

# Briefing Retail sector

October 2015



Image: Tianjin Riverside 66, Heping district

## SUMMARY

The Tianjin retail market is undergoing a period of adjustment, with rising vacancy rates for three consecutive quarters.

- No new high-end projects were launched onto the city centre market (excluding Binhai) in Q3/2015, with total high-end retail stock remaining at 3.3 million sq m.
- No new high-end projects were launched onto the Binhai New Area market in Q3/2015, 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 0.2% quarter-on-quarter (QoQ) to RMB397 per sq m per month, while occupancy rates fell 1.3 percentage points (ppts) to 81.5% in Q3/2015.
- Binhai New Area's first-floor retail rents remained at RMB210 per sq m per month, while occupancy rates significantly decreased 27.2 ppts to 52.8%, due to the closure of a number of projects as a result of the blasts in August.
- Two high-end projects are expected to be launched onto the city centre market (excl. Binhai) in Q4/2015, adding a total retail GFA of 350,000 sq m.

“Future mega malls not only increase competition between landlords to attract and retain good retailers, but also pose as a challenge to the developer/operator in terms of offering efficient and high quality services to consumers.” Jonathan Wang, Project & Development Consultancy

➔ **Market overview**

Accumulative retail sales for Q3/2015 reached RMB134.9 billion, increasing 11.0% year-on-year (YoY). After years of slowing growth, Tianjin retail sales are beginning to pickup. The sales of basic necessities and housing-related commodities registered rapid growth this quarter, mainly due to increasing disposable income levels leading to more demand for higher-quality basic necessities, as well as the e-commerce boom. Driven by stable levels of transactions in the residential market, housing-related commodity sales have increased. E-commerce continued to see strong growth, reaching RMB5.76 billion in the third quarter, up 6% QoQ.

**Supply and stock**

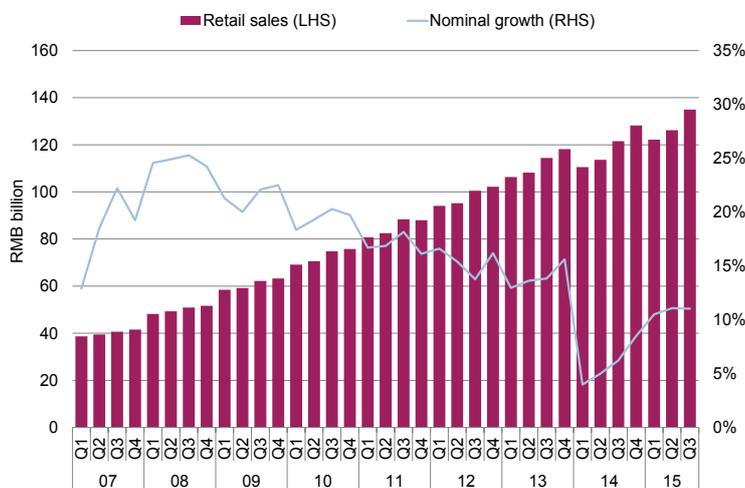
**City (Excluding Binhai New Area)**

No new high-end projects were launched onto the city centre market (excluding Binhai) in Q3/2015, with total high-end retail stock remaining at 3.3 million sq m.

For years, consumption and economic indicators in Tianjin have been running on different levels, with GDP ranking high, while consumer indicators remained low. This resulted in mid- to high-end retailers showing less interest in entering the Tianjin market. This has brought about challenges in the introduction of emerging brands and expansion plans of existing brands in the city.

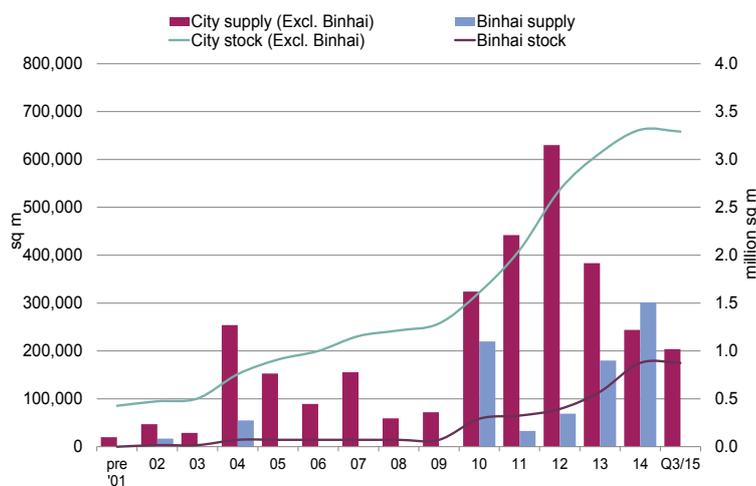
Retailers are now taking an even more cautious approach towards entering unfamiliar markets, opting for strong-performing shopping malls which have a higher capacity to prove popular and achieve higher sales revenues. In contrast, poorly performing shopping malls are now beginning to lose tenants, due to unfavourable locations,

GRAPH 1 **Retail sales, Q1/2007–Q3/2015**



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

GRAPH 2 **Supply and stock, pre-2001–Q3/2015**



Source: Savills, Project & Development Consultancy

unclear market positioning and/or poor management. This has led to projects being of different quality and performance levels, with those who do not adapt or shift focus being left behind and forced to shut.

**Binhai New Area**

No new high-end retail projects entered the Binhai New Area market in Q3/2015, with Binhai's mid- to high-end retail market stock remaining at 876,000 sq m.

The shopping malls that experienced damage due to the Binhai blast in August, including Isetan, Solea City and the Jinyuanbao international shopping centre, have been restored and are operating normally after a quick recovery. However, Aeon Mall and TEDA Mall, which were in close proximity to the explosion site, were forced to close due to the damage caused by shock waves to the exterior walls and interior structures.

Through intensive repairing efforts, TEDA Mall has now reopened several stores, including Tisport Club, Zoo Coffee and Mr. Pizza, and held a grand reopening in mid-October. Aeon Mall has resumed operations of the supermarket and part of the furniture and fashion shopping zones – accounting for 30% of its whole retail space – and is expected to open and be fully operational by the end of November.

According to the management of Aeon Group, despite this incident, Aeon mall will not withdraw from Tianjin, nor change its position on their strategy of continuing to expand their presence in Tianjin.

## Rents and vacancy rates

### City (Excluding Binhai New Area)

Tianjin City's (excl. Binhai) first-floor retail rents decreased 0.2% QoQ to RMB397 per sq m per month, while occupancy rates fell 1.3 ppts to 81.5% in Q3/2015.

The Heping-Binjiang-Nanjing Road area saw a decrease in rents compared with last quarter, averaging RMB500 per sq m per month, down 1.6% QoQ.

### Binhai New Area

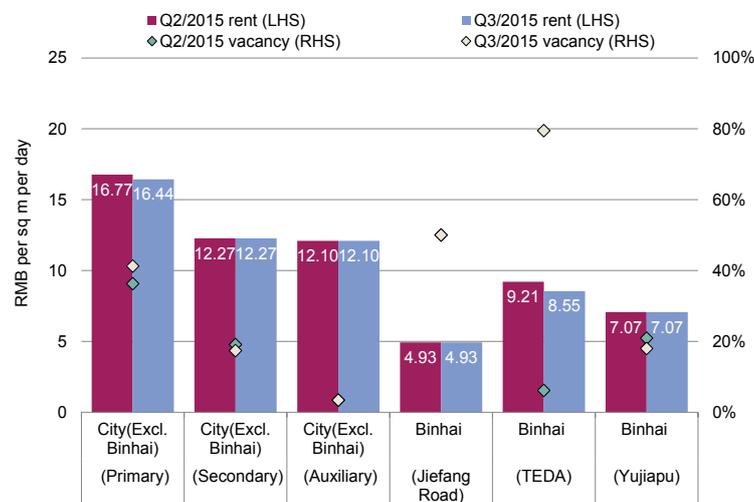
Binhai New Area's first-floor retail rents remained at RMB210 per sq m per month, while occupancy rates significantly decreased 27.2 ppts to 52.8%, due to the closure of many projects as a result of the blasts in August.

### Projects and retail stores

- Anna Sui, an American cosmetics brand, opened a store in Tianjin Joy City in July.

- Boy London, a British fashion brand, opened a store in Tianjin Joy City in July.

GRAPH 3 Rents and vacancy rates, Q1/2015 VS Q3/2015



Source: Savills, Project & Development Consultancy

- Muji, a Japanese life-style brand, opened a store in We-life Plaza in the Hebei district in July.

- Abercrombie & Fitch, an American fashion brand, opened its first store in Tianjin and the fourth in mainland China in Riverside 66 in the Heping district in September.

- Giuseppe Zanotti Design, an Italian footwear brand, opened a store in Hisense Plaza in the Hexi district in September.

- Tianjin Joy City launched a new indoor street, No.5 Park, featuring handicraft workshops, in September. Transformed from a 5,500 sq m parking lot, No.5 Park spans two floors, introducing a bookshop, designer brands and workshops on the first floor and F&B on the second floor, with 80% of these brands opening their first stores in Tianjin.

## Market outlook

Two high-end projects are expected to be launched onto the city centre market (excl. Binhai) in Q4/2015 – the AEGEAN Mall (250,000 sq m) in the Hedong district and Delight City (100,000 sq m) in the Nankai

district – adding a total retail GFA of 350,000 sq m. Mega malls not only increase competition between landlords to attract and retain retailers but also pose a challenge to the developer/operator in terms of offering efficient and sophisticated value-added services to consumers.

A shift of focus in the retail market<sup>1</sup> from O2O (Online to Offline) to O+O (Online and Offline) can be seen as the closer cooperation between shopping malls and the Internet has matured. This new trend is assisting retailers to retain and attract consumers in an offline setting through the use of big data analysis, and allows customers to access a wider variety of products and services. The trend is expected to gather strength and pace in the near future. ■

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

## Project focus

### Yujiapu Global Go Project(于家堡环球购项目)

Located in the Yujiapu CBD, Yujiapu Global Go Project consists of interlacing underground pedestrian streets, spanning 700 m from north to south and 400 m from west to east. The 20,000 sq m project includes over 20 stores, which is currently under soft-opening and expected to be officially launched by the end of the year.

The project differs from traditional retail projects in that it features the integration of various elements of tourism, art and culture, as well as a car exhibition area from across the world. Taking full advantage of the FTZ policy, it established an Exhibition and Trade Centre of Bonded Goods, and a European luxury market, including LV, Gucci, Prada and Chanel. In addition, the first Exhibition and Trade Centre of Parallel Imported Cars in the FTZ has opened here.

With the establishment of the Tianjin Innovation and Entrepreneurship Special Zone in the CBD, the area has seen an increasing number of start-ups. Bazaar Park has built itself into the first national experiential innovation space as a platform for domestic and overseas business start-ups.

GRAPH 4

### Yujiapu Global Go Project(于家堡环球购项目)

	
<b>Location</b>	Yujiapu CBD
<b>Developer</b>	Binhai New Area CBD Commission
<b>Retail GFA</b>	200,000 sq m
<b>Estimated opening</b>	Q4/2015

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**  
Senior Director  
+8622 5830 8886  
andy.chee@savills.com.cn



**Lesley Wang**  
Associate Director  
+86 22 5830 8877  
lesley.wang@savills.com.cn

### Savills Project & Development Consultancy



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

#### Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.