

Briefing Retail sector

August 2014



Image: AEON Mall Tianjin Meijiang

SUMMARY

Recently, retail homogenisation has forced many projects to reposition into experience-based retail in order to attract customers.

- Retail sales in 1H/2014 rose 4.5% year-on-year (YoY) to approximately RMB224.1 billion.

- No new projects were handed over to the city centre and Binhai New Area retail markets in Q2/2014, with total stock remaining at 318,000 sq m and 574,000 sq m respectively.

- Tianjin city centre's first-floor retail rents rose 0.8% quarter-on-quarter (QoQ) to RMB471 per sq m per month. Due to tenant adjustments and repositioning of retail space into different zones by landlords in the

prime and secondary retail areas, city-wide occupancy rates fell 2.6 percentage points (ppts) to 83% in Q2/2014.

- Binhai New Area's first-floor retail rents reached RMB208.8 per sq m per month, up 3.8% QoQ, while occupancy rates increased by 1.4 ppts to 85%.

- In the remainder of 2014, six high-end projects are expected to be launched onto the city centre retail market, adding about 540,000 sq m.

“Due to existing projects in the Heping-Binjiang-Nanjing Road retail area mostly being department stores, the upcoming two large shopping malls, Riverside 66 and Metropolitan Plaza, will enrich retail formats in the traditional retail area.” Jonathan Wang, Savills

Research

➔ **Market overview**

With Tianjin's economy slowing, retail sales have grown at a single-digit rate for the second consecutive quarter. Retail sales in 1H/2014 rose 4.5% YoY to approximately RMB224.1 billion.

Supply and stock

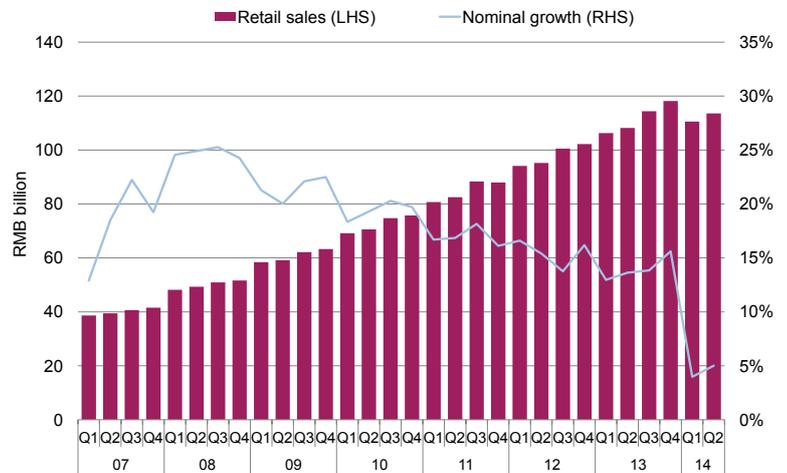
City (excluding Binhai New Area)

No new high-end projects were launched in Q2/2014, with total high-end retail stock remaining at 3.18 million sq m.

Maigo Group, associated with Zhongyuan Group, completed a tenant adjustment of Maigo Times Square. The 72,000-sq m project is now focused on introducing new brands and increasing the allocation of retail space to F&B, children's retailers, entertainment venues and other experience-based retail formats.

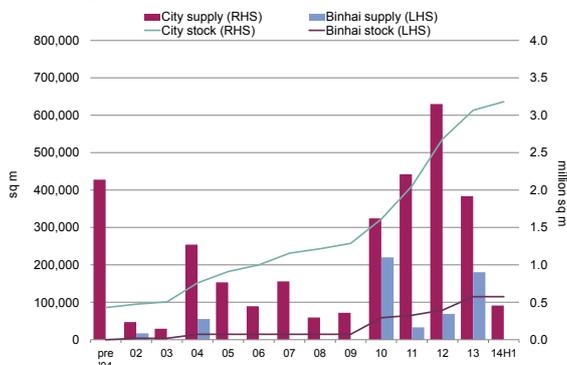
As consumers have developed a more mature attitude towards consumption and online shopping gains in popularity, physical shop owners are feeling the pressure. As a result they are turning to experience-based retail

GRAPH 1 **Retail sales, Q1/2007–Q2/2014**



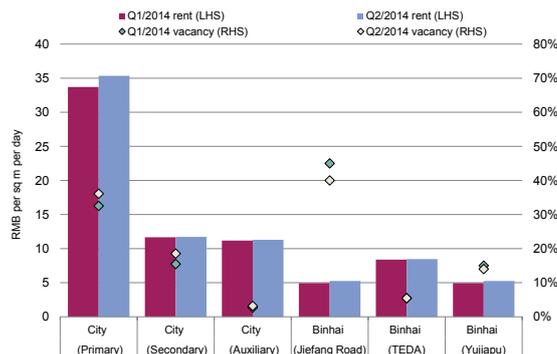
Source: Tianjin Statistics Bureau, Savills Research

GRAPH 2 **Supply and stock, pre-2001–1H/2014**



Source: Savills Research

GRAPH 3 **Rents and vacancy rates, Q1/2014 vs Q2/2014**



Source: Savills Research

formats in order to attract customers with a more pleasurable shopping environment.

Existing projects are not limited to common marketing approaches, such as discounts and road shows, but favour reactive promotions to achieve an impressive and lasting effect. For example, Aeon Mall (Zhongbei) held a "Zongzi"-making event and Galaxy Mall held an ice-skating competition during the Dragon Boat Festival. Additionally, Joy City hosted a Garfield cartoon show during the 2014 World Cup. As a result of these events, customers stay for a longer period of time, which in turn brought higher cash inflows.

Binhai New Area

No new projects were launched onto the Binhai New Area market in Q2/2014. Binhai's mid- and high-end retail market stock totalled 574,000 sq m, less than one-fifth of the total city retail market stock.

Rents and vacancy rates

City (excluding Binhai New Area)

Tianjin city centre's first-floor retail rents rose 0.8% QoQ to RMB471 per sq m per month. Due to tenant adjustments and repositioning by landlords in the prime and secondary retail areas, city-wide occupancy rates fell 2.6 ppts to 83% in Q2/2014.

Binhai New Area

Binhai New Area's first-floor retail rents reached RMB209 per sq m per month, up 3.8% QoQ, while occupancy rates increased 1.4 ppts to 85%.

Projects and retail stores

- Georgio Armani, an internationally known luxury brand, established its presence in Tianjin New Yansha Outlets.
- DB Group opened their first designer fashion brand store in Tianjin in We-life Plaza.
- Vancheron Constantin, a Swiss luxury watch brand, opened its first flagship store in Tianjin Hisense Plaza.
- P-Plus, a luxury brand department store, established its presence in Tianjin Hisense Plaza.
- Uniqlo, a Japanese fast-fashion brand, opened its tenth store in Tianjin Joy City.

Market outlook

In the second half of 2014, Riverside 66 on Heping Road and Metropolitan Plaza on Nanjing Road will be launched onto the city centre market adding 153,000 sq m and 76,470 sq m respectively. Due to the existing projects in the Heping-Binjiang-Nanjing Road retail area mostly being department stores, the two shopping malls will fill the gap in the traditional core retail area. Meanwhile, the peripheral areas of the city centre will also receive four new shopping malls, namely Riverview Place and GOGO Park in Hedong district adding 80,000 sq m and 60,000 sq m respectively, Uni mall in Hebei district at 78,000 sq m and Veneto in Wuqing district at 90,000 sq m. The projects will bring a distinctive shopping experience and promote the development of their respective emerging retail areas, lifting

the overall quality of Tianjin's retail market.

Generally speaking, the differentiation of the multiple retail areas in Tianjin

has already taken shape. However, the large amount of supply expected during the remainder of this year will put downward pressure on occupancy

rates, suppressing the upward movement of rents. ■

Project focus

VENETO (武清威尼都)

Veneto, located to the north of Wuqing Railway Station, includes retail, a serviced apartment and a high-end residence. Within this development, retail space is located in two phases of the northern and southern wings. Veneto is now available for pre-leasing and the southern wing is scheduled for a soft opening in the second half of 2014.

Veneto covers 90,000 sq m across multiple two- and three-storey buildings, with 3,500 parking spaces. Affordable luxury is the concept, and the project has introduced international brands such as Victoria's Secret, thus targeting a wider customer base in Wuqing retail area than Florentia outlets. Veneto also offers more affordably priced international fashion brands, a good selection of restaurants together with a multiplex movie theatre and children's corner. The opening of Veneto will foster the maturity of Wuqing auxiliary retail area.

GRAPH 4
VENETO (武清威尼都)

Location	Intersection of Qianjing Street and Cuitong Road, Wuqing district	
Owner/developer	Shui On Construction and Materials Development Ltd	
Retail GFA	90,000 sq m	
No. of floors	2/F-3F	
Estimated opening	2H/2014	

Source: Savills Research

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