

Briefing Retail sector

July 2018



Image: SKP, No.261 Chang'an North Road, Beilin District

SUMMARY

Two department stores opened during 1H/2018, but active leasing demand caused city-wide average vacancy rates to fall.

- Consumer goods retail sales in Xi'an reached RMB111.2 billion, up 11.1% year-on-year (YoY) in Q1/2018.
- In 1H/2018, two new department stores opened, pushing the total department store stock up 18.5% to 1.96 million sq m. The total shopping mall stock in Xi'an did not change.
- City-wide vacancy rates decreased by 0.5 percentage points (ppts) on a half-year basis to 3.0%, due to strong leasing demand and active adjustments at several shopping malls.
- First-floor shopping mall rents increased by 1.7% half-year on half-year (HoH) to an average of RMB305 per sq m per month.

.....
 "The high-profile project SKP opened in 1H/2018, and attracted numerous luxury brands to the Xi'an market. Projects like this are helping to narrow the gap between Xi'an's high-end retail market and the high-end retail markets in top national cities."
 Dahuang Chen, Savills Research

➔ **Economic overview**

Consumer goods retail sales in Xi'an reached RMB111.2 billion, up 11.1% YoY in Q1/2018. By sector, catering sales totalled RMB8.8 billion, up 11.3% YoY, while wholesale and retail sales totalled RMB102.4 billion, up 11.0% YoY.

Supply

In 1H/2018, two new department stores opened at a total of 330,000 sq m, pushing the total department store stock in Xi'an up 18.5% HoH to 1.96 million sq m. The total shopping mall stock in Xi'an did not change.

SKP

Xi'an SKP, a 230,000 sq m department store, is located in the core business area within the city walls. It introduced over 80 high-end luxury brands, including Louis Vuitton, Hermes and Gucci, and also offers significant non-retail space centred on cultural and experiential events.

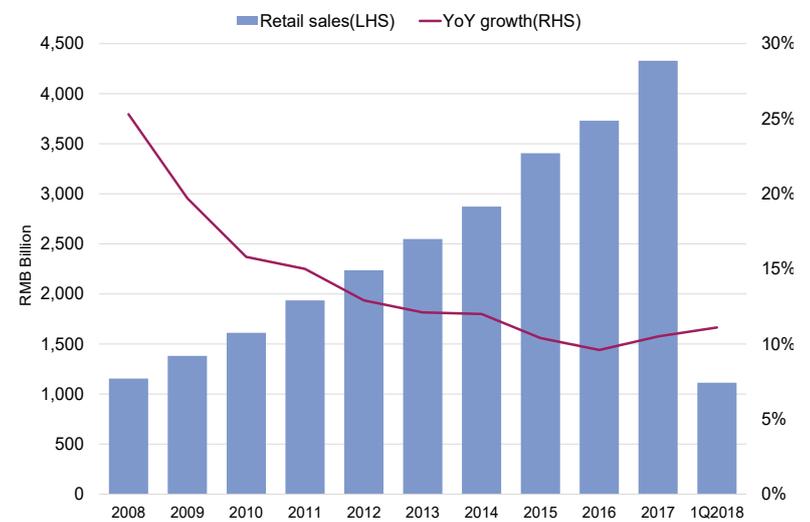
Intime City B

Intime City B is located in Qujiang District with a gross floor area (GFA) of 100,000 sq m. The project has added more experiential space and attracted a number of "New Retail" (the blending of offline and online shopping) brands.

Vacancy rates

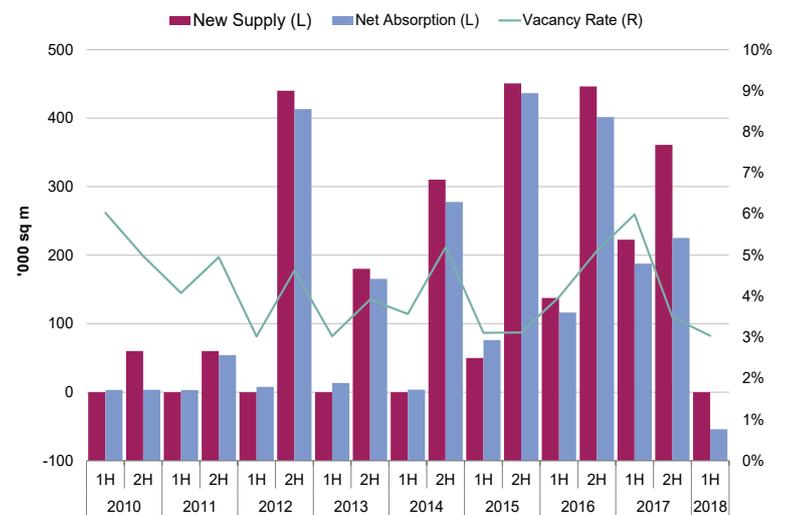
Demand was still strong in 1H/2018. Some shopping malls attempted to transform their operational strategies and adjust to market demand. As a result, the overall vacancy rate decreased by 0.5 ppts HoH in 1H/2018, to 3.0%. The prime retail area vacancy rate fell by 1.4 ppts HoH to 1.1%. Both the High-tech and City North sub-markets, two populated districts with a large consumer population where there are a limited number of shopping malls,

GRAPH 1 **Retail sales, 2008-Q1/2018**



Source: Xi'an Bureau of Statistics, Savills Research

GRAPH 2 **Supply and demand, 1H/2010-1H/2018**



Source: Savills Research

experienced a continued decline in average vacancy rates in 1H/2018. Suning Plaza in the city centre closed, resulting in negative city-wide net absorption.

Rents

First-floor rents increased by 1.7% HoH in 1H/2018 to RMB305 per sq

m per month. Prime area rentals grew 0.8% to an average of RMB483 per sq m per month, due to active leasing demand but limited lettable space. Since several projects have adjusted their sector composition and improved operational conditions, the non-prime retail area occupancy rate rose and rents increased by 0.9%

HoH to an average of RMB275 per sq m per month.

Tenant news

With the opening of Xi'an SKP, a number of high-end luxury brands made their debuts in the Xi'an retail property market. Hema Xiansheng and several New Retail brands that are subsidiaries of Intime opened their stores in Intime City B.

International brands

Many luxury brands' first Xi'an store opened in SKP, including Chanel, Hermes, Loro Piana, Balenciaga, Tom Ford, Moncler, Givenchy, Etro and others; Louis Vuitton, Prada, Gucci and Dior opened their new stores in SKP; Vivienne Tam opened in Zhongda International Plaza in the city centre; and Sean By Sean opened in Zhongda International Plaza in High-tech District.

F&B

Din Tai Fung entered into the Xi'an market, opening stores in both G-park and SKP; Little Sheep Hot Pot opened in Wanda Plaza of Daming Palace; experimental hot pot brands Jinyiguan—owned by Sichuan Club—opened a store in Zhongda International Plaza in High-tech District; Jibulu leased a new space in Intime City.

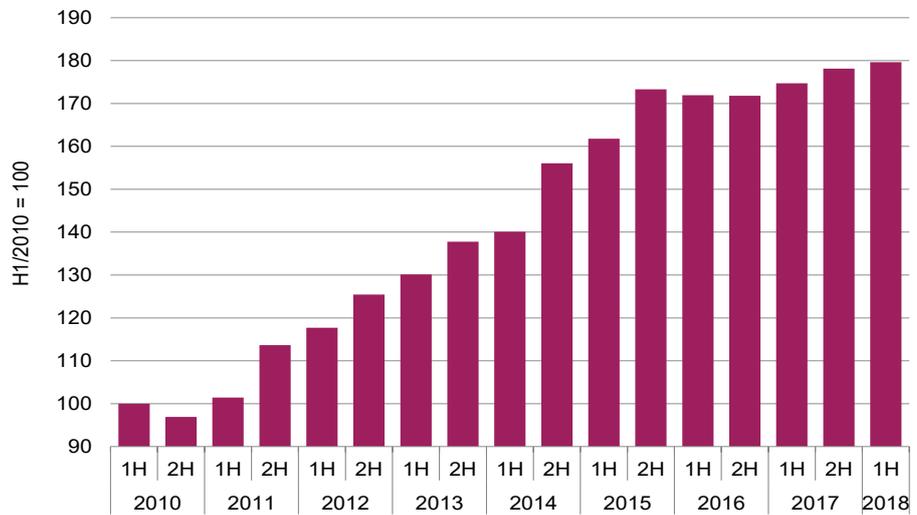
Lifestyle

SKP Rendez-vous, a bookstore subsidiary of SKP, opened its first store in Xi'an; a Lego Education store opened in Wanda Plaza of Daming Palace.

New Retail

Hema Xiansheng opened its second store in Xi'an in Intime City B. Onmine and House Selection, Intime's two New Retail brands, also opened in Intime City B.

GRAPH 3 Rental index, 1H/2010-1H/2018



Source: Savills Research

Market outlook

Xi'an's retail property market will develop rapidly in the future. The city is expected to experience a supply peak in 2H/2018. Eight new projects will open, contributing approximately 800,000 sq m GFA to the city's retail property market.

As landlords and mall operators strive to maintain their appeal and encourage loyalty, more tenant-mix adjustments will take place in 2H/2018. Diversifying brands, introducing creative experiential retail and hosting interactive marketing events that have social media appeal are among the next strategic approaches for existing malls.

In 2H/2018, with the opening of projects from domestic or foreign developers—like Joy City, Worldwide Plaza and Zhengshang International Finance Centre—the Xi'an retail property market will become more dynamic. At the same time, the

opening of these new projects will further promote a transformation and upgrade of the overall market. ■

Project Focus

Xi'an Joy City

Xi'an Joy City is located at Yanta District, adjacent to the Big Wild Goose Pagoda, which is one of the most famous tourist attractions in Xi'an. The project is expected to attract both local and foreign consumers. Xi'an Joy City will follow the same positioning of other "Joy City" branded malls, housing both international and domestic brands. It will become a one-stop shopping mall with a particular focus on experiential retail.

TABLE 1
Xi'an Joy City

Location	No.69 West Cien Road, Yanta District	
Developer	COFCO	
Retail GFA	146,000	
Expected handover	2018	

Source: Savills Research

Please contact us for further information

Research



James Macdonald
Director
China
+8621 6391 6688
james.macdonald@savills.com.cn



Dahuang Chen
Associate Director
West China
+8623 6370 3388
dahuang.chen@savills.com.cn

Agency



Eric Wo
Managing Director
West China
+8628 8658 7828
eric.wo@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.