

**¥183.0**  
Rent (PSM/MO)

QoQ  
Change



**-0.8%**  
Rental Growth (QoQ)



**7.1%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## GUANGZHOU ECONOMIC INDICATORS 1H 2020

**-2.7%**  
GDP Growth

Q1 2020: **-6.8%** ▲  
12-Mo. Forecast: ▲

**-0.8%**  
Service Sector GDP Growth

Q1 2020: **-2.2%** ▲

**3.5%**  
CPI Growth

Q1 2020: **4.1%** ▼

**-7.9%**  
Real Estate Development Investment Growth

Q1 2020: **-8.4%** ▲

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

## Demand Continues Recovery

The Vipshop Global Headquarters project in Pazhou completed in Q3, bringing overall office stock to 5.10 million sq m, but several other scheduled projects were delayed to Q4. Pent-up demand from the COVID-19 period was released gradually in the quarter. Net absorption reached 37,000 sq m, significantly up on the prior two quarters. By submarket, Zhujiang New Town experienced robust demand, recording a number of relocations and expansions. Supported by the recovery in leasing demand and high occupancy rates at new projects, the overall vacancy rate rose only slightly, up 0.3 percentage points q-o-q to reach 7.1%.

Domestic tenants continued to dominate in Q3, led by the TMT and finance sectors. Demand from domestic retail brands for Grade A office space is also positive, such as Carlsan's lease of 2,500 sq m in G.T. Land Plaza. In contrast, the education and traditional advertising sectors are seeing office lease surrenders.

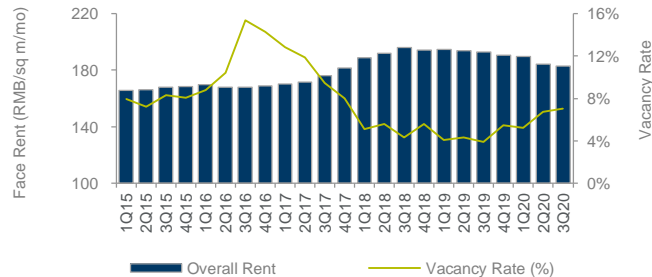
## More Attractive Leasing Deals on Offer

Landlords have offered greater flexibility on rents and offered further incentives to improve occupancy in the quarter. However, despite the recovering demand, tenants are still cautious in their decision making. Overall average month rent dropped 0.8% q-o-q to RMB183.0 per sq m.

## New Supply Set to Push Vacancy Up

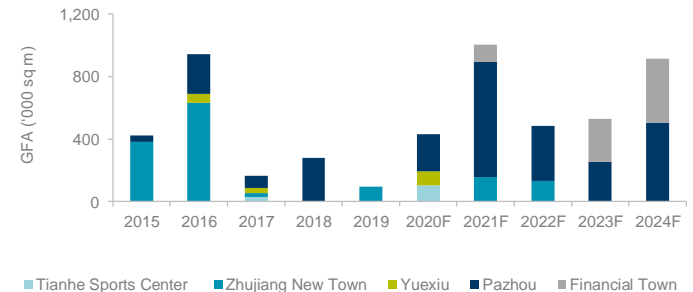
Approximately 289,000 sq m of new supply is scheduled for Q4, with most slated for the Pazhou emerging submarket. The volume of new space combined with relatively low rents will stimulate demand in Pazhou, but also intensify market competition. The influx of new supply will push overall vacancy up, while placing downwards pressure on rents. Nonetheless, as economic recovery continues, domestic demand should continue to grow, especially from the TMT sector. We also expect to see continued acceptance and take-up of customized co-working spaces from traditional firms.

## GRADE A OFFICE 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 TILL 2024 (SQ M)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Tianhe Sports Center	857,190	5.1%	105,942	178.2	2.4	2.0
Zhujiang New Town	3,000,576	6.3%	288,850	199.7	2.7	2.3
Yuexiu	387,739	16.4%	-	139.4	1.9	1.6
Pazhou	853,751	7.3%	2,032,149	149.0	2.0	1.7
<b>GUANGZHOU GRADE A TOTAL</b>	<b>5,099,257</b>	<b>7.1%</b>	<b>2,426,941</b>	<b>¥183.0</b>	<b>US\$2.46</b>	<b>€ 2.08</b>
Financial Town	-	-	796,047	-	-	-

\* 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 = 6.9204 RMB = 0.8471 EUR as at Aug 24, 2020

### KEY LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Tiande Centre	Zhujiang New Town	Kwai	2,400	New Setup
G.T. Land Plaza	Zhujiang New Town	Carlsan	2,500	New Setup
Vipshop Global Headquarters	Pazhou	Youzan	2,000	New Setup

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Trendy International Centre	Pazhou	-	87,000	2020
Guangzhou mPlaza	Pazhou	-	96,000	2020
Guangzhou International Commercial Center	Tianhe Sports Center	-	106,000	2020
GMC Plaza	Pazhou	-	47,000	2021
Alibaba South China Headquarters	Pazhou	-	92,000	2021
Ping'an Financial Tower	Financial Town	-	54,000	2021
TCL Building	Pazhou	-	103,000	2021
Fosun International Center	Pazhou	-	67,000	2021
Vanke Center	Zhujiang New Town	-	85,000	2021
Game Smart City	Pazhou	-	67,095	2021

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