

MARKETBEATS



16.6

STOCK
(MILLION SQ M)

¥1,968

PRIME AREA RENT
(PSM/MO)

7.9%

VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Shanghai's economic fundamentals remained positive in the first half of 2019. The average disposable income and consumption expenditure of Shanghai's residents rose by 8.2% and 5.6% y-o-y, to RMB35,294 and RMB22,513, respectively. Shanghai's consumer confidence has steadily recovered from the low seen in the first quarter of 2019. Six shopping malls with a combined GFA of approximately 393,000 sq m entered market in Q3. Subsequently, Shanghai's stock of prime retail property increased by 2.4% q-o-q to approximately 16.6 million sq m.

Demand for prime retail space was strong as retailers from various sectors continued to expand during the quarter. Consequently, the vacancy rate dropped by 0.2% q-o-q to 7.9% as net absorption reached 380,833 sq m. F&B, fashion and children's retail sectors were the most active, followed by lifestyle and cosmetics brands. Notable new leases and openings included: SJSJ opening its first store in No. 1 Yaohan Nextage; LELECHA taking more than 1,000 sq m in Hopson One; and supermarket brand Costco launching its first store in Minhang District.

In Q3, average citywide ground floor rent decreased by 2.8% q-o-q to RMB927 per sq m per month, due to competitive rents and new supply in the non-prime area. In the prime area, rental increases at projects after adjustments and renewals supported a first floor rent increase of 0.3% q-o-q to RMB1,968 per sq m per month. The Nanjing West Road hub continued to be the most expensive retail submarket in Shanghai, followed by Xujiahui.

Nine new projects with nearly 884,810 sq m of GFA are scheduled to launch in the fourth quarter of 2019, leading Shanghai's total stock to increase by more than 5.3%. As a result of these new projects, the Shanghai overall vacancy rate is expected to rise slightly. The new malls located in the non-prime area will constrain the city's average rental growth. However, rents in mature projects in core submarkets will continue to grow, driven by renovation and brand adjustment.

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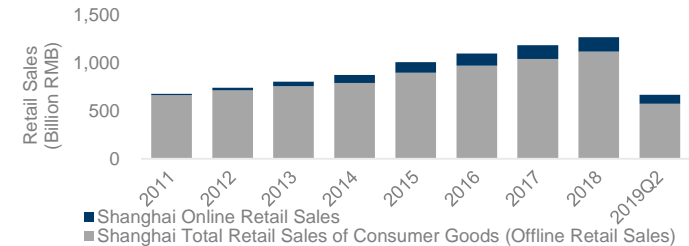
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ECONOMIC INDICATORS

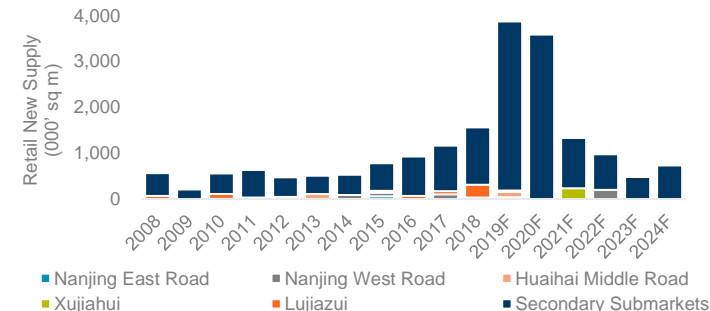
	Q1 19	Q2 19	12-Month Forecast
GDP Growth	5.7%	5.9%	▲
RSCG Growth	6.3%	8.4%	▲
CPI Growth	1.6%	2.1%	▲
Consumer Sentiment Index Growth	-2.2%	1.3%	▲

Source: Shanghai Statistics Bureau, Cushman & Wakefield East China Research
The forecast is based on Oxford Economics

TOTAL SALES OF CONSUMER GOODS



RETAIL NEW SUPPLY (Q3 2019)



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CORE SUBMARKETS RENTAL RANGES (Q3 2019)

SUBMARKET	VACANCY RATE	RMB/SQ M/MO	EUR/SF/MO	US\$/SF/MO	12-Month Forecast (Rent)
Nanjing East Road	3.0%	1,500 – 3,050	2,055 – 4,179	2,265 – 4,606	▲
Nanjing West Road	3.9%	1,800 – 3,600	2,466 – 4,932	2,718 – 5,436	▲
Huaihai Middle Road	4.6%	1,064 – 2,300	1,458 – 3,151	1,607 – 3,473	▲
Xujiahui	3.8%	1,900 – 3,000	2,603 – 4,110	2,869 – 4,530	▲
Lujiazui	3.6%	800 – 2,300	1,096 – 3,151	1,208 – 3,473	■
Secondary Submarkets	8.9%	300 – 2,000	411 – 2,740	453 – 3,020	▼

Rent (RMB/sq m/mo) is based on ground floor in prime locations in major shopping centers, excluding management fee, promotional fee and other fees.
1 USD = 7.1283 RMB = 0.9071 EUR (2019.09.09)

MAJOR STORE OPENINGS (Q3 2019)

PROPERTY	SUBMARKET	TENANT	SECTOR
IFC	Lujiazui	Catimini	Fashion
No. 1 Yaohan Nextage	Lujiazui	SJSJ	Fashion
K11	Huaihai Middle Road	BAEKMIDANG	F&B
Hopson One	Wujiaochang	LELECHA	F&B
235 Zhu Jian Road	Others (Minhang District)	Costco	Supermarket

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SQ M	COMPLETION DATE
ITC Phase I	Xujiahui	23,810	2019
Theatre X	Huaihai Middle Road	120,000	2019
Danang Jiuguang Department Store	Others (Jing'an District)	180,000	2019
Upper West Shanghai	Others (Putuo District)	220,000	2019
LaLaport	Others (Pudong District)	129,000	2019