



¥179
Rent (PSM/MO)

QoQ
Change



0.2%
Rental Growth (QoQ)



7.2%
Vacancy Rate



Source: Cushman & Wakefield Research

GUANGZHOU ECONOMIC INDICATORS 1Q 2021

19.5%
GDP Growth

Q1-Q4
2020

12-Mo.
Forecast

2.7%

16.4%
Service Sector GDP
Growth

2.3%

0%
CPI Growth

2.6%

43.2%
Real Estate
Development Investment
Growth

6.2%

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

Office Leasing Market Continues to Pick Up

Guangzhou's key economic indicators demonstrated strong growth for January–April and the city's economy continued its steady recovery. The Grade A office market remained stable and healthy in Q2, despite no new supply. Citywide vacancy dropped 2.1 percentage points q-o-q to 7.2%. Leasing transactions were concentrated in Pazhou and Zhujiang New Town submarkets, where vacancy rates fell by 3.0 percentage points and 1.4 percentage points q-o-q respectively. In Yuexiu submarket the vacancy rate has now fallen for four consecutive quarters, to 6.3%, driven predominantly by ongoing absorption at Lumina Guangzhou. However, in the absence of new supply, market activity in Yuexiu could slow ahead. In terms of rent, the citywide average rental level finally halted the declining trend of the prior eight consecutive quarters, rising 0.2% q-o-q to reach RMB179.0 per sq m per month.

Emerging Business Districts Stimulate Market Competition

The Grade A market recorded net absorption of 115,398 sq m in Q2. Zhujiang New Town remained tenants' first preference for office leasing, with net absorption of 41,998 sq m accounting for 36% of the total. However, Pazhou submarket is gaining favour, despite its new supply pipeline being impacted by the pandemic, with tenants attracted by quality properties at lower rents compared to more mature districts. A notable deal was Toutiao's relocation to Trendy International Centre with a 30,000 sq m lease. Pazhou rents inched up 0.5% q-o-q to RMB144.5 per sq m. Demand from domestic tenants has grown, specifically for leases under 1,000 sq m, and with the TMT sector leading activity with a 52% share of total leased area. The insurance, law and banking sectors also maintained good momentum, with some firms upgrading to high quality properties.

Outlook

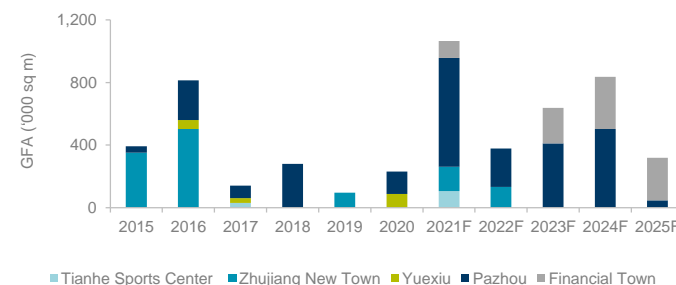
Approximately 770,000 sq m of new supply is scheduled to enter the market in the coming half-year. The effects of the pandemic may still disrupt the pipeline, but for large enterprises, business activities are now less affected. The development of the local TMT sector, together with professional services such as law firms, is expected to fuel new office leasing demand. In the mid- to long-term, as the supply backlog is released and comprehensive pandemic prevention measures are implemented, we expect to see a full recovery in market participants' confidence.

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 2025 (SQ M)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Tianhe Sports Center	963,132	8.56%	-	173.2	2.5	2.1
Zhujiang New Town	3,085,576	6.41%	203,850	197.2	2.9	2.4
Yuexiu	387,739	6.33%	-	140.2	2.0	1.7
Pazhou	1,036,888	8.74%	1,803,055	144.5	2.1	1.7
GUANGZHOU GRADE A TOTAL	5,473,335	7.23%	2,946,316	179.0	US\$2.60	€ 2.13
Financial Town	-	-	939,411	-	-	-

* 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 = 6.3898 RMB = 0.8204 EUR as on Jun 8, 2021

KEY LEASING TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Trendy International Centre	Pazhou	Toutiao	30,000	Expansion
Vanke Centre	Zhujiang New Town	Wangsi Technology	2,078	New Setup
One Link Centre	Tianhe Sports Center	JEOL	1,800	Expansion

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	COMPLETION YEAR
GMC Plaza	Pazhou	-	47,000	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
Huaxin Centre	Pazhou	-	66,990.76	2021

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