Tianjin’s office market recovers
Leasing demand rebounds, though rents continued to edge down.

- Tianjin’s Grade A office market saw no new supply in Q2/2020, keeping the citywide stock at 1.45 million sq m GFA.
- Leasing demand for Grade A office was on the rise, with an increase in leasing activities compared with Q1/2020.
- The overall vacancy rate declined by 0.9 of a percentage point (ppt) quarter-on-quarter (QoQ) and by 2.1 ppts year-on-year (YoY) to 36.1%.
- Thanks to the active leasing market, the office market’s net absorption rose to 13,791 sq m.
- Overall office rents dipped 0.1% QoQ to RMB131.4 per sq m per month.
- The Nanjing Road area achieved stable absorption due to its well-developed supporting facilities, helping drag down the vacancy rate. The area outperformed this quarter with net absorption reaching 28,175 sq m.
- Some Grade A office landlords issued favourable measures to tenants to offset the economic harm caused by COVID-19, such as increasing the rent-free period for another month.
- Every project expected to open during Q2/2020 delayed their launch times and are now expected to enter the market in 2H/2020 or 1H/2021.

“Tianjin’s economic development has gradually recovered from COVID-19. Grade A office market continued to destock, reflecting a slight uptick in net absorption. Pressure is still mounting on citywide office rents, however, due to abundant stock and intensified competition.”

VINCENT LI, SAVILLS RESEARCH
SUPPLY AND DEMAND
No new projects launched onto the Grade A office market in Q2/2020, keeping the total GFA across the city at 1.45 million sq m. Tianjin’s economy has started to recover since COVID-19 was effectively contained in the city. Grade A office leasing activity in Q2/2020 witnessed a growth compared to Q1/2020. The net absorption moved upwards, with a figure of 13,791 sq m. The leasing demand was mainly driven by education, finance and science and technology sectors. Since citywide average rents were relatively low and rent differences between all Tianjin’s submarkets were not that pronounced, the city core remained the primary choice for tenants. In Q2/2020, the city core had an impressive performance compared to non-core areas. Leasing activities mainly included a science and technology company occupying around 2,000 sq m in the World Financial Centre, and two education companies, Xue’ersi and Yuanfudao, leasing approximately 12,000 sq m and 10,000 sq m, respectively, in the Modern International Finance Centre.

RENTS AND VACANCY RATES
As social activities gradually resumed, leasing activities started to pick up in Q2/2020 as well, though rents kept trending downward. The citywide rental index inched down by 0.1% QoQ, and overall rent reached RMB131.4 per sq m per month. Meanwhile, some co-working landlords reduced rents to attract more tenants to raise occupancy rates. The overall vacancy rate slipped by 0.9 of a ppt QoQ and by 2.1 ppts YoY to 36.1%.

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The Nanjing Road area, located in the city core, had a strong performance in Q2/2020 thanks to its easy accessibility, well-developed supporting facilities and business environment. Major leasing activities were concluded in this area, which brought down its vacancy rate to 16.6%, a drop of 8.7 ppts QoQ. The absorption space reached 28,175 sq m, ranking the highest across all submarkets. Rent in the Nanjing Road was identical QoQ, standing at RMB156 per sq m per month.

MARKET OUTLOOK
Since Tianjin’s government has relaxed the epidemic prevention and control measures, virtually all business sectors are returning to normal. Driven by the development of Beijing-Tianjin-Hebei integration, Tianjin will play a significant role in supporting and connecting Beijing and Hebei. Sectors such as artificial intelligence, high-end manufacturing and financial innovation are expected to enter Tianjin, and its office market will be benefited accordingly from the influx of companies and talent.

Tenants were getting back on track by the end of Q2/2020 and had higher requirements for their office space, particularly requirements for greener, healthier and more environmentally-friendly office space in the post-COVID-19 world. Several tenants preferred to relocate or upgrade in office buildings that had these green building indicators, such as the LEEDs certification.

Metropolis, located in Haihe Riverside in the city core, is anticipated to make its debut in Q3/2020. The project has a GFA of 140,000 sq m and was jointly developed by Financial Street Holdings and Poly Real Estate. This large influx of supply could lead to fiercer market completion in the Haihe Riverside area and Tianjin as a whole.

TABLE 1: Grade A Office New Supply, 2H/2020

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>SPACE (SQ M)</th>
<th>SUBMARKET</th>
<th>USAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolis</td>
<td>140,000</td>
<td>Haihe Riverside</td>
<td>For Rent</td>
</tr>
<tr>
<td>Jingjin International Centre</td>
<td>140,000</td>
<td>Haihe Riverside</td>
<td>For Rent</td>
</tr>
</tbody>
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Source: Savills Research