

Office Q1 2020

¥80.8
Rent (PSM/MO) 12-Mo. Forecast

-2.6%
Rental Growth (QOQ)

34.5%
Vacancy Rate

Source: Cushman & Wakefield Research

Market Faces Downward Pressure From the Impact of COVID-19

No new supply entered the Shenyang office market in Q1 2020, with the city's Grade A stock remaining at 1.10 million sq m.

The office market has felt the impact of the COVID-19 outbreak, combined with the downward economic trend. Citywide, average monthly rental fell 2.6% q-o-q to RMB80.8 per sq m. With a handful of leasing transactions completed before the Spring Festival period the overall vacancy rate edged down 1 percentage point q-o-q to 34.5%. However, demand rapidly dropped after the festival period, with many tenants postponing plans.

Online Healthcare and Education Will Welcome New Opportunities

Although the crisis has negatively impacted the overall market greatly, it has opened new development opportunities for online services such as online healthcare and education. The Shenyang government has also introduced firms in emerging industries such as new energy and new materials to the city, and this is hoped to help spur the development of the commercial property market in the future.

Tenants With Stronger Risk Resilience Favored by Landlords

The ChunHe Vanke Center is scheduled to complete in Q3 2020, adding 46,325 sq m of new supply to the Golden Avenue-Wulihe submarket. The pandemic outbreak has caused construction work delays for most projects, including the Grade A office market. Landlords are now competing for tenants with stronger risk resilience capabilities by offering flexible rental policies. However, in the short-term we expect to see the citywide vacancy rate rise, while rental levels will continue to slip.

SHENYANG ECONOMIC INDICATORS Q4 2019

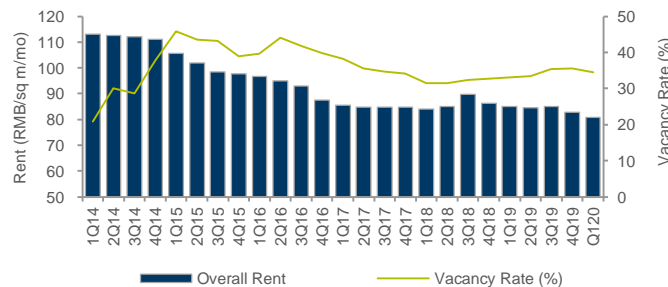
4.2%
GDP Growth Q3 2019 12-Mo. Forecast

5.2%
Tertiary Sector Growth

2.4%
CPI Growth

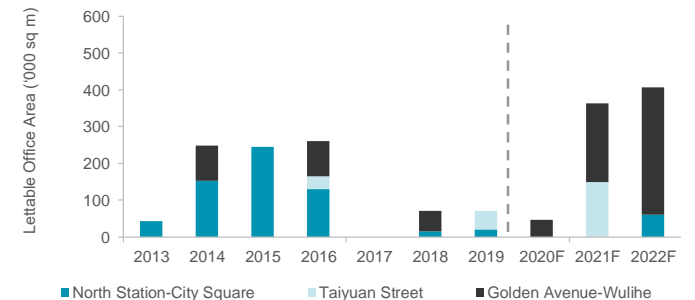
17.9%
Real Estate Development & Investment Growth

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
North Station-City Square	544,439	26.5%	61,500	78.77	1.1	0.9
Taiyuan Street	244,452	52.8%	150,000	66.09	0.9	0.8
Golden Avenue-Wulihe	309,184	34.0%	605,025	95.84	1.3	1.1
SHENYANG GRADE A OVERALL TOTAL	1,098,075	34.5%	816,525	80.75	1.1	1.0

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: 1 CNY=0.1439 USD=0.1219 EUR as of March 3rd, 2020

KEY LEASING TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Sunnyworld No.1	North Station-City Square	Beijing Fenbi	880	New lease
Kerry Center Tower B	Golden Avenue-Wulihe	H3C	1187	Relocated
Kerry Center Tower B	Golden Avenue-Wulihe	Master Kong	1851	Relocated

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Chunhe Vanke Center	Golden Avenue-Wulihe	N/A	46,325	2020
HongYun Center	Taiyuan Street	N/A	80,000	2021
One World	Taiyuan Street	N/A	70,000	2021
The King Business Center	Golden Avenue-Wulihe	N/A	81,600	2021
Baoneng GFC	Golden Avenue-Wulihe	N/A	132,100	2021
Eton Center	Golden Avenue-Wulihe	N/A	145,000	2022
New World Exhibition Center	Golden Avenue-Wulihe	N/A	200,000	2022
Lotte World	North Station-City Square	N/A	61,500	2022

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