



Office Q1 2020

**¥136.3**  
Rent (PSM/MO)

12-Mo.  
Forecast

**0.7%**  
Rental Growth (QOQ)

**34.8%**  
Vacancy Rate

Source: Cushman & Wakefield Research

#### NANJING ECONOMIC INDICATORS 2019

**8.0%**  
GDP Growth

Q1-Q3 2019: 8.0%  
12-Mo. Forecast: 8.0%

**8.6%**  
Tertiary Sector Growth

Q1-Q3 2019: 9.2%  
12-Mo. Forecast: 9.2%

**3.1%**  
CPI Growth

Q1-Q3 2019: 2.7%  
12-Mo. Forecast: 2.7%

**6.3%**  
Real Estate Sector Investment

Q1-Q3 2019: 2.6%  
12-Mo. Forecast: 2.6%

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

#### Recovering From COVID-19

Since the outbreak of COVID-19 in China, most construction in Nanjing was paused or delayed. However, in order to stabilize employment and promote economic development, the Nanjing Planning and Natural Resources Bureau issued six measures to ease the financial burden of developers. Most office projects have launched strict quarantine measures to help the city tackle the epidemic situation. Given the serious circumstances, not many new projects entered the market in the quarter. Only the Poly Center and Merchants' Bank Headquarter Building completed, bringing 85,000 sq m of prime office space to the city's leasing market in late March. Poly Center marked the first appearance of a prime office building near Nanjing South Station. As a commercial area planned by the Nanjing government, South Station may attract more quality projects in the future. Given the tough business period, both new projects saw soft leasing rates.

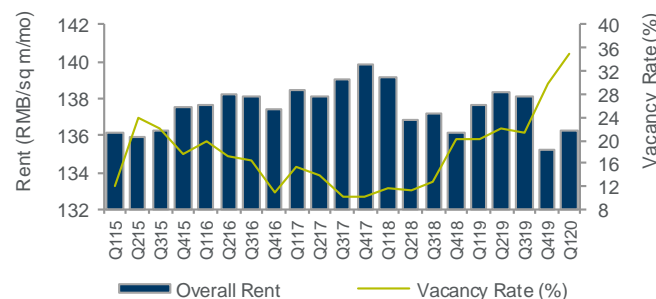
#### Market Activity Slowed

Leasing deals were few and far between in the quarter. Consequently, citywide average vacancy rose to 34.8%. The COVID-19 outbreak restricted workers' outside movement, which compelled more enterprises to transform working habits and schemes. As more employees worked from home, demand in the leasing market fell massively. Given the cashflow decline during this time, few firms still commanded the budget to seek a new office location or expand their existing space. Although potential clients are offered more options to review office space online via the cloud – a marketing medium that has been quickly adopted – many firms still face uncertain factors in the negotiation process. However, to help firms get through the tough period, many state-owned enterprises provided SMEs rental discounts from February to April. Thus, despite the fact that net absorption dropped to 3,410 sq m in Q1, many of these rent-relief-offering projects were able to maintain relatively stable occupancy rates in the quarter.

#### Rental Little Changed in Most Projects

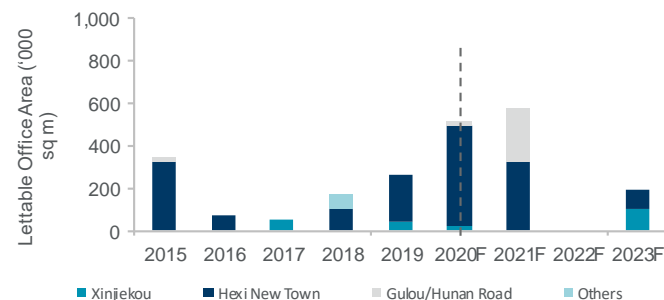
Jiangsu Province and the Nanjing government responded quickly and the epidemic situation came under control in late March. In light of this, the region's economy should recover soon. Based on the current situation, most landlords and developers are still positive about the office market in the short term. Thus, the average rental level varied little in the first quarter, stabilizing at around RMB 136.3 per sq m per month.

#### 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
Xinjiekou	513,069	19.5%	100,000	¥158.8	US\$2.12	€1.90
Hexi New Town	851,666	47.5%	794,900	¥128.6	US\$1.71	€1.54
Gulou/Hunan Road	155,618	27.4%	86,861	¥131.2	US\$1.75	€1.57
Others	130,000	20.8%	188,650	¥106.1	US\$1.41	€1.27
NANJING GRADE A CBD TOTAL	1,650,353	34.8%	1,170,411	¥136.3	US\$1.82	€1.63

The database was adjusted for year 2020.

Rental equals "Gross Transacted Face Rental"

1 USD = 6.9493 RMB = 0.8972 EUR (Mar. 3<sup>rd</sup> 2020)

#### KEY LEASING TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Xuzhou Coal Mining Plaza	Hexi New Town	China Auto Parking	570	New Setup
China Overseas Mansion	Others	Chengnuo Insurance	180	New Setup

#### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION YEAR
Deji World Trade Center	Hexi New Town	-	150,000	2020
Nanjing IFC Two	Hexi New Town	-	138,900	2020
Financial City II	Hexi New Town	-	320,000	2021
Hongkong Land Jinling Central	Xinjiekou	-	150,000	2022

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