Rents Edge Down

Eighteen regional or city’s first stores were set up during 1H/2020.

- During the period from January to May 2020, retail sales in Xiamen decreased by 6.1% year-on-year (YoY) to RMB89.7 billion, due to the impact of the COVID-19 epidemic.
- The total stock of the Xiamen retail property market remained at 2.1 million sq m as there were no new completions in 1H/2020.
- Railway-Lianban, Zhongshan Road and Jiangtou are the prime retail catchments in Xiamen’s retail property market, with a combined retail GFA accounting for 33.8% of the citywide total stock.
- Citywide vacancy rate increased by 1.8 percentage points (ppts) half-on-half (HoH) to 6.9%, resulting from the shrinking leasing demand as well as trade and brand mix renovations and upgrades at some retail premises.
- Eighteen retail brands set up their regional or city’s first store in Xiamen’s prime shopping centres, reflecting many retailers’ confidence in the city’s long-term market development.
- By the end of 1H/2020, the average ground-floor rent for the Xiamen retail property market decreased by 0.3% HoH to RMB428.2 per sq m per month.
- Many projects postponed their opening dates to 2021, which resulted in a vacuum of new supply in 2H/2020 and a supply peak comprising of a retail GFA of approximately 0.8 million sq m in 2021.

“The softened leasing demand from mid-to small-scale retailers and the continued trade-mix renovation and upgrade in some prime retail premises collectively caused an increase in the citywide vacancy rate.”

CARLBY XIE, SAVILLS RESEARCH
SUPPLY
Similar to other cities in China, the negative impact of the COVID-19 epidemic remained the most significant factor in Xiamen’s retail market as reflected in a YoY decrease of 6.1% in the city’s retail sales during the period from January to May 2020. No new projects were completed during the 1H/2020, with the total stock of the Xiamen retail property market remaining at 2.1 million sq m. Railway-Lianban, Zhongshan Road and Jiangtou are the prime retail catchments in Xiamen’s retail property market, with a combined area accounting for 33.8% of the total. Secondary prime retail catchments in the city include Jimei, Haicang, Wuyuan Bay, Exhibition Area and Luijiang Avenue.

DEMAND
Overall, the citywide vacancy rate of the Xiamen retail property market increased by 1.8 ppts HoH to 6.9% by the end of 1H/2020. This was primarily due to the softened leasing demand from many mid-to small-scale retailers, who were suffering from the COVID-19 pandemic, and the continued trade-mix renovations and upgrades in some prime retail premises as previously scheduled. It was worth noting that Xiamen remained the most attractive to many retailers who wanted to expand their business in Fujian province. During 1H/2020, the market witnessed 18 retail brands, including Saint-Laurent, Burberry and PrinceOath, setting up their regional or city’s first store in Xiamen’s prime shopping centres, such as the Mixc City, SM City Plaza and China City. This reflected many retailers’ confidence in the local market fundamentals and the long-term prospects of the market and its development. Leasing demand from the bakeries, dessert and snacks, fashion, skincare, cosmetics and perfume sectors remained active, while that from the entertainment and fine dining sectors softened during the period.

RENT
Instead of offering direct rental cuts, many landlords adopted a series of approaches to stimulate footfall recovery and improve sales performances, including offering rent-free periods during the epidemic, hosting shopping festivals and providing discount coupons to consumers. Notwithstanding these, the average ground-floor rent for the Xiamen retail property market edged down by 0.3% HoH to RMB428.2 per sq m per month.

OUTLOOK
Many projects under construction have been forced to postpone their opening dates to 2021, mainly due to the prolonged pre-leasing process. This has resulted in a supply vacuum in 2H/2020 and a supply peak comprised of a retail GFA of approximately 0.8 million sq m in 2021. With more positive economic indicators in 2H/2020, leasing demand is expected to be strengthened relative to that in 1H/2020, and an increasing volume of project enquiries and leasing activities is expected. Domestic retailers should continue to be the main market players in Xiamen as overseas retailers may slow their Xiamen expansion plans due to the continued uncertainty caused by COVID-19. Rents of established projects are expected to remain relatively stable, but that of projects in secondary areas are anticipated to decrease in 2H/2020.

Note: Calculation of rental indices for all submarkets starts from 1H/2008 except for: Zhongshan Road and Railway-Lianban – 2H/2011; Haicang – 1H/2012; Wuyuan Bay – 1H/2014; Jimei – 2H/2015; Luijiang Avenue – 2H/2016

Source Savills Research

TABLE 1: Notable Leasing Transactions, 1H/2020

<table>
<thead>
<tr>
<th>TENANT</th>
<th>SECTOR</th>
<th>PROJECT</th>
<th>SUBMARKET</th>
<th>LEASING AREA (SQ M)</th>
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</thead>
<tbody>
<tr>
<td>Coucou</td>
<td>F&amp;B</td>
<td>Paragon Centre Shopping Mall</td>
<td>Railway - Lianban</td>
<td>500</td>
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<tr>
<td>Jiujin’s Family</td>
<td>F&amp;B</td>
<td>One Mall Give More</td>
<td>Exhibition Area</td>
<td>400</td>
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<tr>
<td>Monologue</td>
<td>Fashion</td>
<td>SM Lifestyle Centre</td>
<td>Jiangtou</td>
<td>52</td>
</tr>
<tr>
<td>Häagen-Dazs</td>
<td>F&amp;B</td>
<td>SM City Plaza</td>
<td>Jiangtou</td>
<td>35</td>
</tr>
</tbody>
</table>

Source Savills Research

GRAPH 1: Total GFA Of New Supply, 2015 to 1H/2020

GRAPH 2: Vacancy Rates By Submarket, 2H/2015 to 1H/2020

GRAPH 3: Rental Indices By Submarket, 2H/2015 to 1H/2020