

Chengdu Retail



Luxury and outdoor sports brands kept active

CITY OVERVIEW

Chengdu's GDP reached RMB2,082 billion in 2022, an 2.8% increase YoY, and the total economic output exceeded 2 trillion for the first time. The tertiary industry growth value reached RMB1,382 billion, up 1.5% YoY. In addition, retail sales of consumer goods in Chengdu were RMB910 billion in 2022, down 1.7% YoY. General retail rose 0.3% YoY to RMB765 billion, and F&B fell 10.8% YoY to RMB144 billion. The citywide retail market

demand was weak in 2022, and the market's net absorption declined significantly compared to 2021.

MARKET OVERVIEW

From 2022 to Q1/2023, Chengdu retail market recorded a new supply of over 600,000 sq m. The total shopping mall stock reached 8.12 million sq m by the end of Q1/2023. Situated in Jiaozi Park Commercial District, Magic Cube and Chengdu SKP were

launched in Q4/2022. Magic Cube centred on social lifestyle sector, introduced brands covering entertainment, leisure and fashion, which distinguished itself from SKP. On the other hand, Chengdu SKP attracted over 1,300 international high-end brands, significantly enriching the high-end retail brand matrix in the Chengdu market. In addition, after a three-year renovation, COSMO located in the Yanshikou Area, reopened at the end of 2022. The project gathered many renowned street fashion and entertainment brands, and created a curatorial shopping space as a futuristic consumption hub for young hipsters. There was no new mall to the Chengdu retail market in Q1/2023.

In 2022, frequent pandemic outbreaks obstructed the offline consumption recovery, and the overall demand in Chengdu's retail market has weakened. With the pandemic impacts subsiding in China, the consumption market has been recovering since 2023. While the citywide average shopping mall vacancy rate rose, the first-floor average rent remained stable due to continuously positive market sentiments.

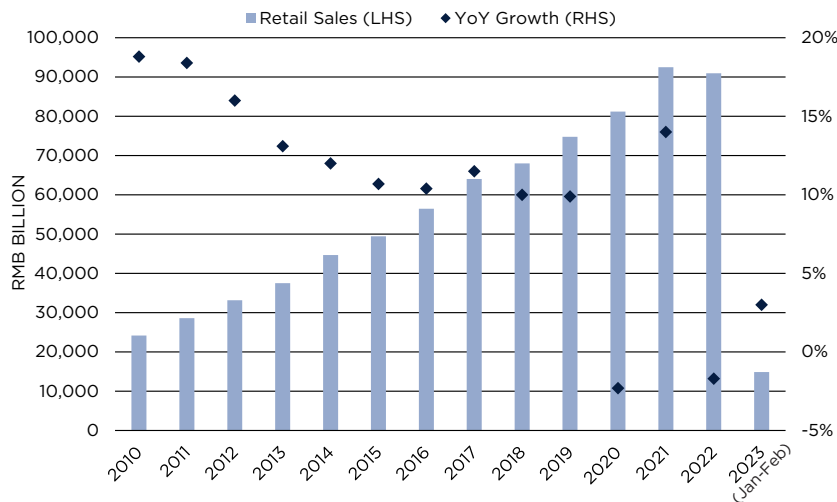
MANY FIRST-STORE BRANDS FAVORED NON-TRADITIONAL PROJECTS

Brand expansion tend to get closer to communities now. Non-traditional retail projects are more open and diverse than traditional shopping malls, and have a stronger local cultural atmosphere. For many new brands, such projects can better help convey their brand concepts, establish brand image, and enhancing customer stickiness. For example, East Hill Re°est gathered a group of trendy brands and buyer stores, including Candymade, BLACK8, TUIC, XMXX, and STA; The popular online lifestyle brand Tagi has officially landed in REGULAR, further enriching the project's brand types and vitality.

LUXURY AND OUTDOOR SPORTS BRANDS KEPT ACTIVE

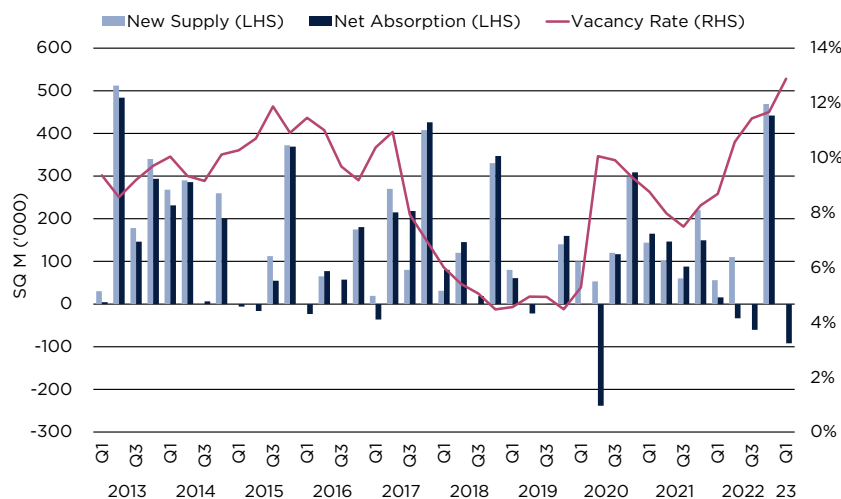
The physical consumption such as catering has seen a significant rebound since 2023. From January to February, Chengdu's catering revenue increased by 6.5% YoY, a substantial growth rate improvement. The catering industry was greatly impacted

GRAPH 1: Total Retail Sales of Consumer Goods, 2010 to Jan-Feb 2023



Source Chengdu Bureau of Statistics, Savills Research

GRAPH 2: Supply, Take-up And Vacancy Rates, 2013 to Q1/2023



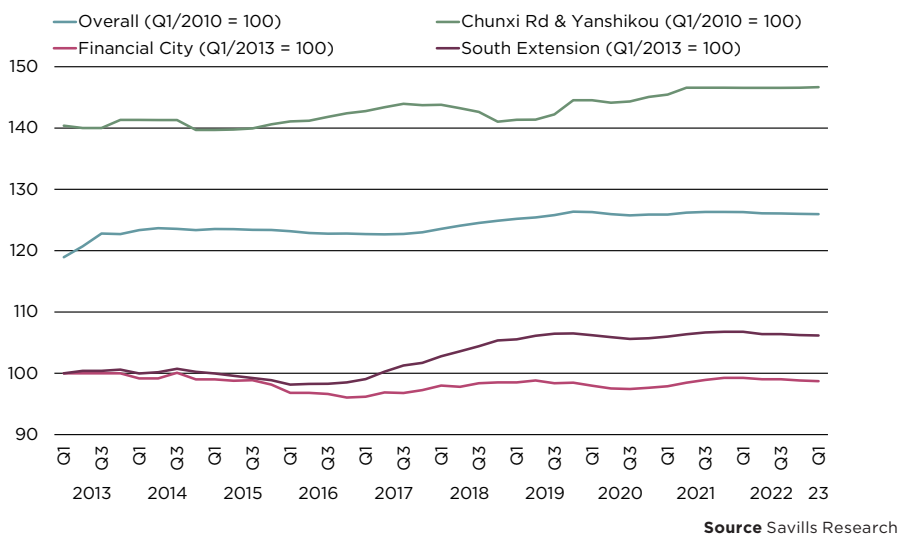
Source Savills Research

during the pandemic, with frequent adjustments to brands in shopping malls. Small and medium-sized catering brands especially were particularly challenged to survive. The demand for high-end catering brands remained stable, while multiple foreign cuisine brands continued to launch in the Chengdu market in Q1/2023, including Bazan, a high-end yakiniku brand, which opened its first store in western China at Chengdu SKP.

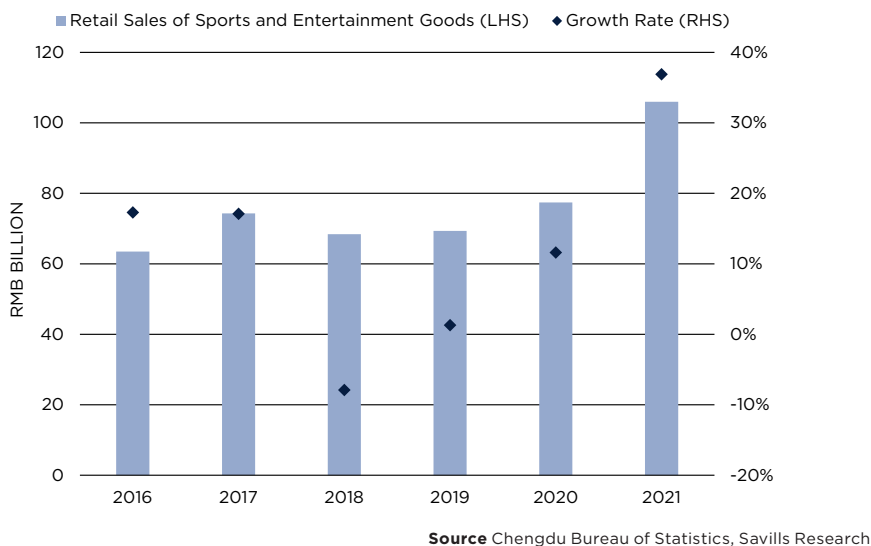
The new rental demand in the Chengdu retail market decreased YoY, and overall demand continued to decline. However, there are also highlights in the market on the demand side. In the first half of 2022,

With people’s rising emphasis on health over the past few years, the outdoor sports market has been expanding. In addition, the Chengdu government continues to develop sport-related industries which has helped release demand for sports consumption.

GRAPH 3: Retail Market Rental Indices, 2013 to Q1/2023



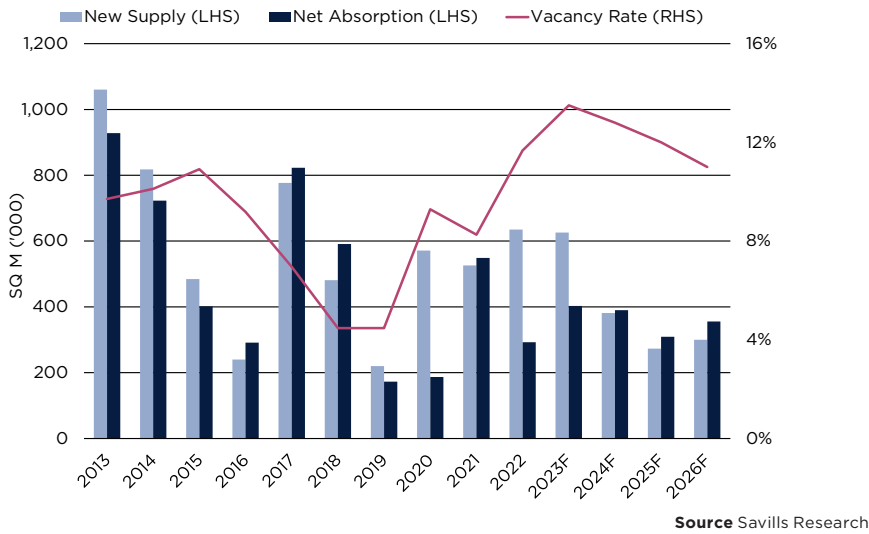
GRAPH 4: National Retail Sales and Growth Rate of Sports and Entertainment Goods, 2016 to 2021



many luxury brands accelerated their dual store layout in the Chunxi Road area. Representative cases include the third domestic LV home in Far Pacific Taikoo Li, Gucci’s new store entering IFS, Dior, Balenciaga, Bottega Veneta, and Moynat’s new store in Far Pacific Taikoo Li. In the second half of 2022, SKP’s opening brought a group of first-tier luxury brands including LV, DIOR, and Gucci to the south of the city, reflecting their long-term confidence in Chengdu’s consumer market and continued optimism towards benchmark projects.

The pandemic has raised consumers’ awareness of health, and the domestic outdoor sports market size has been growing in recent years. Outdoor sports brand categories have been segmented to meet diverse consumer needs. In the post-pandemic era, the popularity of outdoor sports is not decreasing. In addition, Chengdu actively promotes the construction of a city for sports events, supports the development of sports related industries, and continues to tap into sports consumption demand. Outdoor sports brands still have significant development space in Chengdu in the future. In 2022, internationally renowned outdoor brands such as Salomon, Burton, and Helly Hansen entered the Chengdu market. In Q1/2023, Patagonia, a US outdoor sports brand, opened its first store in Citang Street Art Community in the southwest, while Lululemon, a Canadian sports and leisure brand, continued to expand and settled in Shihao Plaza.

GRAPH 5: Trend of Supply and Demand in the Retail Market, 2013 to 2026



MARKET OUTLOOK

Over 600,000 sq m of new projects are expected to enter the Chengdu retail market in 2023. With new supply not declining significantly in the next three years, the citywide average shopping mall vacancy rate might remain relatively high.

During the economic recovery, developers backed by governmental platforms are more resilient and are expected to be major participants in the city’s premium retail property development in the future. Considering Chengdu government’s recent efforts to promote urban renewal and community retail and growing needs for new consuming space intrigued by the pandemic, street retail projects invested and developed by governmental platforms may become Chengdu market’s focus in the future.



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