

Briefing Retail sector

November 2014



Image: Tianjin Riverside 66

SUMMARY

Due to new supply entering the market, Tianjin city centre vacancy rates decreased, while rents increased moderately, driven by mature projects.

- The accumulated retail sales in the first nine months of 2014 reached approximately RMB303.7 billion, up 5% year-on-year (YoY).
- One new high-end project, Tianjin Riverside 66, was launched in Q3/2014, adding a total retail space of 153,000 sq m onto the city centre retail market, increasing total high-end retail stock to 3.3 million sq m.
- Youyi Hangu Mall was launched onto the Binhai New Area market in Q3/2014, adding a total retail space of 116,500 sq m, and increased Binhai's mid- and high-end retail market stock to 690,000 sq m.
- Tianjin city centre's first-floor retail rents rose 1.4% quarter-on-quarter (QoQ) to RMB489 per sq m per month. Due to new supply, city-wide occupancy rates fell 0.4 of a percentage point (ppt) to 83.0% in Q3/2014.
- Binhai New Area's first-floor retail rents reached RMB210 per sq m per month, up 0.5% QoQ, while occupancy rates decreased 0.8 of a ppt to 84.0%

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 “Riverside 66 was launched onto the Tianjin city centre retail market in Q3/2014, adding 153,000 sq m. This project is expected to not only reshape the overall retail pattern but also accelerate the upgrade of Tianjin’s most traditional retail area.” Jonathan Wang, Savills Research

➔ **Market overview**

The purchase restriction policy imposed on Tianjin's residential market, coupled with the vehicle restriction implemented in March, has seen Tianjin's retail sales growing at a slower rate. The accumulated retail sales in the first nine months of 2014 rose 5.0% YoY to approximately RMB303.7 billion.

Supply and stock

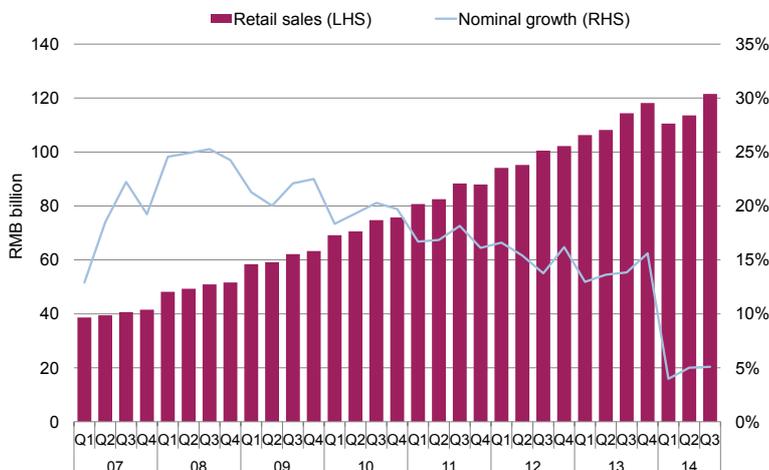
City Centre (excluding Binhai New Area)

One new high-end project, Tianjin Riverside 66, was launched in Q3/2014, adding a total retail space of 153,000 sq m onto the city centre retail market, increasing total high-end retail stock to 3.3 million sq m.

Tianjin Riverside 66

Located at the intersection of Binjiang Road and Heping Road pedestrian boulevards, the six-storey and three-basement-level shopping mall held its opening on September 26. It is considered the centrepiece of this traditional commercial district, targeting younger consumers looking for high-quality fashion. It has

GRAPH 1 **Retail sales, Q1/2007–Q3/2014**



Source: Tianjin Statistics Bureau, Savills, Project & Development Consultancy

introduced more than 300 retailers, such as Aape, Anne Karen, Armani Jeans and F. Faonnable. Some tenants are establishing their first presences in Tianjin.

Realising that F&B and child-related retail modes are playing a more elemental role in garnering both popularity and revenue, many retail projects allocated a certain amount of space to F&B and kids corners. This is expected to retain customers by offering special delicacies and family-experience entertainment, and to avoid direct competition from e-commerce through "on-the-spot" consumption.

Binhai New Area

Youyi Hangu Mall was launched onto the Binhai New Area market in Q3/2014, adding a total retail space of 116,500 sq m, increasing Binhai's mid- to high-end retail market stock to 690,000 sq m.

Youyi Hangu Mall

Located at the intersection of Hexisiwei Road and Sanjing Road, the 116,500 sq m shopping mall was developed by Yishang Youyi Group. This centrally-located project consists of five levels above ground and one basement, containing more than a hundred retail stores, an indoor commercial street and a food court. The main tenants include Hanyou department stores, Vanguard super mart and Dadi cinema.

Rents and vacancy rates

City centre (excluding Binhai New Area)

Tianjin city centre's first-floor retail rents rose 1.4% QoQ to RMB489 per

sq m per month. Due to new supply, city-wide occupancy rates fell 0.4 of a ppt to 83.0% in Q3/2014. As a result of certain mature projects, such as Galaxy Mall, going through tenant adjustments, an increase in rents was seen in the area.

Binhai New Area

Binhai New Area's first-floor retail rents reached RMB210.0 per sq m per month, up 0.5% QoQ, while occupancy rates decreased by 0.8 of a ppt to 84.0%.

Projects and retail stores

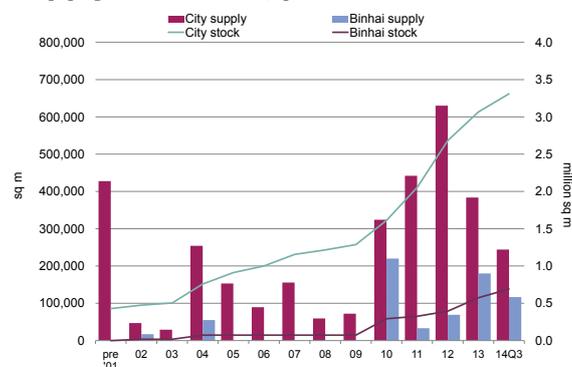
- I.T, a fashion brand, opened a flagship store in Florentia outlets in the Wuqing district.
- Gucci opened its first store in Tianjin in Galaxy Mall in the Hexi district
- Lafougue, a French jewellery brand, opened its first store in Tianjin in the Youyi Mall in the Hexi district

Market outlook

Tianjin retail market's average annual supply is expected to reach 600,000 sq m over the next two to three years, resulting in a change in retail distribution patterns. The majority of new supply will be concentrated in secondary and emerging areas.

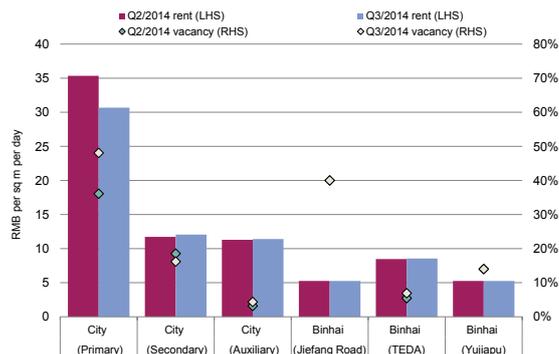
With new projects developed by renowned retail tycoons being launched onto the market, the overall quality of the Tianjin retail market is expected to improve, upgrading the local retail pattern distribution, as well as operation and management standards, creating a renewed retail

GRAPH 2 **Supply and stock, pre-2001–Q3/2014**



Source: Savills, Project & Development Consultancy

GRAPH 3 **Rents and vacancy rates, Q2/2014 vs Q3/2014**



Source: Savills, Project & Development Consultancy

atmosphere. Tianjin Binhai SM City is located on Huaihe North Road, Konggang district. It was developed by SM Prime Holdings, the largest retail operator in the Philippines. SM City, along with a sight-seeing garden, offers both shopping and entertainment experiences for customers. Space in the project is currently under negotiation with several large retailers.

SM City spans 540,000 sq m and consists of three circular buildings of three floors, which include both retail components and parking spaces. The three buildings have a total retail GFA of 398,100 sq m and approximately 8000 parking spaces. Anchor tenants include SM grocery store, a deluxe cinema and a super market. SM City also highlights a unique combination of entertainment and education, including

a SM science museum. In a shopping mall. The establishment of SM City, together with other retail projects, will accelerate the development of this emerging area in the Konggang district. ■

Project focus

Tianjin Binhai SM City (天津滨海第一城)

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GRAPH 4 Tianjin Binhai SM City (天津滨海第一城)

Location	No.168, Huaihe North Road, Konggang district	
Owner/developer	SM Prime Holdings	
Retail GFA	398,100 sq m	
No. of floors	3	
Estimated opening	2015	

Source: Savills Research

Please contact us for further information

Savills Research



James Macdonald
 Director, China
 +8621 6391 6688
 james.macdonald@savills.com.cn

Savills Agency



Andy Chee
 Director
 +8622 5830 8886
 sean.loh@savills.com.cn



Jonathan Wang
 Manager
 +8622 5830 8877
 jonathan.wang@savills.com.cn

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