

**¥299.8**  
Rent (PSMMO)

12-Mo.  
Forecast



**-1.0%**  
Rental Growth (QOQ)



**13.6%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## SHANGHAI ECONOMIC INDICATORS Q3 2019

	Q2 2019	12-Mo. Forecast
<b>6.0%</b> GDP Growth	5.9%	▲
<b>8.9%</b> Tertiary Sector Growth	9.1%	▲
<b>2.2%</b> CPI Growth	2.1%	▲
<b>4.2%</b> Real Estate Sector Investment	3.9%	▲

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

## Five New Grade A Office Projects Completed in Q4 2019

Despite some expected construction delays the Shanghai Grade A office market welcomed five projects in Q4, adding 382,139 sq m of quality new supply and pushing the city's Grade A office stock to 12,530,571 sq m.

Of the five projects, only the One East T2 & 3 & 4 in the Huangpu submarket is located in the core area, contributing 120,000 sq m of new supply, which subsequently pushed the vacancy rate in Huangpu to 17.1%. The remaining four projects are located in the Century Park, Yangjing, Fringe Xuhui and Putuo submarkets, and together added 262,139 sq m of new supply to the suburban area.

By 2023, a total of 5.9 million sq m of Grade A office space is expected to be completed in Shanghai. The core area will account for only 29.5% of the new supply, while the remaining 70.5% will be launched in the suburban area.

## New Supply Drove up Vacancy

The overall leasing demand was strong in Q4, with net absorption amounting to 173,709 sq m. The city's core area recorded 50,270 sq m, while the suburban area continued to see strong leasing demand, with absorption totaling 123,440 sq m. Despite the robust demand, newly completed projects drove the city's overall vacancy rate to 19.6% (13.6% in the core area; 29.9% in the suburban area), up 1.13% q-o-q.

In Q4, TMT, Professional Services and Finance were the top industry sectors driving leasing demand. The Lujiazui and Core Jing'an submarkets recorded sizable leasing deals from financial companies. The Healthcare sector was also active in Q4, and favored the traditional core submarkets as well as emerging suburban submarkets such as Expo & Qiantan.

## Core Area Rental Experienced Further Decline

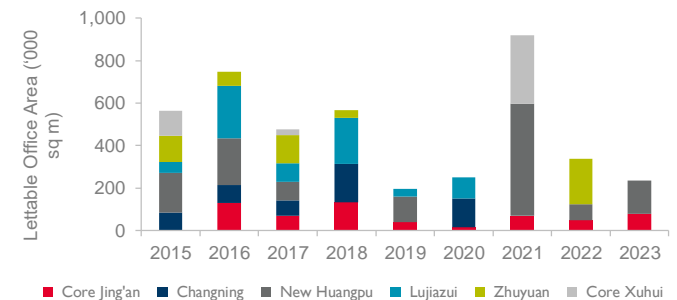
The core area recorded rental of RMB299.8 per sq m per month in Q4, down 0.96% q-o-q. New Grade A office supply in suburban areas with convenient transportation connections, amenities and cheaper rentals are exerting pressure on core market office rentals and we expect this situation to continue into the next quarter.

## GRADE A CBD OVERALL RENT & VACANCY RATE



Source: Cushman & Wakefield Research

## GRADE A CBD 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
Core Jing'an	1,183,920	10.6%	216,519	¥356.1	US\$4.71	€4.25
New Huangpu	1,779,322	17.1%	756,276	¥288.8	US\$3.82	€3.45
Lujiazui	2,096,646	17.8%	100,000	¥341.9	US\$4.52	€4.08
Zhuyuan	1,273,171	11.2%	212,008	¥271.5	US\$3.59	€3.24
Core Xuhui	519,255	5.1%	320,975	¥303.0	US\$4.00	€3.62
Changning	1,045,777	9.5%	137,404	¥228.0	US\$3.01	€2.72
<b>SHANGHAI GRADE A CBD TOTAL</b>	<b>7,898,091</b>	<b>13.6%</b>	<b>1,743,182</b>	<b>¥299.8</b>	<b>US\$3.96</b>	<b>€3.58</b>
Shanghai Grade A Suburban	4,632,480	29.9%	4,087,556	¥202.4	US\$2.68	€2.42

Rental equals "Gross Transacted Face Rental"

1 USD = 7.03146 RMB = 0.902898 EUR (2019.11.22)

### KEY LEASING TRANSACTIONS 4Q19

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Westlink	Minhang	Evalueserve	2,500	Relocation
One ICC	Core Xuhui	LinkedIn	2,500	Expansion
1788 Eco City	Core Jing'an	Omnicom	8,000	Renewal
Two IFC	Lujiazui	Bank of America Merrill Lynch	6,000	Relocation
One ICC	Core Xuhui	Global Law Office	4,000	Relocation
Wheelock Square	Core Jing'an	SAP	2,100	Relocation

### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Shanghai SK Tower	Expo & Qiantan*	-	123,075	2020
Qiantan Centre	Expo & Qiantan*	-	168,000	2020
Lumina	Fringe Xuhui	-	169,943	2020
Shangxianfang Project	Huangpu	-	70,604	2021
Binjiang Urban Development Center	Fringe Xuhui	-	209,000	2022
CR Land Zhongyuan Project	Core Jing'an	-	80,069	2023

\*Expo & Qiantan suburban area includes Houtan area

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