

MARKETBEAT



4.41

STOCK
(MILLION SM)

¥895.7

RENTAL
(RMB/SQM/MO)

3.9%

VACANCY
RATE

WHAT'S NEXT

HIGHLIGHTS

Shenzhen's prime retail stock pushed past the 4 million sq m mark in Q3. Amid fierce competition in the mature submarket, the occupancy rate in Futian One Avenue reached 90% on the back of competitive rentals. Prime malls in the emerging submarkets also enjoyed a sizeable resident base, such as Longhua Uniworld, which attracted busy footfall traffic and a high occupancy rate. Despite 546,000 sq m of new retail supply, the citywide vacancy rate remained below 4% at the end of Q3.

New landmark projects are helping to develop Shenzhen's retail market, and, supported by convenient transport connections, an increasing number of Hong Kong residents visited, particularly for F&B. Promotion activities supported by the Shenzhen Shopping Festival also boosted traffic. However, regardless of competitive rentals in new completions, the city's average rent was flat at RMB895.7 per sq m per month for Q3.

Fashionable jewelry brands such as MSTAR, JASS and I DO, and handicraft stores, continued to enter shopping centers and are becoming favorites for millennials. In the children's goods sector the two-child policy may provide a boost. Pony Running, Beefun restaurant and FunDoLand opened new stores in Q3, and traditional cultural training centers are also expanding their footprint. We also note that Chinese aesthetic "guochao" products are increasingly popular.

Outlook

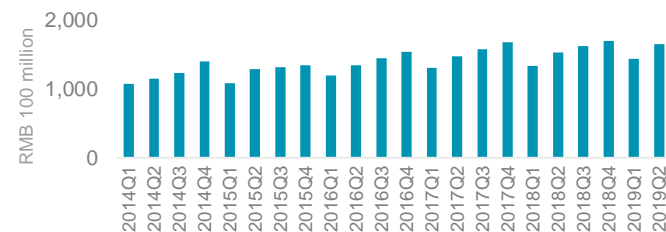
The market is expected to add 853,000 sq m of new retail supply through 2020. Amid economic uncertainty consumers are expected to be conservative in spending. New completions in the mature submarkets, where malls are already clustered, are likely to heat up competition and potentially bring challenges to retailers and mall operators. Growth in average rent is likely to slow in the following year.

Economic Indicators

	Q1 2019	Q2 2019	Past 12-Month Growth
GDP Growth	7.6%	7.4%	▼
Total Retail Sales Growth	7.5%	7.7%	▼
CPI Growth	2.6%	2.9%	▲

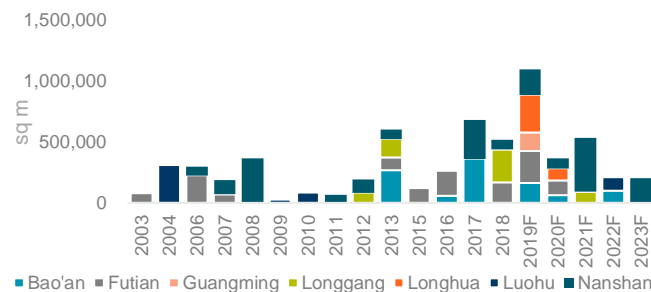
Note: Growth figure is y-o-y growth
Source: Shenzhen Statistics Bureau;

Shenzhen Total Retail Sales of Consumer Goods



Source: Shenzhen Statistics Bureau

PRIME RETAIL SUPPLY PIPELINE



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

Zhang Xiao-duan

Senior Director, Head of Research
South & West China
Add: 18F, Tower2, Kerry Plaza, No.1
Zhongxinsi Road, Futian District,
Shenzhen 518048, China
Tel: +86 755 2151 8116
xiaoduan.zhang@cushwake.com

Prime Average Retail Rents (Q3 2019)

SUBMARKET	RMB/SQ M/MO	EUR/SF/MO	USD/SF/MO	12-Month Forecast
Luohu	1766.7	20.9	23.2	▲
Futian	1026.0	12.2	13.4	▼
Nanshan	840.0	9.9	11.0	▲
Longgang	550.0	6.5	7.2	▲
Bao'an	750.0	8.9	9.8	▲
Longhua	400.0	4.7	5.2	▲
Guangming	400.0	4.7	5.2	▲
Prime Retail Average Rent	895.7	10.6	11.7	■

Exchange Rate: 1USD=0.90361EUR=7.08718RMB (2019.8.23)

*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 (Q3 2019)

PROPERTY	SUBMARKET	TENANT	Business Type
One Avenue	Futian	FeiDaChu	F&B
One Avenue	Futian	I DO	Jewelry
The Raffles	Nanshan	ChaoShanXiaoChu	F&B
Guangming Maxland	Guangming	Pony Running	Children's Education

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SQ M	COMPLETION DATE
Bao'an Maxland	Bao'an Center	160,000	2019
Baoneng All City	Nanshan	132,000	2019
Gateway One (Phrase II)	Nanshan	80,000	2020
OCT OH BAY	Bao'an	65,000	2020

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