

MARKETBEATS

3.86STOCK
(MILLION SM)**¥895.3**RENTAL
(RMB/SQM/MO)**3.7%**VACANCY
RATEWHAT'S
NEXT

HIGHLIGHTS

In Q2, Vankely Cloud City in Nanshan Xili completed and added 80,000 sq m of new retail supply. Prime retail stock in Shenzhen subsequently increased to 3.86 million sq m.

Despite new supply weighing on rental levels in Nanshan (which fell 5.4% q-o-q on average in Q2), the overall market finished slightly up on the quarter at an average of RMB895.3 per sq m per month. Elsewhere, Bao'an and Longgang submarkets saw average rent increase 5.9% and 5.4% q-o-q, respectively. Across the overall market, the vacancy rate tightened to 3.7% at quarter's end on support from mid-year promotions at malls and the start of the summer holiday season.

Amid the prevailing economic climate, Shenzhen's retail sales growth has tended to slow, albeit car sales have been a bright spot. Reflecting this, Li ONE opened an outlet in Kkmall, marking their first store in Shenzhen. Meanwhile, some crossover brands are partnering up to share resources and expand reach. Notable collaborations include: Uniqlo and KAWS; Nayuki and Hot-Kid; and Heytea and Ovaltine. Lifestyle and home accessories stores, such as KKguan and NOME, continued to be active in Shenzhen.

Outlook

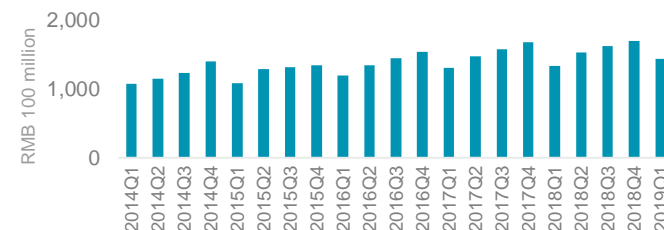
Approximately 748,000 sq m of new retail supply is scheduled to be delivered by the end of the year. Most of the planned projects are slated for Futian, Longhua and Bao'an, which could weigh on retail rental growth in mature submarkets ahead on the whole. In the city's emerging submarket, regional shopping centers are anticipated to record strong rental growth, supported by local community residents.

Economic Indicators

	Q4 2018	Q1 2019	Past 12-Month Growth
GDP Growth	7.6%	7.6%	▼
Total Retail Sales Growth	7.6%	7.5%	▼
CPI Growth	2.8%	2.6%	▲

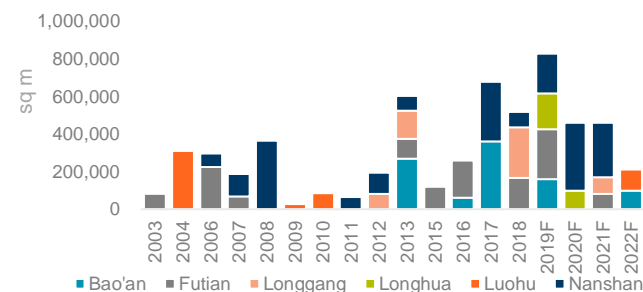
Note: Growth figure is y-o-y growth
Source: Shenzhen Statistics Bureau

Shenzhen Total Retail Sales of Consumer Goods



Source: Shenzhen Statistics Bureau

PRIME RETAIL SUPPLY PIPELINE



Note: F is for forecast
Source: Cushman & Wakefield Research



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DATA
INTO
ACTION

Prime Average Retail Rents (Q2 2019)

SUBMARKET	RMB/SQ M/MO	EUR/SF/MO	USD/SF/MO	12-Month Forecast
Luohu	1,700.0	20.5	22.9	■
Futian	1,033.3	12.4	13.9	▼
Nanshan	818.2	9.8	11.0	▲
Longgang	510.0	6.1	6.9	▲
Bao'an	675.0	8.1	9.1	▲
Prime Retail Average Rent	895.3	10.8	12.1	▲

Exchange Rate: 1USD=0.893EUR=6.894RMB as of 2019.5.27

*Average rents (RMB/sq m/mo) are based on ground floor in prime locations in major shopping centers, excluding management fee, promotional fee and other fees.

Significant Store Openings (Q2 2019)

PROPERTY	SUBMARKET	TENANT	Business Type
KKmall	Luohu	Li ONE	New-Energy Vehicle
Vankely Cloud City	Nanshan	LEGO education	Children's Education
The Mixc World	Nanshan	Air Jordan	Apparel
Injoy	Futian	MOBE	Hairdressing

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SQ M	COMPLETION DATE
One Avenue	Futian	186,000	2019
Maxland	Bao'an Center	160,000	2019
Baoneng All City	Xili	132,000	2019
Uniworld Zone B	Longhua	90,000	2019
The Mixc Qianhai	Qianhai	80,000	2020

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