

12-Mo.
Forecast

¥103.65
Rent (PSM/MO)

-5.7%
Rental Growth (YOY)

28.6%
Vacancy Rate

Source: Cushman & Wakefield Research

KUNMING ECONOMIC INDICATORS Q1-Q3 2019

7.9%
GDP Growth

Q1-Q2 2019: **8.0%** 12-Mo. Forecast

8.0%
Tertiary Sector Growth

Q1-Q2 2019: **8.6%** 12-Mo. Forecast

2.1%
CPI Growth

Q1-Q2 2019: **2.7%** 12-Mo. Forecast

14.7%
Real Estate Development & Investment Growth

Q1-Q2 2019: **9.9%** 12-Mo. Forecast

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

Belt And Road Initiative Supports Market Performance

In 2019 the 80,000-sq m Spring City 66 project was launched, pushing up Kunming's total Grade A office stock to 779,886 sq m. This was also the first new Grade A office building supply since 2017.

Amid the prevailing economic climate and slowing absorption, some landlords lowered rents to attract tenants. Consequently, the city's average rent dropped 5.7% y-o-y to RMB103.65 per sq m per month at the end of the year. The rent drop stimulated demand, and the vacancy rate dropped 7.73 percentage points y-o-y to finish the year at 28.6%. Development and infrastructure projects arising from the position of Yunnan province and Kunming as a future hub of the Belt and Road Initiative have also helped to stimulate office leasing demand, notably from the real estate and professional service sectors. Net absorption improved 16.18% y-o-y to reach 111,265 sq m for the year.

Market Environment To Improve Ahead

The high standard of Spring City 66 has enhanced the Grade A office market. Some older properties have also actively upgraded their facilities and services to strengthen competitive advantages. Generally we can expect the quality of the office market to further improve ahead.

Kunming Eye of Spring Tower and the Landmark Plaza are due to be delivered in 2021, and together with Spring City 66 and the Zhaoyin building are expected to form Kunming's first recognized business district. However, the new supply is likely to exert downwards pressure on average rents and a consequent rise in the overall vacancy rate.

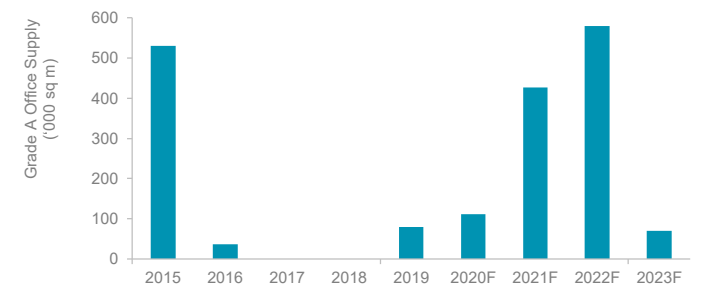
Wujiaba area in Guandu district is developing a headquarters economy and establishing itself as a free trade zone. Ahead, through 2023 approximately half of scheduled supply, more than 690,000 sq m, is slated for Guandu district. Meanwhile, the relatively mature submarkets will see limited future supply, with average rent likely to rise and a steady drop in the vacancy rate as space is taken up.

GRADE A RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Research

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
Panlong	340,733	25.1%	261,000	¥110.12	US\$1.45	€1.32
Wuhua	36,000	15.0%	0	¥127.00	US\$1.68	€1.52
Xishan	403,153	32.7%	60,000	¥96.09	US\$1.27	€1.52
KUNMING GRADE A TOTAL	779,886	28.6%	321,000	¥103.65	US\$1.37	€1.24

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= 0.903898 EUR=7.03146 RMB (2019.11.22)

KEY LEASING TRANSACTIONS 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Low C RBON business center	Panlong	JingGong	3,000	New Setup
Spring City 66	Panlong	An education center	3,300	New Setup
Spring City 66	Panlong	EY	2,500	New Setup

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
The Landmark	Panlong	-	96,000	2021
Jun Fa Kunming Eye of Spring Tower	Panlong	-	83,700	2021
Greenland Southeast Asia Center	Guandu	-	80,000	2022
CCCC South Asia Headquarters	Guandu	-	80,000	2022
CSC Southwest Headquarters	Guandu	-	80,000	2022
Poly Window of South Asia	Guandu	-	80,000	2022
Vanke Charming City	Guandu	-	70,000	2023

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