

¥282.7
Rent (PSM/MO)

12-Mo.
Forecast



-1.3%
Rental Growth (QOQ)



16.6%
Vacancy Rate



Source: Cushman & Wakefield Research

SHANGHAI ECONOMIC INDICATORS Q2 2020

-2.6%
GDP Growth

Q1 2020: -6.7%
12-Mo. Forecast: ▲

-0.6%
Tertiary Sector Growth

Q1 2020: -2.7%
12-Mo. Forecast: ▲

2.7%
CPI Growth

Q1 2020: 3.4%
12-Mo. Forecast: ▼

7.0%
Real Estate Sector Investment

Q1 2020: -8.2%
12-Mo. Forecast: ▲

Source: Shanghai Statistics Bureau
The forecast is based on Oxford Economics

Grade A office project completions postponed

In Q3, four Grade A office projects were completed in Shanghai, bringing a total of 358,991 sq m of quality office space to the market. Two projects were located in the core submarkets: Innovation Mix in Changning and Embankment Centre in Lujiazui, while the other two landed in the non-core submarkets of Expo & Qiantan and Minhang. With over 5.48 million sq m of Grade A office projects in the supply pipeline, landlords are faced with much market pressure. Subsequently, a number of projects were delayed to the end of the year or into 2021.

Leasing demand continued to pick up in Q3

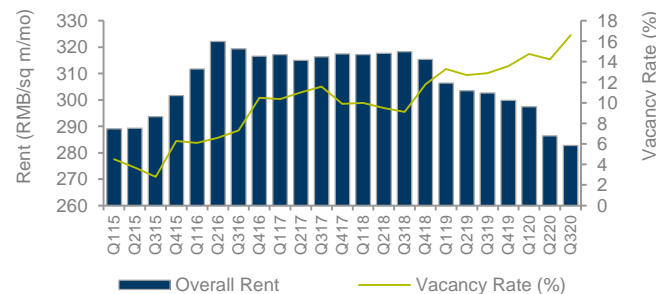
Following a strong economic recovery since the Covid-19 outbreak earlier this year, Shanghai Grade A office leasing demand remained robust in Q3. The overall market recorded a net absorption total of 157,169 sq m; 37,360 sq m for the core area and 119,809 sq m for non core area. Despite the strong demand, new supply this quarter pushed the city overall vacancy rate to 21.85% (16.6% for the core area, 30.6% for the non core area).

TMT, Finance, Professional Services were the top three driving forces responsible for the strong leasing activity in Q3. Location-wise, Lujiazui, Expo & Qiantan and Hongkou recorded the most leasing activity. In terms of leasing types, relocation still accounted for the majority of the leasing types by area. However, there was also a considerably large number of new office set-ups happening in Q3, owing to the strong leasing demand from TMT and Finance companies.

Supply pressure further suppressing rentals

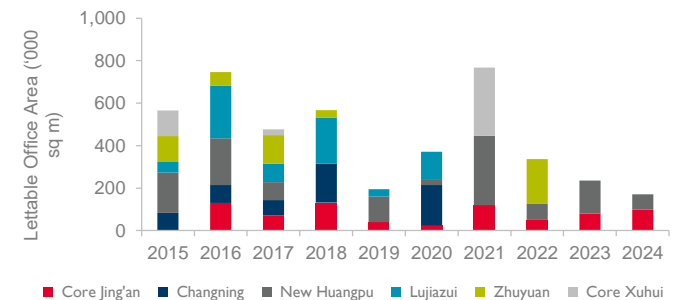
Along with the impact of Covid-19, the large amount of new supply is further placing pressure on rental performance in the city. The core area recorded an average rental of RMB282.7/sq m/month, down 1.3% q-o-q and down 6.6% y-o-y. In line with this drop, many quality office landlords in Shanghai, have stepped up to offer further leasing incentives to entice and retain tenants.

GRADE A CBD OVERALL RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A CBD 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
Core Jing'an	1,207,450	11.6%	349,345	¥355.2	US\$4.77	€4.04
New Huangpu	1,779,322	19.1%	650,816	¥273.8	US\$3.68	€3.11
Lujiazui	2,229,646	21.1%	0	¥307.4	US\$4.13	€3.50
Zhuyuan	1,279,149	11.6%	212,008	¥238.4	US\$3.20	€2.71
Core Xuhui	519,255	7.5%	320,975	¥300.5	US\$4.04	€3.42
Changning	1,183,181	18.9%	52,973	¥224.8	US\$3.02	€2.56
SHANGHAI GRADE A CBD TOTAL	8,198,003	16.6%	1,586,117	¥282.7	US\$3.80	€3.22
Shanghai Grade A Suburban	4,921,191	30.6%	3,895,517	¥194.1	US\$2.61	€2.21

Rental equals "Gross Transacted Face Rental"
1 USD = 6.9204 RMB = 0.8471 EUR (2020.08.24)

KEY LEASING TRANSACTIONS 3Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
New Bund Oriental Plaza	Expo&Qiantan	CANGO	8,400	Relocation
Qiantan Centre	Expo&Qiantan	Takeda	8,000	Relocation
Raffles City The Bund	Hongkou	JDD	8,000	New Setup
Qiantan Centre	Expo&Qiantan	Hilton	8,000	Relocation
Guozheng Centre	Yangpu	Bilibili	6,000	Expansion

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Qiantan Centre	Expo & Qiantan*	-	168,000	2020
Lumina	Fringe Xuhui	-	169,943	2020
Shanghai SK Tower	Expo & Qiantan*	-	123,075	2021
Binjiang Urban Development Center	Fringe Xuhui	-	209,000	2022
CR Land Zhangyuan Project	Core Jing'an	-	80,069	2023
Shangxianfang Project	Huangpu	-	70,604	2024

*Expo & Qiantan suburban area includes Houtan area

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