

Briefing Retail sector

February 2018



Image: River Side 66 ,Heping district

SUMMARY

The retail market welcomed four new projects in Q4/2017, with accompanying declining vacancy rates and a relatively stable rental index.

■ Four projects launched in the market in Q4/2017, pushing city-wide total retail stock to 5.17 million sq m GFA.

■ Despite the surge of supply, city-wide vacancy rates improved by 0.6 of a percentage point (ppt) quarter-on-quarter (QoQ) to 13.6% in Q4/2017. However, first-floor shopping mall rents edged down 3.9% to an average of RMB 340.5 per sq m per month.

■ The retail market is expected to welcome a peak in supply in 2018, with six projects contributing around 675,000 sq m GFA. It is expected that new supply will add more pressure to the market. Landlords and retailers will continue to incorporate “new retail” concepts into their projects to heighten competition against others.

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 “High quality supply in secondary and auxiliary districts reflected decentralisation in the retail property market of Tianjin, as shopping malls now tend to locate closer to residential areas. Mall operators continue to improve their tenant mix and amenities to provide an all-inclusive shopping experience.” Jack Xiong, Savills, Research and Consultancy

➔ **Market overview**

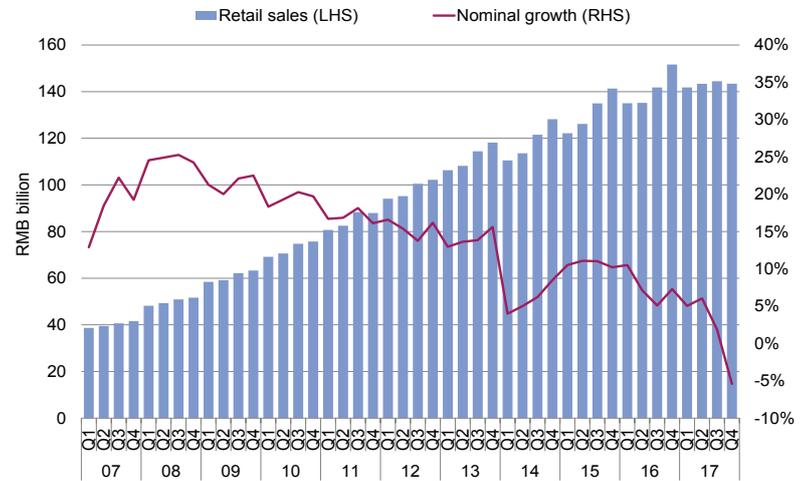
Total retail sales in 2017 increased 1.7% year-on-year (YoY) to RMB 573 billion in Q4/2017.

Sales performance within telecommunication, cosmetics and entertainment categories saw particular strong growth during Q4/2017.

Supply and Stock

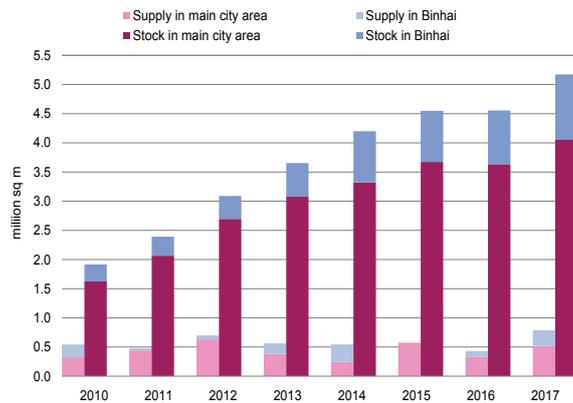
Four projects were launched in the market in Q4/2017, pushing city-wide total retail stock to 5.17 million sq m GFA. These new projects, including AEON Mall (Xinzhuang Town in the Jinnan district), Yanlord Riverside Plaza (Phase IV), Wanda Plaza (Binhai) and Binhai New Area Cultural Centre (BNACC),

GRAPH 1 **Retail Sales, Q1/2007–Q4/2017**



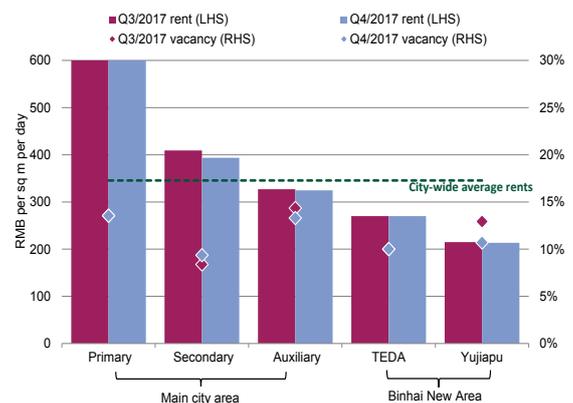
Source: Tianjin Statistics Bureau; Savills Research and Consultancy

GRAPH 2 **Supply and Stock, 2010–2017**



Source: Savills Research and Consultancy

GRAPH 3 **Rents and Vacancy Rates, Q3/2017 vs Q4/2017**



Source: Savills Research and Consultancy

added a combined retail GFA of approximately 409,000 sq m.

Binhai New Area became the main force of supply in Q4/2017 with two new projects. Both BNACC and Wanda Plaza (Binhai) are located in the core of Binhai New Area, co-act with existing projects to further develop and enhance the area's retail and entertainment cluster.

Despite the surge of supply, the city-wide vacancy rate continued to improve, down 0.6 of a ppt QoQ to 13.6% in Q4/2017. However, first-floor shopping mall rents edged down 3.9% to an average of RMB340.52 per sq m per month.

New malls performed well in pre-opening leasing activities, thus vacancy rates in the main city area edged down 0.2 of a ppt QoQ, to 12.1% in Q4/2017. First-floor shopping mall rents in the area decreased 2.7% QoQ to an average of RMB394 per sq m per month.

The average vacancy rate in Binhai New Area decreased significantly by 5 ppts to 20.2%, as new malls achieved high occupancy rates. Meanwhile, first-floor shopping mall rents dropped 2.1% to an average of RMB218.8 per sq m per month.

Retailer Demand

Experiential consumption continue to be the focus of retail industry.

Operators continue to incorporate new elements into shopping malls to increase their projects' attractiveness. Activity during Q4/2017 in Joy City in the Nankai district included:

- The mall operator working with Coca Cola and U2B (a cosmetic brand) to create themed toilets across the mall;

- A pop-up store, temporary exhibition and experience centre based on the cartoon character of Wuhuang.

Cosmetic brands also showed a healthy expansion appetite during Q4/2017. Openings during the quarter included:

- Yves Saint Laurent and Lancôme opening in Joy City in the Nankai district;

- Sephora opening in Tianjin Florentia Village, a luxury designer outlet mall, in the Wuqing district.

Additionally, F&B, child-related and entertainment sectors continued to actively expand their footprints in the city. Notable openings included:

- Xiaomi opening in AEON Mall (Xinzhuang Town in Jinnan district);

- Super Species, a fresh grocery store, and Physical gym opening

their Tianjin's first stores in Yanlord Riverside Plaza (Phase IV).

Market Outlook

The retail market is expected to welcome a supply peak in 2018, with six projects contributing a total of around 675,000 sq m GFA. It is expected that the new supply will trigger competition, adding more pressure to the market. In hope of improving operations and increasing revenue, stakeholders will continue to incorporate the "new retail" concept into their businesses.

High quality supply launching into secondary and auxiliary areas show signs of decentralisation in the retail property market of Tianjin. The upcoming projects are expected to satisfy the demand of retail in non-prime areas, such as Water Park area, Zhangjiawo area and Airport Business Park. This signifies that mall developers are expanding their footprints into suburban areas to fulfil the demand from surrounding local residents. ■

Project focus

L+ mall

L+ mall is located in the Hongqiao district below the Tianjin Lujiazui Financial Plaza, with direct access to Xibeiijiao station (metro line 1). The project has 110,000 sq m GFA across seven floors above-ground and one floor underground. Its tenant mix includes fashion, F&B, child-related, entertainment and lifestyle retailers. The Tianjin Lujiazui Financial Plaza (consisting of Grade A office buildings, a Courtyard Hotel, Wellington International Community and Wellington College) is expected to be the focal point of growth and a landmark business centre in the north of Tianjin.



Location	Intersection of Dafeng Road and North Road, Hongqiao district
Developer/Operator	Lujiazui Group
Retail GFA	110,000 sq m
Floors	seven floors above-ground, one floor underground
Estimated opening	2018, May

Source: Savills Research and Consultancy

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