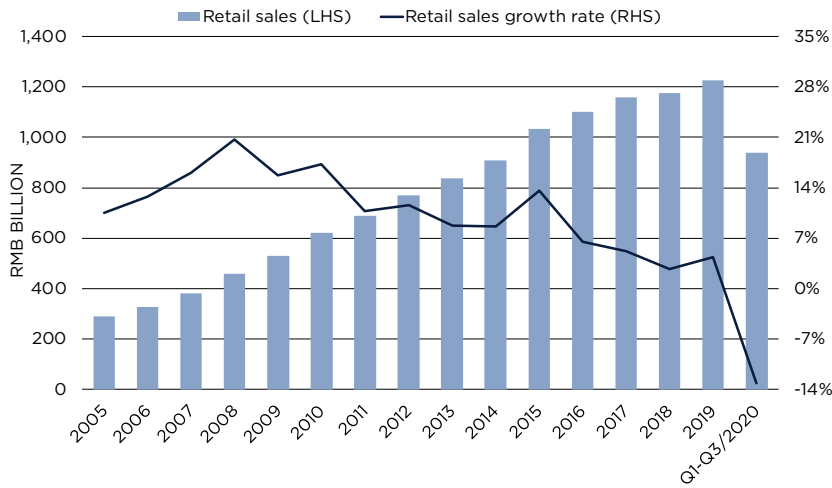


Beijing Retail



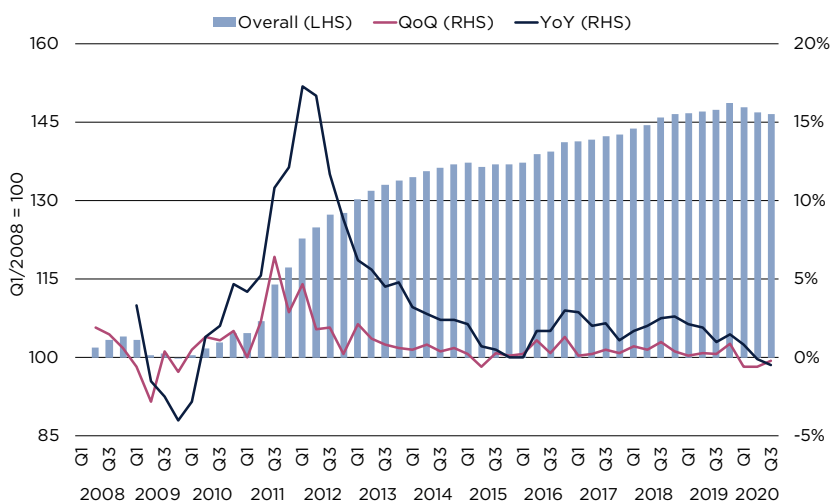
Beijing's retail market continues its recovery

GRAPH 1: Beijing Retail Sales, 2005 to Q1-Q3/2020



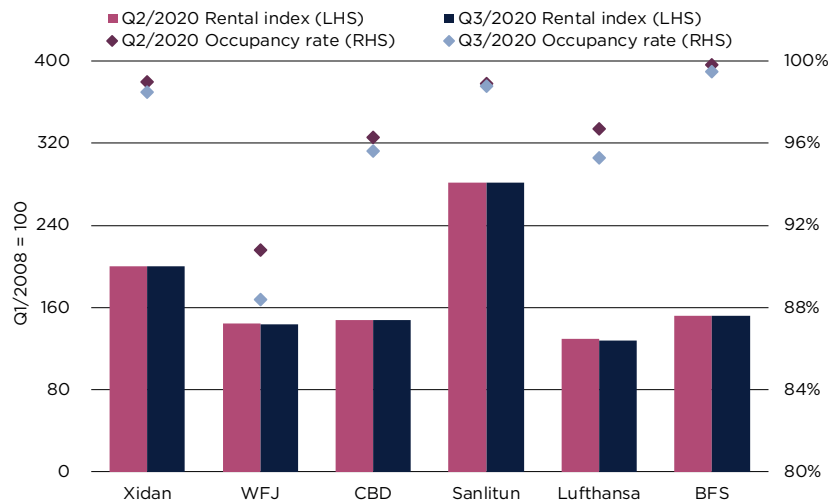
Source Beijing Municipal Bureau of Statistics

GRAPH 2: First-floor Shopping Mall Rental Index, Q1/2008 to Q3/2020



Source Savills Research

GRAPH 3: Prime Retail Submarkets Vacancy Rates And Rental Index, Q2/2020 vs Q3/2020



Source Savills Research

ECONOMIC OVERVIEW

Retail sales decreased 13.1% year-on-year (YoY) to RMB939.01 billion in the first nine months of 2020, while general retail and F&B sales fell 10.8% YoY and 37.7% YoY to RMB882.16 billion and RMB56.85 billion, respectively. The citywide retail market was under enormous pressure in 1H/2020 due to COVID-19 and was still recovering from the fallout in Q3/2020.

SUPPLY AND STOCK

Beijing's retail market saw only one new project launched in the first three quarters of 2020, located in a non-prime submarket. Yanqing Wanda Plaza in Yanqing District launched with a retail GFA of 92,000 sq m, and the project is positioned as a comprehensive shopping mall rarely found in the outskirts of the city. As a result, the total shopping mall stock reached 10.16 million sq m. Meanwhile, total department store stock remained at 2.03 million sq m by the end of Q3/2020.

RENTS AND OCCUPANCY RATES

The citywide retail market resumed to some extent in Q3/2020, but brand adjustments and leasing activities of shopping malls were still impacted to different degrees. Shopping malls based in prime submarkets remained popular in leasing and exhibited more resilience under the market uncertainties with healthy brand adjustments and multiple new shops opening during the quarter. Non-prime shopping malls, on the other hand, faced greater difficulties and saw noticeable increases in vacancy rates. The citywide shopping mall vacancy rate reached 10.7%, up 1.0 of a percentage point (ppt) quarter-on-quarter (QoQ) and 4.4 ppt YoY. The average vacancy rate in prime submarkets edged up 1.1% QoQ and YoY to 5.3%. Non-prime submarkets saw their average vacancy rate reach 13.0%, up 1.5% QoQ and 6.3% YoY.

The increased vacancy rate hurt citywide rental growth. Citywide shopping mall first-floor rents reached RMB849.4 per sq m per month in Q3/2020, and the rental index decreased by 0.2% QoQ and 0.5% YoY. Average prime first-floor rents hit RMB1,276.0 per sq m per month by the end of Q3/2020, and the rental index was down by 0.3% QoQ and 1.2% YoY. Average non-prime first-floor rents registered RMB689.2 per sq m per month by the end of Q3/2020, and the rental index decreased 0.4% QoQ and 0.2% YoY.

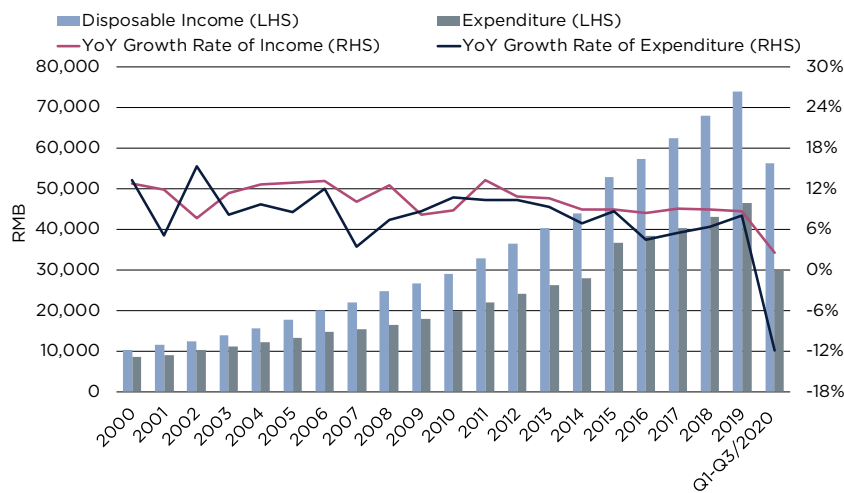
POLICIES

Beijing government developed multiple plans to help boost the ‘First-Store’ economy, consumer demand and upgrade retail projects in response to COVID-19:

- “Announcement to Stabilise Commercial Business Activities Under COVID-19” on February 21st, 2020, encourages shopping mall landlords to deduct rents and help major shopping malls operate during the pandemic by applying for working capital loans;
- “Announcement to Apply for Subsidies For Major Shopping Malls Under COVID-19” on March 31st, 2020, provides subsidies up to RMB500,000 to qualified shopping mall operators;
- “One Policy for One Retail Store” renovation/upgrading of pilot retail

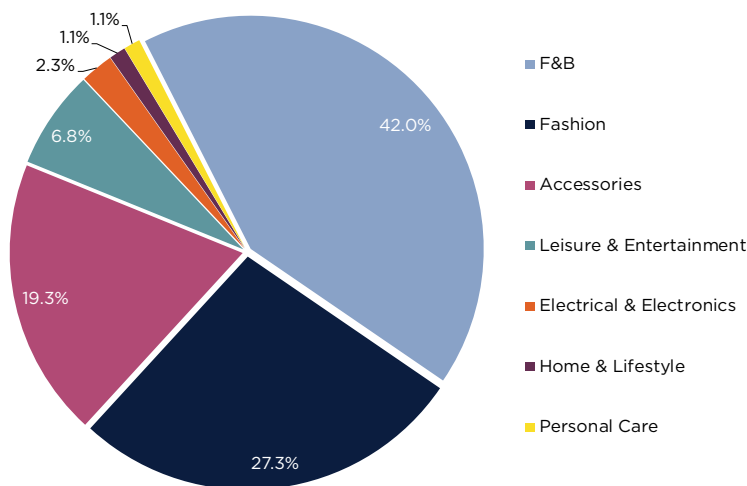
Beijing’s retail market is still recovering from the fallout of COVID-19. The Beijing government is utilising multiple strategies to help boost consumption, with extending the operating time of shopping malls and establishing the “One Policy for One Retail Store” plan to renovate and upgrade old retail projects serving as notable examples.

GRAPH 4: Disposable Income And Expenditure, 2000 to Q1-Q3/2020



Source Savills Research

GRAPH 5: First Store Openings, January to October 2020



Source Savills Research

projects plan on March 25th, 2020, provides subsidies up to RMB5 million to qualified retail landlords;

- “Work Plans to Boost Consumption and Lead New Quality Life In Beijing” on June 10th, 2020, focuses on upgrading six major retail submarkets including CBD in Chaoyang District and Longde in Changping District in 2020;
- “Work Plans to Encourage First Stores Launched in Beijing” Version 2.0 on September 24th, 2020, provides subsidies up to RMB5 million to qualified first store brands.

DEMAND AND TRENDS

Beijing’s retail market is still recovering due to COVID-19. Local governments continued to develop several plans to help boost consumption, like further developing the night economy by extending the operating time of shopping malls and commercial streets. The “One Policy for One Retail Store” plans were also introduced to renovate and upgrade projects like Silk Street, Joy Breeze Daxing, WDK Shopping Mall and others to meet current market standards.

New store openings and brand adjustments started to become more active in the citywide shopping mall market in the second and third quarter of 2020. Retail formats of new first store openings concentrated on:

- F&B: This sector was heavily-impacted during COVID-19 in Q1/2020 but started to resume in Q2 and Q3 when the pandemic was effectively contained. In Q3, many well-known international fast food brands opened their first stores in Beijing, while coffee, bakery and Chinese food new stores were expanding rapidly;

TABLE 1: Selected Future Projects, Q4/2020

PROJECT	LOCATION	DEVELOPER	RETAIL TYPE	GFA (SQ M)
Joy Breeze Daxing	Daxing District	Grand Joy Holdings	Shopping Mall	150,000
Dongba Wanda Plaza	Chaoyang District	Wanda Group	Shopping Mall	181,800

Source Savills Research

- Fashion: Most retail openings in fashion were niche and personalised brands in 1H/2020; in the third quarter, womenswear and sportswear & athleisure accounted for most new fashion stores;
- Accessories: Cosmetics and jewellery brands were expanding rapidly in 1H/2020. Most new stores were cosmetics-related in Q3/2020. The “She-Economy” remained eye-catching throughout the first three quarters.

MARKET OUTLOOK

The COVID-19 outbreak during 1H/2020 postponed the construction and launch times of several retail projects in Beijing. However, since the citywide retail market saw work resumption in Q3/2020, new supply is expected to hit the market on schedule. The city is expected to see two new shopping malls opened in Q4/2020, Joy Breeze Daxing and Dongba Wanda Plaza, bringing around 330,000 sq m of retail GFA in total to the citywide market. As COVID-19 has been effectively contained,

shopping malls saw their physical turnover volumes improve. Plans to boost consumption by the government were remarkably effective—consumption coupons increased consumer demand both online/offline and catering and night consumption helped the retail market see a resurgence. The “Beijing Consumption Season”, an official event organised by the Beijing government, and started in June 2020, will be opened until the end of December 2020. The recovery of consumer demand will continue to be promoted in the citywide retail market.



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