

# Office



## Financial sector still dominates leasing demand

Finance remained the top source of new tenants in Q1/2024, accounting for 26% of the total transactions.

- In Q1/2024, no new projects entered the market and the Grade A office stock remained at around 3.87 million sqm.
- The city's average rent amount fell 0.7% QoQ to RMB101.1 psm pmth.
- The vacancy rate for the Grade A office leasing market decreased by 0.1ppt QoQ, with net absorption totaling approximately 5,000 sq m.
- The total area of new rental transactions declined slightly QoQ, with more than half of the new tenants requiring less than 300 sq m of space.
- Finance remained the top source of new tenants in Q1/2024, accounting for 26.0% of the total transactions.
- The professional services and IT sectors contributed 13.0% and 10.0% of the new rental space, respectively.

“Looking forward to Q2/2024, several new projects are expected to enter the market, which should weigh on the vacancy rates in the short term. However, given the resilience of Chengdu’s economic development, as well as the continuous release of positive signals at the policy level that aims at boosting market confidence, strong support should be provided for the robust development of Chengdu’s Grade A office market.”

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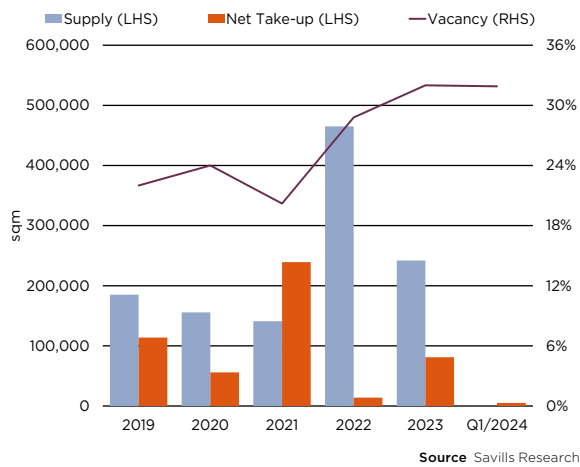
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**GRAPH 1: Grade A Office Supply, Take-up And Vacancy Rates, 2019 To Q1/2024**



**MARKET OVERVIEW**

Chengdu’s GDP reached RMB2207.47 billion in 2023, up 6.0% YoY. The tertiary industry added value reached RMB1510.90 billion, up 7.5% YoY. The direct service industry, especially accommodation and catering, saw significant improvement with 17.8% of added value increase. Total fixed asset investments grew 2.0% YoY.

In Q1/2024, no new projects entered the market and the Grade A office stock remained at approximately 3.87 million sq m.

The office market is currently highly competitive. In order to attract and retain high-quality tenants, landlords lowered rents and offered more favorable lease terms. The city’s average rent decreased by 0.7% YoY to RMB100.1 psm pmth. Some companies have taken advantage of this opportunity to upgrade to higher quality buildings.

In Q1/2024, the vacancy rate decreased by 0.1 ppt QoQ. Net absorption also decreased to around 5,000 sq m due to a decline in total new leasing area. Over half of the new tenants required less than 300 sq m of space, and the demand recovery was limited. Nearly one-fifth of the surrendered space came from coworking companies. Coworking businesses are being squeezed by declining market demand, financing difficulties, a shrinking target clientele, and high fixed costs.

**INDUSTRY DEMAND**

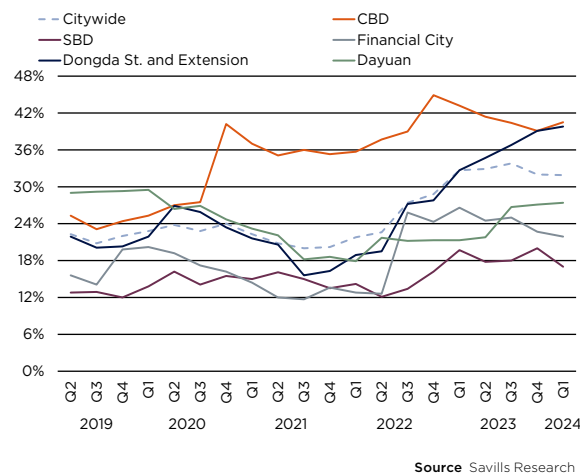
In Q1/2024, the financial industry accounted for 26.0% of the total newly leased area. Local state-funded financial enterprises expanded; investment and asset management enterprises also showed

increased demand. In the recently released Global Financial Centres Index 35 (GFCI35), Chengdu moved up one position to 43rd globally and ranked 19th in the FinTech segment. Furthermore, Chengdu is classified as an ‘International Specialized Financial Centre’, a recognition of its strengths in investment management, banking, insurance, and other specialized fields. The financial industry is expected to continue to support the demand for Grade A office leasing market in the future. The following is professional services and IT sectors, accounting for 13.0% and 10.0% of newly leased space, respectively. Law firms accounted for nearly half of the transactions in the professional services sector, as law firm relocation and expansion remained active in Q1/2024. Leasing demand from IT companies in Grade A office space has continued to decline. In recent years many IT companies have relocated to industrial parks or other more suitable premises.

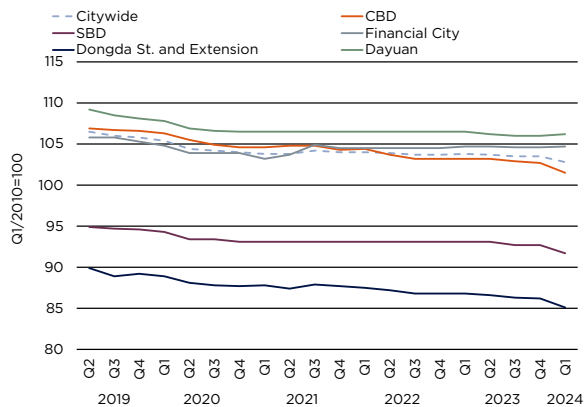
**MARKET OUTLOOK**

Several new projects are expected to enter the Chengdu Grade A office market in Q2/2024, mainly in the South Renmin Road and Tianfu New Area submarkets. Chengdu’s consumption momentum has recovered, with a GDP growth target of around 6% in 2024. The continuous release of positive policy signals has further boosted market confidence, which will strongly support the robust development of Chengdu’s Grade A office market.

**GRAPH 2: Grade A Office Vacancy Rates, Q2/2019 To Q1/2024**



**GRAPH 3: Grade A Office Rental Indices, Q2/2019 To Q1/2024**



Note Calculation of rental indices for all submarkets starts from Q1/2020 except for: Financial City- Q3/2012; Dayuan-Q2/2013

**TABLE 1: Selected Important Leasing Transactions, Q1/2024**

TENANT	INDUSTRY	PROJECT	LOCATION	GROSS FLOOR AREA (SQ M)
Reneshine	Energy & Raw Materials	NIC National Innovation Centre	Financial City	2,200
Zhiheng Law Firm	Commercial & Professional Services	NIC National Innovation Centre	Financial City	2,100
Zhong An Hui Min	Healthcare	Palm Springs International Center	Dayuan	2,000
Bochao Law Firm	Commercial & Professional Services	China Overseas International Center	Financial City	1,500

Source Savills Research