

Retail



New projects have become more diverse

Non-traditional retail enhances the neighboring area's vitality.

- Retail sales of consumer goods in Chengdu reached RMB413.4 billion from January 2024 to May 2024, up 1.7% year-on-year (YoY).
- The Ring entered the Chengdu market in Q2/2024, thus total retail property stock within the main urban areas¹ increasing to about 8.52 million sq m.
- In Q2/2024, shopping malls' average vacancy rate dropped 0.4 ppts QoQ to 9.6%; average first-floor rent reached RMB414 per sqm per mth.
- Old projects have been actively pursuing transformation, adapting to the fast-changing retail market. Paradise Walk (Sanqianji) reopened in Q2 after renewing the building façade, interior design and tenant mix over several months.
- Non-traditional retail projects represented by Luxelakes CPI Island and CyPARK have drawn considerable attention and displayed much influence on the market, enhancing the neighbouring area's vitality.
- Chengdu retail market leasing demands remain mediocre, with many brands reluctant to add stores..
- Retail brands took up about half of new leases, among which gold and jewellery, outdoor sport, high-end cosmetics and perfume brands were active.
- In H2/2024, new projects including Poly International Plaza and Tianfu Garden City are expected to open; market may still face considerable pressure.

“Chengdu retail market's new projects have become more diverse, adding much freshness to the market. Apart from the opening of new shopping malls and relaunch of renovated projects, non-traditional retail projects have kept on innovating retail space and contents, exploring possibilities for Chengdu retail development.”

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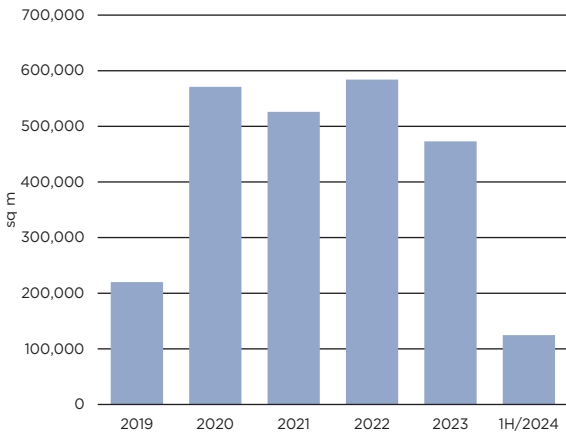
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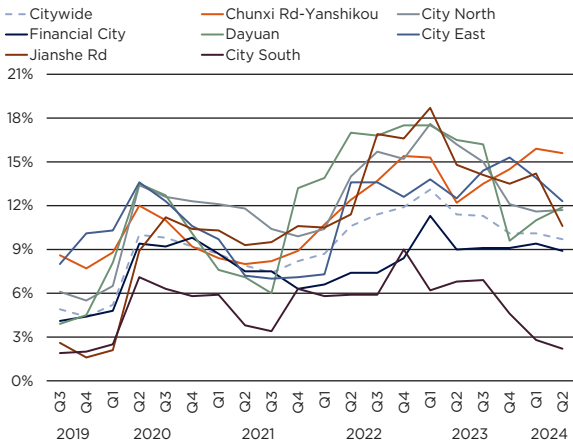
¹The main urban areas include Jinjiang District, Qingyang District, Chenghua District, Wuhou District, Jinniu District, High-tech Industrial Development Zone and Tianfu New Area.

GRAPH 1: Chengdu Shopping Mall Supply, 2019 To 1H/2024



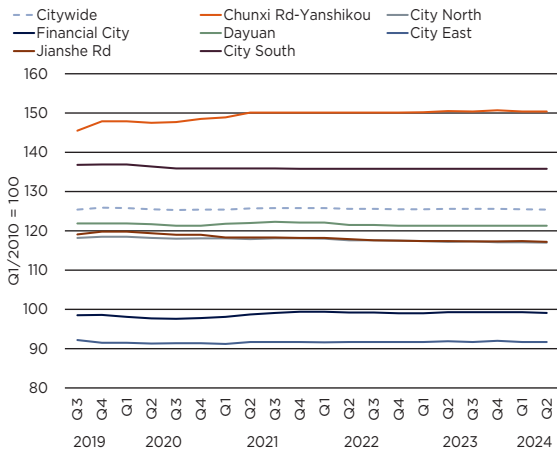
Source: Savills Research

GRAPH 2: Chengdu Retail Submarket Vacancy Rates, Q3/2019 To Q2/2024



Source: Savills Research

GRAPH 3: Chengdu Retail Submarket Rental Index, Q3/2019 To Q2/2024



Note: Calculation of rental indices for all submarkets starts from Q1/2010 except for: Financial City - Q1/2013; Dayuan - Q1/2015; City East - Q1/2013

Source: Savills Research

MARKET OVERVIEW

Entering 2024, Chengdu’s consumption market’s growth rate declined significantly. In April, retail sales of consumer goods reached about RMB80.7 billion and the growth rate dropped by 1.4% YoY.

Three new shopping malls opened in Q2/2024; the Ring is located in the main urban area and the other two are located in suburban areas¹. New supply within main urban areas continued to decline. Citywide average vacancy rate of shopping malls remained at about 10%, and the average first-floor rent decreased slightly to about RMB414 per sqm per mth.

SUPPLY

Three shopping malls opened in Q2/2024. The Ring brought natural elements into its space and gathered various catering, retail and entertainment brands, providing consumers with immersive shopping experience and enhancing Dongda Road’s commercial atmosphere. The opening of Paradise Walk (Dong’an) further prompted Longquanyi District’s retail market upgrade. As the first commercial complex within the Wenjiang University City, Wenjiang CIFI Cmall was built as a new shopping and entertainment destination for neighboring students and young families.

Some old retail properties are actively transforming by creating new consumption scenes and trying different tenant mixes in response to market changes. Centred on continuously booming discount retail, the former Vary International located at Kehua Road, transformed to a city outlet and reopened as the New Core Plaza. Paradise Walk (Sanqianji) located at Jianshe Road, introduced a pet product and service brand as its anchor store, and added many specialty cuisine brands after restoration, which effectively complemented the pets and catering consumption scenarios in the submarket.

Moreover, non-traditional retail projects continued innovating retail space and contents, exploring possibilities for Chengdu retail market development. The opening of Luxelakes CPI Island and CyPARK has elevated the popularity and

¹Suburban areas include Shuangliu District, Wenjiang District, Longquanyi District, Pidu District and Xindu District.

influence of Chengdu non-traditional retail projects. CPI Island extended Luxelakes retail projects’ style of deep integration with natural environment and constructed a special retail space offering both relaxing and shopping experience in several individual low-rise buildings on a lakeside slope around retail, catering, art and culture. As the first cycling-themed retail park in Chengdu market, CyPARK collected many sports and cycle-related brands, supplemented by select fashion stores and popular F&B brands, which added creative commercial contents to the Dayuan submarket.

DEMAND

Retail brands accounted for about half of new leases in 1H/2024, among which leasing from gold and jewellery, outdoor sports and high-end cosmetics & perfume brands kept active. Projects including Joy City, IFS, Chengdu Taikoo Li and Shihao Mall added more gold and jewellery brands. Many outdoor sports brands opened their first stores in Q2/2024. For instance, Goldwin and KEEN, outdoor sports brands from Japan and America, launched their first stores in Southwestern China at Chengdu Taikoo Li. Renowned domestic outdoor sports brand Kailas opened its first FUGA store in Western China at IFS, where National Geographic also opened its first Western China urban outdoor store.

In addition, most retail brands in the market remain cautious in expansion, and the percentage of new leases from fashion and new energy automotive in general retail brands dropped considerably in 1H/2024.

MARKET OUTLOOK

In H2/2024, new projects represented by Poly International Plaza and Tianfu Garden City are expected to open, the market remaining in high pressure.

With the retail market slowing down and competition among existing projects soaring, more emphasis in developing future projects would be placed on timely capturing and catering to consumption preferences in time, and creating high-quality public space and consumption scenarios. Based on this, constant improvements and innovations on retail space and contents, as well as operation mode may be a key to sustainable growth against the intense competition.

TABLE 1: Chengdu Future Projects, 2H/2024

PROJECT NAME	RETAIL GFA (SQ M)	SUBMARKET	DEVELOPER
Tianfu Garden City	118,000	Tianfu New Area	China Merchants Shekou Industrial Zone Holdings CO.,Ltd
Jinniu Garden City	103,000	City North	China Merchants Shekou Industrial Zone Holdings CO.,Ltd
Poly International Plaza	70,000	Dayuan	Poly Group

Source: Savills Research