in existing projects. Operators are expected to introduce popular F&B bands and aspirational retail brands. Additionally, the retail market will continue to benefit from an influx of first stores.

GRAPH 2: Submarket Vacancy Rates, Q3/2014 to Q2/2019



GRAPH 3: Submarket Rental Indices, Q3/2014 to Q2/2019

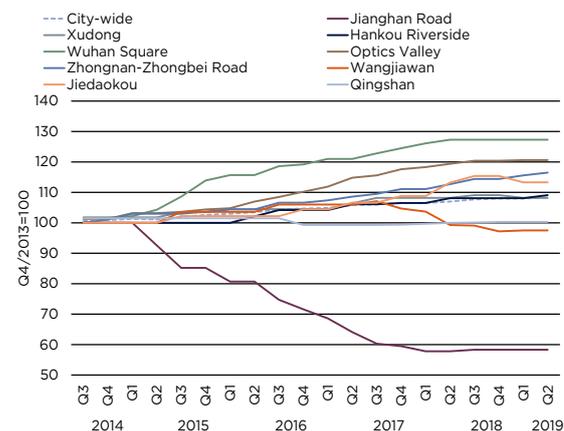


TABLE 1: Upcoming Downtown Retail Projects, H2/2019

PROJECT	RETAIL GFA (SQ M)	TYPE	AREA
Greenland Being Funny	120,000	Shopping mall	Wuchang Riverside

Source: Savills Research