

MARKETBEAT



¥97.7
RENT
(PSM/MO)

-1.3%
RENTAL GROWTH
(QOQ)

38.6%
VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Vacancy rate spikes to ten-year high

The completion of Nord Center #20 and #21 in Q3 added a combined 51,417 sq m of new supply, increasing Tianjin's office stock to 2.31 million sq m. The leasing market weakened in the quarter, with net absorption at just 24,000 sq m, down 75.1% y-o-y. Financial enterprises with high leasing capacity needs accounted for 52.0% of total transactions. The weak demand together with the new supply pushed the Tianjin office vacancy rate up to 38.6%, the highest of the last ten years.

Market rent continues declines

With the volume of new supply entering the market many landlords lowered rents to respond to competition, and the overall market rent continued its decline of the last five consecutive years. In Q3, market rent fell 1.3% q-o-q to RMB97.7 per sq m per month.

Market competition set to intensify

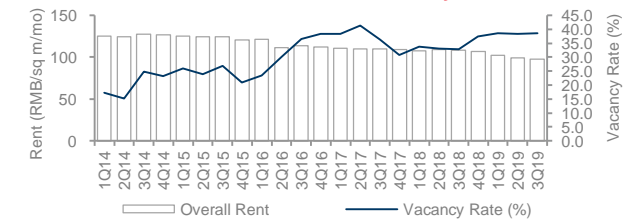
In the next two years the market is set to add 12 Grade A office projects, bringing 1.05 million sq m of new office space into the market, with 38% concentrated in the Haihe submarket. Limited demand coupled with enlarged supply will continue to intensify market competition, and we can expect the overall market vacancy rate to remain at a high level with rental levels under downward pressure.

Economic Indicators

	Q1 2019	Q2 2019	One Year Forecast
GDP Growth	4.5%	4.6%	▲
Tertiary Sector Growth	4.6%	5.6%	▲
CPI Growth	1.9%	2.2%	▲
Real Estate Development & Investment Growth	27.4%	19.1%	▼

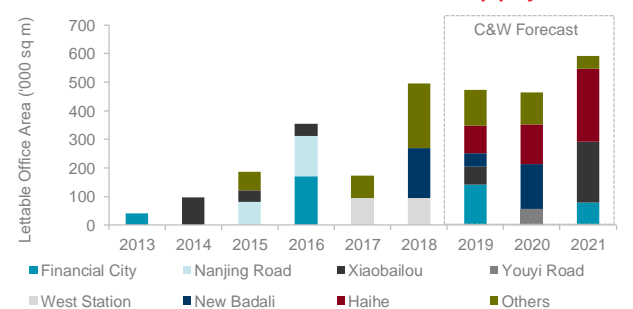
Source: Tianjin Statistics Bureau / Cushman & Wakefield Research

Grade A CBD Rent & Vacancy Rate



Source: Cushman & Wakefield Research

Grade A Office Annual New Supply



Source: Cushman & Wakefield Research

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SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Nanjing Road	590,737	27.6%	0	110.24	1.45	1.31
Financial City	332,370	32.0%	220,960	102.06	1.34	1.21
Xiaobailou	295,971	30.0%	213,100	106.29	1.39	1.26
Youyi Road	162,675	25.2%	57,500	98.99	1.30	1.17
West Station	189,450	36.6%	0	86.58	1.13	1.03
New Badali	220,964	77.7%	155,000	67.81	0.89	0.80
Haihe	96,968	64.3%	394,000	72.17	0.95	0.85
Others*	420,850	45.4%	230,853	96.43	1.26	1.14
TIANJIN GRADE A OVERALL TOTAL	2,309,985	38.6%	1,271,413	97.65	1.28	1.16

*Projects of others not belonging to any of the above submarkets.

Effective Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT and rent-free periods factored in.
Exchange Rate: 1 USD= 7.08718 CNY=0.90361 EUR as of Aug 23, 2019

Key Leasing Transactions Q3 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Luneng International Center	Others	VOGLASS+DC	2,000	Relocation
China Life Finance Centre	Xiaobailou	MZ Securities Investment	1,000	Relocation
Tianjin Hopson Fortune Plaza	Haihe	Industrial Bank Co.,Ltd.	1,000	Relocation

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Metropolitan Center	Others	N/A	75,000	Q4 2019
Sunac Center	Others	N/A	70,853	2020
Zhongjian Yuedongfang	Others	N/A	40,000	2020

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