MARKET IN MINUTES
*Savills Research*

# Office

savills 第一太平戴维斯

## Growth slows in Grade A office market

Vacancy rates increased in Q1/2019 as more and more well-known companies moved to new projects in Hexi New Town.

- GDP in Nanjing reached RMB1,282.0 billion as of December 2018, up 8% year-on-year (YoY).
- No new supply was handed over in Q1/2019, and total Grade A office stock dropped to 909,971 sq m because of the rating downgrade of Bewinner Int'l Centre.
- Net take-up totalled -402 sq m in Q1/2019. City-wide vacancy rates increased by 0.04 of a percentage point (ppt) quarter-on-quarter (QoQ) to 11.07%, up 1.09 ppt YoY.
- Grade A office rents averaged RMB4.97 per sq m per day, down 0.03% YoY.
- Financial, educational and professional services companies were the key demand drivers for Grade A office space during Q1/2019.
- Vacancy levels in Xinjiekou increased to 7.43%, up 3.06 ppts QoQ, and rents decreased by 0.78% QoQ to RMB5.32 per sq m per day in Q1/2019.
- Vacancy levels in the Gulou area increased to 5.58%, up 2.36 ppts QoQ. Rents decreased by 0.94% QoQ to RMB4.80 per sq m per day in Q1/2019.
- Vacancy levels in Hexi New Town increased slightly to 13.16% and rents increased to RMB4.73 sq m per day in Q1/2019.
- IFC in Hexi New Town is scheduled to enter the market in Q2/2019, contributing a total of 47,000 sq m.

"IFC, one of the city's most anticipated projects, will enter the market in Q2/2019. The launch of new projects in Hexi New Town will help the area to mature and attract more well-known companies."

JAMES MACDONALD, SAVILLS RESEARCH

## Savills team

Please contact us for further information


RESEARCH

**James Macdonald**
Senior Director
China
+8621 6391 6688
james.macdonald@savills.com.cn

CENTRAL MANAGEMENT

**Jeremy Sun**
General Manager
Nanjing
+8625 5772 0911
jeremy.sun@savills.com.cn

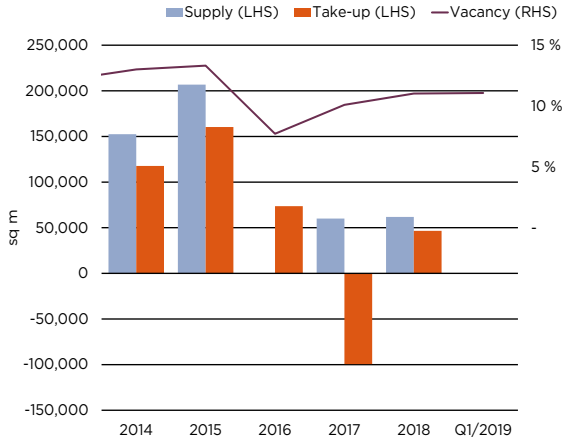
COMMERCIAL

**Ron Lu**
Associate Director
Nanjing
+8625 5772 0915
ron.lu@savills.com.cn



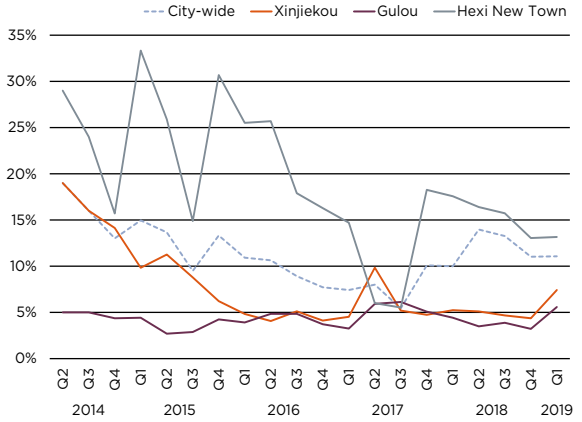
Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

**GRAPH 1: Grade A Office Supply And Stock, 2014 to Q1/2019**



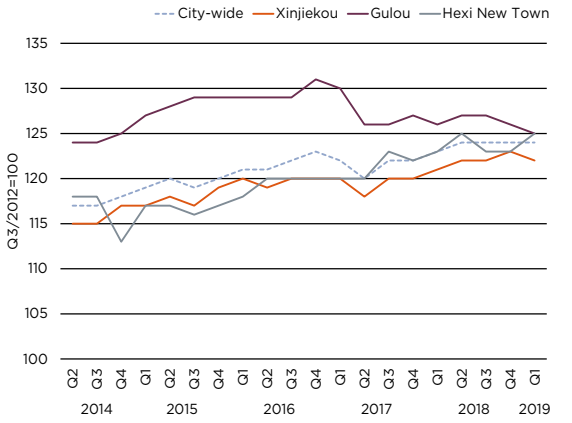

**Source** Savills Research

**GRAPH 2: Submarket Vacancy Rates, Q2/2014 to Q1/2019**




**Source** Savills Research

**GRAPH 3: Submarket Rental Indices, Q2/2014 to Q1/2019**




**Source** Savills Research

## SUPPLY AND DEMAND

No new supply was handed over in Q1/2019, and the total Grade A office stock dropped to 909,971 sq m because of the rating downgrade of Bewinner Int'l Centre. Financial, educational and professional services companies were the key drivers for Grade A office space during Q1/2019. Due to Bewinner Int'l Centre's relegation, net take-up totalled -402 sq m in Q1/2019. Major leasing transactions in Q1/2019:

- Aon-Cofco (中怡保险) leased 650 sq m in Asia Pacific Tower (亚太商务楼) in Xinjiekou.
- Minsheng Wealth (民生财富) leased 1,000 sq m in Asia Pacific Tower.
- EDU Education (易渡留学) leased 204 sq m in Nanjing City Centre (南京中心).
- Yunshan Health Technology (云杉健康科技) leased 570 sq m in Nanjing City Centre.

## VACANCY RATES AND RENTS

City-wide vacancy rates saw a slight increase of 0.04 of a ppt QoQ to 11.07%, and the Grade A office average rent decreased by 0.03% QoQ to RMB4.97 per sq m per day.

The occupancy rate and average rent in Xinjiekou remained at the highest levels for Nanjing. However, there were some potential security and liability concerns related to several financial companies in the district, forcing them out and negatively affecting their offices buildings. With some financial companies surrendering tenancies and KIA exiting the Nanjing market altogether, vacancy rates in Xinjiekou increased markedly to 7.43%, up 3.06 ppts QoQ. Average rents decreased by 0.78% QoQ to RMB5.32 per sq m per day.

Gulou recorded strong demand, and the vacancy rate stayed at its lowest level thanks to limited projects and leasing space. Vacancy levels in the Gulou area increased slightly to 5.58%, up 2.36 ppts QoQ. Rents decreased by 0.94% QoQ to RMB4.80 per sq m per day in Q1/2019.

As a central business district in Nanjing, Hexi New Town is home to most new project launches. Vacancy levels in Hexi New Town increased slightly to 13.16% and rents increased to RMB4.73 sq m per day in Q1/2019.

## MARKET OUTLOOK

IFC, located in Hexi New Town, is scheduled to launch onto the market in Q2/2019, adding a total Grade A office GFA of 47,000. Additionally, Ao Mei Tower and GE-World building are expected to open in this area in 2020. The new supply could significantly increase the vacancy rate in Hexi New Town in the short term. However, government support and the high-quality of these upcoming projects will accelerate the district's long-term, overall development.

**TABLE 1: New Projects in 2019**

| PROJECT | GFA (SQ M) | BUSINESS DISTRICT | DEVELOPER |
|---|---|---|---|
| IFC | 47,000 | Hexi New Town | Sun Hung Kai |

**Source** Savills Research