

Office



Professional services sector becomes the main demand engine

Professional services sector, especially law firms, continued to post stable demand, making it the most active sector in leasing in the first half of the year.

- In H1/2024, Chongqing's Grade A office market had two new projects delivered, Midtown Office in the Xinpaiyang and Junhao ICFC Block A in Jiangbeizui, respectively, bringing 235,000 sqm of new space. The city's current Grade A office stock is 2.9 million sqm.
- The city's average rent decreased by 1.4% YoY to RMB79.5 per sqm pm as some buildings continued to reduce rents to attract tenants.
- Affected by large volume of new supply and slower-than-expected market recovery, the overall vacancy rate of the city's Grade A office market climbed to 34.9%.
- In H1/ 2024, nearly 86.2% of new leasing transactions were less than 500 sqm, indicating a slow recovery on the demand side.
- The IT industry had the largest increase in new demand in the first half of this year, accounting for 19.7% of the total new transaction area in the city.
- Further regulation of off-campus training activities provides a guarantee for the long-term stable development of the industry.

“Accelerated promotion for digital industry development should boost office leasing demand in the sector, especially Jiangbei District, where such enterprises gather and policy support is in place.”

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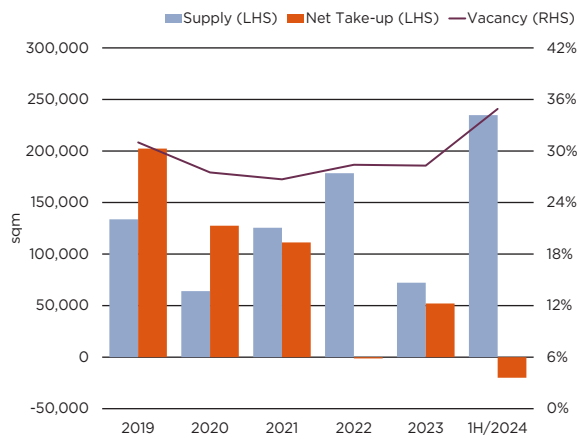
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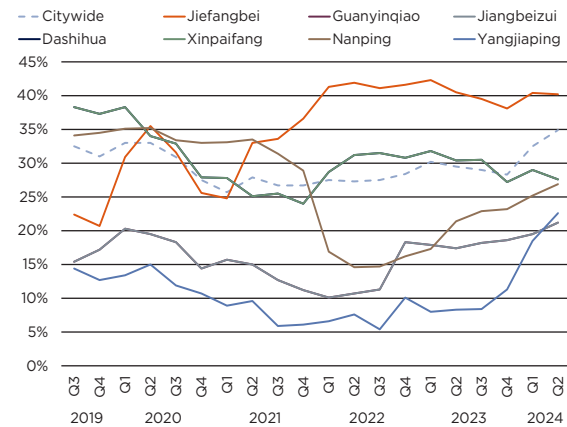
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GRAPH 1: Grade A Office Supply, Take-up And Vacancy Rates, 2019 to 1H/2024



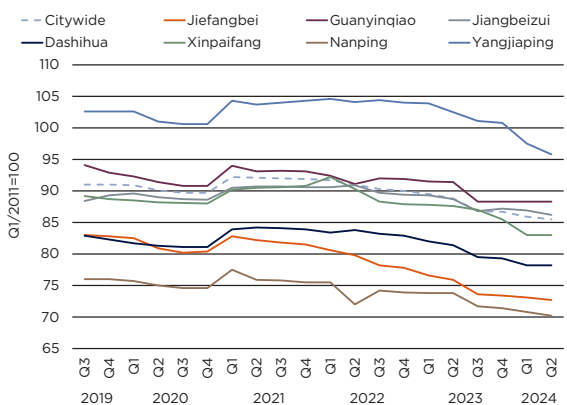
Source Savills Research

GRAPH 2: Grade A Office Vacancy Rate, Q3/2019 To Q2/2024



Source Savills Research

GRAPH 3: Grade A Office Rental Indices, Q3/2019 To Q2/2024



Note All the rent indexes in the figures were started in Q1/2011 except these submarkets: Jiangbeizui - Q1/2012; Dashiuhua - Q2/2012; Xinpaifang - Q2/2014; Yangjiaping - Q4/2014

Source Savills Research

MARKET OVERVIEW

In H1/2024, Chongqing’s Grade A office market had two new projects delivered, Midtown Office in the Xinpaifang and Junhao ICFC Block A in Jiangbeizui, respectively, bringing 235,000 sqm of new space. The city’s current Grade A office stock is 2.9 million sqm. Affected by large volume of new supply and slower-than-expected market recovery, the overall vacancy rate of the city’s Grade A office market climbed to 34.9%. The city’s average rent decreased by 1.4% YoY to RMB79.5 per sqm pm as some buildings continued to reduce rents to attract tenants.

INDUSTRY DEMAND

In H1/2024, the new leasing demand mainly came from the professional services and financial sectors, accounting for 20.1% and 15.2% respectively. Professional services sector, especially law firms, continued to post stable demand, contributing 9,000 sqm of net absorption to the market and making it the most active sector in the first half of the year. New leasing demand from financial enterprises has shrunk, so did its proportion of new leasing in Grade A office buildings compared to the same period last year. As for sub-industries, over 40% of the new leasing area comes from investment and asset management, and more than a third from the new finance.

The IT industry gained the largest increase in new demand in the first half of this year. The government’s continuous support for innovation and entrepreneurship as well

as talent cultivation in software and IT has brought more players to the market. Starting from 2023, Jiangbei District has been making moves to promote digitalization for the software and information service industry, leading to more new office leasing demand from IT enterprises in the Jiangbeizui sub-market, thanks to the industry concentration and policy support.

Increasing regulation of off-campus training activities has guaranteed the industry’s stable development in the long run. In H1/2024, the education services sub-sector accounted for 37% of the newly leasing area of Grade A office, up 8.5 ppts YoY. Leasing activity rebounded significantly, with both Dashiuhua and Jiefangbei markets recording large transactions.

MARKET OUTLOOK

Looking ahead, no new supply is expected in Chongqing’s Grade A office market in H2/2024, providing an opportunity for the market to gradually digest the stock space. In addition, the city’s policies to promote the high-quality development of the information industry and the construction of a digital Chongqing should help the continuous release of office leasing demand in related industries.

TABLE 1: Selected Leasing Deals, Q2/2024

TENANT	INDUSTRY	PROJECT	LOCATION	GROSS FLOOR AREA (SQ M)
Changan Automobile	Manufacturing	Financial Centre No.1 Tower A	Jiangbeizui	1,900
Dragon’s Choice	Retail & Trade	Sincere Financial Centre A Tower	Jiefangbei	1,800
Xingdan Media	Media & Entertainment	Sincere Centre	Guanyinqiao	1,500
Chongqing Jinshunhang Energy	Energy & Raw Materials	HNA Poly International Centre	Jiefangbei	1,400
Chongqing Shunxiang Mansion Catering Culture	Consumer Services	Chengda JinJia International Centre	Jiangbeizui	1,300

Source Savills Research