

¥108.4
Rent (PSM/MO)

12-Mo.
Forecast

-2.74%
Rental Growth (QOQ)

28.8%
Vacancy Rate

Source: Cushman & Wakefield Research

QINGDAO ECONOMIC INDICATORS Q1 2020

-7.1%
GDP Growth

Q1 2019: **6.9%** 12-Mo. Forecast: ▲

-5.5%
Tertiary Sector Growth

Q1 2019: **9.5%** 12-Mo. Forecast: ▲

4.9%
CPI Growth

Q1 2019: **6.3%** 12-Mo. Forecast: ▼

2.7%
Real Estate Development & Investment Growth

Q1 2019: **21.6%** 12-Mo. Forecast: ▼

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

Pandemic's Impact on Rent and Vacancy Become Apparent

With no new supply in Q2, Qingdao's Grade A office stock remained at 1.45 million sq m at the end of the quarter.

The impact of the pandemic on market rents and vacancy became more apparent in the quarter. Average Grade A office rents fell 2.74% q-o-q to RMB108.4 per sq m per month, and the vacancy rate rose 3.1 percentage points q-o-q to reach 28.8%.

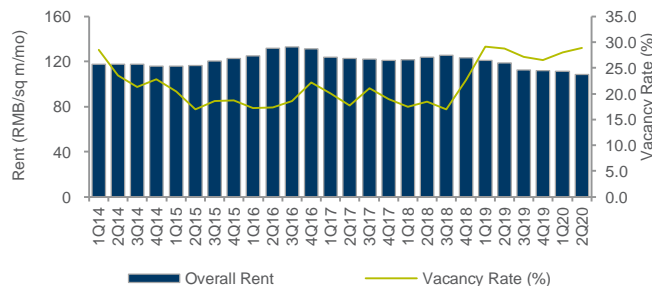
Landlords Respond to Rising Vacancy With Rent Adjustments

Many small and micro enterprises were severely impacted during the pandemic period and chose to surrender leases, bringing mounting pressure on landlords. In order to retain or attract tenants, landlords offered more flexibility on rents and rent-free periods. The Shibei submarket saw fierce competition due to its very high vacancy rate. Tenants with strong financial foundations have become the preferred targets for landlords.

Office Rents Set to Trend Downwards

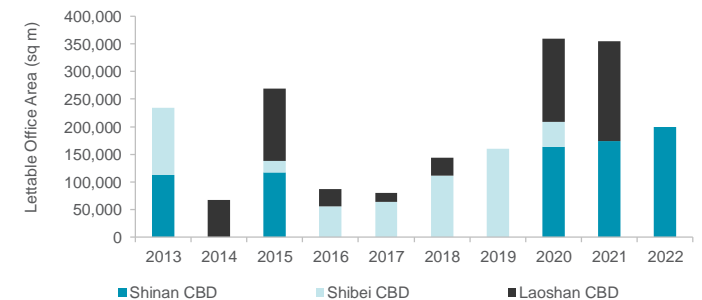
Completion times for many new projects have been delayed due to the impact of the pandemic. However, in the second half of the year five high-quality new office projects are currently scheduled to complete. If they can launch as planned, these projects will bring a combined 359,000 sq m of new supply to the market. In light of the rising vacancy rate tenants will enjoy greater bargaining power, and we can expect Grade A office rental levels to trend downwards, with the vacancy rate continuing to edge up in the short-term.

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
Shinan CBD	626,921	28.22%	538,000	115.95	16.26	14.62
Shibei CBD	508,461	32.56%	45,000	92.21	12.93	11.63
Laoshan CBD	310,360	23.98%	330,509	119.59	16.77	15.08
QINGDAO GRADE A OVERALL TOTAL	1,445,742	28.84%	913,509	108.38	15.20	13.67

*Projects of others not belonging to any of the above submarkets.
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: 1CNY = 0.1402USD = 0.1261EUR as of JUNE 1, 2020

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
International Shipping Plaza	Shinan CBD	Shandong Enterprise Chain Space Technology Co., Ltd	3,600	Relocation
International Shipping Plaza	Shinan CBD	China Classification Society Quality Certification Co., Ltd	1,000	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Haitian Center	Shinan CBD	N/A	120,000	2020
SIIC Center	Laoshan CBD	N/A	31,700	2021
Peking University Resource Plaza	Laoshan CBD	N/A	60,000	2021
Merchants Shekou	Shinan CBD	N/A	120,000	2022
Deep Blue Centre	Shinan CBD	N/A	80,000	2022

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