

MARKETBEAT



¥250.48
RENT
(PSM/MO)

-2.9%
RENTAL GROWTH
(QOQ)

19.4%
VACANCY
RATE

WHAT'S NEXT

HIGHLIGHTS

Market pressure continues

Three new projects added a combined 255,500 sq m of Grade A office supply in the quarter, boosting total stock to 5,383,255 sq m at the end of Q3. The new completions increased pressure on the leasing market amid softening demand. The vacancy rate edged up 2.91 percentage points q-o-q to 19.4% citywide in Q3, whilst average rent dropped 2.9% q-o-q to RMB250.48 per sq m per month. Despite rising occupier demand for lower-cost relocations, the market saw limited improvement. In general, economic uncertainty concerns have delayed expansion decisions and affected take-up.

In Nanshan, an improving business environment and competitive rentals drove relocation activity. Net absorption was 54,475 sq m for the quarter. However, average rent dropped 3.4% q-o-q and the vacancy rate increased to 28.3% on new completions. Space also opened up, contributing to rising vacancy. Quarter-on-quarter, the vacancy rate edged up 1.05 percentage points while the average rent dropped 2.5%. In response, local governments are now offering investment incentives to attract quality tenants.

GBA initiatives and the guideline on Shenzhen's role have boosted confidence in the region's development. Companies are acquiring premises for self-occupation, resulting in an active investment market in Q3, particularly from SOEs, and a growing number of properties are being offered or sale at competitive prices, heating market activity.

Increased competition to come from new completions

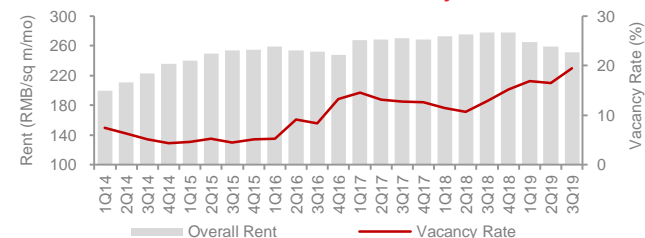
Ahead, the expected volume of new office supply, coupled with weak leasing demand stemming from ongoing economic uncertainties, will likely continue to weigh on rental levels and potentially drive up vacancy rates. However, an improved economic outlook and industrial development may provide a lift in leasing demand.

Economic Indicators

	Q1 2019	Q2 2019	Annual Forecast
GDP Growth	7.6%	7.4%	▼
Tertiary Sector Growth	7.2%	7.5%	▼
CPI Growth	2.6%	2.9%	▲
Real Estate Development & Investment Growth	12.7%	11.3%	▼

Note: Growth figure is y-o-y growth;
Source: Shenzhen Statistics Bureau; Oxford Economics; Cushman & Wakefield Research

Grade A CBD Rent & Vacancy Rate



Source: Cushman & Wakefield Research

Grade A SUPPLY PIPELINE



Note: F is for forecast.
Source: Cushman & Wakefield Research

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SUBMARKET	INVENTORY (SQ M)	VACANCY RATE	FUTURE SUPPLY (SQ M)	GRADE A FACE RENT		
				RMB/SQM/MO	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	11.2%	40,170	¥211.84	US\$2.78	€2.51
Futian	2,908,097	15.5%	1,089,544	¥272.60	US\$3.57	€3.23
Nanshan	1,818,345	28.3%	7,193,392	¥229.09	US\$3.00	€2.71
Bao'an	115,000	14.3%	152,760	¥211.50	US\$2.77	€2.51
SHENZHEN GRADE A TOTAL	5,383,255	19.4%	8,475,866	¥250.48	US\$3.28	€2.97

Rental equals "Gross Transacted Face Rental"
Exchange Rate: 1USD = 0.90361 EUR = 7.08718 RMB (2019.8.23)

KEY LEASING TRANSACTIONS Q3 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Qianhai Sinlikon Tower	Nanshan	Dianmao Technology	15,000	Relocation
Ping An Financial Center	Futian	Yingke Law Firm	3,000	Relocation
The Platinum Tower	Futian	Baojufeng	1,400	New Setup

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Essence Securities Tower	Futian	-	70,000	2020
Shenzhen Media Finance Center	Futian	-	160,000	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

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Research Publication

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