

¥78.3
Rent (PSM/MO)

12-Mo.
Forecast

-3.1%
Rental Growth (QOQ)

30.4%
Vacancy Rate

Source: Cushman & Wakefield Research

SHENYANG ECONOMIC INDICATORS Q1 2020

-12.9%
GDP Growth

Q4 2019: 4.2%
12-Mo. Forecast: ▲

-7.9%
Tertiary Sector Growth

5.2% ▲

5.0%
CPI Growth

2.4% ▼

-33.7%
Real Estate Development & Investment Growth

17.9% ▲

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

Market Still Under Pressure From Impact of COVID-19

No new supply entered the Shenyang office market in Q2 2020, with the city's Grade A stock remaining at 1.10 million sq m. The prolonged economic impact from the pandemic continued in the quarter, obliging landlords to relax requirements in order to compete for quality tenants, in turn handing tenants greater bargaining power on rental terms. Overall average market rent continued to drop, down 3.1% q-o-q to RMB78.3 per sq m. Many firms have paused or postponed site selections plans, and the number of leasing transactions fell by 67% y-o-y.

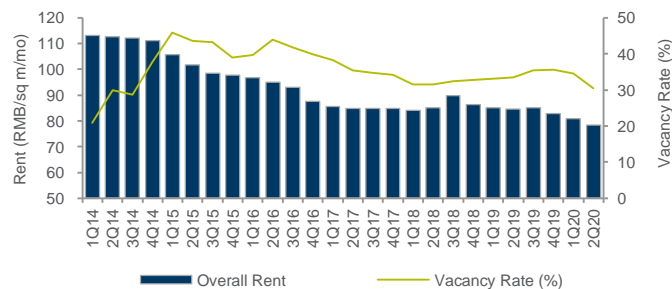
Online Education Develops Rapidly

Online education is among the sectors who experienced new business opportunities from the pandemic, and firms in the sector drove leasing activity in Q2. Deals in the quarter included TAL Education Group's lease of 20,000 sq m of office space in Sunnyworld No.1 in the North Station-City Square submarket, while Yuanfufao.com took 8,000 sq m of office space in Maoye Center. These large-scale transactions supported the market somewhat and helped to alleviate the overall negative impact of the pandemic, resulting in the overall Grade A office market vacancy rate dropping 1.1 percentage points from Q1 to record 30.4%.

Pace of New Supply to Continue to Slow

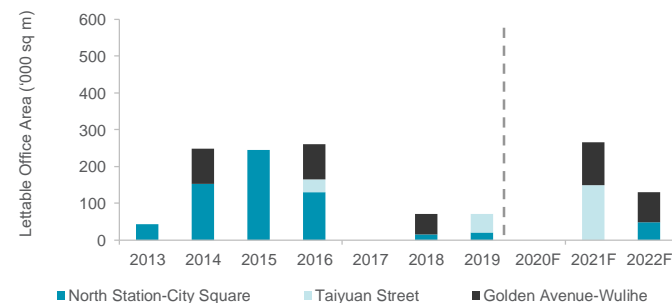
Most new office projects under construction have been delayed due to the impact of the pandemic and wider economic pressures. No new projects are scheduled to enter the market in 2H, and we can expect the pace of new supply to continue to slow in the near-term. Looking ahead, firms in sectors such as finance and insurance that were hit less hard by the pandemic will recover most quickly, releasing pent-up leasing demand. In addition, the ongoing promotion of the talent introduction policy in Shenyang should boost development of related industries, bringing expanded opportunities to the office leasing market.

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
North Station-City Square	544,439	21.9%	49,000	76.89	1.0	0.9
Taiyuan Street	244,452	51.2%	150,000	61.50	0.8	0.7
Golden Avenue-Wulihe	309,184	28.9%	197,925	93.94	1.2	1.1
SHENYANG GRADE A OVERALL TOTAL	1,098,075	30.4%	396,925	78.30	1.0	0.9

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. 1st 2020.

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Sunnyworld No.1	North Station-City Square	TAL Education Group	20,000	New lease
Maoye Center	Golden Avenue-Wulihe	Yuanfufao.com	8,000	Expansion
Kerry Center Tower B	Golden Avenue-Wulihe	Liaoning Fanhua Inc.	3,132	Relocated

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Chunhe Vanke Center	Golden Avenue-Wulihe	N/A	46,325	2021
HongYun Center	Taiyuan Street	N/A	80,000	2021
One World	Taiyuan Street	N/A	70,000	2021
Baoneng GFC T2	Golden Avenue-Wulihe	N/A	70,000	2021
CIFI Center	North Station-City Square	N/A	49,000	2022
The King Business Center	Golden Avenue-Wulihe	N/A	81,600	2022

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