

# Briefing Retail sector

August 2016



Image: Chengfeng Square

## SUMMARY

Two new projects were handed over in 1H/ 2016, adding 160,000 sq m to the retail market. As several projects are expected to be handed over in the next few years, market competition is expected to intensify.

- Retail sales in 1H/2016 reached RMB50.5 billion, representing a year-to-date (YTD) year-on-year (YoY) real growth of 10.6%.
- Two new projects – The Mall Zhuhai and Chengfeng Square, both located in Qianshan – opened for business in 1H/2016, adding 100,000 sq m and 60,000 sq m, respectively, to the retail stock.

- Prime shopping malls are mostly located in the Old Xiangzhou, Jida, Gongbei and Nanwan areas. Average first floor rents are approximately RMB250 per sq m per month.
- City-wide occupancy rates were 80% in the first half of 2016, while prime shopping malls saw a higher occupancy rate of 85%.

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 “Retail rents in prime areas remained stable during 1H/2016, and occupancy rates in major shopping malls were high.” Sophia Huang, Savills Project & Development Consultancy  
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### ➔ Market Overview

Total retail sales in the first half of 2016 reached RMB50.5 billion, maintaining a stable level of growth. The consumer price index (CPI) decreased 0.6% quarter-on-quarter (QoQ) and increased 0.2% YoY.

### Market supply

Two new projects were handed over in the first half of 2016, adding 160,000 sq m to the retail market, which now totals 1,056,000 sq m. Two new prime projects are expected to enter the market in 2H/2016, adding 84,000 sq m of new supply.

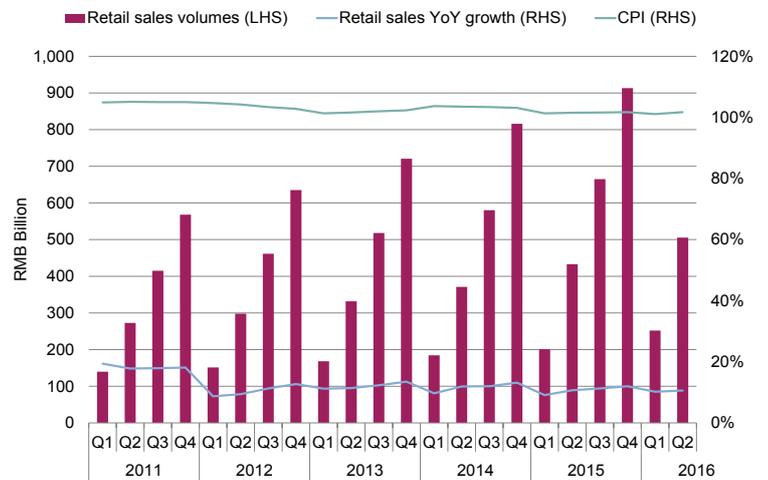
The Mall Zhuhai, located in Qianshan, had its soft opening in Q2/2016. It was developed by Walmart and caters predominantly to mid- to high-end consumers. It has five storeys above ground. The tenant mix is made up of leisure, entertainment, catering and luxury brands. Sam's Club, the anchor tenant owned by Walmart, has helped to encourage many well-known brands to take up space, such as Yoshinoya, Uniqlo and Decathlon.

### Rents

Overall retail rents remained stable in the first half of 2016, and averaged RMB250 per sq m per month. The rents in the Jida area saw a slight decline due to the economic slowdown, while Gongbei's rents remained relatively high.

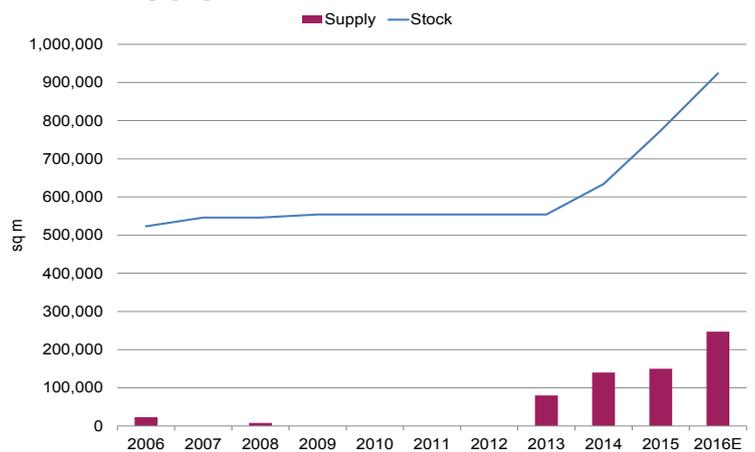
Several new projects are expected to be handed over in the next few years, and competition within the market is expected to intensify. Many shopping malls have begun to upgrade and optimise their trade pattern. The city-wide vacancy rate remained at 20%, which is on a par with 2015. Shopping malls that are well-operated and have stable occupancy rates and footfall will not be as affected by the new emerging market.

GRAPH 1  
**Retail sales, 2011 – 2016Q2**



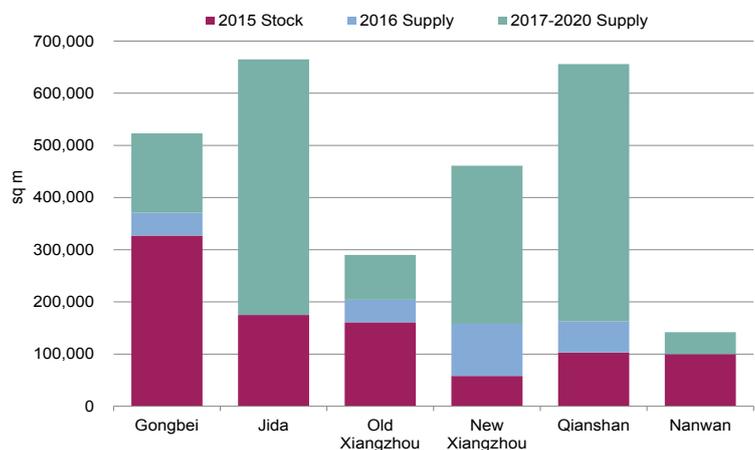
Source: Zhuhai statistics Bureau

GRAPH 2  
**Retail supply, 2006–2016E**



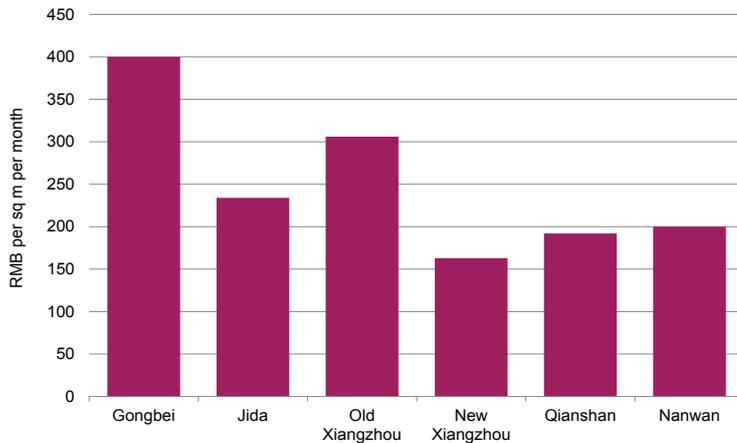
Source: Savills Research

GRAPH 3  
**Shopping mall supply, 2015–2020E**



Source: Savills Research

GRAPH 4  
**Shopping mall first-floor rents, 1H/2016**



Source: Savills Research

**Retailer information**

The retail market continued to experience a period of upgrading and structure adjustment. A few new brands have also been introduced to the market. The city saw three new flagship stores open:

- Yoshinoya, a Japanese catering chain brand, opened with an area of 200 sq m.

- Seorae, a Korean catering chain brand, opened with an area of 400 sq m.
- Hutaoli, a well-known domestic catering brand, opened with an area of 400 sq m. ■

**Market Outlook**

A number of new prime shopping malls are expected to be launched in 2016, which may add pressure to occupancy rates in the retail market.

The launch of these projects is expected to assist in upgrading the overall quality of the city's retail market. However, the retail market will face some challenges under the economic slowdown.

Catering brands are expected to continue to expand. The retail market is also expected to see first time entries from a number of international fast-fashion brands.

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