

12-Mo. Forecast

¥81.5
Rent (PSM/MO)



-7.7%
Rental Growth (YOY)



28.2%
Vacancy Rate



Source: Cushman & Wakefield Research

New Supply Surge Drives up Vacancy Rates

A combined 710,000 sq m of new supply entered the market in 2019, bringing total market stock up to 2.34 million sq m. Qilihe District and Chengguan District accounted for 47% and 42% of the total stock, respectively. The surge of new supply pushed up the city's overall vacancy rate 5.5 percentage points y-o-y to 28.2%. In Qilihe District the influx of stock pushed the vacancy rate up to 32.1%, the highest of all submarkets.

Office rental levels were impacted by economic headwinds and overall average monthly rent retreated 7.7% y-o-y to RMB81.5 per sq m.. Companies from the finance, professional services, education and real estate industries were the main drivers of leasing.

Continuing New High-Quality Supply Will Develop the Market

In the next two years, new supply of Grade A office in Lanzhou is expected to reach 1.40 million sq m, of which 47.1% will be located in Chengguan District.

With the opening of Lanzhou Metro Line 1 in 2019 travel convenience in the urban area was greatly improved. Projects along the subway line and especially those above the stations will be favored by tenants.

Over the next two years a continuing surge of new supply will increase market short-term competition. However, we expect that high-quality new projects offering good facilities, intelligent management systems, and people-oriented supporting services will benefit the development and overall quality of Lanzhou's office market.

LANZHOU ECONOMIC INDICATORS Q2 2019

5.2%
GDP Growth

Q1 2019: 7.6%
12-Mo. Forecast:

6.3%
Tertiary Sector Growth

Q1 2019: 7.6%
12-Mo. Forecast:

1.9%
CPI Growth

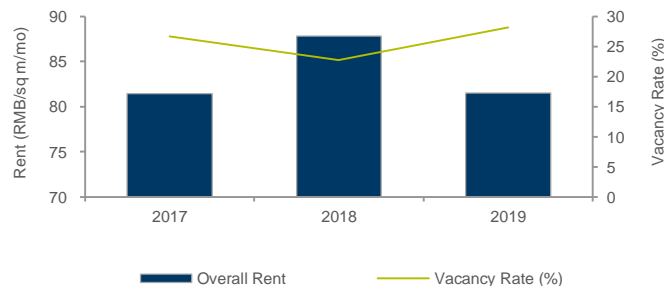
Q1 2019: 1.5%
12-Mo. Forecast:

-20.1%
Real Estate Development & Investment Growth

Q1 2019: 14.0%
12-Mo. Forecast:

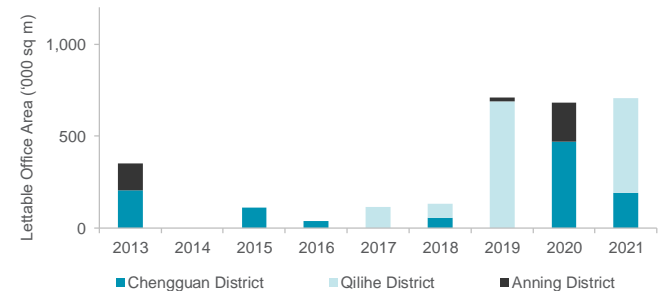
Source: Lanzhou Statistics Bureau / Oxford Economics / Cushman & Wakefield Research

GRADE A CBD RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research

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
Chengguan District	978,771	24.5%	659,047	92.4	1.19	1.08
Qilihe District	1,107,675	32.1%	515,000	75.1	1.47	1.33
Anning District	255,159	25.4%	211,697	67.5	1.20	1.09
LANZHOU GRADE A OVERALL TOTAL	2,341,401	28.2%	1,385,744	81.5	1.10	0.99

Effective 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 = 7.82388 HKD = 30.5200 TWD as of Nov 22nd 2019

KEY LEASING TRANSACTIONS 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Ming Cheng Plaza	Chengguan District	Taiping property insurance	6,000	Relocation
Ming Cheng Plaza	Chengguan District	Sunac group	1,000	Relocation
Sanwei E-commerce building	Qilihe District	Wanda Group	1,300	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Shengda Financial Plaza	Chengguan District	N/A	2,368,060	Q1 2020
Jinkairui building	Chengguan District	N/A	1,206,064	Q1 2020
Asia Europe International	Chengguan District	N/A	1,474,656	Q3 2020
Zhongbang International Trade Center	Anning District	N/A	1,740,490	Q3 2020
Zhonghai Plaza	Anning District	N/A	538,196	Q4 2020
Hongyun Jinmao square	Chengguan District	N/A	2,045,143	Q2 2021
Hongsen Yintan square	Qilihe District	N/A	5,543,414	Q2 2021

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