WUHAN

Office Q4 2019



QoQ Change

¥119.5 Rent (PSM/MO)



-0.2% Rental Growth (QoQ)



25.7%



Vacancy Rate

Source: Cushman & Wakefield Research

WUHAN ECONOMIC INDICATORS 1 - 3Q 2019

	1H	12-Mo.
- 00/	2019	Forecast
7.8%		

GDP Growth 8.1%



2.9% 2.7% **a**

8.6%
Real Estate
Development Investment
Growth

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

Market Demand Further Warms Up

No new supply was added in Q4 and Wuhan's Grade A office stock remained at 2.1 million sq m. Impacted by ongoing economic uncertainty, prime Grade A projects expected to be delivered within the year have been delayed. However, this does provides the market more time to destock current supply. In Q4, in order to accelerate the destocking, and competing for limited market demand, Grade A office owners again cut rent levels. The market ended Q4 at an average monthly rent of RMB119.5 per sq m, down 1.0% q-o-q. The rental reduction further stimulated demand in the Grade A Office market: overall net absorption was 27,392 sq m and the overall vacancy rate dropped 1.3 percentage points q-o-q to 25.7%.

Education Firms Lead Transaction Activity

The main source of occupier demand in Q4 was the education sector, which took 52.7% of space leased, including leases by well-known educational institutions such as Ape Tutoring and Jiliguala English. Meanwhile, financial firms continued expansion, accounting for 23.1% of space leased. Finally, demand from TMT and professional services constituted the remaining 19.7% of leasing transactions. Relocation was still the primary driver for companies to seek office space in the quarter.

Outlook

Because of the uncertain external economic environment in 2019, overall market demand was significantly depressed compared to the previous year. However, some areas such as Optical Valley and Hankou RCD, thanks to their strong industrial support and business environment, have maintained vacancy rates far lower than the market average level. Looking ahead, the Grade A office projects delayed in 2019 will push up the expected new supply in 2020 to 321,325 sq m, which will undoubtedly put pressure on the overall market rent and pull up the vacancy rate. Since the new supply will be mainly located in Jianshe Ave., Wuguang and Wuhan CBD, we expect that the vacancy rates among the major business districts of Wuhan will further widen and differentiate, and competition between business districts with greatest new supply will be intensified.

GRADE A OFFICE RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research

MARKETBEAT **WUHAN**

Office Q4 2019

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MARKET STATISTICS

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION TILL 2024 (sq m)	GRADE A FACE RENT		
SUDMARNET				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Jianshe Ave.	836,347	35.7%	332,688	112.9	1.5	1.3
Wuguang	385,177	24.8%	506,796	105.5	1.4	1.3
Hankou & Wuchang RCD	377,142	13.4%	954,462	133.8	1.8	1.6
Zhongnan	400,857	22.5%	261,039	129.4	1.7	1.5
Optical Valley	149,358	11.8%	0	120.0	1.6	1.4
WUHAN CORE GRADE A TOTAL	836,347	25.7%	2,054,985	¥119.5	US\$1.6	€1.4
Wuhan CBD	-	-	268,754	-	-	-

^{*} Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT.

1 USD = 7.03146 RMB = 0.903898 EUR as at Nov 22, 2019

KEY LEASING TRANSACTIONS 4Q19

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
The New World T1	Optical Valley	Apes Tutoring	6,400	Relocation
The Poly Center	Optical Valley	MUCANG Technology	2,000	Relocation
The New Development International Center	Optical Valley	Jiliguala English	2,000	Relocation
The Poly Plaza	Zhongnan	Nanyang Commercial Bank	1,900	New Setup

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY2021	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
K11 ATELIER	Wuguang	-	55,970	2020
Shangri-La	Jianshe Ave.		41,315	2020
Hang Lung Center	Wuguang	-	151,471	2020
Wuhan Tiandi A1	Hankou & Wuchang RCD		177,117	2020
The MIXC	Jianshe Ave.	-	154,457	2021
The Greenland Center	Hankou & Wuchang RCD		202,430	2021

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