

**¥235.21**  
Rent (PSM/MO)

12-Mo.  
Forecast



**-3.0%**  
Rental Growth (QOQ)



**24.6%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## SHENZHEN ECONOMIC INDICATORS Q1-Q4 2019

**6.7%**  
GDP Growth

Q1-Q3  
2019  
**6.6%**  
12-Mo.  
Forecast



**8.1%**  
Tertiary Sector  
Growth

**7.4%**



**3.4%**  
CPI Growth

**3.0%**



**15.9%**  
Real Estate Development  
& Investment Growth

**11.9%**



Note: Growth figure is y-o-y growth;  
Source: Shenzhen Statistics Bureau; Oxford Economics;  
Cushman & Wakefield Research

## Continued Market Fall in Q1 with Business Suspended

Shenzhen's Grade A office market was impacted by the epidemic, with business effectively halted from the Spring Festival period until the end of the quarter. Most deals recorded in Q1 were completed before the Spring Festival.

Three Grade A office towers were completed in Q1, bringing 300,152 sq m of new supply and taking overall stock to 5.82 million sq m. Landlords' affiliated companies drove occupier demand, supporting net absorption of 85,587 sq m for the quarter. Amid the softening demand, and with relocations peaking in the new year, landlords offered competitive rentals to retain tenants. Overall average monthly rental dropped 3% q-o-q to RMB235.21 per sq m. Despite the stimulus, new supply meant the citywide vacancy rate still rose 2.6 percentage point q-o-q to finish at 24.6%

By submarket, and on a q-o-q basis, demand in Luohu continued to weaken. The vacancy rate rose 2.2 percentage points to 14.98% while average monthly rental dropped 1.1% to RMB206.58 per sq m. In Futian average vacancy dropped to 16.04% and rental fell 2.3% to RMB216.95 per sq m per month. In Nanshan three new completions pushed up the vacancy rate to 34.85%. Rental dropped 3.1% to RMB213.94 per sq m per month. In Bao'an the vacancy rate dropped 1.2 percentage points to finish at 52.79%, monthly rental dropped 5.6% to RMB178.62 per sq m.

Business activity gradually resumed as the epidemic came under control. Financial, professional service and mid-small size technology firms have remained cautious in leasing decisions, whereas larger technology companies have enjoyed greater rental relief benefits. However, landlords remain confident in the longer-term market, and mature prime properties more resistant to market stresses are holding firm on rents.

New projects with relatively high vacancy rates have offered competitive rentals to attract tenants, who are locking in agreements in a softer market. Although business has been hit by the epidemic, firms in online entertainment, O2O commerce, 5G, and health insurance sectors have seen new opportunities and are expected to become the key drivers of demand ahead.

## Full Impact of the Epidemic Still to Come

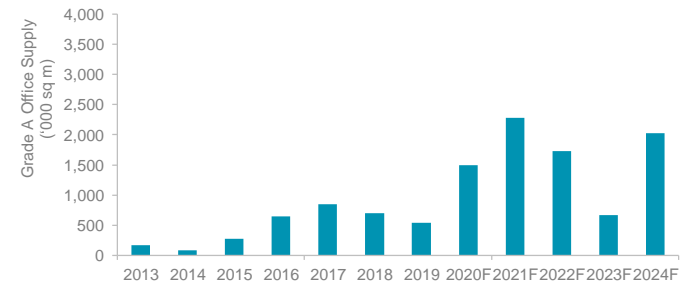
Full business activity is yet to resume and the complete impact of the epidemic on the Shenzhen leasing market will only gradually appear in Q2. Amid a high- supply and low-demand environment, the Grade A office market is set to remain under pressure with a growing vacancy rate anticipated ahead. New projects under construction have also been delayed, with many postponed to 2H. The new supply will intensify competition, further challenging landlords to improve their competitiveness.

## GRADE A RENT & VACANCY RATE



Source: Cushman & Wakefield Research

## GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	15.0%	190,170	¥206.58	US\$2.76	€2.48
Futian	2,861,097	16.0%	860,344	¥261.95	US\$3.50	€3.14
Nanshan	2,153,327	34.9%	6,540,441	¥213.94	US\$2.86	€2.57
Bao'an	267,760	52.8%	320,000	¥178.62	US\$2.39	€2.14
<b>SHENZHEN GRADE A TOTAL</b>	<b>5,823,997</b>	<b>24.6%</b>	<b>7,910,955</b>	<b>¥235.21</b>	<b>US\$3.14</b>	<b>€2.82</b>

Face Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three year lease term with VAT.  
Exchange Rate: 1RMB= 0.1439USD=0.1291EUR (2020.3.3)

### KEY LEASING TRANSACTIONS 1Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
China Resources Qianhai Center T5	Nanshan	China Datang Corporation	4,000	New Lease
China Resources Qianhai Center T5	Nanshan	CRbank	3,000	New Lease
One Shenzhen Bay	Nanshan	CIMC	920	Relocation

### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Shenzhen Metro Fin-tech Tower	Nanshan	-	43,000	2020
Shenzhen Media Finance Center	Futian	-	160,000	2020
Hanking Center	Nanshan	-	100,170	2020
Kerry Centre Qianhai Phase I	Nanshan	-	120,000	2020
Dabaihui Plaza	Futian	-	150,000	2021
Sunshine Insurance HQ	Nanshan	-	56,000	2022
China Resources Land Tower A	Nanshan	-	101,000	2023

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