

12-Mo. Forecast

¥111.4
Rent (PSM/MO)



-0.25%
Rental Growth (QOQ)



28.0%
Vacancy Rate



Source: Cushman & Wakefield Research

QINGDAO ECONOMIC INDICATORS Q4 2019

6.5% GDP Growth

Q3 2019: **6.4%** 12-Mo. Forecast:

8.0% Tertiary Sector Growth

Q3 2019: **9.1%** 12-Mo. Forecast:

3.1% CPI Growth

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

21.3% Real Estate Development & Investment Growth

Q3 2019: **15.3%** 12-Mo. Forecast:

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

Office Market Leasing Activity Declined Sharply in Q1

With no new supply in Q1, Qingdao's Grade A office stock remained at 1.45 million sq m at the end of the quarter. Leasing activity declined sharply in the quarter due to the COVID-19 outbreak. Tenants who had planned to relocate or to rent new space suspended their leasing plans, and the number of office visits fell sharply.

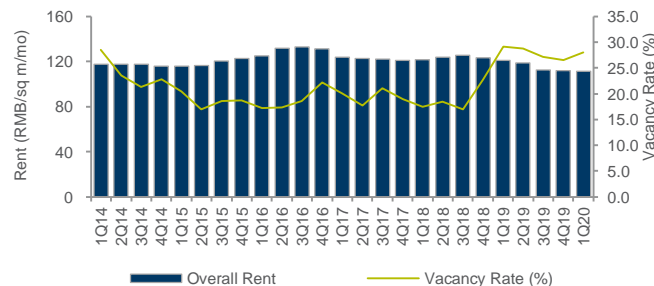
Tenants Become More Sensitive to Rental Levels

Impacted by the epidemic, and downwards economic pressure, tenants have grown more sensitive to office rental levels. In Q1 the overall market vacancy rate dropped 1.4 percentage points to 28%, and average monthly rent dropped 0.3% q-o-q to RMB96.4 per sq m. In the short-term we can expect rental levels to face further downward pressure, with landlords likely to offer preferential rents in order to retain tenants.

New Supply Pipeline to Slow

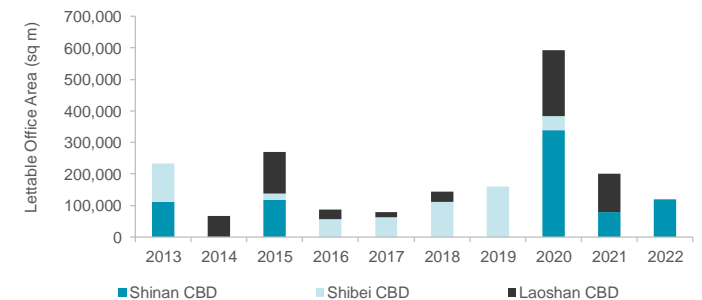
In the next three years approximately 910,000 sq m of new supply will enter the Qingdao Grade A office market. Most of the new projects are located in Laoshan CBD and Shinan CBD. However, the impact of the COVID-19 outbreak delayed construction progress, and the pipeline of new supply coming into the market will slow. The outbreak has further aggravated economic uncertainties, and industries face readjustments into the future. The TMT sector is set to be a growth hotspot, benefitting from the implementation of new infrastructure investment policies.

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
Shinan CBD	626,921	25.6%	538,000	118.41	1.58	1.42
Shibei CBD	508,461	33.6%	45,000	95.25	1.27	1.14
Laoshan CBD	310,360	23.6%	330,509	123.89	1.66	1.49
QINGDAO GRADE A OVERALL TOTAL	1,445,742	28.0%	913,509	111.44	1.49	1.34

*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: 1CNY = 0.1439USD = 0.1291EUR as of March 3, 2020

KEY LEASING TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
International Shipping Center	Shibei CBD	Qingdao Guanlian Technology Company	360	Relocation
Zhonghai Plaza	Shibei CBD	Glodon	600	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Haitian Center	Shinan CBD	N/A	120,000	2020
Peking University Resource Plaza	Laoshan CBD	N/A	60,000	2020
China Resources building	Shinan CBD	N/A	10,000	2021
SILC Center	Laoshan CBD	N/A	31,700	2021
Deep Blue Centre	Shinan CBD	N/A	80,000	2021
Merchants Shekou	Shinan CBD	N/A	120,000	2022

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