

¥100.21
Rent (PSM/MO)

12-Mo.
Forecast



-1.8%
Rental Growth (QOQ)



33.0%
Vacancy Rate



Source: Cushman & Wakefield Research

XIAMEN ECONOMIC INDICATORS Q1-Q3 2020

3.1%
GDP Growth

Q1-Q2 2020: **0.6%** 12-Mo. Forecast

3.1%
Tertiary Sector Growth

1.6%

3.4%
CPI Growth

4.0%

17.0%
Real Estate Development & Investment Growth

-3.7%

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

Renewed Market Activity Drives Absorption to Seven-Year High

The Haixi Jingu Plaza T1 project completed in Q4, bringing Xiamen's total Grade A office stock to 1.33 million sq m. The market saw renewed activity in the quarter, supported by rapid implementation of the government investment promotion campaign, with net absorption reaching 61,611 sq m. Full-year absorption for 2020 approached 140,000 sq m, a figure not seen in the Xiamen market since 2013.

The rebound in activity helped drop the citywide vacancy rate down to 33.0% in Q4. Nearly all submarkets recorded vacancy falls, except for Cross Strait Trade Center (CSTC). At Cross Strait Financial Center (CSFC), the home to most new supply, the vacancy rate dropped 2.5 percentage points q-o-q, with the submarket accounting for more than 80% of total citywide absorption in the quarter.

Overall average rents reversed course from the moderate growth seen in Q3, dropping 1.8% q-o-q to RMB100.2 per sq m per month at the end of Q4. Rent concessions from landlords pursuing greater occupancy, and more competitive rental levels at new office projects in suburban areas, were the key structural factors behind the fall.

New Innovation Mission an Opportunity to Boost Office Market

The BRICS nations' Partnership on New Industrial Revolution innovation center in Xiamen was announced during the BRICS Summit in November. The initiative represents a milestone development opportunity for Xiamen and Fujian Province to achieve a higher degree of opening-up.

Ahead, demand from the new economy and professional services sectors for Grade A space should remain active. CSFC submarket is assuming a greater role in the dual cores of Xiamen's business development strategies, while development of the Outside Xiamen's Main Island (OMI) submarket is benefitting from industry clustering. Infrastructure upgrades and intra-district connections are also positive city developments.

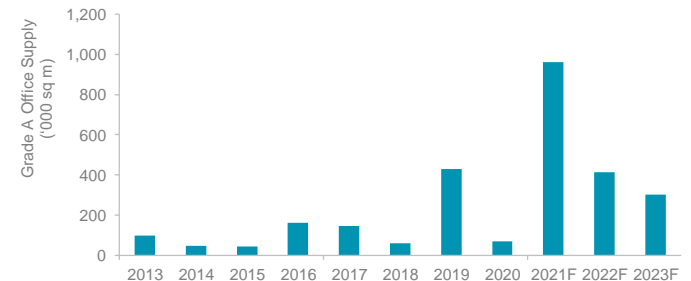
The city is expected to see a peak of new Grade A office supply commencing in Q2 2021. With most of the new supply slated for CSFC (Huli), CSTC and OMI submarkets, such an influx in the non-core area will further exert downward pressure on average rents in the short run.

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	USD/SF/MO	EUR/SF/MO
Lujiang Rd.	251,000	21.7%	139,000	110.3	1.6	1.3
N/S Hubin Rd.	169,000	38.9%	274,000	113.7	1.6	1.4
Cross Strait Financial Center (CSFC)	708,500	29.4%	543,700	100.1	1.4	1.2
Cross Strait Trade Center (CSTC)	58,000	5.0%	322,900	84.0	1.2	1.0
Outside Xiamen's Main Island (OMI)	148,000	74.0%	396,800	74.5	1.1	0.9
XIAMEN GRADE A TOTAL	1,334,500	33.0%	1,676,400	100.2	1.4	1.2

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: 1USD= 0.840894 EUR=6.574622 RMB (2020.11.25)

KEY LEASING TRANSACTIONS 4Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Haixi Jingu Plaza T1	CSFC	bzw315.com	3,500	Relocation
International Plaza	Lujiang Rd.	Xiamen International Bank	2,400	Expansion
CR Building - Tower A	N/S Hubin Rd.	Taikang Life	2,200	Expansion
PowerLong International Plaza	CSFC	Taikang Community LuYuan Experience Center	600	New Lease

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sea World - Free Trade Center 1/2/4/6	CSTC	-	260,000	2021
Haixi Jingu Plaza T4	CSFC	-	54,000	2021
Xiamen Air Headquarter	CSFC	-	66,000	2021
Winland Complex	CSFC	-	220,000	2021

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