Tianjin office market remains flat

Grade A office market saw no new project launch, and the citywide vacancy rate stayed at a high level.

- No new project was launched onto Tianjin’s Grade A office market, leaving the total stock at 1.53 million sq m GFA by the end of Q1/2021.
- By the end of Q1/2021, the average vacancy rate edged up by 0.4 of a percentage point (ppt) quarter-on-quarter (QoQ) but down by 0.9 of a ppt year-on-year (YoY) to 36.1%.
- Net absorption recorded a negative figure of -5,363 sq m, which reflected a softening leasing demand and downbeat transaction activities.
- Internet and technology industries were still the main drivers of leasing demand.
- Grade A office average rent remained under pressure and dropped to RMB115.2 per sq m per month. The rental index fell 2.1% QoQ and 11.6% YoY.
- New Badali recorded the best performance in Q1/2021 with the highest net absorption, and its vacancy rate dipped as well.
- Two new projects, Hopson Fortune Plaza Tower A in Haihe Riverside and Central Building in Hedong District, are scheduled to make their debut in Q2/2021, bringing a total new supply of nearly 100,000 sq m GFA.

“Office leasing demand experienced some headwinds in Q1/2021, which resulted in high average vacancy rates and a downward trend in rents. Looking ahead, the market competition will be fiercer as more new projects launch later this year.”

VINCENT LI, SAVILLS RESEARCH
SUPPLY AND DEMAND

The Grade A office market saw no new projects launched in Q1/2021, leaving the total stock at 1.53 million sq m GFA. During Q1/2021, leasing activities of the Grade A office were slow due to the impact of the Spring Festival holidays. The office market saw negative net absorption of -5,363 sq m as some tenants terminated their lease agreements when the agreement expired. However, leasing activities in the New Badali Area were active and recorded a net take-up of 2,197 sq m thanks to its relatively low rents and complete supporting facilities. For example, a technology company leased 2,000 sq m in China Overseas Office Capital Building in New Badali.

Leasing demand from internet and technology enterprises saw an increase in Q1/2021. For example, Zhixuanyouche leased 1,000 sq m in Metropolis Tower A in Haihe Riverside.

RENTS AND VACANCY RATES

In Q1/2021, some financial and trade tenants terminated their tenancy agreements or didn't renew their leases, increasing the citywide vacancy rate and forcing a rental decline in the majority of submarkets. The average rent for the Grade A office market fell to RMB115.2 per sq m per month, with the rental index down 2.1% QoQ and 11.6% YoY. The citywide vacancy rate edged up 0.4 of a ppt to 36.1% but dipped by 0.9 of a ppt YoY.

Vacancy rates across the city increased except for the New Badali area in Q1/2021. As an emerging commercial area, New Badali, with its well-developed supporting facilities and low rents, outperformed the market, with its vacancy rate dropping 1.4 ppts QoQ and 26 ppts YoY to 47.5%. The rental index of the Nanjing Road area witnessed a pronounced decline of 6.7% QoQ. The rental level in this area was RMB124.8 per sq m per month, which was still the highest across the city. Xiaobailou recorded the second-highest rents of RMB118.3 per sq m per month, with the rental index dropping 3.8% QoQ. Rents in New Badali and Youyi Road remained unchanged.

MARKET OUTLOOK

The Grade A office market is expected to welcome two new projects in Q2/2021. One is the Central Building, located in Hedong District, and the other is Hopson Fortune Plaza Tower A, located in Haihe Riverside, bringing a total new supply of nearly 100,000 sq m to the market. The new supply will put pressure on landlords and lead to fierce market competition in Tianjin's office market.

In the “14th Five-Year Plan”, Tianjin plans to accelerate the construction of a new development model and will take non-core capital functions by upgrading the service infrastructure of the “Jin City” and optimising resource allocation in the “Bin City”. The construction of industrial parks and logistics bases are expected to attract numerous enterprises to relocate to Tianjin.

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