

SHANGHAI

Retail Q4 2019

CUSHMAN & WAKEFIELD



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

SHANGHAI ECONOMIC INDICATORS JAN - OCT 2019



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Shanghai's Economic Fundamentals Remained Positive

According to the Shanghai Statistics Bureau, the city's consumer good retail sales grew 6.6% y-o-y from January to October 2019. Per capita disposable income of urban residents and consumption expenditure both continued to grow, by 8.2% y-o-y and 5.2% y-o-y respectively for the first three quarters. Eleven new shopping malls launched in Q4 with a combined total of 840,000 sq m of retail space, bringing Shanghai's total stock to approximately 18.1 million sq m.

Strong Demand With Growing Divergence Among Properties

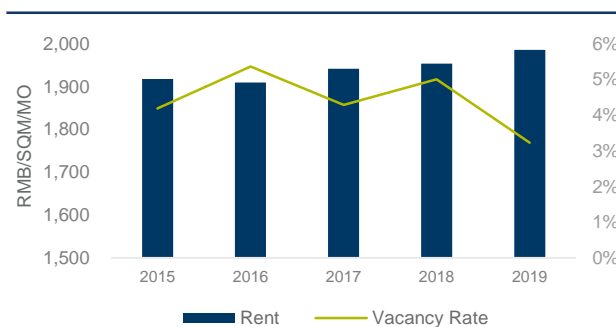
Demand for Shanghai's prime retail space remained strong during this quarter. Net absorption reached 743,394 sq m, primarily driven by new leases in new retail projects which enjoyed high opening occupancy rates. Absorption was further stimulated by facility renovations and brand mixture adjustments at mature retail properties. By location, the vacancy rate decreased 0.5 percentage points q-o-q from 3.7% to 3.2% in the prime area. In the non-prime area, the rate increased 0.7 percentage points q-o-q from 8.9% to 9.6%, due to numerous new supply completions. Demand from the fashion and F&B sectors continued to be active in Q4. Notable new leases and openings included Gucci's first jewelry flagship store in New World City, Shake Shack taking more than 150 sq m in IFC; and Xiabuxiabu launching its first store in Shanghai Tower.

Substantial New Supply Dampened Average Rental

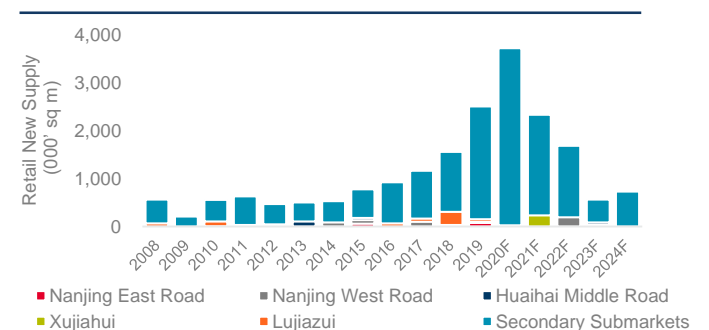
Average ground floor rent dropped by 2.7% q-o-q to RMB902 per sq m per month during Q4 2019, pulled down by competitive rentals at new projects in the emerging submarkets. However, rental growth in mature shopping malls in the prime area continued. Average ground floor rental here increased by 0.9% q-o-q to RMB1,985 per sq m per month, driven by facility renovations, tenant adjustments and high occupancy rates. The rental gap between prime and non-prime areas remained significant, as average first floor rent in emerging submarkets declined by 4.4% q-o-q to RMB642 per sq m per month.

Looking forward, 37 new retail projects with nearly 3,724,000 sq m of GFA are scheduled to launch in 2020. The wave of new supply will exert downward pressure on the city's average rent. Existing projects will continue their renovation and brand adjustments to remain competitive in the retail market, and therefore rental growth in the prime area will remain buoyant in 2020.

FIVE CORE SUBMARKETS RENT / VACANCY RATE



RETAIL SUPPLY PIPELINE BY SUBMARKET



MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	VACANT (SQM)	VACANCY RATE	UNDER CNSTR TILL 2022 (SQM)	OVERALL AVG RENT (RMB/SQMMO)*
NANJING EAST ROAD	514,060	14,325	2.8%	0	2,111.9
NANJING WEST ROAD	578,820	20,347	3.5%	196,000	2,463.7
HUAIHAI MIDDLE ROAD	465,560	19,473	4.2%	0	1,639.0
XUJIAHUI	313,000	8,440	2.7%	231,417	2,326.9
LUJIAZUI	1,029,978	44,802	4.4%	0	1,624.5
OTHERS TOTALS	15,188,509	1,457,394	9.6%	7,313,479	641.7
SHANGHAI TOTALS	18,089,927	1,531,151	8.5%	7,740,896	902.0

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

SIGNIFICANT STORE OPENINGS Q4 2019

PROPERTY	SUBMARKET	TENANT	SECTOR
New World City	Nanjing East Road	Gucci	Fashion
Jing'an Kerry Centre	Nanjing West Road	Kamakura Shirts	Fashion
IFC	Lujiazui	Shake Shack	F&B
Shanghai Tower	Lujiazui	in xiabuxiabu	F&B
Hongyi Plaza	Nanjing East Road	Samsung	Digital Products

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
Theatre X	Huaihai Middle Road	2020	24,000
Daning Jiuguang Department Store	Others (Jing'an District)	2020	180,000
Raffles City (Hongkou)	Others (North Bund)	2020	127,000
ITC Phase II	Xujiahui	2021	231,417
Hopson One (Suhewan)	Others (Jing'an District)	2021	140,000

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