

MARKETBEATS



¥302.7

RENT
(PSM/MO)

-0.4%

RENTAL GROWTH
(QOQ)

12.9%

VACANCY RATE

WHAT'S NEXT

HIGHLIGHTS

Q3 Grade A office new supply falls to a new low with continued project construction delays

Adding 43,545 sq m of quality new office supply to the Expo & Qiantan submarket, the only Grade A office project completed in Shanghai in Q3 2019 was Qiantan Crystal Plaza T7. The additional new supply pushed the Grade A office stock total in Shanghai to 12,170,432 sq m. The Q3 new supply was 40.9% less when compared to Q3 2018, and 67.8% less when compared to Q3 2017, marking a new low for Q3 new supply in recent years.

By 2023, a total of 6 million sq m of Grade A office space is expected to be completed in Shanghai, which equates to 50% of the current Grade A office stock inventory. We do, though, expect some construction delays going forward.

Vacancy rate drops due to robust leasing demand

Overall leasing demand in Shanghai rose in the quarter, with net absorption amounting to 57,188 sq m. The city's core area recorded -30,496 sq m, while the suburban area continued to see strong leasing demand with absorption totaling 87,684 sq m. The city's overall vacancy rate now stands at 18.5% (12.9% in the core area; 28.4% in the suburban area), down 0.18% q-o-q. This is the first time the Grade A office vacancy rate in Shanghai has dropped in one and half years.

In Q3, the top three industry sectors driving leasing demand were TMT, Professional Services, and Manufacturing. Technology companies, notably those in smart lifestyle business, quick payment, and e-commerce areas, currently exhibit the strongest appetite for quality office space. What's more, continuing the decentralization trend, suburban areas, and Minhang and Zhangjiang in particular, experienced robust leasing activity in Q3.

Rental performance stable but long term pressure remains

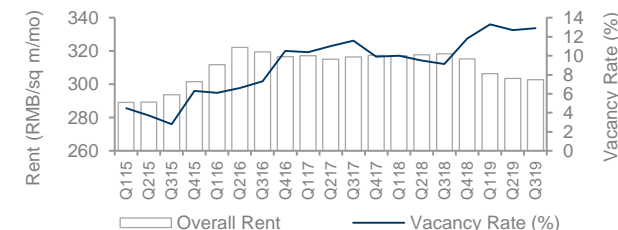
The city's average rental performance remained stable, while the core area recorded rental of RMB302.7/sq m/month. New Grade A office supply located in suburban areas with convenient transportation connections, amenities and most of all, cheaper rentals, are placing continuous pressure on core market office rentals and this trend will continue for the short term future.

ECONOMIC INDICATORS

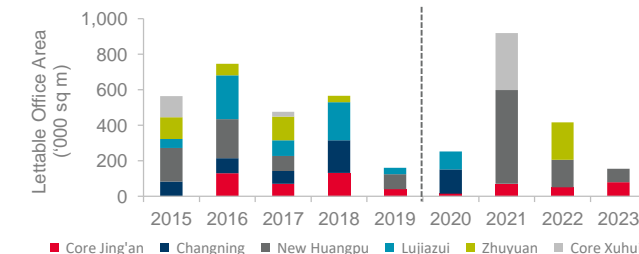
	Q1 19	Q2 19	12-Month Forecast
GDP Growth	5.7%	5.9%	▲
Tertiary Sector Growth	8.8%	9.1%	▲
CPI Growth	1.6%	2.1%	▲
Real Estate Sector Investment	3.0%	3.6%	▲

Source: Shanghai Statistics Bureau
The forecast is based on Oxford Economics

GRADE A CBD OVERALL RENT & VACANCY RATE



GRADE A CBD NEW SUPPLY



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A Cushman & Wakefield
Research Publication

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SUBMARKET	INVENTORY (SQ M)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SQ M)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Core Jing'an	1,183,920	11.9%	216,519	¥357.4	US\$4.68	€4.23
New Huangpu	1,659,322	10.2%	841,276	¥290.8	US\$3.81	€3.44
Lujiazui	2,096,646	18.7%	100,000	¥346.4	US\$4.54	€4.10
Zhuyuan	1,273,171	11.7%	212,008	¥275.5	US\$3.61	€3.26
Core Xuhui	519,255	6.5%	320,975	¥306.9	US\$4.02	€3.64
Changning	1,045,777	11.1%	137,404	¥222.9	US\$2.92	€2.64
SHANGHAI GRADE A CBD TOTAL	7,778,091	12.9%	1,828,182	¥302.7	US\$3.97	€3.59
Shanghai Grade A Suburban	4,392,341	28.4%	4,120,266	¥201.9	US\$2.65	€2.29

Rental equals "Gross Transacted Face Rental"
1 USD = 7.08718 RMB = 0.90361 EUR (2019.08.23)

KEY LEASING TRANSACTIONS Q3 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Lujiazui Century Financial Plaza	Zhuyuan	Union Pay	12,000	Relocation
1788 Eco City	Core Jing'an	Akzo Nobel	7,000	Renewal
Raffles City Changning	Changning	Amazon	6,000	Relocation
Bund SOHO	Huangpu	Motian Star	4,000	New Setup
Westlink	Minhang	Gegeda	1,800	New Setup
ICC I	Core Xuhui	HKS	1,700	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Shanghai SK Tower	Expo & Qiantan*	-	123,075	2019
Greenland Huangpu Binjiang Project T2&T4	Huangpu	-	85,000	2019
Upper West Shanghai T2&T3	Putuo	-	98,767	2019
Qiantan Centre	Expo & Qiantan	-	168,000	2020
Henderson Centre	Fringe Xuhui	-	169,943	2020
Shangxianfang Project	Huangpu	-	70,604	2021
Binjiang Urban Development Center	Fringe Xuhui	-	209,000	2022

*Expo & Qiantan suburban area includes Houtan area