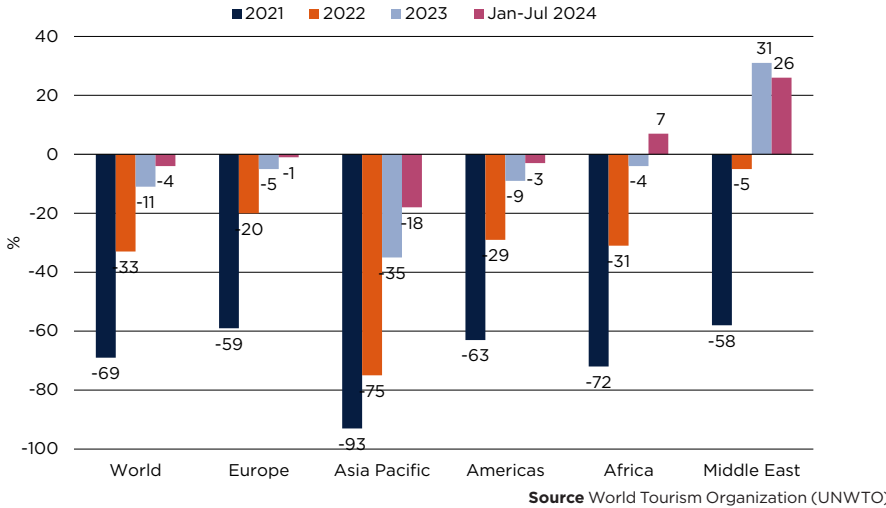


# Asia Pacific Retail



# A new playbook for growth amidst challenges

**GRAPH 1: International Tourist Arrivals Against 2019-levels, 2021 to Jan-Jul 2024**

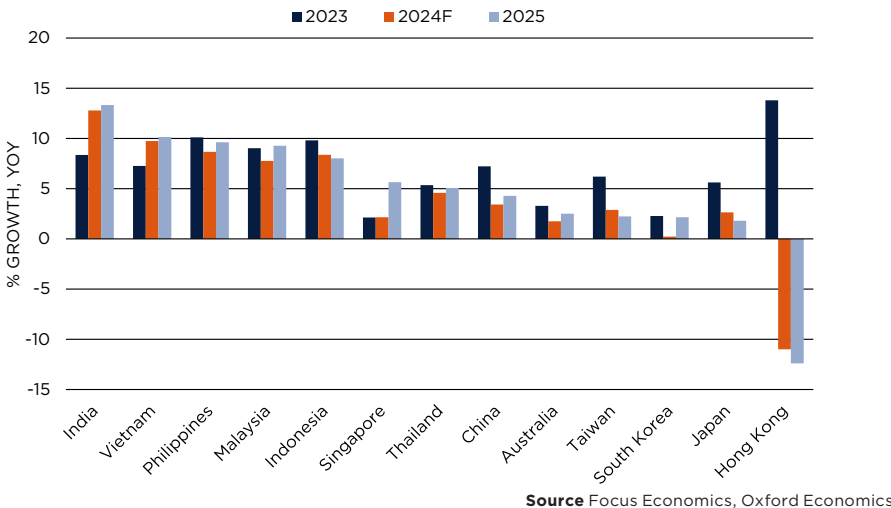


**TABLE 1: Top 10 Destinations in Asia Pacific with the Highest Inbound Tourist Volume, Q1/2024 to Q3/2024**

Rank	MARKET	ARRIVALS (MILLION)	COMPARED TO 2019-LEVELS
1	China*	95.0	87%
2	Hong Kong	32.6	70%
3	Japan	26.9	110%
4	Thailand	26.1	88%
5	Malaysia	18.4	91%
6	Vietnam	12.7	99%
7	Singapore	12.6	88%
8	Indonesia	10.4	86%
9	South Korea	9.9	94%
10	Australia	6.0	88%

Source: Government sources, Savills Research & Consultancy  
 Note \*China include visitors from Hong Kong, Macau and Taiwan

**GRAPH 2: Retail Sales Growth by Market, 2023 to 2025F**



## ASIA PACIFIC RETAIL MARKET CONTINUES TO RECOVER ALBEIT AT AN UNEVEN PACE

As the year progresses, the retail landscape in the Asia Pacific region shows a mixed pattern of recovery, characterised by growth potential coupled with resilience and transformation. Despite facing global economic headwinds, the region’s real GDP growth is forecast to reach 4.1% YoY, markedly outpacing the more subdued growth predicted for the US (2.5%) and Eurozone (0.8%), driven by developing markets such as China, India, and ASEAN markets.

Inflation across most retail markets in the region has moderated, with many rates now falling within or close to target ranges. However, while both interest rates and policy rates have stabilised over the year, this has not fully translated into consumer confidence in some markets, particularly in China, where concerns about debt levels and business prospects are weighing heavily on sentiment.

Meanwhile, international tourism remains a significant driver of retail activity. In the first seven months of 2024, the total volume of international tourists in Asia Pacific showed a shortfall of 18% compared to pre-pandemic levels, suggesting a full recovery by 2025. Among the region’s markets, Japan has emerged as a standout performer, with inbound tourism surpassing 2019 levels by 10% in the first nine months of the year. Vietnam followed closely, reaching 99% of its 2019 levels, while South Korea and Malaysia stood at 94% and 91% respectively. This influx of visitors and spending has positively impacted retail sales growth in these markets.

The weakened yen has given a huge boost to the luxury sector. LVMH reported a 36% YoY revenue growth in Japan for Q1-Q3/2024, while Hermes and Prada Group posted sales growth of 23% YoY and 53%YoY respectively during the same period. Despite this strong start, luxury sales in Japan have slowed in Q3, partly due to upward price adjustments in airfares, hotel rates and luxury brands. Additionally, the appeal of the yen has begun to wane as economic concerns at home have started to affect mainland Chinese tourists, who are the highest-spending group among all vacationers.

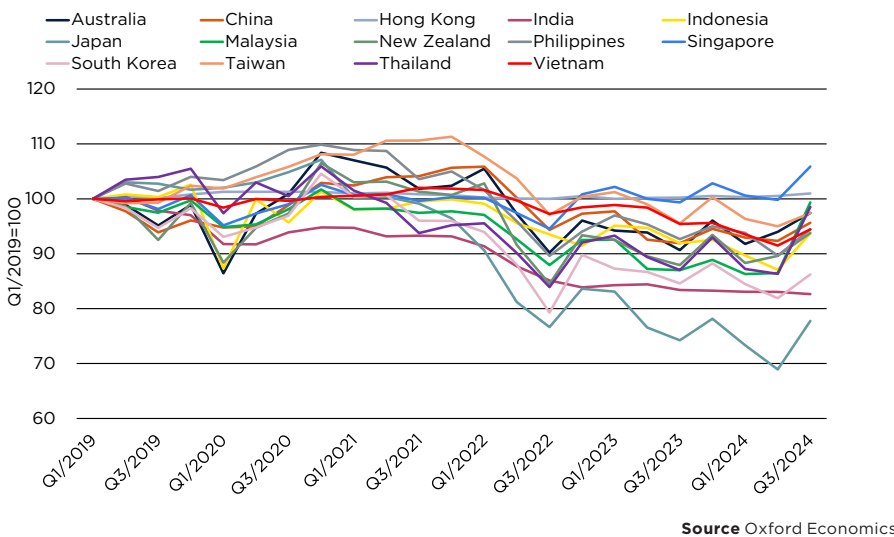
China’s real GDP growth is projected to decelerate to 4% annually over the next five years, a significant decline from the double-digit growth of previous decades. The nation’s total debt now stands at 280% of GDP, raising concerns about its ability to deleverage safely without triggering financial instability or deflation. As such, consumer confidence fell to 86 points in September, with 100 points representing

a neutral stance, close to the lowest level recorded in over a decade. Consequently, many consumers are cutting back on luxuries and overseas travel.

Outbound travel, while experiencing a boost in the first half of the year due to increased flight frequencies and favourable visa policies, has remained sluggish overall in 2024. Although the tourist volume surged to 130 million, an impressive 60% increase from the previous year, it is still 20% below 2019 levels. And yet the outlook is even grimmer. According to a survey conducted by Oliver Wyman, 45% of surveyed Chinese consumers expect to travel less frequently in the coming year, and 57% expressed intentions to reduce their shopping budgets while travelling internationally in 2025.

## Asia Pacific’s retail recovery continues as business prospects improve and old travel patterns reemerge. Luxury leasing momentum is being driven by the need to provide more immersive experiences in increasingly exclusive spaces targeting loyal VIPs and a quest for unique venues which are able to encapsulate the ethos of the brand.

**GRAPH 3: US Dollar vs Asia Pacific Currencies, Q1/2019 to Q3/2024**



**GRAPH 4: Asia Pacific Average Prime Retail Rental Index, 2H/2018 to 2H/2024F**



That being said, visa-free policies have substantially boosted the appeal of destinations like Singapore and Malaysia, with these two markets seeing Chinese arrivals rise by 146% and 144% YoY respectively over the first three quarters in 2024.

This mixed economic climate is also reflected in retail sales performance and the pace of retail recovery across the region. While the average Asia Pacific prime retail rent saw a 20% drop from peak to trough during the pandemic, most markets bottomed out in 1H/2023. A soft, L-shaped recovery is anticipated, with a forecast 0 to 5% growth for the full year of 2024. So far, growth across the 14 prime retail markets tracked has ranged from -1.4% to 5.7% HoH with Japan and ASEAN markets like Singapore, Kuala Lumpur, Ho Chi Minh City, Hanoi and Jakarta leading the way, while Hong Kong and tier-1 Chinese cities lag behind.

### ATHLEISURE, LIFESTYLE RETAILERS, AND F&B OPERATORS TO LEAD LEASING MOMENTUM

In terms of leasing demand, athleisure, fitness and wellness, lifestyle retail, as well as food and beverage (F&B) and entertainment operators are driving momentum in 2024. We conducted a survey with leasing agents and retailers across the region, and the consensus is that these sectors are expected to sustain their expansion appetite into 2025.

The growing interest in healthier lifestyles and outdoor activities continues to boost leasing demand for athleisure and fitness brands. Athleisure retailers like Lululemon, Alo Yoga, Vuori, Hoka, Salomon and ON running are expanding rapidly in key markets across the region. Among the more notable deals taking place in 2H/2024, Vuori, a US-based athleisure brand made its debut in mainland China, occupying 1,600 sq m at Jing’an Kerry Centre in Shanghai. The store marks the athleisure brand’s 67th location as it works toward a goal of opening 100

GRAPH 5: Key Leasing Demand Drivers by Market, 2025F



Source Savills Research & Consultancy

stores by 2026 after receiving a US\$400 million investment from Softbank three years ago and a further US\$825 million investment led by General Atlantic and Stripes this November.

Meanwhile ON running leased a ground-floor store at H Queen’s on 80 Queen’s Road Central in Hong Kong for a monthly rent of around US\$71,000 (HK\$552,000), equivalent to US\$208 per sq m per month, marking the brand’s first entry to the city. The Swiss footwear brand also opened a 390 sq m flagship store in Emporium Melbourne in Melbourne, a first in the Australian market, during the same quarter.

Furthermore, in China, Zheng Qinwen’s historical win in the women’s singles event at the 2024 Paris Olympic Games set off tennis fever across the country and fuelled a ‘tenniscore’ fashion trend. Wilson, a tennis-focused sports brand, first entered the Chinese market back in 2021 with its first store in Wuhan, has accelerated its expansion plans and opened 24 new stores this year alone, with more new openings to come. Amer Sports, the parent company of Arc’teryx, Salomon, and Wilson, saw its Golden Week revenue in China increase by 60% YoY, reflecting strong growth potential despite a slower macro-environment.

**LUXURY RETAILERS ARE TURNING TO CONCEPT STORES, POP-UPS AND EVENTS**

The luxury retail market in Asia Pacific is also undergoing a transformation, as many are shifting their strategies from active expansion to consolidating existing networks and investing more in flagship concept stores in response

to the challenging macro environment ahead, particularly in mainland China. The market has seen more luxury retailers focusing on creating holistic customer experiences beyond shopping to provide added value and compete for the attention of affluent consumers.

Pop-up stores, high-profile exhibitions, and experiential marketing events have become key tools for luxury brands to maintain their presence and build brand awareness. For instance, Miu Miu recently launched ‘Miu Balmoral’, a series of pop-up stores in Tokyo, Osaka, Shanghai, Bangkok, Hong Kong, and Seoul. Loewe introduced its ‘Crafted World’ exhibition in Shanghai to celebrate the brand’s 178-year history of craftsmanship and innovation through nine interactive rooms. Additionally, Brunello Cucinelli hosted the ‘A Oriente’ event in Shanghai for its Spring/Summer 2025 collection, marking its first large-scale exhibition and fashion show outside its headquarters in Solomeo, Italy. These initiatives allow brands to engage consumers outside its regular physical retail spaces and foster closer personal relationships.

**EXPERIENCE-FOCUSED RETAIL APPEALS TO A YOUTHFUL DEMOGRAPHIC**

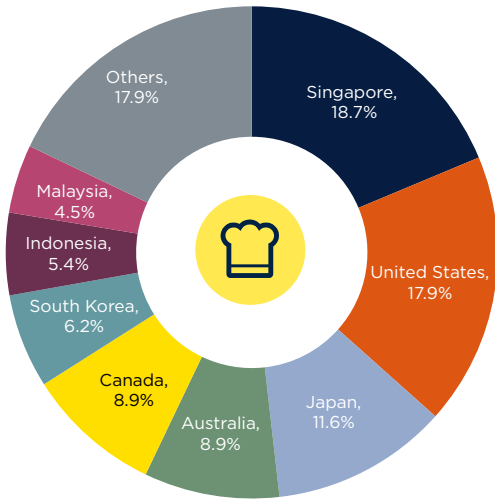
Furthermore, this experience-first approach is also evident in the growing consumer demand for a number of lifestyle retailers. In Q3/2024, MINISO expanded its footprint by opening three MINISO LAND stores, a theme-park style spinoff from its regular store format, in Shanghai (2,000 sq m), Tianjin (2,000 sq m), and Jakarta (3,000

sq m). These large-scale stores feature immersive, narrative-driven experiences with popular intellectual property (IP) collaborations such as Harry Potter, Sanrio, and Disney. Similarly, Pop Mart made a bold move by launching POP LAND, a 40,000 sq m theme park in Beijing which combines retail with interactive installations, playgrounds, restaurants and retail stores, creating a unique blend of shopping and entertainment. This trend of integrating gamification, interactive technology, and social media engagement with shopping is expected to continue as retailers look to appeal to their younger target audience.

The surge in popularity of ‘blind box’ culture has significantly boosted sales of IP-related toys and collaborative merchandise, particularly in markets with strong millennial and Gen Z consumer bases. POP Mart’s revenue in Southeast Asia grew by 478% YoY in 1H/2024, and MINISO saw an over 43% YoY sales growth outside mainland China during the same period. As a result, both brands are capitalizing on this trend with ambitious expansion plans. MINISO’s CEO has committed to maintaining an expansion pace of 900 to 1,100 stores annually, with 550 to 650 located overseas between 2024 and 2028. Meanwhile, Pop Mart is accelerating its expansion, exceeding its previous target of 50 to 60 new stores per year.

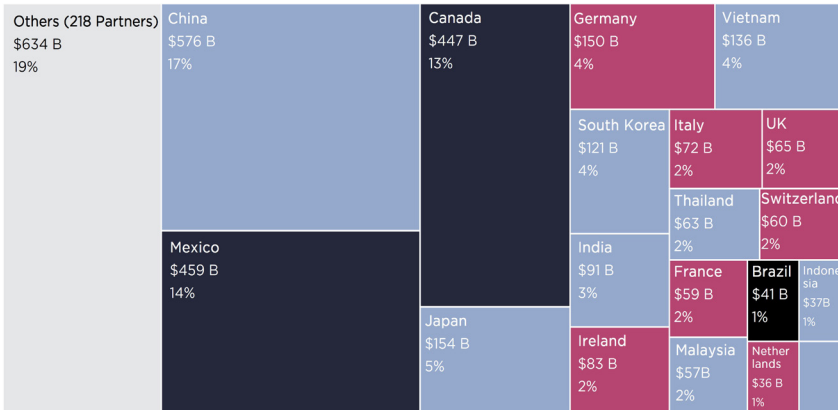
Smaller players are also entering the market, with Indonesia-based Oh!Some rapidly expanding across Southeast Asia over the past two years. Additionally, Flying Tiger Copenhagen, a Danish variety store chain, aims to open 1,000 stores in Asia through a franchise model over the next five years.

**GRAPH 6: Share of First International Store Location Among Chinese F&B Operators by Market, Q1/2024 to Q3/2024**



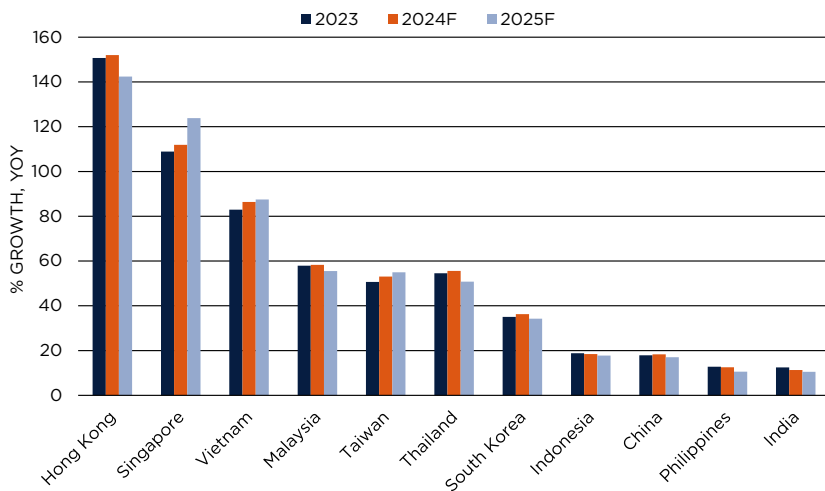
Source canyin88.com, Savills Research & Consultancy

**GRAPH 7: US Product Imports by Market, 2022**



Source World Bank, Savills Research & Consultancy

**GRAPH 8: Exports of Goods as a Share of GDP by Market, 2023 to 2025F**



Source Oxford Economics

**CHINESE RETAILERS GO GLOBAL AMID SLOWER HOME GROWTH**

While MINISO and Pop Mart are leading the charge, many other Chinese retailers, particularly in the F&B sector, are also actively pursuing international markets. Among them, bubble tea and coffee brands are at the forefront, particularly Mixue Ice Cream & Tea which now boasts over 4,000 international stores. Casual dining options like hotpot and malatang are also gaining popularity, often targeting markets with large Chinese communities or those with similar cultural tastes. In the first nine months of 2024, about 19% of F&B brands which expanded internationally chose Singapore as their first overseas branch, followed by the United States (18%), Japan (12%), Australia (9%), and Canada (9%).

Beyond F&B, Chinese retailers in sectors such as automotives, consumer electronics, fashion, and cosmetics are also going global. Electric vehicle brands like BYD, AION, and NIO are increasingly prioritizing international markets, making significant investments in South and Southeast Asia to diversify their operations and mitigate risks associated with trade tensions and rising tariffs. In Southeast Asia, demand continues to grow, particularly in Thailand, where Chinese brands now account for 14% of light vehicle sales 1H/2024, nearly triple the figure from three years ago. Within the EV space, Chinese brands, led by BYD, dominated the segment with an 80% market share in Thailand in 2023. Meanwhile, in Indonesia, the market share of Chinese automakers reached 5% of total light vehicle sales in 1H/2024, driven by the popularity of their affordable EVs. The region's large base of first-time or price-sensitive consumers presents a significant opportunity for emerging brands to challenge legacy automakers for market share.

Consumer electronics, fashion and cosmetics brands, however, are adopting a more cautious approach to expansion, favouring an omnichannel strategy to enter new markets. Many are launching overseas websites and leveraging e-commerce and social commerce platforms to reach consumers. For offline expansion, some brands start by testing the waters in specialty or department stores before opening dedicated locations. For example, Florasis, a popular C-beauty brand, tested the Japanese market with a successful pop-up store at Isetan Shinjuku last year. Following this success, the brand now plans to open 50 stores across Asia, North America, and Europe over the next five years, with 25 of them set to launch in Japan.

**UNCERTAINTIES AHEAD IN A CHALLENGING MACRO-ENVIRONMENT**

Looking ahead, the Asia Pacific region is likely to face greater uncertainty than ever in 2025, both economically and geopolitically. Much

of this uncertainty stems from abroad, with the world eagerly awaiting insights into the future direction of US trade policy. A Trump presidency, coupled with a Republican-controlled Congress, is expected to usher in a new wave of protectionism. If more radical tariff proposals are implemented, such as a 10% to 20% across-the-board increase on all foreign goods and a targeted 60% rise on imports from China, trade growth in the region could be significantly dampened, particularly for economies benefiting

from trade surpluses. Smaller, more open economies such as Hong Kong and Singapore would likely be hit hardest.

According to the Peterson Institute for International Economics, a 60% tariff on Chinese imports alone, which accounts for 17% of US' total imports of goods in 2022, may push US inflation up by 0.7 percentage points. Moreover, uncertainty surrounding President Trump's stance on Ukraine and the Middle East raises concerns about further instability in these regions, which

could strain global supply chains even more. Combined with protectionist measures like higher tariffs and mass deportations of low-cost illegal labour, this may lead to prolonged inflationary pressures and supply chain bottlenecks in the US. As a result, the likelihood of a 'higher-for-longer' interest rate environment has increased. Financial markets have already begun to react, with a number of Asian currencies depreciating and bond yields rising following Trump's victory in November.

As a result, 2025 may see slower growth and more persistent inflation than previously expected at a global level. While the Asia Pacific region is projected to continue leading global growth with a 4% expansion, mounting downside risks could create challenges. In the retail sector, slower economic growth is likely to reduce private consumption. However, this may be partially offset by a boost in domestic retail spending due to currency depreciation. ASEAN countries may also benefit from supply chain diversification in response to tariff threats.

**NEW RETAIL TRENDS AND MARKETS TO DRIVE FUTURE GROWTH**

Leasing-wise, most of the prime retail markets across the region are expected to be tenant-favourable in 2025, providing more room for lease negotiation. The exceptions are Bangkok and Ho Chi Minh City, where a tight vacancy environment and limited supply of upscale retail space may impact luxury brands more than their low- to mid-range counterparts. We anticipate that more retailers, especially emerging designer labels, will explore non-traditional locations and store formats in response to this market dynamic.

Looking forward, prime shopping centre rents in most markets should see an increase of 0% to 5% in 2025, with Tokyo, Bangkok, and Kuala Lumpur showing potential for a 10% upside. In contrast, tier-1 cities in mainland China, as well as Hong Kong and Macau may face a 5% to 10% correction in the near term.

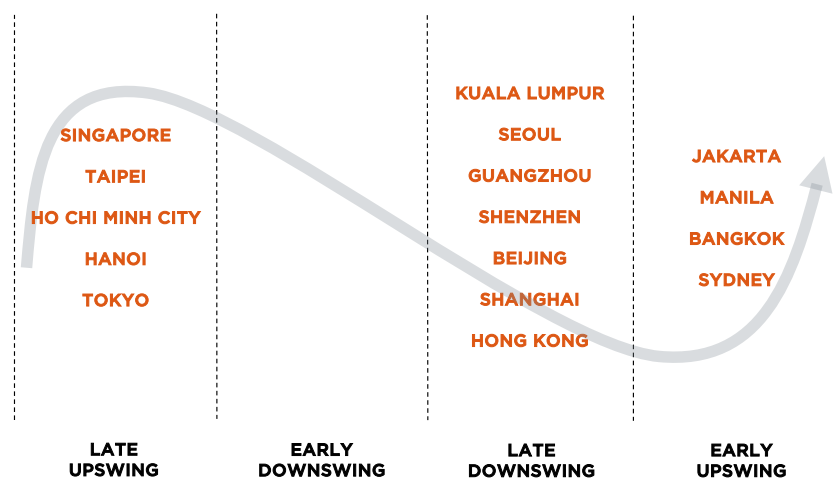
The Asia Pacific region will remain a key player in the global economy, with its retail landscape continuing to evolve amid a complex mix of challenges and opportunities. The rise of new retail concepts, combined with the rapid growth of emerging markets in South and Southeast Asia, may be the driving force for this property sector in the mid to long term. In more mature markets, the focus will shift toward creating a more holistic shopping experience, incorporating lifestyle elements and renovating store formats to inject excitement and novelty, ultimately capturing consumer attention and demand.

**GRAPH 8: Asia Pacific Prime Retail Leasing Market Dynamics, 2025F**



Source Savills Research & Consultancy

**GRAPH 9: Prime Retail Rental Market Cycles, 2H/2024**



Source Savills Research & Consultancy

**Note** Late upswing: rental values rising, but growth is slowing  
 Early downturn: rental values falling  
 Late downturn: rental falls accelerating, close to reaching bottom  
 Early upswing: rental values rising

TABLE 2: Prime Shopping Centre Rents, 2024F to 2025F

MARKET	2024F	2025F
Tokyo	5 - 10%	5 - 10%
Bangkok	5 - 10%	5 - 10%
Kuala Lumpur	0 - 5%	5 - 10%
Sydney	3.5%	0 - 5%
Taipei	2.0%	0 - 5%
Seoul	2 - 3%	0 - 5%
Singapore	2 - 3%	0 - 5%
Manila	0 - 5%	0 - 5%
Ho Chi Minh City	0 - 5%	0 - 5%
Hanoi	Flat	Flat
Jakarta	Flat	Flat
Beijing	Down 0 - 5%	Down 0 - 5%
Shanghai	Down 0 - 5%	Down 0 - 5%
Guangzhou	Down 0 - 5%	Down 0 - 5%
Shenzhen	Down 0 - 5%	Down 0 - 5%
Hong Kong	Down 0 - 5%	Down 0 - 5%
Macau	Flat	Down 0 - 5%

Source Savills Research & Consultancy



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