

# Briefing Retail sector

December 2014



Image: Coastal City, Nanshan district

## SUMMARY

A significant amount of new supply is expected to enter the market in Q4/2014, leading to increasingly fierce competition in Shenzhen's retail market.

- Shenzhen's retail sales totalled RMB303.5 billion in the first eight months of 2014, up 8.9% year-on-year (YoY).

- One new project, Longhua Nine Square (龙华九方购物中心), was handed over to the market in Q3/2014, pushing city-wide stock up by 4.8% to 2.2 million sq m.

- First-floor prime shopping mall rents increased 1.4% quarter-on-

quarter (QoQ) to an average of RMB1,061 per sq m per month in Q3/2014, up 5.8% YoY.

- Three new high-end shopping malls – Coco city (星河Coco city), No.8 Outlets (8号仓奥特莱斯) and Chinaland Mall(新港商城) – are expected to be launched in Q4/2014, adding 220,000 sq m of retail space to the market and pushing total stock up by 10.0%

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 “Nine Square has opened in Longhua, becoming the first regional commercial centre in this area.” Sherry Xu, Savills Research  
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➔ **Market overview**

Retail sales continue to grow, totalling more than RMB303.5 billion in the first eight months of 2014, up 8.9% YoY. This upward trend is expected to continue during the next quarter and through to 2015.

**Supply**

One new project, Longhua Nine Square, was launched onto the market in Q3/2014, pushing city-wide stock up by 100,000 sq m to 2.2 million sq m.

Longhua Nine Square entered the market ahead of Galaxy Coco City and No.8 Outlets, which are also expected to launch in the Longhua area in the remainder of 2014. It has become the first larger shopping mall and is a landmark in the Longhua area. However, many of the project's services and facilities were not completed upon opening. As a result, issues such as a lack of interior design lowered the appeal to consumers.

**Rents**

First-floor prime shopping mall rents increased 1.4% QoQ in Q3/2014, to an average of RMB1,061 per sq m per month, up 5.8% YoY. This continued increase in rents, which reflects strong demand levels seen within Shenzhen's prime shopping malls, is expected to continue as limited supply is expected to enter the market in the next few years.

**Retailer and project information**

**Retailer information**

Michael Kors, a light luxury brand, launched its first two fashion stores in MixC in the Luohu district and Coastal City in the Nanshan district.

Gant, a luxury American clothing brand, opened its first store in Shenzhen in City Mall in the Futian district.

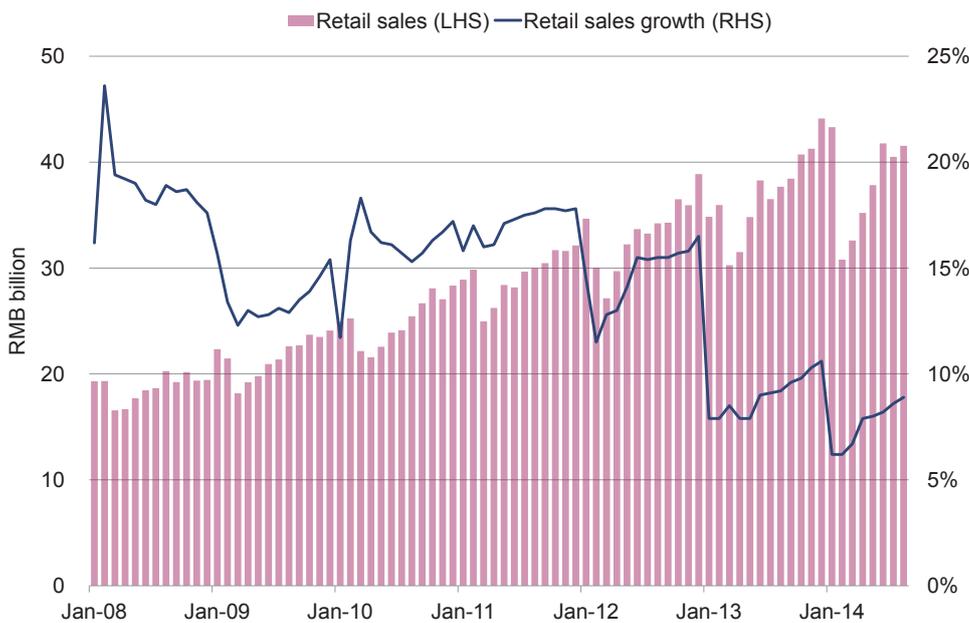
MUJI opened its 10th store in Shenzhen in Nine Square Longhua; H&M opened its 11th store in the city in this mall.

Uniqlo, an international, Japanese, fast-fashion brand, launched its 16th store in Shenzhen in Nine Square Longhua.

**Project information**

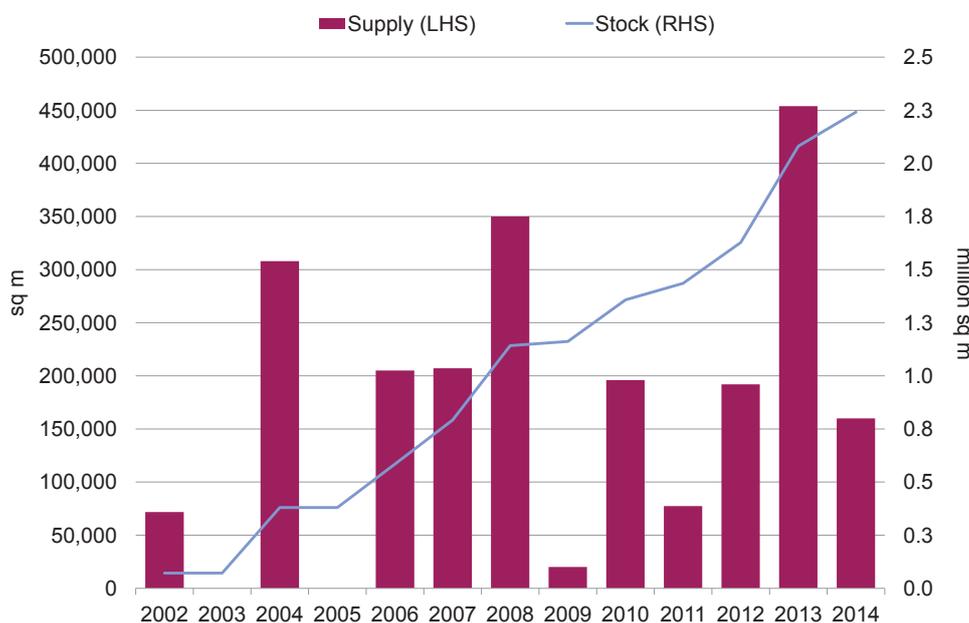
HNine Square Longhua is positioned as an "urban-life shopping centre", introducing interior design and activities focused around art, ecology and family entertainment components. The shopping centre occupies an area of 100,000 sq m, which is the largest and most diversified shopping centre in Longhua New district.

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



Source: Shenzhen Statistics Bureau, Savills Research & Consultancy

GRAPH 2 **Shopping mall supply and stock, 2002–Q3/2014**



Source: Savills Research & Consultancy

Nine Square Longhua introduced a number of brands which had not previously entered the Longhua area, including MUJI, H&M and Uniqlo, striving to build the first regional commercial centre in Longhua. The mall is co-operating with Alipay, attempting to change the traditional retail channels to 'Online to Offline' (O2O) mode. Many brands are also optimistic about its prospects, leading to a pre-commitment rate of more than 90%.

**Market outlook**

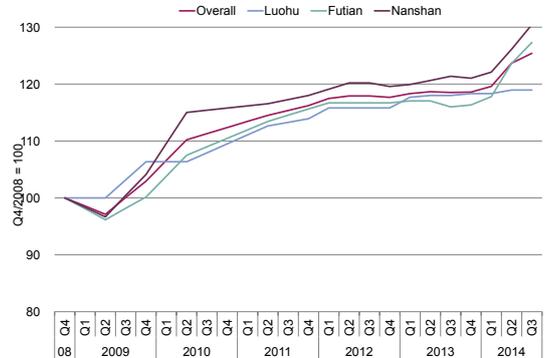
Three new high-end shopping malls –Coco city (星河Coco city) and No.8 Outlets (8号仓奥特莱斯) in Longhua and Chinaland Mall (新港商城) in Futian –are expected to be launched in Q4/2014, adding 220,000 sq m of retail space and pushing total stock up by 10.0%.

Coco city (星河Coco city) and No.8 Outlets (8号仓奥特莱斯) will be

located in the Longhua area and are expected to stimulate the emerging local purchasing power. Rents in the district are expected to rise. Chinaland Mall, opening in the downtown area (a rare opportunity due to limited available, buildable land), is also expected to open by the end of this year. However, due to its relatively small size (60,000 sq m), it may have a limited influence on average rents in the Futian district.

No. 8 Outlets has been positioned as a one-stop discount mall in the Longhua area, which is close to many residential areas. No. 8 Outlets is expected to introduce more than 200 domestic and international brands: With 63.0% of space allocated for retail outlets, the remaining 37% will be distributed between F&B (20%), cinemas (10%) and children/ educational sectors (7%). ■

GRAPH 3 Shopping mall rental indices, Q4/2008–Q3/2014



Source: Savills Research & Consultancy

**Please contact us for further information**

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