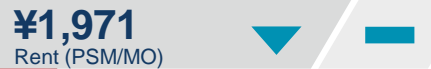
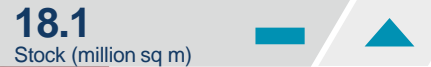


# SHANGHAI

Retail Q1 2020



Source: Cushman & Wakefield East China Research

## SHANGHAI ECONOMIC INDICATORS JAN – DEC 2019



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

## The COVID-19 Outbreak Caused a Short-Term Negative Impact on China's Economy

The COVID-19 outbreak has impacted the society, economy and property markets of countries around the world, including China. However, with the Chinese government's decisive response the outbreak was brought under control in the short term, and economic activity has begun to resume in March. The outbreak may only negatively influence the Chinese economy during the first half of 2020. According to the Shanghai Statistics Bureau, the city's consumer goods retail sales volume fell 20.3% y-o-y from January to February 2020. No new supply was recorded in Q1.

## Shanghai's Overall Retail Property Market Slumped in Q1

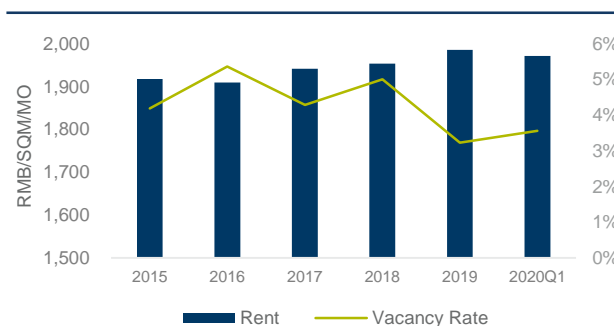
The COVID-19 outbreak has negatively impacted the city's retail market in Q1, with much pressure placed on the F&B, entertainment and service sectors. Several well-known restaurant chains, gyms and cinemas suspended their operations and faced financial cash flow difficulties. Online channels have helped to relieve pressure on some bricks-and-mortar retailers during this period. A wait-and-see attitude has been employed by some international retailers in response to the outbreak. However, many new domestic retail brands may still continue aggressive expansion plans to enhance market penetration and gain market share, such as with Hema. Tenants in the leasing market have also gained an upper hand in lease bargaining power in the quarter given the softened market. While retailers have been offered more choice of site given the uptick in vacancy, they are also more prone to pick sites in the mature submarkets with reasonable rental pricing.

In Q1 most shopping mall landlords started to compress their rental expectations to achieve a stable occupancy rate. Many landlords announced a reduction in rent or the offering of a one month rent free period to combat the harsh economic environment in partnership with tenants. In Q1, the overall vacancy for Shanghai mid- to high-end shopping malls rose slightly to 8.8%, up 0.4 percentage points q-o-q. Meanwhile, average first floor rent in mid- to high-end shopping malls dropped by approximately 1.8% q-o-q to RMB885.5 per sq m per month.

## Overall Retail Market to Gradually Recover

With the full control of the domestic outbreak the National Development and Reform Commission issued the *Implementation Guidelines on Promoting Consumption Expansion to Accelerate the Strong Consumption Market* on March 13. Local governments are expected to spend nearly RMB5 billion to stimulate consumption and encourage the digital transformation of retailing. China's economy should start to resuscitate by mid-2020. With this stimulus, Shanghai's retail property market should gain a more stable and positive outlook.

## 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	15,405	3.0%	0	2,096.7
NANJING WEST ROAD	578,820	22,747	3.9%	196,000	2,463.7
HUAIHAI MIDDLE ROAD	465,560	20,613	4.4%	0	1,633.5
XUJIAHUI	313,000	10,240	3.2%	231,417	2,326.9
LUJIAZUI	1,029,978	48,302	4.7%	0	1,609.4
<b>OTHERS TOTALS</b>	<b>15,188,509</b>	<b>1,476,694</b>	<b>9.7%</b>	<b>7,313,479</b>	<b>628.0</b>
<b>SHANGHAI TOTALS</b>	<b>18,089,927</b>	<b>1,594,001</b>	<b>8.8%</b>	<b>7,740,896</b>	<b>885.5</b>

\* 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 Q1 2020

PROPERTY	SUBMARKET	TENANT	SECTOR
Crystal Galleria	Nanjing West Road	Lavazza	F&B
Super Brand Mall	Lujiazui	Duk Cantonese Cuisine	F&B
Fudu Plaza	Pudong District	ALDI	Supermarket

## 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

## Shaun Brodie

Head of Occupier Research, Greater China  
42-43/F, Tower 2, Plaza 66, 1366 Nanjing  
West Road | Shanghai

Tel: +86 21 2208 0529

[shaun.fv.brodie@cushwake.com](mailto:shaun.fv.brodie@cushwake.com)

[cushmanwakefield.com](http://cushmanwakefield.com)

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.