

ZHENGZHOU

Retail 2H 2019

CUSHMAN & WAKEFIELD

8.3%
Disposable Income

YoY
Chg12-Mo.
Forecast

2.6%
Population

5.1%
Consumption Expenditure

Source: Zhengzhou Statistics Bureau/Oxford Economics/
Cushman & Wakefield Research (Growth rates are as of
2018.)

ZHENGZHOU ECONOMIC INDICATORS JAN - SEP 2019

9.5%
Total Retail
Sales Growth

9.3%
Urban Retail Sales
Growth

2.6%
CPI Growth

Source: Zhengzhou Statistics Bureau/Oxford Economics/
Cushman & Wakefield Research

Operators Adjust Tenant Mix to Ease Vacancy

In the second half of 2019, 420,000 sq m of prime retail space was supplied to the market, pushing total stock to 2.7 million sq m. Of the total, 140,000 sq m was supplied to Huayuan Road submarket, the most of all six main submarkets. Some department stores and malls actively adjusted their tenant mix to ease vacancy rates, while newly launched retail properties successfully controlled their vacancy at a relatively low rate. Compared to the first half of 2019, the average vacancy rate dropped 0.3 percentage points to 3.4%. In the second half of 2019, the average rent dropped by 8.2% from the first half of the year to RMB416.7 per sq m per month.

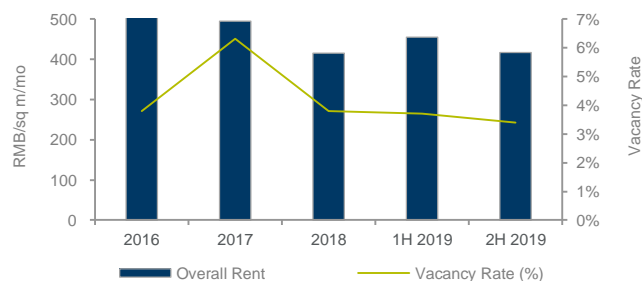
Food and Beverage the Main Driver of Store Openings

F&B and lifestyle retail remained the main drivers of store openings, in response to consumption trends. Automobile and home brands have also become new market highlights.

Outlook

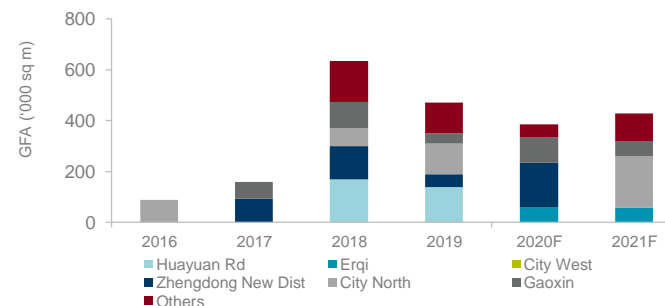
Zhengzhou will welcome another six prime retail properties in 2020, adding 385,000 sq m of new supply to the city. The influx will exert pressure on rent levels and vacancy rates in a short period of time. We expect to see the citywide vacancy rate rise and the average rent to drop slightly in 2020. Looking ahead, growing numbers of malls are expected to focus more on the customer and shopping experience, and will actively adjust their tenant mix in order to meet consumer preferences, and introduce new or personalized brands to strengthen their differentiation and market competitiveness.

ZHENGZHOU PRIME RETAIL MARKET RENT / VACANCY RATE



Source: Cushman & Wakefield Research

ZHENGZHOU PRIME RETAIL MARKET RETAIL SUPPLY PIPELINE BY SUBMARKET



Source: Cushman & Wakefield Research

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	VACANT (SQM)	VACANCY RATE	UNDER CNSTR TILL 2021 (SQM)	OVERALL AVG RENT (RMB/SQMMO)*
Huayuan Rd	498,000	4,100	0.8%	0	658.3
Erqi	582,500	44,770	7.7%	120,000	637.1
City West	482,500	32,800	6.8%	0	330.0
Zhengdong New Dist	535,172	5,850	1.1%	175,000	335.0
City North	280,000	12,960	4.6%	200,000	366.7
Gaoxin	103,900	1,200	1.2%	160,000	220.0
Others Totals	220,000	7,800	3.6%	157,000	370.0
Zhengzhou Totals	2,702,072	109,480	3.4%	812,000	416.7

* 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 2H 2019

PROPERTY	SUBMARKET	TENANT	SECTOR
Jianye Triumph Plaza	Huayuan Rd	Yanjyiu	Entertainment
Jianye Triumph Plaza	Huayuan Rd	Grandma's Diet	F& B
Jianye Triumph Plaza	Huayuan Rd	Blue Frog	F& B
The Grand Emporium	Huayuan Rd	Chinese Sauerkraut Fish	F& B
City On	Zhengdong New Dist	Victoria's Secret	Retail

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
CCD Central Avenue	Others	2020	50,000
Greenland Metropolitan Xintian 360 Plaza II	Zhengdong New Dist	2020	80,000
Xintian 360 Plaza, Taikang Rd	Erqi	2020	60,000
Gaoxin Wanda Plaza	Gaoxin	2021	100,000

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