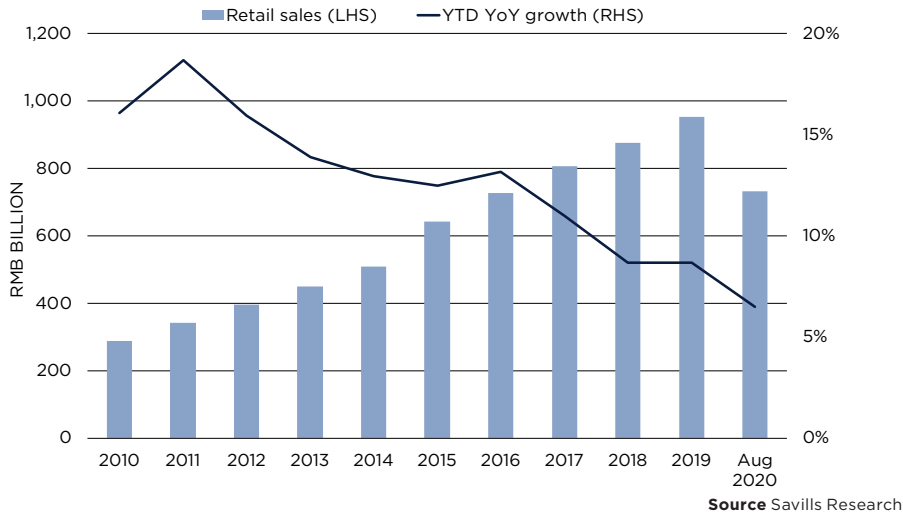


Chongqing Retail

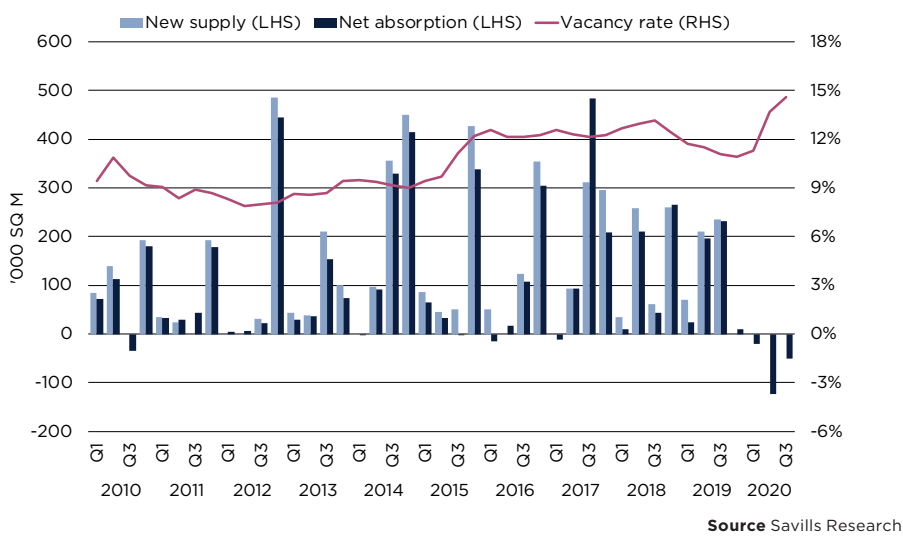


Tourism helps boost Chongqing's retail market

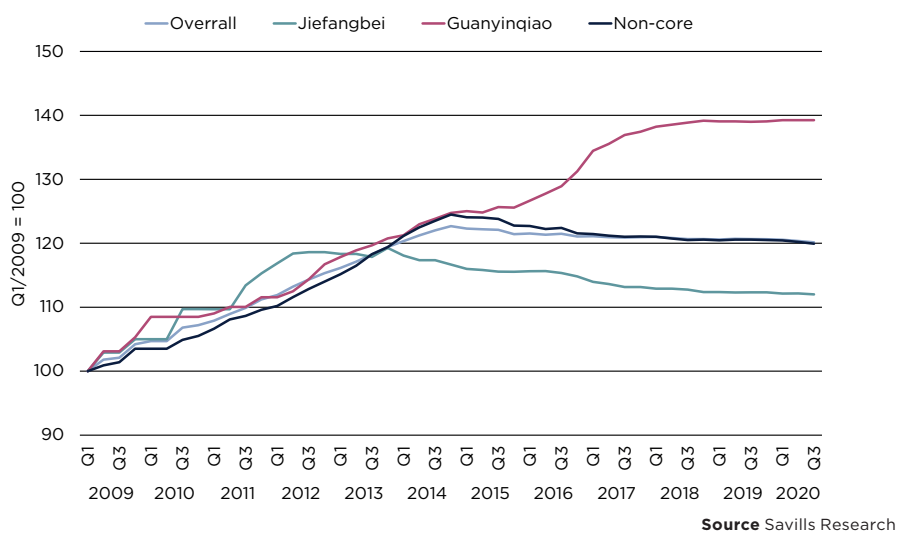
GRAPH 1: Total Retail Sales Of Consumer Goods In Chongqing, 2010 to Q3/2020



GRAPH 2: Supply, Take-up And Vacancy Rate, 2010 to Q3/2020



GRAPH 3: Retail Rental Index, 2009 to Q3/2020



CITY OVERVIEW

Chongqing's total retail sales of consumer goods reached RMB731.6 billion, down 6.5% year-on-year (YoY) during the period from January to August 2020. The growth rate of total retail sales of consumer goods has fallen from Q2/2020 as the domestic COVID-19 situation eases and the economy gradually recovers.

Chongqing did not see any retail projects enter the market in Q3/2020, keeping the total property stock at 5.9 million sq m.

RETAIL MARKET OVERVIEW

Chongqing did not see any retail projects enter the market in Q3/2020, forcing retail projects to actively adjust their tenant brand mix to attract consumers. The citywide average vacancy rate rose by 0.9 of a percentage point (ppt) quarter-on-quarter (QoQ) to 14.6% in Q3/2020. Many landlords saw their rental demand affected as well, with the average first-floor rent in the city's shopping malls decreasing 0.2% to RMB377.3 per sq m per month.

In terms of leasing demand, there were many first-stores for brands entering Chongqing in Q3/2020. From a leasing demand perspective, there were many first-stores for brands entering Chongqing in Q3/2020. Sam Edelman, a fashionable women's shoe brand from the United States, entered North Paradise Walk, and Puma's flagship store opened in the World Financial Centre. In terms of F&B retailers, Western-style light food chain Wagas entered Times Paradise Walk and Canadian coffee chain Tim Hortons entered MixC Phase I. Also, some well-known brands accelerated their expansion plans in Chongqing during the quarter. For example, the Swiss high-end skincare brand La Prairie opened its first independent store in IFS. Many well-known brands have opened their second stores in Chongqing as well, such as Tiffany, a luxury jewellery brand, opening its second store in MixC Phase I. Additionally, well-known Canadian sports brand Lululemon settled in North Paradise Walk, and French dessert brand L'Amour entered MixC Phase I.

Retail projects were forced to actively adjust their tenant brand mixes to stand out in the increasingly competitive crowd of retail projects in Chongqing. Following the Metro Park's substantial brand adjustment in 1H/2020, the shopping mall actively

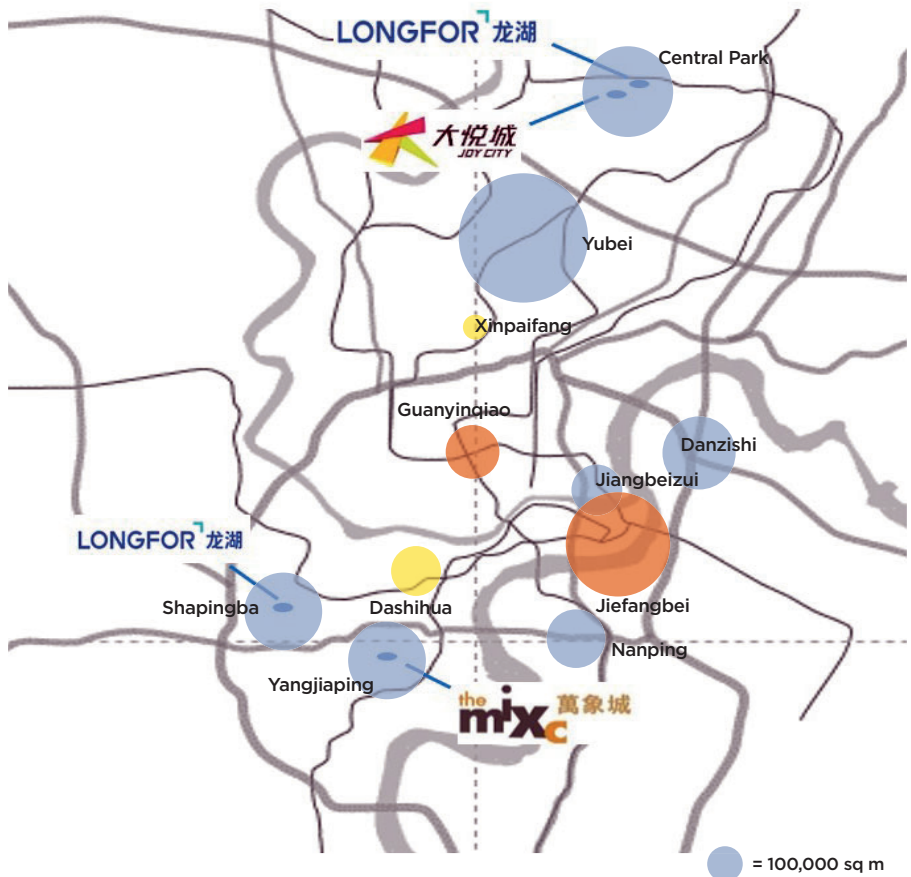
introduced many new retail brands into its low zones, such as children’s entertainment brands, medical beauty institutions and fine dining establishments with larger leased areas than in the high zone, helping strengthen the brand richness in the project. In Q3/2020, Starlight Plaza, located in the Jiefangbei submarket, announced that it would officially launch a major adjustment to comprehensively renew the positioning of the mall and brand categories to accelerate the integrated development of the project. This adjustment will be the first since the project opened in 2015.

Though Chongqing is still recovering from the effects of COVID-19, there are bright spots in the city’s retail market. In particular, many international brands launched their first stores in Western China in the city, providing more a wider range of exciting shopping options for locals.

HOLIDAY PICK UP

According to the Chongqing Culture and Tourism Development Committee,

MAP 1: Chongqing Retail Submarket Future Supply, Q4/2020 to 2023



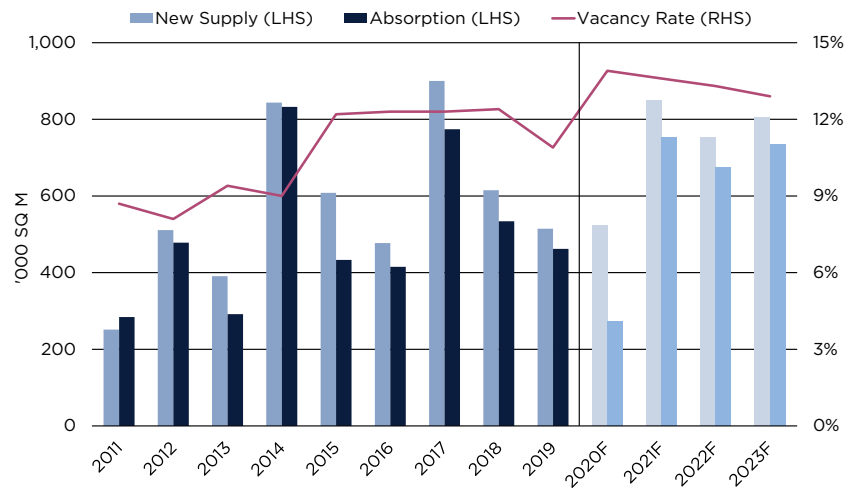
= 100,000 sq m
Source Savills Research

Chongqing received 38,596,100 domestic and foreign tourists during the National Day holiday in 2020, an increase of 10.6% YoY, while total tourism revenue was RMB18.9 billion, an increase of 32.8% YoY. The holiday helped stimulated Chongqing’s retail consumer market in Q3/2020 with retail sales of major business districts and key monitored commercial enterprises in Chongqing reaching RMB27.6 billion, an increase of 8.3% YoY. Among them, sales in the six core business districts in Chongqing increased by 10.4% YoY—sales in Guanyinqiao business district increased 30.6% YoY, sales in Jiulongpo business district increased by 16.4% YoY and sales in Jiefangbei business district increased by 9.4% YoY.

MARKET OUTLOOK

Looking forward to the next three years, the core business district will see new supply or project upgrades to enhance the comprehensive competitiveness of the area. With the completion of the upcoming Central Park project within the next three years, it will help form a new regional market and enrich the shopping needs of the surrounding population. The retail market has become more fierce in the wake of COVID-19, with brands needing to bring new experiences to consumers in Chongqing following the launch of Starbucks’ Bar Mixato and Hey Tea’s seasonal, limited-time drink promotions. However, brands are expected to remain cautious with their expansions, given the uncertain economy and future outlook.

GRAPH 4: Chongqing Retail Future Supply, 2011 to 2023F



Source Savills Research

DISTRIBUTION OF FUTURE PROJECTS

By 2023, the Chongqing retail property market will usher in an additional supply of approximately 293,200 sq m, of which approximately 16.5% will be located in the core area, (Jiefangbei and Guanyinqiao districts). At the same time, international and domestic high-quality retail property developers have entered the Chongqing market, which will inject new vitality into Chongqing’s retail business. Yubei district will see the largest supply of future retail projects, which is expected to reach 662,000 sq m. At the same time, as there are more retail commercial projects in Central Park, it will help to form a new regional market—the Central Park Regional Market. The developers of high-quality retail commercial projects located in Central Park will include Longfor, COFCO, Seazen and KWG P Group. While enriching the shopping experience of regional consumers, the area will also see intense competition between projects in the region. Project, brand investment, and differentiated operations will help attract consumers to different projects, and operators will have to invest heavily in these areas to stand out in the competitive retail market in Chongqing.



For more information about this report, please contact us

Savills Chongqing

Eric Wo
 Managing Director
 Western China
 +8628 8658 7828
 eric.wo@savills.com.cn

Savills Research

James Macdonald
 Senior Director
 China
 +8621 6391 6688 ext 8605
 james.macdonald@savills.com.cn

Sophy Pan
 Senior Manager
 Western China
 +8628 6737 3737
 sophy.pan@savills.com.cn

Simon Smith
 Senior Director
 Asia Pacific
 +852 2842 4573
 ssmith@savills.com.hk