

# SHENZHEN

Retail Q4 2020



YoY Chg      12-Mo. Forecast

**8.7%**  
Disposable Income



**3.2%**  
Population



**6.4%**  
Consumption Expenditure



Source: Statistics Bureau of Shenzhen Municipality  
(Figures are growth rates as of 2019.)  
Oxford Economics, Cushman & Wakefield Research

## SHENZHEN ECONOMIC INDICATORS JAN - SEP 2020

YoY Chg      12-Mo. Forecast

**2.6%**  
GDP



**-9.0%**  
Total Retail Sales of  
Consumption Goods  
Growth



**3.4%**  
CPI Growth



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

## Market Recovery Sees Rental Level Rises

Shenzhen's retail market continued to recover in Q4, with total retail sales of consumer goods recording 4.5% y-o-y growth in October, the fourth consecutive month in positive territory. Several mature projects in the core area commenced remodeling, with operators now optimistic for future market conditions. Other malls completed tenant mix adjustments. In the quarter, 17% of prime malls recorded double digit rent increases, q-o-q, while 45% saw increases of more than 5%. All submarkets experienced uplifts in rental levels, led by Luohu at 7.5%.

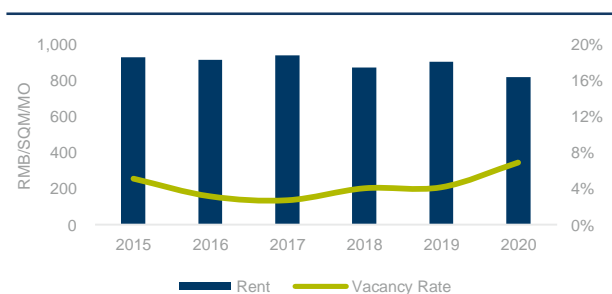
Efforts by mall operators to maximize occupancy for the year-end period, combined with new store openings, helped the prime vacancy rate drop 1 pp q-o-q to 6.9% at the year-end. The F&B sector was a key contributor to lease take-up in the quarter, with Feidachu opening a 12th restaurant citywide at Uniwalk, Yueji expanding to Wongtee Plaza and KK Mall; and Ah Po Hot Pot moving into Avic City Rainbow, Vanke Plaza, Raffles and COCO Park. Speciality tea stores also grew, with Heytea opening its 100th outlet and Nayuki Tea unveiling two new stores. In the luxury brands sector, the Mixc malls accounted for most new entries, including Roger Vivier, Balenciaga and IWC, while Dior and a second LV store are to come soon. A new "Shop by Weighing" concept store, 1KG, became a hot trend. In contrast, international fast fashion brands were less active.

## Delayed Projects to Swell Supply Slated for 2021, Pressurizing Rental Growth Ahead

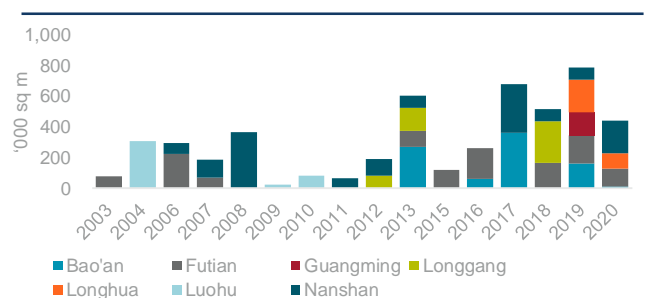
New supply in 2020 totaled 530,000 sq m, down 32.6% y-o-y, but which included Shenzhen's first Wanda Plaza project. The new space pushed the city's prime retail stock beyond the 5 million sq m mark, reaching 5,096,329 sq m by the end of the year. The non-core area accounted for 37.5% of total stock by the end of 2020, up 16 pp from 2016's share, indicative of the city's development into multiple commercial retail areas.

Despite the positive activity in the market in Q4 and optimism for the future, the overall vacancy rate still rose 3 percentage points y-o-y by the end of 2020, with overall average monthly rents down 9.3%. The year-end sales season and resurgence in luxury goods hold hopes for a return to rental growth in the coming quarter. However, new projects postponed from their scheduled openings in 2020 will contribute to a surge in deliveries next year, totaling more than 1 million sq m, and the influx will inevitably exert downwards pressure on rental level growth.

## RENT / VACANCY RATE



## RETAIL ANNUAL SUPPLY BY SUBMARKET



## MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	VACANT (SQM)	VACANCY RATE	UNDER CNSTR TILL 2025 (SQM)	OVERALL AVG RENT (RMB/SQMMO)*
Luohu	417,829	13,215	3.2%	632,000	1900.00
Futian	1,268,000	123,810	9.8%	180,000	930.83
Nanshan	1,498,500	116,555	7.8%	642,083	717.69
Longgang	502,000	25,700	5.1%	90,000	540.00
Bao'an	950,000	39,480	4.2%	305,000	716.67
Longhua	310,000	26,800	8.6%	430,000	375.00
Guangming	150,000	4,500	3.0%	-	420.00
<b>SHENZHEN TOTALS</b>	<b>5,096,329</b>	<b>350,060</b>	<b>6.9%</b>	<b>2,279,083</b>	<b>818.33</b>

\* 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 2020

PROPERTY	SUBMARKET	TENANT	SECTOR
Uniwalk	Bao'an	Feidachu	F&B
Wongtee Plaza	Futian	Yueji	F&B
City Plaza	Futian	Nonggengji	F&B
COCO Park	Futian	Lego	Retail – Toys and Gifts
The MixC Shenzhen Bay	Nanshan	IWC	Retail – Luxury

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
FutureCity	Futian	2021	80,000
Houhai Harbour	Nanshan	2021	72,083
The MixC Qianhai	Qianhai	2021	80,000
Joy City	Bao'an	2022	100,000

## Zhang Xiao-Duan

Senior Director,  
Head of Research  
South China

+86 755 2151 8116 / [xiaoduan.zhang@cushwake.com](mailto:xiaoduan.zhang@cushwake.com)  
[cushmanwakefield.com](http://cushmanwakefield.com)

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