SHANGHAI

Retail Q1 2021

YoY Chg 12-Mo. Forecast

18.9

Stock (million sq m)

¥1,948Rent (PSM/MO)

9.4%

Vacancy Rate



Source: Cushman & Wakefield East China Research

SHANGHAI ECONOMIC INDICATORS 2020

1.7% GDP Growth

YoY

Chq



12-Mo.

Forecast

0.5% Total Retail

Sales Growth

1.7% CPI Growth

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

Shanghai's Economic Fundamentals Remain Positive

Shanghai's economic fundamentals remained fairly positive with overall macro-economic indicators pointing towards steady or even above-expected growth in 2020. According to the Shanghai Statistics Bureau, the city's GDP grew by 1.7% y-o-y to RMB3.87 trillion last year. Total annual retail sales increased to approximately RMB1.59 trillion, up 0.5% y-o-y. No new supply entered the market during this quarter. Therefore, the stock of Shanghai's mid- to high-end retail property market remained at 18.9 million sq m in Q1.

Demand for Quality Retail Space Continued to Grow

Supported by the economic growth, the customer flow of shopping malls increased significantly in Shanghai in Q1. According to the Shanghai Commission of Commerce, 390 retail and F&B enterprises' retail sales reached RMB7.61 billion in Shanghai during the Spring Festival (Feb. 11 - Feb. 17, 2021), up 120% y-o-y. Demand for quality retail space from many international and domestic retailers continued to grow in Q1. Luxury, F&B, entertainment, lifestyle and cosmetics retailers were the major drivers of demand. Examples include local Chinese luxury brand Duanmu's first store at Grand Gateway 66 in Shanghai, Wang Steak's new lease in Shanghai Tower, Tiger Muay Thai's new store and MUJI's flag store in Super Brand Mall. The average occupancy rate of Shanghai's mid- to high-end shopping malls was 90.6% in this quarter, up 0.5 percentage point q-o-q in Q1.

Average first floor rent at Shanghai's shopping malls increased 0.7% q-o-q to RMB867 per sq m per month in Q1. In prime areas, average rent increased by 0.4% q-o-q to RMB1,948 per sq m per month, benefiting from limited supply and active tenant adjustments during the quarter. Retail renovation and upgrading work also continued in the prime area. CITIC Square on Nanjing West Road is under renovation to be turned into an experiential boutique shopping center, while the Bund Central Plaza on Nanjing East Road is expected to complete its renovation in July.

Much of the New Supply Will Be in Emerging Areas

Over the next three years, almost 91.2% of new supply will be in the emerging areas. Considering the below-average rent in emerging areas and the high volume of new supply in those areas, we expect average rents in Shanghai to decline slightly in the future. The overall vacancy rate is expected to edge up by the end of 2023. However, after adjustment and renovation of some retail properties in core submarkets, the vacancy rate in Shanghai's prime area will edge down further.

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	482,060	18,980	3.9%	32,000	2,165.8
NANJING WEST ROAD	544,320	17,793	3.3%	203,145	2,511.5
HUAIHAI MIDDLE ROAD	515,560	32,368	6.3%	0	1,609.3
XUJIAHUI	313,000	10,780	3.4%	231,417	2,239.3
LUJIAZUI	1,029,978	56,820	5.5%	0	1,587.1
OTHERS	16,003,109	1,634,807	10.2%	7,313,479	625.4
SHANGHAI TOTALS	18,888,027	1,771,547	9.4%	7,748,041	866.8

^{*} 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 2021

PROPERTY	SUBMARKET	TENANT	SECTOR
Grand Gateway 66	Xujiahui	DIESEL HUB	Fashion
Xintiandi	Huaihai Middle Road	3CE	Fashion
Super Brand Mall	Lujiazui	LEI+CUN	Lifestyle
Sinar Mas Center	The North Bund	DOUDOULE	F&B
Shanghai Tower	Lujiazui	Wang Steak	F&B

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
Daning Jiuguang Department Store	Others (Jing'an District)	2021	180,000
Raffles City (Hongkou)	Others (North Bund)	2021	127,000
ITC Phase II	Xujiahui	2021	231,417
CITIC Square	Nanjing West Road	2021	34,500
Jincangwenhua	Nanjing West Road	2021	7,145

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