



# ASIA RETAIL MARKET

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**CBRE**

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01/  
POTENTIAL  
IN ASIA

02/  
CHALLENGES  
IN CHINA

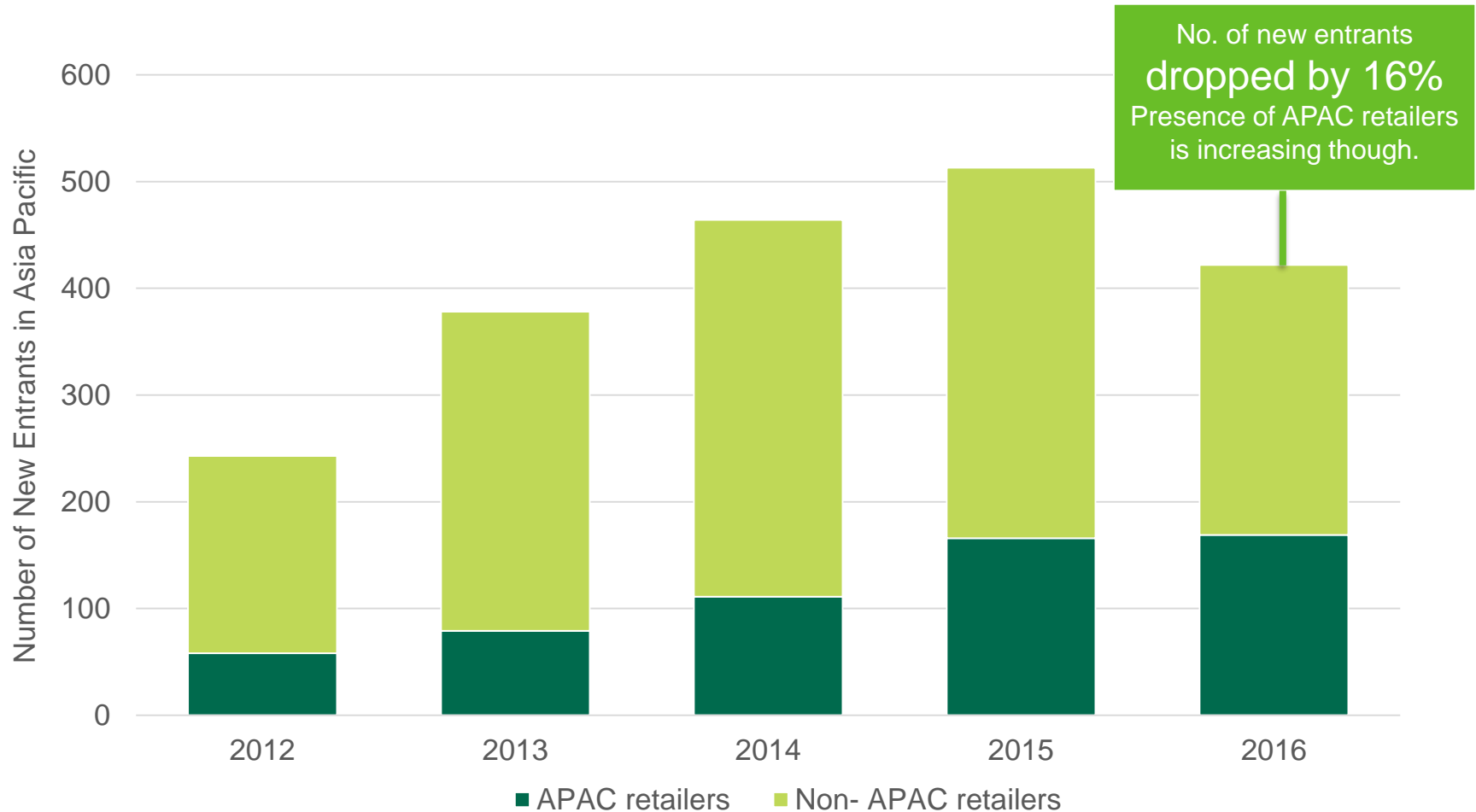
03/  
CHANGES IN  
SPENDING

04/  
CHANGES IN  
CONCEPT

A photograph of two women on a modern staircase. The woman on the left is wearing a bright orange long-sleeved top and white pants. The woman on the right is wearing a white tank top and blue jeans. They are both smiling and looking at each other. The woman on the right is holding several colorful shopping bags (orange, blue, white). The staircase has a glass railing and is set against a large window with a grid pattern. The text 'POTENTIAL IN ASIA' is overlaid on the image in a bold, black, sans-serif font, enclosed in a black rectangular frame.

# POTENTIAL IN ASIA

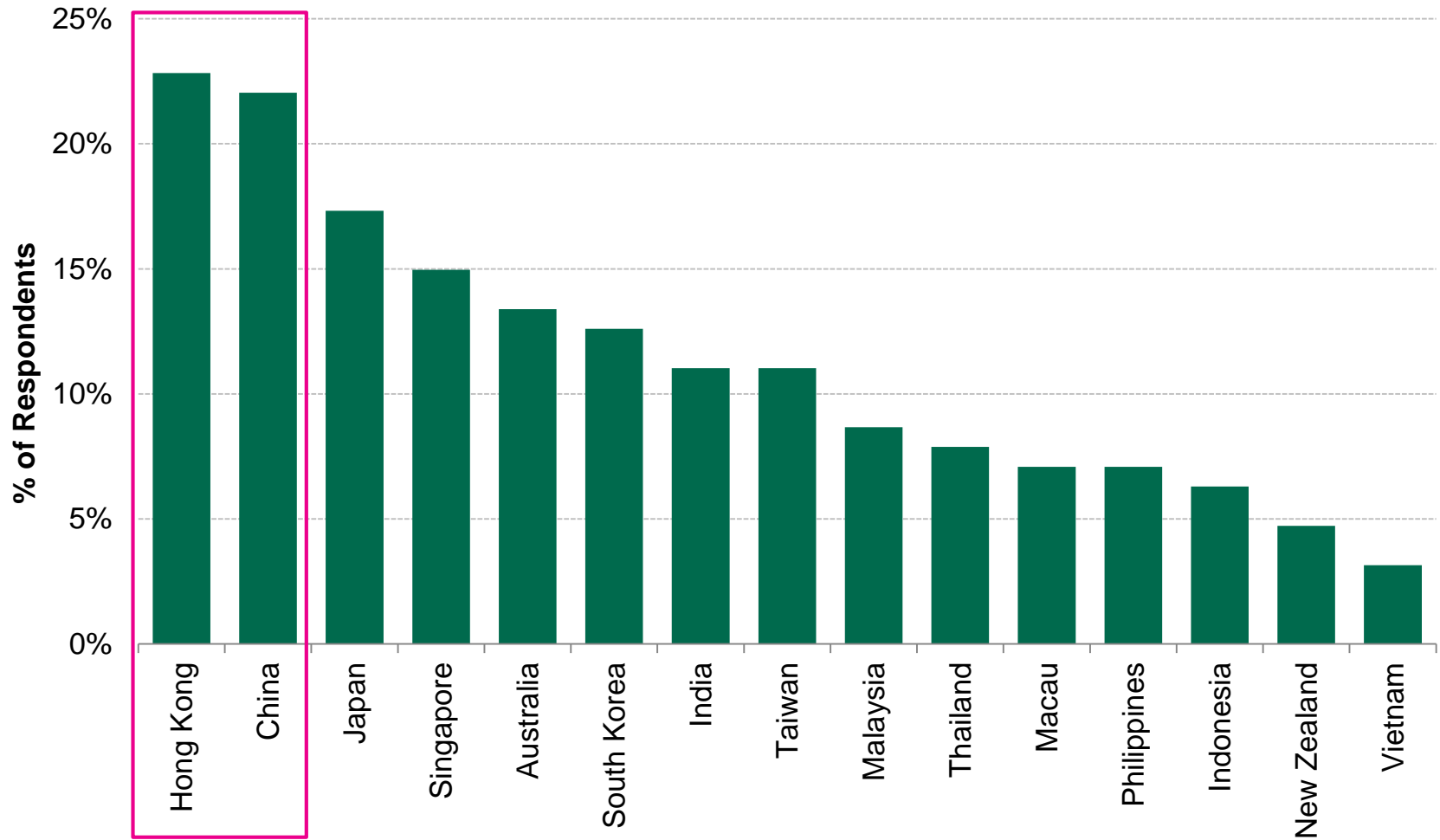
# CHANGE IN RETAILER EXPANSION PLANS



New Entrant is defined as retailers that must be (1) new to the city with a physical store (excl concession counter or shop in shop); (2) opened for trading; (3) be an international retailer.

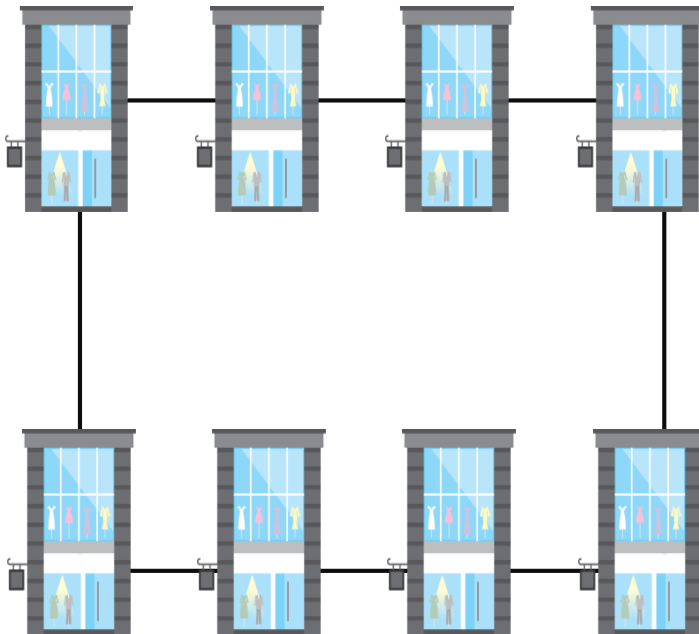
Source: CBRE Research, March 2017.

## EXPANSION IS CONCENTRATED IN GREATER CHINA

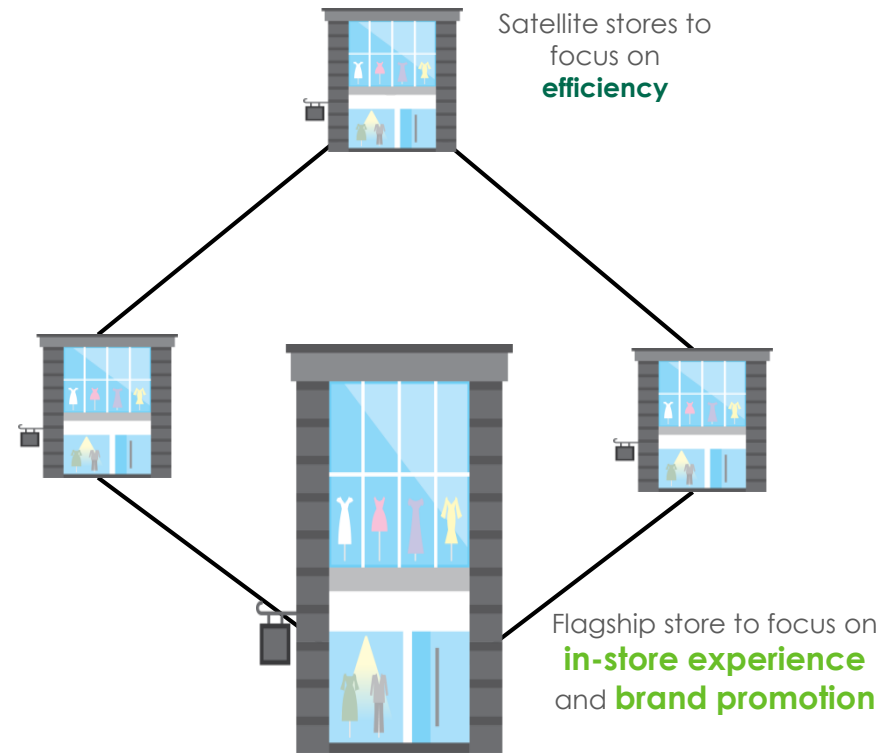


Source: CBRE Research, March 2017.

# FOCUS ON PORTFOLIO OPTIMIZATION AND IN-STORE EXPERIENCE



**TRADITIONAL**



**REFINED STRATEGY**  
FLAGSHIP STORE + SATELLITE STORES

Source: CBRE Research, January 2017.

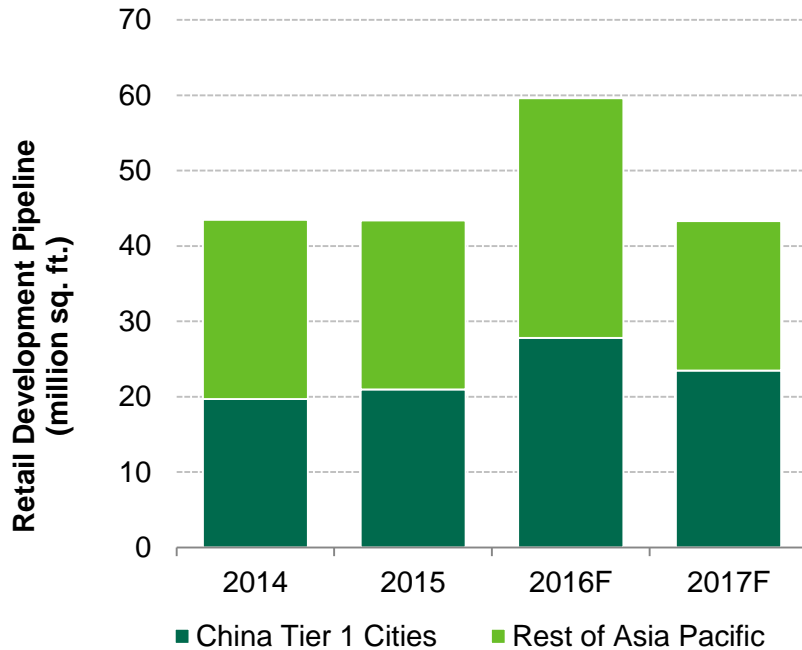
# CHALLENGES IN CHINA





# CHINA ACCOUNTS FOR OVER HALF OF THE NEW SUPPLY

## PRE-LEASING ACTIVITY REMAINS SLOW



Source: CBRE Research, December 2016.



50% of new malls delayed their completion date by more than six months due to pre-leasing issues



Pre-leasing now starts at least **19 MONTHS** ahead of project completion

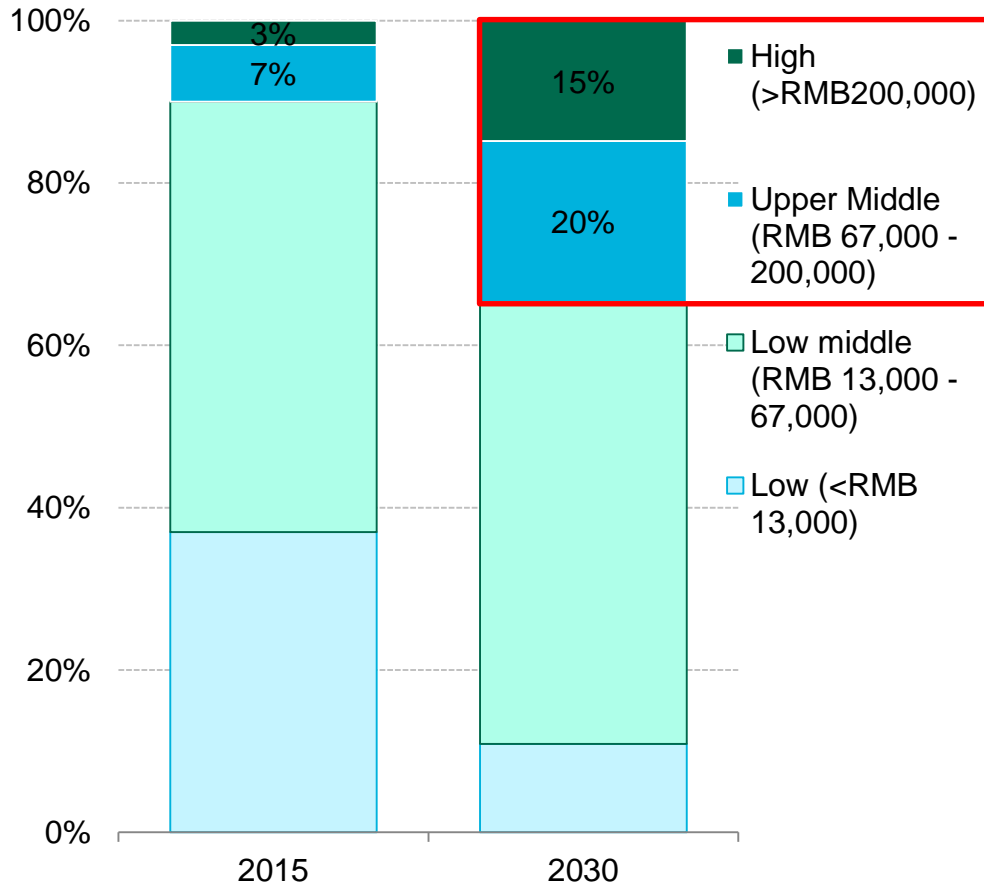
# CHANGE IN SPENDING



# MIDDLE CLASS

## TRADE UP FROM MASS TO PREMIUM PRODUCTS

### Breakdown by disposable income per capita, China



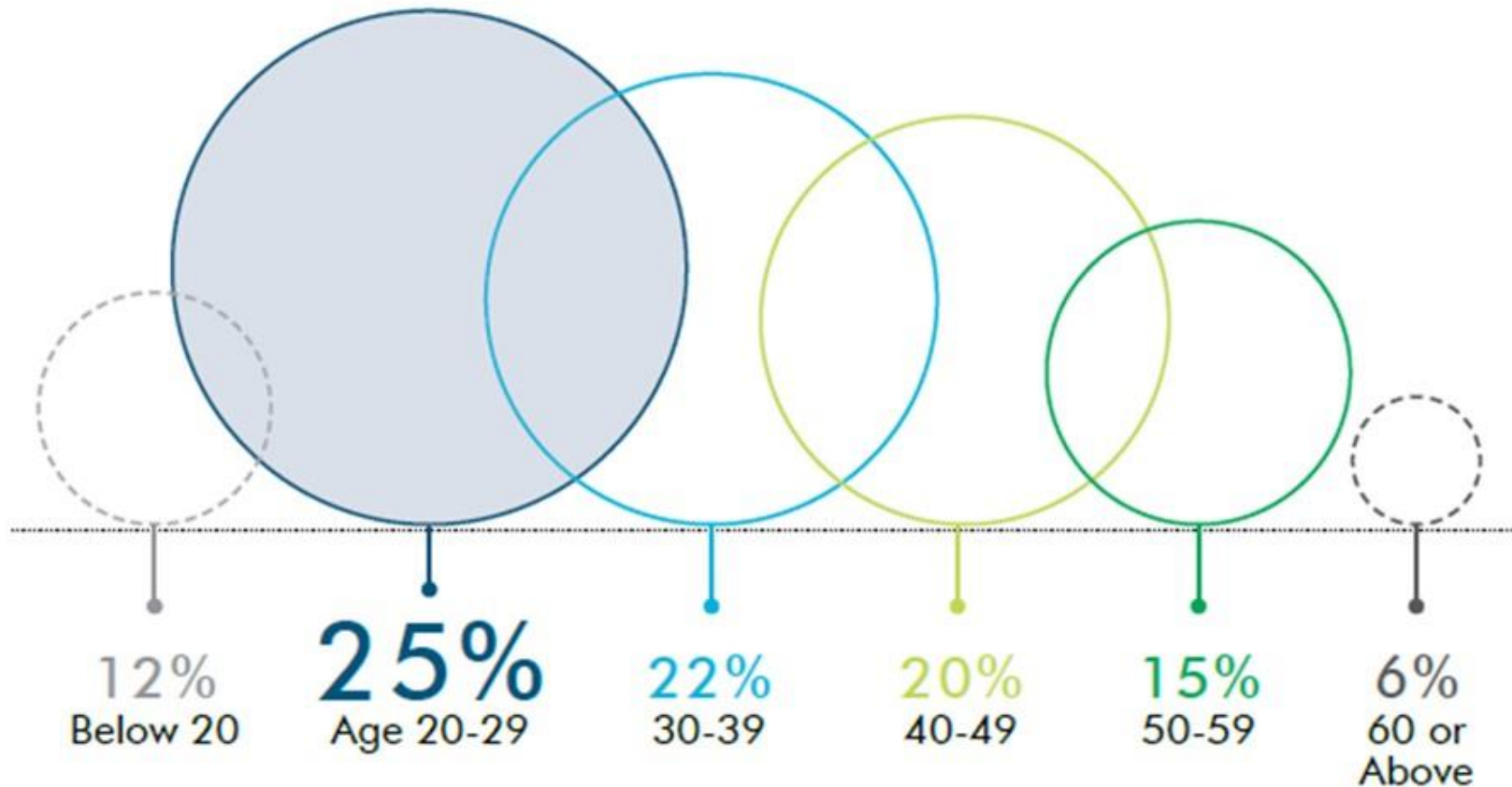
(% of total population, grey income-adjusted constant 2015 prices)

Source: The Economist Intelligence Unit

# MILLENNIAL

MILLENNIALS ARE THE KEY TARGET CUSTOMERS

MILLENNIAL AS A % OF THE TOTAL APAC WORKING POPULATION

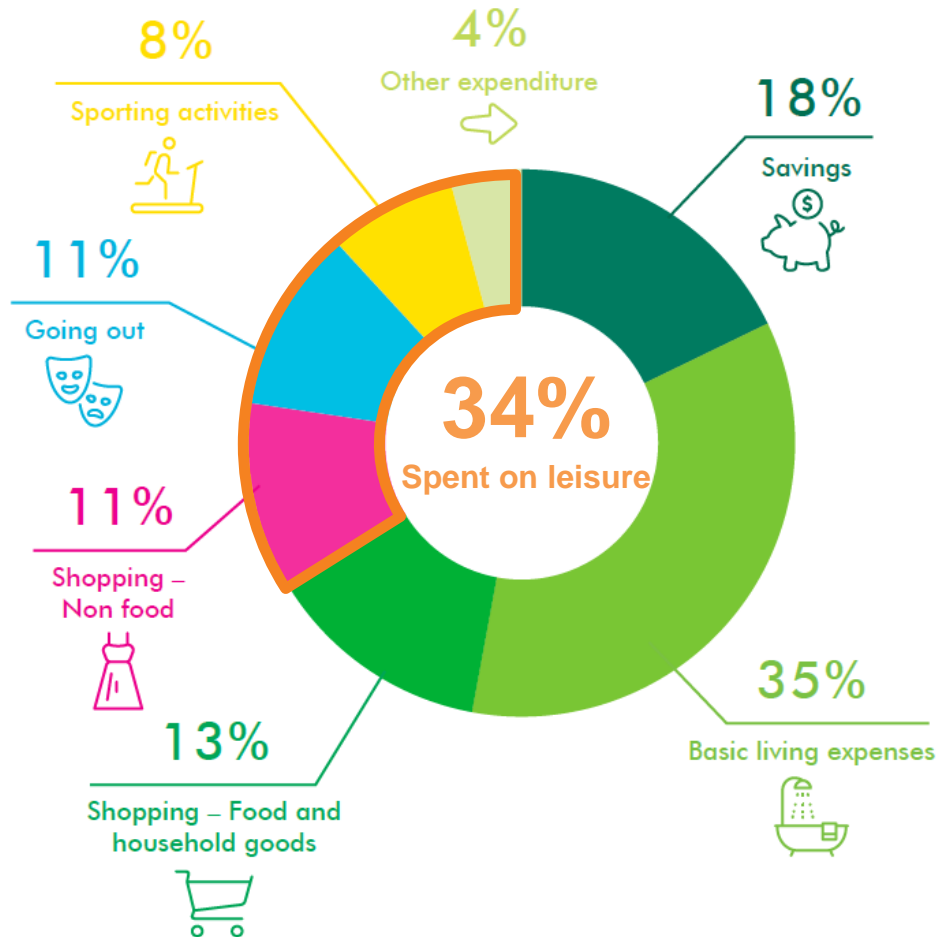


Note: Assumes the full population in a particular age group is all counted in the working population (Age 15-64)  
Source: Oxford Economics, October 2016.

# MILLENNIAL

236 MILLION MILLENNIALS IN CHINA & HONG KONG

How do they spend?



In an average month:

**5** days  
Shop online

**10** days  
Visit physical stores

**9** days  
Eat out,  
See movies/ events

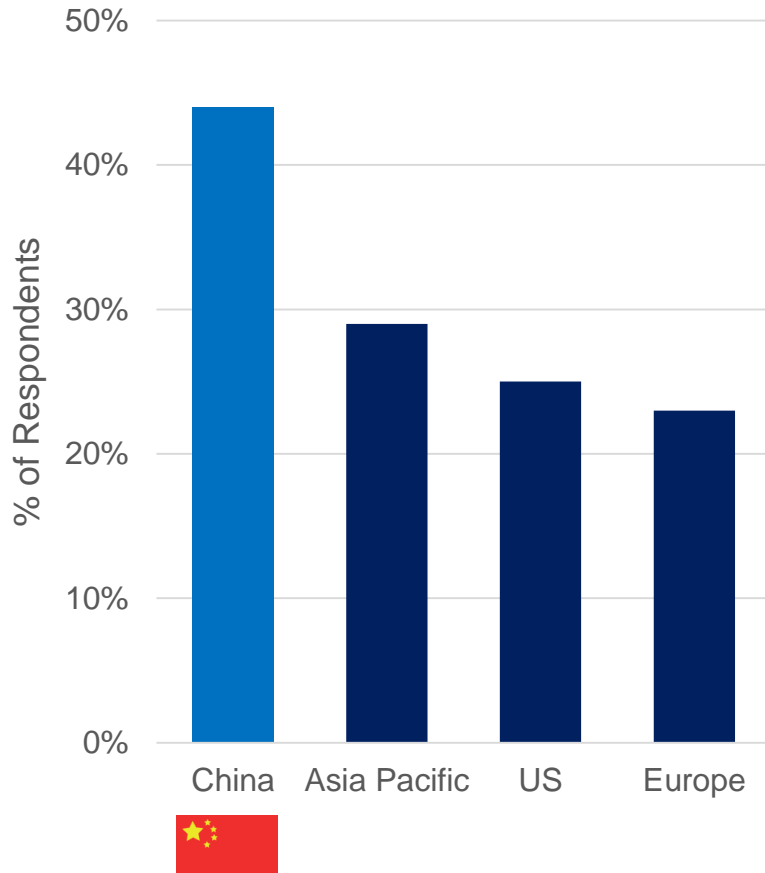
Source: CBRE Research, Asia Pacific Millennial Survey, October 2016

# MILLENNIAL

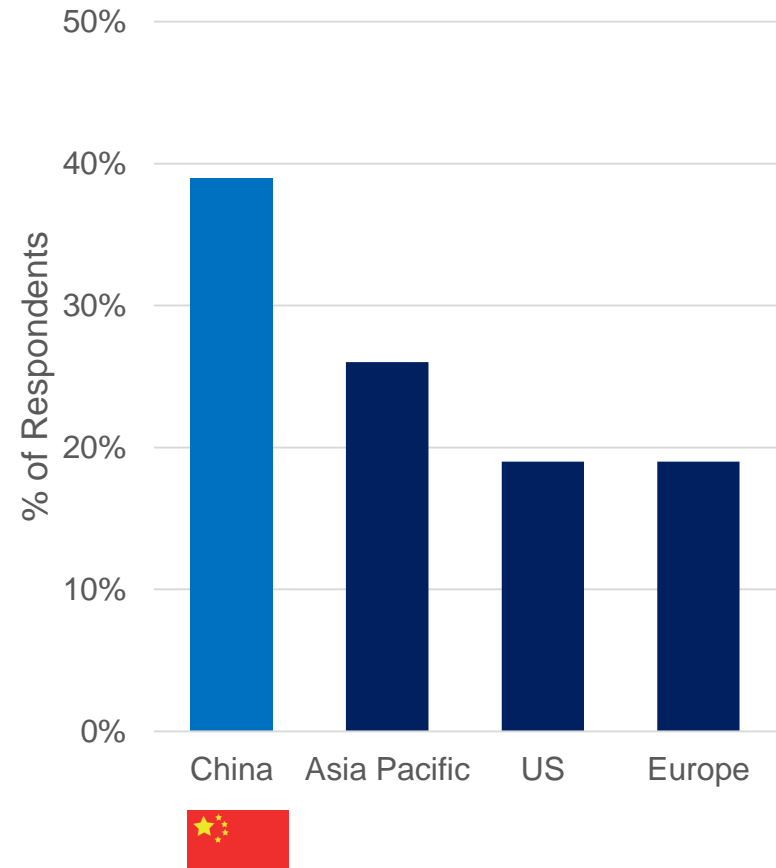
## YOUNG CHINESE ARE POSITIVE ON SPENDING

% OF RESPONDENTS THAT ARE LIKELY TO SPEND MORE IN THREE YEARS

### NON-FOOD SHOPPING



### GOING OUT

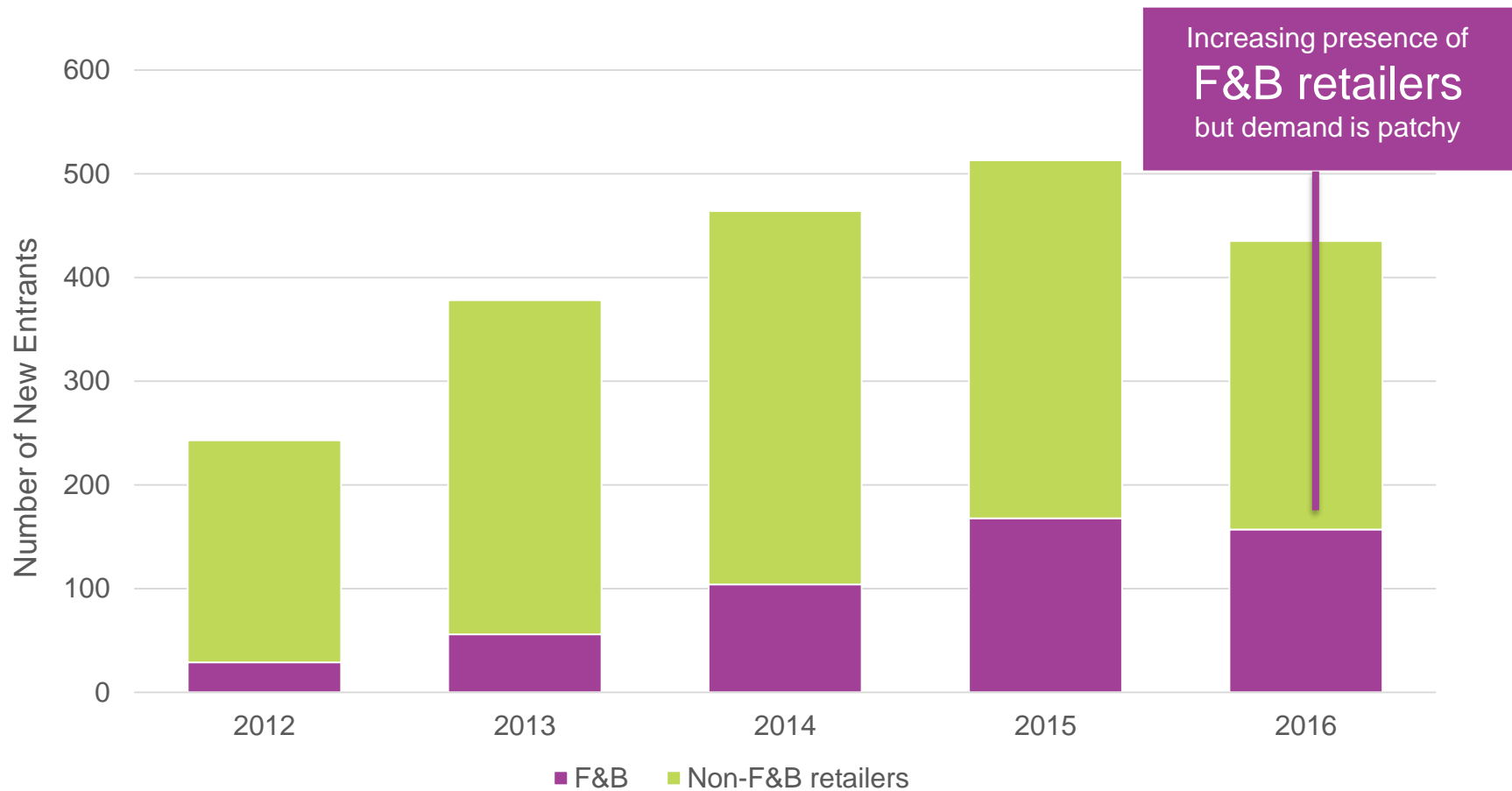


Source: CBRE Research, Asia Pacific Millennial Survey, October 2016

A modern clothing store interior. The ceiling features a complex white geometric grid structure with recessed lighting. On the left, several rows of clothing are hanging from tracks. In the center, there are two large windows with white frames. In the foreground on the right, there is a long, low wooden bench with a geometric, faceted design. The floor is a light-colored, polished material.

# CHANGES IN CONCEPT

## RETAILERS ARE LESS ACTIVE EXCEPT F&B



New Entrant is defined as retailers that must be (1) new to the city with a physical store (excl concession counter or shop in shop); (2) opened for trading; (3) be an international retailer.

Source: CBRE Research, March 2017.



# HEALTH & WELLNESS

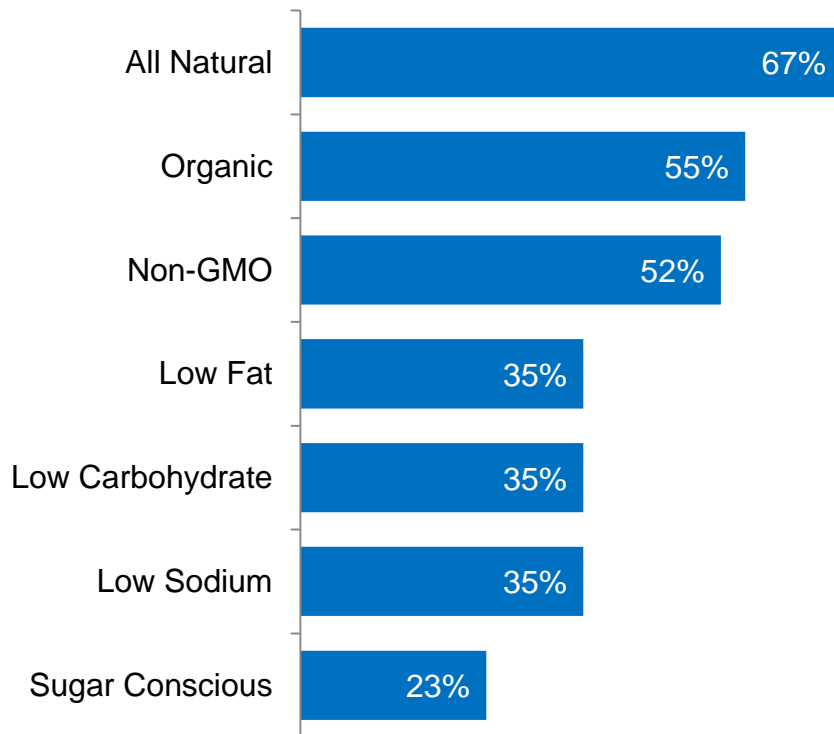
## EAT WELL

**82%** of Chinese consumers are willing to pay a premium for healthy food

Fuel the expansion of **health-themed** restaurants



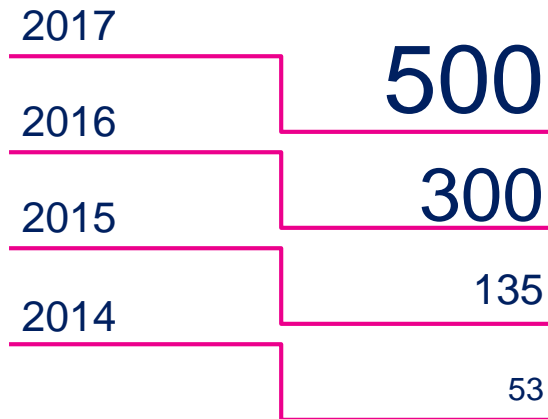
**Chinese consumers prefer**



Source: The Nielsen Global Health and Ingredient-Sentiment Survey, Google Images, Q1 2016

## EXERCISE MORE

### Number of marathons held in China



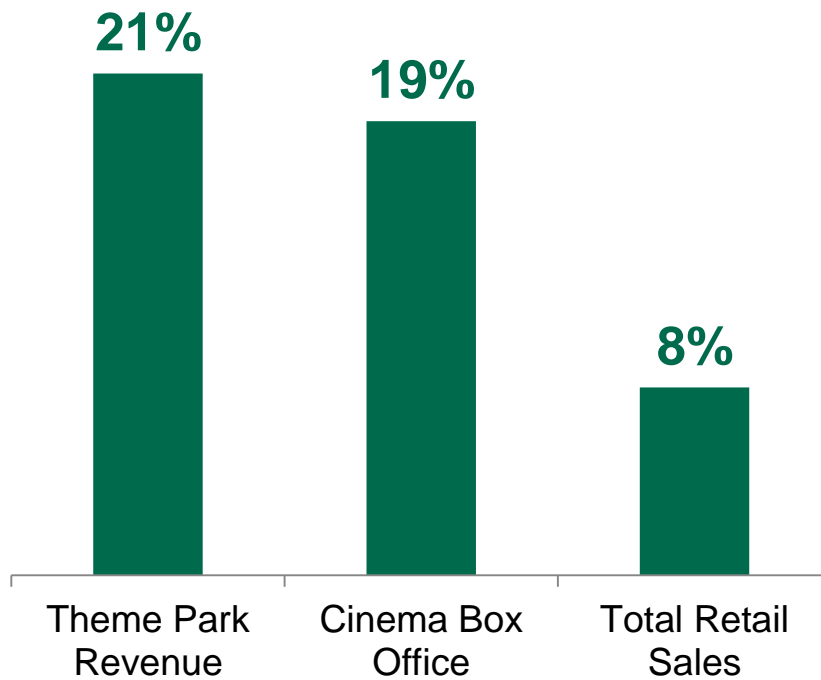
### Rise of Smart Gyms

- Leverage on app/ sensors for booking and gym room operation
- Target small-sized units (below 500 sqm) in core CBD/ residential areas

## MORE ENTERTAINMENT

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Revenue growth of entertainment business  
2015-2020F CAGR, China



Source: PwC, China entertainment and media outlook: 2015-2019.

## MORE KIDS

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In 2016, China had

**17.8 million babies**

Birth rate started to pick up along  
with the Second Child Policy

In the next 5 years  
Consumption: 20% CAGR  
Entertainment: 30% CAGR

# IMPLICATIONS TO SHOPPING CENTRES

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1

## Too much supply

*New malls will struggle; Prefer prime core and big residential catchment*

2

## Peak of the cycle

*Stagnant rental growth; Yields at historical low in tier 1 cities*

3

## More "Social"

*Bring in F&B and entertainment operators; Promotion of social media*

4

## Invest in Tech

*Apps; Omni Channel; Customer analytics*

Source: CBRE Research, April 2017.

# THANK YOU

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