

**¥297.4**  
Rent (PSMMO)

12-Mo.  
Forecast



**-0.8%**  
Rental Growth (QOQ)



**14.7%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## SHANGHAI ECONOMIC INDICATORS Q4 2019

**6.0%**  
GDP Growth

Q3 2019: **6.0%** ▲  
12-Mo. Forecast: ▲

**8.2%**  
Tertiary Sector Growth

Q3 2019: **8.9%** ▲  
12-Mo. Forecast: ▲

**2.8%**  
CPI Growth

Q3 2019: **2.2%** ▲  
12-Mo. Forecast: ▲

**5.1%**  
Real Estate Sector Investment

Q3 2019: **4.2%** ▲  
12-Mo. Forecast: ▲

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

## Project construction delayed due to the epidemic

In Q1 2020, as the COVID-19 outbreak put many cities and industries on standstill across China, only two Grade A office projects completed in Shanghai: Baohua Centre in Core Jing'an and Raffles City The Bund West Tower in Hongkou. Together these two projects contributed 105,000 sq m of office new supply. In February, after Hongkong Land secured a record high RMB 31 billion mixed-used site on the West Bund (in the Fringe Xuhui submarket), over 6.5 million sq m of Grade A office space is expected to be completed in Shanghai by 2024.

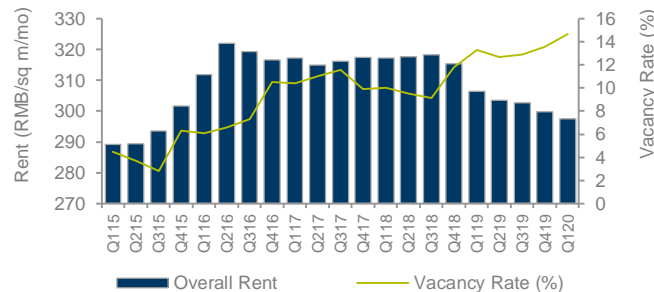
## Vacancy driven up by a combination of the epidemic and new supply volume

In Q1, as the epidemic halted much economic activity across the country, the overall Grade A office vacancy rate in Shanghai was driven to a new record high of 21% (14.7% in the core area and 31.6% in the suburban area), up 1.10% q-o-q. The city recorded -90,545 sq m of net absorption overall (-74,143 sq m for the core area and -16,422 sq m for the suburban area). Office buildings with a high percentage of SME tenants in their occupier mix experienced a spike in vacancy in Q1. Additionally, many relocation and fit-out cases were paused due to the lack of funds and/or labour. Overall, the office leasing market in Shanghai experienced a sharp decline in leasing activity during the epidemic outbreak period. Despite the current bleak economic situation, the top three industries driving leasing demand in Q1 were Healthcare, Professional Services and the TMT sector. Location-wise, Expo/Qiantan was popular among Manufacturing and Healthcare companies. What's more, this submarket enjoyed the greatest amount of leasing demand in the quarter.

## Given market pressure, rental to further decline

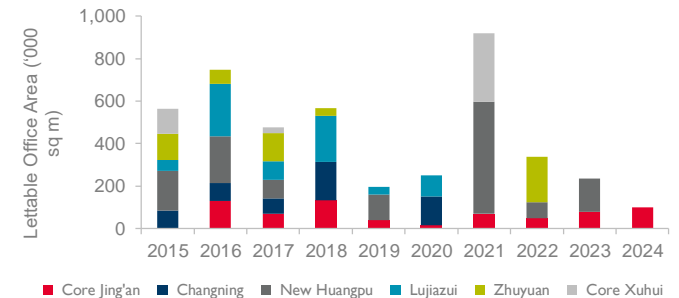
Given the impact of the epidemic, coupled with new supply completion in Q1, the core area recorded rental of RMB297.4/sq m/month, down 0.78% q-o-q. Following on from this, rental pressure on SMEs due to work resumption difficulties under the epidemic outbreak has not been lost on the government and office landlords, alike. Many quality office landlords around the country, and in Shanghai, have stepped up to offer rental and management fee concessions. Meanwhile, the amount of expected future supply in Shanghai is likely to place continued pressure and dampen rentals over the next several months.

## 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
Core Jing'an	1,198,920	13.1%	300,471	¥354.5	US\$4.74	€4.25
New Huangpu	1,779,322	19.3%	756,276	¥280.4	US\$3.75	€3.36
Lujiazui	2,096,646	17.9%	100,000	¥341.9	US\$4.57	€4.10
Zhuyuan	1,273,171	11.3%	212,008	¥271.5	US\$3.63	€3.26
Core Xuhui	519,255	6.3%	320,975	¥305.1	US\$4.08	€3.66
Changning	1,045,777	10.4%	137,404	¥227.1	US\$3.04	€2.72
<b>SHANGHAI GRADE A CBD TOTAL</b>	<b>7,913,091</b>	<b>14.7%</b>	<b>1,827,134</b>	<b>¥297.4</b>	<b>US\$3.98</b>	<b>€3.57</b>
Shanghai Grade A Suburban	4,722,480	31.6%	4,738,556	¥202.2	US\$2.70	€2.43

Rental equals "Gross Transacted Face Rental"  
1 USD = 6.9493 RMB = 0.8972 EUR (2020.03.03)

## KEY LEASING TRANSACTIONS 1Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Henderson 688	Core Jing'an	ChangSheng Life Insurance	2,000	Renewal
Qiantan World Trade Centre	Expo & Qiantan	Lubrizol	4,000	Relocation
New Bund Centre	Expo & Qiantan	Veolia	3,500	Relocation
Qiantan World Trade Centre	Expo & Qiantan	FESCO-Adecco	3,300	Relocation
Lujiazui Riverfront Centre	Yangjing	Ningbo Commerce Bank	10,000	Relocation

## SIGNIFICANT PROJECTS PLANNED &amp; UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Shanghai SK Tower	Expo & Qiantan*	-	123,075	2020
Qiantan Centre	Expo & Qiantan*	-	168,000	2020
Lumina	Fringe Xuhui	-	169,943	2020
Shangxianfang Project	Huangpu	-	70,604	2021
Binjiang Urban Development Center	Fringe Xuhui	-	209,000	2022
CR Land Zhangyuan Project	Core Jing'an	-	80,069	2023

\*Expo & Qiantan suburban area includes Houtan area

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