

Compared to 1H 19

**¥61.5**  
Rent (PSM/MO)



**-5.7%**  
Rental Growth (Compared to 1H 19)



**40.2%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## FOSHAN ECONOMIC INDICATORS 1-3Q 2019

**7.0%**  
GDP Growth

1H 2019: **6.9%** (Downward arrow)  
12-Mo. Forecast: **6.9%** (Downward arrow)

**7.6%**  
Service Sector GDP Growth

1H 2019: **7.8%** (Upward arrow)  
12-Mo. Forecast: **7.8%** (Upward arrow)

**2.4%**  
CPI Growth

1H 2019: **2.2%** (Upward arrow)  
12-Mo. Forecast: **2.2%** (Upward arrow)

**10.2%**  
Real Estate Development Investment Growth

1H 2019: **14.1%** (Upward arrow)  
12-Mo. Forecast: **14.1%** (Upward arrow)

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

## Rent Falls Amid Weakened Leasing Demand

No new Grade A office supply entered the market in the second half of 2019, and total new supply for the year was at 210,000 sq m. However, the volume of new supply in the past four years has been high, accounting for 58.1% of the current stock. Leasing demand weakened, impacted by economic uncertainties and increasing oversight of the finance industry. Tenants looked to downsize or relocate to Grade B buildings for cost savings, while some finance sector SMEs terminated their tenancies. As a result, net absorption plunged 70.8% y-o-y to approximately 73,724 sq m in 2019.

The Grade A market has come under increasing pressure from slower economic growth and finance industry adjustments, coupled with the continuous influx of new supply. Reflecting this, the overall vacancy rate rose 3.4 percentage points y-o-y to 40.2% at the end of 2019. Amid the weakening leasing demand and growing competition, averaged monthly rent retreated 6.5% y-o-y, finishing 2019 at RMB61.5 per sq m.

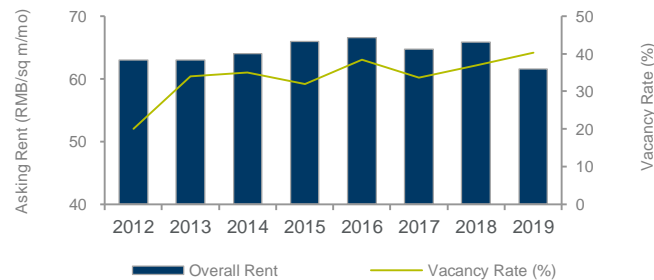
## Qian Deng Hu and Jihua Road Submarkets Remain Attractive for Tenants

Newly setup corporates were the key contributors to Grade A office leasing transactions in the year. Healthcare, security and insurance companies were especially active. Qian Deng Hu and Jihua Road submarkets remained the most preferred locations for tenants, thanks to their abundant supply, and accounted for 62.2% and 28.5% of leasing deals by area in 2019, respectively.

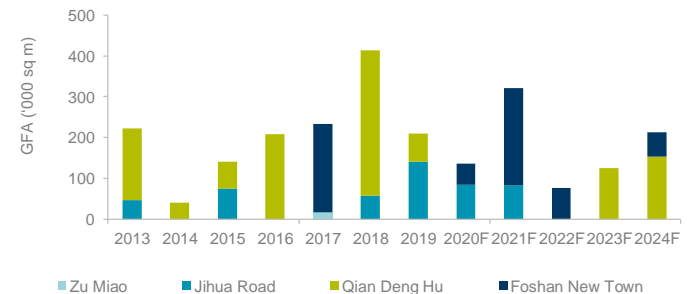
## New Supply to Fall Back Over the Next Five Years

New Grade A office supply is set to fall back over the next five years, with average annual new supply expected at 174,500 sq m, down 30.0% compared to the previous five years. We expect to see the citywide vacancy rate to drop gradually, and for average rent to return to stability. Foshan New Town and Qian Deng Hu will lead the way among submarkets, comprising 49.1% and 31.9% of the future supply in the next five years, respectively. Positioned as the services center for the Sanlongwan Innovation Cluster in Foshan, Qian Deng Hu and Foshan New Town are expected to attract more tenants in the mid-to-long term, benefiting from favorable policies and ongoing integration between Guangzhou and Foshan. For example, ICBC has opened an operations center in Qian Deng Hu submarket at the end of 2019.

## GRADE A OFFICE RENT & VACANCY RATE



## GRADE A OFFICE ANNUAL NEW SUPPLY



SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION TILL 2024 (sq m)	GRADE A ASKING RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Zu Miao	67,960	21.4%	0	55.2	0.7	0.7
Jihua Road	475,800	43.5%	165,700	60.7	0.8	0.7
Qian Deng Hu	1,143,530	37.0%	278,332	65.6	0.9	0.8
Foshan New Town	216,548	53.7%	428,577	46.9	0.6	0.6
<b>FOSHAN GRADE A TOTAL</b>	<b>1,903,838</b>	<b>40.2%</b>	<b>872,609</b>	<b>¥61.5</b>	<b>US\$0.81</b>	<b>€0.74</b>

\* Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT.  
 1 USD = 7.03146 RMB = 0.903898 EUR as at Nov 22, 2019

## KEY LEASING TRANSACTIONS 2H19

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Greenland Center T3	Rihua Road	Ping An Life Insurance	4,000	Relocation
Royee Hytron Tower	Qian Deng Hu	Kingbridge Law Firm	1,600	Relocation
Glory International Financial Center	Qian Deng Hu	RS Components	1,000	Expansion

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Vanke Financial Centre Building C	Jihua Road	-	84,000	2020
Baoneng Financial Tower	Foshan New Town	-	53,000	2020
Greenland Center T4	Jihua Road	-	82,000	2021
M-city Tower West	Foshan New Town	-	82,000	2021
Foshan Assoc. of Entrepreneurs HQ Building	Foshan New Town	-	99,000	2021
Zhongying Shengda IFC	Foshan New Town	-	58,000	2021
Poly Jicheng Financial Center	Foshan New Town	-	76,000	2022
Jinghua Mall	Qian Deng Hu	-	126,000	2023
Evergrande - Suning Plaza	Foshan New Town	-	61,000	2024

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