

# Retail



## Retail sales grow marginally

Most landlords kept rental rates on par with previous quarters.

- As of June 2024, Shenzhen's retail sales accumulated to RMB507.2 billion, up 1.0% YoY.
- There was no new supply during Q2/2024, and the citywide total stock remained at 6.8 million sqm by quarter-end.
- The citywide average vacancy rate decreased to 8.0%, down by 0.5 ppt QoQ and 2.1 ppts YoY.
- F&B continued to outperform other sectors in new store openings in Q2/2024, taking up 45.3% of the quarterly total new leases.
- The citywide ground-floor average rent declined by 0.9% QoQ and 1.7% YoY on a rental index basis to RMB565.5 psm pmth as of end-Q2/2024.
- For the upcoming Q3/2024, four projects with a total GFA of 495,000 sqm are scheduled for opening.

“Retailer sentiment was impacted by the marginal growth in the city’s retail sales and many retailers had to think twice before making a commitment of upholding their new store opening plans.”

CARLBY XIE, SAVILLS RESEARCH

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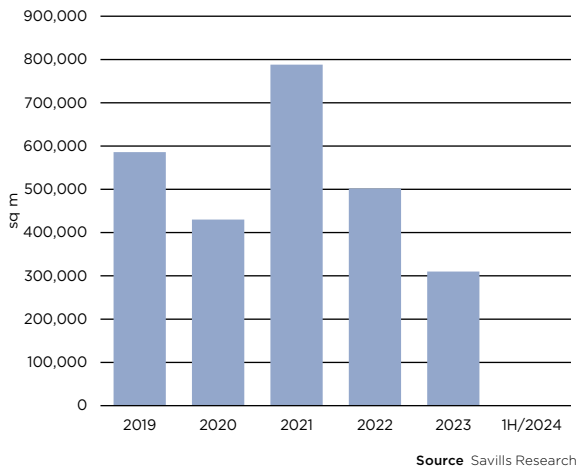
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#### RETAIL

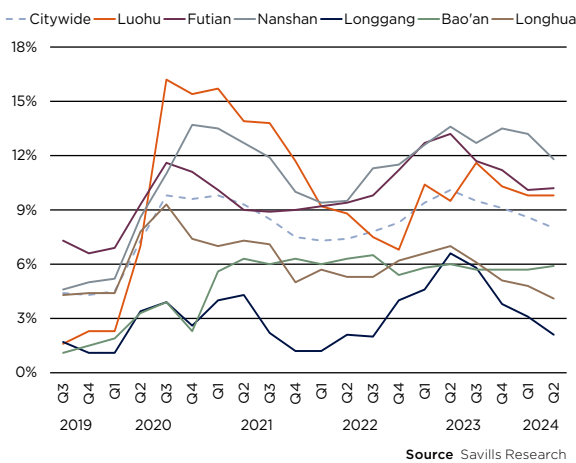
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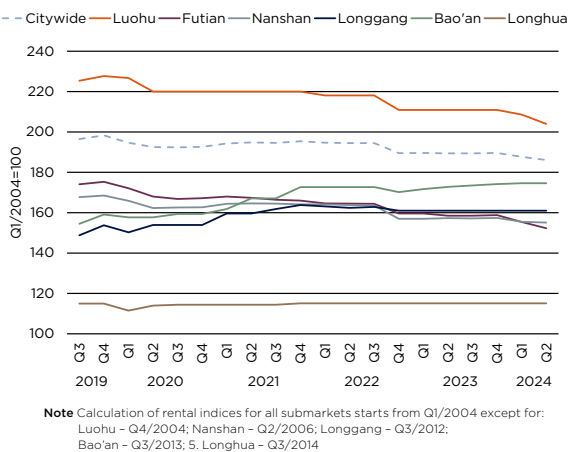
**GRAPH 1: Citywide New Supply, 2019 to 1H/2024**



**GRAPH 2: Vacancy Rate By Submarket, Q3/2019 to Q2/2024**



**GRAPH 3: Rental Index By Submarket, Q3/2019 to Q2/2024**



**MARKET OVERVIEW**

Shenzhen’s retail sales increased by 1.0% YoY to RMB507.2 billion as of June 2024. The growth contracted by 10.5 ppts YoY. Echoing the decelerating economic indicator, some retailers slowed their business expansions in Q2/2024 while many more landlords faced growing challenges in asset management and operations and lowered rental expectations to attract new or target brands, weighing on citywide rental movements.

**SUPPLY**

There was no new supply in Q2/2024, and the citywide total stock remained at 6.8 million sqm by quarter-end.

**DEMAND**

Shenzhen’s average retail vacancy rate decreased by 0.5 ppt QoQ and 2.1 ppts YoY to 8.0% as of end-Q2/2024, underpinned by a further increase in several benchmark properties’ occupancy rates, though market sentiment softened across the board.

F&B continued to outperform other sectors in new store openings in Q2/2024, taking up 45.3% of the quarterly total new leases. Despite that, its percentage was 3.9 ppts lower than the previous quarter. Of all the F&B brands, the popular bakery stores were more active in expansion, setting up regional or city-first stores in premium shopping centres during the quarter. For instance, BUTTERFUL&CREAMOROUS and M/SS MOSS set up their first Southern China stores at The MixC; Tangsuo opened its first Southern China store at Shenzhen Bay MixC; Tart launched Shenzhen’s first store at Futian COCO Park while fufuland opened a new store at UNIWALK. Meanwhile, some landlords in Futian continued the brand-mix adjustments and brought up the F&B’s ratio to meet the growing demand from Hong Kong visitors. This could be exemplified by the debuts of food courts at Central Walk and Futian COCO Park during the quarter.

Leasing demand from the accessories and cosmetics sectors contributed 9.5% to the total new leasing transactions in Q2/2024, up 2.5 ppts QoQ as some renowned brands kept setting up new stores. For example, Le

Labo and Santa Maria Novella expanded to The MixC and MixC World respectively to open their second stores in Shenzhen, and the Swiss watch brand Breitling also leased a new store at UNIWALK after its city-first store at The MixC.

**RENTS**

Most landlords were cautious in reviewing their rents and kept rental rates on par with the previous quarters but would lower rents to secure target tenants. Consequently, the citywide ground-floor average rent declined by 0.9% QoQ and 1.7% YoY on a rental index basis to RMB565.5 psm pmth as of end-Q2/2024.

**MARKET OUTLOOK**

More retail brands are expected to tap into the market with continued policy support such as The Several Measures to Promote the Innovative Development of Commerce and Trade Enterprises in Shenzhen released in June 2024, which proposed to offer financial incentives to retail brands that set up their direct-sale stores in the city. For the upcoming Q3/2024, four projects with a total GFA of 495,000 sqm are scheduled for opening, all located in emerging areas featuring modest retail stock but high population density, including the Shajing and Fuhai areas in Bao’an, and the Dayun and Bantian areas in Longgang. These new completions are expected to provide consumers in the neighbourhoods with more choices for shopping and entertainment experience.