

SHENZHEN

Retail Q4 2019

CUSHMAN & WAKEFIELD

8.7%
Disposable Income

YoY Chg 12-Mo. Forecast



4.0%
Population



5.8%
Consumption Expenditure



Source: Statistics Bureau of Shenzhen Municipality
(Figures are growth rates as of 2018.)
Oxford Economics, Cushman & Wakefield Research

SHENZHEN ECONOMIC INDICATORS JAN - SEP 2019

6.8%
Total Retail Sales of
Consumption Goods
Growth

YoY Chg 12-Mo. Forecast



42.1%
Online Retail Sales
of Goods Growth



3.0%
CPI Growth



Source: Statistics Bureau of Shenzhen Municipality,
Oxford Economics, Cushman & Wakefield Research

Emerging Submarkets Contributed Two-Thirds of New Supply

Shenzhen's prime retail market added 160,000 sq m of new supply in Q4 to take the total for the year to 786,000 sq m, up 52% on 2018. Emerging submarkets including Bao'an, Guangming and Longhua were the key supply areas, contributing 66.2%. The remaining 33.8% was in the core submarkets. Shenzhen's prime retail stock reached 4,566,329 sq m by the end of the year.

Demand From Apparel Sector Softened, Electronics Stores and Kids' Sector More Active

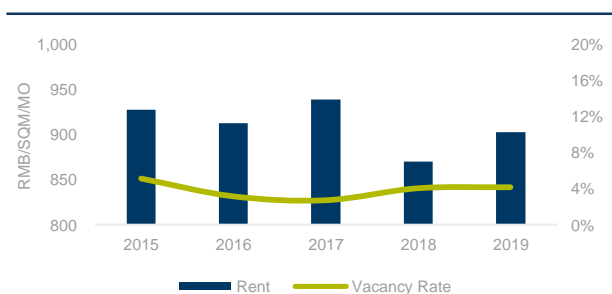
Consumer good retail sales grew 6.8% y-o-y for the first three quarters, 0.9 percentage points slower than in the first half of the year. Within the retail leasing market the apparel sector was cautious, activity from EV firms was curtailed by economic and investment conditions, and demand from the cinema sector also shrank. Subsequently, the city's overall vacancy rate increased to 4.2% at the year's end. However, sales of mobile devices registered a 10.9% y-o-y increase. Local electronics stores expanded aggressively, including Huawei's first global flagship store in the MixC World, OPPO's experiential store in the Central Walk and Mi Home in the One Avenue. Elsewhere, the two-child policy swelled demand for child-related sectors, with Hema's Li Shirble digitalised shopping center opening with nearly 30 child-related tenants. F&B and budget-friendly restaurants also grew: Sevenbus expanded to COCO Park and Feidachu opened a further two outlets in the city.

Competition in the mature submarkets intensified, driving up the vacancy rate and impacting rents at some projects in Q4. However, average rents in Bao'an and Longgang submarkets achieved 17.4% and 19.7% y-o-y increases respectively, with projects in the emerging submarkets supported by clustered resident bases and good footfall. Prime malls in the core submarkets also introduced new retail formats to boost competitiveness and average rent at the city's prime shopping malls reached RMB902.5 per sq m per month at the end of the year, a 3.7% y-o-y increase.

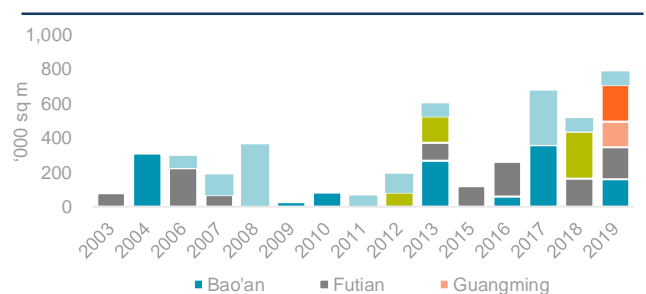
Competition Heating up With New Completions Amid Weak Consumption Environment

Some projects under construction have postponed their openings due to softened consumption and fierce competition. Shenzhen will receive approximately 675,000 sq m of new retail supply through 2020, with 60.7% located in the core submarkets and 39.3% in the emerging submarkets. We expect the anticipated economic downturn ahead to negatively impact the retail market in the short run. In addition, the projected new supply will create further competition, likely to push up the overall vacancy rate and exert downward pressure on rental growth. In particular, core submarkets with clustered prime malls may see rental declines next year.

RENT / VACANCY RATE



RETAIL SUPPLY PIPELINE BY SUBMARKET



MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	VACANT (SQM)	VACANCY RATE	UNDER CNSTR TILL 2023 (SQM)	OVERALL AVG RENT (RMB/SQMMO)*
Luohu	417,829	3,918	0.9%	512,000	1806.67
Futian	1,150,000	74,860	6.5%	198,000	1048.00
Nanshan	1,286,500	52,205	4.1%	854,083	859.09
Longgang	502,000	14,760	2.9%	90,000	558.00
Bao'an	850,000	28,780	3.4%	305,000	710.00
Longhua	210,000	10,500	5.0%	200,000	400.00
Guangming	150,000	4,500	3.0%	-	400.00
SHENZHEN TOTALS	4,566,329	189,523	4.2%	2,159,083	902.50

* Rentals are calculated by NLA and considered as consistently achievable for prime space in prime shopping centers, excluding management fee, promotional fee and other fees.

SIGNIFICANT STORE OPENINGS Q4 2019

PROPERTY	SUBMARKET	TENANT	SECTOR
The MixC World	Nanshan	Manner Coffee	F&B
COCO Park	Futian	Seven Bus	F&B
One Avenue	Futian	Mi Home	Digital Electronics
Bao'an Maxland	Bao'an	JOLI Zoo	Leisure & Entertainment
Bao'an Maxland	Bao'an	YMM Art Education	Education

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
Baoneng Global	Nanshan	2020	132,000
Gateway Phrase II China Merchants	Nanshan	2020	80,000
OH Bay OCT	Bao'an	2020	65,000
Houhaihui	Nanshan	2021	72,083
Joy City	Bao'an	2022	100,000

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