



The Retail Index

Shopping Centre

Cautious optimism is a key theme amid improving market conditions

Retail rents for the most premium locations in shopping centres continued to face downward pressure in 4Q20 although there were some signs of stabilisation. The aggregate Asia Pacific Retail Rental Index recorded its fifth straight quarter of decline as most of the 18 tracked markets saw another contraction.

Greater China

- Leasing activity in Hong Kong saw a mild pickup during the quarter, underpinned by retailers targeting domestic demand, in particular F&B operators and sports equipment retailers.
- Leasing activity increased in Shanghai, driven by continued recovery in domestic consumption. Tenant upgrades to bring in more influential and trendy brands helped offline retail recover, and outdoor sports, yoga, and running shoes brands all expanded actively. The beauty, automobile, and designer toy sectors maintained strong leasing momentum, while high-end fashion outperformed fast fashion brands.
- Beijing saw a continued pick up in leasing activity, while total retail sales recorded the first month of positive y-o-y growth for 2020 in November. Electronics retailers grew their offline presence, leveraging new product launches to increase brand exposure at new store locations. Meanwhile, sports brands such as domestic sportswear giant Anta Group actively expanded their children's lines, and foreign sports retailers such as Nike and Adidas were also notably active.
- Consumption activity in Guangzhou further warmed up during the quarter, and overall leasing demand saw an uptick as more businesses were willing to open new stores, especially those in the entertainment and education segments. Moreover, shopping malls continued to gear up their online shopping platforms to provide a more holistic retail experience for their customers.

Southeast Asia

- Relaxation of social distancing measures and positive news on vaccine development lifted retailer and consumer confidence in Singapore, as retail business activity and sales picked up. Nonetheless, many retailers remained cautious with operational and expansion plans as well as lease commitments, given that retail sales were generally still below pre-COVID-19 levels.
- The rate of decline in retail sales in Thailand decelerated in October, suggesting a broad-based retail recovery across the country. Meanwhile, F&B brands continued to underpin new leasing activity across Bangkok with notable 4Q20 openings including Garret Popcorn, Tim Ho Wan, Beard Papa's, gram, Bonchon and Taco Bell. On the contrary, some prime grade retail centres in the city centre that rely on tourists and expats

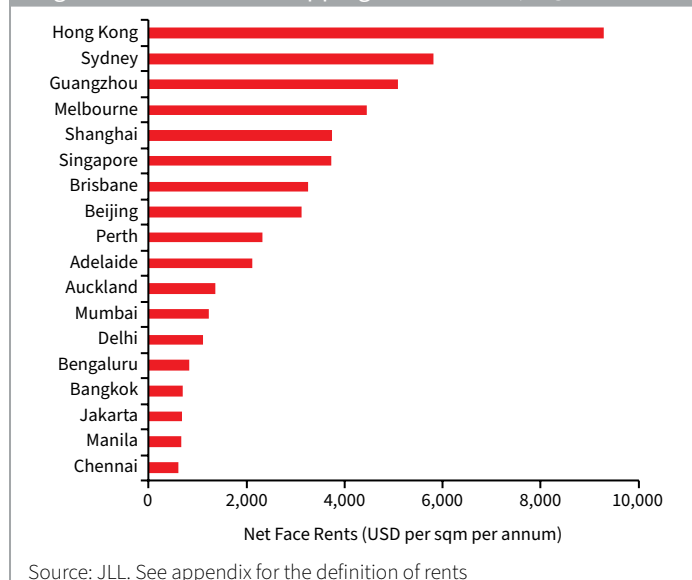
for foot traffic saw exits by a number of small tenants.

- Jakarta witnessed a few new store openings, including online-based businesses such as Sociolla, a beauty e-commerce platform, and Pomelo, a Bangkok-based online retail company. Additionally, the quarter saw the relaxation of some social distancing restrictions. For example, gyms were allowed to operate at 25% capacity, while cinemas were allowed to reopen at 50% capacity with new regulations, including the prohibition of food or beverages.
- Vacancy levels in Manila increased during the quarter, due primarily to store closures from small local fashion brands which have ceased operations or fully migrated to online platforms. On the other hand, there were some notable store openings from foreign fashion brands, and local and foreign F&B brands, including Champion, Monki, Forever 21, Pull n Bear, Frankie's and Hot Star.

India

- Footfalls and sales have shown improvement in shopping malls in Delhi and Mumbai, and malls in both cities have seen increased demand by retailers. For instance, Uniqlo opened a new store at Ambience Mall in Gurgaon. However, overall performance is still below pre-COVID levels as consumers remain cautious, and some retailers have implemented innovative technologies to maintain social distancing between shoppers and staff.

Figure 1: Asia Pacific Shopping Centre Rents, 4Q20



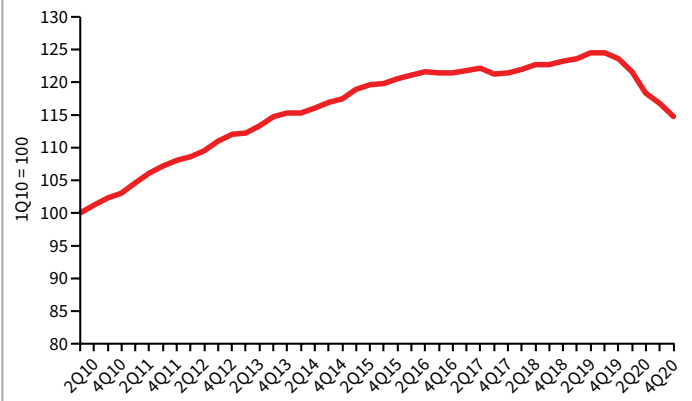
Australia / New Zealand

- Retail spending across most of Australia improved during the quarter, including in Victoria where the government began to ease restrictions on the retail and hospitality sectors in late October which helped drive a large rebound in spending. Leasing inquiries in Victoria have also marginally risen post-lockdown. However, overall retail leasing demand remains weak, as national retailers remain hesitant to expand store networks, while smaller operators continue to face challenges around COVID-19 driven debt and pre-existing issues.

Caution lingers along road to recovery

- Improvements in footfalls and retail sales across the region are expected to help drive a recovery in leasing demand looking forward, and vaccinations along with the gradual lifting of social-distancing restrictions may help lend support to businesses looking to expand and open new stores. Nonetheless, the pace of recovery over the year may still be slow as economic uncertainty still lingers, and consumers maintain a somewhat cautious stance given the fluid situation surrounding the pandemic. Given this, demand is still likely to remain subdued as retailers focus efforts

Figure 2: Asia Pacific Retail Rental Index, 1Q10-4Q20



Source: JLL. See appendix for the definition of rents

on improving the performance of their existing stores and building or strengthening their omni-channel platforms to offer consumers more efficient, smarter and more interactive experiences.

Table 1: Asia Pacific Shopping Centre Rents

		Average Rent 4Q20 (USD per sqm per annum)	Quarterly Change 4Q20 vs 3Q20 (Local Currency)	Yearly Change 4Q20 vs 4Q19 (Local Currency)
Hong Kong	Central	9,292	-5.3%	-36.1%
Sydney	CBD	5,820	-4.2%	-8.7%
Guangzhou	Tianhe CBD	5,088	0.9%	1.0%
Melbourne	CBD	4,458	-5.2%	-10.6%
Shanghai	West Nanjing Road	3,751	3.5%	-2.9%
Singapore	Orchard Area/District 9	3,725	-5.1%	-12.4%
Brisbane	CBD	3,251	-5.5%	-19.3%
Beijing	Wangfujing Road	3,118	-4.6%	-10.9%
Perth	CBD	2,320	-1.2%	-2.9%
Adelaide	CBD	2,118	-4.5%	-6.6%
Auckland	New Market	1,368	-5.0%	-15.6%
Mumbai	Prime South	1,230	0.0%	0.0%
Delhi	Prime South	1,114	0.0%	-6.1%
Bengaluru	Prime City	831	0.0%	0.0%
Bangkok	Central Bangkok	700	-3.3%	-14.6%
Jakarta	CBD	689	-0.7%	-1.2%
Manila	Makati CBD	675	0.0%	-0.4%
Chennai	Prime City	615	0.0%	0.0%

Source: JLL. See appendix for the definition of rents

High Streets

Bright spots emerging in otherwise battered retail market

Greater China

- Vacancy pressure eased marginally in high street shops in most of Hong Kong's core retailing areas. Many vacant spaces which sat empty for long periods were filled by temporary shops. Moreover, as rents retreated to close to 2003 levels, some tenants including high-end brands took the opportunity to set up a footprint in the area. For example, Swiss luxury watchmaker Breitling reportedly leased a space in Central at a level 50% less than the previous tenant.
- In Shanghai, high street shops on West Nanjing Road generally outperformed other representative retail blocks in the city. The corridor saw a few tenant adjustments due to the impact of the pandemic, and rents for new leases remained relatively resilient.

North Asia

- As the resurgence of COVID-19 in Tokyo inhibited domestic and foreign footfall, consumer confidence along with department store sales saw a deterioration in the quarter. On the back of this economic uncertainty, retailer demand remained subdued. Nonetheless, the market saw a few bright spots, such as the new store opening by Maison Kose Omotesando, a "non-contact" shopping store, and relatively resilient consumption of luxury goods by domestic consumers.
- Seoul also witnessed a resurgence of COVID-19, which contributed to weakening consumer sentiment and retail sales. This, in conjunction with the cold winter weather, led to reduced footfall on high streets. As a result, a number of cosmetics shops shuttered stores. Until tourists return in sufficient numbers, market sentiment in Myeongdong is expected to remain weak.

Southeast Asia

- In Singapore, border restrictions, operational capacity constraints arising from social-distancing measures and cautious consumer spending combined to continue to limit tourist and domestic retail sales. Additionally, many retailers were uncertain of the sustainability of year-end business growth beyond the festive period. Unsustainable businesses ceased operations while others consolidated operations upon lease expiry. Nevertheless, new retail openings were observed as well.

India

- As footfalls and sales have shown improvement in the high streets of India's tier 1 cities, these cities witnessed healthier leasing activity during the quarter. For example, in Mumbai, Tanishq, an Indian jewellery brand, opened a store on Linking Road High Street in Bandra and iRobot opened a store on Linking Road High Street in Santacruz.

Australia / New Zealand

- Vacancy rates in CBDs across Australia increased over the quarter, with the exception of Southeast Queensland. With the heavy reduction in international tourism, CBD retailers have been greatly affected in terms of foot traffic and sales. The recovery will also be dependent on how long it takes for commercial tenants to return to the office full time.

Appendix

Shopping Centres

Note 1: Figure 1 & Table 1 rents are average net face rents for prime level locations in the best prime shopping centres and on a net lettable area basis. Net face rents are calculated excluding the tenant outgoing costs and landlord incentives are not taken into account.

The most expensive locations in shopping centres can garner rents in excess of three or four times that of the average mall level. Limited available space due to strong demand and a lack of new additions in the most expensive & central locations contribute greatly to the rental gap. A higher level of sales activity and increased brand exposure are core reasons retailers seek these locations.

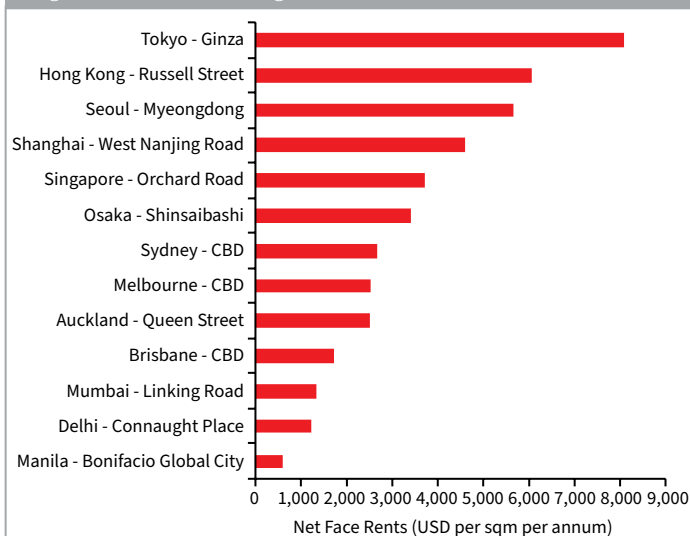
Note 2: Figure 2 is a stock-weighted average of average net face rental movements for prime shopping centres across Asia Pacific.

High Streets

Note 1: Rents are average net face rents for the high street(s) and on a net lettable area basis.

Note 2: Rental figures for Australia are for strip shops along these streets: Sydney – Pitt, George & Castlereagh; Melbourne – Collins & Bourke; Brisbane – Albert & Edward; and which are not a part of prime shopping centres.

Figure 3: Asia Pacific High Street Rents, 4Q20



Source: JLL. See appendix for the definition of rents

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