

Office Q1 2021

**¥133.2**  
Rent (PSM/MO)

12-Mo.  
Forecast



**3.3**  
Stock (MILLION SQ M)



**12.4%**  
Vacancy Rate



### Hangzhou Wings Completed in Q1

The 45,000 sq m Hangzhou Wings project was completed in Hangzhou's East City submarket in Q1. Subsequently, citywide total Grade A office stock climbed to around 3.3 million sq m at the end of the quarter. In terms of rent, office owners continued to offer preferential rent levels to attract more tenants. In Q1, overall Grade A office rent decreased by 1.3% y-o-y, finishing at RMB133.2 per sq m per month. By submarket, the core CBDs averaged RMB148.4 per sq m per month, while the non-core CBDs recorded an average rent of RMB100.6 per sq m per month.

### Net Absorption Increased by 53.2% Y-O-Y

Due to the steady recovery of the domestic economy and the continuing rebound of rental demand, the vacancy rate of Grade A office buildings in the city in Q1 decreased by 3.6% compared with the same period last year, while net absorption for the whole city increased by 53.2% y-o-y. By submarket, net absorption in the core CBDs in Q1 accounted for 34.7% of take up for the whole city, while net absorption in the non-core CBDs accounted for 65.3%.

### Non-Core CBDs Expected to Boom

By the end of 2024, Hangzhou is set to add 911,000 sq m of new office supply, with total Grade A stock then expected to reach 4.2 million sq m. With the continuous improvement of infrastructure, the successive delivery of quality projects and the planned introduction of industrial resources, non-core CBD commercial office leasing value will continue to improve, which will attract more high-quality enterprises and top talent to the area.

In the short-term, influenced by future oversupply, the city's vacancy rate is expected to rise slightly, with some rental decrease expected. In the medium- to long-term, Hangzhou's economic resilience, favorable business environment and large market potential will together promote the sustainable development of the city's Grade A office market.

From the perspective of tenant structure, the traditional finance, professional services and TMT industries are expected to drive leasing demand in the short term. In addition, under the new market conditions following the COVID-19 pandemic, the co-working office industry is expected to see more customers return, thanks to its flexible leasing offering, controllable leasing costs and comprehensive office services business packaging.

### HANGZHOU ECONOMIC INDICATORS Q4 2020

**3.9%**  
GDP Growth

Q3 2020

12-Mo.  
Forecast

**3.2%**



**5%**  
Tertiary Sector  
Growth

**4.6%**



**2.1%**  
CPI Growth

**2.9%**

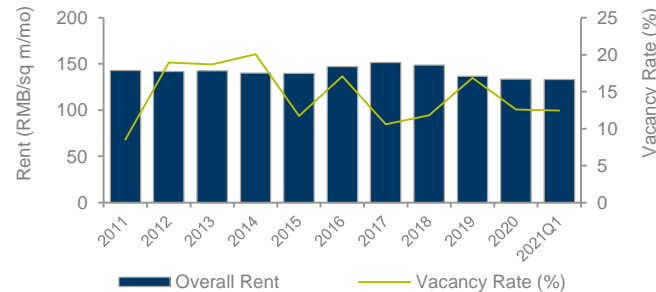


**5.3%**  
Real Estate  
Development  
Construction Area

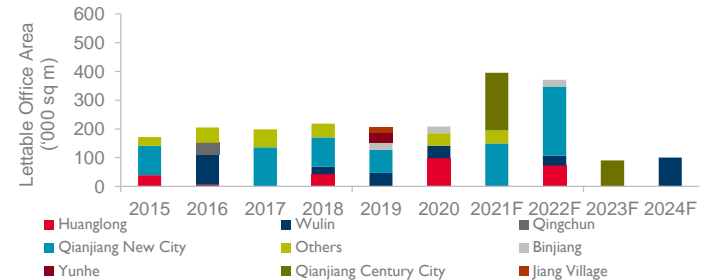
**3.8%**



### GRADE A CBD OVERALL RENT & VACANCY RATE



### GRADE A CBD NEW SUPPLY



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

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
Huanglong	515,372	17%	72,978	161.5	2.30	1.94
Wulin	292,682	12.9%	134,130	173.5	2.48	2.08
Qingchun	260,149	10%	0	118.6	1.69	1.42
Qianjiang New City	1,088,882	10.1%	390,000	139.4	1.99	1.67
<b>HANGZHOU GRADE A CORE CBD TOTAL</b>	<b>2,157,085</b>	<b>12.1%</b>	<b>597,108</b>	<b>148.4</b>	<b>2.12</b>	<b>1.78</b>
Hangzhou Grade A Non-core CBD Total	1,166,712	13.1%	314,000	100.6	1.44	1.21

Rental equals "Gross Transacted Face Rental"  
1CNY = 0.1536 USD = 0.1291 EUR (2021.3.10)

### KEY LEASING TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Xi Di Gang	East City	My Dream Plus	7,000	Renewal
EFC	West City	Technology Company	1,400	Renewal
Jiahua International Business Center	Huanglong	Ningbo Bank	1,000	Expansion

### SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Hangzhou International Office Center	Qianjiang Century City	-	200,000	2021
China Life Building	Qianjiang New City	-	150,000	2021
Knowledge City IV	Huanglong	-	72,978	2022
Hangzhou Center	Wulin	-	34,130	2022
Cinda Center	Qianjiang Century City	-	90,000	2023

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