

Compared to 2H 19

¥57.6
Rent (PSM/MO)



-0.9%
Rental Growth (Compared to 2H 19)



43.8%
Vacancy Rate



Source: Cushman & Wakefield Research

FOSHAN ECONOMIC INDICATORS Q1 2020

Indicator	1-4Q 2019	12-Mo. Forecast
-7.9% GDP Growth	6.9%	▲
-5.8% Service Sector GDP Growth	8.1%	▲
5.6% CPI Growth	2.9%	▼
-14.6% Real Estate Development Investment Growth	6.3%	▲

Source: Foshan Statistics Bureau/Oxford Economics/Cushman & Wakefield Research

Leasing Demand Impacted by COVID-19 Outbreak

The Vanke Financial Centre Building C in Jihua Road submarket was completed in the first-half of 2020, bringing approximately 84,000 sq m of new supply and pushing up total Grade A office stock to 1.65 million sq m. Leasing activities gradually recovered as the pandemic containment measures took effect, but demand weakened under the economic impacts. As a result, citywide net absorption plunged 55.3% y-o-y to 32,078 sq m for 1H, and the overall vacancy rate rose 1.0 percentage points compared to the end of last year.

Rent Continues to Slide, Single Ownership Projects Relatively Steady

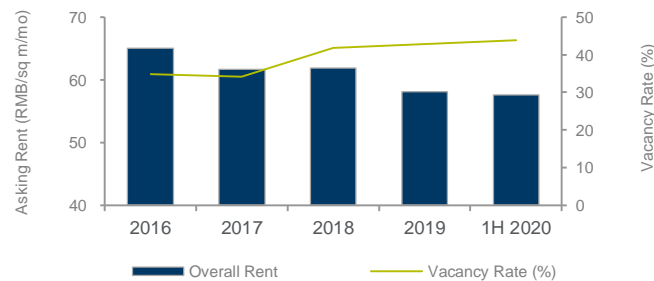
Given the softened leasing demand and high vacancy, landlords offered incentives to attract prime tenants and achieve stable occupancy, including rent-free periods and reduced rents. Overall rent continued to slide, down 0.9% compared to 2H 2019. Single ownership buildings performed relatively better. With the exception of newly completed projects, rents in single ownership projects dipped 0.7% on the end of last year, while the vacancy rate dropped 1.6 percentage points. In strata-titled buildings the majority of tenants were SMEs, who were more likely to surrender leases. Harder hit by the pandemic, rental levels at strata-titled projects dropped 1.5 pp further than at single ownership projects.

Outlook

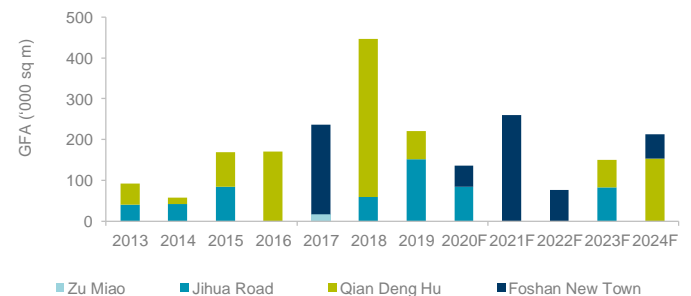
Following the rapid recent pace of development the city's new Grade A office supply is now expected to fall significantly in the next five years, with total new supply scaling back 39.4% compared to the previous five years. Existing stock should now be absorbed gradually in the mid-to-long term. We expect pent-up leasing demand to be released and overall net absorption to rebound in 2H, with firms in professional services, TMT and financial sectors, holding potential large-scale space requirements for upgrading and relocation, enjoying the upper hand in rent negotiations.

By submarket, Foshan New Town is set to witness a dramatic uplift in its transportation network and facilities. The Guangzhou-Foshan intercity rail connection is also due for completion soon and will provide a transport connectivity boost. Additionally, urban renewal projects including Xiaobu Industrial Park and Xiaochong Village are planned for this year, and will further improve the surrounding environment.

GRADE A OFFICE RENT & VACANCY RATE



GRADE A OFFICE ANNUAL NEW SUPPLY



SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION TILL 2024 (sq m)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Zu Miao	68,007	28.3%	0	50.2	0.7	0.6
Jihua Road	525,444	50.9%	82,000	59.1	0.8	0.7
Qian Deng Hu	839,362	38.5%	220,981	60.8	0.8	0.7
Foshan New Town	221,030	51.8%	449,773	44.1	0.6	0.5
FOSHAN GRADE A TOTAL	1,653,842	43.8%	752,755	¥57.56	US\$0.75	€0.67

* Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT.
1 USD = 7.1315 RMB = 0.8993 EUR as at June 1, 2020

KEY LEASING TRANSACTIONS 1H 2020

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Kingdom Global	Qian Deng Hu	Concentrix	2,500	Expansion
Glory International Financial Center	Qian Deng Hu	China Customer Relations Centers	2,000	Expansion
AIA Financial Center	Qian Deng Hu	Yingke Law Firm	2,000	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Baoneng Financial Tower	Foshan New Town	-	53,000	2020
Foshan Assoc. of Entrepreneurs HQ Building	Foshan New Town	-	99,000	2021
Zhongying Shengda IFC	Foshan New Town	-	58,000	2021
Sino-German Services Center	Foshan New Town	-	103,000	2021
Poly Jicheng Financial Center	Foshan New Town	-	76,000	2022
Jinghua Mall	Qian Deng Hu	-	68,000	2023
Greenland Center T4	Jihua Road	-	82,000	2023
Haitian N23°	Qian Deng Hu	-	59,000	2024
Evergrande - Suning Plaza	Foshan New Town	-	61,000	2024

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