Nanjing’s office market’s recovery accelerates

With the economic recovery in the first quarter, there is optimism for future growth in the office market.

- Walsin Centro #6 entered the market in Q1/2021, which added 16,000 sq m of supply to the market and lifted the total stock to 1.3 million sq m.
- Total net take-up was 27,801 sq m in Q1/2021.
- The citywide vacancy rate decreased by 1.3 percentage points (ppts) QoQ to 24.4%.
- Grade A office rent averaged RMB4.7 per sq m per day, a 0.4% QoQ decrease.
- The primary demand for Grade A office came from the financial, construction and TMT industries.
- The vacancy rate of Xinjiekou decreased by 2.4% QoQ to 13.4%, while the average rent decreased by 0.5% to RMB4.9 per sq m per day. The vacancy rate in Gulou remained stable at 8.2%, while the average rent decreased by 0.5% to RMB4.5 per sq m per day. Hexi New Town’s vacancy rate decreased by 1.4% to 40.7%, while the rent decreased by 0.2% to RMB4.6 per sq m per day.
- There will be 230,000 sq m’s new supply in the rest of 2021.
- Office demand recovered from the lows of 2020, but the significant overall stock is still putting pressure on the market.

“The overall demand in Nanjing is recovering, and more premium projects are entering the market, providing tenants with more high-quality office choices.”

JAMES MACDONALD, SAVILLS RESEARCH
SUPPLY AND DEMAND

In Q1/2021, the Walsin Centro #6 launched onto the Grade A office market, adding 16,000 sq m to the total stock and raising it to 1.27 million sq m. The financial, construction and TMT industries were the major demand drivers of the office market in Q1/2021.

The major office leasing deals in the quarter included BMW’s data centre business unit leased 4,000 sq m in the China Life Building and China Construction Third Engineering Bureau leased 2,000 sq m in Suning Huigu Tower.

VACANCY RATES AND RENTS

The overall vacancy rate decreased by 1.3 ppts QoQ to 24.4%; at the same time, the rent of Grade A buildings decreased by 0.4% QoQ to RMB4.7 per sq m per day.

The rent level of Xinjiekou was the highest in the city, with the average rent decreasing by 0.5% QoQ to RMB4.9 per sq m per day. Due to the increase in the occupancy rate of Ping An Financial Centre and the stable performance of other premium projects, the occupancy rate in the area decreased by 2.4 ppts to 13.4%.

There will be no new project entering Gulou in the next three years, and the overall market in the area is stable. In Q1/2021, Gulou's vacancy rate remained at 8.2%, while the average rent experienced a slight drop, decreasing by 0.2% to RMB4.5 per sq m per day.

MARKET OUTLOOK

Due to the robust epidemic controls and the vaccine rollout in the city, prospects are bright in Nanjing’s office market. The establishment of the Nanjing Metropolitan Circle will improve the connection between Nanjing and nearby cities in the Yangtze River Delta (YRD). Nanjing, as the central city of the Metropolitan Circle, will allocate resources to create a platform for the creative high-tech industries. In the future, office demand from surrounding areas is expected to concentrate in Nanjing. At the same time, as announced in the 14th Five-year Plan, it is expected that the city will see more office demand from high-tech, pharmaceutical and environmental industries in the future.

The vacancy rate in Hexi is the highest among all areas in the city due to the large amount of stock. However, Hexi is still a popular area in Nanjing’s office market. The completion of IFC T1 in 2021 is expected to improve the overall office quality in this area and increase the competitiveness of the Hexi area. The vacancy rate of Hexi in Q1/2021 decreased by 1.4% to 40.7%, and the rent decreased by 0.2% to RMB4.6 per sq m per day.