



¥67.9

Rent (PSM/MO)

12-Mo.
Forecast

-2.2%

Rental Growth (HOH)



39.1%

Vacancy Rate



Source: Cushman & Wakefield Research

NANNING ECONOMIC INDICATORS
Q1-Q3 2021

9.0%

GDP Growth

1H2021

12-Mo.
Forecast

11.1%



8.5%

Tertiary Sector
Growth

10.4%



1.1%

CPI Growth

0.9%



7.3%

Real Estate Development
& Investment Growth

11.6%



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

Rental Level Differences Between Submarkets Narrow

Total Grade A office stock in Nanning remained at 2.56 million sq m at the end of 2021, with some projects postponing delivery. Annual net absorption reached 211,528 sq m, with 117,597 sq m recorded in 2H, driving the vacancy rate down further by 8.3 percentage points y-o-y to 39.1%, the lowest since 2018. Active demand from professional service industries, notably flex space providers, expressed confidence for the office market. Citywide average monthly rent was at RMB67.94 per sq m, down 2.2% h-o-h, but up 2.4% y-o-y. By submarket, vacancy in Wuxiang New District continued to fall, despite tightened subsidies, monthly rent stabilizing at RMB52 per sq m, up 15.8% y-o-y. Mature business districts are generally adopting more inclusive tenant strategies, with rents in Nanhu and Fengling dropping 8.8% and 4.6% y-o-y to RMB82.18 and RMB 86.88, respectively, indicating that rental level differences between mature and emerging submarkets are gradually narrowing under fierce competition.

The narrowing of rental levels has led tenants' interest back to the mature business districts. Annual net absorption in Fengling submarket reached approximately 70,000 sq m in 2021, a jump of 77% y-o-y. Full year absorption in Jinhu and Nanhu turned positive. Notably, Jinhu absorbed a large number of SMEs in 2H, driving the vacancy rate down by 13 percentage points h-o-h to 26%.

Rents Under Short-Term Pressure, Growth Expected Longer-Term

A total of 434,000 sq m of new office supply is scheduled for delivery through 2022. The influx of space may exert further downward pressure on rents in the short-term, with intensified competition between submarkets. However, lower rental costs will help stimulate demand, prompting SMEs to upgrade from older offices to Grade A premises.

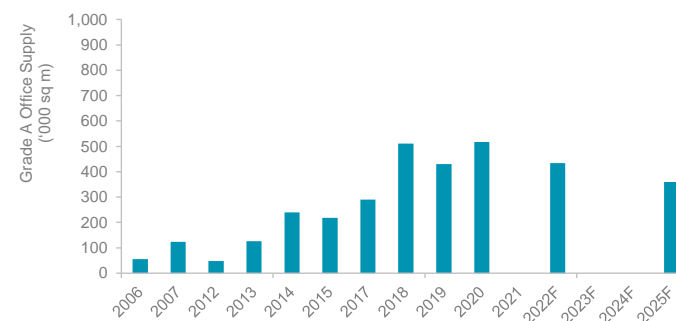
Overall supply will slow substantially in 2023 and 2024, and we can expect a rental growth recovery. Supporting facilities in Wuxiang submarket have improved appreciably, and the rental level is expected to steadily rise. Fengling has always been a favorite for tenants, with active demand expected to support rental recovery. With upcoming major infrastructure projects such as the Pinglu Canal, and the central government's request to strengthen infrastructure investment, the construction and transportation industries and related services such as engineering consulting are expected to provide robust support for Nanning's office market ahead. In the longer-term, the city's economic interactions with ASEAN will yield benefits, and Grade A office demand from logistics, international trade, tourism and exhibition industries is expected to grow steadily.

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	26.0%	-	¥53.10	US\$0.77	€0.69
Nanhu	73,359	28.2%	-	¥82.18	US\$1.20	€1.06
Fengling	1,089,907	37.0%	210,000	¥86.88	US\$1.27	€1.13
Wuxiang New District	1,250,000	43.1%	583,318	¥52.32	US\$0.76	€0.69
NANNING GRADE A TOTAL	2,558,377	39.1%	793,318	¥67.94	US\$0.99	€0.88

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= 0.1571USD=0.1394EUR (2021.12.15)

KEY LEASING TRANSACTIONS 2H 2021

PROPERTY	SUBMARKET	TENANT	SQ M
Foresea Life Center	Wuxiang	Ke Holdings	2,000
Greenland Center	Wuxiang	South Manganese	2,000
China Resources Tower A	Fengling	CITIC Prudential	3,300
China Resources Tower A	Fengling	Yuanjie Investment Group	3,300
China Resources Tower A	Fengling	China Construction Eighth Engineering Division	6,600

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Foresea Life T3	Wuxiang New District	-	46,000	2022
Financial Investment Center	Fengling	-	210,000	2022
BOC Financial Center	Wuxiang New District	-	128,000	2025
Tianyu Tower	Wuxiang New District	-	135,000	2025

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