

Office Q2 2020

12-Mo.  
Forecast

**¥101.50**  
Rent (PSM/MO)



**-1.9%**  
Rental Growth (QOQ)



**40.5%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## XIAMEN ECONOMIC INDICATORS Q1 2020

**-3.2%**  
GDP Growth

Q1-Q4 2019: **7.9%** (12-Mo. Forecast)

**-0.5%**  
Tertiary Sector Growth

6.6%

**5.1%**  
CPI Growth

3.0%

**-21.7%**  
Real Estate Development & Investment Growth

1.7%

Note: Growth figure is y-o-y growth;  
Source: Xiamen Statistics Bureau; Oxford Economics;  
Cushman & Wakefield Research

## Rentals Continue Trending Down in Weakened Market

The COVID-19 outbreak continued to impact the Xiamen Grade A office market in Q2. Citywide demand remained inactive, reflected by net absorption shrinking to -5,626 sq m and the overall vacancy rate climbing to 40.5%. Space was vacated by tenants moving out from the Lujiang Rd., N/S Hubin Rd. and Cross Strait Trade Center (CSTC) submarkets. However, the Cross Strait Financial Center (CSFC) and Outside Xiamen's Main Island submarkets, especially at Jimei New Town, experienced lower vacancy rates due to take-ups by finance and new economy firms.

Citywide average rentals dropped 1.9% q-o-q, a fall of 0.4 pp more than the decline last quarter, to record RMB101.50 per sq m per month. Average rents in the OMI, Lujiang Rd. and CSFC submarkets dropped more than 2%, with Lujiang Rd falling to RMB108.60 per sq m per month.

## Finance and New Economy Enterprises Continue to Lead Absorption

The Xiamen government has designated 2020 as a critical year for investment promotion and project construction. A number of finance and new economy firms have taken up Grade A office space recently, indicating the positive influence of supportive investment promotion policies. This trend is likely to continue and will support office stock absorption ahead.

In addition to rent adjustments, landlords have offered fit-out incentives, and customized space configurations at discounted premiums, to help attract tenants.

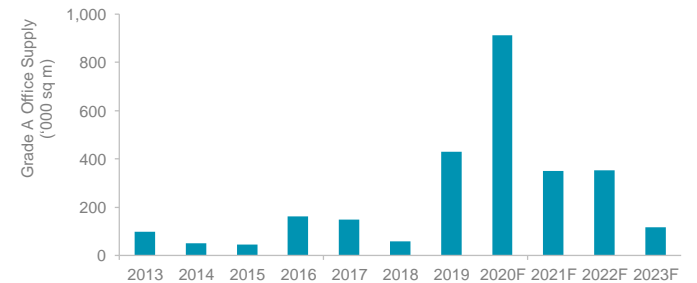
Ahead, the anticipated 913,000 sq m of office supply in the pipeline is likely to exert further downward pressure on average rental levels in the short-term.

## 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	USD/SF/MO	EUR/SF/MO
Lujiang Rd.	251,000	24.5%	188,000	108.6	1.4	1.3
N/S Hubin Rd.	169,000	49.0%	185,700	116.3	1.5	1.4
Cross Strait Financial Center (CSFC)	640,000	36.0%	762,200	102.2	1.3	1.2
Cross Strait Trade Center (CSTC)	58,000	5.0%	260,000	84.0	1.1	1.0
Outside Xiamen's Main Island (OMI)	148,000	91.7%	396,800	76.4	1.0	0.9
<b>XIAMEN GRADE A TOTAL</b>	<b>1,266,000</b>	<b>40.5%</b>	<b>1,792,700</b>	<b>101.5</b>	<b>1.3</b>	<b>1.2</b>

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 factored in.  
Exchange Rate: 1USD= 0.899429 EUR=7.132668 RMB (2020.6.1)

### KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
CR Building - Tower B	N/S Hubin Rd.	ABC Life Insurance Xiamen Branch	2,100	Relocation
Chengyi International Business Center	OMI	Yiautos.com	1,800	Relocation
International Finance Center	CSFC	JMX Consumer Finance	1,500	Relocation

### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sea World - CMLS	CSTC	-	190,000	2020
Haixi Jingu Plaza (T1 & T2)	CSFC	-	103,000	2020
Xiamen Air Headquarter	CSFC	-	66,000	2020
Winland Complex	CSFC	-	220,000	2021

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