

12-Mo. Forecast

¥101.2
Rent (PSM/MO)



-3.7%
Rental Growth (QOQ)



22.8%
Vacancy Rate



Grade A Office Rents Continue Decline, Dropping 3.7% Q-O-Q

With no new office projects completing in Q4, Qingdao's overall Grade A stock remained at 1.45 million sq m at the end of the quarter. The economic impacts of the pandemic are still exerting pressure on the market, and Grade A average monthly effective rents continued to decline in Q4, dropping 3.7% q-o-q to RMB101.2 per sq m. However, leasing activity continued to gradually pick up in the period, with net absorption growing 51.8% q-o-q to reach 53,150 sq m. As a result, the overall vacancy rate dropped by 3.7 pp to record 22.8% by the end of Q4.

The Finance, Education & Training, and Professional Services sectors were the most active drivers of leasing transactions in the quarter. A notable deal was the Credit Card Center of China Merchants Bank's lease of approximately 1,300 sq m of space in the Shangri La Center; while TAL Education Group took space at the Zhonghai Building.

Office Supply Pipeline to Slow in the Near-Term

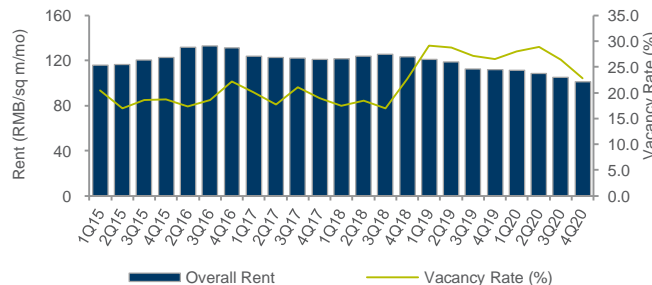
Nearly 800,000 sq m of new office supply is currently scheduled to enter the Qingdao market by the close of 2023. However, with the economic impacts of the pandemic still evident in the market we can expect some projects to delay their completion dates, and, overall, for the pace of new office supply to slow in the near-term. Looking further ahead, Qingdao's development plan calls for a focus on building a world-leading industrial Internet center and on promoting entrepreneurship. We can anticipate vigorous action to introduce and cultivate the services sector around the industrial Internet area, while the arrival and development of related financial institutions should further stimulate growth in the city's office market.

Source: Cushman & Wakefield Research

QINGDAO ECONOMIC INDICATORS Q3 2020

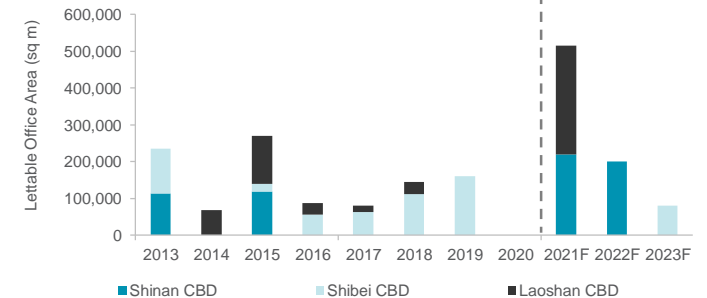
Indicator	Q2 2020	12-Mo. Forecast
GDP Growth	2.2%	0.1%
Tertiary Sector Growth	2.0%	0.1%
CPI Growth	3.3%	3.9%
Real Estate Development & Investment Growth	11.2%	7.6%

GRADE A CBD 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 (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Shinan CBD	626,921	24.15%	420,000	100.75	15.32	12.89
Shibei CBD	508,461	23.12%	80,000	81.47	12.39	10.42
Laoshan CBD	310,360	19.29%	294,509	121.5	18.5	15.54
QINGDAO GRADE A OVERALL TOTAL	1,445,742	22.75%	794,509	101.24	15.40	12.95

*Projects of others not belonging to any of the above submarkets.

Effective 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: 1CNY = 0.1521USD = 0.1279EUR as of Nov. 25, 2020

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
China Overseas Plaza	Shibei CBD	TAL Education Group	500	New Lease
International Shipping Center	Shibei CBD	Boss Zhipin	300	New Lease
Shangri-La Center	Shinan CBD	Credit Card Center of China Merchants Bank	1328	New Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Qingdao Hisense International Center	Laoshan CBD	N/A	114,000	2021
SIIC Center	Laoshan CBD	N/A	31,700	2021
Peking University Resource Plaza	Laoshan CBD	N/A	60,000	2021
Merchants Shekou	Shinan CBD	N/A	120,000	2022
Deep Blue Centre	Shinan CBD	N/A	80,000	2022

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