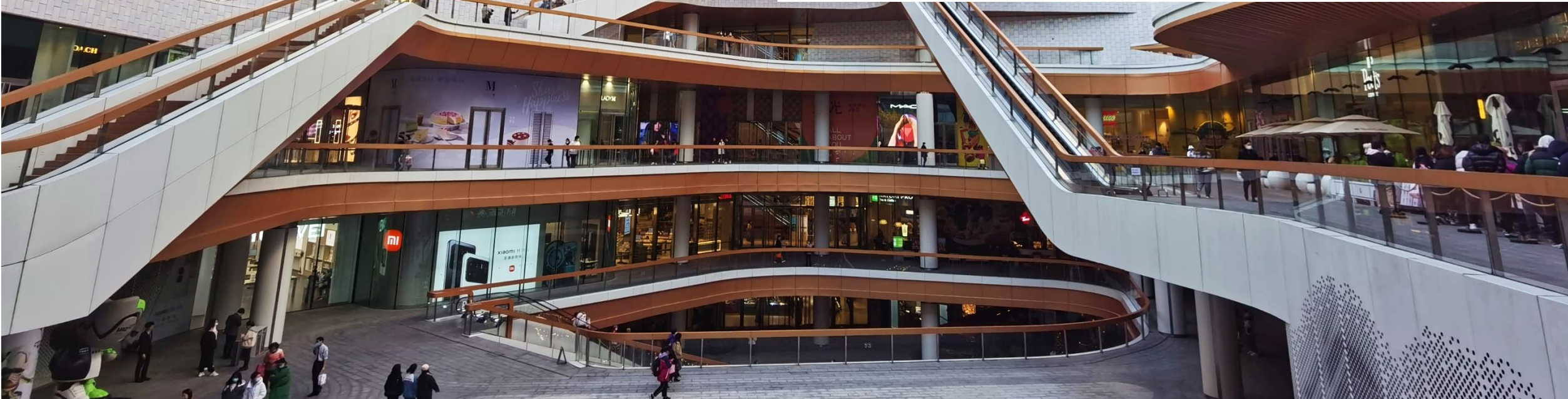
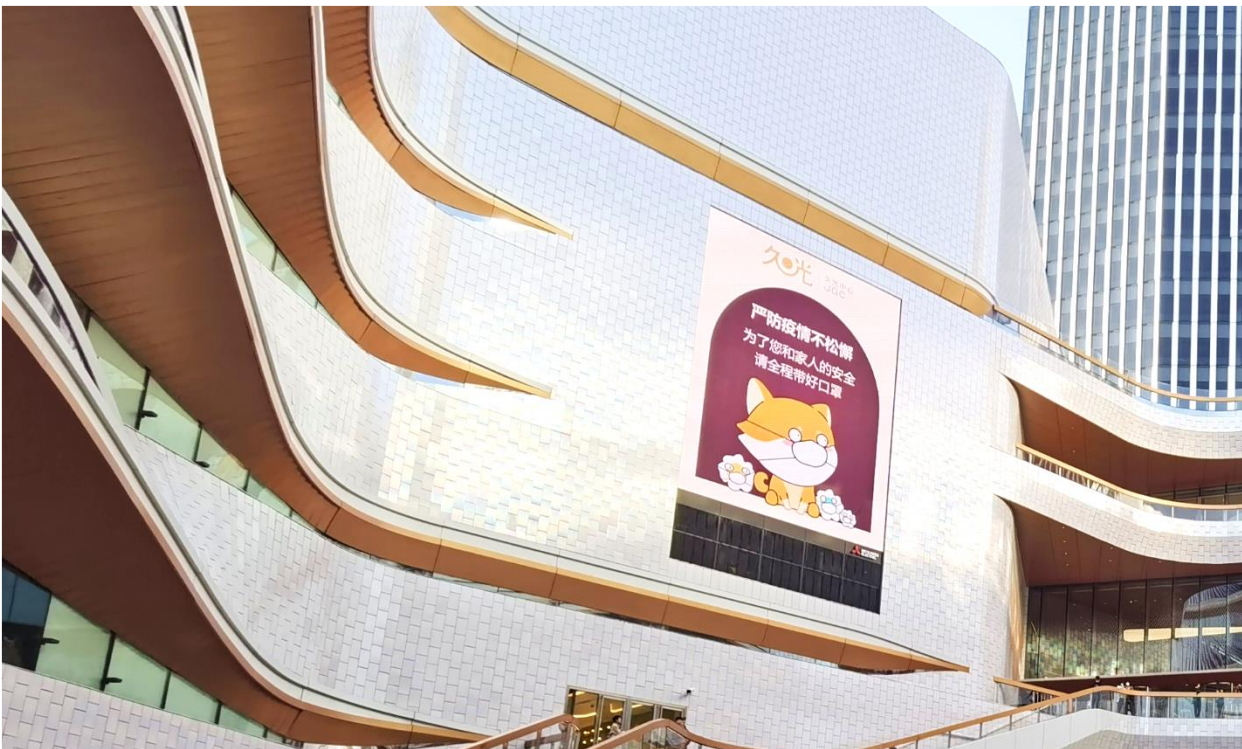
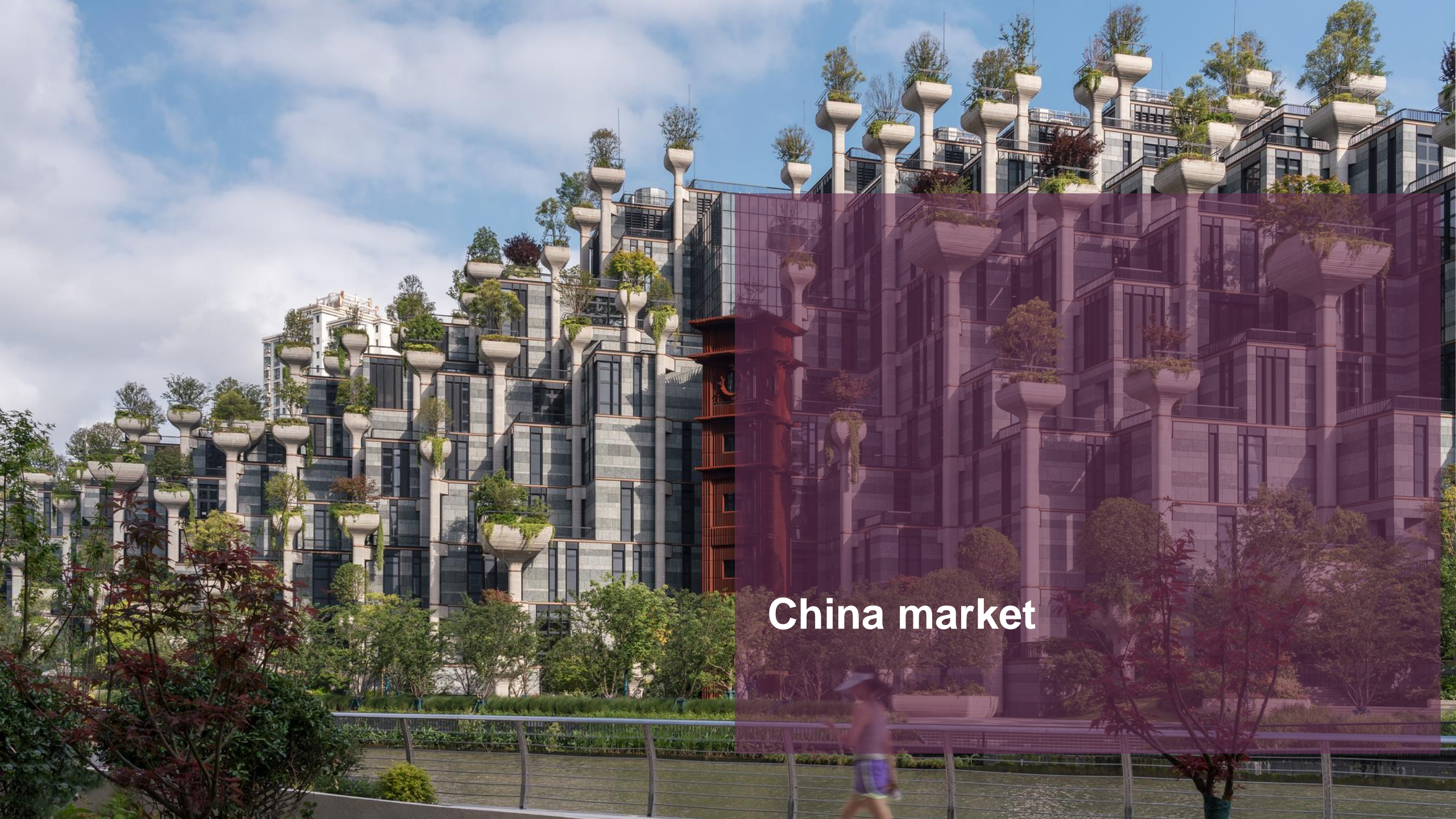


China/Shanghai Retail

Q4/2021

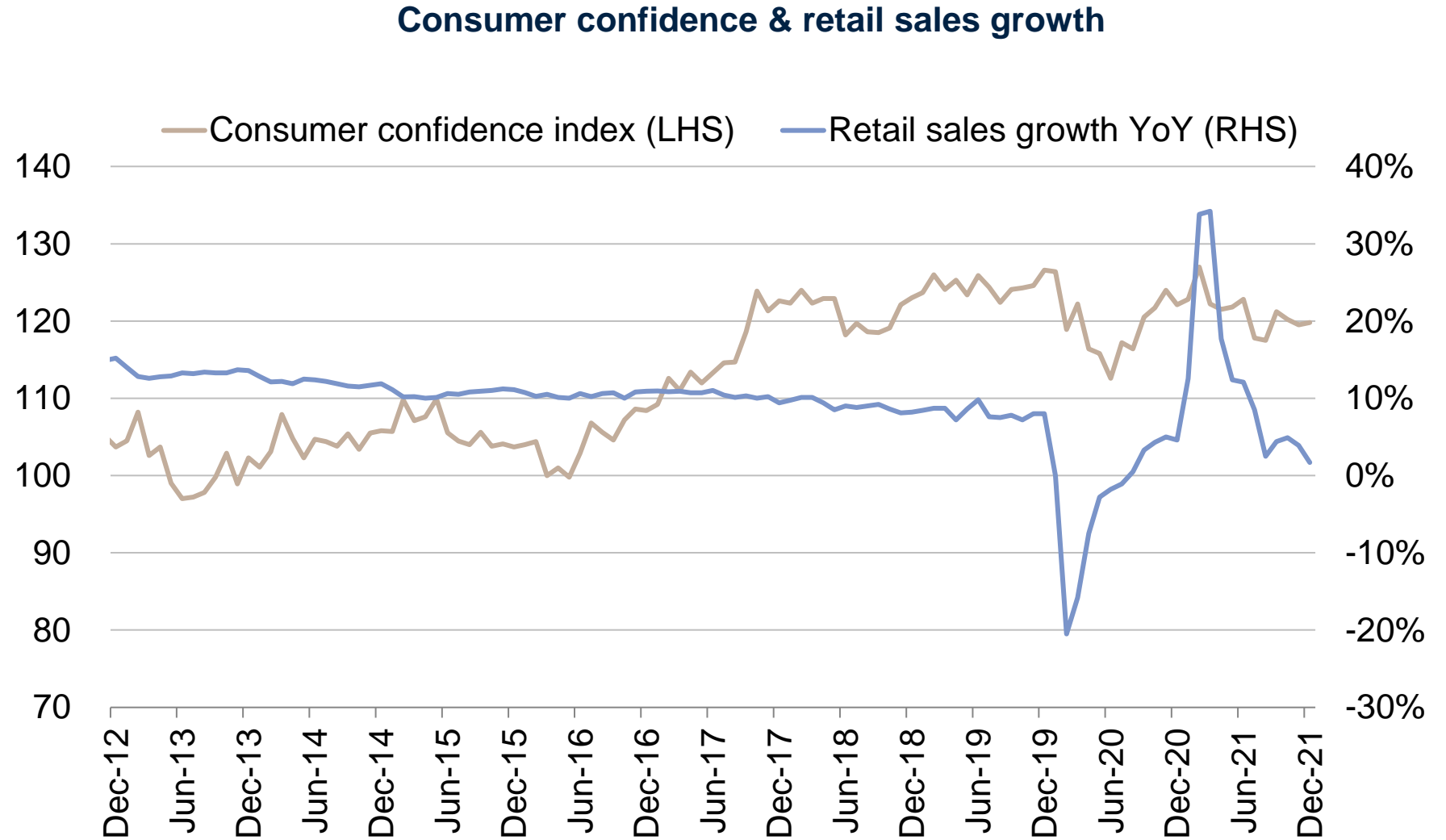




China market

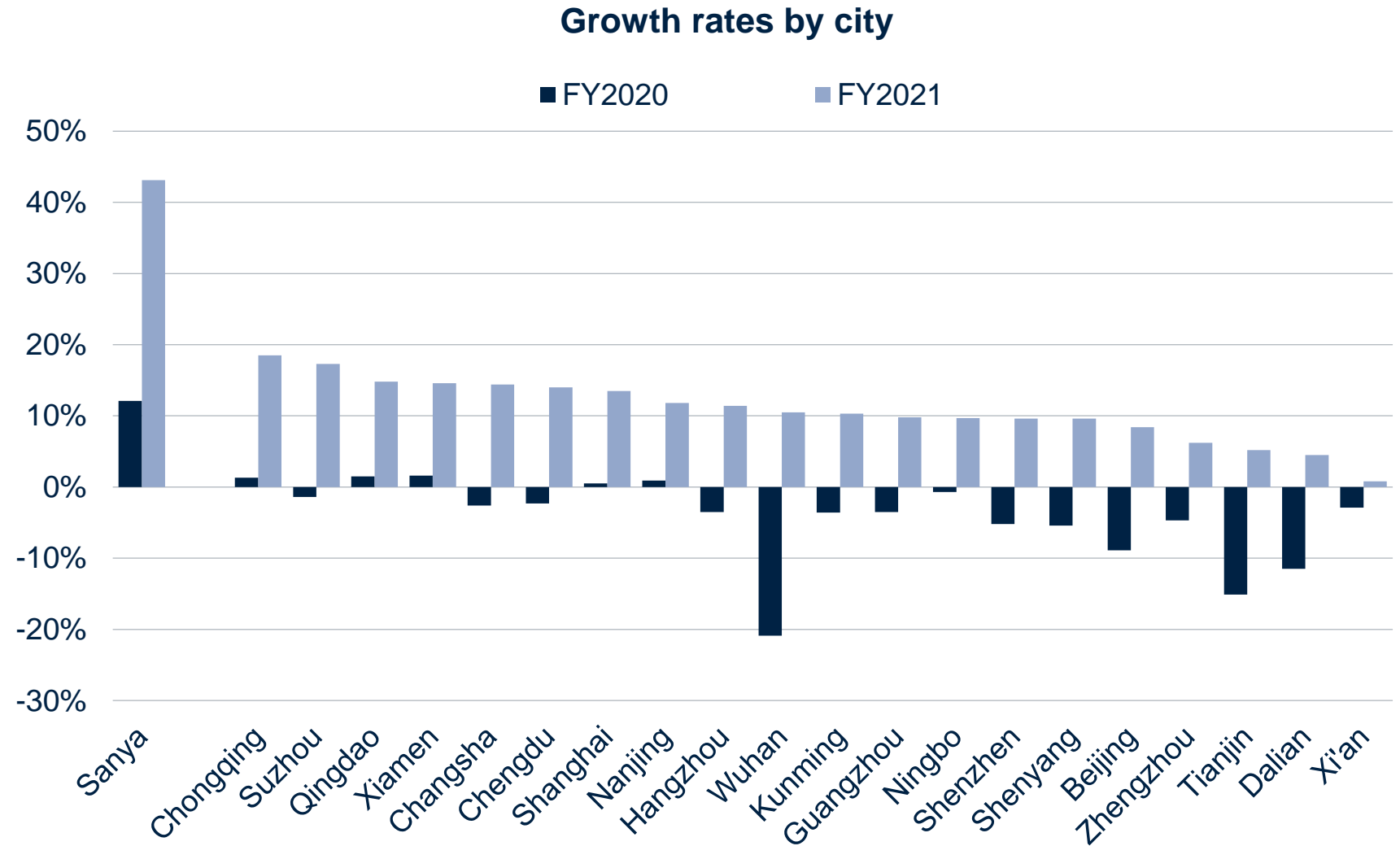
Retail growth slowed back to pre-COVID level

- Since a strong rebound since 2H/2020, retail sales growth abated.
- Strictly covid controls can impact consumer confidence which has been trending down since early 2021.



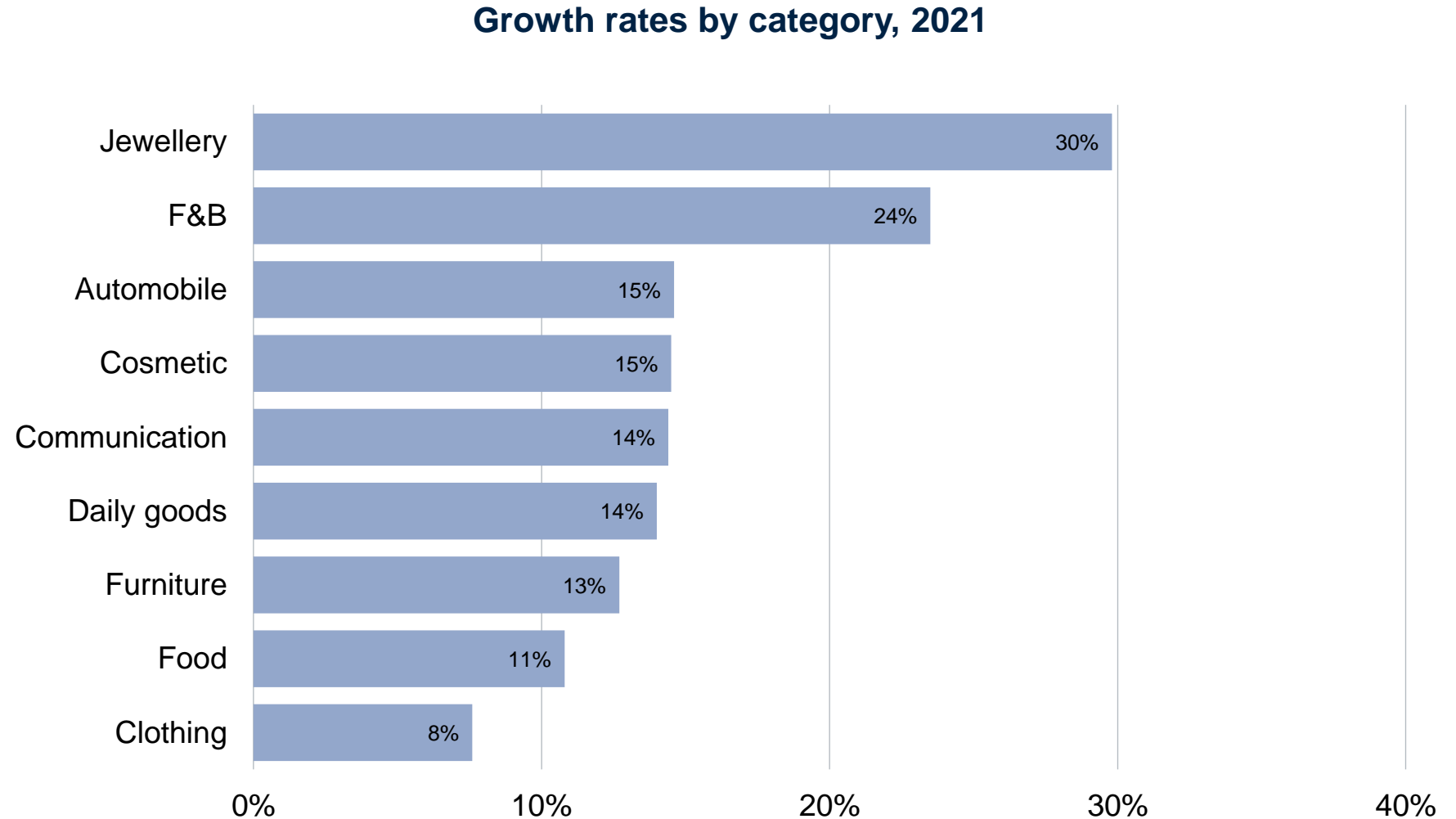
Accumulated sales growth remains sound

- Chongqing and Suzhou lead the market in post-COVID recovery among key 20 first and second tier cities.
- Outside the key cities, Sanya recorded astonishing growth of as the most popular tourist destination.



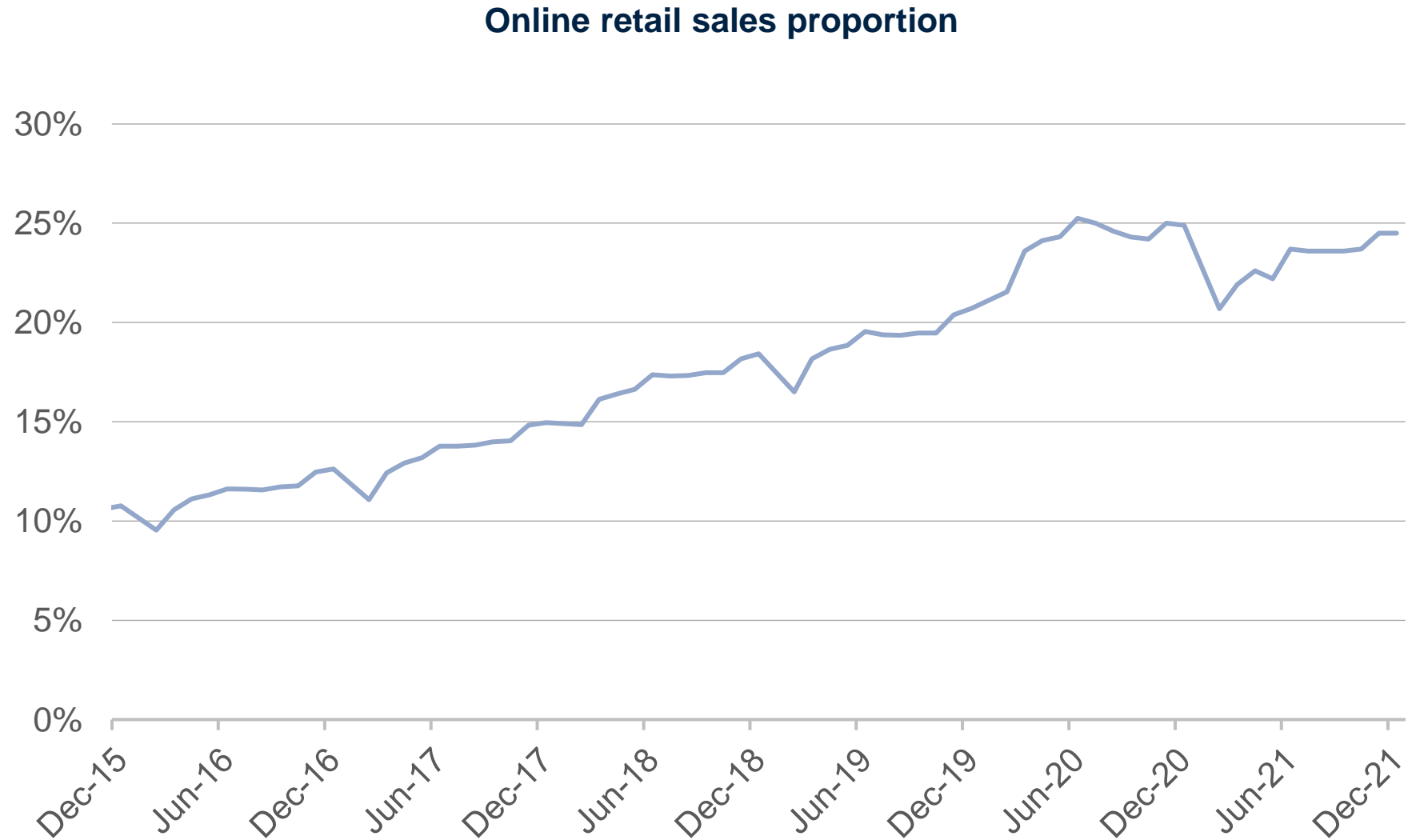
Accumulated sales growth remains sound

- Luxury sector continued to lead the growth.
- Sales of communication devices and cars saw a slowdown in Q4 due to chip shortage.



Proportion of online sales hovering around at 25%

- Proportion of online sales reached to historical high in 2020 as consumers shift to online in response to covid.
- Bricks and mortar market recovered in 2021 when consumers return to shopping malls.



Demand shifting to new sectors



Sports

- Health-conscious consumers
- Policy support
- Winter Olympics



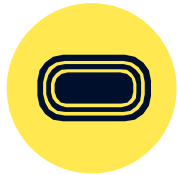
NEV

- New brands continue to open
- Traditional continue to expand NEV business



F&B

- Local specialty coffee
- Innovative Chinese Tea concepts remain popular



Leisure

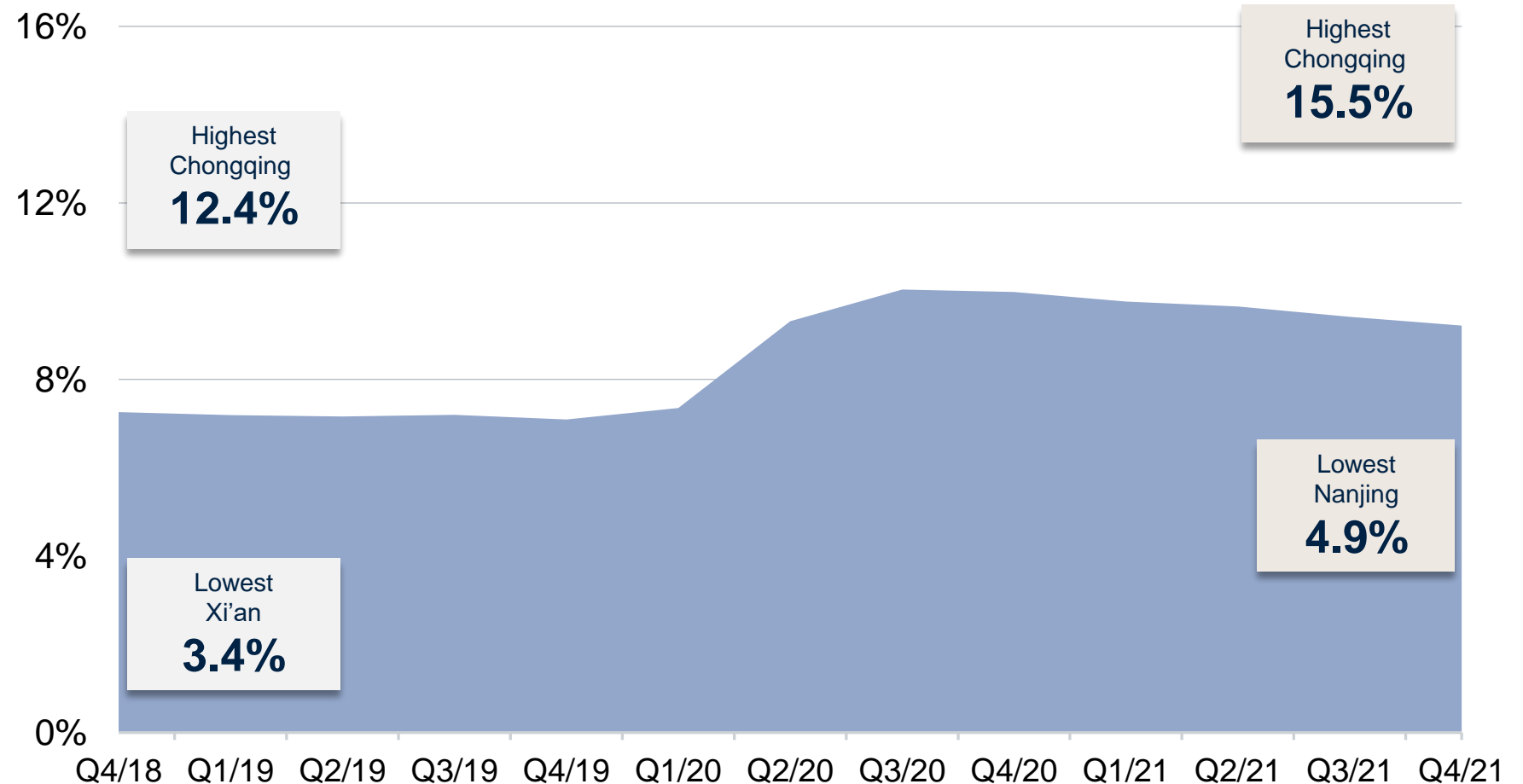
- Health & Medical, Media & entertainment doubled their market share in 2021



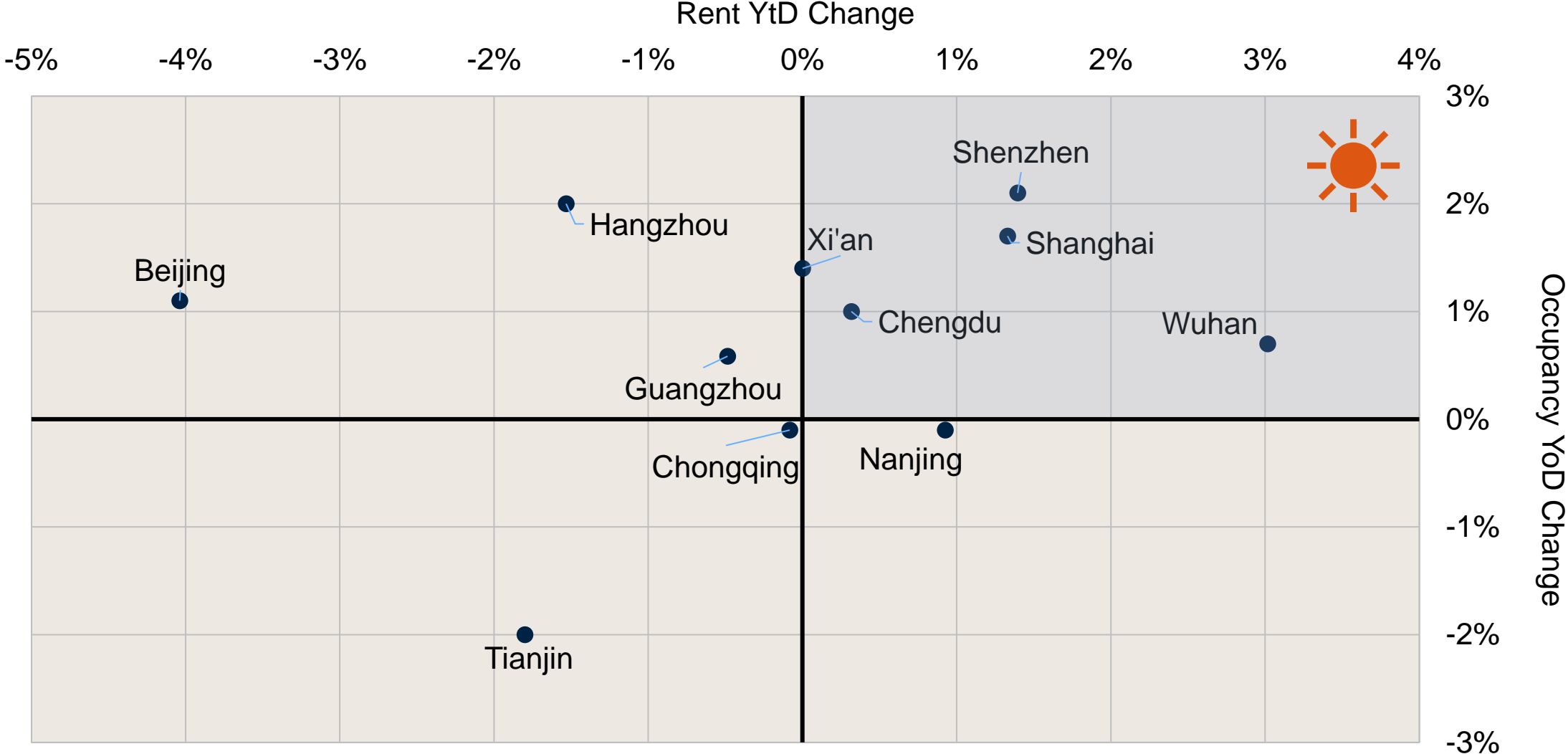
Vacancy rate continued to decrease though mildly

- Major key eleven cities recorded higher vacancy rate than pre-COVID level (Q4/2019) except Beijing and Nanjing.

Average vacancy rate of key cities

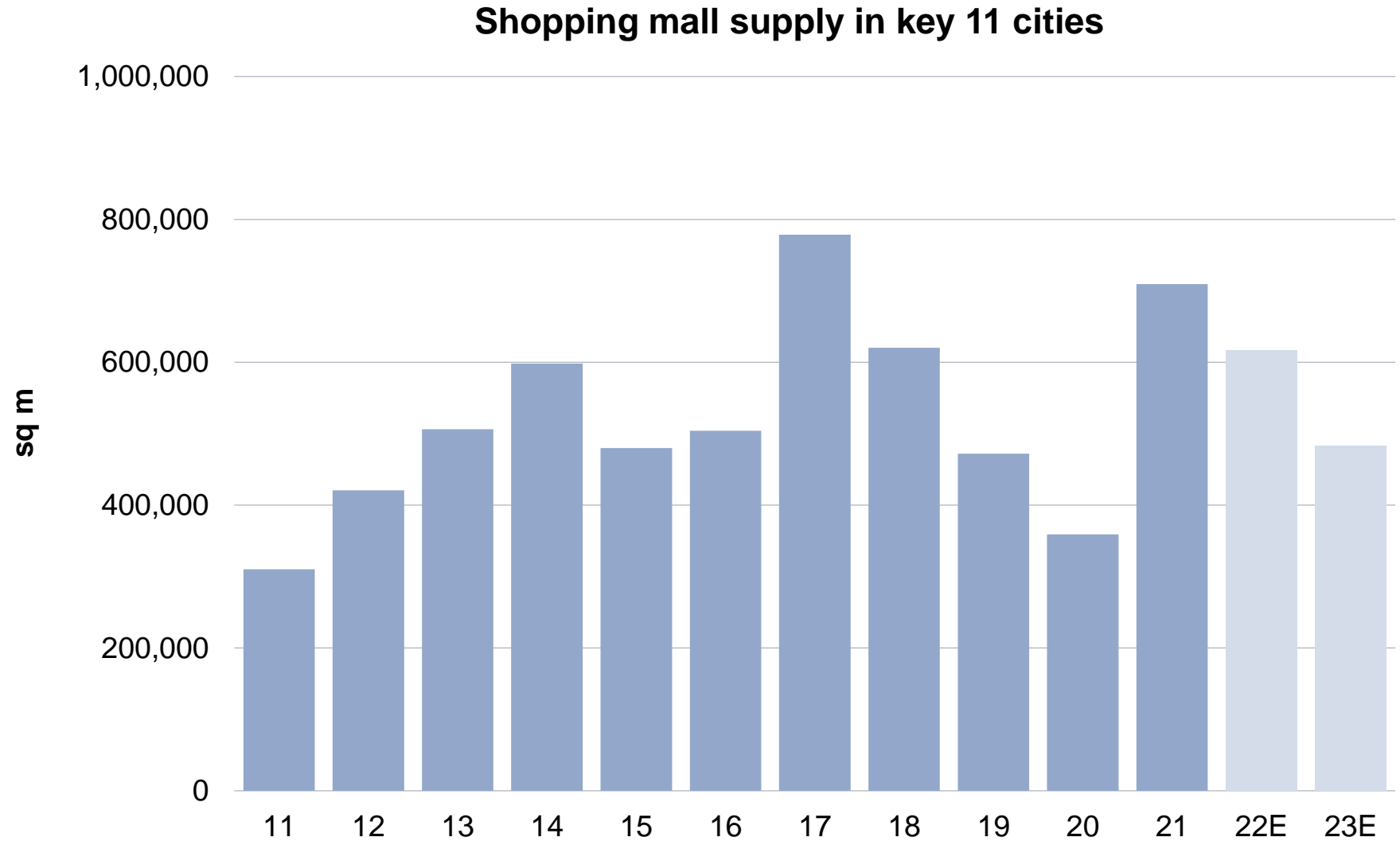


Performance of key 11 cities (Q4/21)



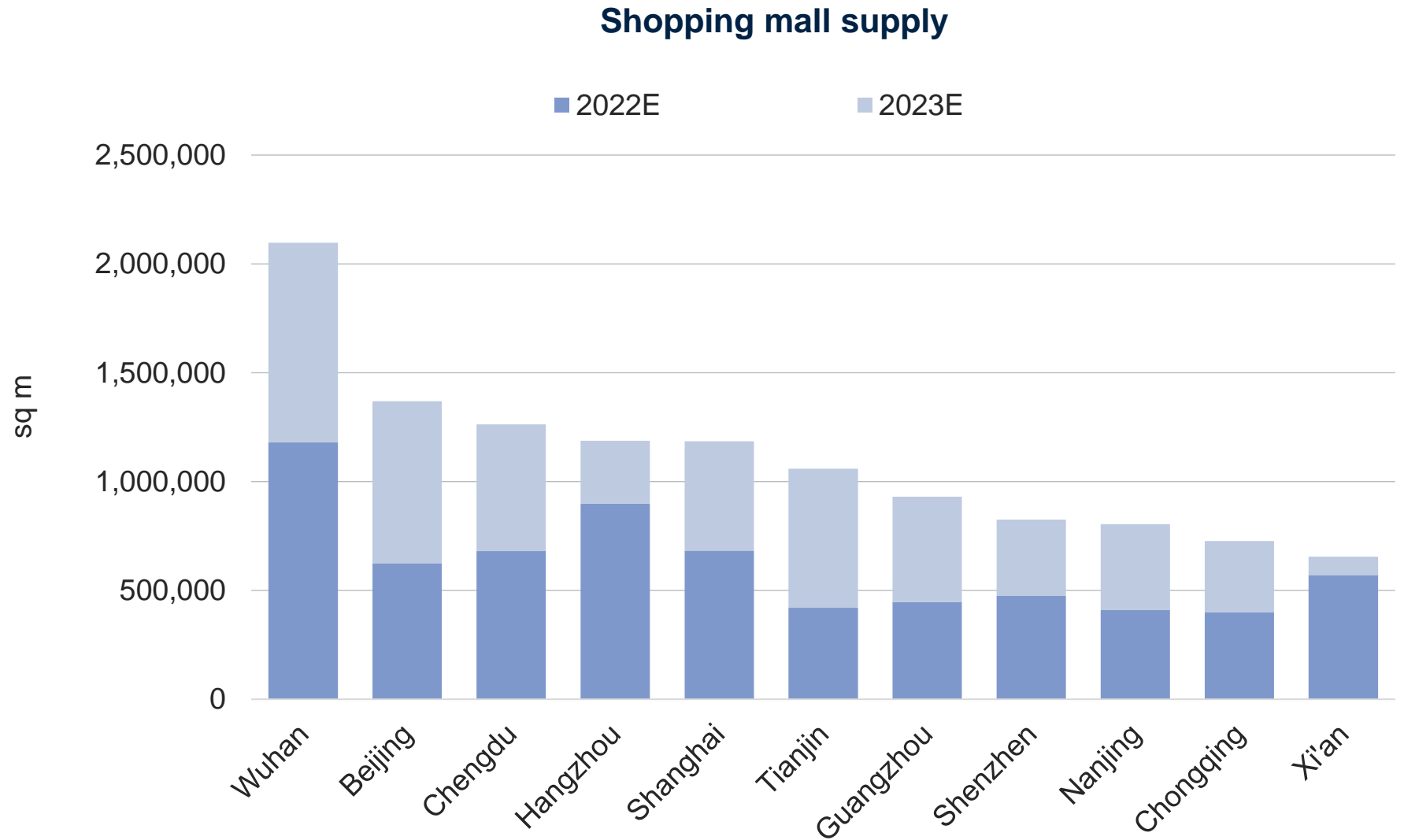
Average retail supply over the peak

- Supply in key eleven cities in general has been over the peak, with future stock expansion to be in the single digits.



Shopping mall supply by city

- Wuhan and Beijing are expected face great supply pressure in 2022, account for over 30% of total supply of the 11 cities.





Shanghai market



Supply

Shanghai boasts largest retail stock in China with **14.8 million sq m** shopping mall stock in urban area.

Shanghai received **16 new projects** in 2021, adding a total of **1.4 million sq m** to the market.

Five new shopping malls bring **441,000 sq m** new supply to market in Q4/21.

Average annual supply between 2022 to 2025 will be around **745,100 sq m**, below pre-COVID between 2015 to 2019.

Average first floor achievable rent increased **0.4%** QoQ in Q4/21, up **1.3%** YoY.

Seven projects, around **625,000 sq m** of supply is expected to open in 2022.



Demand

Retail sales grew **13.5%** year-on-year (YoY) in 2021.

Leisure and entertainment, automotive, sports and outdoor retail categories recorded significant growth in demand in 2021.

Overall vacancy rate fell 0.6 ppt QoQ in Q4/21 to **8.5%**, fell 1.7 ppts YoY.

Leading developers and operators seen to dominate the development market, with small and mid-scale projects in need of repositioning and refurbishment still providing opportunities for more boutique firms.

The Shanghai retail market remains one of the most preferred options for international brands looking to enter the China market as well as domestic businesses looking to expand nationally or internationally.

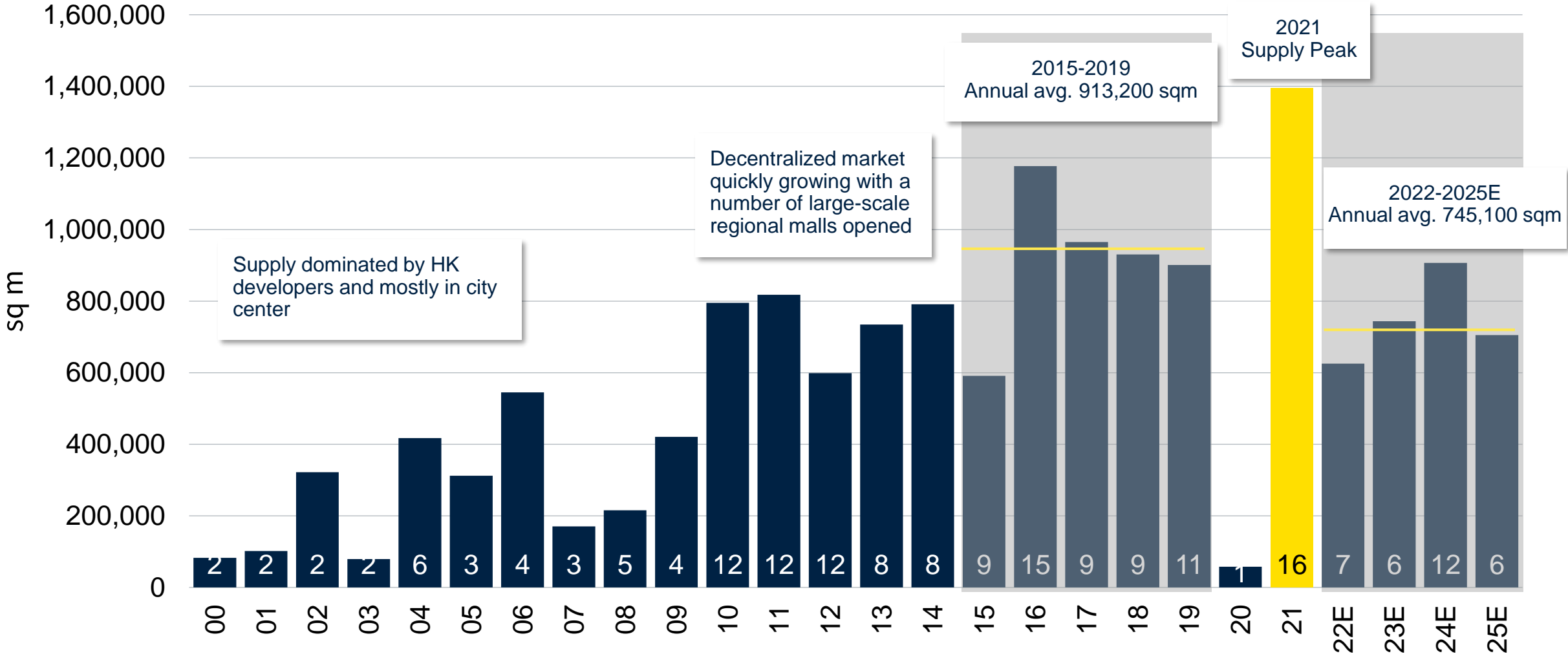
Average rents and vacancy rates by selected areas – Q4/2021

	Area	Rent (RMB psm pday)	Vacancy rate
Prime areas	Nanjing Road (W)	67	6.4%
	Xujiahui	54	2.2%
	Nanjing Road (E)	51	6.2%
	Little Lujiazui	42	8.7%
	Huaihai Road (M)	40	4.9%
	Wujiaochang	25	2.8%
	Hongqiao	24	5.6%
Non-prime areas	Danling	21	5.7%
	Zhuyuan	20	10.1%
	Xinzhuang	16	9.5%
	Huamu	15	13.9%
	Sichuan Road (N)	15	17.3%
	Xuhui Riverside	14	9.5%
	Qibao	12	7.5%
	Zhangjiang	12	8.6%
	HTH Core	9	18.3%

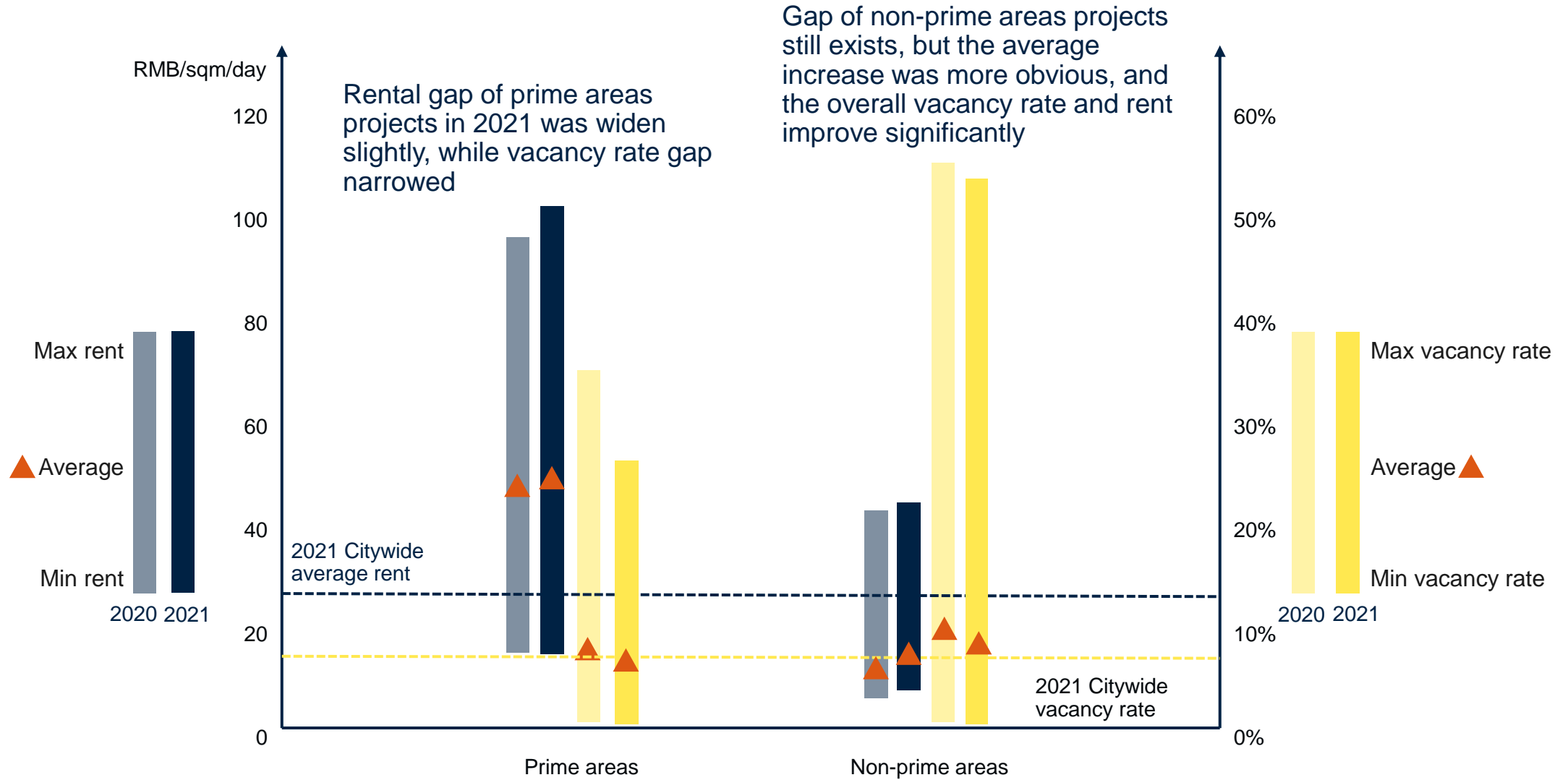


Future shopping mall supply below pre-COVID

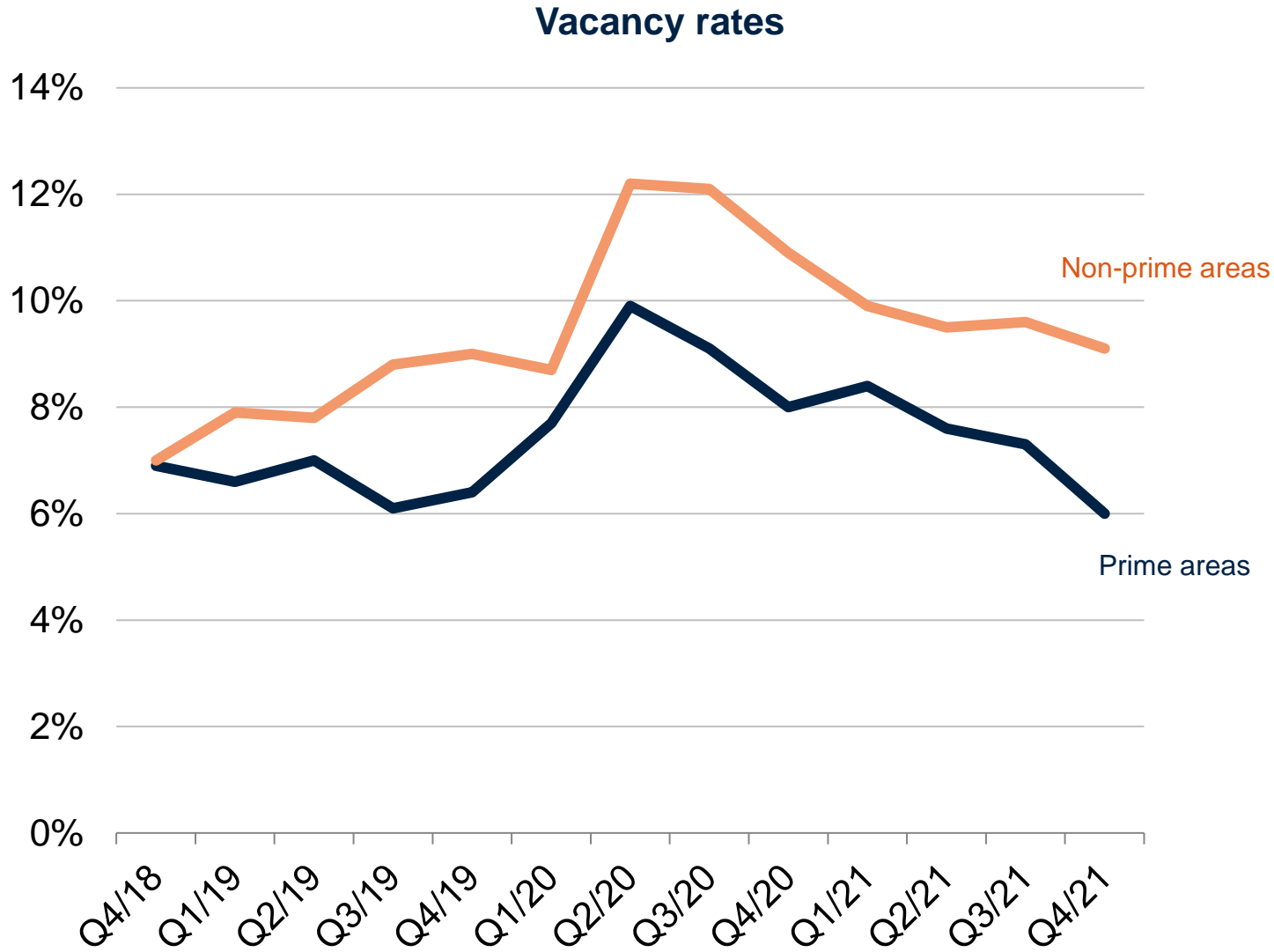
Shopping mall supply in urban area, 2000-2025E



Prime and Non-prime areas



Vacancy rates close to pre-covid levels



Vacancy rates, Q4/21

Citywide	8.5%
Prime areas	6.0%
Non-prime areas	9.1%

Vacancy rates change

	Q4/21 YoY	Q4/21 QoQ
Citywide	-1.7%	-0.6%
Prime areas	-2.0%	-1.3%
Non-prime areas	-1.8%	-0.5%

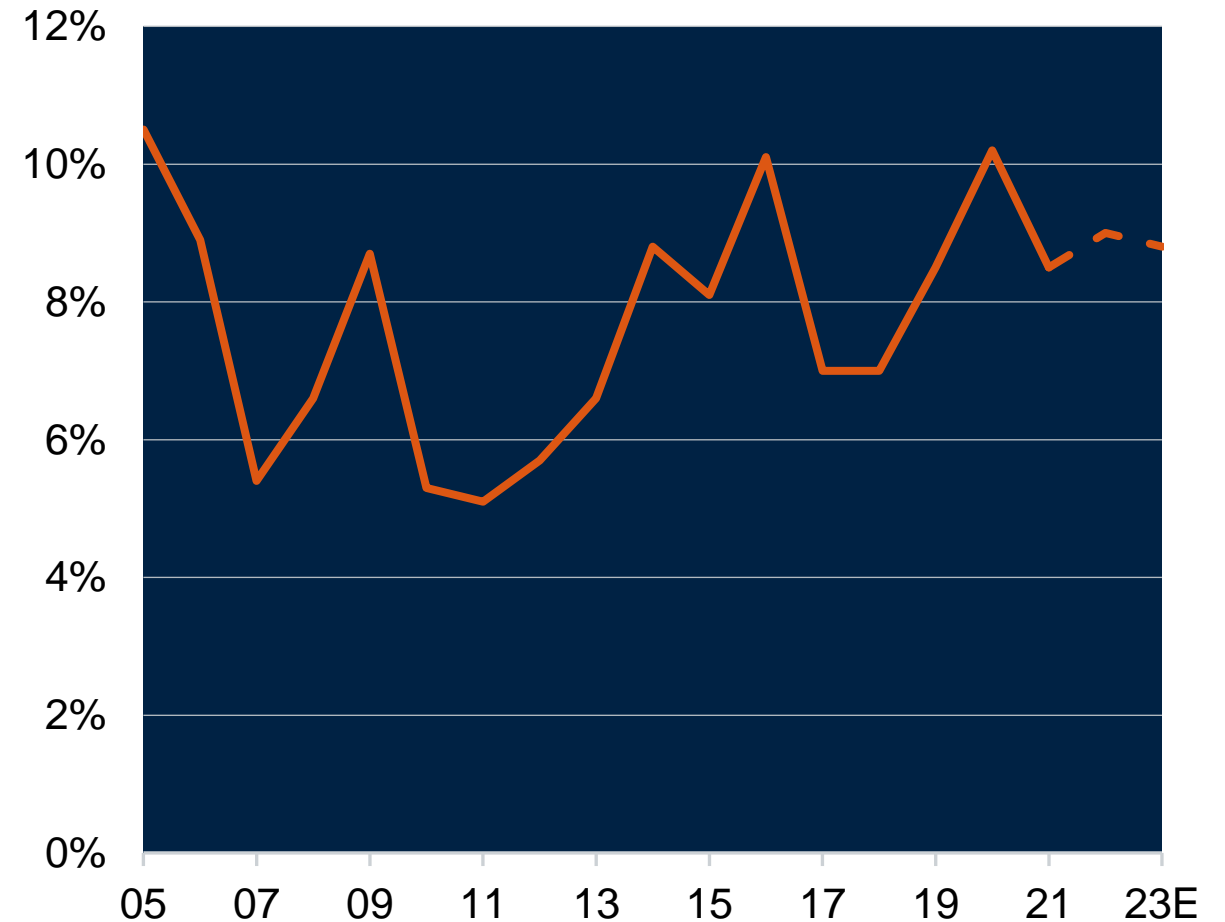
Prime areas: Nanjing Rd (E), Nanjing Rd (W), Huaihai Rd (M), Xujiahui, Little Lujiazui

Rising supply as a major challenges for the future absorption

- Future supply is still substantial in the next five years, and almost all new projects will be operated by leading developers.
- With standards continue to improve, which will put great pressure on existing projects, market consolidation is expected to accelerate with leading developers
- There is differentiation in the operation of projects, landmark projects have been able to attract new brands and drive footfall via greater social media awareness.
- Leasing demands of different types of retailers and the overall tenant structure will continue to change. The leisure and entertainment tenants will service the offline experience demand of consumers and remain a key driver of retail space demand.

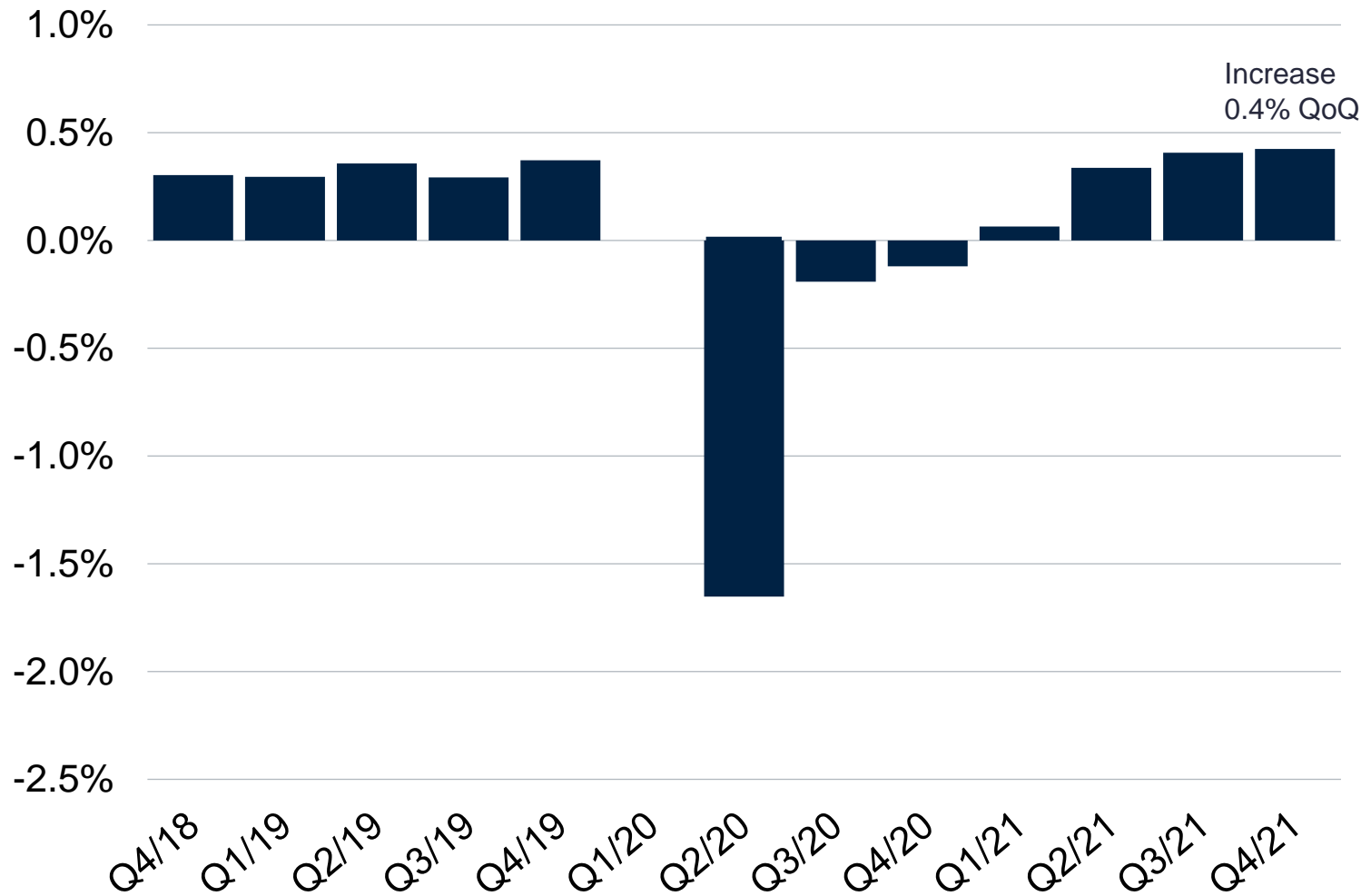
	2019	2020	2021	2022E	2023E
Citywide	8.5%	10.2%	8.5%	9.0%	8.8%

Vacancy rate, 2005-2023E



Rents on a run

Quarterly retail rents changes



First-floor average rents, Q4/2021

(RMB/sq m/day)

Citywide	26.5
Prime areas	50.7
Non-prime areas	16.4

First-floor average rents change

	Q4/21 YoY	Q4/21 QoQ
Citywide	1.3%	0.4%
Prime areas	1.4%	0.5%
Non-prime areas	1.2%	0.4%

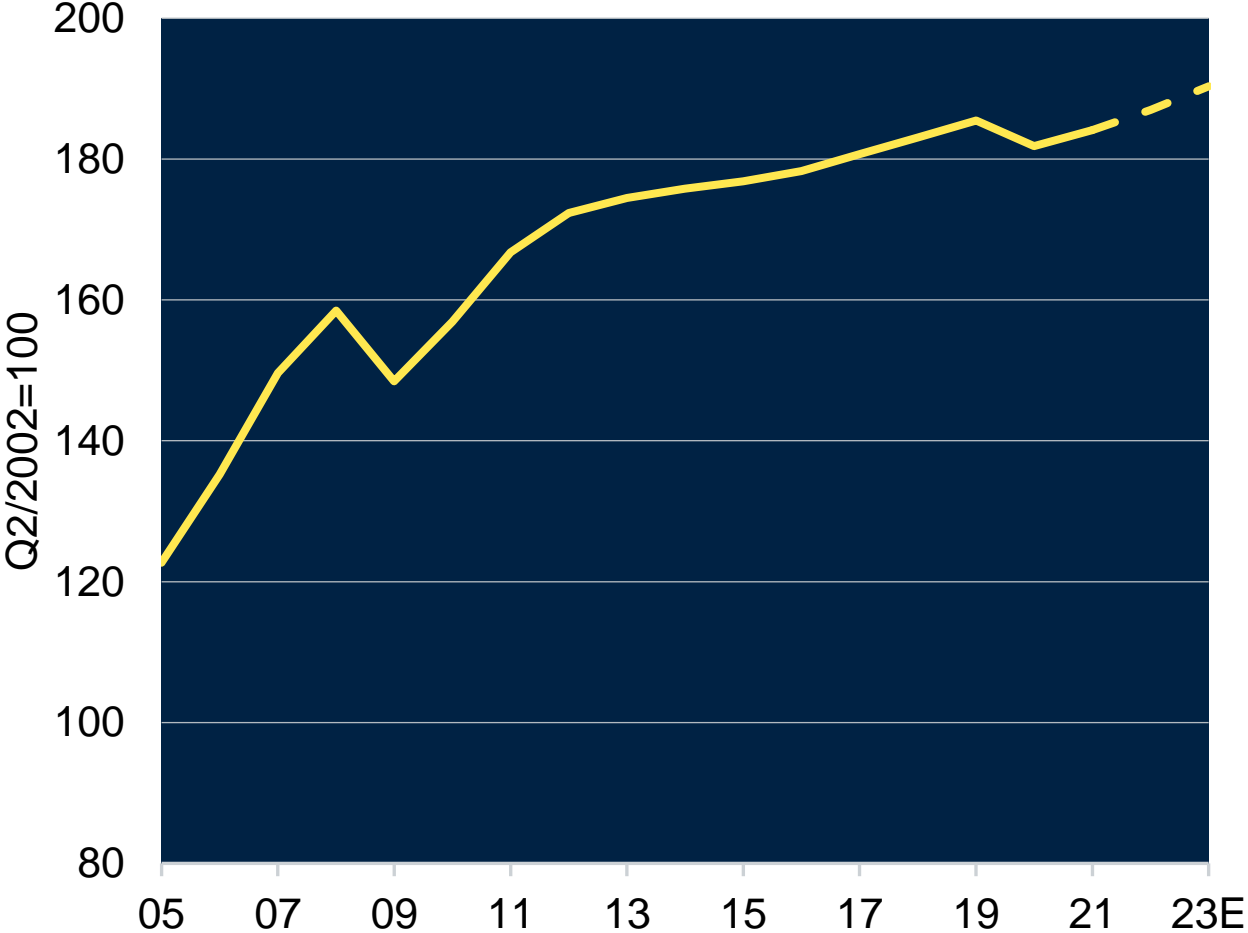
Prime areas: Nanjing Rd (E), Nanjing Rd (W), Huaihai Rd (M), Xujiahui, Little Lujiazui

Rents expected to continue to grow

- Despite the economic slowdown and the impact of COVID-19, domestic consumption, especially in the high-end market, is prospering as limited international travel results in what would have been overseas purchases instead of being transacted domestically.
- Increasing job opportunities and rising incomes will continue to drive growth in the Shanghai retail market.
- Leading developers and operators seen to dominate the developments.
- The market is seeing a steady supply of high-quality projects as well as project renovations, supporting rental escalation.
- Malls are also tapping into new consumer behaviour and consumption patterns to increase sales by diversified income sources.

	2019	2020	2021	2022E	2023
Rent	1.3%	-2.0%	1.3%	1.5%	1.8%

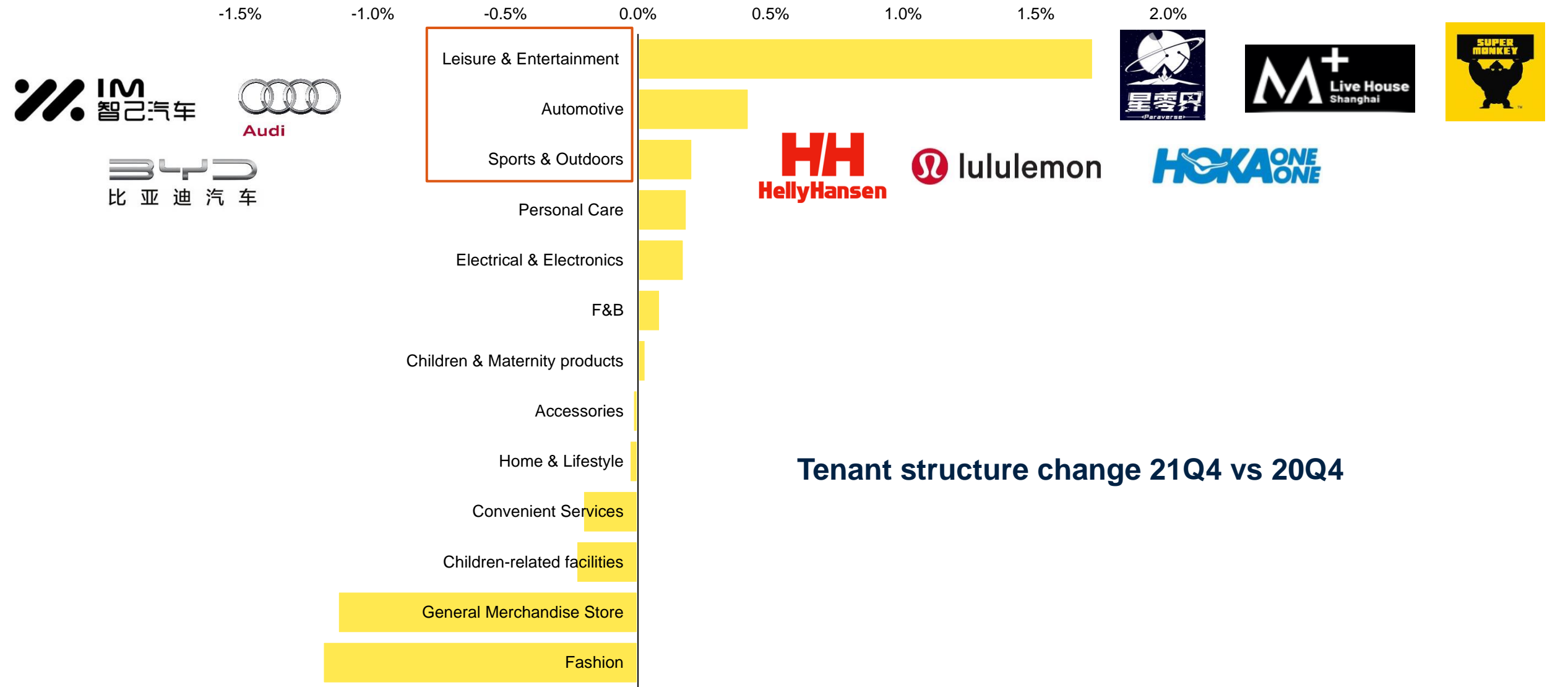
First floor rental index, 2005-2023E





Retailers

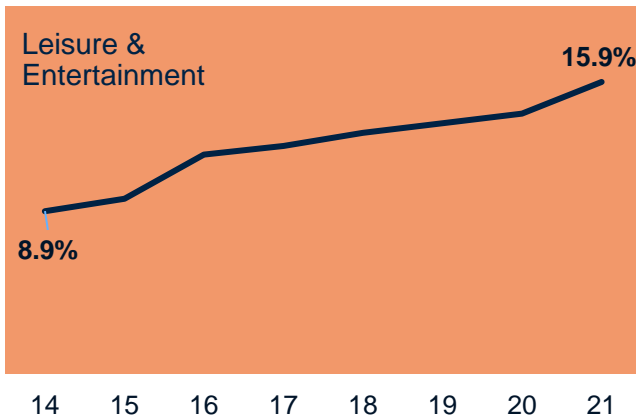
Leisure, automotive, sports drive demand



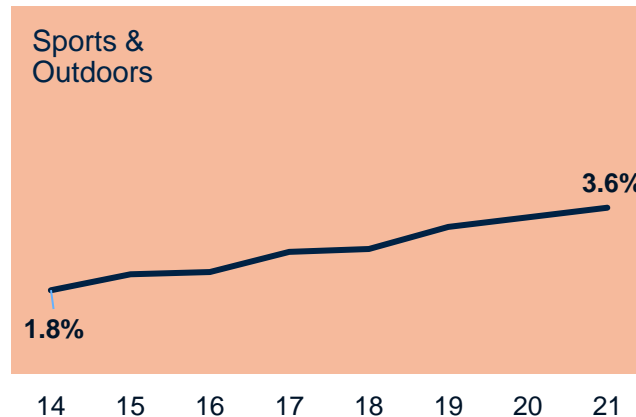
Leisure, automotive, sports demand increasing



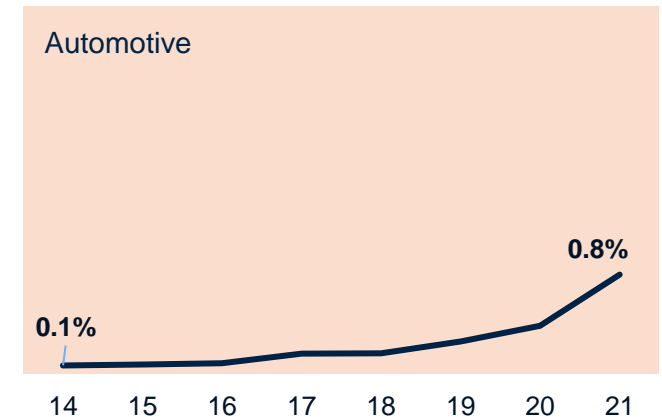
- Immersive entertainment, sports & fitness, as well as live house music and other leisure and social activities spur footfall.



- Health-conscious citizenry, proactive government support, and the Winter Olympics breathe life into sports brands expansion plans.



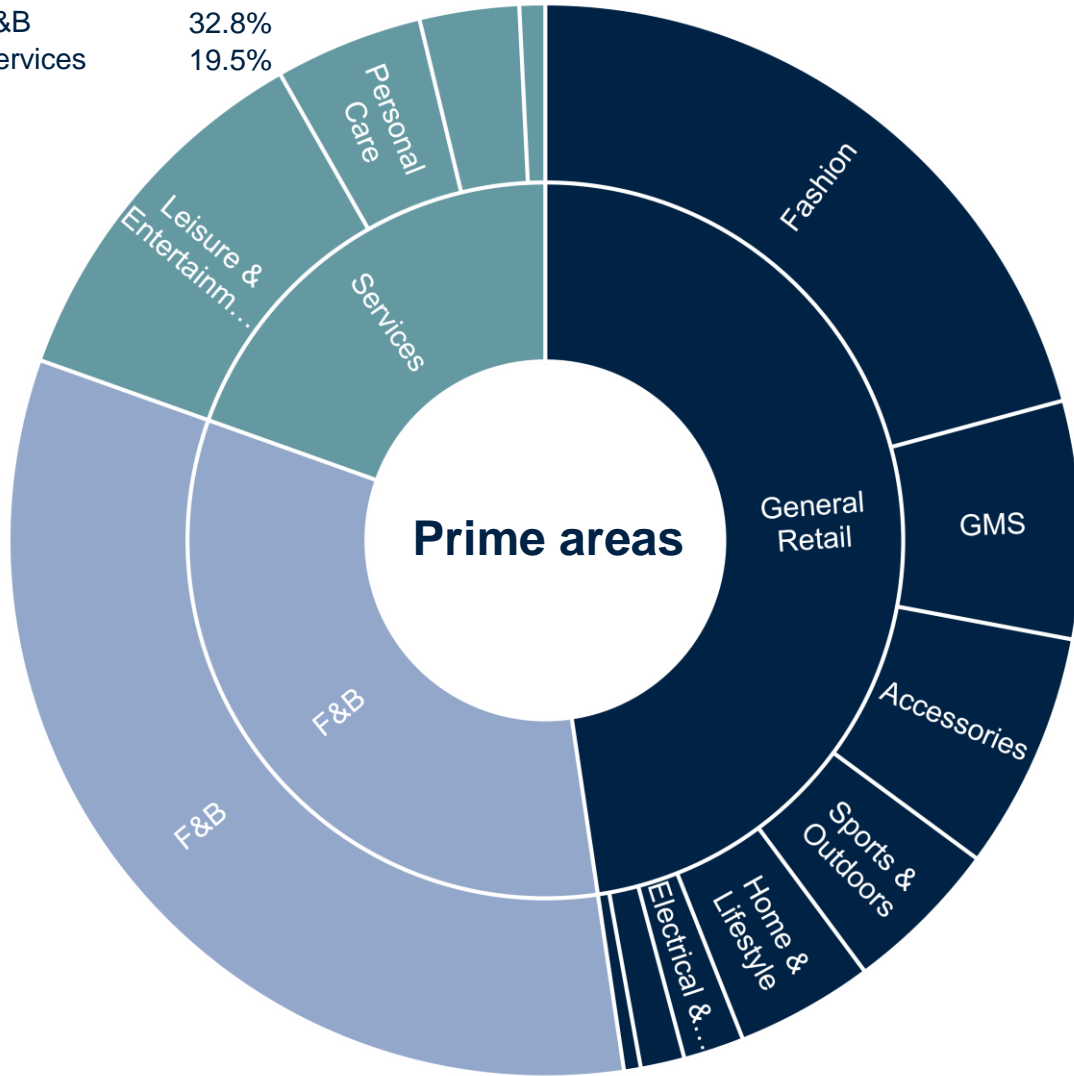
- NEVs sales and service stores expand aggressively with new brands emerging. Demand driven by an increasingly environmentally conscious consumer base and policy support.



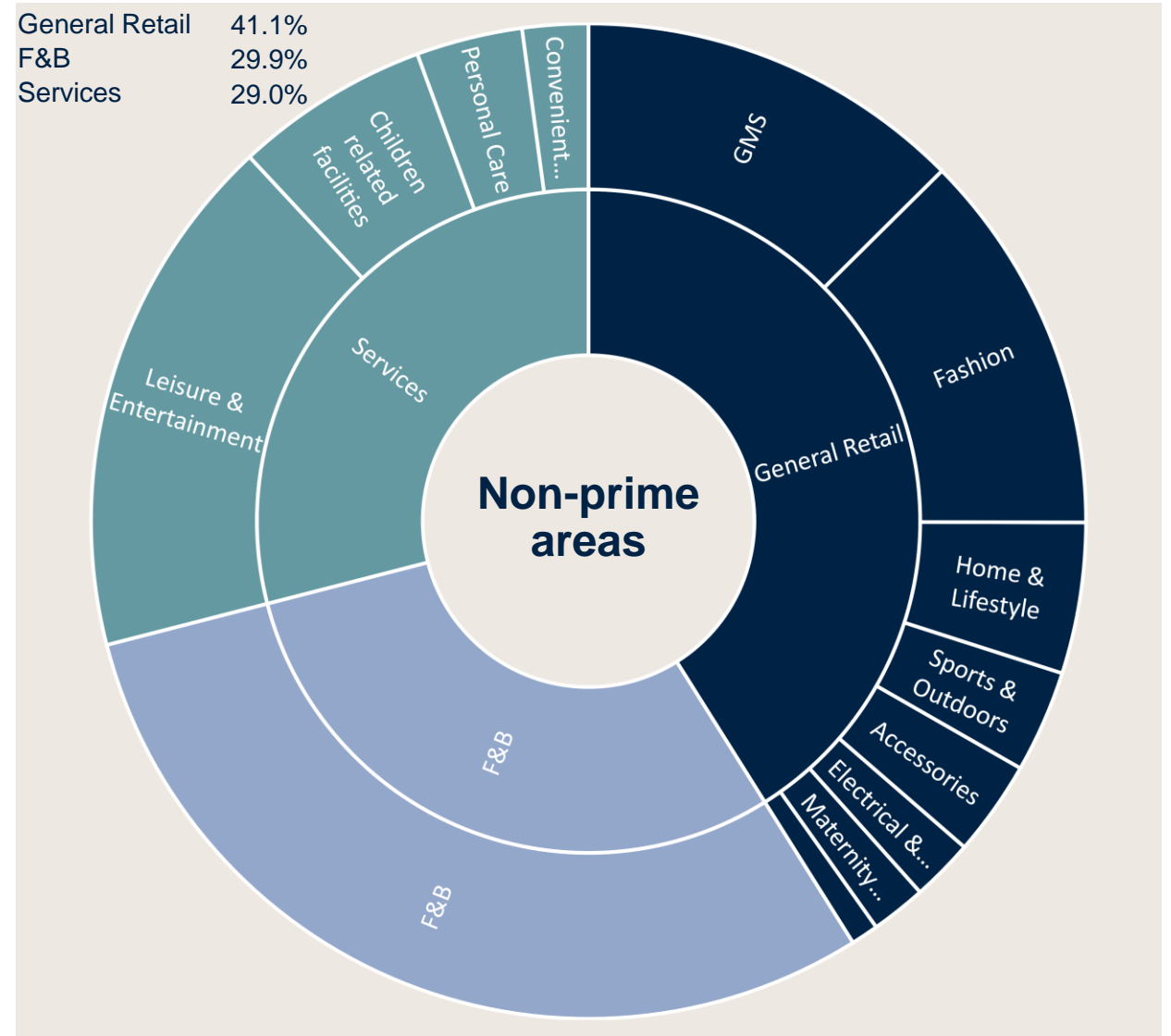
Tenant structure change 2014-2021

Prime and non-prime areas – Tenant structure (2021)

General Retail 47.7%
F&B 32.8%
Services 19.5%

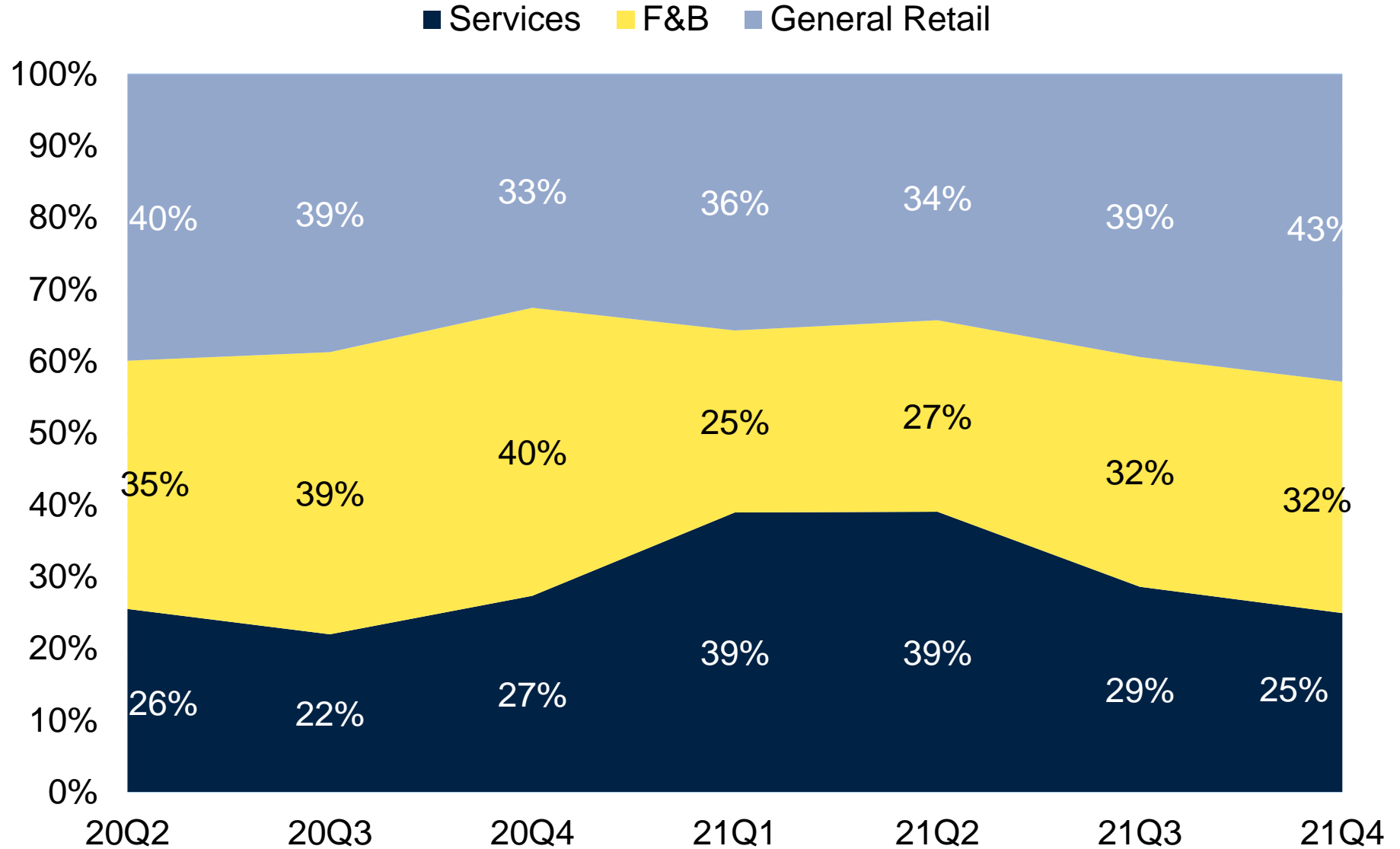


General Retail 41.1%
F&B 29.9%
Services 29.0%



New leasing demand breakdown

- New rental demand in the services had a higher proportion of newly leased area in 1H/21, while general retail demand was stronger in 2H/21. Different project positioning of new supply has a significant impact on this. Such as Qiantan Taikoo Li and Jiuguang Centre have a relatively high proportion of general retail and a large GFA.
- The Shanghai retail market remains one of the most preferred options for international brands looking to enter the China market as well as domestic businesses looking to expand nationally or internationally.



Immersive theatre in shopping malls

Li Long 1992 (里弄1992)

Raffles City The Bund

City Mart-Lilong (里弄) 2,000 sqm

The first late-night immersive theater in China, using the existing scenery of the City Mart food court, will start after the shopping mall closes.



Shear Madness Salon

Hall of Moon

135 sqm

With the setting of immersion, comedy and reasoning, the operator has secured a permanent location in Hall of Moon in Ruihong Tiandi

Thank you

From the team here at Savills
