

### Developers shift eastward bringing Hedong back to life

Ten years ago, Hedong District was known as an immature area home to several poor quality residential projects and old factories. Hedong District's public services, including access to public transportation, hospitals, and schools, have lagged behind other core districts in Tianjin. This has led to an agglomeration of less affluent residential communities while the other districts, like Heping and Nankai, attracted large real estate investments. As such, Hedong District features only limited commercial property stock. For many years, it was without office buildings that could support housing demand from white-collar workers or alluring retail projects that could attract visitors from across the Haihe River. Unfortunately, despite recent development, Hedong District's poorer reputation still persists. Even today, if you asked a local Tianjin resident what she thought of Hedong District, she'd likely describe it as "poor," "uninspired," or "underdeveloped."

However, as we continue to track Tianjin's real estate market, we notice Hedong District making large strides in improving its infrastructure, public services, and commercial property. Its recent developments will likely play a role in transforming public opinion as Hedong District becomes a more attractive place to live.

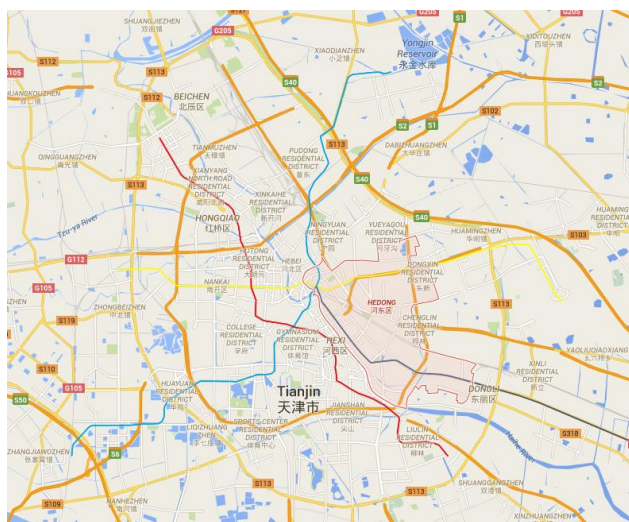
District Information (by 2015)				
District	Permanent Population (10,000 persons)	GDP (RMB 100 million)	Total Area (sq km)	% as Tertiary Industry
Heping	38	720	9.97	97%
Hexi	102	703	37	91%
Hedong	99	280	39	91%
Nankai	117	544	40.64	90%
Hebei	91	384	29.14	77%
Hongqiao	59	175	21.3	92%

### Tianjin's origins trace back to Hedong District

Hedong, which literally means River-East, is rich with history and is considered to be one of the historical origins of Tianjin. Starting from the Yuan Dynasty, one area called "Zhigu Village" – located along the Haihe Riverside, in what would be present-day Hedong District. Zhigu Village served as the area's port, transporting grain from North to South China. People gradually gathered there and formed a settlement, which later became a sprawling city.

### Advanced infrastructure sets the foundation

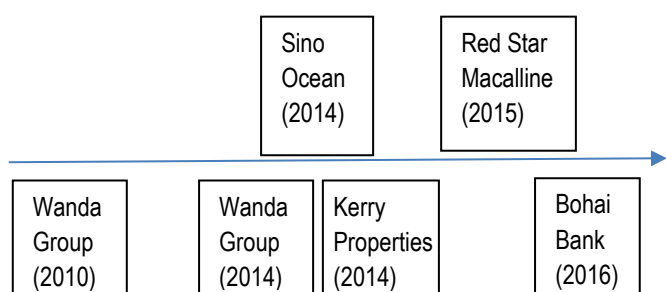
Hundreds of years later, Hedong District is beginning to establish itself as a transportation hub. Tianjin Railway Station is located in Hedong and is the primary access point to Beijing, Wuqing, and Tianjin's Binhai New Area. Beginning in 2000, the local government also invested heavily in constructing a metro line that stretches through the greater part of Hedong District.



- Construction of Metro Line 9 started in 2001, and by end-2012, it was officially completed. Later on, this also enabled people to transfer to Metro Line 2 and Metro Line 3 at Tianjin Railway Station.
- Metro Line 2, connecting the west to the east, opened in August 2013.

Hedong is also within close proximity of Tianjin's sole airport – Tianjin Binhai International Airport– in Dongli District. This makes access to the airport easier, via highways and the metro, than other districts. Hedong's improving transportation network, which has boosted connectivity to other districts, regions, and cities, has paved the way for more real estate development.

### Recent development in real estate propels Hedong



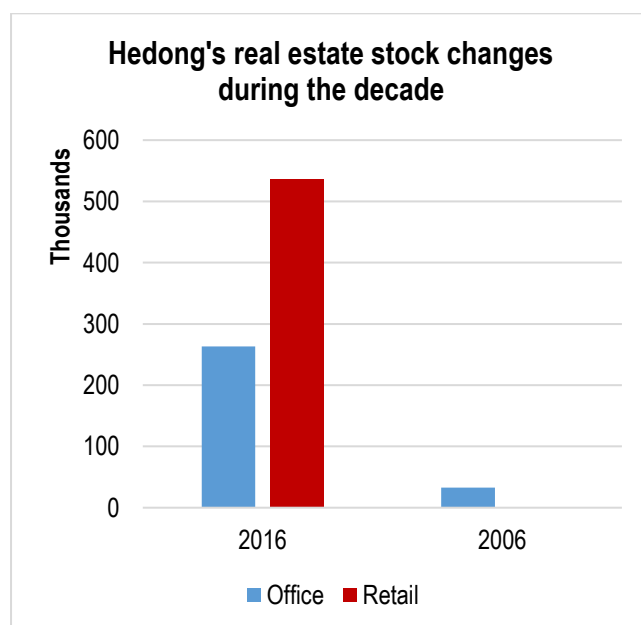
Starting in 2010, well-known developers began to explore the development opportunities within the district, especially in the area near Haihe River. Mixed-use developments were most common in the beginning. Wanda Group developed two large, mixed-use projects in Hedong in 2010 and 2014, respectively. Sino Ocean Group also entered the Hedong market in 2014, bringing another mixed-use project alongside Metro Line 2, which locates a community shopping mall catering to kids and entertainment. In 2016, Sino Ocean then built 15,000 sqm of Grade B office space in Hedong (Sino Ocean International Building) which they are actively selling. Bohai Bank – a local, state-owned bank – also developed an office building on the riverside and opened with over 70% of the space dedicated for self-use in 2016. Kerry Properties, a Hong Kong-based developer, constructed a large mixed-use project which includes high-end residential, a shopping mall, and a five-star hotel and will eventually include an office tower. Lastly, domestic developer, Red Star Macalline built a large-sized community shopping mall along Jingbin Avenue, a main road in Hedong, at the end of 2015.

Before the development of these new projects, it was difficult for Hedong to attract destination shoppers and white-collar workers and wealthy individuals to own and occupy property within the district. However, Wanda's entrance into Hedong in

2010 with a relatively new retail concept – a high quality shopping mall – helped the district attract new customers from other districts and propelled the local shopping environment. Home prices near the shopping mall increased at faster rates than other projects in the area.

Kerry Properties' project is perhaps an even better example. Kerry took advantage of a good location, directly on top of a metro station and alongside the river with a scenic view of downtown Tianjin, to develop residential high-rises, a large-scale shopping mall, and operate Tianjin's only Shangri-La Hotel. In a competitive market environment for both retail and hotels, the shopping mall still has a good amount of vacant space and the hotel cannot achieve high occupancy rates all of the time, however, the complex has brought life to the surrounding area. For example, several kids related brands and restaurants, such as Kro's Nest and Matta Pizza, made their Tianjin debuts in the project. These brands have brought people to shop there from across the river in Heping and Nankai District. Additionally, we have also witnessed the Shangri-La hotel utilize its riverfront location as a destination for weekend trips, especially from Beijing residents.

As higher quality and better-managed projects enter the Hedong District, the area will benefit from gentrification. Businesses moving to the area will generate more owner-occupier demand from white-collar workers while increasing property values should generate more investment into the real estate sector.



### Future outlook is bright

Looking forward, more grand-scale projects are expected to enter Hedong. One of the largest, CITIC Real Estate's City

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Plaza, which also locates alongside the river, will include several residential high-rises, a shopping mall, a hotel, and office towers. The project expects to be fully complete within the next five years.

It is true that most of the recent development has only occurred in the west of Hedong, principally on the riverside. However, it is a good start for people from across the river to notice that Hedong is changing rapidly and it is now an

attractive destination to eat, drink, shop, and spend the weekend with their families.

Given the recent trends of urbanization and city expansion, formerly distant areas like Hedong will have more opportunities. Limited future land supply west of the river, like in Heping and Hexi District, will force developers looking to enter the market eastward. Additionally, relatively cheaper land prices and maturing infrastructure should help stimulate more property investment demand into Hedong District.

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