



¥111.5
Rent (PSM/MO)

QoQ
Change



-6.7%
Rental Growth (QoQ)



30.8%
Vacancy Rate



Source: Cushman & Wakefield Research

WUHAN ECONOMIC INDICATORS 1Q 2020

-40.5%
GDP Growth

2019

7.4%

12-Mo.
Forecast



-37.7%
Service Sector GDP
Growth

8.2%



6.0%
CPI Growth

3.2%



-75.7%
Real Estate
Development Investment
Growth

9.8%



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

Ongoing Impacts of COVID-19 Weaken Demand

No new supply was added in Q2 and Wuhan's Grade A office stock remained at 2.1 million sq m. New Grade A projects previously scheduled for the first half of the year have been delayed due to the pandemic. Following the city's reopening from lockdown on April 9, most Grade A landlords adopted rent-free strategies to help support their existing tenants. However, the economic pressures have inevitably led to lease surrenders, with the Grade A office vacancy rate rising 5.1 pp q-o-q to reach 30.8% at the end of Q2. Demand has weakened, and many Grade A office owners have adopted flexible rental terms to speed up destocking. Average monthly rent dropped 6.7% q-o-q to RMB111.5 per sq m, down 8.3% y-o-y.

Pandemic Accelerated Differentiation Among Business Districts

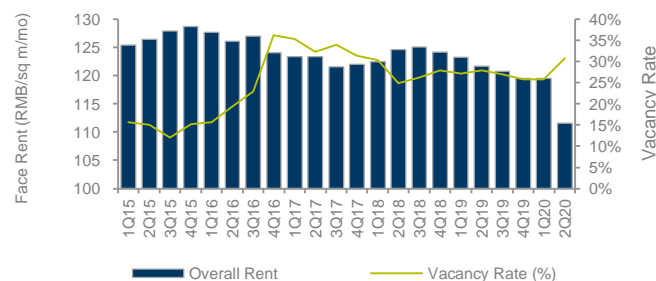
The pandemic period exposed variances among business districts. In older core districts, such as Jianshe Ave. and Wuguang, with a large stock of older buildings and a volume of new supply scheduled, the downwards rental trend steepened and the vacancy rate climbed significantly. In Hankou & Wuchang RCD and Optical Valley, with a superior tenant structure and industry base, the impact of the pandemic was more limited. And in Zhongnan business district, with no new supply in recent years, destocking pressure remained moderate and post-pandemic performance relatively stable.

By market leasing activity, the financial sector was the key driver of occupier demand in Q2, taking 50.8% of space leased in the market, including new setup leases by financial institutions such as Nanyang Commercial Bank and Guoxin Securities. Real estate firms accounted for 26.7% of space leased, followed by online education firms with 20.1%. The healthcare sector constituted the remaining 2.4% of leasing transactions.

Outlook

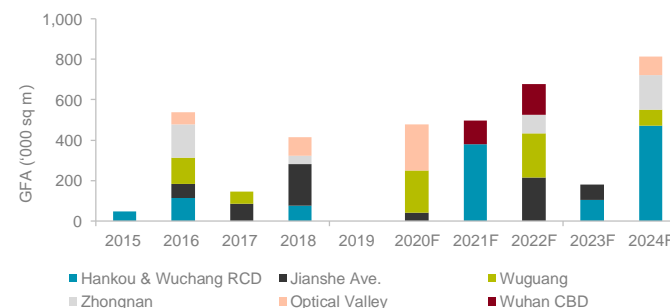
Negative impacts from the pandemic are likely to persist for the short-term. The city's government and citizens are taking targeted actions to strengthen virus prevention and control measures post-pandemic, and putting their energy into revitalizing the city's society and economy. Combined with the central government's package of policy support, we expect to see the market gradually recover in the second half of the year.

GRADE A OFFICE RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research

MARKET STATISTICS

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
Jianshe Ave.	836,347	39.3%	332,688	102.1	1.3	1.2
Wuguang	385,177	38.9%	506,796	95.3	1.2	1.1
Hankou & Wuchang RCD	377,142	16.8%	954,462	130.7	1.7	1.5
Zhongnan	400,857	25.2%	261,039	121.8	1.6	1.4
Optical Valley	149,358	13.0%	322,955	117.0	1.5	1.4
WUHAN CORE GRADE A TOTAL	2,148,881	30.8%	2,377,939	¥111.5	US\$1.5	€1.3
Wuhan CBD	-	-	268,754	-	-	-

* 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 = 7.13267 RMB = 0.89943 EUR as at 1st June 2020

KEY LEASING TRANSACTIONS 2Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
The Poly Plaza	Zhongnan	Nanyang Commercial Bank	1,910	New Setup
Yuxiu Financial Center	Wuguang	New Hope Property	731	Relocation
GreatWall Complex T1	Zhongnan	Guosen Securities	623	New Setup
Zall International Center	Jianshe Ave.	Zhongliang Property	600	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
K11 ATELIER	Wuguang	-	55,970	2020
Shangri-La	Jianshe Ave.	-	41,315	2020
Hang Lung Center	Wuguang	-	151,471	2020
Wuhan Tiandi A1	Hankou & Wuchang RCD	-	177,117	2021
The MIXC	Jianshe Ave.	-	154,457	2021
The Greenland Center	Hankou & Wuchang RCD	-	202,430	2021

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