

Q1 2020

Asia Pacific Retail Trends

Consumption significantly disrupted by COVID-19 outbreak

Retail sales decline forecasted to be worse than during GFC

China shows signs of recovery but other markets struggle

Omnichannel thrives while F&B shifts to on-demand delivery

Tourist-oriented stores and locations under severe pressure

Rental and demand outlook revised downward

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Overview



The retail, hospitality and tourism sectors have been hit by the spread of COVID-19, with numerous malls and stores across the region forced to close temporarily.

- Regional consumer confidence registered a sharp decline following the outbreak of COVID-19 and the increasing likelihood of a significant economic recession.
- Retail sales in Mainland China contracted by 20.5% y-o-y in the first two months of 2020 but the correction narrowed to 15.8% y-o-y in March. The impact on the rest of the region will be reflected in Q2 2020 figures.
- Airport retail, duty-free sales and other tourist-oriented trades are struggling due to the abrupt halt in visitor arrivals resulting from travel restrictions.
- Leasing activity slowed across the region as retailers focused on seeking rent abatement and other concessions. Several landlords in Mainland China, Hong Kong SAR, Singapore and India offered rent holidays or discounts.
- Online retail sales, particularly of fresh food, have surged as consumers stay at home and observe social distancing protocols. However, last-mile capacity constraints have forced many retailers to leverage their brick-and-mortar networks – a trend that will accelerate the integration of retail and logistics.
- The Asia Pacific rental outlook for 2020 has been revised downward, with the correction expected to be steeper than that which was recorded at the height of the Global Financial Crisis.

Mainland China



Entry restrictions

Overseas nationals not permitted to enter; 14-day quarantine for all arrivals

Lockdown measures

Wuhan lockdown from January 23 to April 8.

OPERATIONAL LIMITATIONS

Most non-essential shops and malls were closed from late January to February. Operations gradually returned to normal from mid-March.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Cash payment to individuals and households	Starting in March, cities such as Shenzhen, Foshan and Beijing began issuing consumption coupons to households.
Support to retailers	Details
Tax relief	For affected enterprises in the transportation, catering, accommodation and tourism sectors, corporate income tax losses incurred in 2020 will be provided with a longer tax loss carry-forward period.

CASH COUPONS DISTRIBUTED IN SELECTED MARKETS

Market	Total amount as of	Value of Coupons	Applicable Trade
Shenzhen (District includes Baoan, Luohu, Guangming, Nanshan, Futian, Longhua)	April 2020	US \$50.7 million (RMB \$359 million)	F&B, Shopping, Culture
Foshan (District includes Foshan, Shunde, Chancheng, Sanshui, Gaoming, Nanhai)	April 2020	US \$56.5 million (RMB \$400 million)	F&B, Tourism, Beauty Services
Beijing (Xicheng district)	April 22, 2020	US \$ 21.2 million (RMB \$150 million)	All



RENTAL CONCESSIONS

- During late January and February, several major retail landlords such as Wanda, China Resources and Seazen, along with state-owned developers, announced temporary rental cuts to alleviate pressure on tenants.
- By March, only a few landlords continued to offer rental discounts.
- State-owned developers continue to offer rental discounts, but the amount varies in different cities.

COMMENTARY

- Many landlords and retailers are utilising livestreaming and online stores to offset the drop in offline sales.
- Retail markets began to recover in mid-March. Most shopping centres and gyms have re-opened although some retailtainment categories such as cinemas and edutainment centres are still closed. Consumer traffic has improved but is not yet back to pre-COVID-19 levels.
- Several global retailers have reported a strong recovery in sales since re-opening in mid-March.
- Restaurants are taking longer to recover as social distancing regulations are still in place.
- New demand remains limited, with the exception of some local beauty brands and grocery stores.

Source: CBRE Research, CEIC, Government Announcements, as of May 8, 2020.

Hong Kong SAR



Entry restrictions

Non-residents not permitted to enter; 14-day quarantine for all arrivals

Lockdown measures

Some social-distancing measures in place.

OPERATIONAL LIMITATIONS

The following partial relaxation of social-distancing measures will be effective from May 8:

- Relaxing the ban on public gatherings and people at restaurant tables of more than four people to a maximum of eight
- Reopening entertainment venues including cinemas, fitness centres, beauty parlours, massage establishments, amusement game centres and mah-jong establishments.
- Permitting bars and pubs to resume operations. However, live music and dance performances are still prohibited. Karaoke lounges, bathhouses and nightclubs will remain closed.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Tax relief	Deductions to salaries tax under personal assessment up to a maximum of US\$2,580 (HK\$20,000). Tax payment deadline extended for three months.
Cash payment to individuals and households	One-off cash payment of US\$1,290 (HK \$10,000) for each permanent resident aged 18 or above.
Support to retailers	Details
Tax relief	Deduction of profits tax up to a maximum of US\$2,580 (HK\$20,000). Tax payment deadline extended for three months.
Direct subsidy	Retail Sector Subsidy Scheme includes a one-off subsidy of US\$ 10,320 (HK \$80,000) for each eligible store. The maximum amount of subsidy for the parent company is US\$387,000 (HK\$3 million).
Loan guarantee	The maximum facility amount under the SME Financing Guarantee Scheme will be raised to US\$2.3 million (HK\$18 million) (for 80%-guarantee loans), US\$1 million (HK\$8 million) (for 90%-guarantee loans) and US\$ 516,000 (HK\$4 million) (for 100%-guarantee loans).
Wage subsidy	US\$10.3 billion (HK\$80 billion) will be allocated to subsidising employers' salary expenditure. This is applicable to all MPF-paying employers in Hong Kong, subject to a pledge that there will be no redundancies during the subsidy period. The subsidy will be equivalent to 50% of salary expenses, subject to a cap of US\$1,161 (HK \$9,000) per employee.



RENTAL CONCESSIONS

- During February and March, several major landlords offered rental discounts to affected tenants such as SMEs and F&B operators. In some cases, groceries, pharmacies and banks were not eligible for rental discounts.
- Another approach has seen landlords purchase cash coupons or products from retailers and distribute them to customers.

COMMENTARY

- Retail leasing activity was limited in Q1 2020. Most retailers are reluctant to commit to expansions.
- The lack of tourists weighed on luxury leasing demand, with a few luxury brands opted not to renew their leases on Canton Road.
- Demand from retailers selling daily necessities has been solid, while retailers in local residential catchments have also been insulated from the downturn.
- Some smaller-sized retailers have taken advantage of the drop in rents to expand into prime areas.
- The narrowing gap between street shop rents and office rents may stimulate demand from financial and insurance companies seeking street-level retail premises to serve retail clients.

Source: CBRE Research, Government Announcements, as of May 8, 2020.

Japan



Entry restrictions

Overseas nationals from 87 countries not permitted to enter; 14-day quarantine for resident arrivals

Lockdown measures

Nationwide State of Emergency from April 16 to May 31. The move aims to encourage social distancing and prevent traveling but is not a hard lockdown.

OPERATIONAL LIMITATIONS

Restaurants have been requested to shorten their operating hours. Some department stores, restaurants and cinemas have volunteered to close temporarily.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Cash payment to individuals and households	The government will distribute US\$2,779 (JPY 300,000) to each lower income household that has lost more than half of its income due to COVID-19 or has had its income fall to a level that allows them to be exempted from resident tax payments. Households with children will be granted a one-off payment of US\$92.6 (JPY 10,000) per child. Additionally, US\$926.5 (JPY 100,000) cash to be given to each citizen.
Support to retailers	Details
Tax relief	Companies hit by COVID-19 will be able to defer tax payments for a year. Small and medium-sized companies suffering from sharp sales declines will be fully exempted from paying consumption and property tax.
Direct subsidy	The government will provide subsidies of up to US\$18,530 (JPY 2 million) to each small and medium-sized company whose earnings has fallen by 50%. The Tokyo Metropolitan Government (TMG) has stated that businesses such as shops and entertainment facilities that suspend operations during the state of emergency will receive US\$4,632 (JPY 500,000) (or US\$9,265/JPY 1 million if the company owns more than two shops).
Loan guarantee	For SMEs whose sales fell by 20% or more in March, interest-free loans of up to US\$277,943 (JPY 30 million) will be provided through private financial institutions. The loans will be available for three years.



RENTAL CONCESSIONS

- Very few landlords have openly offered or announced rental concessions despite receiving numerous requests from tenants.
- Most landlords have adopted a wait-and-see approach as the duration of the pandemic remains unclear.

COMMENTARY

- Tourist arrivals fell by 51% y-o-y in Q1 2020 following the imposition of travel restrictions.
- Drugstores targeting inbound tourists may be forced to scale back their store networks in the coming months.
- Demand for prime high street units is largely stable as some large occupiers continue to expand, albeit at a slower pace. Secondary streets may experience rising vacancy as smaller retailers struggle.
- Drugstores, supermarkets, and convenience stores catering to local consumption continue to perform well, with some expansionary interest observed this quarter.

Source: CBRE Research, CEIC, Government Announcements, as of May 8, 2020.

Korea



Entry restrictions

Chinese nationals from selected areas not permitted to enter; 14-day quarantine for all arrivals

Lockdown measures

Social distancing measures implemented from March 22 to May 5.

OPERATIONAL LIMITATIONS

Religious facilities and gyms were ordered to close from March 22, while entertainment venues in Seoul such as bars and night clubs were ordered to close on April 8. On April 19, gyms and entertainment venues were permitted to reopen. On May 5, the government lifted its social distancing measures and allowed gatherings and events to take place as long as disinfection guidelines are followed. Parks, libraries and schools are reopening in phases.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Tax support	US\$9.8 billion (KRW 12 trillion) in tax cuts for the self-employed.
Cash payment to individuals and households	Emergency subsidies will be given to every citizen, with a typical four-person household receiving US\$820 (KRW 1 million). A total budget of US\$11.7 billion (KRW 14.3 trillion) will be used (US\$10 billion/KRW 12.2 trillion from the central government and US\$1.7 billion/KRW 2.1 trillion from the local government).
Support to retailers	Details
Tax relief	Income tax/corporate tax relief for 50% of a total rent cut that a commercial real estate landlord has voluntarily provided to tenants. The tenant must be a small business and some other restrictions may exist depending on the tenant's industry; VAT break for SMEs.
Direct subsidy	Allocated US\$110.7 billion (KRW 135 trillion) to support the financial market and companies including small shops, SMEs and conglomerates.
Loan guarantee	Emergency loans and insurance for SMEs. US\$25 billion (KRW 30 trillion) to extend the maturity of export insurance and guarantees.
Wage subsidy	The Central government will provide US\$8.2 billion (KRW 10 trillion) to stabilise the job market and an additional US\$32.8 billion (KRW 40 trillion) to help seven major fundamental industries that were disrupted by COVID-19.



RENTAL CONCESSIONS

- In March, a “Goodhearted Landlords” campaign was initiated by landlords of local traditional markets and small retail facilities who voluntarily lowered rents for tenants affected by COVID-19.
- There have been an increasing number of requests for rent relief from tenants of high street shops, but few cases have been approved by landlords.
- Some shopping mall and department store landlords have cut rents (by 10% to 30%) and reduced utility charges/ Common Area Maintenance (CAM) (by 10% to 30%) but only for small and medium-sized tenants in March and April.

COMMENTARY

- Tourist arrivals fell by 47% y-o-y in Q1 2020 following the imposition of travel restrictions.
- Luxury goods sales in department stores fell by double digits in March but rebounded in the first week of April, supported by retailers commencing spring sales, restructuring operations and enhancing online and delivery capacity.
- Luxury brands will continue to open new stores in major high streets and shopping malls. Fashion, apparel and F&B retailers will find the market environment more challenging in the coming months.
- Top-tier retailers have performed resiliently as customers evolve into purpose-driven shoppers and gravitate to established brands.
- Retailers are advised to stabilise their store networks and consolidate their online and offline platforms.

Source: CBRE Research, CEIC, Government Announcements, as of May 8, 2020.

Singapore



Entry restrictions

Non-residents not permitted to enter; 14-day quarantine for all arrivals

Lockdown measures

Countrywide lockdown from April 7 to June 1, with some gradual relaxations in mid-May.

OPERATIONAL LIMITATIONS

All non-essential business have to close during the countrywide lockdown.

From May 12, the following will be allowed to resume operations:

- Food retail outlets such as those selling cake, confectionery and dessert may open for takeaway and delivery only. Dining-in is not allowed, and bubble tea and other drink shops have to remain closed.
- Home-based food businesses may operate, but only for delivery or collection.
- Retail laundry services;
- Hairdressers are allowed to offer basic haircut services;
- Selling of pet supplies is allowed.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Cash payment to individuals and households	Cash payments of US \$422-\$843 (S\$600-\$1,200) to each individual.
Support to retailers	Details
Corporate tax rebates	US \$281 million (S\$400 million) in corporate income tax rebates (25% of tax payable, capped at US \$10,538/SGD \$15,000 per company).
Full property tax rebates	New bill introduced to ensure property owners pass on Property Tax rebates for 2020 in full to tenants and property tax rebates for qualifying commercial properties increased to 100%, which is equivalent to 1.2 months' rent.
Eviction freeze	Landlords not allowed to terminate retailer's lease or repossess premises if retailer is unable to pay rent – applicable for six months from the commencement of the Act.
Wage subsidy	Wage subsidies to relieve pressure on retailers needing to pay staff. Monthly foreign levy waived in April and a rebate of US\$ 527 (S\$750) provided for each work permit.



RENTAL CONCESSIONS

- Major landlords have offered rental rebates. CapitaLand suspended rents payable by bars and entertainment venues who have been ordered to close as part of government measures to curb COVID-19.
- Some landlords have offered rental waivers to tenants that are still operating during the lockdown period. UOL Group will charge variable rents based on gross turnover from April 7 to the end of May.
- Some landlords have permitted tenants to use security deposits to offset rental payments. The government requires landlords to pass back all property tax rebates to tenants.

COMMENTARY

- Tourist arrivals fell by 43% y-o-y in Q1 2020 following the imposition of travel restrictions.
- Retailers have put new store openings and expansions on hold as part of a general wait and see approach.
- Expansionary interest was seen from grocers along with food delivery operators seeking space for cloud kitchens.
- Online food and grocery delivery continues to thrive but manpower is a challenge. One online grocery operator has reportedly been forced to limit orders as it does not have the staff to handle them.
- Categories including home furnishing, electronics and sporting goods performed relatively well in March as people spent more time at home.

Source: CBRE Research, CEIC, Government Announcements, as of May 8, 2020.

India



Entry restrictions

Overseas nationals not permitted to enter; 14-day quarantine for all arrivals

Lockdown measures

National lockdown implemented from March 22 to May 3, and now extended to May 17, with some relaxations.

OPERATIONAL LIMITATIONS

All shopping malls in major cities had closed prior to the imposition of the national lockdown. Only a limited number of restaurants have remained open, even for takeaways. Food delivery has mainly been provided by cloud kitchens, which continue to operate. The government has divided the nation across three categories – red zones, orange zones and green zones. E-commerce companies are permitted to sell and deliver essential items only across red zones whereas sale and delivery of non-essential items is permitted across orange and green zones.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Tax support	Relaxation of the filing of income tax, with the financial year extended by three months to June 30.
Cash payment to individuals and households	US\$4 billion in welfare funds to support unemployed construction workers. Cash, food items or equivalents provided to lower-income groups.
Support to retailers	Details
Tax support	Relaxation of the filing of GST returns, with the financial year extended by three months to June 30.
Direct subsidy	Relaxation to corporates in terms of mandatory requirements for compliance and revised threshold for default to US\$ 132,706 (INR 10 million) to prevent the triggering of defaults against MSMEs.
Loan guarantee	Three-month moratorium / deferment on EMI payments for all term loans. Deferment of interest payments on working capital outstanding.



RENTAL CONCESSIONS

- Many retailers have requested some form of rent relief but most landlords have yet to accede to these terms, with only a few developers providing assistance.
- Large developers remain undecided and have not yet discussed rental abatement.
- Many retailers have urged landlords to shift from a modified gross / revenue sharing model to a pure revenue-sharing model for six months when stores re-open, until sales recover to 80% of usual levels.
- Lodha Group, Prestige Constructions, Unity Group and several others have provided rental waivers to tenants until they are able to resume operations.
- A few others have offered 50% rental waiver or rental deferments to retailers.

COMMENTARY

- Retailers were already cautious towards leasing prior to the outbreak due to financial stress.
- Most retailers want to reduce capital investment this year and are looking to delay handovers of properties they previously committed to. However they still intend to open these stores eventually.
- New store openings are expected to be limited this year. However, a few retailers are expected to take advantage of the current situation to secure prime space at better terms.
- Food delivery platforms are delivering groceries; restaurants are stocking and selling FMCG goods delivered via food delivery platforms.
- Retailers are adopting a creative approach to online delivery to overcome the labour shortage. Examples include a grocery store partnering with food delivery platforms to transport orders to customers.
- Partnerships are emerging across the retail sector to maximise output and enhance the productivity of existing resources.

Source: CBRE Research, Government Announcements, as of May 8, 2020.

Australia



Entry restrictions

Overseas nationals not permitted to enter; 14-day quarantine for all arrivals

Lockdown measures

Social distancing implemented from March 23. Local authorities began to ease some restrictions in late-April.

OPERATIONAL LIMITATIONS

Some shopping malls and retailers have announced plans to re-open after social distancing regulations are lifted. In Queensland, from May 2, the government will lift social distancing restrictions on non-essential shopping. In New South Wales, from May 1, two adults and children in their care are allowed to visit another person's home. Retailers can re-open and residents can go shopping while observing physical distancing.

GOVERNMENT STIMULUS MEASURES

Support to consumers	Details
Cash payment to individuals and households	One-off cash payment of US\$459 (AUD 750) to each welfare recipient and low-income household.
Support to retailers	Details
Eviction freeze	Temporary moratoriums on evictions for six months if rent isn't paid from commercial tenancies hit by "rental distress" and a ban on rental increases.
Direct subsidy	Small businesses and non-profit businesses will receive cash subsidies of up to US\$61,222 (AUD 100,000). Some local authorities including New South Wales have announced US\$135 million (AUD 220 million) will be allocated to shops, gyms, hairdressers and businesses disrupted by COVID-19.
Rental support	Provided to tenants that are eligible for the JobKeeper Programme or SMEs with an annual turnover up to US\$31 million (AUD 50 million). Rent reduction will be based on the tenant's decline in turnover and in form of both waivers (rent abatement) and deferrals while lease obligations remain on foot.
Allowed to collectively bargain with landlords	Members of the Australian Retailers Associations are temporarily allowed to collectively bargain with landlords about rent relief.
Wage subsidy	US\$918 (AUD 1,500) minimum payment per fortnight per employee, if business revenue falls by 30% (if under US\$612 million/AUD 1 billion revenue), or 50% (if over US\$612 million/AUD 1 billion revenue); includes retrenched employees from March 1.
Support to landlords	Details
Tax support	The Queensland, NSW and Victoria state government will provide a 25% discount on land taxes if commercial landlords provide rent relief to their tenants. Any remaining land tax owed could be deferred to March 2021.



RENTAL CONCESSIONS

- No major landlords have openly offered or announced rent abatement. However, some small private landlords have given tenants six months free rent with the condition that lease terms are extended.
- The big international landlords have not yet made any official announcements, preferring instead to wait and see what assistance the government may offer.

COMMENTARY

- CBD retail has been hit hard but neighbourhood shops and malls are performing comparatively better as people stay at home and focus on purchasing daily necessities.
- Supermarkets are registering strong sales, particularly due to panic buying. Grocery deliveries are rising and some supermarkets allocating half their space purely to handle online orders.
- More restaurants are joining food delivery platforms.
- Large formats selling electronics, office supplies and furniture are performing relatively well as people buy equipment to work from home.

Source: CBRE Research, Government Announcements, as of May 8, 2020.

Contacts

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