China City Profiles 2012
An Overview of 20 Retail Locations
The China market presents a compelling opportunity for retailers. China's retail sector has long been firmly underpinned by solid demand fundamentals—massive population, rapid urbanization and an emerging consumer class. Annual private consumption has tripled in the last decade, and China is on track to become the world’s second largest consumer market by 2015. China’s consumer class will more than double from 198 million people today to 500 million by 2022, if we define it as people earning over USD 5,000 per annum in constant 2005 dollars. It is never too late to enter the China market.

China’s economic growth model is undergoing a shift from investment-led growth to consumption-led growth. It is widely recognized that government-led investment, while effective in the short term, is not the solution to long-term growth. With its massive accumulated household savings and low household debt levels, China’s domestic consumption offers immense headroom for growth. China’s leaders are acutely aware of the urgency to effect changes now and are more eager than ever before to tap its consumers for growth. Already, the government has set in motion a comprehensive range of pro-consumption policies to orchestrate a consumption boom. Broadly, the wide-ranging policies include wage increases, tax adjustments, strengthening of the social safety net, job creation, promotion of urbanization and affordable housing. While the traditional long-term demand drivers—urbanization, rising wealth and robust income growth—remain firmly intact, China's retail story has just been given a structural boost. We expect the impact from the government's pro-consumption drive to filter through over the next few years.

Major retail markets in China are no longer limited to the large coastal cities. Retailers are moving quickly to secure market share across China’s provincial capitals and are exploring new locations to open stores. When encountering new and unfamiliar cities, it is helpful to have a basic reference that describes the key submarkets within those cities. China retail is generally not organized by ‘streets’, but is defined more by ‘areas’. Each area has its own character and positioning. In this report, we profile 20 major cities in China and the defining characteristics of key submarkets within them. This allows readers to see, for example, which area has traditional department stores, which area has a pedestrian street, and which area has foreign-invested shopping malls. The profiles also show which areas are mature and which are still emerging. Key developers and operators are listed for each submarket. Equipped with this information, readers will be able to readily identify areas that are frequently discussed by local consumers in each city. It is our hope that this guide will provide a handy reference when talking about retail in China.

Eugene Tang
Head of Retail, Greater China

Steven McCord
Local Director, Research, China
Twenty major cities covered in this report
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Beijing

Beijing is the cultural and administrative capital of China. Beijing’s retail property market has gone through a decade of rapid expansion, leading to the creation of many new submarkets throughout the city. Beijing has become pivotal to the China expansion strategies of many international luxury brands as discerning shoppers in both downtown and decentralized areas become increasingly brand aware. The city’s retail spending power is backed by the presence of many large state-owned enterprise headquarters, which are the largest employers in the city. Beijing is China’s number one tourist destination, with 200 million annual visitors. It is also considered to be the number one luxury market in China in terms of spending.

Central Business District (CBD)
The CBD is located at the junction of the East Third Ring Road and Jianguomenwai Avenue in Chaoyang District, with convenient access to Metro Lines 1 and 10. It has a concentration of high-end malls, and is home to many international luxury brands. The CBD is adjacent to the offices of many major national and multinational corporations. The target shoppers in this area tend to be white-collar workers and wealthy residents.

Third Embassy Area
This precinct is an emerging shopping area in Beijing, located northeast of the city center, with access to major thoroughfares. As a new high-end destination, this submarket is characterized by trendiness and style, attracting expatriates and local mid-to-upper class shoppers who favor European and American fashion.

West Chang’an Avenue
Located in west Beijing, this is an emerging prime retail area and is currently upgrading to a high-end shopping area with the launch of two new major shopping centers.

Wangfujing
Located to the east of the Forbidden City, this precinct spreads across the intersection of Wangfujing and East Chang’an Avenue, with access to Metro Line 1. It is the most traditional and well-established precinct in all of Beijing. It includes an 800-meter pedestrian street lined with shopping malls and department stores, ranging from mid-range to high-end, and has very high foot traffic. The area is popular with tourists and is famous for traditional Chinese culture. Many properties in this precinct are undergoing expansion and upgrade.

Xidan
Xidan is an 800-meter-long shopping street just west of the Forbidden City, with access to Metro Lines 1 and 4. Xidan has a high concentration of middle-range commercial properties, dominated by department stores targeting local middle-income consumers between 15 and 35 years old.

East Second Ring Road (E2R)
This well-developed precinct is located to the east of Wangfujing submarket, along the East Second Ring Road. It also has access to Metro Line 2. This submarket is dominated by F&B and entertainment businesses, with fewer high-end shopping malls. The area’s target customers are expatriates and other white-collar consumers.

Zhongguancun
Also known as China’s Silicon Valley, this precinct has developed into a noteworthy retail submarket in recent years, to serve demand created by the employees of the high-technology business cluster. It has access to Metro Lines 4 and 10. With a tech-savvy and entrepreneurial customer base, plus a large student population, Zhongguancun attracts mostly casual fashion brands. Consumption levels can be high.

Market Outlook
Demand for retail space is expected to maintain strong momentum as more supply is added to the market. Properties which experience low visitor counts will have the opportunity to improve via higher quality asset management, effective differentiation, as well as renovations and upgrades. Rents in Beijing are lower than Shanghai and much lower than Hong Kong.

Retail Submarkets by 2011

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Year of Emergence</th>
<th>GFA (000 sqm)*</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>1999</td>
<td>550</td>
<td>Yintai Property Group</td>
</tr>
<tr>
<td>Third Embassy Area</td>
<td>2008</td>
<td>500</td>
<td>The Swire Group, Ping An</td>
</tr>
<tr>
<td>W. Chang’an Ave.</td>
<td>2008</td>
<td>595</td>
<td>Wanda, CapitaLand</td>
</tr>
<tr>
<td>Wangfujing</td>
<td>2000</td>
<td>565</td>
<td>Sun Hung Kai Properties</td>
</tr>
<tr>
<td>Xidan</td>
<td>2007</td>
<td>300</td>
<td>COFCO, Financial Street Holding Co Ltd</td>
</tr>
<tr>
<td>East 2nd Ring Road</td>
<td>1996</td>
<td>490</td>
<td>CapitaLand, Beijing Zhaotai Real</td>
</tr>
<tr>
<td>Zhongguancun</td>
<td>2004</td>
<td>1,150</td>
<td>Beijing Hualian Group, New Yansha Holding</td>
</tr>
</tbody>
</table>

Note: * including Department Store and Shopping Mall

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Changsha

Changsha is the capital city of Hunan, in South Central China, located on the lower reaches of the Xiang River, a branch of the Yangtze River. The city is now a major river port, and pillar industries include construction machinery, manufacturing and food processing. Changsha has received strong central government support as a ‘Pioneer Zone’ and is also backed by the ‘Rise of the Middle’ program. The city is known for a consumption-oriented culture, which is boosted by a low cost of living. The consumer class has already reached 35% of the city’s population according to EIU data, and its disposable income is above other Central China cities. Under the local government’s plan for riverside development, more shopping centers will appear on both sides of the Xiang River.

Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.1</td>
<td>562</td>
<td>79,530</td>
<td>25,481</td>
<td>213</td>
<td>60</td>
</tr>
</tbody>
</table>

Data Source: CEIC, 2011 Changsha Statistical Bulletin

Wuyi Avenue

This precinct is located between Wuyi Road and Huangxing Road in Furong District, with future access to Metro Lines 1 and 2 (under construction). Wuyi Avenue is the oldest and most mature traditional shopping cluster in the city, dominated by department stores, although shopping malls have started to appear since mid-2011. This area includes a lively pedestrian street which is a popular destination for locals and tourists alike. Nearby is Changsha’s famed “bar street”.

Dongtang

This precinct is located on Middle Shaoshan Road in Yuhua District, with future access to Metro Line 1 (under construction). It is a residential area with a high population density. Developed in the early 2000s, Dongtang has become a secondary cluster with four major retail properties, but has limited future supply.

Railway Station

This precinct is located on North Shaoshan Road in Furong District, with future access to Metro Line 2. Most of the retail properties are not close to the railway station itself. Properties are all department stores and cover the full spectrum from low-end to high-end, although the majority target low-income to middle-income residents. Future supply is fairly limited in this area, unless more land plots are cleared for re-development.

Kaifu District

This emerging precinct is centered on Middle Furong Road in Kaifu District, with future access to Metro Line 1. Its current market size is fairly small, but it contains Changsha’s first and only fully luxury department store. The future pipeline contains several large-scale, mixed-use projects along Furong Road and the riverfront.

Hongxing

Located in Yuelu District, this emerging retail area will have access to Metro Line 2. Hongxing is anchored by several key educational institutions, Changsha City Government’s headquarters and related agencies, as well as a major development zone. Although there are only three retail projects operating now, this market is expected to be built up rapidly in the next few years.

Market Outlook

Massive supply will enter the market in 2013 and 2015, with most new properties being large-scale shopping malls in newer areas. There remains a lot of room for additional development in Changsha as the city expands outwards. The economic growth outlook for the city is also very robust.
Chengdu

Chengdu is the capital city of Sichuan province, and it is one of the most important economic, transportation and communication centers in Western China. Given its geographic location, depth of market, diverse consumption patterns and its consumers’ relatively high willingness to spend, retailers tend to choose Chengdu as their first foray into Western China. The large group of middle-class consumers and the culture of mass consumption make Chengdu attractive to both retailers and developers. Chengdu today has a large presence of major international retail developers. The local government plans to build ten subway lines (totaling 401.5 km) in Chengdu by 2020, and these will further boost the trade area of the core precincts. There are four major submarkets developed so far.

<table>
<thead>
<tr>
<th>Quick Stats (End-2011)</th>
<th>Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Population (million)</td>
<td>14</td>
</tr>
<tr>
<td>GDP (RMB billion)</td>
<td>555</td>
</tr>
<tr>
<td>GDP Per Capita (RMB/head)</td>
<td>41,253</td>
</tr>
<tr>
<td>Disposable Income (RMB/head)</td>
<td>23,932</td>
</tr>
<tr>
<td>Total Retail Sales of Consumer Goods (RMB billion)</td>
<td>242</td>
</tr>
<tr>
<td>Annual Visitor Count (million)</td>
<td>97</td>
</tr>
</tbody>
</table>

Data Source: 2011 Chengdu Statistical Yearbook, Economist Intelligence Unit, 2011 Chengdu Statistical Bulletin

Chunxi Road and Yanshikou

These precincts are located in Jinjiang District, at the center of Chengdu’s urban area, with access to Metro Line 1 and future Line 2. They have long been the city’s traditional commercial centers and offer a full range of mid-to-high-end brands, including international fast fashion. This area also includes the city’s bustling pedestrian street, Chunxi Road and Yanshikou are attractions for the entire city of Chengdu plus nearby cities.

Luomashi

This precinct is located in Qingyang District, in the west-central part of Chengdu, with access to Metro Line 1. Although it emerged as one of the city’s prime retail precincts in the 1990s, the submarket is experiencing a decline in importance as foot traffic falls. As a result, new supply in Luomashi is limited, and no new projects have been scheduled for the near future.

Second Ring Road Commercial Loop

This commercial area follows the Second Ring Road around Chengdu, running through five urban districts. It has access to Metro Line 1 and future Line 2. Compared to the traditional retail submarkets such as Chunxi Road and Yanshikou or Luomashi, the Second Ring Road Commercial Loop is relatively new and attracts mid-range, fast fashion retailers. Most retail tends to be in shopping mall format and targets customers living in nearby communities, serving their needs for shopping that does not require a trip to the city center.

New South Area

This precinct is located in the Tianfu New Area in Wuhou District, with access to Metro Line 1 and the Third Ring Road. This is a newly emerging retail precinct with a large number of projects under construction (and only one project is open as of mid 2012). The positioning is generally mid-range. New South Area is attracting customers from the emerging residential and office building clusters in the Tianfu New Area.

Market Outlook

Given the increasing quality and strong pre-commitment progress of future projects, particularly in the core area, rents are expected to rise. However, retailers can expect a wide range of choices given the supply influx and fierce competition between projects, as the market will more than double in size by 2016. Much of the new supply will be in newer areas such as the Second Ring Road Commercial Loop, which will form a ring of shopping centers around the city, positioned along major inbound travel routes. Shopping centers in advantageous locations which have solid experience with leasing and operation are likely to outperform.

<table>
<thead>
<tr>
<th>Retail Submarkets by 2011</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chunxi Road &amp; Yanshikou</td>
<td>1989</td>
<td>490</td>
<td>120</td>
<td>Wangfujing, Yanlord, Renhe, Lan Kwai Fong, Chicony, Far Eastern</td>
</tr>
<tr>
<td>Luomashi</td>
<td>1996</td>
<td>20</td>
<td>430</td>
<td>Quanxing, Chengdu He Neng New City Plaza, Qianjiang Yingtong, R&amp;F</td>
</tr>
<tr>
<td>Second Ring Rd Commercial Loop</td>
<td>2003</td>
<td>240</td>
<td>970</td>
<td>SM Group, Capita Retail, GTC, Wanda, Renhe, Longfor, Lippo, Suning</td>
</tr>
<tr>
<td>New South Area</td>
<td>2011</td>
<td>50</td>
<td>0</td>
<td>Jinruitai Group</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Chongqing

The world’s fastest growing large city and a key beneficiary of China’s “Go West” policy. Chongqing is often touted as the world’s largest city due to the 29 million people under its jurisdiction. However, more than three fourths of the population live in rural areas and satellite towns, with the city proper having a population of around 7.7 million. The city has a strong industrial base, and its leading industries include automobile production, chemicals, pharmaceuticals, construction, and tourism. Until 2000, the modern retail market was small, and the pioneering development was Hutchison Whampoa’s Metropolitan Plaza in 1997. The size of the modern retail stock tripled from 2007 to 2012 as shopping malls were built out to meet demand. Chongqing has a very large number of projects developed by pan-China and international retail developers, and high occupancy rates.

Jiefangbei
As one of the city’s most mature retail submarkets, with a development history spanning many decades, Jiefangbei is positioned as a mid-to-high-end market and is undergoing continuous upgrading. This precinct is centered on the busy Jiefangbei Pedestrian Street, which contains ten major shopping malls and department stores. Easy accessibility makes this retail submarket a popular shopping destination for both local residents and tourists. Located in Yuzhong District, this precinct has convenient access to Metro Lines 1 and 2.

Yangjiaping
Yangjiaping is a busy crossroads in the southwest part of Chongqing. Located in Jiulongpo District, this precinct has access to Metro Line 2. As an emerging retail submarket, Daping mainly targets local residents and positions itself as a mid-range retail area.

Shapingba
Shapingba is another traditional high-traffic retail precinct and is anchored by two major shopping malls. The majority of its customers come from communities and universities nearby and via Metro Line 1. Future redevelopment will be constrained by the high population density.

Market Outlook
The year 2012 is the start of Chongqing’s first large-scale retail supply boom. By 2016, the retail stock will be double the level at the start of 2012. While core precincts continue to upgrade and differentiate to maximize footfall, emerging precincts will concentrate on further development. The new shopping centers will provide an opportunity for retailers to expand their reach throughout Chongqing’s many submarkets and tap into the strong consumer culture that is taking hold in the city.

Data Source: 2011 Chongqing Statistical Bulletin

<table>
<thead>
<tr>
<th>Retail Submarkets by Year</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jiefangbei</td>
<td>1980s</td>
<td>145</td>
<td>365</td>
<td>Hutchison Whampoa, Chongqing General Trading Group, Wharf, Yingli International Real Estate Limited</td>
</tr>
<tr>
<td>Yangjiaping</td>
<td>2005</td>
<td>40</td>
<td>145</td>
<td>CapitaMalls, Longfor, Chongqing Zhengsheng Property</td>
</tr>
<tr>
<td>Guanyinqiao</td>
<td>2000</td>
<td>165</td>
<td>315</td>
<td>Longfor, Sincere Group, Chongqing General Trading Group, Chongqing Rongkeguangkong Industry Ltd</td>
</tr>
<tr>
<td>Nanping</td>
<td>2000</td>
<td>40</td>
<td>450</td>
<td>Wanda Group, Balian Group, Sincere Group</td>
</tr>
<tr>
<td>Shapingba</td>
<td>2008</td>
<td>0</td>
<td>120</td>
<td>CapitaMalls, Huaxhga Group</td>
</tr>
<tr>
<td>Daping</td>
<td>2012</td>
<td>–</td>
<td>–</td>
<td>Longfor, Yingli International Real Estate Limited</td>
</tr>
<tr>
<td>Xinpaifang</td>
<td>2012</td>
<td>–</td>
<td>–</td>
<td>CC Land Holdings, SM Group, HKI China Land Limited</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Dalian

Home to one of China's largest seaports, Dalian serves as the gateway to Northeast China. It is a leading city in the Central Government's program to revitalize the old industrial base of Northeast China. It has strong linkages with Japan and Korea, and a high concentration of investment from both countries. Consumerism and brand recognition have taken hold in Dalian, and the city enjoys the highest disposable income per capita in the northeast. Tourism plays an important role in Dalian retail, as 44 million Chinese tourists per year account for 34% of retail sales. The city today has a full range of advanced, diverse shopping centers.

Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>City Proper*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Population (million)</td>
<td>5.9 3.0</td>
</tr>
<tr>
<td>GDP (RMB billion)</td>
<td>615</td>
</tr>
<tr>
<td>GDP Per Capita (RMB/head)</td>
<td>91,287</td>
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<tr>
<td>Disposable Income (RMB/head)</td>
<td>24,276</td>
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<tr>
<td>Total Retail Sales of Consumer Goods (RMB billion)</td>
<td>193</td>
</tr>
<tr>
<td>Annual Visitor Count (million)</td>
<td>44</td>
</tr>
</tbody>
</table>

Note: "City proper refers to urban Dalian, which includes four districts: Zhongshan, Xigang, Shahekou and Ganjingzi.

Data Source: CEIC, Dalian Statistical Bureau

Renmin Road

Renmin Road was the first prime retail precinct in Dalian, and it has the highest-positioned properties anywhere in the city. Its trade area extends across all of Dalian and beyond. As Dalian’s traditional CBD, the area also contains plentiful high-end hotels and offices that attract more foot traffic. It will have access to the future Metro Line 2.

Qingniwa

Located to the west of Renmin Road and north of Laodong Park, this precinct will have access to Metro Lines 1 and 5 (both under construction). It is a mature shopping district with a concentration of both fast fashion and high-end retailers, and it is also a pedestrian street. Qingniwa benefits from the highest foot traffic in Dalian and enjoys convenient accessibility to all parts of the city.

Xi’an Road

Xi’an Road is to the east of Olympic Square and north of Xinhai Bay. It is a mid-to-upper positioned market and is considered the second busiest retail street in Dalian. Foot traffic is supported by several major residential clusters as well as office towers and a nearby inter-city bus terminal. This retail submarket also will have convenient access to Metro Lines 1 and 2 (under construction).

Xinghai Bay

This precinct is located in the south, along the water and near several public beaches. Although this submarket only has one retail destination at present, its potential as a retail area is large, as there are three new large scale projects expected within the next three years. Several high-end and luxury residential developments are also found in this submarket. Xinghai Bay will also benefit from the city’s plans to develop this area into a major financial center for Northeast China. This area will have future access to Metro Line 1.

Olympic Square

Located in central Xigang, the Olympic Square is to the southeast of Qingniwa. This precinct will have future access to Metro Line 1. Targeting nearby residents as its main customer group, this retail submarket is oriented toward community-based shopping and is positioned at the mid-market.

Tianjin Street

This precinct is located near the Dalian railway station between Renmin Road and Qingniwa. It will also have access to Metro Line 1 in the near future. As one of the older shopping districts, Tianjin Street focuses on the mass market. While older properties are trading well, newer properties are facing a slow start.

Market Outlook

Upcoming supply will be fairly evenly distributed throughout the newer areas and will be built by large, experienced retail developers. A new submarket called Diamond Bay will also emerge as Dalian develops a new CBD, complete with high-end residential and commercial projects. The mature information technology sector and the rapidly expanding financial services and tourism sectors will generate strong employment opportunities in Dalian and propel demand for more mid-range and high-end destinations in years to come.
Guangzhou

Guangzhou is the capital city of Guangdong Province, located 190 km from Hong Kong, and is one of the four Tier I cities of China. It is famous for the annual ‘Canton Fair’ which is the largest trade fair in China, owing to the surrounding region’s extensive manufacturing base. Guangzhou offers a full range of retail products from low-end to luxury goods, attracting not only local shoppers but also residents across the heavily urbanized Pearl River Delta, which contains dozens of small cities. The Guangzhou market has advanced rapidly in the last three years with several prominent new shopping centers, and the market has had consistently high occupancy rates.

Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
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<tbody>
<tr>
<td>12.7*</td>
<td>1,230</td>
<td>103,625*</td>
<td>34,438</td>
<td>524</td>
<td>46</td>
<td></td>
</tr>
</tbody>
</table>

Note: *2010 Data
Data Source: 2011 Guangzhou Statistical Bulletin, CEIC

Tianhe North

This precinct is located in Tianhe District, the CBD of Guangzhou, and has access to Metro Lines 1 and 3 as well as the Automatic People Mover (APM). Tianhe North is currently one of the most mature and largest shopping submarkets in the city, with a total retail area of 784,000 sqm. Due to improved retail facilities and connectivity, Guangzhou has moved its prime retail precinct to Tianhe North. The well-known Tee Mall, Grandview Plaza and the newly completed Taikoo Hui have raised the retail profile of Guangzhou and lured more mid to high-end new retailers into the city.

Shangxia Jiu

Shangxia Jiu is located in the western part of the city and is positioned at the lower-middle segment of the market. The cluster of prime street shops and shopping centers offers mainly fashionable and trendy items for young shoppers. Hengbao Plaza is the landmark property for this submarket.

Zhujiang New Town (ZJNT)

This precinct is located in Tianhe District, and it is planned as a new CBD for Guangzhou, with access to Metro Lines 3 and 5 as well as the Automatic People Mover. It emerged as a prime retail property submarket after the completion of West Tower and Seasons Mall Phases I and II in 2010.

Beijing Road

Beijing Road, a traditional pedestrian street, is the key retail area in Yuexiu District, targeting the mass to mid-range segments. It is dominated by department stores and street-side shops. Thanks to its abundant supporting facilities, convenient transportation network with access to Metro Lines 1, 2 and 6 (under construction) and profound cultural heritage, this submarket always enjoys large visitor traffic.

Huanshi East

Huanshi East is the first high-end retail area in Guangzhou and is home to a cluster of mid to high-end retail properties, with access to Metro Lines 5 and 6 (under construction). The current Friendship Department Store and Le Perle are the top high-end malls, housing most luxury brands’ first stores in Guangzhou. Located in the city’s old CBD, this submarket has reached a mature stage of development, and limited future supply is expected.

Market Outlook

A large influx of high-quality supply will transform the market over the next few years. The new supply will provide more choices to consumers and ample expansion space for retailers. However, lower-quality shopping malls with poor management are expected to face fierce competition from the new properties. This will cause higher vacancy in the older properties. Over the next few years, Zhuijiang New Town will be built up, and by 2016, that submarket will account for 20% of the city’s prime retail stock.

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Hangzhou

Hangzhou is the capital and largest city of Zhejiang Province in Eastern China, located 180 km southwest of Shanghai. The city is one of the most prosperous in the Yangtze River Delta (YRD), and has enjoyed rising living standards. Urban disposable incomes grew at the highest rate of any YRD city in the 2008–2011 period. Hangzhou, as with much of Zhejiang Province, is noted for strong private enterprise and an increasingly large IT industry. Hangzhou is also one of the top tourist destinations in China, and is a shopping attraction for all of northern Zhejiang province. The city’s luxury retail market is the most developed among all Tier II cities, and the presence of fast fashion brands is also above average for Tier II.  

Wulin

This precinct is at the center of Hangzhou’s urban area, and has access to the future Metro Line 1. Wulin has been Hangzhou’s traditional retail precinct for more than three decades and enjoys the highest foot traffic. Its positioning ranges from mid-range to high-end. Wulin is a key destination for luxury shoppers with the massive Hangzhou Tower department store complex. The area is dominated by traditional department stores, most of which are local operators, and has limited land for future expansion and re-development. Unlike other Tier II cities, there is no pedestrian street.

Hubin

This precinct is located in Xihu District along the lakeside, with access to the West Lake Tunnel and Metro Lines 1 and 2 (both under construction). The area is popular with all tourists who visit the West Lake waterfront, and has been established as a high-traffic retail area for decades. In recent years, new luxury retail space has appeared on the waterfront that is targeted at tourists. Several major department stores are also present, with a mid-range positioning. The area is notable for heavy traffic congestion.

Qianjiang New City and Qingchun

This precinct is located on the west bank of the Qiantang River, and to the east of Hangzhou’s core area. It will contain dozens of office towers and high-end residential projects, and about two thirds of them are already built. Compared to other ‘new CBD’ areas in Tier II cities, Qianjiang New City is only a short distance from the traditional core. The area has emerged as a retail submarket in the last two years, with the opening of MixC shopping mall. Additional mixed-use projects are planned for the area, with mid-range positioning. The adjacent Qingchun precinct, near the old financial district, is between Qianjiang New City and the traditional core. This area has a mass-market orientation.

City Northwest

This precinct includes areas in both Xihu and Gongshu districts in the northwest of Hangzhou. It has access to Metro Line 2 (under construction) and the expressway to Shanghai. City Northwest has a large stock of high-end residential and office projects, but a relatively limited amount of retail space. The shopping centers in this precinct currently cater to mid-to-lower-end consumption needs. Since the area is still under development, it still has land supply for additional large-scale properties.

Market Outlook

Development is picking up in the decentralized areas, driven by the expansion of the metro lines and the city’s urban area. City Northwest will provide new opportunities for retailers, as additional shopping malls are opened to serve the area’s affluent residents. There remains a lot of room for more sophisticated shopping environments in Hangzhou, considering the city’s wealth. Downtown projects will continue to retain destination status and experience robust sales growth in tandem with the Zhejiang economy. The cyclical demand risks are different from the rest of China due to the higher dependency on local private enterprise as a source of disposable income, compared to other major cities.

Quick Stats (End-2011)  

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
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Data Source: CEIC, 2011 Hangzhou Statistical Bulletin

<table>
<thead>
<tr>
<th>Retail Submarkets by 2011</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
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<tr>
<td>Wulin</td>
<td>1980s</td>
<td>295</td>
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<td>Hangzhou Tower Group, Intime Group</td>
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<tr>
<td>Hubin</td>
<td>1980s</td>
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<td>Qianjiang New City &amp; Qingchun</td>
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<td>120</td>
<td>145</td>
<td>China Resources, Sun Hung Kai, CapitaLand</td>
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<td>City Northwest</td>
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Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Nanjing, capital of Jiangsu Province, is one of the great ancient capitals of China. It is also a major city in the Yangtze River Delta region and the second largest commercial center in East China after Shanghai. The urban population of Nanjing has grown almost 6% per year for the last decade as the city builds outward. The urban retail market has grown from only two submarkets to four, with additional suburban submarkets rapidly emerging. Local developers such as Suning and Golden Eagle have a very strong presence. Similar to many other cities, Nanjing is rapidly building out its urban transportation network to better integrate the core area with a rapidly growing urban frontier. Many districts are seeing rising population density as well as rising income levels. The city has a huge skilled labor base, supported by 38 universities, which also fuel a growing white-collar workforce.

Nanjing

Xinjiekou
This precinct is located in Xuanwu District in the very center of Nanjing, with access to Metro Lines 1 and 2. It has been a focal point of the city and a prime retail submarket for more than half a century. Not only is it one of the most well known retail precincts in Nanjing, Xinjiekou is also a central business district and a metro line hub. The area contains Nanjing’s most high-end department stores and shopping malls, as well as a wide selection of mid-range options. Foot traffic is the highest of any other precinct, and the area is the default choice for all residents looking for the widest selection of goods. Xinjiekou’s retail properties attract customers from a large area, which extends into Anhui Province.

Shanxi Road
Located in Gulou District, Shanxi Road encompasses three secondary precincts: Hunan Road, Zhujiang Road and Gulou. It has convenient access to Metro Lines 1 and 2, as well as the planned Metro Lines 4 and 5. Also a traditional shopping destination, it was traditionally a more mass market option than Xinjiekou. Most of the projects in this area are mixed-use, containing offices, apartments and hotels. Several new high-end properties have recently opened, raising the profile of the area and extending it northward. An ambitious urban redevelopment project is also set to change the face of this area over the next five years.

Hexi
This precinct is located in Jianye District, with access to Metro Lines 1 and 2. It is a new, master-planned area similar to those in other major cities. Hexi’s retail market has a short history of development, spanning only a few years. Plans for the next few years are ambitious, with many large-scale themed shopping malls set to change the landscape and serve a rapidly growing resident population. The positioning will generally be mid-range.

Confucius Temple
This precinct is located in Jianye District, a short distance south of Xinjiekou, and has access to Metro Line 1. In the future it will also be connected to Metro Lines 3 and 5. Until fairly recently, the area was predominantly residential. New retail developments have been built to serve the local community. Foot traffic is moderate and positioning is low-to-mid. As new projects are added over the next few years, a critical mass will develop to make Confucius Temple a destination for a large portion of Southern Nanjing.

Market Outlook
Retailers entering the market will gain the most visibility from a presence in Xinjiekou or Shanxi Road, followed by additional stores in the newer precincts. The next two years will contain massive amounts of new supply, allowing ample opportunities for expansion. Local Nanjing developers are playing a key role in the future development and upgrade of retail in the city. Almost all new development is in the shopping mall format. The biggest changes will be seen in Hexi, which should reach a higher level of maturity within the next three to five years. Also, a suburban retail cluster is forming in Jiangning to the south.

Quick Stats (End-2011) Municipality

<table>
<thead>
<tr>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
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<td>615</td>
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<td>32,200</td>
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<table>
<thead>
<tr>
<th>Retail Submarkets by 2011</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
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<tbody>
<tr>
<td>Xinjiekou</td>
<td>1952</td>
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<td>Greenland, Spring Land Group</td>
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<tr>
<td>Hexi</td>
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<td>215</td>
<td>Wanda, Golden Eagle, F&amp;T Group</td>
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<td>Confucius Temple</td>
<td>2008</td>
<td>–</td>
<td>100</td>
<td>Penguin</td>
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</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Ningbo

Ningbo is a seaport city in the northeast of Zhejiang Province in Eastern China, about 220 km south of Shanghai. In 2008, the Hangzhou Bay Bridge was opened, cutting highway transit time to Shanghai in half. The retail market in Ningbo is at an early stage of development, and only recently has begun to expand beyond the traditional core area. Shopping malls have recently begun to appear in greater numbers, positioned in the north, east, and south entry points to the city. Ningbo’s economy is driven by exports, especially electrical products, textiles and food. Total export volume is higher than any other Tier II city. Purchasing power is driven by the large number of entrepreneurs who run private manufacturing and trading-related businesses. Because of its export-heavy economy, Ningbo is sensitive to the external demand conditions in its main trading partners in Europe and North America.

<table>
<thead>
<tr>
<th>Quick Stats (End-2011)</th>
<th>Municipality</th>
<th>City Proper*</th>
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<tbody>
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<td>Resident Population (million)</td>
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<td>GDP (RMB billion)</td>
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<td>GDP Per Capita (RMB/head)</td>
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<td>Disposable Income (RMB/head)</td>
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<td>Total Retail Sales of Consumer Goods (RMB billion)</td>
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<td>Annual Visitor Count (million)</td>
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</table>

Note: *City Proper refers to urban Ningbo, which includes six districts: Haishu, Jiangdong, Jiangbei, Yinzhou, Zhenhai and Beilun.

Data Source: Ningbo Statistical Bulletin

Jiangdong and Jiangbei

Located in the east and northeast of the city, these two areas are relatively new retail submarkets in Ningbo. Both are in residential areas, especially Jiangbei. They form the gateway points to the city in the east and north, anchored by large, mid-range shopping malls with a wide range of international fast fashion brands.

Haishu (Tianyi Square)

Located at the junction of Haishu, Jiangbei and Jiangdong districts, at the focal point of Ningbo’s urban area, this precinct is the traditional shopping destination of choice for the whole city. This submarket contains the leading department stores and shopping malls in Ningbo, most of which were developed by strong local developers. Therefore, Tianyi Square is often considered to be the only ‘core’ retail submarket and is also home to the city’s luxury shopping mall, called Heyi Avenue. Tianyi Square itself is a large public plaza. The area’s accessibility will soon improve with the opening of Lines 1 and 2 in the near future.

Yinzhou

Located in the south of the city, Yinzhou is regarded as the second largest retail precinct in Ningbo. It will have future access to Metro Line 3 (planned). This area filled up with new residents during the 2000s, and was soon anchored by several large retail properties, including Ningbo’s first Wanda Plaza. Since its customer base primarily consists of nearby residents, Yinzhou mainly caters to low-to-mid-range consumption needs. A handful of additional major shopping malls will open here in the next two years, built by major national developers. The area also contains a brand-new office tower cluster called the South CBD.

Market Outlook

New projects built in emerging areas may take a few years to build up high foot traffic as their surrounding population increases and consumers adapt to the new shopping destinations. Attracting customers away from the traditional core in Tianyi Plaza is not easy, but Yinzhou’s experience shows that it is achievable and each new retail submarket can claim its own district level trade area. Properties in Tianyi and Jiangdong will benefit greatly from increased footfall after the opening of Metro Line 1. The slowdown in export demand impacted discretionary spending in Ningbo in 2012, but a rebound in consumption will occur as soon external demand conditions recover. A key upcoming area to watch is the East New City, in which many large-scale projects of all types are starting to appear. This will be Ningbo’s most significant ‘new city’ area.

<table>
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<tr>
<th>Retail Submarkets by 2011</th>
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<th>Department Store GFA (000 sqm)</th>
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<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jiangdong &amp; Jiangbei</td>
<td>1998</td>
<td>30</td>
<td>290</td>
<td>Wanda Group, CapitaLand, Ningbo Sunshine Real Estate</td>
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<tr>
<td>Haishu (Tianyi Square)</td>
<td>1997</td>
<td>190</td>
<td>380</td>
<td>Ningbo City Square Development Company, Intime Group</td>
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<tr>
<td>Yinzhou</td>
<td>2006</td>
<td>35</td>
<td>310</td>
<td>Wanda Group, Link Sun Group</td>
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</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Qingdao

Qingdao is a major seaport city in Shandong Province, Eastern China. The biggest contributors to the city’s employment base are export-related trade and logistics, agribusiness, electronics, and beverages. The city has completed several large-scale infrastructure projects that connect it to the rest of the region, such as the Qingdao Haiwan Bridge — the world’s longest sea bridge. These projects vastly enlarge the potential trade areas of the city’s retail. In 2010 shopping mall stock exceeded department store stock for the first time. Qingdao retail is dominated by a few very strong local developers who have had a firm grip on most of the key submarkets.

Shinan (Western)

Eastern Shinan is Qingdao’s most high-profile retail precinct. Retail projects are spread along Hong Kong Road and southward toward the waterfront tourist areas, appealing to residents and tourists alike. The area offers a full range of retail destinations, from low-end to highest positioned. Also located here is Hisense Plaza, Qingdao’s highest-positioned retail property. Nearby properties have a high concentration of fast fashion brands. The area is also Qingdao’s largest office cluster and an increasingly important luxury residential area. It will also have future access to Metro Lines 2 and 3.

Shinan (Eastern)

This up-and-coming area is a priority under the government’s urban development plans. It is a relatively new area, but is more mature and urbanized than a typical ‘new CBD’. It is located only a short distance north from Shinan, and has a large cluster of new mid-to-high end residential developments. Retail in this area is positioned as mid-range, and will have future access to Metro Lines 2 and 3.

Shibei CBD

This area is Qingdao’s ‘new CBD’ and has been steadily developing over the past decade. The area’s main sources of retail demand come from the growing number of residential and office projects, as well as the numerous educational institutions. Shibei CBD is a major seaport city in Shandong Province, Eastern China. The biggest contributors to the city’s employment base are export-related trade and logistics, agribusiness, electronics, and beverages. The city has completed several large-scale infrastructure projects that connect it to the rest of the region, such as the Qingdao Haiwan Bridge — the world’s longest sea bridge. These projects vastly enlarge the potential trade areas of the city’s retail. In 2010 shopping mall stock exceeded department store stock for the first time. Qingdao retail is dominated by a few very strong local developers who have had a firm grip on most of the key submarkets.

Laoshan

Located in the eastern part of Qingdao within Laoshan District, this area is Qingdao’s retail area and has the highest foot traffic in the city. With nine shopping streets in total, it targets the low-to-mid segment of the market and mostly consists of street-side shops. There is one major department store and it does extremely well; Liqun Laoshan has the highest retail sales of any shopping mall or department store in the city. The area will have access to Metro Line 1 in the future.

Market Outlook

Over the next few years, the biggest change to the market will be the build-out of Shibei and Licang submarkets. The downtown area will also see a few new landmark projects, such as MixC, which will strengthen downtown’s destination status for the greater Qingdao population. New shopping mall supply per annum will be double the levels of the recent past. However, this is due to the expansion of the overall market’s size; this is happening in tandem with growth of the consumer class. Existing properties will continue to thrive but new developments will take time to establish a stable customer base. Centrally located properties will also benefit from the growing volume of tourist arrivals.

<table>
<thead>
<tr>
<th>Retail Submarkets by Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
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</thead>
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<tr>
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<tr>
<td>Shinan (Eastern)</td>
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<td>65</td>
<td>Likelai Group, The Lion Group</td>
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<tr>
<td>Taidong</td>
<td>1980s</td>
<td>25</td>
<td>Liqun Group, Wanda</td>
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<tr>
<td>Laoshan</td>
<td>2009</td>
<td>35</td>
<td>Leader Group, Zendai Group</td>
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<tr>
<td>Licang</td>
<td>1990s</td>
<td>80</td>
<td>Likelai Group, Weekly Group, Liqun Group, Powerlong Group</td>
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</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Shanghai

Shanghai has a long history as the commercial center of China and, in 2009, was designated by the State Council to be developed into a global financial center. Shanghai is often the first city of choice for major international brands entering China. It is also a city that can accommodate a large number of stores for each brand. Over 100 international fast fashion stores were already established in the city at mid-2012. In the span of two decades, the market has grown from only a few centrally located ‘retail streets’ into a large number of hubs to serve Shanghai’s rapidly expanding urban area. Five of the major submarkets will be discussed here.

East Nanjing Road

East Nanjing Road is Shanghai’s oldest and most traditional retail area. The core of this area is the East Nanjing Road pedestrian street, which is a major tourist attraction and experiences heavy foot traffic during weekends and holidays. Brands present in this area enjoy excellent visibility. Originally a mid-range precinct dominated by state-owned department stores, the area has steadily diversified with the addition of new shopping centers. The hub of metro lines under People’s Square also bring in Shanghai residents from all directions. Along the Bund waterfront, heritage buildings have been converted into high-end retail spaces accommodating international luxury brands.

West Nanjing Road

West Nanjing Road is Shanghai’s highest-positioned retail precinct and has a well-established cluster of luxury retailers in Plaza 66, CITIC Square, and Westgate Mall, attracting customers from throughout the Shanghai region. West Nanjing Road is also a favorite for its flagship stores of international fast fashion brands. As these have been established, the eastern portion of the precinct has steadily become more popular. This precinct will be fully developed within another two years. Metro Lines 2 and 7 link this area to the rest of the city.

Xujiahui

Xujiahui is a crossroads of several key avenues and metro lines in the southwestern part of central Shanghai. This area took off during the 1990s as the residential population in southwest Shanghai grew, and it is a popular mid-range precinct dominated by state-owned department stores, the area has steadily diversified with the addition of new shopping centers. The hub of metro lines under People’s Square also bring in Shanghai residents from all directions. Along the Bund waterfront, heritage buildings have been converted into high-end retail spaces accommodating international luxury brands.

Huaihai Road

Huangpu Road

Huangpu Road

Lujiazui

Lujiazui is the financial district of Shanghai, which was one of China’s original ‘new CBDs’. This area can be divided into two clusters—the New Commercial City section to the south, and the core area known as Little Lujiazui. New Commercial City is predominantly a mid-market department store street, which services Pudong residents. Retail in Little Lujiazui serves the dual functions of a tourist destination and an amenity for the thousands of financial sector workers in the surrounding office towers. Super Brand Mall was the first landmark in this area, and is a mid-market mega-mall that attracts high numbers of visitors. The adjacent IFC Mall is now the second landmark retail property, and has brought a wave of luxury brands to Pudong.

Future outlook

Central areas will continue to upgrade their positioning in the coming years and will strengthen their role as day trip destinations for the Shanghai region. Hongqiao is already well on the way to becoming Shanghai’s next ‘prime’ retail precinct. Meanwhile, all low-range to mid-range needs will be met by Shanghai’s decentralized properties. A large portion of the upcoming properties are built by experienced developers with strong asset management and leasing teams. Newer areas will continue to emerge and develop. Key areas to watch in the more distant future include the Hongqiao Transportation Hub, the South Bund and the Zhennu ‘sub-CBD’ in northwest Shanghai.

Quick Stats (End-2011) Municipality

| Resident Population (million) | 24 |
| GDP (RMB billion)              | 1,920 |
| GDP Per Capita (RMB/head)      | 85,560 |
| Disposable Income (RMB/head)   | 36,230 |
| Total Retail Sales of Consumer Goods (RMB billion) | 682 |
| Annual Visitor Counts (million) | 239 |

Data Source: CEIC, 2011 Shanghai Statistical Bulletin

Retail Submarkets by 2011

<table>
<thead>
<tr>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Emergence</td>
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</tr>
<tr>
<td>East Nanjing Road</td>
<td>Pre-1995</td>
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<td>West Nanjing Road</td>
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<td>Xujiahui</td>
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<td>Lujiazui</td>
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<td>110</td>
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Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Shenyang

Shenyang is a major hub city in the Northeast, with a population of 25 million within the surrounding region. Shenyang also has one of the country’s greatest concentrations of luxury stores and luxury retail space, which serve a deep market for luxury products. The city also has a very large number of properties built by international developers. Shenyang is positioned as the premier shopping destination in Northeast China. The rising incomes of its satellite cities support a strong future for the retail market, particularly in Taiyuan and Zhongjie Streets, the city’s most popular shopping areas, and the Mid-Golden Corridor, the emerging luxury shopping district.

<table>
<thead>
<tr>
<th>Quick Stats (End-2011)</th>
<th>Municipality</th>
<th>City Proper*</th>
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<tbody>
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<td>GDP Per Capita (RMB/head)</td>
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<td>69,343**</td>
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<tr>
<td>Disposable Income (RMB/head)</td>
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<td>Total Retail Sales of Consumer Goods (RMB billion)</td>
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<td>157**</td>
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<tr>
<td>Annual Visitor Counts (million)</td>
<td>62</td>
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</tr>
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</table>

Note: *City Proper refers to urban core, which includes five districts: Shenhe, Heping, Huanggu, Dadong and Tiexi. **By calculation


Taiyuan Street

This precinct has long been one of the traditional retail areas in the core of Shenyang, and enjoys relatively high foot traffic. It has a rich selection of mid-to-high-end retail properties, both in department store and shopping mall formats, as well as many international fast fashion retailers. The area also is well connected to the rest of the city and to Shenyang’s other retail precinct, Zhongjie, via Metro Line 1. It is also connected to other cities through the Shenyang Railway Station. Taiyuan Street’s extensive catchment encompasses the whole region of Northeast China.

Zhongjie Street

Zhongjie is the other major traditional retail precinct in Central Shenyang, located along Metro Line 1, and has a large selection of high-quality projects built by famous national and international developers. The area is undergoing rapid upgrading from a low-to-mid positioning to more of a high-end positioning, as new projects are completed. Zhongjie is already well established as the main luxury retail destination for the city, and the submarket will be fully built by 2015 to become the definitive core of Shenyang retail.

CBD

As the office market is developed in the CBD, retail projects are also becoming more important in the landscape of this area. The CBD has been developed into a high-end retail market. Charter Shopping Center, for example, has been recognized as one of Shenyang’s most mature luxury malls. Along with several other high-end shopping centers, these destinations not only attract the affluent shoppers in the city, but also wealthy people living outside Shenyang. Its extensive catchment encompasses all three major provinces in Northeast China. Many high-profile Hong Kong and international developers chose this area to build retail projects, most of which will be completed after 2015.

Mid-Golden Corridor

Since 2003, development of the Golden Corridor along Qingnian Road has been greatly emphasized by the Shenyang Government. The area has convenient access to the interchange of Metro Lines 1 and 2. Projects here are mixed-use retail and office. Among them, the fully-occupied MixC acts as the anchor in this area, and targets the mid-to-high-end segment.

Wulihe

Targeting residents from the southern part of Shenyang, most projects in Wulihe are positioned in the mid-range market. Well known for the Wulihe Stadium, the precinct now serves as a commercial center for local residents and tourists. Although convenient public transportation has been added, poor expressway access makes it hard to drive to department stores and shopping centers by car, which could turn away affluent buyers.

Market Outlook

Vacancy rates will continue to be above average compared to other Tier II markets, providing ample space for retailers to expand. This also means that rental increases will be lower than most cities, and tenants will enjoy strong bargaining power and concessions. Shenyang’s status as a regional hub for the northeast will remain unchallenged, and the city will benefit from income growth and economic diversification happening throughout the region. Shenyang’s consumers will enjoy ample choices of destination as the total stock doubles by 2016, with Wulihe and the CBD seeing the most significant new additions.

<table>
<thead>
<tr>
<th>Retail Submarkets by 2011</th>
<th>Year of Emergence</th>
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<tr>
<td>Taiyuan Street</td>
<td>1980s</td>
<td>430</td>
<td>285</td>
<td>New World, Wanda, Zhongxing, Changchun Ouyaa</td>
</tr>
<tr>
<td>Zhongjie Street</td>
<td>1980s</td>
<td>460</td>
<td>1,000</td>
<td>Happy Family, COFCO, Lifestyle Holdings, Hang Lung, Dashang Group</td>
</tr>
<tr>
<td>CBD</td>
<td>2006</td>
<td>130</td>
<td>240</td>
<td>Sunnyworld, Charter Group, Hang Lung, Henderson, L Capital</td>
</tr>
<tr>
<td>Mid-Golden Corridor</td>
<td>2008</td>
<td>0</td>
<td>305</td>
<td>Bailian, China Resources</td>
</tr>
<tr>
<td>Wulihe</td>
<td>2007</td>
<td>160</td>
<td>45</td>
<td>MOI, Kaisa, Shimao</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Shenzhen

Shenzhen is a major city in the south of Guangdong Province, situated immediately north of Hong Kong. The area became China’s first and one of the fastest-growing Special Economic Zones (SEZs) in the 1980s. As China’s largest migrant city, the city attracts both white and blue-collar workers from the rest of the country to pursue economic opportunities. Rising personal wealth has driven demand for luxury goods and mid to high-end products in Shenzhen. Many young office workers who are willing to spend and eager to demonstrate social prestige through owning brand-name products have vitalized Shenzhen’s retail market. Because of this trend, most international brands tend to choose Shenzhen as their first location to enter the South China market. The retail submarkets introduced below have mostly emerged in recent years, and are fuelled by this demand.

**Caiwuwei**
This precinct is comprised of traditional pedestrian street shops and modern shopping malls, which attract a wide spectrum of shoppers and offer a full range of products from low to high-end. Located in Luohu District, the traditional CBD of Shenzhen, and with convenient access to the public transit system, Caiwuwei tends to be the first choice for local residents when it comes to shopping. Since 2004, the area went through a period of upgrading, and now the two high-end shopping malls—MixC and King Glory Plaza—charge the highest rents in the city. In the near future, development in this precinct will be limited due to lack of land supply.

**Futian CBD**
Young shoppers and white-collar workers from nearby offices represent the key consumers in this precinct. Shopping malls with mid-range and fast fashion retailers and a wide selection of food and beverage outlets tend to thrive in this area. This precinct is located in Futian District, at the heart of Shenzhen, and features access to four of the five existing metro lines.

**Overseas Chinese Town (OCT)**
This area is often recognized by local residents because it is adjacent to an integrated resort developed by Overseas Chinese Town Group. OCT encompasses theme parks, hotels, and luxury residential projects. Therefore, this precinct has high-income local residents and tourists as its customer base, and attracts mid to high-end retailers. Yitian Holiday Plaza, the anchor shopping mall in the area, hosts many international luxury brands.

**Houhai**
The vibrant retail environment in this precinct attracts mostly young shoppers from nearby residential communities. Since Houhai has a rapidly growing population that is demanding more shopping and entertainment facilities, most projects in this retail submarket are one-stop shops. Future supply in this precinct is set to rise sharply.

**Market Outlook**
We expect Shenzhen’s retail submarkets to further diversify and continue to serve consumers with wide range of needs, from low-end to luxury goods. As the public transit system continues to expand throughout the city, shopping is becoming more and more convenient for local residents and tourists. Therefore, more trendy international brands will continue to focus on Shenzhen as their first stop to enter Southern China. Demand remains robust in the suburban area in Shenzhen since residents there shop for daily necessities. In the city proper, however, demand is more influenced by the national and international economic environment. In terms of supply, Futian CBD will have a relatively large supply pipeline, giving retailers more options in the next two or three years. In the other retail submarkets, since pre-leasing rates are higher than Futian, competition among retailers for the best space will be more intense.

### Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shenzhen</td>
<td>10.5</td>
<td>1,150</td>
<td>110,387</td>
<td>36,505</td>
<td>352</td>
<td>37</td>
</tr>
</tbody>
</table>

Data Source: 2011 Shenzhen Statistical Bulletin

### Retail Submarkets by 2011

<table>
<thead>
<tr>
<th>Retail Submarkets</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caiwuwei</td>
<td>1993</td>
<td>–</td>
<td>395</td>
<td>China Resources Group, Shenzhen King Glory, King Key Group</td>
</tr>
<tr>
<td>Futian CBD</td>
<td>2004</td>
<td>40</td>
<td>235</td>
<td>Galaxy Real Estate, Excellence Group, East Pacific Group, Rainbow Department Store</td>
</tr>
<tr>
<td>Overseas Chinese Town</td>
<td>2008</td>
<td>–</td>
<td>280</td>
<td>Shenzhen Yitian Real Estate Group, Overseas Chinese Town Group, King Key Group</td>
</tr>
<tr>
<td>Houhai</td>
<td>2007</td>
<td>50</td>
<td>275</td>
<td>Coastal Real Estate, Poly Group, MOI Group, Tile Group</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Suzhou

Suzhou is a large city located on the lower reaches of Yangtze River Delta, 90 km west of Shanghai. High-speed rail connects Suzhou to Shanghai in only 30 minutes. The city is famous for its gardens and ancient silk industry, and has become a national tourist destination. Suzhou developed into a major foreign-invested manufacturing area during the 1990s, and high-tech manufacturing continues to be a major growth driver. Two major ‘industrial parks’ — Suzhou Industrial Park (SIP) and Suzhou New District (SND) — which actually contain all types of property, cover large parts of the city’s land area. Throughout most of the 2000s, Suzhou’s retail was dominated by a few department stores in Old Town and Shilu. The market changed rapidly in 2009 as a wave of retail projects appeared in SIP and SND, tripling the city’s retail stock in one year. Suzhou today has six distinct submarkets. The city’s Metro Line 1, which opened in April 2012, connects the two zones with Old Town and enhances the trade area of the large regional malls along its route.

Quick Stats (End-2011) 

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Town</td>
<td>6.4</td>
<td>1,072</td>
<td>102,129</td>
<td>34,617</td>
<td>283</td>
<td>102</td>
</tr>
<tr>
<td>Shilu</td>
<td>1994</td>
<td>180</td>
<td>120</td>
<td>50</td>
<td>125</td>
<td>220</td>
</tr>
<tr>
<td>Nanmen</td>
<td>1996</td>
<td>160</td>
<td>175</td>
<td>50</td>
<td>125</td>
<td>220</td>
</tr>
<tr>
<td>SIP (West)</td>
<td>2009</td>
<td>180</td>
<td>175</td>
<td>50</td>
<td>125</td>
<td>220</td>
</tr>
<tr>
<td>SIP (East)</td>
<td>2006</td>
<td>160</td>
<td>175</td>
<td>50</td>
<td>125</td>
<td>220</td>
</tr>
<tr>
<td>SND</td>
<td>2006</td>
<td>175</td>
<td>125</td>
<td>220</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Data Source: CEIC, 2011 Suzhou Statistical Bulletin

SIP

SIP West lies between the edge of Old Town and the west bank of Jinji Lake. It is part of the large, master planned Suzhou Industrial Park, a ‘new town’ area. Retail in this area is a recent phenomenon but has become established fairly quickly through the success of landmark projects such as In City, boosted by convenient transportation links with Old Town and SIP East. The properties in this area benefit from a large office building cluster that has formed in this area and contributes to daily foot traffic. Retail and office development have extended eastward from SIP West to SIP East. The east retail market took off in 2009 with the opening of Harmony Times Square and the adjoining Sogo Department Store.

SND

This area is on the west side of Suzhou and is still under development. Foot traffic has been relatively uneven between the projects, and occupancy rates have had a slow start in the newly built properties. The customer base here is shifting from blue collar to white collar. Several large landmark properties will soon put this area firmly on the map for retail.

Market Outlook

Total retail space could potentially double in size by 2016. Much of the new supply will be in SIP East, where additional shopping centers are included in the master plan to serve the growing high-end residential population. Several international developers such as Wharf and Sun Hung Kai have future high-profile mixed-use projects there. Retailers looking for shopping center space will likely find it in SIP. Meanwhile, in Old Town, future retail supply is constrained by limited land availability. Upgrading in the central area is not expected to be aggressive.

Retail Submarkets by 2011

<table>
<thead>
<tr>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Town</td>
<td>1990</td>
<td>195</td>
<td>Matro Department Store, New Suzhou Department Store</td>
</tr>
<tr>
<td>Shilu</td>
<td>1994</td>
<td>180</td>
<td>Suzhou Senso Group</td>
</tr>
<tr>
<td>Nanmen</td>
<td>1996</td>
<td>120</td>
<td>Suzhou Tower, Jiahexin Property</td>
</tr>
<tr>
<td>SIP (West)</td>
<td>2009</td>
<td>160</td>
<td>SCP, Rainbow Dept. Store, SPG Land</td>
</tr>
<tr>
<td>SIP (East)</td>
<td>2009</td>
<td>175</td>
<td>Harmony Group, Sogo, Sun Hung Kai, Wharf</td>
</tr>
<tr>
<td>SND</td>
<td>2006</td>
<td>125</td>
<td>Matro, Maida Real Estate, Izumiya</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Tianjin

Tianjin is a major city in Northern China that — together with Beijing — makes up heart of the Bohai Economic Rim. It is one of the four provincial-level municipalities in China, along with Beijing, Shanghai and Chongqing. With a population of 13 million, the city is a key logistics and manufacturing center with financial services aspirations. Tianjin encompasses the coastal region of Tanggu, the Binhai New Area and the Tianjin Economic-Technological Development Area (TEDA), which is a fair distance from Tianjin City proper. Rising incomes, changing consumer behavior and the construction of new retail supply contribute to the evolving retail landscape in Tianjin. Tianjin’s growing appeal has led to a large number of international retail developers and brands to expand into the city over the past few years. There are currently four key retail submarkets in the city.

Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tianjin</td>
<td>13.5</td>
<td>1,119</td>
<td>72,994</td>
<td>26,921</td>
<td>340</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Youyi Road

Youyi Road is a broad avenue considered to be in the midst of Tianjin’s high-income residential area. It is also located near the major government offices and related agencies, and will have future access to Metro Lines 5 and 6. Although retail supply at present is limited to the Youyi Department Store, this is a key luxury shopping destination for the city and is the highest-grossing department store in Tianjin. A large number of international luxury brands have made their Tianjin debut in the Youyi Department Store, which has established a 15-year track record. The upcoming Galaxy Shopping Mall will bring in dozens of luxury brands to serve the deep market for high-end products in Southern Tianjin.

Heping and Binjiang Avenue

Heping and Binjiang Avenues are traditional core retail streets in Tianjin, and they enjoy the highest foot traffic in the city. Both have been converted into pedestrian streets, with Binjiang Avenue as one of the longest pedestrian streets in China. Together, both streets offer the highest density of F&B options in Tianjin, in addition to many mid to low-range department stores and low-end street front shops. Accessibility will improve with the completion of Metro Lines 3 and 4. The positioning of this area will rise with the completion of two high-end malls — Riverside 66 and TeeMall — within the next few years. Apart from these, future supply in this area will be limited.

Nanjing Road and Xiaobailou

Located in Heping District, this precinct benefits from its central location in the traditional CBD and access to Metro Line 1. It is composed of two retail submarkets: Nanjing Road and Xiaobailou. Nanjing Road is the city’s most mature retail market. Since 1986, it has been the primary retail precinct in Tianjin, achieving high rents and a diversified tenant mix due to its central location in a mature area. Adjacent to Nanjing Road, Xiaobailou was one of the first new retail submarkets in Tianjin with several signature department stores and shopping centers. However, besides the few key destinations, other retail projects are less attractive to consumers as they offer no clear theme or differentiating products or services.

Old Town

Old Town is an area undergoing transition. Previously a mass-market area with limited affluence, Old Town has gone through intensive redevelopment. In the last several years it has increasingly become an expensive residential area and a mid-market retail destination. Key properties in this area include Aqua City and Joy City, built by large-scale national developers, and the Lotte Department Store.

Market Outlook

The additional new supply to be added in Tianjin will be relatively less than most major cities. However, each new project to be added is going to stand out as a landmark, and all will be major shopping mall destinations. Most of the new projects are being built by large, experienced retail developers and will provide ample expansion opportunities for retailers. The main future submarket will likely to be on the east side of the river in Hedong. Tianjin’s scale and economic diversity as a Tier 1.5 city give it a strong backing for future consumption growth.

<table>
<thead>
<tr>
<th>Retail Submarkets by 2011</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youyi Road</td>
<td>1996</td>
<td>30</td>
<td>–</td>
<td>Friendship Department Store, Tianjin Infrastructure Group</td>
</tr>
<tr>
<td>Heping and Binjiang Avenue</td>
<td>1990</td>
<td>355</td>
<td>235</td>
<td>Maigo, Itokin, Lifestyle Holdings, Wanda, Hang Lung, General Nice Group</td>
</tr>
<tr>
<td>Nanjing Road and Xiaobailou</td>
<td>1986</td>
<td>350</td>
<td>130</td>
<td>Tianjin Modern Group, Hutchison Whampoa, Hainan Retailing, CapitaLand</td>
</tr>
<tr>
<td>Old Town Area</td>
<td>1998</td>
<td>175</td>
<td>300</td>
<td>New World China Land, Yanlord, Maigo, COFCO</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Wuhan

While Chengdu is now regarded as the regional center of West China, Wuhan is growing into the same role in Central China. Unique among Chinese cities, Wuhan is composed of three once independent towns, namely Hankou, Wuchang and Hanyang. To link these markets, an infrastructure boom that is large – even by Chinese standards – is taking place. Wuhan competes with several other cities for the ‘Detroit of China’ status, but is about more than cars. Wuhan also has aspirations in the technology and service sectors, which are bolstered by one of the largest concentrations of universities and students in China. This is where Wuhan’s consumer base has potential. Wuhan’s workforce is one of China’s best-educated yet low cost. Wuhan has roughly double the number of retail projects of a Tier II city such as Changsha in order to serve the rapidly growing consumer class. While Wuhan is less famous for free-spending than its inland cousins Changsha, Chongqing and Chengdu, it has made recent strides in becoming a major retail city. It currently ranks third after Beijing and Shanghai in the presence of fast fashion stores. Big international developers have made sizeable investments in Wuhan; major examples include Shui On, CapitaLand and Hutchinson.

Quick Stats (End-2011) Municipality

| Resident Population (million) | 10 |
| GDP (RMB billion) | 676 |
| GDP Per Capita (RMB/head) | 58,961 |
| Disposable Income (RMB/head) | 23,738 |
| Total Retail Sales of Consumer Goods (RMB billion) | 296 |
| Annual Visitor Count (million) | 118 |

Data Source: CEIC, 2011 Wuhan Statistical Bulletin

Jiefang Road

Jiefang Road is Wuhan’s traditional, mature department store street, with a trade area that encompasses all of the three sub cities of Wuhan. As a popular retail destination, it enjoys high foot traffic and is lined with properties owned by the local Wushang Group. The area has been aggressively upgrading with the opening of Wuhan International Plaza, a large-scale luxury shopping mall. Jiefang Road has access to Metro Line 1 and to the future Metro Lines 6 and 7.

Jianghan Road

Jianghan precinct is centered on the pedestrian street which runs through the oldest part of Hankou. It enjoys very high foot traffic, especially in the evenings. Halfway down the pedestrian street is a cluster of low to mid-range retail destinations, anchored by an early generation Wanda Shopping Mall. The positioning upgrade process for this area began in 2011 and will be underway for several years.

Qingnian Road

Qingnian Road is an emerging area in Hankou District with a large volume of future retail projects positioned as mid to high-end. The only existing major property is the New World Department Store.

Hanyang

This area contains projects that serve nearby residents in Hanyang, Wuhan’s industrial sub-city. The majority of the projects in this market target the mass market and have a limited brand selection. Accessibility will improve with Metro Lines 3, 4 and 6.

Wuluo Road

Wuluo Road, and its adjoining Zhongnan Road, form the traditional department store streets of Wuchang. They are lined with stores such as InTime and Chicony, which serve all of Wuchang. The positioning of this area is from mid to high. Upon completion of Metro Line 2 in 2012, accessibility to this area will be greatly improved.

Guanggu

Guanggu is the university area of Wuhan, with a high concentration of campuses nearby. The landmark property here is a large-scale semi-enclosed pedestrian street targeted at the student population. Adjacent to the retail area is a major high-technology zone, which employs a large number of white-collar workers.

Xudong

Xudong is a mid-range retail destination, anchored by the Wuhan Xiao Pin Mao Shopping Mall. This retail precinct is still relatively small and the local residents are underserved. Relatively few competing projects exist within a large radius, and population density is high.

Market Outlook

Shopping malls are rapidly overtaking department stores as Wuhan’s dominant format. The most recent example is Wanda’s Han Jie, a shopping center with an open-air pedestrian street format that lies between two major lakes in Wuchang, and is a major attraction for tourists. Open-air format malls are popular among developers in Wuhan, and already claim a third of the total retail stock. Regardless of the format, Wuhan is a retail market that is still far from being saturated. Wuhan will see huge amounts of new supply in the next few years, but the number of malls planned is appropriate for the size of the population, particularly in the decentralized areas.
Wuxi

Located in Jiangsu Province, Wuxi sits on the shore of Lake Tai. In recent years, the city has gone through rapid urbanization and experienced a booming private sector manufacturing-based economy. The city today is known as a hub for solar energy technology. Although relatively affluent, Wuxi is not a large regional destination for shopping. The retail market is also at an early stage of development, with only six significant shopping malls completed to date in the urban area; the rest are traditional department stores. Most retail projects in Wuxi have a mass market positioning, and are dominated by second tier fashion brands and F&B chains, with a lower presence of international brands than other Yangtze Delta cities. All of the major luxury brands are represented in Wuxi, but are limited to one store each; their sales velocity is strong because of the presence of a wealthy class with strong spending power. Fast fashion brand expansion has been constrained by a low-vacancy, department-store-centric market. In terms of infrastructure, Wuxi sits on a high-speed rail line linking it to Shanghai in 40 minutes. Two metro lines, once completed in 2014, will facilitate intra-city connectivity between all of the retail precincts.

Wuxi Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Count (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wuxi</td>
<td>6.4</td>
<td>688</td>
<td>107,437</td>
<td>31,638</td>
<td>214</td>
<td>58</td>
</tr>
</tbody>
</table>

Data Source: CEIC, 2011 Wuxi Statistical Bulletin

Chong’an CBD

Chong’an is the traditional and most important retail submarket in Wuxi. It has a city-wide trade area, and enjoys the highest foot traffic. All of Wuxi’s luxury brands are also located here. Chong’an is home to the three top-selling department stores in Wuxi. Modern enclosed retail stores in this area date back to the mid-1990s. Chong’an CBD is also the meeting point of Wuxi’s two future metro lines.

Taihu Square

As one of the three emerging retail precincts in Wuxi, Taihu Square contains two major mid-range projects: Manye Department store (for fashion brands) and Xishuidong (for F&B). The two projects are not located within walking distance of each other, inhibiting the clustering effect required to make Taihu Square a popular destination. In the future, a large amount of supply will be added in this submarket to create a critical mass and enable competition with Chong’an CBD. Taihu Square will have future access to Metro Line 1.

Binhu

This emerging retail precinct targets nearby local residents. It has a mid-range positioning that will slowly move toward mid-to-high-end. Wuxi Binhu Wanda Plaza is the only project trading here at present, and it contains the standard Wanda tenant mix with high foot traffic. The next major project in Binhu will be MixC, a branded mall that appears elsewhere in the Yangtze Delta.

Beitang

Still in an early development phase, this emerging submarket is largely occupied by low-range to mid-range brands and F&B tenants. However, the only large-scale retail project in this precinct, International Jintaihu City Phase 1, is not yet attracting significant foot traffic even with its high concentration of restaurants.

Market Outlook

The future pipeline of retail in Wuxi is less huge than in many cities, but the total stock will approximately double by 2016, with new supply consisting entirely of shopping malls. About half of the new supply will be in the traditional Chong’an CBD, which is still not yet fully developed. Two upcoming shopping malls (Center 66 and Suning Plaza) will provide alternatives to the three key department stores in Chong’an CBD. New properties aiming for high-end positioning will not be filled completely with high-end brands at the outset; this process will take time. More fast fashion brands will appear in Chong’an CBD as new shopping mall supply become available. Chong’an will remain the dominant submarket, but the emerging submarkets will begin to carve out their own district-level trade areas. Binhu District has strong potential because of the concentration of wealthy residents.

<table>
<thead>
<tr>
<th>Retail Submarkets by 2011</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chong’an CBD</td>
<td>1995</td>
<td>280</td>
<td>110</td>
<td>Juneyao Group, Hodo Group, Springland Group, Parkson</td>
</tr>
<tr>
<td>Taihu Square</td>
<td>2007</td>
<td>70</td>
<td>10</td>
<td>Maoye Group, SPG Land</td>
</tr>
<tr>
<td>Binhu</td>
<td>2010</td>
<td>–</td>
<td>110</td>
<td>Wanda Group</td>
</tr>
<tr>
<td>Beitang</td>
<td>2009</td>
<td>–</td>
<td>80</td>
<td>Wuxi Jintaihu Real Estate Ltd</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Xi’an

Xi’an is a major city and a famous tourist destination, located at the crossroads of Northern China and Western China. It is a destination for wealthy individuals to purchase high-end goods. The strong performance of high-end retailing reflects the consumption patterns of rich locals, as well as affluent individuals from other cities in Shaanxi Province who have accumulated their wealth from mining and other natural resources. The mass market is also lucrative because of strong income growth. Xi’an is the fourth largest education base in China after Beijing, Shanghai and Wuhan, and it is China’s largest aviation research center. Department stores outnumber shopping malls and dominate the market, but customers’ format preferences are expected to shift to shopping centers in the coming years. Xi’an is divided into seven submarkets.

Bell Tower

The Bell Tower is the most traditional and mature retail precinct in Xi’an. Clustered with a critical mass of department stores and shopping malls, most projects here are positioned as mid-range to relatively high-end. Many international luxury brands choose to open here because this retail precinct has established the highest quality image.

Jiefang Road

Close to the train station, this precinct has emerged as an important retail precinct since the early 1990s. However, because of lack of sound planning, Jiefang Road has experienced relatively slow development in recent years. The road widening in 2011 solved the traffic congestion and the area attracted more customers as a result. Several new projects are expected to be launched in 2015.

Xiaozhai

Located between the 2nd Ring Road and the Xi’an High-Tech Development Zone (XDZ) in Southern Xi’an, Xiaozhai forms the southern gateway point to the core area of Xi’an. Xiaozhai contains a cluster of low-to-mid range fashion brands which cater to nearby young consumers and university students, and also contains hypermarkets to serve daily needs. The new upcoming projects, such as City Center International Plaza and Golden Eagle, will contribute to the overall upgrade of this precinct’s positioning.

Xi’an High-Tech Development Zone (XDZ)

Although the district was approved as a national-level economic development zone in 1991, it became a retail precinct relatively recently in 2005. Retail here has a smaller trade area, as it mainly serves residents and workers of the zone itself. XDZ’s resident population will rise with the development of more housing in the next few years.

Second Ring Road

Several large mid-market shopping centers have appeared along the second ring road which encircles the city. Both local and international developers are building up a significant presence in this precinct. Key projects include Lucky King International Shopping Center and Vivo City.

Qujiang

Qujiang is a highly populated residential area, and new retail properties are being established to meet local consumer demand. It is also a significant tourist destination. The landmark retail project in this area is called Happy Mall. Positioning of the area is low-to-mid range. More recently, the opening of Intime Department Store has played a large role in the upgrade of this precinct’s positioning.

Economic & Technology Zone (EDZ)

This is an emerging retail precinct in the north of the city along Metro Line 2, and has one major mid-range shopping mall. Future projects will be added to serve the growing population in this area. Additional supply will be dominated by local developers.

Market Outlook

Total retail stock in Xi’an will nearly double by 2016 as the market develops. New supply will be added to almost every major precinct over the next few years, mostly built by local developers. As the city with the fourth largest concentration of universities country-wide, Xi’an is likely to be a major focus for expansion by fast fashion retailers, since currently only a few have a presence in the city. Strong economic growth and rising level of disposable income – along with local residents’ increasing propensity to consume – have all boosted confidence in the future of Xi’an’s retail market. Both retailers and developers are expected to further expand.

Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Resident Population (million)</th>
<th>GDP (RMB billion)</th>
<th>GDP Per Capita* (RMB/head)</th>
<th>Disposable Income (RMB/head)</th>
<th>Total Retail Sales of Consumer Goods (RMB billion)</th>
<th>Annual Visitor Counts (million)</th>
<th>Tourism Revenue (RMB billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xi’an</td>
<td>8.5</td>
<td>386</td>
<td>38,341*</td>
<td>22,239</td>
<td>194</td>
<td>67</td>
<td>53</td>
</tr>
</tbody>
</table>

Data Source: CEIC, 2011 Xi’an Statistical Bulletin *2010 Figure

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<tr>
<th>Retail Submarkets by Year</th>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
<th>Major Developers and Operators, Existing and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Tower</td>
<td>1996</td>
<td>320</td>
<td>20</td>
<td>Xi’an Kaiyuan Holdings, Xi’an Xinzhengyuan Group, Century Ginwa, Grand Ocean, Shaanxi Zhongda International</td>
</tr>
<tr>
<td>Jiefang Road</td>
<td>1990s</td>
<td>190</td>
<td>265</td>
<td>Xi’an Minsheng Department Store, Wanda Group, Parkson, Dalian Dashiang Group</td>
</tr>
<tr>
<td>Xiaozhai</td>
<td>1999</td>
<td>50</td>
<td>–</td>
<td>Golden Eagle, Shaanxi Tianbao</td>
</tr>
<tr>
<td>XDZ</td>
<td>2005</td>
<td>55</td>
<td>–</td>
<td>Century Ginwa, Tande, Golden Eagle</td>
</tr>
<tr>
<td>Second Ring Road</td>
<td>2007</td>
<td>105</td>
<td>530</td>
<td>Mapletree, Wanda Group, Lucky King Group</td>
</tr>
<tr>
<td>Qujiang</td>
<td>2010</td>
<td>–</td>
<td>140</td>
<td>Qujiang Warburg Pincus Property Investment</td>
</tr>
<tr>
<td>EDZ</td>
<td>2010</td>
<td>–</td>
<td>80</td>
<td>Shaanxi Xinye Property Management</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Xiamen

Xiamen is a major city on the southeast (Taiwan Strait) coast of China in Fujian Province. When China began economic reforms in early 1980s, the city was one of the four original Special Economic Zones (SEZs) that opened to foreign investment and trade. Also a tourist-oriented city, Xiamen derived 14% of its retail sales from the tourism industry in 2011. Convenient public transportation and rising income levels have both contributed to the growth of retail sales in 2011. Three Bus Rapid Transit (BRT) lines, for instance, have improved the connection between Xiamen’s core island area and its off-island districts. Moreover, the Xiamen Government planned to establish a ‘one-hour inter-city transit system’ to improve connectivity to the bordering cities and bring in more customers. The city’s economy, partially depending on the export industry, expanded substantially in 2011, but began to slow down in 2012. Retail sales, as a result, continue to rise, but at a slower rate. The city currently has five major retail submarkets.

SM-Jiangtou
The main retail projects in this precinct are the SM Lifestyle Center and SM City Plaza, both owned and operated by the SM Group, a large Philippine developer. This submarket is considered mature and has a comprehensive selection of retail, including low-range to mid-range department stores, and mid-range to high-range shopping malls. These destinations provide a one-stop shopping experience for both tourists and local residents. This precinct is located in the Huli District, with easy access to the BRT lines.

Zhongshan Road
Zhongshan Road is a well-known traditional pedestrian street in Xiamen. Historical buildings along the road make it one of the most visited destinations by tourists. Zhongshan Road targets the low-end to mid-end retail market. Despite its popularity, projects on Zhongshan Road are facing difficulty in keeping vacancy low and attracting more foot traffic. One of the reasons for this is the polarized mix of retailers: luxury watches, low-end fashion brands and electronics stores, clustered under one roof. This precinct can also be easily accessed through the BRT system.

Railway Station
A convenient location provides this submarket with high foot traffic. The customer group is comprised of both tourists and local residents, and most retail offerings here are focused on the low-to-mid range, with an emphasis on daily necessities. Located close to the Xiamen Railway Station, this precinct also has easy access to the BRT system.

Ruijing-Qianpu
Although mostly clustered with small retailers, this precinct has two major projects, both of which target the low-range to mid-range consumers of the market. The supermarkets, F&B and entertainment tenants in this area attract high footfall, while fast fashion and department stores have relatively little foot traffic. The retail submarket is located in the center of the city.

Emerging Submarkets
Located to the east of the city center near the beach areas, the emerging submarkets include Wuyuan Bay, Guanyinshan and Hebian Reservoir. In the Wuyuan Bay area, the ongoing development of a cross-straits financial center, as well as the rapid development and infrastructure upgrades, will boost retail demand.

Market Outlook
The local government is making an effort to upgrade Xiamen’s retail market by developing mid-range shopping centers in SM-Jiangtou and Ruijing-Qianpu. The known future supply pipeline in Xiamen is smaller than many Tier II markets. However, as the government continues to promote tourism, emerging retail submarkets, such as Wuyuan Bay, will be the focus area for future development of additional mid-range shopping centers.

Quick Stats (End-2011) Municipality City Proper*

| Resident Population (million) | 3.6 | 1.9* |
| GDP (RMB billion) | 254 |
| GDP Per Capita (RMB/head) | 70,734 |
| Disposable Income (RMB/head) | 33,565 |
| Total Retail Sales of Consumer Goods (RMB billion) | 81 |
| Annual Visitor Count (million) | 35 |

Note: *City Proper refers to urban core, which includes five districts: Siming, Huli, Haicang, Jimei, Xiang’an and Tong’an.

Data Source: CEIC, 2011 Xiamen Statistical Bulletin

SM-Jiangtou

<table>
<thead>
<tr>
<th>Year of Emergence</th>
<th>Department Store GFA (000 sqm)</th>
<th>Shopping Mall GFA (000 sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM - Jiangtou</td>
<td>1995</td>
<td>60</td>
</tr>
<tr>
<td>Zhongshan Road</td>
<td>1999</td>
<td>110</td>
</tr>
<tr>
<td>Railway Station</td>
<td>2001</td>
<td>–</td>
</tr>
<tr>
<td>Ruijing - Qianpu</td>
<td>2007</td>
<td>–</td>
</tr>
<tr>
<td>Emerging Submarkets</td>
<td>2011</td>
<td>–</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Zhengzhou

Zhengzhou is the capital of Henan Province and one of the largest cities in the North China plain. The city’s consumer culture and spending levels trail behind other Central China cities, but have a high potential for growth. Zhengzhou is noted for its potential as an inland manufacturing hub. Starting from a low base, retail space tripled in the last five years, and now includes eight shopping malls, five of which are large-scale. Major national and international retail developers began opening projects in the city from the late 2000s onward. The city’s core retail precinct of Er’qi Road has yet to be fully developed. Zhengzhou is building an ambitious urban rail system of six lines or more that will facilitate additional retail development and boost foot traffic at key gathering points. The city is now divided into five retail submarkets.

Quick Stats (End-2011)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>City Proper*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Population (million)</td>
<td>8.9</td>
</tr>
<tr>
<td>GDP (RMB billion)</td>
<td>491</td>
</tr>
<tr>
<td>GDP Per Capita (RMB/head)</td>
<td>56,086</td>
</tr>
<tr>
<td>Disposable Income (RMB/head)</td>
<td>22,477</td>
</tr>
<tr>
<td>Total Retail Sales of Consumer Goods (RMB billion)</td>
<td>199</td>
</tr>
<tr>
<td>Annual Visitor Count (million)</td>
<td>55</td>
</tr>
</tbody>
</table>

Note: *City proper refers to urban Zhengzhou (includes Western Zhengzhou, Er’qi District, Guancheng District, Jinhui District and Huiji District)

Data Source: CEIC, 2011 Xiamen Statistical Bulletin

Er’qi Road

Located close to Zhengzhou Railway Station, this precinct attracts a large volume of consumers from all corners of the city, as well as from other cities in Henan Province, because of its good transport links. However, many malls and department stores in this area are relatively old and are now showing signs of wear and tear. With a large amount of new supply in the pipeline, it is possible that they will lose out to new, high-quality shopping facilities. Er’qi Road has a mid-range positioning and will enjoy access to the future Metro Lines 1 and 2.

Huayuan District

Huayuan District is a popular shopping area, particularly for younger customers. The area has a mid-range positioning and relatively high foot traffic. It is dominated by local department store operators. The exception is International Trade 360 Plaza, which is Zhengzhou’s highest-rent shopping mall and home to major international fast fashion brands.

Western District

Although large-scale retail appeared here in the 1990s, further development did not resume until early 2010. The Western District is home to Zhengzhou’s only high-end retail destination. As a residential district, the submarket has a large customer base of local residents living in Zhongyuan District. However, as more projects appear in the coming years, the Western District will be able to attract shoppers from further afield as an alternative to Er’qi Road and Huayuan District. At least six major projects are now in the pipeline for this area.

Jinshui Road

Jinshui Road is located near the city center in a densely populated area. The landmark projects in this area are CapitaLand Plaza, which has a strong performance, and Manhattan Plaza, which has a relatively weak performance. Jinshui Road itself has high foot traffic. The area’s positioning is low-range to mid-range.

Zhengdong New District

Zhengdong is the ‘new CBD’ area of Zhengzhou, and retail in this area is relatively immature. Recently built projects are intended to serve the white-collar workforce that lives and works in the new area. Two landmark projects define this market, the Dennis CBD Pedestrian Street and the Powerlong Plaza, both of which serve the local community.

Market Outlook

Much of the vacant space in Zhengzhou is either located in semi-completed projects, such as Dennis CBD Pedestrian Street, or in underperforming malls in non-prime locations. However, a number of upcoming projects will appear in relatively good locations. With the total retail stock expected to nearly double by 2016, plenty of opportunities exist for retailers to expand in the Zhengzhou market. However, competition to attract the best tenants could become fierce in some key areas, such as Er’qi Road and Western District, as the same tenant is unlikely to need two stores in the same district. Tenants can expect rising bargaining power in this market. Occupancy rates in single-owned malls tend to be higher than strata-titled malls, and well-managed properties built by experienced developers are expected to outperform.

Retail Submarkets by

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</tr>
</thead>
<tbody>
<tr>
<td>Er’qi Road</td>
<td>1983</td>
<td>435</td>
<td>170</td>
</tr>
<tr>
<td>Huayuan Road</td>
<td>2008</td>
<td>190</td>
<td>20</td>
</tr>
<tr>
<td>Western District</td>
<td>1999</td>
<td>20</td>
<td>150</td>
</tr>
<tr>
<td>Jinshui Road</td>
<td>2009</td>
<td>–</td>
<td>215</td>
</tr>
<tr>
<td>Zhengdong New District</td>
<td>2007</td>
<td>–</td>
<td>465</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle (Real Estate Intelligence Service)
Glossary of Terms

In the data in this report, a department store is a stand-alone property that is not part of a shopping center. It has centralized payment, coordinated marketing and promotion, and booths arranged according to product type.

A building or set of buildings which contain a collection of shops connected by a common area, indoor or outdoor. Rent may be charged on a base rent basis or the higher of base or turnover rent. If a department store is a tenant within a shopping mall, the whole property is counted as a shopping mall in our supply figures.
Jones Lang LaSalle Retail contacts in China

East and Central China
Eugene Tang
tel +86 21 6133 5520
eugene.tang@ap.jll.com

West China
Sheng Chiao
tel +86 28 6680 5018
sheng.chiao@ap.jll.com

North China
Jason Chang
tel +86 10 5922 1103
jason.chang@ap.jll.com

South China
Simon Lam
tel +86 20 3891 1238
simon.lam@ap.jll.com

Jones Lang LaSalle offices in Greater China

Beijing
11/F
China World Tower
1 Jianguomenwai Avenue
Beijing 100004, China
tel +86 10 5922 1300
fax +86 10 5922 1330

Chengdu
30/F
Tower 1, Plaza Central
8 Shuncheng Dajie
Chengdu 610016
Sichuan, China
tel +86 28 6680 5000
fax +86 28 6680 5096

Chongqing
2505-06
Metropolitan Tower
68 Zourong Road, Central District
Chongqing 400010, China
tel +86 23 6370 8588
fax +86 23 6370 8598

Guangzhou
Room 2401-03, 24/F Main Tower
Guangzhou International
Finance Center
5 Zhujiang Xi Road
Zhuhai New Town
Guangzhou 510623
Guangdong, China
tel +86 20 2338 8088
fax +86 20 2338 8118

Shenyang
1808
Office Tower, L’Avenue
10 Huigong Street, Shenhe District
Shenyang 110013
Liaoning, China
tel +86 24 3109 1300
fax +86 24 3109 1330

Shenzhen
Unit 22A
Qingdao International
Finance Centre
59 HongKong Middle Road
Shinan District, Shenzhen 518048
Shandong, China
tel +86 532 8579 5800
fax +86 532 8579 5801

Tianjin
Unit 3509
The Exchange Tower 1
189 Nanjing Road
Tianjin 300051, China
tel +86 22 8319 2233
fax +86 22 8319 2230

Hong Kong
6/F
Three Pacific Place
1 Queen’s Road East
Hong Kong
tel +852 2846 5000
fax +852 2845 9117
www.joneslanglasalle.com.hk

Macau
Unit H, 16/F
Finance and IT Center of Macau
Nam Van Lake Quarterao 5 Lote A
Macau
tel +853 2871 8822
fax +853 2871 8800
www.joneslanglasalle.com.mo

Taiwan
20/F-1
TAIPEI 101 TOWER
No 7 Xinyi Road Section 5
Taipei 11049, Taiwan
tel +886 2 8758 9898
fax +886 2 8758 9899
www.joneslanglasalle.com.tw

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