

MARKETBEAT

¥116.45

RENT
(PSM/MO)

-0.1%

RENTAL GROWTH
(QOQ)

14.8%

VACANCY RATE

WHAT'S
NEXT

HIGHLIGHTS

Rental level falls after rising for nine consecutive quarters

No new supply was added in Q3, and Chengdu's Grade A office stock remained at approximately 2.37 million sq m. In the CBD submarket average rental recorded a 0.6% q-o-q drop, due to landlords' rental adjustments to attract quality tenants in a period of weak demand. The city's overall average rent fell back 0.12% q-o-q to RMB116.45 per sq m per month in Q3, following a rise in nine consecutive quarters.

Amid the prevailing economic climate, many tenants delayed or postponed their leasing plans. Net absorption in Q3 shrank 6.94% to 82,153 sq m q-o-q. However, prompted by some large-scale leases, the vacancy rate continued its drop to a historic low, finishing the quarter at 14.8%.

The Financial City and Dayuan submarkets accounted for 70% of the city's net absorption in Q3. The relatively active leasing activity helped push up average rent in Dayuan by 1% to RMB106.69 per sq m per month.

Southern submarkets emerge as preferred location

Ahead, more than 100,000 sq m of new office supply is expected to be delivered in Q4, likely increasing the vacancy rate and applying downward pressure on rent in the short run. The impact of US-China trade relations on Chengdu appears to have eased, and with the People's Bank of China's cut to the deposit reserve rate in September we could potentially see a lift in company activity and office demand.

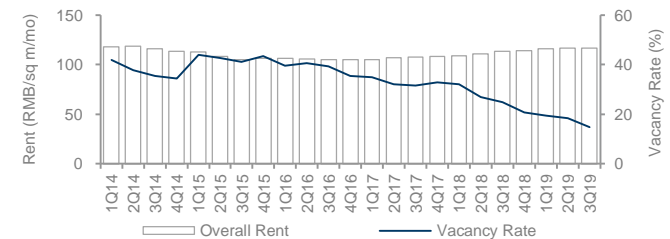
Elsewhere, supported by upgraded facilities and the improved business environment, the southern area of the city has emerged as corporations' preferred location. We can anticipate that rental levels in the Financial City and Dayuan submarkets will rise steadily on robust take-up.

Economic Indicators

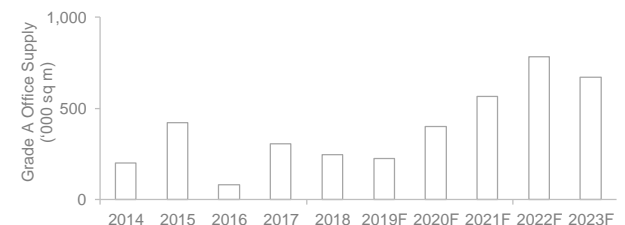
	Q1 19	Q2 19	One Year Forecast
GDP Growth	8.0%	8.2%	▼
Tertiary Sector Growth	8.5%	9.0%	▼
CPI Growth	2.0%	2.0%	—
Real Estate Development & Investment Growth	6.2%	13.4%	▲

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

Source: Chengdu Statistics Bureau; Oxford Economics; 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

Zhang Xiao-duan
Senior Director

Head of Research,
South & West China
Tel: +86 755 2151 8116
xiaoduan.zhang@cushwake.com

CHENGDU OFFICE MARKETBEAT

SEPTEMBER 2019



SUBMARKET	INVENTORY (SQ M)	VACANCY RATE	FUTURE SUPPLY (SQ M)	GRADE A FACE RENT		
				RMB/SQM/MO	US\$/SF/MO	EUR/SF/MO
CBD	433,102	17.92%	219,200	¥119.47	US\$1.57	€ 1.42
SBD	266,168	10.80%	151,210	¥107.02	US\$1.40	€ 1.27
Dongda Street	587,610	17.77%	49,708	¥126.11	US\$1.65	€ 1.49
Financial City	693,586	9.46%	675,459	¥115.78	US\$1.52	€ 1.37
Dayuan	355,665	20.98%	172,900	¥106.69	US\$1.40	€ 1.26
New Center of Tianfu New Area	30,000	0.00%	644,786	¥90.00	US\$1.18	€ 1.07
CHENGDU GRADE A TOTAL	2,366,131	14.83%	1,913,263	¥116.45	US\$1.53	€1.38

Rent: Face 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: 1USD = 0.90361 EUR = 7.08718 RMB as of 2019.8.23

KEY LEASING TRANSACTIONS Q3 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Plaza Central	CBD	WeWork	6,800	New Setup
Raffles City	SBD	Co-working office	2,600	New Setup
Territorial Center(East Tower)	CBD	Watsons	2,000	New Setup
China Overseas International Center F	Financial City	Wheat capital	1,000	New Setup

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
China Overseas Fortune Center	New Center of Tianfu New Area	-	52,000	2019
Tianfu International Financial Center (South Tower)	Financial City	-	61,459	2019
Leading Center (West Tower)	CBD	-	30,000	2019
Taihe International Fortune Center	Panchenggang	-	60,106	2020
MIXC (II)	Dongda Street	-	49,708	2020
Tianfuhui Center	SBD	-	111,000	2021

A Cushman & Wakefield
Research Publication

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

www.cushmanwakefield.com