

¥211.1
Rent (PSM/MO)

12-Mo.
Forecast



0.7%
Rental Growth (QOQ)



22.3%
Vacancy Rate



Source: Cushman & Wakefield Research

SHENZHEN ECONOMIC INDICATORS Q1 2021

17.1%
GDP Growth

2020 Q1-Q4: **3.1%**

12-Mo. Forecast:

14.8%
Tertiary Sector Growth

2020 Q1-Q4: **3.9%**

12-Mo. Forecast:

-0.9%
CPI Growth

2020 Q1-Q4: **2.3%**

12-Mo. Forecast:

10.9%
Real Estate Development & Investment Growth

2020 Q1-Q4: **16.4%**

12-Mo. Forecast:

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

Rental Level Reverses Two-Year Downward Trend

The Shenzhen Grade A office market added 160,000 sq m of new supply in Q2, pushing up the city's stock to 6.61 million sq m. The completion of Media Financial Center brought new supply to the Futian CBD, with leasing demand driving up total net absorption to 335,600 sq m, a four-year high. The citywide vacancy rate dropped 3.27 pp to 22.3%. The recovery of the domestic economy since 2H 2020 has boosted confidence, while lower leasing costs have stimulated relocation and expansion demand and energized the office market.

A sustained competitive leasing strategy has paid rewards in the market, with occupancy rates gradually improving at benchmark projects in core areas, and landlords subsequently able to seek higher quality tenants and rent increases. However, the fierce competition has been difficult for older buildings. The improved environment allowed the citywide average rental level to halt the downwards trend in force since Q1 2019, growing 0.7% q-o-q to reach RMB211.14 per sq m per month. Nanshan submarket recorded the steepest rental increase at 2.8%.

The emerging Qianhai submarket has faced long-term supply pressure. Nevertheless, with proactive rental strategies and government subsidy support, competitively positioned Grade A properties in the submarket are finding favor with firms looking to expand, relocate or establish new offices. Technology companies have been key occupiers with expansion demands, such as Tuya Smart, AfterShip and SmartMore. Consequently, Qianhai recorded the strongest absorption among all submarkets.

The technology sector is now established as the key driver of Shenzhen office demand, taking 30% of total leased area in Q2. In addition to Qianhai, Hi-Tech Park and Houhai submarkets were active locations. However, the Shenzhen Securities Association reported that securities firms in the city achieved revenues of RMB110.37 billion in 2020, jumping 31.08% y-o-y to take a 24.61% share of the sector's national operating income, despite the damage from the pandemic. The sector took a significant 30% share of total leased office space in Q2.

Supply Influx Ahead, Robust Demand Should Support Leasing Market

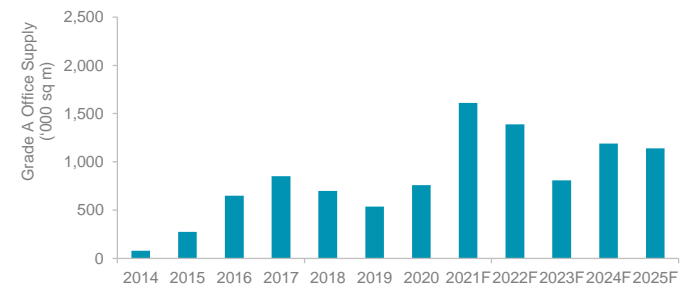
Approximately 6.6 million sq m of office supply in the pipeline is scheduled for delivery in Shenzhen through 2025, the largest volume among first-tier cities. The expected influx will make reducing overall vacancy challenging, while supply volumes in emerging areas will exert further downwards pressure on average rental levels. However, the deepening of Greater Bay Area infrastructure construction and accelerated development in the technology and innovation sector will generate robust demand that we expect to support the leasing market and to absorb space. Such sustained demand is likely to feature into the longer-term Shenzhen office market.

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	17.4%	40,170	¥180.89	US\$2.63	€2.16
Futian	3,124,097	19.6%	619,344	¥231.95	US\$3.37	€2.77
Nanshan	2,677,025	25.8%	5,604,759	¥196.88	US\$2.86	€2.35
Bao'an	267,760	27.2%	330,315	¥172.04	US\$2.50	€2.05
SHENZHEN GRADE A TOTAL	6,610,695	22.3%	6,594,588	¥211.14	US\$3.07	€2.52

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= 0.1565USD=0.1284EUR (2021.6.8)

KEY LEASING TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Media Financial Center	Futian	Great Wall Fund	8,000	New Leased
Qianhai Kerry Centre	Nanshan	SmartMore	5,300	Relocation
China Resources Tower	Nanshan	KEEP	1,000	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Future City	Futian	-	214,000	2021
Dabaihui Plaza	Futian	-	150,000	2021
Kerry Centre Qianhai Phrase II	Nanshan	-	74,500	2022
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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