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LIFE IS WHAT WE MAKE IT

GREATER CHINA RETAIL SUPPLY / DEMAND TRENDS

NEW CONCEPTS FOR A CHANGING MARKET

August 2023

GREATER CHINA RESEARCH

CONTENTS

2023 GREATER CHINA RETAIL PROPERTY SUPPLY AND DEMAND TRENDS

EXECUTIVE SUMMARY

The General Market

In the first half of 2023, China's total retail sales of consumer goods increased by 8.2% year-on-year (y-o-y). Along with the upturn, we expect the retail market in Greater China to remain buoyant for the rest of the year.

By Q2 2023, the total prime retail property stock in the core markets in the 16 major cities in Greater China we track totalled 106.0 million sq m. In China, many international and domestic brands either opened their first store or accelerated their expansion, demonstrating an increasing demand for retail space in the market. The total premium core city retail property net absorption across the Greater China market for the half year was 2.66 million sq m. With most mid- to high-end shopping centres remaining attractive to many retailers, the overall vacancy rate in the 16 major cities in Greater China decreased to 11.01% in Q2 2023.

China's retail property market is and will continue to be a popular investment destination for investors, developers and retailers, given the measures from the central and local governments to stimulate consumption, Chinese consumers' continual pursuit in upgrading the goods that they buy, the launch of retail property C-REITs, and the general sustainable development within the overall retail industry.

In order to cater to the changing market and increasingly diversified needs of Chinese consumers, shopping centre owners and retailers will continue to try to broaden the consumption market and innovate new business models and retail concepts. In terms of demand, the main focus trends this year are as follows:

- The general boosting of consumption;
- Chinese brand expansion;
- Auto brand demand, and;
- Pop culture-driven development.

Looking at the individual major cities in Greater China, prime retail property market demand performance in H1 2023 generally turned out to be better than expected. Into H2 2023, we expect a number of factors, including a series of pro-consumption policies and individual city initiatives, to drive retail market growth.

BEIJING

By the end of H1 2023, the total stock in Beijing's retail market was 16.1 million sq m, of which shopping centres recorded 14.2 million sq m.

With improving consumer sentiment, customer footfall in shopping centres in the city gradually rebounded in H1 2023. Additionally, new store openings were mainly high-end boutiques and the launches of branded first stores, especially in the high-end fashion retail sector. As of H1 2023, the average asking rental in the core submarkets dropped slightly to RMB2,250 per sq m per month, while the vacancy rate remained stable at 10%.

With the gradual recovery of the consumer market, the pace of upgrading and renewal in the Beijing retail market picked up. Around 1 million sq m of new supply is scheduled to enter the market in H2 2023. We expect that the continued enhancement of the retail environment and higher project quality will create new consumption growth points and boost the development of Beijing as an international consumption centre city in the near future.

SHANGHAI

According to the Shanghai Municipal Bureau of Statistics, the city's consumer goods retail sales totalled RMB937.8 billion in H1 2023, increasing by 23.5% y-o-y. Strong retail market fundamentals have continued to attract interest in Shanghai's retail market from brands, investors and developers, as reflected in the launch of five new projects during H1 2023.

By the end of Q2 2023, the overall vacancy rate in the Shanghai mid- to high-end shopping centre market fell to 9.6%, down 0.5 percentage points q-o-q. Demonstrating the strong recovery in the retail market, this is the lowest vacancy rate recorded for the city's prime retail property market since 2022. Meanwhile, the average first floor asking rent in core areas climbed to RMB1,891.9 per sq m per month, up 0.5% q-o-q.

To capitalise on the opportunities in Shanghai's expanding consumer market, more overseas and domestic retailers, ranging from fashion to food and beverage (F&B) brands, are planning to enter or further penetrate the retail market with ambitious business expansion plans. Thus, the overall vacancy rate is expected to fall within a reasonable range into the rest of 2023.

SHENZHEN

The opening of the Rail In project and Shenzhen MixC Phase III in H1 2023 pushed Shenzhen's total prime retail stock to 6.4 million sq m.

Shopper footfall in shopping centres displayed a clear improvement in the first half of this year, with demand for F&B and essential goods most active. The citywide vacancy rate subsequently dropped 1.4 percentage points over the half year to 9.0% at the end of Q2. Most landlords hold an optimistic attitude to the future market and as a result, prime space rental levels remained firm at RMB809.4 per sq m per month.

Shenzhen is expected to add 1.1 million sq m of new supply through to end of 2024. Some F&B brands are seeing opportunities and expanding to benchmark projects in the emerging submarkets, albeit with a more cautious attitude. The city is aiming to further develop its consumption centre credentials via shopping promotions, attracting new brands and first stores, and expanding the events sector. Nonetheless, the full resumption of consumer demand will depend upon overall economic recovery, disposable income improvement, and the restoration of consumer confidence.

GUANGZHOU

In the first half of 2023, the gradual restoration of normal production and living promoted improvement in Guangzhou's macroeconomic environment. However, the retail property market will take some time to recover. Over the past six months, no new supply completed in Guangzhou's prime retail market. Thus, total stock remained at 5.01 million sq m.

The increase in operating revenue has brought confidence with some brands now expanding their business. Thus, after experiencing four consecutive quarters of increase, the city's overall vacancy rate has dropped to 7.0%. Subsequently, the rental level within the core business district has remained robust, supporting the stability of the city's average rent in the first half of the year.

It is expected that 679,000 sq m of new supply will enter the market through the second half of 2023, making market competition more intense. Looking ahead, the improvement in consumer purchasing power and market confidence is expected to bring further support to Guangzhou's retail property market.

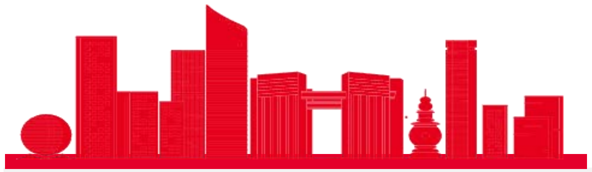
CHENGDU

In H1 2023, the entrance of Joyous Time into the market brought about 200,000 sq m of new supply, pushing the city's total stock up to 7.98 million sq m. In 2023 Q2, Chengdu's retail market stock ranked third in the country, trailing only Beijing and Shanghai.

Because most of the new projects are large-scale community commerce or regional projects, rental in Chengdu's retail market continued to show a downward trend. This quarter, the city's average rent dropped by 0.59% q-o-q to RMB611.21 per sq m per month. Meanwhile, with the easing of the pandemic, activity within Chengdu's retail market increased. Subsequently, the city's overall vacancy fell a further 0.68 percentage points y-o-y to 6.18% in Q2 2023.

In H2 2023, with the entrance of two high-quality retail property projects, Tianfu Joy-City and Tianfu Merchants Garden City, into the market, a new business centre in Chengdu is expected to take shape.

HANGZHOU



Since the beginning of this year, the Hangzhou government has systematically promoted the "8+4" policy system, with an all-out effort to generate an economic turnaround. Thanks to this, the city's consumer market continued to pick up in H1 2023.

The continuously optimised business environment has prompted vitality in the market. During H1 2023, two commercial projects, with a combined 305,000 sq m of new retail space, opened in Hangzhou. Meanwhile, the existing stock of retail properties continued to create strong content drivers through the enrichment of brands, operational innovation and the enhancement of the shopping experience. These moves have helped to strengthen competitive advantages.

Acting as a significant measure to implement the strategy of expanding domestic demand, in the near future, the normalised issuance of consumer infrastructure REITs will help to revitalise the stock assets of prime retail properties in Hangzhou and promote the transformation of the industry's operating model in the city.

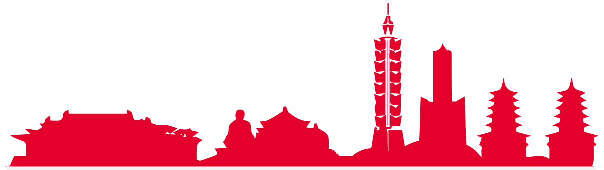
HONG KONG

Over the past six months, with Hong Kong's border reopening with the world, the number of visitors to the city has increased significantly. The retail market has gradually recovered, and various economic indicators have shown improvement. In addition, the Hong Kong government has distributed consumption vouchers to further stimulate spending in the retail market.

With this positive news, retailers have reviewed and strategised their expansion plans. Among different retail categories, those popular with mainland visitors have benefited the most from the border reopening. Over the last six months, leasing activities have been most active in the pharmacy, jewellery and watch brand sectors. The gradual recovery of leasing activities has also led to a steady increase in rents on high streets, while the vacancy rates in various submarkets have continued to drop. Significantly, the average vacancy rate fell to about 9% in Q2 2023, which is a three-year record low.

Finally, the consumption pattern of mainland visitors has shifted towards experience-based activities rather than pure consumer-based ones, which has deterred some large brands from expanding.

TAIPEI



Last year, as vaccination rates rose and restrictions eased, the business districts in Taipei gradually began to recover, boosting retailer confidence in the city and filling vacant units.

By Q2 2023, the vacancy rate in Ximen in particular had dropped for four consecutive quarters, reaching 11.1%. Meanwhile, due to a lack of compelling retailer attraction in the short term, the vacancy rate in Zhongxiao remained at 13.8%. In Zhongshan-Nanjing, retail business activity remained with the submarket's vacancy rate reaching 5.3% at the end of the fist half of the year.

In the latter half of H2 2023, international tourists are expected to return. Domestic tourism, however, will continue to remain the key driver for consumption in Taipei's retail market.

Today, in the wake of the pandemic, consumers are now prioritising quality of life, preferences, and unique experiences. The focus for commercial retail spaces in the city is now on creating unique retail environments and shopping experiences rather than just simple product display.

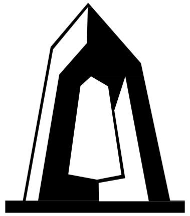
REPORT INTRODUCTION

With the government taking multiple measures to boost the consumer market in China, consumers' confidence has continued to grow. China's retail market has fully recovered in H1 2023. This report looks at the prime retail property market in Greater China and provides an understanding of:

- The retail supply/demand trends experienced in the region over the course of the past half year;
- An outlook on retail supply/demand in Greater China for the year ahead and beyond, and;
- Finally, an insight into the retail supply/demand trends for each major city in Greater China.

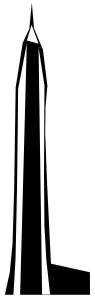
The eight key city-level prime retail property markets the report covers are:

BEIJING



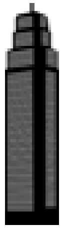
SHANGHAI

SHENZHEN

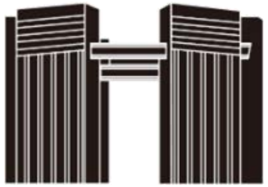


GUANGZHOU

CHENGDU



HANGZHOU



HONG KONG

TAIPEI

GREATER CHINA RETAIL - WHERE IT'S AT

In China, the total retail sales of consumer goods increased by 8.2% y-o-y to reach RMB22.8 trillion (Figure 1). Consumer confidence was also raised in H1 with the consumer confidence index in mainland China rebounding to 103.3 in June, while that of Hong Kong, Macao and Taiwan were 88.8, 94.3 and 91.3, respectively (Figure 2). Consumption remains the main driving force for economic growth with China's consumer expenditure contributing 77.2% to growth in H1 2023 (Figure 3).

Figure 2:
Chinese consumer confidence index (2011-H1 2023)

Source: National Bureau of Statistics, Cushman & Wakefield Research

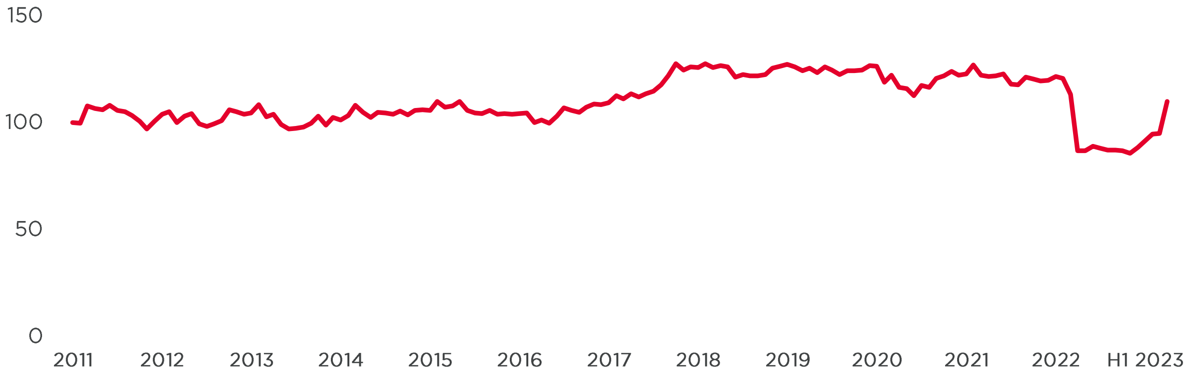


Figure 1:
Total retail sales of consumer goods in China (2011-H1 2023)

Source: National Bureau of Statistics, Cushman & Wakefield Research

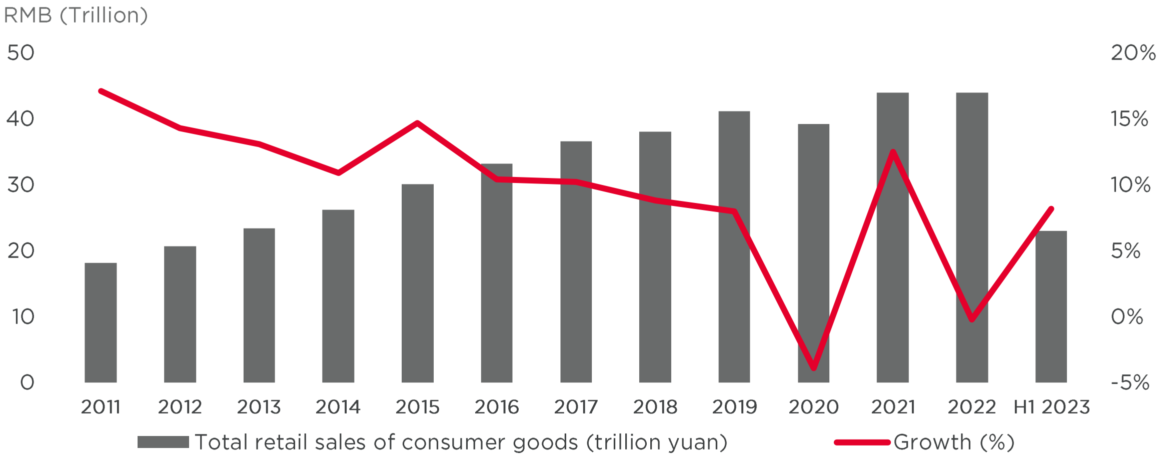
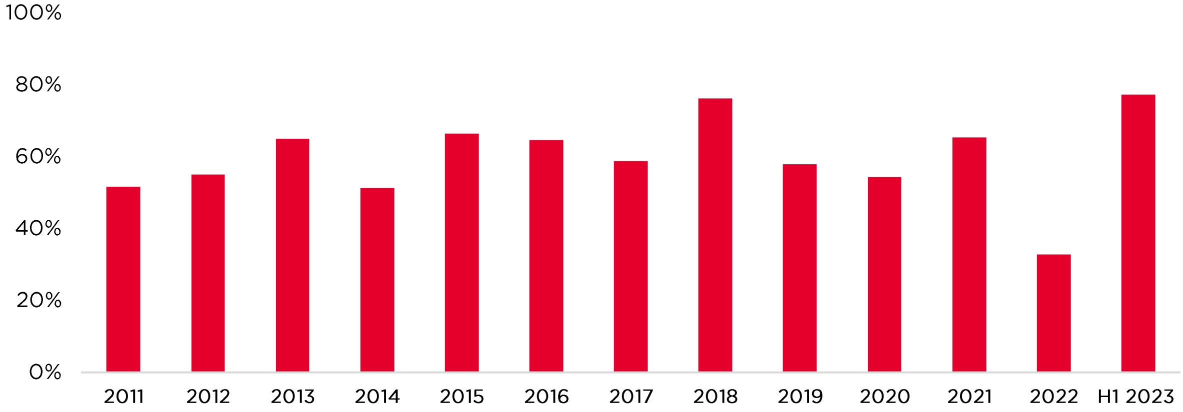


Figure 3:
The contribution of consumer spending to economic growth in China (2011-H1 2023)

Source: National Bureau of Statistics, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'S AT

During the first half of 2023, with the implementation of consumption promotion policies, and the steady expansion of household consumption, the retail market witnessed an upturn in Greater China. Consequently, most retailers, investors and landlords of shopping centres hold positive expectations for the Greater China retail market in 2023.

By Q2 2023, the total prime retail property stock in the core markets in the 16 major cities in Greater China we track totalled 106.0 million sq m. Many international and domestic brands either opened their first store or accelerated their business expansion in China, demonstrating an increasing demand for retail space in the market. Demand for retail space in many shopping centres in Greater China was diversified in H1 2023, ranging from fashion, cosmetics, children-related goods and services, specialty restaurants, new style tea and coffee shops, bakeries, cultural and creative products, smart gyms and new energy vehicle experience stores, etc. The total premium core city retail property net absorption across the Greater China market for the first half of the year was 2.66 million sq m. Lastly, with most mid- to high-end shopping centres continuing to remain attractive places for retailers to lease space in Greater China, the overall vacancy rate seen in the 16 major cities in Greater China decreased to 11.01% in Q2 2023 (Table 1).

Table 1

The supply/demand rundown for 18 city core area-level markets in Greater China (Q2 2023)

Source: Cushman & Wakefield Research

CORE MARKET DATA
GREATER CHINA RETAIL
Q2 2023

Markets	Stock (sq m)	Under Construction (sq m)	Absorption (q-o-q sq m)	Vacancy	Rent (Local currency) (q-o-q change)		
Beijing	14,228,914	2,597,090	305,100	10.00%	2,250.00	-2.17%	RMB/sq m/mo
Shanghai	22,107,618	11,298,300	215,724	9.57%	1,891.88	0.50%	RMB/sq m/mo
Guangzhou	5,013,086	1,719,858	43,987	6.97%	750.28	-0.32%	RMB/sq m/mo
Shenzhen	6,419,412	1,494,000	138,705	9.03%	809.35	-0.27%	RMB/sq m/mo
Tianjin	2,722,159	526,000	195,786	15.03%	430.51	-0.10%	RMB/sq m/mo
Shenyang	6,031,251	691,357	-40,409	18.73%	262.00	-1.13%	RMB/sq m/mo
Dalian	2,052,460	417,858	1,829	16.28%	613.30	0.00%	RMB/sq m/mo
Qingdao	3,681,300	2,848,650	24,798	8.35%	432.00	0.00%	RMB/sq m/mo
Nanjing	5,970,930	3,372,420	90,786	5.08%	629.95	-0.65%	RMB/sq m/mo
Hangzhou	6,189,070	2,896,000	71,650	8.73%	577.05	-0.76%	RMB/sq m/mo
Chongqing	6,611,000	2,112,200	42,533	11.99%	563.80	-0.13%	RMB/sq m/mo
Chengdu	7,979,923	1,361,000	210,583	6.18%	611.21	-0.59%	RMB/sq m/mo
Xi'an	6,960,683	826,900	306,458	20.77%	240.20	3.31%	RMB/sq m/mo
Wuhan	4,100,399	533,000	59,579	14.49%	465.22	-3.75%	RMB/sq m/mo
Changsha	2,994,500	964,122	106,928	13.96%	387.71	-0.48%	RMB/sq m/mo
Xiamen	2,947,700	982,658	60,508	14.71%	483.33	-2.13%	RMB/sq m/mo
Hong Kong	-	-	-	-	602.53	2.44%	HKD/sq ft/mo
Taipei	-	-	-	-	10,800.00	1.89%	TWD/ping/mo

GREATER CHINA RETAIL - WHERE IT'LL BE

"Since 2023, China's Ministry of Commerce has organised a number of "Consumption Boosting Year" activities and introduced a series of measures to optimise consumption supply and boost consumer confidence. With the implementation of a package of these consumption policies, the Chinese consumer market has fully recovered.

Ahead, the size of China's retail market will continue to expand, with new retail models and technologies expected to drive greater transformation within the retail industry in China and at the same time meet the ever-changing and increasing needs of consumers in the country."

Duke Zhen

Managing Director, Head of Retail Services
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"In Greater China, consumer demand volume still has potential to be further expanded.

Looking forward to the future, a series of policies to promote consumption will be implemented to drive this expansion as well as the upgrading of China's consumer market.

Retailers and landlords of shopping centres will need to keep up with the latest market trends and constantly innovate to meet the increasingly diverse consumption needs of Chinese consumers."

Shaun Brodie

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& Greater China Research Content

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GREATER CHINA RETAIL - WHERE IT'LL BE

Supply Trends - Introduction

According to the World Bank, China's economy is expected to grow by 5.6% in 2023. With growth maintaining its momentum, the outlook for China's retail property market should remain positive.

According to Cushman & Wakefield, about 27.25 million sq m of new prime retail properties are planned to complete over the next three years. Of the eight major markets in the Greater China region, the market which will see the greatest amount of future supply is Shanghai at 9.22 million sq m and the market which will see the least amount is Dalian at 80,000 sq m. The volume of new supply will create further intra-city market competition within many city-level markets in Greater China, in general, and landlords will have to continually innovate to stay competitive and stay ahead of the game.

Although the amount of new supply entering the overall market in the region will exacerbate retail property competition in the market, Greater China's retail property market is and will continue to be a popular investment destination for investors, developers and retailers, given the policy measures enacted to stimulate consumption.

Ahead, consumers' continual pursuit in upgrading the consumables they purchase and use, the launch of retail property C-REITs in mainland China, and the sustainable development of the retail industry in the region will add further impetus to market growth in Greater China over the next six months.

GREATER CHINA RETAIL - WHERE IT'LL BE

Supply Trends

1.

RETAIL PROPERTY C-REITs

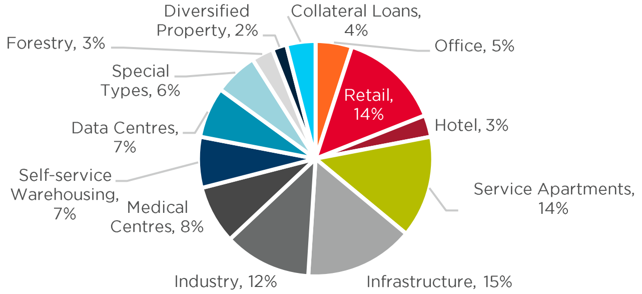
Real Estate Investment Trusts (REITs), are investment vehicles that invest in real estate and provide investors with convenient ways to invest in the real estate market. Developing the REITs market is beneficial for increasing social capital participation, providing capital exit channels, and adding further vitality to the real estate market.

Commercial real estate, including shopping centres, office buildings, and hotels etc., are the main underlying assets of REITs in mature REITs markets such as the United States, Japan, Singapore, and Hong Kong. By the end of 2022, the underlying assets such as office, retail, or hotel, accounted for approximately 22% of the total REITs market value in the United States (Figure 4); In the Singapore REITs market, the number of office, retail, and hotel REITs accounted for approximately 48% (Figure 5). High quality commercial real estate projects can provide stable cash flow and considerable value-added space, while also taking into account the need to accelerate cash withdrawal and obtain long-term income. They are suitable as underlying assets of REITs and have huge market potential in the future in China.

The REITs market in China is relatively new and still developing. In March 2023, the China Development and Reform Commission issued the *'Notice on Standardising and Improving the Application and Recommendation of C-REITs Projects (FGTZ [2023] No. 236)'*, which included consumer infrastructure such

Figure 4:
REITs asset type breakdown in the United States (by the end of 2022)

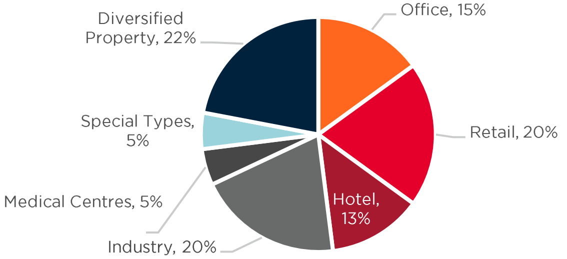
Source: Nareit, Cushman & Wakefield Research



*The proportion of market value

Figure 5:
REITs asset type breakdown in Singapore (by the end of 2022)

Source: SGX, Cushman & Wakefield Research



*The proportion of number

GREATER CHINA RETAIL - WHERE IT'LL BE

Supply Trends

1.

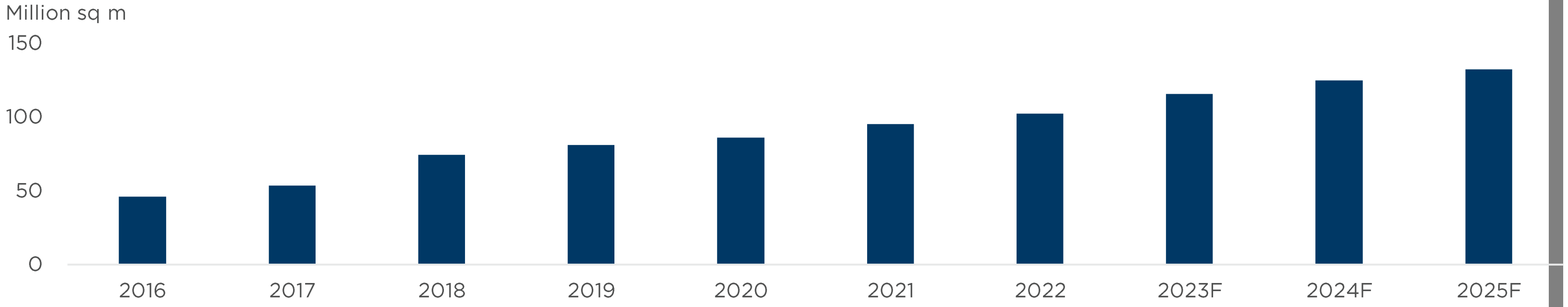
RETAIL PROPERTY C-REITs

as department stores, shopping centres, farmers' markets and community retail projects into the pilot scheme scope, with the intention of encouraging consumption and ensuring the security of people's livelihoods. The launch of retail property C-REITs in China is an important event for many reasons, including:

- The amount of total retail stock in the market. According to estimates, there are more than 2,100 pedestrian streets with a retail area of more than 20,000 sq m in China. The total inventory of pedestrian streets in China now exceeds 100 million sq m. Meanwhile, there are over 6,835 retail properties with a GFA of over 30,000 sq m in China. The total inventory of retail properties in China now exceeds 540 million sq m. Among them, in the first half of 2023, the stock of middle to high-end shopping centres in 16 first-tier and second-tier cities in China has reached 106 million sq m and is expected to reach 132 million sq m by 2025 (Figure 6);

Figure 6:
Middle to high-end shopping centre stock in 16 first-tier and second-tier cities in China (2016 – 2025)

Source: Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

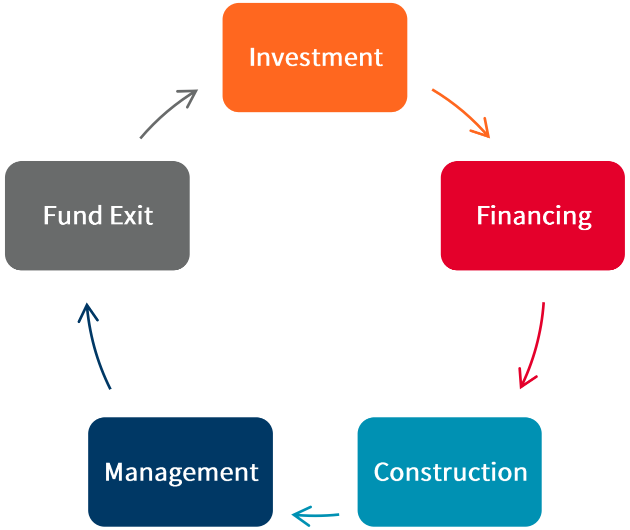
Supply Trends

1.

RETAIL PROPERTY C-REITs

- Issuing C-REITs can realise equity financing, broaden financing channels, improve the long-term dependence of new investment related to debt funds, optimise the capital structure, and reduce the asset-liability ratio. In the long term, enterprises can establish a long-term mechanism for sustainable development through the issuance of C-REITs, recover the initial investment without increasing the debt, release the financing line, reduce the financial interest expense, improve the operating cash flow and increase the profit margin;
- The new C-REITs policy encourages enterprises to cultivate and build their operation and management ability. Enterprises can build a professional, independent management team to provide asset and property management services and continue to improve their investment management capabilities through the acquisition of external high-quality assets via C-REITs, and finally;
- C-REITs have the ability to open up the previous closed-loop system related to retail asset operations involving investment, financing, construction, management and fund exiting (Figure 7). With the introduction of C-REITs, enterprises can optimise their investment model via a number of ways, including through dividend-based income, competitive market performance, enhanced transparency, greater liquidity, etc.

Figure 7:
C-REITs opens up the previous closed-loop system related to retail asset operations
Source: Guotai Junan Securities, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

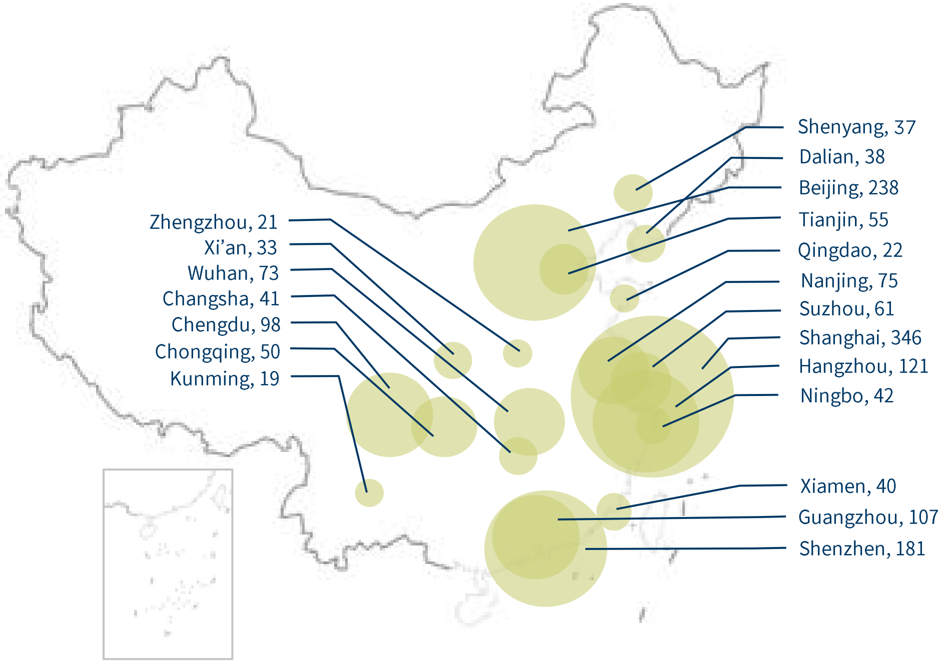
Supply Trends

2. SUSTAINABILITY

In order to standardise and promote the development of green shopping centres in China, China's Ministry of Commerce formulated the national standard titled *'Green Shopping Centres (GB/T 38849-2020)'* in 2020. Meanwhile, China's central government issued the *'Plan for Promoting Green Consumption'* in 2022, which respectively proposed measures in eight key areas, such as improving green food consumption, promoting green clothing consumption, encouraging green residential goods consumption, and developing green transportation consumption.

Today, more and more shopping centres in China have put into practice greater H&S and sustainability standards. By January 2022, China had built more than 500 national green shopping centres. As of July 2023, the number of Retail LEED certifications in 20 first- and second-tier cities in China has reached 1,698 with Shanghai, Beijing, Shenzhen, Hangzhou, Guangzhou, Chengdu, Nanjing and Wuhan having the highest number of Retail LEED certifications in the country (Figure 8). Additionally, China has been in the number two position in the world in terms of the largest number of LEED certified projects, for seven consecutive years.

Figure 8:
Number of Retail LEED certifications in China's first- and second-tier cities (By July 2023)
Source: USGBC, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

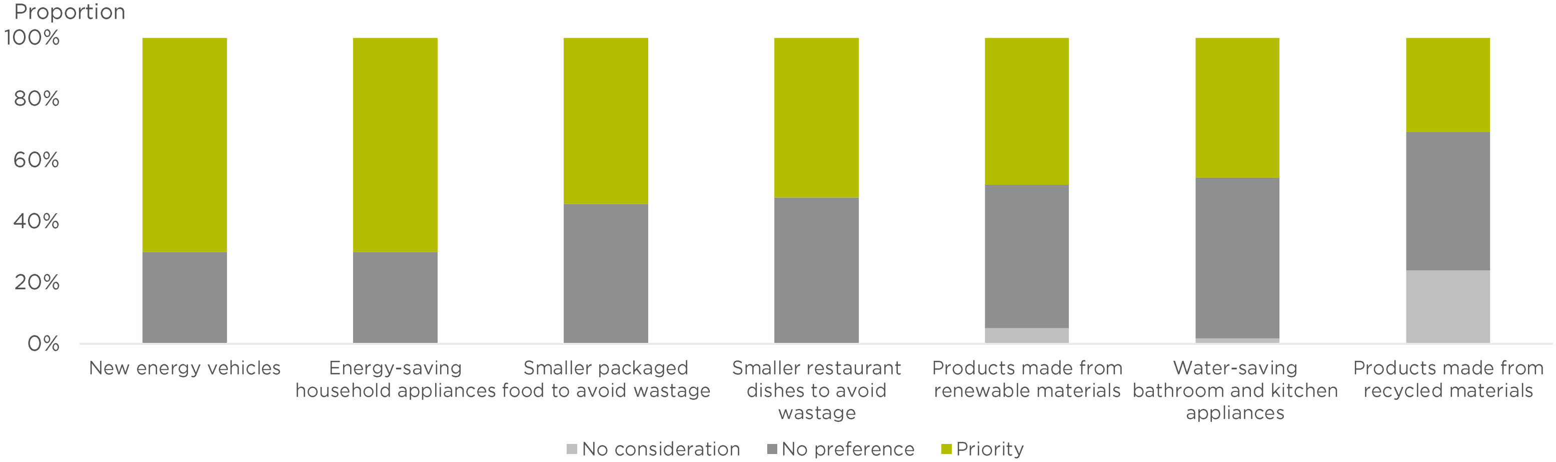
Supply Trends

2. SUSTAINABILITY

The '*Plan for Promoting Green Consumption*' explores ways to establish a green consumption points system which encourages consumers to buy green goods by means of exchange of goods and discounts. Moreover, shopping centres are also actively advocating the concept of green consumption and continue to expand the sales of green products. As a result, Chinese consumers' awareness of green consumption has been continuously enhanced. According to Cushman & Wakefield Research, 70% of Chinese consumers today think that new energy vehicles are of good quality, are affordable and meet their transportation needs. Subsequently, more and more buyers in China are gravitating to these types of vehicles in terms of consideration and purchasing. Moreover, when purchasing household appliances, 69% of Chinese consumers check the energy consumption level of the appliances they are looking to buy and prefer to purchase energy saving appliances. Lastly, more than 52% of Chinese consumers advocate the *"clean your plate"* campaign and now prefer to buy smaller packaged food or dishes when eating in or out (Figure 9).

Figure 9:
Chinese consumers' attitude towards green consumption (2023)

Source: Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

Demand Trends - Introduction

Looking ahead, consumption is expected to continue to expand in China as the economy recovers, employment improves, incomes rise and pro-consumption policies take effect. Alongside this, we expect the improving market fundamentals to attract further interest from international and domestic brands actively seeking high-quality stores for market penetration and expansion in China's retail market.

In order to cater to the changing market and increasingly diversified needs of Chinese consumers, shopping centre owners and retailers will continue to try to broaden the consumption market and innovate new business models and retail concepts. In terms of demand, the main focus trends are and will be as follows:

- The general boosting of consumption;
- Chinese brand expansion;
- Auto brand demand, and;
- Pop culture-driven development.

1.

THE GENERAL BOOSTING OF CONSUMPTION

In order to make the retail market recover faster in China, at the beginning of 2023, the Ministry of Commerce designated 2023 as a *"consumption boosting year"*. Alongside this, various consumption promotion activities around six major themed consumption festivals, 12 exhibitions and 52 consumption activities have and will be carried out. The six major themed festivals comprise the Chinese New Year Shopping Festival, the National Consumption Promotion Month, the Green Consumption Season, the Summer Consumption Season, the Autumn Shopping Festival and the International Consumption Season. The 12 exhibitions refer to key international exhibitions such as CIIE, ChinaJoy etc., which promote retail demand and lead consumption trends. The 52 consumption activities refer to activities carried out during the 52 weeks throughout one year. Meanwhile, various provinces, cities and regions have and will arrange local consumption activities during the year, such as *"Enjoy the Ice and Snow Shopping Festival"*, *"Smart Appliance Replacement Promotion"* and *"Welcome to the Asian Olympic Shopping Festival"* and so on.

Moreover, the National Development and Reform Commission issued the '*Measures to Restore and Expand Consumption*' in July 2023, which outlined 20 measures to expand consumption, covering mass consumption, service consumption, new consumption, rural consumption, consumption facilities and the optimisation of the consumption environment.

GREATER CHINA RETAIL - WHERE IT'LL BE

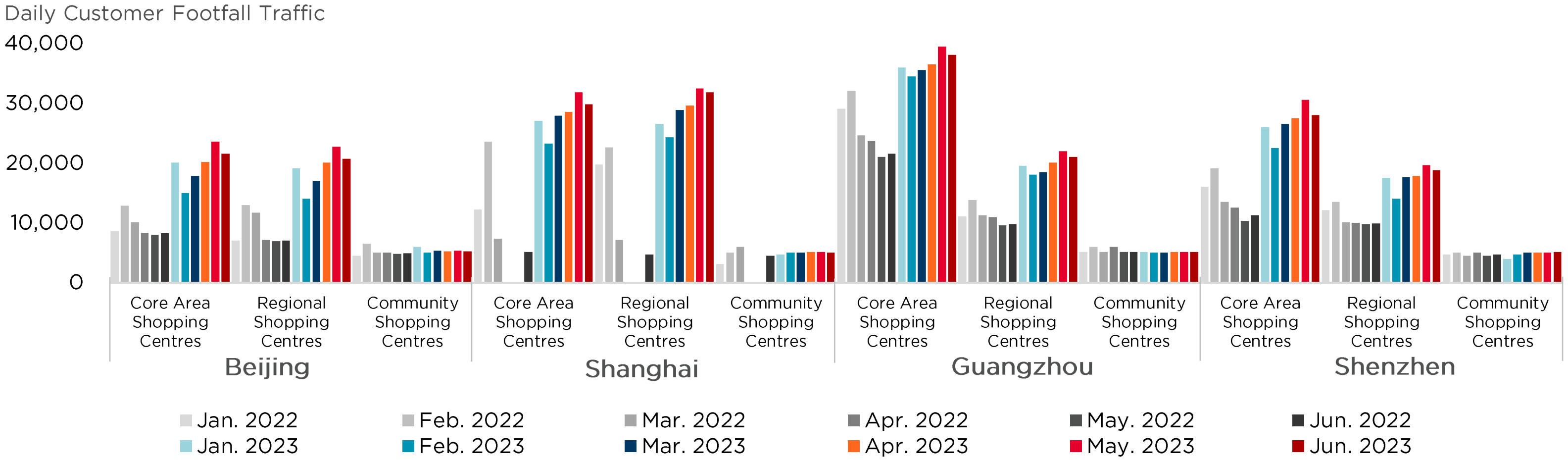
Demand Trends

1. THE GENERAL BOOSTING OF CONSUMPTION

In the first half of 2023, a series of activities such as People's Livelihood Consumption Season, National Consumption Month, the 618 Dragon Boat Festival Shopping Festival, the Nightlife Festival, the Digital Consumption Festival and so on have been successfully held across China, and these have helped to boost recovery in China's retail market. According to data from Cushman & Wakefield, the daily customer footfall traffic in prime shopping centres in Beijing, Shanghai, Guangzhou and Shenzhen increased significantly from January to April 2023, compared with the same period last year. Additionally, the customer flow in some areas has recovered or exceeded the level recorded during the same period in 2019 (Figure 10).

Figure 10:
Selected shopping centres in first-tier cities: Average daily customer footfall traffic (January - June 2022 and January – June 2023)

Source: Cushman & Wakefield Retail Services, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

Demand Trends

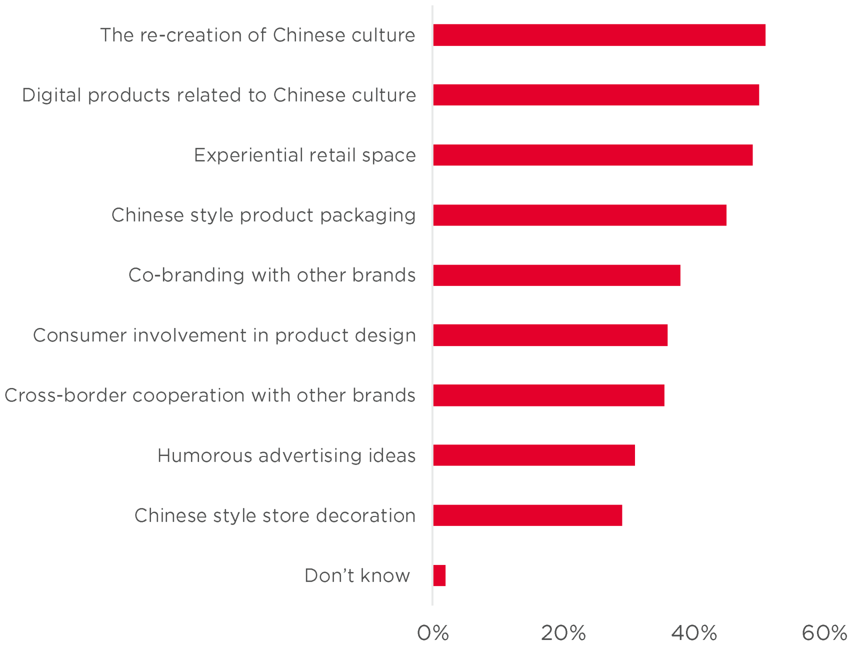
2.

CHINESE BRAND EXPANSION

With the development of China's economy and the improvement of cultural self-confidence, goods containing traditional Chinese cultural elements have triggered a new empathy among consumers. Some Chinese brands have integrated Chinese traditional cultural elements into product design, packaging, store decoration and logos, creating a unique charm of brand culture. According to Mintel's data, 51% of consumers expect Chinese brands to re-create Chinese culture; 50% of consumers expect Chinese brands to further Chinese culture through technology (Figure 11).

With the continuous improvement of Chinese brand culture, technology and aesthetics, the market penetration of Chinese brands is increasing. Taking the cosmetics industry as an example, Guochao (national trend) brands not only use new technologies such as AI skin detection, 3D skin tomography scanning, VR scent experience etc., but also extract cosmetic ingredients via traditional ways. Meanwhile, Guochao cosmetic brands also use traditional Chinese culture as design inspiration by integrating traditional craftsmanship into product design and packaging. Alongside this, the market penetration rate of Guochao cosmetic brands has increased year by year. According to CBNData, the consumer penetration rate of Chinese brands overall is close to 90%, with the market share being more than 60% in China's middle-end cosmetic market segment.

Figure 11:
How consumers expect Chinese brands to innovate
Source: Mintel, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

Demand Trends

3.
AUTO BRAND DEMAND

After more than 30 years of development, China has been the world's largest car production and consumption market for 14 consecutive years. From 2016 to 2022, China's automobile market accounted for about 30% of the global market. In the first half of 2023, China's car sales reached 13.24 million units, accounting for 31% of the world's automobile market share.

Thanks to the strong policy support of the Chinese government for the new energy car industry, a large number of new energy vehicle products with global technological competitiveness have been launched. Meanwhile, sales promotion activity for new energy vehicles is constantly increasing. Therefore, consumers continue to have high enthusiasm for purchasing new energy cars in China.

Looking at the market figures, in the first half of 2023, the sales volume for gasoline-powered vehicles reached 6.65 million units in China's passenger car market, edging down 5.8% y-o-y. The sales volume for new energy vehicles, however, reached 2.94 million units, up 40.4% y-o-y. Today, the penetration rate for new energy vehicles is 30.69%, up 7.8 percentage points when compared to the same period last year (Figure 12).

What's more, in China, the market share of China's top 10 new energy vehicle brands was nearly 80% in H1 2023 (Figure 13).

Figure 12:
Sales volume in the passenger car market in China (H1 2022 and H1 2023)
Source: Electric Car View, Cushman & Wakefield Research

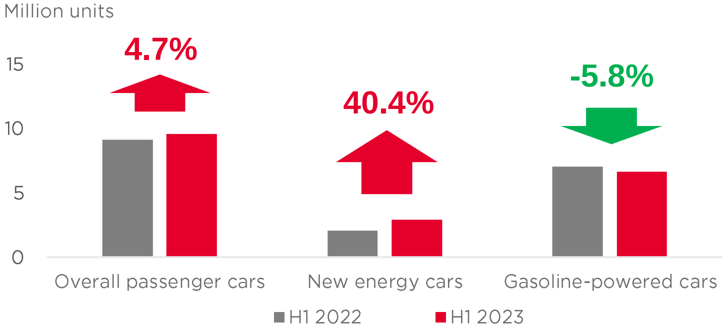
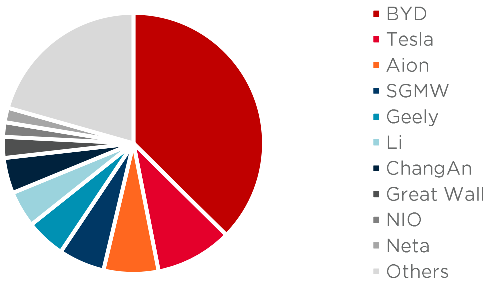


Figure 13:
Top 10 new energy car brand market share in China (H1 2023)
Source: CPCA, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

Demand Trends

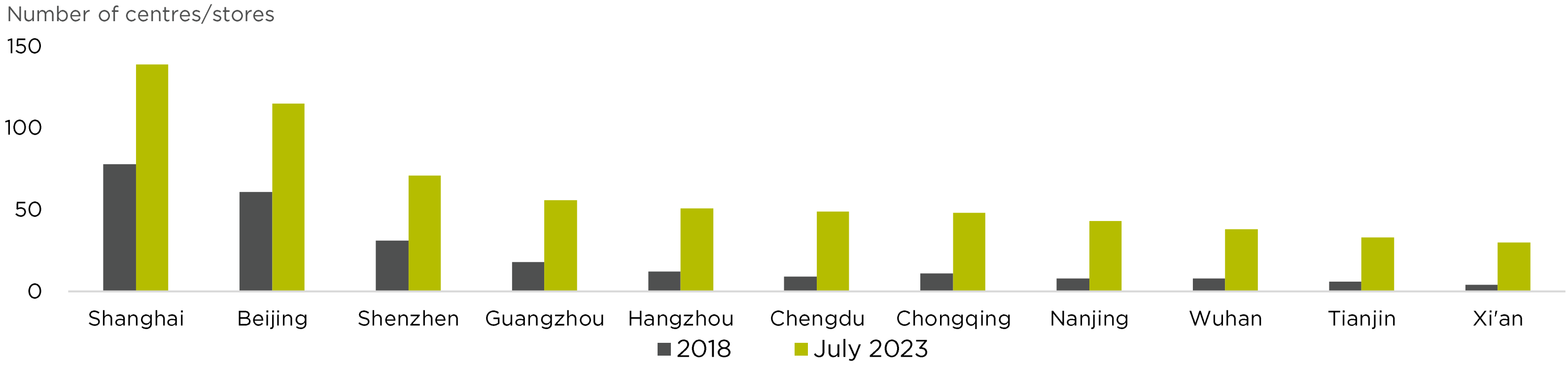
3.

AUTO BRAND DEMAND

New energy vehicle brands not only compete on price, functional configuration, design, smart technology, etc., but also compete in terms of membership services. Given the customer footfall traffic volume, many new energy vehicle membership services-related experience stores are located in prime shopping centres in the core area of cities in China. Brand customer service centres, on the other hand, tend to be located away from the CBD as they only need to provide delivery and after-sales vehicle services. According to statistics from Cushman & Wakefield Research, in July 2023, the number of automobile experience stores in Shanghai has exceeded 140, with the other three first-tier cities now having all exceeded 60, and the second-tier cities having exceeded more than 30 car experience stores. These numbers are expected to grow continually in the future (Figure 14).

Figure 14:
Number of new energy vehicle experience centres/stores in shopping centres in China (2018 and July 2023)

Source: Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

Demand Trends

4.

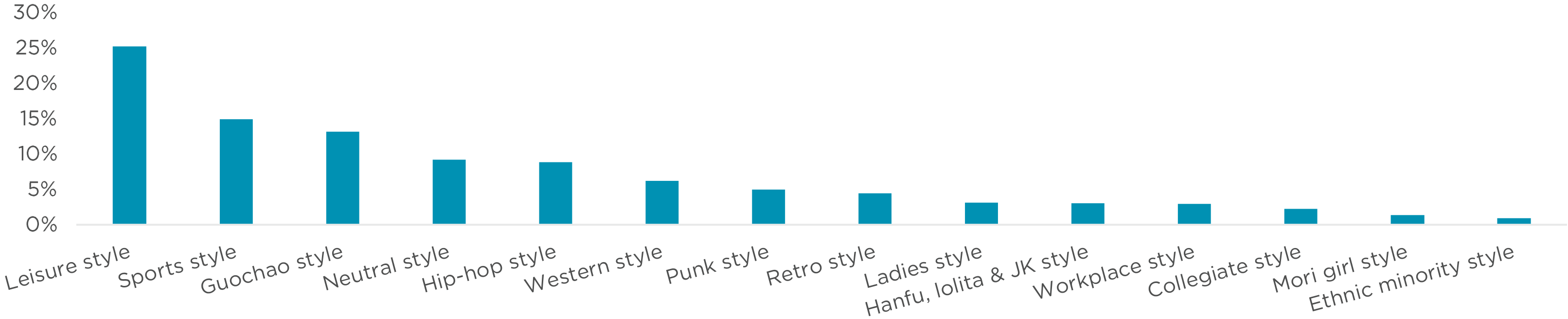
POP CULTURE-DRIVEN DEVELOPMENT

With more diversified channels for consumers in China to be exposed to pop culture, its acceptance has become more widespread. Today, a sizable proportion of the young in China can relate to some form of pop culture or another and utilize this form to further express themselves. From designer toys to pop culture clothes, from brand crossover products to the creation of art IP, pop culture goods and products in China are becoming differentiated and are seeing strong growth in terms of sales.

Today, young people in China believe that clothing is no longer a basic necessity, but a form which can be used to articulate uniqueness and self-assertion. Fashion giants such as luxury, sportswear, fashion and fast fashion brands, as well as start-up designer studios, have seized on the trend of pop culture, by setting up new brands or launching co-branded, cooperative and limited-edition products. According to Cushman & Wakefield's statistics, in 2022, 762 regional first stores related to pop culture fashion brands were opened in China's first-tier and new first-tier cities.

When choosing clothing styles, the top three styles among the young in China are leisure, sports and guochao styles (Figure 15).

Figure 15:
China – Young generation consumption preference when choosing different clothing styles
Topklout.com, Cushman & Wakefield Research



GREATER CHINA RETAIL - WHERE IT'LL BE

Demand Trends

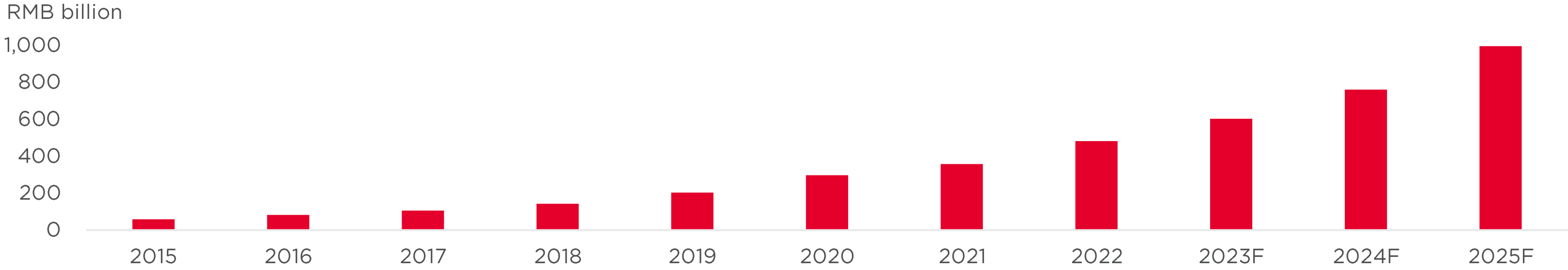
4.

POP CULTURE-DRIVEN DEVELOPMENT

With the upgrading of consumption, designer toys have become a cultural trend for the young generation in China. These products are also used by the young to express their personality and attitude towards life. The popularity of blind box products, animation-related products, non fungible tokens (NFTs) and sports event mascots has led to the rapid growth of China's designer toy economy. The market size of China's designer toy industry in 2021 exceeded RMB35 billion, and the compound annual growth rate from 2015 to 2021 has been as high as 34.08% (Figure 16).

In recent years, film, TV, short video, fashion and tourism industry enterprises and large-scale event organisers have cooperated to cultivate designer toy intellectual property (IP) and to better realise overall IP industry chain operations and multi-channel IP profit paths in China. *"Bing Dwen Dwen",* a mascot associated with the Beijing Winter Olympic Games, and *"Rong Bao",* a mascot related to the Chengdu FISU World University Games, are standout examples of how the industry has come together to produce successful designer toy products in China recently. *"Bing Dwen Dwen"* IP merchandise sales accounted for 69% of all licensed merchandise sales for the Beijing Winter Olympics. Sales of *"Bing Dwen Dwen"* plush toys reached 5.2 million as of May 2022. In the summer of 2023, *"Rong Bao" and "Bing Dwen Dwen"* continued to be popular characters on the Internet in China, which has led to more than 1,000 licensed products being launched around the *"Rong Bao"* character in particular. Additionally, by 31 July 2023, the Sichuan opera-inspired face-changing *"Rong Bao"* designer toy sold 34,000 units on TikTok's online store, with sales reaching RMB10 million.

Figure 16:
China's designer toy industry market size (2015 – 2025)
Source: Forward Industry Research, Cushman & Wakefield Research



THE EIGHT MAJOR CITIES RETAIL PROPERTY MARKET

The eight major Greater China city-level retail property markets this report covers are:

- ✓ Beijing;
- ✓ Shanghai;
- ✓ Shenzhen;
- ✓ Guangzhou;
- ✓ Chengdu;
- ✓ Hangzhou;
- ✓ Hong Kong, and;
- ✓ Taipei.

These eight markets provide a broad overview of the latest retail property supply and demand activity across the key gateway markets in the Greater China region.


SHENZHEN


CHENGDU


HONG KONG


GUANGZHOU


HANGZHOU


TAIPEI

TOP SUPPLY/DEMAND TRENDS FOR BEIJING

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Supply

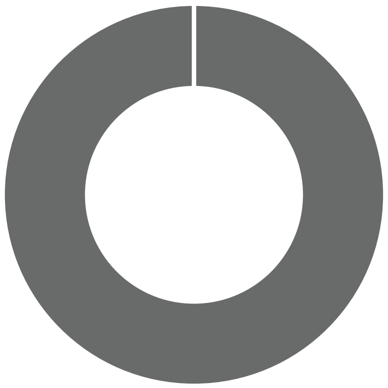
The past half a year

In H1 2023, the Beijing retail market welcomed a surge of new supply, with a total of five retail projects completed, bringing a total of 499,000 sq m of high-quality retail space to the market. The sharp increase in supply was caused by two reasons. Firstly, projects delayed by the epidemic last year are now gradually entering the market. Secondly, all the new completions are in the city's suburban areas and are large-scale in terms of size.

Upgrading and renewal are the new themes in H1 in the Beijing retail market. New completions in H1 2023 were all middle- to high-end projects built by well-known developers. For example, the DT51 shopping centre is positioned as a middle- to high-end community retail project. The project is operated by Beijing Hualian with shared brand resources and buyer teams associated with Beijing SKP. In addition, The Box Chaowai, an urban renewal project, has introduced several innovative retail and fashion brands to this submarket.

Figure 17:
Beijing prime retail property total supply – Core area / suburban area breakdown (H1 2023)

Source: Cushman & Wakefield Research



Demand

The past half a year

With the overall improvement in consumer sentiment, customer footfall in shopping centres continued to rebound in H1 2023. However, according to the Beijing total consumer goods retail sales data, consumption growth was mainly driven by the catering sector, which saw an increase of 37.3% y-o-y, while the retail sales of goods only increased by 1.9% y-o-y. Subsequently, consumer confidence and willingness to spend in Beijing has not yet fully restored.

New store openings in H1 2023 were mainly concentrated in the high-end fashion retail sector. Citywide, overall store openings were limited, but we did see a rise in high-end boutique and branded first store launches. Canadian fashion brand Manito Boutique opened in the China World Shopping Mall. Meanwhile Clarks Originals opened its first China store in Sanlitun Taikoo Li, Wangfujing Group's first global cross-border shopping experience store opened in Beijing Scitech Outlet South Zone, and Beijing's first Bad Market also entered The Box Chaowai.

Besides, several submarkets and shopping centres have recently been optimising and adjusting their tenant mix. For example, projects in the Wangfujing submarket have increased the introduction of brand first stores, flagship stores, concept stores and offline integration experience stores. Sanlitun Taikoo Li also took steps to optimise its tenant mix, with a preference for introducing more high-end brands.

Figure 18:
Beijing retail property market – Supply, absorption and vacancy (2016-Q2 2023)

Source: Cushman & Wakefield Research

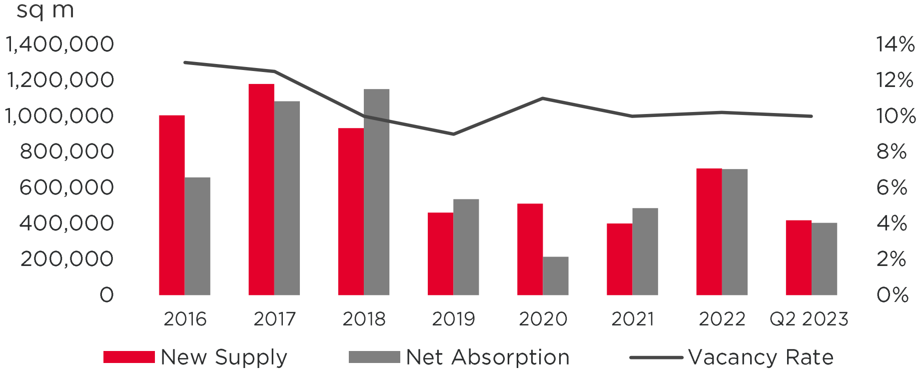


Figure 19:
Beijing retail property market – Average rental (2016-Q2 2023)

Source: Cushman & Wakefield Research

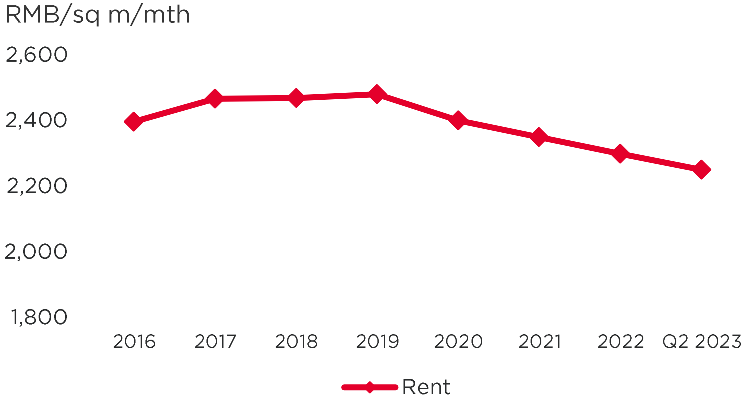


Figure 20:
Beijing retail property market statistics (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Inventory (sq m)	Vacancy Rate	Average Rental (RMB/sq m/mth)*
CBD	979,849	3.70%	800 – 2,000
Sanlitun	246,000	3.00%	800 – 2,500
Xi Dan	199,000	4.00%	1,000 – 2,000
Wangfujing	450,000	2.80%	800 – 2,000
Lufthansa	234,000	4.00%	600 – 1,500
E2R-Chaowai	242,985	3.62%	500 – 1,200
Chongwenmen-Xuanwumen	309,000	9.35%	600 – 1,000
Zhongguancun	974,000	4.20%	800 – 1,800
Other Areas	10,594,080	/	/
Beijing Totals	14,228,914	10.00%	800 – 2,000

**Data includes shopping centres only.*
**Overall average asking rental range is based on ground floor rent in prime locations in major shopping centres, excluding management, promotional and other fees; the overall average rent is the best location for the first floor of the benchmarking projects in the core submarkets.*

Demand

Fashion

Driven by the construction of an international consumer centre city, Beijing's shopping centres have continued to introduce high-end, international fashion retail brands. Due to the social distancing of the past years, the popularity of hiking, frisbee, cycling and other outdoor sports have continued to rise. Consequently, shopping centres have also begun to introduce outdoor sports-related retail brands.

EXAMPLES

High-end sports brand K Swiss entered Beijing Chaoyang Hopson One; North Face Kids, the first outdoor children's wear store in Greater China, opened in Beijing Jinyuan New Yansha Mall; Solana Lifestyle Shopping Park introduced DESCENTE, a Japanese high-end professional sports brand; The MixC (Qinghe) introduced KAILAS's first North China mountaineering experience store.

F&B

In the post-epidemic era, the frequency of people's going out for dinner has increased significantly, so the growth of food and beverage consumption has recently been strong when compared with other retail sectors. In the first half of the year, among the first stores of catering brands introduced into the market, hotpot, Japanese cuisine, pastry and bakery, coffee and tea brands continued to be active.

EXAMPLES

DT51 introduced Beijing's first Wabi & Fire Japanese restaurant; hotpot restaurant Fangzhuyuan opened its first Beijing store in Xichang'an Fun World; the first Laderach handmade chocolate store in North China opened in China World Shopping Mall; VIS ART MAIMAI opened its first China store in Chaoyang Joy City.

Entertainment

In the first half of 2023, Beijing issued relevant policies to support the development of the Nightlife Economy, including allowing major submarkets to set up street stalls. Under the stimulus of this policy, many submarkets and shopping centres have begun to actively create a favourable night consumption environment. In addition, the newly opened shopping centres are paying special attention to the creation of an immersive consumption setting.

EXAMPLES

The Solana - Liangma River international style waterfront area has attracted more and more consumers recently, and the offered cruise has been very popular; Chaoyang Hopson One continues to upgrade its "Late Night Canteen"; Chaoyang Joy City launched an all-day dining bar. In addition, Jingxi Joy City, which opened in Q2 2023, has created different kinds of immersive consumption spaces, such as Jingxi Cycling Station and Green Field Parent-Child Park.

Supply & Demand

The Outlook

The Beijing retail market is scheduled to see more than 1 million sq m of new supply in H2 2023. These projects are mostly located in suburban areas and to be built by well-known developers. By taking advantage of ample space, these projects are aiming to create more experiential and themed consumption spaces. For example, Changping Hops On is positioned as a "pan-cultural sports entertainment social commercial complex," while Lize Life No.16 is positioned as a "park-type retail project". Such new entrants will significantly uplift consumption convenience and the quality of life for surrounding communities. In addition to these incoming new entrants, existing dormant projects or older properties are and will undergo revitalisation.

As the country continues to focus on expanding domestic demand, Beijing has issued policies to attract first-store brands and issued guidelines to allow major submarkets to set up street stalls. Therefore, the development of the First Store Economy and the Nightlife Economy, together with innovative consumption themes, will be key drivers for retail market recovery and changing consumption trends in Beijing in the near future.

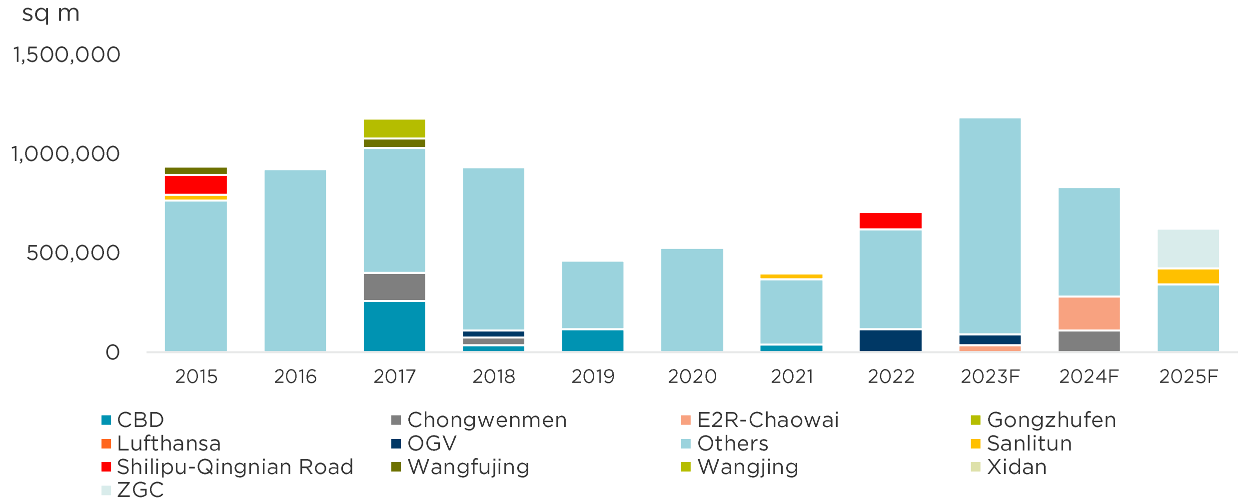
Figure 21:
Beijing retail property market – Significant projects under construction (H2 2023-2024)

Source: Cushman & Wakefield Research

Property	Submarket	Expected Opening Date	sq m
MixC One (Xibeiwang)	Other (Haidian)	2023	70,000
Dongba Wanda Plaza	Other (Chaoyang)	2023	181,800
Longfor (Beiyuan) Paradise Walk	OGV	2023	120,000
Beijing Hops On (Changing)	Other (Changing)	2023	300,000
Beijing Cinda Yitian Holiday Plaza	E2R	2024	170,000

Figure 22:
Beijing retail property market – New supply pipeline by submarkets (2015-2025)

Source: Cushman & Wakefield Research



TOP SUPPLY/DEMAND TRENDS FOR SHANGHAI

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Supply

The past half a year

According to the Shanghai Municipal Bureau of Statistics, the city's consumer goods retail sales totaled RMB937.8 billion H1 2023, increasing by 23.5% y-o-y. Strong retail market fundamentals have continued to attract interest in Shanghai's retail market from brands, investors and developers, as reflected in the launch of five new projects during H1 2023: MOHO on Nanjing West Road held its grand opening in January. Bailian ZX on Nanjing East Road is an anime, comics, games and novels (ACGN)-themed shopping centre with anchor tenants including Tamashii Nations. Xintiandi Style II, located on Huaihai Middle Road, reopened in January with 50% of its NFA being leased to first stores; Panlong Tiandi, adjacent to the Shanghai National Exhibition and Convention Centre, officially opened in April; and the Ring Live I in the Caohejing area opened in May. The new projects pushed up stock in Shanghai's overall prime retail property market to 22.1 million sq m.

Figure 23:
Shanghai prime retail property total supply – Core area / Non-core area breakdown (H1 2023)

Source: Cushman & Wakefield Research

Demand

The past half a year

Due to the relaxation of China's COVID-19 control policies and the release of the *'Action Plan of Shanghai Municipality to Boost Market Confidence, Expand Consumer Demand and Maintain Economic Growth'*, Shanghai's retail property market is recovering strongly. Shopping centre landlords are also now more optimistic regarding business prospects in the local market, and retailers are actively sourcing prime retail space in Shanghai for market penetration and expansion in 2023. By the end of Q2 2023, the overall vacancy rate in the Shanghai mid- to high-end shopping centre market fell to 9.6%, down 0.5 percentage points q-o-q. Reflecting the recovery in the retail market, this is the lowest vacancy rate recorded in the city's prime retail property market since 2022.

The F&B, fashion, lifestyle, new energy vehicle and entertainment sectors, were the primary demand generators during H1 2023. International retailers mainly focused on the core areas, while mass market and F&B brands expanded in the emerging areas. Landlords' market confidence was further reinforced by the positive retail market performance, combined with the established retail ambience in mature projects. Consequently, the average first floor asking rent in the city's overall prime retail property market rose to RMB808.0 per sq m per month, up 0.2% q-o-q. At the same time, the average first floor asking rent in core areas climbed to RMB1,891.9 per sq m per month, up 0.5% q-o-q.

Figure 24:
Shanghai retail property market – Supply, absorption and vacancy (2016-Q2 2023)

Source: Cushman & Wakefield Research

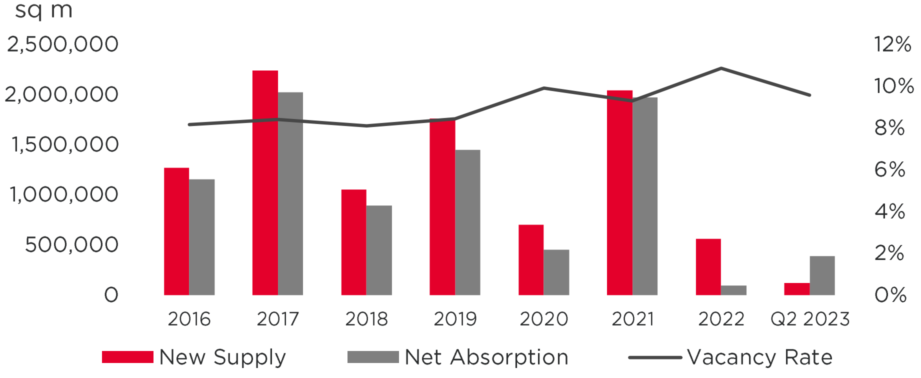


Figure 25:
Shanghai retail property market – Core areas average rental (2016-Q2 2023)

Source: Cushman & Wakefield Research

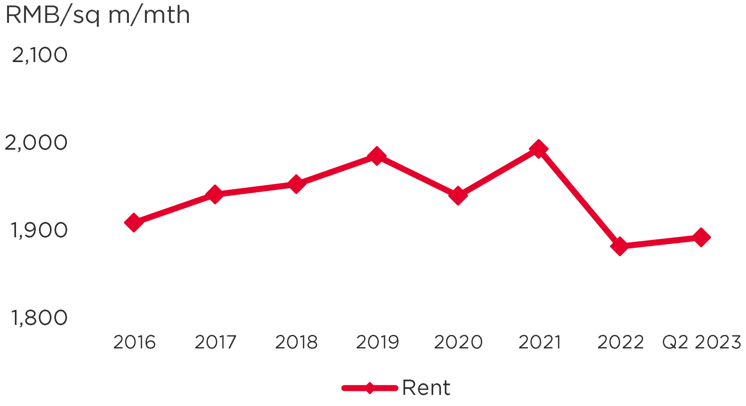


Figure 26:
Shanghai retail property market statistics (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Inventory (sq m)	Vacancy Rate	Average Rental (RMB/sq m/mth)*
Nanjing East Road	460,660	7.0%	2,167.4
Nanjing West Road	733,820	5.7%	2,307.8
Huaihai Middle Road	515,560	6.9%	1,484.7
Xujiahui	313,000	2.0%	2,243.6
Lujiazui	1,029,978	7.4%	1,504.8
Other Areas	19,054,600	10.1%	580.1
Shanghai Totals	22,107,618	9.6%	808.0

**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.*

Demand

Fashion

In the context of China's consumption upgrading, streetwear brands have become the new favourite regarding fashion consumption by the young in China. International and domestic streetwear brands have recognised this, including the robust purchasing power of the younger generation in China, as well as their keen acceptance of new things and new fashions, by opening their first stores in China. As the "fashion capital“ in China, Shanghai has become the first choice for international streetwear brands to enter China.

EXAMPLES

Korean streetwear brand Mardi Mercredi opened its first store in China in Taikoo Li; British fashion brand ALLSAINTS opened its first store in mainland China in HKRI Taikoo Hui; and the ancestor brand of the American preppy style Discus Mart opened its first store in China in Xintiandi Plaza.

F&B

After milk tea and fruit tea, new Chinese style tea is now favoured by Chinese consumers. New Chinese style tea stores are now breaking the boundaries between traditional Chinese teahouses and new style tea stores and are now meeting the diversified consumption needs of Chinese consumers. Meanwhile, the new Chinese style tea brands have also innovated in terms of new flavours and the health aspects associated with the beverage, which is in line with the health-conscious consumers of today.

EXAMPLES

In June, Chagee's flagship stores in Shanghai, the flagship store at Shanghai Yuexing Global Harbour and the flagship store at Metro City were unveiled on the same day. Moreover, the "TEA BAR" concept space of Chagee has also made its public debut for the first time.

Entertainment

With the continuous emergence of new technologies, China's digital entertainment industry has entered a golden period of rapid development. As one of the most influential annual events in the global digital entertainment calendar, the 20th ChinaJoy event was held in the Shanghai New International Expo Centre in July. Retailers, shopping centre landlords, and digital entertainment companies collaborated at the event with the goal being to create a new model for brand marketing in China.

EXAMPLES

Wanda Plaza is expected to cooperate with ChinaJoy to jointly create an immersive experience activity in Wanda’s shopping centres that has a "touch, feel, and interact" quality about it throughout 2023; the well-known online game Legend World is expected to cooperate with Yuyuan Tourist Mart to let online visitors and players experience immersive Chinese culture on ChinaJoy.

Supply & Demand

The Outlook

Looking ahead, retail sales of consumer goods are expected to show a strong upward trend in 2023 as Shanghai residents' per capita income continues to rise and as the local government continues to support the consumer market. To capitalise on the opportunities in Shanghai's expanding consumer market, more overseas and domestic retailers, ranging from fashion to F&B brands, are planning to enter or further penetrate the retail market with ambitious business expansion plans. Thus, the overall vacancy rate is expected to fall within a reasonable range in 2023.

Given the large volume of new supply expected to launch over the next three years, landlords of several existing shopping centres are expected to renovate their projects or adjust their brand mix to meet the fast-changing consumer demand. Along with the debut of some mid- to high-end shopping centres, emerging areas are gradually maturing in Shanghai's retail market. Additionally, the surrounding five new towns should gain in popularity in the market and emerge as important retail submarkets in their own right in the future.

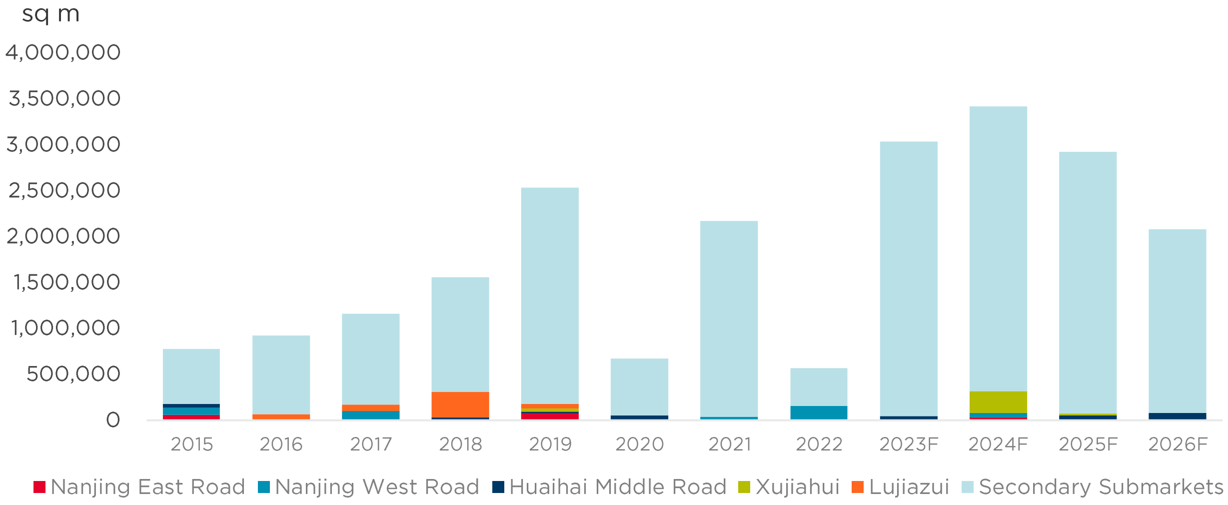
Figure 27:
Shanghai retail property market – Significant projects under construction (H2 2023-2024)

Source: Cushman & Wakefield Research

Property	Submarket	Expected Opening Date	sq m
Shangxianfang	Huaihai Middle Road	2023	40,000
Dream Gala	Others (Minhang)	2023	82,000
ITC Phase II	Xujiahui	2024	231,417
Landmark	Nanjing East Road	2024	31,000
CPIC Xintiandi	Huaihai Middle Road	2024	83,000

Figure 28:
Shanghai retail property market – New supply pipeline by submarkets (2015-2026)

Source: Cushman & Wakefield Research



TOP SUPPLY/DEMAND TRENDS FOR SHENZHEN

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Supply

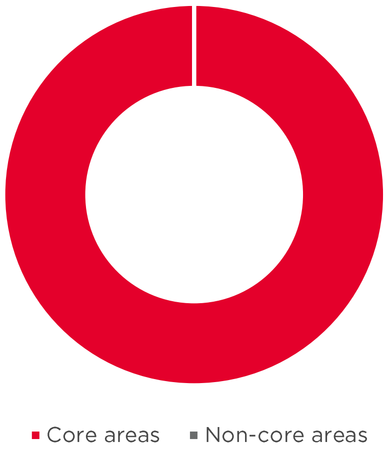
The past half a year

The opening of the Rail In project in the Shenzhen Bay Super Headquarters Base and Shenzhen MixC Phase III brought a combined 113,000 sq m of new supply in H1. This pushed Shenzhen's total prime retail stock to 6.4 million sq m. Meanwhile, leasing demand in the retail market is still recovering. Consequently, the citywide vacancy rate registered 9.0% at the end of Q2, a drop of 1.4 percentage points on the half year.

The Futian submarket saw the steepest drop in vacancy at 4.6 percentage points from the end of 2022, largely due to improved occupancy in Futian CBD projects with metro station connections. Support also came from the return of Hong Kong visitors looking to dine and shop since the border reopened. In Nanshan, competitive pressures arising from the new supply in recent years spurred rising vacancy. In Bao'an, robust performance at benchmark projects helped vacancy to remain at a 3.7% low.

Figure 29:
Shenzhen prime retail property total supply – Core area / Non-core area breakdown (H1 2023)

Source: Cushman & Wakefield Research



Demand

The past half a year

Official data shows that citywide total consumer goods retail sales reached RMB500 billion in the first half of the year, up 11.5% y-o-y. By sector, growth in food services revenue was at 16.6%. Reflecting this, the F&B sector took up a 48.0% share of total new store openings by number, with new entrants to the city playing a key role. Retailing stores took a 38.1% share, with the main contributions coming from women's clothing, sportswear, and digital electronics stores.

Daily customer footfall at city level shopping centres and regional shopping centres surged 68.0% and 46.8% y-o-y, respectively for the first four months of 2023. Yet, consumer sentiment remains conservative. At the same time, the behaviour shift to online shopping continues to bring challenges to bricks-and-mortar stores. However, most landlords hold an optimistic attitude for the future market and prime space rental levels remained firm. Subsequently, the citywide average rental level remained solid at RMB809.4 per sq m per month for Q2.

Figure 30:
Shenzhen retail property market – Supply, absorption and vacancy (2016-Q2 2023)

Source: Cushman & Wakefield Research

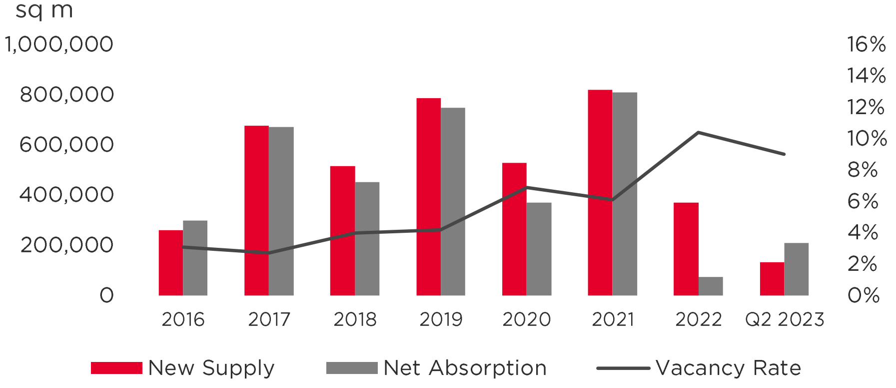


Figure 31:
Shenzhen retail property market – Average rental (2016-Q2 2023)

Source: Cushman & Wakefield Research

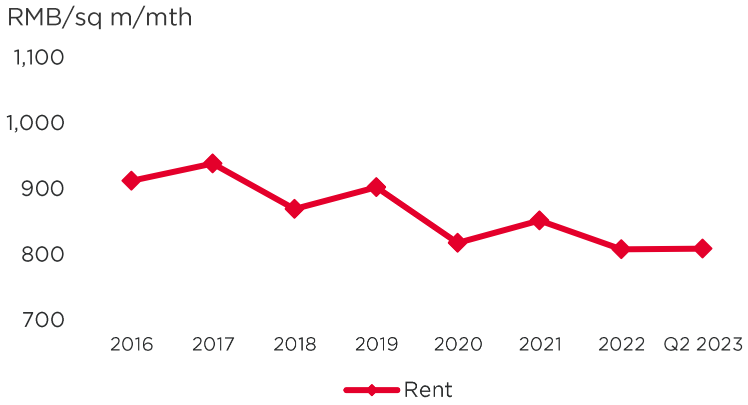


Figure 32:
Shenzhen retail property market statistics (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Inventory (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Luohu	683,829	6.5%	1,146.43
Futian	1,348,000	10.7%	960.77
Nanshan	1,740,583	13.9%	757.50
Longgang	807,000	7.3%	588.33
Bao'an	950,000	3.7%	848.33
Longhua	640,000	6.2%	412.50
Guangming	250,000	6.6%	400.00
Shenzhen Totals	6,419,412	9.0%	809.35

**Rentals are calculated by NLA and considered as consistently achievable for prime space in prime shopping centres, excluding management fee, promotional fee and other fees.*

Demand

Fashion

Luxury brands continued expanding at The MixC to offer enhanced customer experiences and display areas; designer brands enriched projects; the jewellery sector was stable and was spurred by customer attitude to it risk resistant goods.

EXAMPLES

Burberry, Loro Piana, Acne Studios expanded space and reopened in The MixC. UpperHills welcomed Galeries Lafayette's first store in Southern China. Designer brand ForPoem offline store and MICartsy opened in Houhai Harbour. Chow Tai Fook launched at Uniwalk.

F&B

Social activities in the city rebounded following the lifting of pandemic restrictions, with demand for F&B most active. Restaurants are putting greater effort into furthering the dining ambience and enhancing the customer experience. Beverage brands also expanded during the summer holiday period.

EXAMPLES

The MixC World shopping centre welcomed several restaurant brands under the Yong Fu Group. Southland expanded to Uniwalk, while Yun Shan Seasons opened at several locations across the city. New beverage entrants expanded in the city as well, including JO's Cha, Chagee and More Yogurt.

Entertainment

Shopping centres in the city are increasingly making their space work harder in attracting footfall. Space set aside for exhibitions and experience are being added to the mix. For example, the indoor sports experience and training are growing in popularity and space assigned to these activities is driving one-stop family consumption in shopping centres.

EXAMPLES

The Rail In project introduced three theme exhibitions including Proud of Shenzhen, Infinite and Super Protagonist. Meanwhile, Huang Yulong solo exhibition Outsider was held in PAFC, Banana Climbing expanded to Link CentralWalk, and PartyDay sports centre opened in Wanda Plaza.

Supply & Demand

The Outlook

Through to 2024, Shenzhen is expected to add 1.1 million sq m of new supply, with a 46.6% share of the area slated to launch in the core submarkets and 53.4% in the emerging submarkets. It is believed that pre-leasing projects may face challenges in take-up, given that the new energy vehicles sector has slowed its pace after several waves of expansion, and make-up collection store and toy store expansion — supported by venture capital — is now subsiding. Nonetheless, some F&B brands are still expanding in the emerging submarkets, albeit with a more cautious attitude.

The city has set a 7.0% retail growth target for 2023, aiming to develop a consumption centre bolstered by shopping promotions, new brand and first store attraction, and events sector expansion. As a key step towards the objective of developing Shenzhen into an international shopping destination, the first batch of commercial areas and night-time economy demonstration zones have been unveiled. The former includes the Futian CBD, Bao'an Center and Houhai submarkets, while the latter includes the street blocks of OCT Harbour and Shum Yip UpperHills. Lastly, it is worth mentioning that, supported by the improvement in rail connections, cross-border consumption has and will also contribute to increased sales in Shenzhen's retail market.

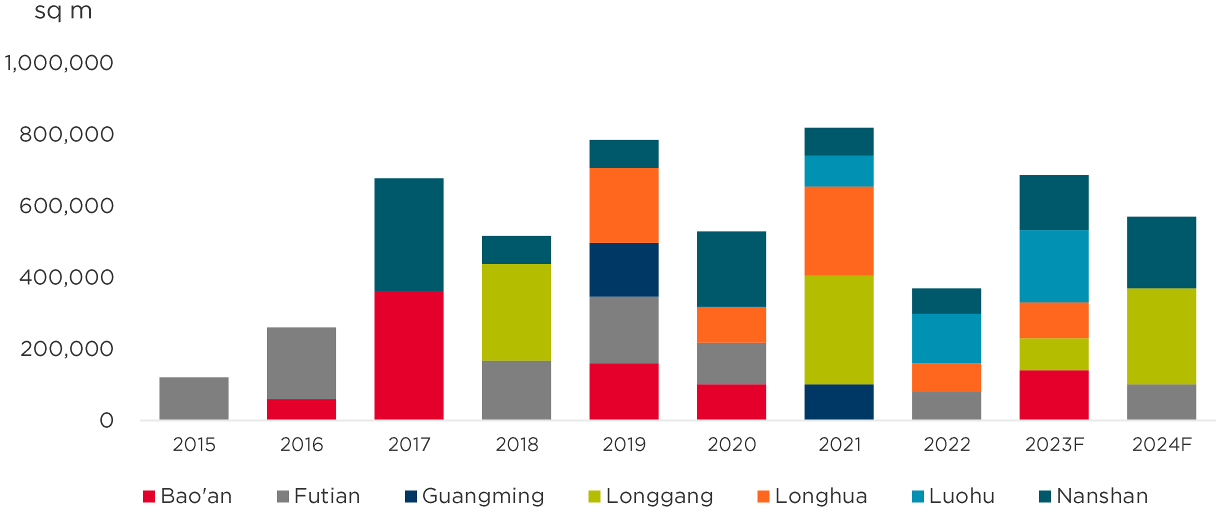
Figure 33:
Shenzhen retail property market – Significant projects under construction (H2 2023-2024)

Source: Cushman & Wakefield Research

Property	Submarket	Expected Opening Date	sq m
KK Time	Luohu	2023	100,000
Uniway	Nanshan	2023	80,000
Vanke Mall (Bantian)	Longgang	2024	150,000
Galaxy WORLD COCO Park Phase II	Longgang	2024	120,000

Figure 34:
Shenzhen retail property market – New supply pipeline by submarkets (2015-2024)

Source: Cushman & Wakefield Research



TOP SUPPLY/DEMAND TRENDS FOR GUANGZHOU

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Supply

"

The past half a year

Over the past six months, Guangzhou's economy steadily recovered. In H1 2023 the city's GDP increased 4.7% y-o-y, and total retail sales of consumer goods increased by 8.7% y-o-y. Compared with last year, footfall and consumer demand in several business districts rebounded significantly.

The Spring Festival and May Day holidays stimulated consumer activity. During the Spring Festival period, footfall in the Beijing Road commercial area increased by 36.7% y-o-y, while average daily footfall in the Tianhe Road commercial area rose by 21% compared with the New Year's Day holiday. What's more, the city's hospitality and catering sales exceeded RMB4 billion, growing 31% y-o-y to surpass the level seen in the same period in 2019. Of note, the city's key retail enterprises achieved 64.9% y-o-y sales growth during the May holiday period.

The full restoration of the Canton Fair exhibition aided recovery in the hospitality, catering, and related industries. As of June 2023, the retail sales of Guangzhou's accommodation and catering industry increased by 24.0% y-o-y, a significant increase of 25.0 percentage points compared to the same period last year.

Despite signs of a pickup in consumer activity, the retail property market is still taking some time to fully recover. Over the past six months, there has been no new supply in Guangzhou's prime retail market. The stock has remained at 5.0 million sq m. Some shopping centres have postponed their opening time to the second half of 2023 in order to extend the preparation period for their grand opening.

Demand

The past half a year

The catering industry, which was previously heavily affected by the pandemic, became the largest source of occupier demand in H1 2023, accounting for more than half of new openings/pending openings. The willingness to pursue business expansion has grown stronger for some chain brands in the first half of this year. For example, the tea drink brand Ningji entered Guangzhou earlier this year and has opened over 50 stores across the city so far. Additionally, the Hunan cuisine brand Chef Fei opened it's first store in Guangzhou at Zhengjia Square.

Compared with the end of last year, the occupancy rate for most shopping centres has increased. Subsequently, after a high at the end of last year the strong recovery in brand expansion pulled down the citywide vacancy rate to 7.0%.

However, despite renewed optimism in the consumer market, brands remain concerned about cost control. In response, some landlords have trimmed rents to maintain occupancy rates or expanded rent-free periods and other concessions. The citywide rental level consequently dipped 3.3% y-o-y to RMB750.3 per sq m per month. Prime shopping centres in core areas continue to introduce new brands by means of their superior location and mature operational ability. As a result, rental levels at these projects were firm, which supported the stability of the city's overall rent level in the first half of the year.

Figure 35:
Guangzhou retail property market – Supply, absorption and vacancy (2016-Q2 2023)

Source: Cushman & Wakefield Research

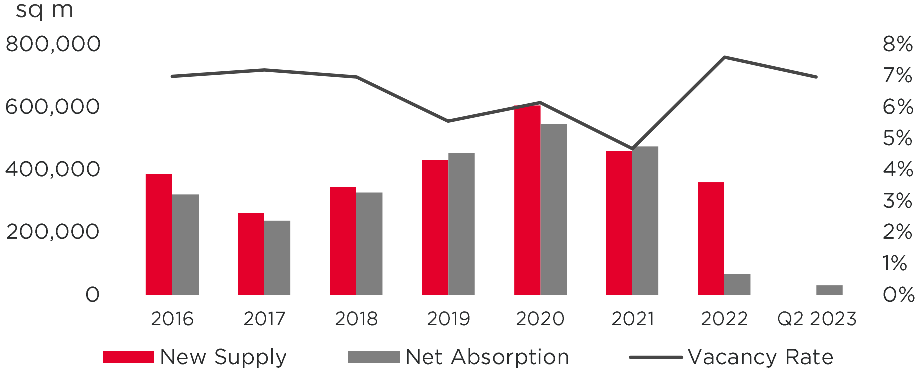


Figure 36:
Guangzhou retail property market – Average rental (2016-Q2 2023)

Source: Cushman & Wakefield Research

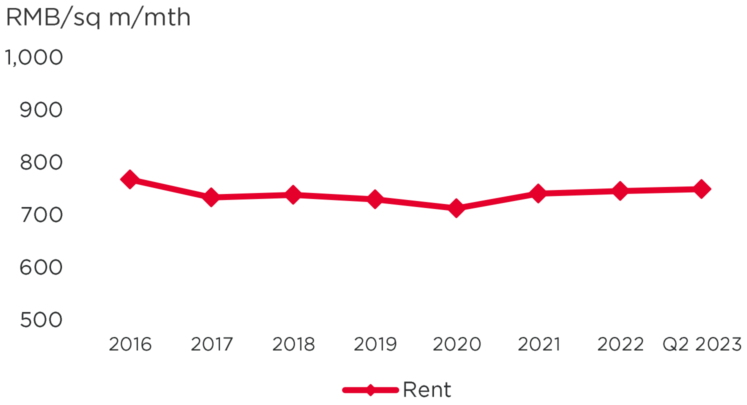


Figure 37:
Guangzhou retail property market statistics (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Inventory (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Sports Centre	867,800	0.9%	1,872.5
Zhujiang New Town	564,359	11.3%	804.5
Yuexiu	347,200	5.6%	985.0
Baiyun	738,300	8.1%	472.3
Haizhu	309,000	1.8%	595.0
Liwan	405,900	4.9%	550.0
Panyu	563,225	4.9%	439.2
Other Areas	1,217,302	11.9%	300.4
Guangzhou Totals	5,013,086	7.0%	750.3

**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.*

Demand

Fashion

Demand for retail goods has diverged in the past six months. Demand for high-quality products, such as cosmetics and jewellery, continues to grow. Reflecting this, retail sales in the cosmetics and jewellery sectors climbed by 14.7% and 5.3% y-o-y, respectively during H1 of 2023. Aside from this, higher operational pressures have seen some other retail brands surrender leases.

EXAMPLES

The Sports Center business district welcomed a number of first stores to Guangzhou, such as watch brand Lola Rose, French designer jewellery brand Djula, and fragrance brand Diptyque, etc.

F&B

Hanging out and socialising with friends have become a driving force for the recovery of F&B consumption. Subsequently, the hotpot and Cantonese cuisine categories were most active during H1 2023. At the same time, healthy eating has gradually become popular with the younger generation and this popularity has boosted casual dining that has an emphasis on healthy cuisine.

EXAMPLES

Song hotpot entered Haizhu Wanda and Pazhou Poly Mall while Xiao Liyuan entered R&F Icon and Pazhou Poly Mall. Meanwhile, the yogurt brand Blueglass opened its first Guangzhou store in OneLink Walk.

Entertainment

Compared with last year, leasing demand from the entertainment industry has picked up. In addition to the traditional sectors such as KTV, movie theatres and gyms, experiential entertainment venues such as live houses and parent-child entertainment have emerged and have taken up prime retail space. In addition, some shopping centres have held themed activities around the community to meet the entertainment needs of different customer groups.

EXAMPLES

The KTV brand Xingjuhui has opened new stores in AMall, GT Land Plaza, and Grandview Plaza, respectively. Parc Central has created a pet park in their outdoor garden, and jointly held pet activities with tenant brand Lululemon.

Supply & Demand

The Outlook

Given the recovery in consumption, shopping centre development is again gradually advancing. The city is expected to see 679,000 sq m of new supply in the next half year, with this supply distributed in Nansha, Liwan, Huangpu and other submarkets. Some shopping centre brands have entered the Guangzhou market for the first time, including COCO Park, UniPark and Joy City. The concentrated entry of prime shopping centres will further pressurize current retail market operations, but the new entrants will also promote the high-quality development of Guangzhou's future retail market business. On the demand side, although the market supply has increased, the leasable space in the core area is still limited.

As for policies and plans, the *'Guangzhou Development Plan as an International Consumption Centre'* was recently issued, and the *'Guangzhou Key Commercial Functional Zone Development Plan'* has also been approved. This means that ahead, Guangzhou will accelerate the construction of a multi-level retail business system which will be led by a "5+2+4" retail landscape guidance plan which is expected to produce a differentiated consumption environment.

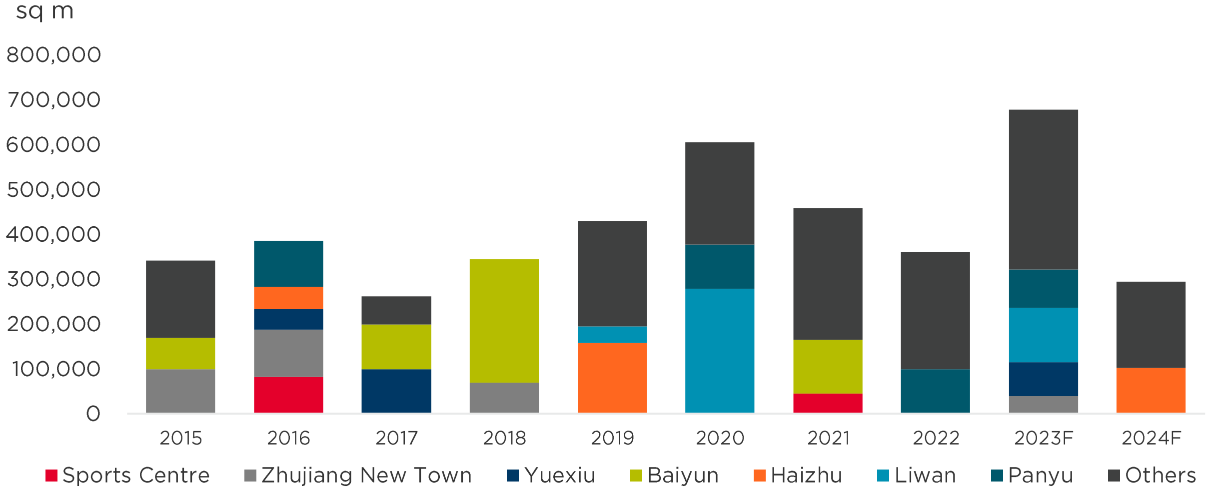
Figure 38:
Guangzhou retail property market – Significant projects under construction (H2 2023-2024)

Source: Cushman & Wakefield Research

Property	Submarket	Expected Opening Date	sq m
Huangpu Joy City	Others	2023	60,000
Lumina Guangzhou	Yuexiu	2023	76,000
COCO Park	Others	2023	97,000
Nansha UniPark	Others	2023	100,000
Canton Tower Square	Haizhu	2024	57,000

Figure 39:
Guangzhou retail property market – New supply pipeline by submarkets (2015-2024)

Source: Cushman & Wakefield Research



TOP SUPPLY/DEMAND TRENDS FOR CHENGDU

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Supply

“

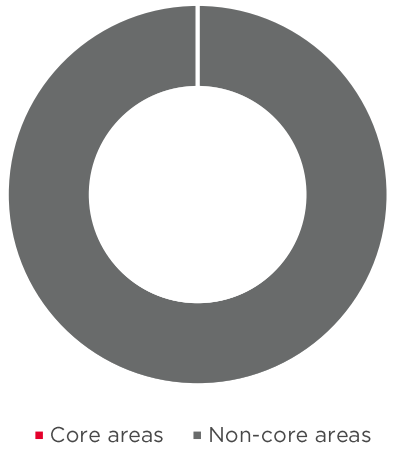
The past half a year

Even during the pandemic, a large number of developers chose to open for business. From 2020 to 2022, more than 1.34 million sq m of high-quality retail properties opened, of which approximately 640,000 sq m opened in 2022 alone, including high-quality projects such as SKP and China Merchants Garden City.

In H1 2023, the entrance of Joyous Time into the market brought about 200,000 sq m of new supply. With the entrance of Tianfu Joy-City and Tianfu Merchants Garden City into the market in H2 2023, the Tianfu New Area business centre is set to emerge. In the future, it is expected that the pace of new supply in Chengdu will slow down in the short term, with new projects primarily focusing on small community commerce or new types of commercial spaces, such as Citang Street Art Community and Luxelakes Tianfu Gourmet Island.

Figure 40:
Chengdu prime retail property total supply – Core area / Non-core area breakdown (H1 2023)

Source: Cushman & Wakefield Research



Demand

The past half a year

The dispersal of the pandemic gloom and various supportive measures from the government are positively promoting the increase in activity in Chengdu's retail market. According to data, during the May Day holiday period, Chengdu's catering consumption boomed, with the daily business revenue of 30 selected restaurants averaging RMB3.42 million, an increase of 129% y-o-y, and basically reaching the same level as the same period in 2019. Thanks to the market return to normality, the vacancy rate has decreased for two consecutive quarters. In Q2 2023, the vacancy rate fell to 6.18%, a y-o-y decrease of 0.68 percentage points. Meanwhile, competitive rents at the new arrival projects prompted the citywide average rental level to drop 0.59% q-o-q to RMB611.21 per sq m per month.

The "flagship store economy" has been a significant driving force behind Chengdu's recent commercial expansion. According to statistics, about 2,700 flagship stores have settled in Chengdu, ranking the city third nationally. To maintain this momentum, Chengdu introduced the *"Notice on Several Policy Measures to Enhance Development Resilience and Stabilise Economic Growth"*. This policy specifically supports the development of flagship stores within the city, and encourages the establishment of global, mainland China, southwestern, and Chengdu-based first stores. It promises a merit-based reward of RMB200,000 each for the top 20 stores. Driven by these supportive policies, Chengdu's flagship store economy is poised to continue to bolster the development of the city's retail market.

Figure 41:
Chengdu retail property market – Supply, absorption and vacancy (2016-Q2 2023)

Source: Cushman & Wakefield Research

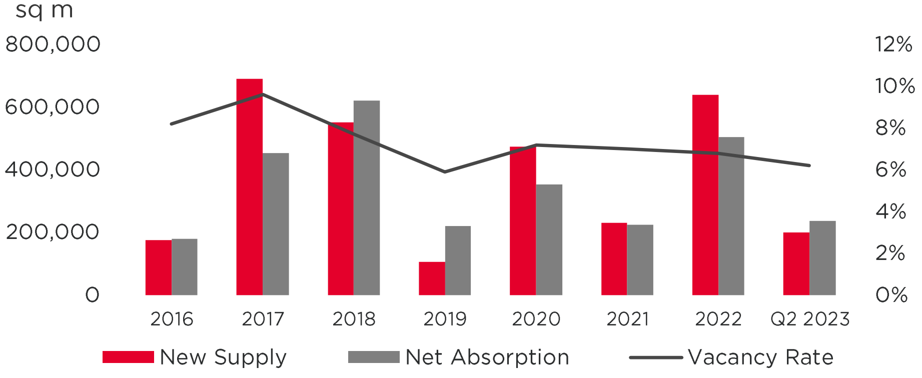


Figure 42:
Chengdu retail property market – Average rental (2016-Q2 2023)

Source: Cushman & Wakefield Research

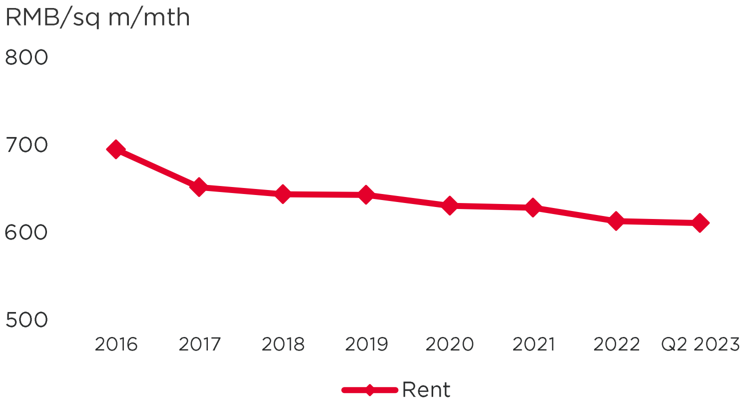


Figure 43:
Chengdu retail property market statistics (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Inventory (sq m)	Vacancy Rate	Overall Average Rental (RMB/sq m/mth)*
Chunyan Business Centre	1,191,556	8.58%	1,369.44
Shuangnan-Zijing	663,000	11.10%	554.00
Guanghua-Jinsha	306,171	1.65%	433.33
Jianshe Road	820,700	8.48%	385.74
Panchenggang	592,239	2.82%	827.08
Xinnan Tiandi	281,773	2.02%	756.67
Jiaozi Business Centre	1,506,400	5.97%	515.83
Da Yuan	466,000	5.74%	355.00
North of the City	958,300	5.57%	451.19
East of the City	235,000	0.98%	383.33
Other Areas	958,784	5.00%	452.59
Chengdu Totals	7,979,923	6.18%	611.21

**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.*

Demand

Fashion

Bricks-and-mortar retail is no longer limited to traditional shopping. Whether through store refurbishment to attract consumer attention or innovative traffic generation and operational models, such strategies have become essential to the success of brands in the Chengdu marketplace. Take the example of BASEMENT FG, a streetwear brand that opened a store in The Atrium earlier this year. Its minimalist, personalised decoration, lower prices, and quick inventory turnover has hit the sweet spot in terms of current young consumer demand. Furthermore, by leveraging popular celebrities and influencer shop assistants to draw crowds, the store managed to attract a plethora of young people to visit and check in, or to follow their stars. This effectively transformed online traffic into real-world economic activity.

EXAMPLES

BASEMENT FG opened in The Atrium. In addition, Cosmo, a hub for fashion trends, has introduced around 40 chic brands, such as 24ans and Le Specs, among others.

F&B

With the easing of the pandemic in 2023, the restaurant industry in Chengdu saw a surge in activity. In H1 2023, the sector achieved revenues of RMB95.12 billion, a y-o-y increase of 20.8%. In this new era of consumerism, brands are going all out to expand their product lines and innovate their offline environment to significantly enhance their appeal to customers. For instance, Quanjude, leveraging on the three key aspects of "product, service, and environment," launched its innovative upgrade of its core outlets.

EXAMPLES

Shuyan Fu created an immersive dinner show concept, providing a panoramic experience of Han culture through its themed dining performances. Meanwhile, Guoguojiu Conglin Hotpot is another F&B brand innovating in the dining scene in Chengdu recently.

Entertainment

The hosting of the Universiade is sure to boost Chengdu's sports consumption, with sports brands and venues expected to enter a period of growth. Some shopping centres have already started creating new sports scenes by utilising commercial public spaces, such as a basketball court created by The MixC, and the "first urban cycling transfer station" built by CapitaMall Xinnan. According to plans for 2023, Chengdu will create 50 new sports consumption scenarios.

EXAMPLES

Sino-Ocean Taikoo Li, Chengdu has attracted many flagship stores related to niche or outdoor sports brands, such as the ARC'TERYX centre, the first HONMA urban centre store in the country, and the latest standalone concept store of STONE ISLAND.

Supply & Demand

The Outlook

After the influx of new projects in 2022, the estimated future supply volume for high-quality retail properties in Chengdu is limited. A number of these new projects have a focus on catering to their surrounding residential community. Looking at the statistics, the majority of the future supply will be concentrated in the Tianfu New Area, which includes projects such as Tianfu Joy-City and Tianfu Merchants Garden City.

In July 2023, the People's Government of Sichuan Province issued a proposal to support Chengdu in accelerating its development into an international consumer city. According to the proposal, by 2027, Chengdu plans to establish two world-class business districts, and three city-level business districts with national significance. At that time, Chengdu's commercial capacity is expected to be further boosted. In addition, the focus of Chengdu's commercial development will also include the creation of new retail environments that are international on the one hand but at the same time, feature the likes of Tianfu culture, and promote community-oriented businesses that preserve the city's local charm and everyday life atmosphere.

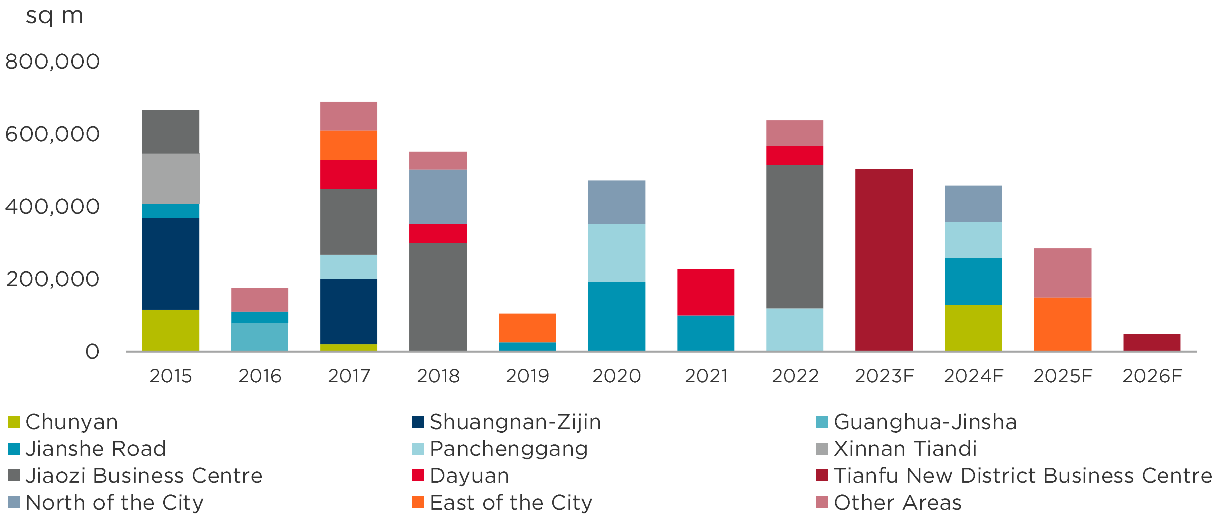
Figure 44:
Chengdu retail property market – Significant projects under construction (H2 2023-2025)

Source: Cushman & Wakefield Research

Property	Submarket	Expected Opening Date	sq m
Tianfu Joy City	Tianfu New Area Business Centre	2023	144,000
Tianfu Merchants Garden City	Tianfu New Area Business Centre	2023	160,000
Chengdu Guanghuan Shopping Center	Panchenggang	2024	100,000
Jinniu Joy City	The North Of City	2024	100,000
Chengdu MixC World	Others	2025	136,000

Figure 45:
Chengdu retail property market – New supply pipeline by submarkets (2015-2026)

Source: Cushman & Wakefield Research



TOP SUPPLY/DEMAND TRENDS FOR HANGZHOU

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Supply

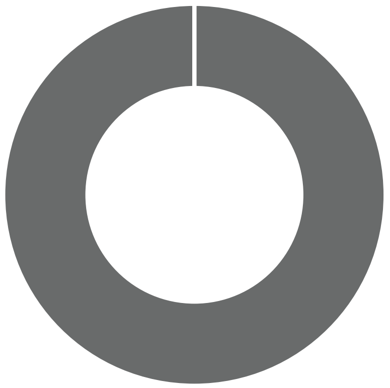
The past half a year

Since the beginning of this year, the Hangzhou government has systematically promoted the "8+4" policy system and implemented a package of stable growth measures to ensure an economic turnaround. Thanks to this, the city's consumer market continued to pick up and the city's economic vitality was enhanced in H1 2023.

The continuously optimised business environment has promoted vitality in the market. During H1 2023, two commercial projects, with a combined 305,000 sq m of new retail space, opened in Hangzhou. Among them, Guofang Paradise Walk is the eighth project in Hangzhou that Longfor has brought to the market, and the second asset-light project it has introduced to Hangzhou after Wujiao Paradise Walk. Meanwhile, the stock of retail properties has continued to create strong retail content drivers through brand enrichment, operational innovation and enhanced shopping experience, to strengthen competitive advantage.

Figure 46:
Hangzhou prime retail property total supply – Core area / Non-core area breakdown (H1 2023)

Source: Cushman & Wakefield Research



Demand

The past half a year

The macro data indicates that Hangzhou's consumer market has steadily improved. Hangzhou Statistics Bureau data shows that, in H1 2023, citywide total retail sales of consumer goods reached RMB372.5 billion, up by 8.7% y-o-y. This was an increase of 5.5 percentage points when compared to the first quarter, and 0.5 percentage point higher than the national average growth rate. By consumption type, the retail sales of goods increased by 6.9% y-o-y, and catering revenue grew by 18.0% y-o-y.

From the perspective of brand trends, influenced by the improvement of national self-confidence, the transformation and upgrading of the manufacturing industry, the promotion of social media platforms and the iteration of mainstream consumer groups, Chinese brands are taking advantage of China-Chic culture and rising strongly. In the future, relying on digital technology to empower the new ecology of consumption will be the main driving force for the development of a new round of national brands.

In addition, with the approaching of the 19th Asian Games in Hangzhou, the popularity of the concept of national fitness, coupled with the promotion of the *"Prosperous Night Economy"* policy, the sports night economy is becoming a new competition track in the field of retail consumption in Hangzhou. Moreover, the innovative integration of sports and leisure with shopping, catering, culture, and entertainment has provided an extra boost to consumption in Hangzhou.

Figure 47:
Hangzhou retail property market – Supply, absorption and occupancy (2016-Q2 2023)

Source: Cushman & Wakefield Research

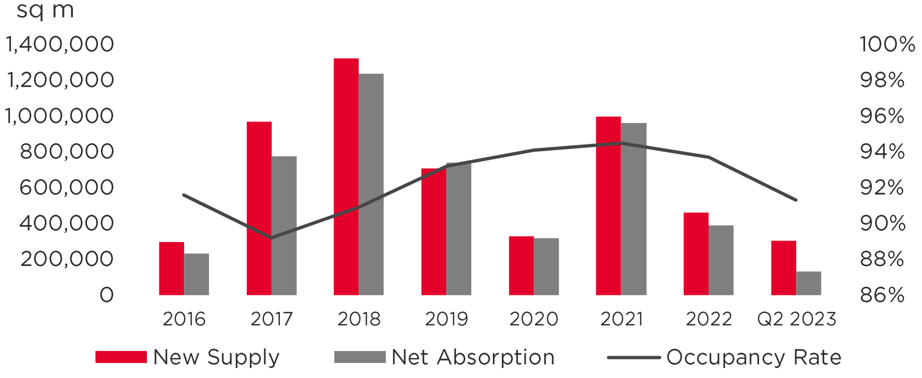


Figure 48:
Hangzhou retail property market – Average rental (2016-Q2 2023)

Source: Cushman & Wakefield Research

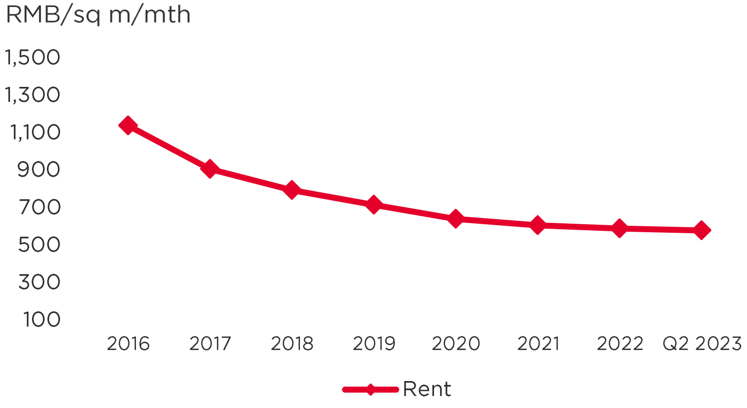


Figure 49:
Hangzhou retail property market statistics (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Inventory (sq m)	Vacant (sq m)	Vacancy Rate	Average Rental (RMB/sq m/mth)*
Wulin	398,930	9,973	2.5%	800 – 1,500
Hubin	574,400	31,592	5.5%	700 – 1,500
Wushan	176,000	17,072	9.7%	500 – 1,000
Qingchun	193,000	7,141	3.7%	600 – 800
Qianjiang New City	513,000	18,468	3.6%	600 – 1,000
Hangzhou Totals	6,189,070	538,449	8.7%	600 – 1,000

**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.*

Demand

Fashion

Sportswear brands actively expanded their stores. In the post pandemic era, with the rise of the national fitness wave, demand for diversified sports goods and items is in part driving a new consumption boom. Many sports brands are now taking advantage of this market opportunity to break through with emerging brands accelerating their business expansion and mainstream brands continuing to innovate and upgrade their product design, product functionality, store image and marketing channels. Many brands are also energetically expanding their offline stores to further market share.

<u>EXAMPLES</u>

Li Ning Group's new senior sports fashion brand, Li-Ning 1990, opened its first store in Zhejiang in Wulin Intime. A professional children's sportswear brand, Swift, opened its first store in China in Xiaoshan MixC.

F&B

Creative themed restaurants continued to be popular. Due to the integrated nature of catering, entertainment, education and socialising, creative themed restaurants are becoming a highly sought after retail concept for shopping centres to pursue. Moreover, since consumer demand for products and services has become more sophisticated, creative themed restaurants continued to enhance market competitiveness by upgrading specialty dishes, enriching experiences, and integrating diverse commercial formats.

<u>EXAMPLES</u>

Papua Restaurant opened its first store in China in Zhongda Intime. Peppa Pig Happy Restaurant’s first store in China leased space in Binjiang Intime.

Entertainment

Parent-child entertainment brands continued to enjoy demand for their products and services. With the implementation of the three-child policy, parent-child goods and services consumption potential continues to expand in Hangzhou. To efficiently link target consumer groups, parent-child entertainment brands are exploring the idea of providing highly immersive, interactive, and interesting innovative spaces in the city for general family consumption activity.

<u>EXAMPLES</u>

The new sports-themed park brand, AP Funll, opened its first store in Hangzhou in Longfor Wujiao Paradise Walk. China-Chic indoor sports brand, Bombom Space’s first store in Hangzhou landed in Joy City.

Supply & Demand

The Outlook

On March 24, the *"Notice on Further Promoting the Work Related to the Normalised Issuance of Real Estate Investment Trusts (REITs) in the Infrastructure Field"* and the *"Notice on Standardising and Efficiently Completing the Application and Recommendation Work of Real Estate Investment Trusts (REITs) Projects in the Infrastructure Field"* were released. On many levels, these policies should add extra vitality to Hangzhou's retail market in the future. Moreover, in July, the Ministry of Commerce, the Securities Regulatory Commission, and the National Development and Reform Commission successively introduced further multiple favourable policies centred on consumer infrastructure REITs.

Acting as a significant measure to implement the strategy of expanding domestic demand, the normalised issuance of consumer infrastructure REITs in the future will help to expand the investment scale of high-quality commercial retail real estate in Hangzhou. Furthermore, it will stimulate the revitalisation of Hangzhou's high-quality commercial retail stock assets and promote the general transformation of the retail industry in the city.

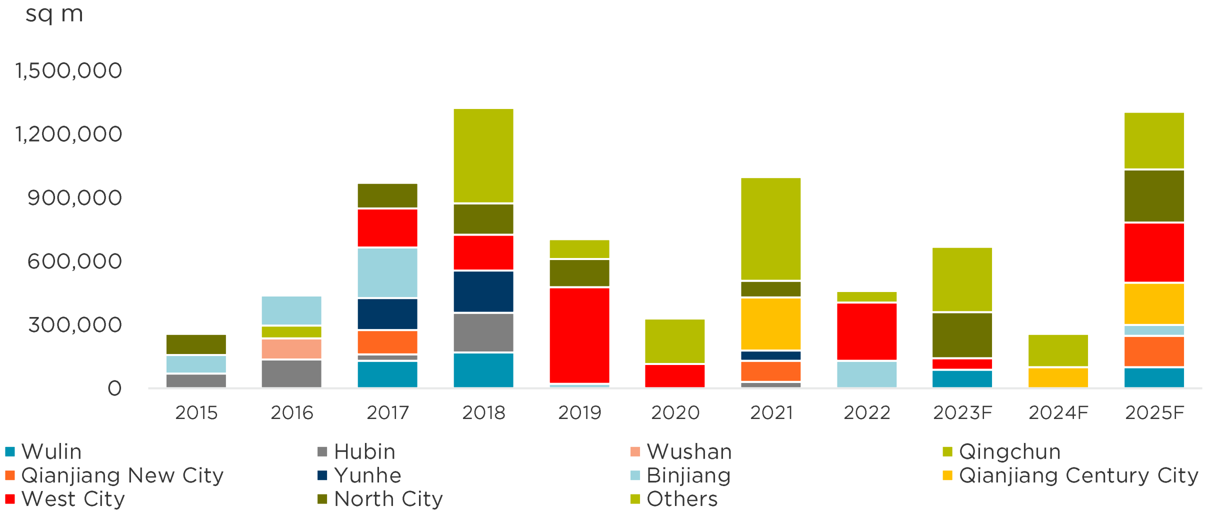
Figure 50:
Hangzhou retail property market – Significant projects under construction (H2 2023)

Source: Cushman & Wakefield Research

Property	Submarket	Expected Opening Date	sq m
The MixC	Wulin	2023	90,000
Tengji Center	West City	2023	53,000
Powerlong City Plaza	North City	2023	65,000
China Resources Project	North City	2023	152,000
Intime City	Others	2023	170,000

Figure 51:
Hangzhou retail property market – New supply pipeline by submarkets (2015-2025)

Source: Cushman & Wakefield Research



TOP SUPPLY/DEMAND TRENDS FOR HONG KONG

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Market Overview

"

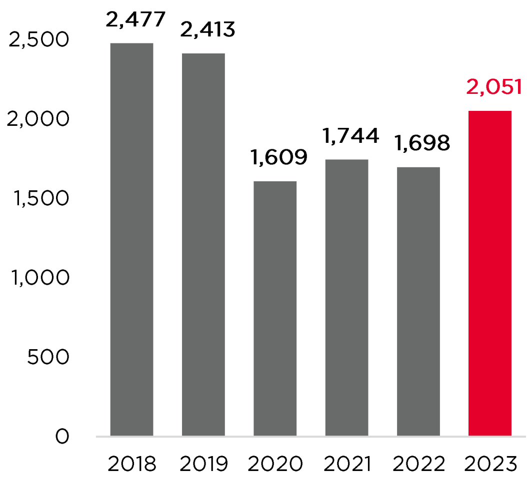
The past half a year

With the full border reopening with the mainland in February and the lifting of the "mask order" by the Hong Kong Government in March, the number of mainland and overseas visitors to Hong Kong has steadily increased, providing support for market recovery. Total retail sales reached HK$205.1 billion from January to June, marking a y-o-y increase of 20.7%, on the back of a low base in 2022. Merchandise categories that have always been popular with mainland visitors experienced the most significant rebound, including jewellery and watches, apparel and accessories, as well as medicines and cosmetics.

Meanwhile, the border reopening has also become an important engine for Hong Kong's economic recovery after the pandemic. As of June, the unemployment rate had dropped by 0.6 percentage points from Q4 2022 to 2.9%, wherein the unemployment rate in the retail, accommodation and food services related sectors recorded a notable decline. Meanwhile, the Hong Kong government continued to issue consumption vouchers to eligible residents, further stimulating consumer sentiment in the market.

Figure 52:
Retail Sales Value (Jan-Jun) (2018—2023)

Source: HK Census Dept, Cushman & Wakefield Research



Demand

The past half a year

With the return of overseas and mainland visitors to Hong Kong, some retailers have resumed their expansion plans, with pharmacy and jewellery and watch brands being particularly active in the market. Noteworthy leasing transactions include OMEGA, a top Swiss watchmaker, leasing four floors in Central for their flagship store, as well as Lukfook Jewellery securing new shops in Causeway Bay and Tsim Sha Tsui. Meanwhile, some local pharmacies have expanded into ground-floor stores in key submarkets. As a result, the vacancy rate for high street retail in various submarkets continued to decline, reaching an average vacancy rate of 9% in Q2 2023, the lowest in three years.

The gradual recovery of rental rates, coupled with increased bargaining power from landlords, has put an end to the downward trend in high street rents since the start of the pandemic. In the first half of the year, the high street retail rents recorded low single-digit q-o-q growth. Rents in Central showed the most notable increase, supported by high-end tourists and local consumers. As for F&B rents, all submarkets maintained an upward trend, with Causeway Bay, Central, Tsim Sha Tsui and Mongkok all recording rental increases of around 5-6% in H1 2023.

Figure 53:
Hong Kong High Street Rental Trend (2018—Q2 2023)

Source: Cushman & Wakefield Research

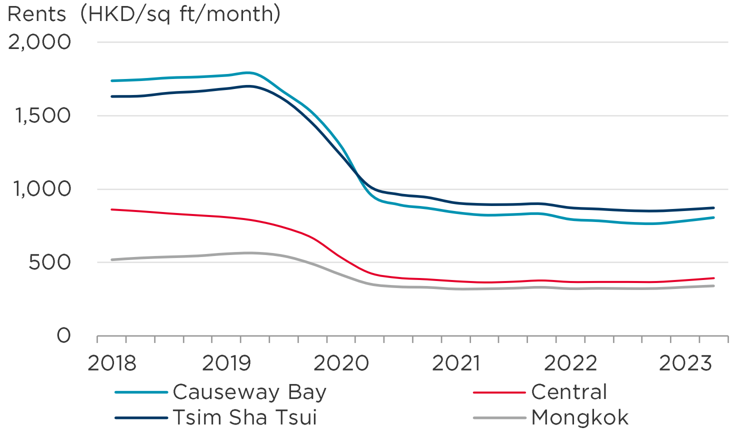


Figure 54:
Hong Kong F&B Rental Trend (2018—Q2 2023)

Source: Cushman & Wakefield Research

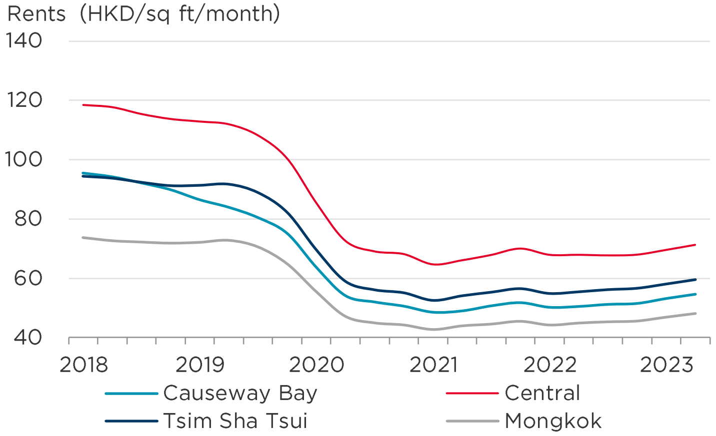


Figure 55:
Hong Kong High Street Rents (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Rents (HKD/sq ft/month)	1-year forecast
Causeway Bay	805.2	▬/▲
Central	392.1	▬/▲
Tsim Sha Tsui	872.0	▬/▲
Mongkok	340.9	▬/▲
Hong Kong Average	602.5	▬/▲

Figure 56:
Hong Kong High Street Vacancies (Q2 2023)

Source: Cushman & Wakefield Research

Submarket	Vacancies	1-year forecast
Causeway Bay	5.3%	▼
Central	7.0%	▼
Tsim Sha Tsui	13.1%	▼
Mongkok	10.9%	▼
Hong Kong Average	9.1%	▼

Demand

General Retail

Although high street rents have shown an upward trend across various submarket, they are still notably below the pre-pandemic level. With cosmetic and medical products being popular among mainland tourists, pharmacies and drugstores have been actively expanding in popular submarkets since the border reopening, as they expect to see an improving market outlook.

EXAMPLES

Lung Fung Pharmacy leased a 1,720 sq ft store on Canton Road in Tsim Sha Tsui; while Beijing Tong Ren Tang also leased a ground-floor shop on Queen's Road Central. Furthermore, several local pharmacies expanded their presence on high streets, with some even occupying spaces previously leased by luxury brands.

High-end Retail

After three years of border closure, the return of tourists has prompted retail brands to realise that customers' spending habits have changed, and the rebound in consumption has not been as rapid as initially expected. High-end retailers have adopted a conservative approach, mainly focusing on relocation and consolidation, and utilising large-scale retail stores to provide consumers with a refreshing experience.

EXAMPLES

Luxury beauty brand CHANEL BEAUTÉ leased a large retail space on the ground level of King Wah Centre in Causeway Bay as its flagship store. Prior to the official opening, the brand organised promotional events and special activities in the store, allowing customers to experience and try out their makeup and limited-edition products.

The Service Industry

Following the reopening of the border, there has been a surge in pedestrian flow in prime locations. The service industry is eagerly seeking to capitalise on the opportunities presented by mainland tourists. Notably, there has been a significant increase in the demand for medical care and wealth management services from mainland visitors, prompting related industries to expand further in prime locations.

EXAMPLES

In the diverse consumer base of Causeway Bay, the eye clinic group Euroeyes has established its first flagship clinic in Hong Kong on Russell Street. This strategic location aims to attract both local residents and overseas tourists, reinforcing the company's market presence.

Supply & Demand

The Outlook

Mainland China visitor consumption preferences have undergone a transformation, shifting from "pure shopping" to an emphasis on experiential activities. As a result, Hong Kong's retail industry is adapting to this emerging trend. Retailers are now considering how to provide a more personalised shopping experience, in addition to offering a diverse range of products and services. However, the ongoing labour shortage continues to pose challenges for retailers' expansion efforts, and retailers are likely to remain cautious in the near future.

Looking ahead to the second half of 2023, leasing activities in high streets are expected to be primarily driven by pharmacies, as they seek to capture the rebound in tourism and support high street occupancy. Despite the improving tourism figures providing some optimism for the retail market, government data indicates that the number of local residents going outbound exceeds the number of inbound tourists year-to-date. These outbound trips are primarily concentrated on the weekends in mainland cities, indicating a shift in spending power away from the local retail market. Therefore, we maintain a conservative outlook on high street rental growth in H2 2023, pending the performance of summer activities. We do not expect a V-shaped rebound in the near term.

Figure 57:
Hong Kong Retail Market Leasing Transactions (Q2 2023)

Source: Cushman & Wakefield Research

Address	Submarket	Retailer	Type	Leasing Area (sq ft, NFA)
G/F & 1/F, Capitol Centre, 5-19 Jardine's Bazaar	Causeway Bay	CHANEL BEAUTÉ	Medicine & Cosmetics	18,000
Store No. 2 & 3/F, G/F, Plaza 2000, 2-4 Russell Street	Causeway Bay	Euroeyes	Medical & Health	5,110
Store No. 1-3, G/F, Man Lee Building, 86-98 Canton Road	Tsim Sha Tsui	Lungfung Pharmacy	Medicine & Cosmetics	1,720
Store No. G38E, G/F, Newport Center, 30 Canton Road	Tsim Sha Tsui	Lukfook Jewellery	Jewellery & Watches	1,570
Store B1 & B3, G/F, 59 Russell Street	Causeway Bay	Pharmacy	Medicine & Cosmetics	680
Store No. 47, G/F, Luen Shing Mansion, 41-47 Queen's Road Central	Central	Beijing Tong Ren Tang	Medicine & Cosmetics	600

TOP SUPPLY/DEMAND TRENDS FOR TAIPEI

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Market Overview

The past year

A resurgence of the COVID-19 pandemic in early 2022, led to heightened restrictions on daily living in Taipei. Business districts continued to wane under the shadow of the pandemic. Rents for available units kept decreasing as vacant storefronts increased. A pre-pandemic leader among retail hubs in Taipei, the Ximen business district saw a peak in vacancy rates after being heavily reliant on tourism. COVID-19 vaccine distribution and domestic containment policies gradually eased in the second half of 2022, along with the gradual reopening of borders, resulting in a turning point for business districts in Taipei. In various business areas, vacant storefronts began to regain occupancy once again as retail operators gained confidence.

Demand

The past half a year

Following the easing of pandemic control policies and the lifting of border restrictions, key retail vacancy rates have gradually declined in 2023. For four consecutive quarters, vacancy has dropped to 11.1% in the Ximen retail hub. Zhongxiao's vacancy rate remained at 13.8%, while Zhongshan-Nanjing's commercial environment remained stable, with vacancy at 5.3%, the lowest out of the three business districts.

Figure 58:
Rent and vacancy in Ximen (2019-Q2 2023)

Source: Cushman & Wakefield Research

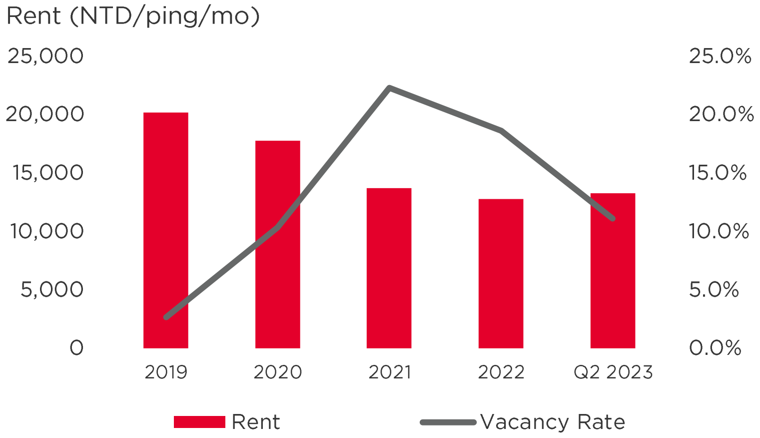


Figure 59:
Taipei significant openings (Q2 2023)

Source: Cushman & Wakefield Research

Retail Hub	LOCATION	TENENT	SIZE (Ping)
Zhongshan/Nanjing	Nanjing W. Rd.	PEACH JOHN	85
Ximen	Emei St.	LUSH	30
Ximen	Hanzhong St.	ONE BOY	20
Ximen	Sec. 2, Wuchang St.	Gong Cha	20
Zhongxiao	Sec. 4, Zhongxiao E. Rd.	VTEX	50

Figure 60:
Taipei prime retail market statistics (Q2 2023)

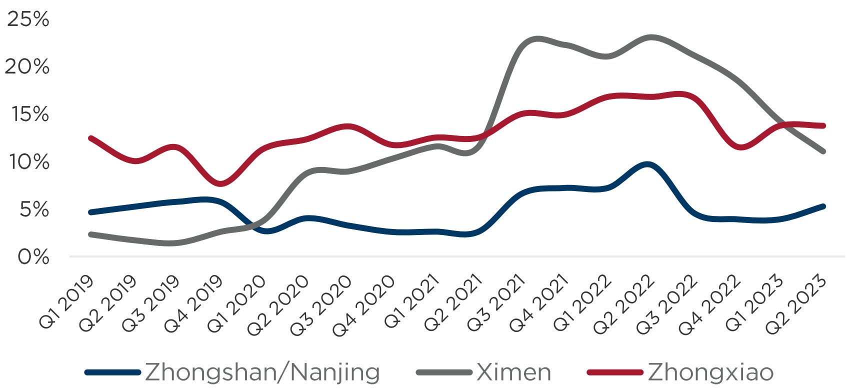
Source: Cushman & Wakefield Research

Retail Hub	Vacancy Rate	Rental Range (NTD/ping/mo)	12-month Outlook
Zhongxiao	13.8%	8,000~11,000	▬
Zhongshan/Nanjing	5.3%	7,000~11,000	▬
Ximen	11.1%	9,000~14,000	▲

**Only high street store in prime retail hubs are taken into account. All data is based on gross floor area unless otherwise specified. Rentals are exclusive of management fees or other expenses;*
**Area Conversion: 1 Ping=35.58 Square Feet =3.3 Square Meters.*

Figure 61:
Vacancy rate in Taipei prime retail market (2019-Q2 2023)

Source: Cushman & Wakefield Research



Demand

Fashion

Recent trends in e-commerce, coupled with the impact of the pandemic, have shifted consumer shopping habits, influencing physical retail layouts. Business strategies no longer revolve around large shopping centres and flagship stores. Rather, smaller, community-oriented stores have taken precedence with a "localised" approach.

EXAMPLES

"Eslite Me-Time" is a community-oriented brand created by Eslite, with newly opened branches in Taipei's Tamsui district and New Taipei City's Wanhua district. Besides books and cultural products, these stores also offer fresh produce, dry goods, cuisine, and exhibitions. Additionally, virtual shelves in stores overcome space constraints in community-orientated stores by linking the virtual and physical worlds.

F&B

Post-pandemic, recognising consumers' ongoing desire to travel overseas, the further introduction of well-known international brands has created new avenues for consumption growth. Furthermore, shopping centres have increasingly placed emphasis on environmental and spatial details when integrating dining brands to create a premium dining experience.

EXAMPLES

The Japanese popular hamburger steak restaurant "HIKINIKU TO COME" opened shop in the Zhongshan-Nanjing business district; "A JOY," the new brand from FEASTOGETHER Group, now offers a luxurious buffet experience on Taipei 101's 86th floor; Michelin three-star chef Thomas Bühner has created "La Vie by Thomas Bühner" in NOKE.

Entertainment

In contrast to traditional shopping centres, recent malls now offer lifestyle experiences beyond just shopping. Through curated consumer experiences, exhibitions, family-friendly zones and interactive retail, they are highlighting the unique value of physical retail space in the post-pandemic period. These concepts aim to enhance existing commercial areas.

EXAMPLES

Mitsui LaLaport Taichung introduced the "Mama with LaLaport" parent-child amusement park within the shopping centre; while during the opening of NOKE, a series of eight-week pop-up events were held in collaboration with eight Taiwanese brands, centred around the theme of "curiosities." This has created a unique curation-like retail space that differs from the traditional store concept.

Supply & Demand

The Outlook

According to estimates, in 2023, Taiwan is expected to receive a total number of tourists only half that of 2019. It is clear that the business districts can expect a return of foreign visitors, but they must still rely on domestic demand for their survival. Meanwhile, the opening of "Diamond Towers" by Shin Kong Mitsukoshi in the Zhongxiao business district is expected to rejuvenate the area, which saw a significant loss of businesses.

A variety of shifts have occurred following the pandemic, leading to new norms in lifestyle and consumer behaviour. Consumers place a greater emphasis on the quality of lifestyle, taste, and experiences. The offering of consumer propositions by shopping centres and business districts has become even more essential post-pandemic. Enhancing the distinctiveness of commercial spaces means creating additional experiences, creating unique atmospheres, and turning retail into more than just an area for display.

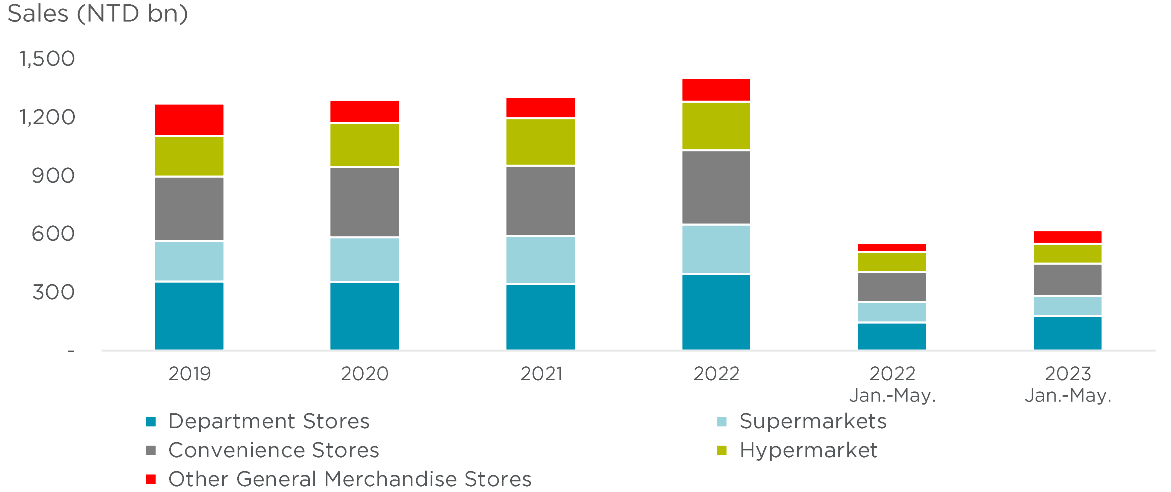
Figure 62:
Taipei retail property market – Significant projects under construction (H2 2023-2024)

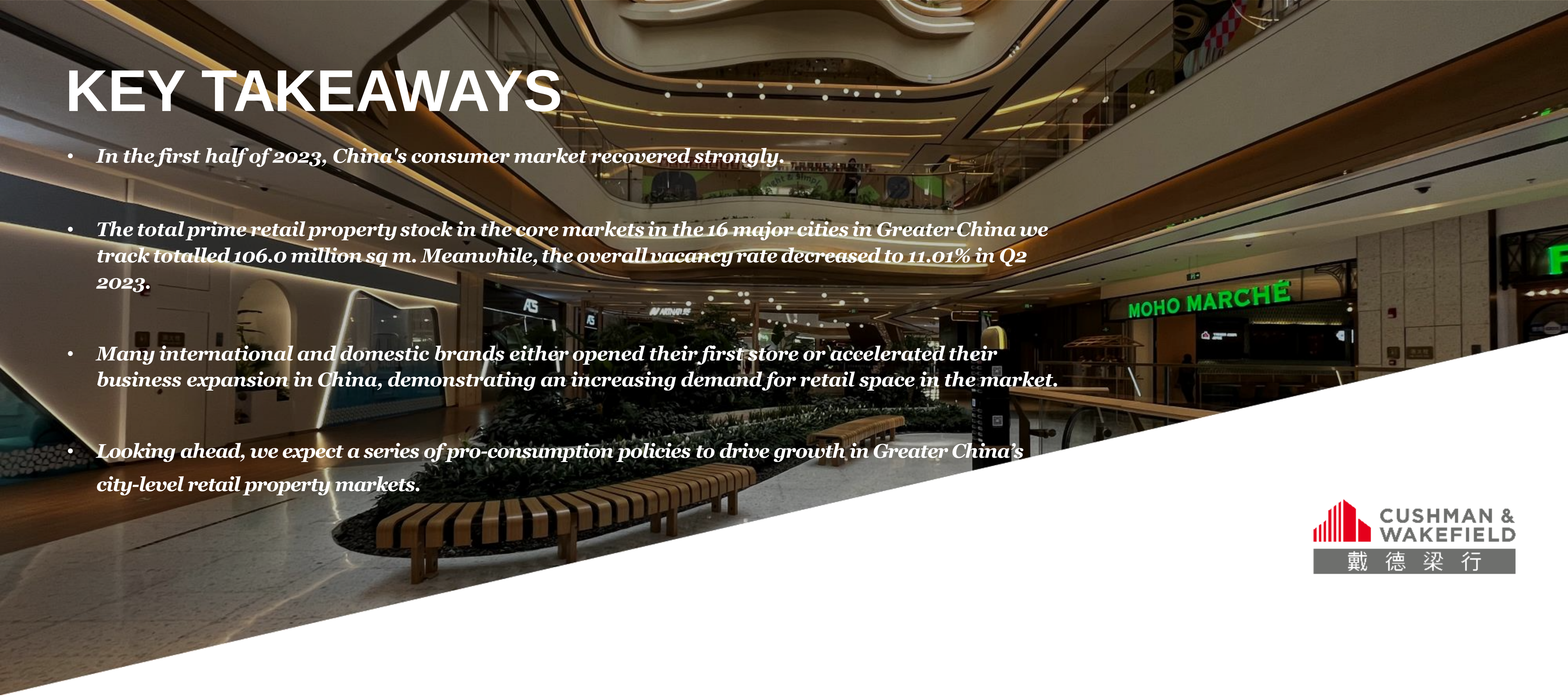
Source: Cushman & Wakefield Research

Property	Location	Expected Completion	GFA (Ping)
Diamond Towers	Da'an District, Taipei City	2023	4,300
Yulong Town	Xindian District, New Taipei City	2023	43,600
Mitsui Shopping Park LaLaport (Nangang)	Nangang District, Taipei City	2024	61,900
Far Eastern SOGO CITY	Xinyi District, Taipei City	2024	42,000

Figure 63:
Taiwan cumulative sales of general merchandise (2019-H1 2023)

Source: Directorate-General of Budget, Accounting and Statistics, Cushman & Wakefield Research





KEY TAKEAWAYS

- *In the first half of 2023, China's consumer market recovered strongly.*

- *The total prime retail property stock in the core markets in the 16 major cities in Greater China we track totalled 106.0 million sq m. Meanwhile, the overall vacancy rate decreased to 11.01% in Q2 2023.*

- *Many international and domestic brands either opened their first store or accelerated their business expansion in China, demonstrating an increasing demand for retail space in the market.*

- *Looking ahead, we expect a series of pro-consumption policies to drive growth in Greater China's city-level retail property markets.*

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RETAIL PROPERTY

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In Greater China, a network of 23 offices serves local markets across the region. In 2022, the firm reported global revenue of US$10.1 billion across its core services of valuation, consulting, project & development services, capital markets, project & occupier services, industrial & logistics, retail and others. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.

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