Q3 2021

Research

Conditions still mixed given varying levels of restrictions

Asia Pacific Retail Digest

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Foreword

The region witnessed mixed performance in retail leasing activity during the quarter due to varying levels of government-imposed COVID-19 restrictions. Business sentiment in some markets remained subdued due to such restrictions, including social distancing measures and mandatory quarantine requirements, coupled with limited international tourism arrivals. Nonetheless, some other markets saw continued market recovery aided by a loosening of restrictions.

Looking forward, market recovery is likely to be bolstered by increasing vaccination rates and easing of pandemic restrictions, which in turn should lend support to greater leasing activity as retailer sentiment improves. Retail recovery around the region is also likely to pick up as a result of relaxation of cross-border travel restrictions, which should help boost international travel and tourism. Nonetheless, the threat of future potential outbreaks still lingers and continues to present downside risks to the outlook.

This quarter's report will provide a detailed analysis on the regionwide retail sector. We hope you find this publication useful in enabling you to make informed decisions and we welcome your feedback.

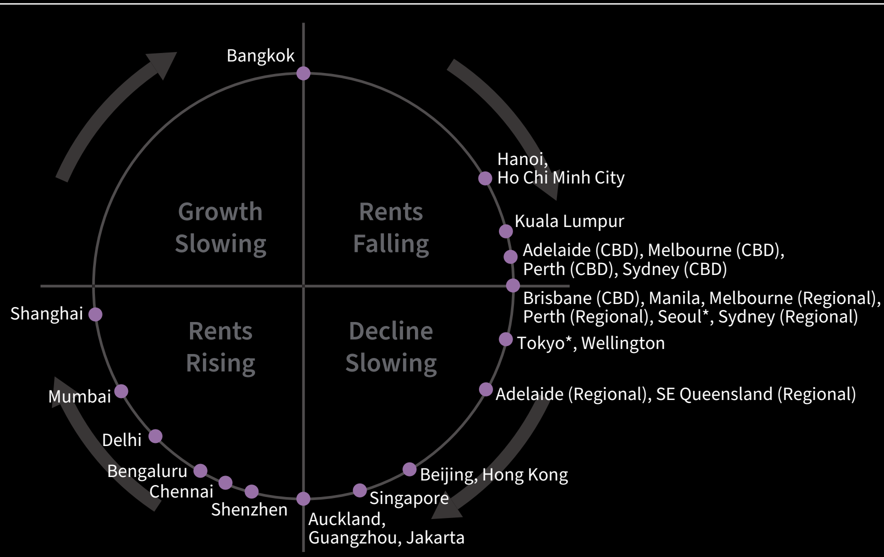
Roddy Allan
Chief Research Officer
– Asia Pacific

Outlook for Major Economies

	Major Economies	Real GDP (y-o-y change)		2022 Outlook
		2021F	2022F	
	**Australia**	▲ 2.9	▲ 3.8	Accelerated vaccine rollout to support the recovery as the reopening moves ahead. Policies encouraging private investment will also help sustain momentum
	**Hong Kong**	▲ 7.6	▲ 3.1	Domestic demand is expected to maintain on a recovery path, while new 'connect schemes' with Mainland China should provide impetus to the financial services industry. However, tourist inflows to be limited until travel restrictions eased
	**India**	▲ 7.9	▲ 7.8	Consumption and services sector activity likely to receive a boost as the number of fully vaccinated people rises and restrictions are loosened. Withdrawal of government spending is likely to be slower than previously anticipated
	**Indonesia**	▲ 3.3	▲ 6.3	Private consumption is expected to rebound strongly as domestic restrictions and border closures ease up. Recent signals suggest fixed investment will regain momentum in the near term
	**Japan**	▲ 2.4	▲ 2.8	Pent-up consumer demand is expected to emerge, while investment to be supported by technological shifts and structural factors. Supply chain issues may weigh on external performance
	**Mainland China**	▲ 8.0	▲ 5.4	Consumption to slowly pick up along with corporate investment while exports should show resiliency. However, industrial production and real estate sector could face impediments
	**Singapore**	▲ 6.4	▲ 4.1	Services sector to gradually pick up momentum amid transition to living with an endemic COVID-19. Release of pent-up demand to bolster consumer spending
	**South Korea**	▲ 4.2	▲ 3.5	Loosening restrictions to boost consumption, particularly services, while investment momentum stays healthy. Exports may face headwinds but firm tech demand to provide support

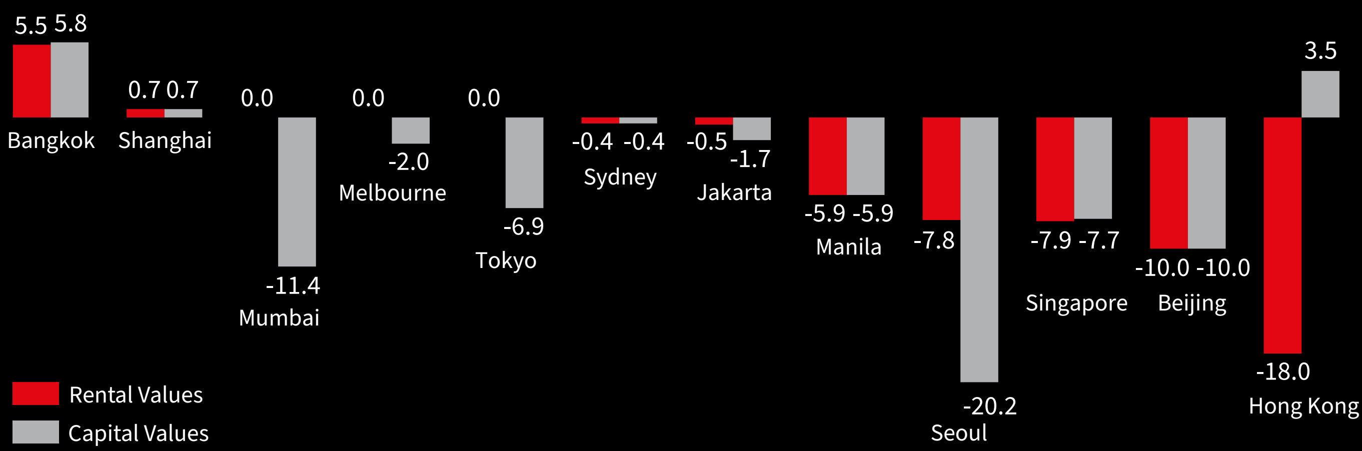
Source: Oxford Economics, October 2021

Retail Rental Property Clock, 3Q21



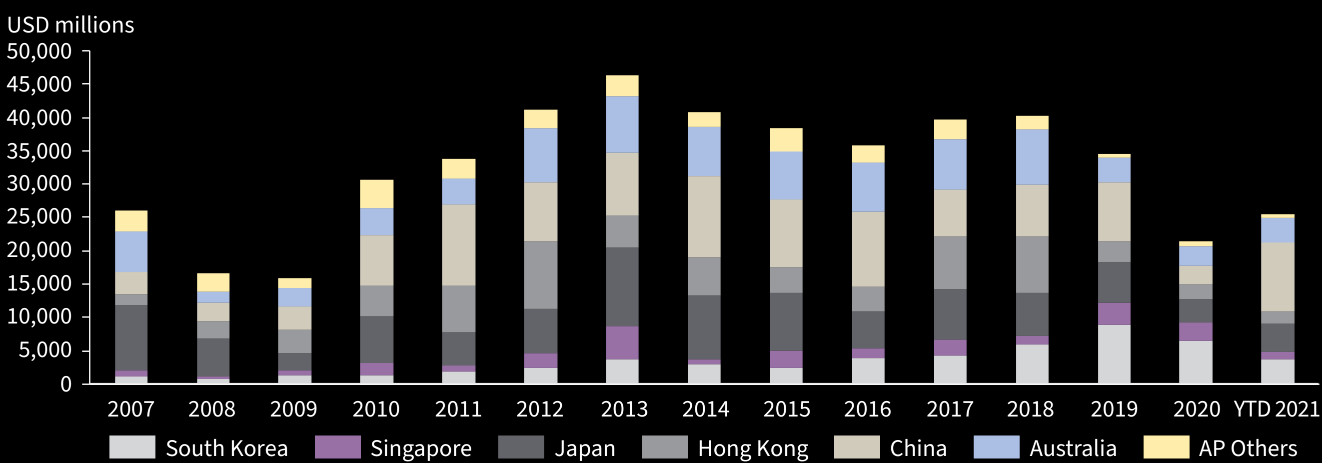
*High Street Shops/Multi-level High Street
Source: JLL, Real Estate Intelligence Service, 3Q21

Retail Rental & Capital Value Changes, Yearly % Changes, 3Q21



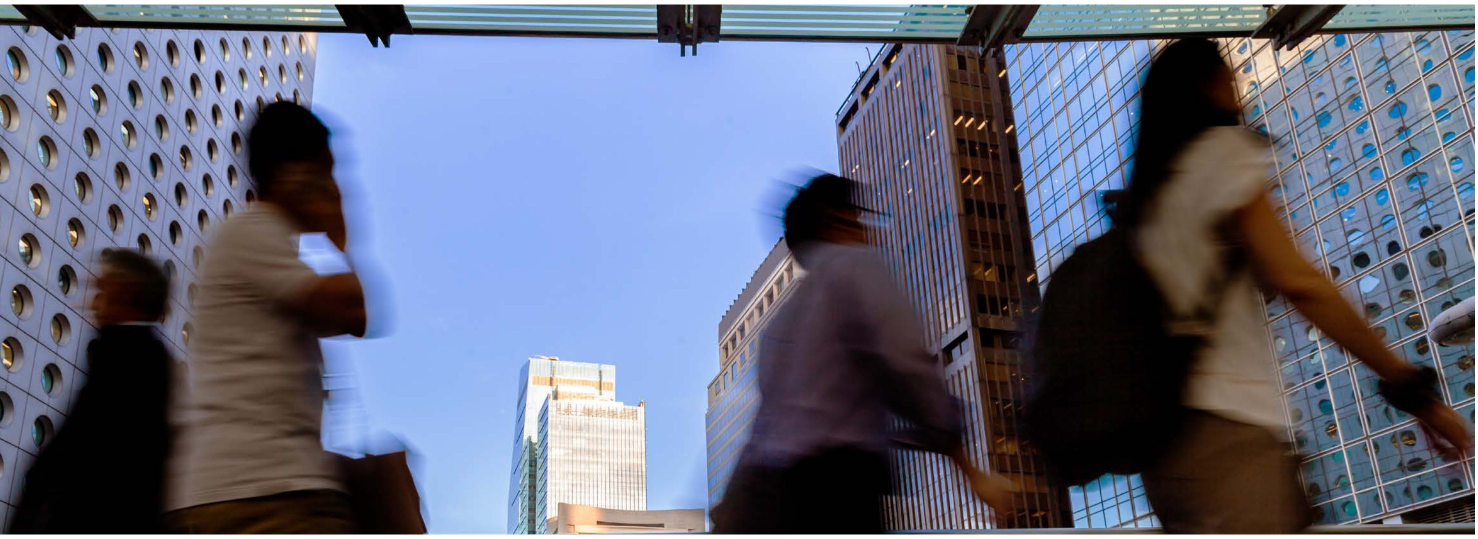
Source: JLL (Real Estate Intelligence Service), 3Q21
Figures relate to the major submarket in each city

Direct Retail Real Estate Investment 2007-3Q21



Source: JLL (Real Estate Intelligence Service), 3Q21
Figures refer to transactions over USD 5 million

Retail Market Insights



Delta-related disruption contributes to headwinds

Varying levels of government-imposed COVID-19 restrictions across the region have contributed to mixed performance in retail leasing activity. Such restrictions, including social distancing measures and mandatory quarantine requirements, coupled with limited international tourism arrivals have combined to weaken business sentiment in some markets. On the other hand, a loosening of restrictions have aided market recovery in some other markets.

Given the generally difficult operating environment, the aggregate Asia Pacific Retail Rental Index recorded its eighth straight quarter of decline as many of the 19 tracked markets saw another contraction. Nonetheless, the pace of decline showed signs of bottoming out.

Greater China

As overall market sentiment in Hong Kong continued to improve with COVID-19 under control, leasing demand amongst high-quality prime shopping centres improved. Leasing momentum also continued for high street shops as landlords softened their stance further and tenants were able to take up prime spots at a fraction of peak rents. Overall, while high street rents continued to decline though at a more moderated pace, rents in core areas such as Central and Causeway Bay recorded positive growth.

Luxury brands in Shanghai accelerated their expansion with a focus on flagship stores, new concept stores, and pop-up stores. Auto showrooms, experiential indoor sports, chain restaurants, and coffee and dessert shops also drove improvement in leasing momentum during the quarter. This helped support overall rent growth in the city.

Along with furniture brands, entertainment retailers such as KTV operators and murder mystery and escape room retailers were also active in Beijing during the quarter. Hence, urban rent declines further slowed, while core rents remained stable with some top performers even recording positive growth.

Although leasing demand in Guangzhou was modest during the quarter, retail sales growth was supported by consumption upgrade. Several retailers focused on their flagship stores in core areas and devoted to creating unique offline experiences. Generally, urban rents remained stable while suburban rents decreased as the rents of malls in Panyu and Zengcheng still lacked growth momentum.

North Asia

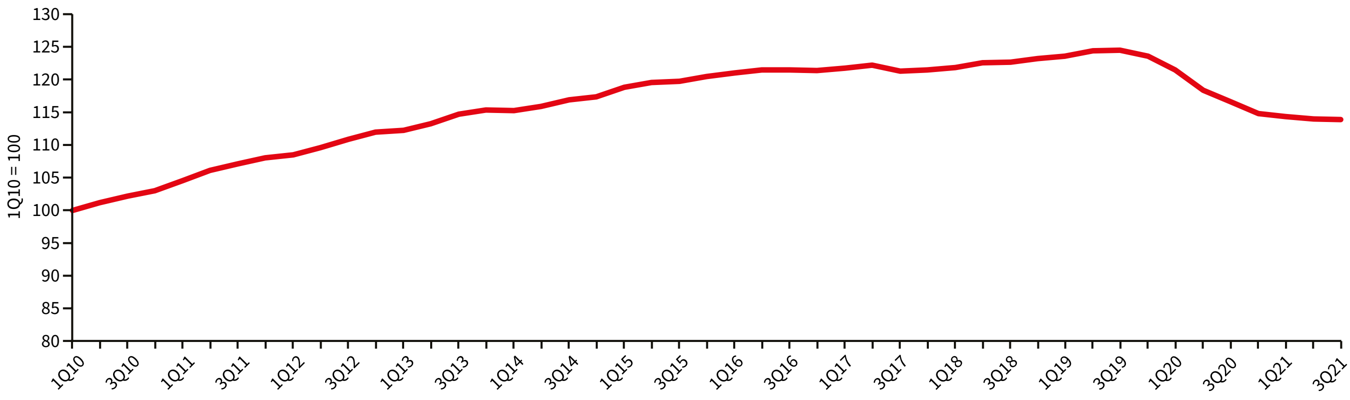
Demand for prime ground-floor retail space in Tokyo continued to come from international brands with landlords increasing flexibility. Hence rents for prime ground-floor space stabilised, though rents declined for upper floor space.

In Seoul, the government's heightened social distancing measures took a toll on retail activity, especially pressuring major high streets. On the other hand, mall performance was more resilient. As a result, high street rents continued to marginally contract amid elevated vacancy, while prime shopping mall rents saw rental upticks driven by improvement in retail footfalls and sales.

Southeast Asia

In Singapore, the repeated tightening and easing of COVID-related measures created uncertainty and disrupted businesses, causing retailers to remain cautious. Nonetheless, rents generally stabilised in the quarter, following a period of quarterly declines. Growing business optimism from rising vaccination rates and a roadmap to living with COVID-19, detailing the progressive reopening of the economy, as outlined by the government, supported rents.

Asia Pacific Retail Rental Index, 1Q10-3Q21



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

While lockdowns in Bangkok led to negative net absorption in the market, there was still some movement among some brands. At least 12 brands had opened new branches and two brands had also expanded their stores in existing centres. F&B and household tenants took the majority of newly occupied space. Overall rents declined during the quarter.

New tenants, driven mainly by F&B tenants, opened their stores as soon as malls reopened in Jakarta. Since mid-August, malls have been allowed to reopen and operate at 50% capacity, with specific age requirements and only for fully vaccinated people. Rents in prime malls remained stable in the quarter.

Manila recorded positive net absorption in the quarter, backed by modest size store openings ranging from 60 sqm to 100 sqm. These mainly came from local and foreign F&B stores, along with local stores offering services. While overall rents remained steady, some mall operators lowered their asking rents in 2021 compared to 2020 due to high vacancy rates.

India

The Mumbai retail market recorded a significant jump in net absorption as malls reopened for shoppers, especially as healthy leasing activity was recorded in the quarter's newly completed projects. The new mall completions in the quarter also led to a slight increase in overall rents.

In Delhi, with the easing of COVID-19 restrictions and increased vaccination rates, shoppers returned and malls witnessed higher footfalls. Against this backdrop, the market registered healthy net absorption especially due to good pre-commitments in new mall completions. High-quality malls with low vacancy levels saw stable rents underpinned by increased footfall and sales recovery.

Australia

Retail leasing conditions in Australia were largely impacted by lockdown restrictions. Anecdotal feedback suggests SMEs activity has stalled in Sydney and Melbourne, while national chains are taking slightly more of a long-term approach and still willing to consider leasing opportunities. Rental declines were recorded in Sydney and Melbourne, but falls were slightly less for Australia's other markets.

Retail Outlook

Increasing vaccination rates and easing of pandemic restrictions should help aid in market recovery, which in turn should lend support to greater leasing activity as retailer sentiment improves. Relaxations of cross-border travel restrictions should also help boost international travel and tourism, further fueling the retail recovery around the region. Nonetheless, the threat of future potential outbreaks – exacerbated by more contagious variants of the virus – still lingers and continues to present downside risks to the outlook.

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Retail in Auckland – diverging and transforming

Up until the recent Delta outbreak, Auckland's experience between June 2020 and June 2021 offered the APAC region a glimpse into the future of retail in a domestically open market with unrestricted population movement. The City of Sails most certainly proved that the consumers would come back, and that retail is alive and kicking – but, interestingly, experience on the ground has varied significantly from location to location and retailer to retailer. There is no longer one identifiable retail property market, lockdown experience has highlighted and exposed the complex market subtleties in the retail sector once and for all.

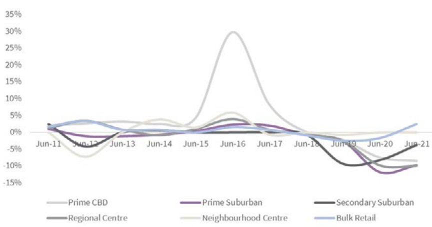
Economically, New Zealand's COVID-19 success through to June 2021 was driven by the government's decision to isolate the country. The borders have been physically closed to most non-New Zealanders since March 2020 and those with the right to enter (outside of the travel bubble periods with Australia and Cook Islands) has been required to quarantine in MIQ facilities. GDP figures for 2Q21 showed a quarterly uplift of 2.8%- significantly ahead of commentator's expectations.

In terms of retail, unsurprisingly, the sector is facing higher volatility and challenges when compared to the office and industrial asset classes. Retail was already facing structural challenges pre-COVID-19 including the rise of E-commerce and evolving customer experiential expectations, but Covid added an extra layer of disruption caused by travel and social distinction restrictions.

Despite these challenges, retail spending had held up well to June 2021, with total retail sales in New Zealand increasing 3.3% from the previous year. At an industry sector level accommodation was the largest rise (+11.4%) die to domestic travel opening and the temporary trans-Tasman travel bubble, followed by pharmaceutical and other store-based retailing (+7.5%), and electrical and electronic goods retailing (+6.9%). In contrast, non-store, and commission-based retailing (-1.4%) while specialised food retailing (excluding liquor) down (1.1%).

Similarly, retail asset performance has varied greatly between locations. While neighborhood/non-discretionary based centres occupancy continue to be supported and well occupied, strip retail vacancies in the CBD and suburban locations have grown due to reduced foot traffic. Bulk retail has seen strong demand in recent times which aligns to the increased spending on electronics and homewares. These tenants are often destinations in their own right and securing physical footprints in appropriate locations is a key part of their success. This divergence in demand is reflected in rental performance as illustrated in Figure 1.

Figure 1: Auckland average rental growth per annum by sub-sector

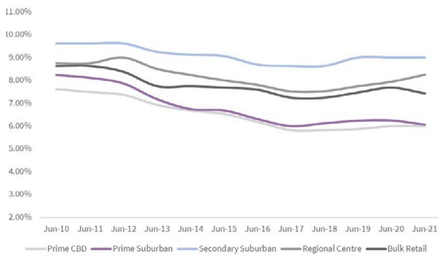


Source: JLL New Zealand, 3Q21

There is also divergence by grade with most increased vacancies observed in secondary stock. For example, Commercial Bay as a premium addition has been successful and attracts strong footfall, yet upper-Queen Street faces increasing challenges to attract and retain occupiers. The increasing divergence between location and grade is unlikely to change any time soon.

From an investment perspective, investors remain cautious about the sustainability and reliability of income. However, there remains strong demand for and limited supply of defensive retail assets, being neighborhood/suburban centres, non-discretionary based centres and long-WALE retail. This stability is expected to remain in the short-term supported by favorable interest rate environment, advantage of New Zealand priced assets (relative to overseas markets) and stable local economy.

Figure 2: Auckland average market yield by sub-sector

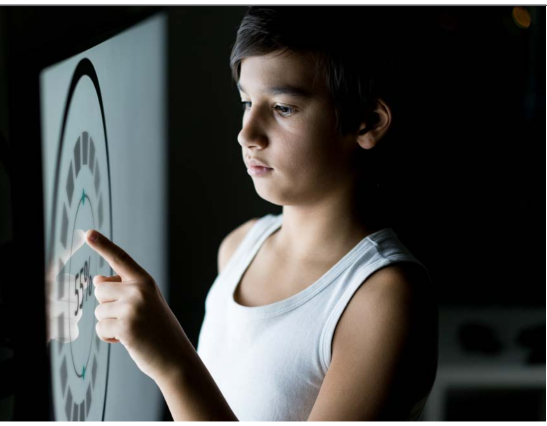


Source: JLL New Zealand, 3Q21

Retail remains the most challenging of the core commercial property sectors, and there is broad stability and optimism presently with variance by sector, location, and grade balanced with opportunity. The retail market in Auckland may be a diverging and transforming one, but there remains value and opportunity for well positioned assets which resonate with the city's population as preferred retail destinations.

About the author

Gavin Read is the Head of Research for New Zealand, based in Auckland. Focusing on the commercial property market across New Zealand, he is responsible for presenting market insights to institutional and private clients, authoring thought leadership papers and providing data analysis for the wide JLL business.



Is online retail shift inevitable in Hong Kong?

Since the first outbreak of COVID-19, Hong Kong's retail industry experienced a significant downturn. Eventually, the market is beginning to see a silver lining of revival. Transforming into an online operating mode has been one of the more popular solutions for retailers to cope with lockdowns and social distancing measures that the government imposed to control the pandemic. With online sales transactions surging 43.5% in the first nine months of 2021, there is no denying that the pandemic has profoundly changed consumer behaviour which in turn speeds up the structural change in Hong Kong's retail landscape.

Although the pandemic was undoubtedly a catalyst for a breakthrough in online sales, the shift towards online started years before the pandemic. The concept of 'Dark Store' emerged in Europe at the turn of the 21st century, promoting retail space not intended for in-store shopping but rather to fulfil online demand instead. Dark stores not only provide greater convenience to consumers, but also benefit retailers in terms of flexibility, efficiency, and lower costs. In recent years, we have witnessed many instances where retailers such as Deliveroo, HKTV Mall, ASOS etc., successfully seized market shares from traditional players with their online orientated business strategies. Considering such benefits and the vast development potential, adopting the dark store concept is certainly one of the solutions for retailers to remain competitive in the market.

Thanks to technological advancements, today we can easily order almost anything by simply clicking a button, without visiting physical shops. While this may imply the need for physical stores would diminish over time, the pertinent question is whether or not it is feasible for all retail categories to transform completely online. The rise of artificial intelligence has impacted traditional industries like healthcare and education; applying suitable technology to their services they can promote a more efficient and effective service provision online.

Nevertheless, a broad range of traditional services are still bound to their physical sites due to the nature of their services or technological limitations. Take medical check-up service for example. The development of 'AI Doctors' allows preliminary medical diagnostic and prescription services to be performed online. However, comprehensive body checks still require patients to physically visit medical centres as the necessary machines have yet to be technologically advanced for online check-ups.

In future, it is likely that these technological limitations will be overcome and more retailers will transform their online presence. While some consumers still prefer the physical shop experience, it is inevitable for online retail to become the core trend of future retail. With that in mind, the demand for physical shops is expected to go through a series of significant structural changes; a skew towards heavy leisure and experiential retail is expected as these are irreplaceable by online provision. Sooner or later, we shall expect to see more experiential retailers such as KidZania that offer real-life experience while integrating retail business opportunities to join the Hong Kong retail scene.

About the author

Justin Yu is an Analyst for the local research team in Hong Kong. He covers for the retail sector of property market research, contributing to market analyses and forecasts, regular publications, subscription reports, thought leadership papers, client presentations, research blogs and bespoke consultancy projects.

Hong Kong

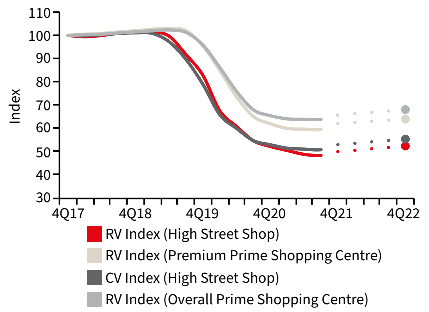
> "Confidence of retailers strengthens along with retail market's gradual revival."
>
> **Nelson Wong, Head of Research, Greater China**

Rental Growth Y-O-Y
-11.4%

sq ft per month, net on GFA
HKD 210.6

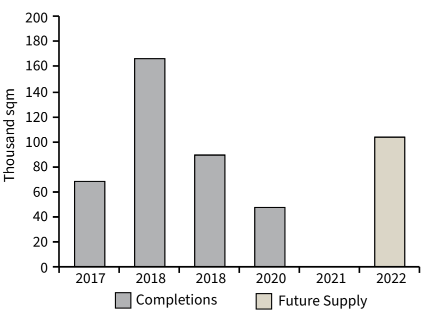
Stage in Cycle
Decline Slowing

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

Local consumption key to supporting market rebound

- Inbound visitation remained at minimal level as travel restrictions remained in place in 3Q21, dropping 22.1% y-o-y in July and August. Benefiting from the consumption voucher scheme, total retail sales registered 7.3% y-o-y growth in July and August. Clothing and footwear recorded the highest growth amongst all major categories, surging 35.1% during the same period.
- Leasing momentum picked up noticeably in 3Q21 as confidence of retailers continued to strengthen under more affordable rentals along side the gradual revival in the overall market. F&B operators, food retailers, fashion, and lifestyle and sports goods retailers remained to be the major sources of leasing demand during the quarter.

Central Market opens for operation

- No prime shopping centres were completed during the quarter. The 'Yuen Long Station Development, YLTL 510' development site in Yuen Long, was named 'Yoho Mix'. The shopping centre is expected to complete in 2022.
- Central Market, that obtained its occupation permit in 4Q20, was officially opened in 3Q21. Owned by the Urban Renewal Authority, this three-storey complex added about 119,000 sq ft of retail floor space to the market. Chinachem was awarded the operation contract of Central Market for a period of 10 years.

Retail assets in core areas regains investor interest

- The vacancy rate of street shops and shopping centres improved quite noticeably in 3Q21. The high street shop rental decline moderated to 0.9% q-o-q due in part to less marketable stock in certain spots. Meanwhile, shopping centre landlords in general continued to hold rents firm. Overall prime shopping centre rents remained flat and premium prime shopping centre rents edged down by 0.2% q-o-q.
- The investment market remained active in 3Q21. Retail assets in core areas regained investors' interests with anticipation of rents to bottom out. The high street shop capital value decline moderated to 0.5% q-o-q in 3Q21. Market yields for high street shops saw a mild compression, while overall and premium prime shopping centre yields remained flat during the quarter.

Outlook: Rents and capital values are anticipated to bottom out

- Tourism level is likely to stay low in the coming months as travel restrictions remain in place in Hong Kong. Meanwhile, local consumption is expected to be further stimulated with the second phase of the consumption voucher scheme coming in effect in 4Q21. Retail rents are expected to marginally rise in the 0-5% range in 2H21.
- Capital values of high street shops in core areas are expected to rise moderately with anticipation of potential rental growths in 2H21. Market yield is expected to see a mild compression, attributable to low interest rates and improved investment sentiment. Retail assets in non-core areas will continue to attract investors' interests given the relatively stable returns.

Note: Hong Kong Retail refers to Hong Kong's overall prime shopping centre and high street retail markets.

Beijing

"Rent growth at top malls turns positive, showing signs of rental recovery for the overall market."

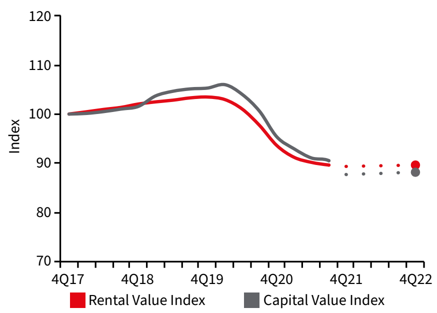
Mi Yang, Head of Research, North China

Rental Growth Y-O-Y
-8.2%

sqm per month, net effective on NLA
RMB 791.1

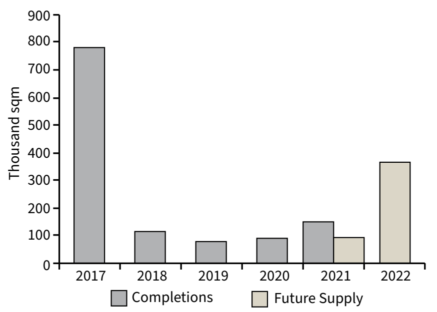
Stage in Cycle
Decline Slowing

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

Furniture brands active; entertainment retailers resume expansion

- Furniture brands expanded at high-end positioned malls, with FNJI and Tales among those committing to new locations in the quarter. Landlords showed great interest in introducing these retailers as furniture brands require larger spaces and widen existing tenant mixes.
- Entertainment retailers were also active. KTV operators planned to open multiple stores, including K Show at Capitaland Mall Taiyanggong and V Show at Topwin. Meanwhile, murder mystery and escape room retailers expanded to shopping malls.

Xiyue Paradise Walk and Universal Studios Beijing open

- Xiyue Paradise Walk opened in the quarter as the sixth Paradise Walk project in Beijing. The project opened fully committed, boasting more than 290 brands with 20 of them new to Fangshan District. Popular sportswear brands such as Nike, Adidas, and Champion further intend to attract young consumers in the area.
- The highly anticipated Universal Studios Beijing opened in Tongzhou District, offering the popular US brand's first theme park and resort in China. The mega-entertainment and retail complex is expected to draw large numbers of tourists to the city and especially the area, giving a boost to the overall retail market.

Top-performing malls turn a corner, recording positive growth

- Urban rent drops slowed further following a steady recovery in overall leasing demand, while core rents remained stable with some top performers even recording positive growth in the quarter as the overall vacancy rate reached a very low level. Urban rents recorded -0.6% q-o-q growth. Meanwhile, core rents recorded 0.2% q-o-q growth.
- The Suburban market witnessed continued demand recovery, with the overall vacancy level further sliding to 6.4%. The Suburban rent decline also slowed in the quarter, registering -1.4% q-o-q growth.

Outlook: Policy to impact children's education tenants

- Children's education retailers are expected to face challenges from the recent policy restriction on curriculum-related tutoring. Many of these tenants remained closed in the quarter due to restrictions on operating hours, while children's art and sports retailers are projected to hold a more conservative approach to expansion.
- The west expansion of Taikoo Li is expected to open in November, with a focus on bringing more lifestyle and entertainment tenants to complement the existing sections. Meanwhile, the second Joy Breeze in Beijing is expected to open in Fengtai District by year-end.

Note: Beijing Retail refers to Beijing's Urban retail market.

Shanghai

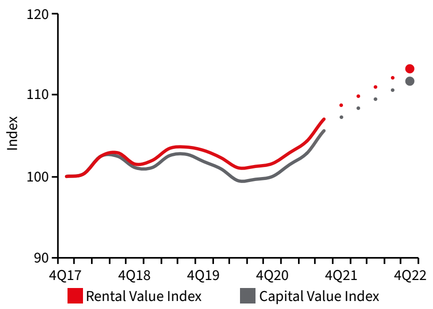
> "Luxury malls and leading decentralised malls outperform in the quarter."
>
> **Daniel Yao, Head of Research, China**

Rental Growth Y-O-Y
5.7%

sqm per day, net on NLA
RMB 51.2

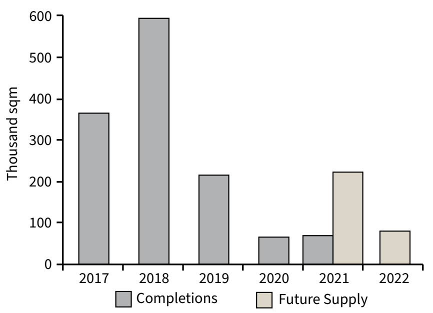
Stage in Cycle
Rents Rising

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the prime market.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the prime market.
Source: JLL

Retail leasing momentum accelerates

- Shanghai unveiled a three-year plan to boost its consumer market through cultivating home-grown brands and attracting more foreign brands to debut first stores in the city. Urban net take-up accelerated to 524,600 sqm thanks to further leasing recovery and strong performance in new leading decentralised malls.
- Luxury brands accelerated their expansion with a focus on flagship stores, new concept stores, and pop-up stores. More high-end skincare, perfume, and make-up brands debuted their first stores in Shanghai. The quarter's improved leasing also was driven by auto showrooms, experiential indoor sports, chain restaurants, and coffee and dessert shops.

Overall vacancy continues to drop

- Three decentralised malls opened in 3Q21, adding a total retail GFA of 421,000 sqm. CapitaLand's Raffles City The Bund and Shui On's The Hall of the Sun opened in Hongkou District, both achieving high opening rates. Developed by Swire and Lujiazui Group, TaiKoo Li Qiantan launched at the quarter's end with a concentration of top luxury brands.
- Prime vacancy dipped 0.3 ppts q-o-q to 9.7%, while decentralised vacancy fell 1.0 ppts to 9.3% as leasing recovery accelerated in existing malls and new projects debuted with above-average occupancy.

Prime rental growth outpaces growth in decentralised areas

- Prime ground floor rents grew 2.6% q-o-q to RMB 51.2 per sqm per day due to luxury brands' active expansion and exceptional sales performance in high-end malls. Decentralised rents edged up by 0.9% q-o-q as most malls still faced supply pressure while some leading regional malls continued to outperform.
- Hysan acquired City Link tower in Jing'an District from CK Asset for RMB 3.5 billion. The newly completed project has 50,000 sqm of ready-to-rent office space and 18,000 sqm of retail space, and transacted at approximately RMB 51,471 per sqm. Hysan will conduct asset enhancement work on the retail space, with completion expected by mid-2023.

Outlook: High-end and leading regional malls to outperform

- In the prime area, we expect rents in luxury-positioned malls to continue to outperform. Other projects will seize opportunities to upgrade, either through renovation, repositioning, or tenant adjustment.
- In decentralised areas, we expect performance to further diverge between leading regional malls and others. With another eight malls expected to open in 4Q21, decentralised vacancy will face further upward pressure.

Note: Shanghai Retail refers to Shanghai's overall prime and decentralised retail markets.

Guangzhou

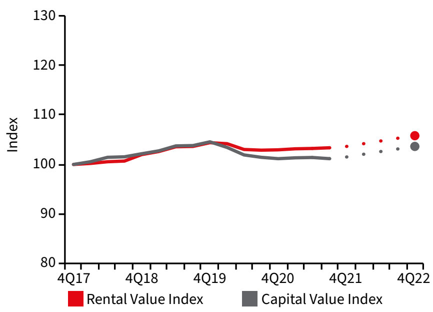
> "Leasing demand from luxury brands is expected to extend to Zhujiang New Town."
>
> **Silvia Zeng, Head of Research, South China**

Rental Growth Y-O-Y
0.4%

sqm per month, net on GFA
RMB 310.5

Stage in Cycle
Rents Stable

Financial Indices



Dotted lines indicate near-term outlook
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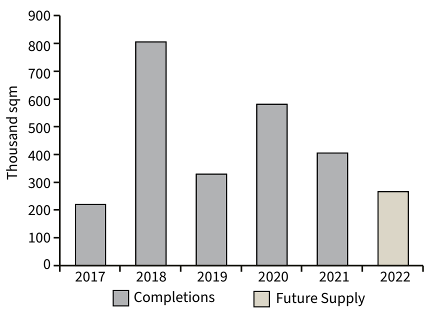
Source: JLL

Physical Indicators



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Source: JLL

Luxury brands are keen on expanding in the core area

- Although the leasing demand was modest in this quarter, consumption upgrade became the mainstream, supporting retail sales growth. Several retailers focused on their flagship stores in core areas and focused on creating a unique offline experience. For example, Lego opened its largest flagship store at Grandview Mall, blending unique digital and physical features with its classic toy bricks.
- Luxury brands were keen on expanding in the core area, however, due to limited leasable space for new boutiques in Taikoo Hui, Moynat and Balenciaga took the atrium space there, setting up their first shops in Guangzhou. A few high-end cosmetics and skincare brands opened new stores in Taikoo Hui and extended their demand to K11 in Zhujiang New Town due to its affluent catchment.

Two urban malls open in 3Q21

- Two projects, namely ICC Mall and Mayland M·LIVE Plaza West, opened in 3Q21. Both projects achieved high occupancy rates of above 95% upon their grand openings, while devoting more space to entertainment, F&B and personal service tenants than to traditional retail.
- Urban vacancy rate went up as a result of increasing vacancy pressure of those aged malls in the traditional shopping districts. Suburban vacancy rate slightly decreased as a few well-managed malls by experienced developers in Baiyun District were able to fill up some vacant space.

Developers seize urban gentrification opportunities in Guangzhou

- Urban rents remained stable as a few mid-to-high-end malls in Tianhe North and Zhujiang New Town were able to bargain for higher rents, even though some aged malls in traditional shopping districts exerted downward pressure. Suburban rents decreased as the rents of malls in Panyu and Zengcheng still lacked growth momentum due to stiffer competition between malls with similar offerings.
- Swire Properties and Pearl River Enterprises Group signed cooperation LOI to jointly develop a commercial project, as part of an urban gentrification plan in Julong Bay Area, located in Liwan District. It is expected that Swire Properties will leverage its vast experience in operating high-end retail projects to develop a world-class commercial landmark.

Outlook: Suburban malls with similar positioning will still struggle

- Leasing demand will continue to show regional divides between urban and suburban malls. Well-managed malls in core areas will remain popular among upscale retailers. On the other hand, malls in districts with relatively low consumption levels, such as Panyu and Zengcheng, will still struggle to fill up vacant space due to fierce competition.
- Around 196,000 sqm of new supply is expected to enter the market in the next 12 months. Due to limited supply in the near term, both urban and suburban vacancy pressure will likely ease gradually, however, the rental growth will still face headwinds as largely the leasing demand is expected to be among entertainment and personal service tenants with relatively lower rental affordability.

Note: Guangzhou Retail refers to Guangzhou's overall prime retail market.

Shenzhen

"The retail market has revived with the emergence of new players."

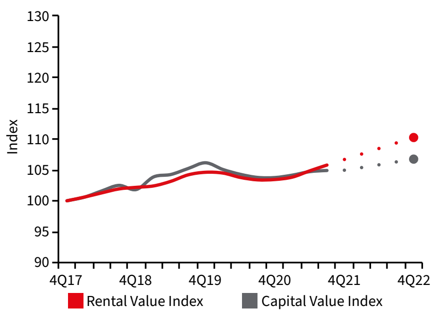
Silvia Zeng, Head of Research, South China

Rental Growth Y-O-Y
2.3%

sqm per month, net on NLA
RMB 949.4

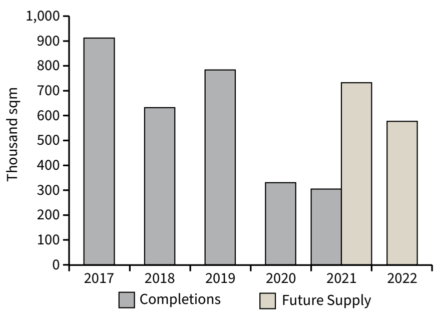
Stage in Cycle
Rents Rising

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

Retailers' expansion plans drive overall leasing demand

- Despite a slowdown in the growth of total retail sales, many retailers, especially those who recently received funds from venture capital, showed a strong interest in growing their footprint in Shenzhen given the city's demographics. Clearly, the spike in leasing activities fuelled the retail market, resulting in active overall leasing demand in the quarter.
- Sector-wise, the F&B sector welcomed several new players in the quarter. For example, Peet's coffee launched its first south China store in MixC World. In addition, new leasing of trendy offerings also experienced an uptick. It included not only domestic fashion brands, but well-established select shops from Japan that have been embarking on an overseas expansion.

One mega mall in the suburban area makes its debut in 3Q21

- With a total GFA of 305,000 sqm, Shenzhen Longgang Wanda Plaza entered the market in the quarter. This mall achieved full occupancy upon the completion date and differentiates itself by featuring a wide range of indoor activities, such as rock climbing and horse riding.
- Supported by the upward momentum in the leasing market, shopping malls managed to fill vacant space to various extents. In addition, some, such as Link Central Walk and MixC World, have made considerable progress on their tenant upgrades. Therefore, these factors combined helped to drive the overall vacancy rate down by 0.4 ppts q-o-q to 2.6%.

The upward growth trend in overall rent continues

- Amid positive market sentiment, most malls were under less pressure to attract retailers, thereby holding rentals firm in general, while some high-profile malls and those with declining vacancy rates supported rental growth. As a result, overall rent went up further in the quarter, with an increase of 0.9% q-o-q on a chain-linked basis.
- In order to prepare for the potential launch of commercial REITs, some cash-rich domestic developers were keen on acquiring retail properties. Yet, given no suitable assets in Shenzhen, they either adopted an asset-light strategy or shifted their focus to projects in other GBA cities, such as Dongguan and Foshan, with upside potential.

Outlook: Emerging domestic brands to contribute to leasing demand

- Overall leasing demand will benefit from two factors in the short term. First, the young generation embraces domestic brands, allowing them a larger footprint nationwide. Secondly, as the suburban area reaches maturity, consumption needs will rise, which will entice retailers looking to seize on this opportunity.
- Future supply is likely to exceed 1.0 million sqm in the next 12 months, more than half of which will be distributed in suburban areas, such as Longhua and Guangming districts. However, overall vacancy rate will not suffer from an abrupt surge as some have already achieved excellent pre-leasing rates. Overall rent is expected to increase moderately on the back of an uptick in leasing demand.

Note: Shenzhen Retail refers to Shenzhen's prime shopping mall market.

Tokyo

"The rent-growth-cycle phase moves to bottoming out. Investment market sees limited supply."

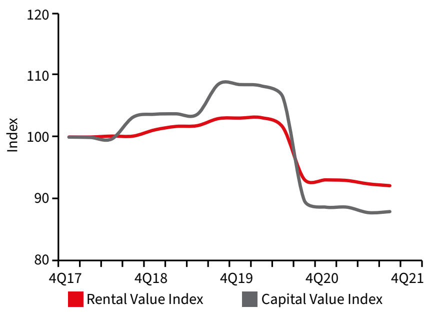
Takeshi Akagi, Head of Research, Japan

Rental Growth Y-O-Y
-1.1%

tsubo per month, gross on NLA
JPY 73,234

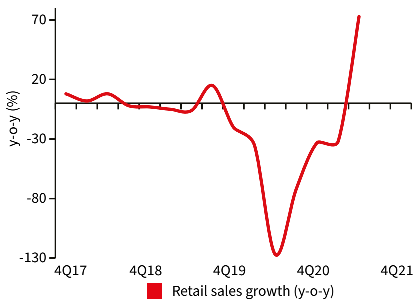
Stage in Cycle
Decline Slowing

Financial Indices



Index base: 4Q17 = 100
Source: JLL

Physical Indicators



Source: Ministry of Economy, Trade and Industry

Demand remains resilient; no vacancy increases in ground floors

- On the back of the state of emergency declared for the fourth time in Tokyo in early July, consumer confidence deteriorated for the first time in three months in August. Department store sales increased for the fifth consecutive month but remained below 2019 levels. Luxury goods sales continued to grow, while home electronics sales might have peaked.
- Retailer demand for ground floor space with high visibility remained resilient, while demand for upper floor spaces was consistently weak in 3Q21. Hugo Boss opened in Tokyu Plaza Ginza in the quarter and Vacheron Constantin will relocate to Harumi-dori in 4Q21.

G3 project alongside Chuo-dori due for completion in 2023

- The construction of G3 Project will start at a location alongside Chuo-dori in December 2021. Located next to Chanel boutique, the former building had commanded one of the highest rent levels. The retail-led building will offer 13 storeys above ground with a GFA of 5,600 sqm upon completion in 2023.
- The proposal for Shibuya 2-chome West District, a national strategic plan, has been announced. Comprised of three blocks with a total GFA of 322,000 sqm, retail space will be offered in Block A with GFA of 4,200 sqm, and Block B, an office-led mixed-use super-high-rise building with a GFA of 255,000 sqm. The buildings are due for completion in 2025–2029.

Rents continue to decrease albeit at a slower pace

- Rents averaged JPY 73,234 per tsubo per month, at end-3Q21, decreasing by 0.4% q-o-q and 1.1% y-o-y. Rents decreased for the sixth consecutive quarter with negative growth decelerating. The quarter's rent change was driven by declines in upper floors of the Ginza. Ground floor rents were stable.
- Capital values growth turned positive for the first time in two quarters in 3Q21, increasing by 0.1% q-o-q and decreasing 2.1% y-o-y. Cap rates were stable. Transactions confirmed in the quarter included FPG's series of acquisition including FPG links Jinnan, FPG links Omotesando III and FPG links Ginza Corridor. The prices were not disclosed.

Outlook: Upper floor rents to fall; cap rates to remain stable

- According to Oxford Economics, as of September 2021, nominal private consumption growth had been revised downwards to 1.4% in 2021, followed by 2.6% in 2022. With the fourth state of emergency lifted in October, consumption is expected to pick up as socioeconomic activities resume on the back of preventative measures. Risks include COVID-19 infections and their negative impact on footfall.
- Ground floor rents are expected to remain resilient with healthy demand on the back of steady luxury goods sales. Upper floor rents are expected to have bottomed as new demand arises from beauty services and medical clinics. In the investment market, capital values are expected to come under downward pressure reflecting the rent decline. Cap rates are expected to remain stable.

Note: Tokyo Retail refers to Tokyo's prime retail markets of Ginza and Omotesando.

Seoul

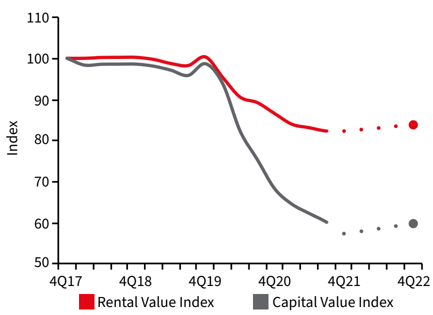
> "Both shopping malls and high streets are facing stagnation phases."
>
> **Veronica Shim, Head of Research, Korea**

Rental Growth Y-O-Y
-7.8%

pyung per month, net on NLA
KRW 1,612,419

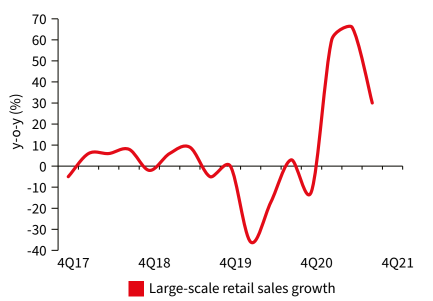
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for Myeongdong.
Source: JLL

Physical Indicators



Source: KOSIS

Consumer sentiment remains a mixed bag

- The consumer sentiment index that displayed a persistent increase for seven consecutive months plummeted 7.1 bps and another 0.7 bps in July and August, recording 103.2 and 102.5, respectively, then rebounded to 106.2 in September. Meanwhile, retail sales remain unabated, lifted by 7.9% in July and 3.8% in August on a y-o-y basis. Department store sales recovered from the downtrend in August.
- Same-department sales growth contracted 5.9% in July, then improved to 9.2%. Particularly, sales of household products and kids/sports sector showed an upsurge as companies are adhering to WFH policies and the demand for outdoor sports equipment increased due to COVID-19. The latest record of monthly visits of Chinese tourists stayed relatively flat, with a slight uptick of 5.1% on a yearly basis.

Vacancy tightens in the Myeongdong area

- No new retail supply was added to the JLL stock in 3Q21.
- Noon Square vacancy fell by 10.4 ppts as Nike resolved sticky vacancy to some degree, recording 31.8%. Myeongdong started to recover, while vacancy rate of high streets in Gangnamdaero, Garosugil and Cheongdam witnessed upticks. Parnas Mall vacancy spiked to 9.8% from a fully occupied state. Vacancy of Podo Mall and Hongdae high streets also were up, while COEX and Lotte World Mall stayed flat.

Market yields continue to ratchet up amid market headwinds

- Shopping mall rents climbed 0.6% q-o-q with offline retailers enhancing their existing shops via remodelling. In fact, Podo Mall is undergoing a large-scale refurbishment with extensive changes to its major tenant portfolio. Prime high street rents dropped by 0.6% on a quarterly basis.
- Amid the contraction in the capital value of retail assets, investment yields for shopping malls climbed to 5.05% and that of high streets at 4.48%, respectively, recording a 10 bps q-o-q increase. A notable deal was the sale of three Homeplus branches that IGIS Asset Management sold to Daelim for KRW 350 billion.

Outlook: Offline retail businesses are seeking resilience strategies

- As the number of foreign tourists seems to remain subdued and with the government considering 'With COVID-19' measures, offline retail establishments are attracting domestic consumers with value-add strategies to promote sales and rental growth. Amid market volatility, landlords may sign shorter leases to improve occupancy.
- Hypermarket transactions are expected to increase as IGIS Asset Management plans to sell four additional Homeplus assets with upcoming fund expiry. Although interest rate hikes are expected, hypermarkets will still appeal to investors for their potential to be redeveloped into other asset forms. Investors will also gauge the right time to purchase under-valued assets.

Note: Seoul Retail refers to Seoul's prime retail market.

Singapore

"Retail rent recovery expected in 2022 as Singapore progresses to a new normal with endemic COVID-19."

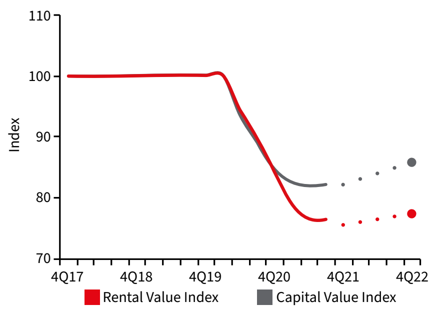
Angelia Phua, Director - Research, Singapore

Rental Growth Y-O-Y
-14.8%

sq ft per month, gross on NLA
SGD 35.2

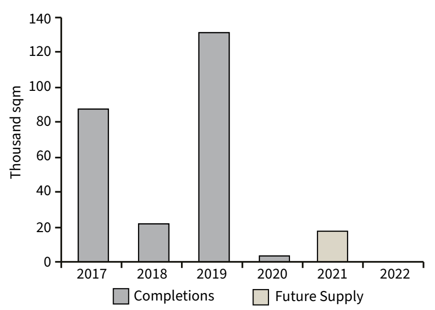
Stage in Cycle
Decline Slowing

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the Prime market.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the overall market.
Source: JLL

Retail sales hold firm despite COVID-19-related restrictions

- In 3Q21, the retail sales index (excluding motor vehicles) in chained-volume terms rose 3.3% y-o-y as consumer spending remained resilient, despite the repeated tightening and easing of COVID-19-related measures. Notwithstanding, retail sales in 3Q21 remained below pre-COVID-19 levels (2019). Tourist arrivals in 3Q21 remained at very low levels due to the ongoing border restrictions.
- The repeated tightening and easing of COVID-19-related measures created uncertainty and disrupted businesses, causing retailers to remain cautious in 3Q21. However, retailers have been more willing to take on calculated risks and commit to leases if the rent level is attractive and landlord support is assured should the business environment turn challenging, yet again, due to COVID-19.

Vacancy rates continue to fall in 3Q21

- There were no new additions to retail stock in 3Q21.
- Landlords continued to focus on containing vacancy rates in malls. In their bid to support occupancy, landlords remained flexible when negotiating lease terms in 3Q21. Overall vacancy rates fell q-o-q in 3Q21 for the second consecutive quarter, as opportunistic businesses with deeper pockets capitalised on the attractive rents and the availability of choice retail locations.

Rents stabilise in 3Q21

- In 3Q21, rents of prime floor space across the three submarkets stabilised or rose marginally q-o-q, after five or six consecutive quarterly declines, depending on the submarket. Cautious optimism regarding a gradual reopening of the economy in light of the high vaccination rate and the government's roadmap to an endemic COVID-19, underpinned rents.
- In 3Q21, the continued expansions of retailers to the Prime submarket supported rents. A pick-up in domestic demand and the expected gradual return of the workforce underpinned rents in the Secondary submarket. Rents in the Suburban submarket inched up very marginally q-o-q in 3Q21, as suburban malls continued to serve local demand with essential services.

Outlook: Rental recovery expected in 2022

- A high vaccination rate, combined with the government's roadmap for endemic COVID-19 will continue to support the further lifting of safe-distancing measures and the gradual easing of border restrictions. This will lift retailer and consumer sentiment and, in turn, drive retail sales and business expansion. Thus, vacancy rates are expected to continue to fall.
- Rents could still succumb in the short-term to intermittent, temporary COVID-19-related measures, before stabilising and growing in 2022 amid falling vacancy rates. Capital values are expected to recover in 2022 as yields are expected to compress on the back of an expected rent recovery in 2022 and investor interest in quality retail assets.

Note: Singapore Retail refers to Singapore's Prime, Secondary and Suburban retail markets.

Bangkok

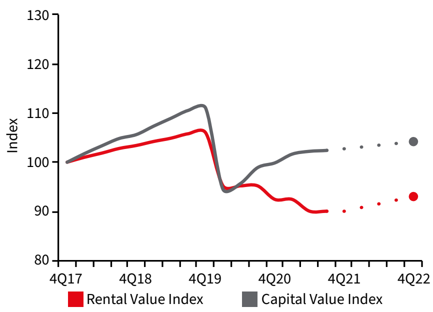
> "After the end of a 1.5-month lockdown, retailing activity resumed."
>
> **Jeremy O'Sullivan, Head of Research, Thailand**

Rental Growth Y-O-Y
-5.4%

sqm per month, gross on NLA
THB 2,245.2

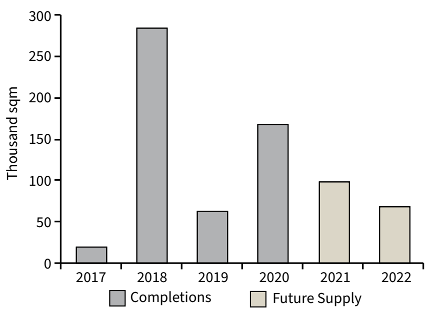
Stage in Cycle
Rents Stable

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

New leasing activity still observed amid uncertainty

- Despite not being able to track prime grade net absorption due to the COVID-19 lockdown in 3Q21, our specific survey on almost half of the prime retail stock in the first two weeks following the end of the lockdown indicated that most prime grade retail centres were faced with negative absorption. Moreover, around 2%-10% of total tenants in each centre were still temporarily closing their stores.
- However, the movement of some brands can still be seen. At least 12 brands have opened new branches and 2 brands have expanded their stores in existing centres. F&B and household tenants took the majority share of recent occupied space in 3Q21. The notable brands in 3Q21 were included MUJI, Saemuel, GWM Experience Center, SUSHIRO, Maison Kitsune x Café Kitsune and Bang & Olufsen.

Lockdown responsible for the delay of new completions

- In 3Q21, prime grade retail stock remain unchanged at 3,537,517 sqm due to the postponed construction completion caused by lockdown restrictions. The Mall Lifestore Thaphra Renovation, which was scheduled to open some renovated sections in 3Q21, was postponed and is now planned to open fully renovated in 4Q21.
- Prime grade vacancy rate was unchanged at 4.5% in 3Q21, as field surveys were made impossible due to the lockdown restrictions in between July and August. Meanwhile, the specific survey on almost half of Bangkok's prime grade stock found an increase in vacancy rate of most surveyed centres. A number of brands were noticed to have closed down a number of their branches.

Rental pressure driven by the lockdown sent yields below 2-digits

- In 3Q21, prime grade gross rent stood at THB 2,245 per sqm, but net effective rent decreased to THB 1,482 per sqm due to the lockdown restrictions. As a result, gross rent decreased by -5.4% y-o-y, and net effective rent was down -12.5% q-o-q and -18% y-o-y. The enforced lockdown in 3Q21 was the main contributing factor leading to the decrease in rental value.
- Capital values rose slightly by 0.2% q-o-q and 3.5% y-o-y to THB 198,015 per sqm. Despite there being 1.5 months of lockdown restriction in 3Q21, capital value growth was positive due to the asset enhancement and expansion in several retail centres, including The Mall Lifestore Thaphra Renovation, Central Rama 2 expansion and Siam Paragon rezoning on ground floor.

Outlook: Easing of COVID-19 lockdown to boost footfall

- Although the number of COVID-19 cases is considerably higher compared to the same period last year, the foot traffic in retail centres is expected to return by the end of lockdown in September. However, retailers will still face poor retail sales mainly due to the economic slowdown and the uncertain situation caused by the pandemic.
- New supply over the next 12-months will come from four projects including The Mall Thapra renovation, an expansion of CentralPlaza Rama II, Central Village Phase 2 and Terminal 21 Rama 3. If all four projects are completed as scheduled, a total 166,000 sqm will be added to prime grade stock by the first half of 2022.

Note: Bangkok Retail refers to Bangkok's prime retail market.

Jakarta

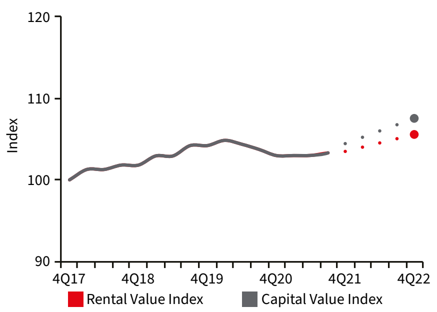
> "Limited retail activity in prime malls."
>
> **Yunus Karim, Head of Research, Jakarta**

Rental Growth Y-O-Y
-0.4%

sqm per annum, net effective on NLA
IDR 6,386,898

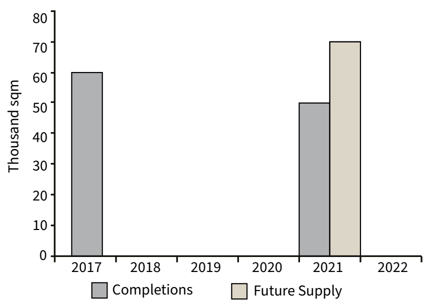
Stage in Cycle
Rents Stable

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

Net absorption remains low

- New tenants opened their stores as soon as malls reopened. This move was driven mainly by F&B tenants, including % Arabica, which opened its third store in Jakarta; and Index Living Mall, Thailand's largest retailer of household furniture and appliances, which opened its first two stores in Jakarta, one each in Kota Kasablanka and Plaza Senayan. However, there were still some store closures.
- Since mid-August, malls have been allowed to reopen and operate at 50% capacity, with specific age requirements and only for fully vaccinated people. Dining-in at restaurants was permitted at 50% capacity with 60 minutes to eat. Gyms and most entertainment tenants were still closed, while cinemas were permitted to reopen with 50% capacity, but no F&B was allowed inside.

No new prime mall completions

- There were no new completions in 3Q21. Two shopping malls are expected to complete this year: Senayan Park and AEON Mall Southgate, with a total size of around 70,000 sqm.
- Vacancy rates are still in single digits in Jakarta's prime malls. The limited supply should take some of the pressure off existing malls during this time. Small to medium-size vacant spaces started to fill up while landlords continued to review their tenant mixes and increase their F&B portions.

Rents remain relatively stable

- Rents in Jakarta's Prime malls remained stable in 3Q21. Prime mall rents are expected to stabilise through end-2021 and likely to improve going forward, driven by limited supply in the upcoming years.
- A few landlords started to move their rental rates back to normal, while others still provided tenants with relief on a case-by-case basis. In addition, the government has imposed a VAT (Value Added Tax) exemption, from August to October 2021, on space or building rentals for retailers who have standalone shops or outlets in malls.

Outlook: New completions expected to drive demand

- Two Prime retail completions are expected for the remainder of 2021, which will drive demand – especially by F&B tenants as the main occupiers seeking expansion space. However, vacancy is likely to rise due to the new supply.
- Due to Jakarta's unofficial moratorium, the most likely point of entry is retail portions of mixed-use developments. Meanwhile, standalone mall developments are more likely to occur in the emerging Greater Jakarta area.

Note: Jakarta Retail refers to Jakarta's overall prime retail market.

Kuala Lumpur

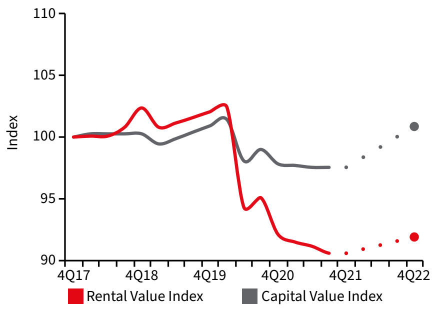
> "Potential reopening of international borders is crucial to retail market recovery."
>
> **Ridhwan Radzi, Director - Research, Malaysia**

Rental Growth Y-O-Y
-4.3%

sq ft per month, gross on NLA
MYR 32.3

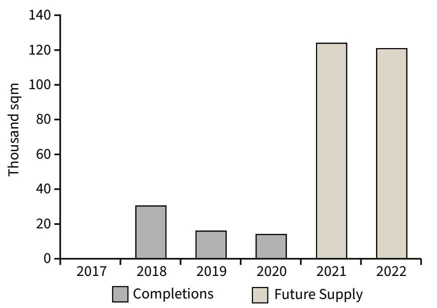
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

Footfalls bounce back following the easing of restrictions

- The easing of National Recovery Plan (NRP) restrictions was good news for malls. The transition to NRP Phase 2 recently has sparked hope for the retail industry to recover. Fully vaccinated individuals in Greater KL (>80% or about 6.8 million) are now able to browse and shop at brick-and-mortar stores, pamper themselves in hair and beauty salons, dine-in and watch movies at cinemas.
- Given that the government has uplifted restrictions on several business, this move has prompted consumers to resume visiting malls. However, the pick-up in retail footfall in city centre malls has been lagging behind that of neighborhood malls as the majority of office workers are still working from home.

No new project completions, more retail closures

- No project completions or new additions of projects were observed during the quarter. One project, which was expected to complete in the quarter, has been delayed to the next quarter (4Q21). The project is Mitsui Shopping Park LaLaport KL located in the City Centre submarket with about 1 million sq ft NLA.
- Vacancy rates increased across all submarkets. More retail tenants closed once movement restrictions were lifted as many of them were already struggling prior to the outbreak of COVID-19. However, we observed some new outlet openings during the quarter albeit the soft market.

Investment interest starts to pick up

- Most of the malls continued to underperform due to the prolonged pandemic, which led to lower occupancy rates, lower turnover rents, and resulted in further downward pressure on rental reversions. Many landlords continued to support their tenants by offering tenant assistance packages on a case-by-case basis.
- No transactions were recorded in the quarter. The easing of restrictions, however, resulted in some investors revisiting retail investment opportunities to take advantage of the anticipated recovery. It is likely that opportunistic investors may perceive this period as an attractive time to deploy their capital despite the challenges.

Outlook: Tourist footfall may return to malls soon

- The Prime Minister hinted that the reopening of travel both domestic and overseas could take place as early as December this year. The reopening of international borders is great news to the retail industry as it will be the homecoming of tourists into the malls in tourist hotspots.
- It is likely that the reopening of international borders may also spur retail investment activities. We understand that some landlords are actively trying to dispose of underperforming assets to improve liquidity hence this move may be proven timely.

Note: Kuala Lumpur Retail refers to Kuala Lumpur's prime retail market.

Manila

"Vacancy slightly decreased due to store openings."

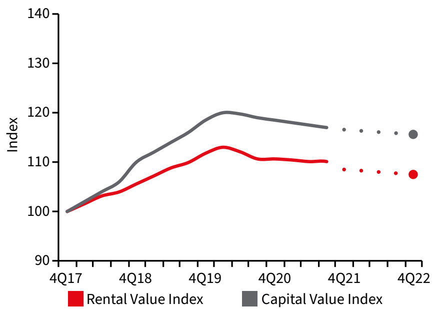
Janlo de los Reyes, Head of Research, Philippines

Rental Growth Y-O-Y
-0.5%

sqm per month, net effective on NLA
PHP 1,656

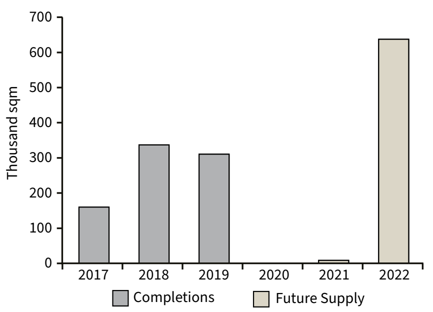
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Source: JLL

Positive net absorption recorded after five consecutive quarters.

- Positive net absorption recorded at 2,900 sqm in 3Q21 backed by modest size store openings, ranging from 60 sqm to 100 sqm. These mainly came from local stores offering services and local and foreign F&B stores such as Barenaked Body Salon in SM Megamall, PLDT and Smart Center and Mo's Burger both in Glorietta 1 and 2, King Chef in Ayala Malls Bay Area, and Biarritz Café and Bar in Greenbelt 2.
- IKEA Philippines opened its pop-up store in SM Mall of Asia as a marketing initiative for their grand opening by year-end in Pasay City.

Vacancy slightly improves

- Vacancy rate slightly decreased by 0.7% q-o-q, supported by some store openings in 3Q21. Nonetheless, store closures from clothing and bags such as Debenhams and Jessica (Shangri-La Plaza Mall), Old Navy (SM Megamall), Girbaud (Trinoma), and Daniel Hechter (Lucky Chinatown) were recorded.
- No additional retail developments added in 3Q21. Majority of the developments in the supply pipeline are expansions of existing developments such as Ayala Malls Bay Area Phase 2 in Bay City Reclamation; SM Mall of Asia Phase 4 expansion in Pasay City; and Gateway Mall Phase 2 and Ayala Malls Cloverleaf both in Quezon City.

No change in rents recorded in 3Q21

- Rental rates stood at PHP 1,656 per sqm per month, unchanged q-o-q but down by 0.5% y-o-y. Select mall operators lowered their asking rents in 2021 compared to the asking rents in 2020 to improve their high vacancy rate since 2020.
- Philippine Senate approved a bill to amend the current foreign investments law to further attract foreign investors. Under the Senate Bill No. 1156, proposed amendments to the current Foreign Investments Act (FIA) of 1991 include allowing foreigners to invest 100% equity in domestic market enterprises and set-up and own 100% of small and medium-sized enterprises, following some exceptions.

Outlook: Mixed retail performance expected to continue

- Retailer activity is anticipated to remain limited with brands looking at relocating or expanding to new locations while refreshing their stores. Muji Philippines and Zara are set to transfer to a larger space in their current locations which are Central Square and Trinoma, respectively. Other expansions of international brands that are set to open include Birkenstock, Panda Express, and Mango.
- The weak retailer activity may lead to marginal rental softening, especially in mall developments with prolonged high vacancy.

Note: Manila Retail refers to metro Manila's overall prime retail market.

Hanoi

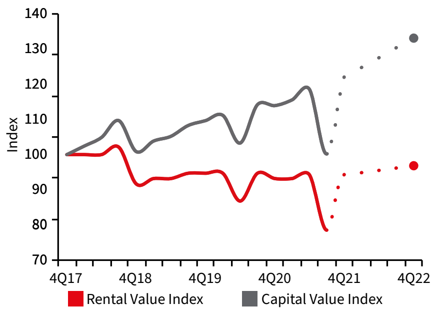
> "The fourth wave of COVID-19 sets back the recovery of the Hanoi retail market in 3Q21."
>
> **Trang Le, Head of Research, Vietnam**

Rental Growth Y-O-Y
-17.1%

sqm per month, net effective on NLA
USD 52.4

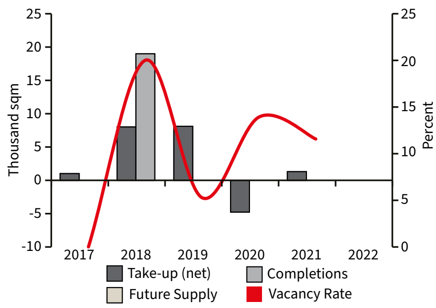
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the City Centre.
Source: JLL

Physical Indicators



For 2017 to 2020, take-up, completions and vacancy rates are year-end annual. For 2021, take-up, completions and vacancy rates are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the City Centre.
Source: JLL

Retailer demand remains stable

- Thanks to landlord support policies for existing tenants, shopping malls in both City Centre and City Fringe were able to secure occupancy rates despite 2.5 months of lockdown; hence, most of prime malls in Hanoi recorded occupancy rates at over 90%, similar to 2Q21's level.
- Tenants appear to be hesitant in expansion activities and renewing lease contracts, waiting for the pandemic to be fully contained.

No new projects come online in the quarter

- As the fourth wave of COVID-19 surged, the government was forced to implement strict social-distancing measures, which led to the closure of retail malls on 24 July.
- As most construction work had to be suspended almost entirely in 3Q21 and is not expected to resume at full capacity anytime soon, the opening dates of some new projects, including one regional shopping centre and several retail podiums, have had to be postponed until the end of 2021 or early 2022.

Net effective rent decreased due to rental concessions policy

- The asking rent and face rent of prime malls still held constant. However, landlords tended to offer attractive rental concessions or flexible leasing terms to existing tenants, such as a few months free rent during the lockdown period. Therein, the net effective rents in both City Centre and City Fringe significantly dropped by 16.7% q-o-q.
- Market yield remained relatively stable in expectation of a long-term market potential. Capital value decreased in tandem with the drop in net effective rents but is likely to recover in the coming quarters.

Outlook: Market sentiment is expected to improve post-lockdown

- Vincom Mega Mall Smart City is scheduled to open in 4Q21, providing approximately 40,800 sqm to City Fringe stock. It should be noted that given the complicated situation created by the pandemic, the grand opening of this project may be delayed until 1Q22.
- The market sentiment is expected to bounce back once the lockdown is lifted. Consumers will likely shop more in malls after a prolonged period of lockdown due to limited entertainment and retail options. Given the current rental incentives provided by landlords, this could be a good opportunity for tenants with strong financial capability to search for new retail space.

Note: Hanoi Retail refers to Hanoi's overall prime retail market.

Ho Chi Minh City

"The Ho Chi Minh City retail market grinds to a standstill during the lockdown period."

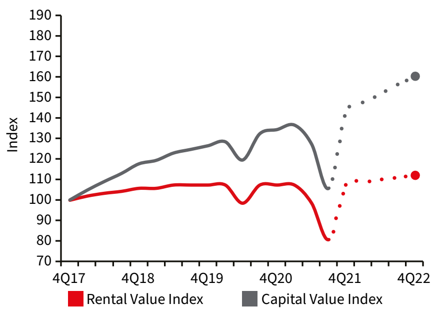
Trang Le, Head of Research, Vietnam

Rental Growth Y-O-Y
-25.0%

sqm per month, net effective on NLA
USD 57.6

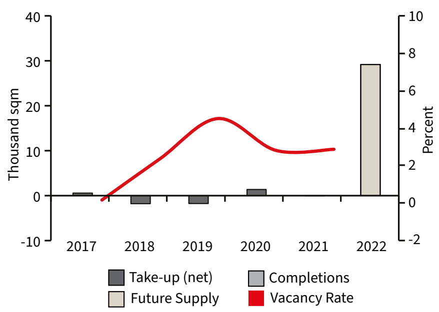
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the City Centre.
Source: JLL

Physical Indicators



For 2017 to 2020, take-up, completions and vacancy rates are year-end annual. For 2021, take-up, completions and vacancy rates are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the City Centre.
Source: JLL

Limited leasing activity over the quarter

- The fourth wave of COVID-19, which forced the government to implement strict social-distancing measures, limited retail leasing transactions in 3Q21. The occupancy rate remained unchanged compared to the 2Q21 level.
- The retail market in HCMC was muted throughout 3Q21. Due to the uncertainty caused by the pandemic, most landlords have not disclosed their tenant structure plans; likewise, tenants have been taking a "wait and see" approach.

Malls shut down during 3Q21

- The 120-day lockdown in HCMC, which started in early June, forced all stores to close. During this time, only retailers providing necessities were permitted to open.
- As no malls operated during 3Q21, the vacancy rate remained unchanged q-o-q, and stood at 2.9% and 4.1 % in City Centre and City Fringe, respectively.

Landlords continue to offer rental concessions to support tenants

- In 3Q21, most landlords continued offering rental concession policies that were adopted since June. Rental concessions were typically offered in the form of rent discounts or rent deferment. As a result, the actual average rental rate of key shopping malls fell by 8.3% q-o-q, to USD 30.7 sqm per month by end-3Q21.
- The capital value moved in tandem with effective rent, slightly decreasing in the 3Q21. Meanwhile, yields remained modestly compressed as current investors continued to seek investment opportunities in the midst of the pandemic.

Outlook: Market to face downward pressure

- Although HCMC has lifted social distancing since early October and has allowed shopping malls to resume business, landlords and tenants are still wary of the reopening plan. The main concerns are in the sluggish resumption of foot traffic in the mall and the costs incurred to operate in "new normal" conditions.
- The opening of new retail centres, including Socar Mall and other neighbourhood shopping centres in mixed-use projects, will be postponed until 2022 if required occupancy rates are not reached as planned. Some landlords intend to reconfigure the tenant structure or floor layout of their shopping centres in order to establish a new face for the malls when they reopen.

Note: Ho Chi Minh City Retail refers to Ho Chi Minh City's overall prime retail market.

Delhi

"With an increase in consumer confidence, footfall and retail sales increase in 3Q21."

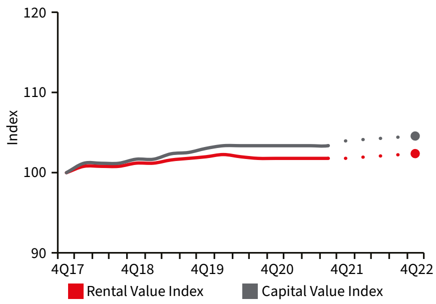
Dr Samantak Das, Head of Research, India & Sri Lanka

Rental Growth Y-O-Y
0.0%

sq ft per month, gross on GFA
INR 257.5

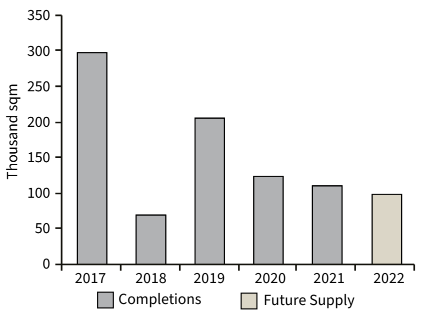
Stage in Cycle
Rents Rising

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the Prime South.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the overall market.
Source: JLL

Improvement in net absorption recorded in 3Q21

- Net absorption increased by 1850% q-o-q and 1128% y-o-y, driven by the new mall completions in Suburban and Prime Others submarkets coming onstream with good pre-commitments. With the easing of COVID-19 restrictions and increased vaccination rates, shoppers returned and malls witnessed higher footfall.
- Westside, Marks & Spencer, Hamleys, Stanmax and Reliance Trends leased space in the newly completed Pacific Mall in Netaji Subhash Place in Prime Others submarket. Some prominent store openings during the quarter included 'Nike Door' at DLF Mall of India in Noida and 'The Collective' at Pioneer Boulevard in Gurgaon.

Three retail developments complete in 3Q21

- Three retail developments were completed in 3Q21, contributing 0.68 million sq ft to the overall stock. These developments consisted of Pacific Mall in Delhi with 0.3 million sq ft, 'M3M Urbana Premium' a mixed-use office and retail development with 0.23 million sq ft of retail space in Gurgaon and 'One Skymark' retail block with 0.15 million sq ft in Noida.
- No new completions are lined up for the last quarter of 2021. In 2022, five retail developments with a cumulative area of 1.06 million sq ft are projected to become operational in the Suburban submarket.

Rents decline marginally in 3Q21

- Rents declined marginally in some strata-sold, poorly managed malls across Delhi NCR. Superior Grade malls with low vacancy levels saw stable rents underpinned by increased footfall and sales recovery. Vacancy rate remained stable with the newly completed malls opening with good occupancy levels.
- The increase in vaccination rate and effective containment of the COVID-19 pandemic will encourage retailers to expand their footprint in the future. However, non-profitable stores will be closed or resized to increase profitability and efficiency as part of a business strategy.

Outlook: Positive consumer sentiment to drive retail sales

- Leasing activity will continue to rise with the increase in vaccination rate and the return of shoppers, which is supporting the improvement in retail sales. In the upcoming festive season 4Q21, demand is expected to get a boost by further increases in footfall in retail developments.
- The majority of the upcoming retail projects are a part of mixed-use developments, having retail blocks with commercial towers and serviced apartments. In recent years, Delhi has witnessed a couple of transit-oriented malls. These developments will continue to grow with the improving infrastructure and connectivity.

Note: Delhi Retail refers to Delhi NCR's prime retail market.

Mumbai

"Net absorption increases sharply q-o-q with malls reopening."

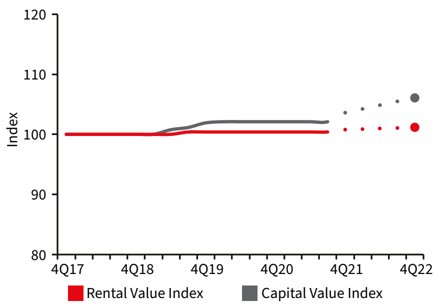
Dr Samantak Das, Head of Research, India & Sri Lanka

Rental Growth Y-O-Y
0.0%

sq ft per month, gross on GFA
INR 258.0

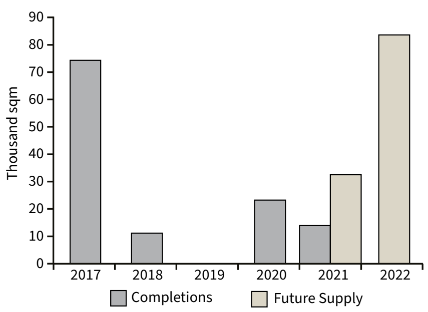
Stage in Cycle
Rents Rising

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the Prime South.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the overall market.
Source: JLL

Net absorption increases sharply in 3Q21

- In 3Q21, the Mumbai retail market recorded a significant jump in net absorption as malls reopened for shoppers. A total of 53,000 sq ft of net absorption was recorded in 3Q21.
- Healthy leasing activity was recorded in the newly completed building in 3Q21, with brands like Westside and Pantaloons taking up most of the retail space in the mall.

One solitary mall completion comes online in 3Q21

- Kohinoor Square Mall began operations in the Prime South submarket in 3Q21.
- One mall in the Prime North submarket, which was likely to become operational in 3Q21, is now expected to be completed in the next quarter.

Overall rents increase slightly

- The overall rents increased slightly, primarily on the back of the new mall completion in 3Q21. In the current scenario, most of the transactions are currently being closed on a revenue-share basis.
- Market yields remained stable in 3Q21 as rents and capital values remained stable for all the submarkets during the quarter.

Outlook: Gradual recovery on the cards

- We expect a gradual recovery in the retail sector with the reopening of malls in the city, following the relaxation of the lockdown norms. However, currently mall shoppers are restricted to those who are double vaccinated. Theatres are also likely to be opened going forward, which will support improvement in footfall and retail sales.
- Mall completions with some pre-commitments are likely to bring new life to the sector as we expect one premium mall to become operational in 4Q21. Yet another premium mall has had its completion postponed to next year.

Note: Mumbai Retail refers to Mumbai's overall prime retail market.

Bengaluru

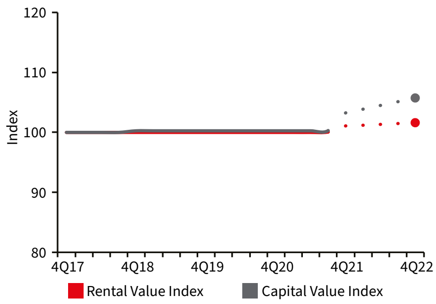
> "Demand in malls continues to remain sluggish in 3Q21."
>
> **Dr Samantak Das, Head of Research, India & Sri Lanka**

Rental Growth Y-O-Y
0.1%

sq ft per month, gross on GFA
INR 187.1

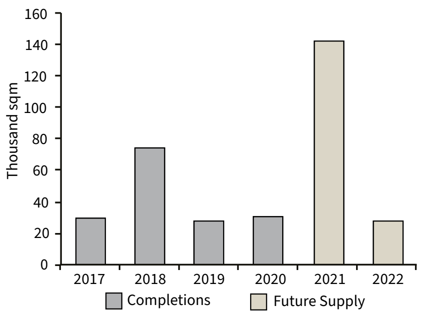
Stage in Cycle
Rents Rising

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the Prime City.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the overall market.
Source: JLL

Overall demand in malls remains subdued in 3Q21

- With the economy opening up and the upswing in vaccination rates, there are signs of some positive momentum in the retail market. Retail space transactions have seen a marginal increase in both organised retail formats as well as on high streets. However, mall activity remains sluggish.
- Footwear, home décor, fashion and apparel, food and beverages and automobile retail segments have been driving demand for retail spaces since the reopening of the retail sector. The steady increase in footfall in both shopping malls and high streets in the city is likely to further push retailers to look for space.

No mall completions in the quarter

- No new mall supply was recorded during 3Q21. Lulu Global Mall in the Prime submarket and Bhartiya City Mall at Thanisandra in the Suburbs submarket are expected to become operational over the next two quarters.
- SBR Lucky Mall was launched in Electronic City Phase 2 in the quarter. The mall has an area of 0.28 million sq ft and will be completed by 2023.

Rents and capital values across submarkets remain stable

- Rents remained largely stable in the quarter, though landlords were open to negotiating new deals. Retailers are seeking rent discounts and are also interested in moving to a pure revenue-sharing model.
- Capital values remain stable, and in the short term, the impact on investments will remain.

Outlook: New completions to drive up absorption levels significantly

- With 1.53 million sq ft of mall completions lined up over 2H21 — which have cumulatively recorded pre-commitments of around 50% — absorption levels will show a big improvement by end-2021.
- We expect a gradual recovery to play out over the next few quarters as the festive season, rising vaccination rates and safety measures help support an increase in mall footfall and retailer activity.

Note: Bengaluru Retail refers to Bengaluru's overall prime retail market.

Chennai

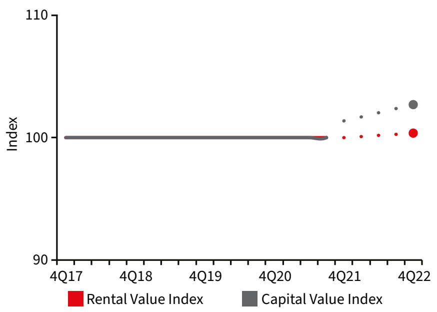
> "Chennai's retail sector is slowly recovering from the impact of COVID-19."
>
> **Dr Samantak Das, Head of Research, India & Sri Lanka**

Rental Growth Y-O-Y
0.0%

sq ft per month, gross on GFA
INR 135.5

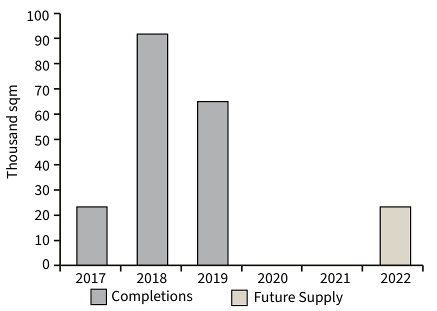
Stage in Cycle
Rents Rising

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for the Prime City.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for the overall market.
Source: JLL

Mall leasing activity remains subdued

- Leasing activity in malls remains subdued in 3Q21. Even though malls remained open from the beginning of 3Q21, footfall has yet to ramp up. Many retailers and brands are cautiously waiting for the market to recover over the next few months before they strengthen their presence in mall spaces. Hence the demand for mall spaces remains sluggish.
- However, Chennai is known for its vibrant high street culture and this trend is expected to continue in the years to come. Many brands who had leased spaces in average malls are now evaluating high streets as an option.

No new supply in 3Q21

- No new malls became operational in 3Q21.
- Supply pipeline looks weak until 2022 with most proposed malls yet to break ground and many planned malls being shelved or put on hold.

Rents and capital values remain largely stable

- While rents remained largely stable, many developers are contemplating retailer demand for purely revenue-sharing rent models.
- The rents in major high streets dropped by 2-3% q-o-q in 3Q21; high street landlords are offering bigger discounts to attract retailers during this festive season.

Outlook: Demand for mall space set to improve this festive season

- The upcoming festive season is expected to increase footfall in malls and improve consumer sentiment. This will aid in bringing confidence among retailers to expand their footprints in malls over the next few quarters.
- Demand for high street space is expected to gain further traction. Rents and capital values for malls are expected to be stable though landlords may remain accommodating for new retailers. Investment sentiment is anticipated to be muted for retail assets in the near term.

Note: Chennai Retail refers to Chennai's overall prime retail market.

Sydney

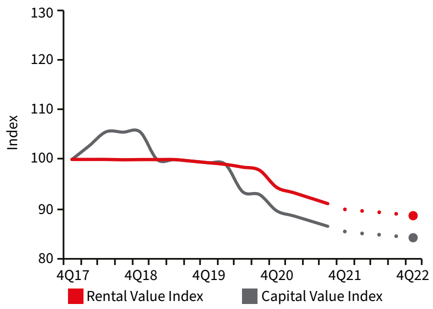
> "Retail leasing activity has been limited by lockdown restrictions that persisted throughout 3Q21."
>
> **Andrew Quillfeldt, Senior Director - Research, Australia**

Rental Growth Y-O-Y
-5.9%

sqm per annum, gross on GLA
AUD 1,725

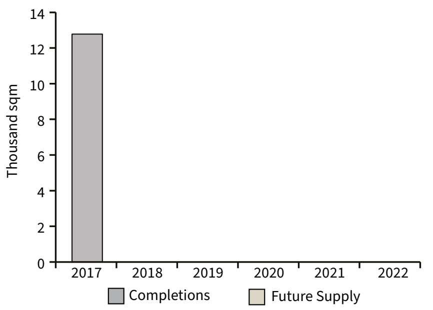
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for regional shopping centres.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for regional shopping centres.
Source: JLL

Lockdowns continue to disrupt retail spending

- Non-essential retail stores have remained closed under the current extended lockdown in New South Wales. Retail leasing activity has slowed significantly with the state spending most of 3Q21 under these restrictions.
- New South Wales monthly retail spending has declined consistently since June 2021 as the state entered a period of extended lockdown restrictions. Spending in August 2021 was 11.8% lower than spending in August 2020 reflective of these restrictions. Department stores (-52.4%) and clothing, footwear and accessories (-48.9%) have seen the biggest fall in sales relative to last August.

Annual retail completions to remain below average in 2021

- A number of projects have been delayed with owners focusing on managing COVID-19 relief and cashflow which has reduced the number of projects anticipated to complete in 2021 and 2022. Three new assets completed in 3Q21 including Ed. Square (25,000 sqm), Rhodes Central (11,500 sqm) and Woolworths Kirrawee (4,500 sqm).
- The latest vacancy survey as of June 2021 shows that the retail vacancy rate (all sub sectors) increased marginally by 0.1 percentage points to 5.6%. The vacancy rate has remained largely stable over the past 12 months.

Yields compressed across multiple sub-sectors

- Despite the recent lockdown, the investment market remains competitive with multiple retail sub-sectors recording yield compression over 3Q21. The sub-regional median yield compressed 19 bps while both the neighbourhood and LFR midpoint yields compressed 38 bps. Regional yields remained stable with this segment of the market relatively less liquid due to scale.
- Gross rents declined across CBD (-5.00% q-o-q), regional (-1.00% q-o-q) and neighbourhood (-0.25%) assets over 3Q21. Large format retail and sub-regional rents remained stable.

Outlook: Income uncertainty is the greatest challenge for landlords

- NSW's lockdown restrictions are set to significantly ease from early October which will allow most retailers to open with social distancing policies and capacity limits in place. Some rebound in leasing activity is anticipated however the retail sector is likely to remain challenged by store rationalisation by major retail groups.
- Local investment volumes are likely to continue to be driven by the strong global rebound in sentiment and investment appetite across capital markets in the short term.

Note: Sydney Retail refers to Sydney's overall retail market.

Melbourne

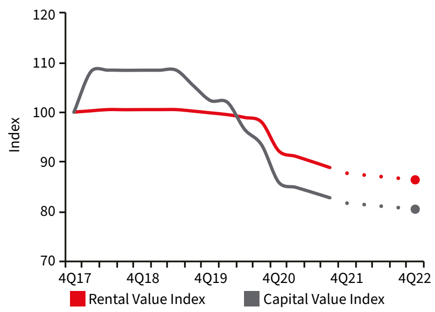
> "Investment volumes remain strong, despite short-term disruption from lockdowns."
>
> **Andrew Quillfeldt, Senior Director - Research, Australia**

Rental Growth Y-O-Y
-7.8%

sqm per annum, gross on GLA
AUD 1,505

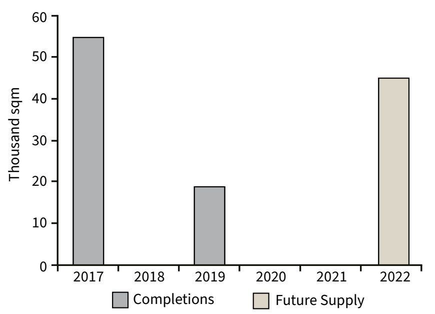
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for regional shopping centres.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for regional shopping centres.
Source: JLL

Lockdowns continue to disrupt retail spending

- Non-essential retail stores have remained closed under the current extended lockdown in Victoria. Retail leasing activity has slowed significantly with Victoria spending most of the quarter under these restrictions which have also limited commercial property inspections.
- Victoria's monthly retail spending decreased 3.0% m-o-m in August 2021 as the state re-entered lockdown. However, August 2021 spending remained elevated compared to August 2020 (14.6% y-o-y). Over the year to August 2021, spending has increased overall by 5.4% y-o-y reflective of an improved economic outlook and household budgets compared to 2020.

Annual retail completions to remain below average in 2021

- A number of projects have been delayed with owners focusing on managing COVID-19 relief and cashflow which has reduced the number of projects anticipated to complete in 2021 and 2022. Two projects completed in 3Q21 including Bunnings Tarneit (16,500 sqm) and Woolworths Fishermen's Bend (5,100 sqm).
- The latest vacancy survey as of June 2021 shows that the CBD vacancy rate rose significantly while regional and sub-regional vacancy rates rose marginally. Neighbourhood vacancy rates declined slightly while the large format retail vacancy rate remained stable in 2Q21.

Yields compressed across multiple sub-sectors

- Despite the recent lockdown, the investment market remains competitive with multiple retail sub-sectors recording yield compression over 3Q21. The sub-regional median yield compressed 25 bps while the neighbourhood and LFR midpoints compressed 25 bps and 63 bps respectively. Regional yields remained stable with this segment of the market relatively less liquid due to scale.
- Gross rents declined across CBD (-5.0% q-o-q), regional (-1.0% q-o-q) and neighbourhood (-0.3%) assets over 3Q21. Large format retail and sub-regional rents remained stable.

Outlook: Income uncertainty is the greatest challenge for landlords

- Victoria's current restrictions are set to ease in late October, which will allow most retailers to open with social distancing policies and capacity limits in place. Some rebound in leasing activity is anticipated however the retail sector is likely to remain challenged by store rationalisation by major retail groups.
- Local investment volumes are likely to continue to be driven by the strong global rebound in sentiment and investment appetite across capital markets in the short term.

Note: Melbourne Retail refers to Melbourne's overall retail market.

SE Queensland

"Retail turnover growth continues as large format retail and neighbourhood centres outperform."

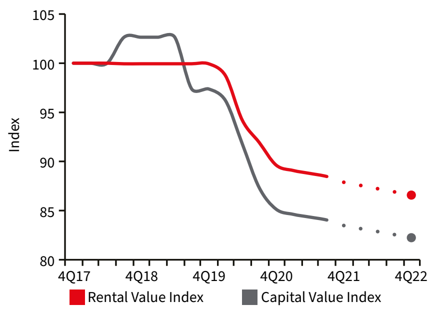
Andrew Quillfeldt, Senior Director - Research, Australia

Rental Growth Y-O-Y
-3.0%

sqm per annum, gross on GLA
AUD 1,486

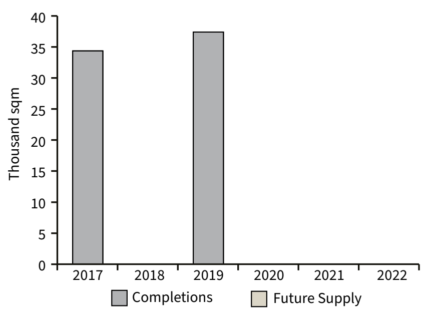
Stage in Cycle
Decline Slowing

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for regional shopping centres.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for regional shopping centres.
Source: JLL

Retail turnover growth continues to slow

- Queensland's year-on-year retail turnover growth has fallen considerably from a 30-year peak of 12.8% in April 2021 to 8.7% in August 2021. Turnover growth in the state remains above the national average (7.1% y-o-y) and is the third highest of all states behind Western Australia (10.9% y-o-y) and the Northern Territory (10.8% y-o-y).
- Retail turnover growth in Queensland has been driven by annual growth in clothing, footwear and personal accessories (18.5%), cafes, restaurants and takeaway food (17.2%), and household goods (10.3%). The rebound of these categories is reflective of how well the state has been able to contain COVID-19 cases and largely avoid tighter restrictions.

Delays in the delivery of projects from rising construction costs

- Rising construction costs and delays in council decision making have caused a slow-down in the delivery of projects. The predicted completion dates for a large number of projects have been pushed out to account for these factors. Queen Street Village, a large mixed-use project in Southport, was set to complete this quarter but has been pushed out for completion for 4Q21.
- The supply pipeline remains moderate. The pipeline over the short term is dominated by large format retail (38%) and neighbourhood centre projects (38%), with 'other' retail covering the remaining 25% of projects. The high percentage of large format retail and neighbourhood centre projects is a reflection on how well they are performing in the current economic climate.

LFR & Neighbourhood Centres continue to outperform

- Declining gross rents across regional (-0.3%) and sub-regional (-0.3%) sectors have continued over the quarter, reflecting reductions in foot traffic and weaker leasing demand. Large format retail and neighbourhood centres recorded moderate growth of 0.5% and 0.1% in gross rents respectively as both sectors continue to dominate retail market activity.
- Yields across the retail sub-sectors remained largely flat over the quarter, with the exception of neighbourhood centres recording a mid-point yield decompression of 0.5 bps. This is supported by the strong investment demand seen since the onset of COVID-19 and the sub-sector's ability to provide non-discretionary goods over lockdowns.

Outlook: Investment interest in sub-regional assets expected in near term

- Increased speculation of the Queensland borders reopening by the end of the year will likely see retail spending rebound over the next 12 months. This is supported by an expectation that consumer sentiment and discretionary spending will continue to improve given the increase in vaccination rates and expected wage growth.
- Strengthening of the investment market will continue, with syndicators being a major driver. We expect large format retail and neighbourhood centres to remain in strong demand given their non-discretionary tenant mix. Sub-regional assets have seen increased counter-cyclical investor interest this year and we expect yield compression for these assets in the near term.

Note: SE Queensland Retail refers to South East Queensland's overall retail market.

Perth

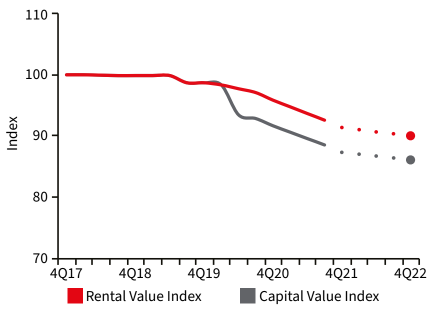
> "Local retail conditions remain challenging despite strong WA retail turnover growth."
>
> **Andrew Quillfeldt, Senior Director - Research, Australia**

Rental Growth Y-O-Y
-3.9%

sqm per annum, gross on GLA
AUD 1,769

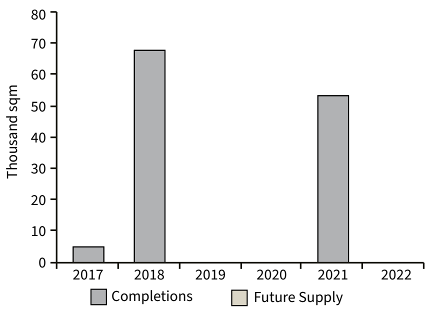
Stage in Cycle
Rents Falling

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for regional shopping centres.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for regional shopping centres.
Source: JLL

WA retail turnover growth continues to outperform national average

- WA recorded annual spending growth of 10.9% in August 2021, significantly above the national average of 7.1%. The clothing, footwear and accessories category recorded the strongest performance of all categories, with growth of 20.9% y-o-y in August 2021, while spending at cafes, restaurants and takeaway was the second strongest performer (up 17.6% y-o-y).
- Anecdotal evidence suggests foot traffic has increased but remains below pre-COVID-19 levels, particularly for CBD assets. Store closures, increasing number of voluntary administrations and growing trends in employee workplace flexibility (working from home) continues to place pressure on vacancies and rental growth prospects.

Despite tough retail conditions, supply pipeline remains strong

- Completions (≥1,000 sqm) in 3Q21 totalled 57,800 sqm across two projects. There is a further 24,700 sqm of projects currently under construction and due to complete by 3Q23.
- There is a strong supply pipeline beyond projects already underway. A further eight projects have plans approved, totalling 87,100 sqm. There are four projects on hold with development approval (152,300 sqm), awaiting significant improvement in retail conditions before proceeding.

Rents remain under pressure due to increased vacancy risk

- Average rents continued to decline across most sub-sectors over 3Q21. Over the last 12 months, rents have declined as tough market conditions persist and landlords attempt to combat elevated vacancy levels. Incentives continue to lead rent negotiations across most sub-sectors.
- Yields were stable across regional, sub-regional and CBD sub-sectors in 3Q21. However, yields compressed in the neighbourhood (-25 bps) and large format retail (-25 bps) sub-sectors due to strong investor appetite for defensive retail assets.

Outlook: Further rental declines and elevated vacancies forecast

- Elevated vacancies and retailer store rationalisation plans will place further downward pressure on rents.
- The theme of risk aversion in retail is likely to prevail over the next 12 months, with a strong focus on non-discretionary retail assets, large format retail and long WALE retail assets.

Note: Perth Retail refers to Perth's overall retail market.

Adelaide

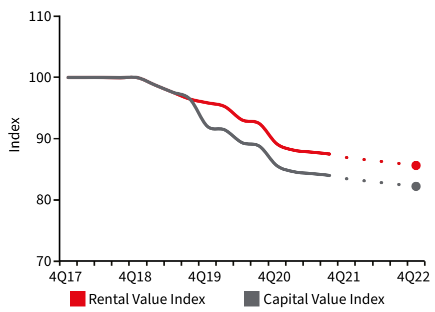
> "Investor demand for neighbourhood and large-format retail assets continued in 3Q21."
>
> **Andrew Quillfeldt, Senior Director - Research, Australia**

Rental Growth Y-O-Y
-4.4%

sqm per annum, gross on GLA
AUD 1,238

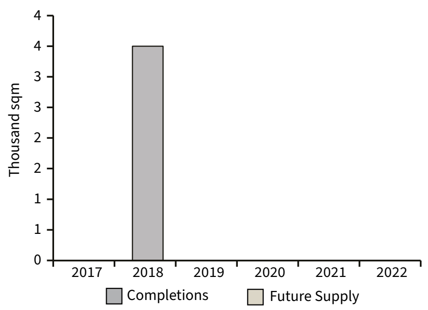
Stage in Cycle
Decline Slowing

Financial Indices



Dotted lines indicate near-term outlook
Index base: 4Q17 = 100
Financial Indicators are for regional shopping centres.
Source: JLL

Physical Indicators



For 2017 to 2020, completions are year-end annual. For 2021, completions are as at 3Q21. Future supply is for the remainder of 2021 and 2022.
Physical Indicators are for regional shopping centres.
Source: JLL

Retail trade is normalising

- South Australian retail spending grew 5.0% y-o-y to August 2021 after peaking at 9.4% in April 2021. Spending in discretionary retail categories like fashion (28.2% y-o-y) and dining out (8.2%) is trending upwards or holding firm. However, spending in the take-home food category (1.6% y-o-y) is trending downwards after strong growth in late 2020 and early 2021.
- Retail leasing demand remains opportunistic, with national operators looking to secure space in better performing regional and sub-regional centres if attractive lease terms can be achieved. Supermarket anchored neighbourhood and sub-regional centres continue to attract service-oriented occupiers like allied health and social services.

Supply is low with two projects currently under construction

- Supply is low with only two mixed-use projects with ground floor retail components (7,200 sqm) currently under construction. However, new greenfield residential development has resulted in a new 4,400 sqm neighbourhood retail centre expected to commence construction before the end of the year. Springwood Place in the outer northern suburbs is forecast to complete by 4Q22.
- Vacancy rate movements were mixed in 2Q21. There were decreases in the large format retail (-1.7% q-o-q), regional (-0.8% q-o-q), and sub-regional (-0.7% q-o-q) sub-sector vacancy rates. Conversely, vacancy rates in the CBD and neighbourhood sub-sectors have increased by 2.9% and 0.3% q-o-q, respectively.

Yields compress across multiple sub-sectors

- Rental movement across Adelaide's retail sub-sectors was mixed in 3Q21. Average rents in sub-sectors with exposure to discretionary retailing categories (CBD, regional, subregional centres) decreased by 0.25% over the quarter. Conversely, improving occupier demand in the neighbourhood and LFR subsectors resulted in a 0.25% increase.
- Ongoing investor demand for supermarket-anchored neighbourhood centres and well-leased large-format retail (LFR) centres resulted in yield compression in the quarter. Average midpoint yields in the neighbourhood subsector compressed 25 bps to 6.13%. Average midpoint yields in the LFR subsector compressed 13 bps to 7.25%. Yields in all other sub-sectors were unchanged.

Outlook: Ongoing discretionary spending growth should improve occupancy

- While retail trade is normalising from a period of strong spending growth, consumer allocation to discretionary categories like fashion, cafes and restaurants should reinforce retailer confidence. Shopping centres are likely to improve experiential retail offerings to encourage visitation.
- Investors continue to look at retail opportunistically, evidenced by the two sub-regional assets transacted in 3Q21. Appetite for defensive assets like neighbourhood and LFR centres is likely to increase off-market approaches to owners as investors hunt for opportunities.

Note: Adelaide Retail refers to Adelaide's overall retail market.

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Note:

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