

# Briefing

## Snapshot – Evolving retail formats

January 2013

### → Standing out from the crowd – landlords look to carve out their market niche

China is stepping into a period of tremendous growth in retail supply. Developments are springing up everywhere as many cities look to renew their urban cores (Shenyang – The Golden Corridor); create new business districts with all the trimmings and support services (Nanjing – Hexi CBD; Hangzhou – Qianjiang New Town); or just expand to the suburbs as populations grow and infrastructure supports this shift (Shanghai – Wujiaochang).

This deluge of retail developments has increased competition between landlords, not only for tenants but also for shoppers. Retail malls can no longer rely solely on having enough space in the right location, but they now have to go a step further. Shoppers and tourists are increasingly fed-up of seeing cookie-cutter retail projects with homogenous tenant mixes in every city. As a consequence, innovative retail formats and mall designs are emerging as developers look to stand out from the crowd.

### The selling point

All projects should have a selling point to attract consumers. With the development of public transportation infrastructure, especially the Metro network, accessibility will remain key, but that in itself will not be enough to distinguish a project.

In a recent Savills survey, respondents were asked what they thought were the most important considerations when choosing where to shop. It found that the

shopping environment and the range of products provided are the most important factors after accessibility. Owners have to offer a host of factors such as innovative designs, attractive promotion campaigns or tenant mixes to create an interesting and comfortable shopping environment.

### Function and form

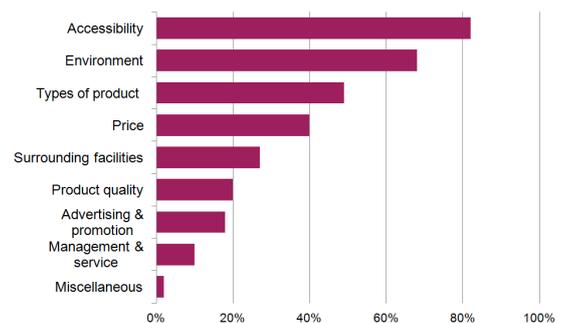
Some landlords and developers have decided to rely, at least in part, on architecture to give them a lead over their peers. While this may help the project to become iconic and famous throughout the city or even nation, form without function may scare off retailers and shoppers. Retailers want to maximise the efficiency of every sq m they lease, giving the brand high visibility and good access to passersby, while shoppers need to be able to get to the store they want with a minimum of hassle. If the shopping mall does not take account of these factors, the look of the project does not matter.

### Vintage restoration

When Shui On launched Xintiandi in Shanghai in 2002, it created a brand-new concept in China by combining modern design with Shanghai's traditional Shikumen architecture. Old buildings were demolished but original materials were preserved and reused in replica buildings. The site quickly became a hotspot in the city, gathering upscale restaurants, bars and fashion houses.

The success of Xintiandi has inspired a spate of copy cats throughout China, and indeed Shui On themselves has duplicated their vision in many other cities, including Hangzhou (Xihu Tiandai) and Foshan

GRAPH 1  
**Factors affecting consumers' choice of shopping destination**



Source: Savills Research

(Foshan Lingnan Tiandi). Many local governments are also very supportive of this new concept.

This model of retail development, however, is much more difficult to pull off than the traditional large-scale enclosed malls, requiring a delicate balance between tourists and locals, F&B and souvenir stores.

### Open plan

Many developers prefer large-scale enclosed retail projects; however, in order to differentiate themselves from their competitors and add some atmosphere, a number of developers began designing and developing open-plan schemes in the early 2000s.

The open-plan scheme allows the developer to present more character and diversity in the project, as it can comprise several standalone buildings with different themes, styles, positioning or tenant mixes. An open space is also an ideal venue

→ for concerts, advertising campaigns, exhibitions and various outdoor activities, which can help to bring shoppers to the project.

Although offering a higher efficiency rate for leasable space, this model does not yet seem to be widely accepted by developers as some other factors need to be balanced.

### Environmentally sustainable buildings

Environmentally sustainable office buildings have been around for a while, but green retail buildings have taken a little longer to get off the ground, only really kicking off in 2010. As new technology makes it easier and more attractive to implement, and as environmentally friendly measures generate long-term cost savings and greener footprints, landlords are warming to this idea. Certification through LEED<sup>1</sup> or one of the many other programmes helps the developer and its projects establish a strong brand image and gain long-term benefits.

According to USGBC<sup>2</sup>, the minimum requirements for the LEED certification regarding new construction retail projects are that they must:

- comply with environmental laws;
- be a complete, permanent building or space;
- use a reasonable site boundary;
- comply with minimum floor area requirements;
- comply with minimum occupancy rates;
- commit to sharing whole-building energy and water usage data;
- comply with a minimum building area to site area ratio.

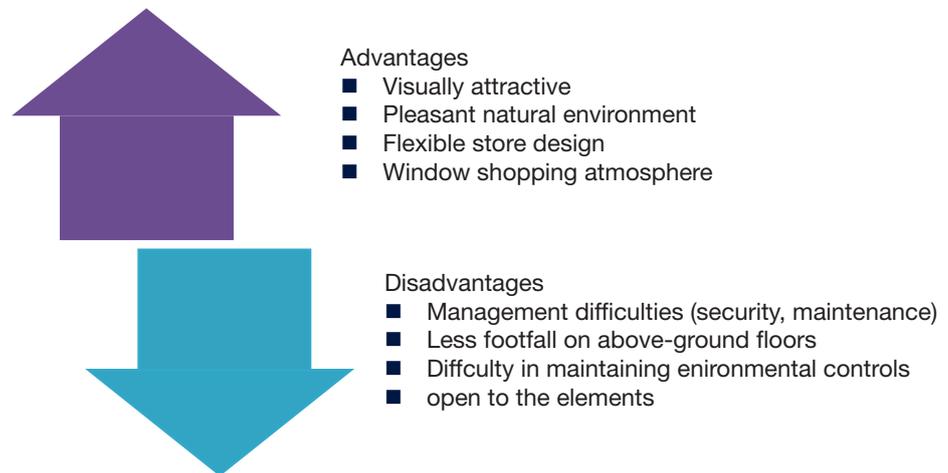
<sup>1</sup> Leadership in Energy and Environmental Design.  
<sup>2</sup> <https://new.usgbc.org/credits/retail---new-construction/v2009/minimum-program-requirements>

TABLE 1 Selected LEED retail projects

City	Project	Developer	Opening year	Retail GFA (sq m)
Jinan	Parc 66	Hang Lung	2011	280,000
Shanghai	Eco 1788	Sunpower	2013E	20,000
Shanghai	Shanghai IFC	Sun Hung Kai	2010	100,000
Beijing	Parkview Green	Parkview	2012	56,000

Source: Savills Research

GRAPH 2 Open plan pros and cons



Source: Savills Research

### Outlook

As new projects enter the market, this trend toward more innovative designs will continue to have its place and expand within the market. However, it is important not to sacrifice function for style.

Superficially changing a façade is not enough; landlords must also pay close attention to the software – the management and tenant mix – in order to successfully navigate this tough and increasingly competitive market. China, just like many other countries, is starting to see the homogenisation of retailer

offerings. It may be time to support domestic fashion designers and retail enterprises, or bring in lesser-known or second-tier international brands to give the consumers and landlords more options. ■

TABLE 2

Case studies

Building	Parkview Green	Sanlitun Village	Kerry Parkside	Daci Temple Project
				
City	Beijing	Beijing	Shanghai	Chengdu
Developer	Parkview Group	Swire	Kerry Properties	Swire and Sino Ocean
Principal architect	IDA	The Oval Partnership	KPF	The Oval Partnership
Opening date	Q3/2012	Q4/2008	Q4/2011	2015
Retail GFA	56,000 sq m	120,000 sq m	45,000 sq m	100,000 sq m
Tenant	Alfred Dunhill, COS, Ted Baker	Alexander Wang, McQ, Comme des Garçon, Apple, Uniqlo	Gap, H&M, Muji	-
Highlights	<ul style="list-style-type: none"> <li>- LEED Platinum certified</li> <li>- Incorporating artworks by Salvador Dali</li> </ul>	<ul style="list-style-type: none"> <li>- Colourful glass façade</li> <li>- Open plan</li> <li>- First Apple store in China</li> </ul>	<ul style="list-style-type: none"> <li>- Open courtyard</li> <li>- Wooden floors</li> <li>- Lifestyle concept</li> </ul>	<ul style="list-style-type: none"> <li>- Restoration project with a modern design</li> <li>- Directly connected to future Metro lines 2 and 3</li> </ul>

Source: Savills China Research

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