

Office Q4 2020

¥133.6
Rent (PSM/MO)

12-Mo.
Forecast



3.3
Stock (MILLION SQ M)



12.6%
Vacancy Rate



Three New Projects Launch

Hangzhou added 125,813 sq m of Grade A office supply in Q4, raising overall stock to nearly 3.3 million sq m. New high-quality projects included Knowledge City Block E&F, Aoti Vanke Center Block B, and MixC Center. The city's overall Grade A office rent was stable, finishing at RMB133.6 per sq m per month in Q4. By submarket, average monthly rents at core CBDs and non-core CBDs increased slightly by 0.4% and 1.4% q-o-q respectively, to reach RMB147.8 per sq m and RMB101.8 per sq m respectively at the end of the quarter.

Net Absorption in Q4 Accounts for 65.3% of the Annual Total

Strong leasing demand for quality office properties drove citywide net absorption to approximately 107,000 sq m in Q4, accounting for 65.3% of the total for the full-year. Binjiang and Qianjiang Century City submarkets both achieved impressive absorption, benefitting from improved transportation facilities (metro lines 6 and 7 are upcoming) and the delivery of high-quality office buildings to see their vacancy rates fall by 5.3% and 6.3% q-o-q, respectively, in the quarter.

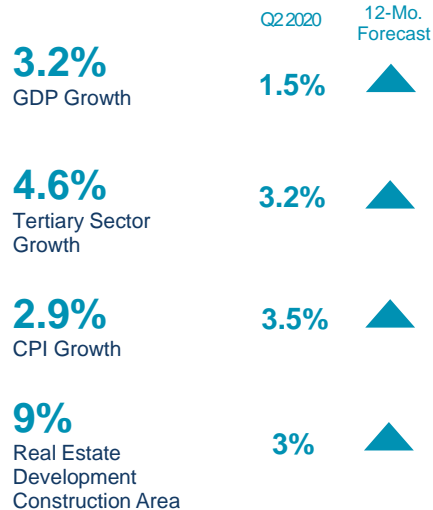
West City Office Market Expected to Boom

Hangzhou is set to add 350,000 sq m of new office supply in 2021, mainly in Qianjiang New City and Qianjiang Century City. The citywide total stock of Grade A office is then expected to reach 3.6 million sq m. The influx of new supply will, to an extent, drive up the Grade A office vacancy rate, and rental levels are expected to be dampened.

From the perspective of tenant take up, the TMT, finance, and professional services industries are expected to drive leasing demand in the next year. Going into 2021, the market is expected to tilt towards being more tenant-favorable. Owners will need to further optimize their leasing strategies and improve their core competitiveness to cope with the pressure on leasing.

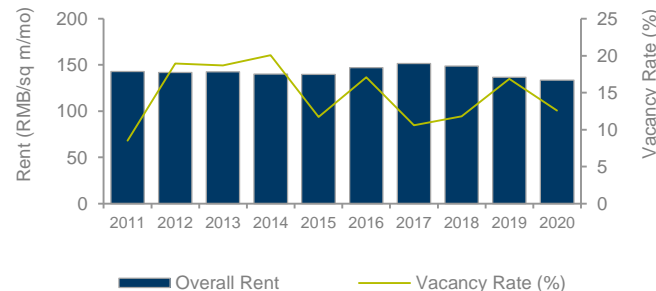
In October, the Cloud City concept plan was officially released. Benefiting from the industrial development advantages of the West City science and technology innovation corridor, and the transportation advantages of Hangzhou West Railway Station Hub, Cloud City is slated as Hangzhou's third new major commercial center, after Wulin and Qianjiang New City. Ahead, the gradual introduction of high-grade science and technology innovation platforms, high-level innovative enterprises, and high-quality talent, should ensure strong demand for Grade A office buildings in West City.

HANGZHOU ECONOMIC INDICATORS Q3 2020

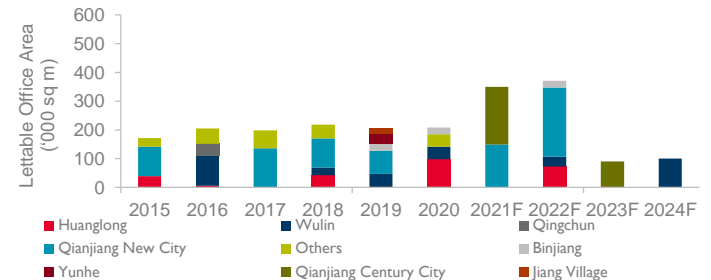


Source: Hangzhou Statistics Bureau
The forecast is based on Oxford Economics

GRADE A CBD OVERALL RENT & VACANCY RATE



GRADE A CBD NEW SUPPLY



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
Huanglong	515,372	17.2%	72,978	160.7	2.27	1.91
Wulin	292,682	19.7%	134,130	173.9	2.46	2.07
Qingchun	260,149	10%	0	117.8	1.66	1.40
Qianjiang New City	1,088,882	9.5%	390,000	138.5	1.96	1.65
HANGZHOU GRADE A CORE CBD TOTAL	2,157,085	12.8%	597,108	147.8	2.09	1.76
Hangzhou Grade A Non-core CBD Total	1,121,712	12.2%	314,000	101.8	1.44	1.21

Rental equals "Gross Transacted Face Rental"
1CNY = 0.1521 USD = 0.1279 EUR (2020.11.25)

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Vanke Center	Yunhe	Huadong Medicine	1,800	Renewal
Juguang Center	Binjiang	Accenture	1,500	Renewal
Canhigh Center	Wulin	Epson	350	Expansion

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Hangzhou International Office Center	Qianjiang Century City	-	200,000	2021
China Life Building	Qianjiang New City	-	150,000	2021
Knowledge City IV	Huanglong	-	72,978	2022
Hangzhou Center	Wulin	-	34,130	2022
Cinda Center	Qianjiang Century City	-	90,000	2023

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