

¥105.07
Rent (PSM/MO)

12-Mo.
Forecast

-3.05%
Rental Growth (QOQ)

26.42%
Vacancy Rate

Source: Cushman & Wakefield Research

QINGDAO ECONOMIC INDICATORS Q2 2020

0.1%
GDP Growth

Q1 2020: -7.1%
12-Mo. Forecast: ▲

0.1%
Tertiary Sector Growth

-5.5% ▲

3.9%
CPI Growth

4.9% ▼

7.6%
Real Estate Development & Investment Growth

2.7% ▲

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

Leasing Demand Picks Up

With no new projects completed in Q3, Qingdao's Grade A office stock remained at 1.45 million sq m at the end of the quarter.

Leasing activities in the Grade A office market resumed in the quarter, as the COVID-19 outbreak came under effective control domestically. Net absorption recorded 34,987 sq m, with the vacancy rate dropping 2.42 percentage points to 26.42%. However, average monthly effective rent fell by 3.05% q-o-q to RMB 105.07 per sq m.

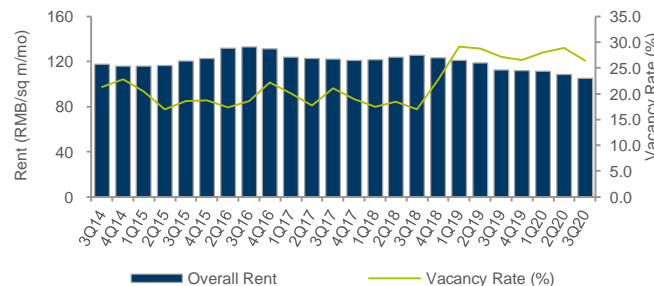
Weakened demand from the impact of the pandemic has forced landlords to lower cuts to attract tenants. Shibei and Shinan CBD submarkets experienced the most obvious rental drops due to their higher vacancy rates. Laoshan submarket fared better, favored for its high-quality properties and advantageous industry clusters, and leasing activities in the district were active in the quarter.

Supply Pipeline Paused, Laoshan CBD Set For Development Opportunities

The pace of new supply in Qingdao's office market has slowed markedly this year in the wake of the pandemic, and this trend is expected to continue into 1H 2021. In the coming quarter, just one high-quality office project is scheduled to launch, bringing 114,000 square meters of new supply to the market.

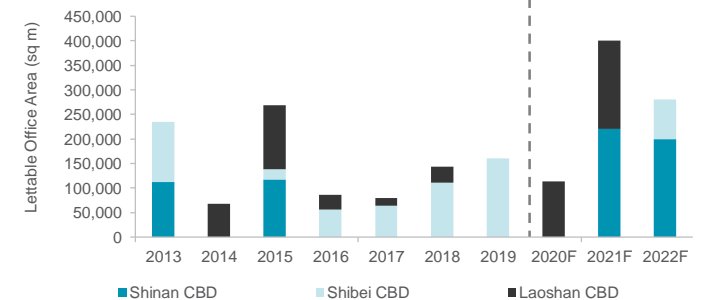
According to city economic planning, Laoshan district is earmarked to focus on coordinated and interactive development of three categories of industrial properties – business, commerce, and industry – aiming to attract more companies from related industries to locate in the area, generate an industry cluster effect, and enhance activity in the regional office building 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
Shinan CBD	626,921	28.32%	420,000	102.14	14.76	12.50
Shibei CBD	508,461	27.54%	80,000	84.45	12.20	10.34
Laoshan CBD	310,360	20.78%	294,509	130.42	18.85	15.96
QINGDAO GRADE A OVERALL TOTAL	1,445,742	26.42%	794,509	105.07	15.18	12.86

*Projects of others not belonging to any of the above submarkets.
 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 = 0.1445USD = 0.1224EUR as of AUG 24, 2020

KEY LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
HNA Wanbang Center	Shinan CBD	Qingdao Fuliying Business Consulting Co., Ltd	300	New Lease
HNA Wanbang Center	Shinan CBD	Qingdao Dashe Network Technology Co., Ltd	400	New Lease
Farglory International Plaza	Shinan CBD	Qingdao Musi Catering Management Co., Ltd	300	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Qingdao Hisense International Center	Laoshan CBD	N/A	114,000	2020
SIIC Center	Laoshan CBD	N/A	31,700	2021
Peking University Resource Plaza	Laoshan CBD	N/A	60,000	2021
Merchants Shekou	Shinan CBD	N/A	120,000	2022
Deep Blue Centre	Shinan CBD	N/A	80,000	2022

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