

MARKETBEATS



¥65.3
RENT
(PSM/MO)

-0.8%
RENTAL GROWTH
(Compared to 2H 18)

40.7%
VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Vacancy rise amid supply peak

In 1H, three projects were completed, adding 210,000 sq m of new Grade A office supply. The supply peak that hit Foshan pushed up the overall office vacancy rate to 40.7% at quarter's end. Amid growing competition and prevailing economic uncertainty, some landlords adjusted the rent on offer, causing Foshan's average rental level to decrease 0.8% from end-2018.

Leasing activity in Jihua Road was active and recorded absorption of 61,639 sq m net for the submarket in 1H, accounting for over 90% of take-up in the overall market and due mainly to prime office projects that entered the market. Average rent in Jihua Road remained stable at a 0.1% increase compared to end-2018.

Insurance and healthcare occupiers pile in

Leasing demand from newly setup enterprises became the major driver of office absorption. Of this, insurance and healthcare companies were the major sources of leasing activity. Foshan's insurance industry is rapidly growing with the total premiums, for example, passing Dongguan in Q1, ranking third in Guangdong Province. Aiming to boost sales volumes, such insurance companies that have set up their first offices in Foshan include China Merchants Life Insurance, Century Insurance and Runxin Insurance.

Outlook

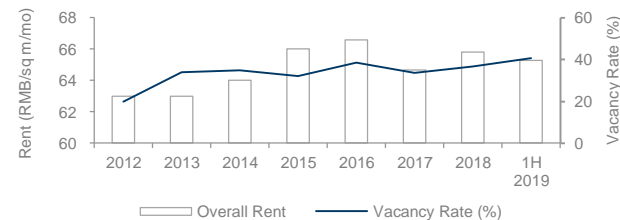
A total of 203,000 sq m of new office supply is scheduled to complete in 2H. The overall vacancy rate is expected to rise in the short term as the market takes time to digest the large volume of new supply, while rental levels might experience downward pressure. In the long term, as the Greater Bay Area further develops and Foshan deepens its integration with Guangzhou, more companies are expected to enter and set up new offices to leverage the city's great location and competitive rent on offer.

Economic Indicators

	2018	Q1 2019	One Year Forecast
GDP Growth	6.3%	6.7%	▼
Tertiary Sector Growth	6.6%	7.4%	▲
CPI Growth	2.0%	2.0%	▲
Real Estate Development & Investment Growth	38.9%	14.5%	▲

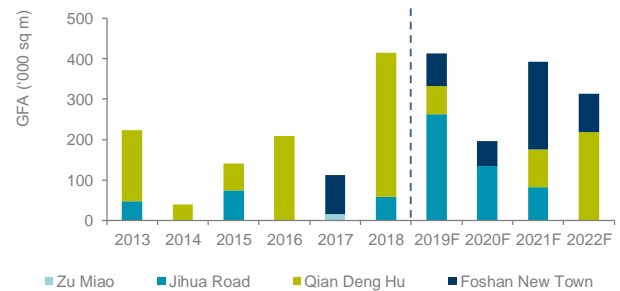
Source: Foshan Statistics Bureau / Oxford Economics / Cushman & Wakefield Research

Grade A Office Rent & Vacancy Rate



Source: Cushman & Wakefield Research

Grade A Office Annual New Supply



Source: Cushman & Wakefield Research

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DATA
INTO
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SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION TILL 2022 (sq m)	GRADE A ASKING RENT*		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Zu Miao	67,960	15.7%	0	60.92	0.82	0.73
Jihua Road	475,800	31.5%	338,000	67.30	0.91	0.81
Qian Deng Hu	1,143,540	42.9%	312,081	68.81	0.93	0.83
Foshan New Town	216,548	58.6%	455,800	46.32	0.62	0.56
FOSHAN GRADE A OVERALL TOTAL	1,903,838	40.7%	1,105,881	65.29	0.88	0.79

* Rents are calculated on GFA

1 USD = 6.89396 RMB = 0.893136 EUR as at May 27, 2019

KEY LEASING TRANSACTIONS 1H 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
R&F International Financial Center	Qian Deng Hu	HSBC	6,000	Expansion
Vanke Financial Center	Jihua Road	Runxin Insurance	2,000	New Setup
Greenland Center	Jihua Road	China Merchants Life Insurance	2,000	New Setup

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Greenland Center T2	Jihua Road	-	42,000	2019
Vanke Financial Center C Building	Jihua Road	-	80,000	2019
Baoneng Financial Tower	Foshan New Town	-	81,000	2019
Xing Xing Plaza	Jihua Road	-	134,000	2020
Evergrande - Suning Plaza	Jihua Road	-	62,800	2020
Greenland Center T4	Jihua Road	-	82,000	2021
Vanke Huiguang	Qian Deng Hu	-	94,000	2021
M-city	Foshan New Town	-	60,000	2021
Foshan Assoc. of Entrepreneurs HQ Building	Foshan New Town	-	99,000	2021
Zhongying Shengda IFC	Foshan New Town	-	58,000	2021