

Office Q4 2020

¥282.6
Rent (PSM/MO)

12-Mo. Forecast



-0.03%
Rental Growth (QOQ)



16.0%
Vacancy Rate



(Core, Grade A)
Source: Cushman & Wakefield Research

SHANGHAI ECONOMIC INDICATORS Q3 2020

-0.3%
GDP Growth

Q2 2020: -2.6%
12-Mo. Forecast: ▲

0.7%
Tertiary Sector Growth

-0.6% ▲

2.3%
CPI Growth

2.7% ▼

10.0%
Real Estate Sector Investment

7.0% ▲

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

Multiple Grade A office projects completed in Q4

Four Grade A office projects entered the market in Q4. Two in the core area and two in the non-core area, including Qiantan Centre, the landmark project in Expo & Qiantan. The four projects brought a total of 324,513 sq m of quality office space to the market, pushing the overall Grade A office stock in Shanghai to 13,489,184 sq m. By the end of 2024, over 5.14 million sq m of Grade A office space future supply is expected to be completed. In 2021 alone, over 2.4 million sq m of this space is scheduled to be delivered.

Robust leasing demand evident at year end

The overall post pandemic recovery was reflected in the robust leasing demand witnessed in the Shanghai Grade A office market. In Q4, the overall net absorption reached 280,329 sq m (114,892 sq m for core, 165,437 sq m for non-core), the highest single-quarter net absorption since early 2018. This contributed to a total net absorption of 463,217 sq m for 2020, a 71.3% increase y-o-y.

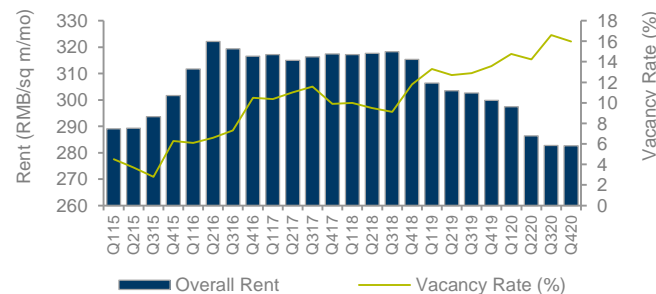
Despite four new projects completing this quarter, owing to the strong pre-leasing performance in projects like Qiantan Centre, the overall city vacancy remained at 21.85% in Q4 (16.0% for the core area and 31.1% for the non-core area).

Professional Services, Finance and TMT remained the top three driving forces responsible for the strong leasing activity in Q4. Law firms, securities and trust companies were also active in terms of leasing demand. Other sectors that drove strong leasing demand included Manufacturing, Healthcare, Energy, and Logistics.

Rental decline eased in Q4

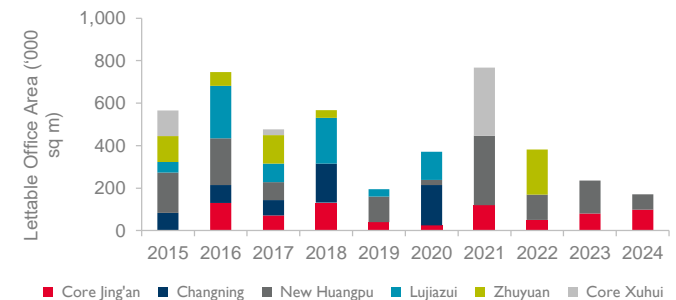
In Q4, the core area recorded an average rental of RMB282.6/sq m/month, down 0.03% q-o-q. It has been nine consecutive quarters for the core market rental to extend its decline (10 for the overall city rental). However, in Q4, both the core area and city overall rental decline in Shanghai Grade A office market has eased. Whether the current rental level has hit bottom is still unclear, but what is clear is that the recent robust leasing demand during the post pandemic recovery period has helped stabilise Shanghai's Grade A office rental.

GRADE A CBD OVERALL RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A CBD 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
Core Jing'an	1,207,450	11.8%	250,393	¥348.4	US\$4.92	€4.14
New Huangpu	1,802,862	17.7%	671,401	¥277.0	US\$3.92	€3.29
Lujiazui	2,229,646	20.1%	0	¥309.3	US\$4.37	€3.68
Zhuyuan	1,279,149	10.8%	212,008	¥240.3	US\$3.40	€2.86
Core Xuhui	519,255	7.5%	320,975	¥300.5	US\$4.25	€3.57
Changning	1,236,154	20.6%	0	¥225.9	US\$3.19	€2.69
SHANGHAI GRADE A CBD TOTAL	8,274,516	16.0%	1,553,729	¥282.6	US\$3.99	€3.36
Shanghai Grade A Suburban	5,214,668	31.1%	3,583,842	¥191.9	US\$2.71	€2.28

Rental equals "Gross Transacted Face Rental"
1 USD = 6.5746 RMB = 0.8409 EUR (2020.11.25)

KEY LEASING TRANSACTIONS 4Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
One East	Huangpu	Envision Group	24,000	Relocation
SOHO Fuxing Plaza	Huangpu	Xiaohongshu	12,000	Expansion
Qiantan Crystal Plaza	Expo & Qiantan	IQVIA	8,000	Relocation
Qiantan Crystal Plaza	Expo & Qiantan	DB Schenker	5,000	Relocation
Raffles City The Bund	Hongkou	Amass Freight	5,000	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Lumina	Fringe Xuhui	-	169,943	2021
Shanghai SK Tower	Expo & Qiantan*	-	123,075	2021
Binjiang Urban Development Center	Fringe Xuhui	-	209,000	2022
CR Land Zhangyuan Project	Core Jing'an	-	80,069	2023
Shangxianfang Project	Huangpu	-	70,604	2024
Park Avenue Central	Core Jing'an	-	98,952	2024

*Expo & Qiantan suburban area includes Houtan area

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