

## Retail Q1 2022



SHENZHEN ECONOMIC INDICATORS  
JAN - DEC 2021



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

Shenzhen's prime retail stock remained at 5.92 million sq m. Prior to the Spring Festival, recently launched malls in core areas continued to introduce brands and open new stores, while upgrading projects gradually completed tenant adjustments. Merchants with new leases also commenced fit-out or opened for business. These factors pushed the citywide vacancy rate down by 0.3 percentage points q-o-q to 5.8%. The market was then hit by the new COVID-19 outbreak. High-street stores and community retailers in non-core areas closed, with some lease surrenders, due to operational difficulties under the decisive virus containment measures. However, malls in superior locations with proven operational skills suffered less, with their tenants' relatively stronger financial strengths and risk resilience. Longgang district continued to enjoy prime projects, with monthly average rent levels growing 2.4% q-o-q to RMB572 per sq m. Rental levels at other districts remained flat. Citywide overall average rent stood at RMB856.38 per sq m. With uncertainty over the duration of the market suspension, mall landlords may offer privileges to mitigate tenants' losses and strengthen relationships.

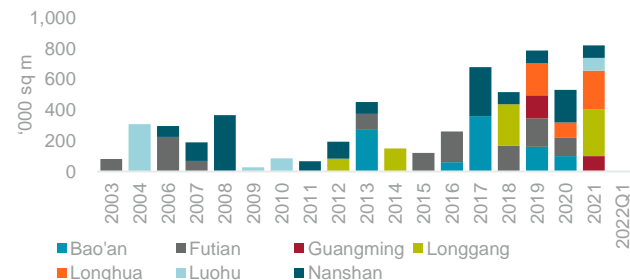
New energy vehicles, gold jewelry and outdoor activities have seen rising demand since last year. Shenzhen Municipal Bureau of Statistics data show that retail sales of gold, silver and jewelry products grew 55.2% y-o-y in 2021. Today's gold jewelry has pushed beyond traditional wedding gifts and now offers novel designs to meet younger consumers' needs. Gold's qualities as an inflation hedge have also stimulated demand and store expansions. Geopolitical tensions have recently seen fuel prices surge, with new energy vehicles gaining renewed market attention. In a notable move, Faw-Volkswagen opened its ID.HUB branded showrooms at InJoy, Uniwalk and Uniworld. Finally, outdoor pursuits have gained favor, with the city's announcement of 22 camping sites boosting sales for related products. We expect these trends to maintain traction ahead. In contrast, brick-and-mortar clothing stores are experiencing business contractions in the face of multi-channel competition. In F&B, chain or brand restaurants have remained resilient although some eateries in non-core areas have downsized.

The city is expected to see 520,000 sq m of future retail supply enter the market through the remainder of the year, of which Luohu will account for 38.1%. Significant projects include the Shenzhen Tee Mall and Sungang MixC. The impact of pandemic containment measures on construction progress means actual annual supply may be significantly less than last year. Most brands are currently cautious and suspending new openings. The impact of the COVID-19 outbreak on the market will be reflected in the vacancy rate in the short-term. Nonetheless, with comprehensive measures in place, we can expect a speedy recovery in the retail market this time once the virus is contained.

### 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	502,829	18,117	3.6%	318,000	1,637.50
Futian	1,268,000	128,270	10.1%	180,000	991.67
Nanshan	1,578,500	92,460	5.9%	626,083	805.71
Longgang	807,000	34,930	4.3%	90,000	571.67
Bao'an	950,000	27,840	2.9%	240,000	835.00
Longhua	560,000	26,500	4.7%	180,000	436.67
Guangming	250,000	15,000	6.0%	-	385.00
<b>SHENZHEN TOTALS</b>	<b>5,916,329</b>	<b>343,117</b>	<b>5.8%</b>	<b>1,634,083</b>	<b>856.38</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 LEASINGS Q1 2022

PROPERTY	SUBMARKET	TENANT	SECTOR
Uniworld	Longhua	ID.HUB	Retail
Uniworld	Longhua	Nan Hotpot	Restaurant
The MixC World	Nanshan	HOKA ONE ONE	Retail
INJOY	Futian	Peet's Coffee	Restaurant
HaiYa Mega Mall	Bao'an	Ecovacs	Retail

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
Shenzhen Tee Mall	Luohu	2022	120,000
FutureCity	Futian	2022	80,000
Comorrow	Nanshan	2022	90,000
Uniway	Qianhai	2024	64,000

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