

Retail



Strong leasing activity supports vacancy stability

New projects launched before national day boost market vibrancy.

- Retail sales dropped 3.3% YoY in the first eight months of 2024, with wholesale & retail down 3.1% and accommodation & F&B down 4.7%
- Three new projects within the Outer Ring Road were launched in Q3/2024, adding 261,000 sq m of new supply to the market.
- The citywide vacancy rate remained stable at 11.7% in Q3/2024, down 0.6 ppts YoY. Vacancy rates in prime retail areas rose by 0.6 ppts QoQ to 10.0%, while non-prime areas saw a slight decrease of 0.1 ppts QoQ to 12.1%.
- First-floor rents declined by 0.5% in Q3/2024, averaging RMB24.6 psm pday, representing a 1.2% YoY decrease.
- Immersive interactive entertainment pavilions significantly boosted new leases in the leisure and entertainment sectors, with ongoing upgrades keeping offerings fresh and appealing.
- Several new fast fashion and streetwear brands targeting younger, personalised markets entered Shanghai, with flagship stores revitalising the fashion segment.
- Three shopping malls are set to launch in Q4/2024, adding a total of 185,000 sqm of retail space.

“Despite macroeconomic challenges, numerous brands are showing resilience by expanding and adapting to market changes. Key growth opportunities are emerging in niche subcategories, highlighting the resilience and potential within the sector.”

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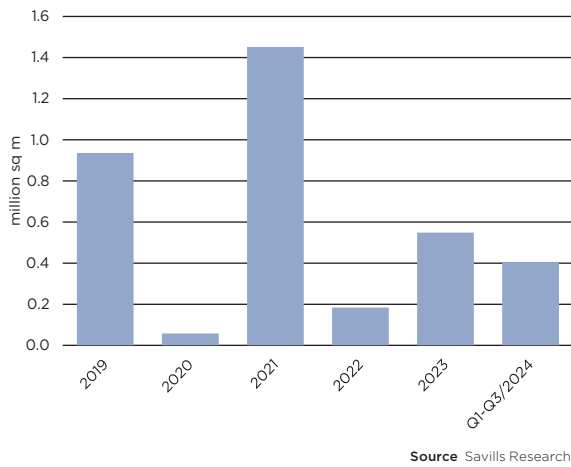
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GRAPH 1: Shopping Mall Supply Within The Outer Ring Road, 2019 To Q3/2024



SUPPLY AND DEMAND

Retail sales dropped 3.3% YoY in the first eight months of 2024, with the wholesale and retail sectors down 3.1% and accommodation and F&B sectors falling 4.7%. Weak monthly sales growth was affected by the broader macroeconomic environment.

Three new projects within the Outer Ring Road launched in Q3/2024, adding 261,000 sqm of retail space. These include Gate M, Huamu Time Edition, and Livat. Additionally, Westgate Mall on Nanjing Rd (W) temporarily closed for a three-year renovation.

- Gate M: The largest retail complex at Xuhui Riverside, renovated from the former Shanghai Cement Plant, combines culture, art, outdoor sports, dining, and entertainment. It introduced new brands like Bloomarket, Bape Gallery, and Aark Space, featuring theatre, music, rock climbing, skateboarding, and international outdoor sports brands.
- Livat: Spanning 430,000 sqm, the complex includes a shopping mall, IKEA store, and office space, aiming to create a one-stop lifestyle destination. Anchor stores include 7 Fresh supermarket, HOYTS Cinema, and Decathlon.
- Huamu Time Edition: Part of The Summit mixed-use project, it targets office workers and middle-class residents with a variety of retail options, including culture, boutique shopping, outdoor sports, and premium dining.

Immersive interactive entertainment pavilions have significantly contributed to the growth in newly leased areas this quarter within leisure and entertainment categories. This trend is driven by the sector's continuous upgrades aimed at keeping offerings fresh and appealing to consumers. Apart from traditional entertainment formats like theatres and escape rooms, other establishments such as restaurants, bars, and sports venues are increasingly integrating immersive elements to enhance the customer experience.

Examples include Qi Party Space, which has expanded into Super Brand Mall and Aegean Place, and Hall of the Moon's introduction of attractions like Horror 18 and Super Party. Additionally, increased turnover in some cinema chains and fitness brands has boosted demand within the category. High-quality projects often see swift replacement of vacated stores with new brands; for instance, Ludi Fitness has taken over from Will's Fitness at Hopson One and Gala Mall, while Coopers Star Cinemas is set to replace OSGH Cinemas in LuOne.

Several new fast fashion and street-trendy brands targeting younger, personalised customer bases have entered Shanghai, with their flagship stores injecting new vitality into the fashion category. For example, the young girls' trend brand W.Management has opened a 3,200 sq m store in Super Brand Mall, Basement FG has launched a three-storey store on Xinle Road, and the street trend brand Boneless is now located in Raffles City and Jing'an Joy City. Most of these stores feature warehouse-style layouts and offer affordable yet stylish designs aimed at a young audience, with a strong emphasis on social media, visual, and appearance marketing.

RENTS AND VACANCY RATES

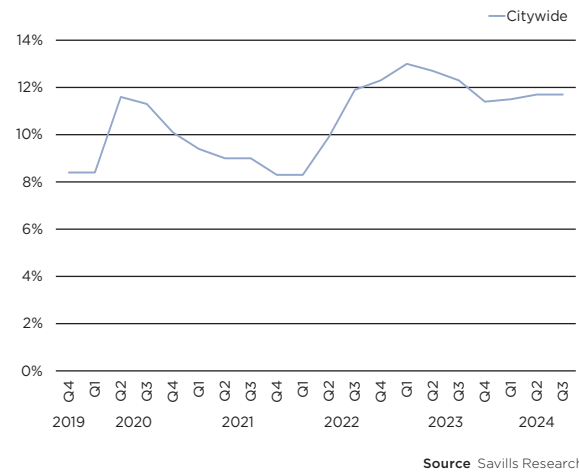
The citywide vacancy rate remained stable at 11.7% in Q3/2024, reflecting a 0.6 ppt decline YoY. Prime retail areas saw vacancy rates increase by 0.6 ppt QoQ to 10.0%, although this was a 1.0 ppt improvement YoY. In non-prime areas, the vacancy rate edged down by 0.1 ppt QoQ to 12.1%, marking a 0.7 ppt decrease YoY. While some latest projects recorded high vacancy rates, substantial absorption of larger units in existing projects contributed to a reduction in vacancy rates. Over 80% of retail areas experienced a footfall increase exceeding 15% YoY during the first nine months of 2024. Notably, more than 20% of areas, including Nanjing Road (E), Suzhou Creek, Wujiaochang, Zhenru, and HTH, recorded footfall growth above 30% YoY.

First-floor rents declined by 0.5% in Q3/2024, averaging RMB24.6 psm pday, representing a 1.2% decrease YoY. Both prime and non-prime areas saw rents fall by 0.5% QoQ, with annual declines of 1.0% and 1.2%, reaching RMB48.3 and RMB15.6 psm pday, respectively. To maintain tenant and project quality, landlords are increasingly offering preferential policies to brands, indicating a continuing downward trend in rental levels.

MARKET OUTLOOK

Three shopping malls are set to open in Q4/2024, adding a total of 185,000 sqm of retail space, including Galaxy Midtown Phase 2, EXPO Place, and Park Avenue Central. Although the pace of new supply has slowed significantly, with landlords adjusting timelines to align with market conditions and leasing progress, competition for tenants and consumers is expected to intensify. The ability of these new projects to sustain market interest and momentum remains uncertain and will be crucial in shaping leasing confidence for future developments.

GRAPH 2: Citywide Vacancy Rate, Q4/2019 To Q3/2024



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

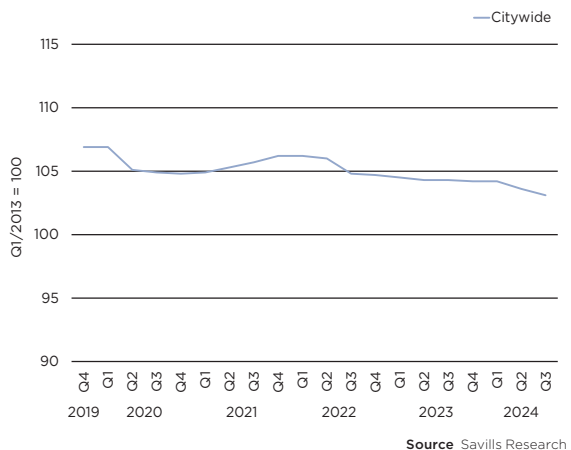


TABLE 1: Selected Leasing Transactions In Q3/2024

TENANT	CATEGORY	PROJECT	AREA	GLA (SQ M)
City Mart	Food Court	Hall of the Moon	Ruihong	6,000
SFC Cinema	Leisure & Entertainment	Greenland Being Fun Putuo	Zhenru	3,400
W.Management	Fashion	Super Brand Mall	Little Lujiazui	3,200
Decathlon	Sports & Outdoors	Lalaport	Jinqiao	2,600

Source: Savills Research