



## Occupancy rates continue to climb

Landlords rush to fill malls as significant new supply looms.

- Retail sales grew 35.2% year-on-year (YoY) in the first five months of 2021, with monthly growth slowing to 15.7% in May.
- Four new projects were launched onto the market in Q2/2021, bringing a total GFA of 320,000 sq m and pushing up the total stock within the Outer Ring Road to 14 million sq m.
- Citywide vacancy rates fell 0.4 of a percentage point (ppt) in Q2/2021 to 9.2%, down 2.5 ppts YoY.
- Prime retail area vacancy rates fell 0.8 of a ppt quarter-on-quarter (QoQ) to 7.6%, and non-prime retail area vacancy rates fell 0.3 ppt QoQ to 9.6%.
- First-floor rents increased 0.3% in Q2/2021 to an average of RMB26.3 per sq m per day, up 0.2% YoY.
- Demand from service tenants increased significantly in 1H/2021, accounting for 39% of newly leased space, up 13 ppts YoY.
- Domestic and international emerging NEV brands are expanding aggressively once again. This time a number of malls in Zhangjiang and Wujiaochang have dedicated

several first-floor units to brands such as Ford, Volkswagen and HiPhi.

- Several premium shopping malls operated by renowned developers, including Raffles City The Bund, RHTD Hall of the Sun and Qiantan Taikoo Li, are expected to open in Q3/2021.

“Malls are increasingly experimenting with progressive or experimental tenant categories and brands not normally associated with traditional malls, to enliven retail centres and attract a new generation of consumers.”

JAMES MACDONALD, SAVILLS RESEARCH

### Savills team

Please contact us for further information

#### RESEARCH

**James Macdonald**  
Senior Director  
China  
+8621 6391 6688  
james.macdonald@savills.com.cn

#### RETAIL

**Aileen Zhong**  
Senior Director  
Shanghai  
+8621 6391 6688  
aileen.zhong@savills.com.cn

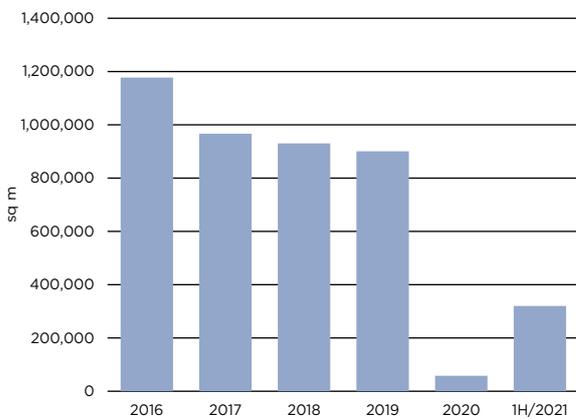
**Joey Chio**  
Senior Director  
Shanghai  
+8621 6391 6688  
joey.chio@savills.com.cn

**Elaine Chan**  
Senior Director  
Shanghai  
+8621 6391 6688  
elaine.chan@savills.com.cn

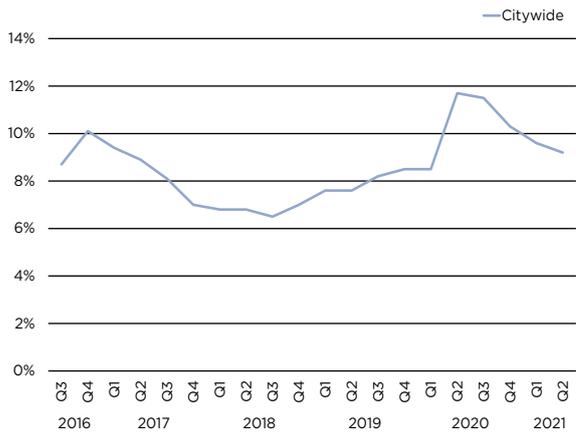
#### STRATEGIC ADVISORY SERVICES

**Nicky Zhu**  
Senior Director  
Shanghai  
+8621 6391 6688  
nicky.zhu@savills.com.cn

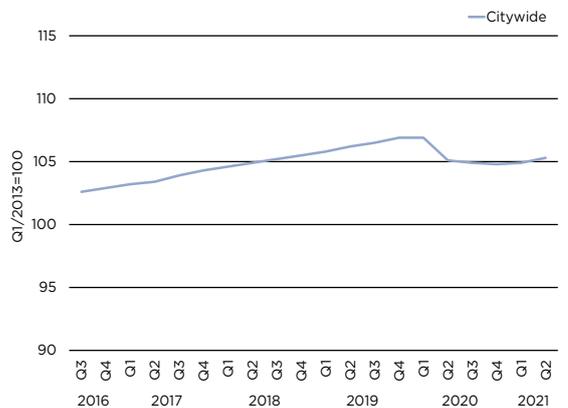
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**GRAPH 1: Shopping Mall Supply Within The Outer Ring Road, 2016 to 1H/2021**

Source Savills Research

**GRAPH 2: Citywide Vacancy Rates, Q3/2016 to Q2/2021**

Source Savills Research

**GRAPH 3: Citywide Rental Indices, Q3/2016 to Q2/2021**

Source Savills Research

**SUPPLY AND DEMAND**

Retail sales grew 35.2% year-on-year (YoY) in the first five months of 2021, with monthly growth slowing to 15.7% in May. The Double Five Shopping Festival, which lasts from May 1 to June 30 and spans May Day, Mother's Day, Dragon Boat Festival and other festivals, promoted Shanghai's international and domestic consumer brands and stimulated both online and offline consumption.

Four new projects were launched onto the market in Q2/2021, bringing a total GFA of 320,000 sq m and pushing up the total stock within the Outer Ring Road to 14 million sq m. Projects include Lalaport Jinqiao, Putuo Greenland Being Fun, One East and Caohejing InCity.

Lalaport Jinqiao is the first overseas Lalaport developed by Mitsui Fudosan. The 129,000 sq m mall's major tenants include Bandai Namco VS Park, Asobi Park PLUS and KKV. One East is Brookfield's mixed-use development in Puxi's Expo area. The 79,000 sq m retail component introduces a number of designer brands and creates a strong nightlife consumption atmosphere with leisure and entertainment retailers, including a cinema, bars and live music venues. The main tenants for One East include Palace Cinema and nightclubs such as Space Plus and American brand 1OAK.

Demand from service tenants increased significantly in 1H/2021, accounting for 39% of newly leased space, up 13.5 ppts YoY. Several shopping malls, especially recently completed ones such as Putuo Green Being Fun and One East, included many leisure and entertainment retailers. The night-time economy and rebound in in-person social activities prompted a considerable expansion of this category.

Domestic and international NEV brands are expanding aggressively once again. This time a number of malls in Zhangjiang

and Wujiaochang have dedicated several first-floor units to brands such as Ford, Volkswagen and HiPhi, along with the brands such as NIO, XPeng and Weltmeister. While this category accounts for a small proportion of the total space, its strong rental affordability and distinctive consumer profile make it a welcome addition to many malls.

**RENTS AND VACANCY RATES**

Shopping mall vacancy rates fell 0.4 of a ppt in Q2/2021 to 9.2%, down 2.5 ppts YoY. Prime retail area vacancy rates fell 0.8 of a ppt QoQ to 7.6%, and non-prime retail area vacancy rates fell 0.3 of a ppt QoQ to 9.6%. While the occupancy rate of some new projects remained below average, 80% of retail precincts recorded an increase in occupancy rates in Q2/2021.

First-floor rents grew 0.3% in Q2/2021 to an average of RMB26.3 per sq m per day, up 0.2% YoY. Prime retail area rents increased 0.4% QoQ to an average of RMB48.6 per sq m per day, and non-prime area rents increased 0.3% QoQ to an average of RMB16.3 per sq m per day.

**MARKET OUTLOOK**

Twelve projects are expected to launch in 2H/2021, bringing 1.3 million sq m of new supply to the market. They include several premium shopping malls operated by renowned developers, including Raffles City The Bund, RHTD Hall of the Sun and Qiantan Taikoo Li, which are all scheduled to launch in Q3/2021.

Malls are increasingly experimenting with progressive or experimental tenant categories and brands not normally associated with traditional malls to enliven retail centres and attract a new generation of consumers. While this is partly to compete with existing projects, it is also tapping into new consumer behaviour and consumption patterns and forge a name for themselves in an increasingly competitive environment.

**TABLE 1: Selected Leasing Transactions In Q2/2021**

TENANT	CATEGORY	PROJECT	AREA	GLA (SQ M)
Bandai Namco VS Park	Leisure & Entertainment	Lalaport Jinqiao	Jinqiao	2,000
Haidilao Hot Pot	F&B	Jing'an Joy City	Suzhou Creek	850
Mei KTV	Leisure & Entertainment	Longfor Hongqiao Paradise Walk	HTH	660
Chanel Beauty	Accessory	Sky Mall	Xinzhuang	260

Source Savills Research