

Briefing Retail sector

January 2016



Image: AEGEAN Mall, Hedong district

SUMMARY

A cold wave hit the retail market of Tianjin in 2015, with five traditional department stores closing and overall vacancy rates rising.

■ Two new high-end projects launched onto the city's market (excluding Binhai) in Q4/2015, namely AEGEAN in the Hedong district and Delight City in the Nankai district, adding a total retail GFA of 370,000 sq m. However, the Binhai New Area market has not seen any new supply for the fourth successive quarter. 2015 saw five high-quality projects launched, adding 574,000 sq m onto the retail market.

■ The city's (excluding Binhai) first-floor retail rents increased by 0.2% quarter-on-quarter (QoQ) to RMB383 per sq m per month, while occupancy

rates fell 0.9 of a percentage point (ppt) QoQ to 82.3% in Q4/2015.

■ Binhai New Area's first-floor retail rents decreased by 0.8% QoQ to RMB227 per sq m per month, while occupancy rates increased significantly by 21 ppts to 73.7%. This is due to the reopening of the majority of retailers which were forced to close as a result of the blasts in August.

■ Six high-end projects are expected to be launched onto the city's market in 2016, adding a total retail GFA of 338,000 sq m.

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 "Experiential retail will remain the favoured approach in an attempt to increase footfall and improve vacancy rates in future." Jonathan Wang, Savills Project & Development Consultancy

➔ Market overview

Accumulative retail sales for 2015 reached RMB524.6 billion, an increase of 10.7% year-on-year (YoY). With growing consumption capacities and changing consumer perceptions, the main driver of growth is shifting from offline to online. E-commerce continued to see strong growth, reaching RMB24.4 billion this year, up 95.2% YoY. Driven by stable levels of transactions in the residential market, housing-related commodity sales continue to increase.

Supply and stock

The retail market had two polar opposite outcomes this year. Traditional retail has been sliding,

resulting in many department stores closing due to the contraction of revenue. In contrast, large shopping malls are increasingly favoured due to the novel tenant mix and innovative experiential formats.

2015 saw a number of innovations employed by retailers in an attempt to stand out amongst the competition. In December, Joy City announced its takeover, by an asset-light strategy, of the LaVita Department Store, aiming to build it into another Joy City. This could indicate that the transformation of traditional retail has indeed become an irresistible trend. Additionally, more brands are beginning to put the emphasis on “experience”, for example, some sports brands are opening concept stores equipped with sports facilities, allowing customers a first-hand brand experience in store.

Another highlight of the retail market was the increase of cross-border import centres and bonded markets city wide, due to Free Trade Zone (FTZ) policies. Benefitting from the Beijing-Tianjin-Hebei integration, Hebei and Beijing have seen the first import centres franchised by Tianjin Dongjiang Bonded stores, which opened in October and December respectively. In future, more cities in the Pan-Bohai Sea area, as well as Shandong, Gansu and other provinces, will be covered, with more citizens benefitting from the FTZ policy.

Two new high-end projects were launched onto the city’s market (excluding Binhai) in Q4/2015, namely AEGEAN in the Hedong district and Delight City in the Nankai district, adding a total retail GFA of 370,000 sq m. However, the Binhai New Area market has not seen any new supply for the fourth successive quarter. 2015 saw a total of five high-quality projects launched, increasing total stock by 574,000 sq m. The city’s (excluding

Binhai) retail stock currently stands at 3,660,000 sq m.

Aeon Mall and TEDA Mall, located in the TEDA retail area, which was shut down due to the Binhai blasts in August, have resumed operating after months of recovery. The Binhai New Area retail stock remained at 876,000 sq m.

AEGEAN Mall

AEGEAN Mall, located along the Jinbin Expressway in the Hedong district, is the largest among all AEGEAN Malls in the country, with a spacious area of 250,000 sq m. The project holds a strong position in the eastern retail market, with complete format coverage and a strong tenant mix; for 18% of the tenants, this is their first store in Tianjin. Opening day saw footfall total 360,000, topping the record for highest footfall on the opening day of new projects in the city.

Tianjin Delight City

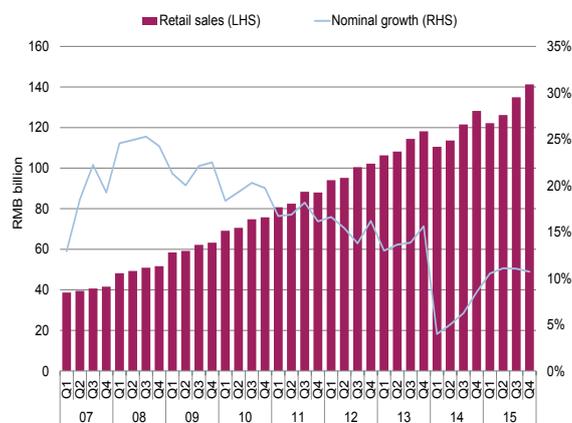
The project, developed by the Zhejiang Yangguang Group, is located at the intersection of Huanghe Road and the Miyun Expressway, and in close proximity to a metro station (line 2). The 120,000 sq m shopping mall stretches across five floors above ground and two floors below ground, anchored by Decathlon, Yonghui Superstores and CGV Cinema. The opening of this shopping mall will better cater to the needs of residents in the vicinity as well as improve the retail atmosphere in the west of the city.

Rents and vacancy rates

City (Excluding Binhai New Area)

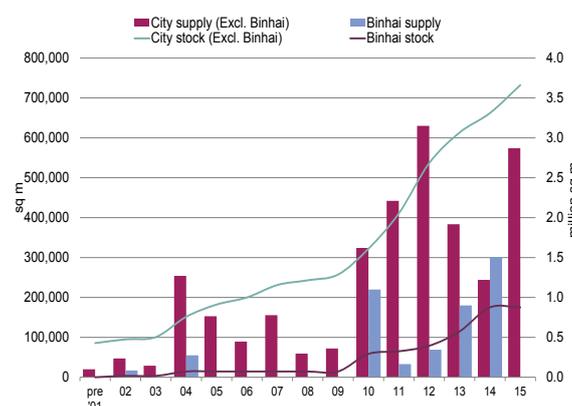
Tianjin City’s (excluding Binhai) first-floor retail rents increased by 0.2% QoQ to RMB383 per sq m per month, while occupancy rates fell 0.9 of a ppt QoQ to 82.3% in Q4/2015.

GRAPH 1 Retail sales, Q1/2007–Q4/2015



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

GRAPH 2 Supply and stock, pre-2001–2015



Source: Savills, Project & Development Consultancy

The Heping-Binjiang-Nanjing Road area saw an increase in rents compared with last quarter, averaging RMB505 per sq m per month, up 0.8% QoQ.

Binhai New Area

First-floor retail rents decreased by 0.8% QoQ to RMB227 per sq m per month while occupancy rates significantly increased 21.0 ppts to 73.7%. This is due to the reopening of the majority of retailers which were forced to close as a result of the blasts in August.

Projects and retail stores

■ Versus Versace, an Italian luxury brand, opened a store in Tianjin Hisense Plaza in the Hexi district in October.

■ Michael Kors, a famous American handbag brand, opened a store in Tianjin Hisense Plaza in the Hexi district in October.

■ Etude House and Tony Moly, both Korean cosmetics brands, opened stores in Riverside 66 in the Heping district in October.

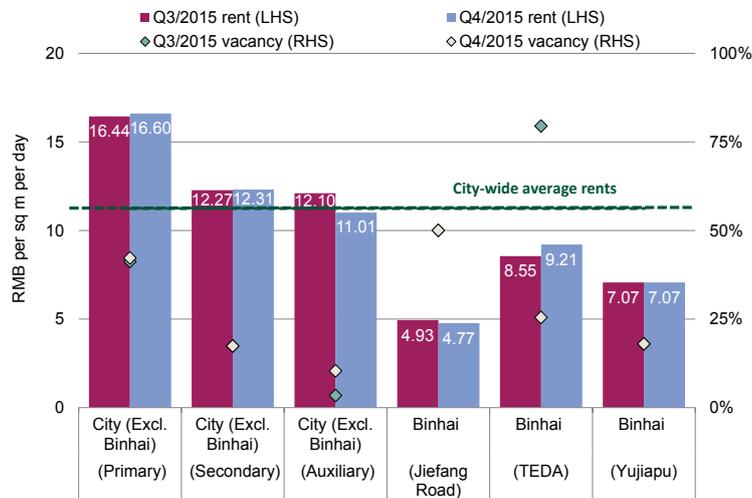
■ Mo & Co., a French fashion brand, opened a store in the northern wing of Tianjin Joy City.

■ YJP Global Go Underground Street officially opened on 11 November after a month of trial operation. CGV, the first cinema in the Yujiapu district, situated in the centre of the Street opened on 30 December.

■ The 4,000 sq m import shop located on the first basement level of MingYuan Bonded Goods Exhibition and Trade Centre, which has a retail area of 8,000 sq m, opened in November. Prior to this, the Centre put off a complete opening.

■ Tianjin Joy City launched a new outdoor food street, Imagination Factory, on 16 December. The street

GRAPH 3 Rents and vacancy rates, Q3/2015 VS Q4/2015



Source: Savills, Project & Development Consultancy

stretches for an area of 6,000 sq m and is targeted at middle-class consumers aged between 18 and 35. The location is the first presence in Tianjin for almost half of the restaurant brands in the Tianjin Joy City Imagination Factory Street.

■ The European Trade Centre, located in the Konggang Economic Development Zone, opened in the underground shopping zone, spanning a total area of 40,000 sq m on 27 December. A good variety of imported commodities are available, ranging from daily necessities, food, clothing and handbags. Renowned international brands such as Prada, Gucci and Montblanc are also present.

■ Delord Cross-border Goods Sales Centre, located in the Wuqing district, had its official opening on 28 December. The project sells various goods imported from Europe, Australia and Asia at a discount of between 15and 30%.

Market¹ outlook

Six high-end projects are expected to launch onto the city's market in 2016, including the Metropolitan

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

Tower Shopping Mall (76,470 sq m) and Heping Joy City (20,000 sq m) in the Heping district – adding a total retail GFA of 338,000 sq m.

Three of the new projects, which are shopping malls, are located in the Heping-Binjiang-Nanjing Road area, which has been widely recognised as prime retail space in Tianjin, and customarily dominated by department stores. However, the appearance of Riverside 66 in 2014, the first shopping mall in this area, kicked off the area's format transformation. Due to the increasing number of shopping malls opening, it is expected to accelerate the reshuffling and reshaping of this traditional retail area.

Experiential retail will remain the most favoured approach by retail developers for increasing footfall and improving occupancy rates. Retail developers are aiming to create a consumer-centric experience, thus creating more opportunities for spontaneous purchases. However, retail developers are becoming increasingly aware of their significance in ensuring a positive experience for their consumers, resulting in retaining a stable and consistent footfall rate. ■

Project focus

Metropolitan Plaza (世纪都会)

Metropolitan Tower is located favourably in the busiest commercial district, Nanjing Road, in close proximity to the Yinkoudao metro station of Lines 1 and 3. With a total retail GFA of 76,000 sq m, the mall hosts nearly 200 retailers of fashion, F&B, and entertainment, aiming to offer a one-stop shopping experience. Currently, the pre-leasing rate has exceeded 80%, including Moussy, SLY, Adidas, NIKE, and FILA. The project is expected to open on 28 April 2016.

TABLE 1
Metropolitan Plaza (世纪都会)

	
Location	Nanjing Road, Heping district
Developer	Hutchison Whampoa Limited
Retail GFA	76,000 sq m
Floors	Six floors above ground, plus one basement floor
Estimated opening	28, April, 2016

Source: Savills, Project & Development Consultancy

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