

CHANGSHA

Retail Q2 2020

CUSHMAN & WAKEFIELD

8.7%
Disposable IncomeYoY
Chg12-Mo.
Forecast2.9%
Population7.5%
Consumption Expenditure

Source: Changsha Statistics Bureau (Growth rates are as of 2019.)

CHANGSHA ECONOMIC INDICATORS
Jan-Feb 2020-13.2%
Total Retail Sales of
Consumption
Goods GrowthYoY
Chg12-Mo.
ForecastOnline Retail Sales
Growth4.9%
CPI Growth

Note: Changsha didn't issue Figure of online retail sales growth of 2019.

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

COVID-19 Outbreak Prompted Retailers to Adjust Business Strategies

With no new projects completed in Q2, citywide retail stock remains at 2.3 million sq m. The COVID-19 outbreak prompted retailers to adjust business strategies. Heiwado, for example, closed its Hexi store in Q2, helping to push the overall vacancy rate up 2.5 percentage points q-o-q to 5.6%. Average overall rental dropped 1.4% to RMB423.2 per sq m per month in Q2.

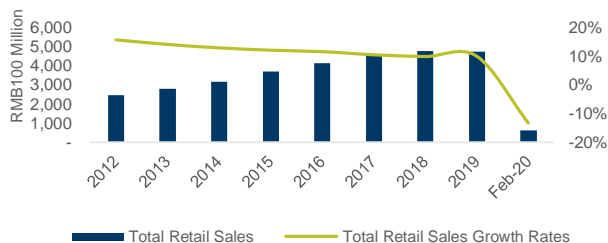
Brand occupancy and expansion activity remains down on last year. However, public enthusiasm to go out has been gradually restored since April, when the city lowered its COVID-19 response alert from Level 2 to Level 3. Pedestrian flow in the major business districts picked up and most retailers resumed store expansion plans. The F&B sector has been the main driver of leasing activity in Q2, accounting for around 37.9% of total leasing transactions in the quarter.

Outlook

IKEA LIVAT Centre is scheduled to be delivered in the second half of 2020, adding 154,629 sq m of new retail supply. It is located in Yanghu Submarket, which currently lacks a major shopping mall, and is anticipated to bring a substantial boost to consumption in the submarket.

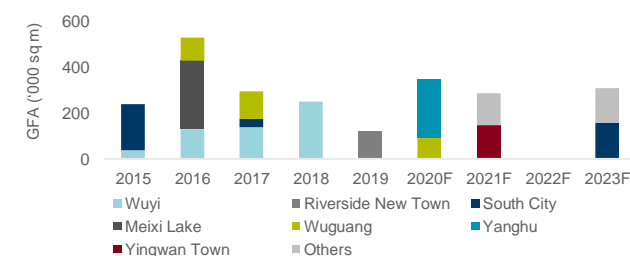
Small and micro retail stores were hit hard by the short-term effects of the pandemic, driving up the vacancy rate at shopping malls. However, the new situation also then gave malls the opportunity to upgrade their brand mixes. The pandemic has also accelerated integration between online and physical retail, and changed people's longer-term consumption preferences and habits. Cloud shopping, live streaming and other online shopping modes are expected to continue to develop, and to enable and promote more diversified shopping experiences for consumers.

CHANGSHA RETAIL SALES AND GROWTH RATE



Source: Cushman & Wakefield Research

CHANGSHA RETAIL ANNUAL NEW SUPPLY BY SUBMARKET



Note: F is for forecast

Source: Cushman & Wakefield Research

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	VACANCY RATE	UNDER CNSTR TILL 2023 (SQM)	OVERALL AVG RENT (RMB/SQMMO)*	OVERALL AVG RENT (US\$/SQMO)*	OVERALL AVG RENT (EUR\$/SQMO)*
Wuyi	1,174,400	3.5%	0	512.1	6.7	6.0
Riverside New Town	269,000	20.1%	0	310.0	4.0	3.6
Meixi Lake	300,000	1.7%	0	300.0	3.9	3.5
South City	235,000	1.7%	158,992	410.0	5.3	4.8
Wuguang	311,100	7.4%	0	263.3	3.4	3.1
Yanghu	0	N/A	254,629	N/A	N/A	N/A
Yingwan Town	0	N/A	198,260	N/A	N/A	N/A
OTHERS TOTALS	0	N/A	291,965	N/A	N/A	N/A
CHANGSHA TOTALS	2,289,500	5.6%	903,846	423.2	5.5	5.0

*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.

*1 USD = 7.13267 RMB= 0.89943 EUR as at Jan 1, 2020

SIGNIFICANT STORE OPENINGS Q2 2020

PROPERTY	SUBMARKET	TENANT	SECTOR
BBG Meixi New World	Meixi Lake	Oshan Ice	Leisure & Entertainment
IFS	Wuyi	Degaia	Apparel & Accessories
IFS	Wuyi	Alienware	Electronics
Wangfujing Department Store	Wuyi	Skin Ceuticals	Cosmetics
Wangfujing Department Store	Wuyi	ARIOSE YEARS	Apparel & Accessories

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	GFA (SQM)
IKEA LIVAT Centre	Yanghu	2020	154,629
Longfor Yanghu Paradise Walk	Yanghu	2021	100,000
North Star Joy City	Other	2021	140,000
Greenland Huxiang Center	Yingwan Town	2023	198,260
Zebra Lake Wanda Commercial Plaza	Other	2023	151,965
BBG Changsha Star City Heaven and Earth	South City	2023	158,992

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