

QoQ Change

¥178.6
Rent (PSM/MO)



-1.0%
Rental Growth (QoQ)



9.3%
Vacancy Rate



Source: Cushman & Wakefield Research

GUANGZHOU ECONOMIC INDICATORS 2020

Indicator	Q1-Q3 2020	12-Mo. Forecast
2.7% GDP Growth	1.0%	▲
2.3% Service Sector GDP Growth	1.0%	▲
2.6% CPI Growth	3.1%	▼
6.2% Real Estate Development Investment Growth	-2.0%	▲

Source: Guangzhou Statistics Bureau/Oxford Economics/Cushman & Wakefield Research

Active Leasing Market Boosted Net Absorption

Three new completions added a combined 286,833 sq m of new Grade A office supply in Q1, surpassing 2020's annual volume and boosting citywide total stock to 5.47 million sq m. The new supply spurred demand and drove net absorption to 195,833 sq m, doubling the 2020 full-year figure. Pazhou recorded the strongest absorption among submarkets, at nearly 40% of citywide net absorption. The new supply and slowing economic growth pressured the citywide rent level, down 1.0% q-o-q to RMB 178.6 per sq m. Overall vacancy rose 1.2 pp q-o-q to reach 9.3%.

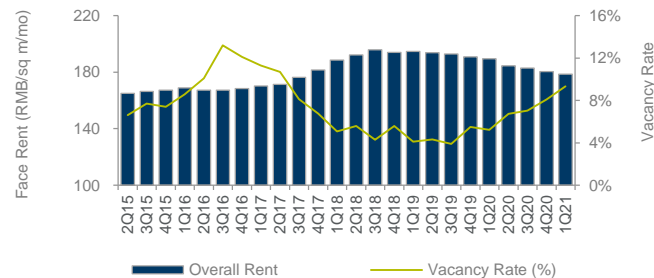
Guangzhou Futures Exchange Lease Confirms Financial Stature of Zhujiang New Town

Domestic tenants continued to dominate in Q1, while demand from foreign enterprises gradually recovered. The TMT (27%), Finance (20%) and Professional Services (14%) sectors were the top three demand drivers. By submarket, leasing transactions in Zhujiang New Town were still dominated by TMT and Finance industries. Notable deals included Kingdee's lease of 3,000 sq m in the CTF Finance Centre, while Guangzhou Futures Exchange selected Vanke Center, cementing the financial position of Zhujiang New Town. Several major deals boosted net absorption in Zhujiang New Town to more than 50,000 sq m, but new supply pushed vacancy up 0.8 pp q-o-q to 7.8%, while rents dipped 0.6%. In Pazhou, the cluster effect has continued to attract enterprises, such as MINISO's lease of 27,000 sq m in mPlaza. Although high-quality projects and robust TMT demand eased leasing pressure, new supply influenced Pazhou's vacancy rate. As a result, the submarket's vacancy rate rose slightly by 0.8 pp q-o-q to 11.7%. Average rent softened, down 1.3% to RMB 143.9 per sq m.

New Supply Likely to Add Vacancy Pressure

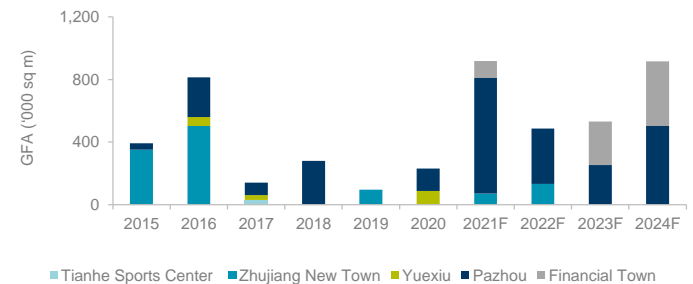
More than 900,000 sq m of new supply is scheduled for the remainder of 2021, with nearly 80% slated for Pazhou. The influx of new supply in 2H will inevitably add pressure on vacancy. Landlords are expected to offer more preferential policies to retain and attract tenants, which will in turn pressure the rental level. However, with the development of the Finance and TMT industries, the number of leading enterprises now settling in Guangzhou can be expected to help drive rising demand for office space.

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 FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Tianhe Sports Center	963,132	10.88%	0	174.6	2.5	2.1
Zhujiang New Town	3,085,576	7.78%	203,850	196.5	2.8	2.4
Yuexiu	387,739	11.55%	0	138.0	2.0	1.7
Pazhou	1,036,888	11.72%	1,849,012	143.9	2.1	1.7
GUANGZHOU GRADE A TOTAL	5,473,335	9.34%	2,848,909	178.6	US\$2.55	€ 2.14
Financial Town	-	-	796,047	-	-	-

* Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT.
1 USD = 6.5104 RMB = 0.8405 EUR as on Mar 10, 2021

KEY LEASING TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Guangzhou mPlaza	Pazhou	MINISO	27,000	Expansion
CTF Finance Centre	Zhujiang New Town	Kingdee	3,000	New Setup
Baoland Plaza	Pazhou	MEISHANG	7,500	Expansion

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
GMC Plaza	Pazhou	-	47,000	2021
Alibaba South China Headquarters	Pazhou	-	92,000	2021
Ping'an Financial Tower	Financial Town	-	54,000	2021
TCL Building	Pazhou	-	103,000	2021
Fosun International Center	Pazhou	-	67,000	2021
Gome Smart City	Pazhou	-	67,095	2021
Oppein HQ	Pazhou	-	42,000	2021
Yuehai Sancheng T1	Zhujiang New Town	-	70,486.5	2021
GA HQ	Pazhou	-	50,410	2021
Star-river Center	Pazhou	-	82,873	2021

Zhang Xiao-duan

Senior Director, Head of Research
South China

Suite 2704, Taikoo Hui Tower 1, 385 Tianhe Road,
Tianhe District | Guangzhou 510613 | China

Tel: +86 755 2151 8116 / xiaoduan.zhang@cushwake.com

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