

¥78.94
Rent (PSM/MO)

12-Mo.
Forecast

-5.4%
Rental Growth (HOH)

54.3%
Vacancy Rate

Source: Cushman & Wakefield Research

NANNING ECONOMIC INDICATORS Q1-Q3 2019

4.1%
GDP Growth

Q1-Q2 2019: **3.7%**

12-Mo. Forecast:

5.0%
Tertiary Sector Growth

12-Mo. Forecast:

3.0%
CPI Growth

12-Mo. Forecast:

-%
Real Estate Development & Investment Growth

12-Mo. Forecast:

Note: Growth figure is y-o-y growth;
Source: Guangxi Statistics Bureau; Guangxi Nanning Municipal Bureau of Statistics; Oxford Economics; Cushman & Wakefield Research

Wuxiang New District Submarket Witnesses Improvement Supported by Transport Links

Wuxiang Hangyang City Tower 2&3 completed in 2H, pushing up Grade A office stock in Wuxiang New District to 912,573 sq m and surpassing the stock of the mature Fengling business submarket. Annual new supply grew to 429,509 sq m, a drop of 16% y-o-y. The city's stock reached 2,040,950 sq m by the end of 2019.

Annual new office supply in Wuxiang New District has grown steadily since 2017, pressuring the leasing market. However, high quality completions at competitive rents and rental reimbursements offered by the local government have incentivized tenants to settle. New metro links have also aided the market. Despite the volume of new supply, several well-managed buildings recorded double-digit drops in their vacancy rates compared with 1H. Net absorption in Wuxiang was 129,225 sq m for the year, and the vacancy rate dropped 7.2 percentage points. Meanwhile, the traditional business center was less active due to lack of new supply, with demand often absorbed elsewhere. Impacted by the new supply, the citywide vacancy rate rose at the end of the year, while the average monthly rent dropped to RMB78.9 per sq m. The TMT, real estate and construction sectors and manufacturing industries were the drivers of leasing activity in 2H.

Slow Absorption Ahead Under Volume of Future Supply

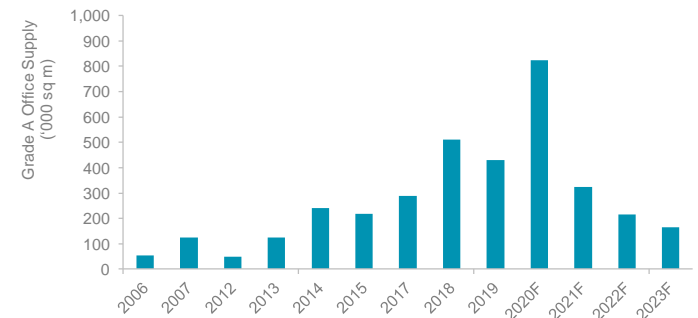
Sixty percent of the current stock has been added in the last three years. However, absorption has been sluggish and the citywide vacancy rate remains high at 54.3%. A further 823,000 sq m of new supply is expected to enter through 2020, further pressuring the leasing market. However, policy incentives are expected to attract firms to Nanning and stimulate demand. Nanning area has already added more than 1,300 companies since the planned Guangxi pilot free trade zone was approved in August. In December, Guangxi published '30 Articles' policies to support the development of the pilot zone, with tax reductions to designated industries and incentives to headquarter companies. Companies are also increasingly flowing to Wuxiang New district. Ahead, more new metro links will bring greater convenience. Wuxiang is also designated as a key strategic area for the development of Nanning, tasked with leading comprehensive citywide improvement.

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
Jinhu	145,110	31.4%	-	¥64.96	US\$0.86	€0.78
Nanhu	73,359	23.3%	-	¥102.74	US\$1.36	€1.23
Fengling	909,907	36.7%	180,000	¥109.34	US\$1.44	€1.31
Wuxiang New District	912,573	78.0%	1,347,000	¥48.93	US\$0.65	€0.58
NANNING GRADE A TOTAL	2,040,950	54.3%	1,527,000	¥78.94	US\$1.04	€0.94

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 2H 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Taiping Finance Tower	Wuxiang New District	China Second Metallurgy Group	1,000	New Setup
Taiping Finance Tower	Wuxiang New District	CCCC-SHB	1,000	New Setup
Nanning ifp	Wuxiang New District	Beijing General Municipal Engineer Design & Research Institute Guangxi Branch	700	New Setup
Logan International Tower A	Wuxiang New District	Nestle	300	New Setup
China Resources Tower B	Fengling	Yuntian Group	1,000	New Setup

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
China Resources Tower A	Fengling	-	180,000	2020
Nanning Chengjian Finance Tower	Wuxiang New District	-	165,000	2020
Fuya International Finance Center	Wuxiang New District	-	140,000	2020
Baoneng Global Financial Center	Wuxiang New District	-	106,000	2020
Evergrande International Center	Wuxiang New District	-	250,000	2021
Tianyu Tower	Wuxiang New District	-	216,000	2022
Nanning Center	Wuxiang New District	-	164,000	2023

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