

Retail



Vacancy rates down

Sports and outdoors brands remained active, launching more regional first stores.

- Shenzhen's retail sales increased by 1.5% YoY to RMB968.3 billion as of November 2024.
- There was no new supply in Q4/2024, and the citywide total stock remained at 7.4 million sqm by end-2024.
- Casual dining brands outperformed with the expansion of traditional Chinese cuisine, Japanese and Korean cuisines. Sports and outdoors brands remained active, launching more regional first stores.
- The anime, comics, games and novels (ACGN) merch stores showed a growing appetite in expansion, benefiting from the rising "Goods Economy".
- The average vacancy rate decreased for six consecutive quarters to 7.4% by the end of Q4/2024, down 0.4 ppt QoQ and 1.7 ppts YoY.
- The citywide ground-floor average rent declined by 0.2% QoQ and 2.9% YoY on a rental index basis to RMB531.9 psm pmth as of end-Q4/2024.

"The emerging retail sectors such as ACGN have catalysed new consumption demand and that brings about more opportunities for shopping centres to diversify brand-mix in the next few years."

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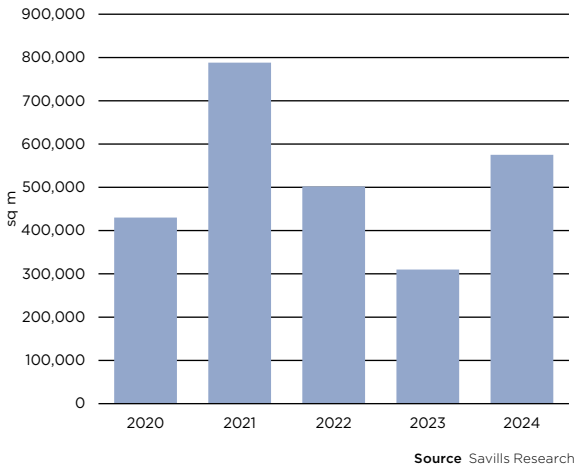
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GRAPH 1: Citywide New Supply, 2020 to 2024



MARKET OVERVIEW

Shenzhen’s retail sales increased to RMB968.3 billion as of November 2024, up 1.5% YoY. Although the growth was the highest among China’s four first-tier cities, it was 5.8 ppts lower than the same period in 2023, reflecting a relatively low spending propensity in 2024. Landlords of retail properties proactively adjusted their leasing and operational strategies to attract footfalls and accommodate emerging demand from young generations. In addition to upgrading the brand-mix of F&B and general retail sectors continually, landlords incorporated new elements/sectors with growing popularity in recent years into their properties, which facilitated the brand renovation of the market and supported an increase in citywide occupancy.

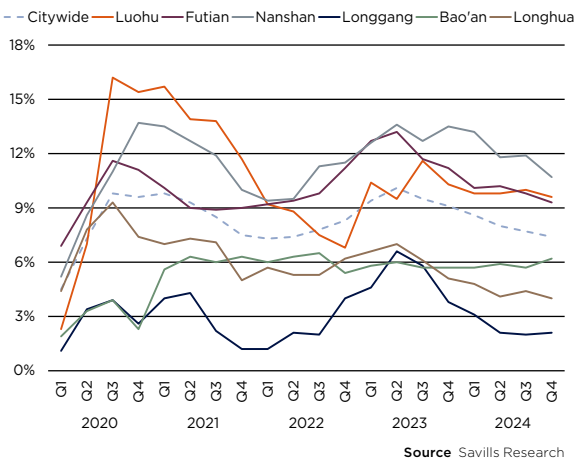
streets through brand renovations, attracting more than 20 new brands to set up ACGN merch stores. Notable new stores include GOGO GOODS’ China first store, March Monster’s South China flagship store, and Jiumi Goods’ China first flagship store.

Owing to the above, the average retail vacancy rate decreased for six consecutive quarters to 7.4% by end-Q4/2024, down 0.4 ppt QoQ and 1.7 ppts YoY.

RENTS

To cater to changing consumption preferences, landlords offered more flexible lease terms and larger rental concessions to target tenants for an ideal brand portfolio. The citywide ground-floor average rent declined by 0.2% QoQ and 2.9% YoY on a rental index basis to RMB531.9 psm pmth as of end-2024.

GRAPH 2: Vacancy Rate By Submarket, Q1/2020 to Q4/2024



SUPPLY AND DEMAND

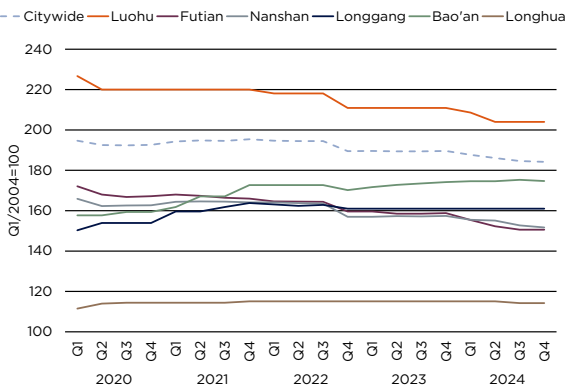
There was no new supply in Q4/2024, and the citywide total stock remained at 7.4 million sqm by end-2024.

In Q4/2024, dining brands remained one of the key demand drivers by sector, accounting for 47.0% of total new leases. Traditional Chinese cuisine, Japanese and Korean cuisine outperformed other F&B sub-categories in new store openings, pushing up casual dining’s demand by 28.1 ppts YoY, the largest increment among all sectors. Leasing demand from the beverage & snack sector also increased by 17.4 ppts YoY with the expansion of multiple milk tea brands such as Yee3 and Charlie’s Tea. Meanwhile, the first-store economy, particularly from sports and outdoors brands, continued to grow in Q4/2024, as evidenced by the launches of some world-renowned brands’ southern China first stores, including Klättermusen and icebreaker.

MARKET OUTLOOK

Ten new projects with a total of 1.1 million sqm retail GFA are scheduled for debut in 2025, and several developers with strong retail operation capability and expertise will make their first presence in the Shenzhen retail property market through the upcoming project launches. It will strengthen the market competitiveness in southern China and enrich the diversity of retail properties in Shenzhen, providing more choices for consumers and retailers’ expansion. Spending propensity is expected to grow in Q1/2025 with the support of government initiatives such as issuing tourism consumption vouchers and the coming Spring Festival. These should help improve the market confidence and stabilise the citywide occupancy and rental rates.

GRAPH 3: Rental Index By Submarket, Q1/2020 to Q4/2024



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; S. Longhua - Q3/2014

It is worth noting that landlords of many community and neighbourhood malls introduced a series of new stores or promotional campaigns related to the ACGN subculture to attract consumer footfalls, leveraging on China’s rising “Goods Economy”. For example, C Future City and UNIWALK launched new ACGN shopping