Contents

BEIJING ........................................... 3
Grade A Office .................................. 4
Retail .............................................. 5
Residential ...................................... 7
Industrial (Logistics) ......................... 8
SECOND-TIER CITIES ......................... 9
Office ............................................ 10
Retail ............................................ 11
Beijing
Beijing’s economy slowed in 2015, with GDP increasing by 6.7% YOY by the end of Q3 2015, a deceleration of 0.6 percentage points from the first three quarters of 2014, according to the Beijing Statistics Bureau. In the same period, the tertiary industry, which is strongly correlated with office demand, grew by 8.1% YOY, an acceleration of 0.7 percentage points. The finance industry grew by 19% YOY and accounted for 22.4% of tertiary industry value. Underpinned by this steady growth, demand for Beijing’s prime office space was strong, leading the average rent to edge up and the overall vacancy rate to remain low in 2015.

Six Grade A office properties completed in 2015, including: Posco Center, Poly International Plaza Tower 1 and NUO Center in the Wangjing submarket; Dreamsfount 35th in the Financial Street submarket; and Raycom Infotech Park Tower B and AVIC Plaza in the Zhongguancun submarket. The total stock increased by 6.6% YOY to approximately 5.6 million sq m.

Net absorption recorded an increase of 58.7% YOY to approximately 363,000 sq m, driven by demand for projects completed in 2015. Domestic companies in the finance, IT and professional service sectors were the major demand generators, contributing to a large number of new leases, relocations and renewals during this year. By submarket, nearly 56% of the net absorption was concentrated in the Zhongguancun and Wangjing submarkets, which received five new projects in 2015. As a result, the overall vacancy rate decreased by 0.7 percentage points YOY to 4.7% in 2015.

Headline leasing transactions included: Meilishuo.com’s new lease of 10,000 sq m and Chuang Zhan Holding Group’s new lease of 8,700 sq m, both at Posco Center in the Wangjing submarket; Air Media’s new lease of 2,500 sq m at NUO Center in the Wangjing submarket and Alibaba Pictures Group’s relocation of 5,700 sq m to World Profit Centre in the Lufthansa submarket. Multinational corporations continued to renew their leases despite their tightened leasing budgets. Major transactions included: Ernst & Young’s renewal of 20,000 sq m at Oriental Plaza in the East Chang An Avenue submarket; Pfizer’s renewal of 15,100 sq m at Minmetals Plaza in the East 2nd Ring submarket; and Intel’s renewal of 9,000 sq m at Raycom Infotech Park in the Zhongguancun submarket.

Beijing’s average rent remained the highest in China. By the end of 2015, the city’s average rent rose by 2.3% YOY to RMB331.6 per square metre per month (psm per month). Landlords of the new projects raised the rents as they achieved higher occupancy rates. Many landlords, especially in the CBD area, adopted stricter screening on the qualification of small domestic financial companies, such as peer-to-peer (P2P) financial companies, in consideration of their potential higher risks of default. By submarket, the Financial Street submarket continued to record the highest rent in Beijing as well as the largest yearly rental growth, with an increase of 7.5% YOY to RMB440.3 psm per month on the back of limited available supply and increasing demand from financial firms.

The office investment market was active with four en bloc sales transactions disclosed in 2015. Cinda China acquired the Guoson Centre, located in a prime location in Dongzhimen, from GuocoLand China for a total consideration of RMB10.5 billion, the largest deal in Beijing in the past ten years. The project is a mixed-use development with a planned GFA of 510,000 sq m, including two office towers, a shopping centre, apartments and a hotel.
Domestic end-users proactively sought office space in emerging areas, which resulted in two en bloc sales transactions in Wangjing and one en bloc sales transaction disclosed in Shijingshan. Beijing Enterprises Water Group acquired Poly International Plaza T3 for approximately RMB1.3 billion. Alibaba purchased Kuntai Garry Center for approximately RMB2.4 billion. Foresea Life Insurance purchased Glory Center Tower B for approximately RMB0.9 billion.

Despite the overall economic slowdown, Beijing’s service sector, which is the major driver for office demand and the local economy, has steadily grown and now accounts for more than 80% of total GDP, the highest level in China. Strong fundamentals, including the government’s monetary policies to promote financial liquidity, Beijing’s status as the regional business hub for north China, as well as the rapid growth of the finance industry will support the leasing demand for quality office spaces in Beijing in the short to medium term.

Moreover, the Beijing Municipal Commission of Development and Reform announced a ban on new large-scale public developments including office buildings and hotels within the area of East Fifth Ring Road, West Fifth Ring Road, North Fifth Ring Road and South Fourth Ring Road in the city, which covers the central area of the six urban districts of Beijing. The policy, which went into effect in August 2015, aims to reduce urban density in its central areas, and shift non-essential functions out of Beijing. This strict prohibition will further constrain office property development in the traditional commercial areas in the medium to long term, and will accelerate the decentralisation trend in Beijing’s office market.

Eight projects with a combined GFA of approximately 510,000 sq m are scheduled to complete in 2016 including Genesis Beijing, Emperor Group Centre, Tianrun Fortune Centre and Radiance Plaza. These new projects are expected to pull up the overall vacancy rate temporarily. Although demand for Beijing’s office property market will remain stable, average rent is forecast to correct in 2016, given the large volume of future supply.

Beijing’s office investment market will remain highly attractive to landlords, as evidenced by a number of retail properties, serviced apartments and hotels that have been or are being renovated into office space in 2015. Given the limited number of tradable core assets and hardening yields in traditional submarkets, a rising number of investors have begun to look at opportunities for value-added assets in decentralised areas, such as Wangjing and Shangdi. Asset performance is expected to be largely stable, with capital values maintaining moderate growth while yields continue to compress slightly.

Retail

Beijing’s retail sales of consumer goods increased by 6.9% YOY by the end of November, up 0.9 percentage points compared with H1 2015, according to the Beijing Municipal Bureau of Statistics. This positive fundamental was reflected in Beijing’s prime retail property market, which remained active in 2015. Four new projects, with 300,000 sq m of new supply, were completed during the year. Demand remained strong, as new international and domestic retailers entered the market and existing retailers expanded their footprint. The average vacancy rate increased slightly and the overall rent edged down on a yearly basis. However, this was primarily an effect of new supply in emerging areas, and on a project basis, rents continued to grow steadily in mature properties.

Beijing’s prime retail market received four projects with a combined 300,000 sq m of GFA in 2015. As a result, total stock increased to 4.6 million sq m. Notably, only one project was located in a core submarket. The other three projects, or more than 90% of new supply by GFA, were located in emerging areas such as Fengtai and Fangshan. This brought the proportion of retail stock in emerging areas up from 40% in Q1 2014 to nearly 55% by the end of 2015. New projects were primarily community malls positioned towards middle-class consumers and neighbourhood families and included multiple fast fashion brands as well as a large proportion of F&B tenants and children’s areas.

The overall vacancy rate edged up by 0.1 percentage point YOY to 5.2% due to the temporary effect of the new supply, as well as renovation and tenant adjustments in some properties in prime areas. However, demand was strong in 2015 as international and domestic retailers entered the Beijing market or expanded their existing footprint. In core submarkets, the vacancy rate remained at a low level, reflecting the limited supply. Net absorption was approximately 290,000 sq m, primarily focused on the new properties. The F&B and fashion sectors continued to be the primary demand generators.

In the fashion sector, several international brands upgraded their flagship stores to improve their brand image, including: Louis Vuitton’s 3,000 sq m flagship (with the first Louis Vuitton bookstore in China) and Dior’s largest store in mainland China at China World Mall; and Zara’s expansion of its store at Joy City Xidan from 800 sq m to 1,700 sq m. Fast fashion brands New Look, H&M, Old Navy,
Hollister and Uniqlo all expanded during the year, especially in emerging areas.

In the F&B sector, domestic mass market chains such as Xibei Xibe Restaurant and Huangjiuhuang Restaurant continued to expand, primarily at community malls in emerging areas. Several operators launched new brands to maximise market share, such as Border Republic Snacks of Southeast Asia, a sister brand to Mystic South-Yunnan Ethnic Cuisine. A number of international brands opened in Beijing, including: Crystal Jade and Cova Pasticceria, a pastry café owned by the LVMH Group. Notably, several restaurants founded by celebrities opened in Beijing, including: Nice Meeting You and Mr. J Chinese Restaurant at Joy City Chaoyang.

In other retail sectors, Apple opened a new store at Joy City Chaoyang and Marks and Spencer’s first Beijing store opened at The Place. In addition, accessory brands such as APM Monaco, TOUS, Pandora and cosmetic brands such as MAC, Make Up For Ever all expanded in 2015.

By the end of 2015, the average ground floor fixed rent in Beijing’s mid- to high-end shopping centres edged down by 1.6% YOY to RMB846.7 psm per month. The average rent was pulled down by below-average rents at the new properties in emerging submarkets. However, rents in core submarkets continued to grow, benefiting from growing sales revenue, contract renewals and tenant adjustments.

Beijing’s retail property investment market was active in 2015 with four en bloc transactions, including: Gohigh and Pingan Trust’s purchase of the Crosspoint Shopping Centre in Xinjiekou area for RMB500 million from Fraser Centrepoint, with a net lettable area of 14,524 sq m; The Link Real Estate Investment Trust Fund’s acquisition of the 70,946 sq m EC Mall in Zhongguancun for RMB2.5 billion, the company’s first purchase in mainland China; Huayi Brother’s purchase of the 70,946 sq m EC Mall in Zhongguancun for RMB2.5 billion, the company’s first purchase in mainland China; Huayi Brother’s purchase of the 14,524 sq m; The Link Real Estate Investment Trust Fund’s acquisition of the 8,167 sq m Kunlun Gallery in the Liangmaqiao area, from Huayuan Properties for RMB400 million; and Cinda China’s purchase of the Guoson Centre in Dongzhimen submarket from GuocoLand China for RMB10.5 billion, a mixed-use development including approximately 160,000 sq m of retail space.

These transactions were results of lengthy negotiations and reflected both domestic and overseas institutional investors’ confidence towards Beijing retail property market’s long term prosperity and investment returns. Beijing will continue to be attractive to both domestic and international investors, as many investors have shifted their focus back to first tier cities amidst growth and oversupply concerns in second tier cities.

Beijing’s annual retail sales exceeded RMB1 trillion for the first time in 2015. The city has been the largest retail market in China for seven consecutive years, according to the Beijing Municipal Commission of Commerce. Although Beijing’s retail market is expected to enter a period of moderate growth, it will continue to be underpinned by growing income levels, the city’s status as both a national and regional retail hub, growing consumption levels and an extremely large population.

In prime submarkets, supply will continue to be limited due to the lack of commercial land for development. Although landlords still benefit from low vacancy and sophisticated retail ambiance, pressure from slowing luxury spending, consumers’ fast changing consumption behaviours and e-commerce will drive continuous renovation and adjustment to trade and brand mixes in order to stay competitive. In the medium to long term, growth in Beijing’s retail real estate market will be driven by developments in emerging areas. This, in turn, is underpinned by faster retail sales growth in these areas and improvements to infrastructure. In 2015 alone, two new subway lines began operations and nine more began construction.

Six prime retail projects with a total GFA of approximately 730,000 sq m are expected to enter the market in 2016. All of the new supply will be located in the emerging areas and positioned as mass market community malls. Considering the reportedly high pre-commitments, these projects are not expected to cause a large fluctuation in the city’s average vacancy rate. While these projects will pull down the city’s average rent, properties in prime locations with professional management can continue to expect rental growth.

In the medium to long term, growth in Beijing’s retail real estate market will be driven by developments in emerging areas. This, in turn, is underpinned by faster retail sales growth in these areas and improvements to infrastructure. In 2015 alone, two new subway lines began operations and nine more began construction.

Six prime retail projects with a total GFA of approximately 730,000 sq m are expected to enter the market in 2016. All of the new supply will be located in the emerging areas and positioned as mass market community malls. Considering the reportedly high pre-commitments, these projects are not expected to cause a large fluctuation in the city’s average vacancy rate. While these projects will pull down the city’s average rent, properties in prime locations with professional management can continue to expect rental growth.
Residential

Beijing's residential property market saw signs of recovery in 2015, in response to a series of government policies at both the national and local level. Sales volume had a noticeable pick up and average transaction prices increased on the back of encouraging policies and improved consumer sentiment. Beijing maintained its housing purchases restrictions (HPRs) throughout 2015, and the city's municipal government took steps in August to restrict speculation in Tongzhou District, ahead of the relocation of many government functions to the area from central Beijing.

Despite these restrictions, incentive policies carried out during 2015 included: multiple cuts to the benchmark interest rate and bank reserve ratio requirement; an ease of the housing transaction tax; a reduction of second-time home purchasers' minimum down payment; an increase in the maximum loan from the housing provident fund (HPF) for certain homes; a reduction in the minimum down payment for households who have paid off their mortgage and use HPF to purchase a second home; and interest rate cuts for mortgages from the HPF.

Correspondingly, demand for owner-occupancy and housing upgrades during 2015 was robust, as evidenced by the 29% YOY increase in total sales volume as of end-2015. The high-end and luxury residential market, in particular, recorded an increase of 98% YOY. The average sales price of Beijing residential market registered an annual increase, pulled up by sales in the mid- to high-end market.

In the serviced apartment sector, total stock declined for the third consecutive year. By end-2015, total stock decreased by 5.3% YOY to 7,430 units. The Apartment on Financial Street in the Financial Street submarket and Fairmont Residence in the Lido & Wangjing submarket both retreated from the market and converted into offices. On the other hand, the completed renovation of Century Tower in the CBD submarket returned to the market, while Pacific Century Place located in the Lufthansa & Chaoyang Park submarket began refurbishment and temporarily retreated from the market.

Demand in the serviced apartment sector saw a minor improvement compared to 2014, though it was still weaker than prior years. Many serviced apartment operators attempted to reach higher occupancy by attracting domestic tenants or by signing more short-term leases. Certain properties located in prime locations such as CBD and Lufthansa & Chaoyang Park submarkets were able to maintain occupancy at a satisfactory level. Overall, the average vacancy rate edged down by 0.5 percentage points YOY to 20.6%. In terms of rent, most operators maintained their existing pricing strategy, while a few operators raised rents, supported by a prime location and higher quality. Therefore, the average rent edged up by 0.6% YOY to RMB223.4 psm per month.

One en bloc sales transaction was concluded in 2015. Cinda China purchased an under-construction development, Guoson Centre, located in a prime location in Dongzhimen, from GuocoLand China for RMB10.5 billion. The project is a mixed-use development with a planned GFA of 510,000 sq m, with apartment, shopping centre, office and hotel components. During 2015, the land market was active. A number of desirable sites were transacted with both high total considerations and high premiums, which reflected developers’ confidence in Beijing’s residential market. Purchasing residential land as a consortium continued to be a common method to reduce development risk.

The series of stimulus policies introduced this year signified the government’s support for the residential market, which is expected to continue in 2016. However, Beijing’s HPRs are expected to remain in place to help control Beijing’s population. In 2016, Beijing’s residential market is expected to see a steady rise in sales volume, given the improved buying sentiment, while the average sales price is expected to rise within a reasonable range.

In the serviced apartment sector, three projects are scheduled to enter the market by the end of 2016, and two of them are located in decentralised areas. Market conditions may lead to delays in their opening, however. Economic deceleration is expected to exert downward pressure on demand and rental level in 2016, and may lead further serviced apartment properties to retreat and convert into office or residential projects.
Industrial (Logistics)

Beijing’s industrial output growth decelerated by 5.0 percentage points YOY to 1.1% in the first eleven months of 2015, according to the city’s Statistics Bureau. Despite this slowdown, online retail sales rose by 39.6% YOY during the same period, supporting the sustained demand for logistics warehouses from the e-commerce sector. Several industries relevant to the industrial property market also maintained rapid growth this year. As a result of these factors and limited new supply, the Beijing logistics property market remained stable in 2015.

Only one prime logistics property, Beijing Boxway Logistics Company II Phase II, was completed in 2015. The new project was located in BJLH, and led the total stock to increase by approximately 55,000 sq m to 1.56 million sq m.

Demand for logistics warehouse space was stable in 2015. The overall vacancy rate edged down by 1.0 percentage point YOY to 3.4%, and the net absorption totalled approximately 69,000 sq m. Leasing activities were generally concentrated on the recently completed projects, as most high-quality warehouses remained fully occupied or recorded low vacancy rates. Demand continued to come from the rapidly growing e-commerce sector, third-party logistics providers, the automobile industry and the fast moving consumer goods industry. Major leasing transactions included: wine company Auswan Creek’s lease of approximately 9,000 sq m at Beijing Boxway Logistics Company II Phase II, and Hyundai Mobs’ lease of 18,000 sq m at GLP Park Pinggu in PMLB.

On the back of limited supply and increasing demand, the average rent for prime logistics warehouses hit a new high, reaching RMB38.4 psm per month, up 2.1% YOY. Rental growth has slowed in recent quarters as many high-quality warehouses were fully leased on long-term contracts, and rental levels reached the threshold of affordability for certain tenants. By submarket, BALP remained the most expensive submarket at RMB42.6 psm per month, followed by BTLP (RMB40.0) and BJLH (RMB34.6).

Although no en bloc sales transactions were concluded in Beijing’s logistics property market in 2015, logistics properties continued to draw interest from institutional investors. This was reflected in Gaw Capital Partners’ joint venture with Vailog to build a national logistics portfolio of one million sq m, and Global Logistics Properties (GLP)’s establishment of the largest China-focused logistics infrastructure fund, which has an investment capacity of USD7 billion and plans to develop 13 million sq m modern logistics facilities over four years.

On a policy level, the Ministry of Commerce proposed a national intelligent logistics system that will utilise the internet, cloud computing and big data to manage logistics, and the Central Government approved a new Food Safety Law with stricter requirements for cold-chain transport, which will create prospective opportunities for cold-chain logistics. Both policies are expected to facilitate the development of more efficient and sophisticated logistics properties in Beijing.

Several investments in the industry were made at the 7th Beijing Investment Fair. In particular, Beijing Properties and Tianjin Port Group will jointly develop a 600,000 sq m port in the Tongzhou Majiuqiao Logistics Park in Beijing’s Tongzhou District, which will become the largest inland port in North China. These major projects will further develop Beijing’s logistics industry.

Beijing’s prohibition on any new development or expansion of logistics properties in unplanned logistics parks will constrain the future supply of prime logistics warehouse in the medium to long term. This prohibition, combined with the economic integration plan of Beijing, Tianjin and Hebei, may further stimulate relocations or new setups from logistics properties in Beijing to nearby cities.

Four new projects with a combined GFA of approximately 312,000 sq m are scheduled for completion in 2016, including two projects that have postponed their completion from 2015. Nearly 67% of the upcoming warehousing space will be located in the BALP submarket. Despite the strong demand from 3PL providers and e-commerce retailers, the large volume of new supply is expected to push up the vacancy rate in the short term, and lead to a slowdown in rental growth in light of the current high level of rents in Beijing’s logistics sector. In the investment market, more investment activities in the form of equity investment or joint ventures are expected.
Tianjin, Shenyang, Qingdao and Dalian received a combined 17 new office developments in 2015 with a total office GFA of approximately 1 million sq m. Shenyang received the most stock at approximately 553,000 sq m, followed by Tianjin with approximately 313,000 sq m.

In Tianjin and Shenyang, the new supply exceeded demand, driving the vacancy rates to increase by 6.3 and 16.8 percentage points YOY to 30.0% and 42.1% respectively. Competition among landlords in these cities was strong due to the high vacancy level. However, new projects with high building quality and/or prime locations were typically able to achieve favourable occupancy rates by attracting tenants from lower-standard buildings.

Demand remained active in Qingdao, though the temporary effect of the new supply drove the vacancy rate to increase by 0.5 percentage points YOY to 17.3%. However, demand softened in Dalian, with the vacancy rate up by 2.7 percentage points YOY to 18.2%, due to limited growth of new multinational companies in the city (especially Japanese firms), tightened leasing budgets at existing companies and downscaling by certain companies in consideration of the city’s economic climate.

In all four cities, demand was focused on projects completed within the last two years, and primarily came from domestic enterprises in the finance sector. Professional services and IT also contributed demand.

In Tianjin and Shenyang, the average rent declined in 2015 amidst increased competition. In Tianjin, the average rent fell 3.0% YOY to RMB104.7 psm per month; in Shenyang, the rent fell 5.4% YOY to RMB90.9 psm per month. Most landlords in these markets chose to maintain the previous year’s rental levels or offer incentives to attract new tenants or retain existing tenants, while the newly completed buildings offered concessions on rent in order to compete.

By contrast, the average rent in Qingdao and Dalian increased in 2015 due to limited supply. In Qingdao, rent was up 3.9% YOY to RMB97.3 psm per month; in Dalian, the rent increased 1.5% YOY to RMB97.1 psm per month. Notably, the rental growth rate in Dalian decelerated from 2014 as landlords became more conservative ahead of the upcoming new supply and the city’s economic climate.

In the en bloc sales market, no transactions were concluded in any of these markets during 2015. Both domestic and foreign institutional investors tended to be cautious towards second-tier cities, and some landlords shifted their sales strategy from en bloc sales only to strata-titled sales, dual sale/lease or lease-only models in order to generate revenue.

A large volume of new supply is scheduled to complete in these cities in 2016, even though several projects have been postponed. New supply in Tianjin, Qingdao and Dalian is expected to peak in 2016, with fourteen projects scheduled to complete totalling approximately 986,000 sq m. Competition among landlords for desired tenants will remain strong, and landlords will respond with rental incentives and improvements in property management. The average vacancy rates in all four cities are forecast to increase in the short to medium term while rental growth will be constrained.

In the long term, national and local initiatives are expected to support the service sector, which is strongly correlated with office demand. In Dalian, further policy stimulation will come from a plan approved in 2015 to support the city’s finance industry. In Shenyang, which became one of eight pilot cities for ‘reform and innovation’ in September, government efforts may stimulate the leasing market. In Tianjin, the national plan to integrate the Beijing-Tianjin-Hebei area is expected to support the development of the city’s prime office market in the medium to long term.
Retail

The growth of retail sales of consumer goods slowed on an annual basis in several second-tier cities within the North China region in 2015. At the same time, most cities received a large amount of new supply, which pushed up their vacancy rates. In Tianjin and Dalian, new retail properties in non-prime areas pulled down the city’s average rent. The average rent in Shenyang also edged down, as landlords at properties with high vacancies continued to offer rental discounts or incentives. In Qingdao, rental growth was positive, supported by the high quality of new supply completed this year.

All cities received new supply. Tianjin, Dalian and Qingdao each received four new projects during 2015, while Shenyang received two new projects. As a result, the total stock in these four cities increased by 1.8 million sq m or 28.3% YOY to nearly 8.2 million sq m. Notably, this growth has been concentrated in non-core areas as a decentralised retail market develops beyond traditional shopping areas. These new projects typically target neighbouring families with numerous experience-oriented retailers.

The vacancy rates of all four cities increased in 2015. New supply, tenants retreats at older properties and internal renovation and tenant mix adjustments all contributed to this rise. In Qingdao and Tianjin, the vacancy rates increased to 9.7% and 7.6%, respectively, up 4.0 and 2.3 percentage points YOY. Dalian saw the largest increase among the four cities, up 6.3 percentage points YOY to 11.0%, primarily due to three new projects in the second half of the year. Shenyang continued to have the highest vacancy rate at 18.5%.

The F&B, fashion and children’s sector drove demand during 2015, particularly from casual fashion brands, mass market restaurant chains and children’s educational agencies and playgrounds. Luxury brands slowed their expansion in second tier cities amidst weakened luxury spending in China. Other major demand sources included cosmetics, lifestyle brands, electronics retailers and fitness centres.

The rise in retail developments outside of the traditional retail areas had a negative effect on the average rent in most cities. However, this was partially offset by several professionally managed properties in Tianjin and Dalian, where landlords were able to achieve rental growth. Qingdao was the only city to record rental growth in 2015, with a 3.3% YOY increase, mostly due to the effect of a new downtown project with mid- to high-end positioning. Dalian continued to record the highest rent among the four cities at RMB641.3 psm per month, followed by Qingdao (RMB496.7), Tianjin (RMB489.2) and Shenyang (RMB442.4).

One land investment transaction was announced in these four cities in 2015. Fosun Group acquired a land plot in the Zhongjie submarket in Shenyang for an undisclosed price. The 18,400 sq m site will reportedly be developed into the second phase of Fosun’s Yulong City. Other investment-grade assets were still limited and investors were concerned about the constrained rental growth prospects in second tier cities.

Looking forward, the prime retail property market in these cities will expand further in 2016, with a total combined GFA of nearly 1.2 million sq m over 13 properties scheduled to complete, including several projects that have postponed their openings from 2015. Most of the new supply in Qingdao and Shenyang will be located in decentralised areas, and the development of the non-prime market in these cities will be a major theme in 2016. In Tianjin, the new projects will be concentrated in the traditional commercial areas, and are expected to upgrade the commercial environment of these areas, which have clusters of older retail properties. Qingdao and Tianjin will receive approximately 506,000 sq m and 449,500 sq m of prime retail space respectively, leading their stocks to swell by 35% YOY and 19% YOY. In Dalian, no new projects are scheduled for 2016.

In Tianjin, rental growth will be limited in consideration of the current market competition and mid-end positioning of the new projects. In Shenyang and Qingdao, most of the new projects are located in decentralised areas and are expected to constrain average rental growth. The massive volume of supply will push up the overall vacancy rates in most cities in the short term. In Dalian, the vacancy rate is expected to fall as the city absorbs retail stock launched in 2015.

Similar positioning has become a common challenge for the second-tier cities, as has e-commerce, and landlords will continue to seek ways to adapt. For projects in non-core areas, some landlords are expected to offer rental discounts to compete for desired tenants, given the large amount of new supply in the pipeline. More differentiated brand mixes at both existing stock and future supply are also expected.
For further information, please contact:

George Yeung
Managing Director | North China
+86 10 8518 1633
george.yeung@colliers.com

Carlby Xie  MSc, MRICS
Director | Research | China
+86 21 6141 3688
carlby.xie@colliers.com

Ines Li  MPhil
Associate Director
Research | North China
+86 10 8518 1633
ines.li@colliers.com

Colliers International | Beijing
Suite 502, Tower W3, Oriental Plaza
No.1, East Chang An Avenue, Dongcheng District
Beijing, 100738 PRC

TEL +86 10 8518 1633

About Colliers International

Colliers International Group Inc. (NASDAQ: CIGI; TSX: CIG) is a global leader in commercial real estate services with more than 16,300 professionals operating from 502 offices in 67 countries. With an enterprising culture and significant insider ownership, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include brokerage, global corporate solutions, investment sales and capital markets, project management and workplace solutions, property and asset management, consulting, valuation and appraisal services, and customized research and thought leadership. Colliers International has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals’ Global Outsourcing for 10 consecutive years, more than any other real estate services firm.

For the latest news from Colliers International, visit www.colliers.com or follow us on Weibo (weibo.com/colliers) and WeChat (ColliersChina).

Disclaimer: This document has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers International and/or its licensor(s). ©2015. All rights reserved.