

Office Q2 2020

¥112.20
Rent (PSM/MO)

12-Mo.
Forecast



-1.93%
Rental Growth (QOQ)



17.17%
Vacancy Rate



Source: Cushman & Wakefield Research

CHENGDU ECONOMIC INDICATORS Q1 2020

-3.0%
GDP Growth

Q1 2019: **8.0%** | 12-Mo. Forecast:

-2.8%
Tertiary Sector Growth

Q1 2019: **8.5%** | 12-Mo. Forecast:

5.3%
CPI Growth

Q1 2019: **2.0%** | 12-Mo. Forecast:

6.3%
Real Estate Development & Investment Growth

Q1 2019: **6.2%** | 12-Mo. Forecast:

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

Overall Rental Level Fell by 1.93%

With time needed for the impact of the COVID-19 outbreak to recede, some tenants are still taking a wait-and-see attitude. In Q2, net absorption in Chengdu's Grade A office market amounted to 3,948 sq m, with the city's overall vacancy rate dropping 0.16 percentage points q-o-q to 17.17%, in the absence of new supply. As leasing demand softened some landlords cut rents to close more leasing deals, leading Chengdu's Grade A office overall rental level to drop 1.93% q-o-q, the steepest decline in five-years, to RMB 112.2 sq m per month.

Chengdu-Chongqing Economic Circle Brings Opportunities

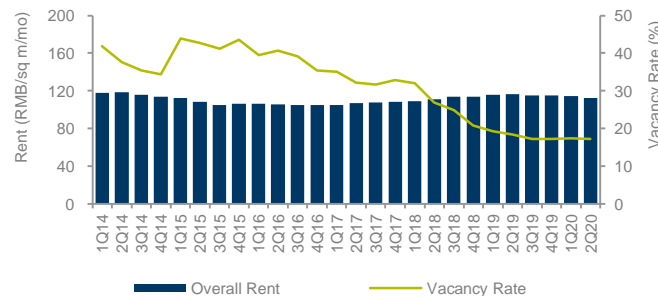
Ahead, in the short-term, prevailing economic uncertainties are expected to continue to weigh on leasing demand and to exert pressure on rental growth. However, the Chengdu-Chongqing Economic circle unveiled by the central government is intended to stimulate urban development and enhance the region's industrial structure, and this will help drive the development of Chengdu's Grade A office market.

Emerging Industries to See Growing Demand

Benefiting from the new infrastructure policy initiative announced by the government, the 5G, big data, AI and related industries can look forward to explosive growth in the future. In addition, post-pandemic, firms in the TMT, education, medical, and online entertainment and education sectors will continue to develop. This will also provide relief to Chengdu's Grade A office market.

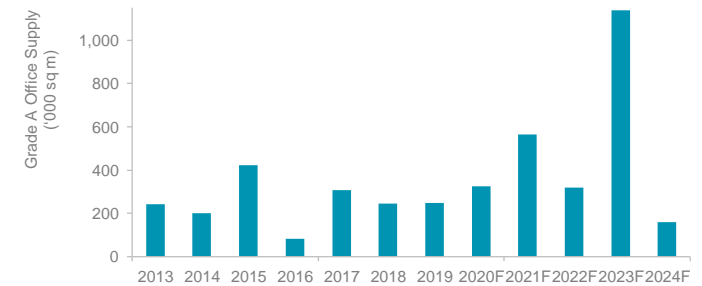
New office construction has been delayed by the impact of the COVID-19 outbreak. New supply now due in 2020 will be about 320,000 sq m, down from the 349,000 sq m forecasted at the end of last year. In particular, 50% of office supply in the pipeline is expected to be in the CBD, which will further pressurize the submarket's vacancy rate, average rent, and net absorption.

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
CBD	455,102	18.5%	189,200	¥115.74	US\$ 1.51	€1.36
SBD	266,168	11.6%	151,210	¥106.62	US\$ 1.39	€1.25
Dongda Street	619,810	19.7%	49,708	¥122.03	US\$ 1.59	€1.43
Financial City	755,045	12.8%	591,076	¥112.01	US\$ 1.46	€1.31
DaYuan	355,665	18.9%	277,900	¥104.18	US\$ 1.36	€1.22
Tianfu New District Business Center	82,000	41.2%	600,710	¥70.98	US\$ 0.92	€0.83
CHENGDU GRADE A TOTAL	2,533,790	17.2%	1,859,804	¥112.20	US\$ 1.46	€1.31

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: 1CNY = 0.1402 USD = 0.1261 EUR = 1.0870 HKD = 4.2042 TWD (2020.6.1)

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
IFS	Dongda Street	A Technology Company	1,800	New Setup
China Overseas International Center	Financial City	Chengdu Financial City Real Estate Co., Ltd	1,500	Move In
Huangting International Center	Da Yuan	SCIG INFORMATION INDUSTRY GROUP CP.LTD	1,600	New Setup
China Overseas International Center	Financial City	Nanshan Real Estate Co., Ltd	1,400	New Setup

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Western Cultural Industry Center	CBD	-	44,200	2020
MIXC (II)	Dongda Street	-	49,708	2020
Tianfuhui Center	SBD	-	111,000	2021
AB international Plaza	Financial City	-	228,000	2022
Poly International Plaza	Dayuan	-	172,900	2023
Fosun international financial centre	Financial City	-	200,000	2023
B&R Building	Tianfu New District Business Center	-	350,000	2023

Zhang Xiao-Duan

Senior Director, Head of Research
South & West China

Add: 5F, Tower2, Kerry Plaza, No.1 Zhongxinsi Road,
Futian District, Shenzhen 518048, China

Tel: +86 755 2151 8116 / xiaoduan.zhang@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. Across Greater China, there are 22 offices servicing the local market. The company won four of the top awards in the Euromoney Survey 2017 and 2018 in the categories of Overall, Agency Letting/Sales, Valuation and Research in China. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.