



# Foreign Investment In Chinese Shopping Centres

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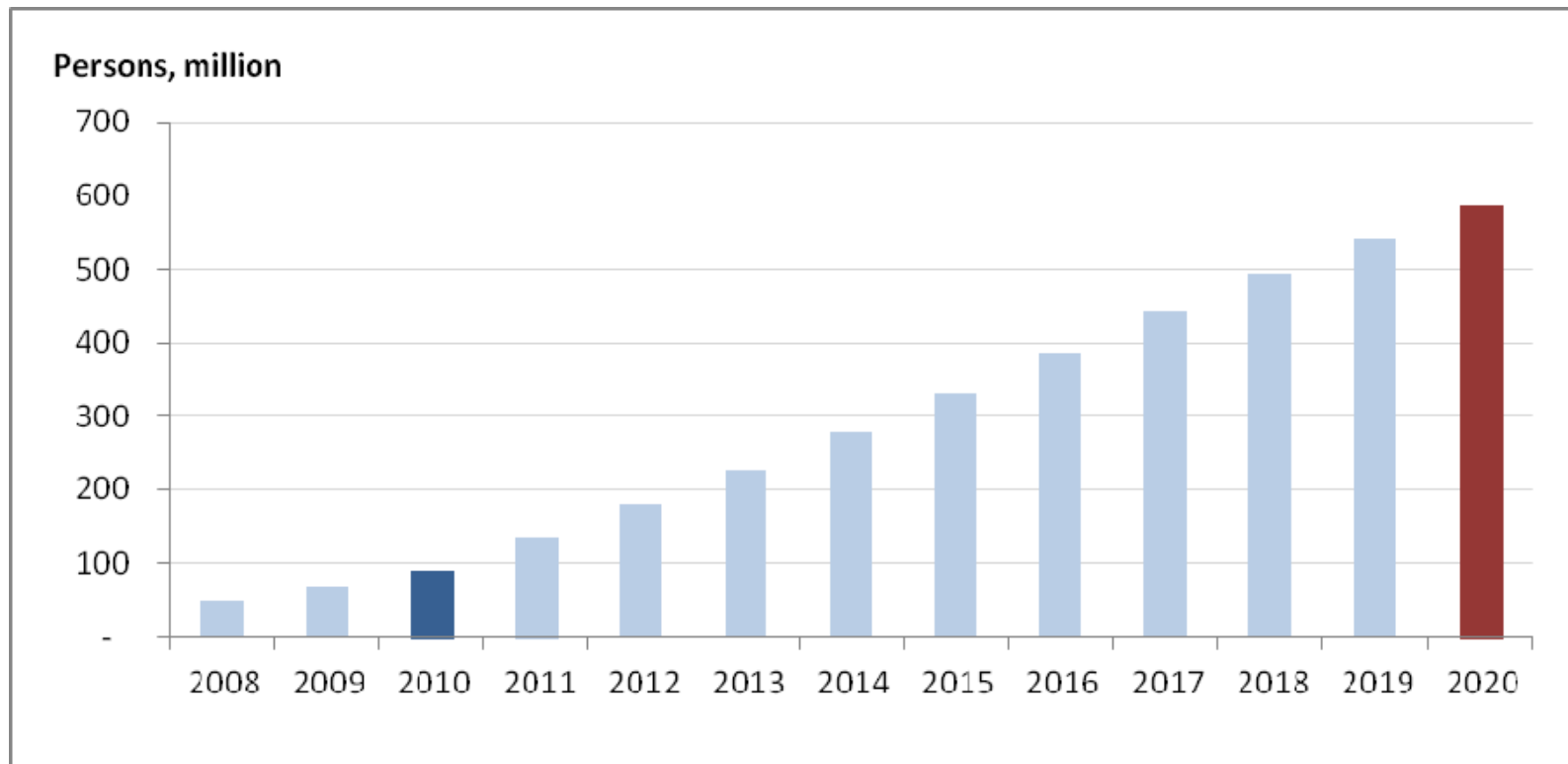
October 2014



# The World's Biggest Growth Driver: Chinese Middle Class Population



## China Overall Middle Class Population (persons in million)

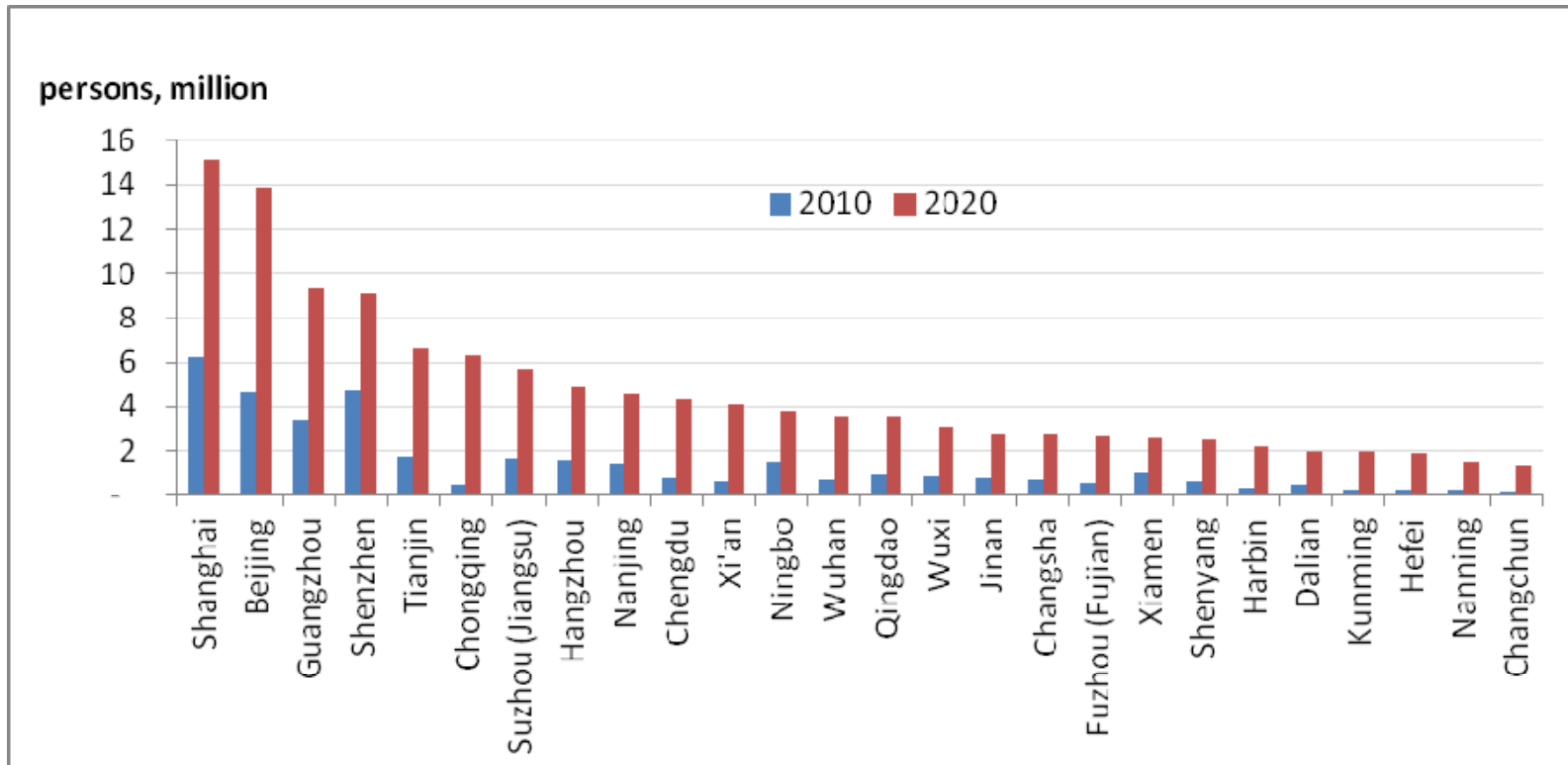


Source: EIU database Oct 2014

# The Growth Levels Do Vary



## Major Cities' Middle Class Population (persons in million)

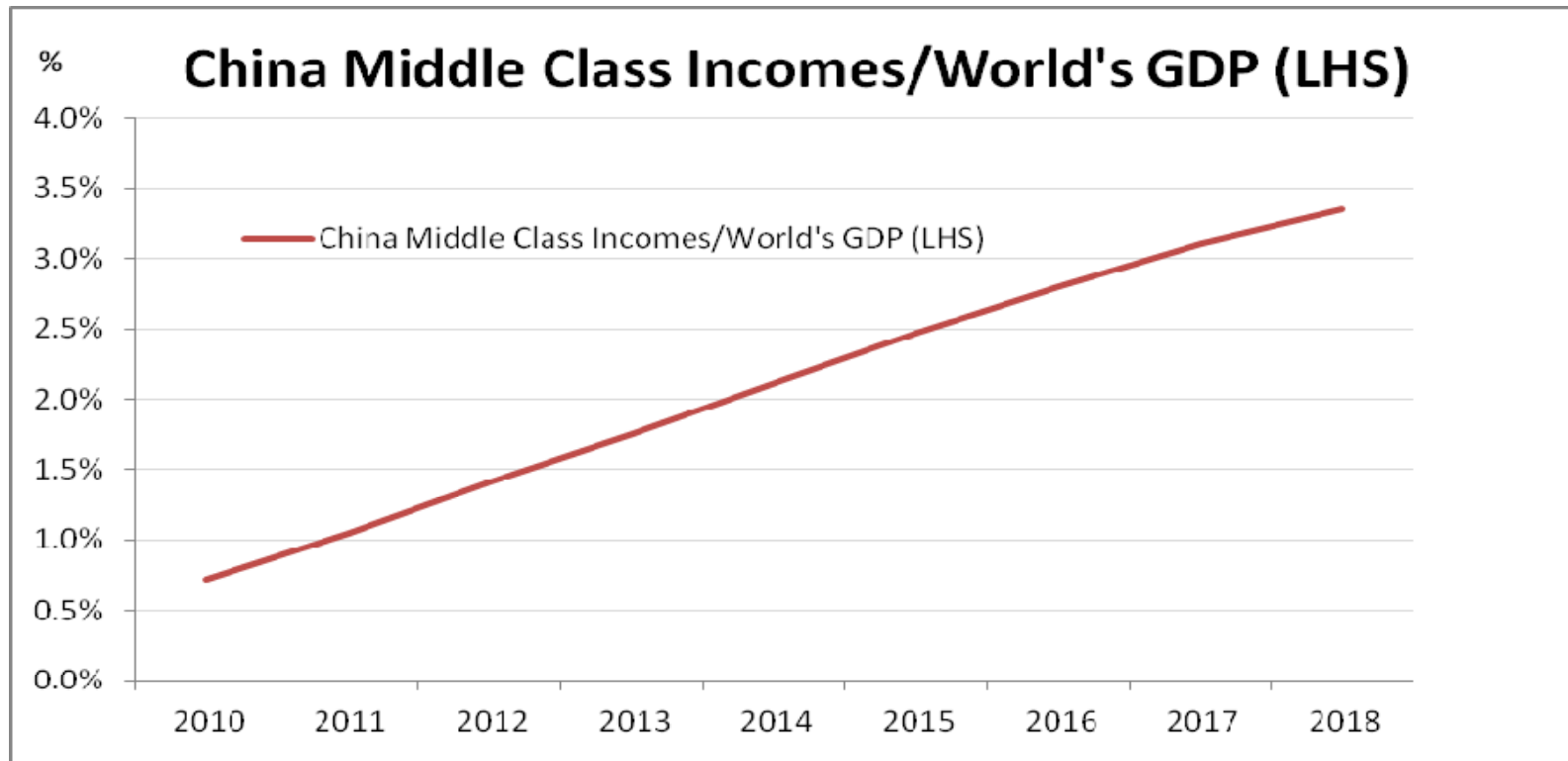


Source: EIU database Oct 2014

# Increasing Importance On a Global Scale



## Major Cities' Middle Class Aggregate Incomes vs. World's GDP

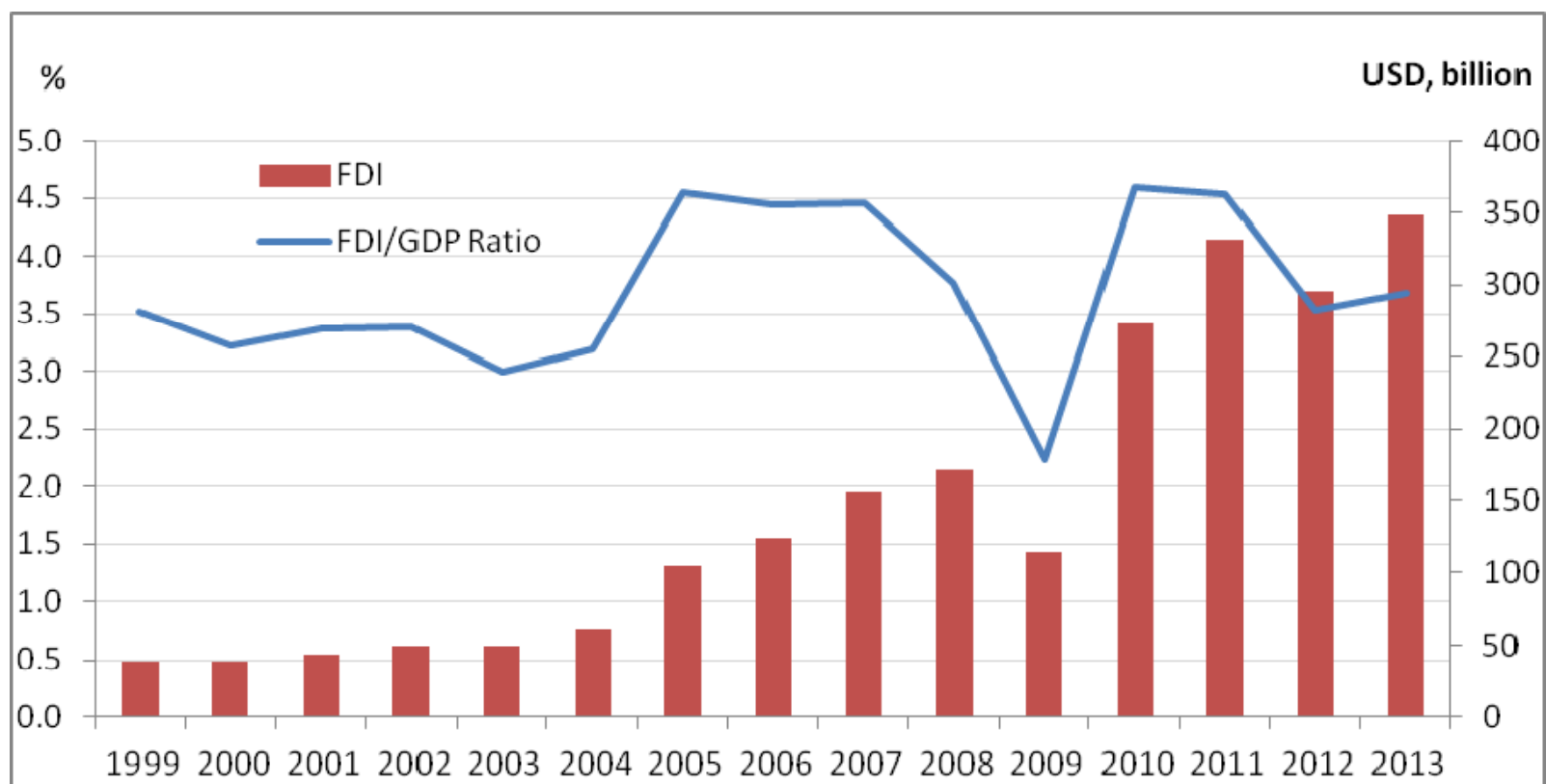


Source: EIU database Oct 2014

# The World is Underweight China



## China's Foreign Direct Investment and its ratio to GDP



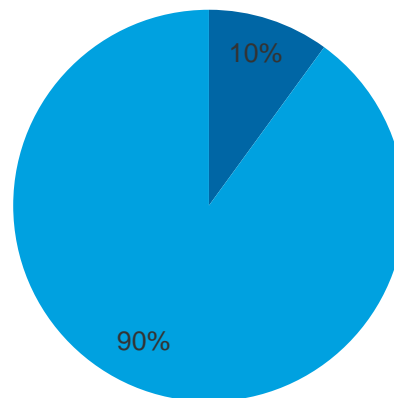
Source: EIU database Oct 2014

# Foreigners are Still a Minority in a Fragmented Market



- According to Deloitte, total number of shopping malls in China was approximately 3,700 as at 2013.
- The biggest foreign investor in China shopping mall business, Capitaland, owns 62 malls in China as at mid 2014, representing approximately 1.7% of total supply in China. The top 10 foreign investors own approximately 10% of shopping mall supply in China.

■ Foreign-owned Malls    ■ Total # of Malls in China



**Source:**

Deloitte China Shopping Mall Report 2013; China Mall Organization; CapitaMalls Asia; Macquarie Securities Property Research

# Top 5 Global Shopping Mall Operators



- **Simon Property Group** is the largest retail REIT in the US and currently owns over **325** properties comprising **22** million sqm of gross leasable area
- **Wanda** is the largest retail real estate developer and operator in China and owns **110** shopping malls across China with a total GFA of about **22** million sqm.
- **General Growth Properties** is the second largest retail property REIT in the U.S, operating about **120** malls totalling approximately **12** million sqm of gross leasable area.
- **Westfield** currently owns **119** shopping malls in Australia, New Zealand, the United Kingdom and the United States with over **10** million sqm of retail space.
- **DDR** owns and manages **385** retail properties with approximately **10** million sqm in the continental United States and Puerto Rico.

**Source:**

[Westfield website](#), [Simon Property Group website](#), [General Growth Properties website](#), [GGP website](#), [DDR website](#)



## Top 5 Shopping Mall Operators in China

- **Wanda** owns **110** shopping malls across China as at mid 2014 with a total GFA of approximately **22** million sqm.
- **China Resources Land** owns **40** shopping malls in China as at mid 2014, totalling approximately **2.5** million sqm. A further **40** malls will be delivered from now till 2017, with total GFA estimated to reach **6** million sqm.
- **Shenzhen Commercial Properties** (“SCP”) has developed more than **60** commercial projects with a total GFA of about **5** million sqm. SCP has **20** shopping malls under management with a total GFA of about **2** million sqm across China
- **COFCO** currently operates **6** shopping malls under the brand of “Joy City” with a total GFA of over **1.5** million sqm, and plans to expand to over **30** Joy City malls in 5 years.
- **Longfor** operates **18** shopping malls as at 4Q 2014 with a total GFA of over **2** million sqm
- **Vanke** operates **10** shopping malls as at 2014 with a total GFA of about 1 million sqm, and there are about **10** more centres opening in the next 3 years.

**Source:**

Wanda website, China Resources Land website, SCP website, Longfor website, Sina Finance



# Top Foreign Operators in China



- **Capitaland** operates 62 malls in China with a total GFA of 6.4 million sqm
- **New World** operates 27 malls with a total GFA of 2.9 million sqm
- **Macquarie** manages 13 malls with a total GFA of 1.2 million sqm
- **Swire** operates 5 commercial properties with a total GFA of about 1 million sqm
- **Wharf** operates 5 commercial properties with a total GFA of about 2.1 million sqm
- **SHK** operates 16 shopping centres with a total GFA of 890,000 sqm
- **Gaw** owns 6 shopping centres in mainland China with a total GFA of 558,000 sqm
- **SM Prime** owns 5 shopping centres in mainland China with a total GFA of 800,000 sqm

Source:

[Official websites of the companies listed above](#)

# The Real Estate Challenges



- **Tesco**

Aggressive expansion ended up being acquired by China Resources

- **Carrefour**

Closed 6 stores in China in 2012

- **Bestbuy**

Exited China market

- **B&Q**

Closed 24 stores during 2009-2012

- **Simon**

Where in process of developing 4 properties prior to selling to SCP

- **Gerrity**

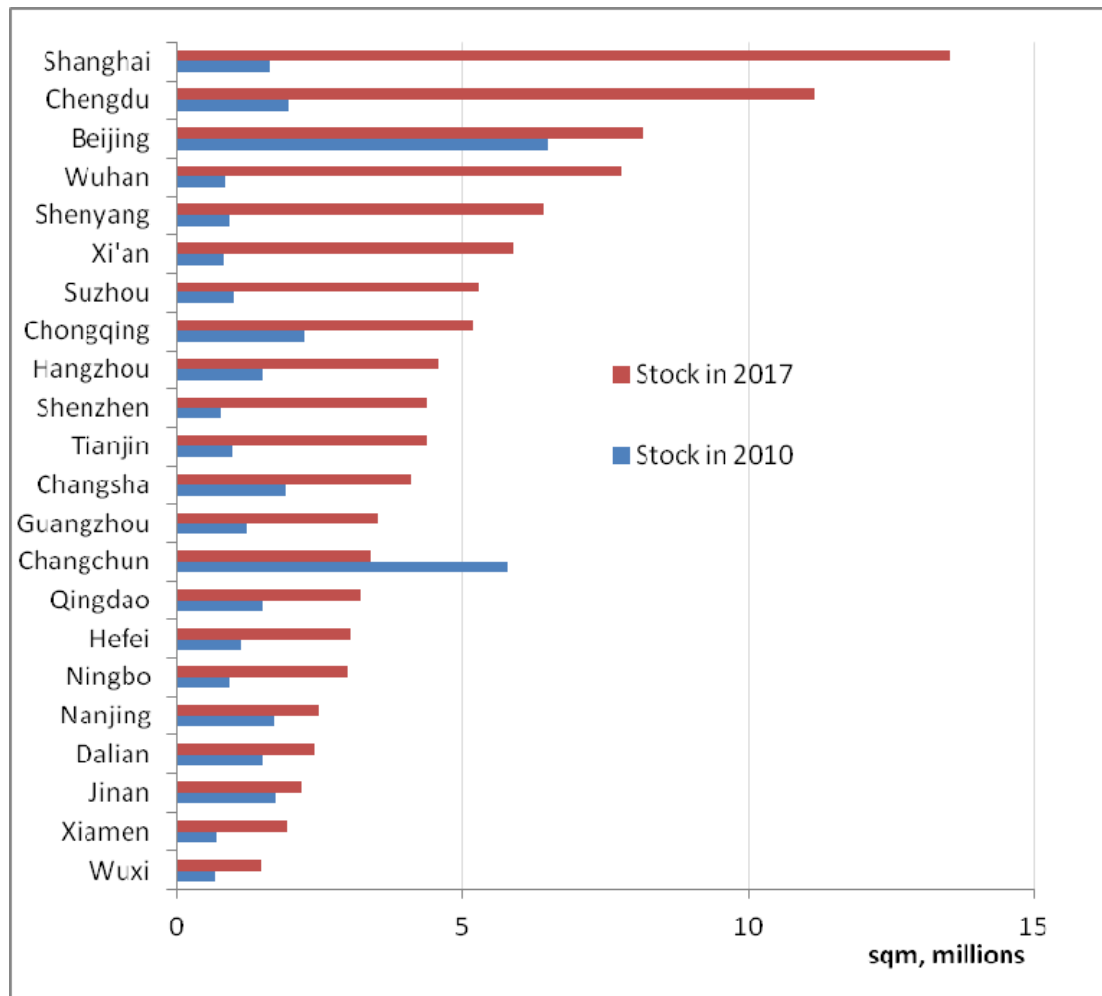
Acquired 4 sites prior to pulling out

# Retail Supply & Stock

## Major Tier-1 and Tier-2 Cities



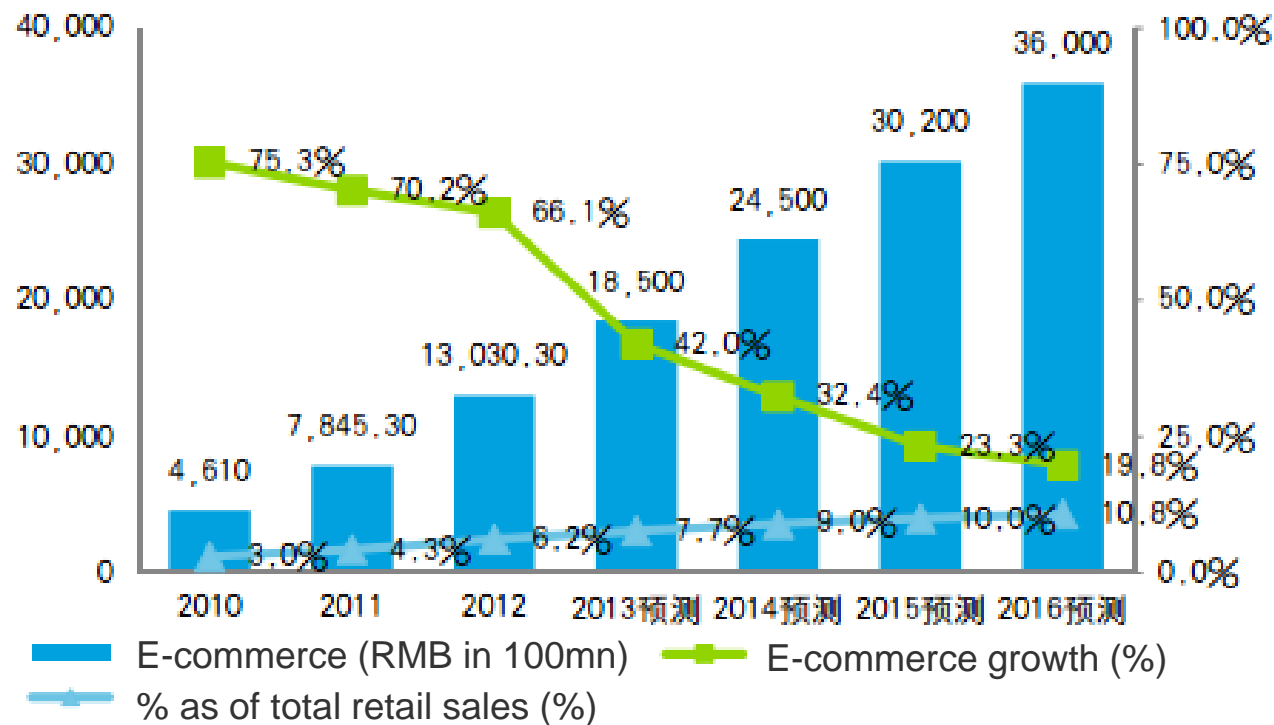
Stock of 2017 vs. Stock of 2010 in major cities (sqm)



# On-line Sales: The New Challenge



E-commerce Spending Growth and % of Retail Sales (2010-2016E)



Source: iresearch, Deloitte China Shopping Mall Report 2013



MACQUARIE

THANK YOU