

NANNING

Grade A Office 1H 2021

12-Mo. Forecast

¥69.5
Rent (PSM/MO)

4.7%
Rental Growth (HOH)

43.7%
Vacancy Rate

Source: Cushman & Wakefield Research

Average Rental Level up 4.7%, Financial Firms Take Major Share Of Leased Space

Landlords in the mature submarkets adjusted their leasing strategies in the first half, trimming rents and extending rental holidays and subsidies in the competition for tenants. These efforts were successful in attracting firms to relocate from outer districts. Citywide net absorption then recorded 94,000 sq m for 1H. The overall vacancy rate edged down 3.67 percentage points to 43.7%. Overall average rent has grown 4.73% since the end of 2020 to reach RMB69.5 per sq m per month.

In Wuxiang submarket, the stimuli of new supply, competitive rentals aided by high government subsidy levels, and favorable policies, drove leasing demand and absorption. Overall vacancy fell 5.14 percentage points in 1H to 47.9%. Flexible rental strategies also prompted demand in Fengling, absorption reaching 35,600 sq m for 1H, with vacancy then falling 3.26 percentage points to 40.3%. However, the fierce competition has resulted in a difficult market for older properties in Jinhu and Nanhu submarkets.

The financial industry recorded strong activity, taking a 38% share of total leased area in 1H. The energy sector took 17% of leased space, led by PetroChina's large-scale lease. The real estate, IT and construction industries accounted for 15%, 10% and 7%, respectively. Looking ahead, the adoption of online services will reduce traditional financial firms' headcount needs, cutting their space requirements. Real estate firms will also become most cost-conscious regarding their space requirements in the more rigorous financing regulatory environment.

Construction Delays Could Push Back Q4 Scheduled Completions

Landlords are now less willing to sell strata-title office units due to the operational difficulties in building management. Individual investors are also less keen due to the higher vacancy rate and lower return. Firms with self-use purposes have now become the main investment buyers, preferring 500 sq m and TOD assets. Asking prices are varying according to product differences, sale targets and sales strategies.

A total of 622,000 sq m of new office supply is now set for 2H, mainly slated for Wuxiang and Fengling submarkets, with 40% scheduled for Q4. Some completions may be pushed back, but the supply influx will still exert upward pressure on vacancy and constrain rental growth. Future supply pressure will then ease somewhat, with 340,000 sq m of space expected to complete from 2022 to 2025.

Longer-term, Nanning's growing population, regional capital status and improving transport links bode well for its office market development.

NANNING ECONOMIC INDICATORS Q1 2021

16.8%
GDP Growth

2020 12-Mo. Forecast

3.7%

15.6%
Tertiary Sector Growth

2.9%

0%
CPI Growth

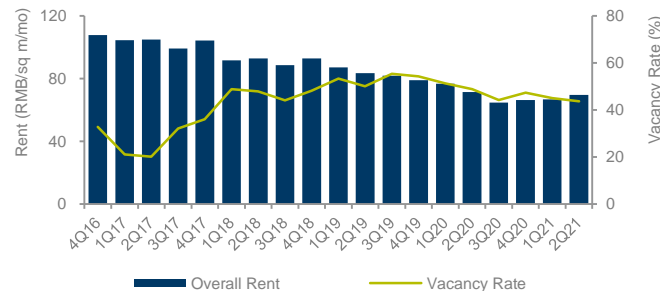
2.3%

22.2%
Real Estate Development & Investment Growth

-5.7%

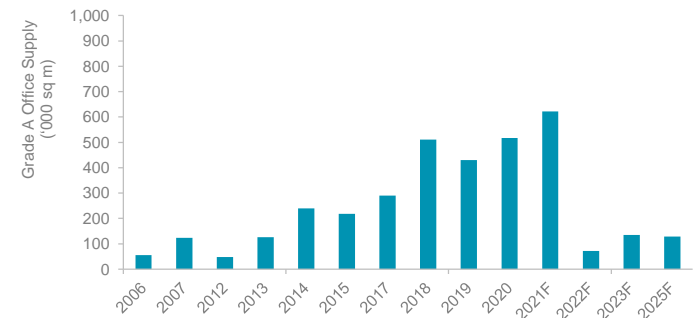
Note: Growth figure is y-o-y growth;
Source: Guangxi Statistics Bureau; Guangxi Nanning Municipal Bureau of Statistics; Oxford Economics; Cushman & Wakefield Research

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
Jinhu	145,110	38.8%	-	¥55.72	US\$0.81	€0.66
Nanhu	73,359	33.8%	-	¥83.55	US\$1.21	€1.00
Fengling	1,089,907	40.3%	348,000	¥89.48	US\$1.30	€1.07
Wuxiang New District	1,250,000	51.9%	609,000	¥52.85	US\$0.77	€0.63
NANNING GRADE A TOTAL	2,558,377	43.7%	957,000	¥69.50	US\$1.01	€0.83

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: 1CNY = 0.1565USD = 0.1284EUR (2021.6.8)

KEY LEASING TRANSACTIONS 1H 2021

PROPERTY	SUBMARKET	TENANT	SQ M
China Resources Tower A	Fengling	CZBank	6,000
China Resources Tower A	Fengling	PetroChina	3,000
Foresealife	Wuxiang	China Construction Third Engineering Bureau	1,200
Foresealife	Wuxiang	Hik-Park	1,000

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Guangxi Finance Plaza	Fengling	-	210,000	2021
Huafeng City	Fengling	-	138,000	2021
Nanning Chengjian Headquarter Tower	Wuxiang New District	-	74,000	2021
Foresea Life T3	Wuxiang New District	-	46,000	2021

Zhang Xiao-duan

Director

Head of Research

South China

Add: 5F, Tower2, Kerry Plaza, No.1 Zhongxinsi Road, Futian District, Shenzhen 518048, China

Tel: +86 755 2 151 8116 / xiaoduan.zhang@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. Across Greater China, 22 offices are servicing the local market. The company won four of the top awards in the Euromoney Survey 2017, 2018 and 2020 in the categories of Overall, Agency Letting/Sales, Valuation and Research in China. In 2019, the firm had revenue of \$ 8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.