



¥189.6
Rent (PSM/MO)

QoQ
Change



-0.6%
Rental Growth (QoQ)



5.2%
Vacancy Rate



Source: Cushman & Wakefield Research

GUANGZHOU ECONOMIC INDICATORS 1-4Q 2019

6.8%
GDP Growth

1-3Q 2019: 6.9%
12-Mo. Forecast: 6.9%

12-Mo. Forecast: 6.9%

7.5%
Service Sector GDP Growth

12-Mo. Forecast: 7.9%

3.0%
CPI Growth

12-Mo. Forecast: 3.0%

14.8%
Real Estate Development Investment Growth

12-Mo. Forecast: 18.9%

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

Grade A Office Leasing Activity Softened

The slack leasing season, coupled with the postponement of work resumption driven by the COVID-19 outbreak, saw the city's Grade A office market leasing activity soften in Q1. The citywide net absorption amounted to 12,313 sq m, down 5.4% q-o-q. Leasing demand was dominated by expansion and relocation activity by domestic enterprises, especially firms in the online sector.

With no new completions in the quarter the market continued to absorb existing stock, leading to the overall vacancy rate falling 0.3 percentage points q-o-q to 5.2%. By submarket, Zhujiang New Town and Pazhou remained the most preferred locations for enterprises, with vacancy rates dropping 0.7 and 0.5 percentage points q-o-q, respectively. In contrast, Tianhe Sports Center and Yuxiu were faced tenant outflows, their vacancy rates climbing for two consecutive quarters, up 1.2 and 0.5 percentage points q-o-q, respectively.

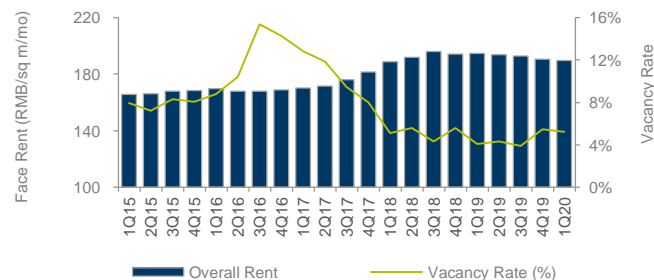
Landlords Offering More Flexible Leasing Terms

Although faced with ongoing economic uncertainties, the city's overall vacancy rate remained at a relatively low level. In response to the overall market situation landlords preferred to offer more flexible leasing terms to their prime tenants, rather than lower the face rent directly. As a result, the overall decline in rental eased in Q1, with average monthly rent recording a slight drop of 0.6% q-o-q to RMB189.6 per sq m.

Vacancy Rate Will Edge up Amid the COVID-19 Outbreak

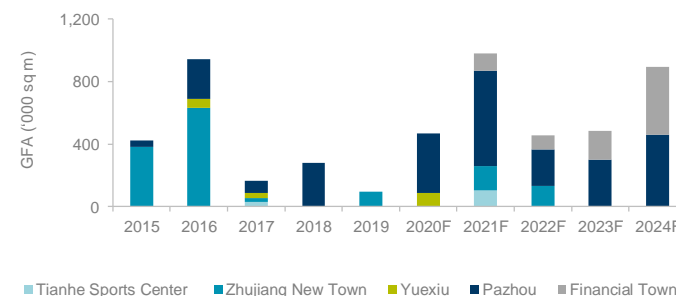
Construction delays for pipeline projects mean that new Grade A office space now due in 2020 will be down 18.7% compared to the forecast at the end of last year, to approximately 466,000 sq m. The worldwide spread of the coronavirus will further impact demand, with enterprises likely to delay or cancel leasing decisions in the near-term. However, with less new supply partly balancing weakened demand, the overall vacancy rate is expected to edge up. And with the new projects concentrated in the Pazhou emerging submarket, we can also expect the new supply to exert downwards pressure on citywide average rent.

GRADE A OFFICE 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 TILL 2024 (SQ M)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Tianhe Sports Center	857,190	4.4%	105,942	184.3	2.5	2.2
Zhujiang New Town	3,000,576	5.0%	288,850	206.7	2.8	2.5
Yuexiu	300,480	6.7%	87,259	138.3	1.8	1.7
Pazhou	796,989	6.4%	1,978,093	150.3	2.0	1.8
GUANGZHOU GRADE A TOTAL	4,955,235	5.2%	2,460,144	¥189.6	US\$2.53	€2.27
Financial Town	-	-	817,885	-	-	-

* 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 = 6.9516 RMB = 0.8975 EUR as at Mar 3, 2020

KEY LEASING TRANSACTIONS 1Q20

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Central Tower	Zhujiang New Town	Colgate	3,200	Relocation
Sunrich Plaza	Tianhe Sports Center	EL Business	2,900	New Setup
Tiande Centre	Zhujiang New Town	Junmins Group	2,270	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Lumina Guangzhou	Yuexiu	-	87,000	2020
Guangzhou mTower	Pazhou	-	96,000	2020
Alibaba South China Headquarters	Pazhou	-	92,000	2020
Trendy International Building	Pazhou	-	87,000	2020
Vipshop Global Headquarters	Pazhou	-	57,000	2020
GMC Plaza	Pazhou	-	47,000	2020
Ping'an Financial Tower	Financial Town	-	54,000	2021
TCL Building	Pazhou	-	103,000	2021
Fosun International Center	Pazhou	-	67,000	2021
Guangzhou International Commercial Center	Tianhe Sports Center	-	106,000	2021

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