

Briefing Office sector

March 2017



Image: China Transport Hengqin Square

SUMMARY

Three new projects were launched onto the Grade A office market in the second half of 2016, adding 170,000 sq m of new space.

- Three new projects entered the city's Grade A office market, adding 170,000 sq m of prime office space in 2H/2016.

- Due to the strong performance of the city's property market in 2016, the sales prices of office projects soared in 2H/2016. Average first-hand office transaction price increased 34.1% year-on-year (YoY) to an average of RMB 27,400 per sq m.

- A variety of high-quality office properties entered the

- market in 2H/2016. Due to the supply surge, the city-wide vacancy rate increased slightly, to approximately 14%.

- The Jida and Old Xiangzhou areas maintained stable vacancy rates because of the limited supply of Grade A office projects in these areas.

- Office rents in the city centre increased slightly in 2H/2016 by 1% YoY to an average of RMB106 per sq m per month.

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 "A large influx of supply flooded the market, increasing Grade A office stock and putting upward pressure on vacancy rates. The rapid growth of the Hengqin market will help the future development of the city's office market." Felicia Chen, Savills Project & Development Consultancy

➔ **Market Overview**

Three new projects — L Star Plaza, China Transport Hengqin Square and Hengqin Financial Media Center — entered the market in the second half of 2016, adding 170,000 sq m of new space to Zhuhai’s Grade A office market. As these new projects are earmarked for sale only, their impact on the Grade A office leasing market is limited. Seven Grade A office projects are expected in 2017, which will place downward pressure on the office leasing market.

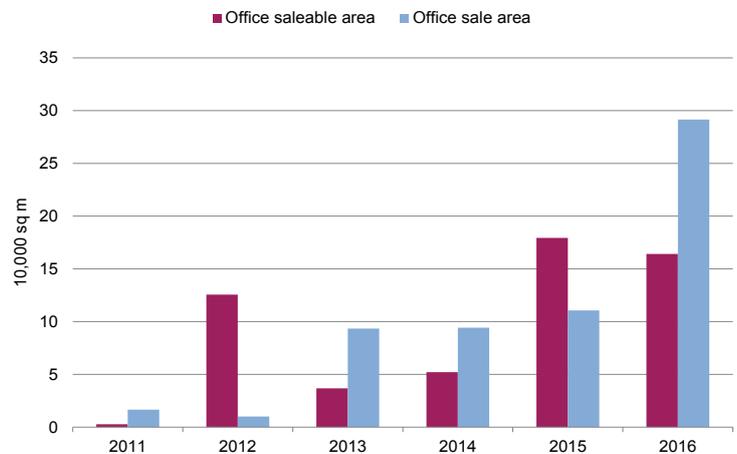
With the arrival of the three new projects, all of which are located in the Tax-Free Zone and the Hengqin Free-Trade Zone, Grade A office total stock increased to 1,365,000 sq m. Vacancy rates in the Jida and Old Xiangzhou areas decreased, lowering the city-wide vacancy rate by 1 percentage point (ppt).

Grade A office rents increased in 2H/2016 by 2% YoY to an average of RMB106 per sq m per month. City-wide rents, except those in Gongbei and Old Xiangzhou, remained at the same level as the previous year. Rents in the Jida area decreased slightly but still remained the highest among all other areas.

The average city-wide sales price of office assets increased 34.1% YoY to RMB27,400 per sq m in the second half of 2016. The annual sales volume of office projects reached a record high of 2,714 transactions, of which 1,978 transactions, or approximately 73%, occurred in the Hengqin area.

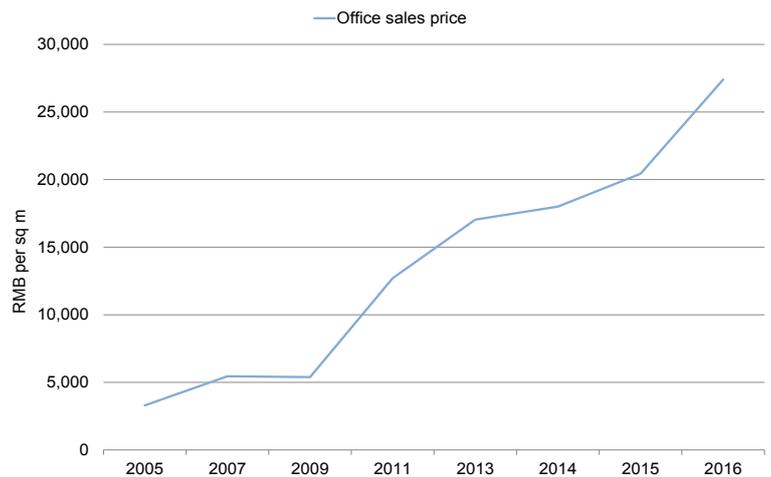
Privately owned companies continued to drive the majority of demand for Grade A office space, accounting for 83% of all tenants. Companies in the financial and investment sector continue to favour high-quality offices in prime locations with a well-developed business environment. Most companies with larger spatial requirements remain clustered in the Jida area, the city’s traditional CBD.

GRAPH 1 **Total office sales area and saleable area, 2011-2016**



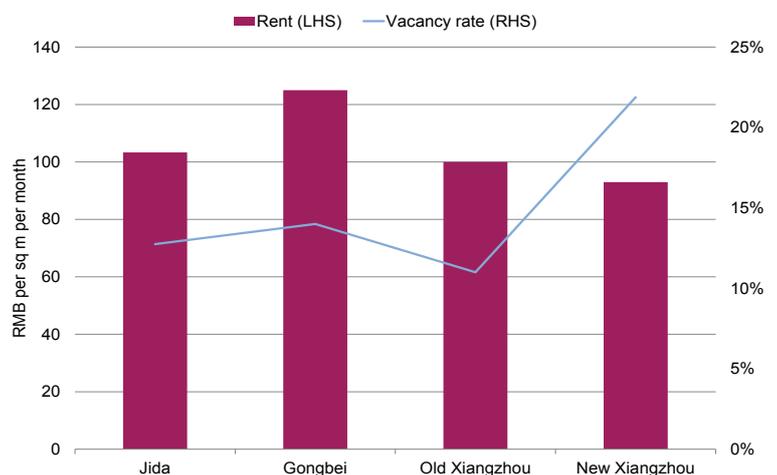
Source: Savills Research, Zhuhai statistics Bureau

GRAPH 2 **City-wide office sales price, 2005-2016**



Source: Savills Research

GRAPH 3 **Rent and vacancy rates by business area, 2016**



Source: Savills Research

Market Outlook

Seven new projects are expected to enter the Zhuhai Grade A office market in 2017. City-wide rents are expected to remain relatively stable, while the overall vacancy rate is expected to rise.

City-wide Grade A office stock is expected to reach record highs in 2017, following the handovers of seven new projects. Due to the slowdown of economic growth, which has weakened leasing demand, market absorption levels are expected to come under pressure.

Following the issuance of a series of restrictive policies, investors tend to seek out office and other commercial properties. Investment demand is expected to shift even more towards office assets in the coming years. ■

Project focus

Taifook International Finance Centre

Taifook International Finance Centre, developed by Zhuhai Sanlian Enterprise Group, is located in the Xiangzhou district. The project launched in the fourth quarter of 2015, adding approximately 72,000 sq m to the market. The project is lease-only, with an average rent of RMB150 per sq m per month. The project has 28 floors, with a typical floor plate of 2,030 sq m. The property management fee is RMB25 per sq m per month.



Project	Taifook International Finance Centre
Location	Xiangzhou district, Jida area
Owner	Zhuhai Sanlian enterprise (Group)
Handover date	Q4/2015
GFA	71,768 sq m
No. of storeys	28 F
Typical floor plate	2,030 sq m
Average rent	RMB150 per sq m per month
Management fee	RMB25 per sq m per month

Source: Savills Research

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