

Office 2020

12-Mo. Forecast

**¥ 96.03**  
Rent (PSM/MO)



**-6.6%**  
Rental Growth (YOY)



**34.72%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## Rental Level Correction Helps Reduce Overall Vacancy

No new supply was added in 2020 and Kunming's overall Grade A office stock remained at 864,886 million sq m. Under the dual pressures of the impact of the pandemic and a high vacancy rate, overall average monthly rents fell 6.6% y-o-y to record RMB96.03 per sq m at the end of the year, as tenants took vacant space at the competitive rents on offer. In turn, the vacancy rate dropped 4.44 percentage points y-o-y to 34.72%.

## Property Services and Tenant Quality Enhancements Help Drive Market

Some landlords invested resources in improving the quality of their property management services and tenant bases in lieu of directly upgrading the building hardware, with such properties typically more than five years old. This trend should also promote the general upgrading of Grade A office stock in the city.

Looking ahead, the number of new supply projects due in the near-term is relatively limited, and this will be conducive to lowering the vacancy rate. On the demand side, with no new projects completed this year the overall rental level has basically been adjusted by landlord and tenant market forces, and it is expected to remain stable in the future.

The Henglong Plaza project completed in 2019, providing new choices for tenants while also improving the overall quality of Grade A office stock in Kunming. In the current market we anticipate that higher-end corporate tenants will gradually accept the rent premium that accompanies higher-quality building hardware and services.

## KUNMING ECONOMIC INDICATORS Q1-Q3 2020

2020 Q1-Q2 12-Mo. Forecast

**1.1%**  
GDP Growth

**-1.0%**



**1.1%**  
Tertiary Sector Growth

**-0.7%**



**3.8%**  
CPI Growth

**4.1%**



**11.3%**  
Real Estate Development & Investment Growth

**11.4%**



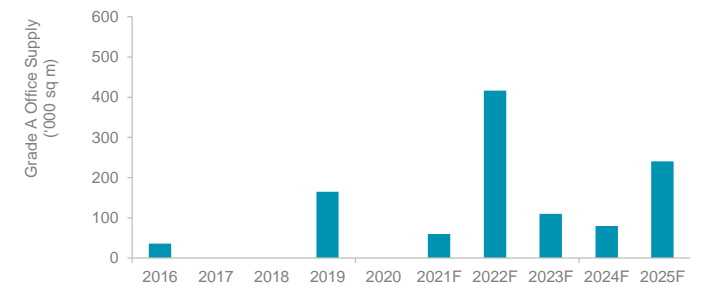
Note: Growth figure is y-o-y growth;  
Source: KUNMING Statistics Bureau; Oxford Economics;  
Cushman & Wakefield Research

## GRADE A RENT & VACANCY RATE



Source: Cushman & Wakefield Research

## GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Panlong	425,733	36.0%	179,700	¥104.34	US\$1.47	€1.24
Wuhua	36,000	9.0%	0	¥120.00	US\$1.70	€1.43
Xishan	403,153	35.7%	60,000	¥85.12	US\$1.20	€1.01
Guandu	-	-	627,000	-	-	-
Chengong New City	-	-	40,000	-	-	-
<b>KUNMING GRADE A TOTAL</b>	<b>864,886</b>	<b>34.7%</b>	<b>906,700</b>	<b>¥96.03</b>	<b>US\$1.36</b>	<b>€1.14</b>

Face 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: 1 CNY = 0.1521 USD = 0.1279 EUR = 1.1790 HKD = 4.3315 TWD (Nov 25 2020)

### KEY LEASING TRANSACTIONS 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Junfa center	Panlong	Beijing Zhijian Dapeng Education Technology Co., Ltd	850	New Setup
Oriental first building	Wuhua	An real estate company	900	New Setup
Spring City 66	Panlong	Shennong agricultural industry group	3,100	New Setup

### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Runcheng Fifth Avenue	Xishan	-	60,000	2021
The Landmark	Panlong	-	96,000	2022
Poly Window of South Asia	Guandu	-	80,000	2022
Vanke Charming City	Guandu	-	70,000	2023
Jun Fa Kunming Eye of Spring Tower	Panlong	-	83,700	2025
China Resources Building	Guandu	-	80,000	2025
Greenland Southeast Asia Center	Guandu	-	77,000	2025

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