



China Retail Supply/ Demand Trends

**Post-lockdown consumption –
The key to market revival**

August 2022

**CUSHMAN &
WAKEFIELD**
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CHINA TOP RETAIL SUPPLY/DEMAND TRENDS

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Executive Summary

In the first half of 2022, China's economic growth rate slowed due to the impact of the epidemic. As a result, the stock of prime retail properties in 16 major cities in China didn't see much new supply enter the market during the first half of this year. At the end of H1 2022, retail supply reached 97.2 million sq m. Meanwhile, the average rental for prime retail properties in major cities in China was RMB735.5 per sq m per month at the end of Q2 2022, a drop of 0.9% quarter-on-quarter (q-o-q).

Looking to the future, the long-term fundamentals of China's retail market remain solid. Shopping centres continue to optimise their operations, upgrade their facilities and adjust their brand mixtures to prepare for the recovery in the consumer market.

In terms of supply, the main trends and influencing factors are as follows:

- **The recently released policies to stimulate market consumption;**
- **On-demand community retail coming to the fore;**
- **A continued focus on omni-channel retailing, and;**
- **Sustainability being taken ever more seriously by shopping centre investors, developers and operators.**

Affected by multiple factors, including China's economic development, population change, the expansion of the Internet and the spread of smartphones, COVID-19 and consumer behaviour, to name a few, consumption in China has transformed. China's retail market continues to introduce new business models, new types of services and innovative retail formats to adapt to changing consumer groups and consumption patterns.

In terms of demand, there are many trends impacting the market in China but five which we look into in a little more detail include:

- **The rise of new consumption brands;**
- **F&B enterprises expanding into the semi-prepared meal market;**
- **The 'new baking' concept bringing new business opportunities for bakeries;**
- **'Green consumption' ushering in new prospects for retailers, and;**
- **New trends driving sport and fitness retailer growth.**



Beijing

By the end of H1 2022, the total stock in Beijing's retail market was 15.1 million sq m, of which shopping centres reached 13.3 million sq m, accounting for 88% of total stock.

With the normalisation of the epidemic, the customer footfall flow and consumption vitality of shopping centres in Beijing have gradually returned to normal. What's more, shopping centres in the city have completed a round of recent tenant mix adjustments. As of the first half of 2022, the average asking rental level in Beijing's core submarkets has dropped slightly to RMB2,300 per sq m per month, while the vacancy rate has remained stable at 10%.

Given the epidemic, it is still taking some time for the market to recover, with much resulting pressure being placed on new projects and their leasing performance. Ahead, the overall pace of new market supply will continue to slow. It is expected that in the next three years, about 2.8 million sq m of quality retail space will be available in the Beijing retail market, with suburban areas still being the main localities for new supply.



Shanghai

Affected by the COVID-19 outbreak, Shanghai's GDP fell 5.7% y-o-y in H1 2022. Residents were quarantined at home during April and May, with shopping centres reopening in early June after a two-month temporary closure. No prime new shopping centres launched in the Shanghai retail property market, and as a result, the total stock was maintained at 20.8 million sq m in the first half of 2022.

Demand for quality bricks and mortar shopping centre space dipped due to the impact of the epidemic, with the overall vacancy rate increasing by 0.8 percentage points q-o-q to 10.2% in Q2 2022, the highest figure seen in the past five years. Subsequently, the average first floor asking rent for Shanghai's mid- to high-end shopping centres decreased by 3.4% q-o-q to RMB838.8 per sq m per month in Q2.

Looking to the future, Shanghai's economic recovery will accelerate, and the consumer market will gradually pick up in H2 2022. Due to the large population and strong consumer spending, the outlook for Shanghai's retail market is positive into the mid- to longer-term future. We can also expect the retail property market to remain one of the more popular destinations for investment over this period.



Shenzhen

Shenzhen added 820,000 sq m of new prime retail supply during the past year. The total stock increased to 5.92 million sq m in Q2 2022, up 16.1% y-o-y.

Impacted by the epidemic, the average rental dipped in Q1 2022. However, with the support of city government stimulus measures to boost consumer spending, the retail market continued to recover. The government has issued a series of e-coupons to stimulate spending, supported by new subsidies for automobiles, electronics and household appliances to further boost consumer confidence. In Q2 2022, the overall vacancy rate dropped 1.26 percentage points from a high in Q3 2021 to finish at 5.7%. Subsequently, the average monthly rental gradually returned to RMB860.21 per sq m.

Meanwhile, postponed project openings have pushed up the new retail supply scheduled for delivery in 2022 to approximately 520,000 sq m, with notable projects, such as Houhai Harbour and Teemall, to complete in the core submarkets.



Guangzhou

Guangzhou's high-quality retail market added two new projects in the past year, expanding citywide retail stock to 4.79 million sq m, up by 1.0% y-o-y. Uncertainty in the macroeconomic arena has, however, delayed the opening of some new projects.

Citywide net absorption over the past four quarters dropped 87.7% y-o-y to 125,530 sq m. Net absorption in Tianhe Sports Centre accounted for 34.9% of the total, which was the highest of any district in Guangzhou. During this time, some shopping centres adjusted their whole business layout or the location of the main stores in their projects. Even so, the overall market vacancy rate increased by 1.2 percentage points y-o-y to 5.7%. F&B has been the main force for opening new stores, and the number of new stores opened in this sector over the past year accounted for 44.1% when compared to the various other retail sectors.

440,000 sq m of new supply is expected for the year. Although there are high-quality projects located in the core area, most new supply will be sited in the non-core area. While the commercial environment in the outer areas has been enhanced, rental growth might be limited in the short term.



Chengdu

The city added a total of 273,000 sq m of new supply between Q3 2021 and Q2 2022. Consequently, the city's stock total reached 7.39 million sq m, ranking third in the country.

Given the pandemic and in order to expand domestic demand and boost consumption, the Chengdu government issued consumer coupons in Q2 2022. This initiative has promoted short-term consumption and stimulated citizens' willingness to spend, thereby driving the city's rent to increase by 0.52% q-o-q to RMB624.11 per sq m per month. Moreover, due to successful upgrading work to some retail projects, in Q2 2022, the city's average vacancy decreased by 0.83 pp q-o-q to 6.86%.

Into the rest of 2022, Jiaozi Business Centre will usher in two major projects: Magic Cube and SKP. Upon completion, total stock in Jiaozi Business Centre will surpass that of Chunyan Business Centre to reach about 1.5 million sq m. At the same time, Chengdu could enter an era whereby there are dual commercial retail centres in the city.



Hangzhou

In response to the complex international environment and the impact of the fluctuating epidemic, the Hangzhou government has vigorously promoted the 'eight key actions' to stabilise and improve the economy. Given this initiative, the city's economic operation has shown a steady and progressive development trend.

The sustained stability of the economic fundamentals has provided an important guarantee for the development of the city's retail market. During the last year, ten commercial projects, with a combined 1.1 million sq m of new space, opened in Hangzhou, with the city's prime retail stock climbing to approximately 5.8 million sq m.

Given the changing complexities of the macro environment, ahead, we might see some investment momentum begin to tail off as developers continue to make strategic adjustments in terms of their investment scale. Meanwhile, for leading enterprises, the development and expansion of the 'asset-light' model will continue to be a feature of the Hangzhou retail market in the future.

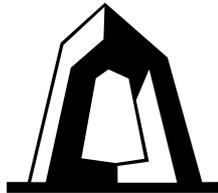
Report Introduction

With government-led stable economic development, the internal demand for consumption by the general public in China should be catalysed, which, in turn, will support the recovery in China's retail property market. This report looks at the prime retail property market in China and provides an understanding of:

- The retail supply/demand trends experienced in the region over the course of the past year;
- An outlook on retail supply/demand in China for the year ahead and beyond, and;
- Finally, an insight into the retail supply/demand trends for each major city in China.

The six key city-level prime retail property markets the report covers are:

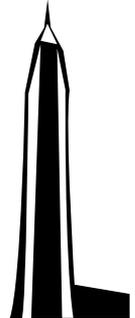
Beijing



Shanghai



Shenzhen



Guangzhou



Chengdu



Hangzhou



Supply And Demand

China Retail - Where It's At

According to the International Monetary Fund, the outlook for the global economy will be significantly dimmed in 2022, due to the negative impact of intensifying geopolitics, a renewed global pandemic and rising inflation. Despite the severe international economic situation, China's GDP growth, though lower than the 5.5% target for 2022, was around 2.5% during the first half of the year. Meanwhile, China's total retail sales of consumer goods totalled RMB21.04 trillion, down 0.7% y-o-y (Figure 1). Thus, even though spending was a sizable contributor to GDP growth in Q1 (Figure 2), China's consumer confidence index hit a 10-year low of 86.8 in May 2022 (Figure 3).

By the end of Q2 2022, the total stock of all mid- to high-end shopping centres in the 16 major cities we track in China reached 97.2 million sq m. Since Q2, due to the spread of the epidemic in many cities, the opening plans for new supply projects in some major cities have been postponed to H2 2022 or 2023. What's more, many retailers shelved or scaled back their expansion plans. As a result, net absorption in prime retail properties in the major cities in China reached just 0.92 million sq m, down 48.1% y-o-y. Nanjing and Xi'an recorded the lowest and highest vacancy rates in our tracked first and second-tier cities in China group, at 3.9% and 20.2%, respectively (Table 1).

Figure1: Total retail sales of consumer goods in China (2011-H1 2022)



Figure 2: The contribution of consumer spending to economic growth in China (2011-Q1 2022)



Figure 3: Chinese consumer confidence index (2011-H1 2022)



Source: National Bureau of Statistics, Cushman & Wakefield Research

Supply And Demand

China Retail - Where It's At

Table 1: The supply/demand rundown for 16 city core area-level markets in China (Q2 2022)

CORE MARKET DATA CHINA		Q2 2022				
Markets	Stock (sq m)	Under Construction (sq m)	Absorption (q-o-q sq m)	Vacancy	Rent (Local currency) (q-o-q change)	
Beijing	13,265,114	2,449,499	145,710	10.00%	2300.00 -2.13% RMB/sq m/mo	
Shanghai	20,825,018	10,069,372	-257,293	10.20%	1943.50 -2.23% RMB/sq m/mo	
Guangzhou	4,793,086	1,388,000	65,909	5.72%	776.10 1.28% RMB/sq m/mo	
Shenzhen	5,916,329	1,514,083	7,540	5.67%	860.21 0.45% RMB/sq m/mo	
Tianjin	2,426,409	556,750	-10,640	12.41%	435.10 -0.48% RMB/sq m/mo	
Shenyang	5,575,251	846,357	133,499	17.24%	273.00 -1.80% RMB/sq m/mo	
Dalian	1,888,460	236,000	-13,650	16.59%	610.60 0.00% RMB/sq m/mo	
Qingdao	3,060,300	727,000	115,877	7.87%	439.00 0.00% RMB/sq m/mo	
Nanjing	4,923,930	2,764,420	10,064	3.87%	676.26 0.13% RMB/sq m/mo	
Hangzhou	5,784,070	1,074,000	244,750	6.82%	591.54 -2.30% RMB/sq m/mo	
Chongqing	6,359,000	1,564,700	131,411	10.19%	569.30 -1.85% RMB/sq m/mo	
Chengdu	7,391,323	1,435,000	172,360	6.86%	624.11 0.52% RMB/sq m/mo	
Xi'an	6,436,983	1,106,900	71,340	20.18%	226.90 0.00% RMB/sq m/mo	
Wuhan	3,153,599	507,571	161,129	13.81%	521.08 1.96% RMB/sq m/mo	
Changsha	2,889,500	708,260	-40,844	10.44%	402.19 -1.46% RMB/sq m/mo	
Xiamen	2,513,700	1,065,858	-21,634	10.19%	519.13 -0.50% RMB/sq m/mo	

Source: Cushman & Wakefield Research

“ China's retail market is becoming increasingly complex and diverse due to factors such as COVID-19, the rise of new consumption and the pursuit of sustainable development. Brand and retail property owners will continue to dig deeper into the market and innovate their business models to meet the increasing personalised and diverse needs of Chinese consumers. Cushman & Wakefield Retail Services will continue to promote the development of China's retail industry by working closely with retail-related enterprises operating in the China marketplace and helping to upgrade their brands and commercial properties.

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Duke Zhen

Managing Director, Head of Retail Services
China

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“ The Chinese consumer market has taken a short-term hit from the pandemic and other factors. However, in the mid- to long term, the Chinese retail market will gradually pick up as the central and local governments continue to introduce policies to stimulate consumption. What's more, brand and retail property owners will continuously introduce new products and services to prepare for the recovery of the consumer market after the pandemic. As consumption picks up again, so we expect absorption of quality retail space to regain momentum in the coming months.

”



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China Retail - Where It'll Be

As China has managed to stem some of the recent COVID-19 epidemic outbreaks in the country, some of the stricter control measures will be relaxed. In turn, general population movement between provinces and cities is expected to gradually increase. In H2 2022, consumption is anticipated to increase gradually, leading to a general recovery in China's economy. Much of this recovery is also expected to be supported by policies and measures issued by the central, provincial and city governments.

Due to the COVID-19 epidemic, some new shopping centres that were scheduled to complete in H1 2022 have been delayed until H2 2022 or 2023. According to Cushman & Wakefield, about 28.0 million sq m of new prime retail properties is planned to complete over the next three years. Of the six major markets in the region, the market which will see the greatest amount of future supply is Shanghai at 10.1 million sq m and the market which will see the least amount is Hangzhou at 1.1 million sq m.

In the meantime, long-term, China's retail market remains solid, thanks to a growing middle class, continued urbanisation and the effective control of inflation. Accordingly, shopping centres will optimise operations, upgrade facilities and adjust their brand mixtures to prepare for market recovery. In terms of supply, the main focus trends are as follows:

- **The recently released policies to stimulate market consumption;**
- **On-demand community retail coming to the fore;**
- **A continued focus on omni-channel retailing, and;**
- **Sustainability being taken ever more seriously by shopping centre investors, developers and operators.**



Recently Released Policies to Stimulate Market Consumption

During the pandemic, the central and local governments have introduced a series of policies to help medium-, small- and micro-companies with financial support, the easing of financing difficulties, the reduction of operating costs and the stimulation of market demand for their sales products and services.

Just after the epidemic, the central and local governments introduced a number of policies to support the recovery of consumption. On April 20, 2022, The General Office of the State Council issued the *Notice on Further Releasing Consumption Potential and Promoting Sustained Recovery of Consumption* (Figure 4).

Local governments also responded positively by introducing measures to boost the recovery of the consumer market. For example, Beijing has introduced 27 measures to promote consumption and has issued RMB100 million in F&B vouchers. Shanghai is holding a shopping festival from July to September to coordinate "international consumption", to "release new global products" and to promote a "discount season". Shenzhen issued RMB100 million to encourage its citizens to buy consumer digital products and home appliances at a 15% discount on the sales price. Lastly, Tianjin, Chongqing, Hubei, Sichuan, Hainan, Zhejiang and other provinces/cities have launched subsidies, coupons, shopping activities and other measures to promote consumption.

With the adjustment of COVID-19 prevention measures in China and the implementation of policies, such as interest rate cuts, tax reductions and consumption stimulus, the consumption recovery has been further strengthened.

Figure 4: Selected post-epidemic retail-related policies in China (2022)



Source: Public Resources, Cushman & Wakefield Research

China Retail - Where It'll Be

On-Demand Community Retail Coming to the Fore

During the 14th Five-Year Plan period, China's urbanisation will continue to develop rapidly. According to the Chinese Academy of Social Sciences, China's urbanisation rate will reach 70% by 2030. That means nearly 15 million people will move into cities each year and more than 20,000 new communities will be formed in China.

Meanwhile, China's national and local governments have issued many policies to encourage the development of 15-minute life circle areas in recent years. As an important part of the 15-minute life circle areas, community retail has become a popular business track for real estate developers and investors (Table 2).

In contrast to the "one-stop" shopping and experiential locations served by regional shopping centres, on-demand community retail is more focused on serving residents within a few kilometres, providing them with the shopping, social, entertainment and parent-child locations for daily life. What's more, due to changes in the consumption patterns and habits of Chinese consumers, community retail is constantly evolving to the changing market.

Table 2: National policy for community retail (2021-2022)

Date	National Support Policies
April 2021	The Ministry of Commerce and 10 other government departments issued opinions on <i>Promoting the Construction of 15-Minute Life Circle Areas</i> .
July 2021	The Ministry of Commerce and 10 other government departments issued the <i>Construction Guidelines for 15-Minute Life Circle Areas</i> .
August 2021	30 pilot areas for 15-minute life circle areas (1. Dongcheng District, 2. Shijingshan District, 3. Tianjin Binhai New Area, 4. Tangshan, 5. Yuncheng, 6. Shenyang, 7. Dalian, 8. Heihe; 9. Changning District, Shanghai; 10. Putuo District, Shanghai; 11. Nanjing; 12. Suzhou, 13. Ningbo, 14. Fuzhou, 15. Xiamen, 16. Nanchang, 17. Jinan, 18. Qingdao, 19. Yantai, 20. Hebi, 21. Wuhan, 22. Huaihua city, 23. Nanning City, 24. Chongqing Liangjiang New Area, 25. Chengdu City, 26. Guiyang, 27. Xi 'an, 28. Weinan, 29. Yinchuan, 30. Shihezi, Xinjiang.)
July 2022	50 pilot areas for 15-minute life circle areas (1. Xicheng District, Beijing; 2. Hexi District, Tianjin; 3. Binhai New Area, Tianjin; 4. Tangshan; 5. Taiyuan; 6. Hohhot; 7. Ordos; 8. Wuhai; 9. Changchun; 10. Qiqihar; 11. Mudanjiang; 12. Jiamusi; 13. Yichun; 14. Jing 'an District, Shanghai; 15. Xuhui District, Shanghai; 16. Jiading District, Shanghai; 17. Wuxi; 18. Xuzhou; 19. Changzhou; 20. Nantong; 21. Yancheng; 22. Hefei; 23. Wuhu; 24. Dongying; 25. Weifang; 26. Jining; 27. Weihai; 28. Shangqiu; 29. Yichang; 30. Shiyang; 31. Changsha; 32. Guangzhou; 33. Guilin; 34. Beihai; 35. Qinzhou; 36. Yulin; 37. Jiulongpo District, Chongqing; 38. Mianyang; 39. Nanchong; 40. Anshun; 41. Bijie; 42. Kunming; 43. Kunming; 44. Qujing; 45. Baoji; 46. Tongchuan; 47. Hanzhong; 48. Lanzhou; 49. Alar; 50. Kokdara.)

Source: Public Resources, Cushman & Wakefield Research

China Retail - Where It'll Be

This includes technologies and innovative business models to cater to the growing needs of community consumers.

Affected by the COVID-19 pandemic, consumers have put forward higher demands for convenience and safety when undertaking their daily shopping. Additionally, on-demand community retail uses new technologies to realise the integration of online and offline retail of supermarkets, wet markets, pharmacies, restaurants, laundry and so on, thus forming a new business model in the community. For example, during April and May 2022, some shopping centres in Shanghai worked closely with community property management organisations to ensure the daily necessities of residents in nearby communities were met, which not only improved residents' satisfaction, but also effectively helped retailers to operate during the pandemic.

Through the optimisation of brand mixture, design, architecture and landscaping, community retail has been able to effectively enhance the customer shopping experience in China. In addition to supermarkets, retail, F&B, life

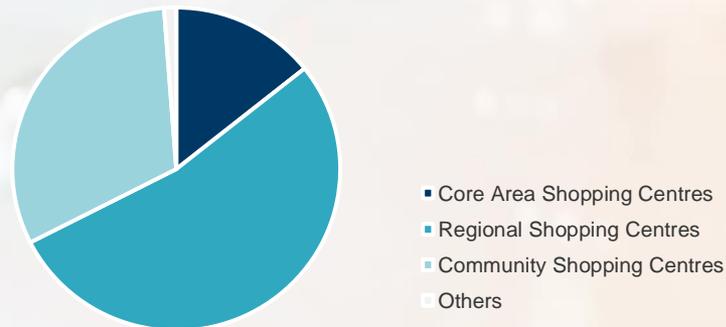
services and other sectors, community retail has also introduced co-working spaces and services, child-related retail and service outlets, entertainment outlets, clinics and pet service outlets to meet the various consumer needs. Some successful community retail projects have built garden terraces, roof gardens, and parent-child fun squares, for the surrounding residents.

Nowadays, on-demand community retail is not only the retail carrier to meet the daily needs of the surrounding residents, but also acts as a culture carrier for the community, by holding and hosting art exhibitions, theatrical performances, flea markets, public welfare charity events,

parent-child activities and much more in multifunctional theatre/exhibition spaces, in the atrium, in the outside square or in other spaces in the community retail project. The cultural activities not only attract the surrounding residents to participate in the community activities, but also improves the stickiness of customers, thereby ensuring a steady customer footfall flow to the community retail centre.

According to statistics from Cushman & Wakefield Research, over the next three years, about 31.3% of the new supply in the 16 cities we track will be in community retail (Figure 5).

Figure 5: Percentage of new retail supply types in 16 cities in China (H2 2022-2024)



Source: Cushman & Wakefield Research

A Continued Focus on Omni-Channel Retailing

In response to the repeated epidemics and the fierce market competition, the retail property market has accelerated its transformation and upgrading in China. Retailers and landlords of shopping centres are actively optimising store and shopping centre operations by deploying omni-channel retail, analysing customer portraits, building membership systems, and improving supply chain efficiency.

With the development of technology, the Internet has become a part of consumers' daily life. Online and offline retail have been replaced by omni-channel retail. Only by complementing the advantages of online and offline retail can consumers be provided with convenient and high-quality goods and services, thus creating a good shopping experience. Especially in the post-epidemic era, in order to meet consumers' increasingly diversified consumption needs at any given time, anywhere and in any way, retailers and landlords of shopping centres in China have actively optimised online retail platforms as well as created varied and experiential-focused offline retail space that boosts customer attraction.

Meanwhile, retailers and landlords of shopping centres have not only set up their online platforms, providing delivery services, but also many have actively built their online membership systems that integrate a number of functions, such as Health Codes for epidemic control management, smart parking lot systems, member communication networks, community interaction platforms, the precision marketing of goods, offline promotion campaigns, member bonus points schemes and exclusive preferential distribution. Not only can the online membership system break space and time constraints, stores and shopping centres can end up having a higher consumer engagement level.

Lastly, in order to meet the requirements of a more flexible supply chain under omni-channel retail, the supply chain will continue to be upgraded and optimised. Once improved, stores and shopping centres will have a deep insight into their consumers' profiles, consumption behaviour and preferences. They will then be able to build an efficient and flexible supply chain system to improve their operational effectiveness.



China Retail - Where It'll Be

Sustainability Being Taken Ever More Seriously by Shopping Centre Investors, Developers and Operators

As the world's second largest economy, China has made sustainability a top priority, and set carbon peak and carbon neutrality goals. (The carbon peak and carbon neutrality goals are that China aims to peak its carbon dioxide emissions by 2030 and strives to be carbon neutral by 2060.)

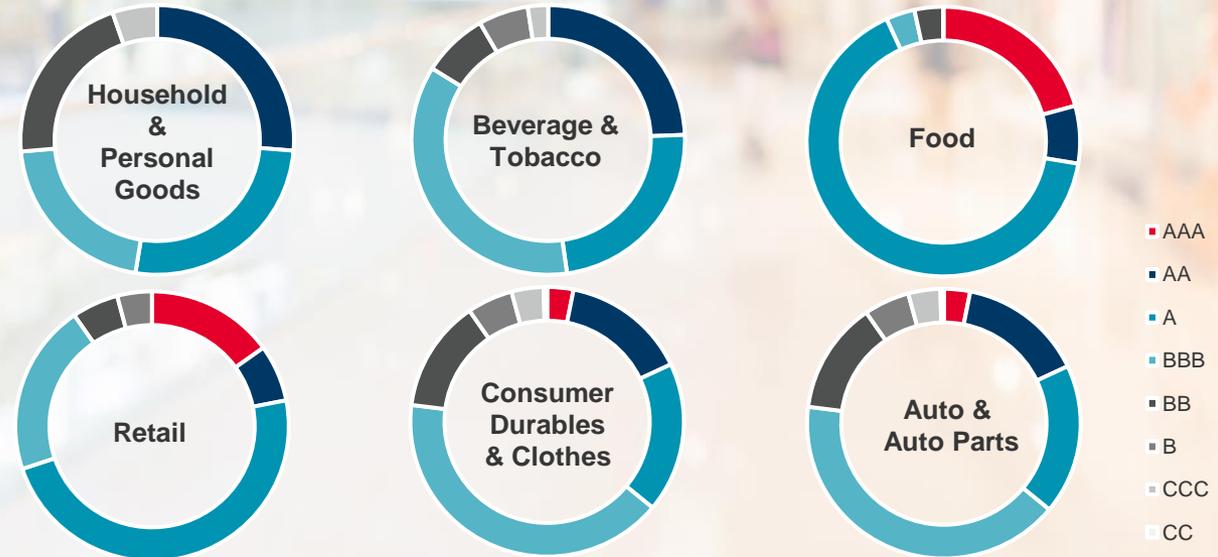
Driven by the sustainability concept, environmental, social and governance (ESG) investment is gradually rising in the asset management field in China. ESG provides the foundation for a comprehensive evaluation system for enterprises so as to examine the shareholder value, social value and sustainability that enterprises can create. The ESG rating is divided into seven grades from high to low: AAA, AA, A, BBB, BB, B, and CCC.

Following on from this, consumer product enterprises in China now actively integrate ESG into their company culture and daily operations in China. In addition, listed enterprises will make ESG information disclosures in accordance with CSRC regulations.

According to the Sino-Securities Index ESG Rating, among the consumer products industry in China's A-share market, food manufacturers and retailers are the best performers. 20.7% of food manufacturers and retailers are rated AAA, and 93.1% are rated A or higher. Moreover, the ESG rating of retail companies also performed well, with 69.8% of retail companies rated A or higher (Figure 6).

Ahead, the scale of ESG investment in China will increase significantly as general awareness of sustainability continues to increase. Listed companies in the consumer products industry will continue to attach importance to ESG performance, which will help to enhance the confidence of stakeholders, strengthen the brand image, and improve the ability to cope with risks.

Figure 6: ESG rating of companies in the consumer products industry of China's A-share market (2021)



Source: Wind, Sino-Securities Index ESG Rating, Cushman & Wakefield Research

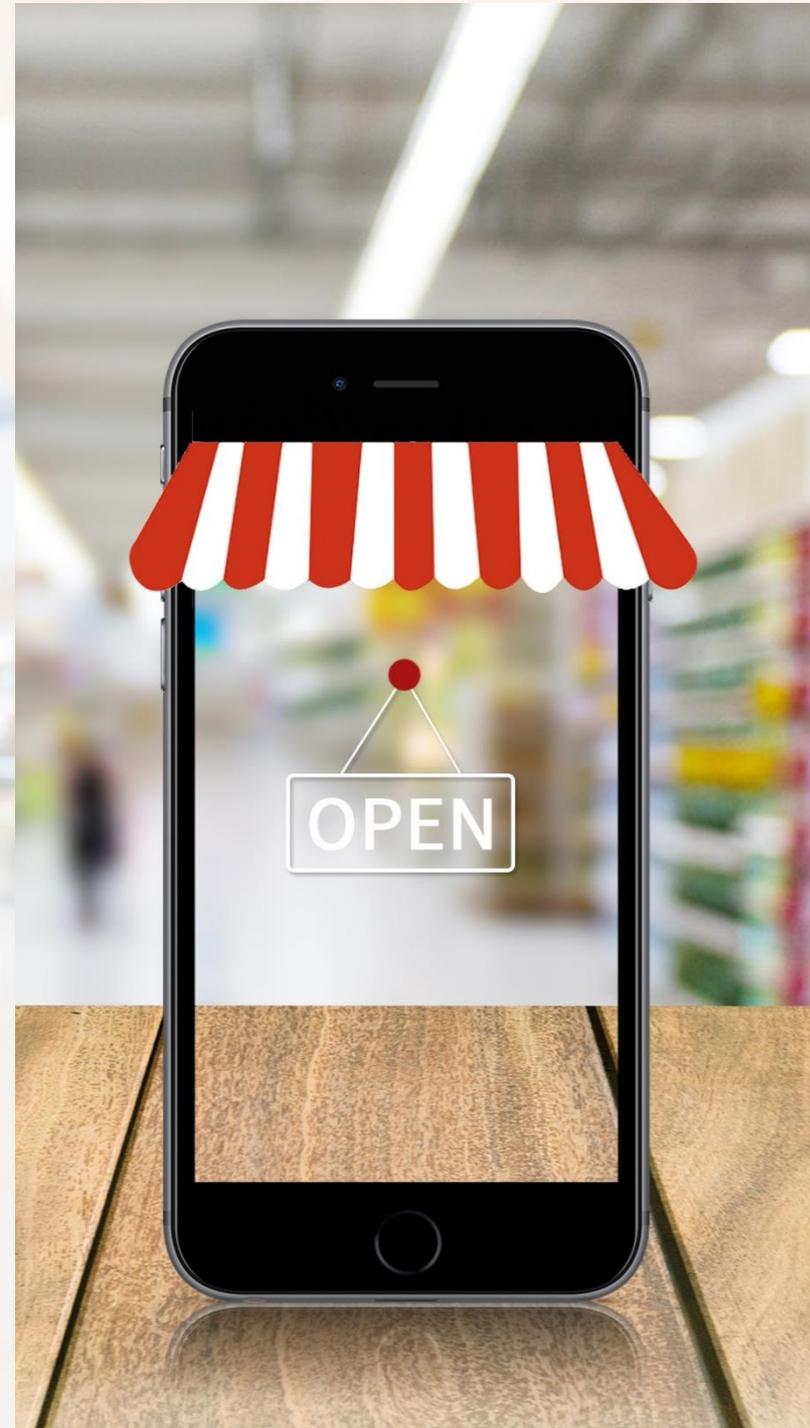
China Retail - Where It'll Be

Looking ahead, China's consumer market will gradually recover under the influence of a number of factors, including epidemic control, the intensive introduction of policies to stimulate consumption, and the effectiveness of measures to stabilise economic growth.

Affected by multiple factors, including China's economic development, population change, the expansion of the Internet and the spread of smartphones, COVID-19 and consumer behaviour, to name a few, consumption in China has transformed. China's retail market continues to introduce new business models, new types of services and innovative retail formats to adapt to changing consumer groups and consumption patterns.

In terms of demand, there are many trends but five which we look into in a little more detail include:

- **The rise of new consumption brands;**
- **F&B enterprises expanding into the semi-prepared meal market;**
- **The 'new baking' concept bringing new business opportunities for bakeries;**
- **'Green consumption' ushering in new prospects for retailers, and;**
- **New trends driving sport and fitness retailer growth.**



China Retail - Where It'll Be

The Rise of New Consumption Brands

In recent years, with the continuous expansion of the consumer market, the advancement in technology, the intensive introduction of favourable policies and strong capital investment, retailers and landlords of retail properties in China have actively seized the new consumer opportunities that have arisen.

China's young generation was born in the era of China's economic boom and the spread of the Internet. Their lifestyle and consumption philosophy have changed accordingly. They are most interested in brands that are healthy, sustainable, fashionable, well-designed and quality-oriented.

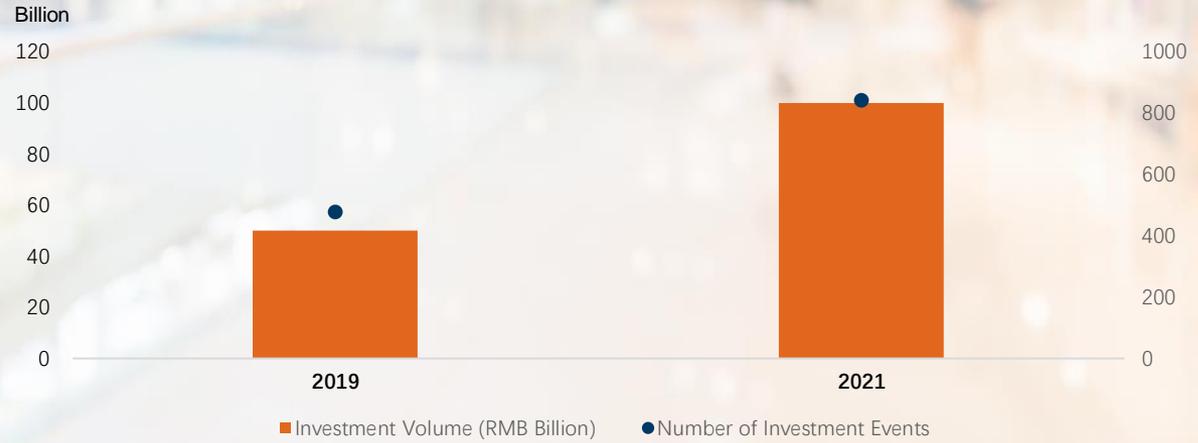
With the support of capital, new consumption brands have become a force that cannot be ignored in China's retail market. According to the incomplete statistics from New Consumption Daily, there were a total of 842 investment events in new consumption brands in 2021 in China, with the total investment volume being RMB90.721 billion, among which 140

investment events did not disclose the amount invested. Ahead, it is expected that the investment volume in new consumption brands could reach more than RMB100 billion in 2022 (Figure 7).

The key to the success of new consumption brands in China lies in the formulation, operation and execution of brand strategies, with the new consumption brand operation being very much data centred. This has enabled these brands to grasp in a timely manner the most popular products

associated with local consumers, to flexibly adjust the product mix of each store, and to sell specific goods and products in specific city markets. Based on the deeper understanding of its markets and consumers, new consumption brands can provide a differentiated experience through their innovative approach to retailing.

Figure 7: Volume and number of investment events – China's new consumption brands (2019 and 2021)



Source: New Consumption Daily, Cushman & Wakefield Research

China Retail - Where It'll Be

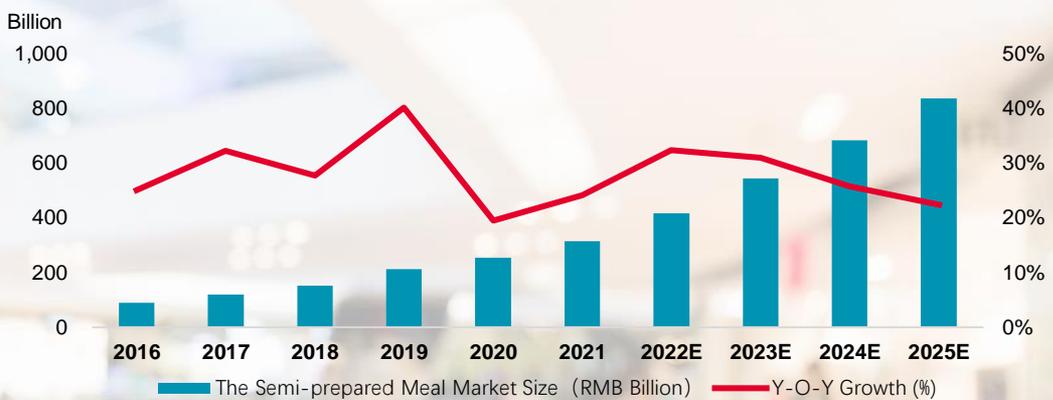
F&B Enterprises Expand into the Semi-Prepared Meal Market

With the rapid pace of modern life, people in China's urban areas are willing to spend less time in the kitchen. This, coupled with an increase in spending power and the rapid development of cold chain logistics in the country has led to an increase in the amount of semi-prepared meals being supplied to chain restaurants by central kitchens in China.

In the post-epidemic era, with the upgrading of Chinese people's consumption and the transformation of the young generation's ideas surrounding the subject of consumption, the China semi-prepared meal market has developed rapidly. According to New Catering Big Data, the size of China's semi-prepared meal market exceeded RMB310 billion in 2021, and is expected to exceed RMB830 billion by 2025, with the meals-to-consumer market accounting for a nearly 30% share (Figure 8 and Figure 9).

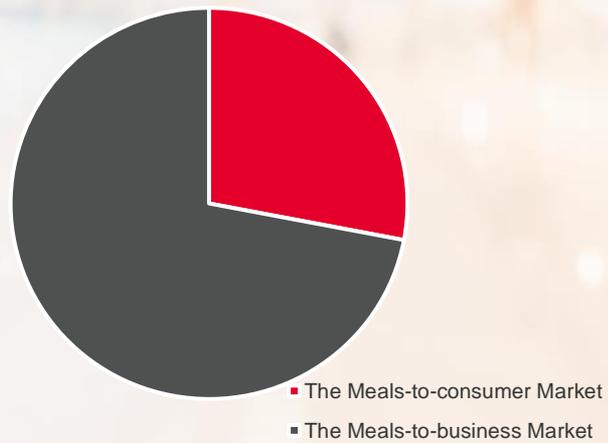
Driven by the huge market size and strong demand, chain restaurants have recently invested heavily in the semi-prepared meal market. According to the China Chain Restaurant Association, during the COVID-19 pandemic of 2020, more than 90% of chain restaurant enterprises sold semi-prepared meals and pre-packaged food to ease the cash flow pressure caused by the suspension of dine-in services.

Figure 8: The China semi-prepared meal market size and growth rate (2016-2025)



Source: NCBD, Cushman & Wakefield Research

Figure 9: Percentage of China semi-prepared meal type (2021)



Source: NCBD, Cushman & Wakefield Research

China Retail - Where It'll Be

For chain restaurant enterprises, a central kitchen which produces semi-prepared meals can reduce the high rent and labour costs, save 70% - 80% of the kitchen space, improve the efficiency of dish production, ensure the taste and quality of dishes, and generally improve the overall operating efficiency of the restaurant. More importantly, chain restaurant enterprises can reduce the number of staff in the kitchen, reduce production costs and avoid food wastage during meal production.

For consumers, the semi-prepared meal allows people to avoid working on their cooking skills in their spare time and gives them back this time to spend on other activities. Although the meals-to-consumer market faces more diversified forms of consumer demand, single orders with small amounts and higher specific order demand on the cold-chain, the semi-prepared meal service platform can enhance the anti-risk ability of chain restaurants. This was clearly demonstrated when chain restaurants were still able to sell their dishes during the COVID-19 pandemic or the Spring Festival holidays.

Today, China's semi-prepared meal market is undergoing a period of rapid development, with chain restaurants, new retail enterprises and emerging semi-prepared meal enterprises competing for this blue sea market. However, in the long term, China's semi-prepared meal market will gradually mature. Only those enterprises that constantly develop popular meals, strengthen quality control and have a complete industrial chain are expected to be in business once the market has fully developed.



China Retail - Where It'll Be

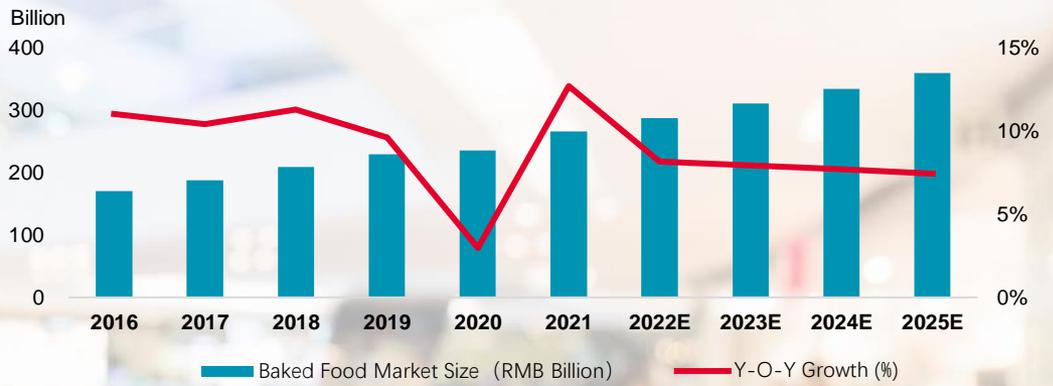
The 'New Baking' Concept Brings New Business Opportunities for Bakeries

With the continuous improvement in Chinese consumers' awareness of baked goods, the China baked goods market size has grown rapidly. In 2021, the market size of baked goods was about RMB265.7 billion, growing at a 7.7% CAGR rate over the past six years (Figure 10).

There is, however, a large gap between China's per capita consumption of baked goods and that of other mature market localities. In 2021, China's per capita consumption was 7.7 kg, about one-third of Japan's total, one-sixth of the United States' total, and one-ninth of France's total (Figure 11). As a result, China's baked goods industry still has potential for development.

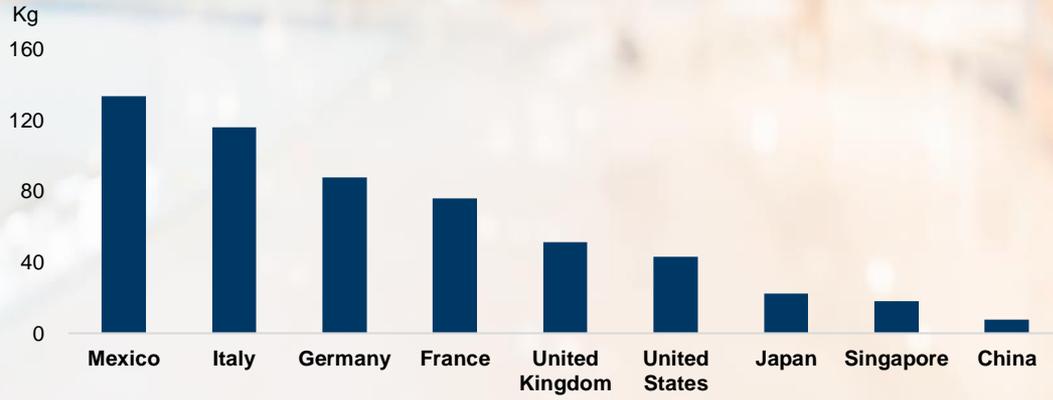
Due to the changes in the concept of consumption and eating habits of Chinese consumers, bakeries in the region not only launch more innovative products, but also continue to diversify and broaden their consumption strategy and ensure continued solid business performance. Therefore, 'new baking' brings new business opportunities for bakeries in China. Moreover, 'new baking' has become a hot route for food and beverage investment in the country in recent years. In 2021, there were as many as 18 investment events in China's baked goods industry, with

Figure 10: China baked goods market size and growth rate (2016-2025)



Source: "China Restaurant Chain Industry Report 2021", Cushman & Wakefield Research

Figure 11: Global per capita consumption of baked goods in selected countries (2020)



Source: China Food Industry Association Bakery Professional Committee, Cushman & Wakefield Research

China Retail - Where It'll Be

the investment total being about RMB6.14 billion (Figure 12).

The 'new baking' phenomenon encapsulates many aspects, including:

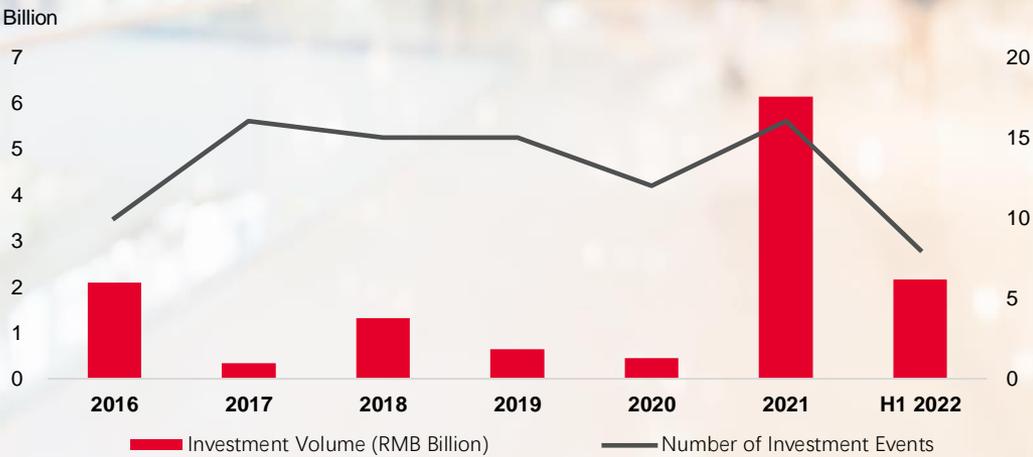
- The ability to cater to the tastes and consumption habits of China's younger generation. As such, for example, Chinese baked dessert brands are constantly innovating around their products and the way these are marketed to keep abreast of changing consumer penchant. Chinese baked dessert brands in particular target a much younger audience in terms of brand marketing. The promotional posters and product packaging of most of the brands, for instance, are very much produced in a 'Guochao' (national trend brand) style.
- Many bakeries have launched more products recently that are contained in small exclusive packages, which are convenient for consumers to carry and taste in a number of different settings at a number of different occasions. They can be eaten at breakfast, at lunch, during afternoon tea, at home, at work or out and about during leisure

time. Moreover, during festival periods, the appearance level of product packaging is particularly important as this plays a critical role in whether a consumer is attracted to and willing to buy the product as a gift for their work associates, friends or family.

- Chinese consumers are paying more attention to healthy food. The nutritional aspect of food has become an important requirement when

choosing to purchase a product. Therefore, light food and freshly baked goods are now favoured by consumers. Five years ago, most baked goods had a shelf life of around six months, and, in some cases, up to 18 months. Three years ago, the shelf life of baked goods was reduced to about three months. And in the last year, we rarely see baked goods with a shelf life of more than 30 days.

Figure 12: Volume and number of Investment events in China's baked goods industry (2016-H1 2022)



Source: Rhino, Cushman & Wakefield Research

China Retail - Where It'll Be

'Green Consumption' Ushers in New Prospects for Retailers

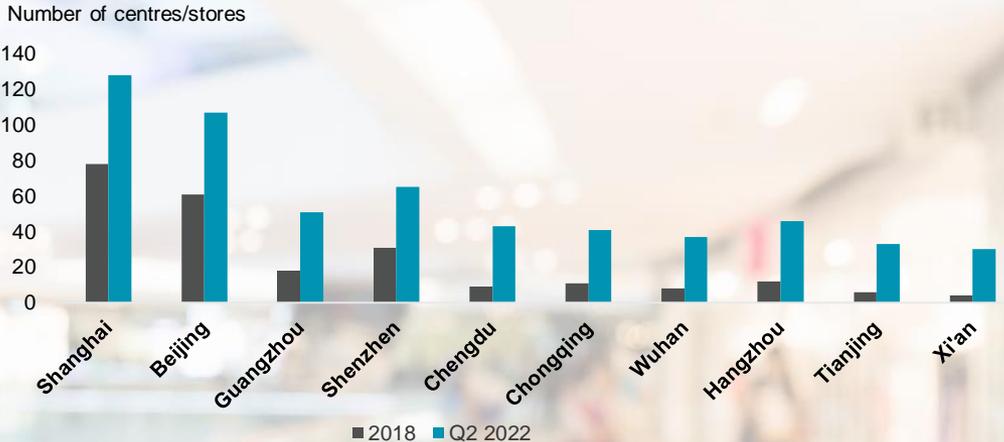
Green consumption mainly falls into three categories:

- 1. Products that are not contaminated or detrimental to public health;
- 2. Products that promote environmental protection and the saving of natural resources, and;
- 3. Products that can be disposed of in an environmentally friendly manner and do not contribute to environmental pollution.

In early 2022, the National Development and Reform Commission released the *Implementation Plan for Promoting Green Consumption*, encouraging consumers to buy related goods through subsidies and credit scores. Green clothing, new energy automobiles, energy-saving household appliances, smart homes and other green consumption sectors are expected to see rapid development in the future.

Different from traditional brands, green consumption brands in China are more willing to open their stores in high profile shopping centres in core areas, so as to effectively display their latest technologies and products, establish effectual interaction with consumers, and further enhance their brand image. According to statistics from Cushman & Wakefield Research, in Q2 2022, the number of new energy car experience stores and smart home experience stores in China's first-tier cities has exceeded 350 and 830, respectively. These numbers are expected to grow continually in the future (Figure 13 and Figure 14).

Figure 13: Number of new energy auto experience centres/stores in shopping centres in China (2018 and Q2 2022)



Source: Cushman & Wakefield Research

Figure 14: Number of smart home experience centres/stores in China (2018 and Q2 2022)



Source: Cushman & Wakefield Research

China Retail - Where It'll Be

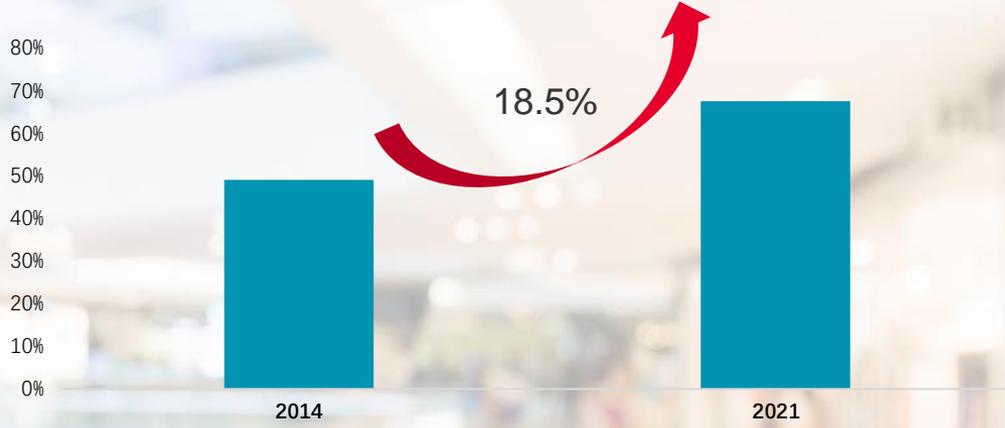
New Trends to Drive Sport and Fitness Retailer Growth

With the improvement in income level, people are paying more attention to the quality of life and physical health in China. As one of the ways to keep people healthy, sports products and services are in high demand. According to statistics from the General Administration of Sport, about 67.5% of people in China participated in physical exercise at least once a week in 2021, 18.5% more than in 2014 (Figure 15).

In recent years, China's central government has introduced a series of policies to encourage the development of the sports industry. In September 2019, The General Office of the State Council issued the *Outline of Building a Strong Sports Country*. In October 2020, The General Office of the State Council issued the *Opinions on Strengthening the Construction of Fitness Facilities and Developing Public Sports*. In August 2021, The State Council of China issued the *Chinese Public Fitness Plan (2021-2025)*.

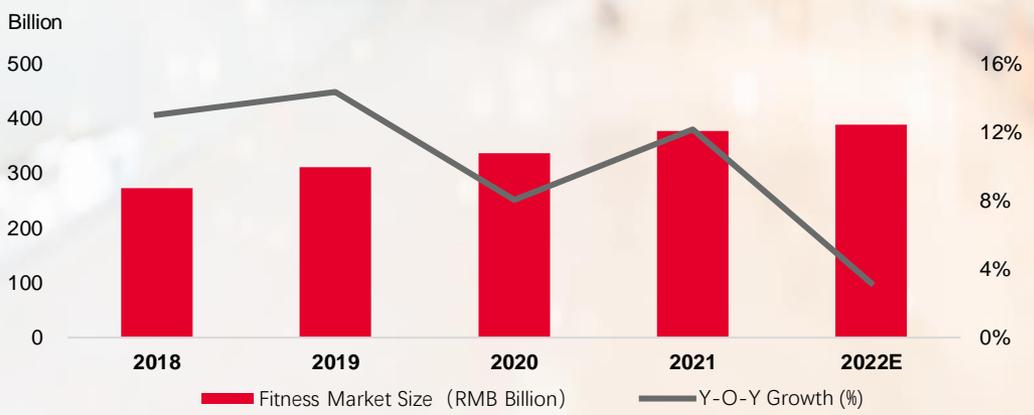
Thanks to the growth in people's consumption demand for fitness, and favourable policies, the market size of China's fitness industry has maintained rapid growth and is expected to grow to RMB389 billion in 2022 (Figure 16).

Figure 15: Percentage of people who participate in physical activity at least once a week (2014 and 2021)



Source: General Administration of Sport, Cushman & Wakefield Research

Figure 16: China fitness market size and growth rate (2018-2022)



Source: ASKCI, Cushman & Wakefield Research

China Retail - Where It'll Be

Along with market growth, new trends in sport and fitness retailing have emerged and they are:

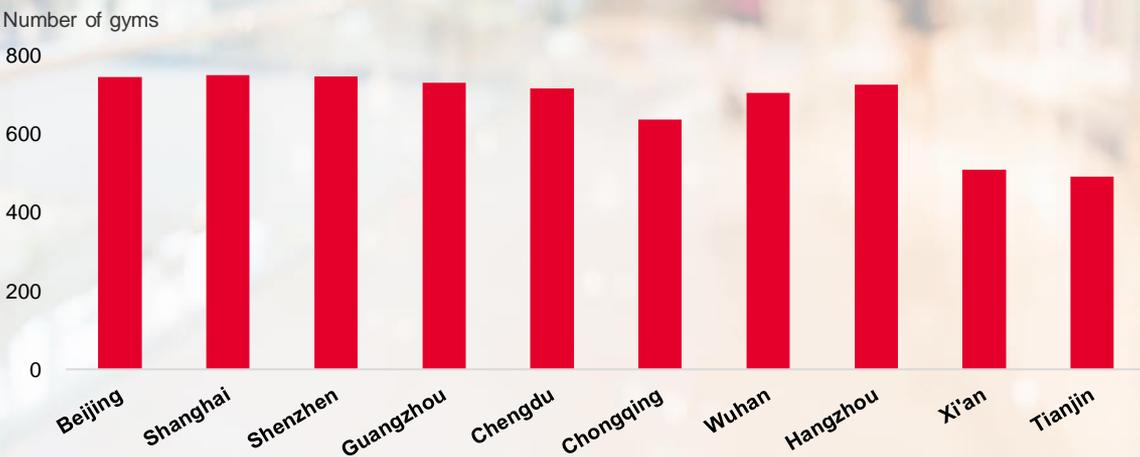
- Traditional chain gym enterprises are now being swept up by smart gym enterprises' market share. Smart gyms use smart technologies, such as big data processing, cloud computing, sensing technology and online platforms, which reduce costs, improve operational efficiency and provide customers with cost-effective services. In the second quarter of 2022, the number of smart gyms in Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Wuhan and Hangzhou in China has already exceeded 700 (Figure 17).
- The 2022 Winter Olympic Games further boosted the popularity of sports in China. Fitness and sports have become a way of life for many people in China today. Affected by this, shopping centres have paid more attention to the sports sector in recent years. The sports sector has become a new bright spot for shopping centres to attract consumers. Alongside this,

the indoor sports centres housed by shopping centres are not limited to gyms and fitness studios, but integrate F&B, arts, entertainment, exhibition, education, tourism and other functions, to become new venue for family and friends to entertain.

- In addition to indoor sports centres, more and more diversified and recreational sports, such as

equestrian, archery, skiing, karting, etc., are also favoured by shopping centres. The associated recreational sports brands are also using the latest technology to save space and provide customers with an immersive experience of sports.

Figure 17: Number of smart gyms in Tier 1 and Tier 2 cities in China (Q2 2022)



Source: Cushman & Wakefield Research

The Six Major Cities

Retail Property Markets

The six major China city-level prime retail markets this report covers are:

- **Beijing;**
- **Shanghai;**
- **Shenzhen;**
- **Guangzhou;**
- **Chengdu, and;**
- **Hangzhou.**

These six markets provide a broad overview of the latest retail property supply and demand activity across the key gateway markets in China.



BEIJING



GUANGZHOU



SHANGHAI



SHENZHEN



CHENGDU



HANGZHOU

Beijing

Top Supply/Demand Trends



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“ Looking ahead, Beijing will continue to build a multi-level commercial system, and closely focus on the ‘four centres’ positioning of the national capital to create a number of higher-quality urban renewal projects. Retail projects in the core submarkets will be more closely related to history, culture, science and technology innovation, and exhibition. Seeking diversified integration and innovation will become the path of retail market development. Emerging areas will pay more attention to the balance between jobs and housing and strive to meet the diversified consumption needs of a better life for all ages. Emerging submarkets in the suburban area will develop rapidly. ”

— Amy Meng

“ In the future, we expect the Beijing retail market to continue to concentrate on urban renewal and the building of an international consumption centre. We should see ongoing upgrading and renewal of traditional submarkets and older projects. Driven by urban renewal, the core submarkets will continue to be upgraded. ”

— Sabrina Wei

The Past Year

Supply

Since the second half of 2021, a total of six retail projects in Beijing have completed, bringing a total of 387,900 sq m of high-quality retail space, a decrease of 43% over the same period last year. This decrease was caused by two reasons. Firstly, due to the impact of the epidemic, the pace of market supply has further slowed down and; secondly, most of the entry projects are located in the core submarkets and half of them are small-scale urban renewal projects.

In August 2021, with the release of the *Implementation Plan for Beijing to Cultivate and Build an International Consumption Centre City*, Beijing will further strive to promote the quality and upgrading of the city's retail market. Moreover, in the next 12 months, all new completions in the non-core submarkets will be operated by landlords with strong track records in bringing high-quality shopping centres to the market. Meanwhile, in the core submarkets, driven by urban renewal, the new completions will mainly stem from the renovation and upgrading of older projects. For example, the area west of Taikoo Li in Sanlitun is being transformed by Swire. Many renewal and upgrading aspects of this project will take into account the original Yaxiu clothing market. What's more, Dong'an Market, a traditional department store in Wangfujing, has been reopened following renovation and upgrading, and has introduced an assortment of many new brands.

Figure 18: Beijing retail property market – Supply, absorption and vacancy (2016-Q2 2022)

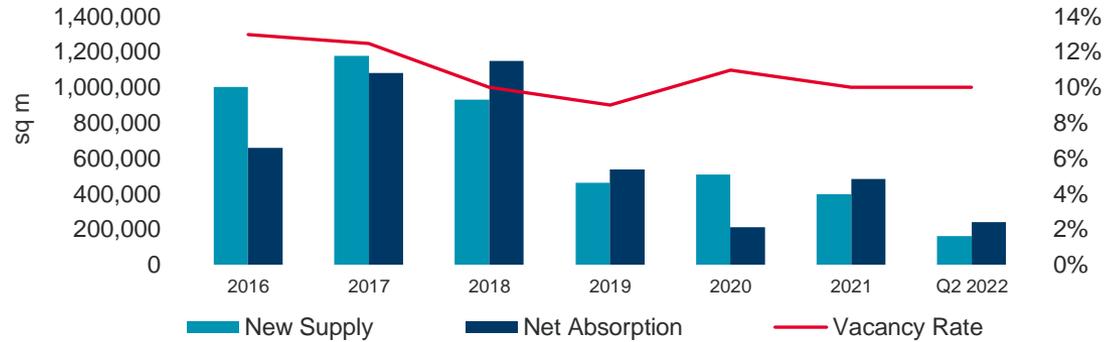
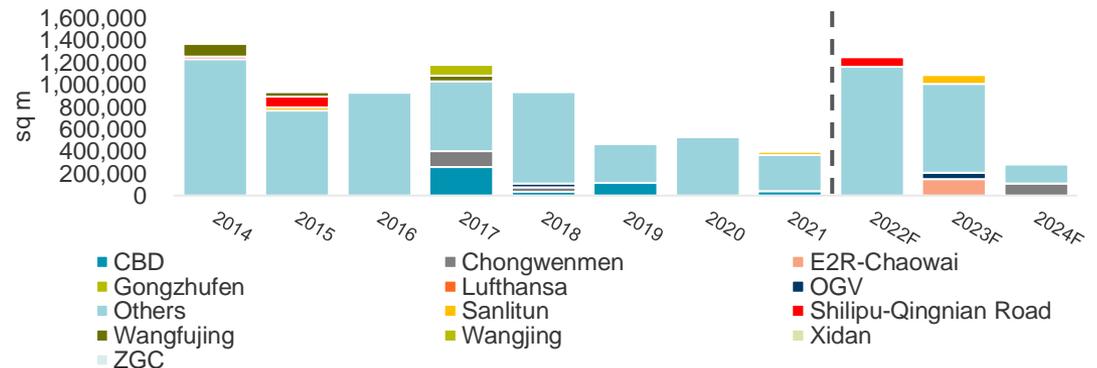


Figure 19: Beijing retail property market – Total supply by districts (H2 2021-H1 2022)



Figure 20: Beijing retail property market – New supply pipeline by submarkets (2014-2024)



The Past Year

Demand

With effective control and normalisation of the pandemic, Beijing's shopper footfall and retail consumption levels have gradually returned to normal. The recurrence of local epidemics is still inhibiting the consumption vitality of the market to a certain extent, especially for low-end catering, leisure and entertainment and children's education and other formats with obvious clustering characteristics. Meanwhile, fashion retail, high-end catering, and lifestyle brands have become the key targets for new introduction when shopping centre landlords are looking to adjust their tenants mix.

As an important part of Beijing's push to an international consumption centre city, Beijing has achieved remarkable results in the introduction of first stores under the encouragement of various policies. For example, Tissot opened the world's first Tissot T-Heart concept store in SKP-S; Beijing's first Uniqlo global flagship store opened at Taikoo Li West Zone; and China Central Place welcomed China's first Starbucks 'Intangible Heritage Experience Store'.

Besides, driven by the Winter Olympics, Beijing's 'ice and snow' consumption continues to rise, and 'ice and snow' sports brands are actively exploring the market.

Figure 21: Beijing retail property market statistics (Q2 2022)

Submarket	Inventory (sq m)	Vacancy Rate	Under Construction To 2024 (sq m)	Average Rental (RMB/sq m/mth)*
CBD	979,849	3.65%	0	800 – 2,000
Sanlitun	246,000	3.67%	80,000	800 – 2,500
Xi Dan	199,000	4.00%	0	1,000 – 2,000
Wangfujing	450,000	2.80%	0	800 – 2,000
Lufthansa	234,000	4.00%	0	600 – 1,500
E2R-Chaowai	242,985	4.75%	150,399	500 – 1,200
Chongwenmen-Xuanwumen	309,000	9.00%	110,000	600 – 1,000
Zhongguancun	974,000	4.20%	0	800 – 2,000
Other Areas	9,630,280	/	2,109,100	/
Beijing Totals	13,265,114	10%	2,449,499	2,300*

*Data includes shopping centres only.

*Overall average asking rental range is based on ground floor rent in prime locations in major shopping centres, excluding management, promotional and other fees; the overall average rent is the best location for the first floor of the benchmarking projects in the core submarkets.

Figure 22: Beijing retail property market – Average rental (2015-Q2 2022)

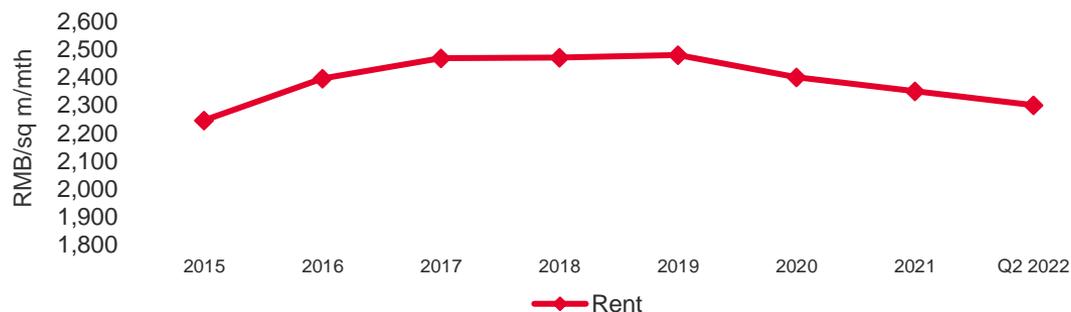


Figure 23: Beijing retail property market – Significant store openings (H2 2021-H1 2022)

Property	Submarket	Tenant	Sector
China World Shopping Mall	CBD	SOLOX·SNOW51	Fashion
China World Shopping Mall	CBD	ROOT85	F&B
SKP-S	CBD	Tissot T-Heart Concept Store	Fashion
Taikoo Li	Sanlitun	Goldwin	Fashion
China Central Place	CBD	Starbucks 'Intangible Heritage Experience Store'	F&B

The Past Year



Fashion

As the post-90s/00s follow 'Guochao' brands and designer brands, Beijing is actively promoting the development of 'Guochao' brands and culture while introducing the brand's first stores. Many projects in the Xidan and Wangfujing submarkets now focus on 'Guochao' brands and buyer stores, which are very popular among young consumers.

EXAMPLES

'Guochao' brand BEASTER entered Chaoyang Joy City; PONHU's first second-hand luxury trading store opened in Topwin Centre; China World Mall launched their 'Guochao' market in Q1 2022; Dong'an Market in Wangfujing submarket reopened, which introduced many designer brands and international on-trend brands.



F&B

In the post-epidemic era, when shopping centres introduce catering brands, they prefer to introduce those mid-to-high-end brands which offer a better environment and space design. In addition, Beijing's time-honoured brands continue to pursue product innovation. While seeking new growth points for the brand itself, they have also set off new national trends.

EXAMPLES

Yongfu Zunxian, a brand of Michelin-starred restaurant Yongfu, entered China World Mall; Pure Thai's first store in Beijing opened in Taikoo Li; Traditional soft drink brand Beibingyang launched a new flagship store, Beiping Ice Factory.



Entertainment

In order to meet the diversified consumption needs of consumers, shopping centres have attracted customers by introducing interactive scenic spaces and creating themed areas for specific groups. In addition, the Winter Olympics has continued to heat up 'ice and snow' consumption, and 'ice and snow' sports brands are also actively exploring the Beijing market.

EXAMPLES

China World Shopping Mall launched an exhibition with on-trend brand POP Mart in its North Zone; Chaoyang Hopson One created a nightlife bar area appealing to younger consumers in its Block 21; WF combined winter and outfits to launch a 'Winter Wonderland' activity, coupled with a Burton snowboarding exhibition space.

The Outlook

Supply & Demand

Looking ahead, we expect the Beijing retail market to continue to concentrate on urban renewal and the building of an international consumption centre. We should see ongoing upgrading and renewal of traditional submarkets and older projects, and a focus on the ‘first store economy’ and new brand incubation.

The market will take some time to recover from the continuation of the epidemic, with those projects nearing completion or preparing to open, facing leasing pressure. The overall pace of new market supply will also continue to slow.

Driven by urban renewal, the core submarkets will continue to be upgraded. Zhongguancun Plaza and Shibao Street in the Zhongguancun submarket have already started their retrofitting programmes, while several older projects in core submarkets are also undergoing transformation and upgrading. As an important supplement to the commercial support of the city’s 15-minute life circle, the community-based projects in the suburban areas will also serve expanding consumer needs from all age groups, in terms of new brand introduction and tenant mix. In turn, this will help boost the potential for future retail market consumption.

Figure 24: Beijing retail property market – Total supply by districts (H2 2022-2023)



Figure 25: Beijing retail property market – Total supply by districts (2024)



Figure 26: Beijing retail property market – Significant projects under construction

Property	Submarket	Expected Opening Date	sq m
Art Park	Other (Tongzhou)	2022	110,000
Grand Canal Place	Other (Tongzhou)	2022	100,000
Joy City (Shijingshan)	Other (Shijingshan)	2022	123,000
Longfor Yizhuang Paradise Walk	Other (Daxing)	2022	160,000
Beijing Viva Plaza	Other (Tongzhou)	2022	80,000

Shanghai

Top Supply/Demand Trends



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“

This spring, Shanghai was impacted by a Covid-19 outbreak. Despite this, the pandemic has not changed the fundamentals of Shanghai's long-term economic outlook. Subsequently, the future outlook for the Shanghai retail property market remains positive. As an international consumer city with global influence, Shanghai remains a highly sought-after investment destination for investors, commercial real estate developers and brands owners.

”

— Jenny Wei

“

Shanghai's retail market remains resilient despite the impact of the Covid-19 outbreak. Buoyed by the *Certain Policy Measures to Fight the Pandemic with All Efforts to Help Enterprises and Promote Development*, the Shanghai Shopping Festival and the Shanghai Tourism Festival, and other retail relief support and consumption stimulation measures, the Shanghai retail sector is expected to maintain a moderate recovery in the second half of 2022. Shanghai's quality business environment will continue to attract global companies to the city.

”

— Shaun Brodie

The Past Year

Supply

Looking back over the past year, local economic growth was resilient with many major indicators continuing to point north, reinforcing supportive growth in Shanghai's prime retail property market in 2021. 16 shopping centres, comprising Taikoo Li, Kangqiao Xintian 360 Plaza, Melo City and Wanda Plaza (Lingang) in Pudong District, Wantype Mall, Raffles City (North Bund) and Hall of the Sun in Hongkou District, Jiuguang Department Store and CITIC Square in Jing'an District, Baoshan ASE Centre in Banshan District, Incity in Songjiang District, 1,000 Trees in Putuo District, AI Plaza in Xuhui District, One East in Huangpu District, Art Park in Changning District, and LaLa Station in Minhang District, were completed in H2 2021, adding 2.05 million sq m to the market. With these new completions, the stock of Shanghai's overall mid- to high-end shopping centre market expanded to 20.8 million sq m.

However, affected by the COVID-19 outbreak, Shanghai's GDP fell 5.7% y-o-y in H1 2022. All residents were quarantined at home during April and May. Shopping centres reopened in early June after a two-month temporary closure. No prime shopping centres launched in the Shanghai retail property market in the first half of 2022. What's more, some projects postponed their scheduled opening date.

Figure 27: Shanghai retail property market – Supply, absorption and vacancy (2016-Q2 2022)

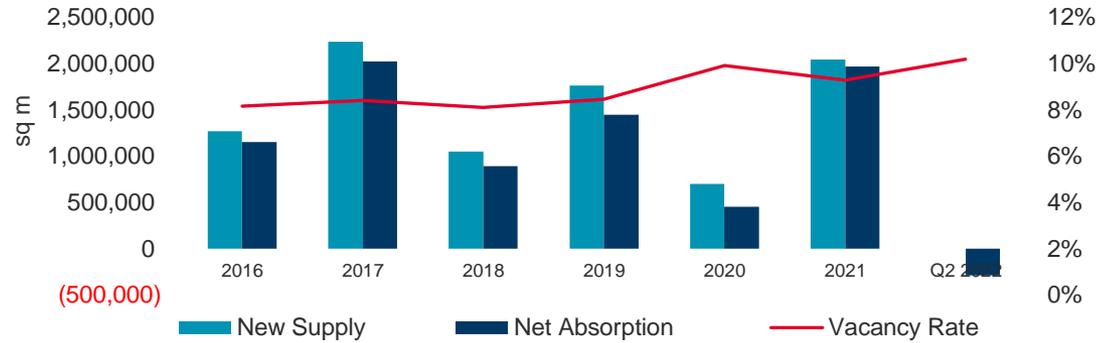


Figure 28: Shanghai retail property market – Total supply by districts (H2 2021-H2 2022)



Figure 29: Shanghai retail property market – New supply pipeline by submarkets (2014-2024)



The Past Year

Demand

The overall demand for Shanghai's mid- to high-end shopping centres remained active in the second half of 2021 and the first quarter of 2022. Demand for retail space in many shopping centres diversified in Shanghai, ranging from fashion, jewelry, F&B, children, lifestyle, life services and entertainment to cosmetics collection stores and vehicle experience stores.

However, demand plummeted due to the impact of the epidemic, with the overall vacancy rate increasing by 0.8 percentage points q-o-q to 10.2% in Q2 2022, the highest figure seen in the past five years. Consequently, the average first floor asking rental for Shanghai's mid- to high-end shopping centres decreased by 3.4% q-o-q to RMB838.8 per sq m per month in Q2. Rent exemptions and the lowering of the asking rental were the most direct and effective ways for most landlords to maintain their project occupancy rates and attract new tenants in the market during this period.

The epidemic and economic downturn tightened local consumers' belts, making their shopping behaviour more rational and selective. Ahead, retailers and landlords of shopping centres will actively explore digital retail construction, consumer experience and business model innovation to meet the needs of consumers and thus maintain their market competitiveness.

Figure 30: Shanghai retail property market statistics (Q2 2022)

Submarket	Inventory (sq m)	Vacant (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Nanjing East Road	482,060	24,737	5.1%	2,205.9
Nanjing West Road	578,820	24,872	4.3%	2,432.3
Huaihai Middle Road	515,560	35,675	6.9%	1,574.0
Xujiahui	313,000	5,530	1.8%	2,260.3
Lujiazui	1,029,978	85,514	8.3%	1,569.6
Other Areas	17,905,600	1,946,964	10.9%	610.8
Shanghai Totals	20,825,018	2,123,292	10.2%	838.8

* Rental rates are calculated by NLA and considered as consistently achievable for prime space (usually the ground floor) in major shopping centres, excluding management fee, promotional fee and other fees.

Figure 31: Shanghai retail property market – Average rental (2015-Q2 2022)



Figure 32: Shanghai retail property market – Significant store openings (H2 2021-H1 2022)

Property	Submarket	Tenant	Sector
Taikoo Li	Others (New Bund)	AMBUSH	Fashion
Taikoo Li	Others (New Bund)	Rick Owens	Fashion
Xintiandi	Huaihai Middle Road	KNOWIN	Lifestyle
Xintiandi	Huaihai Middle Road	Ah Ma Hand Made	F&B
lapm	Huaihai Middle Road	Elle Salon	Life Service

The Past Year



Fashion

Overseas luxury goods consumption was driven by those Chinese consumers who would normally purchase abroad but now purchased within the domestic market. Sales at luxury stores in Shanghai, however, have fallen because of the pandemic. Nevertheless, with its huge population base and strong consumer purchasing power, Shanghai is still one of the most influential consumer cities in the world. Luxury brands still have faith in Shanghai's retail market.

EXAMPLES

The flagship stores of Maison Margiela, MARNI, JIL SANDER and AMIRI, the four major brands of Italian luxury goods group OTB, officially opened in Shanghai in July.



F&B

Shanghai has become one of the most attractive places for cafe brands to invest. According to Meituan, the number of coffee shops in Shanghai reached 7,857 in June 2022, far exceeding the number of coffee shops in New York, London, Tokyo and other cities. At present, no matter whether it is Chinese Internet celebrity coffee brands, Shanghai local emerging coffee brands, or international popular coffee brands, all are competing in the Shanghai market.

EXAMPLES

Blue Bottle Coffee, an internationally renowned coffee brand, opened its first store in mainland China in Yutai Road, Shanghai. The coffee shop serves Chinese desserts from Shanghai's time-honoured brands.



Entertainment

An indoor stadium with immersive experiences and good safety and hygiene standards has become a new engine for shopping centre consumer footfall traffic generation. Its outlets are not limited to gyms and fitness studios, but integrate F&B, arts, entertainment, exhibition, education, tourism and other functions, becoming a new venue for family and friends to entertain.

EXAMPLES

Bombom Space is divided into sports, retail and catering areas. As the core of the sports arena, it contains sports events, competitions and performances.

The Outlook

Supply & Demand

Looking to the future, Shanghai's economic recovery will accelerate, and the consumer market will gradually pick up in H2 2022. Due to the city's large population and strong consumer spending, the outlook for Shanghai's retail market is positive. We can also expect the retail property market to remain one of the more popular destinations for investment over the mid- to longer-term. By estimation, 82 new projects, with a total GFA of approximately 7.6 million sq m, are expected to make their debuts in the Shanghai retail property market in the next three years.

In July 2022, the Shanghai government issued the *Implementation Plan of Introducing Functions into the New Town*. Given this, it is expected that the five new towns surrounding Shanghai will accelerate the construction of commercial real estate development, including retail. Over the next three years, much new retail supply is expected to complete in non-prime areas, such as Pudong, Qingpu and Jiading districts. These openings could drive a rise in the general vacancy rate in the city. As the market becomes more competitive, landlords will need to constantly reevaluate brand mixture as well as keep their properties up-to-date through renovation.

Figure 33: Shanghai retail property market – Total supply by districts (H2 2022-2023)



Figure 34: Shanghai retail property market – Total supply by districts (2024)



Figure 35: Shanghai retail property market – Significant projects under construction

Property	Submarket	Expected Opening Date	sq m
Jincangwenhua	Nanjing West Road	2022	17,145
MOHO	Nanjing West Road	2022	80,000
Shangxianfang	Huaihai Middle Road	2023	40,000
ITC Phase II	Xujiahui	2023	231,417
Zhangyuan	Nanjing West Road	2024	60,000

Shenzhen

Top Supply/Demand Trends



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The epidemic was effectively controlled in late March based on precise prevention and control measures. Subsequently, the commercial market gradually recovered. The pandemic containment measures did hit some educational training and F&B operators, leading to some store closures, but prime retailers in the core areas with new leases commenced fit outs or opened for business. Some projects also saw improved performance after remodelling. These factors combined to keep the city's vacancy rate at a low level.

”

— Leomi Song

“

Recurrence of the pandemic again disrupted the new supply pipeline, pushing back scheduled new supply in the coming half-year. While demand is yet to fully resume, the influx of new supply down the line will inevitably exert pressure on rents and push the vacancy rate up. Some shopping centres intend to introduce high-end restaurants to serve the increasingly varied culinary tastes of consumers. Meanwhile, Shenzhen clothing retail brands have restarted expansion plans given the control of the pandemic, and this component of the market is forecast to emerge as a market highlight for leasing demand.

”

— Xiaoduan Zhang

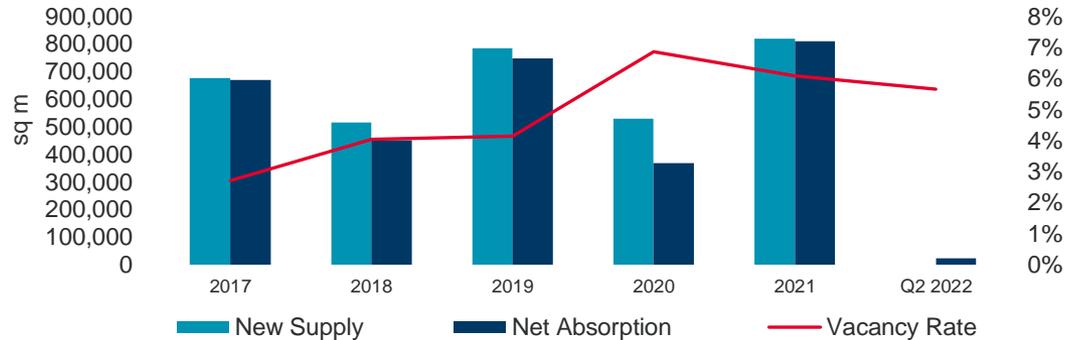
The Past Year

Supply

The stock total for Shenzhen high-quality shopping centres remained at 5.92 million sq m at the end of H1 2022. The pandemic containment measures did hit some educational training and F&B operators, leading to store closures, but prime retailers in the core areas with new leases commenced fit-out or opened for business. Some projects, such as Vanke Cloud City and Central Walk, also saw improved performance after remodeling. These factors combined to keep the city's vacancy rate at 5.7%, a decrease of 0.4 percentage points when compared with the end of 2021.

No new supply was added during H1 2022, given the recurrence of the pandemic. Consequently, project completions in the new supply pipeline have been pushed back to the coming half-year, with the total expected to be 520,083 sq m. Much of this new supply will be mainly located in Shenzhen's core areas. Notable new supply projects include Houhai Harbour, Mixcate, and Teemall.

Figure 36: Shenzhen retail property market – Supply, absorption and vacancy (2017-Q2 2022)

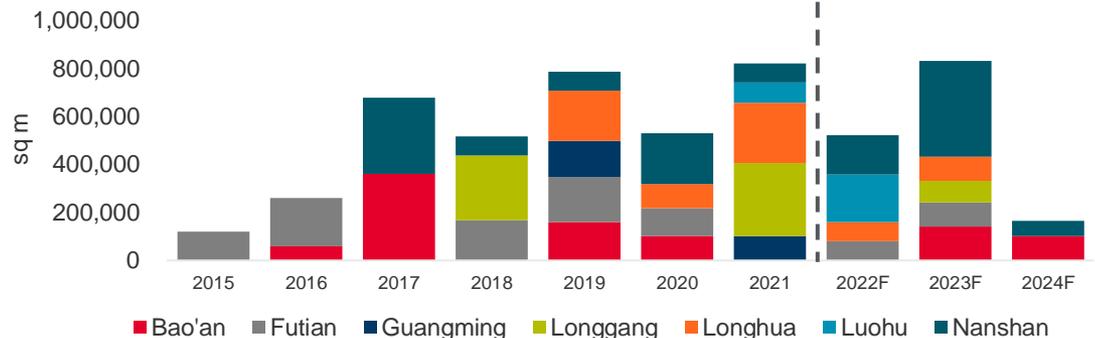


Note: New supply and net absorption are as of Q2 2022.

Figure 37: Shenzhen retail property market – Total supply by districts (H2 2021-H1 2022)



Figure 38: Shenzhen retail property market – New supply pipeline by submarkets (2015-2024)



The Past Year

Demand

Consumption recovered steadily, reflected by a rebound in consumer and social activities following the relaxation of the containment measures. The government has issued a series of e-coupons to stimulate spending, supported by new subsidies for automobiles, electronics and household appliances to further boost consumer confidence. Shopping centres also issued coupons, combined with anniversary celebrations and mid-year promotions, to help stimulate footfall. Prime shopping centres performed better than expected in the period, supported by demand growth, with the average rental level rising slightly to RMB860.2 per sq m.

By submarket, imbued with rich brand resources and operational expertise, monthly average rents in Luohu registered at RMB1,637.5 per sq m in Q2, ranking top among all submarkets. Supported by the transportation connectivity and a mature business environment, rents in Futian and Nanshan remained robust at RMB1,002.5 and 807.9 per sq m respectively, increasing by 1.3% and 1.0% compared with H2 2021. Rents in Longgang and Longhua grew steepest, with a 2.4% and 3.1% rise, respectively compared with H2 2021.

Figure 39: Shenzhen retail property market statistics (Q2 2022)

Submarket	Inventory (sq m)	Vacant (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Luohu	502,829	20,167	4.00%	1,637.50
Futian	1,268,000	115,640	9.10%	1,002.50
Nanshan	1,578,500	96,200	6.10%	807.86
Longgang	807,000	36,330	4.50%	571.67
Bao'an	950,000	27,840	2.90%	835.00
Longhua	560,000	24,400	4.40%	443.33
Guangming	250,000	15,000	6.00%	385.00
Shenzhen Totals	5,916,329	335,577	5.7%	860.21

* Rental rates are calculated by NLA and considered as consistently achievable for prime retail space in major shopping centres, excluding management fee, promotional fee and other fees.

Figure 40: Shenzhen retail property market – Average rental (2016-Q2 2022)

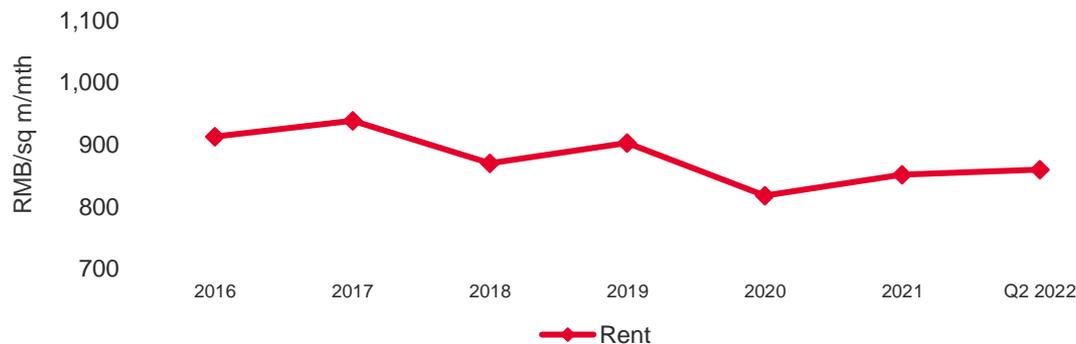


Figure 41: Shenzhen retail property market – Significant store openings (H2 2021-H1 2022)

Property	Submarket	Tenant	Sector
Uniwalk	Bao'an	Shake Shack	F&B
Wongtee Plaza	Futian	Beneunder	Retail
Raffles	Nanshan	Wuling Hongguang	Vehicle Showroom
The MixC World	Nanshan	HOKA ONE Dongguan	Retail
HaiYa Mega Mall	Bao'an	Ecovacs	Retail

The Past Year



General Retail

Over the past two years, consumers in Shenzhen have paid more attention to the concept of a healthy lifestyle and outdoor activities. Sports brands and outdoor activity-related brands subsequently expanded their retail footprint in the city over the last year. At the same time, in the new energy vehicle sector, the relaxation of application conditions, subsidy incentives, and auto show concessions have brought strong impetus to auto consumption.

EXAMPLES

Well-known brand Beneunder settled in Wongtee Plaza. ID.HUB opened new stores in InJoy, Uniwalk, Uniworld and Wongtee Plaza. Wuling Motors marked their first entry to Shenzhen with a new store in Raffles.



F&B

Epidemic and containment measures impacted small restaurants and led to a number of closures. Well-known brands and chain restaurants performed relatively well. Catering has become more diversified. Cantonese cuisine, Taiwan cuisine and Japanese cuisine all saw new store entrants to the city.

EXAMPLES

Yueji Fu Kwai Restaurant settled in One Avenue. Nan Hotpot settled in Uniworld. Ahma Handmade's first school concept store opened in Shenzhen Oh Bay. Moda Canteen's first Shenzhen store, focusing on Japanese cuisine, opened in Wongtee Plaza.



Entertainment

Space demand from the fitness and sports sectors continued to grow. Meanwhile, cinema operators are exploring new business channels and introducing talk shows, improving capacity usage and providing consumers with a richer experience.

EXAMPLES

Fitness brand Super Monkey opened its first immersive experience fitness centre. Xiaoguo Culture made Huaxia Arts Centre home to its main commercial performance venue in Shenzhen. Well-known talk show brand, YINGHE Comedy, opened its Shenzhen station in Coastal City's cinema.

The Outlook

Supply & Demand

New supply in the coming half-year is expected to be 520,083 sq m, mainly located in core areas with notable projects like Houhai Harbour and Teemall. The influx of new supply will inevitably exert pressure on rents and push the average vacancy rate up. Ahead, many of the new projects will have specific themes attached to them. For example, Houhai Harbour will be positioned to build and establish a youth cultural community, with a focus on Generation Z.

Looking through to 2024, approximately a combined 1.5 million sq m of new supply will enter the market. At the same time, Shenzhen recently released *Several Measures on Solidly Promoting Stable Economic Growth*, which has placed a big focus on consumption. What's more, the government will provide a subsidy of up to RMB1 million to qualified enterprises that set up their first store in the region. All these initiatives are expected to play a positive role in enriching Shenzhen's retail market. Furthermore, from the demand perspective, some shopping centres intend to introduce high-end restaurants to serve the varied culinary tastes of consumers in the city. Lastly, non-local clothing retail brands have also restarted their expansion plans and this sector is forecast to emerge as a market driver for city retail leasing demand.

Figure 42: Shenzhen retail property market – Total supply by districts (H2 2022)



Figure 43: Shenzhen retail property market – Total supply by districts (2023)



Figure 44: Shenzhen retail property market – Significant projects under construction

Property	Submarket	Expected Opening Date	sq m
Shenzhen Teemall	Luohu	2022	120,000
FutureCity	Futian	2022	80,000
Comorrow	Nanshan	2022	90,000

Guangzhou

Top Supply/Demand Trends



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For Guangzhou, which has a resident population of 18.8 million and an annual total retail sales of consumer goods exceeding RMB1 trillion, strong consumer demand and radiation capabilities indicate that the city still has huge consumption potential that still needs to be tapped. Looking ahead, approximately 1.3 million sq m of new supply is scheduled to enter the market in the next three years. For the core area, with tight supply, urban renewal will be one of the important ways to expand market capacity. For the non-core area, in addition to the traditional shopping centres, some small but excellent projects will also become an important force to complement the regional commercial environment and provide new focal points for consumer demand.

”

— Amond Xian

“

In the past year, the prosperity of offline consumption has declined due to the localised reappearance of COVID-19. In order to reshape the active consumer market, the Guangzhou government has successively issued various policies to support enterprises as well as to establish and hold a series of promotion activities. In May 2022, the city's total retail sales of consumer goods decreased by 3.0% y-o-y. This figure was up 5.8 percentage points from April, representing a sign in recovery. With the further manifestation of the effects of various policies, consumption vitality is expected to bounce back.

”

— Xiaoduan Zhang

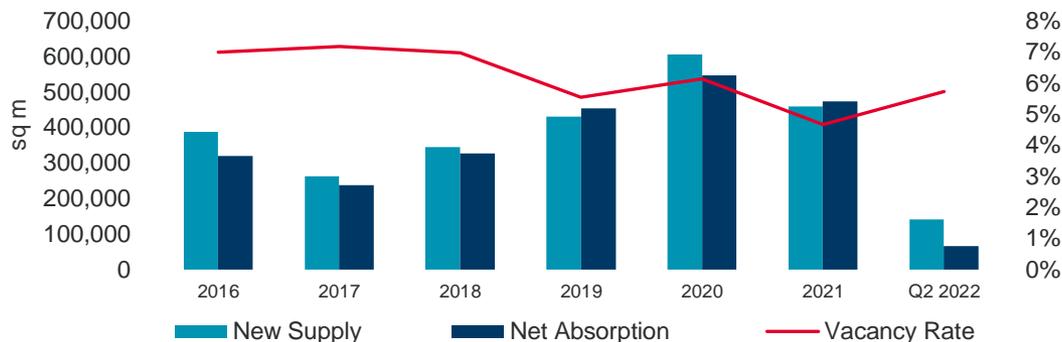
The Past Year

Supply

The localised reappearance of COVID-19 in the past year obliged some shopping malls in Guangzhou to adopt temporary control measures. Consumer traffic has experienced a short-term decline. Besides, the recovery of the macroeconomy has been disrupted by the uncertainty felt abroad. Consequently, the consumer market and consumer sentiment have been affected and with this in mind, the government has issued a series of measures to support the growth of the economy. According to the Guangzhou Bureau of Statistics, from January to May 2022, the city's total retail sales of consumer goods decreased by 0.3% y-o-y. Meanwhile, the y-o-y growth rate in May narrowed by 5.8 percentage points when compared with April, representing a signal of market recovery.

In the past year, several shopping centres have delayed their opening due to COVID-19. Guangzhou's high-quality retail market added two new supply projects in the past four quarters, bringing 185,000 sq m of new supply to the market. Among them, 24.3% of the total came from ICC located in the Tianhe Sports Centre, representing the first new project to complete in the core area since Q2 of 2018. Subsequently, the citywide retail stock reached 4.79 million sq m in Q2 2022.

Figure 45: Guangzhou retail property market – Supply, absorption and vacancy (2016-Q2 2022)

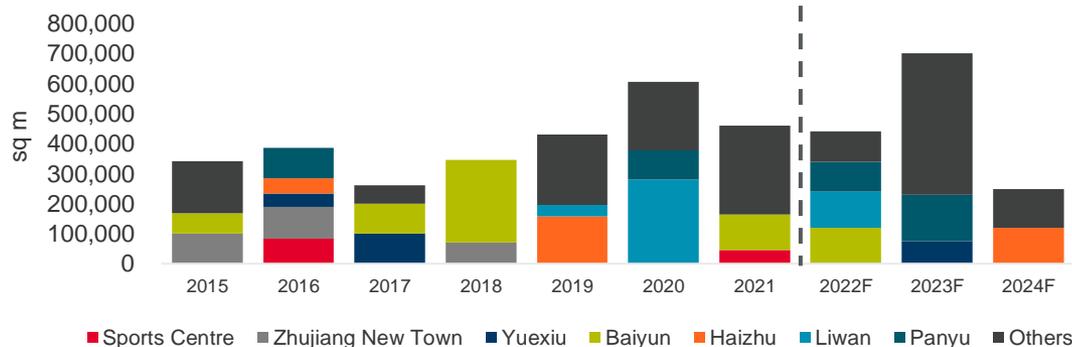


*New supply and net absorption for 2021 are as of Q2.

Figure 46: Guangzhou retail property market – Total supply by submarkets (H2 2021-H1 2022)



Figure 47: Guangzhou retail property market – New supply pipeline by submarkets (2015-2024)



The Past Year

Demand

In the past year, due to the reappearance of COVID-19, the Guangzhou consumer market has been under some pressure. In turn, this has cooled absorption, which has led to a rise in vacancy citywide. Among the main areas, the city's non-core areas saw significant vacancy rate growth, up 3.9 percentage points y-o-y to 9.6%, driving the citywide vacancy rate to 5.7%, up 1.2 percentage points y-o-y.

Rental performance continued to see differentiated performance by submarket. Prime shopping centres in the core areas remained the preferred location for retailers due to their mature environments and strong spending power. Rents in Sports Centre and Zhujiang New Town rose 3.8% and 8.5% y-o-y, respectively, driving the city's average rent to 776.1 per sq m per month, up 7.4% y-o-y.

Faced with increasingly fierce market competition, centre operators have successively completed adjustments and brand upgrades to maintain their competitiveness. Catering and retail operators led leasing demand, accounting for 44.1% and 35.4% of new store openings, respectively.

Figure 48: Guangzhou retail property market statistics (Q2 2022)

Submarket	Inventory (sq m)	Vacant (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Sports Centre	867,800	22,460	2.6%	1,800.0
Zhujiang New Town	564,359	52,961	9.4%	766.7
Yuexiu	347,200	22,370	6.4%	978.3
Baiyun	738,300	39,300	5.3%	490.6
Haizhu	309,000	5,600	1.8%	620.0
Liwan	405,900	12,980	3.2%	556.7
Panyu	463,225	12,600	2.7%	472.0
Other Areas	1,097,302	105,844	9.6%	350.0
Guangzhou Totals	4,793,086	274,114	5.7%	776.1

* Rental rates are calculated by NLA and considered as consistently achievable for prime space (usually the ground floor) in major shopping centres, excluding management fee, promotional fee and other fees.

Figure 49: Guangzhou retail property market – Average rental (2015-Q2 2022)

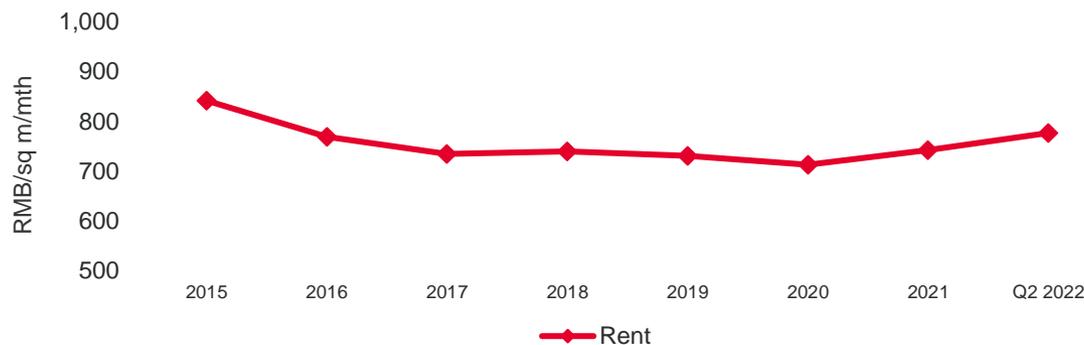


Figure 50: Guangzhou retail property market – Significant store openings (H2 2021-H1 2022)

Property	Submarket	Tenant	Sector
Guangzhou ICC	Sports Centre	Lavazza	F&B
Obelink Walk	Sports Centre	Benlai	Fashion
IGC	Zhujiang New Town	Longchamp	Fashion
China Plaza	Yuexiu	Guangzhou Restaurant	F&B
Panyu Teemall	Panyu	Guangzhou Book Centre	Entertainment

The Past Year



Fashion

As cross-border business formats continue to emerge, brands have worked to create new shopping experiences to meet elevated consumption objectives. What's more, new energy vehicles expanded actively in prime shopping centres as the industry continued to move upmarket.

EXAMPLES

Uniqlo launched the city's first Uniqlo Flower shop in VT101 and MUJI opened Café MUJI in OneLink Walk. In the past year, over 30 auto brands opened stores in prime shopping centres, including Tesla and Leapmotor.



F&B

Due to the impact of the pandemic, the passenger flow and sales turnover of catering brands have been affected. Having said this, some F&B outlets still showed strong resilience and expanded across the city, such as Cantonese cuisine outlets, Japanese cuisine outlets, tea shops and coffee shops.

EXAMPLES

Sushi chain Sushiro successively expanded into Onelink Walk, Yue City and Grandview Plaza. Chain coffee brands, such as M Stand, and local coffee brands, such as Laihui Coffee, also unveiled new stores in Guangzhou.



Entertainment

As people continue to pay attention to exercise and health, the sports and fitness sector has maintained positive market expansion. Experiential retail-related businesses have also emerged with the growth of the digital economy, with AM BOX, QQ Family and Playco gaming operators entering prime shopping centres.

EXAMPLES

Fitness brand Super Monkey entered Taikoo Hui while Will's opened in Guangzhou ICC. Meanwhile, QQ Family expanded to Popark and CapitaMall SKY+.

The Outlook

Supply & Demand

The promotion to make Guangzhou an international consumption centre city, the support for the five international business areas, the encouragement for more advanced structure and resource optimisation in the city's commercial business centres and the backing of the 'first store economy', are all expected to bring new growth opportunities to the retail market.

The complex and changeable macro environment may affect the construction progress of some projects and, subsequently, their original completion date. Having said this, approximately 440,000 sq m of new supply is scheduled to enter the market this year, which may cause an increase in the citywide vacancy rate in the short term. The non-core new supply in the future is expected to enhance the local commercial environment, but it will limit the growth of the citywide rental level.

Store expansions tend to be more cautious. But given new consumer taste, behaviour and lifestyle, new energy vehicles, tea and fitness retail are expected to enjoy maintained sales growth.

Figure 51: Guangzhou retail property market – Total supply by submarkets (H2 2022)



Figure 52: Guangzhou retail property market – Total supply by submarkets (2023)



Figure 53: Guangzhou retail property market – Significant projects under construction

Property	Submarket	Expected Opening Date	sq m
Taihe Kingbuy	Baiyun	2022	120,000
Cinda Jinmao	Others	2022	68,000
Guangzhou Cloud-9	Others	2022	32,000
Lumina Guangzhou	Yuexiu	2023	76,000
COCO Park	Others	2023	97,000

Chengdu

Top Supply/Demand Trends



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In recent years, Chengdu's commercial environment has continued to improve, with the first stores and luxury brands increasing their footprint in Chengdu. According to statistics, a total of 801 first stores were introduced in 2021. In addition, more than ten luxury brands, such as LV, Dior, and Gucci, set up stores in IFS and Taikoo Li. This reflects the affirmation of luxury brands to the commercial market in Chengdu. In the future, with the landing of SKP, Chengdu's business level is expected to rise again.

”

— Jason Luo

“

With consumers getting younger and consumption habits changing, some traditional department stores have been unable to meet the needs of consumers. Coupled with the impact of high-quality projects, such as IFS and Taikoo Li entering the market, some department stores have gradually faded from people's vision and dropped into obscurity. Following Shinsegae Department Store, Isetan Department Store will also close its stores at the end of the year. In the future, it will be important for traditional department stores to adapt to the changing market and clearly define their retail offering if they want to continue to be competitive in the Chengdu retail market.

”

— Ivy Jia

The Past Year

Supply

2014, 2015, 2017, 2018 and 2020 saw a large amount of new supply enter the market. Since 2020, the amount of new supply completing in the Chengdu retail market has tailed off. Consequently, over the last couple of years, the city's vacancy rate has steadily decreased.

According to statistics, over the past year, Chengdu's high-quality retail property market saw three new projects complete. The entry of ICD into the market has provided a strong boost to the business environment in Panchenggang. In the future, ICD, with excellent operational capabilities, will become an important shopping centre in Panchenggang. Meanwhile, SCPG's first In City in Chengdu landed in the Jianshe Road area. During the opening period, the first exhibition in southwest China of 'Saint Seiya Golden Realm' was introduced, attracting lots of people and bringing a high amount of footfall traffic.

With ICD opening, the commercial environment along Jianshe Road has been enhanced. In addition, Dayuan has also seen Hall B of the Grand Shopping Centre complete. Hall B has introduced many popular brands, which are deeply favoured by the younger generation in Chengdu.

Figure 54: Chengdu retail property market – Supply, absorption and vacancy (2016-Q2 2022)

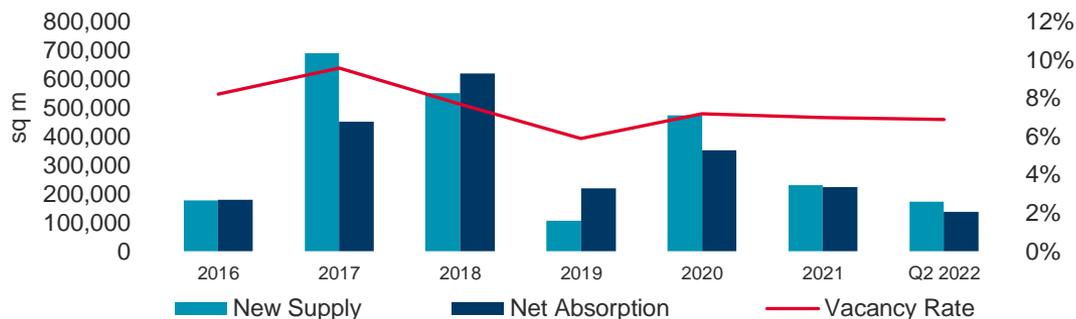
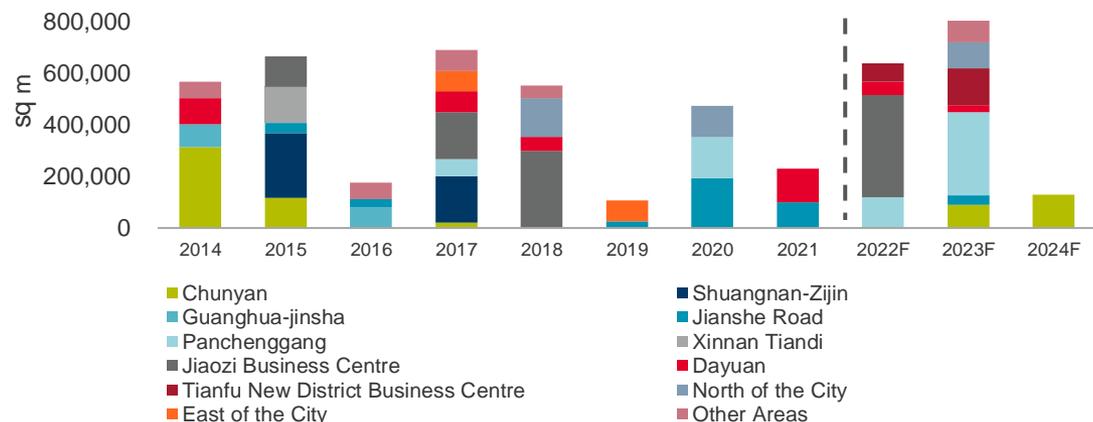


Figure 55: Chengdu retail property market – Total supply by submarkets (H2 2021-H1 2022)



Figure 56: Chengdu retail property market – New supply pipeline by submarkets (2014-2024)



The Past Year

Demand

The pandemic has continued to resurge and has affected the Chengdu retail market. Having said this, the market still remained robust. In Q2 2022, through successful upgrading work to some retail projects, the vacancy rate decreased by 0.83 pp q-o-q to 6.86%. In order to boost consumption, the Chengdu government issued consumer coupons, and this move certainly played a part in market recovery. Consequently, the city's rent rose by 0.52% q-o-q to RMB624.11 per sq m per month.

In the past year, Chengdu Chunyan Business Centre has been less affected by the epidemic. IFS and Taikoo Li, which are landmark projects, not only continue to upgrade, but have also introduced a large number of first stores, which has provided impetus to the commercial environment in the area. In addition, luxury brands are confident about the prospects of the market in Chengdu, having opened stores in IFS and Taikoo Li. Ahead, with the improvement in the business environment, we expect more luxury brands to enter the Chengdu market.

As well, Jiaozi Avenue, located in Jiaozi Business Centre, opened in 2021. Different from Chunyan Business Centre, Jiaozi Business Centre focuses on high-net-worth customers, who live in the south of Chengdu. We expect Jiaozi Business Centre to be developed into a key business district in Chengdu in the future.

Figure 57: Chengdu retail property market statistics (Q2 2022)

Submarket	Inventory (sq m)	Vacant (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Chunyan Business Centre	1,268,956	114,102.6	9.0%	1,372.0
Shuangnan-Zijing	663,000	76,276.3	11.5%	558.3
Guanghua-Jinsha	306,171	3,633.6	1.2%	441.7
Jianshe Road	820,700	71,673.0	8.7%	389.8
Panchenggang	592,239	29,444.8	5.0%	831.3
Xinnan Tiandi	281,773	9,040.0	3.2%	758.3
Jiaozi Business Centre	1,110,400	49,641.4	4.5%	517.9
Da Yuan	466,000	29,258.0	6.3%	356.7
North of the City	958,300	72,681.3	7.6%	452.4
East of the City	235,000	2,200.0	0.9%	386.1
Other Areas	688,784	49,097.0	7.1%	484.0
Chengdu Totals	7,391,323	507,048.0	6.9%	624.1

* The average rent refers to the rent quotation for the best location (usually the ground floor) of the main shopping malls in the business district. It is calculated based on the usable area and does not include other expenses such as property management fees and promotion fees.

Figure 58: Chengdu retail property market – Average rental (2015-Q2 2022)

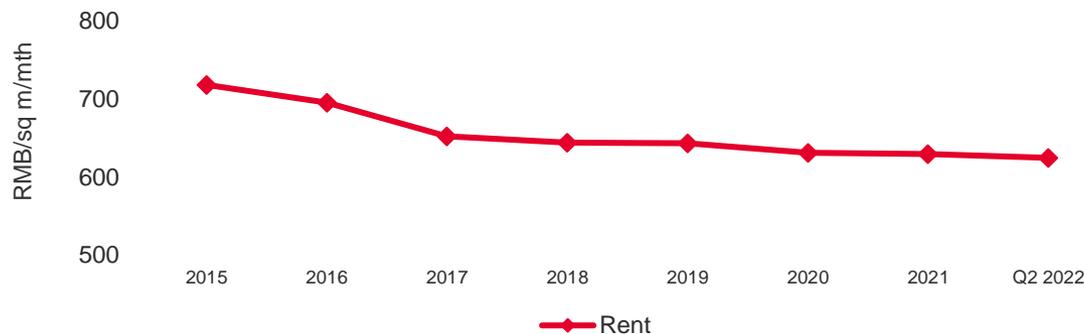


Figure 59: Chengdu retail property market – Significant store openings (H2 2021-H1 2022)

Property	Submarket	Tenant	Sector
Sino-Ocean Taikoo Li	Chunyan Business Centre	Louis Vuitton	Fashion
Sino-Ocean Taikoo Li	Chunyan Business Centre	Lego	Fashion
Yintai In99	Jiaozi Business Centre	Chrome Hearts	Fashion
Sino-Ocean Taikoo Li	Chunyan Business Centre	Double RL & CO	Fashion
The MlxC	Panchenggang	namacocoa	F&B

The Past Year



Fashion

Since Chengdu has effectively controlled the epidemic, the luxury market in Chengdu has been encouraged to further develop in the city. According to SCCBA, Chengdu Sino-Ocean Taikoo Li, with the highest concentration of luxury brands in Chengdu, saw sales reach RMB9.5 billion in 2021. In addition, as there are more and more young consumers and consumption habits have changed dramatically, trendy brands and luxury retail stores targeting the young are popular.

EXAMPLES

Chengdu Financial Remittance introduced a large number of trendy brands and luxury retail stores, such as ADLV, ZhiEr, Delicates, RuirUirul, etc., which are favoured by young people.



F&B

Many crossover brands have recently emerged in Chengdu, such as Ralph's Bar and Margiela coffee shop, which attract the younger generation. In the future, under the support of Chengdu's strong consumption power, such crossover brands are expected to grow their brands and continue to provide strong support for the Chengdu catering market.

EXAMPLES

Ralph's Bar and Margiela coffee shop located to Chengdu Sino-Ocean Taikoo Li.



Leisure

With the improvement in living standards, consumers in Chengdu are now paying more and more attention to their health. Gyms, yoga studios, massage parlors, etc. have flooded into shopping centres recently. This has not only helped to reduce shopping centre vacancy rates but has also helped to redirect footfall traffic into shopping centres and boosted the amount of impulse buying.

EXAMPLES

Lucky Gym opened in Raffles City, 100% Action Gym opened in Xinnan CapitaLand, Changle Tuina entered Tianfu CapitaLand.

The Outlook

Supply & Demand

According to the Chengdu government plan, by 2025, the Jiaozi Business Centre will become Chengdu's second metropolitan business district, and by 2035, it will be an important business district in Chengdu.

In this context, the development of Jiaozi Business Centre has accelerated. In 2021, Jiaozi Avenue opened. What's more, by the end of 2022, Jiaozi Business Centre will welcome two heavyweight projects, Magic Cube and SKP. Then, the stock of Jiaozi Business Centre will surpass that of Chunyan Business Centre to reach about 1.5 million sq m. At the same time, Chengdu should enter the era of 'dual centres'. In addition, SKP will not only introduce a large number of luxury stores but will also bring a large number of first stores, which will greatly boost the commercial environment in Jiaozi Business Centre.

In addition, and finally, if the projects in Panchenggang open on time, the commercial environment in this area will also be greatly enhanced.

Figure 60: Chengdu retail property market – New supply by submarkets (H2 2022)



Figure 61: Chengdu retail property market – New supply by submarkets (2023)



Figure 62: Chengdu retail property market – New Supply Major Projects (H2 2022-2023)

Property	Submarket	Expected Opening Date	sq m
SKP	Jiaozi Business Centre	2022	162,000
Chengdu Magic Cube	Jiaozi Business Centre	2022	234,000
Jinniu Joy City	North of the City	2023	100,000
Tianfu Joy City	Tianfu New District Business Centre	2023	144,000
Vanke Tianhui C Block	Jianshe Road	2023	37,000

Hangzhou

Top Supply/Demand Trends



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In the context of consumption upgrading, as well as paying close attention to product functionality, fashion, trends and uniqueness, consumers will also attach much significance to a shopping centre's shopping experience, socialisation aspect and digital intelligence. Therefore, developing the first-store economy, optimising the in-store consumer experience, and integrating online and offline channels will be three important measures to ensure commercial innovation and achieve retail sales breakthroughs for shopping centre operators.”

— Jenny Wei

“

With the official launch of China's Green Electricity Trading pilot program, Intime Department Store and Datang Group signed a green electricity trading agreement in November 2021, with a total power quantity of 30 million kilowatt-hours. Additionally, Intime will lead in promoting the use of green electricity in its 25 stores in Zhejiang province. In the future, under the national strategic goals of ‘carbon peak’ and ‘carbon neutrality’, awareness of the importance of environmental sustainability will be further heightened amongst the general public, and, in turn, retail properties that adhere to the concept of low-carbon, environmentally friendly and sustainable development will be most favoured by customers.”

— Shaun Brodie

The Past Year

Supply

In response to the complex international environment and the impact of the fluctuating epidemic, the Hangzhou government has rigorously stuck to the 'epidemic prevention, economic stability, and development safety' principles and vigorously promoted the eight key related actions to stabilise and improve the quality of the economy. By undertaking this course of action, the city's economy has steadied itself as it continues to navigate a development path into Q3 2022.

The sustained stability of Hangzhou's economic fundamentals has also provided an important guarantee for the development of the city's retail market. Last year, ten commercial projects, comprising Olympic Sports InCity, Jiangdong Paradise Walk, Qibao Garden City, Dixin Wings, Dingqiao Paradise Walk, Xiaoshan Intime Department Store, Wujiao Paradise Walk, Xijia Plaza, Be Joy City and Binjiang Intime Department Store, with a combined 1.1 million sq m of new retail space, opened in Hangzhou.

As of the second quarter of 2022, the city's quality retail stock climbed to approximately 5.8 million sq m, an increase of 23.5 percentage points y-o-y.

Figure 63: Hangzhou retail property market – Supply, absorption and vacancy (2016-Q2 2022)

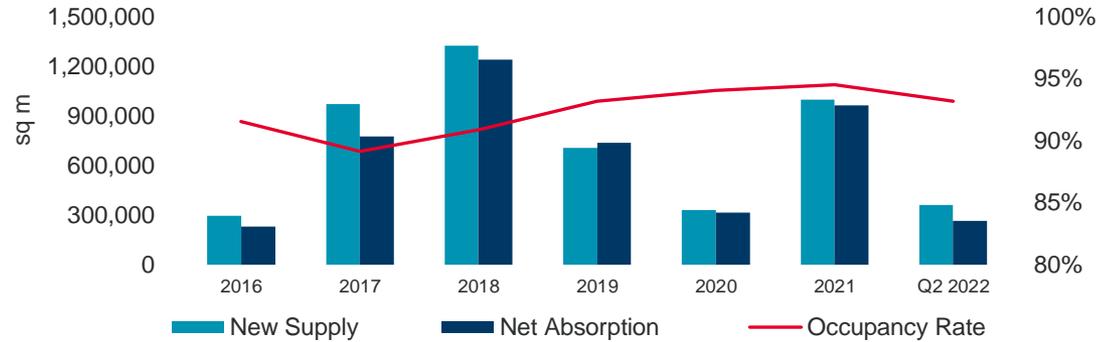
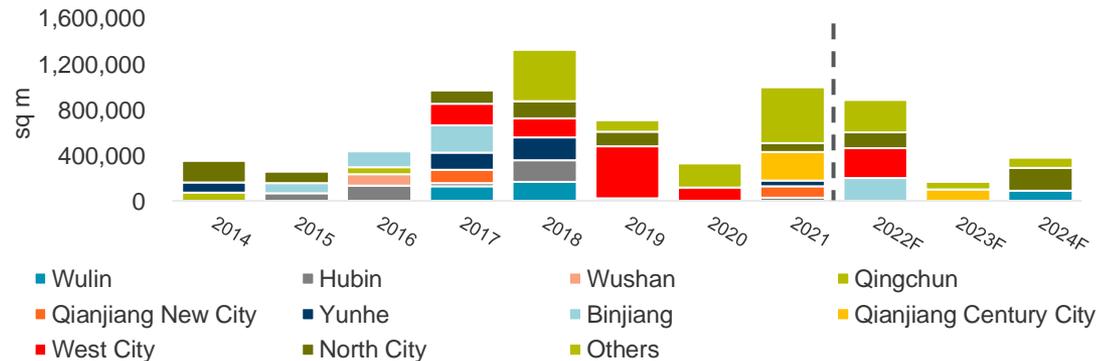


Figure 64: Hangzhou retail property market – Total supply by submarkets (H2 2021-H1 2022)



Figure 65: Hangzhou retail property market – New supply pipeline by submarkets (2014-2024)



The Past Year

Demand

In terms of commercial retail activities, the ‘first store economy’ continued to flourish, becoming a new growth point in Hangzhou’s consumer market. At the policy level, a number of favourable policies have laid a solid foundation for the development of the ‘first store economy’ in the city. For example, the *Three-Year Action Plan for Building Hangzhou into an International Consumption Centre City (2021-2023)* issued by the government last year, and the *Detailed Rules for the Implementation of the Policy of Developing First Store Economy to Promote Consumption Transformation and Upgrading in Hangzhou* issued in June this year, both clearly propose to strengthen the ‘first store economy’ in Hangzhou.

From the perspective of retail business investment, not only domestic high-quality brands favoured the Hangzhou market, but many overseas well-known brands also actively expanded their stores and set up their regional, national or global first stores in Hangzhou. For example, Guoye Dim Sum Factory’s first store in China leased space in Raffles. Meanwhile, the British cosmetics brand, Charlotte Tilbury, launched its first store in Zhejiang in Wulin Intime.

As for retail sales, this has performed steadily recently. According to the Hangzhou Statistics Bureau, in H1 2022, citywide total retail sales of consumer goods reached RMB342.8 billion, up by 3.0% y-o-y, and 3.7 percentage points higher than the national growth rate.

Figure 66: Hangzhou retail property market statistics (Q2 2022)

Submarket	Inventory (sq m)	Vacant (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Wulin	398,930	10,771	2.7%	800 – 1,500
Hubin	574,400	27,571	4.8%	700 – 1,500
Wushan	176,000	14,960	8.5%	500 – 1,000
Qingchun	193,000	7,141	3.7%	600 – 800
Qianjiang New City	513,000	20,520	4%	600 – 800
Hangzhou Totals	5,784,070	393,317	6.8%	600 – 1000

* Rental rates are calculated by NLA and considered as consistently achievable for prime space (usually the ground floor) in major shopping centres, excluding management fee, promotional fee and other fees.

Figure 67: Hangzhou retail property market – Average rental (2015-Q2 2022)

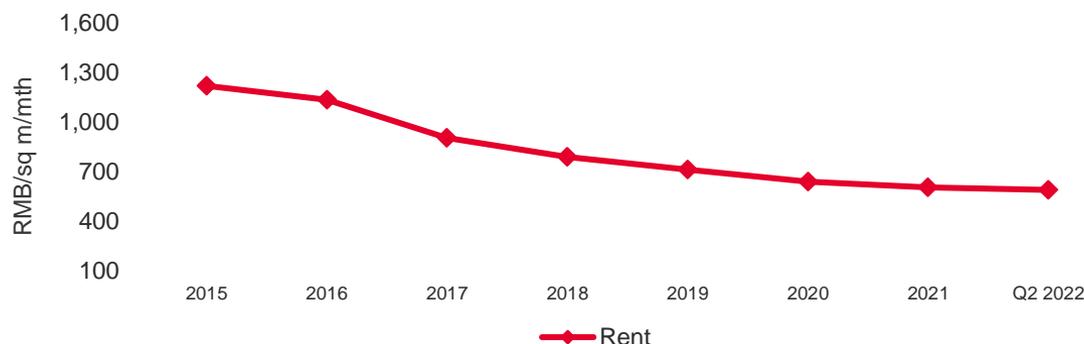


Figure 68: Hangzhou retail property market – Significant store openings (H2 2021-H1 2022)

Property	Submarket	Tenant	Sector
Raffles	Qianjiang New City	Guoye Dim Sum Factory	F&B
Wulin Intime	Wulin	Charlotte Tilbury	Retail
Hubin Intime in77	Hubin	Chagee	F&B
Hangzhou Tower	Wulin	Arnold & Son	Retail
West City Intime	West City	Li Ning In Heart Basketball Park	Entertainment

The Past Year



Fashion

Brand collection stores have now become footfall flow harvesters in Hangzhou. Compared with traditional stores, collection stores not only provide consumers with diversified commodity choices, but also meet the multi-dimensional spiritual needs of the new generation of consumers. With continuous exploration and innovation, collection stores with footfall attraction are gradually providing a win-win situation between brands and the shopping centre.

EXAMPLES

Knowin's first store in Zhejiang leased space in Hubin 88. X11 landed in Binjiang Powerlong City. The cosmetics collection store brand, Harmay, opened its first colour store in Tian Mu Li.



F&B

New Chinese tea and baking brands expanded their stores in Hangzhou. With the rising tide of traditional Chinese culture and the integration of Chinese characteristics and consumption trends, 'Guochao' has become Generation Z's new in-thing and has gradually spread to the fields of tea and baking. Under the catalyst of capital inflows, various brands are actively investing in the vibrant Chinese tea and baking subsectors, which feature both traditional culture and modern ideas concerning food.

EXAMPLES

Chagee opened stores in Hubin Intime in77, Guoda Plaza, Qingchun Intime, Xiaoshan MixC and Binjiang Powerlong City. Luxihe landed in Zhongda Intime, Hubin Intime in77 and Joy City.



Entertainment

The 'sports economy' continued to see solid market growth. Under the opportunity afforded by the Beijing Winter Olympic Games, combined with the rise of national fitness awareness and the upgrading of consumption structure, sports and fitness have become a lifestyle trend with the new generation of consumers. In order to seize this new consumption dividend, shopping centres in Hangzhou continued to introduce sports-related retail formats and brands.

EXAMPLES

Li Ning In Heart Basketball Park leased space in West City Intime. Taroko Sports Plus leased space in Binjiang Powerlong City. Hopo Snow and I Go Surfing landed in Olympic Sports InCity.

The Outlook

Supply & Demand

In the next three years, Hangzhou's high-quality retail market is expected to see approximately 1.9 million sq m new commercial volume, of which 81.8% will be located in the non-core CBDs. The main quality projects include Hang Lung Plaza, SKP and K11.

The complex market environment might delay the delivery of some commercial projects in the future. Developers are expected to make strategic adjustments in terms of investment scale, operation model and financing mechanisms into the rest of the year and next. For the leading enterprises, we expect continuous expansion and use of the 'asset-light' model to feature as an investment strategy.

Following the 'Ten Measures' issued in early February and the '40 Measures' released in March, the Hangzhou government launched another important policy in early June – the *Implementation Plan of the State Council and Zhejiang Province's Package of Policy Measures to Stabilise the Economy* – which has 52 measures and 8 aspects, to help enterprises to overcome the impact of the pandemic and to stimulate market vitality. It is expected that the macro economy in Hangzhou will gradually recover, and the city's retail market will regain market confidence given the support of various beneficial policies.

Figure 69: Hangzhou retail property market – Total supply by submarkets (H2 2022-2023)



Figure 70: Hangzhou retail property market – Total supply by submarkets (2024)



Figure 71: Hangzhou retail property market – Significant projects under construction

Property	Submarket	Expected Opening Date	sq m
Cinda Centre	Binjiang	2022	70,000
Powerlong City Plaza	West City	2022	90,000
Powerlong City Plaza	North City	2022	65,000
Future Light	North City	2022	70,000
U Love City	Others	2022	230,000

Key Takeaways

- Due to the impact of the epidemic that exceeded expectations, China's GDP grew by 2.5% and total retail sales of consumer goods totalled RMB21.04 trillion, down 0.7% y-o-y in H1 2022;
- The total stock of all mid- and high-end shopping centres in the 16 major cities in China we track reached 97.20 million sq m at the end of Q2 2022;
- The average rental for prime retail properties in major cities in China was RMB735.5 per sq m per month at the end of Q2 2022, a drop of 0.9% q-o-q;
- Looking ahead, as China has made some achievements in COVID-19 epidemic control, consumption will increase gradually, leading to the recovery in investment in H2 2022;
- The long-term fundamentals of China's retail market remain solid, thanks to a growing middle class, continued urbanisation and effective control of inflation.



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