

Briefing Retail sector

July 2015

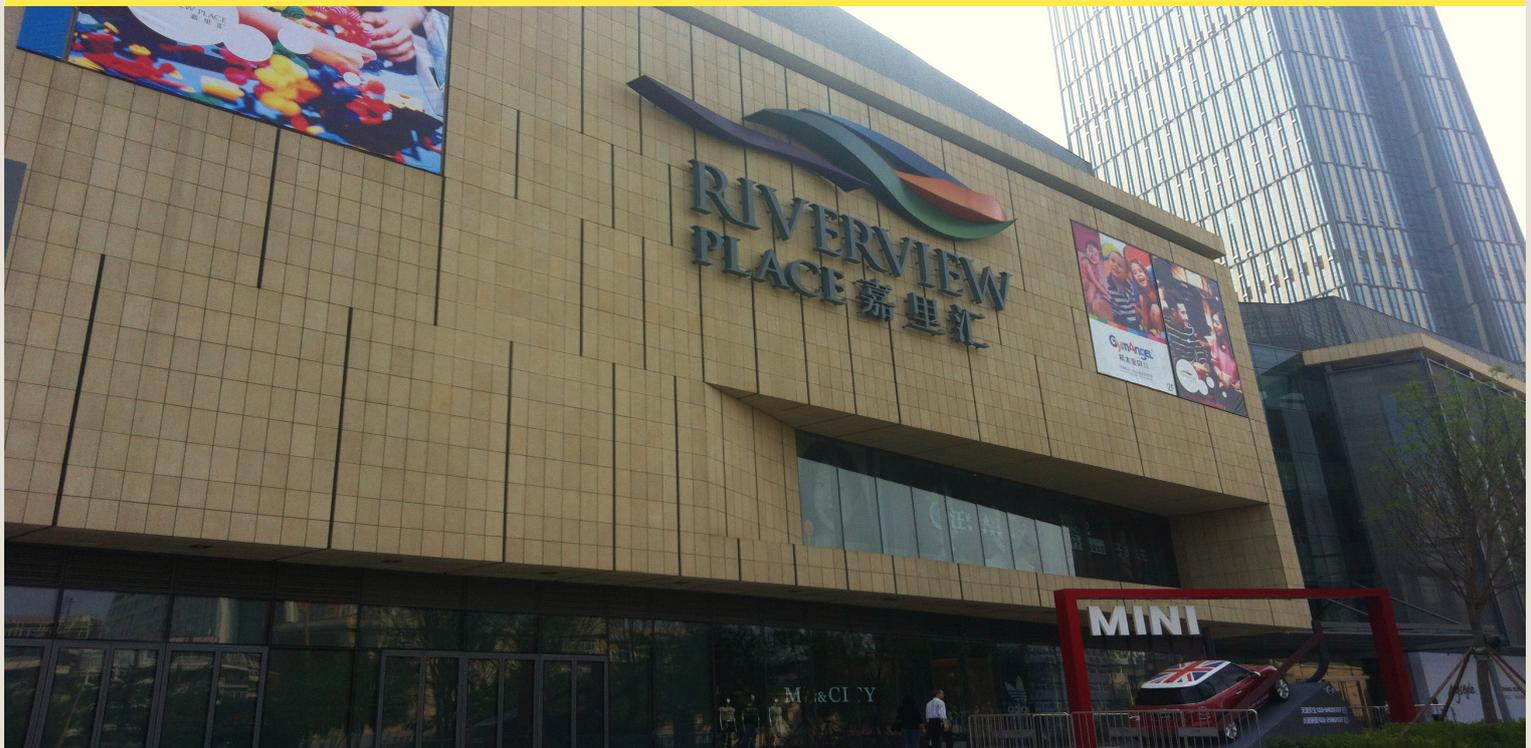


Image: Tianjin Riverview Place

SUMMARY

While diverse retail projects will give retailers a wider variety of location options, it will also increase competition in the market, placing upward pressure on vacancy rates.

- Two new high-end projects were launched onto the city (excluding Binhai) market in Q2/2015, namely Tianjin Riverview Place and Tianjin International Trade Centre Mall, adding a total retail GFA of 114,000 sq m and pushing total high-end retail stock up to 3.3 million sq m.
- No new high-end projects were launched onto the Binhai New Area market in Q2/2015, with Binhai's mid- to high-end retail market stock remaining at 876,000 sq m.
- Tianjin City's (excl. Binhai) first-floor retail rents decreased 2.2% quarter-on-quarter (QoQ) to RMB 399

per sq m per month, while occupancy rates fell 1.2 percentage points (ppts) to 82.8% in Q2/2015.

- Binhai New Area's first-floor retail rents remained at RMB 228 per sq m per month, unchanged from last quarter, while occupancy rates decreased 1.4 ppts to 79.9%.
- Four high-end projects are expected to be launched onto the city (excl. Binhai) market in 2H/2015, adding a total retail GFA of 500,000 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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 "Several department stores suffered a dip in sales due to the increasing amount of shopping malls and the e-commerce boom. These trends are set to continue." Jonathan Wang, Project & Development Consultancy

➔ **Market overview**

During the second quarter of 2015, the accumulated retail sales rose 11.1% year-on-year (YoY) to approximately RMB 126.2 billion, 0.6 of a ppt more than in the first quarter. E-commerce, a strong engine of economic growth, maintained a significant growth level, but also brought challenges to the physical retail market.

Supply and stock

City (Excluding Binhai New Area)

Two new high-end projects were launched onto the city (excluding Binhai) market in Q2/2015, namely Tianjin Riverview Place and Tianjin Int'l Trade Centre Mall, adding a total retail GFA of 114,000 sq m and pushing total high-end retail stock up to 3.3 million sq m.

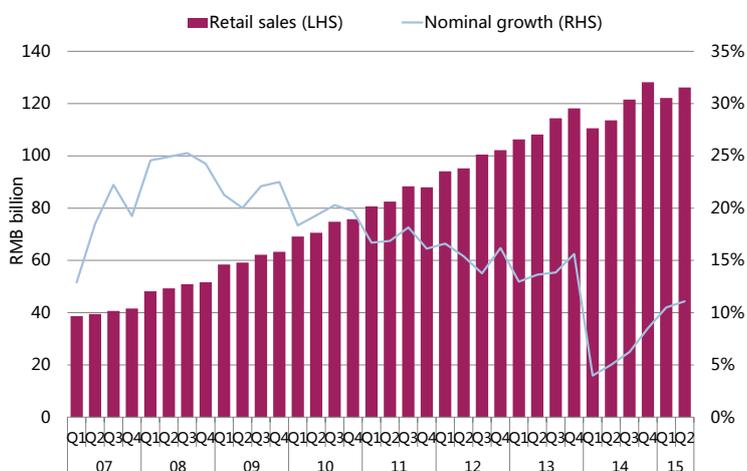
Riverview Place

Riverview Place, located to the east of the Haihe River in the city centre, is the retail component of Tianjin Kerry Centre. The project covers a spacious area of 80,000 sq m and benefits from convenient direct access to Shiyijin Road station (metro line 9). Riverview Place showcases innovative lifestyle and family entertainment, allocating more than 70% of its floor space to F&B and other leisure facilities. Riverview Place currently has five anchor tenants, including Palace Cinema, BLT supermarket, and an indoor children's activity centre.

ITC Mall

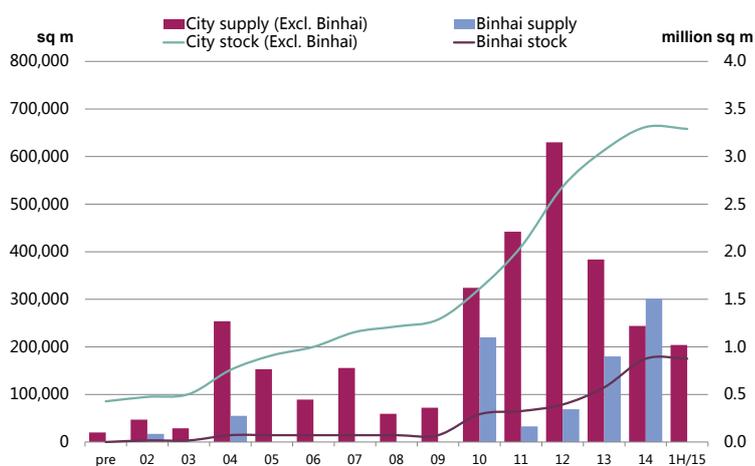
Located in the Xiaobailou area, the 34,000 sq m shopping mall covers four floors aboveground and one basement level and has attracted many renowned fashion brands such as Etude House, Ecko and Franck Provost, as well as F&B brands which account for 40% of the space. The newly-launched project has made up for the closing of a Hengtai department store in February of this year.

GRAPH 1 **Retail sales, Q1/2007–Q2/2015**



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

GRAPH 2 **Supply and stock, pre-2001–1H/2015**



Source: Savills, Project & Development Consultancy

Following the successive closures of four department stores since the beginning of the year, the La Vita department store, covering 1–4F in Exchange Mall located in Heping-Binjiang-Nanjing Road, announced its temporary closure, starting in May, for interior renovation and tenant adjustments. Additionally, the withdrawal of Hipermart from Robinnz department stores aroused speculations that Robinnz might also step down from Tianjin's retail stage soon.

There are many factors behind the weaker performances of traditional department stores. Firstly, the consumption habits of the general public are changing: consumers now tend to head to shopping malls for a more comprehensive experience and higher quality services. Secondly, consumers are embracing e-commerce more than ever, implying that the retail industry has entered a new era. Thirdly, the highly homogenous department stores, both in terms of the products and marketing approaches, are seeing

increased competition. In addition, the anti-corruption policy and “three public consumptions” cancelled by the central government added to their business difficulties.

Binhai New Area

No new high-end projects were launched onto the Binhai New Area market in Q2/2015, with Binhai’s mid- to high-end retail market stock remaining at 876,000 sq m.

Recently, Binhai saw a number of diversified shopping malls launched successively, such as Powerlong International Centre and TEDA Mall, catering to local residents. Supported by the favourable FTZ policies, a number of “bonded markets” or “import markets” have launched, bringing a breath of fresh air to the local customers, such as the European Trade Centre located in the Konggang airport-based economic zone and imported goods sales centre in the Dongjiang port area. This emerging retail mode is likely to become another highlight of Binhai’s retail market in the future.

Rents and vacancy rates

City (Excluding Binhai New Area)

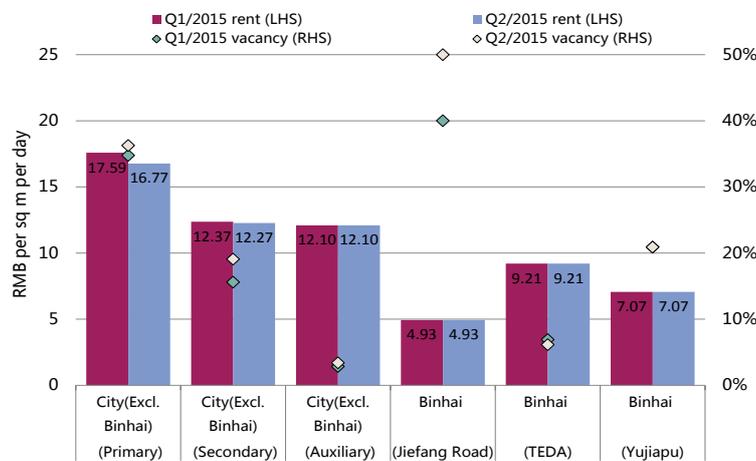
Tianjin City’s (excl. Binhai) first-floor retail rents decreased 2.2% QoQ to RMB 399 per sq m per month, while occupancy rates dropped 1.2 ppts to 82.8% in Q2/2015.

Heping-Binjiang-Nanjing Road area saw a decrease in rents compared with last quarter, averaging RMB 510 per sq m per month, down 5.7% QoQ.

Binhai New Area

Binhai New Area’s first-floor retail rents remained RMB 228 per sq m per month, unchanged from last quarter, while occupancy rates decreased 1.4 ppts to 79.9%.

GRAPH 3 Rents and vacancy rates, Q1/2015 VS Q2/2015



Source: Savills, Project & Development Consultancy

Projects and retail stores

- Melvita, a French skin care brand, opened a store in Tianjin Joy City in April.
- Moussy, a famous Japanese fashion brand, opened a store in Tianjin Riverside 66 in May.
- Uniqlo, a Japanese clothing brand, opened its eleventh store in Tianjin in Aeon Mall TEDA in May.
- Jiawen Playground, Tianjin’s largest indoor kids’ playground, opened in TEDA Mall in Binhai New Area in May.
- During the May Day holiday, the first bonded goods sales centre in the city centre put on a soft opening in the Minyuan Stadium, offering a selection of imported food, clothes and cosmetics, as a new attempt to promote the linked development of the Binhai New Area Dongjiang bonded port area with the city centre.
- Benefiting from FTZ policies, Tianjin Dongjiang imported goods sales market opened another two stores (located in the Dongjiang port area and the G.Yuanbao Binhai

International Shopping Centre in TEDA) in June, offering thousands of goods imported from more than ten countries, selling at discounts of up to 60%.

Market outlook

Four high-end projects are expected to be launched onto the city ¹(excl. Binhai) market in 2H/2015, adding a total retail GFA of 500,000 sq m. Binhai New Area will receive two high-end projects with a total retail GFA of 450,000 sq m. While diverse retail projects will give retailers a wider variety of options for location, they will also place an upward pressure on vacancy rates.

Several department stores suffered a dip in sales due to the increasing amount of shopping malls and the e-commerce boom. These trends are set to continue. Despite threats from these factors, department stores that choose to carry out tenant adjustments to target a new audience have a higher chance of success in this market. ■

* Note: Tianjin’s retail market is divided into the city (excluding Binhai New Area) and Binhai New Area retail markets.

Project focus

Aegean(爱琴海购物公园)

Aegean, located on Jinbin Road in the Hedong district and with a total GFA of 250,000 sq m, is the first development by the Red Star Macalline Group in Tianjin. The super mega mall is now in its later construction stages and scheduled to be launched this September.

Aegean is the shopping mall component of Red Star International Plaza, consisting of Macalline Home Furnisher Mall, Rose Street and Block Street, which is a pioneer in innovating the mode of “two malls plus two streets” in one single retail development. Currently, the project has attracted several anchor tenants such as Suning and Metromarket, as well as four self-owned brands including Pacific Cineplex, a golf club, Tianhe wedding and a children’s park.

Aegean, along with Wanda Plaza and Macalline Home Furnisher Mall, will build up the emerging retail area of Jinbin Road. Retail is set to scale up to a million sq m, further boosting the prosperity to the east of the Haihe River.

GRAPH 4

Aegean(爱琴海购物公园)

Location	No. 160, Jinbin Rd, Hedong district	
Developer	Redstar Commerce Real Estate	
Retail GFA	250,000 sq m	
No. of floors	Six floors aboveground plus two basement levels	
Estimated opening	Q3/2015	

Source: Savills Research

Please contact us for further information

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