Nanjing’s retail market remains stable
The city saw increasing demand for culture and F&B retailers.

- From January 2021 to February 2021, the total retail sales of consumer goods was RMB137.4 billion, an increase of 41.1% year-on-year (YoY).

- There were no new projects launched in Q1/2021, and the total citywide retail stock remained at 5.3 million sq m.

- The average vacancy rate of mid-to-high end projects remained at 4.9%.

- The first-floor rent of mid-to-high-end projects increased by 0.5% quarter-on-quarter (QoQ) to RMB13.3 per sq m per day.

- The majority of demand in Q1/2021 came from tenants in the F&B industry.

- The first-floor rent in prime areas increased by 0.2% QoQ to RMB23.1 per sq m per day, while the first-floor rent in non-prime areas increased by 0.6% QoQ to RMB9.9 per sq m per day.

- The vacancy rate in prime areas remained at 4.2%, while the vacancy rate in non-prime areas remained at 5.0%.

- This year Nanjing will see a significant amount of new supply come to the market, including Wanxiang Plaza, Wuyue Plaza, IFC Mall and Litchi Plaza, all being handed over in 2021.

“The total consumption volume in the first quarter of 2021 increased significantly, which stimulated the recovery of the retail industry. Meanwhile, many malls actively upgraded and expanded their tenant mixes to better appeal to consumers.”

JAMES MACDONALD, SAVILLS RESEARCH
ECONOMIC OVERVIEW
Total consumption in Nanjing experienced a significant recovery in Q1/2021, and from January 2021 to February 2021, the total retail sales of consumer goods was RMB37.4 billion, an increase of 41.1% YoY.

SUPPLY AND STOCK
There were no new projects launched in Q1/2021, so the total retail stock in Nanjing remained at 5.3 million sq m. Most of the upcoming new projects are located in decentralised areas such as Qixia and Pukou, which serves to fill the gaps in the city’s retail market and boost the potential in these areas.

In Q1/2021, most of the tenant demand came from the service and F&B industries. The first store of American fried chicken brand Popeyes opened on the first floor of Central Emporium, and Seesaw Coffee opened their first store in IFC Tower in Hexi CBD, which helped energised the city’s “first store economy”. Additionally, Happy Tea House, operated by Tencent and located at Tiny Westlake, combined online and offline products, making it unique in Nanjing’s retail market.

VACANCY RATES AND RENTS
In Q1/2021, the vacancy rate of shopping mall remained at 4.9%, with the prime area and non-prime area vacancy rates remaining at 4.2% and 5.0%, respectively. The first-floor average rent increased by 0.5% to RMB13.3 per sq m per day.

In Xinjiekou, Deji Plaza Phase 3 will start its construction soon. In the future, there are many high-end projects, such as Deji Plaza Phase 3 and JL Central, that will enter the market and boost the potential in these areas.

In Xinjiangdong, Longjiang New City Mall Phase 2 started its construction in early March. The vacancy rate in this area increased by 0.3 of a percentage point QoQ to 3.3%, while the first-floor rent remained the same at RMB12.5 per sq m per day.

The vacancy rate in Hexi CBD remained stable at 6.1%, and the first-floor rent increased by 1.4% QoQ to RMB23.1 per sq m per day.

MARKET OUTLOOK
More projects are expected to launch in decentralised areas, improving the quality of Nanjing’s overall retail market. Additionally, new premium projects located in prime areas will help mature the retail market in these central business areas and attract more high-end brands to consider opening stores in Nanjing. At the same time, more projects are expected to change their tenant mixes to include more cultural, experiential and F&B retailers to enhance the competitiveness of their projects.

TABLE 1: Selected Leasing Transactions in Q1/2021

<table>
<thead>
<tr>
<th>TENANT</th>
<th>CATEGORY</th>
<th>PROJECT</th>
<th>AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Happy Teahouse</td>
<td>F&amp;B</td>
<td>Tiny Westlake</td>
<td>Confucius Temple</td>
</tr>
<tr>
<td>Popeyes</td>
<td>F&amp;B</td>
<td>Central Emporium</td>
<td>Xinjiekou</td>
</tr>
<tr>
<td>Seesaw Coffee</td>
<td>F&amp;B</td>
<td>IFC</td>
<td>Hexi</td>
</tr>
</tbody>
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Source: Savills Research