

12-Mo.  
Forecast

¥203.5

Rent (PSM/MO)

-1.8%

Rental Growth (QOQ)

22.8%

Vacancy Rate

Source: Cushman &amp; Wakefield Research

SHENZHEN ECONOMIC INDICATORS  
Q1-Q3 2022

	2022 H1	12-Mo. Forecast
<b>3.3%</b> GDP Growth	<b>3.0%</b>	▲
<b>2.2%</b> Tertiary Sector Growth	<b>2.3%</b>	▲
<b>2.4%</b> CPI Growth	<b>2.3%</b>	▲
<b>8.7%</b> Real Estate Development & Investment Growth	<b>10.5%</b>	▼

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

Source: Shenzhen Statistics Bureau; Moody's Analytics;  
Cushman & Wakefield Research

## Qianhai Zone Maintains Momentum, Finance Industry Supports Market Demand

The HFCC project in Qianhai entered the Shenzhen Grade A office market in Q4, pushing total stock to 7.24 million sq m. Prolonged market disruptions stemming from localized COVID-19 outbreaks, combined with year-end incentives, saw Grade A office average rents drop 1.8% q-o-q to RMB203.5 per sq m per month, the steepest q-o-q drop of the past two years. Landlords' revised strategies and easing of pandemic measures aided gradual market recovery, with net absorption in Q4 at 76,211 sq m. However, leasing demand for the full-year was sluggish, with annual net absorption totaling 221,608 sq m, slumping 66.3% from 2021. The citywide vacancy rate climbed 3.6 percentage points y-o-y to 22.8%.

Policy incentives, improved supporting facilities, competitive rents and high-quality new projects continued to enhance the draw of Qianhai, where net absorption of 130,512 sq m accounted for nearly 60% of the citywide full-year total. Average face rent in Q4 in Qianhai was flat y-o-y, a resilient performance when rents in all other areas declined. The average rent in Luohu dropped 8.7% y-o-y to RMB158.8 per sq m per month in Q4, whilst Futian and Nanshan fell by 2.5% and 2.8% y-o-y, respectively.

The finance, TMT and professional services industries remained the top three drivers of leasing demand in 2022, although with changing market share. The finance sector took 36.5% of total leased transactions, up 11 percentage points from last year; TMT accounted for 23.0%, down 15 percentage points; while professional services was up 6 percentage points. The logistics, manufacturing and healthcare industries also took rising shares of office transactions. In contrast, the real estate and entertainment sectors were quieter, impacted by regulations and COVID-19 curbs. Foreign enterprises accounted for a greater share of lease transactions in 2022, up 6 percentage points y-o-y, although a significant number were renewals, reflecting a conservative leasing strategy.

## Policy Optimization Boosts Market Improvement Expectations

A total of 597,950 sq m of Grade A office space was launched in the Shenzhen market in 2022, while new supply in the pipeline for 2023 is scheduled to reach 1.3 million sq m, demonstrating considerable supply pressure.

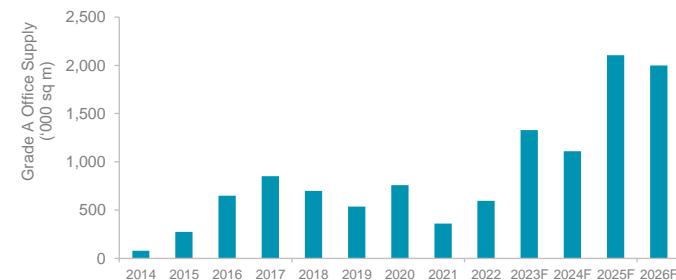
Given the relaxation of COVID-19 control measures, the general economy is expected to recover during 2023. The loosening of real estate regulation policies in Q4 also indicates that restoring economic growth will be the key theme next year, boosting recovery in business confidence. Grade A office demand from sectors such as tourism and internet platforms is expected to revive, while further border reopening will help stimulate new demand from foreign enterprises. However, it is doubtful whether market demand can reinvigorate quickly against the backdrop of global recession risk. In the short-term we expect that the trend of falling rents and rising vacancy may continue.

## GRADE A RENT &amp; VACANCY RATE



Source: Cushman &amp; Wakefield Research

## GRADE A SUPPLY PIPELINE



Source: Cushman &amp; 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	20.0%	350,000	¥ 158.76	US\$2.12	€1.99
Futian	3,254,097	17.2%	359,364	¥ 223.74	US\$2.99	€2.80
Nanshan	2,006,550	22.2%	3,348,385	¥ 206.47	US\$2.76	€2.59
Qianhai	1,173,425	39.6%	2,147,979	¥ 169.10	US\$2.26	€2.12
Bao'an	267,760	28.3%	338,224	¥176.52	US\$2.36	€2.21
SHENZHEN GRADE A TOTAL	7,243,645	22.8%	6,543,952	¥ 203.50	US\$2.72	€2.55

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= 0.1437USD=0.1348EUR (2022.12.15)

#### KEY LEASING TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Qianhai Kerry Centre	Qianhai	Yimian	3,000	Relocation
Qianhai Shimao Tower	Qianhai	Expeditors	2,700	Relocation
Foresea Life Center	Bao'an	Storelead	2,000	Relocation

#### SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
iCarbonX Headquarters	Nanshan	-	80, 000	2024
Kingboard Headquarters	Nanshan	-	80, 000	2024
CMB Global Headquarters	Nanshan	-	160, 000	2025
VIVO Headquarters	Bao'an	-	97, 704	2025

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