

Briefing Retail sector

August 2014



Image: Coco Park, Futian district

SUMMARY

First-floor prime shopping mall rental growth remained robust in the first quarter of 2014, and this alongside strong retail sales figures may result in rental levels increasing in the future.

- Shenzhen's retail sales totalled RMB179.8 billion in the first five months of 2014, up 8.0% year-on-year (YoY).

- One new project, HW Century Plaza, was handed over to the market in June 2014, pushing city-wide stock up to 2.16 million sq m.

- First-floor shopping mall rents in prime areas increased 2.8% quarter-

on-quarter (QoQ) to an average of RMB1,119 per sq m per month, up 3.5% YoY.

- Two new high-end shopping malls, Coco city (星河Coco city) and 9-Square Longhua (龙华九方购物中心), are expected to be launched in Q3/2014, adding 180,000 sq m of retail space to the market and pushing total stock up by 8.3%.

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 “New supply in decentralised areas is expected to push vacancy rates up, while central areas are anticipated to remain stable.” Sherry Xu, Savills Research

➔ **Market overview**

Retail sales continue to grow, totalling more than RMB179.8 billion in the first five months of 2014, up 8.0% YoY. This upward trend is expected to continue during the next quarter.

Supply

The market received one new project this quarter, HW Century Plaza located on Shennan Road, pushing city-wide stock up by 60,000 sq m to 2.16 million sq m.

Rents

First-floor shopping mall rents in prime areas increased by 2.8% QoQ to an average of RMB1,119 per sq m per month, up 3.5% YoY. As a result of the macro economic forecast and increasing demand during the second quarter, prime shopping mall rental growth accelerated.

Retailer and project information

Retailer information

High-end French brand Kenzo, a sub-brand of LVMH group, launched its first fashion store in Shenzhen in MixC.

Coscia, an Italian high-end department store which has contracted more than 300 brands, opened in Wongtee Plaza.

Marc Jacobs opened its sub-brand Marc by Marc Jacobs in Terminal One Mall.

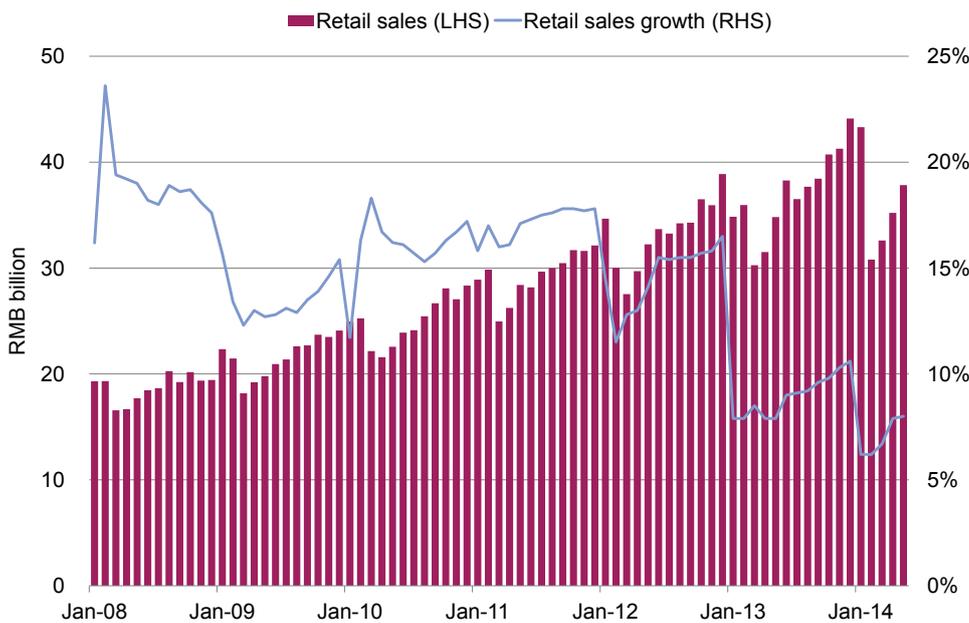
Versus, a young brand of the Versace series, launched its first store in Shenzhen in Terminal One.

Project information

HW Century Plaza is located in "City of CATIC", which covers an area of 100,000 sq m and a total constructible area of 820,000 sq m. The development includes large-scale comprehensive shopping centres, international Grade A office space, a five-star hotel and luxury serviced apartments. In addition to HW Century Plaza, the project contains another shopping centre, namely Nine Square, totalling 140,000 sq m.

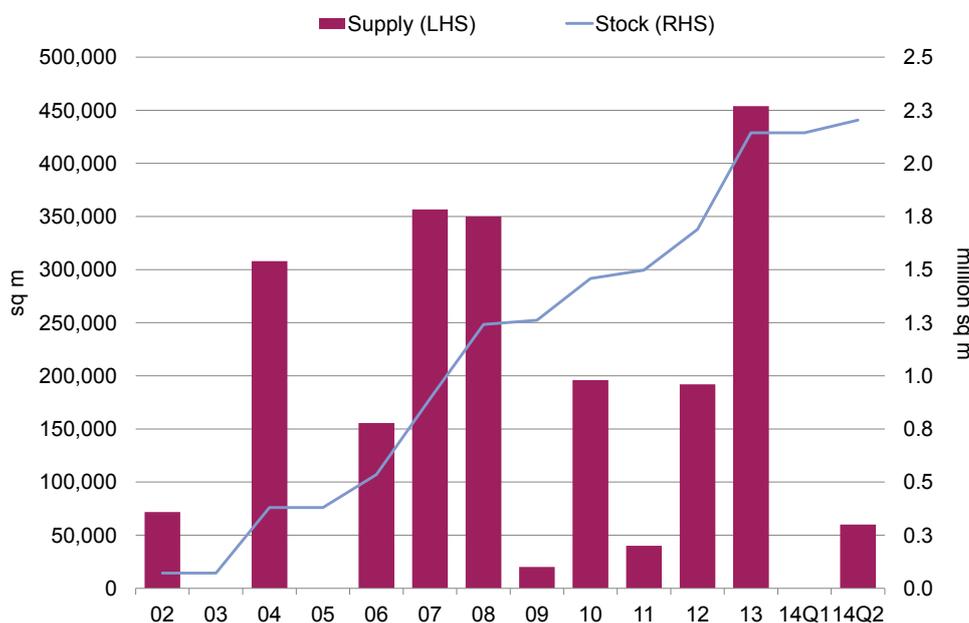
HW Century Plaza itself has a total GFA of 59,300 sq m over seven floors. The basement level has direct access to Luobao metro line at Huaqiang Lu Station. The mall has been positioned at the high end, having already signed agreements with Dreams-on department store (君尚百货) which is well-known for high-end clothing brands. A number of popular restaurants have also planned to open their initial restaurants in Shenzhen in HW Century Plaza. These restaurants have the potential to become very attractive for surrounding residents

GRAPH 1 **Retail sales, Jan 2008–May 2014**



Source: Shenzhen Statistics Bureau, Savills Research

GRAPH 2 **Shopping mall supply and stock, 2002–Q2/2014**



Source: Savills Research

and therefore future footfall is expected to be considerable.

Market outlook

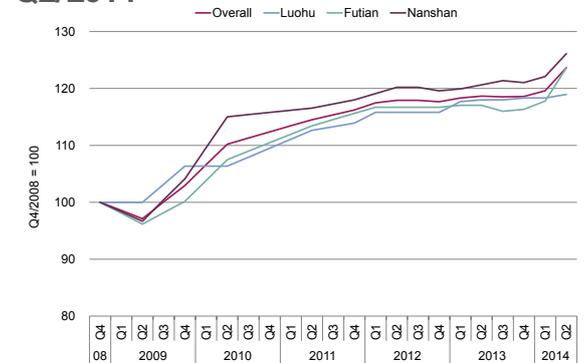
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A large amount of new shopping mall supply is expected to be handed over in decentralised areas, such as Longgang and Bao'an, and as a

result, vacancy rates in these areas are likely to increase during the next quarter, while central areas are predicted to remain stable.

Rents continued to increase in Q2/2014 and as new shopping mall supply is very limited in central areas, an upward trend is likely to be observed in the future. Rents for the first floor in MixC have reached almost RMB1,900 per sq m per month, which will likely lead to other shopping malls in central areas raising their rents within the next few quarters. ■

GRAPH 3 Shopping mall rental indices, Q4/2008–Q2/2014



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