

Briefing Retail sector

January 2015



Image: Tianjin Riverside 66

SUMMARY

No new high-end projects were launched in the city (excluding Binhai) market in Q4/2014, with market demand mainly absorbing existing stock.

- No new high-end projects were launched onto the city (excluding Binhai) market in Q4/2014, with market demand mainly absorbing existing stock. Total high-end retail stock remained 3.31 million sq m.

- Two new high-end projects were launched onto the Binhai New Area market in Q4/2014, namely Powerlong City Plaza and TEDA Mall, adding a total retail GFA of 185,000 sq m, increasing Binhai's mid- to high-end retail market stock to 876,000 sq m.

- Tianjin city's (excl. Binhai) first-floor retail rents dropped 6.2% QoQ to

RMB 464 per sq m per month, while occupancy rates rose 1.2 percentage points (ppts) to 84.0% in Q4/2014.

- Binhai New Area's first-floor retail rents reached RMB226.0 per sq m per month, up 2% quarter-on-quarter (QoQ). Due to new supply, occupancy rates decreased 3.3 ppts to 81.0%.

- Seven high-end projects are expected to be launched onto the city (excl. Binhai) market in 2015, adding a total of 520,000 sq m. Binhai New Area will receive two high-end projects with a total retail GFA of 450,000 sq m.

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 "Shopping malls within mixed-use developments have gradually become the mainstream retail developments, while traditional department stores are included in shopping malls as anchor tenants." Jonathan Wang, Savills Research

➔ A review of the 2014 retail market

Two new projects were launched onto the city (excl. Binhai) mid- and high-end retail market, namely Aeon Mall (Meijiang) in the Xiqing district, and Riverside 66 in the Heping district, adding a total retail GFA of 244,000 sq m. Tianjin Binhai New Area saw three mid- to high-end projects launched, namely Youyi Mall in the Hangu district, Powerlong City Plaza in the Yujiapu CBD and TEDA Mall in the TEDA retail area, adding 302,000 sq m onto the Binhai New Area retail market.

In recent years, Tianjin's economy has witnessed moderate growth, with disposable income increasing, alongside a growing awareness of brands among consumers. Driven by these factors, domestically- and internationally-renowned retailers sped up development plans in Tianjin's market and expanded their coverage. Some international brands

TABLE 1
Retail sales, Q1/2007–Q3/2014

	Project	Launch Date	Retail GFA (sq m)
City (Excluding Binhai New Area)	Aeon Mall (Meijiang)	Q1/2014	91,000
	Riverside 66	Q3/2014	153,000
Binhai New Area	Youyi Hangu Mall	Q3/2014	116,500
	Powerlong City Plaza	Q4/2014	85,000
	TEDA Mall	Q4/2014	100,000

Source: Savills, Project & Development Consultancy

which have made their debuts in Tianjin include top watch brand Constantine, Italian luxury cloth brand Versus Versace, fashion brand Aape, Hartmann USA, and luxury flower brand Roseonly. High quality shopping malls in primary retail areas have seen a stronger presence due to robust retail demands and limited mature retail areas. Tianjin city's (excl. Binhai) first-floor retail rents fell 3.7% year-on-year (YoY) to RMB464 per sq m per month, with occupancy rates up 2.2 ppts YoY to 84%. Binhai New Area saw rents rise 6.5% YoY to RMB226 per sq m per month, with occupancy rates up 14.7 ppts YoY to 81% due to the maturing of the area.

In 2014, many projects made tenant and brand adjustments, such as Hengtai Department store in Xiaobailou area (previously Triumph Department store) and ZhongYuan Maigo Times Square in the Laochengxiang retail area. The landlords of these projects allocated more retail space to experience-based F&B, leisure, entertainment and children's facilities, in order to attract customers as well as avoid direct competition from e-commerce. With improved infrastructure and established large-scale projects, many new retail areas have emerged. The city's non-prime areas saw the Youyi Hangu Mall in the Binhai New Area, iShine City in the Dongli district and the Meijiang Aeon Mall in the Xiqing district handed over, both serving and upgraded by the surrounding neighbourhood, and fostering the development of auxiliary retail areas.

Supply and stock

City (Excluding Binhai New Area)

No new high-end projects were launched on to the city (excl. Binhai) market in Q4/2014, with total high-end retail stock remaining at 3.3 million sq m. Market demand was mainly contained by the absorption of existing stock.

Binhai New Area

Two new high-end projects were launched onto the Binhai New Area market in Q4/2014, namely Powerlong City Plaza and TEDA Mall, adding a total retail space of 185,000 sq m, increasing Binhai's mid- to high-end retail market stock to 876,000 sq m

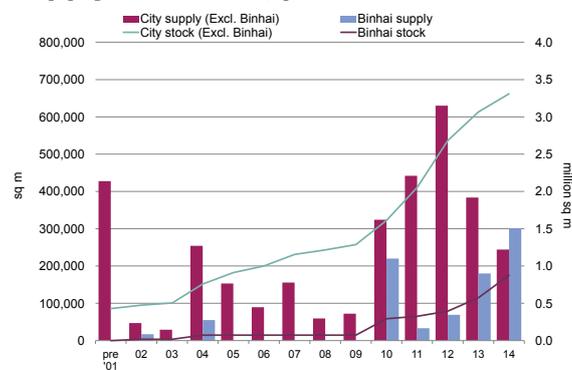
Powerlong City Plaza

Located in the Yujiapu CBD, Powerlong City Plaza is the retail component of Powerlong International Centre, built above the Yujiapu metro station which opened on December 21. The project spans a total GFA of 85,000 sq m in a four-storey building, targeting a wealthier customer base in the Binhai New Area. The current tenants include fashion brands such as CK Jeans, Metersbonwe O2O, E-LAND, MLB and famous F&B brands such as Starbucks and Burger King. The occupancy rate is currently approximately 70%. The project is expected to fill the gap of high-end mixed development in the Yujiapu CBD, enhancing the retail atmosphere as well as boosting consumption.

TEDA Mall

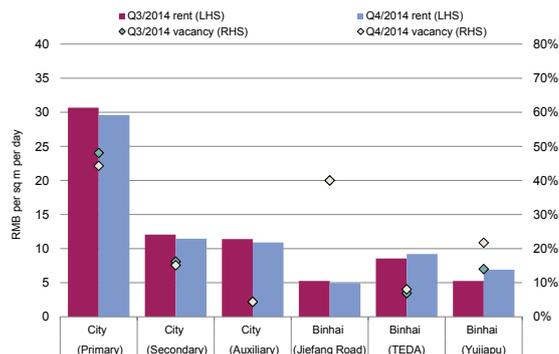
Located at the intersection of Fourth Street and Beihai Street, TEDA Mall,

GRAPH 1
Supply and stock, pre-2001–2014



Source: Savills, Project & Development Consultancy

GRAPH 2
Rents and vacancy rates, Q3/2014 vs Q4/2014



Source: Savills, Project & Development Consultancy

developed by Tianjin TEDA Group, opened this quarter. The 100,000 sq m one-stop shopping mall puts an emphasis on experimental consumption, making family recreation the main feature, with more than 30% F&B. In addition, TEDA Mall has fashion and beauty brands such as GAP, Hotwind, SASA and Watsons, as well as entertainment brands such as IVI Movie, MuQing Sauna, TiSport Fitness Club and Joyswin Children's Playground, some of which are the company's first opening in the Binhai New Area. The opening is expected to upgrade the TEDA retail area.

Rents and vacancy rates City (excluding Binhai New Area)

As a result of slowing retail sales and suppressed luxury consumption, retail rents showed a decrease this quarter. Tianjin city's (excl. Binhai) first-floor retail rents dropped 6.2% QoQ to RMB 464 per sq m per month, while the occupancy rates rose 1.2 ppts to 84.0% in Q4/2014.

Rents vary in different retail areas; primary retail area rents, represented by the Heping-Binjiang-Nanjing Road area, are double that seen in secondary and auxiliary retail areas.

Binhai New Area

Binhai New Area's first-floor retail rents reached RMB226.0 per sq m per month, up 2% QoQ. Due to new

supply, occupancy rates decreased 3.3 ppts to 81.0%.

Projects and retail stores

- Ole, a high-end boutique supermarket under CR Vanguard, opened its first store in Tianjin in Tianjin Riverside 66 in October.

- iiJin, a Korean fashion brand, established a presence in Joy City in the Nankai district in October.

- Longines, a top Swiss watch brand, opened a flagship store in the Tianjin Youyi Mall in the Hexi district in November.

- Zara, a Spanish fast-fashion brand, opened a flagship store in the Sheng'ao Building on Binjiang Road in December.

- Rose only, a high-end flower brand, opened its first store in Tianjin in Riverside 66 in December.

- Zhongyuan Maigo Times Square in Laochengxiang retail area re-opened after a short-term closing for tenants adjustment.

Market outlook

Tianjin retail market's good performance enhanced the confidence of both developers and retailers within the market. Accounting forth projects

under construction and those under planning, seven high-end projects are expected to be launched onto the city(excl. Binhai) market in 2015, adding a total of 520,000 sq m. Binhai New Area will receive two high-end projects with a total retail GFA of 450,000 sq m.

Reviewing the evolving Tianjin retail market, shopping malls within mixed developments have gradually become the mainstream of retail developments. Traditional department stores are now usually included in shopping malls as anchor tenants instead of standalone establishments.

Currently, it takes a longer amount of time for the newly-launched projects to achieve satisfactory occupancy rates. This, alongside increasing competition from new supply, is expected to affect rents. Emerging retail areas may see rents lowered by landlords in order to retain tenants, while traditional retail cores are likely to maintain stable levels.

As a result of fierce competition, developers are expected to reposition their projects and make improvements to keep up with the evolving retail market. ■

TABLE 2
New Supply in 2015

	Project	District	Retail GFA (sq m)
City (Excluding Binhai New Area)	Tianjin International Trade Centre	Xiaobailou Area	34,000
	GoGo Park	Hedong District	60,000
	Metropolitan Plaza	Nanjing Road	76,000
	Teemall	Hebei District	78,000
	Kerry Riverside Place	South Station CBD	80,000
	Veneto	Wuqing District	90,000
	Delight City	Nankai District	100,000
Binhai New Area	YOHO Mall	Konggang District	55,000
	SM City	Konggang District	398,000

Source: Savills, Project & Development Consultancy

Project focus

Delight City (熙悦汇购物中心)

Located at the intersection of Huanghe Road and Miyun Road in the Nankai district, Delight City is the retail component of Sunny Plaza, a large city complex developed by Zhejiang Yangguang Group. Currently, the shopping mall includes tenants such as CGV Cinema, Yonghui Supermarket, KFC, Pizza Hut and Molly Fantasy, and is expected to open in the second half of 2015.

Delight City has a total retail GFA of 100,000 sq m. The building has five floors aboveground and two basement levels, accommodating around 170 renowned brands from the fashion, restaurant, and children's entertainment segments. It is a one-stop shopping centre catering for all ages. The establishment will better serve the surrounding neighbourhood, upgrading the retail quality of the western Nankai district, and enhancing the whole area.

GRAPH 3

Delight City (熙悦汇购物中心)

Location	Intersection of Huanghe Rd and Miyun Rd, Nankai district	
Developer	Zhejiang Yangguang Group	
Retail GFA	100,000 sq m	
No. of floors	5 floors plus 2 basement levels	
Estimated opening	2015H2	

Source: Savills Research

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