

QoQ Change

¥180.4
Rent (PSM/MO)



-1.4%
Rental Growth (QoQ)



8.1%
Vacancy Rate



Source: Cushman & Wakefield Research

GUANGZHOU ECONOMIC INDICATORS Q1-Q3 2020

1.0%
GDP Growth

Q1-Q2 2020: **-2.7%** ▲
12-Mo. Forecast: ▲

1.0%
Service Sector GDP Growth

Q1-Q2 2020: **-0.8%** ▲

3.1%
CPI Growth

Q1-Q2 2020: **3.5%** ▼

-2.0%
Real Estate Development Investment Growth

Q1-Q2 2020: **-7.9%** ▲

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

Office Leasing Demand Continued to Pick up in Q4

The Trendy International Centre in Pazhou was delivered in Q4, bringing 87,000 sqm of new supply to the office market. The completion means that three new Grade A office projects entered the market in 2020, with a combined 231,000 sq m of space boosting new supply by 140% y-o-y, and bringing citywide Grade A stock to 5.187 million sq m. With leasing demand continuing to pick up, net absorption reached 27,000 sq m for the quarter, although overall vacancy edged up 1.1% q-o-q as a result of the new supply to reach 8.1%.

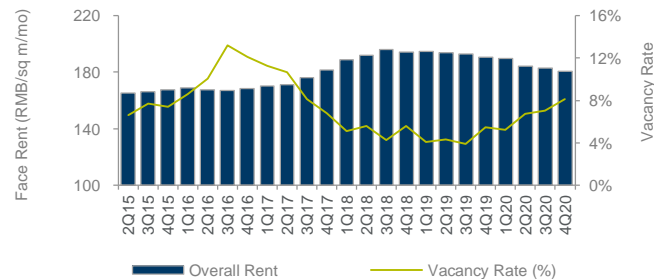
Law Firms Emerge as Active Player in Leasing Market

The TMT sector led leasing activity in Q4, with 28% of total transactions. The Finance (21%), and Professional Services (15%), sectors followed, with law firms emerging as an active player in the leasing market for expansions and new offices. Notable deals included ETR Law Firm's lease of an additional 1,100 sq m of space at CTF Finance Centre, while Jincheng Law Firm took 1,600 sq m at Kaihua International. The new supply entering the market, coupled with year-end pressures, prompted landlords to offer greater flexibility, and average monthly Grade A office rents dropped by 1.4% q-o-q and 5.4% y-o-y to RMB 180.4 per sq m. Government policies are also offering incentives to attract prospective tenants, such as in Tianhe submarket, where financial rebates are offered to relocating firms in the IT, finance and professional services sectors.

Outlook

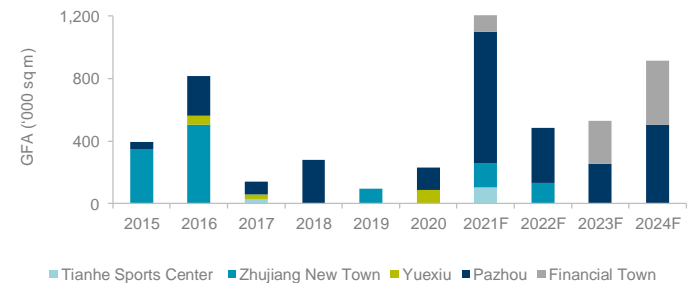
More than 1.2 million sq m of new office supply is scheduled for 2021, with 62% slated for the Pazhou submarket. The influx will add further pressure to the leasing market and on vacancy in the short-term. Rents, though, should remain stable in core area such as Zhujiang New Town, if come under pressure in Pazhou. However, Pazhou's industrial planning and building cost-effectiveness will generate demand and we expect TMT firms with upgrade needs to locate into the submarket. While some of the new supply will be for self-use, we see the agglomeration effect of firms establishing headquarters helping to drive sustained future demand.

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	5.80%	105,942	176.6	2.5	2.1
Zhujiang New Town	3,000,576	7.02%	288,850	197.8	2.8	2.3
Yuexiu	387,739	14.64%	-	139.1	2.0	1.7
Pazhou	940,997	10.94%	1,944,903	145.8	2.1	1.7
GUANGZHOU GRADE A TOTAL	5,186,502	8.10%	3,135,742	¥180.44	US\$2.55	€ 2.14
Financial Town	-	-	412,124	-	-	-

* 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 = 6.5746 RMB = 0.8408 EUR as at Nov 25, 2020

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
International Finance Center	Zhujiang New Town	CCB Fintech	7000	New Setup
Poly Skyline Plaza	Pazhou	Wecut	1200	Expansion
CTF Finance Centre	Zhujiang New Town	ETR Law Firm	1100	Expansion

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
Guangzhou mPlaza	Pazhou	-	95,891	2021
Guangzhou International Commercial Center	Tianhe Sports Center	-	106,000	2021
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
Gome Smart City	Pazhou	-	67,095	2021
Oppein HQ	Pazhou	-	42,000	2021

Zhang Xiao-duan

Senior Director, Head of Research
South China

Suite 2704, Taikoo Hui Tower 1, 385 Tianhe Road,
Tianhe District | Guangzhou 510613 | China

Tel: +86 755 2151 8116 / xiaoduan.zhang@cushwake.com
cushmanwakefield.com

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