MARKET IN MINUTES
Savills Research

Retail

savills 第一太平戴维斯

Retail sales inch up

Average vacancy rate decreased despite a sizable new supply during the quarter.

- Shenzhen's retail sales inched up by 1.1% YoY to RMB686.1 billion as of August 2024.
- Quarterly new supply peaked in the last five years as five projects with a combined retail GFA of approximately 575,000 sqm entered the market.
- The citywide average vacancy rate edged down by 0.3 ppt QoQ and 1.8 ppts YoY to 7.7%.
- Some overseas niche fashion brands with global expansion plans, mainly from South Korea and the US, set foot in Shenzhen.
- The citywide average ground-floor rent edged down by 0.8% QoQ and 2.5% YoY on a rental index basis to RMB533.9 psm pmth as of end-Q3/2024.
- To boost the local consumption market and support the further development of the first-store, new concept and flagship-store economy, the local government has come up with policies subsidising retail property landlords.

"Government's subsidies will surely boost the local consumption market and support the further development of the first-store, new concept and flagship-store economy, propelling a more sustainable development of the local retail market and enhancing the impacts of regional catchments."

CARLBY XIE, SAVILLS RESEARCH

Savills team

Please contact us for further information

RESEARCH

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

Carlby Xie
Director
Southern China
+8620 3665 4874
carlby.xie@savills.com.cn

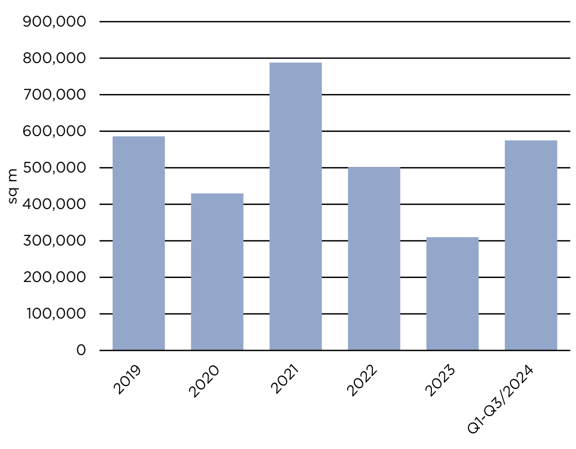
CENTRAL MANAGEMENT

Ray Wu
Managing Director
Shenzhen
+86755 8436 7008
ray.wu@savills.com.cn

RETAIL

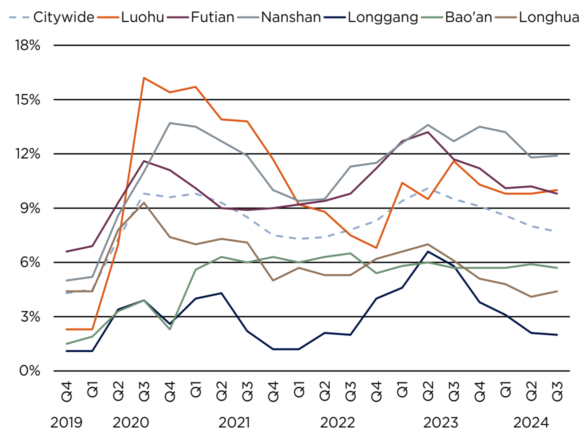
Dorian Zhi
Senior Director
Southern China
+86755 8436 7036
doriandl.zhi@savills.com.cn

GRAPH 1: Citywide New Supply, 2019 to Q3/2024



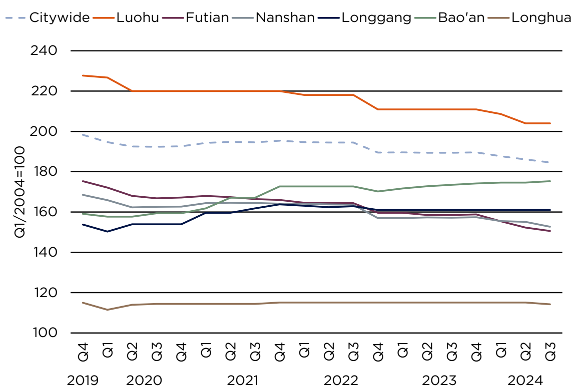
Source Savills Research

GRAPH 2: Vacancy Rate By Submarket, Q4/2019 to Q3/2024



Source Savills Research

GRAPH 3: Rental Index By Submarket, Q4/2019 to Q3/2024



Note Calculation of rental indices for all submarkets starts from Q1/2004 except for: Luohu - Q4/2004; Nanshan - Q2/2006; Longgang - Q3/2012; Bao'an - Q3/2013; 5. Longhua - Q3/2014

Source Savills Research

MARKET OVERVIEW

Shenzhen's retail sales increased by 1.1% YoY to RMB686.1 billion as of August 2024. Apparently, there was a shortfall from the official goal of 7.0% set in the 2024 Shenzhen Government Work Report. While the overall consumer confidence was yet to improve, retailers remained prudent since Q2/2024 and the consumption market continued to soften. Overall, retailers were more fastidious in site selection and tightened their criteria, and some slowed their store opening activities during Q3/2024.

SUPPLY

Quarterly new supply peaked in the last five years as five projects with a combined retail GFA of approximately 575,000 sqm opened. The total stock expanded by 8.5% QoQ to approximately 7.4 million sqm by end-Q3/2024.

DEMAND

As all new completions were in emerging areas with strong demographics but limited quality retail premises, large chained retail brands targeting community shoppers were more willing to open stores at these locations. As a result, these new completions achieved relatively high occupancy rates for the debuts. In addition, a third of the stock projects managed to complete their brand-mix refinements to reflect their project positioning adjustment or upgrade, mainly at prime benchmarking assets. Consequently, the citywide average vacancy rate edged down by 0.3 ppt QoQ and 1.8 ppts YoY to 7.7% by the end of Q3/2024.

Meanwhile, the market saw a few key notes this quarter. First, many F&B retailers were more cautious in their retail real estate strategies, constrained by contracted sales revenues and profit margins in the current economic climate and yet-to-be improved consumer confidence. Second, retailers with expansion plans and ample liquidity were more opt for prime retail properties with a higher footfalls of Hong Kong visitors for store opening. Third, some overseas niche fashion brands with global expansion plans, mainly from South Korea and the US, set foot in Shenzhen. Underpinned by this, the combined retail leasing areas of fashion brands took up 22.5% of the total quarterly leasing area, up 5.1 ppts QoQ.

RENTS

Most landlords responded swiftly to the current leasing market status, with more flexibility in lease negotiations and contract terms, financially and non-financially. Although the market continued to be in favour of tenants, two thirds of shopping centres on the market held their rentals steady. The citywide average ground-floor rent edged down by 0.8% QoQ and 2.5% YoY on a rental index basis to RMB533.9 psm pmth as of end-Q3/2024.

MARKET OUTLOOK

To boost the local consumption market and support the further development of the first-store, new concept and flagship-store economy, the local government has come up with policies subsidising retail property landlords. This should to some extent help alleviate property owners' pressure in asset management and operation and encourage the market to attract more retail and catering brands in at least the short to medium term, propelling a more sustainable development of the local retail market and enhancing the impacts of regional catchments.