

Central Tianjin Real Estate Market 2016 Review

Tianjin's amazing skyline along the river always fascinates visitors, it is especially impressive given that it has grown from the ground up within only a decade. Besides just seeing all of the new high-quality office towers and fancy shopping centres, people are curious to know what has pushed the city's rapid development and who is actually occupying all of that new commercial space. Before answering these questions, one thing is for sure – the growth of the real estate market has made Tianjin a more liveable city and a better place to work and visit.

Higher quality tall buildings lights up central Tianjin

Central Tianjin's overall office market stock has reached 2.6 million sqm in 2016, double the figure of three years earlier (1.3 million sqm in 2013) and triple that of ten years ago (847,000 sqm in 2006). Among these new buildings there are several have been built to very high standards, similar to what you would find in Beijing or Shanghai. This year's Grade A office market has welcomed several new, tall buildings in the CBD area; Vantone and the Modern Group are good examples of developers of such buildings.

End users are attracted by the interesting facades, impressive lobbies, security systems and high-speed lifts. Additionally, more natural lighting and air quality management systems appeal to companies focused on creating a workplace focused on employees' health and productivity.

The good news is that demand is coming from a diverse group of tenant types and from a diverse range of industries. In a recent article "Who will fill the void left by P2P tenants," we focused on how demand in 2015 from Peer to Peer (P2P) lending companies had rapidly expanded and then collapsed. In 2016, demand has come from tenants in a wide range of industries from technology to petrochemicals expanding in the Grade A office market and also from a wide range of domestic firms upgrading from Grade B office space.

Behind the demand, we also find positive fundamentals for the Tianjin office market. Although less developed than Beijing and Shanghai, Tianjin's service sector has started to catch up and its contribution to total GDP is now higher than the manufacturing sector. We expect a number of companies from the service sector to become active and build a long-term presence the city.

Selected list of key office projects in 2016:

Project Name	Developer Name	Completion Year	GFA	Submarket
Vantone Centre (万通中心)	Beijing Vantone Real Estate (北京万通地产股份有限公司)	2016	54,000	Nanjing Road-Xiaobailou
MIFC (现代城天津国际金融中心)	Modern Group (天津现代集团有限公司)	2016	121,000	Nanjing Road-Xiaobailou
Yanlord Riverside Plaza (仁恒置地国际广场)	Yanlord Land Group (新加坡仁恒集团)	2016*	44,000	Old town-Haiguangsi

Selected list of key retail projects in 2016:

Project Name	Developer Name	Completion Year	GFA	Submarket
Metropolitan Plaza (世纪都会)	Hutchison Whampoa (和记黄埔有限公司)	2016	70,000	Nanjing Road
SM City Phase I (SM 天津滨海第一城)	SM Prime Holdings (SM 天津滨海广场)	2016*	70,000 (Total GFA: 540,000)	Airport
Joy City Heping (天津和平大悦城)	GIC&HKR (新加坡政府投资公司, 香港兴业银行)	2016*	55,000	Nanjing Road

Source: JLL Research, 3Q16

*Forecast data

Retail projects expand customer's shopping options

The retail market is being transformed from traditional department stores to one based on experiential space combined with an indoor entertainment function. As customers become more sophisticated, buying clothing and dining out are no longer the reasons to visit malls. Since there is a lack of public services, such as those seen in Beijing's Sanlitun, or art museums, Tianjin has few fun places for the

family and young people. Large-sized shopping centres have the advantage of being able to provide everything a shopper needs in one location. One example is SM City, which is the large-sized suburban resort, will open its first phase this year. The 540,000-sqm shopping centre, close to Tianjin Binhai International Airport, has indoor theme park and offers more experiential stores for family and kids.

As a city with a retail sales growth rate of 10% for the past year, retailers are keen to add a presence in Tianjin. Apple opened its second and third stores in Tianjin and brands, such as Walmart's Sam's Club, are entered the market for the first time.

Local customers now have a greater selection of retail options than before and shopping malls are of a higher standard. Another retail market trend is that a few community malls have been opened to meet the needs of nearby residents. From our latest retail article in November: "Most Tianjin residents will find a mall near their home that has the basics and that will become their regular location for standard retail purchases. We also expect most consumers to choose one or two malls to become their primary destinations for shopping when it comes time to find the newest brands or visit a new brand."

Travellers spend short holidays in Tianjin

Tianjin's hotel industry has benefited from short holidays and overnight trips in 2016. About 2.5 million travelers visited Tianjin during May's Labour Day holiday, according to recent data from the Tianjin Tourism Bureau. Some leading upscale hotels have reported nearly fully occupancy rates during several holiday periods. Thanks to the convenient transportation network and the intense pace in the big cities, five-star hotels seem to enable local people to lead a

stylish lifestyle. There has been a trend for residents of both Beijing and Tianjin. Stay a weekend with family or friends and enjoy the beautiful riverside and a 100-year-old historical site in Tianjin.

Another demand driver for the city is the hosting of international events. In the past 11 months, the Summer Davos Conference in June and the Women's Tennis Association (WTA) Tianjin Open in October, which lasted for several days, brought international organizations and attendees to the city.

By the end of 2016, the Four Seasons hotel is expected to open along Nanjing Road in the central Tianjin. The increasing number of 5-star hotels indicates a higher level of service, better training for employees and fun experience for customers. Next year, we look forward to seeing the National Games of China and other events help the authorities to brand the city as an international and domestic travel destination.

Looking ahead

A downside risk of all of the new construction is new supply will outpace demand for commercial space, resulting in short-term concern for oversupply. However, as a real estate consultancy with a presence in Tianjin for ten years, we have witnessed the rapid development of this Tier 1.5 city's real estate market. We also expect stronger fundamental factors, such as the above average national level of GDP growth rate, to support the economy, to attract more talents to the city and to enhance commercial leasing demand in the long term. Tianjin's supply boom will cause some high vacancy rates in the short term, but will result in a stronger commercial real estate market with new and exciting options for workers, shoppers and travelers.

For further information, please contact:



Chelsea Cai
Head of Research, Tianjin



Michael Hart
Managing Director, Tianjin

www.joneslanglasalle.com.cn

