

Retail



New supply enhances night consumption experiences

High-footfall projects remain the top choice for brand expansion despite higher rents.

- Retail sales totalled RMB494 billion in the first eight months of 2024, up 1.0% YoY. General retail sales and F&B were up 0.7% and 2.2% YoY, respectively.
- Two new projects were launched in Q3/2024, adding 132,000 sqm of new supply to the market, and bringing the city's stock to 8.07 million sqm.
- Newly launched projects have significantly impacted consumption by boosting night economy activities, such as concerts and bars, increasing customer footfall and extending their stay in the area.
- The citywide vacancy rate grew by 0.6 ppt QoQ to 10.5% in Q3/2024, up 0.1 ppt YoY.
- First-floor rents remained unchanged in Q3/2024 at an average of RMB14.2 psm pday, up 0.2% YoY.
- Three projects are expected to launch in Q4/2024, bringing 236,000 sqm of new retail space to the market.

“Amid challenging economic conditions, most projects concentrated on maintaining occupancy, while the overall vacancy rate was affected by new supply.”

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RESEARCH

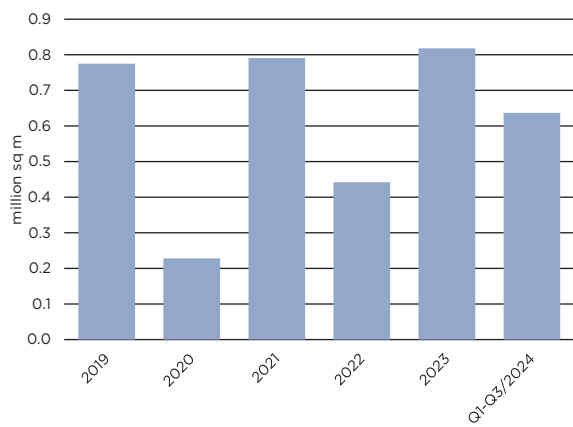
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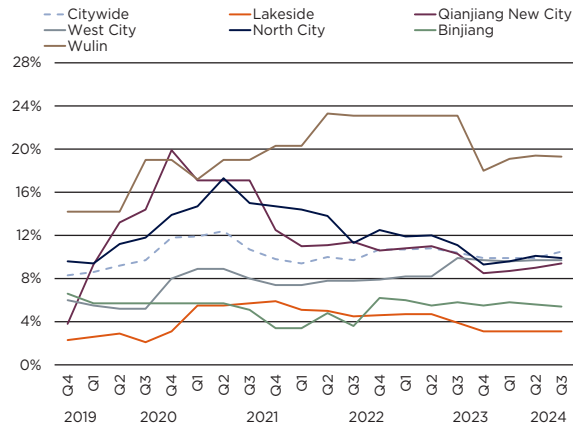
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GRAPH 1: Citywide Retail Supply, 2019 To Q3/2024



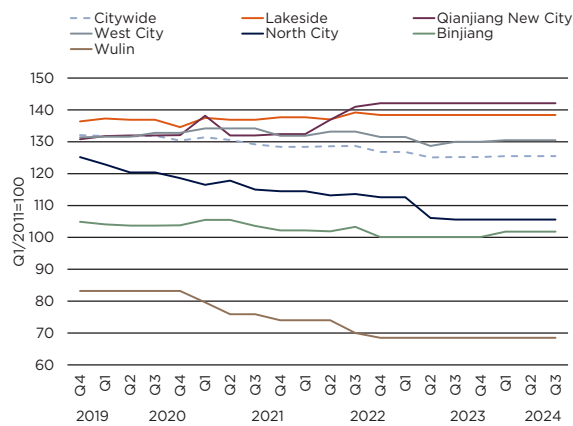
Source Savills Research

GRAPH 2: Submarket Vacancy Rates, Q4/2019 To Q3/2024



Source Savills Research

GRAPH 3: Submarket Rental Index, Q4/2019 To Q3/2024



Source Savills Research

MARKET COMMENTARY

Retail sales for the first eight months of 2024 totalled RMB494 billion, up 1.0% YoY. General retail and F&B experienced respective YoY growth rates of 0.7% and 2.2%. Certain categories experienced robust growth: communication equipment surged by 33.9%, cosmetics by 7.3%, and oil and foodstuffs by 5.3% YoY

Hangzhou’s subsidy policy for exchanging old consumer goods for new ones, targeting high-demand, high-cost items like automobiles, household appliances, and electric bicycles, took effect in Q3/2024, driving rapid sales growth in these sectors.

SUPPLY AND STOCK

Two new retail projects were launched in Q3/2024, adding 132,000 sqm of new supply to the Hangzhou retail market, bringing city stock to 8.07 million sqm. This is distributed across prime areas (3.14 million sqm), non-prime areas (3.68 million sqm), and suburban areas (1.24 million sqm). New projects include Chezlotus and ICON Hangzhou.

Chezlotus, the retail component of the Olympic Sports Centre by Intime Group, offers a retail GFA of 103,000 sqm. The project, themed as an urban sports social venue, combines socialising, entertainment, and sports, featuring elements like skateboarding, karting, flagship stores, and a pet-friendly street to cater to diverse consumer interests. Since its opening, Chezlotus has effectively driven consumption by attracting concert-goers and extending customer stay with varied consumption scenarios, blending culture, business, tourism, exhibition, and performance to boost economic vitality.

The 29,000 sqm ICON Hangzhou also soft-opened in Q3/2024, targeting a younger audience with bars, casual dining, and KTVs, aiming to enliven the night economy in the Lakeside business area.

The first Vivienne Westwood store in Zhejiang Province opened at Hangzhou Centre, featuring both retail and a café to blend into consumers’ daily lives with an afternoon tea experience. This flagship store enhances the project’s appeal as a prime destination for urban luxury and designer brand launches. The MixC also introduced first stores such as Le Labo, SHUSHU/TONG, MM6, and a pop-up by AIMIRI, further strengthening its lineup of mid-to-high-end brands and elevating the luxury atmosphere.

F&B and dessert brands were particularly active in Q3/2024, with several popular first stores opening in Hangzhou and receiving enthusiastic responses, significantly boosting foot traffic. The “first store effect” remained strong, as demonstrated by the debut of Bonjour at Hangzhou Tower, which attracted large crowds. Luneurs launched a pop-up at Hangzhou Centre, while Ah Ma Handmade and Grid Coffee are set to open at The MixC and Hangzhou Tower, respectively, and are anticipated to achieve strong performance.

RENTS AND VACANCY RATES

The citywide vacancy rate grew by 0.6 ppt QoQ to 10.5% in Q3/2024, up 0.1 ppt YoY. Primary remained flat at 8.6%, secondary markets grew by 1.4 ppt QoQ to 10.4% affected by new supply, while tertiary markets fell 0.3 ppt to 12.4%. Quality developments maintained stable occupancy rates and rents, as they remain the preferred choice for new brands. Most brands prioritise expansion into projects with high footfalls to ensure stable revenue, despite higher rents. In contrast, underperforming projects with noticeable vacant storefronts that fail to make necessary adjustments may face increasingly challenging conditions, potentially leading to market exit.

First-floor rents remained flat in Q3/2024 at an average of RMB14.2 psm pday, up 0.2% YoY. Rents in all submarket groups remained unchanged in Q3/2024, with primary markets at an average of RMB20.2 psm pday, up 0.4% YoY, while secondary and tertiary areas remained at RMB8.9 and RMB9.1 psm pday, respectively. Given the macroeconomic conditions, most projects are focused on maintaining occupancy levels, with rental income not being the primary goal, leading to limited rent growth in the short term.

MARKET OUTLOOK

Hangzhou is set to introduce three new projects in Q4/2024, adding a total of 236,000 sqm of retail space. These developments include Gongshu Injoy Plaza and Linping Wanda Plaza. Additionally, several non-standard retail projects focused on urban renewal and creative transformation, such as the Shanzeli (山泽里), have been unveiled. These projects feature diverse spatial layouts and functional zones that blend cultural exhibitions, artistic experiences, ecological parks, and outdoor sports within commercial facilities, aiming to revitalise old buildings and foster emotional connections rather than merely creating static homogenous retail spaces.

TABLE 2: KEY FUTURE SUPPLY

PROJECT NAME	GFA (SQ M)	AREA	EXPECTED LAUNCH YEAR
Linning Wanda Plaza	120,000	Linning	Q4/2024
Neo Park	40,000	North City	Q4/2024
Gongshu Injoy Plaza	76,000	North City	Q4/2024

Source Savills Research