Retail Q4 2023

YoY 12-Mo. Chg **Forecast** 23.0 Stock (million sq m)

¥1,873 Rent (PSM/MO)





9.6% Vacancy Rate



### SHANGHAI ECONOMIC INDICATORS Q3 2023

YoY 12-Mo. Chg **Forecast** 6.0% **GDP Growth** 16.1%

Total Retail Sales Growth



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

## Eight Projects Launched in Shanghai in Q4 2023

Shanghai's total retail sales totaled RMB1.523 trillion for January to October 2023, up 14.4% v-o-v. Per capita disposable income and per capita consumption expenditure rose to RMB66.857 and RMB41.867 in the first three quarters, up 7.0% and 22.0% v-o-v, respectively. Despite this growth, consumers still held a cautious attitude to spending in the face of the slowing global economy and the declining real estate market in Shanghai. Consequently, the Shanghai consumer confidence index was at 101.4 for Q3 2023, a drop of 21.9 points q-o-q and 1.0 points y-o-y. Eight new retail projects launched in Q4 with a combined 587,000 sq m of retail space, bringing citywide total stock to approximately 23.0 million sq m. All the new projects are in non-prime areas, bringing the non-prime share of total retail stock to 87%.

## **Brands Continue to Accelerate Expansion Activities**

Many domestic and overseas brands continued to accelerate expansion and market penetration activities through the Q4 period. The F&B, lifestyle, entertainment, new energy vehicle experiential store, and membership-only warehouse supermarket sectors were the primary demand generators. Regardless, the new supply volume in the quarter prompted a rise in the overall vacancy rate of 0.3 percentage points q-o-q to 9.6%. In recent years, the increasingly fierce competition in Shanghai's retail market has spurred rapid growth in the visibility of the F&B, children's, and entertainment sectors in malls as customer attractions. However, these sectors also generate lower rental levels than in the overall retail market. As a result, some shopping malls are now optimizing space layouts, adjusting tenant mixes, and adopting emerging technologies to improve store financial performance and enhance the shopping experience for consumers. Citywide, the average first floor rental level dropped by 1.5% q-o-g to RMB779.9 per sq m per month, mainly due to the large new supply volume in the non-prime areas.

## New Supply Influx Set to Drive Further Competition Among Landlords

China's economy remains a bright spot in a difficult external environment. In November, international institutions such as the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD) raised China's expected GDP growth rate for 2023 to between 5.0% and 5.5% and forecast national GDP to be around 5% in 2024. Consequently, we can expect shopper footfall and consumption in Shanghai to continue to recover in the coming year. Looking forward, more than 1.8 million sq m of new retail space is scheduled for 2024, including landmark properties such as Livat, HOPS ON, and Mira Land. The new supply influx will drive further competition among retail landlords for customer traffic and quality tenants. Combined with the challenges from e-commerce, several landlords will be forced to implement mall upgrades to maintain market competitiveness, leading to a temporary rise in the citywide retail market vacancy rate.

#### FIVE CORE SUBMARKETS RENT / VACANCY RATE



#### RETAIL SUPPLY PIPELINE BY SUBMARKET



#### **MARKET STATISTICS**

SUBMARKET	INVENTORY (SQM)	VACANT (SQM)	VACANCY RATE	UNDER CNSTR TILL 2026 (SQM)	OVERALL AVG RENT (RMB/SQM/MO)*
NANJING EAST ROAD	460,660	26,374	5.7%	31,000	2,140.0
NANJING WESTROAD	733,820	38,726	5.3%	50,000	2,303.3
HUAIHAI MIDDLE ROAD	515,560	33,625	6.5%	133,000	1,469.0
XUJIAHUI	283,000	5,030	1.8%	251,417	2,305.0
LUJIAZUI	1,029,978	71,240	6.9%	0	1,470.0
OTHERS	19,951,907	2,018,406	10.1%	6,995,586	568.3
SHANGHAI TOTALS	22,974,925	2,193,400	9.6%	7,461,003	779.9

<sup>\*</sup> Rental rates are calculated by NLA and considered as consistently achievable for prime space (usually the ground floor) in major shopping centres, excluding management fee, promotional fee and other fees.

#### SIGNIFICANT STORE OPENINGS Q4 2023

PROPERTY	SUBMARKET	TENANT	SECTOR
Shimao Plaza	Nanjing East Road	SUPRA	Fashion
837-839 Huaihai Middle Road	Huaihai Middle Road	Ray-Ban	Fashion
Roosevelt Mansion	The Bund	Yang Wang	New Energy Vehicle Experiential Store
151 Yuyuan Road	Nanjing West Road	ROASTELIER	F&B
65 Hengtong East Road	Suhewan	Poltrona Frau	Lifestyle

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
Landmark	Nanjing East Road	2024	31,000
Pacific Xintiandi	Huaihai Middle Road	2025	83,000
ITC Phase II	Xujiahui	2025	231,417
K11 II	Huaihai Middle Road	2025	50,000
Shanghai Liubai	Xujiahui	2026	20,000

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