

**¥286.4**  
Rent (PSMMO)

12-Mo.  
Forecast



**-3.7%**  
Rental Growth (QOQ)



**14.2%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## SHANGHAI ECONOMIC INDICATORS Q1 2020

**-6.7%**  
GDP Growth

Q4 2019: **6.0%**

12-Mo. Forecast:

**-2.7%**  
Tertiary Sector Growth

Q4 2019: **8.2%**

12-Mo. Forecast:

**3.4%**  
CPI Growth

Q4 2019: **2.8%**

12-Mo. Forecast:

**-8.2%**  
Real Estate Sector Investment

Q4 2019: **5.1%**

12-Mo. Forecast:

Source: Shanghai Statistics Bureau  
The forecast is based on Oxford Economics

## Grade A new supply landed in the city's non-core area

Despite the effective control and containment of the COVID-19 pandemic in Shanghai, its aftermath continues to affect the city's real estate market. Despite this, two Grade A projects completed in Q2 2020, EDGE by K.Wah International and One Financial Street Phase I by Phoenix. Both projects are located in the Fringe Jing'an submarket. These two office buildings brought a total of 78,429 sq m of new supply to the market, pushing the Grade A office stock in Shanghai to 12,786,508 sq m. Ahead in the next five years, over 6.4 million sq m of future supply office space is expected to complete in Shanghai.

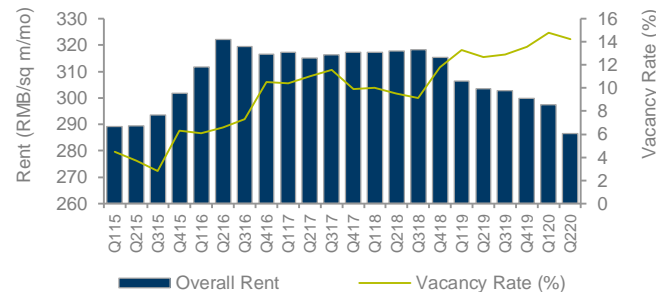
## Leasing demand quickly recovered in Q2

Leasing demand picked up in Q2. Despite the new supply in the market, this lowered the overall vacancy rate for Shanghai to 20.9% (14.2% in the core area and 31.9% in the suburban area). The overall Grade A office market recorded a total net absorption of 116,265 sq m (41,763 sq m for the core area and 74,502 sq m for the suburban area). The top three industries driving leasing demand were Finance, Professional Services and TMT. Location-wise, Lujiazui, Expo & Qiantan and Yangjing recorded the most leasing activities, with Lujiazui and Yangjing being the most desired locations among finance and insurance companies. What's more the leasing market recorded more leasing demand for relocation/new setup offices from the Finance and insurance companies.

## Under market uncertainty, rental further declined

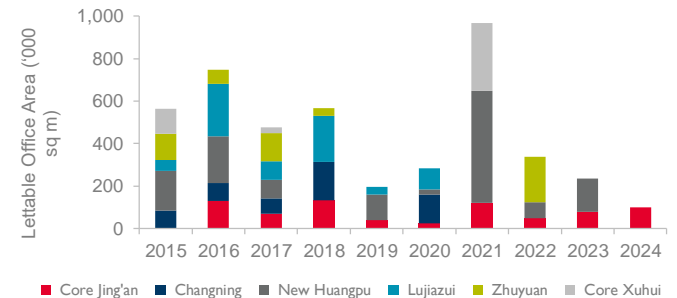
Affected by the pandemic, there were fewer leasing transactions in Q1. Therefore, many landlords lowered their rental expectation in Q2. The core area recorded rental of RMB286.4/sq m/month, down 3.7% q-o-q. Many quality office landlords in Shanghai, have stepped up to offer rental and management fee concessions as well. Looking ahead, the amount of expected future office supply in Shanghai is likely to place continued pressure and dampen rentals over the next several months.

## GRADE A CBD OVERALL RENT & VACANCY RATE



Source: Cushman & Wakefield Research

## GRADE A CBD 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
Core Jing'an	1,207,450	11.4%	349,345	¥355.2	US\$4.63	€4.16
New Huangpu	1,779,322	19.7%	779,816	¥274.3	US\$3.57	€3.21
Lujiazui	2,096,646	16.8%	100,000	¥316.9	US\$4.13	€3.71
Zhuyuan	1,279,149	11.2%	212,008	¥244.9	US\$3.19	€2.87
Core Xuhui	519,255	7.2%	320,975	¥305.1	US\$3.98	€3.58
Changning	1,045,777	10.2%	137,404	¥223.5	US\$2.91	€2.62
<b>SHANGHAI GRADE A CBD TOTAL</b>	<b>7,927,599</b>	<b>14.2%</b>	<b>1,899,548</b>	<b>¥286.4</b>	<b>US\$3.73</b>	<b>€3.36</b>
Shanghai Grade A Suburban	4,858,909	31.9%	4,549,727	¥197.9	US\$2.58	€2.32

Rental equals "Gross Transacted Face Rental"  
1 USD = 7.1327 RMB = 0.8994 EUR (2020.06.01)

## KEY LEASING TRANSACTIONS 2Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Qiantan Centre	Expo & Qiantan	Texas Instruments	10,000	Relocation
Hopson International Tower	Yangpu	Distrii	6,500	New Setup
LCM	Yangjing	Pramerica FOSUN	4,800	Relocation
Qiantan Crystal Plaza	Expo & Qiantan	boohee.com	4,000	Relocation
Central Plaza	New Huangpu	Elanco	1,300	Relocation

## SIGNIFICANT PROJECTS PLANNED &amp; UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Shanghai SK Tower	Expo & Qiantan*	-	123,075	2020
Qiantan Centre	Expo & Qiantan*	-	168,000	2020
Lumina	Fringe Xuhui	-	169,943	2020
Shangxianfang Project	Huangpu	-	70,604	2021
Binjiang Urban Development Center	Fringe Xuhui	-	209,000	2022
CR Land Zhongyuan Project	Core Jing'an	-	80,069	2023

\*Expo & Qiantan suburban area includes Houtan area

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