SPOTLIGHT
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Beijing Retail

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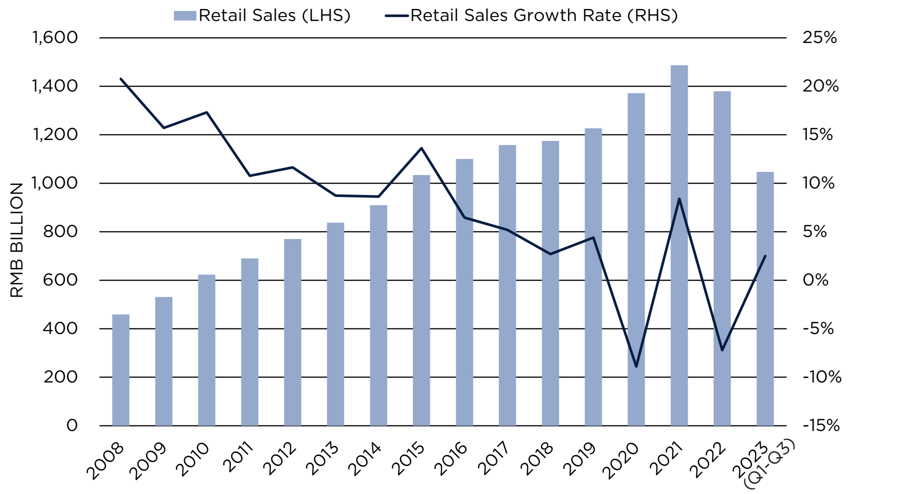
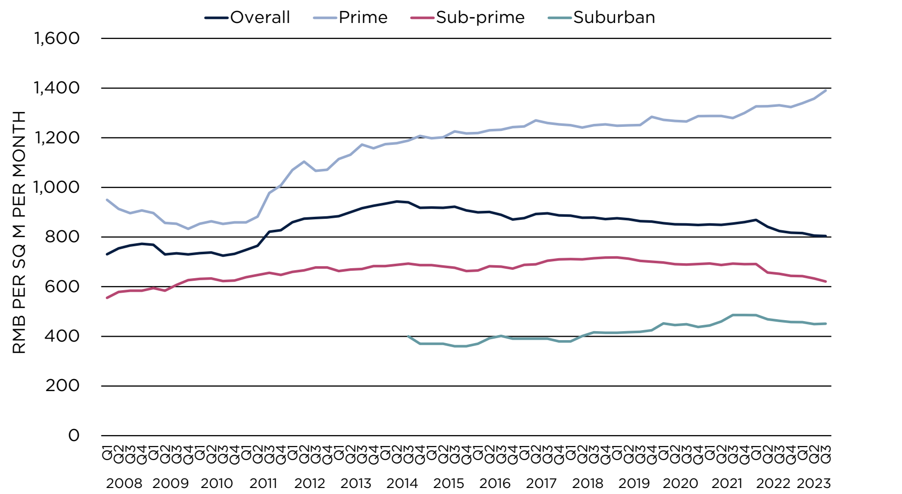
Beijing retail market saw significant rebound

GRAPH 1: Retail Sales, 2008 to Q1-Q3/2023



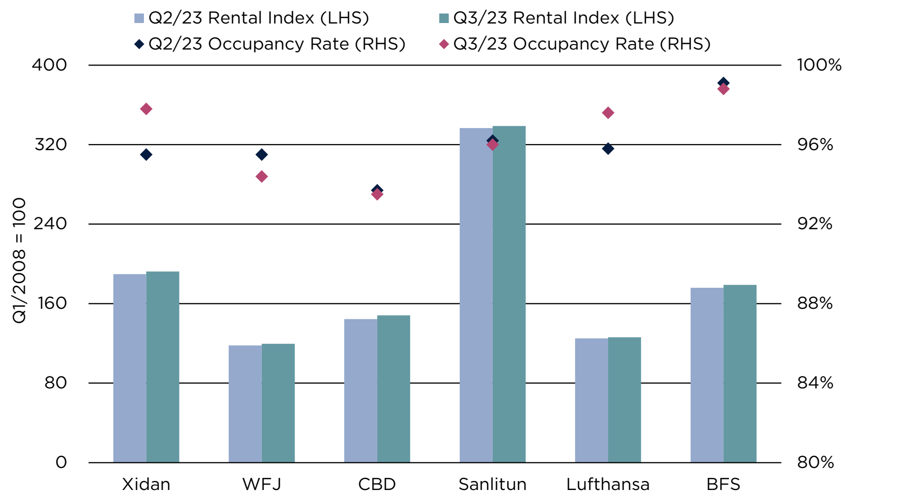
Source Beijing Municipal Bureau of Statistics

GRAPH 2: First-floor Shopping Mall Rents, Q1/2008 to Q3/2023



Source Savills Research

GRAPH 3: Prime Retail Submarkets Vacancy Rates and Rental Index, Q3/2023 vs Q2/2023



Source Savills Research

ECONOMIC OVERVIEW

Total retail sales grew 2.5% year-on-year (YoY) to RMB1,047.15 billion in the first nine months of 2023, with general retail and F&B sales up 0.4% YoY and 28.1% YoY to RMB948.62 billion and RMB98.53 billion, respectively. Beijing retail market recovered very quickly since the beginning of 2023. The market witnessed a significant rebound in footfall as a result of the entry of numerous high-quality shopping malls. Beijing retail market has completely shaken off the difficulties from the pandemic in the past three years and resumed its normal operations.

SUPPLY AND STOCK

A total of 12 new projects were launched in the first three quarters of 2023 in non-prime and suburban submarkets in the Beijing retail market. Total shopping mall stock reached 12.08 million sq m, while total department store stock remained at 2.1 million sq m by the end of Q3/2023. The new shopping mall projects were:

- In Q2/2023, The Box Chaowai upgraded from Kuntai International Building in Chaoyang District, bringing 60,000 sq m of retail space to the market.
- Other new shopping malls in Chaoyang District were Huiduo Mall (debuted in Q2), City Park, Paradise Walk Beiyuan and Dongba Wanda Plaza (debuted in Q3) contributing around 511,800 sq m of retail GFA to the market.
- Xisanqi MixC located in Haidian District launched into the retail market in Q2, adding 130,000 sq m of retail space.
- In Q3/2023, Wukesong Wanda Plaza in Haidian District, the largest urban renewal retail project in Beijing, brought over 314,000 sq m retail space to the market.
- Beijing Jingxi Joy City in Shijingshan District as the third Joy City in the city brought 110,000 sq m space to the market in Q2/2023.
- Grand Canal Place, a new shopping hotspot in Tongzhou, opened in Q2 and brought 100,000 sq m.

Other new projects were:

- In Q1/2023, DT51, a department store located in Asia-Olympic submarket was opened and brought 80,000 sq m of retail space.
- An innovation Outlets, Beijing Xichangan Funworld in Mentougou District, debuted in Q1 contributing 80,000 sq m of retail space to the suburban submarket.

- In Q2/2023, a street mall project, Shoukai LONG Mall in Changping District, provided 154,000 sq m of retail GFA to the market.

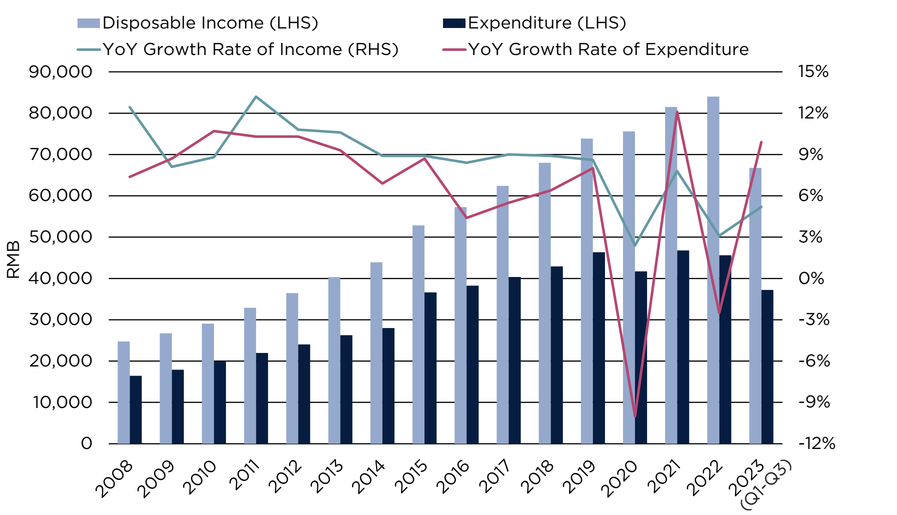
Beijing retail market experienced a positive recovery trend and consumption boom in 2023, boosted by sufficient supply and demand after the three-year pandemic.

RENTS AND VACANCY RATES

In 2023, the citywide retail market saw obvious recovery from last year. Shopping malls based in the prime market are actively attracting new brands and adjusting the brand portfolio to improve customer sa tisfaction. Newly launched shopping malls are mostly located in the sub-prime and suburban submarkets which achieved good leasing performance while existing shopping malls actively optimized the brand portfolio. The vacancy rate in both prime and non-prime submarkets decreased quarter by quarter. As a result of strong market performance in Q3, the significantly high leasing level of new projects and the active brand adjustments in existing retail projects, most shopping districts and submarkets saw their vacant space reduced, resulting in the citywide shopping mall vacancy rate dropping again, down 0.7 ppts QoQ and 0.2 ppts YoY to a relatively low level of 6.9%. Prime submarkets' vacancy rate decreased 0.2 ppts QoQ to 4.7%; vacancy rates fell 0.7 ppts to 4.3% in non-prime submarkets and down 0.6 ppts to 12.8% in suburban submarkets.

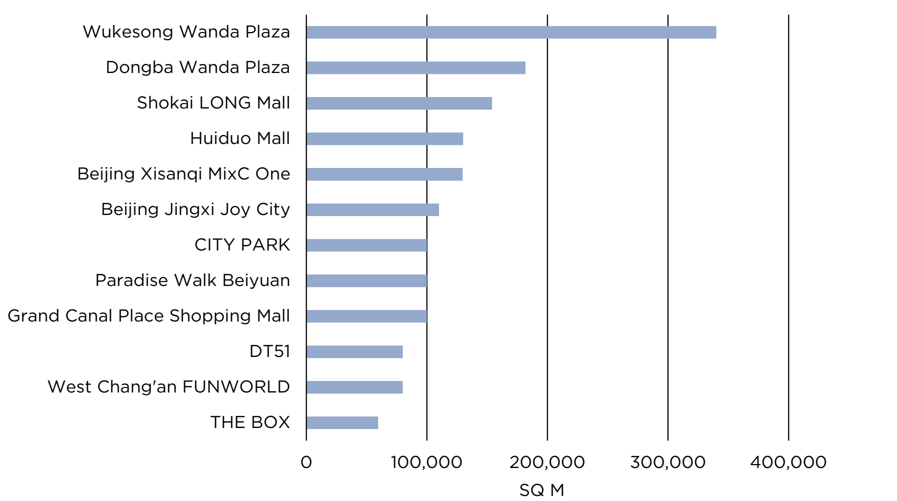
With of plenty new projects entering the market, citywide shopping mall rent edged down. The overall citywide shopping mall rent was slightly adjusted to 804.3 per sq m per month, down 0.2% QoQ and 2.4% YoY. Prime first-floor rents averaged RMB1,390.2 per sq m per month, up 2.4% QoQ and 4.5% YoY respectively. The average non-prime first-floor rents was RMB620.7 per sq m per month, down 2% QoQ and 4.8 % YoY whilst suburban first-floor rents stood at an average of RMB450.9 per sq m per month, up 0.3% QoQ but down 2.5% YoY.

GRAPH 4: Disposable Income and Expenditure, 2008 to Q1-Q3/2023



Source Beijing Municipal Bureau of Statistics

GRAPH 5: New Supply in Retail Market, Q1 to Q3/2023



Source Savills Research

POLICIES

The Ministry of Commerce has positioned the whole year of 2023 as a "Year of Boosting the Consumption", focusing on "improving consumption conditions, innovating consumption scenarios, creating a consumption atmosphere, and boosting consumer confidence". As the measures gained momentum and offline consumption accelerated, consumption demand in the first three quarters of 2023 grew vastly, and the retail market continued to improve.

On April 18, 2023, the Beijing Municipal Commerce Bureau announced to accelerate consumption recovery and continue to build Beijing into an international consumption centre. It proposes to promote the automobile consumption, vigorously support first store opening, accelerate the fashion retail development in Beijing, implement a special plan for the high-quality layout of commercial consumption and promote an upgrade of the catering industry.

The set of policies to promote consumption will further show their effects, leading to an overall improvement in the economy. In the past summer holiday, National Day and Mid-Autumn Festival, the retail market showed strong vitality.

DEMAND AND TRENDS

Beijing retail market recovered very quickly this year from the three-year pandemic and introduced multiple high-quality shopping

TABLE 1: Selected Future Projects, Q4/2023

PROJECT	LOCATION	DEVELOPER	RETAIL TYPE	GFA (SQ M)
Hopson One Changping	Changping	Hopson Development	Shopping Mall	160,000
WFJ Xiyue Shopping Centre	Dongcheng	Wangfujing Group	Shopping Mall	73,000
Polpas	Chaoyang	Beijing North Star	Shopping Mall	55,000
Scitech More	Chaoyang	Scitech Group/ Gemdale	Shopping Mall	15,000

Source Savills Research

malls. Newly launched projects effectively fill the market gaps and contribute to the local consumption upgrade as well as Beijing's development as an international consumption centre.

Beijing's retail market showed a positive recovery trend and consumption boom especially during summer vacation, with various activities in culture, tourism and entertainment. Shopping malls in prime business districts cater to domestic and international tourists visiting Beijing during the summer; sub-prime business districts focused on high-quality, multi-brand portfolios to increase consumer adhesiveness, and suburban shopping malls focused on mother-and-child, parenting and experiential sectors to meet the diversified demand of the neighbouring community.

To fuel the strong rebound in the Beijing retail market, the city's major business districts have undergone renovations and upgrades like introducing first stores and organizing themed events during the year to attract more customers. Sanlitun business district, the capital's fashion centre, is is among them. Taikoo Li Sanlitun North has been further upgraded from trendy to luxury with the arrival of Louis Vuitton and Dior in June and the two top luxury brands are currently renovated next to each other. Other luxury brands such as Gucci, Versace and Bottega Veneta are also adjusting their store locations and layouts. Taikoo Li Sanlitun South has also seen changes in trendy, boutique and luxury shops. Taikoo Li Sanlitun, a typical street mall, has a more flexible brand layout, giving high luxury brands a unique advantage as flagship stores.

New shop openings were also very active on the market. According to the Municipal Bureau of Commerce, Beijing welcomed a total of 718 brands' first stores in the first three quarters of 2023, up 16.6% compared with the same period last year, and the first shop supporting policy had remarkable effects. In terms of business distribution, the F&B sector accounted for the largest proportion of the annual number of new first stores, accounting for 59.6%, followed by the retail sector, accounting for 25.6%, including a number of prominent first stores in high-end international brands, outdoor sports, women's fashion brands, skincare, cosmetics & perfume that are still growing rapidly.

CBD, Wangfujing and Sanlitun maintain strong momentum as "first store harvester", attracting a total of 150 first stores. For example, stand-up comedy Danliren's first club in Beijing, Danliren Downtown, and Bosideng's first peak concept shop in the world were both located in Wangfujing in88; high-end outdoor brand Klattermusen from Sweden has opened its first store in China World Mall, also the Swiss chocolate Laderach; Swedish women's clothing brand GANNI and trendy phone cases brand CASETiFY opened their first stores in Beijing at Sanlitun Taikoo Li; Le Labo, the perfume brand from the U.S., has opened at Taikoo Li Sanlitun South, which is expected to bost footfall to Sanlitun.

MARKET OUTLOOK

Beijing retail market is now in the post-pandemic era. The commercial retail market dispelled the gloom in Q1 with the removal of epidemic prevention and new developments around the Spring Festival. Multiple high-quality projects were launched in Q2 and Q3, leading to a supply peak in the market and stimulating a consumption boom this year. Looking ahead to Q4, the rapid recovery of Beijing retail market will continue, with a few more new and urban renewal retail projects expected to enter the market by year-end, spanning prime, sub-prime districts as well as the suburban areas, bringing 380,000 sqm of new retail space and pushing the annual supply to a new high of 1.6 million sqm.

As consumption promoting policies go, and new consumption modes and scenarios continue to show up, it is expected that Beijing retail market will maintain the consumption boom to the end of the year and be an important support to consumption recovery and expand domestic demand throughout the year.

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