Three new projects launch in emerging areas

Nanjing’s first Paradise Walk entered the market in Q4/2019, bringing up the overall quality of the city's retail facilities

- Retail sales of consumer goods in Nanjing reached RMB504.0 billion in Oct 2019, up 5.4% year-on-year (YoY).
- Three new projects launched in Q4/2019, increasing the mid-to high-end retail stock to approximately 4.77 million sq m.
- The citywide shopping mall vacancy rate remained stable at 5.1% in Q4/2019.
- Average mid-to high-end shopping mall first-floor rent decreased 0.2% quarter-on-quarter (QoQ) to RMB13.7 per sq m per day.
- F&B and clothing brands were the main demand drivers in Q4/2019.
- The average first-floor rent of prime areas (Xinjiekou, Confucius Temple and Hunan Road) remained stable at RMB22.9 per sq m per day, and the average first-floor rent of non-prime areas decreased by 0.3% to RMB10.0 per sq m per day.

- Vacancy rates in prime areas decreased 0.1 of a percentage point (ppt) QoQ to an average of 4.2%. In non-prime areas, the vacancy rate increased by 0.1 of a ppt QoQ to 5.4%.
- With the launch of new projects, the retail market in non-prime areas is maturing and improving.

“Both popular internet brands and fashion houses are expanding and entering Nanjing, providing major stimulus to the city’s rising consumer spending.”

JAMES MACDONALD, SAVILLS RESEARCH
Retail

ECONOMIC OVERVIEW
Citywide retail sales maintained their steady growth in 2019, exceeding RMB504.0 billion by the end of October 2019, up 5.4% YoY.

SUPPLY AND STOCK
Three new projects launched in Q4/2019, so the mid-to-high-end retail stock rose to approximately 4.77 million sq m. With the launch of these new projects, all located in emerging areas, Nanjing’s retail market is showing signs of improvement and maturation. Additionally, it is worth mentioning that Nanjing’s first Paradise Walk entered the market in Q4/2019 and helped bring up the overall quality of the city’s retail facilities.

RETAILERS
F&B and clothing retailers were the main demand drivers in Q4/2019. Balenciaga, a well-known luxury fashion brand, re-entered Nanjing thanks to the high spending power in this city in recent years. Deji Plaza remains to be the popular shopping centre for many high-end brands in Nanjing.

VACANCY RATES AND RENTS
Citywide shopping mall vacancy rates remained stable at 5.1% in Q4/2019. Vacancy rates in prime areas decreased 0.1 of a ppt QoQ to 4.2%. In non-prime areas, the vacancy rate increased by 0.1 of a ppt QoQ to 5.4%.

The average first-floor mall rent saw a minor decrease of 0.2% YoQ to RMB13.7 per sq m per day in Q4/2019. In prime retail areas, rents remained stable at RMB23.9 per sq m per day. Non-prime area average rent decreased by 0.3% to RMB10.0 per sq m per day during Q4/2019.

Xinjiekou - The vacancy rate remained low at 2.4% while average first-floor rent was the city’s highest at RMB33.9 per sq m per day. Xinjiekou is still holds a monopoly position in Nanjing and it is attracting a numerous high-end brands. The government plans to develop underground space in Xinjiekou to cover the weak underground commercial space.

Hunan Road - The six-month renovation of buildings in the Huan Road area nearing completion in Q4/2019. With the launch of new projects and several tenant mix adjustments, consumers and brands will come back to the area after renovations are complete. The vacancy rate remained high at 5.2%. Rents in the area were stable at an average of RMB10.2 per sq m per day during Q4/2019.

Confucius Temple - After one-year transformation period, the Confucius Temple area is attracting more consumers due to its good traffic, great location and numerous fashion brands, with a footfall increase of 13.0% (YoY). The vacancy rate remained low at 3.0%, while rents held stable at RMB12.1 per sq m per day.

Xinjiangdong - No new projects entered the Xinjiangdong market in 2019, and some projects are adjusting their tenant mixes to improve their attractiveness. Suning Plaza is scheduled to introduce private brands to strengthen the appeal of the projects. In Q4/2019, the vacancy rate was stable at 2.8% and average first-floor rents in the area also remained stable at RMB12.4 per sq m per day.

Hexi CBD - The vacancy rate in Hexi CBD decreased by 0.8 of a ppt QoQ to 6.0%, while the average rent in the area stayed stable at RMB83.3 per sq m per day. IFC mall is scheduled to enter the market in 2020 and will help the district challenge Xinjiekou in the number of high-end brand resources.

MARKET OUTLOOK
Three new projects (Paradise Walk, MS Mall, MONG KOK) launched in Q4/2019, all located in emerging areas. Over the course of the quarter, the retail market in Nanjing improved its retail market with these new projects and several high-end brands opening or expanding. Many high-profile projects (Paradise Walk, Wangfujing, Shopping Centre) are scheduled to enter the market next year and they will strengthen their respective area’s appeal. In addition, many smaller projects will open in the future and it is expected that these smaller projects will play a more important role in the city’s retail scene in the future.

TABLE 1: Selected Leasing Transactions in Q4/2019

<table>
<thead>
<tr>
<th>TENANT</th>
<th>CATEGORY</th>
<th>PROJECT</th>
<th>AREA</th>
<th>GLA (SQ M)</th>
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<tbody>
<tr>
<td>%Arabica</td>
<td>F&amp;B</td>
<td>Deji Plaza</td>
<td>Xinjiekou</td>
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<td>Confucius</td>
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Source: Savills Research