Tianjin retail rebounds in Q1

The average vacancy rate declined thanks to increased consumption during the Spring Festival holidays.

- Retail sales in Tianjin from January to February 2021 increased by 33.2% year-on-year (YoY).
- Tianjin’s retail market saw an absence of supply, leaving the total shopping mall stock at 3.67 million sq m GFA by the end of Q1/2021.
- The citywide vacancy rate dipped by 0.4 of a percentage point (ppt) quarter-on-quarter (QoQ) to 10.7% but remained up 1.1 ppts YoY.
- The average first-floor rents of citywide shopping malls reached RMB331.4 per sq m per month, and the rental index was down by 1.5% QoQ and 4.1% YoY.
- Holiday consumption incentives and the local government encouraging migrants not to travel during the Spring Festival holidays boosted consumption growth in Q1/2021. In addition, the effective control of COVID-19 also spurred domestic spending.
- Major shopping malls launched various promotional activities, leading to increased retail sales. F&B, child-related experiential and entertainment formats were the main drivers of leasing demands.
- K11, located in TEDA, Binhai New Area, is scheduled to debut in Q2/2021, contributing 35,000 sq m GFA to Tianjin’s retail market.

“Due to the epidemic controls and the local government encouraging migrants not to travel during Spring Festival holidays, citywide retail sales and turnover volume in major shopping malls, department stores and supermarkets saw a significant rebound.”

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SUPPLY AND STOCK
Tianjin’s total retail sales from January to February rose by 33.2% YoY, with sales of automobiles and clothing up by 91.9% YoY and 36.3% YoY, respectively.

No new projects launched onto Tianjin’s retail market, keeping the total shopping mall stock at 3.67 million sq m GFA by the end of Q1/2021.

Leasing demand rebounded slightly in Q1/2021, leading to a decline in vacancy rates. Landlords of shopping malls continued to adjust tenants mixes and offered rental reductions to attract retailers. F&B, child-related experiential and entertainment formats were the main drivers of leasing demand. Two child-related entertainment brands opened stores during the quarter—Meland opened its first store in MixC in the Youyi Rd area, and Missdeer opened its first store in Joy City in the Laochengxiang area. Russian Kitchen, an F&B brand, debuted its first store in TeeMall in the Heping-Binjiang-Nanjing Road area. The government encouraged migrants not to travel during Spring Festival holidays, which stimulated consumer demand for culture and entertainment. Box office revenues during Spring Festival in Tianjin increased by 35% compared with the same period in 2019 to RMB120 million.

VACANCY RATES AND RENTS
In Q1/2021, the citywide vacancy rate dipped thanks to growing leasing demand. The main city vacancy rate edged down by 0.4 of a ppt QoQ to 10.7%, though up 1.1 ppts YoY.

The shopping mall first-floor average rent reached RMB331.4 per sq m per month, with the rental index dropping 1.5% QoQ and 4.1% YoY. Rents in Binhai New Area stayed steady, while those in the main city experienced declines because landlords offered rental reductions to raise occupancy rates, dragging down citywide rents.

The vacancy rate of Tianjin’s prime retail area dipped by 0.6 of a ppt QoQ, though ramped up 1.7 ppts YoY to 14.7%. The first-floor average rent stood at RMB522 per sq m per month, with the rental index falling 3% QoQ and 7.2% YoY.

All decentralised areas saw their vacancy rate drop in Q1/2021. Yujiapu in Binhai New Area saw the biggest decline of 2.2 ppts QoQ and 3.1 ppts YoY to 8.9%. Laochengxiang recorded the lowest vacancy rate of 3.7%, a decrease of 0.4 of a ppt QoQ and 4.2 ppts YoY. The rental level in Laochengxiang remained the highest among all non-prime areas at RMB440 per sq m per month, with the rental index identical to Q4/2020 but up 4.0% YoY.

MARKET OUTLOOK
Tianjin’s retail market is expected to welcome one new project, K11, located in TEDA, Binhai New Area, in Q2/2021, bringing a new supply of 35,000 sq m GFA. The new project is expected to increase leasing demand and meet the rising consumer demand in the surrounding areas.

2021 “Two Sessions” approved China’s 14th Five-Year Plan, which made specific arrangements for the construction of the Jin-Bin (Tianjin and Binhai New Area) dual-city model. Efforts to improve modern service functions and supporting capacities of the Jin-Bin area are expected to drive the further growth of Tianjin’s retail industry.