

NANNING

Grade A Office 1H 2020

12-Mo. Forecast

¥71.46
Rent (PSM/MO)

-9.5%
Rental Growth (HOH)

48.9%
Vacancy Rate

Source: Cushman & Wakefield Research

NANNING ECONOMIC INDICATORS Q1 2020

2019 12-Mo. Forecast

-3.7%
GDP Growth **5.0%**

-1.8%
Tertiary Sector Growth **5.2%**

4.9%
CPI Growth **3.4%**

-4.4%
Real Estate Development & Investment Growth **32.1%**

Note: Growth figure is y-o-y growth;
Source: Guangxi Statistics Bureau; Guangxi Nanning Municipal Bureau of Statistics; Oxford Economics; Cushman & Wakefield Research

Absorption Hits Record High

Fuya International Center completed in 1H, pushing up Nanning's total Grade A office stock to 2.18 million sq m. Total new office supply in 1H was just half that of the same period last year, easing competition somewhat. However, the large volume of new Grade A supply in recent years, coupled with the hit from the COVID-19 outbreak, has pressured the market. Landlords have adjusted rents and offered rent-free periods to quality tenants. Overall average monthly rent declined 9.5% in 1H to reach RMB71.46 per sq m at the end of Q2. The market adjustment stimulated demand, with some firms, including SOEs, taking the opportunity to relocate to higher quality properties. Net absorption reached 182,273 sq m for 1H, surpassing the full-year figures of the past three years.

The mature Fengling submarket and good value Wuxiang submarket remained attractive to tenants. Their vacancy rates dropped 2.8 pp and 12.6 pp respectively in 1H, helping to drive citywide overall vacancy down to the 2018 level of 48.9%. Technology and finance firms drove leasing activity, with trade and catering sectors less active. Startups and firms with short-term needs have preferred furnished and flexible office space.

Demand From SOEs to Lead the Way

Firms located in the traditional submarkets and seeking cost savings post-COVID-19 have been considering Wuxiang New District. We expect to see a steady flow of relocations, with tenants drawn by Wuxiang's welcoming policies and maturing amenities and business environment. This coming shift may well result in rising vacancy levels in the traditional submarkets.

Despite the first-half drop, overall vacancy remains relatively high. Additionally, some 50,300 sq m of new Grade A office supply is in the pipeline through 2H 2020. Developers are cautious in such a competitive market and some projects may be delayed, providing some relief. But a supply peak could still see short-term rent drops in Wuxiang, while rents in the mature submarkets are expected to remain more stable.

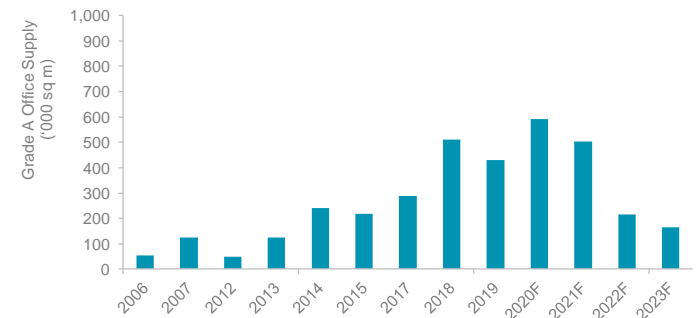
During the pandemic period landlords of state-owned assets extended rent-free periods to tenants to help alleviate financial difficulties. Economic activities are now gradually returning to normal, but office leasing demand will still rely on overall economic improvement. We can expect SOEs to continue to lead the way in active demand for office space.

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
Jinhu	145,110	34.5%	-	¥55.48	US\$0.72	€0.65
Nanhu	73,359	26.6%	-	¥90.10	US\$1.17	€1.06
Fengling	909,907	33.9%	180,000	¥99.17	US\$1.29	€1.16
Wuxiang New District	1,052,573	65.3%	1,155,000	¥48.42	US\$0.63	€0.57
NANNING GRADE A TOTAL	2,180,950	48.9%	1,335,000	¥71.46	US\$0.93	€0.84

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 = 0.1402 USD = 0.1261 EUR (2020.6.1)

KEY LEASING TRANSACTIONS 1H 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Longan Century	Fengling	China Telecom	10,500	New Setup
Foresea Life Insurance	Wuxiang	Country Garden	10,000	New Setup
Taiping Financial Center	Wuxiang	Guangxi Shuguangbiyunda Tech	1,106	New Setup
KWG Financial Center	Wuxiang	Mengniu	800	New Setup

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Baoneng Global Financial Center	Wuxiang New District	-	106,000	2020
Nanning Chengjian Finance Tower	Wuxiang New District	-	165,000	2020
China Resources Tower A	Fengling	-	180,000	2021
Evergrande International Center	Wuxiang New District	-	250,000	2021
Tianyu Tower	Wuxiang New District	-	216,000	2022
Nanning Center	Wuxiang New District	-	164,000	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.