

YoY Chg 12-Mo. Forecast

2.5
Stock (million sq m) ▲ ▲

¥450
Rent (PSM/MO) ▼ ▲

5.83%
Vacancy Rate ▼ ▼

Source: Cushman & Wakefield Research

QINGDAO ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

6.5%
GDP Growth ▼ ▼

8.1%
Total Retail Sales of Consumer Goods Growth ▼ ▲

3.1%
CPI Growth ▲ ▲

7.2%
Per Capita Disposable Income of Urban Residents ▼ ▼

Source: Qingdao Statistics Bureau / Cushman & Wakefield Research

Market Overview

No new retail projects were completed Q1, and Qingdao's total retail stock remained at 2.5 million sq m. Market rental levels were impacted by the COVID-19 outbreak, with average monthly asking rent dropping 1% to RMB450 per sq m. The citywide overall vacancy rate rose 0.25 percentage points q-o-q to 5.83%.

New store openings in the quarter shrank sharply in the face of the outbreak. Openings were concentrated in the first half of January, and down by 33% compared with the previous quarter. Consumer experience stores have been hard-hit, including education, F&B, leisure and entertainment areas. At present, F&B operators are gradually resuming operations, with the majority of business coming from delivery and takeaway services.

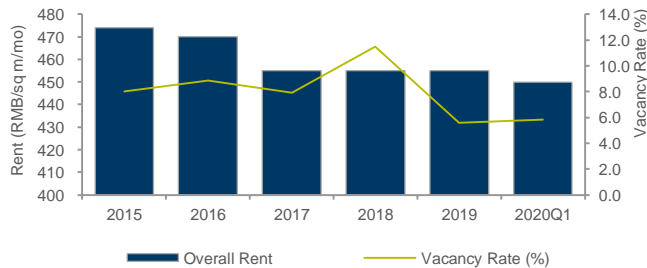
During the outbreak many retail landlords adopted rent-free strategies. However, some tenants were still unable to survive, and have withdrawn from the market. We can expect to see market rents come under downward pressure and vacancy rates to further edge up in the following quarters.

Outlook

Seven new retail projects are scheduled to enter the market in 2020. However, the impact of the epidemic has delayed construction and completion of some projects will be extended. By the end of 2021 approximately 566,000 sq m of new retail supply should enter the market, which will boost the city's total retail stock to three million sq m.

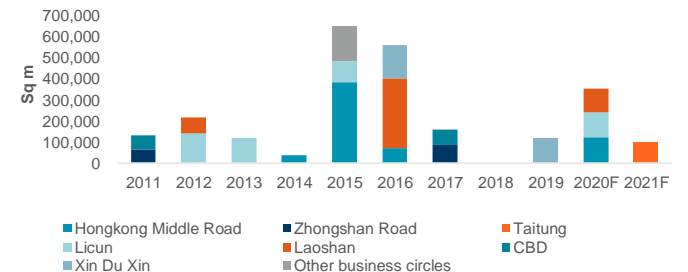
In recent years commercial facilities in Qingdao's west and north shores have gradually improved, attracting many brands and developers, and these areas are expected to form future new retail hubs. Additionally, with the construction of the metro and development of the Free Trade Area and Shanghai Cooperation Demonstration Zone, the retail market around Qingdao Jiaozhou Bay will be further improved.

RETAIL RENT / VACANCY RATE



Source: Cushman & Wakefield Research

RETAIL SUPPLY PIPELINE BY SUBMARKET



Source: Cushman & Wakefield Research

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	VACANT (SQM)	VACANCY RATE	UNDER CNSTR TILL 2023 (SQM)	ASKING RENTAL RANGE (RMB/SQMMO)*
Hongkong Middle Road	660,000	29000	4.39%	122,000	150-1,140
Tai Dong	45,000	0	0.00%	102,000	150-1,200
Zhongshan Road	85,000	3570	4.20%	0	90-950
Xin Du Xin	276,000	15040	5.45%	0	100-960
CBD	292,300	10865	3.72%	0	105-960
Laoshan	440,000	20850	4.74%	110,000	120-1,200
Licun	431,000	33660	7.81%	120,000	90-960
OTHERS TOTALS	223,000	30080	13.49%	112,000	/
QINGDAO TOTALS	2,452,300	143065	5.83%	566,000	450

*Data includes shopping malls only.

*Asking Rental Range (RMB/sq m/mo) is based on ground floor rent in prime locations in major shopping centers, excluding management, promotional and other fees.

SIGNIFICANT STORE OPENINGS Q1 2020

PROPERTY	SUBMARKET	TENANT	SECTOR
Ginza mall	Hongkong Middle Road	Tian Chuan Home	Home
Mixc	Hongkong Middle Road	VOV	Fashion
Poly Plaza	Xin Du Xin	Zhongdu Cinema	Leisure and Entertainment
Capital Land	Xin Du Xin	Xiabu Xiabu	F&B
ROCK CITY	Licun	Royal Delicious Bakery	Dessert

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED OPENING DATE	SQM
International Financial Center	Laoshan	2020	110,000
Weekly Square	Licun	2020	120,000
Haitian Center	Hong Kong Mid Road	2020	22,000
COFCO JOY City	Taidong	2021	90,000

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