



Office Q1 2022

¥210.5

Rent (PSM/MO)

12-Mo.
Forecast

0.02%

Rental Growth (QOQ)

22.2%

Vacancy Rate

Source: Cushman & Wakefield Research

SHENZHEN ECONOMIC INDICATORS
Q1-Q4 2021

6.7%

GDP Growth

2021
Q1-Q3
7.1%12-Mo.
Forecast

7.8%

Tertiary Sector
Growth

8.3%

0.9%

CPI Growth

0.5%

-15.4%

Real Estate Development
& Investment Growth

-17.8%

Note: Growth figure is y-o-y growth;

Source: Shenzhen Statistics Bureau; Oxford Economics;
Cushman & Wakefield Research

Market Activity Declined, Negative Impact of COVID-19 Outbreak to Extend to Q2

Office market activity in Q1 2022 fell from the previous year, with wait-and-see sentiment rising due to seasonal factors and COVID-19 control measures. The market welcomed 334,500 sq m of new supply in Q1, equivalent to the full-year supply of 2021. However, net absorption in Q1 of just 66,575 sq m was down 28.5% y-o-y. The softening demand prompted the overall vacancy rate to rebound to 22.2%, up 2.9 percentage points q-o-q but still down 3.4 percentage points y-o-y. Rents continued the stable trend seen since mid-2021, with citywide average rent rising just 0.02% to RMB210.5 per sq m per month, up 0.4% y-o-y.

The financial industry demonstrated robustness, accounting for 41.7% of the total leased transaction area, with 71.3% of this sector being SOEs. In the face of downward pressure on the economy, large SOEs have shown greater resilience. By submarket, Qianhai and Futian CBD attracted more than 40% of financial sector demand. In the context of "stabilizing economic growth," the credit environment this year is expected to be "moderately loose," and we expect financial institutions to continue to support office space demand. In contrast, the TMT industry accounted for only 12.3% of leased space. The professional services industry, mainly law firms and design firms; and the trade industry, including cross-border e-commerce firms; were active in the quarter and recorded large-scale leasing transactions.

Changes in the international environment have also affected the development of related industries and enterprises, and impacted demand for office space. After the Spring Festival, the recurring pandemic and escalating control measures significantly cooled the office market, with many enterprises adopting a wait-and-see attitude due to cost controls and business uncertainties. The decisive pandemic containment measures in March suspended leasing activities, and the negative impact on the office market will be reflected in the market data later.

Market Recovery Dependent on Resumption of Business, Futian And Qianhai Forecast to Be Hotspots

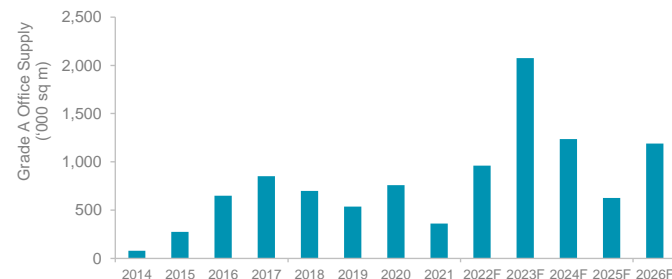
The recovery of overall market activity depends on the progress of the resumption of work. The impact of changes in the international situation and macroeconomic pressure should also not be underestimated. Although the suspension of work in Q1 may affect delivery schedules of projects in the pipeline, approximately 628,000 sq m of new space is expected to launch through the remainder of 2022, mainly located in Futian and Qianhai. Under multiple pressures, the vacancy rate is expected to rise in the short-term. The face rent level may not fall significantly, but concessions such as extended rent-free periods and fit-out subsidies will be common to see. We expect Futian and Qianhai districts to be the most active areas in the office market during the year.

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	18.3%	40,170	¥173.78	US\$2.54	€2.32
Futian	3,254,097	19.4%	359,164	¥229.14	US\$3.34	€3.05
Nanshan	2,916,525	25.1%	4,780,430	¥199.52	US\$2.91	€2.66
Bao'an	267,760	31.4%	580,381	¥177.34	US\$2.59	€2.36
SHENZHEN GRADE A TOTAL	6,980,195	22.2%	5,760,145	¥210.48	US\$3.07	€2.81

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=0.1435EUR (2022.3.15)

KEY LEASING TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Qianhai Kerry Centre	Nanshan	China Merchants Life Insurance	7,000	Relocation
Taiping Finance Tower	Futian	CITIC Futures	3,000	Relocation
Shimao Qianhai Center	Nanshan	China Merchants Securities	2,500	Relocation
International Chamber of Commerce Tower	Futian	Cheng Chung Design	4,200	Expansion

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Skyworth Overseas Development Tower	Nanshan	-	48,000	2023
Xinyi Technology Tower	Nanshan	-	52,500	2023
VIVO Headquarters	Bao'an	-	97,704	2024
Hengyu Houhai Center	Nanshan	-	142,000	2024

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