Office

Chongqing – April 2021

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MARKET IN MINUTES

Office rents stay stable
Information technology and online education supported market demand.

• There was no new supply in Q1/2021, so Chongqing’s Grade A office stock remained at approximately 2.4 million sq m.

• Jiefangbei Fosun International Centre, originally scheduled to enter Chongqing’s Grade A office market in Q1/2021, was delayed to Q2/2021.

• The net absorption of Grade A office space was 44,000 sq m in Q1/2021, and the citywide vacancy rate dropped 1.8 percentage points (ppts) to 25.7%.

• The average rent of the Grade A office market in Chongqing remained stable quarter-on-quarter (QoQ) at RMB85.3 per sq m per month in Q1/2021.

• Information technology, consumer services and finance were the top three industry types for office demand, with contribution rates of 33.0%, 21.7% and 10.9%, respectively.

• Some forward-thinking landlords began to offer co-working and customised products to meet customer needs in order to enhance their competitiveness in the market.

• The Chongqing government proposed a set of policies to stimulate the innovation-driven development of the city and accelerate the construction of a technological innovation centre with national influence. Due to this policy support, information technology companies will see more development opportunities in the rest of 2021.

“The epidemic has accelerated the change of office leasing strategies in Chongqing. The traditional leasing and property management model is gradually changing, and diversified, intelligent and flexible properties are meeting market demand.”

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CENTRAL MANAGEMENT

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MARKET OVERVIEW

No new projects entered the market in Q1/2021, and the total stock of Grade A office remained at 2.4 million sq m. Although office visits have increased significantly, landlords are still cautious on rents, and “stabilising rents and providing strong services for tenants” remained a major leasing strategy for many landlords during Q1/2021. The average rent of Chongqing’s Grade A office market remained steady QoQ at RMB85.3 per sq m per month. The overall market demand was stable, and the net absorption of Grade A office space was 44,000 sq m in Q1/2021, pushing the vacancy rate down 1.8 ppts to 25.7%.

Information technology, consumer services and finance enterprises’ office demand ranked the top three in Q1/2021, with 33.0%, 21.7% and 10.9% in Q1/2021, respectively. The main demand came from the expansion and settlement of information technology enterprises such as ByteDance, Honor and Xiaomi. In terms of consumer services, the expansion of online education continued to accelerate, and several catering transactions from Xinpaifang and Jiangbei in Q1/2021 were also recorded. Under the influence of the central bank’s ongoing regulation of new finance, the leasing performance of traditional financial enterprises strengthened. A number of high-quality financial enterprises such as Ping An Puhui and ZTF Securities entered the market, providing strong support to promote the high-quality development of Chongqing’s financial industry.

The outbreak of the COVID-19 has changed Chongqing’s financial industry. To promote the high-quality development of the main industries, Chongqing has entered the market, providing strong support to promote the high-quality development of Chongqing’s financial industry.

The development of third-party office space operators is splitting. Although the current needs of small-and medium-sized enterprises can still be met in terms of leasing period, area and rent from third-party operator operators, some early entrants have reduced and withdrawn their leases in Q1/2021. Site selection and the level of operation are critical factors in determining the viability of third-party office space in the city. Some operators who are responsive to policy adjustments, market forecasts and demand will stand out in the increasingly fierce market.

MARKET OUTLOOK

The Jiefangbei Fosun International Centre, originally scheduled to enter the city in Q1/2021, was delayed to Q2/2021. The entry of Fosun International will continue to enhance the business atmosphere of Jiefangbei as a traditional business district and stimulate tenants with relocation and upgrading needs. During the 14th Five-Plan (2021-25) period, the development of science and technology innovation is an important policy directive in the overall situation of China’s modernisation. The Chongqing government proposed a set of policies to stimulate the innovation-driven development of the city and accelerate the construction of a technological innovation centre with national influence. Due to this policy support, information technology companies are expected to see more development opportunities in the rest of 2021.

### TABLE 1: Selected Leasing Deals, Q1/2021

<table>
<thead>
<tr>
<th>TENANT</th>
<th>INDUSTRY</th>
<th>PROJECT</th>
<th>LOCATION</th>
<th>GROSS FLOOR AREA (SQ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ByteDance</td>
<td>Information Technology</td>
<td>Chongqing IFS T6</td>
<td>Jiangbei</td>
<td>31,000</td>
</tr>
<tr>
<td>Yuanfudao</td>
<td>Consumer Services</td>
<td>Chongqing IFS T1</td>
<td>Jiangbei</td>
<td>6,000</td>
</tr>
<tr>
<td>Ping An Puhui</td>
<td>Finance</td>
<td>Chengda Jinjia International Centre</td>
<td>Jiangbei</td>
<td>1,400</td>
</tr>
</tbody>
</table>

### Note
All the rent indexes in the figures were started in Q1/2011 except these submarkets: Jiefangbei - Q1/2012; Dashihua - Q2/2012; Xinpaifang - Q2/2014; Yangjaping - Q4/2014

Source: Savills Research