



## Market proactively reacts to future supply's competition

Trendy retail and emerging L&E brands perform well.

- Wuhan's first shopping mall, Shopping Mall, reopened in Q1/2024 after over a year's refurbishment, bringing 225,000 sqm of new supply and pushing the total stock to 7.95 million sqm.
- The market welcomed leasing activities from diversified brands. Trendy retail had active performance and gathered at landmark projects. Cultural and tourism economy drove the popularity of F&B sector with local features. Meanwhile, the leisure and entertainment industry continued to rise with new brands emerging.
- Existing projects proactively upgrade tenant mix to better face competition from the future supply, pushing up the market leasing volatility. The citywide vacancy rate maintained stable QoQ, down 1.1 ppts to 10.6% YoY.
- Foreign retail enterprises kept shrinking. Le Templer Luxx and Zara both closed stores in the quarter. Competition intensified in the beverage sector. Specialty coffee Algebraist and Coco closed multiple stores. L&E sector started to diverge, evident in some indoor entertainment sector's contraction like room escape games.
- Influenced by newly-open project, shopping mall ground-floor rents declined 0.5% both QoQ and YoY to an average of RMB 323.1 psm pmth by Q1/2024.
- Looking ahead to 2024, Wuhan's retail property market will introduce a series of quality projects including Wuhan SKP, which will further uplift the city's commercial vitality.

“Wuhan's first-ever shopping mall reopened after renovation, injecting vitality to Xudong area. The future high-quality supply in 2024 is expected to improve Wuhan's commercial landscape and boost the city's consumption.”

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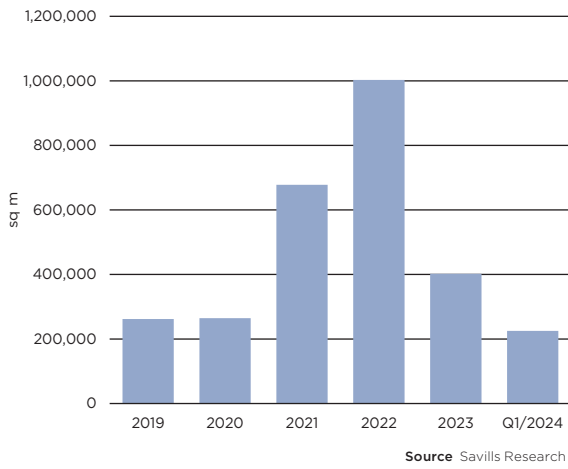
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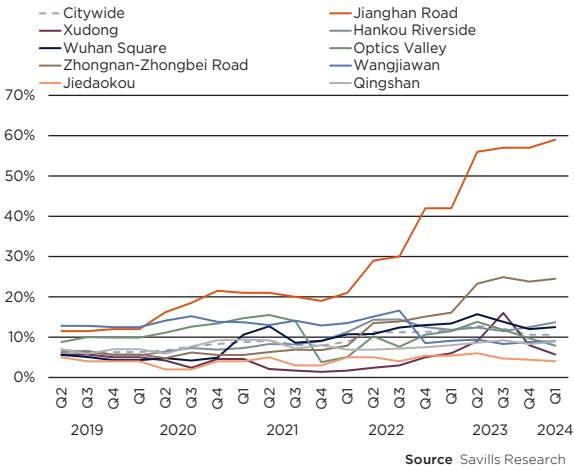
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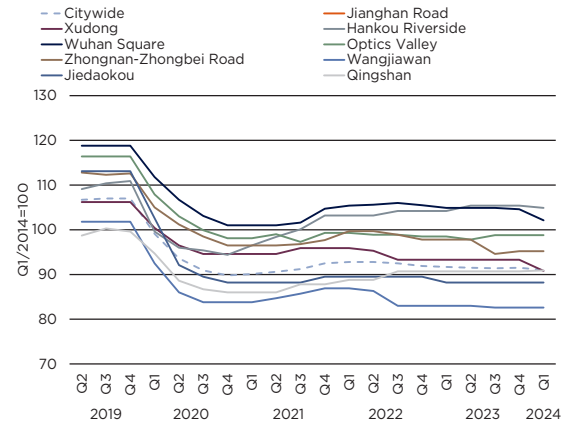
**GRAPH 1: Retail Supply, 2019 To Q1/2024**



**GRAPH 2: Submarket Vacancy Rates, Q2/2019 To Q1/2024**



**GRAPH 3: Submarket Rental Indices, Q2/2019 To Q1/2024**



**SUPPLY AND DEMAND**

Wuhan's first shopping mall, Shopping Mall, reopened in Q1/2024 after over a year's refurbishment, bringing 225,000 sqm of new supply and pushing the total stock to 7.95 million sqm.

Trendy retail had active performance and gathered at landmark projects. Yadcrew, Ouder, Killwinner had presence at Huafa&City Hub while MEDM, Burnin, Blindnoplan were under construction at Horizon South. Newly-open project Shopping Mall introduced Boneless. Heartland 66 opened pop-up store of popular brand Hinoro. Existing high-end projects enriched tenant mix. K11 Art Mall introduced premium watch brand Nomos Glashuette, Heartland 66 introduced entry luxury footwear brand Sam Edelman. Wuhan International Plaza presented Hasselblad's first store in central China and significantly promoted the brand mix of its first-floor luxury stores.

Cultural and tourism economy drove the popularity of F&B sector with local features. Changsha brand The Second Floor Da Pai Dang, Dalian brand Dumpling Xi, and Chaoshan Kung Fu Tea brand COTX all set up their Wuhan first stores in popular projects. Casual dining had fast expansion represented by brands such as Kuafood and Jiu Tong Mao Cai. In addition, retailers from the light diet and bakery sectors continued to show interest in setting up new stores in Wuhan this quarter, including Gaga, Drunk Baker and Paris Baguette.

Indoor entertainment brands offering experimental experience favored by Gen-Z remained buoyant. K+Sheng Prize Claw and

K.Two Steelseries continued expansion. Soongo Talkshow set up its Wuhan's first store. Local famous talkshow Have Fun Comedy extended to landmark project like Wuhan Tiandi. Meanwhile, emerging fitness brands kept emerging. The stretching trend was seen in brands like JU Stretching and Shi Stretching opening stores in high-quality community commercial space.

**VACANCY RATES AND RENTS**

Existing projects proactively upgrade tenant mix to better face competition from the future supply, pushing up the market leasing volatility. The citywide vacancy rate maintained stable QoQ, down 1.1 ppts to 10.6% YoY. The secondary area maintained active leasing performance, with the vacancy rate down 0.6 ppts to 7.4%, while the prime and emerging area increased 0.7 and 0.3 ppts to 20.1% and 9.2%, respectively.

Influenced by both the newly-opened projects and market volatility, shopping mall ground-floor rents fell 0.5% both QoQ and YoY to an average of RMB 323.1 psm pmth by Q1/2024. The prime area was affected by particular under-performed projects, with average rent down 2.0% QoQ, while the secondary remained steady and emerging area slightly down 0.2% QoQ.

**MARKET OUTLOOK**

Looking ahead to 2024, Wuhan's retail property market will introduce a series of quality projects including Wuhan SKP and Wuchang MixC, which will bring a new supply of over 1.3 million sqm. This is expected to improve Wuhan's commercial landscape and boost the city's consumption.

**TABLE 1: Selected Retail Projects, 2024**

PROJECT	RETAIL GFA (SQ M)	TYPE	AREA
Wuhan SKP	150,000	Shopping mall	Zhongnan Zhongbei Road
Wuchang MixC	250,000	Shopping mall	Wuchang Riverside
Citylane	170,000	Shopping mall	Zhongjiacun

Source: Savills Research