Property Market Monitor
China

Beijing Headlines
Wanda Plans to Build Beijing’s First Cultural Tourism Commercial Complex
The Wanda Group will build the project in Beijing’s Tianzhu Town area at an investment of RMB 15 billion. The project is being touted as the first cultural tourism commercial complex in China, and will include a 5-star hotel, a “special” urban commercial street, Grade A office space, a shopping mall with Wanda department store, supermarket, IMAX cinema and food promenade. After the project is built, the region will involve well-known companies at all stages of sales and leasing to speed up the development of the nearby Shunyi Airport headquarters and improve the airport area’s supporting commercial facilities. Wanda has issued US dollar bonds abroad through its overseas subsidiary Wanda Properties International, a measure that provides the company with a low-cost financing channel. The company expects the measure to enhance its leading role in the domestic market as well as to strengthen its influence in overseas capital markets.

Shanghai Headlines
Brookfield Acquires Stake in Xintiandi Portfolio
Toronto-based Brookfield Asset Management agreed to spend RMB 4.6 billion to acquire from Shui On Land a 21.7% stake in the Shanghai Xintiandi portfolio, which includes six office, retail and mixed-use properties. First developed in 2001, Shanghai Xintiandi encompasses 60,000 sqm of retail and commercial space. While some express concern about office oversupply in China, Brookfield remains optimistic about the market and plans to expand its presence. This project is Brookfield’s first in China, and the firm hopes to tap into Shui On’s local insights to better understand the local market. Brookfield is among the largest office-space owners in the U.S. and Canada, with landmark properties including Brookfield Place in Manhattan and Bank of America Plaza in Los Angeles.

Guangzhou Headlines
Guangzhou’s Re-zoning Plan to Double City’s Urban Area
On 12 February, the national Central Committee and State Council approved Guangzhou’s re-zoning plan to create new administrative divisions. Under the plan, Luogang District will be combined with the new Huangpu District, and Guangzhou will expand its urban boundaries by designating its two rural counties (Conghua and Zengcheng) as new districts. Following implementation of the re-zoning plan, Guangzhou will include 11 urban districts, including Tianhe, Yuxiu, Liwan, Haizhu, Baiyun, Panyu, Huangpu, Nansha, Huadu, Conghua and Zengcheng. As a result, the city’s available urban land area will increase to 7,434 sq km from 3,843 sq km.

“To strengthen Chengdu’s role as a logistics hub in Western China, the city’s municipal government plans to develop large-scale logistics parks in the Xinjin and Longquanyi areas over the next several years. Meanwhile, foreign logistics park developers such as Goodman and GLP are optimistic about this fast-growing warehouse market, and are rapidly expanding their footprints there.”

Frank Ma
Head of Research
West China

Chongqing Headlines
Industrial Output of 100 Key Industrial Enterprises Reaches RMB 701.4 billion
On 21 February, Chongqing’s Commission of Economy and Information revealed that the total industrial output value of the municipality’s 100 “key growing” industrial enterprises had achieved RMB 701.4 billion, up 20% y-o-y and 5.5 percentage points higher than the growth rate of the city as a whole. These firms account for 44.3% of output value among industrial enterprises above a designated size, and they also contributed 56.1% of those enterprises’ output growth for the year. Most “key-growing” industrial enterprises are in the equipment manufacturing, electronic information and light textile sectors.

Chengdu Headlines
Bloomage Acquires Plot in Jinjiang District for Mixed-Use Project
On 28 January, a subsidiary of the Beijing-based Bloomage International Investment Group acquired a plot in Chengdu’s Jinjiang District for a reserve total price of RMB 1.01 billion and an accommodation value of RMB 1,319 per sqm. The 253-mu (168,668 sqm) plot is located in the Chengdu’s “East Village” area, which is positioned to become an industrial park for the city’s creative industry. Media reports indicate that Bloomage will invest RMB 1 billion to build a multi-use project on the site. The project will consist of an exhibition center, commercial streets, artist apartments, creative SOHO developments and eco-friendly smart office buildings, in addition to other mixed-use artistic buildings. Its GFA is estimated to be about 800,000 sqm.

Tianjin Headlines
Tianjin’s Economy Continues to Grow Faster than the National Average
In 2013, Tianjin’s GDP expanded by 12.5% y-o-y to RMB 1.4 trillion, surpassing the national average rate of 7.7% y-o-y. The city’s...
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continued rapid economic expansion allowed it to grow at a compound annual growth rate (CAGR) of 17.7% from 2005 to 2013, meaning that over that period the city’s economy doubled in size on average every 4 years. According to the most recent forecast from Oxford Economics, Tianjin’s economy is expected to continue its fast pace of growth into 2014, allowing it to surpass Shenzhen as the fourth largest economy in China, behind Shanghai, Beijing and Guangzhou. The city’s economic progress has been good for the real estate market over the past few years as retail sales, homes sales and office rents have all seen positive gains.

Qingdao Headlines

Qingdao Kang Run Buys Mixed-Use Plot in Shimei District for RMB 1.26 Billion

On 21 February, a plot of land on Rui’an Road in Qingdao’s Shimei District sold at auction for a total consideration of RMB 1.26 billion. Qingdao Kang Run Real Estate Development won the plot after 60 rounds of bidding for a unit price of RMB 6,070 per sqm. The plot has a designated residential area of 51,955 sqm, and a commercial area of 13,292 sqm, with a total buildable GFA of 212,899 sqm. This plot is located near Haiyun Temple north of downtown Qingdao, in an area with ample existing commercial amenities, as well as several nearby residential complexes.

Shenyang Headlines

0101 Fashion Town’s Rich Gate Shopping Mall Outlet Closes

On 28 January, the 0101 Fashion Town store in Rich Gate Shopping Mall officially closed shop, becoming the first major store to close in Shenyang in 2014. The store had operated in the mall for only two years. This outlet differed from 0101 Fashion Town’s branch on Zhongjie Street, which was a standalone store. The Rich Gate store had the advantage of concentrated nearby foot traffic, but the store did not coordinate well with the mall’s marketing and promotional events; some have speculated that pursuing its own strategies while failing to make use of the mall’s advantage of scale may have contributed to the store’s decision to exit.

Shenzhen Headlines

Shenzhen to Accelerate Development of 12 Regional Zones

According to Shenzhen’s government, the city is planning to accelerate the development of 12 regional zones to support the growth of key industries in the coming year. The 12 zones, with a planned land area of 1.78 sq km, include Shenzhen Bay Headquarters Base, Liuxiandong Emerging Industries Headquarters Economic Zone, Pinghu Finance and Professional Services Economic Zone, International Low-Carbon City, Huawei Technology City, Shenzhen International Bio-Valley, Airport New Town, Shenzhen North Station CBD, Guangming Phoenix City, Pingshan Central District, Bao’an Central District, and Universiade New Town. These industrial zones are expected to develop into regional centres by 2020, and will underpin continuing demand for office space.

Investment

Mary Kay to Buy Office Building in Shanghai’s Jing’an District

US cosmetics brand Mary Kay is in talks to buy an office building in Shanghai’s central Jing’an District, in a bid to expand in the China market, bucking the trend in a country where rivals are looking at downsizing. The company said that it is in negotiations to buy The Point Jing’an, an 11-story building on Anyuan Road in northern Jing’an. Mary Kay could pay more than RMB 820 million (USD 135 million) for the property. The seller of The Point Jing’an is a joint venture of the Hong Kong-listed firms Nanyang Holdings, Van Shung Chong Holdings and Celestial Asia Securities Holdings. The joint venture purchased the property in 2007 for RMB 420 million.

Five Land Plots Sell for RMB 15.5 Billion in Guangzhou Guanggang New Town

On 21 February, five land plots totalling 1.2 million sqm (GFA) were sold in Guangzhou’s Liwan District for a total consideration of RMB 15.5 billion. The plots are concentrated in Guanggang New Town, one of city’s largest urban renewal projects. The land was originally owned by a steel factory and the new development plans involve re-settling the original residents. With all plots sold at a fixed price, the three winning developers “outbid” the other competitors by submitting a development plan that proposed to develop the greatest amount of re-settlement residential space. The winning developers included China Overseas Holdings (Site AF 040403/AF040402, RMB 1.7 billion, accommodation value RMB 19,093 per sqm; Site AF040404, RMB 4.0 billion, accommodation value RMB 19,734 per sqm; Site AF040415/AF040416, RMB 4.0 billion, accommodation value RMB 19,540 per sqm), Zhuhai Huafa Group (RMB 2.9 billion, accommodation value RMB 23,456 per sqm), and Beijing-based Financial Street Holdings (RMB 3.0 billion, accommodation value RMB 22,031 per sqm). The land acquisition marks Financial Street Holdings’ first entry into the Guangzhou market.

Retail

Beijing Care City May Adopt CapitaMall Branding

On 12 February, a CapitaMalls insider revealed that the firm will gradually carry out brand adjustment for the Care City property over April and May 2014 - potentially incorporating aspects of CapitaMall’s own branding. In the future the mall also may change its name to CapitMall. Care City was the Capital Airport Real Estate Group’s first commercial project. At end-2013, the group sold Care City to CapitaLand’s subsidiary CapitaMalls, increasing its portfolio of shopping malls in Beijing to ten.

Ten-Plus Retail Projects Planned For Shenzhen’s Longhua New District

Longhua New District, located north of Shenzhen’s city centre, is known as one of the city’s main industrial bases. As transportation and other amenities develop and local residents’ spending power has grown, plans have been set to build over 10 retail projects in the district. Several experienced developers such as Galaxy Group, Yitian Group and Coastal Real Estate have established a presence there. A number of projects are expected to open this year, including MH Mall, COCO City, Yitian Holiday Plaza and two outlet properties (Shenzhen North Railway Station and No.8 Warehouse). Five additional projects are in the proposal stage, including COCO Park, Longhua Coastal Plaza, and three urban renewal projects developed by Deyeji Property, Zhongzhou Property and China Horoy Group. As a result of these developments, Longhua New District is expected to emerge as one of Shenzhen’s new retail sub-markets.

Fengtai District Government Plans to Build Three Commercial Centres along Beijing’s South Axis

On 7 February, the Beijing government officially published the “Fengtai District Commercial Development Plan for 2013-2020”. According to the report, the government will build a commercial network containing three modernised urban commercial clusters, eight commercial circles, and various commercial streets. It also will upgrade community-based commercial services. In addition, the area
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along Beijing’s South Axis has been identified as lacking business and commercial supporting facilities, making it difficult to satisfy the needs of local residents. In order to solve this problem, the Fengtai District Government plans to build three high-level commercial centres in the area, each with a GFA of more than 500,000 sqm.

Canali Opens its Largest China Store in Chengdu
Italian menswear brand Canali has opened its 70th China store in the IFS Mall in Chengdu’s downtown Chunxi Road submarket. At 450 sqm, the two-story store is Canali’s largest store in China. Canali currently has 236 mono-brand stores and 1,000 retail stores in more than 100 countries.

Residential

Beijing to Unify Management of Affordable and Public Rental Housing
On 18 February, the Beijing Municipal Commission of Housing and Urban-Rural Development released a notice about further enhancing the management of affordable rental housing and public rental housing. The unified management of these two varieties of housing is aimed at consolidating three processes – housing allocation, the setting of rent standards, and management of households vacating their units. The government has stated that after the management of housing is unified, families’ rent levels will not change.

Industrial

Tianjin Plans to Expand its Free Trade Zone
Tianjin has submitted plans to the central government to expand its free trade zone beyond the Dongjiang Port. Once approved by the central government, Tianjin’s new free trade zone will include the areas of Dongjiang Free Trade Zone and Tianjin Binhai New Area in addition to the port. If the whole plan is accepted by the central government, Tianjin will have one of the largest free trade zones in China. The new free trade zone will help to improve Tianjin’s 2014 goals of further advancing investment and optimizing local industrial structure. Tianjin already is a top tier city in terms of foreign direct investment as well as fixed asset investment, while the city’s service sector is close to becoming its largest contributor to economic output. The expansion of the free trade zone will also be a boon for the development of the Yujiau Financial District, which is located in the Tianjin Binhai New Area (see the Jones Lang LaSalle January Tianjin Property Insight for more details).

Expansion

Prada Flagship Opens in Chongqing’s Jiefangbei Area
On 23 January, Prada’s latest flagship opened in the Chongqing World Financial Centre (WFC) in the downtown Jiefangbei submarket. With 1,008 sqm of GFA spread over two floors, it is the brand’s largest flagship store in the Western China. Prada’s sub-brand Miu Miu will open at the same time.

Hongqi Chain Store to Open 170 New Stores in Sichuan Province
Hongqi Chain Store, a large Chengdu supermarket and convenience store operator, declared on 13 February that it would invest over RMB 50 million to open 170 new stores throughout Sichuan Province. The company will open 121 stores in Chengdu, and another 49 stores in Tier II Cities in Sichuan, including in the cities of Deyang, Neijiang, Meishan and Ziyang.

Infrastructure

Qingdao’s First Tram Put Into Operation
On 17 February, Qingdao’s first tram project – the Chengyang Demostration Line - was put into operation following a total investment of RMB 1 billion. The above-ground line has a total length of 9.08 km, connecting Qingdao’s Chengyang Railway Station with the central district of Chengyang and Ti’an Cyber Park, among other destinations. The demonstration line is expected to hold a formal opening by end-2014. The tram’s construction has contributed to the establishment of Chengyang Industrial Park, which is also known as Qingdao’s Rail Transportation Industry Development Zone.

Chongqing’s Liangjiang New Area to Invest RMB 40 billion in Infrastructure in 2014
The government of Chongqing’s Liangjiang New Area plans to invest RMB 40 billion in infrastructure in 2014, with funds going to the construction of airport and port facilities, metro lines, water plants and power stations. The government will invest RMB 7.2 billion into Liangjiang New Area’s three major industrial parks, and it will spend RMB 34.1 billion on the construction of 19.58 million sqm of new buildings.

Construction of Chongqing West Railway Station to Begin in 2014
The construction of Chongqing’s West Railway Station will start in 2014 in the Shapingba area of Shapingba District, and is expected to be finished in 2017. The station’s main building will have a GFA of 120,000 sqm, and will include 15 platforms and 33 separate tracks. The multi-modal station will allow passengers change between trains, light railways and long-distance buses.

Hotel

Grand Opening of Pullman Shanghai South
Pullman Shanghai South - the second Pullman hotel in Shanghai and its 15th in China - announced its opening just before the Chinese New Year. The 23-storey hotel includes 338 rooms and suites and features restaurants, bars, a heated indoor swimming pool, a spa, fitness room, conference space as well as various recreational rooms.

InterContinental Hotels Group Kicks Off Thirtieth Anniversary of Entry into China Market
In February, the InterContinental Hotels Group (IHG) launched celebrations for its thirtieth anniversary of operating in China. IHG entered the China market in 1984, the first international hotel company to do so. IHG’s first China hotel was the Holiday Inn Beijing Lido. After 30 years, IHG is now the largest international hotel group in Greater China, with nearly 200 hotels operational and 180 more in the development pipeline. The company’s HUALUXE Hotels and Resorts are scheduled to launch this year and are the first international luxury hotel brand designed specifically for Chinese consumers. IHG expects that within 10 years the country will become one of its two largest global markets.
REIS China
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