

# NANNING

Grade A Office 2H 2020

12-Mo. Forecast

**¥67.15**  
Rent (PSM/MO)

**-6.0%**  
Rental Growth (HOH)

**46.7%**  
Vacancy Rate

Source: Cushman & Wakefield Research

## NANNING ECONOMIC INDICATORS Q1-Q3 2020



Note: Growth figure is y-o-y growth;  
Source: Guangxi Statistics Bureau; Guangxi Nanning Municipal Bureau of Statistics; Oxford Economics; Cushman & Wakefield Research

## Wuxiang New District Full-Year Absorption up Three-Fold on 2019

New completions added 286,000 sq m of Grade A office space to the market in 2H 2020, leading to a full-year figure of 426,000 sq m. Despite some project delays due to the COVID-19 outbreak, new supply was almost unchanged from 2019's figure. Demand continued to surge in the emerging Wuxiang submarket. Absorption was at 191,995 sq m for 2H, up 17.2% h-o-h, with full-year absorption of 355,792 sq m up three-fold on 2019's performance. Leasing activity was driven by company headquarters expanding and relocating from the mature submarkets, together with SOEs and financial firms. The submarket's vacancy rate fell 13.4 pp h-o-h, and 26 pp y-o-y, helping pull citywide vacancy down 7.6 pp to 46.7%. Jinhu and Nanhu submarkets were impacted by the pandemic, with local finance firms contracting and reducing office space needs, combined with relocations to Wuxiang. Full-year absorption for both submarkets dropped into the red, at -6,649 sq m and -5,988 sq m respectively. Fengling submarket recorded absorption of -3,018 sq m in Q4 alone. Landlords adjusted rental strategies in response. Average monthly rents in Q4 in Fengling and Nanhu submarkets were down 16.7% and 12.3% y-o-y respectively, although this was an improvement of 2.4% and 5.9% respectively over Q3. The correction has boosted take-up at some mature properties, allowing rents to firm up somewhat.

## Demand From Financial Companies and Technology Sectors to Lead the Way

Rental levels in Fengling are expected to recover soon, shored up by the district's maturity and the delivery of the landmark China Resources Tower A. The stable tenant base in Nanhu should also support robust rents.

Technology firms are rising as key drivers of the market in the post-pandemic period, gravitating to Wuxiang New District for its policy incentives, space, and value. A notable transaction was Tencent's lease of 2,300 sq m at KWG Financial Center. The submarket is also drawing in SMEs, as well as construction firms and finance firms relocating in search of business opportunities.

Looking ahead, 622,000 sq m of new office supply is scheduled for delivery through 2021, with 56% slated for Fengling submarket. Overall vacancy may rise, but supply pressure may be mitigated by construction delays and developers' self-use.

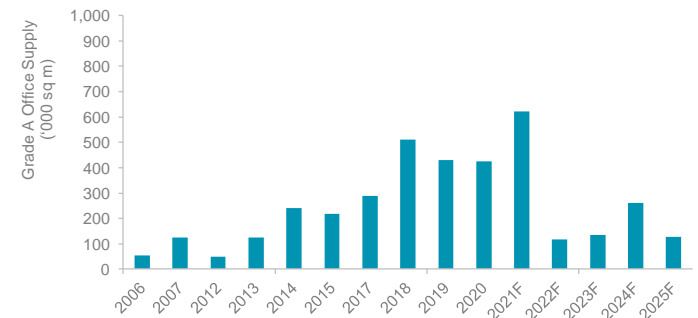
The Nanning government has issued incentives to support development of the services industry and we are seeing financial firms seeking space to move into the city, which in turn will bring finance services support to other businesses. Elsewhere, cloud computing, IT and artificial intelligence sectors are expected to be key occupiers next year.

## 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
Jinhu	145,110	36.0%	-	¥51.20	US\$0.72	€0.61
Nanhu	73,359	31.5%	-	¥90.13	US\$1.27	€1.07
Fengling	1,089,907	43.5%	608,000	¥91.07	US\$1.29	€1.08
Wuxiang New District	1,158,573	51.9%	655,000	¥45.20	US\$0.64	€0.54
<b>NANNING GRADE A TOTAL</b>	<b>2,466,950</b>	<b>46.7%</b>	<b>1,263,000</b>	<b>¥67.15</b>	<b>US\$0.95</b>	<b>€0.80</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.  
Exchange Rate: 1RMB = 0.1521 USD = 0.1279 EUR (2020.11.25)

#### KEY LEASING TRANSACTIONS 2H 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Taiping Financial Tower	Wuxiang	Guangxi Industrial Technology Research Institutions	6,400	New Setup
Nanning Greenland Center	Wuxiang	Sunac	5,000	Relocation
Longan International Tower A	Wuxiang	E-Guofu	4,300	Relocation
KWG Financial Center	Wuxiang	Tencent	2,300	Relocation

#### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Guangxi Finance Center	Fengling	-	210,000	2021
Huafeng City	Fengling	-	138,000	2021
Nanning Chengjian Headquarter Tower	Wuxiang New District	-	74,000	2021
Foresea Life T3	Wuxiang New District	-	46,000	2022

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