The retail market sees active

The overall operation for shopping centres is positive, despite rising vacancy rates in non-core projects.

- From January to July in 2020, the retail sales of units above quota of consumer goods in Xi’an reached RMB28.021 billion, a decline of 8.5% from last year, among which the online retail sales of units above quota reached RMB30.863 billion, an increase of 34.0%.

- In Q3/2020, Wuyue Square opened in Fengxi, bringing about 125,000 sq m of new supply to the retail market in Xi’an.

- Citywide rents fell 1.0% year-on-year (YoY) to RMB324.6 per sq m per month.

- Traditional department stores are facing difficulties under the threat of changing consumption habits. Longshou Minsheng Department Store in Weiyang District closed in the third quarter.

- Several projects are undergoing format adjustments to improve their competitiveness. A few retail projects are in the process of upgrading, resulting in an increase in the citywide vacancy rate of 1.1 percentage points (ppt) month-on-month (MoM) to 8.1%.

- Leisure and entertainment services are expected to be increasingly sought after by the market. By creating immersive and interactive shopping experiences, retail projects look to attract a younger generation of consumers.

“With the impact of e-commerce and changing consumer trends, experiential retail will be increasingly valued by the market. Creating immersive and interactive shopping experiences will become the key in attracting a new generation of consumers.”

SOPHY PAN, SAVILLS RESEARCH
MARKET SUPPLY
In Q3/2020, a new project, Wuyue Square in Fengxi with about 125,000 sq m, entered the Xi’an retail market, marking it as the first commercial project in the market this year. The project adds another heavyweight shopping centre to Xi’an and satiates the demand for large-scale commerce in the Fengxi area. Due to new consumption habits, traditional department stores are facing significant challenges, exemplified by Longshou Minsheng Department Store in Weiyang District closing in the third quarter. Additionally, a new urban renewal project called VSFQ Quantum opened during the quarter. The project is a renovation of the Sun Crispy Rice factory and is the first commercial complex to integrate the entertainment business with the e-sports industry, bringing a unique retail destination in Xi’an.

VACANCY RATE
Several projects are improving their competitiveness by means of format brand adjustment. SKP, Joy City and some areas of G-Park underwent upgrades in Q3/2020. Some representative shopping centres are well-operated overall but, due to the lack of brand diversity and weak customer aggregation capacity, the vacancy rate in non-core business areas may have to improve. In the near future, the Xian municipal government’s efforts to develop the new energy automobile industry and introduce a series of preferential policies to encourage the consumption of new energy automobiles. Additionally, physical bookstores saw strong expansion during the quarter. Fangsuo Bookstore’s first store in Xi’an has launched in G-Park, Fandeng Bookstore settled in Yue-Hui Square and Yingwu Bookstore is expected to open in the Maike Centre in the future.

RENT
Citywide rents in the Xi’an retail market fell 1.0% QoQ to RMB34.6 per sq m.

MARKET OUTLOOK
Looking forward to Q4/2020, the Xi’an retail market is expected to have more than 300,000 sq m of new supply, with distribution in both core districts and emerging business areas. The entry of new projects will further activate the commercial atmosphere for the whole city, but, at the same time, market competition will intensify. The vacancy rate is expected to fluctuate in the short term, and more retail properties may have to improve project competitiveness through brand adjustment and upgrading.