

12-Mo. Forecast

**¥108.7**  
Rent (PSMMO)



**2.6%**  
Rental Growth (QOQ)



**27.2%**  
Vacancy Rate



Source: Cushman & Wakefield Research

## QINGDAO ECONOMIC INDICATORS Q4 2021



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

## Leasing Demand Softens, Rental Level and Vacancy Rate Rise

Qingdao Hisense International Center in the Laoshan CBD submarket launched in Q1 2022, bringing 59,000 sq m of new supply to the Grade A office market and expanding citywide total Grade A stock to 1.66 million sq m. Office leasing demand remained sluggish in Q1 due to the recurrence of COVID-19, with citywide net absorption dropping into negative territory at -6,095 sq m. The entry of high-quality new supply impacted both the overall market rental level and the vacancy rate. Overall average office rent rose 2.6% q-o-q to RMB108.7 per sq m per month, while the vacancy rate moved up 3.1 percentage points q-o-q to record 27.2%.

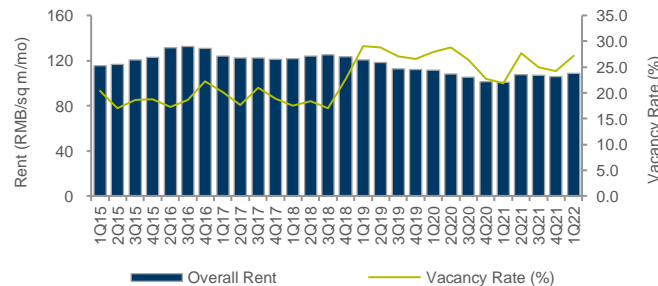
New media firms led leasing activity in Q1, taking 47% of total office lease transactions by area, followed by the logistics sector at 23%. Notable deals included Qingdao Zundao Media's lease of 2,100 sq m of office space in the China Overseas Building, while Apex International Logistics Co. took 640 sq m of office space in Farglory International Plaza. Forte Real Estate also took 600 sq m of space at the Shangri-La Center.

## Digital Economy Policies to Promote Longer Term Office Market

Qingdao's office market is currently set for approximately 672,200 sq m of new supply by the end of 2024. However, the supply pipeline into the office market may slow in response to macroeconomic factors and the recurrence of COVID-19. In the face of downward market pressures and the continued impact of the pandemic, we expect tenants to favor office projects with both more cost-effective rents and superior health and safety building management systems.

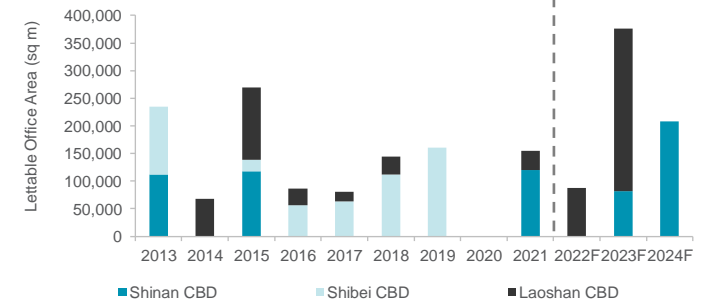
With the release of the *Digital Qingdao 2022 Action Plan*, the city is committed to vigorously developing the digital economy. This will include further enhancement in the quality of office facilities and services by establishing intelligent office buildings and management systems. Ahead, we can expect that the gradual implementation of the digital action plan will promote upgrading in the Qingdao office market into the post-epidemic era.

## GRADE A CBD 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 (sq m) (2022-2024)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Shinan CBD	746,921	31.03%	290,600	114.88	1.68	1.53
Shibei CBD	508,461	17.54%	/	89.84	1.31	1.20
Laoshan CBD	404,360	32.41%	381,600	121.09	1.77	1.62
<b>QINGDAO GRADE A OVERALL TOTAL</b>	<b>1,659,742</b>	<b>27.23%</b>	<b>672,200</b>	<b>108.72</b>	<b>1.59</b>	<b>1.45</b>

\*Projects of others not belonging to any of the above submarkets.

Effective Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT and rent-free periods factored in.

Exchange Rate: 1USD = 6.3656CNY = 0.9133EUR as of Mar 15<sup>th</sup>, 2022

### KEY LEASING TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Farglory International Plaza	Shinan CBD	Apex International Logistics Company	640	New Lease
Haitian Center	Shinan CBD	Qingdao Zhiyi Technology Co., Ltd	445	New Lease
Shangri-La Center	Shinan CBD	Forte Real Estate	600	New Lease
China Overseas Building	Shibei CBD	Qingdao Zundao Media Co., Ltd	2,100	New Lease

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
SIIC Center	Laoshan CBD	N/A	88,000	2022
Yinfeng Jiuxi City	Laoshan CBD	N/A	293,600	2023
Real Blue Center	Shinan CBD	N/A	82,000	2023
Fortune Plaza	Shinan CBD	N/A	108,600	2024

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