

12-Mo. Forecast

¥136.6
Rent (PSM/MO)



-2.6%
Rental Growth (QOQ)



16.3%
Vacancy Rate



Vacancy Rate Rises Amid Excessive Supply and Softening Demand

The 20,000-sq m Xixi Paradise Walk in Hangzhou's Jiang Village submarket completed in Q4. Consequently, Hangzhou's Grade A office stock climbed to around 3.1 million sq m at the end of the quarter. New office completions amounted to 205,800 sq m in 2019, with 61.6% located in the CBDs. In response to the supply, vacancy rates for the city overall and for the core CBDs rose by 4.5% and 3.6% y-o-y, respectively, to 16.3% and 15.7%, respectively, by the end of the quarter. Elsewhere, motivated by cost control, a number of small and medium-sized enterprises moved to non-core CBDs with lower rentals, and vacancy rates in these submarkets fell in Q4. Yunhe and Qianjiang Century City, for example, saw vacancy rate drops of 4% and 1.1% q-o-q, respectively.

Non-Core CBD Rentals Jump 2% in Q4

Rental levels for Grade A office space in Hangzhou's CBDs saw both upward and downward trends in Q4. Overall, citywide rent for Grade A offices fell by 2.6% q-o-q to RMB136.6 per sq m per month at the end of the quarter. Among the submarkets, due to weakening demand and greater flexibility in leasing negotiations, the average rent in the core CBDs fell by 3.1% q-o-q to RMB150.3 per sq m per month in Q4. In the non-core CBDs, boosted by the delivery of new high-quality projects, the average rent rose by 2% q-o-q to RMB101.2 per sq m per month.

Favorable Government Strategy Will Enhance Market Competitiveness

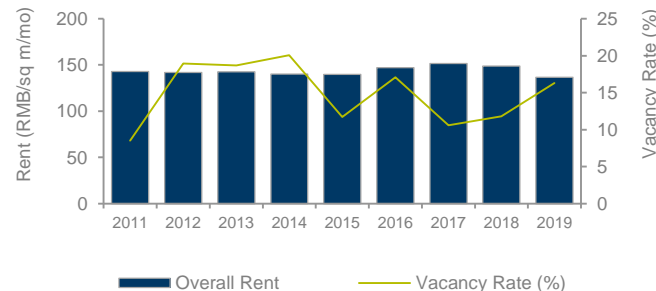
In the short term, influenced by future oversupply and weakening leasing demand, the city's vacancy rate is expected to rise, with a consequent drop in rental levels. The TMT, finance and professional services sectors are still the main drivers of leasing demand. With trade tensions expected to ease and the further opening-up of China's financial industry, Hangzhou is also expected to see office space upgrades or new entry set-ups from the manufacturing sector, trading companies, and foreign financial institutions.

In terms of government policy, the newly issued 'Yangtze River Delta Integration Plan' and the 'Regulations on Optimizing the Business Environment', will provide further opportunities for Hangzhou to enhance its economic competitiveness. Consequently, Hangzhou should become more attractive for top-quality companies and talent to locate to, which will help drive demand for Grade A offices in the city over the longer-term.

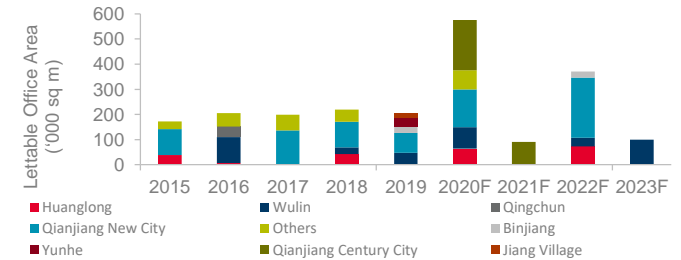
HANGZHOU ECONOMIC INDICATORS Q3 2019



GRADE A CBD OVERALL RENT & VACANCY RATE



GRADE A CBD NEW SUPPLY



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

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Huanglong	416,559	14.3%	136,791	163.4	2.16	1.95
Wulin	297,182	19.9%	219,130	173.4	2.29	2.07
Qingchun	260,149	10.2%	0	123.2	1.63	1.47
Qianjiang New City	1,168,682	16.4%	390,000	143	1.89	1.71
HANGZHOU GRADE A CORE CBD TOTAL	2,142,572	15.7%	745,921	150.3	1.99	1.79
Hangzhou Grade A Non-core CBD Total	968,312	17.5%	391,153	101.2	1.34	1.21

Rental equals "Gross Transacted Face Rental"

1 USD = 7.03146 RMB = 0.90390 EUR (2019.11.22)

KEY LEASING TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Ping'an Financial Center	Qianjiang New City	Hua Insurance	4,000	Relocation
EFC	Others	Zhejiang Duobao Network Technology	2,000	-
EAC	Huanglong	Abbott	1,260	Renewal

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
The One	Wulin	-	85,000	2020
Knowledge City III	Huanglong	-	63,813	2020
China Life Building	Qianjiang New City	-	150,000	2020
Mix Plaza	Others	-	42,153	2020
Cinda Center	Qianjiang Century City	-	90,000	2021

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