



¥86.7
Rent (PSM/MO)

QoQ
Change

-0.1%
Rental Growth (QoQ)

41.8%
Vacancy Rate

Source: Cushman & Wakefield Research

CHANGSHA ECONOMIC INDICATORS 2020

4.0%
GDP Growth

Q1-Q3
2020

12-Mo.
Forecast

3.1%

2.9%
Service Sector GDP
Growth

2.3%

1.8%
CPI Growth

2.4%

12.0%
Real Estate
Development Investment
Growth

8.4%

Note: Service Sector GDP Growth was calculated based on historical data.

Source: Changsha Statistics Bureau/ Cushman & Wakefield Research

Overall Rental Level Stabilizes

No new supply entered the Changsha Grade A office market in Q1, and citywide stock remained at around 2.6 million sq m. With leasing demand continuing to warm up, citywide net absorption reached 88,538 sq m for the quarter. In turn, the vacancy rate dropped 3.4 pp q-o-q to 41.8% at the end of Q1. Many landlords have adopted more flexible leasing approaches due to the high overall office market vacancy, but the active leasing demand enabled the overall average rent level to stabilize in the quarter, dropping just 0.1% q-o-q to RMB86.7 per sq m per month. The rent decline was a full 1.5 pp narrower than in the prior quarter.

Active Leasing Demand in Furong Middle Road Submarket

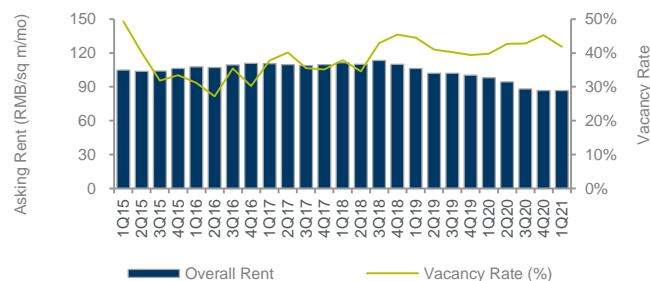
Several firms with lease expansion needs selected Furong Middle Road submarket in Q1, helped along by Kaifu District's investment policy preferences and the cost-effective spaces available. Two notable deals were with Genshuixue and Alibaba, who leased approximately 10,000 sq m and 4,000 sq m of office space respectively at Fortune CFC in Furong Middle Road submarket.

Outlook

The pace of new office supply entering the market in 2021 is expect to slow compared with last year. Subsequently, the market should focus more on absorbing existing stock. The government has also issued an industrial introduction policy, which is hoped to help support office leasing demand and lead to a gradual reduction in the high overall vacancy rate.

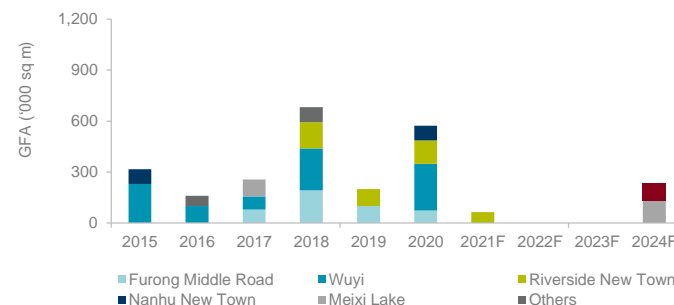
The market has seen a few prominent firms move into Grade A office buildings in Changsha, generating a beneficial industry cluster effect. Along with government support for the development of the headquarters economy, which is helping to draw in firms to establish enterprise headquarters or regional headquarters, we can expect such moves to help drive future leasing demand and to absorb the available office space stock.

GRADE A OFFICE 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 TILL 2024 (sq m) | GRADE A ASKING RENT | | |
|-----------------------------|---------------------|-----------------|-----------------------------------------------------|---------------------|------------|-----------|
| | | | | RMB/SQ M/MO | US\$/SF/MO | EUR/SF/MO |
| Wuyi | 1,109,353 | 44.8% | - | 83.8 | 1.2 | 1.0 |
| Furong Middle Road | 573,000 | 30.1% | - | 84.2 | 1.2 | 1.0 |
| Meixi Lake | 100,000 | 15.0% | 134,315 | 103.4 | 1.5 | 1.2 |
| Nanhu New Town | 175,191 | 49.1% | - | 81.5 | 1.2 | 1.0 |
| Riverside New Town | 390,112 | 61.6% | 65,316 | 96.9 | 1.4 | 1.2 |
| Others | 217,000 | 27.8% | - | 86.7 | 1.2 | 1.0 |
| CHANGSHA CORE GRADE A TOTAL | 2,564,656 | 41.8% | 301,631 | ¥ 86.7 | US\$1.2 | €1.0 |
| Yanghu | - | - | 102,000 | - | - | - |

* Asking rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT.
 1USD = 6.51042 RMB = 0.84049 EUR as at Mar 10, 2021

KEY LEASING TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | AERA (SQ M) | SECTOR |
|------------------------------|--------------------|-------------------------|-------------|-----------|
| Fortune CFC (T2) | Furong Middle Road | Genshuixue | 10,000 | Education |
| Fortune CFC (T3) | Furong Middle Road | Alibaba Group | 4,000 | TMT |
| Huayuan International Center | Wuyi | Pingan Health Insurance | 940 | Finance |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | MAJOR TENANT | AREA (SQ M) | COMPLETION YEAR |
|----------------------------------------|--------------------|--------------|-------------|-----------------|
| Xiangjiang Fortune Financial Center T2 | Riverside New Town | - | 65,316 | 2021 |
| Jinmao Building | Meixi Lake | - | 134,315 | 2024 |
| R&F Center | Yanghu | - | 102,000 | 2024 |

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