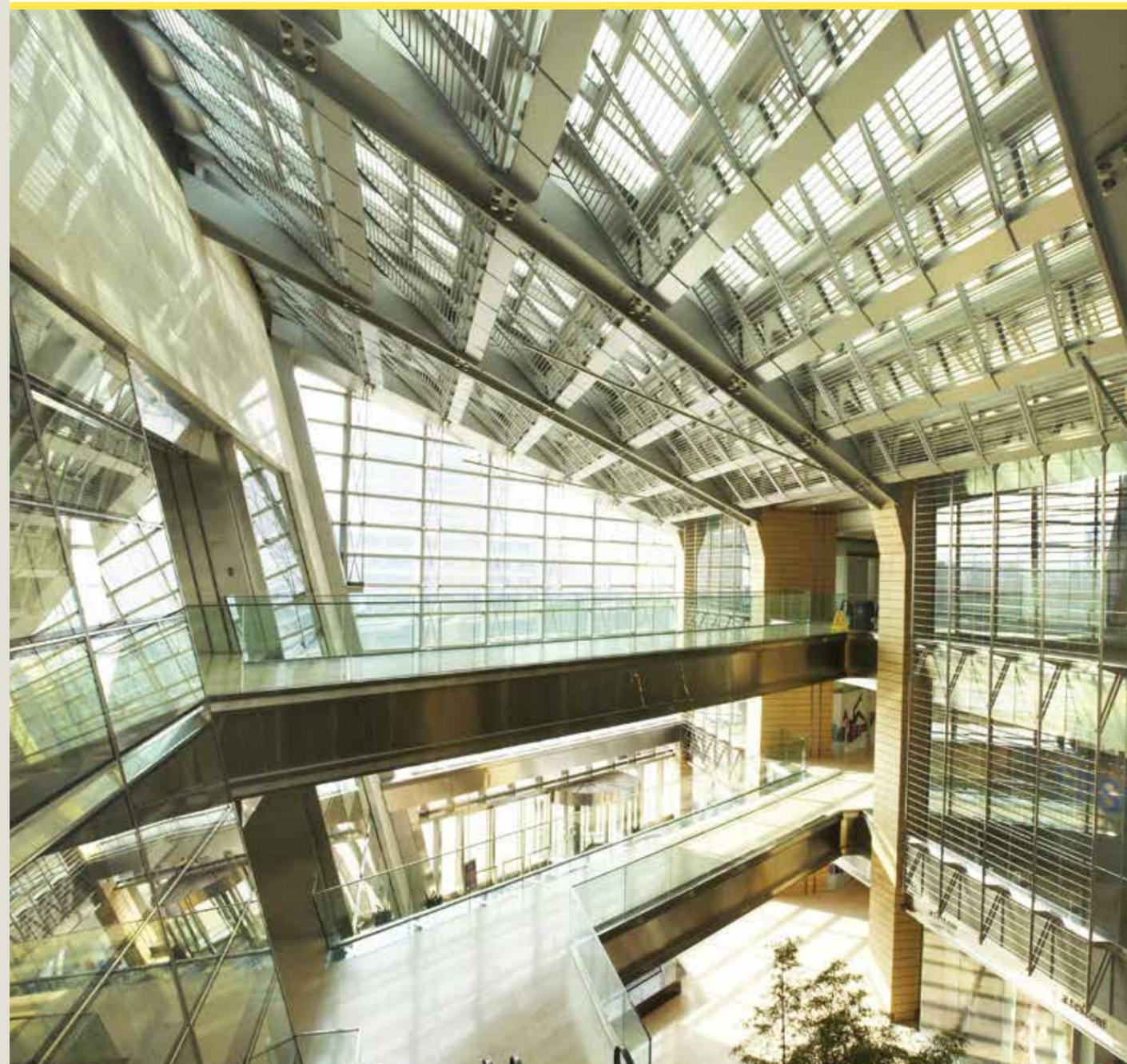




SPOTLIGHT

China 20 – Retail cities

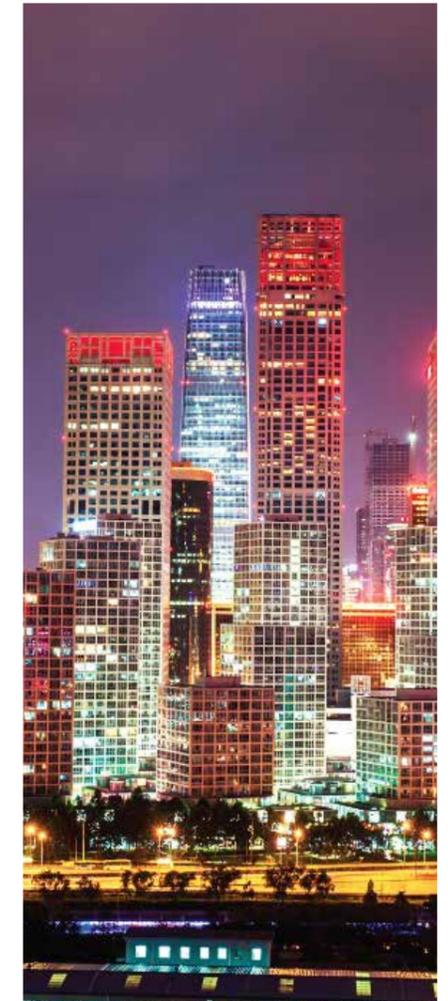
2016





2015-2017 China 20 retail cities

2015-2017 is going to be a challenging time for the retail market in China. The shopping mall stock of 20 of the country's most important retail cities will grow on average by 16% per annum while retailers' expansion rates will slow to below 10% and are envisaged to slow further in the coming years.



20 Cities

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Sectors

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Ranking

Shanghai - 10	Suzhou - 17
Beijing - 11	Nanjing - 17
Guangzhou - 12	Wuxi - 18
Shenzhen - 13	Hangzhou - 18
Dalian - 14	Ningbo - 19
Tianjin - 14	Chengdu - 19
Shenyang - 15	Chongqing - 20
Qingdao - 15	Wuhan - 20
Xi' an - 16	Changsha - 20
Zhengzhou - 16	Kunming - 20

A more challenging market

China is experiencing a supply boom in its commercial and retail markets, a result of over exuberant investment in these asset classes over the last five years. The 20 cities covered in this report received roughly 9.5 million of retail supply in 2014 but this figure is expected to balloon to around 15 million sq m in 2015. Over the next three years, many more malls developed by leading property companies will emerge onto these markets with a much higher specification in design, scale and management. More supply and rapid improvement in offerings will place significant pressure on smaller developers and older projects but this also brings opportunities for investors to explore add-value renovation works for centrally located projects. Stronger, more diversified developers are still likely to benefit from the growth in second tier cities through acquisition and portfolio management.

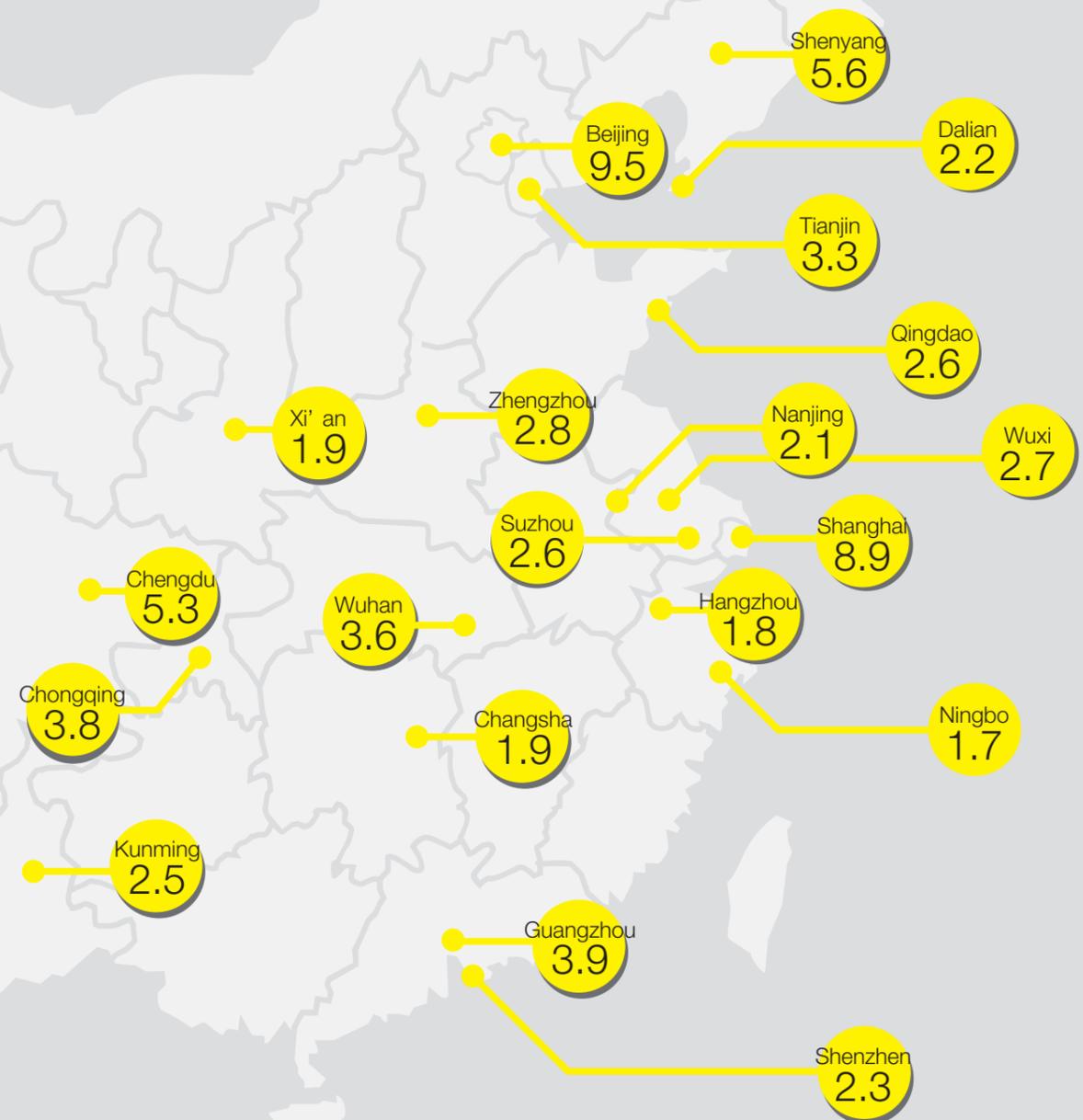
Not just faced with competition from bricks-and-mortar peers, the retail sector is also being challenged by online and overseas market places. Tmall now has over 4,000 international brands on its platform, while some of them have not even opened a physical store in China yet. New brands to China can utilise online channels to test the market for a period of time before making a decision on their next step while online market places can also allow more established brands to be more selective and cautious in expansion to new cities.

Brands are constantly reviewing their store networks, balancing their physical and online store presence while also attempting to keep store types more diversified and product lines more tailored to each category of city. While the rapid expansion of physical stores is no longer the key priority for retailers, there is still great interest from retailers for the 20 cities covered in this report.

While the real estate tends to move very slowly, it has to adjust to the rapid pace that the retail market is evolving in China. Landlords are actively adjusting tenant mixes, spending money on renovating older facilities, reconfiguring unit layouts as well as trying to become more creative with promotions and advertising campaigns. At the same time retailers are bringing innovative, lifestyle elements to their stores to attract consumers.

Retail stock in 20 cities

Unit: million sqm
Note: By end of 2014



Sector performance

Although fashion and supermarkets are slowing down expansion, sectors such as kids and F&B are better positioned.



Entertainment venues are important for shopping malls to keep shoppers in the retail center for longer and make it feel more like a center of the community. KTVs and cinemas have long been the most common anchor tenants for malls. In recent years new KTV venues are upgrading their premises while new cinemas tend to have IMAX. These better facilities will mean old stores will face more challenges.



The **luxury** sector is the hardest hit sector as a result of the anti-corruption campaign and the economic slowdown as well as overseas buying and online shopping. Some brands have started to adjust their prices in China and received positive feedback from clients. There has been a slight recovery in leasing demand in some of the better second tier cities where brands are able to achieve very favourable rates.



Kids-related retail has been one of the fastest growing categories in recent years across all categories as parents take their kids to shopping malls in their spare time. Toys R Us now operates close to 50 stores in over 20 cities while Gymboree operates over 200 "Play & Music" centers. Luxury brands such as Dior and Armani have also launched their own children's clothing lines in China.



In the **fashion** sector strategies vary greatly though most brands understand the importance of having a strong online presence. Physical stores increasingly adopt innovative design, incorporating mobile technology and lifestyle elements to keep them fresh and interesting. Some sports brands are leading the trend by launching more unique concept stores, and winning customers' loyalty through mobile Apps.



The **supermarket** sector has become increasingly competitive forcing some underperforming stores to close, while new stores are still opening. More forms of supermarket are emerging. Larger sized hypermarkets will continue to open in more suburban locations and lower tier cities while city centers of leading cities will likely see more boutique, specialized supermarkets.



Seen as the most reliable sector, **F&B** is contributing more to landlords' rental revenues than ever before, both as a result of more space being allocated to F&B and because rents have continued to rise. The main challenge for the sector is increasing overheads (wages & rents). Meanwhile, as the number of restaurants increases in most shopping venues, competition has also increased.



Slower expansion

As key markets grow saturated and retail sales growth rates slow, international brands, especially those already with a sizeable presence in China, are taking their time in making decisions with regards to new store openings. Other brands are now focusing more on opening in less competitive cities and partnering up with reputable and well respected developers.

The average expansion rate (newly opened stores as a percentage of existing store count) of the retailers surveyed in the key 20 cities has slowed to 10.2% in the twelve month period leading up to Q2/2015. This means that if a retailer already had a total of 20 stores in the 20 cities surveyed it has only opened up an additional two stores in total in those twenty cities over one year period.

Jewellery and luxury sectors continue to record single digit growth and lag behind other retail sectors, though they did record a slight pick-up in expansion rate compared to the previous 12 month period. Overseas buying and the anti-corruption campaign continue to be major obstacle for both sectors, however recent price adjustment by some of the brands and tentative steps by the government to reduce import duties for certain goods have been warmly welcomed by retailers and shoppers alike. Brands have also benefited from the increasing competition for retailers in second tier cities which has given them the upper hand in negotiations with landlords.

While retailers are reining in their plans for short term growth, there is still tremendous potential in China for new entrants. Only 52% of the apparel brands listed in "Interbrand Best Retail Brands 2014" have entered the China market, of these, only 59% (30% of the total) are considered to run an established network of stores. That means there is still significant scope for 70% of retailers to enter or greatly expand their store network in China.

Lifestyle emerging

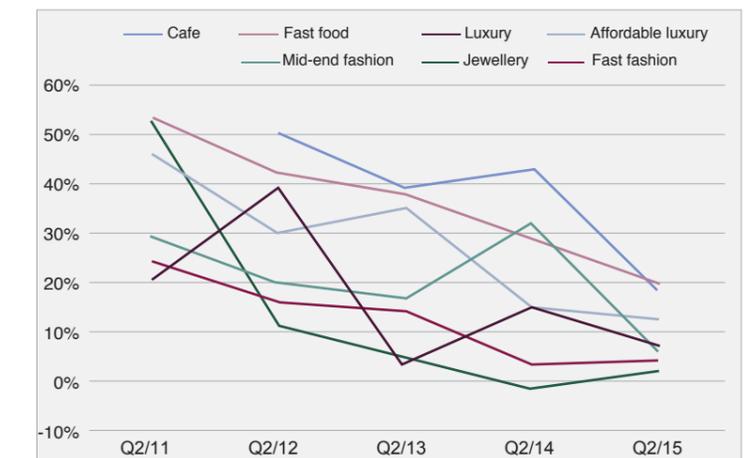
Lifestyle retail is increasingly a catchall phrase for lifestyle brands, lifestyle retailers and lifestyle stores. Lifestyle retail can be small independents or international chains, and come from any positioning or retail category. The thread that ties lifestyle retail together is the emphasis on the consumer rather than the product.

Lifestyle retail identifies a specific and sometimes narrow catchment group and creates a store format, layout, location and design which best suits this grouping. The store is then stocked with the correct products, irrespective of the product category. The stores also provide services to enhance and augment the whole experience. A lifestyle retailer can be a multi-brand or individual brand as long as they have a broad enough product or service offering to provide the consumer with the desired experience. The most important thing is that there is a strong sense of personality with a clearly-defined target customer group.

Considered a niche market in China, the development of lifestyle stores is still in its infancy. Many lifestyle stores are small-sized, managed by individuals, located in inconspicuous street corners with low footfall and cosy environments. However, as the retail market (especially physical stores) slows down and shopping malls seek greater differentiation, more investors and landlords are eyeing this retail category, hoping to offer more unique shopping experiences to customers.

For international retailers, lifestyle is currently coming off through more distinctive store design, more detailed targeted group, bigger scale with more comprehensive products and in-store cuisine service.

Figure 1: Expansion rates of selected sectors



Source: Savills China Research, Company websites



Shanghai

Shanghai tops the retail list of 20 cities. As China's leading financial and shipping centre, the influx of expatriates and flourishing business environment ever since the 1850s has made the city attractive to both domestic and overseas investment. The city is also one of China's most densely populated cities, comparable to Tokyo and far exceeding the likes of Paris and London.

Primary retail areas of the city include Nanjing Road (W), Nanjing Road (E), Huaihai Road (M), Xujiahui and Lujiazui. All are normally at the top of the list of locations for new international brands to the Shanghai market.

Nanjing Road (E) Pedestrian Street is known as a mecca for tourists, both domestic and international. In 2014, M&M's opened M&M's World in Brilliance Shimao International Plaza with a leasable area of 1,800 sq m.

Nanjing Road (W) has witnessed the development of China's luxury market since the first round of retailers entered the area in the early 2000s. The area saw the entry of even more designer brands in 2014, such as Paul Smith, Tory Burch and Maria Luisa.

The modern-meets-traditional Huaihai Road (M) unveiled Hermes' fifth Hermes Home in the world in 2014.

The financial hub of the city, Lujiazui, has maintained low vacancy rates during the past few years as a result of limited new supply. Forever 21 and Disney opened their stores in early 2015, and Eslite Bookstore plans to open in 2016.

Shanghai is the largest market especially for a number of Japanese brands such as Uniqlo, Muji and Moussy. These three retailers have opened a total of around 90 stores in Shanghai to date.

Brands also favour the larger scale shopping malls in emerging locations. American Eagle Outfitters and New Look have expanded into landmark malls in suburban locations, such as Songjiang Wanda Plaza.



Highest ranking in retailer presence



Potential ranking



Retail stock (Million sq m)



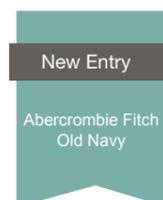
Penetration ranking



Retail sales growth



Expansion
Michael Kors
Moussy



New Entry
Abercrombie Fitch
Old Navy

As the capital city of China, Beijing has always been viewed as a priority for retailers to tap into the Chinese market. The city is where many luxury brands established their earliest presence during the early 1990s. Beijing's services sector accounts for more than three quarters of GDP and is the highest in the country.

Beijing has a very scattered retail distribution pattern. Traditional precincts include Wangfujing, Xidan and Qianmen, catering to tourists and local residents, and are mainly composed of established department stores with a long history. For international retailers CBD, Lufthansa, Sanlitun and Financial Street are also attractive as these areas target white-collar workers and expatriates.

The eastern area, including Wangfujing, CBD, Lufthansa and Sanlitun, are now the top retail destinations in the city with most malls positioned at the mid to high end of the market. Projects in CBD area were the most active in 2014, attracting new retailers through repositioning. SKP Beijing, one of China's top sales revenue projects introduced Hermes, Miu Miu and Brioni, while CCP Shopping Street introduced several flagship stores such as Michael Kors, Max Mara and



Capital city and political center of China

Rimowa. Taikoo Li Sanlitun witnessed the opening of Carven, Diesel and Sandro.

In Wangfujing, The Malls at Oriental Plaza and In88 also received strong demand from mid to high-end brands. In 2014, Moschino, Mikimoto and Georg Jensen opened in The Malls at Oriental Plaza while In88 introduced luxury brands such as Prada, Paul Smith and Tod's after its repositioning.

Xidan Joy City is well known as a top shopping destination for young and trendy consumers. In 2014, the project introduced Innisfree, Stay Real and UGG.

H&M added eight new stores in Beijing in 2014, expanding from the city centre to more decentralised areas such as Tongzhou and Daxing.



Potential ranking



Retail stock (Million sq m)



Penetration ranking



Retail sales growth

Expansion

H&M

New entry

Vera Wang
Cheap Monday



Beijing

Guangzhou



Guangzhou is the third largest market in terms of retail sales, and holds the highest five year retail sales CAGR among first tier cities at 16.6%. The city is home to one of China's earliest shopping malls, Tee Mall, which still boasts one of the highest rental rates in the country.

The city's core retail area is one of the most concentrated among leading cities. While the retail market is expanding to emerging locations and sub cities, retail stock in prime areas, including Tianhe Road, Huanshidong and Beijing Road, still accounts for around 30% of the city's total stock.

Tianhe Road is undoubtedly the

bellwether of Guangzhou's retail market and has consistently recorded the highest rents in the city for a number of years. Huanshidong and Beijing Road in Yuexiu district are dominated by local developers and department stores.

As the retail stock around Tianhe Road accounts for roughly 70% of the city's total prime stock, the area is almost certainly the first choice for the majority of international brands wanting to tap into the market. In 2014, Uniqlo opened a 6,000 sq m store in Victoria Plaza which is Uniqlo's only global flagship store in southern China. Taikoo Hui, a landmark project, is currently undergoing a round of tenant mix

adjustment, introducing several new brands to the Guangzhou market including Roger Vivier, Sandro, Bape and Stay Real. The area is also welcoming a number of emerging local lifestyle brands and buyer shops such as OCE and 01 Men.

Zhujiang New Town, Guangzhou's new CBD, has been gradually improving its retail atmosphere over the past several years. In 2014, Mothercare and UR opened new stores in GT Land Plaza. More retailers are expected to set up shop with the opening of New World Development's K11. Additionally, the expected increase in occupancy rates of surrounding office buildings should generate higher footfall and more expenditure.



Highest retail sales growth among 1st tier cities

3

Potential ranking

3.9

Retail stock (Million sq m)

5

Penetration ranking

12.5%

Retail sales growth

Expansion

UR

New entry

Roger Vivier
Stay Real
Gap/Maria Luisa
Santoni

Shenzhen

Shenzhen is well known for its vitality and its younger population with an average resident age of 30. Consumers are consequently more than willing to try new, trendy products and services.

Shenzhen's main retail areas are scattered from west to east. Two of the most established areas, Huaqiang Bei and Dongmen in the old part of the city are dominated by street stores, specialty markets and department stores, while other retail areas such as Futian CBD and Nanshan in the newer part of town have focused on becoming new retail cores with a number of modern style quality projects.

In 2014, most new stores by international brands were focused in Futian

and Luohu districts. In Futian CBD, Terminal One introduced Maria Luisa, Gant and Versus.

Due to its proximity and ease of access to Hong Kong, many Shenzhen residents are used to buying products in Hong Kong as prices there are much cheaper. This meant that the luxury market in Shenzhen is relatively subdued and store numbers per luxury retailer are much lower than even in some second tier cities. However, mid-end retailers continue to enjoy stable growth particularly in emerging areas where larger residential communities are located.

Shenzhen has seen more retail supply in emerging residential areas such as Longgang since 2013. The successful opening of Longgang Vanke Plaza in Longgang district, which introduced four brands under Inditex and two brands under H&M, has been well received by surrounding residents. In 2014, two new projects by renowned developers opened in the decentralized Longhua New Area in Bao'an district. Muji and Uniqlo opened their first stores in Longhua New Area in 9 Square, while Gap and Old Navy opened in Galaxy Coco City.



Dynamic city with youngest population

4

Potential ranking

4

Penetration ranking

2.3

Retail stock (Million sq m)

9.3%

Retail sales growth

Expansion

Muji

New entry

Maria Luisa
Santoni



Dalian

As an export-oriented coastal city in northeast China, Dalian is also the largest city in terms of GDP in the region. The city's main retail areas include Qingniwa, Renmin Road and Xi'an Road.

The primary retail area, Qingniwa, is the traditional heart of the city, having witnessed the emergence of the city's first department store (Mackay Mall) and the first large shopping mall (New Mart Shopping Plaza). The area is now home to many department stores of various sizes, large shopping malls as well as street stores with most retail centres owned by Dashang Group, a local developer.

Highest GDP in northeast China



New entry	Moncler
Expansion	Hugo Boss
Potential ranking	17
Penetration ranking	16
Retail stock	2.2 million sq m

Renmin Road, located in Dalian's traditional CBD, is well-known as an established business area where many companies have set up headquarters and regional offices. Times Square is one of the earliest high-end shopping malls in the city. In 2014, the project introduced the first Moncler and MCM store in the city.

Xi'an Road has a history of around 100 years and now is a key commercial area in west



Dalian. Projects tend to focus on mid-end family shopping with Dalian Roosevelt Plaza introducing the first Toys R Us to the city in 2014.

A number of leading developers opened high quality new projects in 2015 including Kardan Land from Europe (Europark), Pavilion from Malaysia (Pavilion Dalian) and Hang Lung from Hong Kong (Olympia 66), bringing new excitement to the city.

As the transportation hub of northeast China, Shenyang is a key focus for business and consumption in the region. The city has the third largest retail stock in the country with 5.5 million sq m of retail space by the end of 2014. Core retail areas include Taiyuanjie, Zhongjie and the Golden Corridor.

Dominated by department stores, such as The Centre, New World Department Store, Isetan Department Store and New Mart, Taiyuanjie accounts for 60% of total stock. In 2014, YSL opened its first store in Shenyang in The Centre.

Zhongjie enjoys a diversified and trendy tenant mix with several prime shopping centres, such as Joy City and Palace 66, run by experienced retail operators. The

area is also where H&M, Zara and Muji opened their first stores in the city. In 2014, H&M Home debuted in Joy City, while New Look opened in Palace 66.

The Golden Corridor is an 18 sq km strip running north-south through the city centre, bringing a certain amount of energy to the more fringe areas of the city, such as North Station and Municipal Government Square. The clustering of high-end residential communities combined with office developments along the Golden Corridor, has also generated a strong base of demand to support these new retail facilities. In 2014, Armani Collezioni expanded in Shenyang Charter Shopping Center, while Stuart Weitzman entered MixC. Korean high-end cosmetics brand Sulwhasoo also opened in Lotte Shopping Center, its first store in Shenyang.

Third largest retail stock in China



Shenyang



New entry	YSL, New Look
Expansion	Stuart Weitzman, Kate Spade, Daks
Potential ranking	16
Penetration ranking	8
Retail stock	5.6 million sq m

Tianjin is the fifth largest economy in China and one of China's four municipalities. The development of Binhai New Area over the last decade has brought new growth drivers to the city's economy and also added 800,000 sq m of new retail space to this emerging area.

In terms of core locations, many retailers still prefer the retail areas around the city centre such as Heping-Binjiang-Nanjing Road, Laochengxiang, Xiaobailou and Youyi Road.

The area surrounding Heping, Binjiang and Nanjing roads, known as Tianjin's traditional prime retail area saw the opening of Quanye Bazaar, one of China's earliest department stores back in the 1920s. The area also accounts for one third of the city's retail stock (excluding Binhai New Area) and a large number of four/five-star hotels. In 2014, Hang Lung opened its first shopping mall in Tianjin (Riverside 66), bringing a number of new retailers to the Tianjin market, including Michael

Kors, Longchamp and Cos.

Laochengxiang is an area with a long history and mainly targets tourists and individuals looking for some cultural experiences. Key retail projects include New World Department Store, Lotte Department Store and Joy City, one of the most popular shopping malls in Tianjin. Apple opened its first store in Tianjin in Joy City in 2015.

Xiaobailou and Youyi Road used to be more focused on the office market; however the retail offerings have gradually improved over the past five years. Recent high-profile projects include Hisense Plaza in Xiaobailou and Galaxy Mall in Youyi Road. In 2014, Louis Vuitton and Gucci opened in Galaxy Mall, while Vacheron Constantin opened its first store in Hisense Plaza.

Tianjin



One of the four municipalities

New entry	Philipp Plein, Mikimoto
Expansion	Michael Kors, Longchamp
Potential ranking	5
Penetration ranking	7
Retail stock	3.3 million sq m



Qingdao is well known for its coastal resorts and is a tourism destination in northeast China. The city is also the economic centre of Shandong province, boasting a number of China's leading brands such as Haier and Tsingtao Beer. Hong Kong Road (M) is the iconic retail stretch of the city while other areas, such as Taidong and Licun, focus more on the surrounding residents.

As the most mature retail area of the city, Hong Kong Road (M) has a cluster of upscale retail projects, Grade A offices, five-star hotels and high-end residences. Led by Hisense Plaza and Marina City, the area targets middle-income consumers and is typically the first destination for a wide range of international brands. Hisense Plaza welcomed the opening of Roger Vivier in 2014 and Longchamp in early 2015.

New entry	Roger Vivier
Expansion	Clarks
Potential ranking	12
Penetration ranking	15
Retail stock	2.6 million sq m

Qingdao

Economic center of Shandong province



The area also welcomed the opening of The MixC, a 300,000 sq m shopping mall in 2015. The project introduced a large number of new brands to Qingdao such as i.t, Abercrombie & Fitch and the first Sega Joypolis in northern China.

Taidong and Licun are two of the most popular retail areas for the mass market. Wanda Group operates projects in both areas both having recorded satisfactory business since their opening. Licun's Harmony Mall also witnessed the opening of the city's first Tom's World in early 2015.



Xi'an



Key hub city in northwest China

As the capital city of Shaanxi province, Xi'an is the economic, cultural and transportation hub of northwest China, as well as one of the most famous tourist destinations, enjoying a rich history of more than 3,000 years. The city has witnessed a booming retail market in recent years with a number of new retailers eager to enter the city.

Core retail areas can be divided into Bell Tower, Nanmen and Qujiang.

Bell Tower is the most mature retail area in northwest China and is home to several international luxury brands. Zhongda International Mall, the city's

most upmarket shopping mall, introduced a number of new brands in 2014 including Shiatzy Chen and Agnès b.

Favoured by local residents and tourists alike, the Bell Tower area has also diversified its tenant mix over the last two years by introducing more fast fashion brands. In 2014, H&M opened a 2,6000 sq m flagship store Ginwa ME 8, introducing H&M Home.

With improved infrastructure and accessibility, the Nanmen area has raised its profile and is becoming a new location for luxury retailers. Omega, Givenchy and Sergio Rossi debuted in Century Ginwa Mall, while Miu Miu,

MCM, Corneliani and Kenzo opened their first outlets in Nanmen Wangfujing Department Store, in the same malls Prada also opened its second store in Xi'an.

Qujiang, which targets domestic tourists, unveiled Zara Home in Qujiang Intime Department Store in 2014.

New entry	Givenchy, MCM
Expansion	H&M, UGG
Potential ranking	19
Penetration ranking	13
Retail stock	1.9 million sq m

Zhengzhou



Capital of the populated Henan Province



Zhengzhou is the capital city of Henan province, the most populace province in China with over 100 million citizens. Benefiting from China's high-speed railway network, Zhengzhou is evolving from a provincial centre to a key transportation hub especially as an intersection connecting the northwest with eastern China.

Zhengzhou is a major destination for retailers expanding to inland China. Core retail areas include Erqi, Bishagang and Huayuan Road.

The leading retail area is Erqi, close to the railway station, with a high footfall and a

diversified retailer mix. The opening of two upscale projects in 2014 has helped upgrade this area and marked the debut of a number of international brands, including Apple, Tod's and Moncler in MixC Mall while Michael Kors and MCM opened in Dennis David Plaza. In addition, high-end retailers are also actively expanding in this area, with Gucci, Cartier and Max Mara opening their second stores in Dennis David Plaza.

Bishagang is home to the municipal government and Zhengzhou University, favoured by local residents and college students. Zhongyuan Wanda Plaza has continued its tenant adjustment by adding more popular retailers, such as Innisfree and New Look.

Huayuan Road, a secondary retail area, is surrounded by financial institutions primarily targeting white-collar workers. Mid to high-end department stores have introduced new brands, such as L'Occitane (Guomao 360 Plaza) and Superga (Dennis Huayuan Road).

New entry	Tod's, Innisfree
Expansion	Gucci
Potential ranking	18
Penetration ranking	17
Retail stock	2.8 million sq m

Suzhou is the second largest city in the Yangtze River Delta in terms of GDP and total population. Old Town, Suzhou Industrial Park (SIP) and Suzhou New District (SND) are the three main districts driving Suzhou's commercial development.

As a must-see tourist destination, Old Town enjoys higher footfall and a greater maturity compared with SIP and SND.

Consisting of Guanqian, Shilu and Nanmen, Old Town is dominated

by department stores and retail street stores. In 2014, Tory Burch opened its first store in Suzhou Tower in Nanmen.

SIP has recorded the fastest development in the city starting with Singaporean style community centres in the early years and more recently with large-scale multi-functional shopping malls and modern retail streets. Both New Look and Fossil opened new stores in SIP in 2014. Eslite Bookstore from Taiwan opened in 2015.

Major retail developments in SND are located along Shishan Road, to the east of the well-known Suzhou Amusement Land. Lauder Pal entered Matro SND in the first half of 2014.

Large scale projects in emerging areas are also attractive to retailers. In 2014, Wuzhong area saw a number of new international entrants such as Old Navy and Flaxus Tokyo in Aeon Mall.

Suzhou



Second largest GDP in Yangtze River Delta

New entry	Tory Burch, Old Navy
Expansion	New Look, Fossil
Potential ranking	6
Penetration ranking	12
Retail stock	2.6 million sq m

Nanjing, the capital of Jiangsu province, has a rich political and cultural history. Primary retail areas include Xinjiekou, Hunan Road, Confucius Temple while Hexi New Town is one of the key emerging areas.

Xinjiekou has maintained its position as Nanjing's premium retail destination since 1930s, attracting local shoppers as well as those from neighbouring provinces. In 2014, Golden Eagle International saw the opening of the first Pandora store and Teenie Weenie café. American Eagle Outfitters and QDA opened their

first store in Nanjing in Amicizia.

Hunan Road is a favourite of local shoppers, though tourists are also attracted by the famous scenic spots. Nanjing International Centre, now known as Jinmao Place, is under renovation with some leading brands expected to open new stores, such as Swarovski, Trussardi and Peuterey.

Confucius Temple is an historic area with a large variety of traditional F&B outlets and fast fashion brands targeting young and white-collar customers.

Hexi New Town is an emerging area with the vision of becoming the new CBD of the city. The area has a number of modern retail centres under development and planning. New residential communities and public facilities have also been built over the last decade. At present, a majority of retail projects focus heavily on F&B and services.

Nanjing

Capital of Jiangsu province



New entry	AEO, Furla
Expansion	Swarovski
Potential ranking	10
Penetration ranking	10
Retail stock	2.1 million sq m



Wuxi is the third largest city in Jiangsu province in terms of GDP and population. Zhongshan Road is the main traditional retail area while Taihu Square and Taihu New City are emerging retail destinations.

Zhongshan Road is a traditional commercial and business hub of the city. The opening of the first phase of Hang Lung's Centre 66 has helped to further consolidate the area's position as the city's leading retail district. Apple, Kate Spade and Versace made their first appearance in Wuxi in Centre 66. Zhongshan Road has also witnessed the opening of Tory Burch and Red Valentino in 2014.

Wuxi



Taihu Square is in the centre of Nanchang district, Wuxi's original commercial and industrial hub as well as a key convention and exhibition area. Office workers and associated business activities support retail sales in the area.

Taihu New City is a key focus of the city's long term master plan and is also where the city's municipal government plans to relocate to. A number of financial companies have already established their headquarters in the area while some leading retail developers such as Wanda, China Resources and Lan Kwai Fong also have plans to develop retail centres.

The city witnessed the opening of Inter IKEA Centre Group's first shopping mall in China in 2014, Wuxi LIVAT Shopping Centre, introducing a number of new fashion brands such as Old Navy and New Look.



Third largest GDP in Jiangsu province

New entry	Red Valentino
Expansion	Mont Blanc
Potential ranking	14
Penetration ranking	14
Retail stock	2.7 million sq m

Key apparel manufacturing base



New entry	Etro
Expansion	Zara, New Balance
Potential ranking	13
Penetration ranking	19
Retail stock	1.7 million sq m



Ningbo, a major centre for business, trade and logistics, is located on the south bank of Hangzhou Bay in the northeast of Zhejiang Province. It is a coastal city and the second largest city of Zhejiang Province in terms of GDP. Ningbo is also one of the largest clothing manufacturing bases of China and the birthplace of a number of leading domestic fashion groups such as GXG, Peace Bird and Youngor.

Sanjiangkou, located in the centre of Ningbo, is the leading retail area, well-known for its very popular Tianyi Square. With the opening of Heyi Avenue Shopping Centre and the second phase of International Shopping Centre in 2009, the city's luxury market has

quickly evolved with the entrance of Louis Vuitton, Cartier and Hermes. New Balance opened its flagship store in Tianyi Square in 2014.

Yinzhou retail area, to the south of the city, targets the mass market especially local families, from the recently built high-rise apartments in the surrounding area. At the moment the retail precinct is centred on InCity but a number of other commercial projects remain under construction in the immediate surrounding area.

Jiangdong and Jiangbei are comparatively new retail areas with only one shopping mall currently located in each – Century Oriental Plaza and Jiangbei Wanda Plaza.

Ningbo

Hangzhou is one of China's wealthiest cities with strong purchasing power and a dynamic tourism industry, making it a top choice for retailers expanding into second tier cities.

Hangzhou's core retail areas include Wulin, Lakeside and Qianjiang New City.

Wulin has the highest rents and the most luxury retailers of any retail area in Zhejiang province. Hangzhou Tower, one of the highest turnover projects in China, is highly favoured by high-end retailers entering this affluent area. Stuart Weitzman and Michael Kors debuted in Hangzhou Tower in 2014

Lakeside, known for the West Lake views, attracting fashion-conscious customers and tourists and is home to a number of fast fashion brands and popular restaurants. The area unveiled Forever 21 and Apple Store in the fourth phase of In77 in 2015.

Qianjiang New City, the city's newly planned CBD, is favoured by mid to high-end retailers. The MixC has convinced some luxury brands to open their second stores in Hangzhou, including Diesel, Loewe, Givenchy and Van Cleef & Arpels.

Hangzhou



One of the wealthiest cities in China

New entry	Forever 21, Michael Kors
Expansion	Zara
Potential ranking	8
Penetration ranking	6
Retail stock	1.8 million sq m

Kunming is the fourth largest city in western China after Chongqing, Chengdu and Xi'an, and plays an important role in connecting China with Southeast Asia. The city enjoys a long history as well as abundant natural tourism resources. Kunming now ranks third among the western cities in terms of personal disposable income.

The core retail cluster of the city which started to form in the 1980s, is comprised of Sanshi Street, Qingnian Road and Baita Road.

In Sanshi Street area, designer brand Vince Camuto and Dirk Bikkembergs opened their first stores in Kunming in Shuncheng Shopping Centre in 2014.

Qingnian Road area has witnessed an active year for F&B outlets as Maan Coffee, Honeymoon Dessert and Burger King all



The hub linking inland China and Southeast Asia

New entry	Sephora
Expansion	Uniqlo
Potential ranking	20
Penetration ranking	18
Retail stock	2.5 million sq m

chose to set up shop in Golden Eagle Mall. At the same time Monki and Charles & Keith also opened their second stores in Kunming.

The two main emerging areas in the north and south of the city saw rapid growth in retailer expansion with brands mainly positioned at the mid end of the market. Tongde Kunming Plaza in the north saw the opening of the first Sephora store and the second GAP store. In the south of the city Decathlon opened their first store in Kunming in Nanyue City.

Kunming



The Chengdu retail market has developed quickly over the past several years. The city is one of the most diversified retail markets among second tier cities with an array of developers expecting great things from the city. While maybe not comparable to some of the second tier cities on the east coast in terms of its economic performance, Chengdu is regarded by many retailers as the centre of commerce in western China with a much stronger regional influence than its peers in eastern China.

Prime retail areas of the city include Yan-shikou and Chunxi Road.

Chunxi Road is the largest and most well-known retail area of Chengdu. In 2014, Swire and Wharf opened their first retail projects in

the city – Taikoo Li and IFS. The opening of the two shopping malls has further consolidated the area's leading status in the city with a number of high-profile retailers opening designer flagship stores.

Chanel, Christian Louboutin and Balenciaga opened their first stores in western China in Chengdu IFS, while Louis Vuitton, Dior, Fendi and Prada all opened duplex stores. In Tai Koo Li, Muji opened a 3,100 sq m flagship store. Hermes, Gucci and Chloe all opened duplex stores.

Yan-shikou focuses more on the mid-end and mass markets with department stores accounting for the majority of stock. Yanlord Landmark saw the opening of Furla in 2014 and Shiatzy Chen in 2015.

Leading retail market among second tier cities

New entry	Chanel, Hollister
Expansion	Muji, Valentino
Potential ranking	11
Penetration ranking	3
Retail stock	5.3 million sq m



Chengdu

Projects in emerging areas are also welcomed by local consumers. Some areas such as Panchenggang have not yet seen any retail projects launched but offer such huge potential that leading developers such as Sun Hung Kai and Lotte have identified and already secured land plots for future developments.

New entry
Expansion
Potential ranking
Penetration ranking
Retail stock

Prada, Hogan, Under Armour
Diane von Furstenberg
7
11
3.8 million sq m



Tremendous GDP and retail growth

Known as the "City of Mountains", Chongqing has seen tremendous growth over the past decade benefiting from China's "Go West" campaign. The city's GDP registered a real compound annual growth rate of 13.3% from 2001 to 2014, while retail sales increased by a nominal CAGR of 15.5% over the same period.

The city's prime retail areas include Jiefangbei and Guanyinqiao.

Jiefangbei is the earliest retail area in Chongqing and is typically the first destination for luxury brands opening their first stores in the city, such as Louis Vuitton, Gucci and Cartier. The area has a strong attraction for both tourists and residents.

In 2014, the newly opened WFC introduced Givenchy, Miu Miu and Dsquared2 while Prada also opened a 1,000 sq m duplex store. Chongqing Times Square, one of the earliest high-end malls in the city, saw the opening of Bvlgari and Hogan.

Guanyinqiao boasts one of the largest malls of the city, Paradise Walk, and high-end mall, Starlight 68 Plaza, which is home to Gucci, Cartier and Ralph Lauren. The area mainly targets local residents. New brands entering Paradise Walk in 2014 included Under Armour, Folli Folli and Dr. Martens.

In 2014, The MixC opened in Yangjiaping area, bringing a number of mid to

high-end retailers to the area for the first time such as Moncler and Bottega Veneta.

Apple opened two stores in Chongqing in 2014 respectively in Jiefangbei and Guanyinqiao area. Their third store opened in 2015 in The MixC.



Chongqing

As one of the largest cities in central China, Wuhan is known for its status as a trade and transportation centre and enjoys a dynamic business environment with a large population. The main three districts - Hankou, Wuchang and Hanyang - were originally separate cities. They remain separated by the Yangtze River and the Han River, resulting in a city with several relatively independent business centres.

The oldest and the most famous retail areas are in the south-east of Hankou district, namely Jiefang Road and Jiangnan Road (the former British Concession) both of which attract local consumers and tourists. In Wuhan International Plaza, the biggest luxury

shopping mall in Wuhan, Louis Vuitton upgraded its store into a flagship store in 2014. Moussy, Fresh and Raoul opened their first stores in Wuhan at Wushang Plaza.

In Wuchang district, the main retail area used to be along Zhongnan Road, however this has gradually been overshadowed by the rapid growth and modernisation of Jiedaokou and Guanggu. The first Forever 21 store in Wuhan was opened in May in Guanggu World City.

In Hanyang district, Zhongjiacun used to be the main shopping area, but the southward drift of urbanization has been shifting the centre to southern Wangjiawan.

Wuhan

One of the largest city in central China

New entry	Forever 21, Moussy
Expansion	UR
Potential ranking	9
Penetration ranking	9
Retail stock	3.6 million sq m



Changsha

As the capital city of Hunan province, Changsha recorded the second largest retail sales figure among the cities in six central China provinces after Wuhan. The explosion in the creative and entertainment industries in recent years has stimulated business growth in the city,

enhancing its commercial influence and spurring on its retail market.

Most of the major retail districts are located to the east of the Xiang River. The most notable traditional retail area is the Wuyi Cluster, which lies along Wuyi Avenue. Its mature commercial atmosphere has attracted a great many mid to high-end brands, serving a wide range of customers including those from Hunan province's lower-tier cities.

In 2014, Friendship Shop, which is the main luxury store for the area after renovation in 2008, introduced MCM, Gucci and La Mer. The area also welcomed Michael Kors and DKNY JEANS opening their first stores in

Changsha in Wangfujing Department Store. GAP also established its first presence in Changsha in ID Mall.

The area surrounding the main railway station is also another high footfall neighbourhood, however, dated retail facilities and a less affluent catchment means that it is difficult to reinvigorate the area or raise its positioning leaving the area to be dominated by local department stores.



Second highest retail sales in central China

New entry	Michael Kors, MCM
Expansion	Gap
Potential ranking	15
Penetration ranking	20
Retail stock	1.9 million sq m



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Provide optimal solutions to maximise the potential returns through a successful tenant mix and line-up

Working with management teams to ensure schemes are attractive to both consumers and retailers

Retail Management

Services include marketing, leasing, customer service, financial management, property management, etc

Providing an array of solutions to facilitate effective management in order to maintain market sustainability and profitability

Retail Consultancy

Initial project planning and concept design through to tenant mix and rental strategy by providing detailed research and advice

Working alongside architects and developers on design and concept ideas

Tenant Representation

Comprehensive range of services for companies entering or expanding within China while aligning client needs with goals and objectives

Detailed knowledge of local market dynamics, shopping behaviour and locations

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