CHANGSHA OFFICE JULY 2019

# MARKETBEATS

CUSHMAN & WAKEFIELD 戴德梁行

| ¥102.0 | -4.0% | 41.0% |
|---|---|---|
| RENT (PSM/MO) | RENTAL GROWTH (QOQ) | VACANCY RATE |

WHAT'S NEXT

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# HIGHLIGHTS

## Grade A Rent Falls to 8-year Low

There was no new supply received in Changsha's Grade A Office market in Q2, holding stock at 2.0 million sq m at quarter's end. Amid fierce competition, most Grade A offices adjusted their rent on offer to attract tenants. As a result, Changsha's Grade A office rent deceased 4.0% q-o-q to average RMB102.0 per sq m per month in Q2, hitting its lowest level since 2011.

In the leasing market, there has been a pickup in activity. Reflecting this, the market recorded 69,168 sq m of net absorption for the quarter. Robust take-up helped drive down the availability ratio 3.5 percentage points q-o-q to 41.0% in Q2.

## Supply Peak Set to Arrive in 2020

In the second half of 2019, Fortune CFC (T2) will likely complete, increasing Changsha's Grade A office stock to approximately an estimated 2.07 million sq m. With the coming of an expected supply peak in 2020 and in light of Changsha's slowing economy over the past few years, it is estimated that rental levels will fluctuate within a few percentage points in the future.

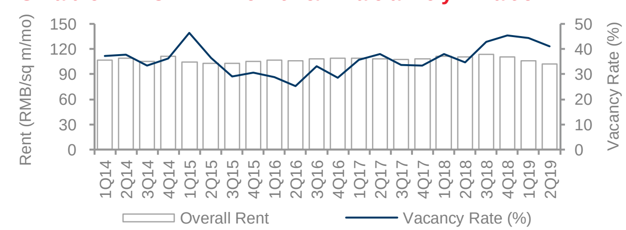
Ahead, the majority of leasing demand will likely come from companies in the financial and professional services segments.

## Economic Indicators

| | 2018 | Q1 2019 | One-Year Forecast |
|---|---|---|---|
| GDP Growth | 8.5% | 8.0% | ▼ |
| Tertiary Sector Growth | 10.7% | 8.0% | ▲ |
| CPI Growth | 2.0% | 1.9% | ▬ |
| Real Estate Development & Investment Growth | 0.7% | 7.3% | ▲ |

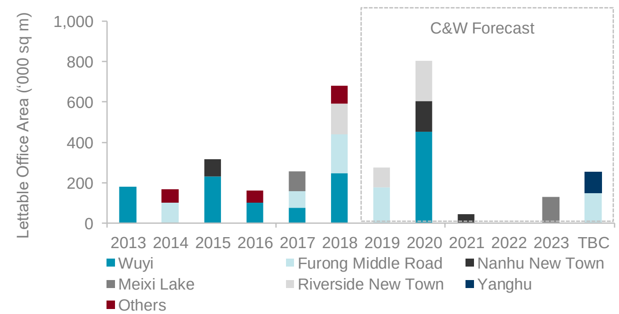
*Source: Changsha Statistics Bureau / Oxford Economics / Cushman & Wakefield Research*

## Grade A CBD Rent & Vacancy Rate




*Source: Cushman & Wakefield Research*

## Grade A Office Annual New Supply




*Source: Cushman & Wakefield Research*

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| SUBMARKET | INVENTORY (sq m) | VACANCY RATE | PLANNED & UNDER CONSTRUCTION (sq m) | GRADE A EFFECTIVE RENT | | |
|---|---|---|---|---|---|---|
| | | | | RMB/SQ M/MO | US$/SF/MO | EUR/SF/MO |
| Wuyi | 833,711 | 38.7% | 450,827 | 103.2 | 1.4 | 1.2 |
| Furong Middle Road | 500,000 | 40.1% | 226,000 | 100.2 | 1.4 | 1.2 |
| Nanhu New Town | 87,000 | 25.0% | 196,200 | 105.0 | 1.4 | 1.3 |
| Meixi Lake | 100,000 | 35.0% | 130,000 | 90.0 | 1.2 | 1.1 |
| Riverside New Town | 253,000 | 65.9% | 200,000 | 105.3 | 1.4 | 1.3 |
| Others* | 217,000 | 31.9% | - | 102.6 | 1.4 | 1.2 |
| **CHANGSHA CORE GRADE A TOTAL** | **1,990,711** | **41.0%** | **1,203,027** | **102.0** | **1.4** | **1.2** |
| Yanghu | - | - | 102,000 | - | - | - |

*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: 1 USD=6.89396 CNY=0.893136 EUR as of May 27, 2019

## Key Leasing Transactions Q2 2019

| PROPERTY | SUBMARKET | TENANT | SQ M | LEASE TYPE |
|---|---|---|---|---|
| Huayuan International Center | Wuyi | Teyin Electronics | 812 | Relocation |
| Wharf IFS | Wuyi | Citibank Co., Ltd. Changsha Branch | 366 | Relocation |
| Xiangjiang FFC | Riverside New Town | Logos Data | 258 | New Setup |

## Significant Projects Under Construction

| PROPERTY | SUBMARKET | MAJOR TENANT | SQ M | COMPLETION DATE |
|---|---|---|---|---|
| Fortune CFC (T2) | Furong Middle Road | N/A | 76,000 | Q4 2019 |
| Shimao World Financial Center | Wuyi | N/A | 152,000 | Q1 2020 |
| Huijing Development Global Center | Nanhu New Town | N/A | 153,000 | Q1 2020 |
| Xiangjiang FFC (A) | Riverside New Town | N/A | 90,000 | Q4 2020 |
| Xiangjiang FFC (B) | Riverside New Town | N/A | 110,000 | Q4 2020 |
| Kaisa Square | Wuyi | N/A | 128,827 | Q4 2020 |