Greater China Occupier Research

# Greater China Top Office Supply/ Demand Trends

## Space opportunities abound for occupiers

January 2020

CUSHMAN & WAKEFIELD
戴德梁行

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2019 GREATER CHINA TOP OFFICE SUPPLY AND DEMAND TRENDS


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# Executive Summary

During the past year the Grade A office market in Greater China has been subjected to both macro uncertainty, which has clouded the business outlook for many occupiers, as well as excessive supply in several cities. On the back of this, vacancy has risen and as it has done so, so the opportunities for occupiers to lease space on favorable terms in the region has increased as well.

In the coming years, the Grade A office market in a number of Greater China cities is expected to see a surge of supply. On the demand side, we do see some macro positives beginning to work themselves into the market to help drive office space demand. These include mainland China's economic shift to higher value-add industries, the partial trade deal reached by China and the U.S., and the implementation of large-scale regional development plans, such as the Yangtze River Delta (YRD) integration plan and the Greater Bay Area (GBA) development plan.

In the near term, we expect:

## CHENGDU

The supply wave ahead is likely to increase the vacancy rate and apply downward pressure on rent in the short term. However, as the Chengdu government has continued to attract companies with favorable business policies, we expect this continuing strategy to buoy office take-up in the city in the future.

## HONG KONG

Office leasing demand is expected to continue to weaken over the next 12 months against market uncertainty and local unrest. Limited new supply is forecast for completion in the next 12 months, with overall demand set to remain weak.

## WUHAN

In the short term, the extent of planned future supply in Wuhan is expected to generate further competition among landlords as vacancy expands. However, with business growth potential, investment promotion policies and the further opening-up of the Central China marketplace, this situation could ease in the mid- to longer-term as more corporations move to or expand their operations in Wuhan in the future.

## TAIPEI

Leasing activity is expected to decline in the short term simply due to the lack of rentable space. Hence, Grade A office leasing transactions in Taipei will mainly be dominated by small-to-medium size leasing demand over the next several months.

## BEIJING

The TMT, Professional Services and Finance sectors will continue to lead demand for Grade A office space in the city. However, in the short term, the volume of new supply in Beijing's suburban areas and the slowing economy will both be influential regarding the demand trend and rental projections for the coming year.

## SHANGHAI

Excessive supply of Grade A office space in the city is likely to create further competition among landlords. Heightened vacancy is expected to exert further pressure on citywide rental. However, this situation will be more appealing to tenants who are enjoying business expansion as they look to lock in attractive rental rates on longer-term leases.

## SHENZHEN

Amid the global and domestic economic downturn, demand for Grade A office space has softened. Subsequently, the average rental for the city is forecasted to dip, which will benefit occupiers who are looking for quality space at a lower rental.

## GUANGZHOU

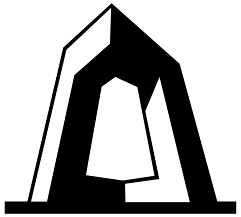
As one of the key cities in the GBA, Guangzhou in the future is likely to see more demand from the Professional Services and Financial sectors. Meanwhile, Guangzhou has recently been enjoying rapid business expansion in its high-tech industry, and TMT sector business growth is expected to generate further demand for quality office space in Guangzhou in the future.

# Report Introduction

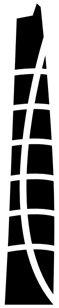
This report provides a snapshot understanding of the general Grade A office market demand conditions in Greater China over the past year (October 2018 to September 2019) and into the near future. Following this, the past year and future demand conditions in eight significant city-level markets in the region are analyzed and examined in more detail.

**The eight key city-level prime office markets the report covers are:**

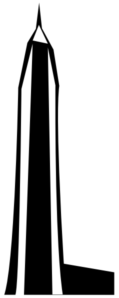
**BEIJING**



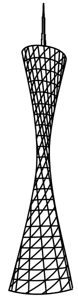
**SHANGHAI**



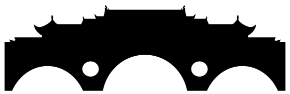
**SHENZHEN**



**GUANGZHOU**

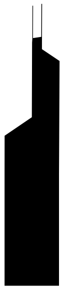


**CHENGDU**

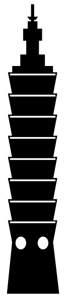


**WUHAN**

**HONG KONG**



**TAIPEI**



# Grade A Office -
# Where it's at

During the past year, market uncertainty, such as the slowing economy and the trade dispute between the U.S. and China, has impacted both Grade A office supply and Grade A office demand in Greater China. By Q3 2019, the total Grade A office inventory in the core markets of the 20 major cities in Greater China we track reached 55,983,421 sq m, a 7% increase year-on-year (y-o-y). Meanwhile, total premium core city office net absorption across the Greater China market in Q3 2019 was 392,869 sq m, amounting to a 62.5% decline compared to Q3 2018. Among the four Tier-1 cities, Guangzhou and Shenzhen recorded the lowest and highest vacancy rates, at 3.6% and 19.5%, respectively. As for the Tier-2 city group, Chengdu recorded the lowest vacancy rate at 14.8%, while Changsha witnessed a vacancy rate of 40.2% - the highest among our tracked city markets in Greater China.

Affected by the weakening leasing demand, the general rental performance across the Greater China Grade A office market was consistently under pressure during the past 12 months. In Q3 2019, Hong Kong and Hangzhou recorded the highest market rentals for their respective city tier categories at RMB 706.1/sq m/month and RMB 155.1/sq m/month, respectively with the Greater China regional average standing at RMB 180.4/sq m/month, down by 6% y-o-y (Table 1).

**Table 1**
**The demand rundown on 20 city core are-level markets in Greater China (Q3 2019)**

CORE MARKET DATA
GREATER CHINA
Q3 2019

| Markets | Stock (sq m) | Supply to 2023 (sq m) | Absorption (q-o-q sq m) | Vacancy | Rent (RMB/sq m/mo (y-o-y change) |
|---|---|---|---|---|---|
| Beijing | 7,612,551 | 1,138,027 | 3,556 | 5.6% | 433.6(↓2.0%) |
| Shanghai | 7,778,091 | 1,902,899 | -30,496 | 12.9% | 302.7(↓4.9%) |
| Guangzhou | 4,062,085 | 590,491 | 19,713 | 3.6% | 201.3(↓1.3%) |
| Shenzhen | 5,268,255 | 8,323,106 | 56,024 | 19.5% | 251.3(↓9.7%) |
| Hong Kong | 5,971,634 | 724,570 | 27,426 | 8.2% | 706.1(↓1.1%) |
| Taipei | 1,136,498 | 184,450 | 2,585 | 4.1% | 216.8(↑4.3%) |
| Tianjin | 2,309,985 | 433,000 | 24,243 | 38.6% | 97.7(↓9.7%) |
| Shenyang | 1,098,075 | 888,461 | 12,319 | 35.4% | 84.6(↓5.8%) |
| Dalian | 921,544 | 394,494 | -16,852 | 26.9% | 103.3(↓4.0%) |
| Qingdao | 1,445,742 | 813,509 | 24,738 | 27.1% | 112.7(↓10.0%) |
| Nanjing | 1,491,998 | 1,576,246 | 10,135 | 20.4% | 138.0(↑0.6%) |
| Hangzhou | 2,142,572 | 872,721 | -25,238 | 16.3% | 155.1(↓1.9%) |
| Suzhou | 2,182,294 | 1,235,447 | 20,806 | 30.3% | 96.9(↓1.8%) |
| Wuxi | 706,299 | 433,000 | -681 | 34.3% | 76.2(↓2.2%) |
| Chongqing | 1,660,494 | 677,937 | 42,517 | 32.0% | 89.0(↓4.1%) |
| Chengdu | 2,366,131 | 2,640,769 | 82,153 | 14.8% | 116.5(↑2.7%) |
| Xi'an | 2,629,581 | 1,084,000 | 52,668 | 28.8% | 92.9(↓1.3%) |
| Wuhan | 2,148,881 | 2,073,671 | 20,085 | 27.0% | 120.7(↓3.5%) |
| Changsha | 1,990,711 | 1,055,027 | 15,310 | 40.2% | 101.9(↓10.1%) |
| Xiamen | 1,060,000 | 1,198,900 | 51,858 | 35.4% | 111.1(↓4.8%) |

Source:
Cushman & Wakefield Research

# Grade A Office - Where it'll be

## Supply Trends

**The volume of quality office supply in many cities in Greater China hasn't changed over the last year or so. What has been transformed, however, is the assessment landlords have of their building and occupiers have of their workplace. This perception change has recently and will continue to influence three facets of prime office properties in Greater China and these factors are:**


**Vicky Shen**

Head of Office Agency, China, Cushman & Wakefield

"Truly smart office buildings are only just coming to the fore in the region. Many more will follow, and onwards this will lend itself to be a positive for the overall Grade A office market in Greater China."

Today, more and more office building owners in Greater China are thinking about:

- The goal for their building;
- The economic viability of their building, and;
- The impact of their building on the environment.

To satisfy these aims, smart office buildings around the region have become ever-more prevalent. But these buildings need to do more than just offer comfort, light and safety. Smart office buildings in Greater China need also to link the different parts and pieces of an office building into one cohesive, dynamic and practical smart building platform. This platform will not only allow owners and operators of a smart office building to effortlessly achieve their objective for the property but will also allow the building to:

- Reduce water and energy usage costs;
- Alleviate any impact on environmental sustainability, and;
- Better attract and retain tenants.

# 2.

## SUSTAINABILITY

Given that buildings and the real estate construction sector combined currently account for around 36% of global final energy consumption and nearly 40% of total $CO_2$ emissions, (according to the International Energy Agency), it is inevitable that office buildings in Greater China must become greener in the future for global warming and its related effects to be in part, mitigated.

**Shaun Brodie**

Head of Occupier Research,
Greater China,
Cushman & Wakefield

"The business case for building green is strong and it would not be surprising for green office buildings to become more mainstream in Greater China over the mid- to long-term."

The region has made great strides, however, in promoting and encouraging sustainable real estate. Real estate in Greater China, including quality office buildings, is consistently becoming greener as green buildings are designed, constructed and operated in such a way as to increasingly have a minimal negative impact on the environment.

Developers in Greater China build green for four major reasons:

- To attract corporate social responsibility (CSR)-minded tenants;
- To reduce energy consumption, resource consumption and operating costs;
- To improve occupant health and well-being, and;
- To create a sense of community.

Generally, in the context of occupant health and well-being, green office buildings have been found to bring about a 3% improvement in productivity, a 5% increase in employee retention and a 30% reduction in absenteeism.

These factors make green office buildings an attractive proposition for landlords in Greater China that want to differentiate themselves and to earn a reputation for CSR.

Besides the social and environmental reasons for building green offices, landlords in Greater China recognize that going green brings commercial benefits. Landlords in Greater China are, however, quite conservative about the cost savings that can be derived from green buildings, but they still expect to see payback in just five years, significantly less than the global average of seven years.

Meanwhile, green office buildings are generally able to outperform non-green buildings in terms of property rentals and capital values.

Within the urban environment, successful real estate projects today, whether they are office buildings or not, are not just about bricks, mortar, glass, metal and other building materials. Successful real estate projects, whether they are projects globally or in Greater China, are about people. They are about people in general across all generations. They are also about people and where they want to spend more time in, whether it's working, shopping, visiting or living.

Influenced by people, real estate-associated features, such as design, technology, and organized activities all combine to play a key role in encouraging individuals to stay in and to use a real estate project in a city a little longer.

To augment the office workplace experience, landlords and occupying corporates in Greater China will increasingly see office design, office technology and office wellness and wellbeing as being high priorities as they try to stay ahead of the curve in terms of business competition.

# Demand Trends

**Looking to the near future, given policy direction and the current and expected macro-economic dynamics, we believe one issue and five business sectors will largely impact demand for space in Greater China's prime office market. This issue and these sectors are:**


The tariff measures – initiated in the middle of last year – have impacted the economy in China. Many firms in the region have seen exports of targeted goods and products dip over the same period on average.

The UN has also observed that there is early indication that Chinese exporters may have started to endure part of the cost of the increased tariffs by reducing export prices. The hardest-hit Chinese manufacturing sector has been computers and other office machinery, and communications equipment, where exports from China have noticeably dropped. Other areas that have seen a reduction in exports, include chemicals, furniture, precision instruments and electrical machinery, according to a UNCTAD report.

What is also evident, on the other hand, is the resilience of Chinese firms, which still shipped 75% of their exports to the U.S., despite the heightened trade tariffs levied. In the near to medium term, both this same resilience, coupled with trade negotiation getting back on track, should act as a positive for Grade A office space demand from both domestic enterprises and overseas companies doing business in China.

# 2.

## CO-WORKING

What a difference a year makes. This time last year, many were celebrating the positive impact on quality office space demand co-working offices were having in markets, not just in Greater China, but across the world. One year on and the conversation has changed to one of co-working sector operation and business growth caution.

Having said this, a holistic assessment of the situation is also required. On the one hand, in Beijing and Shanghai, co-working Grade A office market occupation rates are some of the highest in the Greater China region, but the total amount of flexible workspace occupation has only reached around mid-single percentage figures of the total office space in both city markets.

In fact, the recent predicament surrounding a major industry player could well be a force for good within the co-working sector because:

- It could speed up sector consolidation as weaker providers fall by the wayside and larger providers take the opportunity to scale up, and;
- It could encourage more providers to serve large corporates members as opposed to individual members. A base of corporate members can allow the provider to enjoy a sense of business stability as lease agreements between a corporate and a co-working office provider generally tend to have a longer timeframe than lease agreements between the provider and an individual tenant.

The issue is not whether the woes are a danger to China's co-working sector, but which co-working office provider will be the most successful at grasping the business opportunities still to be had over the next year and beyond. In the future, it will be those co-working office providers who can overcome the challenges and execute on the opportunities who will come up on top and continue to demand quality office space in Greater China in the years to come.


China, once viewed as a follower when it came to tech, is now looking to be at the forefront of development of emerging technology, such as artificial intelligence (AI) or Blockchain. Here are a few China facts related to the latest emerging technologies:

**AI –** In 2017, Beijing set out plans to attain world leadership in the development of artificial intelligence by 2030. By this time, the country wants to drive the industry's worth to around US$147.7 billion.

**Fintech –** In China, financial technology is thriving. Global investment in fintech ventures more than doubled in 2018, to US$55.3 billion, with China contributing around 46% of the total, according to Accenture.

**Smartphones –** Chinese smartphone manufactures are now some of the largest in the world. Three out of the top five smartphone sellers are Chinese with Huawei occupying the number two spot.

**Blockchain –** China is now backing the technology with officials encouraging the country to lay a solid Blockchain industry foundation. For the future, the goal is for China to take a leading development position with the technology expected to benefit a range of sectors, including finance, education and healthcare.

**5G –** China will have the greatest number of 5G connections by 2025, more than North America and Europe combined, according to GSMA.

**Jonathan Wei**

Head of Occupier Services, China, Cushman & Wakefield

"Along with the emergence of these technologies, we do expect related TMT sector business growth to translate into increased demand for quality office space across the country and certainly in the tech-centric city markets."

# 4. FINANCE

As China's economy continues to transition to high value output, so the authorities in China are acting to boost the performance of targeted industry sectors in its economy and one of these sectors is Finance.

Earlier this year, Beijing declared that overseas financial institutions can form foreign-invested insurance companies in the mainland and become shareholders of these new firms. Further policy adjustments include granting foreign lenders the ability to set up wholly-owned banks in China and eliminating the need for official approval for effecting business in the renminbi.

In line with these announcements, global financial giants are now taking note and we do expect these moves to boost finance-sector-driven office take up in China's major cities in the near to mid-term.

# 5. MANUFACTURING

With the trade dispute weighing in on the economy, China manufacturing activity has waned somewhat of late.

There are bright spots, however, and one of them is high-tech manufacturing, with this industry posting rapid growth earlier in the year, according to official data. In fact, according to the National Bureau of Statistics, the added value of high-tech manufacturing in August rose by 6.1% y-o-y, 1.7 percentage points higher than that of all industrial enterprises above a designated size.

In particular, medical equipment manufacturing rose 11.8%, 3 percentage points higher than the figure recorded in July. Meanwhile, computer and office equipment manufacturing grew 4.5%, 1.2

percentage points higher than the month before.

Looking forward, we expect the industry picture to remain the same in the near future. Thus, the manufacturing sector is expected to have a mixed impact on prime office take up in the next six months to a year, with some high-tech manufacturers wanting to absorb more space as their business expands, while other firms will be looking to consolidate and/or downsize their office presence as they look to protect their bottom line.

# 6.
## HEALTHCARE

The Healthcare sector in China does enjoy some long-term macro-economic advantages of which two are an ageing population and escalating health-care spending.

According to Eastspring China, by 2035, China's aged population (aged 60 and above) is predicted to reach 409 million, representing a 28.5% share of the country's total population. Healthcare spending, meanwhile, made up just 5.0% of China's gross domestic product (GDP) in 2016, considerably less than the U.S. which spent 17.1%. As China's consumer patterns match with the developed markets, its healthcare spending could top RMB 18.04 trillion (US$ 2.53 trillion) by 2035. This transmutes into a strong annualized growth rate of 8.4%, outstripping the China's economic growth, which is lingering around the 6.0% mark.

The amount spent on medicines might take a dip, however, in the near future and this will be down to the launch of a bulk-purchase program.  Under this program, more than 11 major Chinese cities (a third of the market in China), including Beijing, Shanghai, Shenzhen and Guangzhou, will combine their procurement of 31 generic medicines (medicines whose patents have expired) and make healthcare companies bid for contracts. According to Eastspring China, by the end of 2018, this program has achieved a 52% price-cut y-o-y on average of medicines procured.

Even though the prices of certain medicines have dropped in China, the country is still a very important market with a lot of business potential for healthcare companies in the future and as such, we anticipate continued quality office absorption to be generated from Healthcare sector business growth in the region.

# The Eight City-level Markets

The eight key Greater China city-level prime office markets this report covers are:

- **Beijing;**
- **Shanghai;**
- **Shenzhen;**
- **Guangzhou;**
- **Chengdu;**
- **Wuhan;**
- **Hong Kong, and;**
- **Taipei.**

These eight markets provide a broad cross-section of office occupier demand activity across Greater China, covering all Tier-1 gateway cities in the region and two significant Mainland China Tier-2 cities; one in the country's western region and one in the country's central region.





SHENZHEN


GUANGZHOU


HONG KONG


TAIPEI

# Top Office Supply and Demand Trends

# Beijing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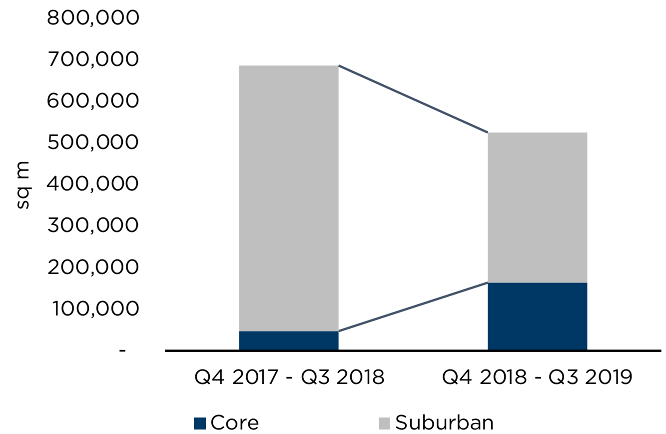
## SUPPLY

### The past year

From Q4 2018 to Q3 2019, only 524,000 sq m of Grade A office space in Beijing was launched due to delays to some projects. The total supply number was down 23.5% from the same period last year. Of the total, about 165,000 sq m is located in the core areas, while another 359,000 sq m is located in the suburban areas. It is worth mentioning that in Q2 2019, the highly anticipated China Life Financial Centre in CBD with stock of about 120,000 sq m was officially launched as the first project to complete in the Zhongfu Plot. As a result, the total new supply in the core areas increased by 258% from Q4 2018 to Q3 2019 when compared with the same period last year (Figure 1).

**Figure 1:**
**Beijing Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



From Q4 2018 to Q3 2019, Guorui Plaza, China Life Financial Centre, and the Cheng'ao Building were the top three projects in terms of office GFA (Table 2).

Of the projects completed in the past year, four were launched in the Wangjing-Jiuxianqiao submarket, accounting for 23.3% of the total supply area. CBD, BDA, East 2nd Ring Road, Financial Street, Lufthansa and OGV each welcomed one project into the market. Another 31.8% of the total supply in terms of area came from five projects located in other areas of the city. The completed projects' GFA from CBD and BDA both exceeded 120,000 sq m, while the average GFA of new supply in other submarkets was less than 80,000 sq m (Figure 2).

In the past two years, as Beijing's urban renewal has progressed, many renovation projects have entered the market, most of which are Grade B offices. From Q4 2018 to Q3 2019, the new supply of Grade B offices reached 411,000 sq m, up 31.8% y-o-y. Among the supply, 91.7% stemmed from urban renewal projects, and 96.3% was distributed in the suburban areas.

## Outlook (for the year ahead)

By the end of 2022, the Beijing Grade A office market is expected to welcome about 3.17 million sq m of new supply, which equates to 30% of the current Grade A office stock. The core areas and suburban areas are expected to contribute 27.9% and 72.1% of the total future supply, respectively (Figure 3). As such, Beijing's Grade A office stock is estimated to reach 13.72 million sq m by the end of 2022.

It is worth noting that high-quality projects, such as CITIC Tower, Chia Tai Centre in the CBD, Asia Financial Centre in OGV and LEEZA SOHO in the Li'ze Financial Business District will be launched in Q4 2019 (Table 3).

**Table 2:**
**Beijing Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Guorui Plaza | BDA | 140,000 | 2018 |
| 2 | China Life Financial Center(Z13) | CBD | 120,000 | 2019 |
| 3 | Cheng'ao Building | OGV | 67,000 | 2019 |

*Source: Cushman & Wakefield Research*

**Figure 2:**
**Beijing Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

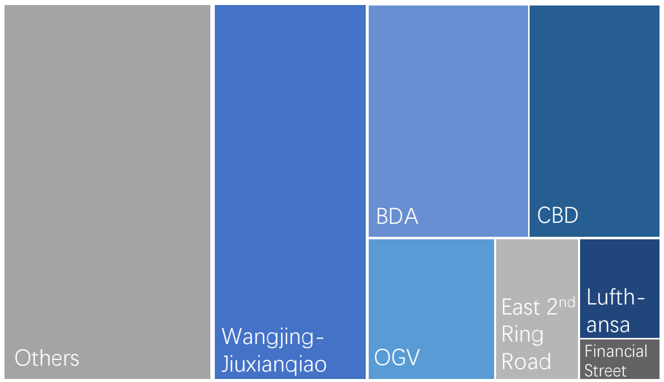
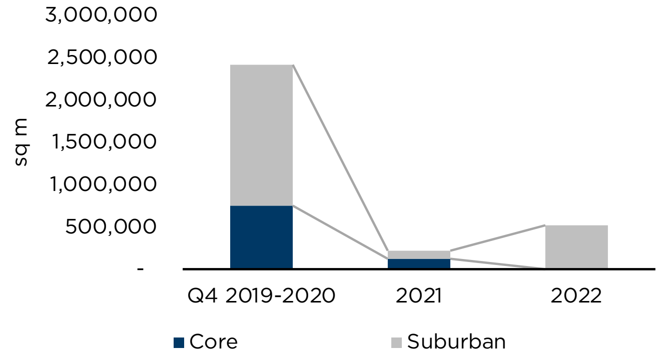



**Figure 3:**
**Beijing Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*




In the future, Beijing prime office supply will be mainly distributed in Li'ze Financial Business District, Tongzhou Canal Business District and CBD, accounting for 35.9%, 18.8% and 18.0% of the total, respectively. With its central location and top-quality office buildings, CBD will remain under the spotlight in the future. As an emerging submarket adjacent to the Financial Street, Beijing Li'ze Financial Business District is positioned as a new financial center in Beijing. By 2022, the total amount of future supply in Li'ze Financial Business District is expected to reach 1.13 million sq m. With the completion of Metro Lines 14 and 16 and the opening of the Daxing New Airport Terminal, the Li'ze Financial Business District will also be favored by more finance-related enterprises.

**Table 3:**
**Beijing Grade A Office – Largest Projects to Complete (Q4 2019-2022)**

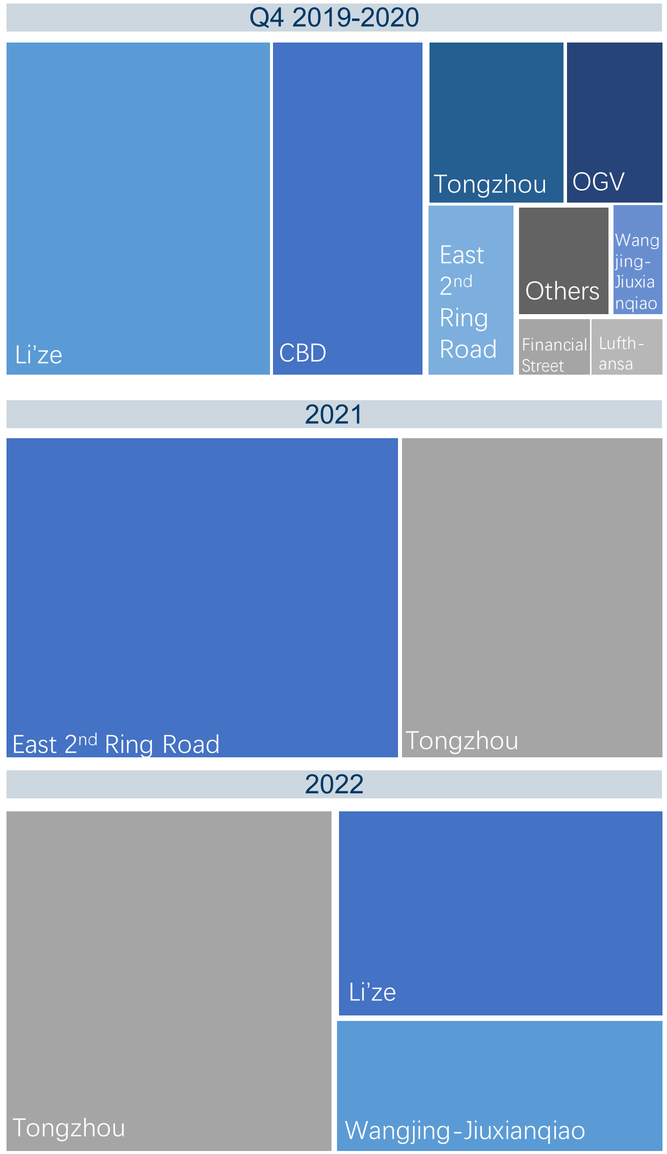
| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Chia Tai Center (Z14) | CBD | 180,000 | 2019 |
| 2 | Asia Financial Center | OGV | 150,000 | 2019 |
| 3 | LEEZA SOHO | Li'ze Financial Business District | 124,000 | 2019 |

*Source: Cushman & Wakefield Research*

Benefiting from the important positioning of "Tongzhou New City", Tongzhou Canal Business District will focus on attracting financial and high-end service companies. By Q3 2019, several state-owned banks, city commercial banks and insurance companies have purchased their own office projects. Apart from self-occupied projects, as of 2022, the total leasable office space in Tongzhou Canal Business District will reach 600,000 sq m. In the future, the growing presence of financial enterprises in Tongzhou District is expected to pull other industries to the area, and further stimulate the office leasing demand in the area (Figure 4).

**Figure 4:**
**Beijing Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*



# DEMAND

## The past year

From Q4 2018 to Q3 2019, the total number of leasing transactions in the Beijing office market declined slightly due to economic uncertainty and softened leasing demand from the Finance and TMT sectors. The total net absorption in the period was only 309,476 sq m, down 39.5% from the same period last year. The total net absorption in core areas and suburban areas was 7,530 sq m and 301,946 sq m, respectively. At the same time, domestic enterprises are still the main force to support the Beijing office market, with their total leased area accounting for about 87.2% of the total transactions by area (Figure 5).

For a long time, TMT, Professional Services and Finance have been the three main industries in the Beijing office market. The sum transaction area total of the three industries accounted for 72.4% of the total office transactions in Beijing by area during Q4 2018 to Q3 2019. Among them, the TMT industry ranked top, accounting for 36.1% of all leasing transactions by area.

**Figure 5:**
**Beijing Grade A office take-up by area – MNC/Domestic company breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

**87%** Domestic

**13%** MNCs

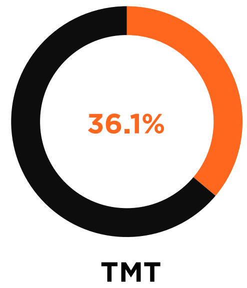
Since 2H 2018, office demand from co-working plunged due to the tightened financial environment. As a result, the leasing transaction take-up from Professional Services between Q4 2018 to Q3 2019 decreased by 3.8 percentage points to 23.4% when compared with the same period last year. Even so, thanks to high demand from law firms, consultancy and management companies, Professional Services remained as the second largest sector regarding total leasing transaction volume in the Beijing market.

Since 2H 2018, the leasing transaction volume related to financial enterprises in the Beijing office market began to shrink due to the strict regulation on P2P enterprises. From Q4 2018 to Q3 2019, the Finance sector leasing total take-up decreased 3.9 percentage points y-o-y to 17.8%.

The combined office demand from the Energy, Healthcare, Retail, Manufacturing, Real Estate and Logistics sectors accounted for 22.7% of the total transactions

**Figure 6:**
**Beijing Grade A office share of take-up by area – Industry sector split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*



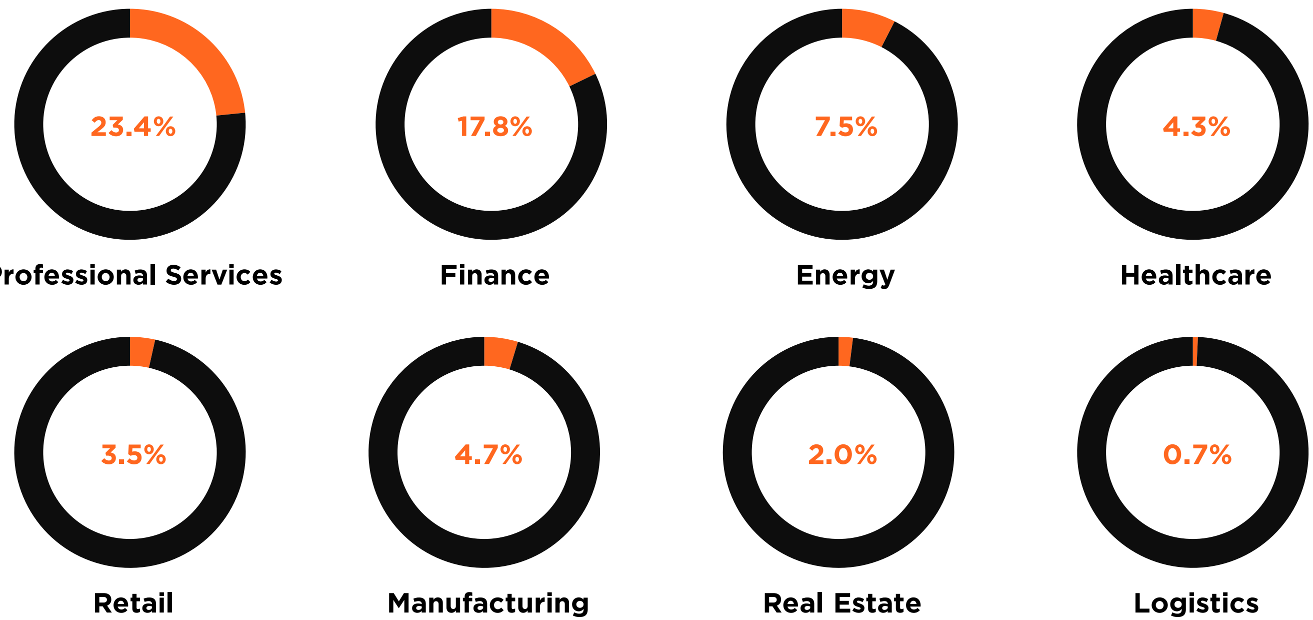



**Table 4:**
**Beijing Grade A office – Five significant leasing deals by area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| East Lake Tower | Wangjing-Jiuxianqiao | Industrial Internet Research Institute | 21,000 | New Setup |
| ZRT Tower Beijing | Others | Guangfa Bank | 19,300 | New Setup |
| North Star Century Center | OGV | Longfor | 15,000 | Relocation |
| CITS Chang 'an Tower | Financial Street | China Bond | 13,000 | New Setup |
| AZIA Center | Li'ze Financial Business District | ShineWing | 11,000 | New Setup |

*Source: Cushman & Wakefield Research*

by area in the Beijing office market from Q4 2018 to Q3 2019 (Figure 6 and Table 4).

Positioned as a technology and business innovation zone, the Wangjing-Jiuxianqiao submarket continues to be the most popular submarket for TMT sector companies to locate to. From Q4 2018 to Q3 2019, the leasing deals in this area accounted for 37.0% of the total TMT demand by area. CBD ranked second, accounting for 14.6% of the total TMT demand by area. Lufthansa mainly attracted technology manufacturing and media enterprises. During this period, Lufthansa recorded 11.5% of the total TMT sector transaction volume by area, ranking third.

Affected by the limited rentable area, from Q4 2018 to Q3 2019, Zhongguancun recorded a 6.7% share of the total TMT sector transaction volume by area. As a rising submarket for the northward expansion of Zhongguancun, the Shangdi submarket has attracted many high-tech and internet enterprises which require large office areas with abundant office supply and competitive rentals. During this period, the transaction volume accounted for 9.4% of the total TMT sector transaction volume by area (Figure 7).

As for leasing demand in the Professional Services sector, co-working is no longer the main leasing contributor. From Q4 2018 to Q3 2019, the main supporting industries in the Professional Services sector came from law firms, accounting firms and consulting management. CBD remained the most preferred area for Professional Services companies. In the past 12 months, CBD recorded a 33.6% share of the total leased area by the sector. By Q3 2019, 26% of the tenants in CBD are from the Professional Services sector, with some key tenants being McKinsey, PWC, Deloitte and Yingke Law Firm. Already popular with many state-owned enterprises, the East 2nd Ring Road also welcomed many law firms during the past year. From Q4 2018 to Q3 2019, the transaction volume by area ranked second within the Professional Services sector, accounting for 21.3% of total transactions by area. As an emerging submarket and a new financial center in Beijing, Li'ze Financial Business District was also favored by many high-end service companies. For example, Shinewing signed a 10,000 sq m lease in Azia Center. As a result, Li'ze recorded a 13.8% share of total transactions by area, ranking third for the year for Professional Services. (Figure 8).

Being the international communication center in Beijing, CBD has also attracted many foreign-funded financial enterprises to settle in. As of Q3 2019, financial enterprises in CBD accounted for 31.4% of all existing Financial sector tenants, including Citibank, Standard Chartered Bank, Deutsche Bank and Hongrui Investment. From Q4 2018 to Q3 2019, the CBD recorded 18.7% of the total Financial Sector transaction volume by area. What's more, the East 2nd Ring Road submarket gathered

**Figure 7:**
**The TMT sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

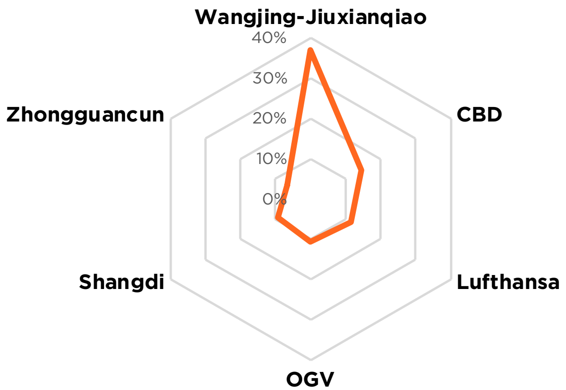



**Figure 8:**
**The Professional Services sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

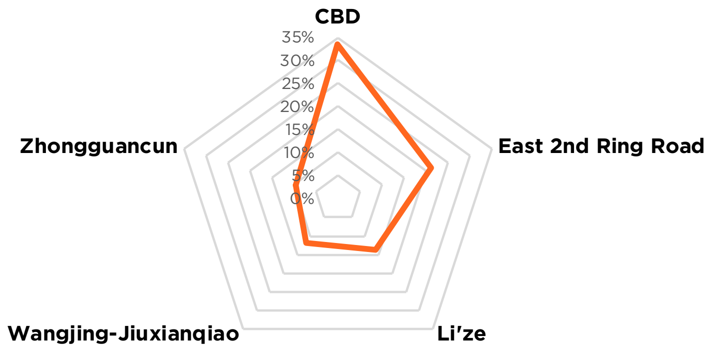
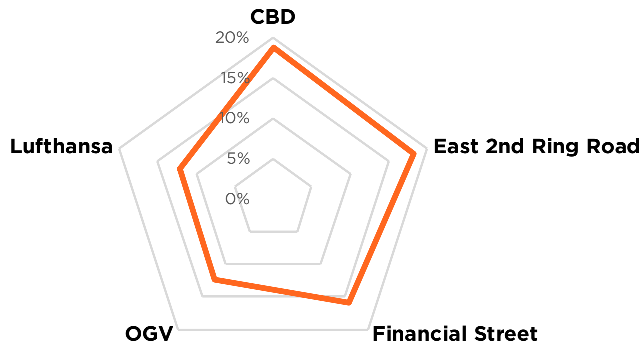



**Figure 9:**
**The Finance sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*




many large state-owned financial enterprises and insurance companies, such as China Life and the Bank of China. The area recorded 18.2% of the total transactions by area by financial companies in the past 12 months. Finally, Financial Street, which is home to many bank headquarters and a large number of foreign financial institutions, recorded 16.0% of the total Financial sector leasing transactions by area during the same time period. By Q3 2019, 64.2% of the tenants in Financial Street are financial enterprise tenants.

In addition, with the official relocation of the headquarters of the AIIB from Financial Street to OGV, OGV is expected to subsequently attract many financial enterprises. During Q4 2018 to Q3 2019, the transaction area in OGV accounted for 12.3% of the total transaction area by the Financial Sector (Figure 9).

## Outlook (for the year ahead)

In the future, the TMT, Professional Services and Finance sectors are likely to continue to lead demand in the Beijing Grade A office market. With the deepened opening-up of Beijing's service industry, in the next 3-5 years, the high-end service industry in Beijing will be further boosted while the demand for Grade A office space should be active. At the same time, the continued development of technology, finance, industrial Internet, 5G, artificial intelligence, culture and tourism will also bring more opportunities to the Grade A office market in Beijing. However, in the short term, with an excessive amount of new supply in the suburban areas and current economic uncertainty, we expect that the slowdown in office leasing activity will continue into the coming year.

# Top Office Supply and Demand Trends

# Shanghai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## SUPPLY

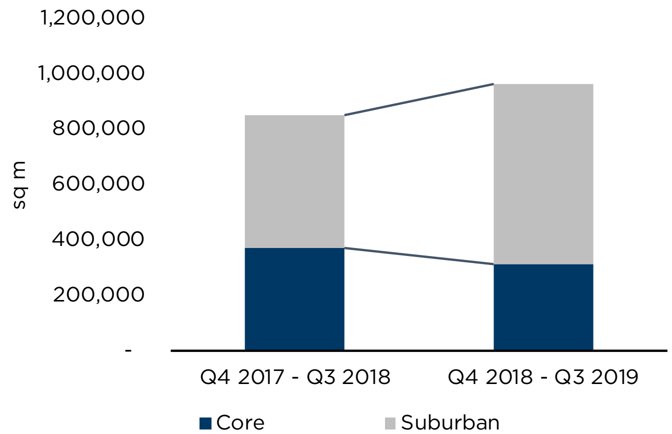
### The past year

From Q4 2018 to Q3 2019, Shanghai's Grade A office market welcomed a total of 0.96 million sq m of quality office space. Of this, approximately 0.31 million sq m landed in the city's core areas, while more than 0.65 million sq m of quality office space was added to the suburban areas (Figure 10).

Significant prime office buildings launched during the year included Qiantan Crystal Plaza, Yifang Tower, Raffles City The Bund (East Tower) and the JA International Centre. In terms of office GFA, the three largest completed office projects during the past year were Gubei SOHO, the Gate II and Raffles City The Bund (East Tower) (Table 5).

**Figure 10:**
**Shanghai Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



Of all the projects completed in the past year, six were in Pudong; three in the Lujiazui submarket and three in the Expo & Qiantan submarket. The rest of the completed projects are located throughout Puxi. Submarkets, such as Hongkou, Yangpu and Minhang all welcomed over 120,000 sq m of new Grade A office supply during the past year (Figure 11).

## Outlook (for the year ahead)

By 2022, Shanghai's Grade A office market is expected to receive 5.7 million sq m of new supply, which equates to 46% of the current Grade A office stock inventory. The core areas and suburban areas are expected to contribute 29.4% and 70.6% of the total future supply, respectively. As such, Shanghai's Grade A office stock is estimated to reach 17.87 million sq m at the end of 2022 (Figure 12).

Considering recent market dynamics, some construction delays are expected in the city's Grade A office market. Some sizable quality new office supply is expected to be located in Xuhui Binjiang (in the Fringe Xuhui submarket) and Qiantan (in the Expo & Qiantan submarket) and Huangpu Binjiang (in the Huangpu submarket). But the three largest projects that are expected to complete by 2022 are located in Huangpu, Yangpu and Core Xuhui (Table 6).

Being positioned as a culture and creative hub, Xuhui Binjiang hosts a range of development related to the TMT industry, such as the AI Tower and the Dream Centre. Meanwhile, Qiantan is being positioned as the next Lujiazui as it aims to be a new financial center in Shanghai. More than 788,000 sq m of office supply is expected to be completed in Qiantan in the next three years, with the emerging area expected to be a location of choice for many financial sector occupiers and occupiers in other related industries. Although the decentralization trend for Grade A office tenants is noticeable, some large projects that are due to complete soon in the core areas are continuing to attract tenant interest, such as Innovation Mix in Changning and One East in Huangpu (Figure 13).

**Table 5:**
**Shanghai Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Gubei SOHO | Changning | 106,400 | 2018 |
| 2 | The Gate II | Minhang | 96,673 | 2019 |
| 3 | Raffles City The Bund (East Tower) | Hongkou | 90,000 | 2019 |

*Source: Cushman & Wakefield Research*

**Figure 11:**
**Shanghai Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*


**Figure 12:**
**Shanghai Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*

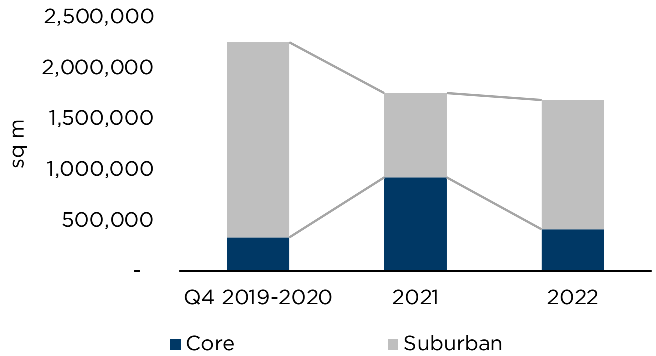


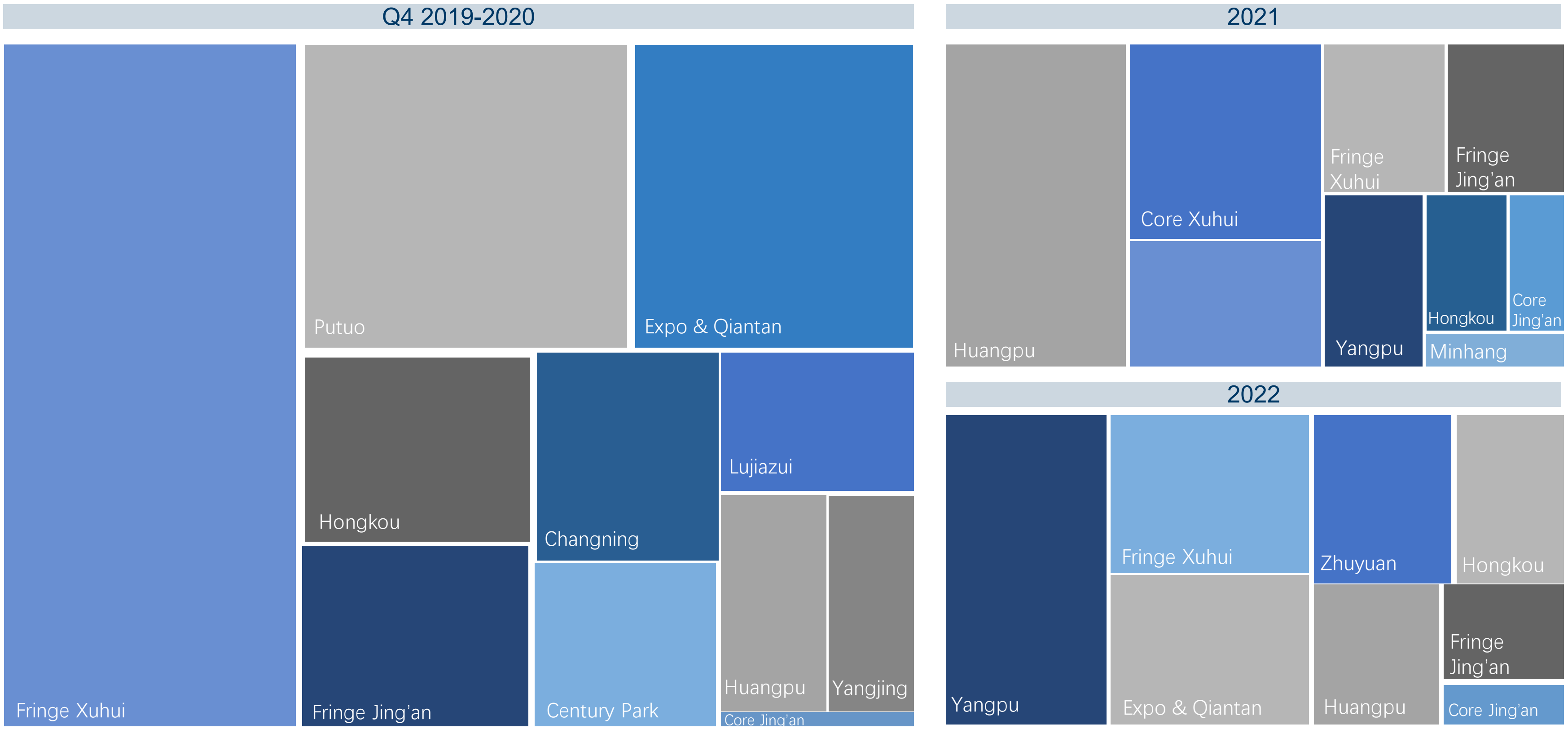
**Table 6:**
**Shanghai Grade A Office – Largest Projects to Complete (Q4 2019-2022)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Dong Financial City | Huangpu | 456,000 | 2021 |
| 2 | Portman Yangpu Riverside Project | Yangpu | 450,000 | 2022 |
| 3 | ITC Phase II T2-T3 | Core Xuhui | 320,975 | 2021 |

*Source: Cushman & Wakefield Research*

**Figure 13:**
**Shanghai Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*



# DEMAND

## The past year

Over the last 12 months, several market uncertainties, such as the slowing economy and the trade dispute between the U.S. and China, have caused overall leasing demand for Grade A office to cool in Shanghai. The city's Grade A office market recorded 339,938 sq m of net absorption during this period. The average size of space (per completed leasing transaction) was 2,200 sq m for the overall city, 1,900 sq m for the core area and 2,775 sq m for the suburban area.

Domestic enterprises continued to dominate the overall  prime office leasing market, contributing to approximately 67% of completed leasing deals by area. In contrast, MNC leasing strategy continued to remain conservative. Down by 6% on the year, demand from MNCs accounted for a 33% share of deals by area in Shanghai (Figure 14). With new setups and expansions only making up 34% of MNC leasing deals, over the past year, many multinationals simply renewed their leases and remained in the same building.

**Figure 14:**
**Shanghai Grade A office take-up by area – MNC/Domestic company breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

**67%** Domestic

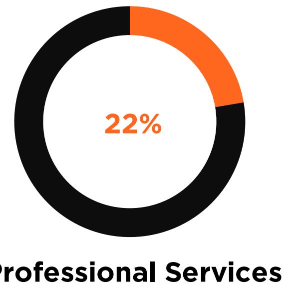
**33%** MNCs

In early 2018, co-working office centers enjoyed rapid expansion in Shanghai and this demand subsequently boosted leasing demand from the Professional Services sector. However, during the past year, several co-working office operators downsized their business expansion aspirations and subsequently this sub-sector was no longer the main contributor towards office leasing by the Professional Services sector. Having said this, the Professional Services sector, taking a 22% share of completed office leasing transactions by area, still had the biggest appetite for quality office space in Shanghai over the course of the past year. In this category, companies, such as law firms and educational institutions, contributed much to office absorption over the one-year period.

Other sectors that were key contributors to office take-up during the year were the TMT sector and the Finance sector, contributing approximately 20% and 15% of completed leasing deals in the overall market by area, respectively. In accordance with China's economic upgrading, (shifting from labor-intensive industries

**Figure 15:**
**Shanghai Grade A office share of take-up by area – Industry sector split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*



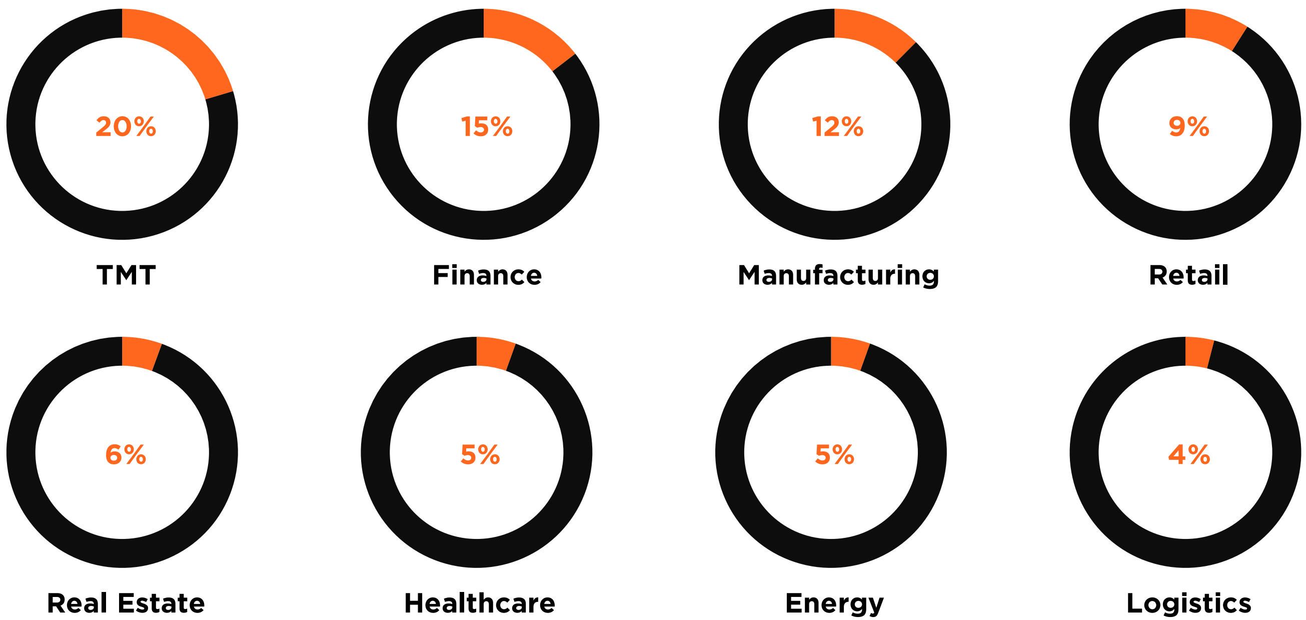



**Table 7:**
**Shanghai Grade A office – Five significant leasing deals by area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| The Springs | Yangpu | Nike | 17,000 | Expansion |
| Shanghai Tower | Lujiazui | JP Morgan | 10,000 | Relocation |
| Raffles City Changning | Changning | Amazon | 8,000 | Expansion |
| China Overseas International Centre | Huangpu | Under Armour | 7,000 | Relocation |
| Hongqiao Lih Pao Plaza | Minhang | Jinpeng Co-working | 3,200 | New Setup |

*Source: Cushman & Wakefield Research*

to innovation-led growth), in June 2019, China inaugurated its science and technology innovation board (STIB) on the Shanghai Stock Exchange. The launch of the board is likely to boost the business prospects of high-tech and emerging industries in Shanghai, such as AI, autonomous and new energy vehicles.

Finally, the Manufacturing, Retail, Real Estate, Healthcare, Energy, Logistics and other sectors made up approximately a 43% share of overall completed leasing deals by area in the city over the past one year (Figure 15 and Table 7).

For Professional Services, Huangpu was the most preferred location for firms classified under this sector type between Q4 2018 and Q3 2019. The abundant supply of quality office space in the suburban areas also attracted some Professional Services companies to relocate. Some law firms, consulting companies and co-working operators (both domestic and foreign) also favored Fringe Xuhui and Yangpu (Figure 16).

In terms of the TMT sector, in line with an industry map issued by the government in late 2018, which provides clearer investment guidance and development plans for various industry sectors in Shanghai, a 45% share of completed leasing deals by area occurred in Yangpu and Changning during the year, signifying the emergence of these two localities as new destinations for tech companies. What's more, with Zhuyuan and Fringe Jing'an being positioned as the financial data center for Lujiazui and a hub for Big Data and Media companies, respectively, these two markets housed about 22% of the leasing deals by area over the same time period (Figure 17).

Lastly, over the past year, Zhuyuan was the most preferred submarket for financial enterprises to occupy in Shanghai, recording 22% of completed leasing transaction deals by area registered. Furthermore, with a total of 28% share of leasing activity by area, Lujiazui and Huangpu combined were still popular with financial companies and this is also in line with government plans to further strengthen the financial economy in both sub-markets. Last but not least, Expo & Qiantan, with a 13% share of leasing deals by area, appealed to multinational and financial firms looking for an alternative to costlier core market locations (Figure 18).

**Figure 16:**

**The Professional Services sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

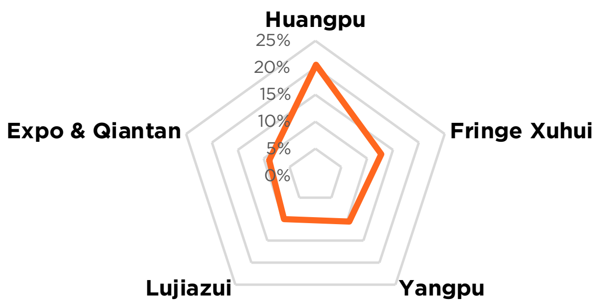



**Figure 17:**

**The TMT sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

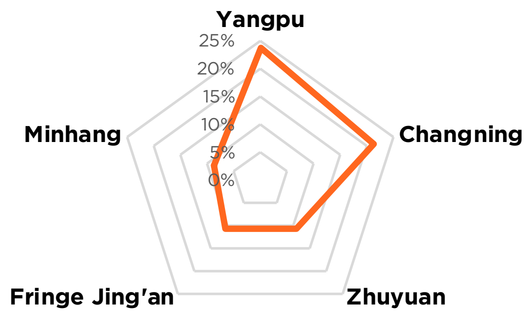
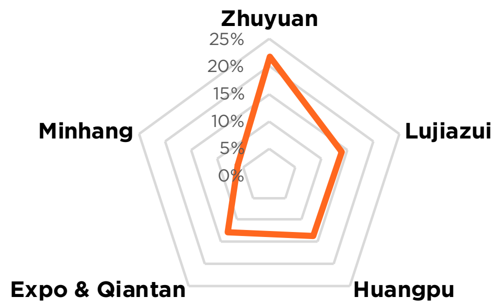



**Figure 18:**

**The Finance sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*




## Outlook (for the year ahead)

Ahead, as the country's economy is shifting from high-speed growth to slower but higher-quality growth, and the YRD regional integration plan having been elevated to the national strategic level, Shanghai will be, without doubt, a central market to push forward overall economic growth in China.

Short-term market uncertainty has certainly caused a weakening in demand for Grade A office space in the city over the past year, but when the long term is viewed, Shanghai will continue to be a key market for companies to do business from in China and this will buoy office absorption.

Lastly, excessive supply of Grade A offices in the city, especially in the suburban areas, is likely to cause further competition among landlords, which will continue to heighten vacancy and lower rentals. However, this situation will also be more appealing for tenants, with the wise ones, who are enjoying business expansion, likely to take up a greater amount of quality office space and to lock in attractive rental rates on longer-term leases.

# Top Office Supply and Demand Trends

# Shenzhen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## SUPPLY

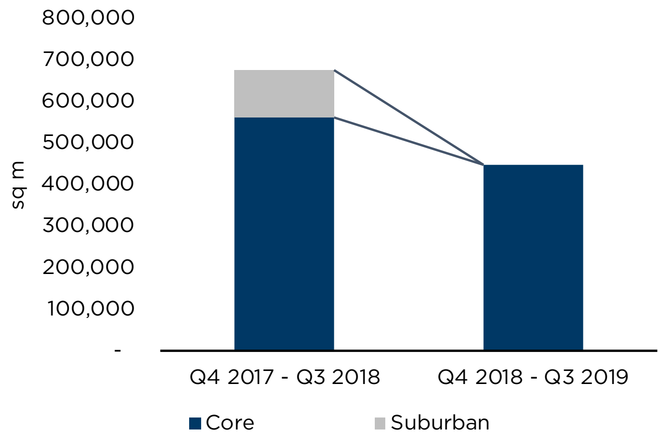
### The past year

Shenzhen recorded four deliveries of Grade A office buildings between Q4 2018 to Q3 2019. All four are located in the city's core area, totaling 447,000 sq m of new supply (Figure 19). Among these projects, China Resources Tower, Qianhai One Excellence Phrase II T3 and China Resources Land Tower C were the top three buildings in terms of GFA (Table 8).

Grade A office buildings delivered during the past year were all in Nanshan district; two in the Hi-tech submarket, one in the Houhai submarket and one other in the Qianhai submarket (Figure 20).

**Figure 19:**
**Shenzhen Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



## Outlook (for the year ahead)

Shenzhen is set to receive approximately 6.89 million sq m of new Grade A supply by 2022, which is 30% more than the current Grade A office stock volume. In terms of GFA, 97.8% will be contributed by the core submarkets while 2.2% will settle in the emerging submarkets (Figure 21). By the end of 2022, Shenzhen's total stock is expected to reach 12.19 million sq m.

Some construction delays are expected in the Grade A office market due to the large volume of new supply and also some construction limitations among some headquarter projects. The top three largest buildings to be completed by 2022 will be located in the Qianhai, Shekou and Chegongmiao submarkets, respectively (Table 9).

Ahead, supported by four important industries, including the headquarters economy, innovative finance, technology and modern logistics, Qianhai's commercial importance is forecast to rise. With headquarter buildings being constructed by enterprises, Qianhai is expected to add approximately 3 million sq m of new Grade A office supply by 2022. Together with the Bao'an Centre, Shekou and Houhai submarkets, Qianhai is also expected to become a new center for the city as the market grows geographically.

Meanwhile, in Futian, some tenants from the Finance sector have downsized or vacated space amid regulatory action, increasing the overall vacancy. In addition, the Grade A office new supply is also blossoming in Nanshan district, which has attracted solid Grade A office leasing demand and has helped spread the quality office product offering further west in Shenzhen. Nonetheless the well-developed amenities and business environment to be found in Futian CBD continues to remain attractive to financial companies. By 2022, Futian CBD is set to receive more than 0.5 million sq m of new office supply. Grade A projects, such as Dabaihui Plaza and SZMG Financial Centre, are expected to attract quality tenants (Figure 22).

**Table 8:**
**Shenzhen Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | China Resources Tower | Houhai | 220,000 | 2018 |
| 2 | Qianhai One Excellence Phrase II T3 | Qianhai | 87,450 | 2019 |
| 3 | China Resources Land Tower C | Hi-tech Park | 81,500 | 2019 |

*Source: Cushman & Wakefield Research*

**Figure 20:**
**Shenzhen Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

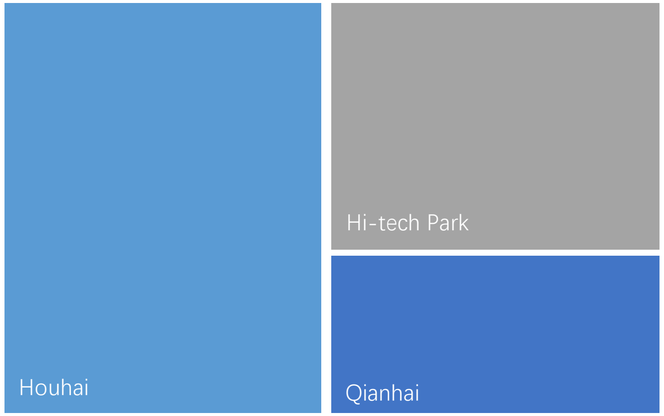



**Figure 21:**
**Shenzhen Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*

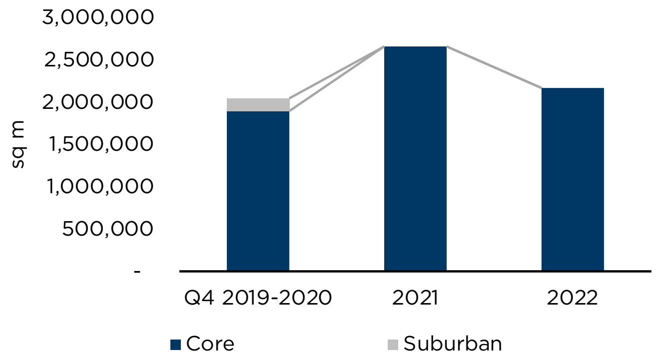


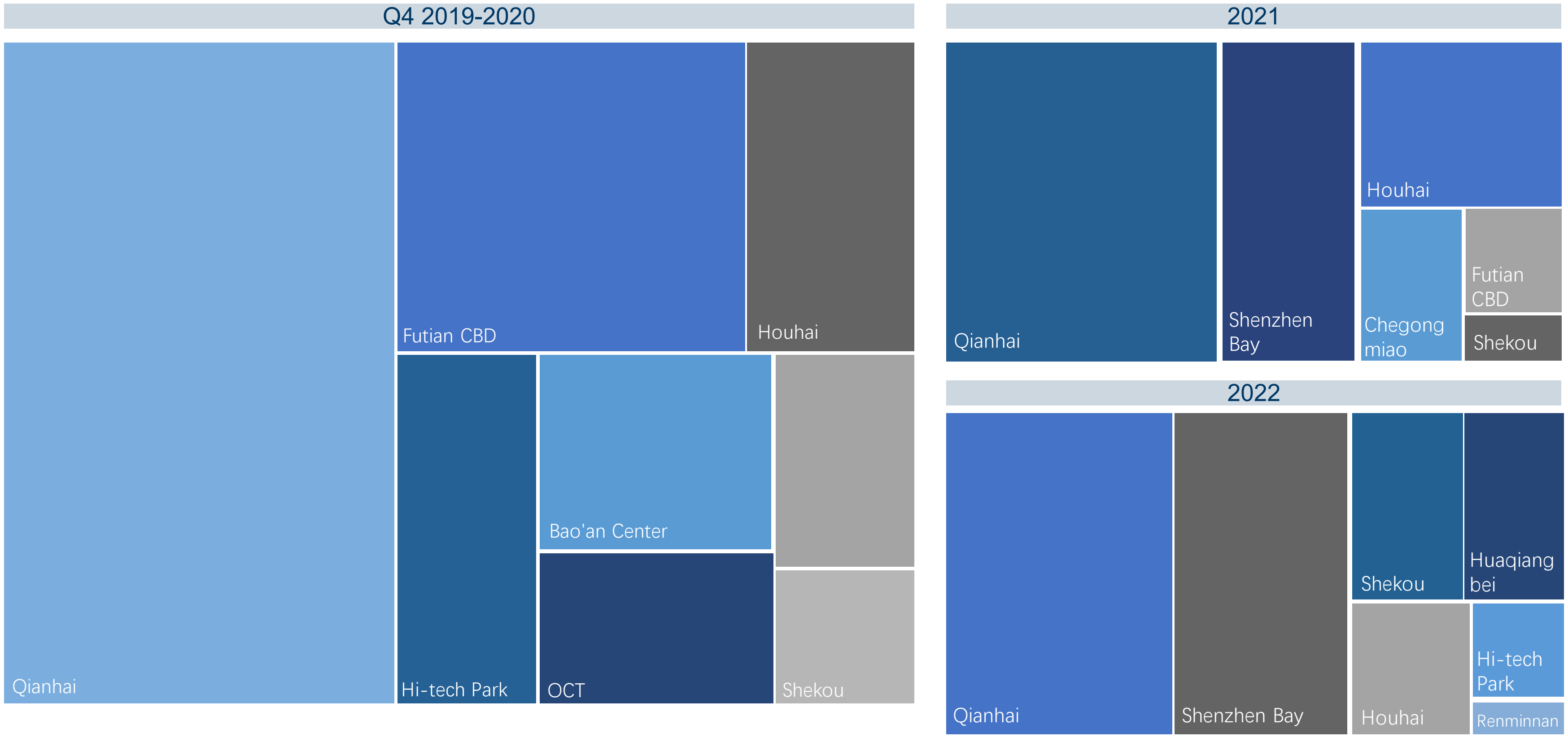
**Table 9:**
**Shenzhen Grade A Office – Largest Projects to Complete (Q4 2019-2022)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | China Resources Qianhai Centre | Qianhai | 339,450 | 2020 |
| 2 | Prince Bay, China Merchants | Shekou | 240,000 | 2022 |
| 3 | Future City, Centralcon Group | Chegongmiao | 214,000 | 2021 |

*Source: Cushman & Wakefield Research*

**Figure 22:**
**Shenzhen Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*



# DEMAND

## The past year

The economic slowdown had a negative impact on the office take-up over the last 12 months. Reflecting this, Shenzhen total net absorption amounted to 170,458 sq m, down 69% y-o-y. Traditional tenants, such as financial companies and TMT companies, softened their leasing demand due to tightened financial regulations and international trade friction.

Domestic companies were the key source of Grade A office take-up over the past year with leasing space accounting for nearly 80% of the completed deals by area. Meanwhile, MNCs, remaining conservative in terms of expansion or new set ups, accounted for 20% of deals by area during the year (Figure 23).

By industry, being one of the four pillar industries in Shenzhen and a significant force regarding Grade A office occupation, the Finance sector contributed a 35% share of completed office leasing transactions by area between Q4 2018 and Q3 2019. However, under the influence of financial de-leveraging and tightened financial regulation, some financial companies remained conservative regarding their leasing strategy. Most completed deals by financial companies were derived from relocation demand. On the other hand, two initiatives published in 2019 – the outline development plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), together with the ‘Building Shenzhen into A Pilot Demonstration Area of Socialism with Chinese Characteristics’ plan brought confidence to office investors on the business prospects for the Shenzhen office market. This has further spurred some financial companies to now actively look for prime office property in the city’s core submarkets.

The other two sectors which were active regarding prime office leasing during the past year-long period were TMT and Professional Services, comprising a 20% share of all completed deals by area, respectively. Law firms and various consultancy companies were

**Figure 23:**
**Shenzhen Grade A office take-up by area – MNC/Domestic company breakdown (Q4 2018-Q3 2019)**

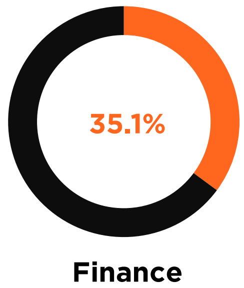
*Source: Cushman & Wakefield Research*

**80%** Domestic

**20%** MNCs

**Figure 24:**
**Shenzhen Grade A office share of take-up by area – Industry sector split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*



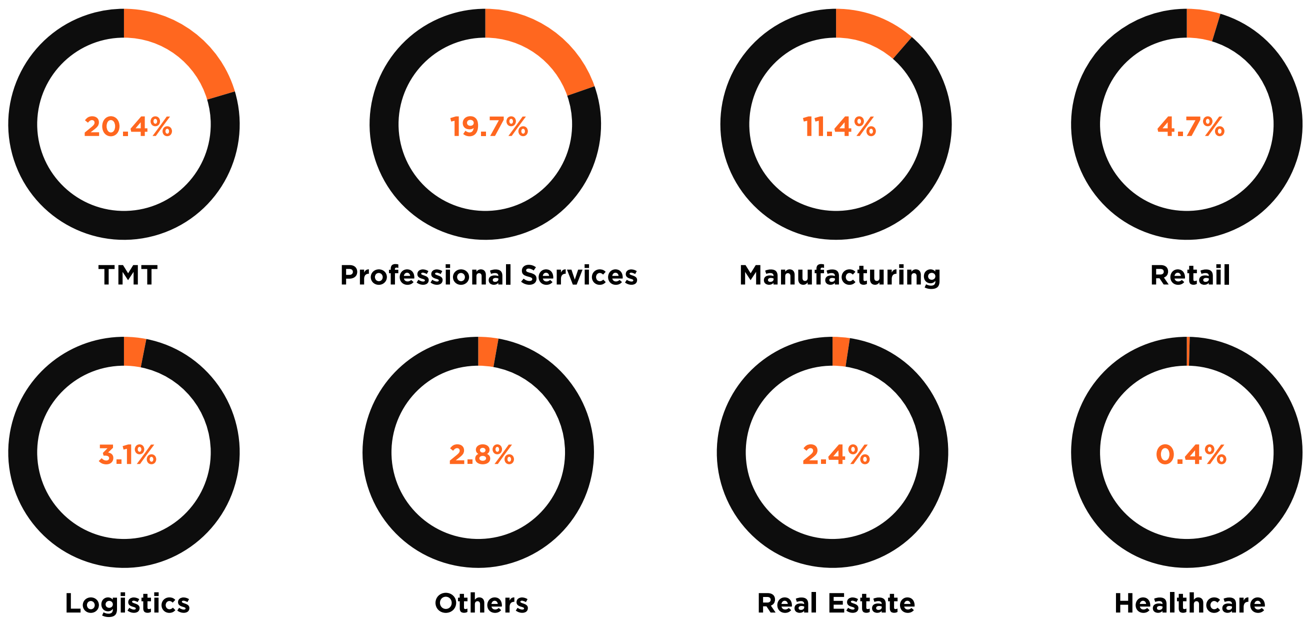



**Table 10:**
**Shenzhen Grade A office – Five significant leasing deals by area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| Qianhai One Excellence Phrase II | Qianhai | JD.com | 13,000 | Relocation |
| China Resources Land Tower B | Hi-tech Park | Amazon | 10,000 | Relocation |
| Huanggang Business Centre | Futian CBD | China Construction Bank | 4,000 | New Lease |
| Ping'An Financial Tower | Futian CBD | Yingke Law Firm | 3,200 | Relocation |
| Kerry Plaza | Futian CBD | Cushman & Wakefield | 1,200 | Relocation |

*Source: Cushman & Wakefield Research*

the main contributors in the Professional Services sector. While venture capital has become more cautious, some growing TMT companies relocated to R&D buildings, which offer more competitive rental rates than core Grade A offices. As a result, their share in leased deals decreased. Overall, amid the economic downturn, more companies either downsized or relocated in order to save cost, and this cost-saving leasing strategy is expected to last into the early part of next year.

Finally, Manufacturing, Retail, Real Estate, Healthcare, Logistics and other sectors all totaled to form a 25% share of leasing deals over the past one-year period (Figure 24 and Table 10).

Futian CBD was the most preferred submarket for the Professional Services sector with a 49% share of completed deals by area between Q4 2018 and Q3 2019. Meanwhile, benefiting from its neighboring location to Futian CBD and the more affordable rentals to be had, Chegongmiao took on some leasing demand from Professional Services tenants moving out of Futian CBD. Additionally, the Hi-tech Park submarket has been previously dominated by R&D buildings, but the area has had three China Resources Land Grade A office projects complete over last two years and this has changed the leasing dynamics in this area. As a result, the brand reputation and strong connections of China Resources has prompted many well-known law firms and consultant companies to settle in Hi-tech Park (Figure 25).

Qianhai witnessed a Grade A office supply peak in 2019. While the authorities in Qianhai offered incentives to welcome Qianhai-registered companies to remain in Qianhai, the market witnessed some large-scale leasing deals, especially from the TMT sector. Qianhan recorded a 38% share of total TMT leased area during the past year. Meanwhile, relying on its strong creative and innovative business environment, Shenzhen Hi-tech Park gathered a significant number of well-known domestic TMT enterprises that mainly focus on technology development. The cluster effect attracted more TMT companies to settle here. R&D premises have been the main office type leased in the area in the past due to the lack of Grade A office space. However, the recent Grade A office project completions in the area stimulated demand for prime office space from companies, such as Amazon and Hongxiu Technology. Over the last 12 months, Hi-tech Park recorded a 33% share of total TMT leased area. Additionally, another popular choice for TMT companies during the past year was Bao'an Centre, which took on some relocations moving out of Hi-tech Park and accounted for a 13% share of completed TMT sector deals for the year (Figure 26).

Futian CBD, where the Shenzhen Stock Exchange is, remained the most preferred submarket for the Finance sector. It contributed approximately 50% of completed deals by area for the last year. In the past year, this submarket saw an increase in average rent as the area matured with better infrastructure, more amenities and a boosted business environment. On the other hand, affected by the economic downturn, some financial companies had to downsize their offices, which led to a rise in the overall vacancy rate of the Futian CBD submarket. Meanwhile, some investment companies and asset management companies looked for rentable office space in the Houhai or Hi-tech Park submarkets as they saw these submarkets as offering competitive rentals while also further developing their respective business environments (Figure 27).

**Figure 25:**
**The Professional Services sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

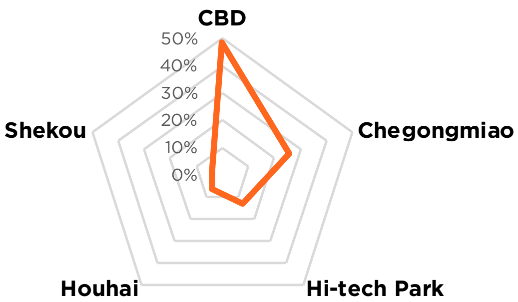



**Figure 26:**
**The TMT sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

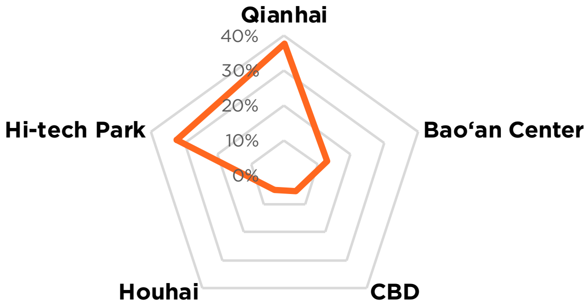
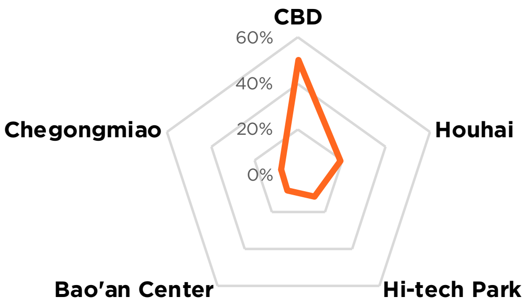



**Figure 27:**
**The Finance sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*




## Outlook (for the year ahead)

The outline development plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) has specified the future development direction for the GBA. The 'Building Shenzhen into A Pilot Demonstration Area of Socialism with Chinese Characteristics' plan has also reaffirmed Shenzhen's place at the vanguard of the GBA's development. Under these initiatives, Shenzhen is expected to become an important metropolis with an even greater international influence in the future. Additionally, as a key area in the Special Economic Zone, Qianhai is attracting high-end industries with its location advantage and beneficial policies. With an increasing number of MNCs and headquarter companies registered there, Qianhai is expected to become the emerging new center for Shenzhen.

By 2022, more than 6 million sq m of Grade A office supply is set to complete in Shenzhen. Of this total, 80% of space will be located in Nanshan District, which includes Qianhai, Houhai and Shenzhen Bay Headquarter Base. This sheer volume of new office buildings is expected to exert greater pressure on the market. However, the amenities and transportation links around Nanshan will also be developed over the next few years. As a result, Shenzhen Bay Headquarter Base and Qianhai, with their tax privileges, are expected to be more enticing locations for occupiers in the future.

Finally, amid the global and domestic economic downturn, demand for Grade A office has softened. Subsequently, average rental for the city is forecasted to dip, which will benefit those occupiers who are looking for quality space at a lower rental.

# Top Office Supply and Demand Trends

# Guangzhou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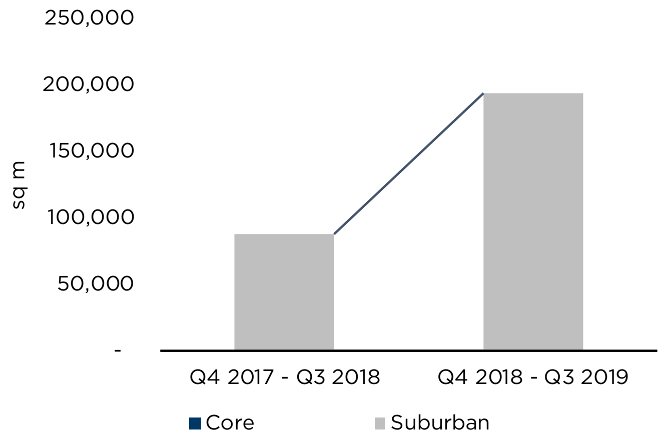
## SUPPLY

### The past year

Guangzhou Grade A office's new supply volume has declined significantly since Q4 2017. Although the citywide new supply volume from Q4 2018 to Q3 2019 reached 193,000 sq m – double the amount when compared with the Q4 2017 to Q3 2018 period, it was only 51.2% of the 5-year rolling average yearly office supply. This makes Guangzhou the city with the lowest new supply volume among the tier-1 cities in mainland China. Moreover, all newly completed projects in the past two years are located in the suburban submarket – Pazhou. By Q3 2019, the supply has driven this sub-market's stock up 54.4% when compared to Q3 2017 (Figure 28).

**Figure 28:**
**Guangzhou Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



Over the past year, the two completed projects were Poly Skyline Plaza and Guangzhou Media Centre. Notably, Poly Skyline Plaza is now the tallest landmark in Pazhou with the largest office GFA as well. Meanwhile, Guangzhou Media Centre is the first headquarter building to be launched in Pazhou West (also known as the Internet Innovation Hub). These Grade A office buildings have improved the business environment in Pazhou significantly (Table 11 and Figure 29).

**Table 11:**
**Guangzhou Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Poly Skyline Plaza | Pazhou | 129,600 | 2018 |
| 2 | Guangzhou Media Centre | Pazhou | 63,800 | 2018 |

*Source: Cushman & Wakefield Research*

## Outlook (for the year ahead)

By the end of 2022, Guangzhou's Grade A office market is expected to receive 2.63 million sq m of new supply, pushing up the citywide stock to 7.5 million sq m (Figure 30). At 77.6% of total city volume until year-end 2022, new Grade A office projects in the emerging suburban areas will be the main contributor to future supply. This large volume of new supply is likely to put some pressure on the overall market over the next couple of years (Figure 31 and Table 12).

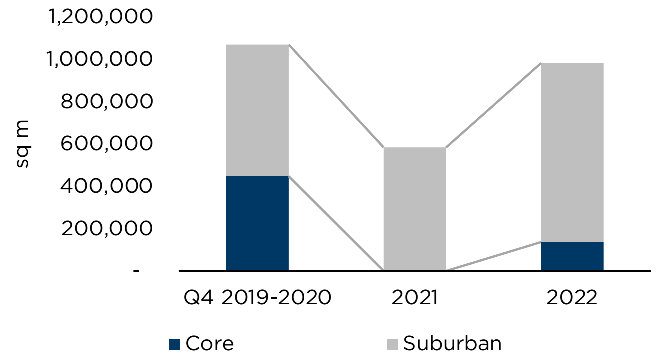
Continuing to look ahead, most quality new office supply is set to be launched in Pazhou, driving the submarket's stock to 1.66 million sq m at the end of 2022. Therefore, Pazhou will surpass Sports Centre to become the second largest submarket in terms of Grade A office stock. With the delivery of several Internet-company-related headquarter buildings in the coming three years, such as Alibaba, Tencent, Xiaomi and Vipshop, Pazhou's positioning as an experimental zone for artificial intelligence and the digital economy in the GBA should be further enhanced.

**Figure 29:**
**Guangzhou Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*


**Figure 30:**
**Guangzhou Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*




Established over a decade ago, the well-developed Zhujiang New Town submarket is also expecting some new supply in the coming years. There will be four Grade A office projects scheduled to be completed by 2022, accounting for 15.1% of overall future Grade A office supply in Guangzhou. Meanwhile, Financial Town will welcome several financial institutions' headquarters buildings, including Ping'An Financial Tower, Guangzhou Financial Holding Headquarter and Guangzhou International Financial Trading Plaza.

## Table 12:
### Guangzhou Grade A Office – Largest Projects to Complete (Q4 2019-2022)

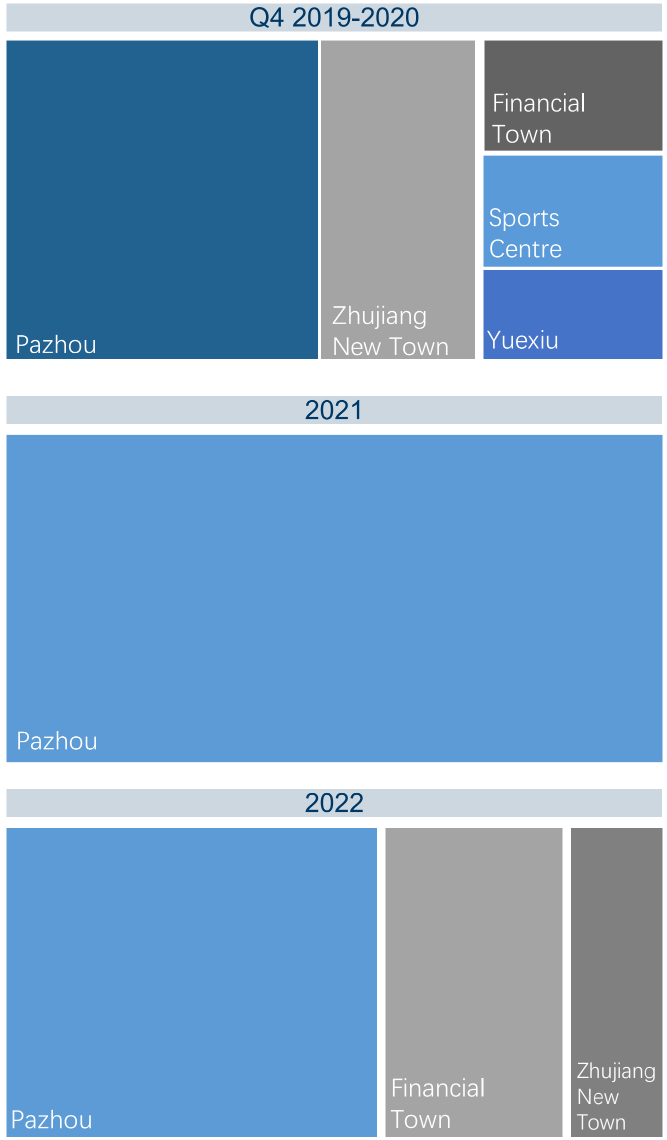
| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Guangzhou Business Center | Pazhou | 157,600 | 2022 |
| 2 | Yuehai Sancheng II | Zhujiang New Town | 138,900 | 2022 |
| 3 | Changjiang Center | Financial Town | 130,000 | 2021 |

*Source: Cushman & Wakefield Research*

Under the guidance of GBA planning, the integrated transportation system in Guangzhou is now conducive to the development of emerging submarkets and the development of a multi-center city. The Pazhou integrated transportation hub is planned to have connections with two inter-city railways and three new metro lines, while the Financial Town integrated transportation hub, which is under construction and scheduled to be completed in 2022, will be connected with one inter-city railway and one metro line.

## Figure 31:
### Guangzhou Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)

*Source: Cushman & Wakefield Research*



## DEMAND

### The past year

Amid ongoing market uncertainties, leasing demand for Grade A office space continued to drop. Tenants remained cautious in their expansion and relocation plans, while some small and medium-sized enterprises (SMEs) simply terminated their tenancy. As a result of this, from Q4 2018 to Q3 2019, the overall net absorption amounted to 204,768 sq m, down 23.4% on the year.

Domestic enterprises remained the main driver for the city's quality office demand, recording 86.8% of completed leasing transaction deals by area in the past year. MNCs accounted for 13.2%, up 1.1 percentage points on the year. Notably, some MNCs leased co-working office space to save costs and provide their employees with a flexible working area. For example, HSBC leased 1,600 shared workstations in WeWork's center in the Riverside Business Complex Centre. Another significant transaction was Unilever's leasing of 240 shared workstations in Cohesion's center in International Commerce Place (Figure 32).

**Figure 32:**
**Guangzhou Grade A Office Take-up by Area – MNC/Domestic Company Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

**87%** Domestic

**13%** MNCs

Over the past 12 months, TMT enterprises dominated completed leasing deal volume, taking a 31.2% share of completed office transactions by area in Guangzhou. As the TMT industry continued its strong momentum, leasing demand related to office upgrading and relocation led the way, resulting in several significant leasing deals. The average leased space for TMT enterprises reached 2,761 sq m for each deal, more than that for Professional Service sector firms (which averaged 1,735 sq m) and Finance sector companies (which averaged 1,587 sq m).

Following the TMT sector, in the past 12 months, 23.4% of the leasing transactions by area stemmed from the Professional Services sector. Co-working operators and business centers continued to take up Grade A office premises, accounting for 43.1% of total transactions within the Professional Services sector. WeWork continued to explore the Guangzhou market and set up four new locations in the past 12 months, while Funwork settled in Top Plaza to open its first shared office space in Guangzhou. In addition, law firms were also active with several expansion and relocation deals recorded.

**Figure 33:**
**Guangzhou Grade A Office Share of Take-up by Area – Industry Sector Split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

**Table 13:**
**Guangzhou Grade A Office – Five Significant Leasing Deals by Area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| Poly Skyline Plaza | Pazhou | Jinri Toutiao | 16,000 | Relocation |
| Poly Midtown Plaza | Pazhou | Perfect Diary | 13,000 | Relocation |
| Poly Midtown Plaza | Pazhou | Buycoor | 10,000 | Relocation |
| Poly Centre | Zhujiang New Town | Ding Tai Heng | 6,000 | Expansion |
| Asia Financial Centre | Yuexiu | Ping'An Life Insurance | 5,400 | Relocation |

*Source: Cushman & Wakefield Research*

Despite some tightening policies on the financial industry, financial firms remained active, accounting for 18.0% of all deals by area over the past 12 months in the city, up 7.5 percentage points when compared with Q4 2017 to Q3 2018. As the political and cultural center of South China, Guangzhou attracted several financial institutions during the past year to set up regional headquarters or branches, including the New OTC Guangzhou headquarters, the Shanghai Stock Exchange South Centre and the Shenzhen Stock Exchange Guangzhou headquarters. Meanwhile, several favorable policies released by the municipal and district governments also played an important role in attracting financial institutions (Figure 33 and Table 13).

As a key component of the Guangzhou-Shenzhen Science and Technology Innovation Corridor, Pazhou has attracted several internet giants. This submarket recorded an 81.2% share of completed leasing deals by area by TMT companies in the past 12 months in Guangzhou. One notable occupier transaction was Jinri Toutiao, which took up 16,000 sq m in Poly Skyline Plaza. During the same period, transactions in Zhujiang New Town accounted for 16.4% of total TMT industry transactions by area, ranking it the second most favored destination for this type of occupier in Guangzhou over the past year (Figure 34).

As for the Professional Services sector, Zhujiang New Town and Pazhou were the most popular submarkets in Guangzhou, accounting for 49.4% and 40.7% of the total leasing activity by area, respectively. Professional Services companies which settled in Zhujiang New Town are more diversified and include co-working centers, law firms, advertising consultancies, human resource services and general consulting firms. Professional Services sector corporates that relocated or expanded preferred to settle in Pazhou, owing to the new quality office buildings and sufficient leasable space to be found in this area. For example, South China Market Human Resources leased 9,000 sq m in Guangzhou Media Centre. Elsewhere, Sports Centre and Yuexiu made up a 6.4% and 3.5% share of completed Professional Services sector deals by area in the city, respectively (Figure 35).

Powered by its highly concentrated resources, prime location and convenient amenities, Zhujiang New Town remained the most favorable location for financial institutions, recording a 42.9% share of completed deals by area in the past year in Guangzhou. Meanwhile, benefiting from ongoing infrastructure improvements, Pazhou was the second most preferred location for financial institutions, accounting for 28.5% of the completed Finance sector deals by area in the city. Yuexiu and Sports Centre also witnessed significant Finance sector leasing deals, enjoying a 15.5% and 13.1% share of office space take-up by area, respectively for the year (Figure 36).

**Figure 34:**
**The TMT sector – Location Preference by Leasing Transaction Area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

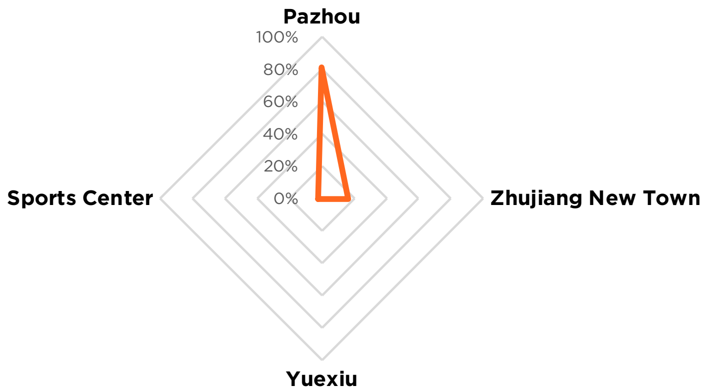



**Figure 35:**
**The Professional Services Sector – Location Preference by Leasing Transaction Area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

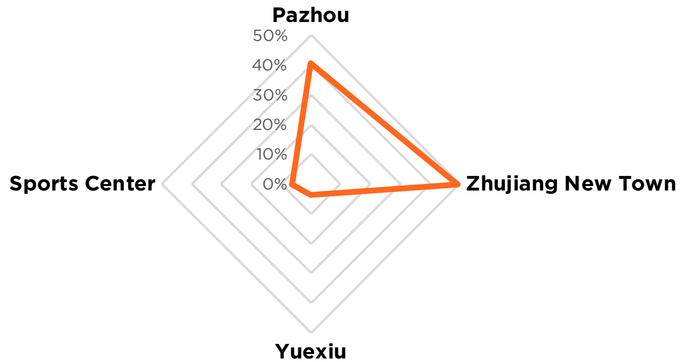
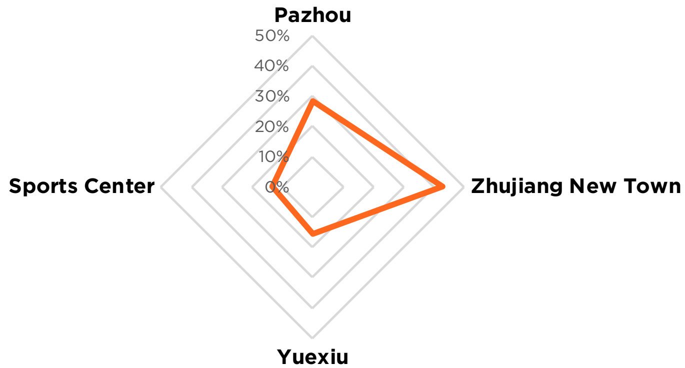



**Figure 36:**
**The Finance Sector – Location Preference by Leasing Transaction Area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*



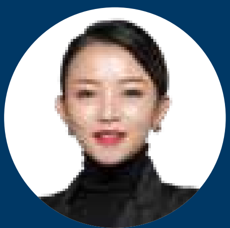

## Outlook (for the year ahead)

Amid the economic downturn, the municipal government launched a series of business incentives, offering subsidies for specific industries which aimed to lower operational costs and boost economic growth. At the same time, many landlords adjusted their rentals and offered incentives to attract tenants. Thus, blue chip tenants have enjoyed greater bargaining power this past year when compared to the previous year.

In the long term, leasing demand for Guangzhou's Grade A office space is expected to remain stable, given further economic opening up. In November, mainland China and Hong Kong signed the 'Agreement Concerning the Amendment to the CEPA Agreement on Trade in Services', lowering the threshold for entering the Professional Services and Financial sectors in the mainland for Hong Kong enterprises. Office space demand from these sectors is likely to be stimulated, subsequently benefiting the Guangzhou Grade A office market thanks to the city's key position in the GBA. Additionally, Guangzhou's total number of high-tech companies reached approximately 11,000 at the end of 2018, ranking third in mainland China. Along with the accelerating development of technology and innovation, we expect to see increasing demand for quality expansion or relocation office space in Guangzhou from these two subsectors.

# Top Office Supply and Demand Trends

# Chengdu

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## SUPPLY

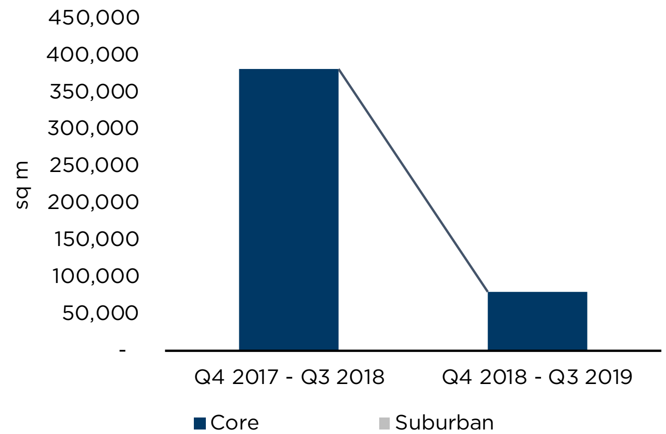
### The past year

The recent market uncertainties have caused many project construction delays. As a result, the Chengdu Grade A office market welcomed a total of 80,000 sq m of quality office space from Q4 2018 to Q3 2019, a 79% decrease y-o-y (Figure 37 and Table 14).

Of the projects completed in the past year, China Overseas International Centre D opened in Financial City and CLR Real Estate Plaza launched in Tianfu New District Business Centre. CLR Real Estate Plaza was the first Grade A office to complete and be handed over in Tianfu New District Business Centre, making up for a lack of prime office space in this area (Figure 38).

**Figure 37:**
**Chengdu Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



## Outlook (for the year ahead)

By 2022, Chengdu's Grade A office market is expected to receive 1.6 million sq m of new supply, which equates to 67.8% of the current Grade A office stock inventory. As such, Chengdu's Grade A office stock is estimated to reach 3.97 million sq m at the end of 2022 (Figure 39).

Under the economic uncertainty, some new supply is expected to be delayed, with the GFA of some new projects being relatively smaller when compared to some existing projects. The projects that are expected to complete in 2020 are likely to have less impact on the overall Grade A office market in terms of rental and the vacancy rate. However, due to project delays, a large amount of new supply is now postponed to 2021-2022, which will put pressure on the market during that period (Table 15).

As Chengdu is extending eastwards, the city's Grade A office market is growing in those easterly submarkets as well, such as Panchenggang and East of City. The delivery of WE City, and ICC will further enhance the business environment in this region. Moreover, over 50% of the future supply will be completed in the southern part of the city as well, including Financial City, Dayuan, and Tianfu New District Business Centre (Figure 40).

**Table 14:**
**Chengdu Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | China Overseas International Centre D | Financial City | 50,000 | 2019 |
| 2 | CLR Real Estate Plaza | Tianfu New District Business Center | 30,000 | 2019 |

*Source: Cushman & Wakefield Research*

**Figure 38:**
**Chengdu Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

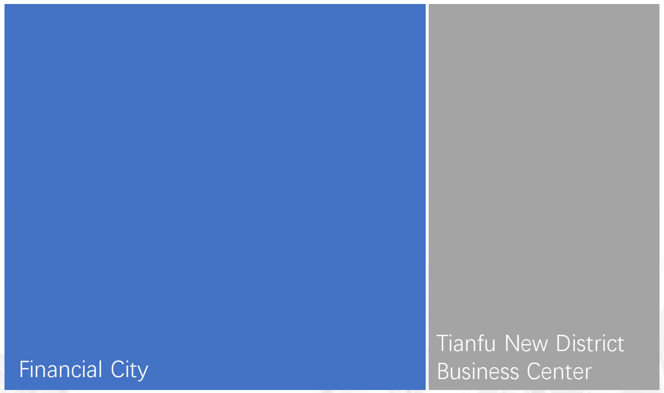



**Figure 39:**
**Chengdu Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*

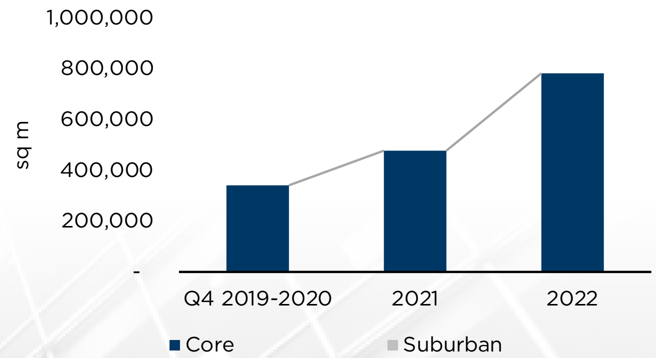


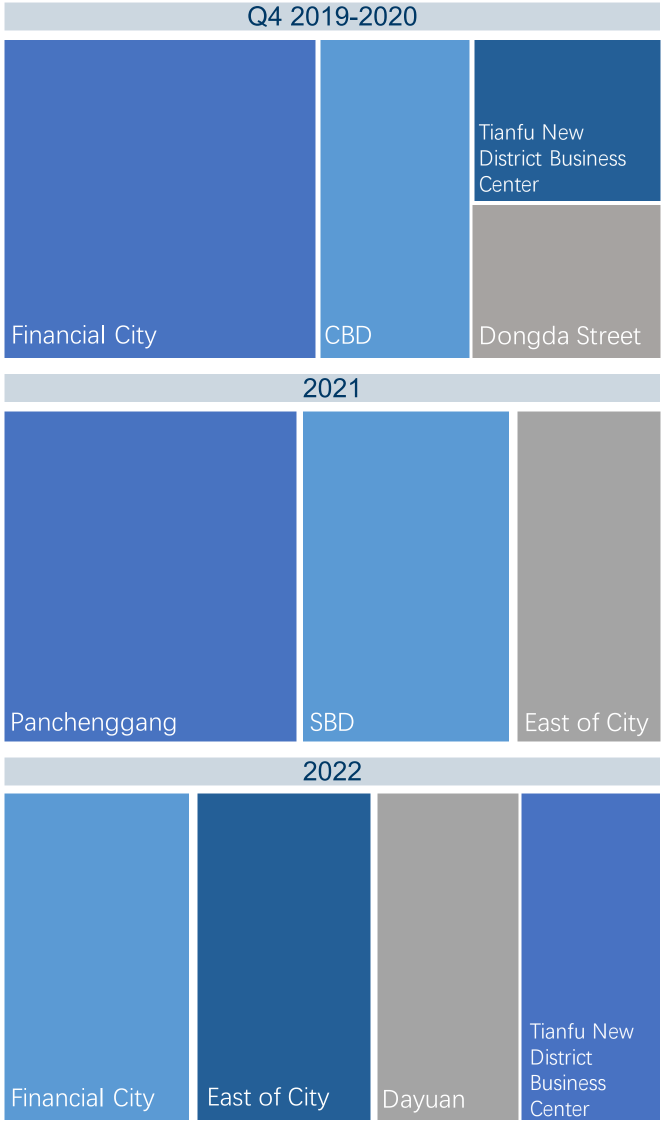
**Table 15:**
**Chengdu Grade A Office – Largest Projects to Complete (Q4 2019-2022)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Tianfuhui Centre | SBD | 111,000 | 2021 |
| 2 | WE City | Panchenggang | 128,000 | 2021 |
| 3 | Poly International Plaza | Dayuan | 172,900 | 2022 |

*Source: Cushman & Wakefield Research*

**Figure 40:**
**Chengdu Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*



## DEMAND

### The past year

Several market uncertainties, such as the slowing economy, the trade dispute, and market consolidation within the co-working sector, have caused overall leasing demand for Grade A office to cool in Chengdu. The city's Grade A office market recorded 297,490 sq m of net absorption during this period.

Domestic enterprises continued to dominate the prime office leasing market, contributing to approximately 90% of completed leasing deals by area. In contrast, demand from MNCs only accounted for a 10% share of deals by area in Chengdu during the past year (Figure 41).

Favorable policies to support technology-related start-up companies issued by the local government promoted the sustained growth of the TMT industry. In the past year, demand from the TMT sector accounted for 34% of the completed leasing deals by area.

Other sectors that were important contributors to office take-up during the year were the Professional Services sector and the Finance sector, contributing approximately 24% and 23% of completed leasing deals by area, respectively. In early 2018, co-working office centers enjoyed rapid expansion in Chengdu. However, during the past year, several co-working office operators downsized their business expansion aspirations. For example, a foreign operator has put an indefinite pause on their fit-out of a newly rented co-working hub in Plaza Central. Having said this, the Professional Services sector, took a 24% share of completed office leasing transactions by area during the year. For many years, the Financial sector has been a key contributor to office take-up in the Chengdu Grade A office market. Last year, some small and medi-

**Figure 42:**
**Chengdu Grade A office share of take-up by area – Industry sector split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

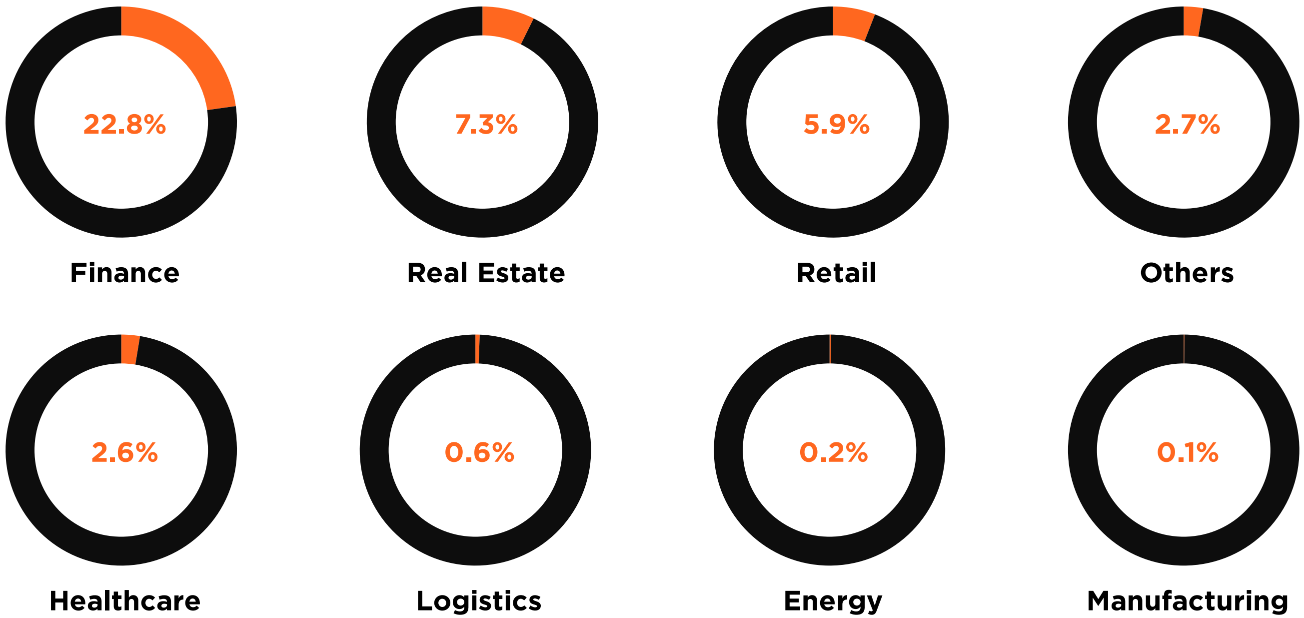




**Figure 41:**
**Chengdu Grade A office take-up by area – MNC/Domestic company breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

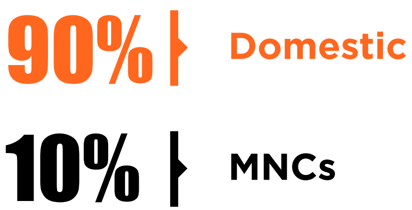


**Table 16:**
**Chengdu Grade A office – Five significant leasing deals by area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| Sichuan Airlines Centre | CBD | Ping' An Financial Services | 16,000 | New Setup |
| Palm Springs | Dayuan | SCLA | 10,000 | New Setup |
| Plaza Central | CBD | WeWork | 7,000 | New Setup |
| Ping An Finance Centre | Dongda Street | Virtuos | 6,000 | New Setup |
| China Overseas International Centre | Financial City | China Merchants Real Estate Co., Ltd | 3,000 | Relocation |

*Source: Cushman & Wakefield Research*

um-sized financial enterprises had to downsize or even shut down under tightening regulation conditions, such as a clampdown on P2P companies. In contrast, the risk mitigation capacity of larger financial enterprises is stronger and stood through the turmoil, which helped the Financial sector to contribute to 23% of leasing deals by area for the whole year.

In addition, the Real Estate sector was also active in the past year, accounting for 7% of leasing deals by area. Finally, Manufacturing, Retail, Healthcare, Energy, Logistics and other sectors made up approximately a 12% share of completed leasing deals by area in the city over the past one year (Figure 42 and Table 16).

For Professional Services sector firms, especially co-working and consulting companies, Dongda Street was the most preferred location between Q4 2018 and Q3 2019, accounting for 41% completed leasing deals by area. Financial City also attracted some professional services companies as the area developed, and it expects the proportion of occupiers from this sector to increase in the future (Figure 43).

During the last year, Dongda Street and Financial City were also the preferred locations for TMT corporations. Of the two, its well-developed business environment and convenient transportation system allowed Dongda Street to grab 33% of all take-up by area by TMT companies in Chengdu. However, located in the Chengdu Hi-tech Industrial Development Zone (CDHT), which offers favorable tax reductions and policies to tech start-ups, Financial City recorded 34% of all completed TMT leasing deals by area in the city last year (Figure 44).

Finally, over the past year, the CBD was the most preferred market for financial enterprises in Chengdu. Benefiting from its mature business environment and its convenient transportation facilities, the CBD recorded some significant leasing deals, which resulted in the submarket clinching a 62% share of Financial sector take-up by area in the city last year. Furthermore, with a 17% share of leasing activity by area, Financial city was also popular among financial companies due to competitive rentals and abundant new supply (Figure 45).

**Figure 43:**
**The Professional Services sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

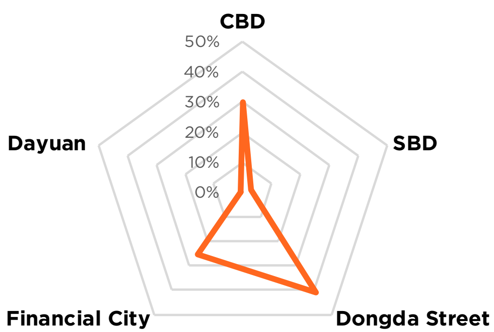



**Figure 44:**
**The TMT sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

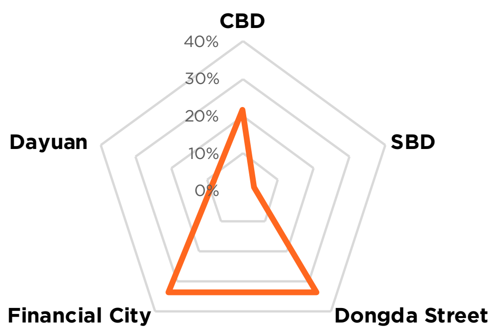
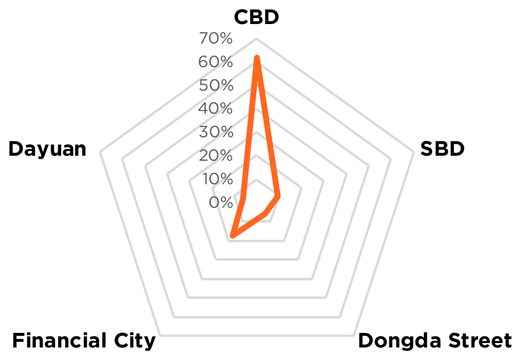



**Figure 45:**
**The Finance sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*




## Outlook (for the year ahead)

Quite a volume of future office supply is due in 2022-2023. This supply will mainly complete in Financial City, Dayuan, Tianfu New District Business Centre and the eastern part of the city. In addition, as the emerging submarket, the southern part of the city has become a preferred location for different industry sectors due to the improved commercial environment. Rental levels in the Financial City and Dayuan submarkets are expected to increase steadily. Meanwhile, due to its convenient location and well-developed business environment, CBD leasing demand is expected to remain strong and stable.

Ahead, more than 100,000 sq m of new office supply is expected to be delivered in the coming months, likely increasing the vacancy rate and applying downward pressure on rent in the short term. In the long term, the impact of the U.S.-China trade dispute on Chengdu appears to have eased, and the People’s Bank of China has reduced the amount of money commercial banks are required to set aside - its lowered reserve ratio requirement has improved the business environment for small and medium sized companies in the city. Furthermore, the Chengdu government has continued to attract companies with favorable policies, and this strategy will continue, thus buoying office take up in the city in the future.

# Top Office Supply and Demand Trends

# Wuhan

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## SUPPLY

### The past year

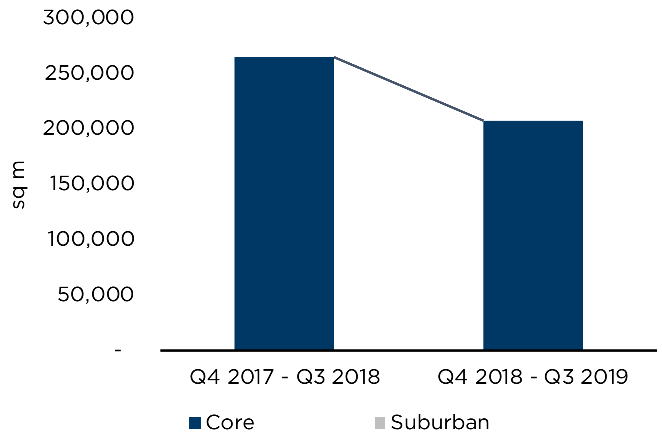
From Q4 2018 to Q3 2019, Wuhan's Grade A office market welcomed a total of 0.21 million sq m of quality office space (Figure 46).

Significant prime office buildings launched during the year included Zall International Center, ICC Tower B and Oceanwide Enterprise Centre. In terms of office GFA, the three completed projects during the past year all provided an average of 60,000 to 80,000 sq m of office space to the market (Table 17).

All three projects completed in the past year landed in the Jianshe Avenue submarket, and all completed in Q4 2018. Due to the trade friction between China and

**Figure 46:**
**Wuhan Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



U.S., plus the overall economic downturn, several projects delayed their completion date. Thus, there was no new Grade A office supply in Wuhan during the Q1 to Q3 2019 period (Figure 47).

## Outlook (for the year ahead)

By 2022, Wuhan's Grade A office market is expected to receive 1.8 million sq m of new supply, which equates to 83.1% of the current Grade A office stock (Figure 48). As such, Wuhan's Grade A office stock is estimated to reach 3.9 million sq m at the end of 2022.

Considering recent market dynamics, several projects have delayed their delivery. Looking ahead, Hankou & Wuchang RCD, Wuguang and Wuhan CBD will house the largest amount of new office supply. On a project basis, the three largest to complete by 2022 will all be located in Hankou & Wuchang RCD (Table 18).

Hankou & Wuchang RCD is a key component of Wuhan's 'Yangtze River Urban Axis' development plan. Along with its importance, this submarket enjoyed the lowest vacancy and highest average rent in Wuhan during the past year. Currently, Hankou & Wuchang RCD is a favored destination for corporates from the Finance, Real Estate and TMT sectors. Over 612,000 sq m of quality office space is expected to be completed in this area in the next three years (Figure 49).

**Table 17:**
**Wuhan Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Zall International Center | Jianshe Ave. | 79,980 | 2018 |
| 2 | ICC Tower B | Jianshe Ave. | 66,000 | 2018 |
| 3 | Oceanwide Enterprise Center | Jianshe Ave. | 61,036 | 2018 |

*Source: Cushman & Wakefield Research*

**Figure 47:**
**Wuhan Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*


**Figure 48:**
**Wuhan Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*

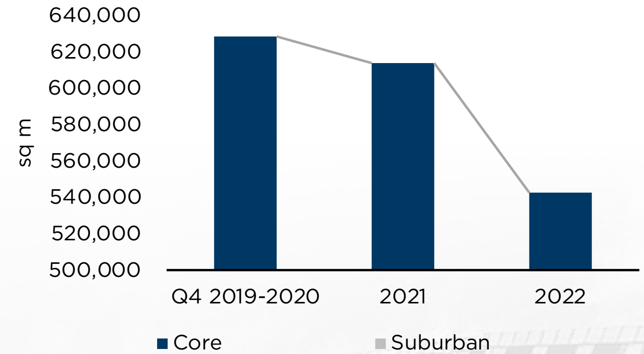


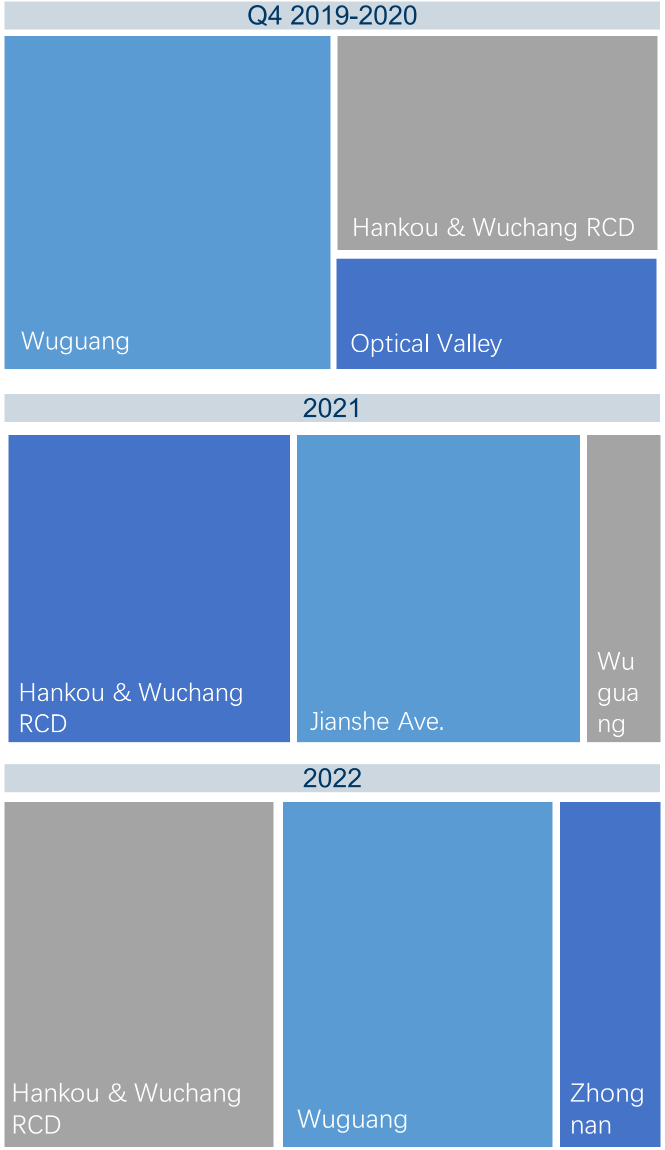
**Table 18:**
**Wuhan Grade A Office – Largest Projects to Complete (Q4 2019-2022)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Greenland Centre | Hankou & Wuchang RCD | 202,430 | 2021 |
| 2 | United Investment Centre | Hankou & Wuchang RCD | 180,044 | 2022 |
| 3 | Wuhan Tiandi A1 | Hankou & Wuchang RCD | 177,117 | 2020 |

*Source: Cushman & Wakefield Research*

**Figure 49:**
**Wuhan Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*



## DEMAND

### The past year

Over the last 12 months, several market uncertainties, such as the slowing economy and the trade dispute between the U.S. and China, have caused overall leasing demand for Grade A office to cool in Wuhan. The city's Grade A office market recorded 138,648 sq m of net absorption during this period. The average size of space (per completed leasing transaction) was 2,960 sq m for the core area.

Domestic enterprises continued to dominate the prime office leasing market, contributing to approximately 86.9% of completed leasing deals by area. In contrast, MNC leasing strategy continued to remain conservative, with demand from MNCs accounting for a 13.1% share of deals by area in Wuhan (Figure 50). Meanwhile, relocation and new setups made up 85.7% of MNC leasing deals.

**Figure 50:**
**Wuhan Grade A Office Take-up by Area – MNC/Domestic Company Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

**87%** | **Domestic**

**13%** | **MNCs**

In the past year, one of the main contributors towards office take-up was the Professional Services sector, taking a 46.4% share of completed office leasing transactions by area. Within the Professional Services sector, various co-working operators were the main drivers for renting quality office space in Wuhan, which accounted for 39.8% of the total leasing transactions by area in the Professional Services sector. In addition, companies, such as law firms, consulting firms, travel agencies, educational institutions and information technology service firms were also quite active.

Other sectors that were key contributors to office take-up during the year were the Finance sector and the TMT sector, contributing approximately 16.7% and 16.6% of completed leasing deals by area, respectively. As an important commercial center for central China, Wuhan has attracted and will continue to attract a plethora of financial institutions and companies. Meanwhile, thanks to the development of the optoelectronic information industry in East Lake High-tech Zone, Wuhan has also become a preferred city for TMT enterprises and the birthplace of several innovative tech enterprises.

**Figure 51:**
**Wuhan Grade A Office Share of Take-up by Area – Industry Sector Split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

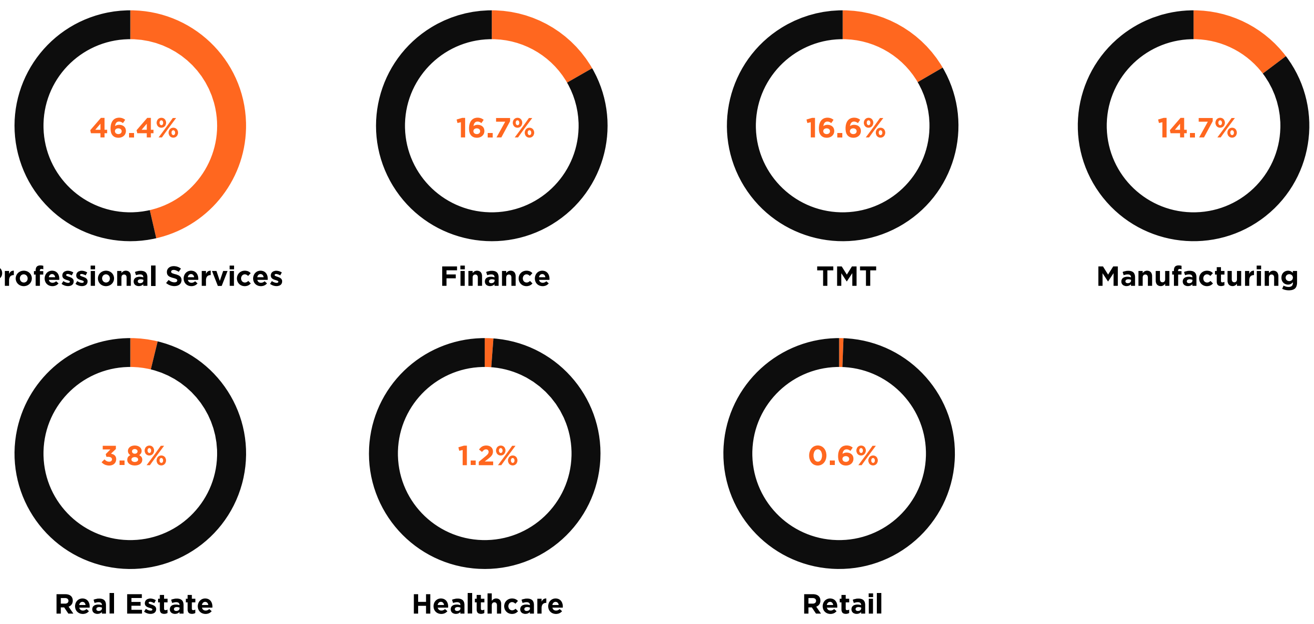


**Table 19:**
**Wuhan Grade A Office – Five Significant Leasing Deals by Area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| ICC Tower B | Jianshe Ave. | Times Oneworld Business Center | 20,000 | Expansion |
| The New World Center T1 | Optical Valley | IFLYTEK | 12,842 | Relocation |
| New Development International Center | Optical Valley | Toutiao | 12,000 | New Setup |
| Oceanwide Enterprises Center | Jianshe Ave. | WeWork | 10,000 | New Setup |
| CFD Fortune Center | Jianshe Ave. | Mcentury Business Center | 9,300 | Expansion |

*Source: Cushman & Wakefield Research*

Finally, the Manufacturing, Real Estate, Healthcare and Retail sectors made up approximately a 20.3% share of completed leasing deals by area in the city over the past one year (Figure 51 and Table 19).

For Professional Services, Jianshe Avenue was the most preferred location for firms classified under this sector type between Q4 2018 and Q3 2019. As a mature core business district, Jianshe Avenue has been positioned as a high-end service area dominated by financial companies mainly since the beginning of its development. Benefitting from its strong commercial environment, Jianshe Avenue also continues to attract service providers, such as consulting firms, law firms and co-working operators (Figure 52).

Just as in the case for the Professional Services sector, 61.6% share of completed leasing deals by area in the Finance sector also occurred in Jianshe Avenue during the past year. However, we noticed that some financial tenants were on the move to the adjacent and the emerging Hankou & Wuchang RCD area. Another business district that was preferred by financial companies during the past year was Zhongnan, taking a 26.8% of leasing transactions by area. Zhongnan is located across the river from Jianshe Avenue and is also positioned as a financial center in Wuchang (Figure 53).

Finally, over the past year, Optical Valley was still the most popular area among TMT enterprises, recording 71.9% of completed leasing transaction deals by area registered during the past year. East Lake High-tech Zone, where Optical Valley is located, is the second most important high-tech zone in China in terms of innovation strength associated with science and technology. The area is also well known for its optoelectronic information industry. Furthermore, with a 28.1% share of total leasing activity by area in the last one-year period, Hankou & Wuchang RCD was also popular with TMT companies that preferred a location close to the city center (Figure 54).

**Figure 52:**
**The Professional Services Sector – Location Preference by Leasing Transaction Area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

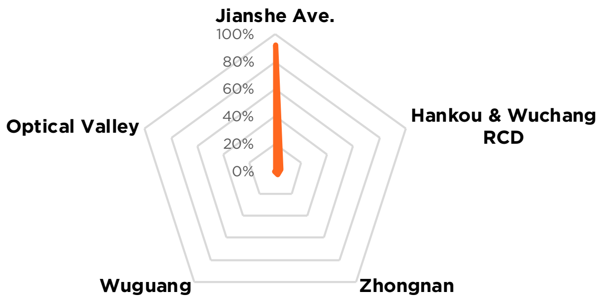



**Figure 53:**
**The Finance Sector – Location Preference by Leasing Transaction Area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

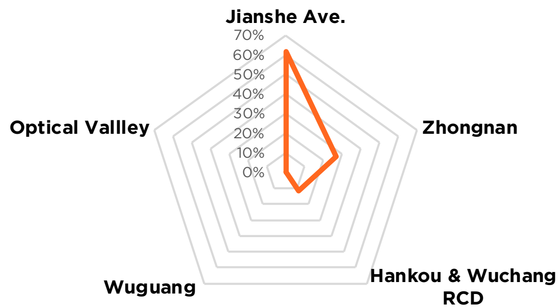
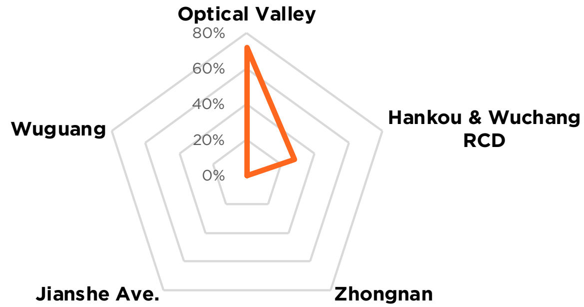



**Figure 54:**
**The TMT Sector – Location Preference by Leasing Transaction Area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*




## Outlook (for the year ahead)

Ahead, the national economic development strategy has begun to shift from focusing on coastal areas to promoting coordinated regional development. As the key city in central China, Wuhan will continue to play an important leading role in promoting the economic development of central China.

Short-term market uncertainty has certainly caused a weakening in demand for Grade A office space in the city over the past year, but in long term, Wuhan will continue to be a key market for companies to do business in central China, and this will buoy office absorption.

Finally, much supply of Grade A offices in the city, especially in Hankou, is likely to cause further competition among landlords by heightening vacancy and lowering rentals in the short term. However, with business growth potential, investment promotion policies and the further opening up of central China, this situation could abate in the mid to longer term as more corporations move to or expand their operations in Wuhan in the future.

# Top Office Supply and Demand Trends

# Hong Kong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## SUPPLY

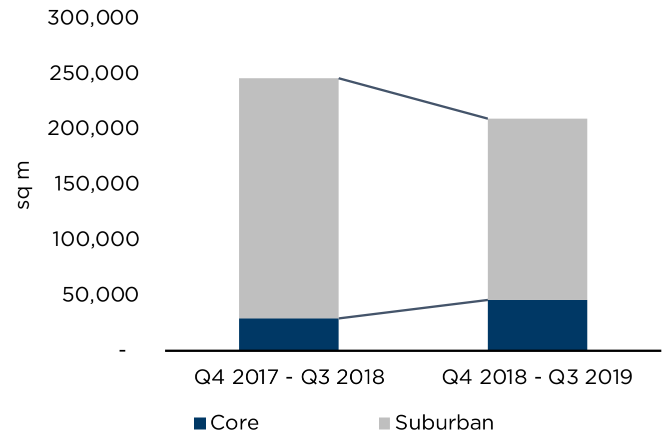
### The past year

A total of approximately 209,700 sq m of Grade A office space was added to Hong Kong's office market over the period of Q4 2018 to Q3 2019, amounting to a 15% decline compared to the same period last year (Q4 2017-Q3 2018). Of this, the majority was located in the city's other submarkets, which saw the completion of four projects with a combined area of 163,800 sq m. In contrast, only two projects with a combined area of 45,900 sq m were completed in the core area (Figure 55).

The three largest office buildings in terms of total floor area completed over the period were all located in Kowloon East - the city's CBD2 (Table 20) and accounted for 63% of the total new supply. The other

**Figure 55:**
**Hong Kong Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*



three relatively smaller projects launched this year were located throughout the city with One Hennessy (20,500 sq m) located in Wanchai / Causeway Bay, The Gateway Extension (25,400 sq m) in Greater Tsimshatsui, and K11 Atelier King's Road (31,400 sq m) situated in Hong Kong East (Figure 56).

## Outlook (for the year ahead)

Over the next three years, a total of 419,400 sq m of new supply is expected to be added to Hong Kong's Grade A office market, pushing the total stock to 6.4 million sq m. Of that, however, more than 75% is scheduled for completion only in 2022, with new supply in the next two years set to be limited. At a geographical level, the new supply is overwhelmingly focused in the suburban area, accounting for approximately 93% of total future supply, with the remaining small portion (7%) to be launched in the core area, specifically in Greater Central (Figure 57).

Of the 10 projects to be completed by 2022, the three largest office buildings will be able to offer a combined space of 221,400 sq m, contributing 52.8% of the total future supply (Table 21). The three buildings are all situated in suburban areas, including Kowloon East, Hong Kong East and Kowloon West. Notably, the largest office building, NKIL 6556 developed by Nan Fung Group, is located in Kai Tak within Kowloon East.

At a submarket level, Kowloon East will be the largest source of quality office space through 2022, supplying a total of 178,500 sq m, and accounting for 42.6% of total new supply during the period. As a result of the influx of new supply, Kowloon East will overtake Greater Central to become the largest Grade A office submarket by 2022. Meanwhile, Kowloon West is set to see also surge in supply with New World Group planning to launch two projects adding a total of 126,500 sq m in the emerging area of Cheung Sha Wan.

**Table 20:**
**Hong Kong Grade A Office – Largest Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office NFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | The Quayside | Kowloon East | 57,800 | 2019 |
| 2 | NEO | Kowloon East | 38,100 | 2019 |
| 3 | 38 Wai Yip Street | Kowloon East | 36,500 | 2019 |

*Source: Cushman & Wakefield Research*

**Figure 56:**
**Hong Kong Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

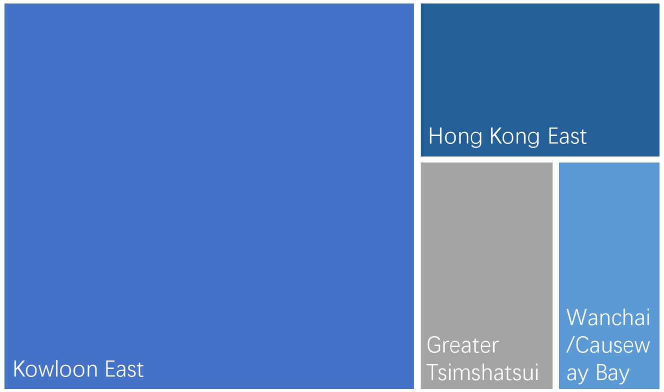
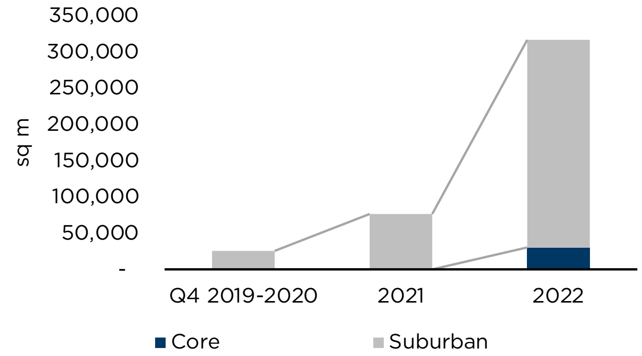



**Figure 57:**
**Hong Kong Grade A Office Total Supply – Suburban Area/ Core Area Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*




*1. All Hong Kong floor sizes mentioned in this report refer to net floor area (NFA)*
*2. Core areas include Greater Central, Wanchai / Causeway Bay and Greater Tsimshatsui; Non-core areas include Hong Kong East, Hong Kong South, Kowloon East and Kowloon West*

**Table 21:**
**Hong Kong Grade A Office – Largest Projects to Complete (Q4 2019-2022)**

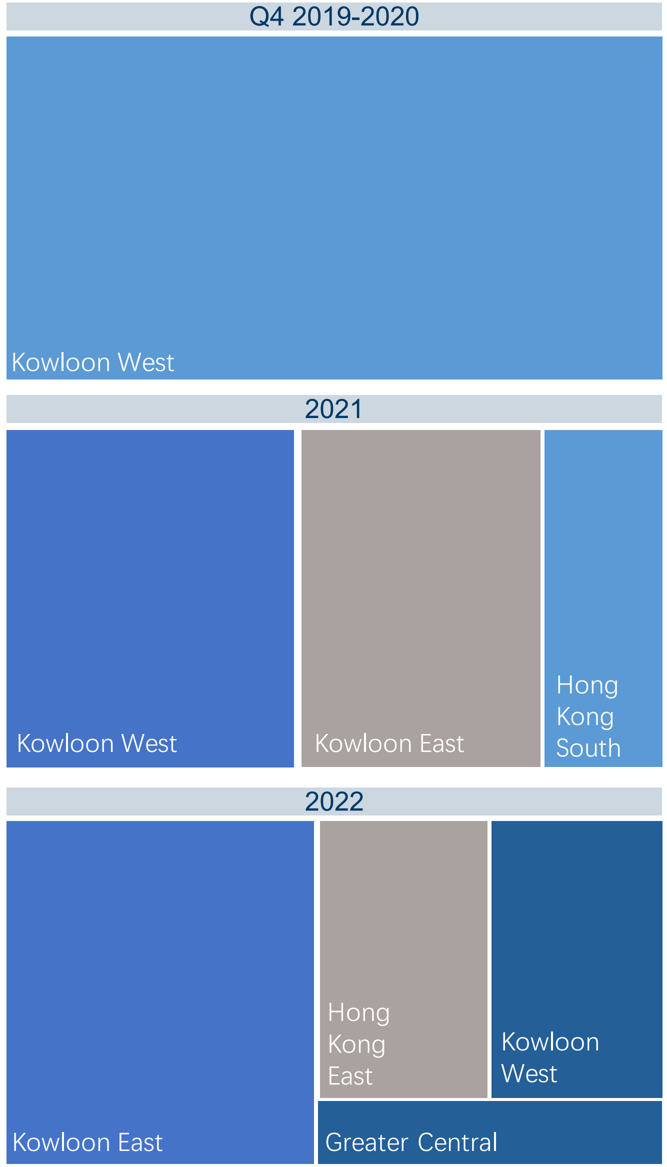
| | Building Name | Submarket | Office NFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | NKIL 6556 | Kowloon East | 85,400 | 2022 |
| 2 | Two Taikoo Place | Hong Kong East | 69,200 | 2022 |
| 3 | 91 King Lam Street | Kowloon West | 66,900 | 2022 |

*Source: Cushman & Wakefield Research*

Compared to Kowloon, Hong Kong Island is set to see relatively limited supply, with only two projects scheduled for completion in the next three years, both in 2022. The first, Two Taikoo Place, will add 69,200 sq m to Swire Properties growing office portfolio in Hong Kong East, an area that has emerged in recent years as a preferred destination for foreign firms seeking to decentralize from Central for cost savings. The second, 2 Murray Road, being developed by Henderson Land, will comprise 30,700 sq m, and represent the first new supply in Greater Central in a decade upon its completion in 2022 (Figure 58).

**Figure 58:**
**Hong Kong Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*



# DEMAND

## The past year

Office leasing demand in Hong Kong weakened significantly over the last 12 months since Q4 2018 as U.S.-China trade tensions and more recently, local unrest clouded the outlook for occupiers. Overall net absorption for the period reached 68,500 sq m, down sharply by 85% compared to the same period last year. Leasing activity continued to be dominated by MNCs relocating and consolidating to the city's suburban areas, particularly Hong Kong East and Kowloon East, for cost saving purposes. Leasing demand from co-working operators, especially international players remained as another pillar of growth.

The new leases by area by MNCs continued to outpace the space taken by domestic companies (54% vs. 46%), which was largely due to a contraction in leasing demand from PRC firms, which used to favor Greater Central when setting up new offices in Hong Kong (Figure 59).

**Figure 59:**
**Hong Kong Grade A office take-up by area – MNC/Domestic company breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

**46%** Domestic

**54%** MNCs

The top two contributors to leasing demand in the past 12 months came from companies in the Professional Services and Finance sectors, which accounted for a combined 70% of all new lettings since Q4 2018, up slightly from 67% for the period between Q4 2017- Q3 2018. The third most active sector was TMT, which in the past year surpassed the Manufacturing sector, accounting for 9% of all new leases over the same period (Figure 60).

Even as the rental gap between core and suburban office areas has narrowed slightly in the past year, it remains wide (2.3X in Q3 2019), and continued to push MNCs, especially those in the Professional Services and Finance sectors, to decentralize. Meanwhile, newly completed office buildings of high quality were the preferred choice for those companies when considering relocation/consolidation options. Of the five largest leasing transactions in the past 12 months, three were recorded in newly completed office developments of which two were located in Hong Kong East and Kowloon East, the two popular submarkets for MNCs considering relocating out of the city's core areas (Table 22).

**Figure 60:**
**Hong Kong Grade A office share of take-up by area – Industry sector split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

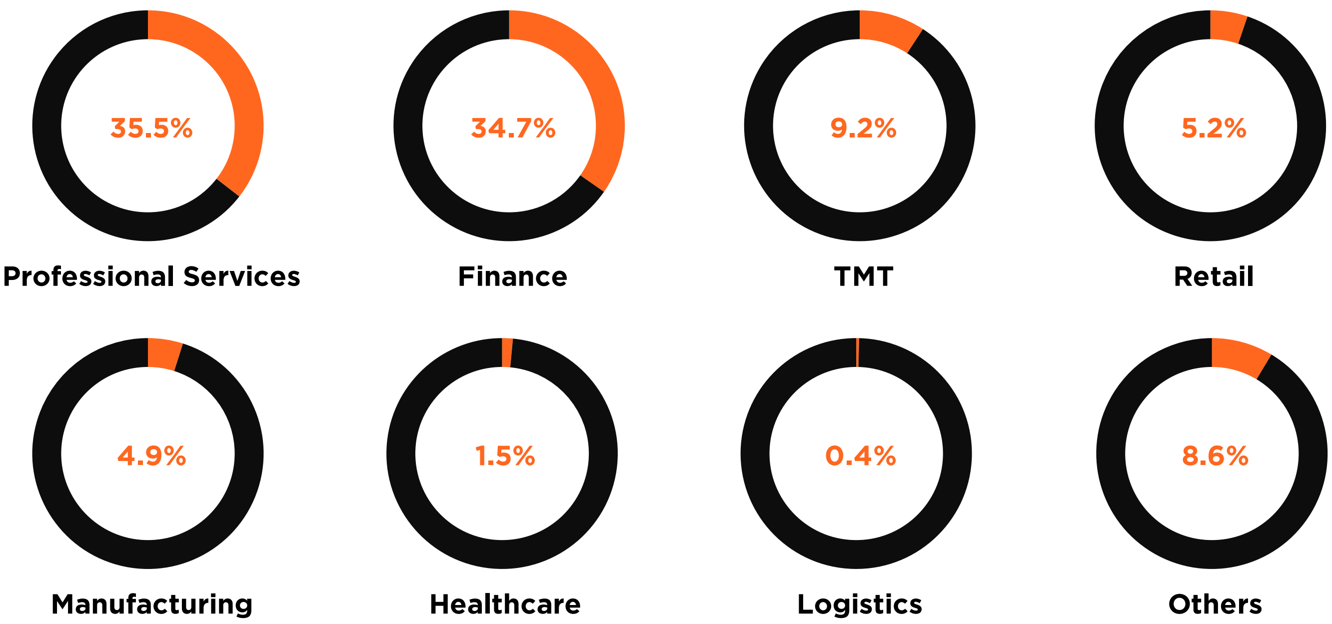


**Table 22:**
## Hong Kong Grade A office – Five significant leasing deals by area (Q4 2018-Q3 2019)

| Property | Sub-market | Tenant | NFA (sq m) | Lease Type |
|---|---|---|---|---|
| One Island East | Hong Kong East | Securities and Futures Commission | 12,700 | Relocation |
| K11 Atelier King's Road | Hong Kong East | WPP | 10,300 | Relocation / Consolidation |
| NEO | Kowloon East | FTLife Insurance | 8,100 | Relocation/Expansion |
| One Hennessy | Wanchai/ Causeway Bay | Shanghai Pudong Development Bank | 7,900 | Relocation / Expansion |
| One Harbour Gate, Cheung Kei Centre | Greater Tsimshatsui | Sun Life | 7,000 | Relocation |

*Source: Cushman & Wakefield Research*

Hong Kong East continued to be the most preferred location for companies from the Professional Services sector, accounting for around 22% of all new leases over the last 12 months. One of the most notable leasing transactions was by WPP Group which relocated and consolidated its office spaces from various locations into a newly completed Grade A office building, K11 Atelier King's Road (completed in Q2 2019) in Quarry Bay.

The other preferred submarkets by firms in this sector included Greater Tsimshatsui and Kowloon East. The new leases by those firms accounted for a combined 40% of all new leases over the selected time period. In particular, insurance companies remained especially active in those two submarkets. For instance, FTLife Insurance relocated and expanded into the newly completed development, NEO, in Kowloon East by taking up a total area of 8,100 sq m. Also, the Canadian insurance company, Sun Life relocated from The Gateway Sun Life Tower to One Harbour Gate, Cheung Kei Centre.

Co-working operators, particularly international operators remained active in their efforts to capture market share in Hong Kong, with newcomers leasing space in core areas while others with an existing presence actively leasing the space in both core and suburban areas. For example, the Melbourne-based co-working operator, Victory Offices, entered the market by committing to a space of 1,500 sq m in The Centre in Greater Central, and the Indonesian-based operator CEO Suite leased 2,000 sq m office space in K11 Atelier in Greater Tsimshatsui. The well-known US-based co-working operator, WeWork, continued to increase its market share by taking spaces in various locations across the city, including spaces of 3,000 sq m in Octa Tower in Kowloon East and 4,800 sq m in Hopewell Centre in Wanchai/Causeway Bay (Figure 61).

Despite a slowdown in requirements from PRC firms, for many of them in the Finance sector, over the past 12 months, Greater Central remained as the most preferred submarket in general, accounting for 32% of total new leases by area in the city. Following Greater Central, another traditional core submarket, Wanchai/Causeway Bay was the second most preferred location for firms from this sector, contributing 21% of total new leasing transactions by area over the period. The still-wide rental gap between core and suburban areas continued to push MNCs to decentralize. For front office operations, Hong Kong East was the preferred choice for firms decentralizing and accounted for nearly 21% of all new leases over the selected period, a significant jump from less than 10% over Q4 2017 – Q3 2018. For back office operations, Kowloon East has proven an attractive option and accounted for 20% of leasing activity by financial firms over the period (Figure 62).

The TMT sector was the third most active in terms of leasing over the past 12 months, accounting for 9% of new lettings. Notably, over 61% of requirements by TMT firms were realized in core areas, with Greater Tsimshatsui and Greater Central being the top two locations. Among the most notable, Riot Games, fully acquired by Tencent in 2015, expanded into an office space of 1,700 sq m from just 400 sq m in The Centre in Greater Central (Figure 63).

**Figure 61:**
**The Professional Services sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

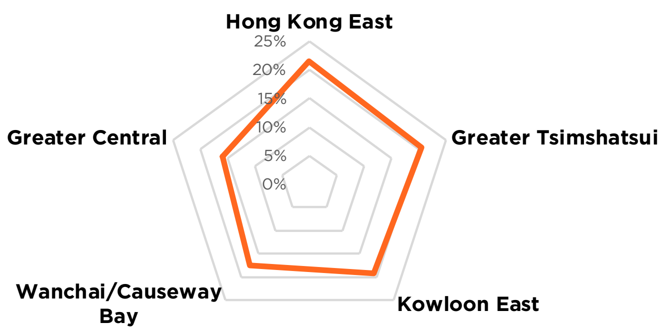



**Figure 62:**
**The Finance sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

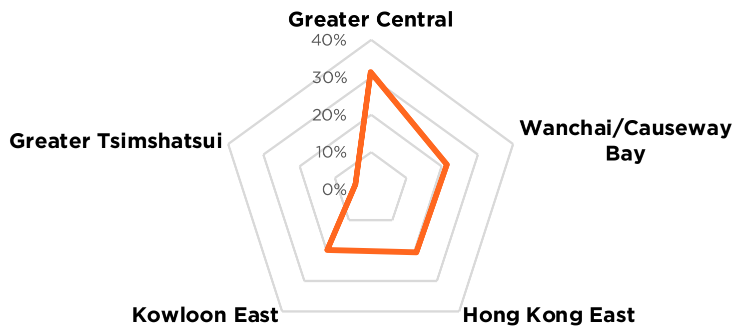
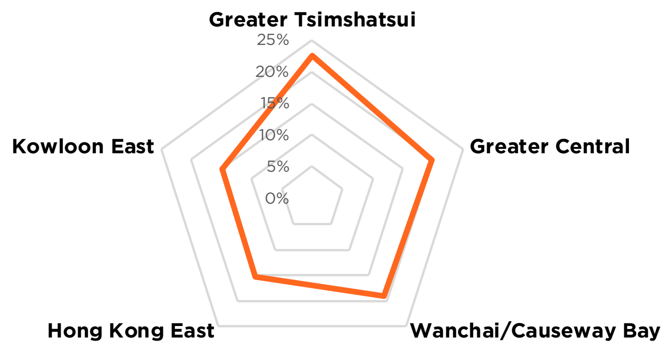



**Figure 63:**
**The TMT sector – Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*




## Outlook (for the year ahead)

Office leasing demand is expected to continue to weaken over the next 12 months against continuing trade tensions between the U.S. and China and local unrest. Continuing a growing trend in recent months, major occupiers across sectors are increasingly adopting a wait-and-see attitude towards relocation or expansion plans, with many opting to renew their leases in the face of uncertainty.

Demand from PRC finance and trade firms, which has over the past few years driven office demand in Greater Central and propelled rentals there to new highs, is expected to remain weak as China's economy experiences a slowdown. As a result, vacancy levels in the submarket will continue to rise. It will also put pressure on rentals there as other firms continue to migrate to less costly non-core areas.

Meanwhile, demand from co-working, which has emerged as a strong source of demand over the past two years, is set to slow significantly over the next year. In recent months, many operators have quickly reversed course from aggressive expansion to focus on filling up their vacant spaces, with some reportedly considering surrendering some of their leased space.

Limited new supply is forecast for completion in the next 12 months, but with overall demand set to remain weak, availability will remain at elevated levels with rentals set to trend lower. As the market shifts to favor occupiers, there will be increasing opportunities for firms needing new space to secure it at attractive commercial terms.

# Top Office Supply and Demand Trends

# Taipei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## SUPPLY

### The past year

From Q4 2018 to Q3 2019, the Taipei Grade A office market welcomed two new office buildings – Cathay Minsheng/Zhongxiao Building in Dunbei/Minsheng and UDN Zhongxiao Building in Xinyi district. The office GFA of these two projects is roughly 39,300 sq m and 34,500 sq m, respectively (Figures 64 and 65 and Table 23).

**Figure 64:**
**Taipei Grade A Office Total Supply – Core Area/Suburban Area Breakdown (Q4 2017-Q3 2019)**

*Source: Cushman & Wakefield Research*

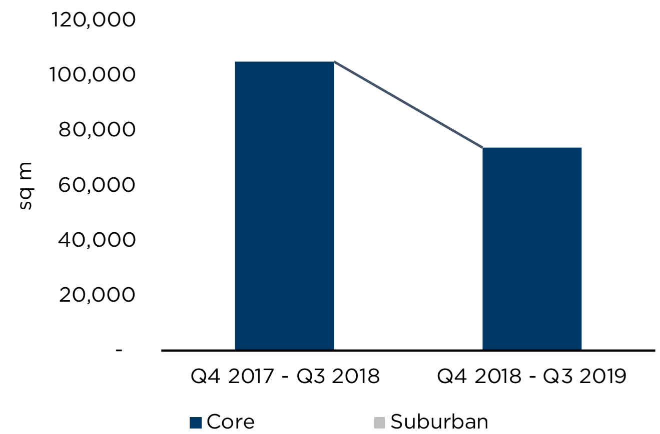


**Figure 65:**
**Taipei Grade A Office Total Supply – District by District Breakdown (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

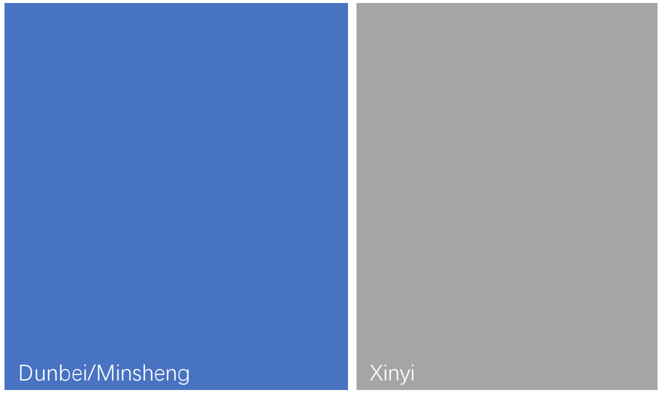



**Figure 66:**
**Taipei Grade A Office New Supply (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*

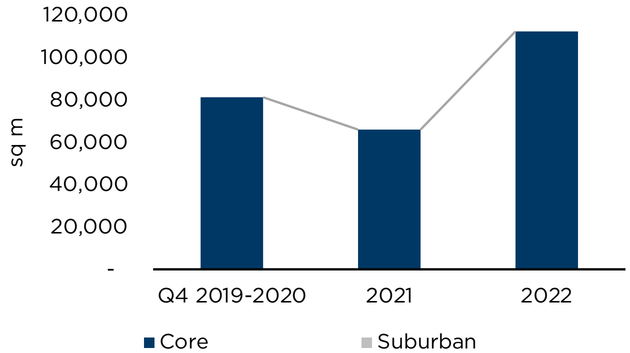



**Table 23:**
**Taipei Grade A Office – Completed Projects (Q4 2018-Q3 2019)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Cathay Minsheng/Zhongxiao Building | Dunbei/Minsheng | 39,300 | 2018 |
| 2 | UDN Zhongxiao Building | Xinyi | 34,500 | 2019 |

*Source: Cushman & Wakefield Research*

## Outlook (for the year ahead)

By 2022, the Taipei Grade A office market is expected to receive 260,000 sq m of new supply, which equates to 11% of the current Grade A office stock inventory. Xinyi, Dunbei/Minsheng, and Nanjing/Songjing are expected to contribute 58%, 32% and 10% of the total future supply, respectively (Figures 66 and 67). As such, Taipei Grade A office stock is estimated to reach 2.68 million sq m at the end of 2022.

Five office building are expected to be completed in next three years. Taipei Dome and Fubon Xinyi A25 will be available for leasing while the other three buildings will be own-use headquarter style buildings (Table 24).

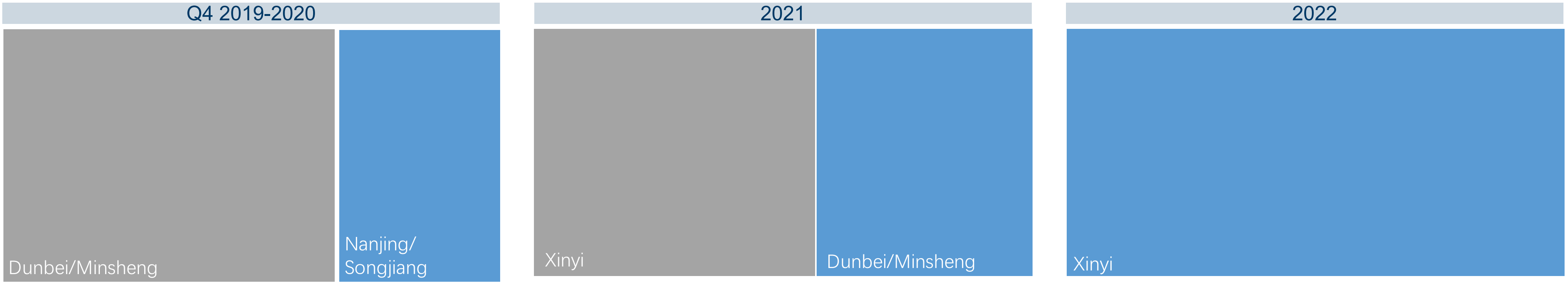
**Table 24:**
**Taipei Grade A Office –Major New Supply (Q4 2019-2022)**

| | Building Name | Submarket | Office GFA (sq m) | Completion Date |
|---|---|---|---|---|
| 1 | Fubon Xinyi A25 | Xinyi | 112,400 | 2022 |
| 2 | China Life Headquarters | Dunbei/Minsheng | 55,000 | 2021 |
| 3 | Taipei Dome | Xinyi | 37,700 | 2021 |

*Source: Cushman & Wakefield Research*

**Figure 67:**
**Taipei Grade A Office Total Supply – District by District Breakdown (Q4 2019-2022)**

*Source: Cushman & Wakefield Research*




# DEMAND

## The past year

Over the last 12 months, the Taipei Grade A office leasing market has been active. The major leasing transactions were driven by company relocations that resulted from urban renewal projects. Accumulative net absorption reached 162,000 sq m, recording the highest in the past ten years. The average area of leasing transactions completed in Taipei during the past year was 2,500 sq m. MNCs accounted for 66% of leasing by area and 34% of demand was taken up by domestic corporations between Q4 2018 and Q3 2019 (Figure 68).

By observing the demand from each industry sector, Professional Services, TMT and Manufacturing accounted for most of the leasing demand by area during the past year.

The total absorption stemming from Professional Services and the TMT sector accounted for 37% and 23% of the overall leasing deals by area, respectively. The demand from these two industries was driven by relocations to new buildings and office expansion. Aside from the unique design and novel equipment associated with some of the new buildings, the larger rentable floor space was the main element to attract tenants. In the past year, the lack of new supply triggered tenants to pre-lease space in new buildings and tenants were willing to pay higher rentals. Besides, the success of start-up companies boosted the development of co-working in the city so much so that co-working centers contributed 46% to the total leasing deals by area for the past year by the Professional Services sector in Taipei. What's more, foreign co-working operators also opened centers in Taiwan with total leased GFA reaching over 3,300 sq m (1,000 ping).

**Figure 68:**
**Taipei Grade A office take-up by area – MNC/Domestic company breakdown (Q4 2018-3 2019)**

*Source: Cushman & Wakefield Research*

**34%** Domestic

**66%** MNCs

Meanwhile, Manufacturing made up a 16% share of overall leasing deals by area for the year and this figure was largely attributable to relocation caused by urban renewal construction of some existing buildings that housed the companies.

Finally, Finance, Real Estate, Retail, Logistic and other sectors accounted for 24% of all leasing transactions by area in the past year (Figure 69 and Table 25).

From a location preference perspective, the top three industries with the most leasing demand in the past year regarded Xinyi district as the first choice. 70% of leasing transactions from Professional Services and 86% of leasing transactions from the TMT sector occurred in Xinyi district. The rest were in Dunbei/Minsheng and Dunnan. With a 51% share of leasing deals by area, companies from the Manufacturing sector favored Dunbei/Minsheng. The rest from the sector chose Xinyi district (Figures 70, 71 and 72).

**Figure 69:**
**Taipei Grade A office share of take-up by area – Industry sector split (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

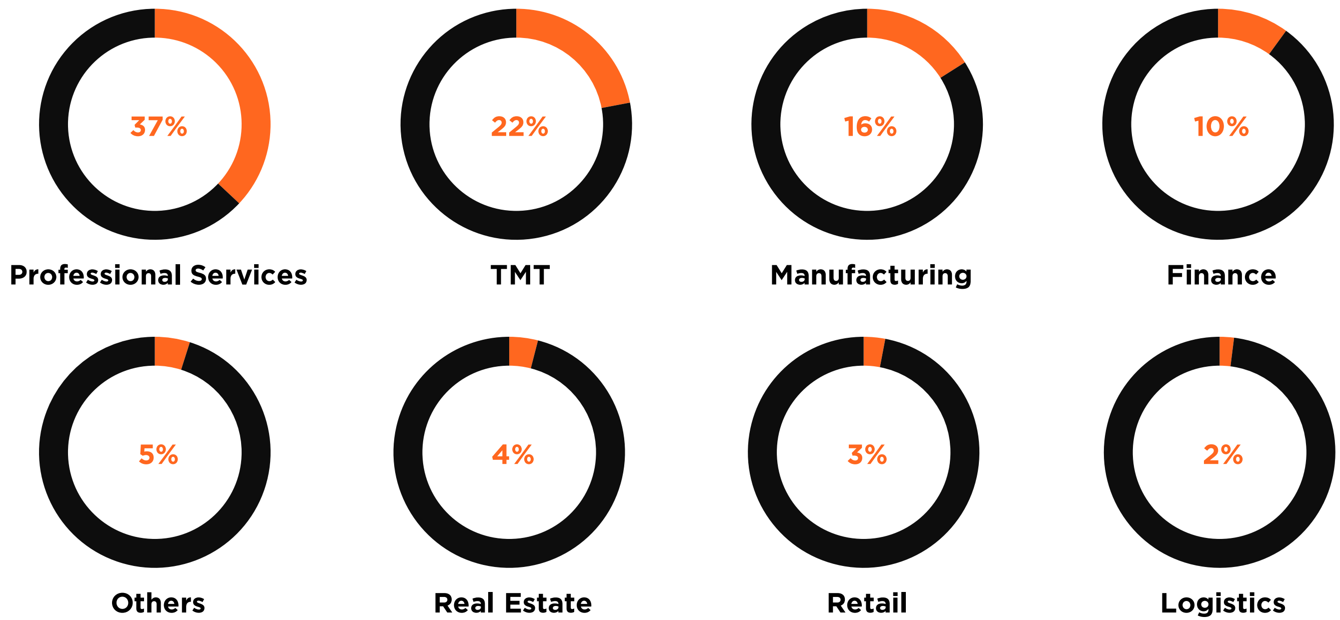



**Table 25:**
**Taipei Grade A office – Six significant leasing deals by area (Q4 2018-Q3 2019)**

| Property | Submarket | Tenant | sq m | Lease Type |
|---|---|---|---|---|
| UDN Zhongxiao Building | Xinyi | Lee and Li Law Firm | 16,500 | Relocation |
| Exchange Square No.2 | Xinyi | WeWork | 12,400 | New Lease |
| UDN Zhongxiao Building | Xinyi | Shopee | 11,200 | Expansion |
| Hontai Financial Center | Dunbei/Minsheng | Capital Securities Corp. | 11,100 | Relocation |
| Cathay Minsheng Jianguo Building | Dunbei/Minsheng | JustCo | 6,450 | New Lease |
| Cathay Minsheng Jianguo Building | Dunbei/Minsheng | Johnson & Johnson | 6,450 | Relocation |

*Source: Cushman & Wakefield Research*

**Figure 70:**
**The Professional Services sector - Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

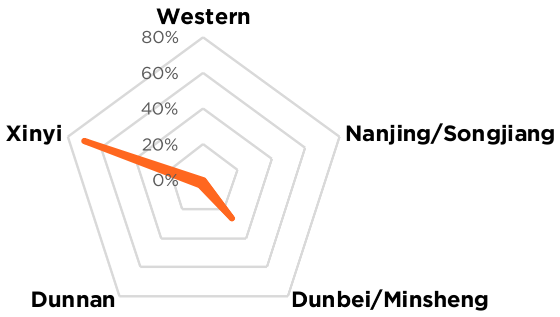



**Figure 71:**
**The TMT sector - Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*

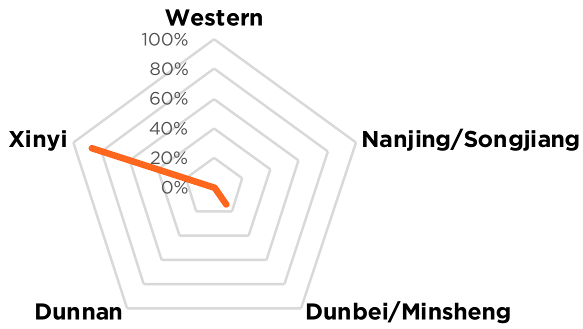
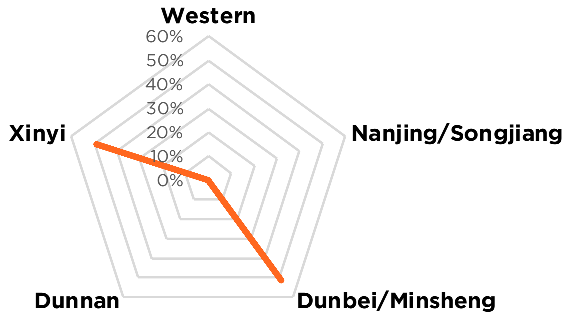
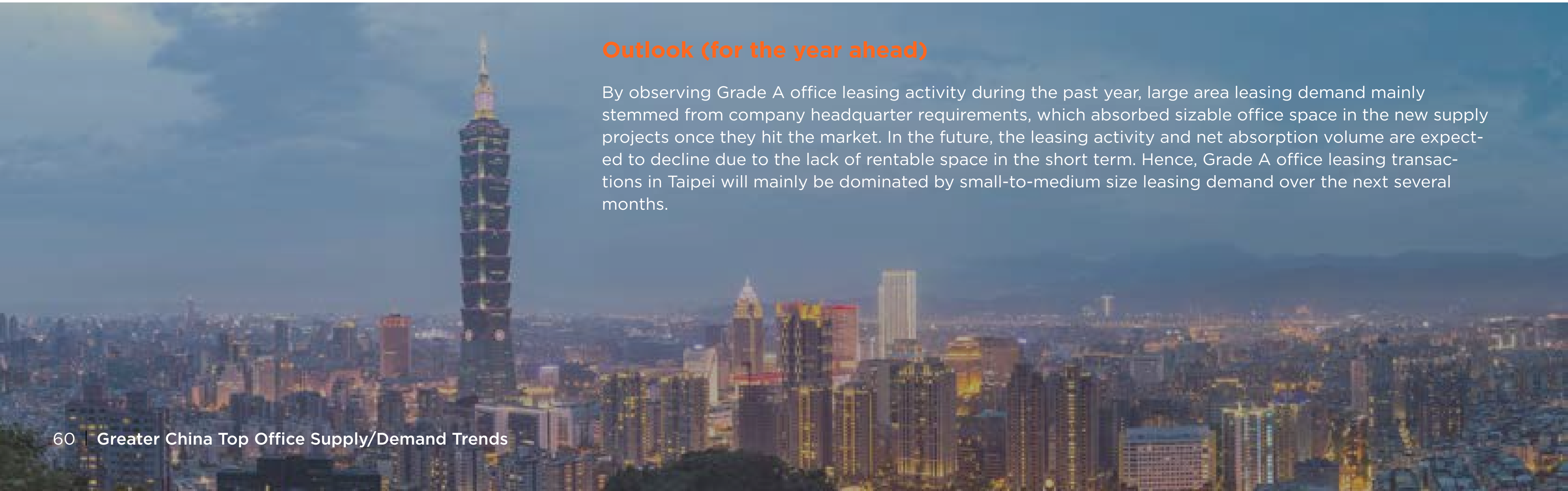



**Figure 72:**
**The Manufacturing sector - Location preference by leasing transaction area (Q4 2018-Q3 2019)**

*Source: Cushman & Wakefield Research*



## Outlook (for the year ahead)

By observing Grade A office leasing activity during the past year, large area leasing demand mainly stemmed from company headquarter requirements, which absorbed sizable office space in the new supply projects once they hit the market. In the future, the leasing activity and net absorption volume are expected to decline due to the lack of rentable space in the short term. Hence, Grade A office leasing transactions in Taipei will mainly be dominated by small-to-medium size leasing demand over the next several months.

# Key Takeaways

Over the last year, the Grade A office market in the Greater China has been exposed to both market uncertainty, which has dampened the business forecast for many occupiers, and also a large volume of supply in several cities.

In the next two to three years, the Grade A office market in Greater China in a number of cities is anticipated to see a wave of supply. On the demand side, we do see some macro positives beginning to work themselves into the market to help spur office space demand, such as the country's economic shift to higher value add industries, the U.S. and China reaching a partial trade deal and the enactment of large-scale regional development plans (including the YRD integration plan and the GBA development plan).

Into next year, we anticipate:

## BEIJING

TMT, Professional Services and Finance sectors to continue to lead demand for Grade A office space in the city. Nonetheless, in the short term, the surge of new supply in Beijing's suburban areas and the slowing economy will both be impactful vis-à-vis the demand trend and rental prognoses for the coming year.

## SHANGHAI

The large volume of supply of Grade A offices in the city is expected to instigate further competition among landlords. Amplified vacancy is expected to place further strain on citywide rental. Nevertheless, this situation will be more alluring for tenants who are enjoying business growth as they look to lock in desirable rental rates on longer-term leases.

## GUANGZHOU

As one of the major cities in the GBA, Guangzhou in the future is likely to see more demand from the Professional Services and Financial sectors. In the meantime, Guangzhou has recently been enjoying rapid high-tech industry business expansion and TMT sector business expansion is anticipated to produce further demand for quality office space in Guangzhou in the future.

## SHENZHEN

Amidst the global and domestic economic downturn, demand for Grade A office has cooled. Consequently, the average rental for the city is predicted to dip, which will benefit those occupiers who are looking for quality space at a lower rental.

## WUHAN

In the short term, the surge of planned future supply is anticipated to produce more competition among landlords in Wuhan as vacancy grows. Nevertheless, with business expansion potential, investment promotion policies and the further opening up of the Central China marketplace, this circumstance could subside in the mid- to longer-term as more companies move to or expand their operations in Wuhan in the future.

## CHENGDU

The amount of expected supply is likely to increase the vacancy rate and apply downward pressure on rent in the short term. Having said this, the Chengdu government has also continued to draw companies with constructive business policies, and this stratagem will continue, thus sustaining office take up in the city in the future.

## HONG KONG

Office leasing demand is anticipated to continue to soften over the next 12 months against market uncertainty and local unrest. Limited new supply is forecast for completion in the next 12 months, with overall demand set to remain weak.

## TAIPEI

Leasing activity is anticipated to dip in the short term simply due to the lack of rentable space. Henceforward, Grade A office leasing transactions in Taipei will largely be led by small-to-medium size leasing demand over the next several months.

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