

12-Mo.
Forecast

¥111.7
Rent (PSM/MO)

-0.89%
Rental Growth (QOQ)

26.6%
Vacancy Rate

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

QINGDAO ECONOMIC INDICATORS Q3 2019

6.4% GDP Growth
Q1 2019: **6.9%** 12-Mo. Forecast

9.1% Tertiary Sector Growth
Q1 2019: **9.5%** 12-Mo. Forecast

2.6% CPI Growth
Q1 2019: **2.2%** 12-Mo. Forecast

15.3% Real Estate Development & Investment Growth
Q1 2019: **6.3%** 12-Mo. Forecast

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

Average Rental Stable, Vacancy Rate Slightly Down

With no new supply in Q4, Qingdao's Grade A office stock remained at 1.45 million sq m at the end of the quarter.

Impacted by downward economic pressure and weak market demand, some office property owners lowered rentals to attract tenants. Shibe CBD witnessed the most evident rental drop, with average rent down 6.3% q-o-q to RMB95.4 per sq m per month. However, lower rentals did attract some tenants to move in and the Shibe CBD vacancy rate dropped slightly to 34.6%.

The overall market average rent maintained stability, dropping just 0.9% q-o-q to RMB111.7 per sq m per month, and the vacancy rate also dropped 0.5 percentage points to 26.6%. Shinan CBD continued to perform well, with net absorption of 4,576 sq m at the end of the quarter.

Shibe CBD Increasingly Favored by Cost-Sensitive Tenants

With quality office properties and competitive rents on offer, Shibe CBD is increasingly favored by tenants seeking cost effective space amid the economic slowdown. Ahead, we can expect competition among different submarkets to be reflected by the services provided by building owners.

New Projects Mainly Concentrated in Laoshan CBD and Shinan CBD

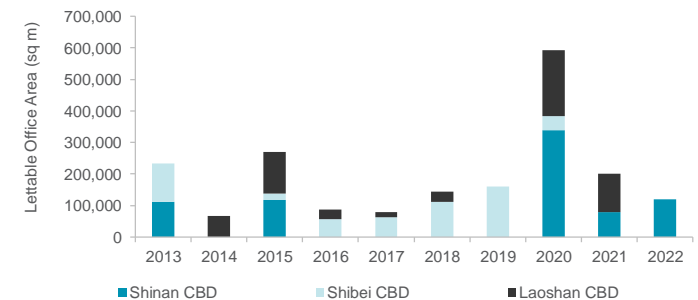
Approximately 910,000 sq m of new supply will enter the market over the next three years, with the majority concentrated in Laoshan and Shinan CBDs. Of the new projects, six high-quality properties including Haitian Center, Peking University Resources Plaza and China Resources Center Phase 2 are scheduled to enter the market in 2020.

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
Shinan CBD	626,921	22.4%	538,000	118.53	16.86	15.24
Shibei CBD	508,461	34.6%	45,000	95.35	13.56	12.26
Laoshan CBD	310,360	21.7%	330,509	124.80	17.75	16.04
QINGDAO GRADE A OVERALL TOTAL	1,445,742	26.6%	913,509	111.72	15.89	14.36

*Projects of others not belonging to any of the above submarkets.

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: 1 USD=7.03146 CNY=0.903898 EUR as of November 22, 2019

KEY LEASING TRANSACTIONS 4Q19

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Shangri-la	Shinan CBD	Yuanheng Wenda culture and Tourism	2,000	Relocation
Zhonghai building	Shibei CBD	Tan Zhou Education	500	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Haitian Center	Shinan CBD	N/A	120,000	2020
Deep Blue Centre	Shinan CBD	N/A	80,000	2021
China Resources building	Shinan CBD	N/A	10,000	2021
SILC Center	Laoshan CBD	N/A	31,700	2021
Peking University Resource Plaza	Laoshan CBD	N/A	60,000	2020
Merchants Shekou	Shinan CBD	N/A	120,000	2022

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