

# Retail



## Retail sales growth marginal

Quarterly net take-up turned negative for the first time since Q2/2023.

- Guangzhou's retail sales increased to RMB472.7 billion as of May 2024, up 2.0% YoY. The growth fell short of its annual growth target of 5.5% in 2024 and contracted by 7.2 ppts YoY.
- The total stock of Guangzhou's retail property market reduced to 7.4 million sqm as of end-Q2/2024 as the Science Town Mall was withdrawn for renovation temporarily while no new shopping centre was launched.
- F&B sector performed better than expected in terms of new store openings as some casual dining, bakery, and tea store brands continued to expand in Guangzhou during the quarter.
- Expansion activities from the fashion and accessories & cosmetics sectors slowed with the percentage of new store openings from these two sectors reduced by 11.0 ppts QoQ.
- The average vacancy rate edged up 0.1 ppt QoQ to 12.7% by quarter end.
- The citywide rents fell by 0.1% QoQ on a rental index basis to an average of RMB621.4 psm pmth as of end-Q2/2024.

“Guangzhou released new initiative dubbing the city as a gourmet paradise at a global scale. This is expected to raise enthusiasm of the catering business owners in the short term and nurture a better environment for related retailers/operators store opening in the mid- to long-term.”

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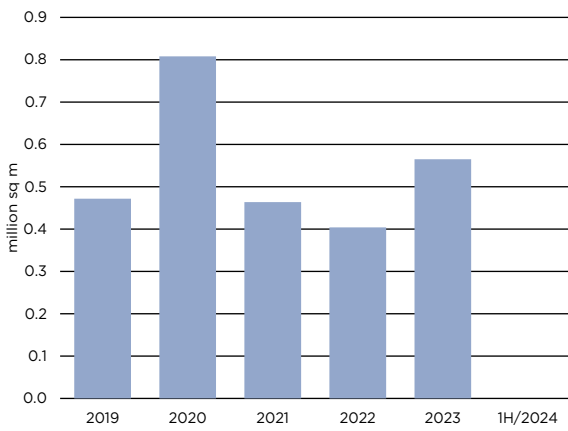
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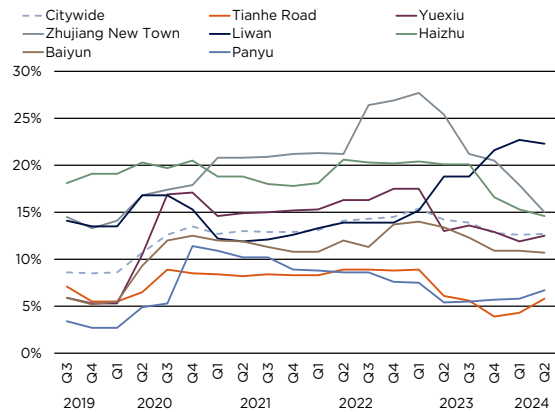
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**GRAPH 1: Total GFA Of New Supply, 2019 To 1H/2024**



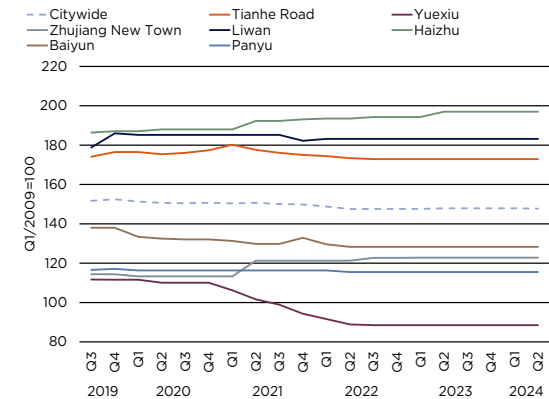
Source Savills Research

**GRAPH 2: Vacancy Rates By Submarket, Q3/2019 To Q2/2024**



Source Savills Research

**GRAPH 3: Rental Indices By Submarket, Q3/2019 To Q2/2024**



Note Calculation of rental indices for all submarkets starts from Q1/2009 except for: Zhujiang New Town - Q4/2010; Panyu - Q4/2012

Source Savills Research

**MARKET OVERVIEW**

Guangzhou’s retail sales increased to RMB472.7 billion as of May 2024, up 2.0% YoY. The growth fell short of its annual growth target of 5.5% in 2024 and contracted by 7.2 ppts YoY. There was a decline in spending propensity as indicated by the marginal growth. Compounded with softening retailers’ sentiment, Guangzhou retail property market had more pressure by end-Q2/2024.

**SUPPLY**

The total stock of Guangzhou’s retail property market reduced to 7.4 million sqm as of end-Q2/2024 as the Science Town Mall was temporarily closed for renovation, while no new shopping centre was launched.

**DEMAND**

Compared with the previous quarters, retailers became more prudent in Q2/2024, lowering their market sentiment and choking off their property leasing plans. Some retailers had to terminate their leases during the quarter, closing stores with operational difficulties and profit-making problems. As a result, the citywide quarterly net take-up turned negative for the first time since Q2/2023, and the average vacancy rate edged up 0.1 ppt QoQ to 12.7% by quarter end.

Despite that, the F&B sector performed better than expected in terms of new store openings as many casual dining, bakery, and tea store brands continued to expand in Guangzhou during the quarter. For example, domestic casual dining brands Chef Fei and Chaofa Beef branding with the concept of food freshness opened over five stores respectively at different shopping centres in Zhujiang New Town, Tianhe Road, Panyu, Baiyun and Huangpu. Cheesecake brand KUMO KUMO opened three new stores in Tianhe Road and Zhujiang New Town, and its founding team brought another roll cake brand the Roll’ING to Guangzhou with its first city store at Grandview Mall. In addition, Miracle Coffee founded by the famous Singaporean singer JJ Lin made its first presence in southern China at igc. Expansions from the fashion and accessories & cosmetics sectors, however, slowed down given a prudent consumer sentiment. As a result, the percentage of new store openings from these two sectors narrowed by 11.0 ppts QoQ. Despite that, the

market still witnessed launches of several first stores. For example, Alexander Wang tapped into Guangzhou with a pop-up store at Taikoo Hui; Bon Parfumeur set up its first South China store at Parc Central, and AVEDA opened its first Guangzhou store at K11.

**RENT**

Rents remained largely unchanged at most properties, but more favorable lease terms were achieved for quality or preferred brands. To counter the current market conditions, several shopping centres lowered rents, making the citywide rents fall by 0.1% QoQ on a rental index basis to an average of RMB621.4 psm pmth as of end-Q2/2024.

**OUTLOOK**

Guangzhou has been crowned as a gourmet paradise in China for a long time. Leveraging on this, the local government has set up an ambitious plan for its catering sector development, known as the Guangzhou Food and Beverage High Quality Development Plan 2024-2035, to increase the sectoral sales revenue by 120% and to increase the number of enterprises with sales revenue of RMB100 million and above by 86% from 2023 to 2035. The local government will also subsidize related enterprises’ transformation and upgrade, and reward their financial contributions to the local economy. The move is expected to encourage catering business owners in the short term and nurture a better environment for related retailers/operators store opening in the mid-to long-term, further boosting Guangzhou retail market’s sustainable development. The macroeconomics still weigh on most consumers, restraining spending propensity and retailers’ expansions.