

Source: Cushman & Wakefield Research

SHENZHEN ECONOMIC INDICATORS Q1-Q3 2023



Source: Statistics Bureau of Shenzhen Municipality, Moody's Analytics, Cushman & Wakefield Research

Food & Beverage Sector Takes 47.2% Share of New Mall Tenant Entrants

Shenzhen welcomed the Qianhai Uniway mall opening in Q4, expanding the city's prime retail market stock to 6.6 million sq m. Several projects expected to open in 2023 postponed openings due to construction delays. Consequently, new supply for the full year recorded 313,000 sq m, maintaining the 2022 level. As the recovery in consumption sustained, occupancy rates at prime malls with convenient transport hubs, together with benchmark malls in emerging submarkets, rose notably. Vacancy rates at Futian and Longgang both dropped approximately 5 percentage points, while the citywide overall vacancy rate fell 1.5 percentage points y-o-y to 8.9%. However, projects that have opened in the prior few years have faced intense competition, necessitating rent reductions. Consequently, and coupled with recent new mall openings at relatively low rental levels in the emerging submarkets, the citywide overall average rental level slipped 0.6% y-o-y to RMB802.9.

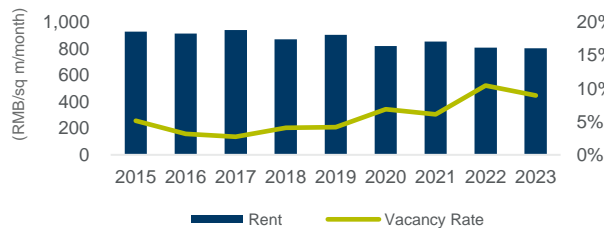
In Shenzhen's catering industry, retail sales for the January to October period recorded y-o-y growth of 14.8%, double the figure for total retail sales of consumer goods in the same period. The market has seen landlords expand the number of F&B business formats in tenant mixes. As at mid-December, the F&B sector took a 47.2% share of total new tenants entering malls in the year, up 8.7 percentage points from 2020. Within the sector, traditional Chinese cuisine took an 18.6% share, while new-style tea and coffee stores took a combined 9.8%.

Younger consumer groups are focusing more on value-for-money products and are more open to new brands. As omni-channel strategies become more common, a growing number of consumers are shifting to online shopping or to factory stores. Despite some brands surrendering leases at prime malls, non-F&B retail sectors including fashion, footwear, electronics and jewelry remain pillars of demand with a combined 43.2% share of mall space. Women's wear and outdoor goods ranked top with 9.2% and 4.0%, respectively. CHiC PARK's first south China flagship store opened in Qianhai Uniwalk, while Decathlon opened a first store in Luohu at KK Mall. New energy vehicle brands have diverged, with established brands sustaining growth and expansion while newer or smaller players lacking supply chain support are shrinking. NIO Space opened at MIXCWORLD in the period, while BYD Yangwang opened at MIXCATE.

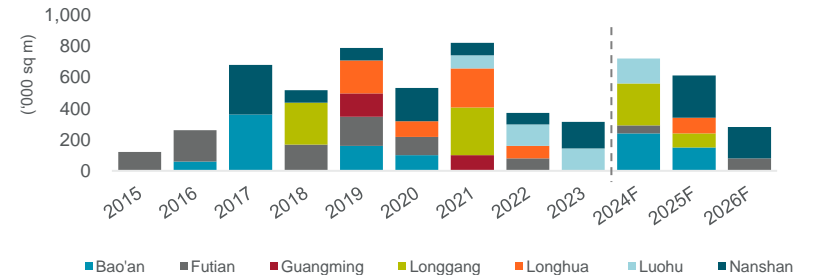
Developing Shenzhen as an International Consumption Center

Considering developers' plan and current construction status, approximately 720,000 sq m of new retail space will enter the Shenzhen market in 2024, with 70.8% in the emerging submarkets and 29.2% in the mature submarkets. As well, the Yitian Holiday Plaza property has announced a renewal plan, and expansion of KK Mall is in progress. Shenzhen has also released its commercial network plan for 2023 to 2025, outlining a world-class, national, regional and community-level consumption spatial plan to satisfy diverse consumer demands. Most recently, several pilot shops have provided an instant tax refund service to overseas consumers. Together, these developments indicate that Shenzhen is on the path towards becoming an International Consumption Center City.

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)*
Luohu	783,829	59,782	7.6%	160,000	1034.4
Futian	1,348,000	135,930	10.1%	130,000	973.5
Nanshan	1,820,583	257,358	14.1%	470,000	745.3
Longgang	807,000	51,100	6.3%	360,000	591.7
Bao'an	950,000	36,980	3.9%	390,000	888.3
Longhua	640,000	34,800	5.4%	100,000	415.0
Guangming	250,000	14,500	5.8%	-	412.5
SHENZHEN TOTALS	6,599,412	590,450	8.9%	1,610,000	802.9

* 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 2023

PROPERTY	SUBMARKET	TENANT	SECTOR
Shenzhen MIXC	Luohu	Colombo	Retail
Link REIT	Futian	Shanhaicuo Hot Pot	F&B
Shum Yip Upper Hill	Futian	Qpokee	Retail
MIXC World	Nanshan	GB David	Retail
Baoneng All City	Nanshan	NaiTangPai	Retail

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
Bantian Vanke Plaza	Longgang	2024	150,000
Luohu Yitian Holiday Plaza	Luohu	2024	100,000
Shenzhen Bay MIXC Phase II	Nanshan	2025	70,000

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