

MARKETBEATS

¥257.98

RENT
(PSM/MO)

-2.3%

RENTAL GROWTH
(QOQ)

16.1%

VACANCY
RATEWHAT'S
NEXT

HIGHLIGHTS

Rent falls despite tightening vacancy and rising competition

Firms continued to be conservative in their leasing strategies amid ongoing trade frictions and economic uncertainty. Relatively weak leasing demand has prompted some landlords to offer incentives to attract tenants. Rent in the overall market fell an average of 2.3% q-o-q to RMB257.98 per sq m per month in Q2.

With no new completions on the quarter, the market continued to digest existing stock. The city's overall vacancy dropped 1.1 percentage points q-o-q to 16.1% at quarter's end. Net absorption amounted to 55,848 sq m for Q2, increasing 14,698 sq m q-o-q by comparison. Nanshan recorded the strongest absorption among core submarkets at 50,538 sq m and was reflected in tightening vacancy, decreasing 3.1 percentage points q-o-q to 21.4%.

Nanshan's business environment continues to mature as completions of new Grade A office buildings have surged in recent years. With competitive rentals on offer, Nanshan is attracting tenant relocations. Relocation activities by some occupiers have tended to increase the vacancy in older buildings in Luohu and Futian submarkets. Elsewhere, in Futian, tenants in the financial services sector have downsized or vacated space amid stiff regulatory action. Reflecting this, Futian's average rent has decreased 9.1% since the end of 2018.

Peak new supply forecasted

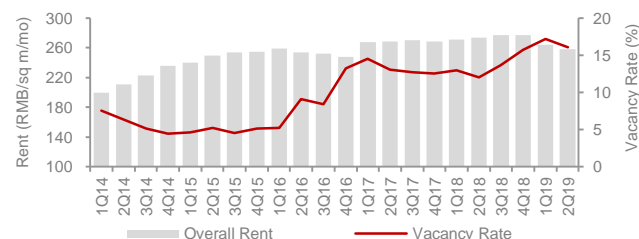
Shenzhen is forecasted to add 1.17 million sq m of new office supply later this year. The likely rise in competition to result could place pressure on vacancy and rental levels on the whole. Despite ongoing trade frictions, further development of the Greater Bay Area and a projected stable economic growth trend ahead could provide a boost in demand.

Economic Indicators

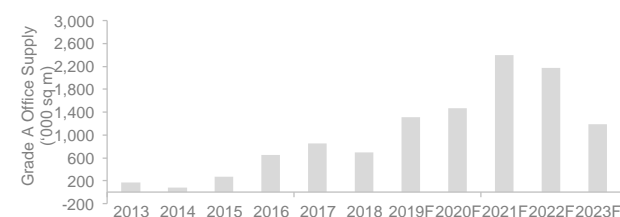
	Q4 2018	Q1 2019	Annual Forecast
GDP Growth	7.6%	7.6%	▼
Tertiary Sector Growth	6.4%	7.2%	▼
CPI Growth	2.8%	2.6%	▲
Real Estate Development & Investment Growth	23.6%	12.7%	▼

Note: Growth figure is y-o-y growth;

Source: Shenzhen Statistics Bureau; Cushman & Wakefield Research

Grade A Office Market Indicators

Source: Cushman & Wakefield Research

Grade A SUPPLY PIPELINE

Note: F is for forecast.

Source: Cushman & Wakefield Research

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DATA
INTO
ACTION

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Research Publication

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SUBMARKET	INVENTORY (SQ M)	VACANCY RATE	FUTURE SUPPLY (SQ M)	GRADE A EFFECTIVE RENT		
				RMB/SQM/MO	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	9.7%	40,170	¥214.60	US\$2.89	€2.58
Futian	2,861,097	14.4%	1,089,544	¥279.66	US\$3.77	€3.37
Nanshan	1,609,845	21.4%	7,223,392	¥237.12	US\$3.20	€2.85
Bao'an	115,000	15.0%	152,760	¥215.00	US\$2.90	€2.59
SHENZHEN GRADE A TOTAL	5,127,755	16.1%	8,505,866	¥257.98	US\$3.48	€3.11

Rent: Effective rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT and rent-free periods factored in.
Exchange Rate: 1RMB = 0.145USD = 0.130EUR as of 2019.5.27

KEY LEASING TRANSACTIONS Q2 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
CR Land	Nanshan	Boston Consulting Group	2,000	New Setup
Unicenter	Bao'an	Ya Hua Yi Mei	500	Relocation
Kerry Plaza Tower 2	Futian	Mercer	500	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Shenzhen Media Finance Center	Futian	-	160,000	2020
Essence Securities Tower	Futian	-	70,000	2020
China Resources Qianhai Center	Nanshan	-	339,450	2020
Kerry Centre Qianhai	Nanshan	-	120,000	2020
Tencent Qianhai Tower	Nanshan	-	180,000	2021
China Venture Tower	Nanshan	-	118,850	2022
CITIC Finance Center	Nanshan	-	182,700	2022