savills
第一太平戴維斯

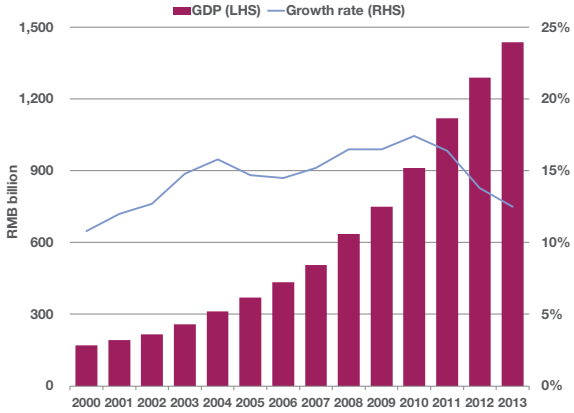
Savills World Research
China

Asian Cities Report
Tianjin Office

1H 2014

GRAPH 1

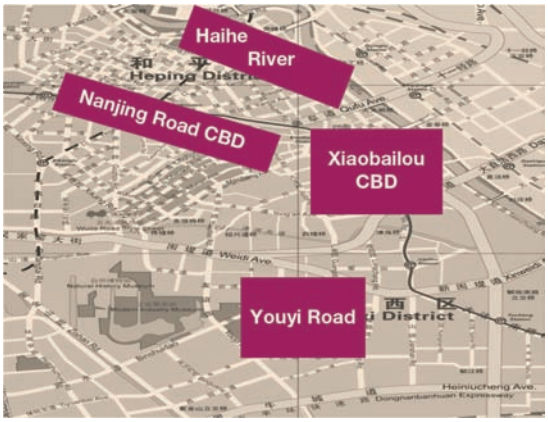
GDP and growth rates, 2000–2013



Source: Savills Research & Consultancy

MAP 1

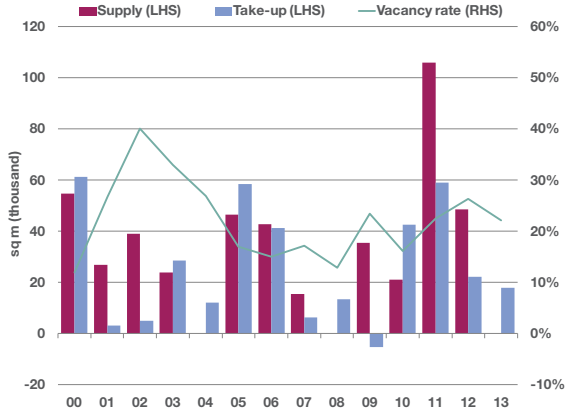
Major business districts



Source: Savills Research & Consultancy

GRAPH 2

Grade A office supply, take-up and vacancy rates, 2002–2013



Source: Savills Research & Consultancy

Economy

Tianjin, as one of China's four municipalities, is advantageously located in the Bohai Bay economic rim, which makes it a national hub for the north–south exchange of commodities, with an increasing role as a business centre. Moreover, Tianjin has become one of the most favoured destinations for overseas and domestic investment.

Tianjin's GDP totalled RMB1,437 billion in 2013, up 12.5% year-on-year (YoY), 4 to 5 percentage points (ppts) above the national average, with a GDP compound annual growth rate (CAGR) of 14.5% between 2000 and 2013. Tianjin ranked fifth among mainland cities in terms of GDP growth rate, which has attracted large investment into real estate.

Regarding the three major industries, the secondary and tertiary industries registered the most remarkable growth rates, with the latter being the main driver of the national economy. The tertiary industry created a total added value of RMB690.503 billion, a 48% contribution to total GDP, providing economic support to the development of the retail, hotel and office sectors, among others.

Office market overview

In recent years Tianjin has witnessed rapid urban construction and economic growth, and real estate development in particular. The city's Grade A offices are found in four major business areas, namely Nanjing Road CBD, Haihe River, Youyi Road and Xiaobailou.

Nanjing Road CBD

Nanjing Road CBD, regarded as the most traditional and mature area in the city, is predominantly occupied by overseas- and domestically-invested companies.

Haihe River

Historically, this region contained little Grade A office stock, but recently several high-end projects such as Vanda Group and the Kerry Centre have settled in the Haihe River area. Tianjin World Financial Center and Golden Valley Centre were launched onto the market in 2011 and 2012, raising the overall quality in this area. Accompanied by intense construction, this business district along the Haihe River holds the most potential for development.

Youyi Road

Youyi Road is considered a traditional commercial hub for financial institutions such as banks and investment companies. Along with the launches of the City Building and Tianjin IFC I in Q1/2010 and Q1/2011 respectively, the Youyi Road area is undergoing favourable changes with improved quality, and increased rents and prices.

Xiaobailou CBD

Compared with other areas, Xiaobailou CBD was planned and developed much earlier on, and as a result, the quality of some office buildings is rather low. In order to bring the level up to par with other areas, as well as stimulate demand, most projects are undergoing renovation and upgrading programmes. Two new projects, namely Tai'an 5 and Tianjin International Trade Centre, are expected to be launched onto the market in this area next year. Consequently, the area is expected to see an improved overall quality and maintain moderate rental growth.

Office leasing market

No new Grade A office projects were handed over to the leasing market in 2013 and the total stock in Tianjin city centre stood at 516,703 sq m at the end of the year. Haihe River has the majority of the stock with 185,659 sq m, accounting for 36%, followed by Xiaobailou and Nanjing Road CBD accounting for 27% and 20% respectively. Youyi Road stock totalled around 88,500 sq m, taking up the smallest percentage of 17%.

Due to sluggish demand, annual net take-up fell to roughly 17,818 sq m, with city-wide vacancy rates at 22.1%. The medical, education, advisory services and real estate sectors are currently the most active players on the leasing market.

Grade A office rents averaged RMB139.5 per sq m per month in Q4/2013, up 0.5% YoY. Thanks to convenient transportation links, as well as a more mature business climate, Nanjing Road still remains Tianjin's priciest business district, with an average achievable rent of RMB163.2 per sq m per month. Additionally, rents in the Xiaobailou area increased to RMB127.8 per sq m per month. Haihe River rents remained at an average of RMB139.9 per sq m per month and Youyi Road rents at an average of RMB134.8 per sq m per month.

Strata-title office market

Prices of key strata-title office projects in the city centre, such as the R&F Centre, World Financial Centre, Metropolis, Golden Valley, World Financial (Nankai) Centre, Borland International Plaza and The Esplanade, currently range from RMB15,000 to RMB29,000 per sq m and roughly 45% of total new GFA had been sold by Q4/2013.

Developers tend to place portions of office projects onto the sales market for quicker cash flow-back.

Some original tenants, especially cashed-up state-owned enterprises, intend to buy office properties for self use rather than for leasing, diluting leasing demand to some extent, as they have come to see purchasing both as a hedge against possible future rental increases and as an opportunity for capital appreciation.

For individual speculators, they invest in the office market, which is less heavily regulated than the residential market.

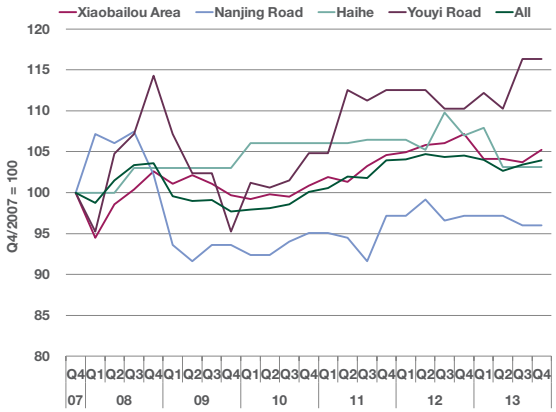
Outlook

Due to the launches of several high-end projects being postponed, 2014 is likely to see great supply pressure, with seven projects expected to be handed over, adding 530,567 sq m of new office space and bringing full-year supply to an historical peak of 1,047,360 sq m. Forty-eight percent of new supply is concentrated in the emerging Haihe River area, while projects in traditional commercial districts are relatively limited.

At the same time, the influx of new projects will put occupancy rates under downward pressure, forcing landlords to reduce their expected rents. Additionally, government policies add uncertainty to the office market.

GRAPH 3

Office rental index, Q4/2007–Q4/2013



Source: Savills Research & Consultancy

TABLE 1

Key strata-title office projects, Q4/2013

Project	Year	Office GFA (sq m)	Achievable price (RMB per sq m)	Sold (%)	Sold GFA (sq m)
R&F CENTER	2010	70,000	20,000	54	3,780,000
Tianjin WFC	2010	140,027	29,000	90	12,602,430
Baoli International Plaza	2012	35,000	19,000	25.8	903,000
The Esplanade	2012	18,000	15,000	34	612,000
Metropolitan	2012	19,392	22,000	78	1,512,576
Financial Street Nankai Centre	2013	154,278	21,000	2.6	401,123

Source: Savills Research & Consultancy

TABLE 2

Key future projects, 2014

Property	Location	Office GFA (sq m)
Metropolitan	Nanjing Road	100,000
Tai'an 5	Xiaobailou Area	57,841
Tianjin International Trade Centre	Xiaobailou Area	52,825
Haihe 1 (Maoye)	Haihe Area	86,856
Sunwah Square	Haihe Area	59,200
Bohai Bank	Haihe Area	110,000
Joy City	Other	63,935

Source: Savills Research & Consultancy

savills

savills.com

ASIA PACIFIC HEADQUARTERS

23/F, Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4400 Fax: (852) 2868 4386

Robert McKellar - CEO, Asia Pacific
Raymond Lee - CEO, Greater China
Chris Marriott - CEO, South East Asia
Christian Mancini - CEO, North East Asia
Charles Chan - MD, Valuation & Professional Services, Greater China

HONG KONG SAR

Savills (Hong Kong) Limited
23/F, Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 2869 6738
Contact: Raymond Lee E-mail: rlee@savills.com.hk
EA Co. Licence: C-002450

Savills Valuation and Professional Services Limited
28/F, Two Exchange Square, Central, Hong Kong
Tel: (852) 2801 6100 Fax: (852) 2501 5810
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited
8/F, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1628 Fax: (852) 2508 1883
Contact: Johnnie Chan E-mail: jckchan@savills.com.hk
EA Co. Licence: C-002955

Savills Guardian (Holdings) Limited
7/F, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2512 1838 Fax: (852) 2887 3698
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk
EA Co. Licence: C-004089

MACAU SAR

Savills - Macau
Savills (Macau) Limited
Suite 1309-10, 13/F, Macau Landmark, 555 Avenida da Amizade, Macau
Tel: (853) 8506 6288 Fax: (853) 2878 1805
Contact: Franco Liu E-mail: fliu@savills.com.mo

CHINA

Savills - Shanghai
20/F, Shanghai Central Plaza, 381 Huaihai Middle Road, Shanghai 200020, China
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Albert Lau E-mail: Albert.Lau@savills.com.cn

Savills - Beijing
2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, China
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299
Contact: Billy Chau E-mail: Billy.Chau@savills.com.cn

Savills - Guangzhou
Room 906, R & F Centre, 10 Hua Xia Road, Zhu Jiang New Town, Guangzhou 510623, China
Tel: (86) 3892 7168 Fax: (86) 3892 7030
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn

Savills - Shenzhen
Unit A, 5/F, Anlian Plaza, 4018 Jintian Road, Futian District, Shenzhen 518026, China
Tel: (86) 755 8828 5707 Fax: (86) 755 8828 5676
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn
Offices in Chengdu, Chongqing, Dalian, Hangzhou, Qingdao, Shenyang, Tianjin, Xiamen, Zhuhai

ASIA

Savills - Japan
Savills Japan Co, Ltd
CR Kamiyacho Building 10F, 1-11-9 Azabudai, Minato-ku, Tokyo 106-0041, Japan
Tel: (81) 3 5562 1700 Fax: (81) 3 5562 1705
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Korea
Savills Korea
11/F. Seoul Finance Center, 84 Taepyungro-1-ga
Chung-gu, Seoul, Korea 100-768
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188
Contact: K.D. Jeon E-mail: kdjeon@savills.co.kr

Savills - Malaysia
Savills Rahim & Co
Level 17, Menara Uni. Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Tel: (60) 3 2691 9922 Fax: (60) 3 2691 0096
Contact: Robert Ang E-mail: robertang@savillsrahim-co.com

Savills - Myanmar
192 Kaba Aye Pagoda Road, Bahan Township, Yangon
Tel: (95) 9 250 515 035
Contact: Richard Emerson E-mail: remerson@savills.com.mm

Savills - Philippines
KMC MAG Group
8/F, Floor Sun Life Centre, 5th Ave,
Bonifacio Global City 1634, Philippines
Tel: (632) 403 5519
Contact: Michael McCullough E-mail: michael@kmcmaggroup.com

Savills - Singapore
Savills (Singapore) Pte Ltd
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712
Tel: (65) 6836 6888 Fax: (65) 6836 2668
Contact: Chris Marriott E-mail: cjmarriott@savills.asia

Savills - Taiwan
Savills (Taiwan) Limited
17F-1, Exchange Square, 89 Sung Ren Road,
Xin-Yi District, Taipei, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu E-mail: cchu@savills.com.tw
Office in Taichung

Savills - Thailand
Savills (Thailand) Limited
26/F, Abdulrahim Place, 990 Rama IV Road,
Silom, Bangrak, Bangkok 10500, Thailand
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339
Contact: Mark Price E-mail: mprice@savills.co.th
Office in Pattaya

Savills - Vietnam
Savills Vietnam Ltd, Co
18/F, Fideco Tower, 81-85 Ham Nghi Street,
District 1, Ho Chi Minh City, Vietnam
Tel: (84) 8 3823 9205 Fax: (84) 8 3823 4571
Contact: Neil MacGregor E-mail: nmacgregor@savills.com.vn
Office in Hanoi

AUSTRALIA

Savills - Australia
Savills (Aust) Pty Ltd
Level 7, 50 Bridge Street, Sydney, Australia
Tel: (61) 2 8215 8888 Fax: (61) 2 8215 8899
Contact: Paul McLean E-mail: pmclean@savills.com.au
Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast.

NEW ZEALAND

Savills - New Zealand
Level 8, 33 Shortland Street, Auckland NZ 1010
Tel: (64) 9 951 5910 / (64) 9 951 5911
Contact: Doug Osborne E-mail: dosborne@savills.co.nz
Contact: Paddy Callesen E-mail: pcallesen@savills.co.nz

NORTH AMERICA

Savills - New York
Savills LLC
599 Lexington Avenue, 36th Floor, New York, NY 10022
Tel: (1) 212 328 2800 Fax: (1) 212 328 2828
Contact: Jeff Cooper

UNITED KINGDOM / EUROPE / SOUTH AFRICA

Savills - Europe
33 Margaret Street, London W1G 0JD
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Jeremy Helsby E-mail: jhelsby@savills.com
Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden. Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa.

Savills, the international real estate adviser established in the UK since 1855 with a network of over 500 offices and associates globally.

This document is prepared by Savills for information only. Whilst reasonable care has been exercised in preparing this document, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract; interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No person in the employment of the agent or the agent's principal has any authority to make any representations or warranties whatsoever in relation to these particulars and Savills cannot be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills. © *Savills (Hong Kong) Limited. 2014.* (II/14)