

Office Q1 2023

¥286.1
Rent (PSMMO)

12-Mo.
Forecast

0.02%
Rental Growth (QOQ)

12.4%
Vacancy Rate

(Core, Grade A)
Source: Cushman & Wakefield Research

SHANGHAI ECONOMIC INDICATORS 2022

-0.2%
GDP Growth

2022
Q1-Q3

12-Mo.
Forecast

-1.4%

0.3%
Tertiary Sector
Growth

-0.5%

2.5%
CPI Growth

2.8%

-1.1%
Real Estate Sector
Investment

-8.5%

Source: Shanghai Municipal Bureau of Statistics
The forecast is based on Moody's Analytics

Five New Grade A Office Projects Entered the Market in Q1

Five new quality office projects were completed in Q1, adding 284,862 sq m of quality space to the Shanghai Grade A office market. In the core areas, CapitaMall LuOne launched its office project in Huangpu District, and Haisu Culture Plaza entered the market in Changning District. In the suburban areas, Art Tower, T Center and U Center were all handed over in the quarter. Along with these newly completed projects, West Bund, Putuo and Minhang districts all expanded their quality leased office offering.

Leasing Activity Revival Has Begun

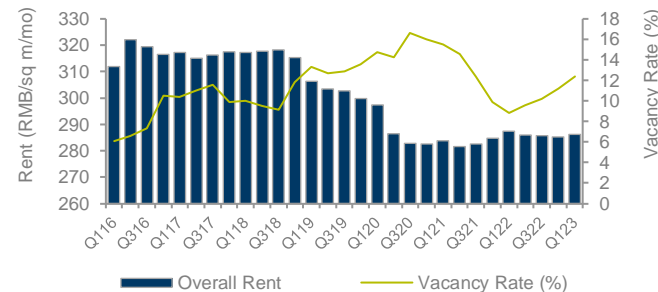
The leasing market began to recover from the pandemic in Q1 as travel restrictions were eased. This pick up in activity was very evident from February onwards. Consequently, citywide net absorption in the quarter recorded 137,210 sq m, substantially up on the prior quarter. The core submarkets still experienced negative net absorption, but the end-of-quarter total was also better than in the prior quarter. The non-core submarkets continued to see solid leasing performance, with 143,636 sq m of net absorption recorded. The considerable volume of new quality supply helped push the overall vacancy rate up to 17.3%, although core submarket vacancy remained lower at 12.4%.

Multinational enterprises contributed to 53.3% of leasing transactions by area in Q1, with domestic companies taking a 46.7% market share. By sector, notably, healthcare ranked the top, while TMT, finance, and professional services still accounted for the majority of leasing activity, with a combined 44.1% share of the market. The retail & trade sector followed with a 10.8% share of market deals, since a higher level of consumption was evident during the early part of this year. The manufacturing, real estate and logistics sectors also drove some deals in the quarter.

Further New Office Supply Expected

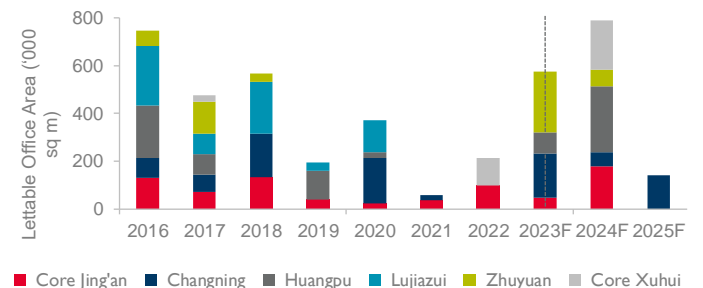
In Q1, the citywide average monthly rental level fell slightly to RMB246.8 per sq m, although the average rental in the core submarkets remained around RMB286.1 per sq m. Ahead, Shanghai is forecasted to see more quality office supply and a more vibrant market for the rest of the year.

GRADE A CBD OVERALL RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A CBD NEW SUPPLY



Source: Cushman & Wakefield Research

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	USD/SF/MO	EUR/SF/MO
Core Jing'an	1,302,131	10.8%	225,258	¥342.2	US\$4.57	€4.31
Huangpu	1,900,204	12.2%	365,069	¥287.6	US\$3.84	€3.62
Lujiazui	2,277,646	12.8%	0	¥314.8	US\$4.20	€3.96
Zhuyuan	906,561	9.3%	323,030	¥248.8	US\$3.32	€3.13
Core Xuhui	599,077	16.9%	206,283	¥299.9	US\$4.00	€3.77
Changning	1,287,592	13.5%	354,518	¥211.1	US\$2.82	€2.66
SHANGHAI GRADE A CBD TOTAL	8,273,141	12.4%	1,474,158	¥286.1	US\$3.82	€3.60
Shanghai Grade A Suburban	7,118,129	23.0%	2,707,621	¥197.4	US\$2.63	€2.48

Rental equals "Gross Transacted Face Rental"
 1.00 USD = 0.94398579 EUR = 6.9630523 CNY (10th March 2023)
 Zhuyuan database was adjusted in Q1 2023.

KEY LEASING TRANSACTIONS 1Q23

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Capital Square	Shanghai Railway Station	Kao	4,600	Renewal
The Hub	Hongqiao International Central Business District	Bekaert	3,000	Relocation
One Museum Place	West Nanjing Road	Balenciaga	2,270	Relocation
Jing'an International Center	Shanghai Railway Station	Edelman	1,500	Relocation
Mango Hub	West Bund	Regal Rexnord	1,500	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION YEAR
The Summit T1&T2	Zhuyuan	-	212,008	2023
LJZ Financial Holdings Plaza T2	Zhuyuan	-	41,022	2023
Square City	New Bund	-	171,900	2024
Park Avenue Central	Core Jing'an	-	98,952	2024
ITC Phase III T2	Core Xuhui	-	206,283	2024
CR Land Zhangyuan Project	Core Jing'an	-	80,069	2024

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