

**¥209.6**  
Rent (PSM/MO)

12-Mo.  
Forecast



**-0.9%**  
Rental Growth (QOQ)



**25.5%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## SHENZHEN ECONOMIC INDICATORS Q1-Q4 2020

**3.1%**  
GDP Growth

2020 Q1-Q3: **2.6%**

12-Mo. Forecast:

**3.9%**  
Tertiary Sector Growth

2020 Q1-Q3: **3.6%**

12-Mo. Forecast:

**2.3%**  
CPI Growth

2020 Q1-Q3: **3.4%**

12-Mo. Forecast:

**16.4%**  
Real Estate Development & Investment Growth

2020 Q1-Q3: **24.9%**

12-Mo. Forecast:

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

## Continued Market Activity Helps Rental Drop to Narrow Further

Shenzhen's Grade A office market added 164,800 sq m of new supply in Q1, raising total stock to more than 6.45 million sq m. Leasing market activity continued in the quarter, with net absorption reaching 93,200 sq m, a record high for Q1 since 2018. Overall vacancy rose 0.47 pp to reach 25.54%, with the average monthly rental level dropping by just 0.9% to RMB209.57 per sq m. Despite the new supply, market indicators still suggest healthy dynamics.

By submarket, Nanshan accounted for all of the new completions in the quarter, pushing the submarket's vacancy rate up 0.63 pp to reach 34.42%, and dropping average monthly rent down 1.1% to RMB191.53 per sq m. The new supply also helped absorption in Nanshan to reach 92,300 sq m. Futian and Luohu submarkets were flat, with average rents remaining relatively stable with little decline. Nonetheless, some landmark buildings enjoyed good absorption, with landlords in turn increasing rents for the limited remaining available space.

The technology industry remained a key driver of occupier demand, particularly the hi-tech giants. Tencent affiliates were notable examples, with expansion in the Kexin Science Park. The relocation of major companies is also attracting supply chains to follow, such as with Honor's move to Futian New Generation Industrial Park, where the market saw related companies actively seeking space in Futian. Traditional finance sector firms also chased high quality space and expansions. Finally, a number of non-local companies, including from manufacturing and professional services industries, are keeping an eye on the Shenzhen market, particularly Qianhai, which has good available supply. Government initiatives were an additional important factor attracting such firms.

## Supply Peak Will Elevate Vacancy but Longer-Term Market Outlook Still Positive

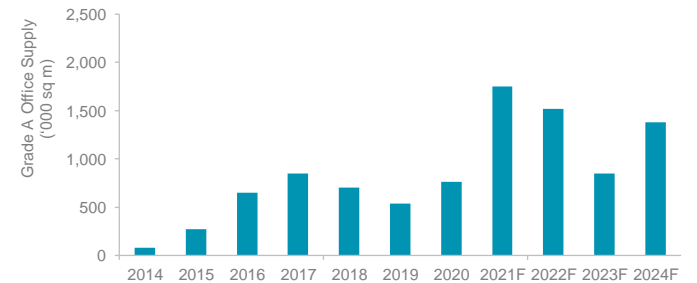
Looking ahead, 410,000 sq m of new supply is scheduled to enter the office market in Q2. The leasing market is expected to remain active, with a continuing firming up of rental levels. Benchmark projects can be expected to push rents up in response to good absorption. In contrast, the large volume of future supply in the emerging submarkets will exert downwards pressure on the average rent. However, despite short-term pressures from the new supply, the office market's longer-term prospects are still positive, with nationwide firms now seeking to relocate to Shenzhen following its designation as the *Pilot Demonstration Area of Socialism* pointing to sustained office market development.

## 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	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	18.1%	40,170	¥184.06	US\$2.63	€2.21
Futian	2,964,097	18.1%	619,344	¥234.08	US\$3.34	€2.81
Nanshan	2,677,025	34.4%	5,644,749	¥191.53	US\$2.73	€2.30
Bao'an	267,760	33.7%	330,315	¥170.11	US\$2.43	€2.04
<b>SHENZHEN GRADE A TOTAL</b>	<b>6,450,695</b>	<b>25.5%</b>	<b>6,634,578</b>	<b>¥209.57</b>	<b>US\$2.99</b>	<b>€2.51</b>

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: 1RMB= 0.1536USD=0.1291EUR (2021.3.10)

#### KEY LEASING TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Media Financial Center	Futian	Global Sources	2,500	Relocation
Qianhai Kerry Centre	Nanshan	AfterShip	6,500	Relocation
Qianhai China Resources T5	Nanshan	TruValue Asset Management	5,000	New Leased

#### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Future City	Futian	-	214,000	2021
Kerry Centre Qianhai Phrase II	Nanshan	-	74,500	2021
Dabaihui Plaza	Futian	-	150,000	2021
WeBank Tower	Nanshan	-	102,000	2022
iCarbonX	Nanshan	-	80,000	2023
China Venture Tower	Nanshan	-	118,850	2023
CITI Financial Center	Nanshan	-	182,700	2024

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