



¥105.07
Rent (PSM/MO)

12-Mo.
Forecast



-2.9%
Rental Growth (QOQ)



40.4%
Vacancy Rate



Source: Cushman & Wakefield Research

XIAMEN ECONOMIC INDICATORS Q1-Q3 2019

8.1%
GDP Growth

Q1-
Q2
2019
8.0%
12-Mo.
Forecast



7.0%
Tertiary Sector
Growth

7.7%



2.3%
CPI Growth

1.8%



-1.7%
Real Estate Development
& Investment Growth

13.4%



Note: Growth figure is y-o-y growth;
Source: Xiamen Statistics Bureau; Oxford Economics;
Cushman & Wakefield Research

New Supply and Weakened Leasing Activity Drive Down Average Rent

Chengyi International Business Center in the Xinglin Bay Business Operation Center launched in Q4. It marked the ushering in of an era of Grade A offices for the emerging Jimei District, which had been included in the Outside Xiamen's Main Island office submarket. Subsequently, new supply for the year recorded a record high of 429,000 sq m, and total Grade A office stock increased to 1.27 million sq m.

Amid economic uncertainties and weak leasing demand, the new supply led average rent down 2.9% q-o-q to RMB105.07 per sq m per month at the end of the year. Leasing activity was stimulated and vacancy rates dropped in some submarkets, but the citywide vacancy rate rose to a historical peak of 40.4%. The market primarily continued to absorb existing stock.

Low Rental Growth and Slow Absorption Ahead

Some big-name MNCs from the finance, logistic and retail sectors relocated from Lujiang Road CBD's ageing facilities to alternative more cost-efficient submarkets.

Although the Lujiang Road CBD is set to receive 188,000 sq m of new office supply in the next two years, the improvement of transport links including AMTR Line 2 and supporting amenities will strengthen the advantages of the other submarkets ahead.

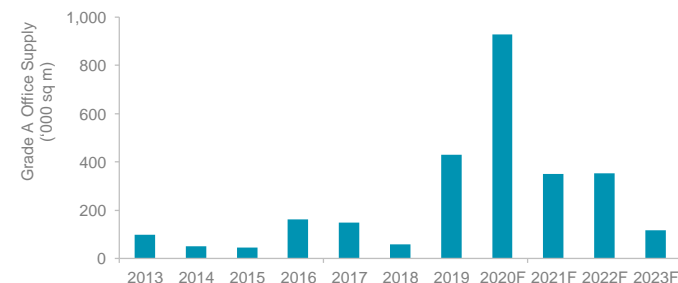
Large-scale leases were taken for self-use in Q4, notably from real estate-related companies, indicating that the government's investment promotion scheme is helping with the absorption of vacant office space. However, considering the current economic headwinds, we expect to see Xiamen's office market to continue to experience slow rental growth and a relatively high vacancy rate for a few quarters.

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
Lujiang Rd.	251,000	16.4%	188,000	¥112.42	US\$1.49	€1.34
N/S Hubin Rd.	169,000	52.0%	185,700	¥127.57	US\$1.69	€1.52
Cross Strait Financial Center (CSFC)	640,000	37.6%	717,700	¥104.36	US\$1.38	€1.25
Cross Strait Trade Center (CSTC)	58,000	4.0%	260,000	¥84.00	US\$1.11	€1.00
Outside Xiamen's Main Island (OMI)	148,000	94.3%	396,800	¥78.18	US\$1.03	€0.93
XIAMEN GRADE A TOTAL	1,266,000	40.4%	1,748,200	¥105.07	US\$1.39	€1.25

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 4Q19

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
TFC - Tower B	CSFC	Tefang International Design	1,400	Relocation
NCI Building	CSFC	Insurance Association of Xiamen	900	Relocation
Paragon Center	N/S Hubin Rd.	Toshiba Electronic Devices & Storage Corporation Xiamen Branch	150	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sea World - CMLS	CSTC	-	190,000	2020
Haixi Jingu Plaza (T1 & T2)	CSFC	-	103,000	2020
Xiamen Air Headquarter	CSFC	-	66,000	2020
Winland Complex	CSFC	-	220,000	2021

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