

# Retail



## Market sees growth amid tourism boost activity

New projects, enhanced tourism policies, and diverse consumption environments drive growth amid modest rent increases

- Retail sales totalled RMB300 billion in the first five months of 2024, up 0.8% YoY. General retail sales and F&B were up 0.4% and 2.8% YoY, respectively.
- Four new projects were launched in Q2/2024, adding 505,000 sqm of new supply to the market, and bringing the city's stock to 7.9 million sqm.
- Several new projects were launched with rents below the market average, nevertheless their high occupancy rates on opening days and diverse brand mix help expand consumer choices.
- The citywide vacancy rate remained flat in Q2/2024 at 9.9%, down 0.6 ppt YoY.
- First-floor rents kept flat in Q2/2024 to an average of RMB14.3 psm pday, up 0.3% YoY.
- Four projects are expected to launch in 2H/2024, bringing 248,000 sqm of new retail space to the market.

“With robust inbound tourism policies and new retail developments, Hangzhou’s retail market is poised for continued growth, though rental income prospects remain modest in the short term.”

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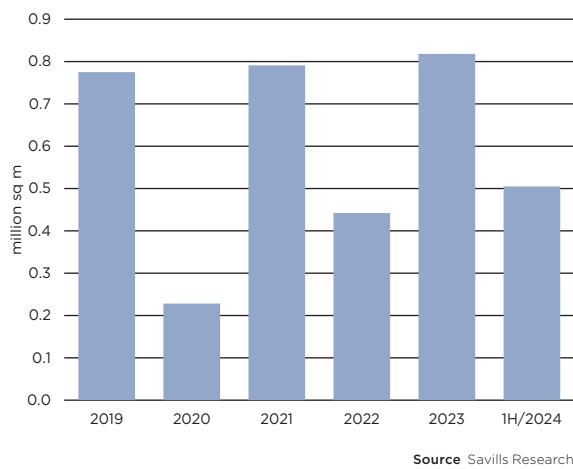
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### RETAIL

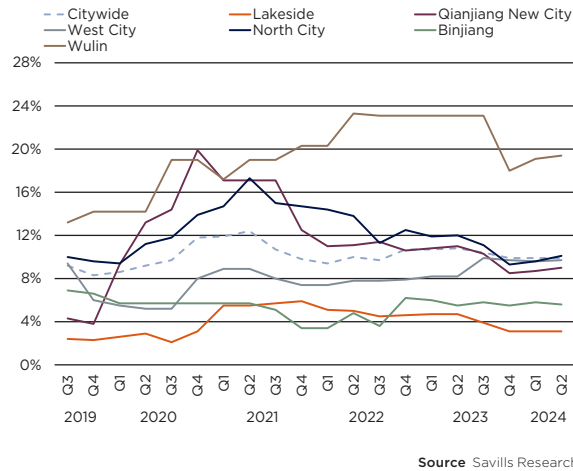
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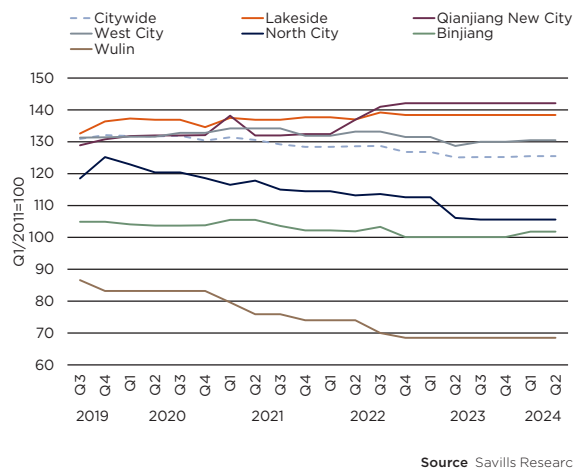
**GRAPH 1: Citywide Retail Supply, 2019 To 1H/2024**



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



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



**MARKET COMMENTARY**

Retail sales for the first five months of 2024 totalled RMB300 billion, up 0.8% YoY. General retail sales and F&B experienced respective YoY growth rates of 0.4% and 2.8%. Notably, strong YoY growth was observed in specific categories: cosmetics (18.3%), oil and foodstuffs (4.0%), and communication equipment (3.9%).

Improved inbound tourism policies, including visa on arrival, visa-free entry for certain nationalities, the 144-hour transit visa-free policy, improved digital payment accessibility, and increased international flights, have been very beneficial to key tourist hubs such as Hangzhou. The city's inbound tourist numbers increased by 164% YoY in 1H/2024, and Ctrip data shows that inbound tourism receipts in 23 domestic cities increased by 42% in Q2/2024, with Hangzhou ranking as the fifth most popular city.

**SUPPLY AND STOCK**

Four new retail projects were launched in Q2/2024, adding 505,000 sqm of new supply to the Hangzhou retail market, bringing city stock to 7.9 million sqm. This is distributed across prime areas (3.12 million sqm), non-prime areas (3.58 million sqm), and suburban areas (1.24 million sqm). New projects include Gongshu Powerlong Plaza, XiTou Intime City, Aeon Mall (Qiantang), and inPARK Linping.

Gongshu Powerlong Plaza features a range of F&B options that drive foot traffic and meet the needs of the surrounding community. XiTou Intime City, positioned as a "Trendy Lifestyle Center," combines a large, enclosed shopping centre with an open-air retail offering, providing consumers with an all-weather, diverse consumption environment and offering tenants more display space and marketing opportunities.

The 213,000 sqm Aeon Mall (Qiantang) is Aeon's second shopping centre in Hangzhou. Despite its distance from the city centre, the project has attracted several first stores in Hangzhou, catering to the daily needs of the surrounding population. It is also pet-friendly and offers a range of family-friendly services to enhance customer satisfaction. Meanwhile, inPARK Linping integrates park-like micro-landscapes in a street-style retail format, introducing a new model of park-based retail.

F&B remains the dominant demand in the second quarter, with many first stores indicating sustained consumer enthusiasm for dining out. Prime areas recorded an increase

in casual dining options, while non-prime areas saw more frequent store replacements as previous operators failed to resonate with consumers.

Hangzhou Tower recorded the opening of the first domestic store of the Korean brand Pizza Maru, and the first Zhejiang stores of Michelin-star chef Paul Pairet's Polux and Drunk Baker. Banu Hot Pot and Fei Dachu (费大厨) opened in Hubin Yintai in77, and Hangzhou Mixc Mall introduced several first-time bakery and dessert brands like Warabimochi-Kamakura and M/ss Moss. Popular dining establishments significantly boost project footfall and increase the likelihood of cross-sector consumption during wait times, thereby extending customer stay within the project.

**RENTS AND VACANCY RATES**

The citywide vacancy rate remained flat at 9.9% in Q2/2024, down 0.6 ppt YoY. Primary markets remained flat at 8.6%; secondary markets fell 0.3 ppt to 10.4%, while tertiary markets rose 0.1 ppt to 12.6%. High occupancy rates and diverse brand combinations in new projects provided more consumption choices for the surrounding population, but varying performances among existing projects kept the overall market vacancy rate relatively unchanged.

First-floor rents remained flat in Q2/2024 at an average of RMB14.3 psm pday, up 0.3% YoY. Rents in all submarket groups remained unchanged in Q2/2024 with primary and tertiary areas at an average of RMB20.2 and RMB9.1 psm pday, up 0.8% and 1.0% YoY.

**MARKET OUTLOOK**

Hangzhou is set to welcome four new projects in the second half of 2024, adding a total of 248,000 sqm of new retail space. These developments include major projects by Intime and Sunac Group, such as the Intime Department Store Hangzhou Olympic Sports Center and Gongshu Wuyue Plaza.

The leasing focus for these projects will be on experiential sectors such as dining and entertainment. Brands in entertainment, leisure, and sports are expected to enhance their retail offerings and incorporate more night-time consumption options, thereby reaching a broader market and visitor base. However, there is limited potential for rental income growth from these projects, with overall market rents anticipated to see only modest increases in the short term.

**TABLE 2: KEY FUTURE SUPPLY**

| PROJECT NAME                                 | GFA (SQ M) | AREA                   | EXPECTED LAUNCH YEAR |
|--|------------|------------------------|----------------------|
| Intime Department Store (Asian Games Centre) | 103,000    | Qingjiang Century City | Q3/2024              |
| ICON Hangzhou                                | 29,000     | Hubin                  | Q4/2024              |
| Neo Park                                     | 40,000     | North City             | Q4/2024              |
| Gongshu Injoy Plaza                          | 76,000     | North City             | Q4/2024              |

Source: Savills Research