

# Briefing Office sector

November 2015



Image: Nanjing Hexi New Town

## SUMMARY

Although Nanjing's office market was less active this quarter, the arrival of the 500,000 sq m Nanjing Financial City Ph1 in H2/2016 has been widely anticipated, with a number of tenants already signed to move in when the project is handed over.

- No Grade A office projects were handed over in Q3/2015, leaving stock at 769,000 sq m.
- Net take-up totalled 34,500 sq m in Q3/2015, decreasing 24% quarter-on-quarter (QoQ), up 42.3% year-on-year (YoY).
- City-wide vacancy rates decreased 3.8 percentage points (ppts) QoQ to 9.5%.
- Grade A office rents fell 0.9% QoQ to an average of RMB4.84 per sq m per day.
- Two Grade A office projects, totalling 173,450 sq m, are scheduled for completion in Q4/2015.

“As the majority of new supply over the next quarter is expected to be concentrated in emerging areas, such as Hexi New Town, rents and occupancy rates in prime business districts are expected to remain relatively stable.”

James Macdonald, Head of Research, China



## Office market outlook

Two Grade A office projects are scheduled to be handed over to the market in the last quarter of 2015, adding a total office GFA of 173,450 sq m and enlarging city-wide stock to nearly one million sq m – a significant growth of 22.6% QoQ. Grade A office supply in Q4/2015 is expected to be concentrated in Xinjiekou area and Hexi New Town, with Hexi New Town estimated to account for 89% of supply.

North Changjiang Road No.9 (长江路9号), located in Xinjiekou, is a 19,000 sq m Grade A office

project scheduled to be for sale.

The 154,450 sq m Suning Ruicheng E07 (苏宁睿城E07), located in Hexi New Town, consists of two buildings (E07-1 & E07-2) with space for sale or lease.

Given the significant volume of new supply targeted for completion in last quarter of 2015, vacancy rates are expected to rise. As the majority of new supply will be concentrated in Hexi New Town, prime business areas are predicted to remain relatively stable in terms of rents and occupancy rates. The limited future supply in prime areas and improving

environment in emerging locations, such as Hexi New Town, will lead to demand shifting towards emerging submarkets. With a favourable business environment following the successive completion of high-quality projects and the improved infrastructure alongside relatively lower rents, this emerging area, Hexi New Town, is expected to attract growing attention from high-profile tenants. ■

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