

SPOTLIGHT Hangzhou Report

2018





City and Economy Overview

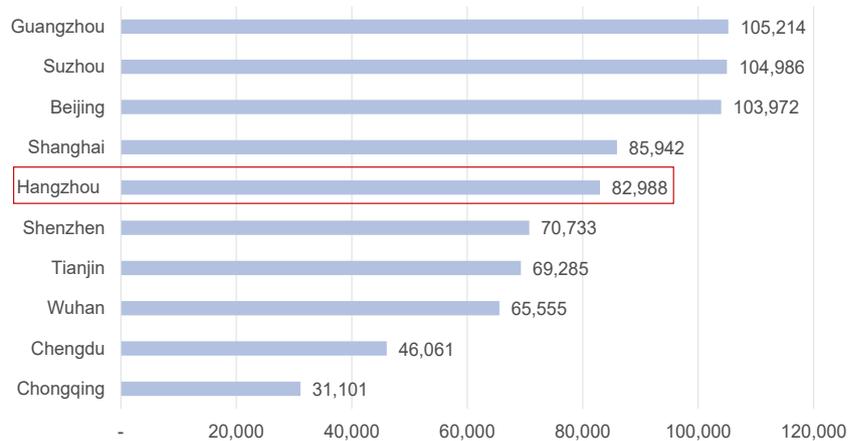
Hangzhou is at the forefront of China’s push to develop its tech industry, and serves as a blueprint for other cities across the country. Hangzhou’s growth is symbolic as China’s continuing transition from manufacturing to a value-added, serviced-based and technologically-advanced economy.

Economy & Population size

Hangzhou’s GDP achieved an 8% real growth in 2017, totalling RMB1,255.62 billion, which put the city as the 10th largest economy in China. Tertiary GDP increased by 14% in 2017, accounting for 63% of the total GDP. The percentage of tertiary GDP to total GDP has risen from 49% in 2011. The Hangzhou permanent population reached 9.47 million, up 3.05% YoY. Urban population reached 7.27 million, accounting for 76.8% of the total population. According to 2017 China Urban Research Report released by Baidu Maps (2017年度中国城市研究报告), Hangzhou was 9th place in China in terms of urban vitality¹. The incoming work force keeps the economy attractive and builds up a virtuous cycle of business growth and technological advancement.

¹Urban vitality: Baidu Maps uses big data to rank cities by inflow of residents staying for more than two months.

FIGURE 1: 2017 Top 10 city tertiary GDP per capita



Source: National Bureau of Statistics

TABLE 1 : Hangzhou GDP and population growth past decade

	2007	2012	2017	5 year CAGR (2012-2017)
GDP (RMB bn)	410.1	780.2	1,255.6	10.0%
Population (mn)	7.9	8.8	9.5	1.5%

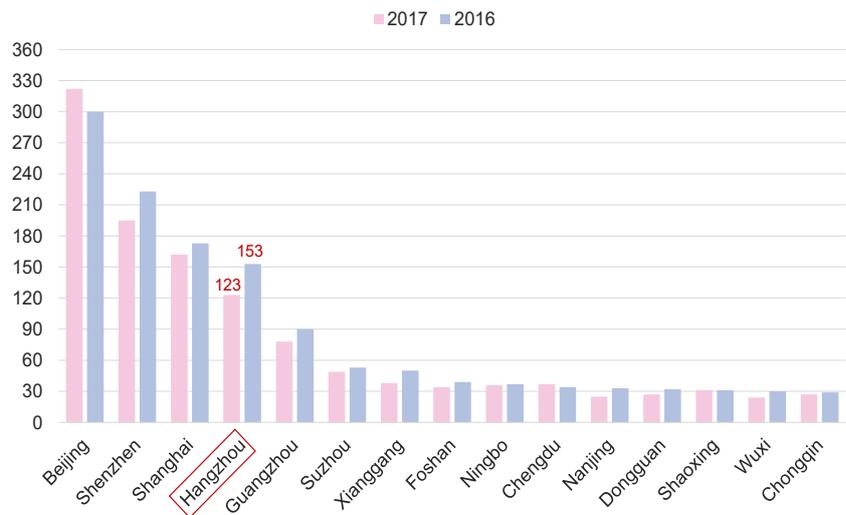
Source: National Bureau of Statistics

Wealth

Built on the fast growing high-technology industry and e-commerce, Hangzhou is quickly becoming home to fortune. GDP per capita increased 13.6% in 2017 to RMB136,656, and remains the highest in Zhejiang province. Urban disposable income per capita was RMB56,276, up 7.8% YoY. The robust IT industry in Hangzhou has also made an increasing number of billionaires; based on Hurun's 2017 "The Richest People in China" ranking, Hangzhou has 153 billionaires, 30 more than in 2016. Hangzhou is the 4th in China in number of billionaires and has the most billionaires among second-tier cities.

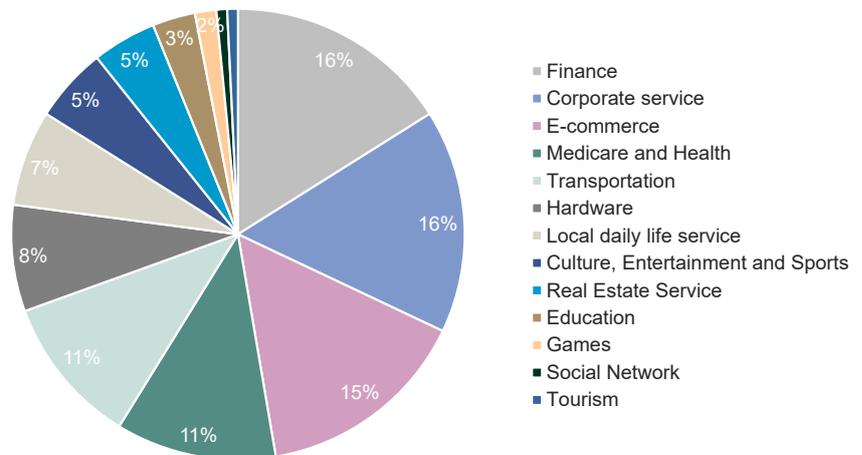
Hangzhou is also home to 26 unicorns (start-ups valued over US\$1 billion) and 105 companies valued over US\$100 million according to a weLian (a platform that connects investors and start-ups) report. The unicorns in Hangzhou rank third in volume after Beijing and Shanghai, and second in value after Beijing. The unicorn companies have become the forerunners in the country's development of new technologies and the digital economy. Unicorns in Hangzhou were valued at \$141.9 billion and are focused mainly on e-commerce, IT and internet financing. Ant Financial, the company that runs Alipay and is located in Xihu district, was had the highest valuation at US\$75 billion.

FIGURE 2: Number of billionaires by city 2016 vs 2017



Source: Hurun

FIGURE 3: Sector breakdown of companies valued over US\$100 million



Source: weLian



Infrastructure

With an extensive network of expressways and railways, Hangzhou is highly connected with other cities in Yangtze River Delta and Zhejiang province. Business people in Hangzhou can make it to Shanghai within an hour by high-speed train, making it a hub for cities south of Shanghai. Now Hangzhou has three train stations, with Hangzhou East Railway Station being the newest one (completed in 2013) which specifically serves high-speed rail passengers. As for airports, Hangzhou's Xiaoshan International Airport ranked as the 10th largest international airport in China, serving 25.57 million passengers both domestically and internationally in 2017, up by 12.6% YoY.

Within Hangzhou, the city also boasts an expanding metro network. In 2017, three lines were in operation (Line 1, 2 and 4) with a totalling length of 107.02 km. The city plans to add 10 more lines—including extensions to the three existing ones—as part of the city development preparation for hosting the 2022 Asian Games. The total length of metro network when complete will be 387.8 km. While some cities are answering government's call to manage Fixed Asset Investments (FAI), Hangzhou, with its schedule to host the international games, will continue to improve its infrastructure.

Education

Hangzhou has an ample education resources supplying its new industries and growing economy. There are 18

institutions of higher education in Hangzhou, led by Zhejiang University, a Project 211 and 985 university. In 2017, Hangzhou was home to 79,300 graduates with around 10,000 holding a master's degree or above, up by 4.6% and 21.7% YoY, respectively, the highest level on record. There are 13 international schools in Hangzhou with seven in Xihu District, including Cambridge International Centre of Hangzhou Yulan School, Hangzhou Entel Foreign Language School and Marco Polo International School.

Hangzhou is also witnessing a revolution in its education industry—the launch of China's first private research university, Westlake University. The school has received over RMB100 million, and will rely on private donors for most of its funding. Currently, Tencent's CEO

MAP 1: Hangzhou metro plan 2022



Source: Hangzhou Metro



Pony Ma and Dalian Wanda's founder Wang Jianlin lead the donations. The non-profit institution will carry out basic and advanced scientific research, emphasizing the cultivation of innovative technologies and their applications. The fact that Westlake University relies on private business donations could create synergy between educational institutions and businesses.

Environment and Tourism

As the old Chinese saying goes "Up in heaven, there is paradise;

down on earth, there are Suzhou and Hangzhou." With its canals and waterways, hills, temples, Longjing tea plantations, Xixi National Wetland Park and the world-renowned West Lake, Hangzhou has built a reputation as one of the most beautiful cities in China. Hangzhou ranks as the 3rd most liveable city in China, following Shanghai and Suzhou in ULI's 2016 Chinese Mainland Real Estate Market survey. In addition, with more developed transportation infrastructure, Hangzhou citizens can take easy getaway trips to nearby tourist spots like Thousand Island Lake (千岛湖) and Mogao Mountain

(莫干山) as well as international trips to cities such as Los Angeles and Singapore.

With its natural beauty, the city's tourism industry is growing. In 2017, Hangzhou received 162.9 million visitors and a total realized tourism revenue of RMB304.1 billion, up by 15.8% and 18.3%, respectively. During the G20 Summit, Hangzhou showed the world its charm with its beautiful natural scenery and city development and, in four years, the 2022 Asian Games will provide Hangzhou another opportunity to showcase itself to the world.





Hangzhou Development Plan

Covering a total land area of 16,596 sq km, Hangzhou is comprised of ten urban districts and two rural counties (Tong Lu and Chun’an) and one county-level sub-city (Jian De). The development of the city is driven by three main industries—high-technology, intelligent manufacturing, and finance.

Hi-tech Industry

The growth of hi-tech industry in Hangzhou is focused on government-planned Chengxi Sci-Tech Corridor. Crossing West Lake District (西湖区), Yuhang District (余杭区), and Lin’an District (临安区), Chengxi Sci-Tech Corridor has a total area of 224 sq km, 30 km from east-to-west and 7 km from north-to-south. As part of the priority work for the Zhejiang government under its 13th Five-Year Plan, Chengxi Sci-Tech Corridor is being built into a world leading IT centre with three precincts—Future Sci-Tech City (未来科技城), Zhejiang University Science City (浙大科技城), and Qingshanhu Science City (青山湖科技城) as well as a few towns focusing on special industries and sectors. Chengxi Sci-Tech Corridor is also surrounded by a cluster of nine universities and higher-education institutions

including Zhejiang University, which creates collaborations between universities with hi-tech companies.

Future Sci-Tech City

Future Sci-Tech City (the City) is located west of downtown Hangzhou, next to Zhejiang University, nine kilometres from Westlake, and close to the Xixi Wetlands. The City has a total core development area of 35 sq km. The City was established by the Hangzhou and Zhejiang governments

to implement the “national talent” strategy, enhance scientific and technological innovation and hasten economic transformation. Modelled after Silicon Valley, the development zone is the result of district government partnership with Alibaba and hopes to create an international ecosystem for local start-ups and entrepreneurs.

The City provides domestic and overseas high-level talent with many

TABLE 2 : Three areas focusing on hi-tech industry growth

	Region	Specialty	Area (sq km)
Future Sci-Tech City	Chengxi Sci-Tech Corridor	Hi-tech	35
Xixi Valley Internet Finance Town	Chengxi Sci-Tech Corridor	Fintech	3.1
Dream Town	Chengxi Sci-Tech Corridor	Internet based	3

Source: National Bureau of Statistics



favourable policies such as settlement assistance, house rental support, and start-up subsidiaries. Future Sci-Tech City is now home to Alibaba’s Taobao Town which has four phases with a total GFA of 930,000 sq m. In addition, there are also Alibaba affiliates such as Cainiao (菜鸟网络) and Ding Talk (钉钉) and other fast growing start-up companies such as Souche (大搜车) and Rokid. Future Sci-Tech City is seen as an emerging submarket for

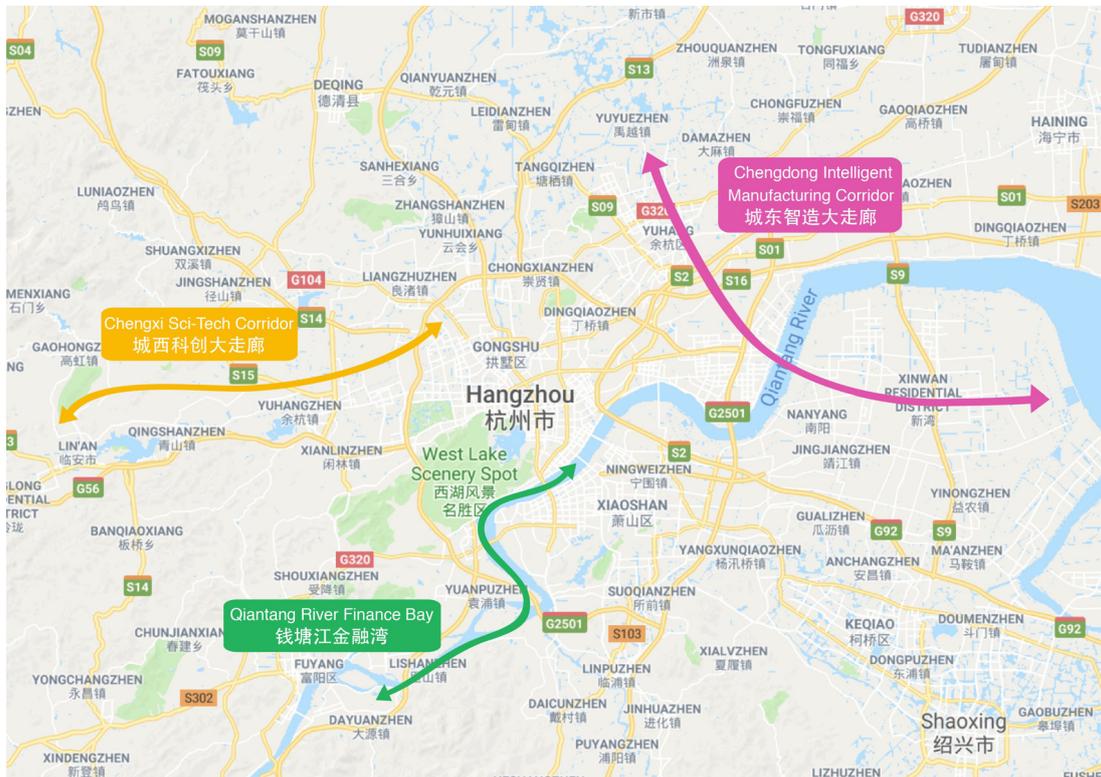
Grade A office and the demand will increase when start-ups grow in size and scale.

Since 2017, a number of companies with Artificial Intelligence (AI) technologies such as automatic driving, intelligent medical equipment and digital image analysis have started businesses in the City. Local officials plan on developing the area into a first-class AI industrial base in

China within five years.

The City is expected to develop further as Hangzhou improves public transportation access for the area. Metro Line 3 and 5, which are forecasted to be completed by 2021 and 2019 respectively, will go through Future Sci-Tech City and Line 5 will connect to all the core submarkets in Hangzhou.

MAP 2: Three main industry development areas



Source: Savills Research

Xixi Valley Internet Finance Town

Xixi Valley Internet Finance Town covers an area of 3.1 sq km and has become the fintech capital of the city. In order to grow the town, local government accelerated the construction of key projects, land acquisition and relocation and infrastructure improvement as well as releasing favourable policies to attract companies and talent.

By April 2017, more than 250 fintech companies, including Zhi Ma Credit and Mo Gu Jie (蘑菇街), were established in the town. Ant Financial Services is the frontrunner of the fintech industry in China and is located in the town's "Z Space". Completed in Aug 2017, Z Space was built by Alibaba and now holds around 5,000 Alibaba employees. It was also announced during the 2017 Global Blockchain Finance (Hangzhou) Summit that China's first blockchain industrial park will be created in the town.

In terms of transportation, Xixi Valley Internet Finance Town is directly connected to highways such as Huhangyong highway, Hangning highway and Hangjinqi highway. The town is only 15-minute drive from the Hu

Dream Town

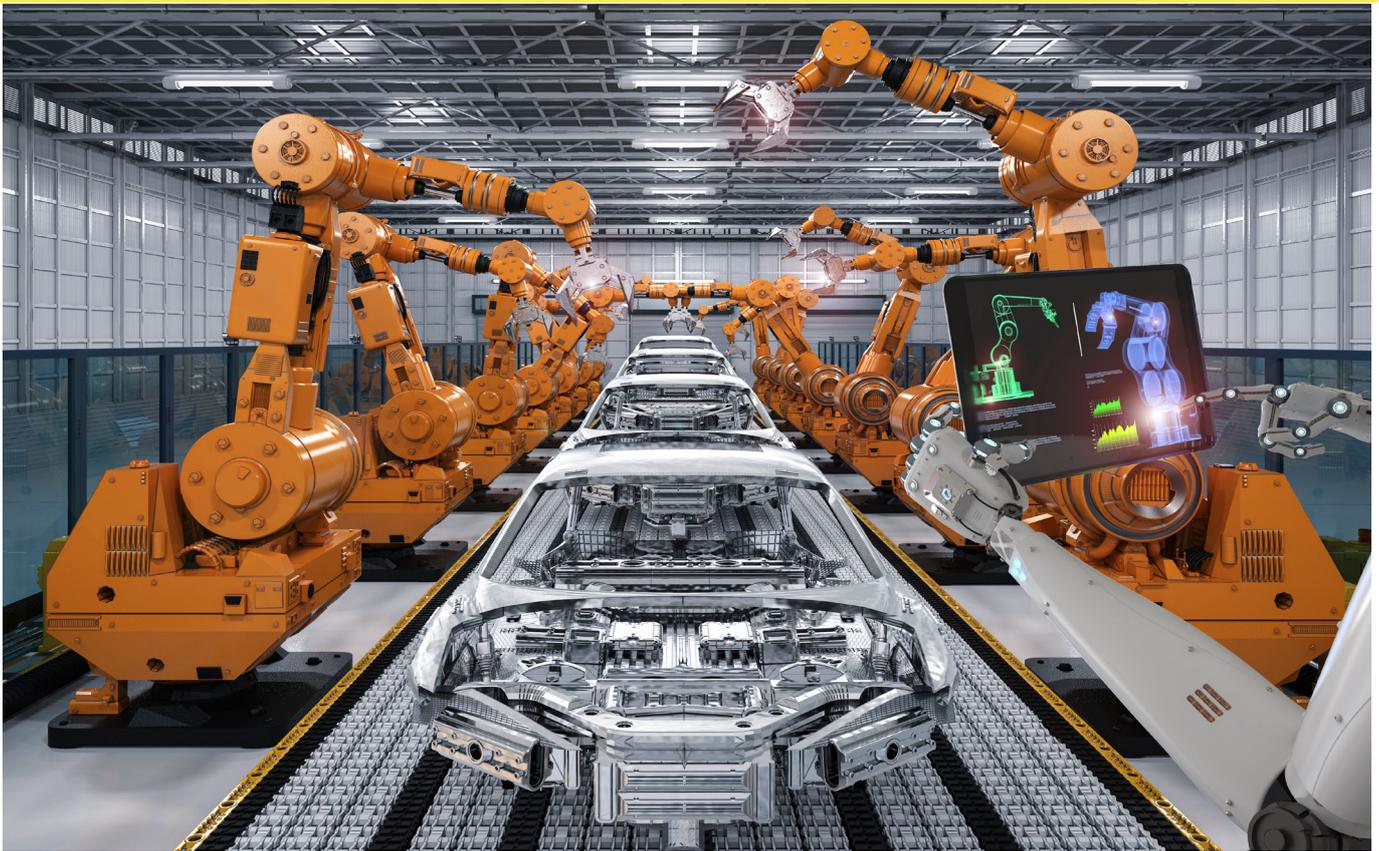
Located in Future Sci-Tech City, Dream Town covers a total area of 3 sq km. Dream Town comprises of two parts—the first is the Internet Start-up Village focusing on research, development and production of internet-related products such as e-commerce, game making, software design, information service, big data and cloud computing, and the other is Angel Village focusing on finance, investment and wealth management. Angel Village helps start-ups during their first rounds of funding.

To attract internet start-ups, the local government has also released many favourable policies related to the hukou (household registration) system,

children's education, rental discounts and tax benefits. Internet companies have been sprouting up in Dream Town since its official launch in 2015.

One success story is Immersion Technology (映墨科技), a company specialising in Virtual Reality (VR) technology. The company started in 2014 in Dream Town with six people. Then it expanded to around 30 people and received RMB5 million of venture capital from DunAn Capital (如山创投) within a year. Later as the company's core technology developed, the company grabbed opportunities to work with Foxconn and Alibaba and, in 2016, it successfully raised RMB38 million Series A capital investment. Today Immersion Technology has built itself into a leading Chinese VR company with R&D capabilities and products specialising in children's education.





Intelligent Manufacturing Industry

The growth of intelligent manufacturing is focused on the government-planned Chengdong Intelligent Manufacturing Corridor. The corridor has a total planned construction area of 500 sq km and covers five administrative districts including Jianggan, Binjiang, Xiaoshan, Yuhang and Fuyang districts. The corridor focuses on automobile, aerospace, robotics, smart rail transit, new energy and advanced industrial materials manufacturing, as well as health care

production in line with “China Made 2025”.

The Greater Jiangdong Industrial Cluster is one of the core precincts in the corridor and is specialized in manufacturing high-end equipment and intelligent products.

To promote the development of the cluster, the local government has issued policies to attract talent and companies such as subsidiaries for young professionals to relocate. In addition, to improve liveability and create an agreeable environment, the government is planning a 35 sq km

wetland park. The park is expected to be three times larger than Hangzhou’s Xixi Wetland Park.

As the development proceeds, the area will also enjoy easy access by public transportation. Metro Line 7 and Line 8 are planned to be completed in 2021 and will connect the development area with the rest of the city.

Currently, the industrial cluster is home to a number of famous domestic companies including Dongfeng Yulong, Xizi Aviation and Ansteel Group as well as foreign companies like Ford and UPS. The Chinese Academy of Sciences has created four projects in the Greater Jiangdong Industrial Cluster with specialisation in high-tech production of robots, automobile sensors and pressure monitors. For example, one of the projects—Leishen Laser—is expected to create production value of RMB1.5 billion within the next five years.

Planned construction area

500 sq km

Chengdong Intelligent Manufacturing Corridor

109 sq km

Greater Jiangdong Industrial Cluster



Finance Industry

Besides traditional Central Business District (CBD) areas such as Huanglong and Wulin, Qiantang River Finance Bay is a new planned area home to financial headquarters, private funds, internet finance and big data companies.

Qianjiang New City

Qianjiang New City (QJNC) is the core area in the Qiantang River Finance Bay and is also Hangzhou's new CBD. QJNC is in the southeast side of Jianggan district and north bank of the Qiantang River and is only five km from West Lake. QJNC has a total area of 15.8 sq km of which 4.02 sq km is core development area.

QJNC has seen a number of high-quality commercial projects developed by well-known domestic and international developers over the past several years including Raffles City by CapitaLand, MixC Tower by China Resources and Oceanwide

International Centre by Oceanwide. QJNC currently has Metro Line 2 and Line 4 connecting it to the rest of the city. With improved accessibility, a maturing business environment and comparatively low rents, QJNC has convinced a number of companies to relocate from traditional business areas. To support the growth of the area and encourage young professionals to settle down in QJNC, the area has built up a number of educational resources including international schools like Qianjiang BASIS International School.

As the new CBD, QJNC also has the new headquarters for the city government as well as some other public buildings like the Hangzhou International Conference Centre, which hosted the 2016 G20 Summit. With strong amenities, well-developed infrastructure, high density of high-rises, and easy access to downtown areas, QJNC is becoming an important CBD in Hangzhou for commercial growth.

1.29 million sq m

QJNC Grade A office stock by 1H/2018

Qianjiang Century City

Qianjiang Century City (QJCC) is the emerging area in Qiantang River Finance Bay which is south of the Qianjiang River.

Before the 2022 Asian Games, QJCC plans to have a total stock of 1.55 million sq m Grade A and Grade B office space with a number of eye catching high-rises commercial projects including The Gate of Hangzhou by Greenland, Cinda Centre by Cinda Group, Vanke Centre by Vanke and a project by China Resources.



Over
2,500 FUNDS
Jade Town of
Shannan manages

Hangzhou Olympic and International Expo Centre will be built in QJCC. The Centre comprises of a main stadium that can hold 80,000 people, a tennis stadium that can hold 10,000 people, a swimming stadium with 6,000 seats and a comprehensive training stadium with a total area of 180,000 sq m. The entire centre with a total buildable area of 2.7 million sq m will be the core area for 2022 Asian Games. The Asian Games will not only bring widespread attention to QJCC, but also stimulate the development of the area by creating a large number of jobs. Besides Metro Line 2 that is currently in operation, Metro Line 6 and Line 7, which are expected to be completed before the Asian Games, will go through QJCC.

Besides the financial industry, QJCC also plans to build AI, big data, cloud computing and music industries. The first national music industry base will be established there. Currently, QJCC is home to a number domestic and international companies such as China Construction Investment Group, China Railway Investment, Zheshang

Insurance, Guosen Securities, 163.com, Sense Time and Paytm.

Jade Town of Shannan (玉皇山南基金小镇)

Jade Town of Shannan is a well-known special town in Qiantang River Finance Bay. Located between Yuhuang Mountain to the north and Qiantang River to the south, Jade Town of Shannan covers an area of five sq km. Following the model of hedge fund town Greenwich, Connecticut, US, Jade Town of Shannan Fund was officially opened in 2015 and is building itself into a funding and investment hub.

The local government has released a number of favourable policies to incentivise the growth of the town including subsidies for building up funds and investments, office rental

support, tax break and others. A nice environment and unique architecture makes the area an appealing place for professionals to live and work. People are attracted by the beautiful natural scenery including clear water ponds, meandering creeks, spritely trees and distinctively Jiangnan-style buildings. By April 2018, there has been 2,589 funds (including DH Fund Management, Kaitai Capital, and Cybernaut) that have opened in the town which are collectively managing RMB1,060 billion in assets.

As part of the supporting facilities, the town has ample educational and medical resources including Wahaha International School and Shaoyifu Hangzhou International Medical Centre (邵逸夫医院杭州玉皇山南基金小镇国际医疗中心).





Hangzhou Real Estate Market Overview

Office Market

Hangzhou's office market has seen rapid growth in the past decade. The city has a total Grade A office stock of 1.99 million sq m by 1H/2018 with annual new supply averaging 335,000 sq m in the past three years. Before the development of QJNC, the city's Grade A office stock was mainly in prime areas like Huanglong and Wulin. Starting from 2010, QJNC has received a large amount of new supply which peaked in 2017.

Despite the influx of new supply, Hangzhou Grade A office market has also seen growing amount of demand in recent years. The city-wide Grade A office market vacancy rate was at 14.2% by 1H/2018.

In terms of the demand side for the Grade A office space in Hangzhou, financial, information and professional services sectors remain the key demand drivers. There has also been a notable uptick in leasing activity among real estate and architecture companies. In addition, the market saw increasing demand from co-

.....
"Continued optimism in the commercial markets and increased interests from investors, especially in QJNC and future Sci-tech city. The retail market will take time to upgrade and grow with the continuous participation of international operators." James Macdonald, Savills China Research
.....

working brands. For example, naked Hub opened its first space in Euro America Centre located in Huanglong, SOHO 3Q leased around 6,000 sq m in Zhejiang Fortune Finance Centre and WeWork will set up its first location in Hangzhou in Gonglian Plaza, taking up around 10,000 sq m in Q4/2018. Many other co-working operators are forecasted to expand to Hangzhou market in the near future. Like in other cities across the country, co-working brands are moving from Grade B office buildings to Grade A buildings in Hangzhou, helping absorb Grade A office space and putting upward pressure on rent.

City-wide Grade A office rents increased to an average of RMB5.4 per sq m per day, up by 3.4% YoY

in 1H/2018. The growth in rent was mainly driven by the strong performance of QJNC and high-quality new supply in Hangzhou's office market.

Huanglong and Wulin are the prime office markets in Hangzhou with a total stock of 535,500 sq m in 1H/2018. Faced with the competition from QJNC, landlords in these two areas have been under the pressure to lower rents to retain tenants resulting in a decrease in prime market rent of 1.2% YoY. Recent completion of premium quality projects such as Kerry Centre and Huanglong Vanke Centre Building A&B, as well as more supply in the coming years will make Huanglong and Wulin more competitive.

Over the past years, QJNC has seen a large amount of new supply, a lot of which are high-quality commercial projects developed by well-known domestic and international developers such as Raffles City by CapitaLand, MixC Tower by China Resources and Oceanwide International Centre by Oceanwide. With the business environment maturing in QJNC and the area's metro connectivity and retail amenities improving, there is increasing demand for office space in the area, which has allowed landlords to raise rents. The average rent in QJNC was RMB4.99 per sq m per day, up by 7.6% YoY. Internet companies and financial companies take up most of the demand for office spaces in QJNC. With the total stock reaching 1.29 million sq m by 1H/2018, the submarket will keep absorbing space over the next several years, further pushing up the rents till demand and supply shift to QJCC around 2022.

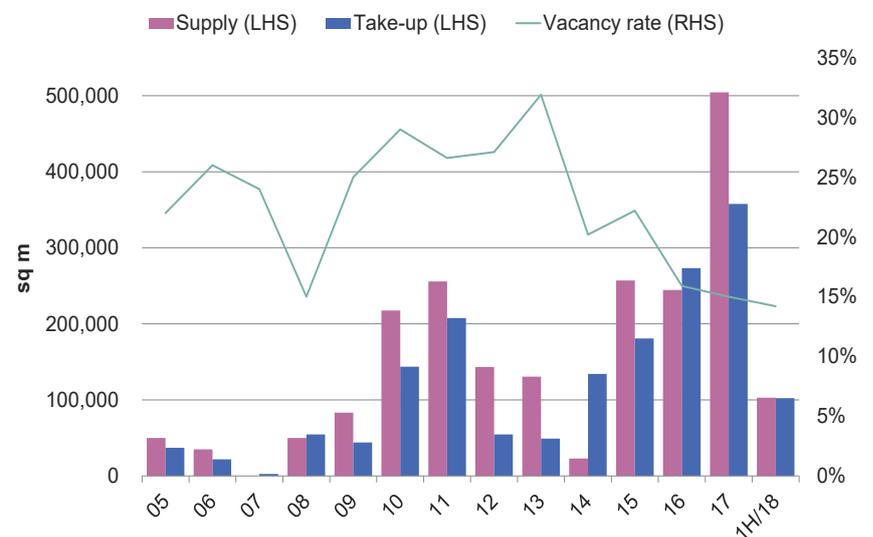
Qingchun Road is another non-prime area in the Hangzhou office market with a total stock of Grade A space of 227,100 sq m by 1H/2018. Companies in financial and pharmaceutical industries account for most of the tenants in Qingchun mainly due to a number of governmental financial institutions including Zhejiang Province Securities Regulatory Commission and Zhejiang Province Banking Regulatory Commission and large, leading hospitals being located in the area. However, since Qingchun Road is surrounded by West Lake, no new supply is expected to be added to the submarket in the next several years. As a result, the growth of the area will rely heavily on renovating and upgrading the current stock.

Besides the submarkets mentioned above, the local government also plans to develop other areas for commercial use including QJCC, Future Sci-tech City and Binjiang. The majority of new developments

(including projects from Greenland, China Resources, Vanke, Shimao and Cinda) will be complete in 2021 and 2022 in QJCC. The premium quality projects will take time to absorb and place pressure on surrounding areas. As home to the campus for Alibaba's Taobao Town, Future Sci-tech City is expected to see the launch of several Grade A projects including EFC,

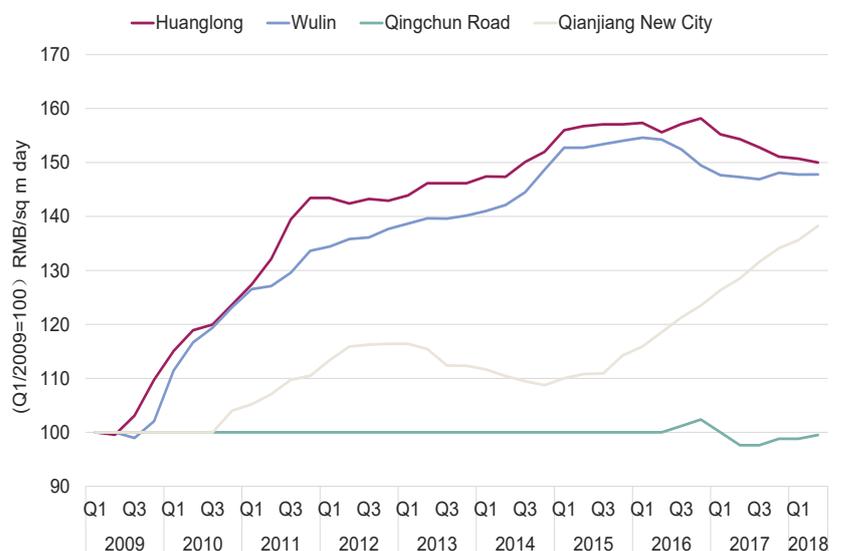
Wantong Centre, AUX Future Centre, and Fuli Centre in the coming years. Supply is expected to be met by demand from hi-tech companies due to the "Alibaba impact". Binjiang is also expected to see several Grade A projects in the next a couple of years including Shimao Intelligent Gate (世茂智慧之门) at the end of 2018.

FIGURE 4: Grade A office supply, demand and vacancy rate, 2005-1H/2018



Source: Savills Research

FIGURE 5: Grade A office rents , 2009-1H/2018



Source: Savills Research

Retail Market

Hangzhou's retail market has a total stock of over 3.44 million sq m of high-quality retail space in 1H/2018, with only about 30% located in the city's retail prime area including Lakeside, Wulin and QJNC. Lakeside and Wulin, east of West Lake, are traditional prime shopping areas in Hangzhou with high-end shopping malls such as Hubin Yintai and Kerry Centre. QJNC has developed into a prime retail area in the past ten years with the construction of MixC and Raffles City. The rest of the stock is located in the non-prime areas including the west, north, and south of the centre city as well as Qingchun and Binjiang.

Hangzhou's retail market has seen surge in supply in the past several years, especially in non-prime areas. New supply in the past three years totalled 1.2 million sq m, of which only one-fifth were located in prime areas. In the first half of 2018, four retail projects were launched in downtown Hangzhou, adding a total retail GFA of 398,000 sq m including Hangzhou Tower Central Plaza in Wulin, City Mall Phase 2 in North City and Yuhang

Life Hub and Intime City (Linping) in West City. Additionally, there was one project—Huarun Wanxiang Hui—that launched in suburban Xiaoshan.

As the first project launched in prime area in the last 12 months, Hangzhou Tower Central Plaza—with a total retail GFA of 94,000 sq m—has attracted a lot of attention. The mall is in the underground area of Wulin Square with two retail floors conveniently connected to Wulin Square metro station (Line 1). The mall positioned itself as a fashionable place for young people—with a number of trendy shops such as the first offline Kaola shop in Hangzhou, the first Adidas Running shop in China, Zukka, Super Species (超级物种) and MOOGAN (摩根家居).

Besides the five shopping malls, Alibaba opened its first offline mall Qin Cheng Li (亲橙里) in Future Sci-Tech City. The shopping mall with a total retail GFA of 40,000 sq m meets the daily needs of Alibaba employees as F&B takes 40% of the whole area. The shopping mall is also an experimental place for Alibaba's new retail technologies like AR mall guides, VR fitting rooms, and digital displays for targeted ads. 亲橙里mall

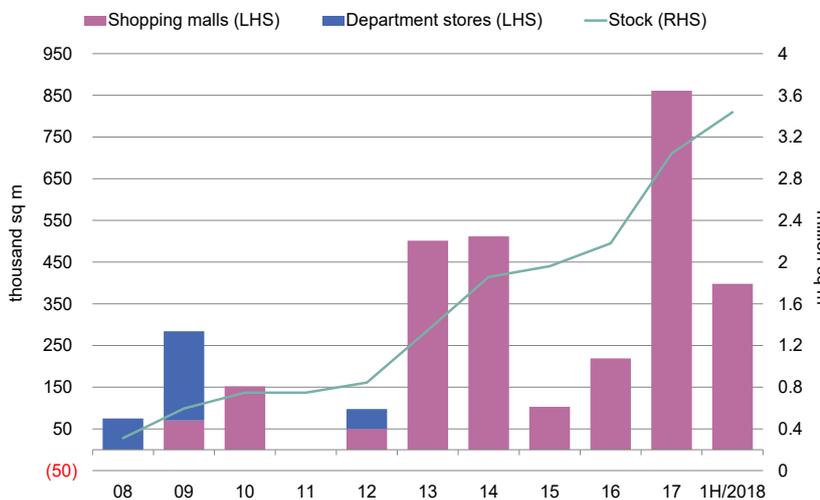
has Taobao Xinxuan (淘宝心选) which sells popular products on Tmall, the Tmall Future Store (天猫精灵未来馆) showcasing the latest tech products, Hema Supermarket (盒马鲜生) that has 440 seats for dining. Though all these technologies created by Alibaba are still in experimental stages and have some teething issues, they are expected to be at the forefront of the retail revolution in the future.

On the demand side, the growing retail sales and tourism industry enables the city to absorb the large amount of new supply, keeping the overall city vacancy rate around 10%. The average vacancy rate of shopping malls increased by 2.7 ppts HoH to 11.0% mostly because of the new supply. Lakeside saw a decreased of 1.7 ppts HoH due to strong leasing performance in a couple of leading projects including Hubin Yintai Phase Four. The vacancy rate in West City and Wulin increased by 5.4 ppts HoH and 4.0 ppts HoH, respectively, due to three new projects.

With strong consumption power, Hangzhou has been the city that many brands choose to open their first stores in eastern China outside of Shanghai. Victoria's Secret opened a full-line store in In77 D (Hubin Intime Phase 3). Household appliances brands takes a comparatively large presence in Hangzhou's retail market as Hangzhou residents are enthusiastic about purchasing property. In the F&B sector, local Hangzhou food still dominates the market followed by specialities such as hot pot, Japanese/Korean food and Sichuan food while Guangzhou cuisine finds it comparatively hard to break into the Hangzhou market.

City-wide first-floor rents increased by 2.5% YoY to RMB18.9 per sq m per day mainly due to annual rental growth of certain existing projects. QJNC had the highest HoH rental growth among all submarkets at 1.7%

FIGURE 6: Downtown retail supply and stock, 2008-1H/2018



Source: Savills Research

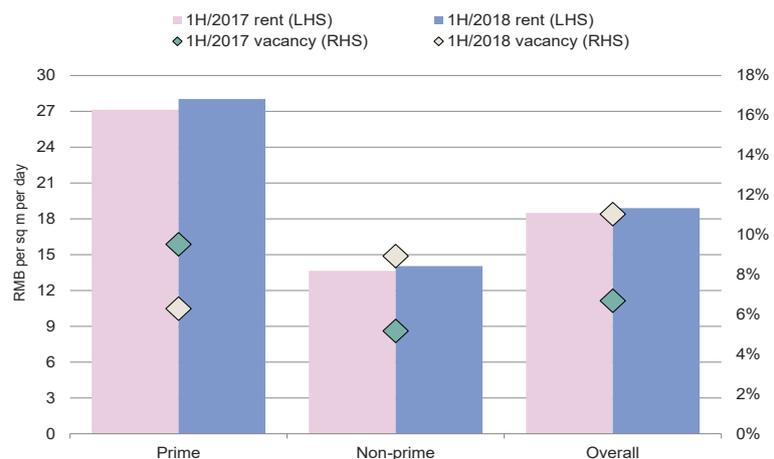


to RMB26.7 per sq m per day thanks to the strong leasing performance of the landmark Raffles City.

Looking forward, the market is expected to welcome 731,400 sq m of new supply in the second half of 2018 with several landmark projects including Joy City, Knowledge Mall, In77 E (Hubin Yintai Phase 5). The large amount of new supply will put pressure on vacancy rates. With the existence of high-end retail projects including Kerry Centre, Joy City, Raffles City, Hangzhou’s retail market is expected to see a gradual improvement of retail stock.

In the end of May, Hang Lung Properties acquired a land site of 194,000 sq m GFA in Wulin for an accommodation value (AV) of around RMB55,000 per sq m and 108% premium with a plan to develop a large-scale mixed-use commercial complex, comprised of a world-class mall and office tower. Other bidders included Alibaba, Sun Hung Kai and Wharf. The fierceness of the bidding for a premium site in Hangzhou indicated developers’ confidence about the growth of commercial market in Hangzhou. ■

FIGURE 7: Retail rents and vacancy rates, 1H/2017 vs 1H/2018



Source: Savills Research



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