



¥97.3

Rent (PSM/MO)

12-Mo.
Forecast

-2.8%

Rental Growth (QOQ)

30.2%

Vacancy Rate

Source: Cushman & Wakefield Research

DALIAN ECONOMIC INDICATORS
Q1 2020

Q4 2019 12-Mo. Forecast

-5.0% GDP Growth **6.5%**

-6.6% Tertiary Sector Growth **2.9%**

3.2% CPI Growth (Jan-May) **2.4%**

2.1% Real Estate Development & Investment Growth (Jan-May) **5.2%***

Source: Dalian Statistics Bureau / Cushman & Wakefield Research

* Data as of November 2019

Leasing Activity Continued to Decline in Q2

No new Grade A office supply entered the Dalian market in Q2 and total office stock remained at 922,000 sq m. However, with intensified competition for dwindling leasing activity the balance of the market shifted to become tenant-favorable, with many landlords offering more flexible rents and rent-free periods. Citywide monthly rental levels in the Grade A office market continued to slide, down 2.8% q-o-q to finish at RMB97.3 per sq m.

In the post-COVID-19 recovery period, state-owned enterprises have sought to reduce their office leasing costs by relocating or returning to self-owned premises. Subsequently, net absorption in the Grade A market stayed negative in Q2, at -8,152 sq m, and the overall vacancy rate rose by 0.9 percentage points to reach 30.2%. In terms of transactions, trading firms took the lion's share of leased space, up 6.9 percentage points q-o-q to record 35.1%. Financial firms accounted for 30% of leased area, followed by the professional services sector with 23%.

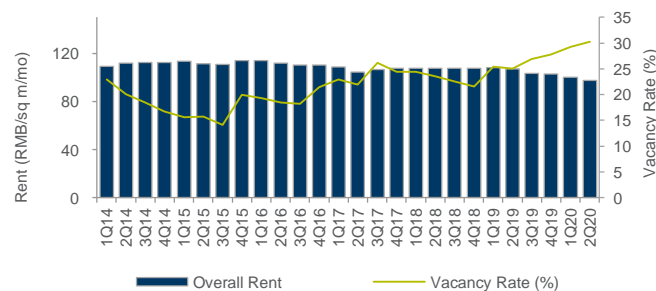
Rents to Continue to Face Downward Pressure

The CITIC Full Joy Building in the East Harbor submarket and the Huajun Financial Center in the Xinghai Bay submarket are scheduled to enter the market in 2H 2020, adding a combined 155,000 sq m of high-quality office space. The new entrants will further intensify competition in the two submarkets.

As the negative impacts from the pandemic start to ease in 2H, tenants may release pent-up leasing demand. Overall economic activities will pick up gradually, but weak conditions are likely to continue and the office leasing market will need a longer recovery time. We can expect to see rental levels continue to face downward pressure, at least in the short-term.

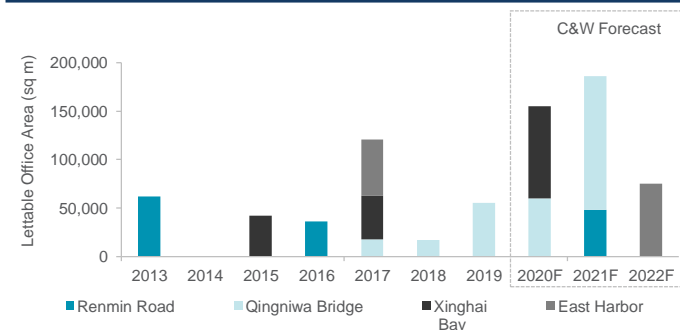
Post-pandemic, tenants are paying greater attention to upgraded buildings during their office site selections. Tenants will also benefit from greater choice due to the high vacancy rate, and office projects with key advantages such as prime locations, convenient transportation, high quality facilities and professional property management, all at reasonable rental levels, will be their first preference.

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
Renmin Road	256,652	35.6%	47,983	79.6	1.04	0.93
Qingniwa Bridge	261,167	24.1%	138,000	98.3	1.28	1.15
Xinghai Bay	283,687	29.5%	95,000	106.2	1.38	1.24
East Harbor	120,038	33.8%	134,690	112.3	1.46	1.32
DALIAN GRADE A SUBURBAN TOTAL	921,544	30.2%	415,673	97.3	1.27	1.14

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=0.1402 USD=0.1261 EUR as of June 1st, 2020

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Eton International Tower	Qingniwa Bridge	HENG AN STANDARD LIFE	1,691	Relocation
Nuode Building	East Harbor	Dalian Xinle	1,327	Relocation
Minsheng Financial Center	Xinghai Bay	SEA FORTUNE	900	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
CITIC Full Joy	East Harbor	N/A	59,851	2020
Huajun Financial Centre	Xinghai Bay	N/A	95,000	2020
Dalian World Trade Centre	Qingniwa Bridge	N/A	95,000	2021
Dingsen Centre South Tower	Renmin Road	N/A	47,983	2021
Eton Center ST-1	Qingniwa Bridge	N/A	43,000	2021
Dalian ORIX Building A	East Harbor	N/A	74,839	2022

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