

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
26.2% Vacancy Rate	▲	▲
8.25M Stock, sqm	▲	▲
¥172.9 Rent (PSM/MO) <i>(Property of GRADE A)</i>	▼	▼

ECONOMIC INDICATORS

	1H 2024	12-Month Forecast
5.9% GDP Growth	▼	—
3.5% Tertiary Sector Growth	▼	▲
0.2% CPI Growth	▼	—
-11.4% Real Estate Development & Investment Growth	▼	▲

Sources: Shenzhen Statistic Bureau, Moody's Analytics, Cushman & Wakefield Research

CITYWIDE VACANCY RATE DROPS AS RENTS DECLINE

With no new supply entering the market, Shenzhen's total Grade A office stock remained at 8.25 million sq m in Q3 2024. Weak new leasing demand combined with the volume of scheduled future supply dampened the market outlook in the quarter, with landlords aligned in continuing to offer lower leasing costs to attract tenants. In turn, the Shenzhen Grade A office average rent fell by 2.1% q-o-q to RMB172.9 per sq m per month.

New properties in Qianhai and Bao'an absorbed clients from traditional business districts, with the submarkets' vacancy rates falling by 2.4 and 5.4 percentage points q-o-q, respectively. Demand from Grade B or R&D buildings also migrated to Grade A offices amid the falling rents, pulling the citywide vacancy rate down 1.0 percentage point q-o-q to 26.2%. Quarterly net absorption in Q3 reached 79,464 sq m, surpassing total net absorption in the first half of the year.

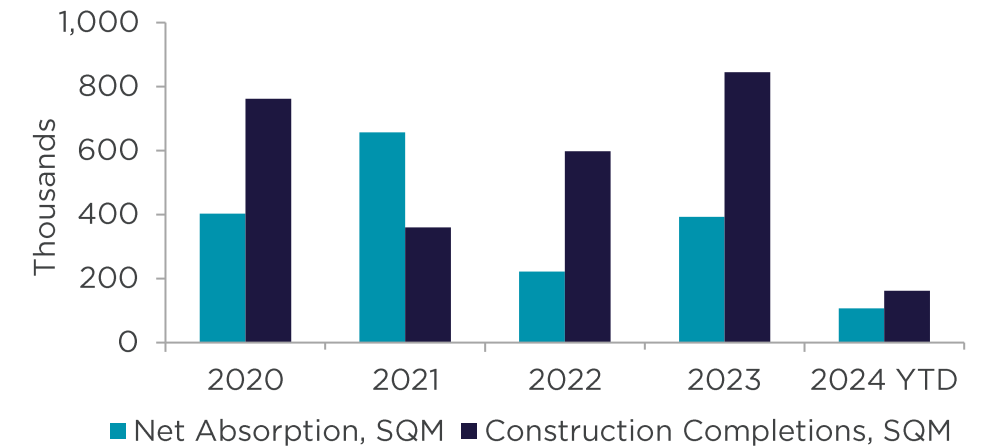
RETAIL & TRADE SECTOR ACTIVE IN THE LEASING MARKET

The TMT, finance, and professional services sectors were the top drivers of Grade A demand in the first three quarters of 2024, taking 24.8%, 23.3% and 17.2% shares of total transacted area, respectively. In the TMT industry, gaming, big data and cloud computing firms were active in Q3, with 70% of the new leased area in Futian CBD and Qianhai. The financial sector was dominated by smaller relocation requirements for fund and brokerage firms. In the professional services sector, law firms and design companies remained active, as did overseas study and immigration agencies. In addition, apparel and foreign trade firms in the retail and trade sector took opportunities to upgrade to move into Grade A premises.

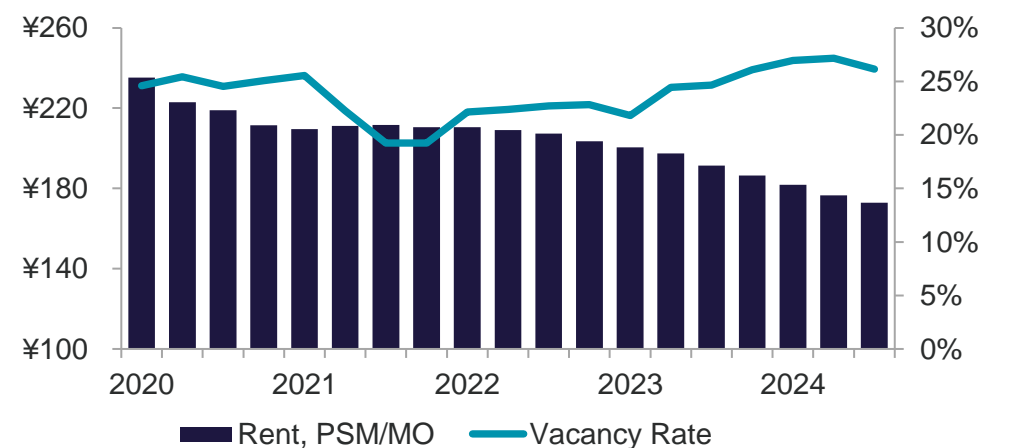
RENTS TO TREND DOWN FURTHER AMID FUTURE SUPPLY VOLUME

More than 4 million sq m of new office space is set to enter in the next three years, including several headquarters properties. Such projects can drive absorption, but also pose challenges to the former properties. Ahead, we expect rental levels to trend down further, with related leasing expenses also adjusted under the pressure of vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY RATE & GRADE A RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SQ M)	VACANT (SQ M)	VACANCY RATE	FUTURE SUPPLY TILL 2026 (SQ M)	GRADE A FACE RENT		
					RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Luohu	541,813	130,921	24.2%	264,020	¥138.92	US\$1.82	€1.64
Futian	3,567,697	759,530	21.3%	296,680	¥188.97	US\$2.47	€2.23
Nanshan	2,263,310	638,558	28.2%	1,793,215	¥176.71	US\$2.31	€2.09
Qianhai	1,460,075	517,351	35.4%	1,488,675	¥143.88	US\$1.88	€1.70
Bao'an	418,280	116,310	27.8%	303,120	¥159.69	US\$2.09	€1.89
SHENZHEN GRADE A TOTAL	8,251,175	2,162,670	26.2%	4,145,710	¥172.86	US\$2.26	€2.04

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: 1 USD = 7.1089524 RMB= 0.90396608 Euros (2024.9.9)

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SQ M	TYPE
Kerry Qianhai Center Phase II	Qianwan	Lexar	3,000	Relocation
Qianhai Chow Tai Fook Finance Tower	Guiwan	GALA Sports	2,800	Relocation
C Future City	Chegongmiao	Maryling	2,400	Relocation

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	DEVELOPER	SQ M	COMPLETION DATE
Tower A ,CR Land Building	Hi-tech Park	China Resources	101,000	2025
West Tower, CIMC Qianhai International Center	Qianhai	CIMC City	65,100	2025
Vivo Headquarters Building	Bao'an Center	Vivo	97,700	2025
CITIC Financial Center	SZ Bay HQ Base	CITIC	182,700	2026
SZ Bay HQ Base Tower C	SZ Bay HQ Base	SZ Investment Holdings	292,000	2027

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