



**¥100.1**  
Rent (PSM/MO)

12-Mo.  
Forecast

**-2.7%**  
Rental Growth (QOQ)

**29.3%**  
Vacancy Rate

Source: Cushman & Wakefield Research

#### DALIAN ECONOMIC INDICATORS Q4 2019

**6.5%**  
GDP Growth

Q3 2019: **6.6%**

12-Mo. Forecast:

**2.9%**  
Tertiary Sector Growth

Q3 2019: **3.6%**

12-Mo. Forecast:

**2.4%**  
CPI Growth

Q3 2019: **2.1%**

12-Mo. Forecast:

**5.2%\***  
Real Estate Development & Investment Growth

Q3 2019: **16.4%\*\***

12-Mo. Forecast:

Source: Dalian Statistics Bureau / Cushman & Wakefield Research

\* Data as of November 2019 \*\* Data as of Q2 2019

#### Office Market Further Pressured by Impact of COVID-19 Outbreak

No new Grade A office supply entered the Dalian market in Q1 and total office stock remained at 922,000 sq m. Following the impact of the COVID-19 outbreak and extension of the Spring Festival holiday some enterprises have become more dependent on remote working. And with tenants now increasingly cautious on expansion and leasing decisions the office market is facing further pressure.

As a result of the economic downturn and intensified market competition the overall office vacancy rate rose 1.5 percentage points q-o-q to 29.3%, while average monthly rent dropped 2.7% q-o-q to RMB100.1 per sq meter.

During the quarter, numbers of firms canceled or postponed their decision-making on new leasing, relocation and expansion. Some have even surrendered leases or downsized their space. Citywide, net absorption has been dragged into negative territory at -13,903 sq m The four core submarkets also performed poorly, all with negative absorption, at an average of -3,500 sq m.

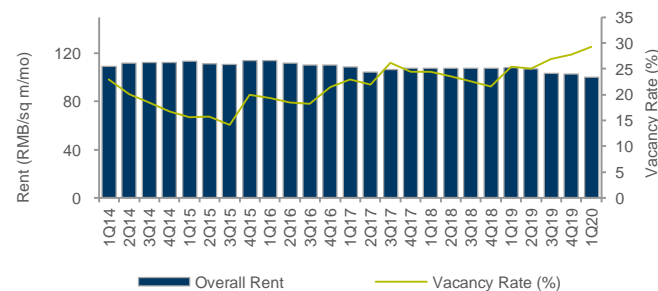
#### Future Focus on Building Quality and Service Levels

The Citic Full Joy Building in the East Harbor submarket and the Huajun Financial Center in the Xinghai Bay submarket are scheduled to enter the market in 2020, adding a combined 155,000 sq m of high-quality office space. Although, the launch dates for both projects have been pushed back to the end of the year.

Finance and professional service firms remain the key drivers of office leasing activity. However, the online education, medical and insurance sectors are now seeing new opportunities, and should help bring new demand to the market ahead.

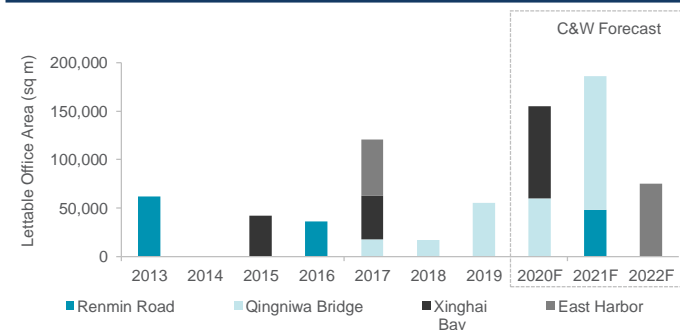
In the wake of the COVID-19 outbreak, growing numbers of tenants are focusing more on building quality and property management. We expect to see intelligent building management, wellbeing and safety aspects and green building features become key competitiveness factors in the office market, with the properties best equipped to deal with public emergencies the most trusted and favored by tenants.

#### 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
Renmin Road	256,652	34.1%	47,983	80.30	1.07	0.96
Qingniwa Bridge	261,167	22.9%	138,000	100.32	1.34	1.20
Xinghai Bay	283,687	29.2%	95,000	113.79	1.52	1.36
East Harbor	120,038	33.7%	134,690	109.88	1.47	1.32
DALIAN GRADE A SUBURBAN TOTAL	921,544	29.3%	415,673	100.14	1.34	1.20

\*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 CNY=0.1439 USD=0.1291 EUR as of March 3<sup>rd</sup>, 2020

## KEY LEASING TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Eton International Tower	Qingniwa Bridge	Injingye Law Firm	714	Relocation
R&F Center	East Harbor	China Construction Third Engineering Bureau Co.,Ltd	600	Relocation
XIWANG Tower	Qingniwa Bridge	GE	292	Relocation

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
CITIC Full Joy	East Harbor	N/A	59,851	2020
Huajun Financial Centre	Xinghai Bay	N/A	95,000	2020
Dalian World Trade Centre	Qingniwa Bridge	N/A	93,651	2021
Dingsen Centre South Tower	Xinghai Bay	N/A	47,983	2021
Eton Center ST-1	Qingniwa Bridge	N/A	43,000	2021
Dalian ORIX Building A	East Harbor	N/A	74,839	2022

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