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LIFE IS WHAT WE MAKE IT

GREATER CHINA TOP OFFICE SUPPLY / DEMAND TRENDS

RETURN TO OFFICE RECOVERY IN 2023

March 2023

GREATER CHINA OCCUPIER RESEARCH

CONTENTS

2023 GREATER CHINA TOP OFFICE SUPPLY AND DEMAND TRENDS

EXECUTIVE SUMMARY

THE GENERAL MARKET

By end of Q4 2022, the total Grade A office inventory in the core markets of the 21 major cities in Greater China we track totalled 65.3 million sq m. In the meantime, total premium core city office net absorption across the Greater China market for the whole year was 1.0 million sq m, a decrease of 74.3% when compared to the figure registered at the end of Q4 2021.

Among the six major cities in the region, Taipei registered the lowest vacancy rate, at 2.8%. As for the tier-2 city group, Hangzhou recorded the lowest vacancy rate at 16.6% among our tracked city markets in Greater China.

The volume of quality office supply in many cities in Greater China is expected to enter a peak period this year. Between 2023-2026, much of the future supply expected to complete will land in suburban locations, which will continue to drive decentralisation as a number of tenants seek quality space at a discounted rental.

Looking to the year ahead, considering the economy, policy direction and COVID-19 control relaxation in mainland China, we believe overall prime office demand will be more resilient than last year in Greater China. In particular, certain industry sectors have seen new business opportunities of late or have the potential to realise business growth, given recent governmental policy directives and recent commercial, societal and lifestyle changes. These industry sectors are:

- The technology, media, and telecommunications (TMT) sector;
- The life sciences sector, and;
- The trading sector.

Looking at the individual major gateway cities in Greater China, Grade A office market demand performance in 2022 generally turned out to be lower than expected. Into 2023, we expect a number of factors, including the state of the general economy, government policy and individual city initiatives, to help drive demand.

BEIJING

In 2022, Beijing's Grade A office new supply dropped 32.1% year-on-year (y-o-y) to 423,858 sq m. A total of nine Grade A office buildings completed in the market, the same number of completions as seen in 2021.

Impacted by the pandemic, downward economic pressure, and uncertainty in the external environment in 2022, market activity decreased significantly in Beijing. Thus, the annual net absorption for the Grade A office market in the city was 173,000 sq m, down 79.4% y-o-y. The TMT, finance and professional services industries still ranked in the top three in terms of the leasing transactions by area. These industry sectors accounted for 43.2%, 25.0% and 13.6% of total Grade A office leasing transaction activity, respectively in Beijing in 2022.

With the relaxation of the epidemic control measures and the rapid release of economic activity, the city's Grade A office market is expected to gradually recover. Both supply and demand are expected to increase significantly compared to 2022. About 2.1 million sq m of new office space is expected to be ushered in over the next three years. The influx of new space will continue to exert pressure on landlords. Subsequently, market rental will still face some downward pressure in the short term, which should provide tenants with a favourable window of opportunity for lease negotiation.

SHANGHAI

In 2022, the Shanghai Grade A office market was greatly impacted by the outbreak of the COVID-19 virus. Still, much new supply entered the city's non-core submarkets, helping the total stock of Grade A office to surpass 15 million sq m.

Meanwhile, market transaction volume slowed. The annual net absorption figure for the Grade A office market in Shanghai reached 625,725 sq m, a smaller figure than the one recorded in 2021. Throughout the year, professional services, TMT and finance still led the industry sectors in the volume of transactions by area stakes with a market share of 23.8%, 17.4% and 17.4%, respectively.

In the future, with the greater adoption and implementation of more advanced technologies in AI and the Internet, the digital economy is expected to continue to bring changes to many industries in Shanghai. Some of the industries which are expected to see related transformative new business opportunities are trading, education, life sciences, media, marketing, fintech, asset management, new retail, high-end manufacturing and modern logistics.

Additionally, many office projects delayed by previous COVID-19 epidemic outbreaks are scheduled to enter the market this year. These projects are likely to add more than 2 million sq m of quality supply. Lastly, in terms of market revival, gradually recovering from the COVID-19 epidemic outbreak in 2022, this year, Shanghai is aiming to encourage a greater influx of capital to support the office economy in the city.

SHENZHEN

Shenzhen welcomed 597,950 sq m of prime new office supply in 2022, with Futian CBD and Houhai adding 130,000 sq m, respectively. Supply in Qianhai made up the remaining new supply share of 56.5%.

In terms of demand, the annual Grade A office net absorption totalled 221,608 sq m, a drop of 66.3% when compared to the figure achieved in 2021. Subsequently, the citywide vacancy rate climbed 3.6 percentage points y-o-y to 22.8% and the average rent declined 3.3% y-o-y to record RMB 203.5 per sq m per month.

The finance, TMT and professional services industries remained key drivers of leasing demand, although with changing market shares. The finance sector, which took a 36.5% share of the total leased area in 2022 was up 10.9 percentage points y-o-y. Meanwhile, on an annual basis, TMT dropped 15.1 percentage points while professional services was up 5.9 percentage points.

New supply in the pipeline for 2023 is expected to reach 1.3 million sq m, bringing on considerable supply pressure. As borders further reopen, the market will witness a further rebound in business activity, which will help out in the recovery of Shenzhen's economy and bring support to the degree of office demand.

GUANGZHOU

Six new projects completed in 2022, bringing over 416,953 sq m of office space to the Guangzhou Grade A office market. This new supply expanded the citywide Grade A office market stock to more than 6.0 million sq m.

During the past year, the recurrence of the COVID-19 epidemic in major cities in mainland China brought great challenges to economic development and urban operations. Enterprises turned cautious on expansion plans, with renewal and relocations driven by cost controls largely responsible for much leasing activity. In 2022, weaker demand in Guangzhou placed the city's annual net absorption figure into negative territory.

Domestic enterprises were still the main drivers for transaction activity in Guangzhou's Grade A office market, with a 72.6% share of total transactions by area in 2022. Meanwhile, professional services took a 28.4% of leasing activity by area, growing 15.1 percentage points y-o-y.

Ahead, approximately 3.7 million sq m of new supply is scheduled to complete during the next five years. The return of market participant confidence will be the key to promoting the resumption of market activity and vitality.

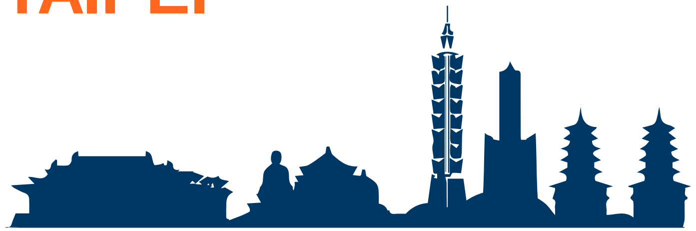
HONG KONG

In 2022, the Hong Kong market saw six new Grade A office building completions. All were located in the city's non-core areas. The six projects added 266,500 sq m and went some way to lift the overall availability rate to 16.7% by end-2022; this from 13.6% at end-2021. At 23,300 sq m and driven by take up in new completions, Grade A office net absorption in Hong Kong for 2022 rebounded back to positive territory. This was after two consecutive years of negative net absorption.

Continuing on the demand side and in line with previous years, the finance and professional services sectors continued to dominate the leasing market by total newly leased area in 2022. In addition, the Hong Kong Grade A office market also saw emerging demand from the public sector in 2022.

With the border fully reopened and most COVID-19 pandemic restrictions relaxed in the city, overall business sentiment is expected to improve along with a gradual return of demand from mainland firms. This returned demand is expected to result in office rental decline to narrow and then stabilise in 2023.

TAIPEI



In 2022, only one quality Grade A office building, E.SUN Second Headquarters, was launched. The new supply added 28,800 sq m to the Taipei Grade A office market.

The full-year net absorption in the city's Grade A office leasing market reached 35,200 sq m in 2022. The leasing transactions were predominantly small- and medium-sized areas, averaging 2,100 sq m per deal.

By 2025, approximately 330,000 sq m of future Grade A office supply is expected to complete in Taipei, equating to about 13% of the exiting stock. A trend to upgrade hardware in older A-grade office buildings in core areas will emerge due to intense competition and company emphasis on achieving ESG goals. Businesses in the office market will prioritise Grade A offices with flexible space usage and sustainability features.

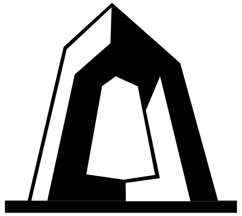
REPORT INTRODUCTION

2022 was a mixed year in terms of quality office space leasing demand in the Greater China region. Into 2023, we expect the relaxation of COVID-19 control measures in mainland China to augment business activity in the region and therefore improve quality office market leasing performance in many cities in Greater China. This report looks at the Grade A office market in Greater China and provides an understanding of:

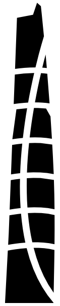
- The office supply/demand trends experienced in the region over the course of the past year;
- An outlook on office supply/demand in Greater China for the year ahead and beyond, and;
- Finally, an insight into the office supply/demand trends for each major city in the Greater China region.

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

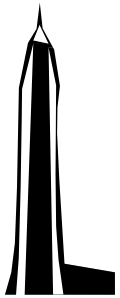
BEIJING



SHANGHAI

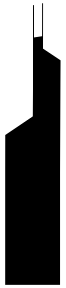


SHENZHEN



GUANGZHOU

HONG KONG



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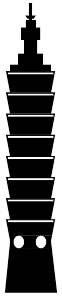


GRADE A OFFICE - WHERE IT'S AT

During the past year, market uncertainty brought on by the COVID-19 epidemic and this dampened both Grade A office supply and Grade A office demand in Greater China. By Q4 2022, the total Grade A office inventory in the core markets of the 21 major cities in Greater China we track totalled 65.3 million sq m. In the meantime, total premium core city office net absorption across the Greater China market for the whole year was 1.0 million sq m, a decrease of 74.3% compared to the figure registered at the end of Q4 2021.

Among the six major cities in the region, Taipei registered the lowest vacancy rate, at 2.8%. As for the tier-2 city group, Hangzhou recorded the lowest vacancy rate at 16.6% among our tracked city markets in Greater China.

Shaped by soft leasing demand and continuing supply, the general rental performance across the Greater China Grade A office core markets was constantly under pressure during the past 12 months. At the end of Q4 2022, Hong Kong and Hangzhou registered the topmost core market rentals for their respective major city/tier-2 city tier group at RMB659.9 per sq m per month (HKD68.5 per sq ft per month) and RMB148.5 per sq m per month, respectively, with the Greater China core markets regional average standing at RMB158.3 per sq m per month, down by 1.1% y-o-y (Table 1).

Table 1:

The supply/demand rundown for 21 city core area-level markets in Greater China (2022)

**H2 2022 values*
***Basket adjusted in Q1 2022*
Source: Cushman & Wakefield Research

CORE MARKET DATA
GREATER CHINA
2022

Markets	Stock (sq m)	Under Construction (sq m)	Absorption (sq m)	Vacancy	Rent (Local currency) (y-o-y change)		
Beijing	8,617,977	992,401	3,815	11.1%	375.1	-3.7%	RMB/sq m/mo
Shanghai	8,572,166	1,570,158	92,313	11.2%	285.3	0.1%	RMB/sq m/mo
Guangzhou	6,034,199	3,718,544	-1,130	14.0%	166.5	-6.0%	RMB/sq m/mo
Shenzhen	6,975,885	6,455,728	215,081	22.6%	204.5	-3.5%	RMB/sq m/mo
Hong Kong	3,239,999	489,813	-530	12.8%	68.5	-6.0%	HKD/sq ft /mo
Taipei	1,136,498	140,308	-7,455	2.8%	3270.0	1.8%	TWD/ping/mo
Tianjin	2,589,009	597,151	-14,641	35.3%	85.7	-3.8%	RMB/sq m/mo
Shenyang	1,261,075	189,582	23,833	33.3%	68.2	-2.8%	RMB/sq m/mo
Dalian	981,395	492,343	33,195	28.3%	83.5	-8.4%	RMB/sq m/mo
Qingdao	1,659,742	654,970	37,487	24.6%	106.7	0.7%	RMB/sq m/mo
Nanjing	2,487,540	1,327,456	680	25.5%	121.1	-4.7%	RMB/sq m/mo
Hangzhou	2,307,085	513,108	-21,938	16.6%	148.5	-0.4%	RMB/sq m/mo
Suzhou	2,316,883	662,102	146,048	17.1%	89.4	-2.3%	RMB/sq m/mo
Wuxi*	849,299	245,000	16,981	26.9%	69.6	-3.9%	RMB/sq m/mo
Chongqing	1,944,082	583,337	-8,318	33.2%	79.9	-3.0%	RMB/sq m/mo
Chengdu	3,036,076	1,116,233	51,673	20.7%	109.2	-2.5%	RMB/sq m/mo
Xi'an**	1,753,453	660,830	108,584	23.2%	104.0	N/A	RMB/sq m/mo
Wuhan	2,908,491	1,342,698	131,430	37.6%	98.9	-4.2%	RMB/sq m/mo
Changsha	2,564,656	134,315	69,685	34.4%	83.8	-4.6%	RMB/sq m/mo
Xiamen	1,168,500	789,700	19,671	22.7%	98.9	-0.8%	RMB/sq m/mo
Nanning	2,857,774	454,646	103,700	41.9%	61.2	-9.9%	RMB/sq m/mo

GRADE A OFFICE - WHERE IT'LL BE

Supply Trends

The volume of quality office supply in many cities in Greater China is expected to enter a peak period this year. Between 2023–2025, much of the overall (core and suburban) future supply expected to complete will land in suburban locations, which will continue to drive decentralisation as a number of tenants seek quality space at a discounted rental. In terms of individual city markets in the region, the market which is expected to see the greatest amount of future core area supply is Shenzhen at 6.46 million sq m.

Moving into the rest of this year and beyond, climate change is and will be top of everyone's agenda.

Subsequently, many more people, governments, and businesses around the world, including those in the Greater China region, will prioritise climate change mitigation. As they do, they will be paying close attention to real estate to achieve their carbon reduction targets, given, according to the United Nations, real estate's estimated 40% contribution to global greenhouse gas emissions. With more of the general public, more governments and more businesses placing greater scrutiny on real estate, so commercial office investors and developers will become increasingly aware of the need to make sure their properties meet the 'green' standards at any given time and are sustainable.

Rating and benchmarking systems are methods that office landlords in Greater China can use to prove how sustainable their real estate is. On this note, one system that has gained market traction recently is the Global Real Estate Sustainability Benchmark (GRESB).

GRESB is a sustainability performance rating system that has a focus on the built environment and is now widely used by real estate enterprises, funds, investors, and banks. In 2022, more than US$6.9 trillion in gross asset value across 150,000 assets globally was ascertained via the GRESB rating system.

GRESB assesses the environmental, social and governance (ESG) performance of real assets, which include real estate.

In terms of environmental issues, the rating system encourages enterprises to reduce GHG emissions, lessen wastage, and conserve water and energy.

Founded on a 5-star rating system representing the portfolio's rating against its contemporaries, the benchmark is utilised to heighten the performance of real estate portfolios and the global real-estate property sector, and subsequently, appeal to investor capital (Figure 1 on Page 9).

Data is garnered at the portfolio level for private property funds and developers, property enterprises, and direct real estate investors. What's more, GRESB data is utilised by around 170 institutional and financial investors, who combined have more than US$51 trillion of assets under management.

GRADE A OFFICE - WHERE IT'LL BE

Supply Trends

Figure 1:
GRESB rating and score example

Source: GRESB, Cushman & Wakefield Research

There are many reasons why enterprises (including a number in Greater China that hold office property assets) are using the GRESB rating system, including:

- GRESB offers institutional investors the data and information required to examine and manage the sustainability risks associated with their real estate and infrastructure investments;
- GRESB helps push environmental, social and governance matters to the forefront of business decision-making;
- Shareholder value is enhanced with the advancement in sustainability performance, and;
- GRESB-engaged enterprises are recompensed with more efficient, more sought-after properties, as well as greater returns and reduced risk.

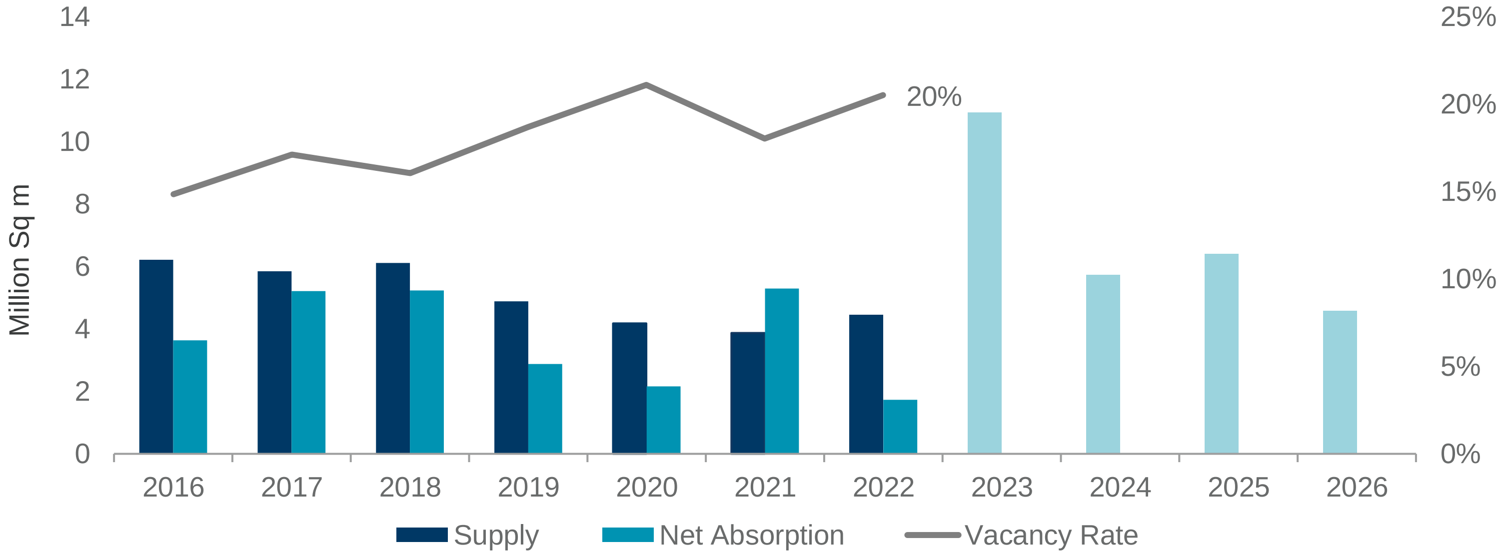
GRADE A OFFICE - WHERE IT'LL BE

Supply Trends

An additional 10+ million sq m of quality office space is planned to complete across Greater China in 2023, of which 33.6% will be located in suburban locations. Having approximately 16.1% of total office stock in the Greater China region, currently, major city suburban markets are expected to see their stock offering of quality offices increase to 17.5% by end of 2026 (Figure 2).

Figure 2:
Greater China Grade A office supply (2016-2026)

Source: Cushman & Wakefield Research



This data includes Beijing, Shanghai, Guangzhou, Shenzhen, Changsha, Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Wuhan, Xiamen, Xi'an, Wuxi, Suzhou, Hong Kong and Taipei

GRADE A OFFICE - WHERE IT'LL BE

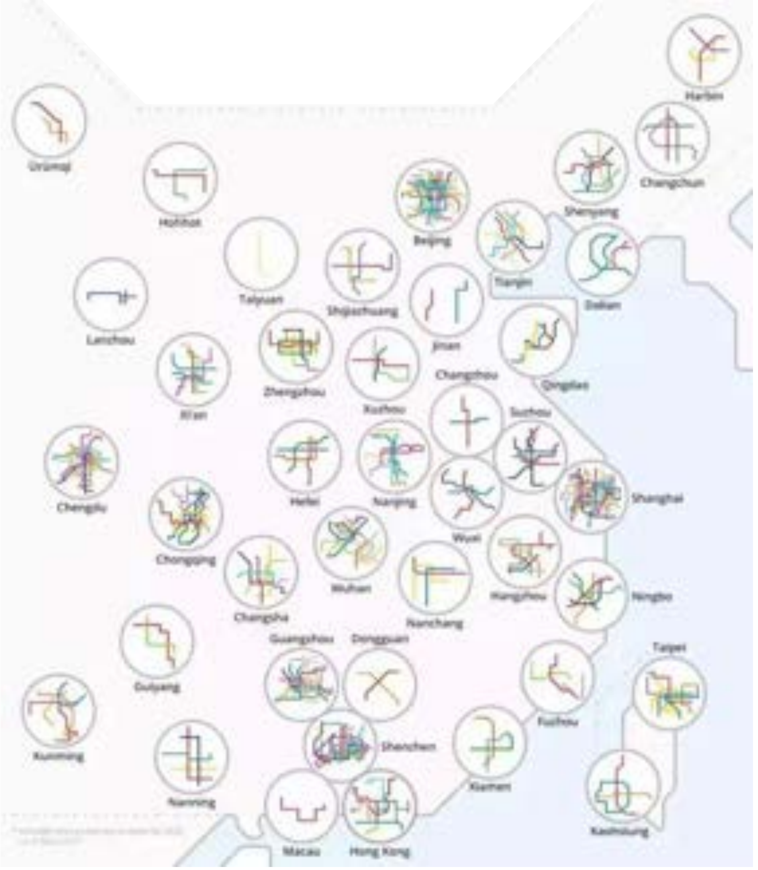
Supply Trends

The sizeable quantity of new supply due to be handed over in suburban areas in the Greater China region will continue to support decentralisation by both cost-sensitive tenants and tenants seeking a large amount of contiguous space, particularly in industry sectors such as TMT, life sciences, manufacturing and logistics.

Tenants in these industries are progressively looking for quality space in suburban areas which have acquired industry clustering momentum, and which are surrounded by fully developed infrastructure and amenities. Examples of these suburban areas across the major city markets in Greater China are many, including Li'ze in Beijing, Qiantan and West Bund in Shanghai, and Quarry Bay in Hong Kong.

Retail amenity development and infrastructure facility construction and completion, particularly the enlargement of metro line networks, has augmented the decentralisation trend in many city Grade A office markets throughout the Greater China region. For example, by the end of 2022, high-quality retail project stock in a suburban submarket like West Bund in Shanghai reached 192,000 sq m, with stock to increase to around 315,500 sq m by the end of 2027.

Ahead, more new metro lines and new metro stations are expected to be completed in city market suburban locations throughout Greater China. Shanghai, for example, has 20 metro lines with 831 km of metro track. These figures are expected to grow by 4 and 180.8, respectively, by 2027, which will cut office worker commuting times and enhance travel convenience.



GRADE A OFFICE - WHERE IT'LL BE

Supply Trends

The volume of supply set for 2023 is certainly going to place some pressure on average rentals in the Grade A office market in Greater China. How much actual pressure is applied will also largely be dependent on the level of quality office space leasing demand. Another depending-on factor is the volume of office investment and in particular office investment for self-use as this type of investment can take space, if not a whole building, out of the leasing market and therefore relieve the market of available space leasing market pressure.

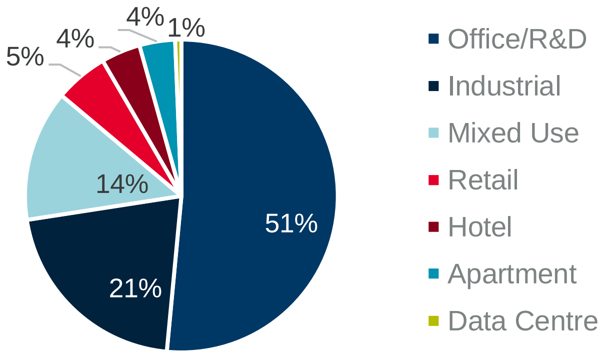
Looking back at last year, commercial real estate investment transaction volume in Greater China totalled RMB308 billion as of Q4 2022, down by 18% y-o-y. Shanghai and Hong Kong remained the most attractive investment destinations. Office remained the largest transacted sector in mainland China driven by strong end-user demand (Figure 3).

End-user buyers accounted for nearly 50% of the total office investment in mainland China from 2020 to Q4 2022, a dramatic increase from a five-year average of only 18% pre-COVID.

Into 2023, as the general economy in Greater China further opens up, given the relaxation of the COVID-19 control measures in mainland China, we expect business activity to improve. Through this improvement, we anticipate Grade A office absorption to also increase and, in line with this increase, rental levels to enjoy a more solid footing than a year ago.

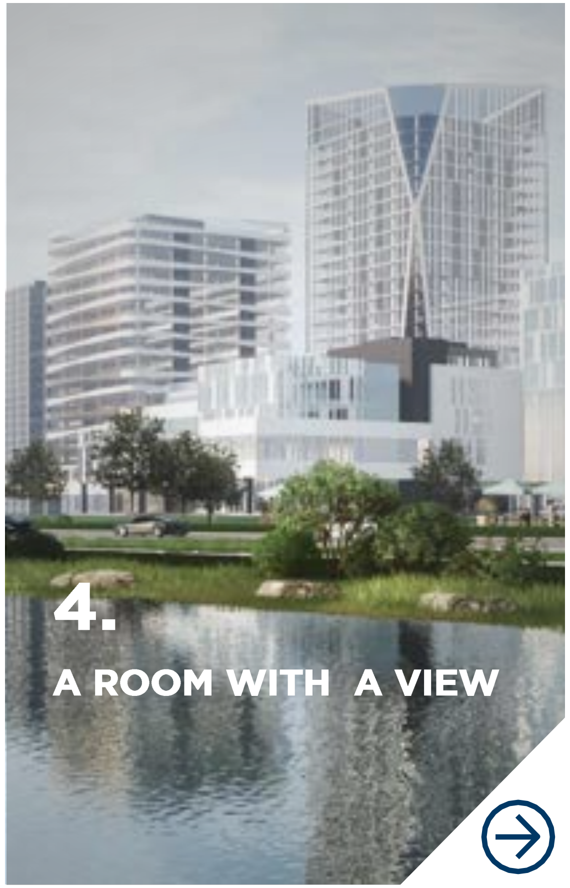
With a return to general market confidence in Greater China as well as in many cases, buyer and seller expectations converging to a similar line of thinking, we expect a good number of buyers to step into the market and purchase. Moreover, we envisage these buyers to execute on a good number of Grade A office deals in core and suburban markets within Greater China gateway cities, with many of these buyers being enterprises looking to purchase for self-use. This being the case, we expect the proportion of Grade A office investment deals and those for self-use to both see an increase in 2023 over the figures recorded in 2022.

Figure 3:
Share of investment transaction volume by sector (2022)
Source: Cushman & Wakefield Research



GRADE A OFFICE - WHERE IT'LL BE

Supply Trends



When considering the wellness and wellbeing of office users, much consideration has been given to the internal office space and its design and how it is used. However, less consideration is paid to the immediate external space, in other words the immediate location.

When taking into account an office's immediate location and how it can enhance the wellness and wellbeing of its users, multiple considerations need to be taken to account. Two important elements are, however, external natural views and external natural greenery.

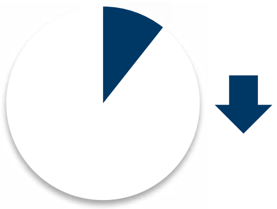
Recently, we have seen a number of enterprises in Greater China, particularly those involved in the 'new economy', prefer to occupy office buildings that are set in a vicinity that has external greenery in and around the location as well external views over natural scenery, such as a park, lake or a riverside.

What is the reason behind this trend? Well, it boils down to the competition for talent. The 'new economy' sector is seeing its general business expand in Greater China. Well-qualified staff in the sector are much sought after. Moreover, corporate real estate professionals working for 'new economy' sector enterprises in Greater China understand the importance of providing inspirational and uplifting offices for their employees to work from to provide their respective enterprise that extra advantage in terms of talent attraction and retention.

The benefits of external space, natural views and natural greenery to office-based employees are many. More of the more prominent ones, however, are lower absenteeism, reduced stress, and augmented job performance and mental function. All of these elements denote a more productive environment where office user performance is boosted.

To exemplify the positive aspect of external views and greenery on office-based employees, a 2011 study by Ihab Elzeyedi observed an open-plan office building at the University of Oregon where 30% of the offices look out on trees and natural landscape; 31% looked out on a street, building, and parking lot; and 39% had no views. The research linked a 10% decrease in employee sick days to both views of nature and exposure to natural daylight (Figure 4).

Figure 4:
Office buildings and external natural views and greenery
Source: Ihab Elzeyedi, Cushman & Wakefield Research



Offices + views of nature and exposure to natural daylight = a 10% drop in employee sick days than those offices that do not

GRADE A OFFICE - WHERE IT'LL BE

Demand Trends

Looking to the year ahead, considering the economy and policy direction, we believe overall prime office demand is likely to see an uptick in Greater China. Some of the increase in demand will be driven by certain industry sectors that have seen new business opportunities or have the potential to realise business growth, given the commercial, societal and lifestyle changes brought on by COVID-19, as well as government policy directives. These industry sectors are:

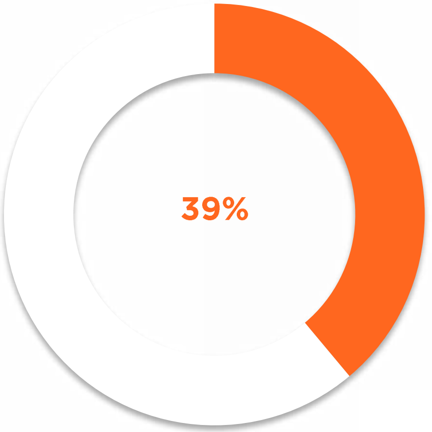
- The TMT sector;
- The life sciences sector, and;
- The trading sector.

In 2023 in the Greater China region, we also expect to see some continued focus on the hybrid office concept, a continuing interest in office workspace wellness and wellbeing and, as more Generation Z employees continue to enter the workforce, how quality office space is changing to meet the working demands from this generation.

In 2022, TMT sector enterprises, life sciences enterprises and trading enterprises contributed to a 39% share of the demand for Grade A office space in the Greater China region (Figure 5).

In 2023, we expect quality office demand from these enterprises to remain solid.

Figure 5:
TMT, life sciences and trading enterprises: Proportion of leasing transactions by area in Grade A offices in Beijing, Shanghai, Shenzhen, Guangzhou, Hong Kong and Taipei compared to other industry enterprises (2022)
Source: Cushman & Wakefield Research



GRADE A OFFICE - WHERE IT'LL BE

Demand Trends

2022 was a tough time for China's tech stocks. Having said this, with COVID-19 epidemic control measures being relaxed in mainland China and the country's economy opening up, 2023 offers a more optimistic outlook for businesses within the TMT sector in the overall Greater China region.

Looking to the rest of 2023, the expectation of a tech bounce back largely hinges on the degree to which the macroeconomy and specifically consumption could pick up. Given the suppressed level of consumption in 2022 and also the lack of confidence among consumers last year, a tech recovery is indeed likely if the reopening of the economy goes smoothly.

Currently the general consensus is for business growth for well-known Chinese tech to reappear and be realised in 2023 as the Chinese economy reopens. This growth, however, will likely not be on same levels seen in the past.

Online shopping and cloud computing are likely to be in sweet spots to embrace the recovery story and this could benefit ecommerce-related enterprises and enterprises involved in online computing and data processing.

As commercial activity picks up for tech businesses, in 2023, we expect demand for leased quality office in Greater China to be driven in part by resurgent TMT enterprises.

GRADE A OFFICE - WHERE IT'LL BE

Demand Trends

Driven by a host of factors, including:

- Organic industry growth;
- Population demographics;
- Spending power – public and private;
- National health coverage;
- Policy and reform, and;
- Research and innovation...

...China's life sciences sector is experiencing business expansion and has not gone unnoticed by investors in the sector, whether it's government investment, corporate investment or private individual investment.

In terms of industry size and growth, according to estimates from askci.com, the market size of the national biopharmaceutical industry in 2020 was about RMB3.57 trillion. It is expected that the market size of China's biopharmaceutical industry will exceed RMB4 trillion in 2023, with continued room for growth thereafter.

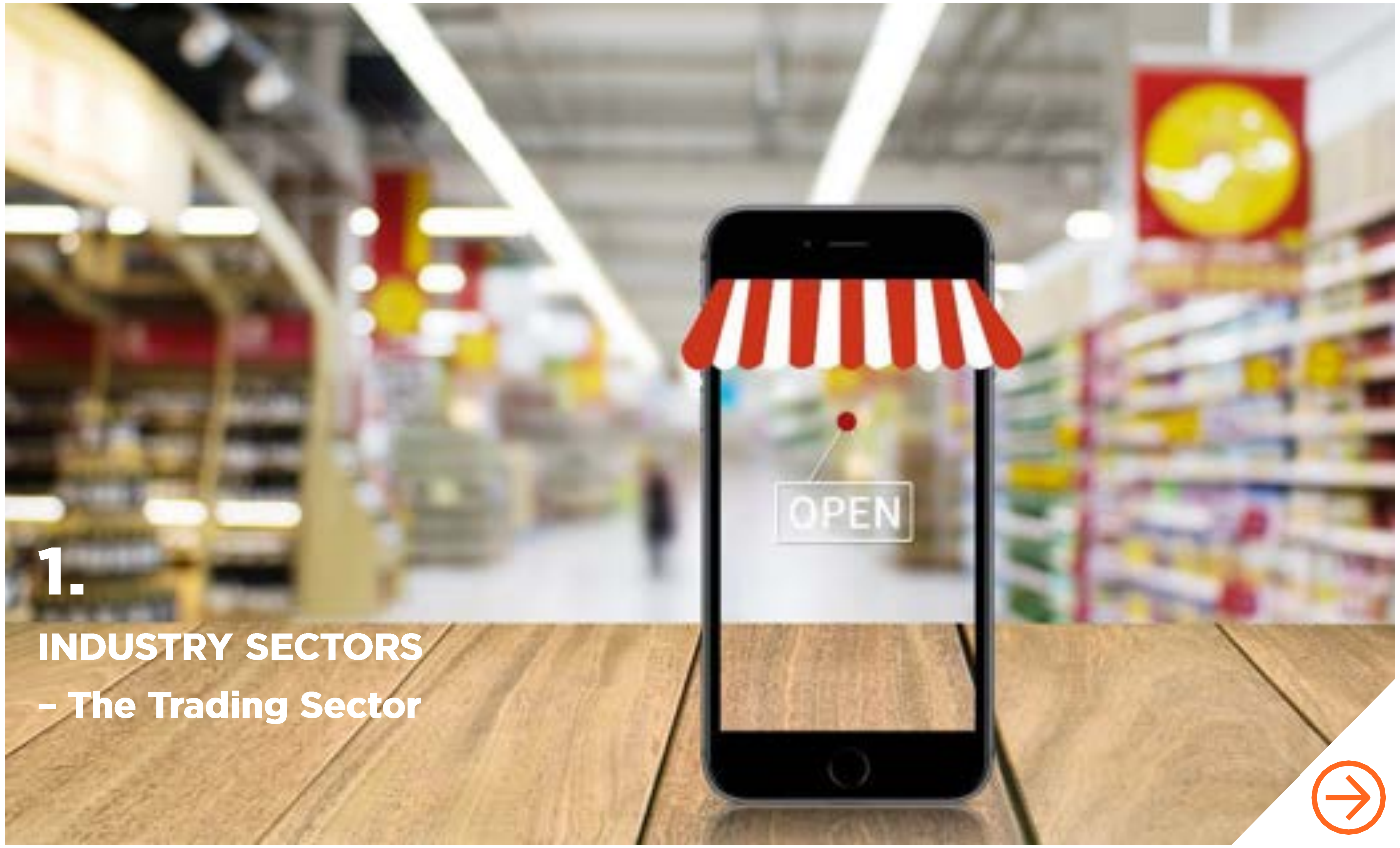
Concerning spending power, spending as a percentage of GDP has been consecutively increasing on an annual basis in the country from 2010. According to the National Health Commission of the PRC, in 2021, healthcare expenditure in China equated to 6.5% of the country's GDP. On an individual citizen basis, we have seen disposable income in China rise as well. As disposable income rises, so individual citizens will be more willing to spend money on their healthcare and the healthcare of their families.

As for research and innovation, these are key to cultivating new business opportunities within any industry sector within a region, including life sciences, and China has recognised this. Founding research and innovation are now conducted and achieved in many of the country's universities and this work has led to increased commercial R&D and growth in the number of new and ground-breaking life sciences industry products being produced in the country.

Finally, given the change the COVID-19 pandemic has brought on the life sciences sector in Greater China and the predicted commercial activity growth in a number of areas, we expect the healthcare sector in the region to generate positive office demand for the year ahead.

GRADE A OFFICE - WHERE IT'LL BE

Demand Trends



2022 was a surprisingly good year for trade in mainland China as the country reported a record trade surplus for the year, with exports delivering robust growth.

Reaching an all-time high of RMB42.07 trillion, the total trade of goods, especially in the case of the export component, was partly supported by a weak Chinese currency while rising prices of goods helped lift the value of exports.

Meanwhile, on the domestic market front, mainland China's retail sales, a key driver for economic growth, fell 0.2% in 2022 as a result of the impact of the COVID-19 pandemic. However, the volume of domestic consumption is anticipated to improve this year given an improvement in the prospects for the domestic economy.

What's more, to further bolster consumption, local governments may well continue to stimulate spending by launching shopping festivals and offering shopping vouchers.

Into 2023, as mainland China's overall trade and domestic consumption are both expected to remain on a solid footing, we expect trading enterprises in the region to benefit. As business demand within the trading sector continues to remain healthy, so the demand for leased Grade A office space from trading-related enterprises in the Greater China region will remain vigorous.

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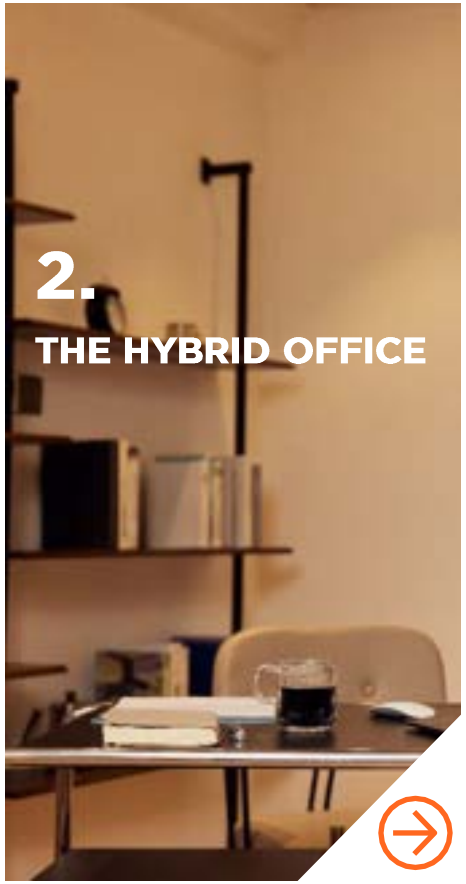


Globally, the concept of the hybrid office and its implementation by enterprises has been picking up pace over the last three years. In Greater China, since the beginning of the outbreak of the COVID-19 epidemic and especially during the subsequent lockdowns, enterprises have had to adapt in order to stay afloat. A key part of this change entailed going remote. With lockdowns set in motion, enterprises had to adjust to a remote work from home working model. But, as restrictions have loosened, many employees have returned to the office.

Globally, the hybrid office concept is not new, but given the forced adaption and implementation that the COVID-19 epidemic instigated, a hybrid workplace is quickly becoming the ensuing normal. What's more, many employees who have become used to the advantages of both settings, don't really want return to the office on a full-time basis.

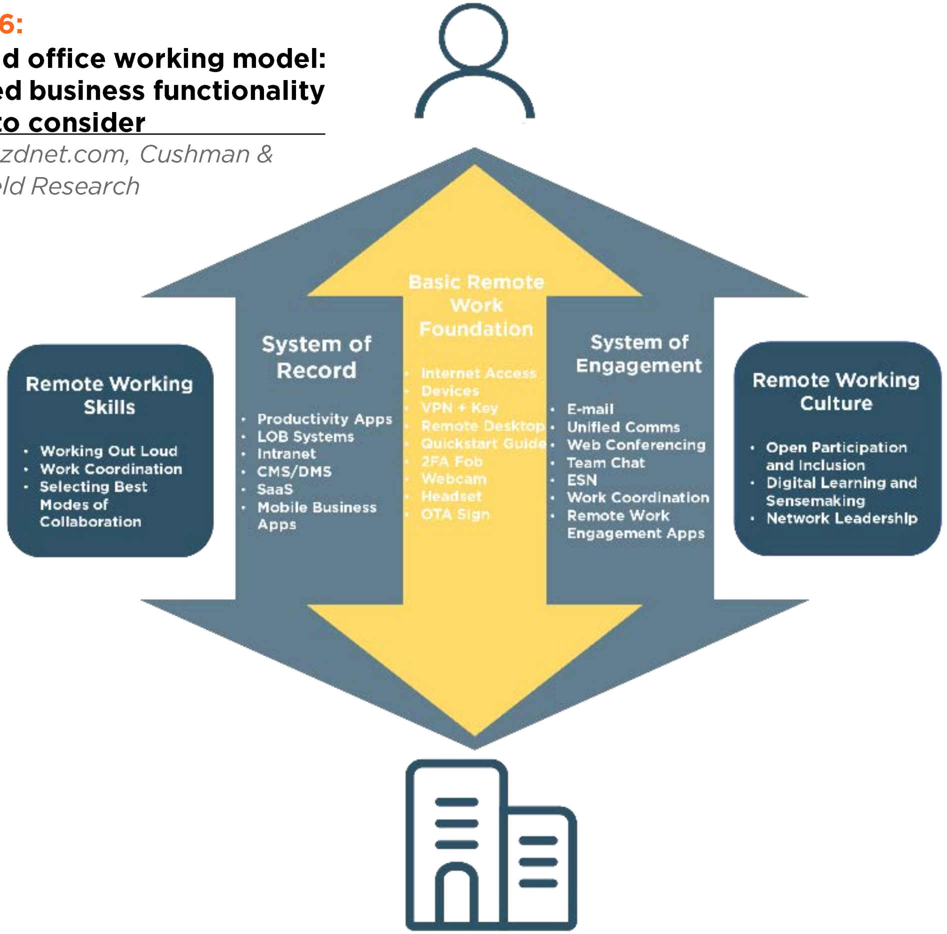
The technology to allow for a hybrid office working model has subsisted for some time now, but enterprises globally have been cautious to adopt and implement a more pliant system to how employees work (Figure 6).

By some estimates, however, the COVID-19 epidemic and subsequent lockdowns has/have accelerated the willingness of enterprises to offer their office employees a broader hybrid office working system by 20 years.

Figure 6:

A hybrid office working model: Selected business functionality issues to consider

Source: zdnet.com, Cushman & Wakefield Research



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Today, in many cities around the globe, densely packed, open-plan office spaces are a thing of the past. Sizeable offices will remain the working heart of enterprises, but it's unlikely that enterprises will be requesting that all of their employees return to the office en masse.

Having said this, in Greater China, there are employees who still want to work out of the physical office, given the collaboration environment it affords, the sense of belonging it instils and the range of work activities and means it supports, among other things, and this pressing-the-flesh sentiment is expected to continue into the future. Therefore, office space and its use will continue to be important in Greater China into the future.

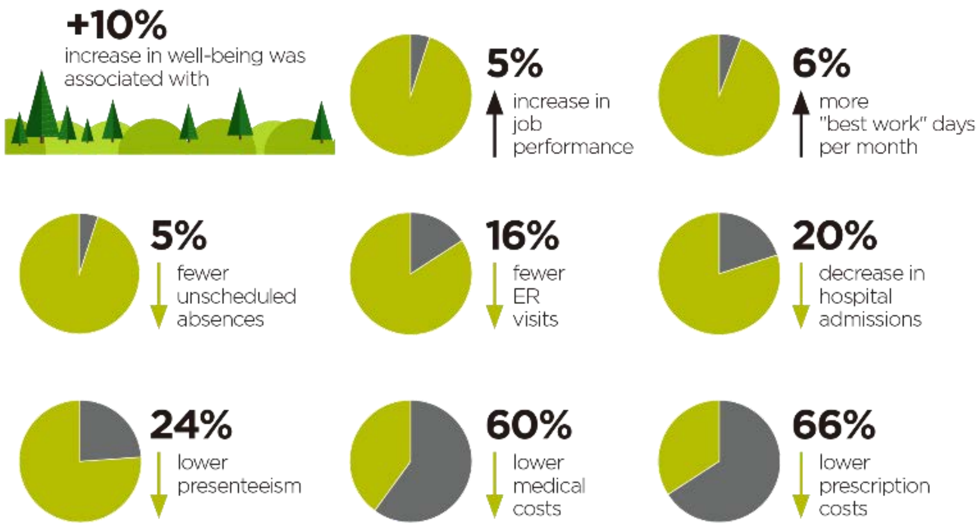
As corporations and enterprises in Greater China look towards the rest of 2023 and beyond, there is the chance for them to re-characterise the function of their office. There is also the opportunity for companies to keep advancing with an open-minded interpretation of work and a rekindled emphasis on employees and how they can accomplish their work in the best and most effectual possible way.

Today, many office tenants in Greater China have adopted a wellness and wellbeing programme for their office workplace, and within this programme, many office tenants in the region know that office workplace health and safety is paramount for their employees, and clients and visitors to their office workplaces. They understand the need to make sure their workforce remains optimally operational and as healthy and happy as they can be, as there are a number of proven knock-on benefits to be had from corporate cost reduction to employee work productivity improvement (Figure 7).

Figure 7:

The impact of office workplace wellness and wellbeing programmes on corporate costs and employee work productivity

Source: Moderncities.com, Cushman & Wakefield Research



Over the last five to six years, we have seen a growing understanding of the importance of wellness and wellbeing in the office workplace amongst tertiary sector office employees in Greater China. Many within this educated group understand the undeniable link between health and fitness in contributing to a healthy life. Over the last half decade, many have taken the initiative themselves to improve their own health by spending money on signing up to the local gym, or on a sports bike to ride on the weekends, or on the latest running shoes to run around the local park.

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Now, with this generation moving up the career ladder and into decision-making positions within the corporate hierarchy, over the last couple of years we have seen the emergence of health-conscious wellness and wellbeing programmes being adopted by office occupiers in China and we expect there to be no let-up in this movement for the foreseeable future in China.

Talent attraction and retention is another very importance factor enterprises in Greater China into consideration when adopting and implementing wellness and wellbeing programmes in their respective offices.

The office working environment is now becoming a key differentiator for many employees in Greater China when weighing up whether to join or leave an enterprise, where two employment choices have other attributes which are similar. For service sector enterprises, their people are their greatest assets, and to stay ahead, it is vital for these enterprises to attract and retain the most talented people out there. A well-developed wellness and wellbeing programme better ensures that employee talent is attracted and retained.

Even after such a short period of time since the first wellness and wellbeing programmes were implemented by enterprises in China, it is encouraging to see from our recent survey that around 30% of office occupier enterprises have well-developed programmes. 40% of enterprises said they have already established partially developed programmes.

Going forward, given the momentum in programme acceptance already built up amongst office employees in China, we expect the number of partially developed wellness and wellbeing programmes to decline, as they become further advanced and move into the well-developed programme category.

Presently, according to the World Economic Forum, Generation Z comprises around 30% of the global population. Again, according to the World Economic Forum, by 2025, this generation is predicted to comprise 27% of the workforce globally.

In Greater China, in many situations and circumstances, Generation Z is transforming the way we think about work and are interjecting innovative, interesting and stimulating ideas on how to execute work.

Moreover, it is important to note that Generation Z individuals in the region generally are different from past generations in many ways. For the most part, they are hyper-connected digital natives.

GRADE A OFFICE - WHERE IT'LL BE

Demand Trends

Given these characteristics, social media and the Internet in general, many Generation Z individuals in Greater China are able to obtain a huge amount of information on an assortment of working styles and approaches, office design and layouts, and workplace services and amenities. Furthermore, owing to their extensive exposure to employment options, this generation, especially those individuals that are top-talent material, are and will not settle for office workplaces that are not up to their expectations.

Subsequently, those enterprises in Greater China that want to entice potential Generation Z talent in the region when they commence employment could do well to further develop their office workplace. They could do well to not only transform their workplaces visually but to also change them functionally to appeal to the Generation Z talent group.

Given the general characteristics of Generation Z individuals in Greater China, enterprises doing business in the region are encouraged to include and integrate greater flexibility, wellness and wellbeing programmes, the latest tech and a combination of both collaborative and private spaces into their overall office workplace design (Figure 8).

Not doing so, these organisations could well run the risk of losing out on the attraction and retention of this group of younger-generation talent.

Figure 8:

Selected collaborative and private office workspaces

Source: GetApp, Cushman & Wakefield Research

Comfortable common areas

Offering a relaxing place to get stuff done, these areas promote social encounters that bring employees together.

Collaborative desk areas

These spaces are well suited for cooperative tasks and are appreciated by more socially-minded employees.

Individual workstations

Solo desks are ideal for tasks that require focus and are appreciated by more independently-minded employees.

Huddle rooms for 2-4 people

Unlike formal conference rooms, these small meeting areas are perfect for casual brainstorming or catching up with colleagues.

Partitioned quiet areas

These small enclaves offer an escape from distractions and provide the privacy needed for deep concentration and online conference meetings.

THE SIX CITY-LEVEL MARKETS

The six major Greater China city-level prime office markets this report covers are:

- ✓ Beijing;
- ✓ Shanghai;
- ✓ Shenzhen;
- ✓ Guangzhou;
- ✓ Hong Kong, and;
- ✓ Taipei.

These six markets provide a broad cross-section of office supply and office occupier demand activity across the key gateway markets in the Greater China region.


SHANGHAI

SHENZHEN

HONG KONG

TAIPEI

TOP SUPPLY/DEMAND TRENDS FOR BEIJING

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Supply

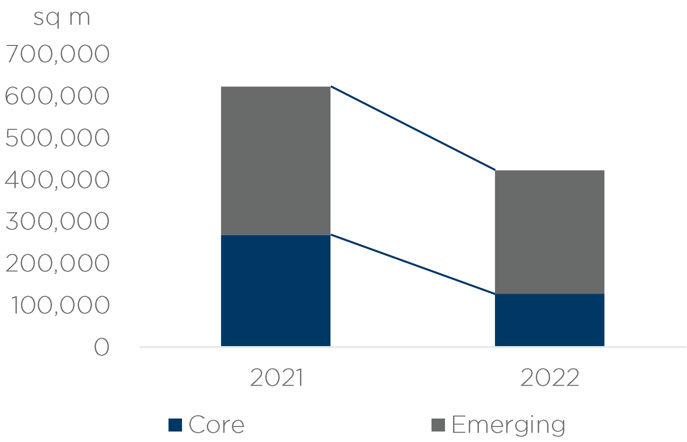
The past year

Affected by multiple factors such as the pandemic, downward economic pressures and uncertainty in the external environment, in 2022, Beijing's Grade A office new supply fell by 32.1% y-o-y to 423,858 sq m. Respectively, the five core submarkets and emerging submarkets accounted for 30.2% and 69.8% of the total (Figure 9). It is worth mentioning that Inner Mongolia Juli in Li'ze Financial Business District and New Everbright Center 5A in Tongzhou Canal Business District are all large volume completions. This, coupled with the other high-quality office buildings present, also further enhanced tenant attractiveness to these submarkets (Table 2).

In 2022, a total of nine Grade A office buildings completed in the Beijing market. Although the number was the same as the number of completions seen in 2021, the overall volume was relatively small.

Figure 9:
Beijing Grade A office total supply – Core area / Suburban area breakdown (2021-2022)

Source: Cushman & Wakefield Research



By submarkets, Tongzhou Canal Business District and Li'ze Financial Business District provided the largest proportion of supply with four completions within the two submarkets, accounting for 60% of the total new supply. Zhongguancun, Financial Street and Wangjing-Jiuxianqiao submarkets each welcomed one new project. Except for the Hevol Building in Zhongguancun submarket, the other projects are all under 50,000 sq m. In addition, 30,000 sq m of new supply entered the CBD submarket this year, largely stemming from self-use office space released by existing projects (Figure 10).

Outlook

From 2023 to 2025, the Beijing office market is expected to usher in about 2.09 million sq m of office space. Amongst this total, the future supply in the five core submarkets and suburban submarkets will account for 47.4% and 52.6% of the city's total future supply, respectively. With the relaxation of the COVID-19 control measures, projects that were originally scheduled to open in 2022 are expected to be put on the market in 2023, so the market will see a small supply peak this year (Figure 11).

The future supply in Beijing's office market will be concentrated in the CBD, Tongzhou Canal Business District and OGV submarkets, accounting for 31.1%, 22.8%, and 9.9% of the total future supply, respectively. Among the new supply, the seven office buildings within the National Convention Center Phase 2 project in the OGV submarket will be placed into the market in two batches. With a total area of 126,000 sq m, this supply will account for 61% of the submarkets' total supply. Meanwhile, the Tongzhou Canal Business District will also welcome landmark projects within the next three years, such as Sino-Ocean-Grand Canal Place, Yunhe One and New Beijing Center which will further enhance the commercial environment in Tongzhou Canal Business District and promote the gradual improvement in infrastructure and industrial upgrading related to the Beijing Municipal Administrative Center (Table 3).

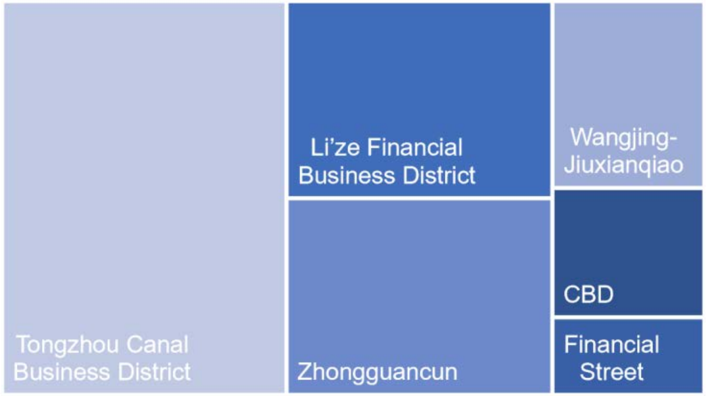
Table 2:
Beijing Grade A office – Largest completed projects (2022)

	Building Name	Submarket	Office GFA (sq m)
1	Inner Mongolia Juli	Li'ze Financial Business District	80,463
2	Hevol Building	Zhongguancun	60,000
3	New Everbright Center 5A	Tongzhou Canal Business District	77,000

Source: Cushman & Wakefield Research

Figure 10:
Beijing Grade A office total supply – District by district breakdown (2022)

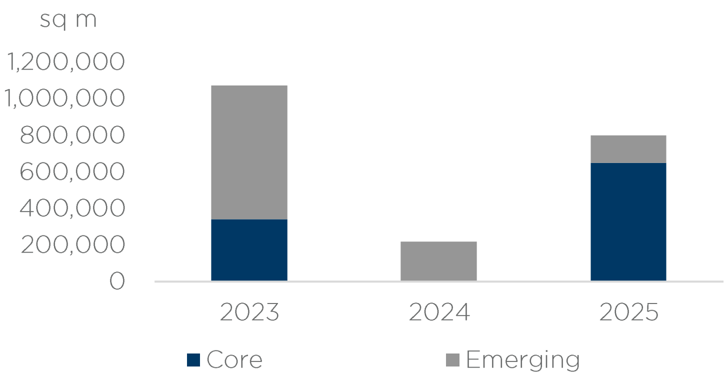
Source: Cushman & Wakefield Research



In addition, there still is about 2 million sq m of future supply in Beijing that as of yet has no confirmed completion time. Of this supply, 30% will be located in the CBD submarket, such as Dajia Insurance (Z5, Z7 and Z10), Aether Square, etc., Given the location, these projects have and will attract much attention in the market.

Figure 11:
Beijing Grade A office total supply – Core area/ Suburban area breakdown (2023-2025)

Source: Cushman & Wakefield Research



In the past three years, driven by the epidemic, tenant demand for green and healthy buildings has increased. Subsequently, most buildings have upgraded their building environment and hardware facilities. In the future, with the realisation of the net zero goal promoted by the government, green buildings and green leasing will have more attention paid to them by the market.

Table 3:
Beijing Grade A office – Major projects to complete (2023-2025)

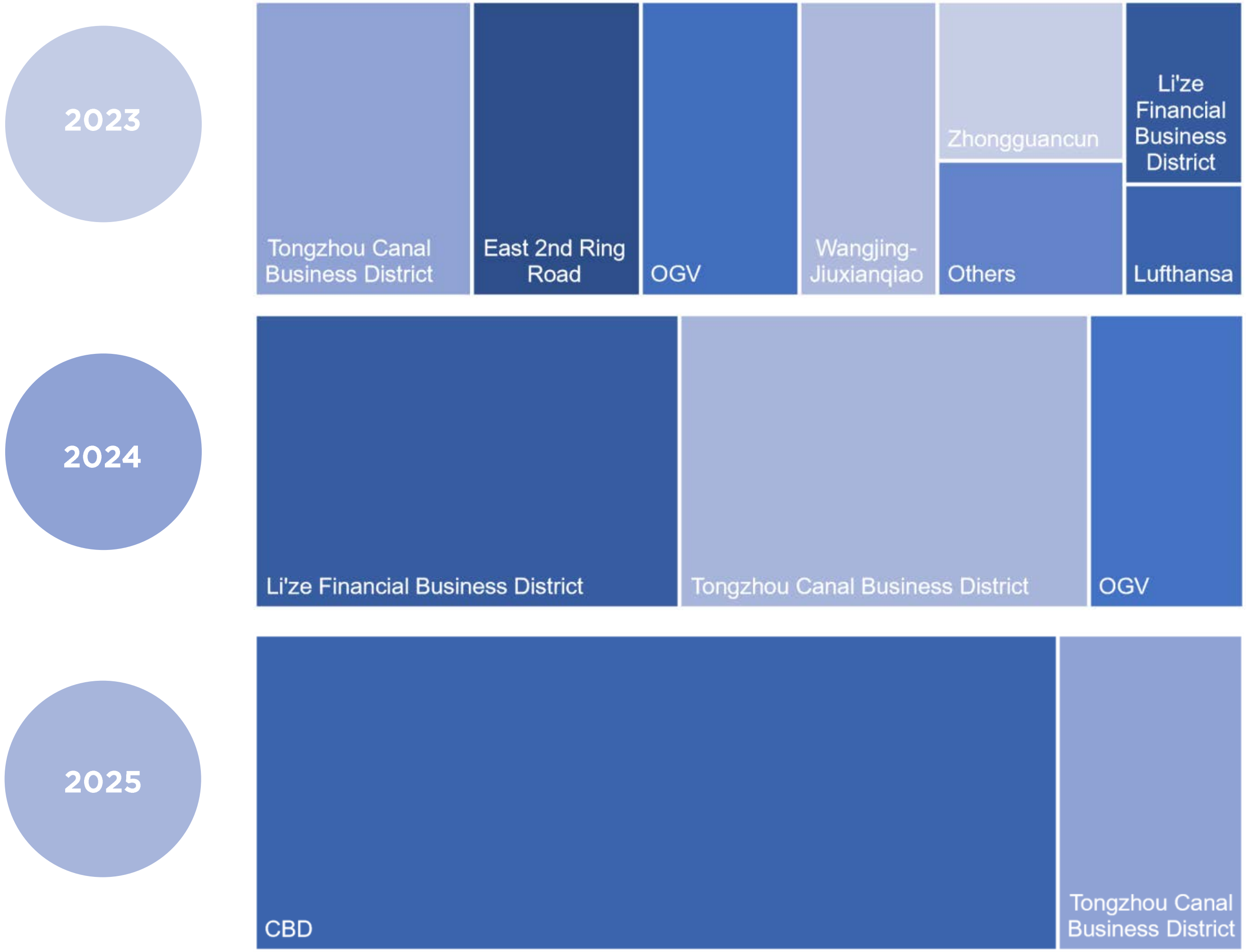
	Building Name	Submarket	Office GFA (sq m)	Completion Year
1	Cinda Center	East 2nd Ring Road	138,444	2023
2	National Convention Center Phase 2	OGV	92,000	2023
3	New Beijing Center	Tongzhou Canal Business District	150,000	2025

Source: Cushman & Wakefield Research

In the next three years, a number of urban renewal projects will enter the market in the East 2nd Ring Road and OGV submarkets, such as Cinda Center which will be transformed from the former Guosheng Center in the East 2nd Ring Road submarket, and North Star, which will be transformed from the former North Star Shopping Center in the OGV submarket. These urban renewal projects will not only improve the overall quality of their respective submarkets but will also bring about more leasing options for enterprises (Figure 12).

Figure 12:
Beijing Grade A office total supply – District by district breakdown (2023-2025)

Source: Cushman & Wakefield Research



Demand

The past year

In 2022, low economic vitality led some tenants to reduce floor space or surrender leases. Consequently, Beijing office market leasing activity decreased significantly. The annual net absorption of Grade A office was 173,000 sq m, down 79.4% y-o-y.

With the entry of new projects into the market and the decline in market leasing activity, the overall vacancy rate continued to rise 1.5 percentage points y-o-y to 16% by the end of 2022. Thus, the overall market remained tenant-favourable.

In order to reduce leasing pressure, landlords offered space with fit out, extending rent-free periods and offering more favourable rental terms to attract tenants. Following on from this, the citywide average rental retreated 4.8% y-o-y to RMB321.5 per sq m per month in 2022.

The five core submarkets were still the most active in terms of volume by leased transaction area, with 56.5% of the major leasing transactions stemming from the core submarkets.

In terms of leasing transaction activity breakdown, domestic enterprises still served as the main transaction force, accounting for approximately 88.5% of total leasing transactions by area.

Figure 13:

Beijing Grade A office leasing transactions by area – MNC/ Domestic company breakdown (2022)

Source: Cushman & Wakefield Research

88.5% | **Domestic** **11.5%** | **MNCs**

MNC leasing demand slowed down due to the epidemic as well as the longer and more stringent approval process. The existing tenants tended to renew or extend their expiring leases this year. As a result, the total leased area generated by overseas company tenants in 2022 only accounted for 11.5% of the city total (Figure 13).

As a national centre for science and technology innovation, the international exchange centre, and the national free trade zone, Beijing continued to provide a solid foundation for the development of TMT, finance and professional service enterprises.

In 2022, the TMT, finance and professional services industries still ranked in the top three regarding leasing transaction activity. These sectors accounted for 43.2%, 25.0% and 13.6%, of activity last year, respectively. Among them, the performance of domestic securities, funds and asset management enterprises was more prominent. In 2022, this helped drive the leased area total for financial enterprises and allowed the finance industry to increase its share by 7.4 percentage points when compared with the figure seen in 2021 (Figure 14 and Table 3).

Figure 14:

Beijing Grade A office leasing transactions by area – Industry sector split (2022)

Source: Cushman & Wakefield Research

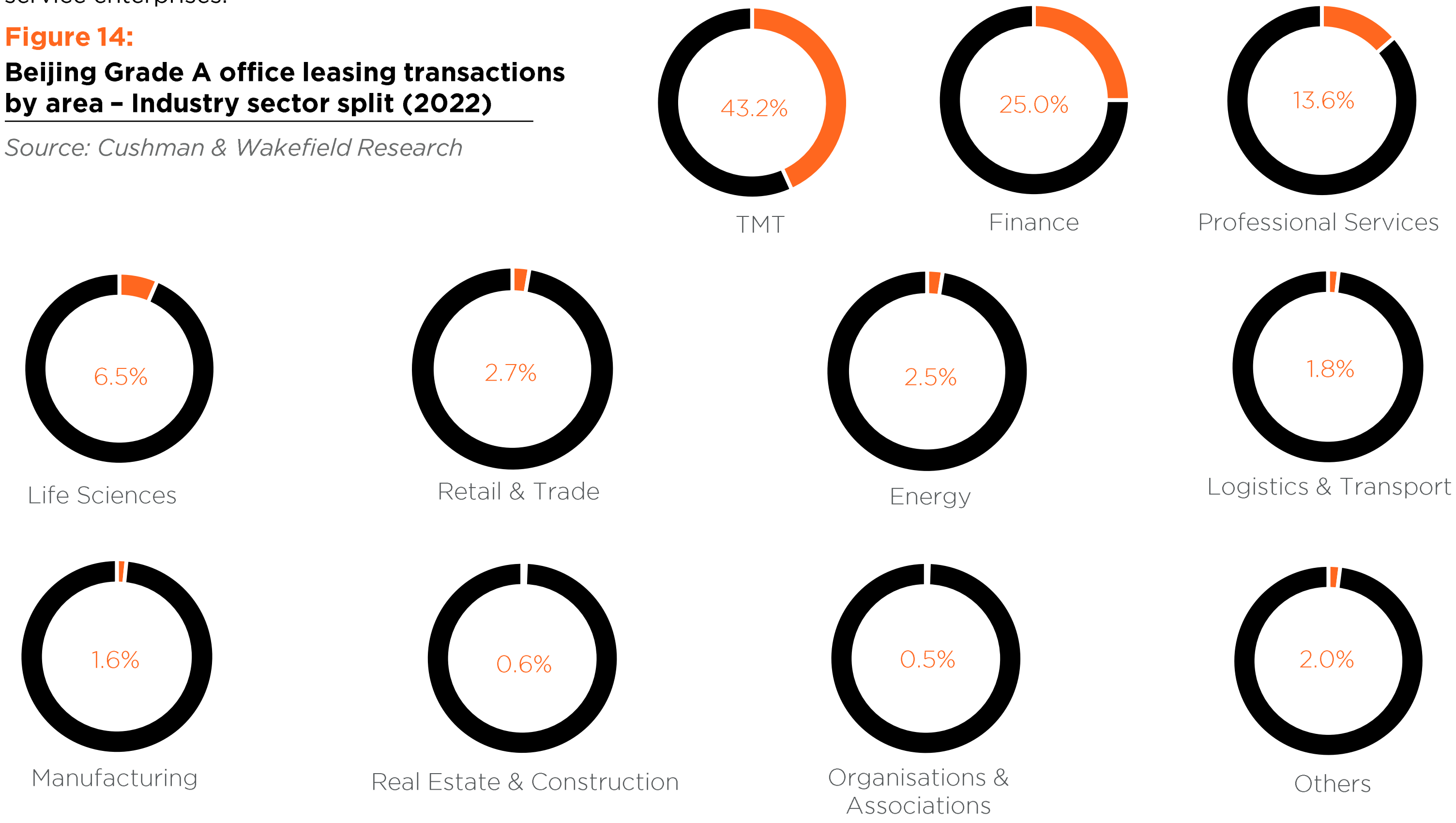


Table 4:

Beijing Grade A office – Five significant leasing deals by area (2022)

Property	Submarket	Tenant	sq m	Lease Type
Longfor Blue Engine Office Park	Others	Alibaba Amap	60,000	New Setup
Taikang Group Tower (Z12)	CBD	China Securities	18,000	New Setup
Finance Street Center A5	Financial Street	CDB Capital	16,000	New Setup
Asia Financial Center	OGV	Huatai Securities	12,000	New Setup
Hexa International Plaza	East 2nd Ring Road	Tencent Music	12,000	New Setup

Source: Cushman & Wakefield Research

The outbreak of the COVID-19 virus greatly promoted the development of the life sciences industry. In 2022, Grade A office leasing activity attributed to this industry accounted for 6.5% of total leasing transactions by area, an increase of 1.9 percentage points when compared with 2021. Meanwhile, the share of leasing activity stemming from retail and trade and from logistics and transport also increased significantly, up 1.7 and 0.8 percentage points y-o-y to 2.7% and 1.6%, respectively.

The real estate and construction sector, which has been more affected by the overall economic environment and the pandemic, saw its share of leasing activity drop to 0.6%. It is worth mentioning that this year, leasing demand from government, organisations and industry associations saw an increase, such as the lease by the National Cultural Heritage Board and a consulting company associated with the Singapore Government (Figure 14).

As the major supporting industry for office leasing in Beijing, TMT accounted for nearly half of the leasing area in 2022. Submarkets such as Zhongguancun, CBD, and Wangjing-Jiuxianqiao were still the first choice for TMT enterprises, as leasing demand from the three submarkets accounted for 49.4% of the total area leased by the TMT industry in 2022. It is also worth mentioning that some urban renewal and business park projects located outside the traditional submarkets were gradually favoured by TMT enterprises due to their low rents and spacious, green office environments. In 2022, 19.2% of the leased quality office area by the TMT industry stemmed from these projects. For example, Alibaba Amap leased a 60,000 sq m office space in Longfor Blue Engine Office Park (Figure 15 and Table 4).

Over the years, the Beijing Financial Street submarket has concentrated the national financial supervision and policy management departments, as well as a large number of well-known financial companies and bank headquarters. It has always been a popular submarket for financial enterprises, however, due to its high rent and limited availability, in 2022, leasing demand continued to spill over to the CBD, Lize Financial Business District and OGV submarkets. In 2022, a number of financial enterprises settled in the OGV submarket. With large leasing area requirements, these enterprises helped lift OSV to top out the 2022 ranking in terms of the largest leasing-by-area by submarket in Beijing by financial enterprises. Accounting for 23.8%, OGV was followed by CBD and Financial Street, which accounted for 23.5% and 20.9% of transactions, respectively (Figure 16).

The CBD and East 2nd Ring Road submarkets have always been the first choice for professional services enterprises. In 2022, a large number of law firms, accounting firms, consulting management and design companies settled in these two submarkets. This led these two submarkets to enjoy 48.6% of the total leasing by area by professional services enterprises in Beijing for the year. Besides, the Zhongguancun area, which is clustered with many scientific research institutes and universities, also attracted many educational companies to settle. This submarket account for 13.4% of the leased area among professional services enterprises in Beijing in 2022, with demand in the submarket up 4.5 percentage points from 2021 (Figure 17).

Figure 15:
The TMT sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

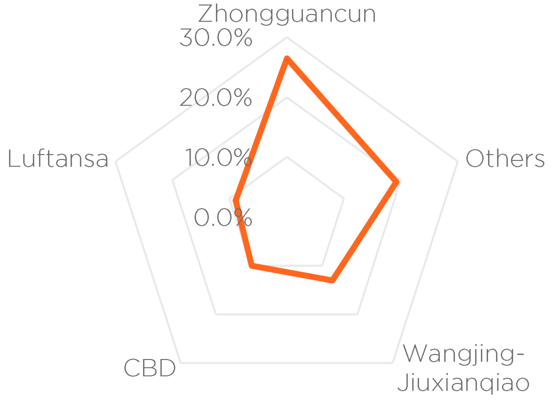


Figure 16:
The finance sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

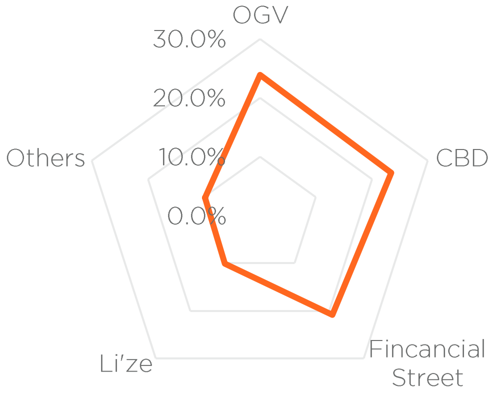
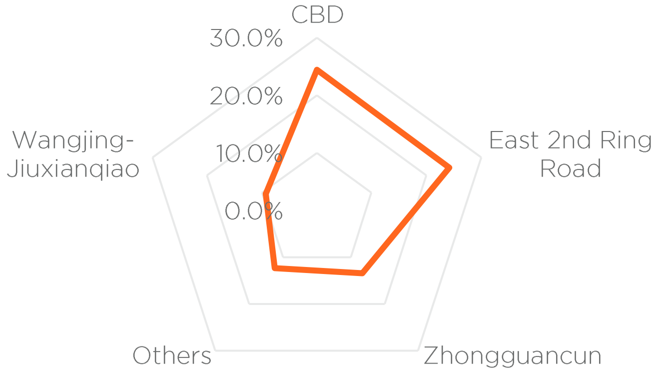


Figure 17:
The professional services sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research



Outlook

In 2022, due to the impact of the epidemic, many projects delayed their completion time. With the relaxation of the epidemic control measures, these projects are expected to enter the market in 2023. The influx of new space will continue to exert pressure on landlords. Subsequently, market rent will still face downward pressure in the short term. On the other side of the coin, such a tenant-favoured market will also bring about a better lease negotiation environment for tenants, and this could spur leasing transaction activity in 2023.

The 20th National Congress and the Central Economic Work Conference have also set the tone for China's industrial development. In the future, high-end manufacturing, green energy, the digital economy, and technology and finance will become the main sources for office demand in Beijing.

In September 2022, eight major departments in Beijing jointly issued 'An Action Plan on the Reform and Open Development of Construction Green Finance', which specifically highlighted the need to strengthen financial support for green buildings. With the realisation of the net zero goal promoted by the government, and tenants' growing awareness of green real estate, buildings with green certifications will be more favoured by the market.

TOP SUPPLY/DEMAND TRENDS FOR SHANGHAI

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Supply

The past year

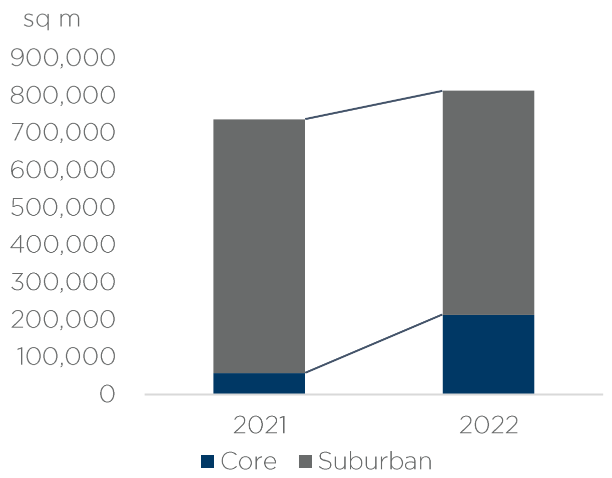
In 2022, much new supply entered the non-core submarkets, helping the total stock of Grade A office in Shanghai to surpass the 15 million sq m mark. In total, the suburban submarkets accounted for 73.7% (Figure 18). Compared to last year, the city's core submarkets welcomed more quality new supply in 2022, though the market was greatly affected by the pandemic in the second quarter and the fourth quarter of the year.

The average citywide rental decreased since demand slowed in 2022. Currently, the average monthly rental stands at around RMB247.5 per sq m.

In order to boost market confidence, the municipal government is encouraging cross-border trade and is trying to resolve some of the business issues faced by major multinational companies (MNCs).

Figure 18:
Shanghai Grade A office total supply – Core area/Suburban area breakdown (2021-2022)

Source: Cushman & Wakefield Research



Last year, in some hotspot areas, more landmark projects were completed, including Lumina & Lumina 2, ITC Phase III T1 and Suhe Centre (Table 5). Among the 11 new office buildings completed in 2022, nine projects are located in Puxi, mainly in Jing'an District and Xuhui District.

The new projects in Jing'an District accounted for 34.6% of the total new supply. Most of them are located near Shanghai Railway Station and the Suzhou Creek, which offers great accessibility and a pleasant natural environment, respectively. Notably as well, newly completed projects along the Huangpu River made up around 51.2% of the newly completed supply in 2022. Specifically, West Bund in Xuhui District and New Bund in the Pudong New Area welcomed many significant projects. These projects were quickly able to house a number of headquarter offices (Figure 19).

In 2022, old commercial districts in core submarkets continued to update themselves as they expect to face more intense competition in the near future. For example, the completion of Xuhui ITC III T1 marked a new turning point within Xujiahui. Bringing 114,692 sq m of quality space to this submarket will set the tone for the area's revitalisation into the near to mid-term future. Additionally, in 2022, some prime office projects in Core Jing'an and Lujiazui gained more industry standard certifications and/or offered more services to and activities for tenants to remain leasing relevant in the office market.

Outlook

By 2026, over 4 million sq m of future Grade A office supply is expected to complete in Shanghai. The total future supply accounts for 27.4% when compared to the current citywide Grade A office. Moreover, the city's core areas and suburban areas are likely to contribute 38.0% and 62.0% of the total future supply, respectively, which is expected to push the Shanghai Grade A office stock to about 19.2 million sq m by 2026 (Figure 20).

Table 5:
Shanghai Grade A office – Largest completed projects (2022)

	Building Name	Submarket	Office GFA (sq m)
1	Lumina & Lumina 2	West Bund	249,943
2	ITC Phase III T1	Xujiahui	114,692
3	Suhe Centre	Fringe Jing'an	95,083

Source: Cushman & Wakefield Research

Figure 19:
Shanghai Grade A office total supply – Submarket by Submarket breakdown (2022)

Source: Cushman & Wakefield Research

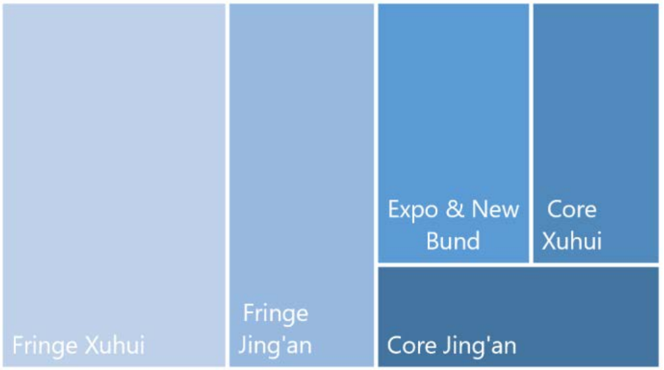
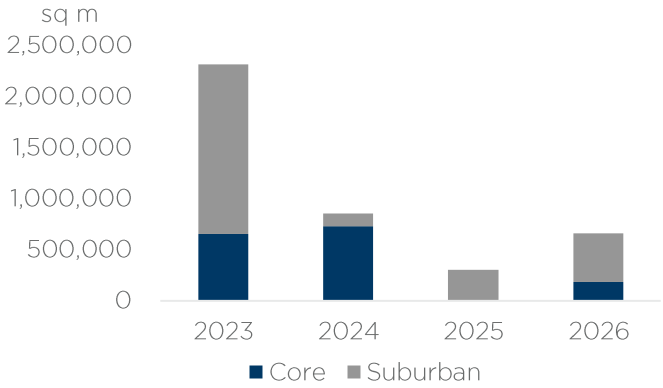


Figure 20:
Shanghai Grade A office total supply – Core area/Suburban area breakdown (2023-2026)

Source: Cushman & Wakefield Research



As the epidemic control measures were adjusted at the end of 2022, most developer business and construction activities are expected to fully recover from 2023. Many projects delayed by previous epidemics are scheduled to enter the market this year, and likely to add more than 2 million sq m of quality supply. Multiple submarkets, including Fringe Xuhui, Putuo and New Bund, will offer more quality office space in 2023 (Figure 21).

In core CBDs, like Xujiahui, Xintiandi, and Zhuyuan, many landmark projects are scheduled to enter the market in the future, including CPIC Xintiandi Commercial Centre, ITC III T2, The Summit (Table 6). Concurrently, the Huangpu riverside is another major supply focus point in the Shanghai office market. The handover of more quality office buildings in West Bund and New Bund will stimulate more tenants to locate their offices to these buildings in these areas along the Huangpu River (Figure 21).

Table 6:

Shanghai Grade A office – Major projects to complete (2023-2026)

	Building Name	Submarket	Office GFA (sq m)	Completion Year
1	Square City	New Bund	171,900	2023
2	CPIC Xintiandi Commercial Centre	Huangpu (Xintiandi)	205,500	2024
3	ITC III T2	Xujiahui	206,283	2024

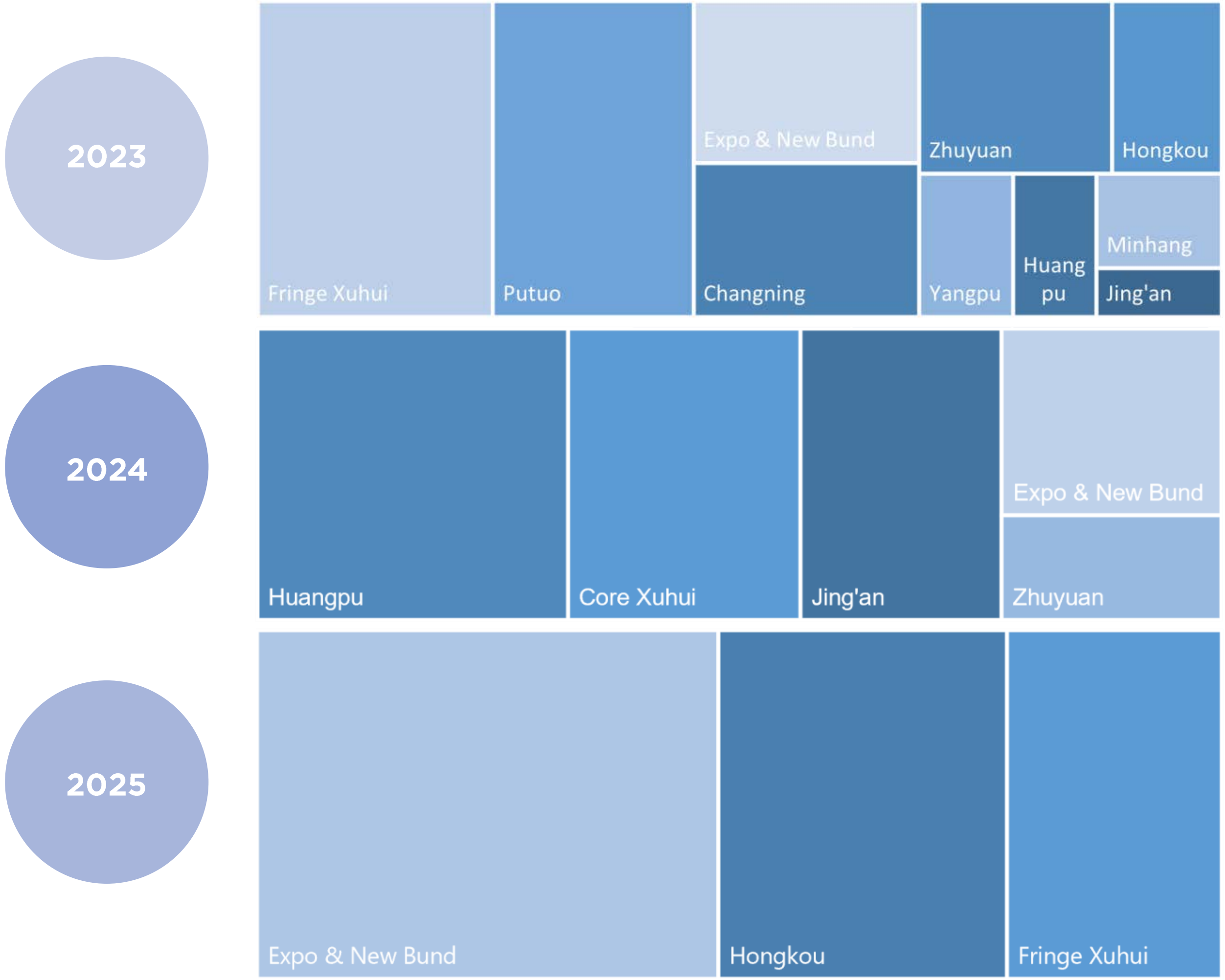
Source: Cushman & Wakefield Research

The epidemic last year made tenants become more aware of the operational capabilities of office landlords in Shanghai. Given this raised awareness, in the face of competition, operational standards will need to remain high. Following on from this, more quality office landlords are expected to pursue green building certification, state-of-the-art building design, smart building technology and elevated levels of health and safety for their respective buildings.

Figure 21:

Shanghai Grade A office total supply – Submarket by Submarket breakdown (2023-2025)

Source: Cushman & Wakefield Research



Demand

The past year

After an unusually active year in 2021, the Shanghai office market was greatly impacted by the outbreak of the COVID-19 virus in 2022. The epidemic in the first half of 2022 restricted movements of enterprises, which resulted in net absorption registering 301,255 sq m citywide during the same period. Meanwhile, during this time, the Shanghai Municipal Government initiated several large policy measures to stabilise market confidence. Thus, the economy revived in Q3, which spurred a recovery in the city's office leasing market at the same time.

At the end of 2022, the national and Shanghai governments continuously optimised strategies and policy measures on COVID-19 epidemic spread prevention. The office market required time to adapt to the major change. Thus, leasing transaction volume slowed to wait for the expected recovery in 2023. Therefore, the full year net absorption within the overall market in Shanghai reached 625,725 sq m.

With more new supply, suburban areas, like West Bund, New Bund and Fringe Jing'an, enjoyed much more net absorption than the core areas. Thus, at the end of 2022, the vacancy rate in suburban submarkets stood at around 23.6%, given annual net absorption of 533,413 sq m.

Figure 22:

Shanghai Grade A office leasing transactions by area – MNC/ Domestic company breakdown (2022)

Source: Cushman & Wakefield Research

54.7% Domestic **45.3%** MNCs

Having said this, the average vacancy rate in Shanghai's core submarkets rose to around 11.2% in 2022.

Meanwhile, during the recent three years, many occupiers still occupied more office space, which pushed the citywide vacancy rate down to 16.6% in 2022 from 19.6% in 2019.

As one of the first cities benefitting from the "Reform and Opening Up" policy, Shanghai still is the most attractive city for multinational business capital. Moreover, even as it faced the COVID-19 epidemic last year, the Shanghai government still placed much emphasis on the development of MNCs in the city. According to statistics from the Shanghai Bureau of Commerce, Shanghai currently has 891 MNC headquarters and 531 foreign-funded R&D centres.

What's more, in 2022, the actually used value of foreign direct investment in Shanghai surpassed US$23.9 billion, marking a new record high. In the office leasing market, MNCs accounted for 45.3% of transactions by area. (Figure 22).

Overall, firms were less active in 2022 due to the epidemic. However, professional services, TMT and finance still led the industry sectors in leasing transactions by area with a share of 23.8%, 17.4% and 17.4%, respectively (Figure 23).

Figure 23:

Shanghai Grade A office share of leasing transactions by area – Industry sector split (2022)

Source: Cushman & Wakefield Research

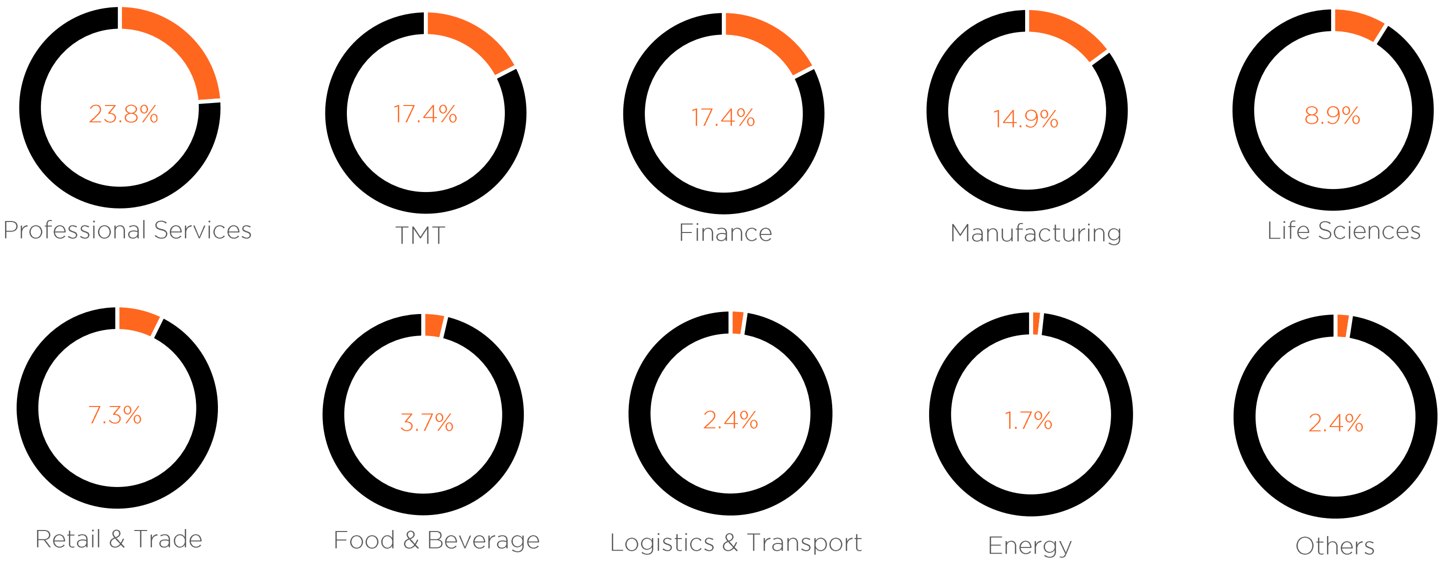


Table 7:

Shanghai Grade A office – Five significant leasing deals by area (2022)

Property	Submarket	Tenant	Sq m	Lease Type
Lumina 2	West Bund	Zeekr	22,000	New Setup
Hongqiao Vanke Center	Minhang	KPMG	13,500	Expansion
Westlink	Minhang	Longqi Scientific Investment	12,000	Relocation
New Bund International Square	West Bund	GSK	12,000	New Setup
Century Metropolis	Zhuyuan	Apple	10,000	Expansion

Source: Cushman & Wakefield Research

Among the professional services companies, some specific sub-sectors appeared to be more active, including law firms, consulting firms, certified public accountants and some flexible workspace providers (FWPs).

Notably, the TMT sector shared 17.4% of the total leasing transactions by area in 2022, ranking second among industry sectors in this category. Since most Shanghai residents worked from home for periods of time during the pandemic, the pandemic really did accelerate the development of the digital economy in Shanghai. As seen in the office market, Internet, software, operating system and technological companies still sought office space expansion, as business grew last year. Some robot, big data and gaming-related companies also attracted the attention of many landlords in the city in 2022.

Most importantly, the finance sector contributed to around 17.4% of transacted leasing space by area. National financial policies were adjusted several times to boost the general economy, which guaranteed financial activity in Shanghai last year. Last year, many financial entities were still actively participating in the Shanghai and China marketplace, including investment banking, funds, overseas capital, insurance, securities, and asset management companies. Shanghai is still the top choice for headquarter offices for many investors, as more reform and opening up policies are continuing to be realised.

Manufacturing, life sciences, retail and trade and some other sectors made up approximately a 41.3% share of completed leasing deals by area in the city in 2022. As one of the foundations for the economy, manufacturing still performed well, especially during the epidemic period.

With the improvement in automation, more manufacturing-related office needs were boosted, especially for some high-end manufacturing industries, like vehicles, electronics, machinery, etc. Management and other functional departments within the industry have set up offices in Shanghai's core areas or in some up-and-coming hotspots, like New Bund.

Since the pandemic, life sciences companies, including pharmaceutical, medical services and health management companies, have been quite active. Currently, the annual market size of Shanghai's life sciences industry is estimated to be over RMB700 billion, around one sixth of the city's GDP. Besides Zhangjiang and Caohejing, New Bund has become another favourite location for life sciences companies to locate their offices, including, in some cases, their China headquarters.

Meanwhile, the retail & trade and the food & beverage industries gradually recovered as the market revived after the epidemic towards the end of last year (Figure 23 and Table 7).

In the professional services sector, Hongqiao in Minhang, West Bund and Fringe Jing'an attracted some major consulting and law firms given the relatively newly completed office supply and more promising surrounding facilities to be found in these areas. Meanwhile, Lujiazui and Huangpu were still the most popular locations for professional services sector companies due to their robust economic activity, which was still evident, even in 2022 (Figure 24).

In terms of the TMT sector, Expo & New Bund, Huangpu and Minhang led the rankings in terms of leasing transaction by area by the sector, with a share of 17.9%, 15.7% and 11.5%, respectively. With more commercial hubs established in these areas, these submarkets now offer a good work/life balance environment for employees in the industry. Additionally, in 2022, some tech firms also preferred office locations with improved cost efficiency, such as Zhuyuan and Putuo (Figure 25).

As for the finance sector, without doubt, Lujiazui still dominated the leasing transaction by area stakes in 2022, accounting for 41.7% of total share by the sector. Following Lujiazui, Zhuyuan and Core Jing'an were the second and third most popular locations for finance companies last year to locate their offices in. Most transactions were completed in the second half of the year, proving that economic vitality resumed along with the relaxation of epidemic prevention measures (Figure 26).

Figure 24:
The professional services sector – Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

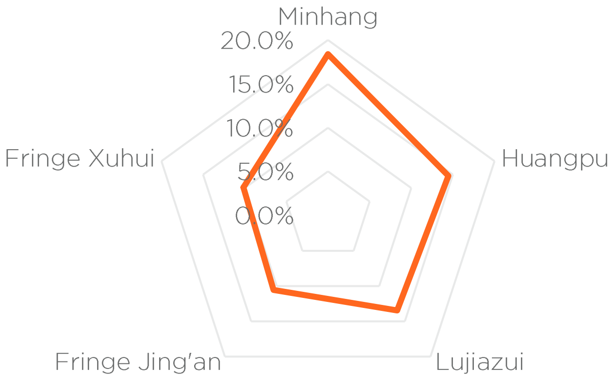


Figure 25:
The TMT sector – Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

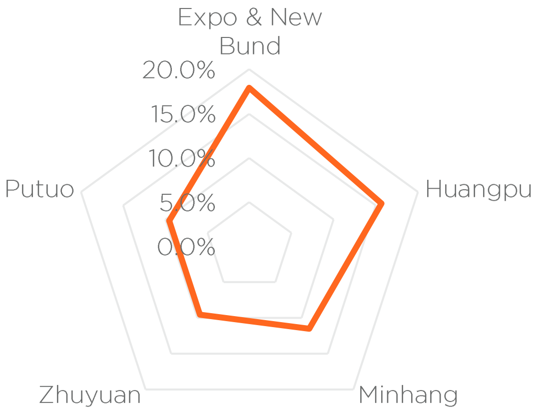
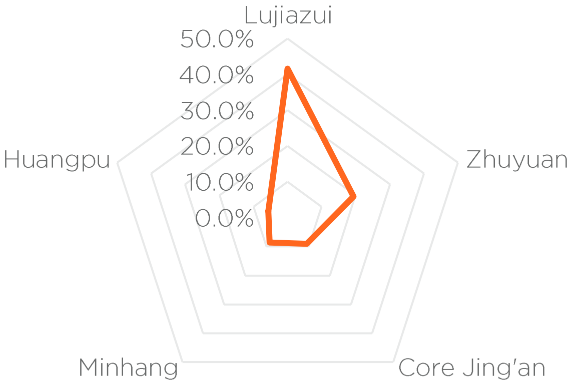


Figure 26:
The finance sector – Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research



Outlook

Gradually recovering from the epidemic in 2022, Shanghai aims to accelerate its economic development at full pace for the rest of 14th Five Year Plan period. The comprehensive recovery in the market, especially in consumption, is expected to lay the foundation for high-quality economic development in Shanghai. As one of the main gateway cities in China, Shanghai will look to encourage more capital inflow to serve the economy in the city, the Yangtze River Delta Region and even China.

Without doubt, the aftermath of the pandemic has accelerated a change in the city's general economic structure. In 2023, the Shanghai government is expected to target further developmental improvement in the digital economy in the city. More advanced technologies in AI and in the Internet, including big data analysis, the metaverse and machine learning are expected to be deployed. Being one of the most innovative cities, much quality office space will be required by high-tech talents to follow the pace of sector business development. Some industries which are expected to see transformative new business opportunities are trading, education, life sciences, media, marketing, fintech, asset management, new retail, high-end manufacturing and modern logistics.

Additionally, in 2023, office landlords and tenants are also expected to pay more attention to ESG goals and to the hybrid office working model.

Finally, existing commercial hubs in Shanghai as well as emerging commercial hubs, especially ones along the Huangpu River, will continue to attract quality tenants as quality economic development continues to intensify.

TOP SUPPLY/DEMAND TRENDS FOR SHENZHEN

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Supply

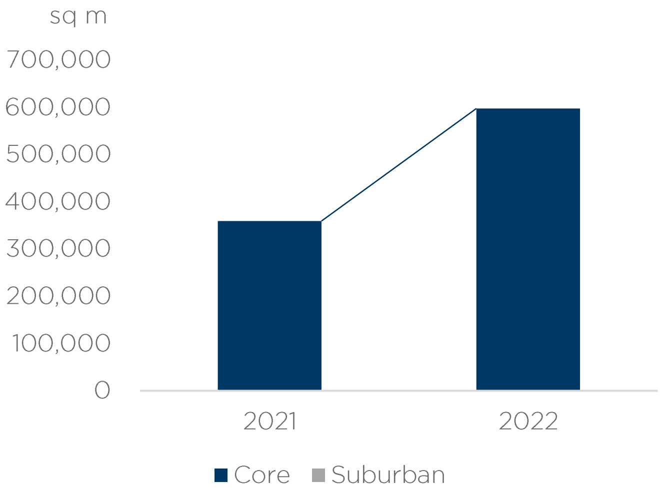
The past year

In 2022, the localised COVID-19 virus outbreaks disrupted office construction and delivery. The market saw only 597,950 sq m of new completions for 2022, with all projects located in the core areas (Figure 27). The new supply increased by 66.2% on the previous year by area, but this was still significantly lower than the 2021 estimation. Qianhai accounted for 56.5%, including Qianhai Kerry Centre Phase 2, Qianhai Horoy Center and HFCC, increasing Qianhai's Grade A office stock to 1.2 million sq m. The improvement in infrastructure and the opening of prime malls supported Qianhai's growing business environment.

The remaining 43.5% share was constituted by Futian's Dabaihui Plaza and Houhai's Lenovo Center (Table 8 & Figure 28), which provided more available space for the companies to select. By the end of 2022, Shenzhen's Grade A office stock surpassed the 7 million sq m mark to reach 7.2 million sq m.

Figure 27:
Shenzhen Grade A office total supply – Core area / Suburban area breakdown (2021-2022)

Source: Cushman & Wakefield Research



Outlook

Completion delays postponed the supply peak, with 6.5 million sq m estimated to complete during next four years (Figure 29). 94.8% of the office area in the pipeline will be slated for the core submarkets while the remaining 5.2% will be in the emerging submarkets. In the face of ongoing economic uncertainty, developer challenges in funding and self-occupation scenarios, the final completions are likely to be lower than the current estimation, which should provide relief to the market. However, the influx of new supply during the last few years coupled with surrendered space in current stock buildings may still need some time for full absorption. What's more, considering the huge volume of future supply, the market will sustain fierce competition in the near term.

By submarket, Qianhai is scheduled to add 2.1 million sq m of new office supply over the next four years, which is equivalent to 32.8% of the city's total future supply. By year, Qianhai is expected to take a 29.1%, 52.1%, 31.3% and 26.2% share of the citywide annual supply in 2023, 2024, 2025 and 2026, respectively (Figure 30). Qianhai Chow Tai Fook Finance Tower, China Venture Capital Building and Qianhai Trade Plaza (South) are expected to be completed successively during this time period (Table 9). Without doubt, such huge supply volume will increase market competition, but it is also forecasted to stimulate demand for large-sized office space.

The future supply volume share in the Shenzhen Bay Super Headquarter Base is expected to be 32.3%, nearly the same as Qianhai. The Base is currently under construction. SIC will become the first Grade A office to complete in the Base in 2023. International Innovation Center and CEC will be completed thereafter. Meanwhile, Houhai is expected to take a 14.1% share of the future supply volume. Notable projects to complete in the submarket include Hengyu Financial Center and Dajia Insurance HQ. Nanshan's 14th Five-Year Plan points out that Shenzhen Bay Super HQ Base will connect with Houhai, Shekou and Qianhai to form the Headquarter Economy Belt. Locationally, it is anticipated to link Hi-tech Park and enlarge Nanshan's business district.

Table 8:
Shenzhen Grade A office – Largest completed projects (2022)

	Building Name	Submarket	Office GFA (sq m)
1	Qianhai Horoy Center Tower A	Qianhai	150,000
2	Dabaihui Plaza	Futian CBD	130,000
3	Lenovo Center	Houhai	130,000

Source: Cushman & Wakefield Research

Figure 28:
Shenzhen Grade A office total supply – District by district breakdown (2022)

Source: Cushman & Wakefield Research

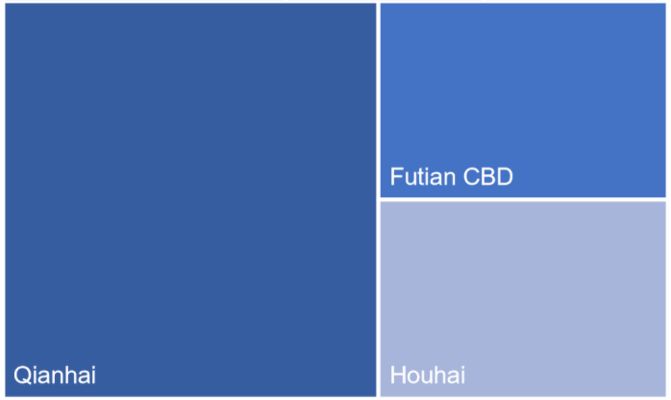
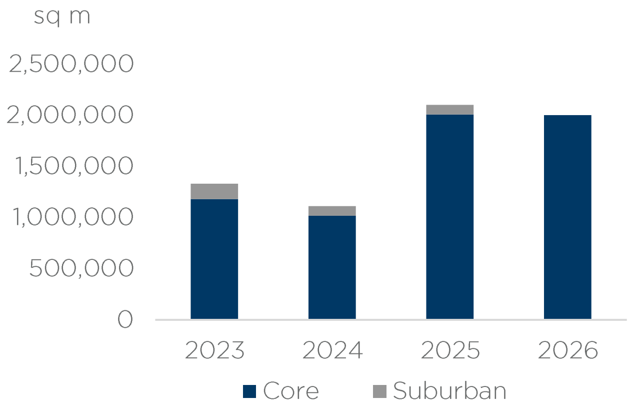


Figure 29:
Shenzhen Grade A office total supply – Core area/Suburban area breakdown (2023-2026)

Source: Cushman & Wakefield Research



C Future City and CITC Plaza in Futian will be delivered in 2023. Futian will then see a decreasing amount of new supply in the pipeline going forward. At that time, it will be important for office buildings in Futian to undergo renewal and services upgrading to remain market relevant.

Finally, as Shenzhen's commercial area continues to extend westwards, Bao'an is expected to take a 5.2% share of future supply volume in Shenzhen. Most of the volume in the area is slated for Bao'an Center (Table 9 and Figure 30).

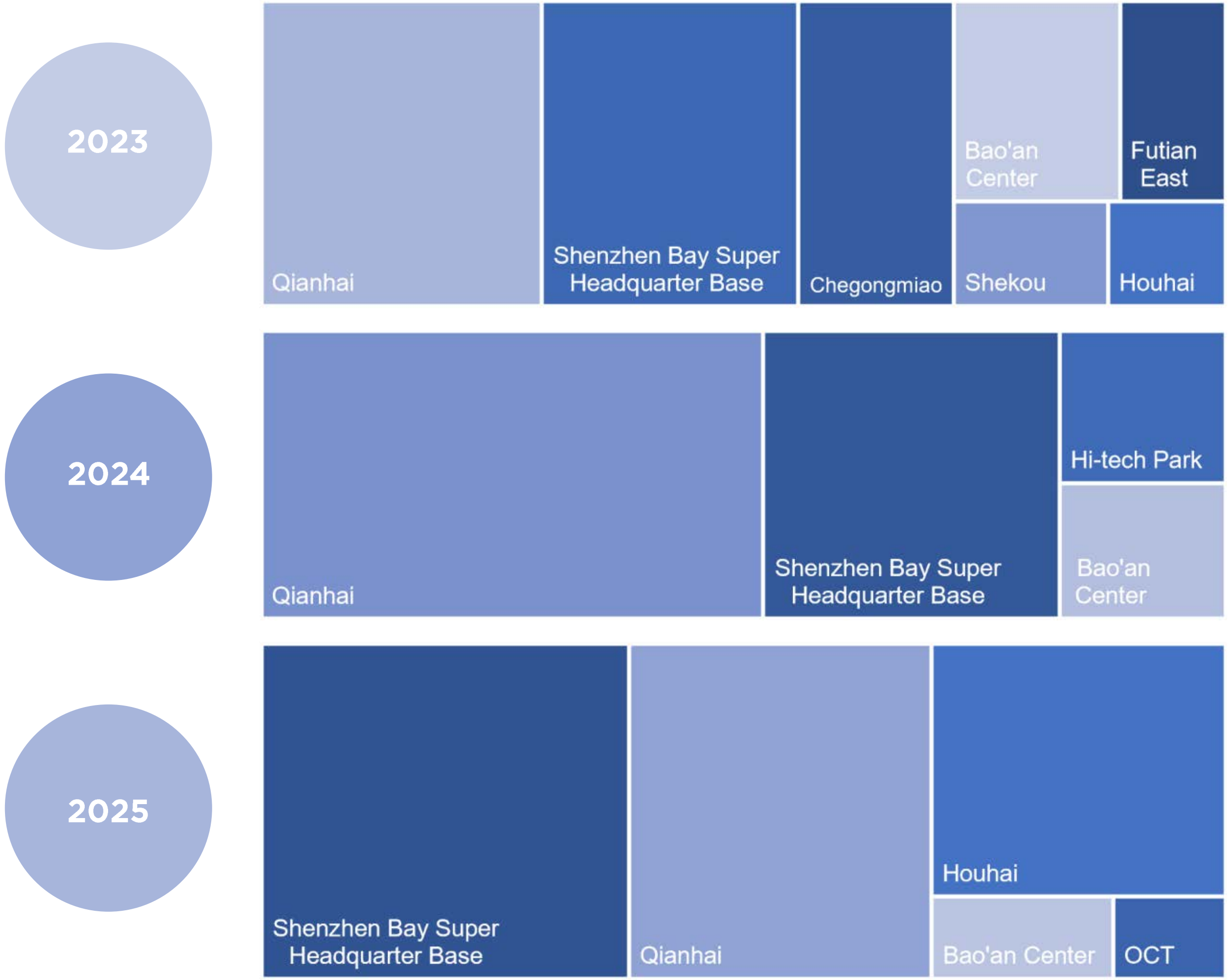
Table 9:
Shenzhen Grade A office – Major projects to complete (2023-2026)

	Building Name	Submarket	Office GFA (sq m)	Completion Year
1	Qianhai Chow Tai Fook Finance Tower	Qianhai	99,650	2023
2	Qianhai Trade Plaza (South)	Qianhai	129,570	2024
3	CITIC Financial Center	Shenzhen Bay Super HQ Base	182,700	2025

Source: Cushman & Wakefield Research

Figure 30:
Shenzhen Grade A office total supply – District by district breakdown (2023-2025)

Source: Cushman & Wakefield Research



Demand

The past year

The reoccurrences of the pandemic and ensuing industrial demand and supply adjustment impacted performance expectations of the economy. Leasing demand for the full year in 2022 was subsequently sluggish, with annual net absorption totalling 221,608 sq m, a slump of 66.3% from 2021. With absorption being 370,000 sq m less than the new supply figure, the citywide vacancy rate climbed 3.6 percentage points y-o-y to 22.8%. Having said this, as Bao'an's Grade A office stock is only a few years old and still absorbing new clients while existing tenants are relatively stable, the submarket marked the city's only business district that saw a vacancy decline – a 2.4 percentage points decrease y-o-y.

The citywide average rent continued to trend downwards. With a 3.3% y-o-y fall, the year-end average rent finished at RMB203.5 per sq m per month. Meanwhile, rental in Futian and Nanshan dropped by 2.5% and 2.8%, respectively, smaller numbers than the city's average. Meanwhile, Luohu saw the steepest drop, finishing at RMB158.8 per sq m per month at the end of 2022. In Bao'an, high-quality buildings supported the submarket's average rent to remain stable albeit only a slight decline. Finally, average rent in Qianhai was flat y-o-y, a resilient performance when rents in all other areas saw declines. Additionally, Qianhai has a competitive advantage in terms of rental subsidies which enables companies to save on lease expenses.

Figure 31:

Shenzhen Grade A office leasing transactions by area – MNC/ Domestic company breakdown (2022)

Source: Cushman & Wakefield Research

83.3% **Domestic** **16.7%** **MNCs**

Longer rent-free periods and the offering of fit-out contributions were more common to see amid intensifying competition. Some transactions in the period included an expansion clause in the contract. This shows that landlords are becoming more flexible in leasing strategies, while tenants remain cautious for now even if they retain some confidence for future expansion.

By transaction type (Figure 31), domestic enterprises dominated the market, accounting for 83.3% of total transactions by area. Foreign enterprises accounted for a greater share of lease transactions by area in 2022, up 6 percentage points y-o-y to 16.7%. Having said this. a significant number were renewals, reflecting a conservative leasing strategy on the part of MNCs.

The finance, TMT and professional services industries remained the top three drivers of leasing demand in 2022, although with changing market share (Figure 32). The finance sector took a 36.5% share of total leasing transactions by area, up 10.9 percentage points from last year. SOE securities and foreign banks were the main contributors. What's more, the finance sector surpassed the TMT sector to again become the dominant demand

Figure 32:

Shenzhen Grade A office share of leasing transactions by area – Industry sector split (2022)

Source: Cushman & Wakefield Research

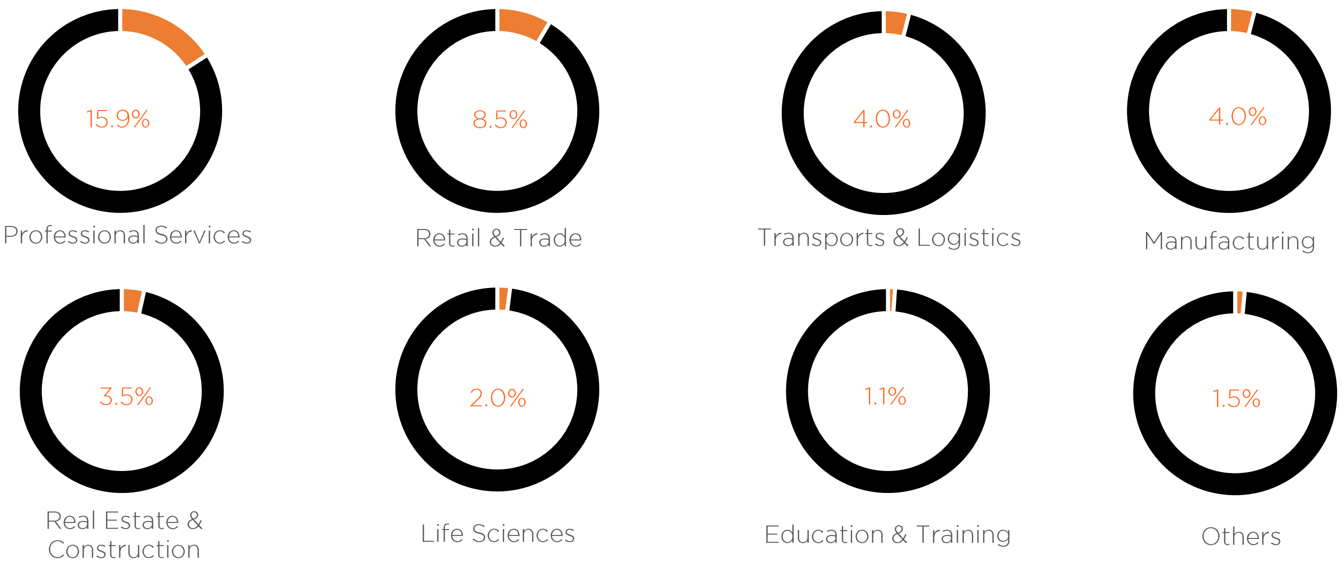


Table 10:

Shenzhen Grade A office – Five significant leasing deals by area (2022)

Property	Submarket	Tenant	sq m	Lease Type
Aerospace Science and Technology Square	Houhai	China Bohai Bank	8,000	Relocation
Qianhai Kerry Centre	Qianhai	China Merchants Life Insurance	7,000	Relocation
International Chamber of Commerce Tower	Futian CBD	Cheng Chung Design	4,200	Expansion
Hengyu Qianhai Financial Center	Qianhai	Cmsemicon	2,300	Relocation
Foresea Life Center	Bao'an Center	CR Micro	2,100	New Lease

Source: Cushman & Wakefield Research

force in Shenzhen's office leasing market.

TMT industrial demand and supply adjustment impacted the sector's leasing activity which accounted for only 23.0% of leasing transactions by area in 2022, down 15.1 percentage points y-o-y. Meanwhile, professional services remained active among the industry sectors, up 5.9 percentage points to take a 15.9% share in the Shenzhen city market. The logistics and transport, manufacturing and life sciences industries also took rising shares of office leasing transactions by area, increasing by 2.1 percentage points, 1.8 percentage points and 1.3 percentage points, respectively. In contrast, the real estate and construction and entertainment sectors were quieter. Impacted by regulations and COVID-19 curbs, these sectors' share declined by 2.3 percentage points and 1.8 percentage points, respectively. Finally, the education and training sector saw its market share lessen to 1.1%.

Futian CBD was favoured by the finance sector and professional services due to its high-quality commercial locations and mature infrastructure. By leased area, Futian CBD was selected by 47.3% of the finance companies and 41.2% of the professional services companies for their office location in 2022 (Figure 33 & Figure 35). Futian's finance industry cluster effects remained solid in 2022 as primary statistics showed that Futian's finance industry enjoyed added value of RMB240 billion, while it housed 270 finance institutions, ranking number one across the city. Meanwhile, Futian's transport connections are advantageous. Transport hubs including Chegongmiao, Huangmugang and Gangxia North have opened. The density of rail networks increased to 1.94 km per sq km, higher than other districts and providing convenience for employees to commute. It is worth mentioning that Xiangmi Lake New Financial Center is under construction. Moreover, the proposed Metro Line 22 will connect Hong Kong-Shenzhen Innovation and Technology Park, Xiangmi Lake, and head north to Dongguan. The future infrastructure plan in the area also includes the Guangzhou - Shenzhen high-speed Maglev Intercity Railway. Enhanced transportation and the improving business environment will ensure Futian continues to remain a competitive CBD. Finally, the Shenzhen Stock Exchange continued attracting traditional accounting firms, law firms and tax agents in 2022 amid a soft leasing market, pushing up Futian's absorption for the year to 97,716 sq m, or 44.1% of the city's total.

The completion of office buildings in 2022 has provided space and encouraged companies to work in Qianhai. Qianhai's full-year absorption ranked top at 130,512 sq m, which was a 58.9% share of the city's total and up 14 percentage points y-o-y. Of the city's top three industrial sectors driving office leasing demand, Qianhai was listed among the top five submarkets for each industry to settle in. In terms of the TMT sector, a 40.7% share of leasing transactions by area took place in Qianhai in 2022, while Qianhai Guiwan alone took a 28.0% share (Figure 34). Meanwhile, the average leased area by TMT enterprises in Qianhai in 2022 was 1,622.8 sq m. In 2022, the Components and Integrated Circuit International Trade Center launched in Qianhai. This project is anticipated to spur digitalised service companies and product testing institutions to lease in Qianhai.

TMT industrial demand and supply adjustment impacted business and some related company office space demand shrank, placing Houhai's full-year absorption in negative territory. On the other hand, Houhai welcomed new projects after a suspension of two years, which inspired surrounding company office expansion. In 2022, Houhai took a double-digit figure share within each of top three industrial sector driving office leasing demand in Shenzhen. Notably, a 22.4% share of leased office space by area by the professional service sector took place in Houhai in the year.

In 2022, logistics and transport enterprises preferred Qianhai, Bao'an and Luohu, which accounted for a combined 74.9% share of the leased area, sourced from traditional logistics, supply chain and shipping businesses. The relaxation of COVID-19 restrictions and subsidies on vehicle purchases helped boost new energy car sales. Incentive policies have also stimulated auto brand general business expansion and office space leasing demand and helped increase the leasing activity by area share from the manufacturing sector. Meanwhile, demand from the life sciences sector mainly stemmed from office relocation and upgrading, with 79.4% of the leased transactions by area by the sector taking place in either Nanshan or Futian.

Figure 33:

The finance sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

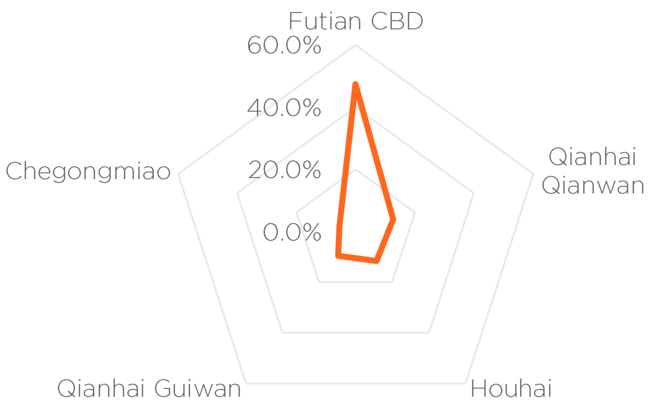


Figure 34:

The TMT sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

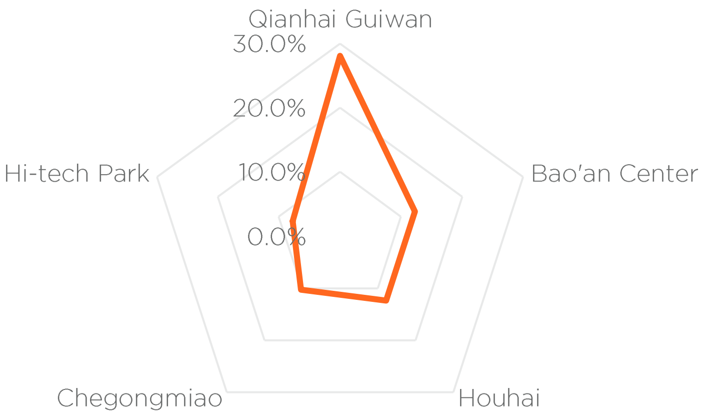
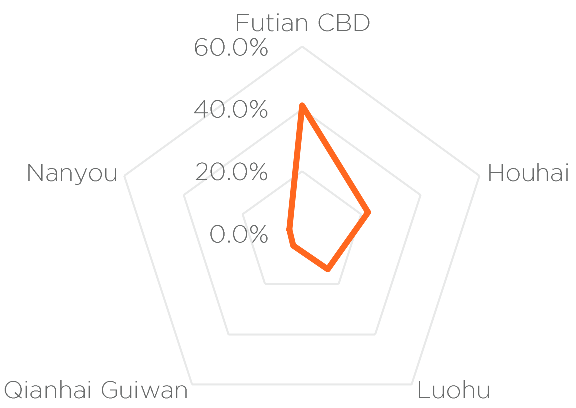


Figure 35:

The professional services sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research



Outlook

Pandemic containment measures over the past few years impacted construction schedules and delayed completions. This has resulted in an increase in the amount of new supply scheduled to complete in 2023. At an estimated 1.3 million sq m, this new supply is expected to place additional pressure on the market.

Given the relaxation of the COVID-19 control measures and positive economic forecast information disclosed by the central government, restoring economic growth will be the key theme next year. Subsequently, the general economy is expected to recover during 2023. Moreover, Grade A office demand from sectors, such as tourism and internet platforms, are expected to revive. Noticeably, Shenzhen has published a series of initiatives and now offers subsidies, subject to output or tax contributions, to designated prime enterprises, which may provide an extra lift in office demand.

In the short term, we expect the trend of falling rents and rising vacancy to continue. In the long term, the growing economy is expected to support further business growth and subsequent demand for quality leased office space in Shenzhen.

TOP SUPPLY/DEMAND TRENDS FOR GUANGZHOU

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Supply

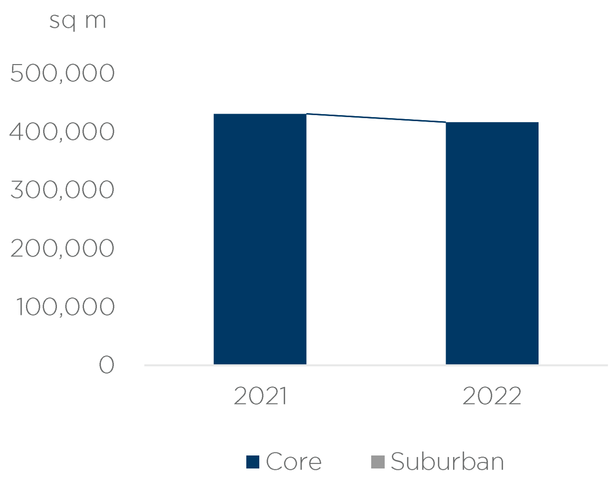
The past year

In 2022, new supply in the Guangzhou Grade A office market continued to increase. Six new projects added a total of 416,953 sq m to the market – the volume seen last year. Subsequently, overall citywide Grade A office stock expanded to 6.0 million sq m (Figure 36). The new supply was concentrated in the first three quarters of the year. Due to the recurrence of the local epidemic at the end of the year, the construction progress of some projects was affected, which influenced the future supply for 2023.

Pazhou business district was the main source of supply for office buildings in 2022. Of the six newly completed Grade A office projects, five are located in Pazhou, which brought a total volume of 346,466 sq m to the market and accounted for 83.1% of the city's total new supply.

Figure 36:
Guangzhou Grade A office total supply – Core area / Suburban area breakdown (2021-2022)

Source: Cushman & Wakefield Research



So far, the stock of Grade A office buildings in Pazhou accounts for more than a quarter of the city's total stock. Zhujiang New Town business district welcomed the completion of Pacific Finance Center, bringing about 70,000 sq m of new supply to the market, and accounting for 16.9% of the city's total new supply (Table 11 and Figure 37).

Outlook

From 2023 to 2027, Guangzhou is expected to see 3.7 million sq m Grade A office supply, with the total stock in the city rising to 9.4 million sq m (Figure 38). In the next five years, the average annual new supply of Grade A office will be approximately 743,709 sq m, which is 2.6 times that of the past five years. The new supply of office buildings will reach its peak in 2025, which will be 973,291 sq m. A large amount of new supply entering the market may put pressure on both vacancy rate and rent levels. However, with the relaxation of COVID-19 control measures and the improvement of market expectations, leasing activity in Guangzhou's Grade A office market is expected to further increase.

In the next five years, 1.8 million sq m of new supply is anticipated to enter the Pazhou market, accounting for about half of the city's total supply. Among this supply, nine Grade A office buildings, including YY HQ, Cosco Shipping HQ and Huaxin Center will enter the market successively in 2023 (Table 12). More competitive rent levels and improving infrastructure facilities will attract more enterprises to settle in Pazhou. The sufficient supply of Grade A office buildings will also provide more office space options for enterprises.

The Financial Town business district is expected to welcome the first batch of Grade A office in 2023, including Ping'an Financial Tower, Yuexiu Center and City Center. From 2023, new supply in the Financial Town will continue to increase, and it is expected to reach a peak in supply in 2026. In the next five years, the Financial Town is expected to usher in about 1.7 million sq m of new office space, accounting for 46.4% of the city's total supply.

For mature business districts, after years of development, the business environment has become very strong, with the tight supply difficult to meet the needs of enterprises wishing to upgrade and expand. Since Pacific Finance Center entered the market in 2022, Zhujiang New Town is expected to welcome two new projects in the next five years. The completion of new buildings will provide more leasable office space, further stimulating the release of new office demand (Figure 39).

Table 11:
Guangzhou Grade A office – Largest completed projects (2022)

	Building Name	Submarket	Office GFA (sq m)
1	Mi HQ	Pazhou	87,117
2	Star-river Center	Pazhou	82,873
3	Pacific Finance Center	Zhujiang New Town	70,487

Source: Cushman & Wakefield Research

Figure 37:
Guangzhou Grade A office total supply – District by district breakdown (2022)

Source: Cushman & Wakefield Research

Figure 38:
Guangzhou Grade A office total supply – Core area/Suburban area breakdown (2023-2027)

Source: Cushman & Wakefield Research

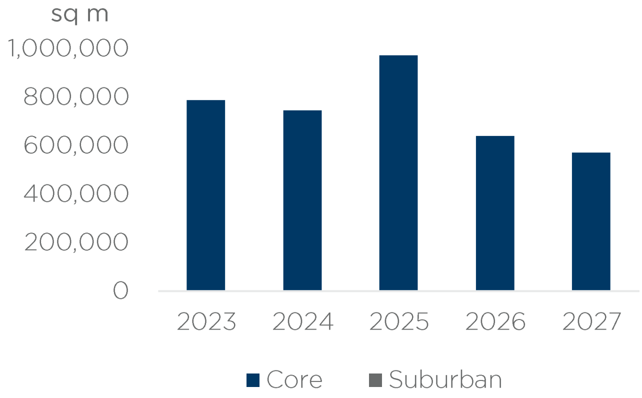


Table 12:
Guangzhou Grade A office – Major projects to complete (2023-2027)

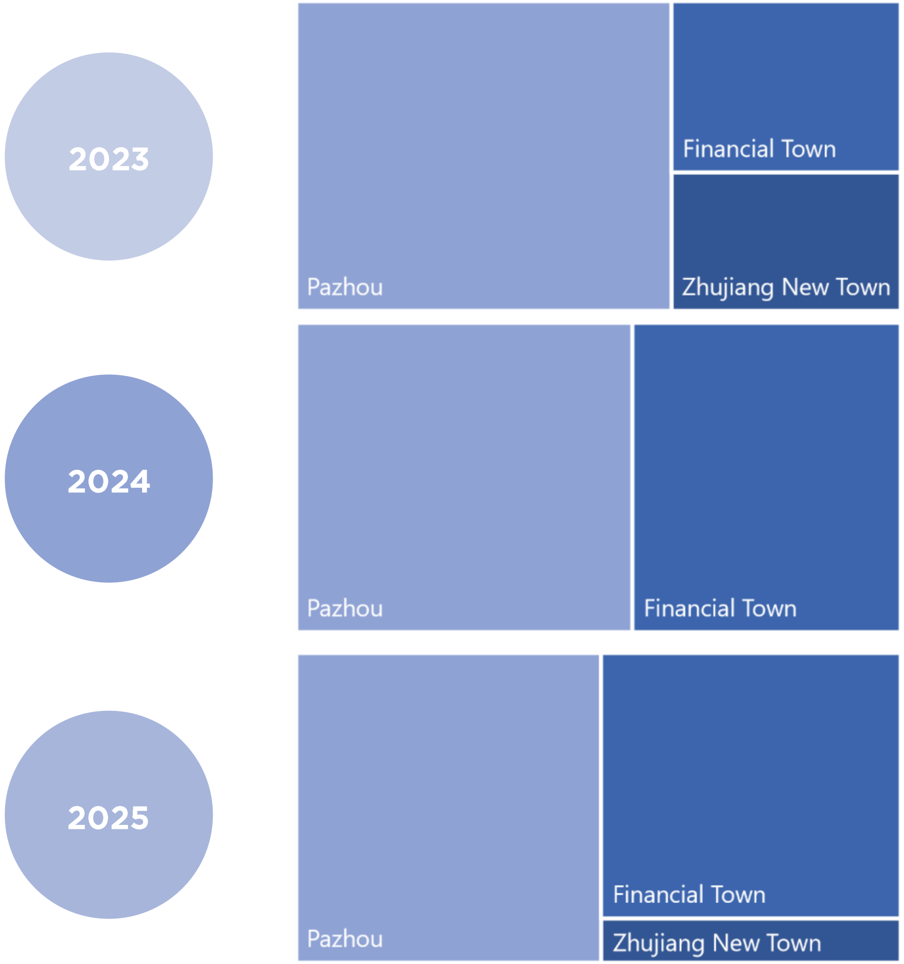
	Building Name	Submarket	Office GFA (sq m)	Completion Year
1	GDH BCC	Zhujiang New Town	133,364	2023
2	YY HQ	Pazhou	99,575	2023
3	Yuexiu Center	Financial Town	58,545	2023

Source: Cushman & Wakefield Research

With a significant slowdown in supply in mature business districts, Guangzhou's future supply will have a notable eastward expansion trend, which will not only promote the existing market stock, but will also bring new changes to the spatial layout of Guangzhou's Grade A office market.

Figure 39:
Guangzhou Grade A office total supply – District by district breakdown (2023-2025)

Source: Cushman & Wakefield Research



Demand

The past year

In the past year, the recurrence of the epidemic in major cities in China has brought great challenges to urban operations and economic development. The supply chain, production and general operations have been greatly affected. Enterprises have consequently displayed a wait-and-see attitude to leasing decisions. Some enterprises have also chosen to suspend their expansion plans before the signal of economic recovery becomes clearer. Cost control has also become an important consideration in terms of current leasing strategies.

Guangzhou's Grade A office market showed clear divergence over the past year. In the first half of the year, new supply came into the market intensively. Pre-leasing at new projects drove net absorption to 124,241 sq m. Entering the second half of the year, due to weakening market expectations, the negotiation process of enterprises on leasing decisions has been extended. At the same time, due to the impact of the epidemic and policy regulation in some industries, the business growth rate has slowed. Subsequently, office leasing decisions tended to be cautious. In general, the demand for Guangzhou's Grade A office market dipped in 2022, with the absorption level falling into negative territory. For the year, the city's annual net absorption volume recorded -1,130 sq m.

Figure 40:

Guangzhou Grade A office leasing transactions by area – MNC/ Domestic company breakdown (2022)

Source: Cushman & Wakefield Research

72.6% Domestic **27.4%** MNCs

In terms of transaction types, as the main force supporting office leasing transactions by area, domestic enterprises contributed 72.6% of total transactions (Figure 40). The share of office leasing area from MNCs reached 27.4%, growing 14.1 percentage points y-o-y.

Over the past year, Guangzhou's economy has been under pressure due to the repeated impact of the local epidemic. Production and operation activities in many industries have been affected to varying degrees, and the negative sentiment has been transmitted to the Grade A office market at the same time.

From the perspective of industry types, the professional services, TMT and finance sectors, continue to support office leasing transactions in Guangzhou's Grade A office market. The sum of office leasing by area generated by these three office space demand-leading industries accounted for 67.0% of total office leasing transactions by area, with an increase of 8.8 percentage points y-o-y (Figure 41).

Figure 41:

Guangzhou Grade A office share of leasing transactions by area – Industry sector split (2022)

Source: Cushman & Wakefield Research

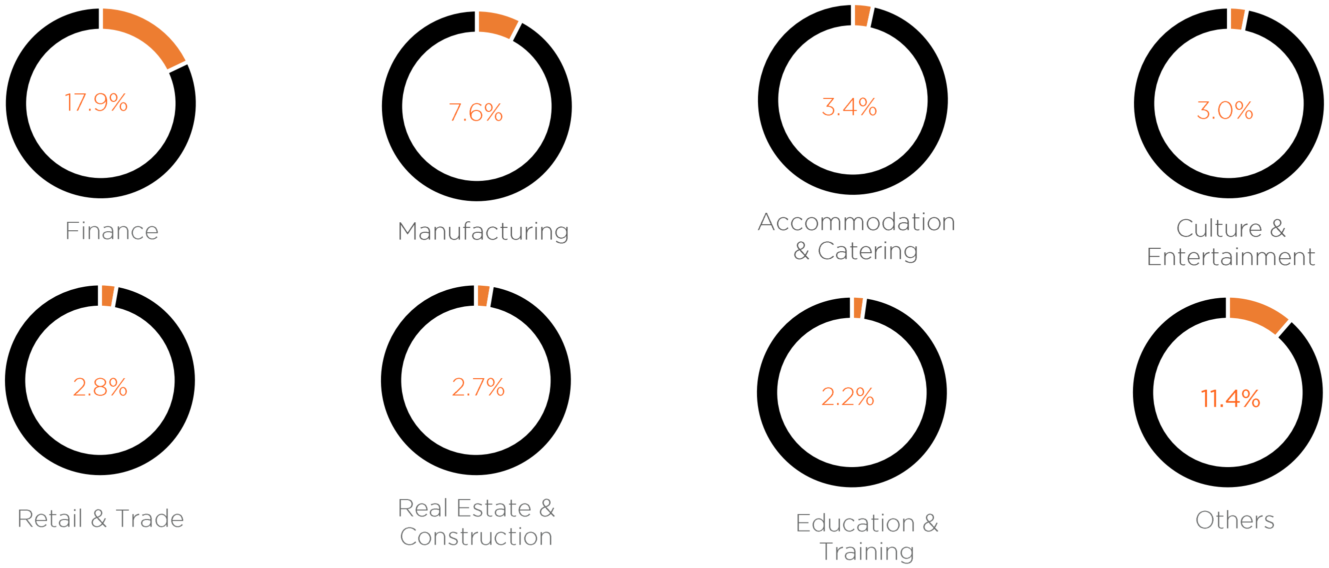


Table 13:

Guangzhou Grade A office – Five significant leasing deals by area (2022)

Property	Submarket	Tenant	sq m	Lease Type
Mi HQ	Pazhou	Kuro Game	8,000	Relocation
Kingold Century	Zhujiang New Town	P&G	7,000	Expansion
Kingold Century	Zhujiang New Town	Carlsberg	4,600	Relocation
Pacific Finance Center	Zhujiang New Town	Sinong	3,600	Relocation
Guangzhou IFC	Zhujiang New Town	All Bright Law Office	3,300	Expansion

Source: Cushman & Wakefield Research

The professional services industry ranked first with a 28.4% share of the office leasing transactions by area, followed by the TMT and finance sectors with a 20.7% and a 17.9% share of the total, respectively. The more complex market environment has stimulated demand for legal, financial, taxation, and insurance services, in turn promoting business expansion. In particular, law firms added new office locations or expanded existing spaces to accommodate business growth, such as All Bright Law Offices' lease of 3,300 sq m in Guangzhou International Finance Center for expansion purposes (Table 13).

The TMT industry is still an important force for office demand. The rapid development of the industry in recent years has promoted Internet and technology companies to become an important source of demand within the Grade A office market. However, under the background of more uncertainties in the economy, last year, most Internet companies tended to be conservative in their office leasing decisions. Due to the epidemic prevention and control, home office has become a trend, which has also weakened the demand for centralised office space from some companies. While some businesses are still actively looking for leasing opportunities, the decision-making process has generally been extended.

In addition, the sum of leasing transactions in manufacturing, accommodation and catering, culture and entertainment, retail and trade, real estate and construction and other industries accounted for a 33.0% share of the total transactions by area in the market (Figure 41).

The real estate industry, which used to be one of the main contributors to leasing demand, has shrunk in business scale due to the impact of macro-policy regulation and control in recent years. The city's annual real estate development investment growth rate fell by 5.4% y-o-y in 2022. Considering the impact of the epidemic, the construction progress of some real estate projects has lagged. Therefore, leasing demand from the real estate and construction industry dipped in 2022. Into next year, under the gradual reemergence of the macro-economy, office demand from the industry is expected to restart.

From the perspective of location preference, for the professional services industry, Zhujiang New Town is still a priority for office location selection, accounting for 57.6% of the total office leasing by area within the sector (Figure 42). More mature supporting facilities and rich customer resources have made the area attractive to many law firms, accounting firms and consulting management companies this year. In addition, with the successive establishment of Internet and related enterprises in Pazhou, the gradual formation of the commercial environment in the area has promoted the high-end service industry to usher in development opportunities in the emerging business district. Consequently, a number of human resources, advertising, legal, and consulting service companies have successively settled in Pazhou.

For the TMT industry, under the continuous growth of the industry and under the guidance of the government, self-built headquarters have become an important path for the expansion of leading enterprises. Under the rapid expansion, enterprises urgently need office space and talent. As an emerging business district, Pazhou has become a priority for relevant enterprises based on its advantages in policy, rent, industry agglomeration and space selection. The total leasing area of TMT enterprises located in Pazhou business district accounted for a 56.1% of the entire industry's annual leasing by area (Figure 43).

Finally, as far as the finance industry is concerned, the requirements for corporate image and building quality make areas with a mature business environment become their first choice. As the agglomeration area of Guangzhou's finance industry, Tianhe District has advantages in industrial clusters, industry exchanges, and supporting facilities. Therefore, the Sports Center and Zhujiang New Town in Tianhe District have become the most favoured areas by the industry, and the two business districts together accounted for a 74.4% share of the total leasing by area within the finance sector (Figure 44). At the same time, after the development in the past year, Pazhou has also attracted some insurance, securities, banking and other related companies to settle in, accounting for a 22.3% share of the total transactions by area within the finance industry.

Figure 42:
The professional services sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

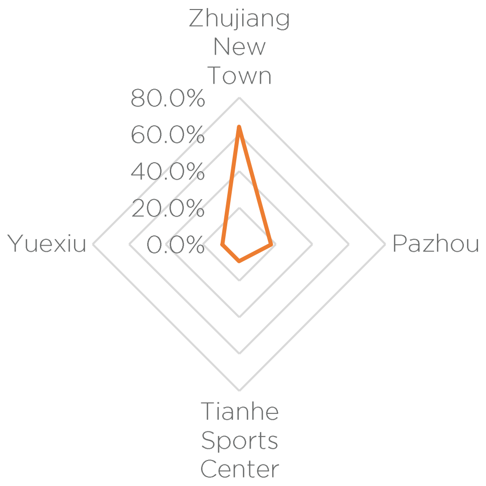


Figure 43:
The TMT sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

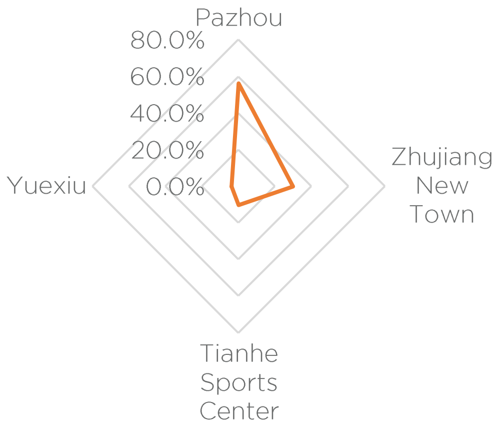
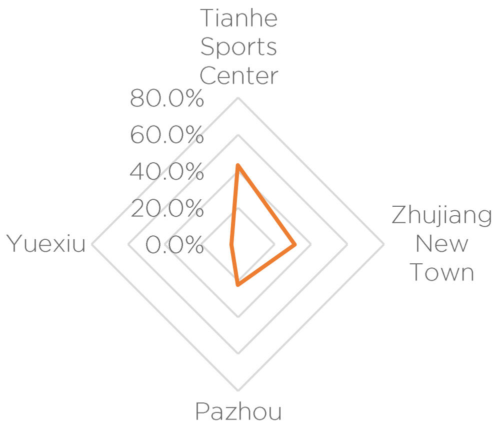


Figure 44:
The finance sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research



Outlook

The adjustment of the epidemic prevention and control policy will relax the restrictions on production and business travel activities, and the boost in market confidence will help the recovery in economic activity. However, in the short term, considering that the domestic economy is still facing pressure from shrinking demand, supply volume, weakening business expectations and increasing uncertainty, the cautious attitude towards office leasing may continue for a period of time. In the next five years, the Guangzhou Grade A office market will welcome 3.7 million sq m of new supply. While the market ushers in more space, it will also bring pressure to landlords. It is expected that in 2023, under the dual pressure of the bottoming out of active market demand and a large amount of new supply, the overall vacancy rate in Guangzhou's Grade A office market may continue to be placed under pressure. From the perspective of supply, although the rising trend in the vacancy rate and the cost control needs of enterprises are still putting pressure on rents, considering the gradual recovery in positive sentiment in the market, landlords should formulate leasing strategies in advance to capture demand opportunities as they arise in the future.

Finally, the '2023 Guangzhou Municipal Government Work Report' mentioned that Guangzhou will insist on focusing on the real economy for economic development. While continuously promoting the upgrading of the industrial base and the modernisation of the industrial chain, the government will increase efforts to cultivate and support market entities and improve the development level of the modern service industry. The economic and social development idea of seeking progress while maintaining stability will drive the development of more physical industries, bring support to the demand in the office building market, and thus promote the recovery of market activity.

TOP SUPPLY/DEMAND TRENDS FOR HONG KONG

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Supply

The past year

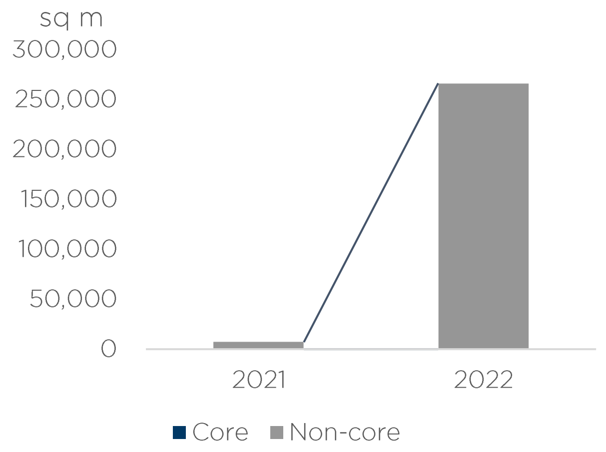
In 2022, Hong Kong saw a significant supply pipeline with six new projects (totaling 266,500 sq m) entering the market. This was the highest record since 2008, and a notable jump from the circa 7,100 sq m in 2021 (Figure 45).

Whilst all the new supply completed in non-core area, three projects are located in Kowloon East, accounting for over half of the 2022 new supply (Figure 46). This includes Airside, a large-sized office development that encompasses 86,200 sq m in Kai Tak, while The Millennity and Boton Innovation Centre added 44,200 sq m and 18,100 sq m in Kwun Tong, respectively (Table 14).

Kowloon East, positioned as the city's CBD2, provides an alternative office hub for occupiers, especially those looking for a bulk area with affordable rents for consolidation or relocation move, given most new office buildings in this area are equipped with large-floor plates.

Figure 45:
Hong Kong Grade A office total supply – Core area/Non-core area breakdown (2021-2022)

Source: Cushman & Wakefield Research



The remaining three office completions comprise Two Taikoo Place (66,100 sq m) in Hong Kong East, NCB innovation Centre (37,800 sq m) in Kowloon West, and Landmark South (14,200 sq m) in Hong Kong South.

Despite the cautious market sentiment in 2022, the relative high supply level has boosted pre-commitment and stimulated market activities. Hence the overall net take-up returned to positive territory for the year. Meanwhile, the flight-to-quality trend amid the higher availability rate also prompted occupiers to opt for new supply with better building specifications.

Outlook

From 2023 to 2026, we foresee another 677,100 sq m of new supply entering the market, bringing the total Grade A office stock in Hong Kong to around 7 million sq m. It is forecasted that 2025 will be the year to see the next peak of new completions after 2022, with that year alone having over 300,000 sq m of new supply (Figure 47).

Overall, the majority of the new office completions between 2023 and 2026 will be focused in core areas, including Greater Central, Wanchai/ Causeway Bay and Greater Tsimshatsui, accounting for around 70% of the total supply for the future four years (Figure 48). This will be different from what we observed in 2022, when all new supply completed was largely in non-core districts.

In Greater Central, there will be two significant projects entering the market in 2023/24, namely The Henderson (30,700 sq m) and Cheung Kong Centre (40,200 sq m), accounting for 66% of the new supply in this submarket in the future four years. The CBD area has always been a preferred location for banking and finance firms, and we expect these new completions could further stimulate demand from this industry, especially those from mainland China as the border recently reopened.

Table 14:
Hong Kong Grade A office – Largest completed projects (2022)

	Building Name	Submarket	Office NFA (sq m)
1	AIRSIDE	Kowloon East	86,200
2	Two Taikoo Place	Hong Kong East	66,100
3	The Millennity	Kowloon East	44,200

Source: Cushman & Wakefield Research

Figure 46:
Hong Kong Grade A office total supply – District by district breakdown (2022)

Source: Cushman & Wakefield Research

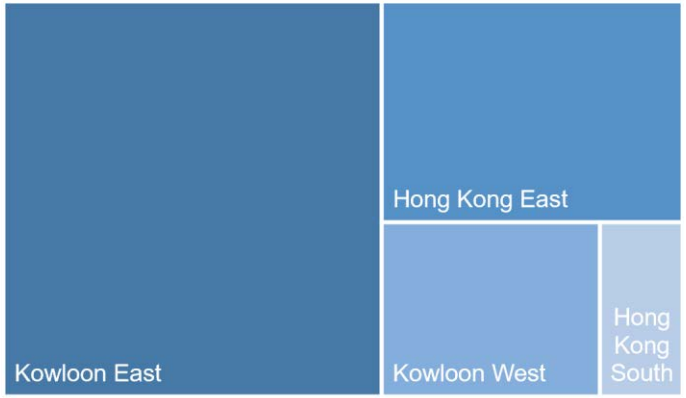
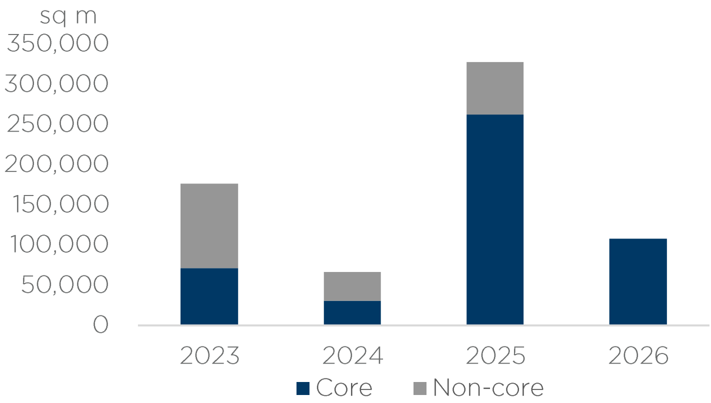


Figure 47:
Hong Kong Grade A office total supply – Core area/Non-core area breakdown (2023-2026)

Source: Cushman & Wakefield Research



Another emerging office hub to highlight would be the West Kowloon area within the Greater Tsimshatsui submarket, where the Guangzhou–Shenzhen–Hong Kong Express Rail Link (XRL) is located. Whilst the area is strategically positioned as the business and transportation hub connected to mainland cities of the Greater Bay Area (GBA), two new office supply projects, namely the mega-sized office development atop XRL Site (196,200 sq m) and the nearby Artist Square Towers (43,700 sq m), are expected to be completed by 2025 in this area. Thereafter, by 2026, two more new office buildings are scheduled to complete in Wanchai/ Causeway Bay, contributing to a further 107,800 sq m to the market (Table 15).

Table 15:

Hong Kong Grade A office – Major projects to complete (2023-2026)

	Building Name	Submarket	NFA (sq m)	Completion Year
1	The XRL Site	Greater Tsimshatsui	196,200	2025
2	Caroline Hill Road Project	Wanchai / Causeway Bay	69,700	2026
3	Portas	Kowloon West	50,300	2023

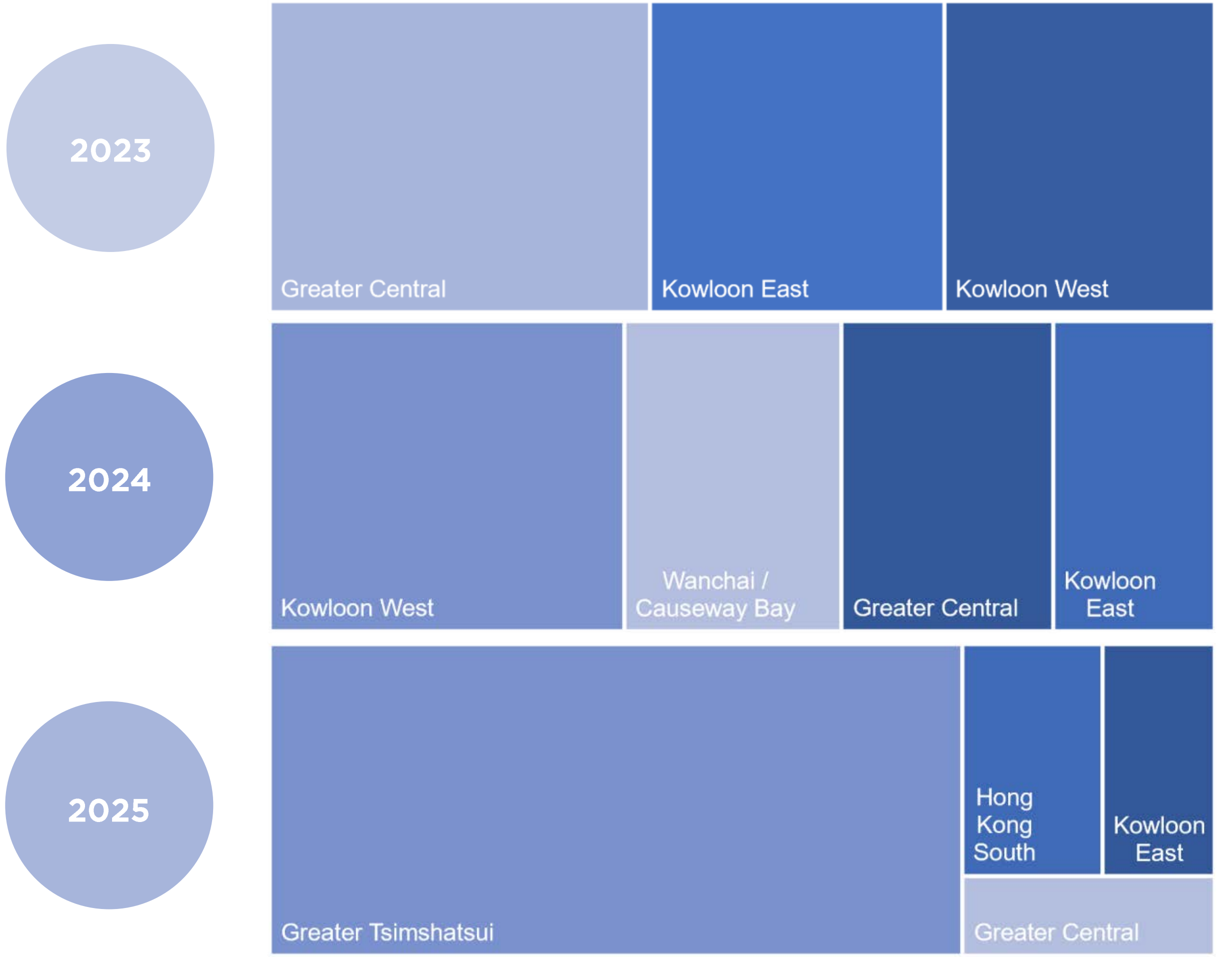
Source: Cushman & Wakefield Research

The new Grade A office developments have been increasingly incorporating Environment, Social, and Governance (ESG) elements to stay competitive in attracting tenants. Green building certifications, such as BEAM Plus and LEED, are popular features favoured by tenants requiring global sustainability mandates. Our latest ESG report *Rising Tides of ESG: Implications for the Hong Kong Property Market* further analyses the sustainability impact among real estate stakeholders.

Figure 48:

Hong Kong Grade A office total supply – District by district breakdown (2023-2025)

Source: Cushman & Wakefield Research



Demand

The past year

Amidst the challenging economic environment brought by COVID disruptions that impeded Hong Kong's office market recovery at the start of 2022, most office tenants still favoured cost-effective office spaces and strategies throughout the year. Nevertheless, leasing sentiment slightly improved towards the end of the year, on the back of the termination of mainland China's zero-COVID policy in December 2022, which subsequently allowed Hong Kong to ease its quarantine rules and travel restrictions.

In 2022, the city's Grade A office net absorption returned to positive territory with 23,300 sq m recorded, after two consecutive years of negative net absorption, with 2021 at -53,800 sq m and 2020 at -213,200 sq m. The positive net absorption was primarily driven by pre-committed space in new office buildings, which was counted as positive net take-up once the projects were completed throughout the year. However, the abundant new supply completions have also boosted the total Grade A office stock, pushing the overall availability rate to climb to 16.7% by end-2022, from the 13.6% in Q4 2021.

Figure 49:

Hong Kong Grade A office share of leasing transactions by area – company origin split (2022)

Source: Cushman & Wakefield Research

32.1% HK

17.2% Mainland China

50.7% MNCs

As for the company origin, MNCs remained the key demand drivers, accounting for over half of the leased office space in 2022. Most of the requirements were related to cost-saving or flight-to-quality moves, while some MNCs strategised ahead to lease office space near cross-border transportation hubs in anticipation of the mainland-Hong Kong border reopening. Meanwhile, Hong Kong-based tenants took 32.1%, while mainland-based occupiers only took 17.2% of the total leased space by area, as they were impacted by delayed site visits and decision-making processes amidst the zero-COVID policy before December (Figure 49).

Figure 50:

Hong Kong Grade A office share of leasing transactions by area – industry sector split (2022)

Source: Cushman & Wakefield Research

By industry, the proportion of 2022 new leasing activity (by leased office space) was dominated by the finance sector (43.4%), professional services (12.7%), and public sector (10.9%), as the top three industries in 2022, comprising more than two-thirds of the total office leasing activities in Hong Kong (Figure 50 and Table 16). Whilst professional services were able to edge up to second place in 2022 (third place in 2021), the public sector also emerged as an active source of demand, particularly in the non-core areas such as Kowloon East and Hong Kong East.

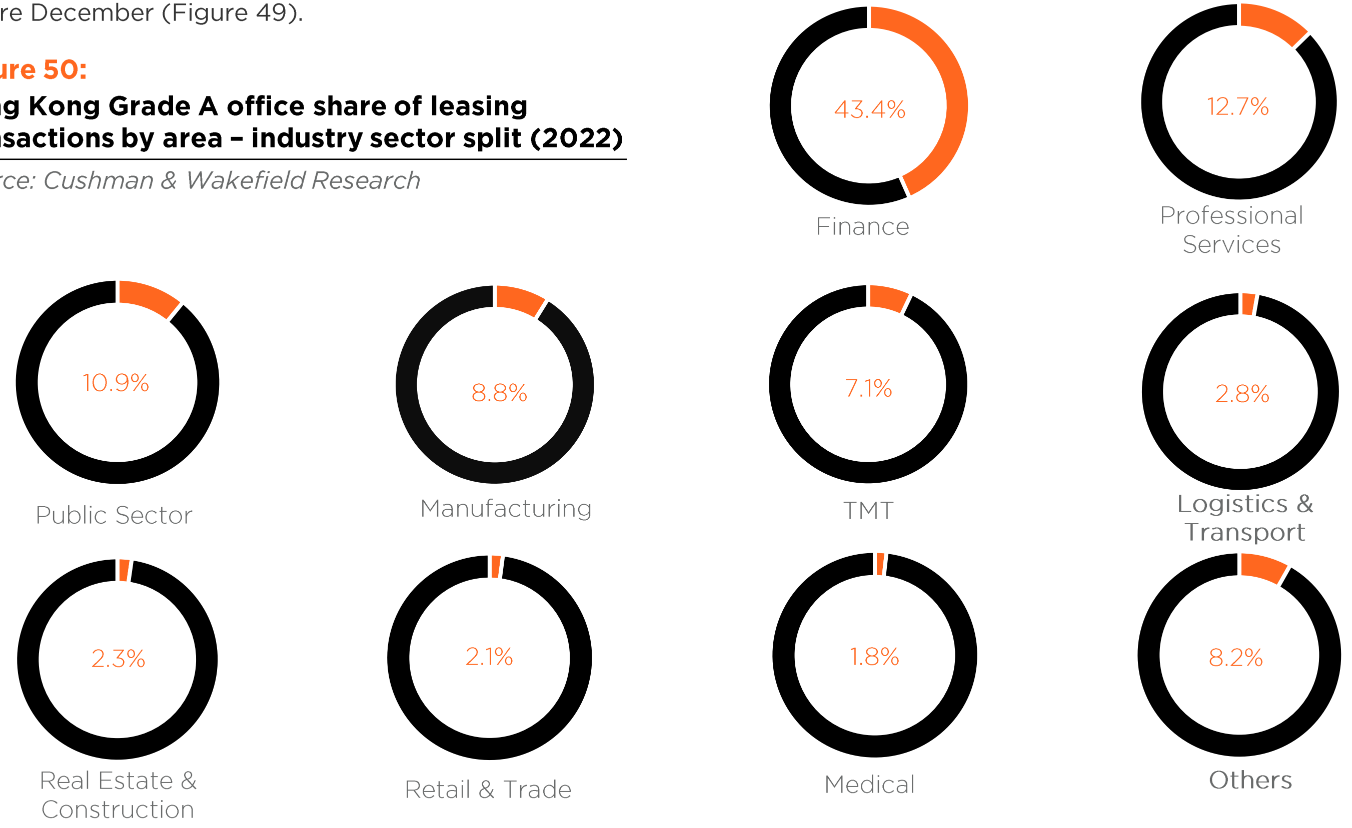


Table 16:
Hong Kong Grade A office – Five significant leasing deals by area (2022)

Property	Submarket	Tenant	NFA (sq m)	Lease Type
Office development atop XRL station	Greater Tsimshatsui	UBS	16,300	Consolidation
Two Taikoo Place	Hong Kong East	China CITIC Bank	12,600	Relocation
The Millennity	Kowloon East	MPFA	6,600	Consolidation
NEO	Kowloon East	CASETiFY	4,100	Expansion
Two Taikoo Place	Hong Kong East	Sumitomo Mitsui Banking Corp.	3,800	Relocation

Source: Cushman & Wakefield Research

The finance sector accounted for 43.4% of the newly leased area by share, a remarkable jump from 34.1% in 2021. Among the finance sector, those companies which leased bulk areas (>1,000 sq m) mainly came from wealth management and insurance services firms, with some of them taking advantage of the more attractive rental level to achieve strategic relocation moves. For instance, headline transactions included UBS Global Wealth Management pre-leasing 16,300 sq m area in the multi-tower office development atop the XRL station in Greater Tsimshatsui, which is expected to complete in 2025, as the firm targets to better connect with the major mainland cities within the Greater Bay Area.

Meanwhile, we also observed some notable leasing deals by the finance sector in non-core areas, such as China CITIC Bank and Sumitomo Mitsui leasing 12,600 sq m and 3,800 sq m, respectively in the Two Taikoo Place in Hong Kong East, which was newly completed in H2 2022. However, unlike in 2021, new economy finance industries, such as fintech and cryptocurrency, stayed relatively muted and slowed their expansion, given the more cautious stance from investors amid uncertain global economic environments such as inflation and interest rate hikes (Figure 51).

The professional services sector continued to demonstrate healthy demand for office space, comprising a 12.7% share of leasing deals in 2022. By sub-category, the market saw several significant expansion leases from flex space operators, driven by businesses looking for greater flexibility in lease terms and commitment. For instance, The IWG – Regus leased a 2,300 sq m space in the iconic International Commerce Centre in Greater Tsimshatsui, while the U.S.- based The Great Room entered into a 1,700 sq m office space at Cheung Kong Center, both of which are considered prime office assets in the core submarkets. Flex space operators have been generally focused on expanding in core areas, such as Greater Central and Greater Tsimshatsui, instead of being dispersed geographically, to facilitate their members such as start-ups or entrepreneurs to stay close to their business counterparts and potential clients. Some landlords also looked to cooperate with flex space operators by adopting a revenue-sharing model to hedge risks and to target higher occupancy (Figure 52).

Other professional services firms also took the opportunity to opt for flight-to-quality relocations amid higher space availability. For example, law firm White & Case Solicitors upgraded their premises by relocating from Central Tower to take up 2,300 sq m of space in York House in the central CBD.

The public sector emerged as the third largest sector when it came to newly leased space in 2022, accounting for a 10.9% share of the total market. Interestingly, this sector was previously uncategorised in 2021 due to its insignificant share. Whilst the government has been actively taking initiatives to relocate some of their public services functions out of the CBD, most of the leasing deals from this sector were focused in non-core areas. For instance, the Mandatory Provident Fund Schemes Authority (MFPA), the statutory body to regulate retirement schemes for Hong Kong citizens, leased 6,600 sq m in The Millennity in Kowloon East, while the Accounting and Financial Reporting Council also leased 2,900 sqm in Two Taikoo Place in Hong Kong East (Figure 53).

Figure 51:
The finance sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

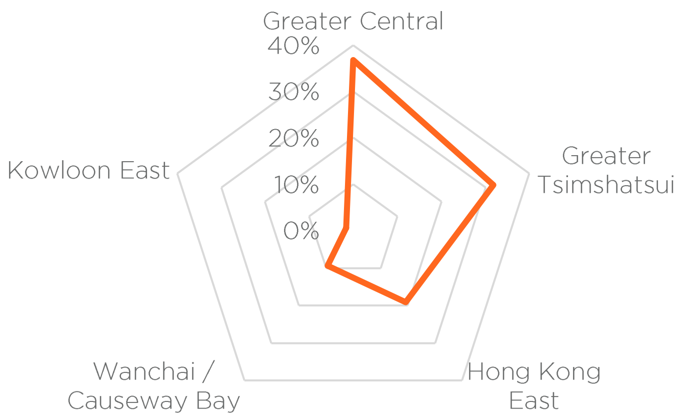


Figure 52:
The professional services sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

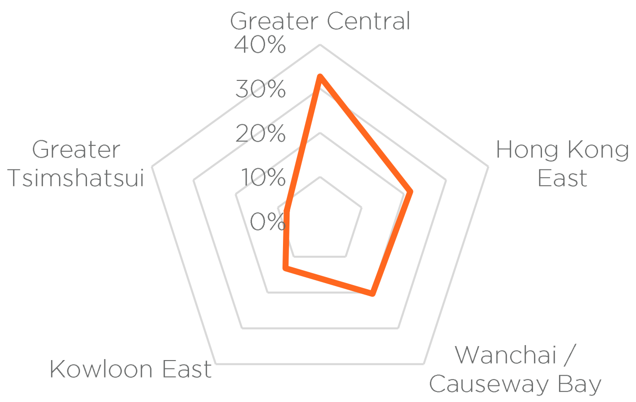
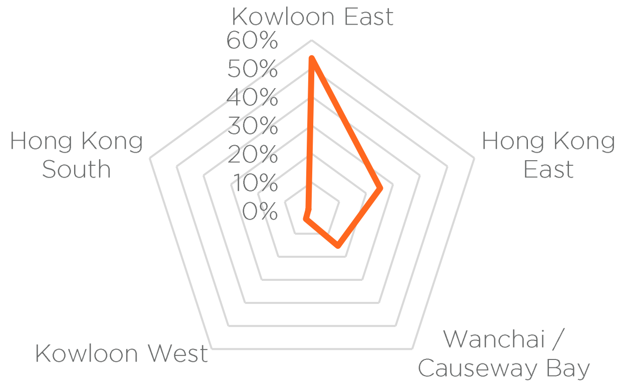


Figure 53:
The public sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research



Outlook

With the Hong Kong-mainland China border fully reopened on 6 Feb 2023, cross-border business activity is expected to gradually return to normal in Hong Kong, supporting office enquiries from mainland firms to recover and to become the emerging demand driver throughout 2023. Having said this, while most new mainland firm set ups in Hong Kong usually start with several hundred sq m of office space, this may not translate to an immediate boost of net take-up, given the ongoing global headwinds and economic uncertainties that are keeping occupiers cautious.

Landlords are expected to continue offering incentives or attractive lease terms to either retain or attract occupiers amid a tenant's market. While more MNCs are demanding greater offerings and ESG features from offices buildings, some landlords are prioritising green initiatives, such as attaining ESG certifications and incorporating green features in their office buildings, to attract and retain occupiers with sustainability mandates.

With incoming new supply of approximately 175,800 sq m scheduled to complete in 2023 — spanning across key submarkets including Greater Central (70,900 sq m), Kowloon East (54,700 sq m) and Kowloon West (50,300 sq m), overall availability is forecast to continue trending up to reach 18% to 19% by the end of 2023. The high availability will likely continue to weigh on rental performance, albeit with a narrower decline in the range of -2% to -4% expected for the full-year 2023.

TOP SUPPLY/DEMAND TRENDS FOR TAIPEI

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Supply

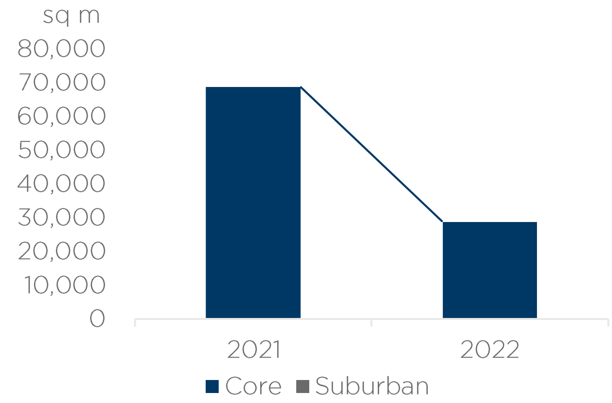
The past year

In 2022, only one quality Grade A office building, E.SUN Second Headquarters, was launched into the market. The new supply added 28,800 sq m to Taipei Grade A office (Figure 54 & 55 and Table 17).

E.SUN Second Headquarters is located north of the Dunbei/Minsheng submarket, close to Songshan Airport, with convenient transportation. However, the entire building is planned to be the headquarters of E.SUN Bank for its own use. Thus, the Grade A office market supply still faced a scarcity of leasable area in the core locations in 2022.

Figure 54:
Taipei Grade A office total supply – Core area /Suburban area breakdown (2021-2022)

Source: Cushman & Wakefield Research



Outlook

By 2025, approximately 330,000 sq m of future Grade A office supply is expected to complete in Taipei, equating to about 13% of the existing stock (Figure 56). Xinyi, Dunbei/Minsheng, Western and Dunnan are expected to contribute 43%, 23%, 20% and 14% of the total future supply, respectively (Figure 57). This puts the estimated Taipei Grade A office stock at 2.84 million sq m by 2025.

Seven office properties are scheduled to be completed by 2025. Amongst the future office supply, SCSB Headquarters and Yuanta Bank Headquarters are set for owner occupation as headquarters. In contrast, the other five future supply projects will bring more leasing options to the market (Table 18). As a result, the tight supply in the Grade A office market will be relieved and will gradually weaken the landlords' advantage that has lasted for many years.

In addition to the imminent market structure changes, a more flexible working environment has gradually become a global trend in the post-epidemic era. Hybrid work has been adopted by some companies, leading to higher demand for office space providing flexible leasing duration and floor areas. Business centre and co-working space operators can provide customised and flexible terms for tenants' diverse demands, and in turn, help enterprises reduce carbon footprints or reach sustainability goals under the regulations and objectives of ESG, SDGs, and the Green Finance Action Plan 3.0.

Table 17:
Taipei Grade A office – Largest completed projects (2022)

	Building Name	Submarket	Office GFA (sq m)
1	E.SUN Second Headquarters	Dunbei/Minsheng	28,800

Source: Cushman & Wakefield Research

Figure 55:
Taipei Grade A office total supply – District by district breakdown (2022)

Source: Cushman & Wakefield Research

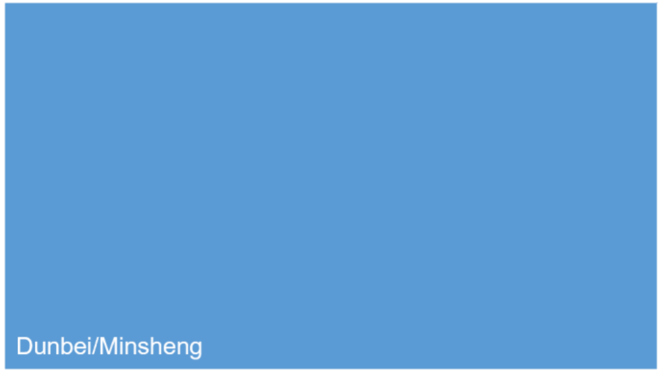


Figure 56:
Taipei Grade A office total supply – Core area/ Suburban area breakdown (2023-2025)

Source: Cushman & Wakefield Research

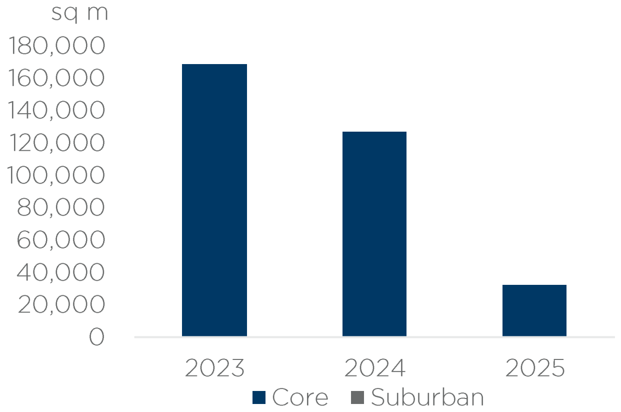


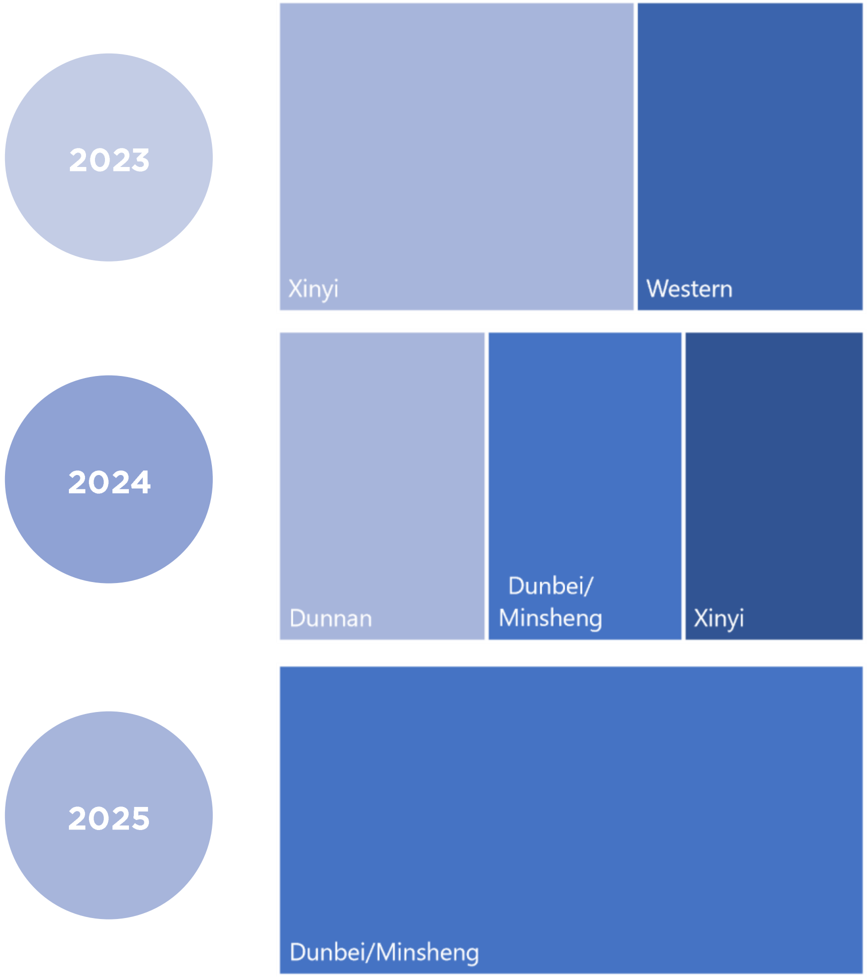
Table 18:
Taipei Grade A office – Major projects to complete (2023-2025)

	Building Name	Submarket	Office GFA (sq m)	Completion Year
1	A25 Fubon	Xinyi	102,700	2023
2	Huang Hsiang Taiwan Motor North Station Building	Western	39,700	2023
3	Yuanta Bank Headquarters	Dunnan	45,500	2024
4	Farglory Dome	Xinyi	39,300	2024
5	Kindom Songshan Minquan Building	Dunbei/Minsheng	32,400	2025

Source: Cushman & Wakefield Research

Figure 57:
Taipei Grade A office total supply – District by district breakdown (2023-2025)

Source: Cushman & Wakefield Research



Demand

The past year

In 2022, total net absorption in the leasing market reached 35,200 sq m, of which E.SUN Second Headquarters accounted for 80% of overall absorption. The rest of the leasing transactions were predominantly small- and medium-sized areas, averaging around 2,100 sq m per deal (Table 19).

81% of completed leasing deals were accounted for by MNCs, while 19% were accounted for by domestic enterprises (Figure 58).

The TMT, retail, and finance sectors were the dominant forces in terms of office take-up in 2022. In the post-pandemic era, the stay-at-home economy promoted the sustainable development of the digital economy industries, which drove the TMT sector to account for 60% of the total leasing transactions by area for the year. In addition, the retail sector accounted for about 25% of the market leasing transactions by area during the past year (Figure 59).

All submarkets in Taipei, besides Dunnan, saw leasing activity by the TMT, retail, and finance sectors. For the TMT sector, Dunbei/Minsheng accounted for 69% of leasing deals per area made by the firms classified under this sector, while Xinyi made up 31%. With 62% of leasing activity within the retail sector, Xinyi dominated the leasing by this sector in 2022. The submarket was followed by Nanjing/Songjiang and Western, which accounted for 20% and 19% of leasing deals within the sector, respectively. In the finance sector, Nanjing/Sonjiang accounted for all leasing activity by the sector in 2022 (Figures 60, 61 & 62).

Table 19:

Taipei Grade A office – Five significant leasing deals by area (2022)

Property	Submarket	Tenant	sq m	Lease Type
Hung Tai Center	Dunbei/ Minsheng	Shopline	7,970	Relocation
Taipei 101	Xinyi	Coupang Taiwan	3,500	New Setup
Cathay Xinyi Trade Building	Xinyi	NC Taiwan	2,710	New Setup
Hung-Sheng International Finance Center	Dunbei/ Minsheng	17 Live	1,550	Expansion
Nan Shan Plaza	Xinyi	Machi Xcelsior Studios	1,490	New Setup

Source: Cushman & Wakefield Research

Figure 58:

Taipei Grade A office take-up by area – MNC/ Domestic company breakdown (2022)

Source: Cushman & Wakefield Research

18.6% | **Domestic**

81.4% | **MNCs**

Figure 59:

Taipei Grade A office share of leasing transactions by area – Industry sector split (2022)

Source: Cushman & Wakefield Research

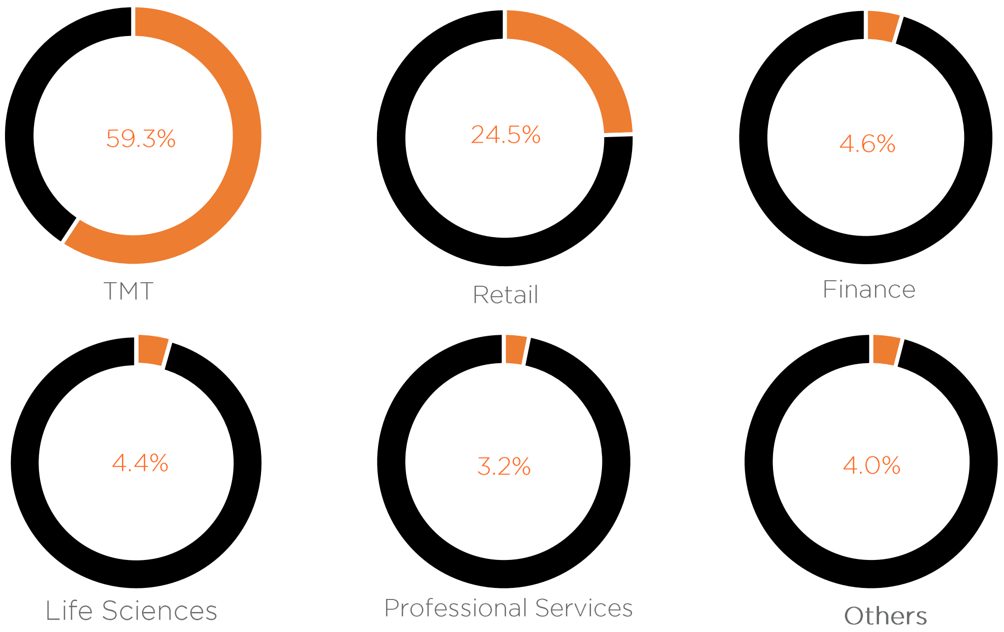


Figure 60:
The TMT sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

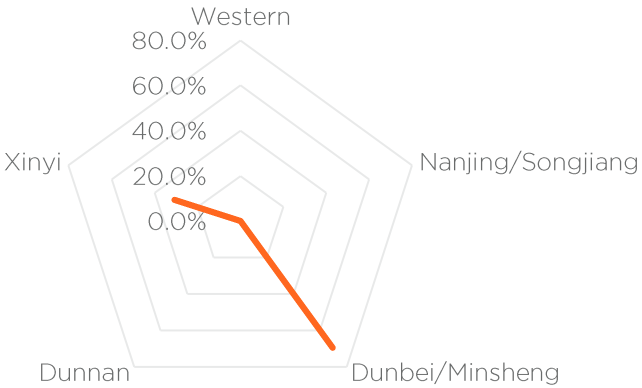


Figure 61:
The retail sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research

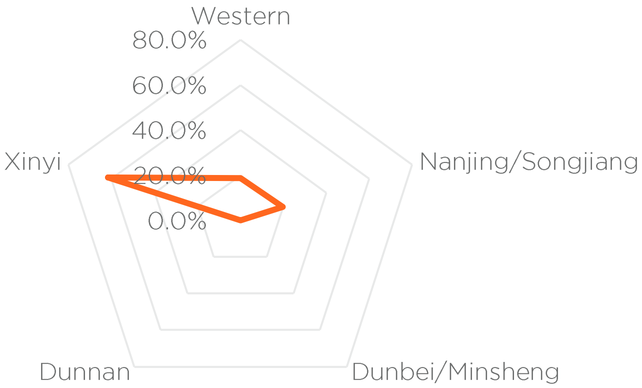
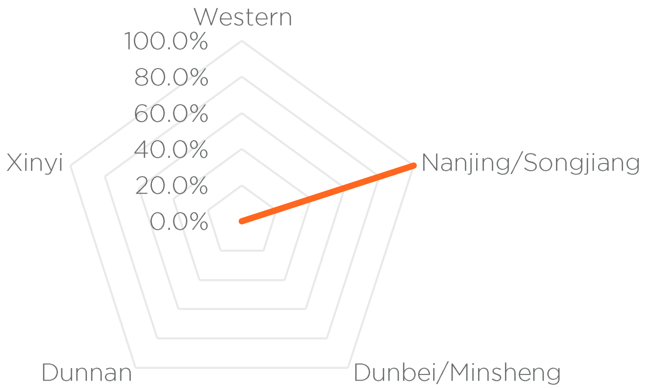


Figure 62:
The finance sector
– Location preference by leasing transaction area (2022)

Source: Cushman & Wakefield Research



Outlook

As the long-term effects of the epidemic fade, the global economic outlook in 2023 remains uncertain due to the conflict in Ukraine, rising prices, and rising interest rates on the US dollar. As a result, companies are expected to adopt conservative office leasing strategies in the short term. As leasing demand slows, leasing activity will remain flat during the same time period. At the same time, rental increases will narrow as new supply enters the market at the end of the year.

Ahead, it is expected that several office buildings will be completed successively from 2023 to 2025. A trend to upgrade hardware in old A-level office buildings in core areas will emerge due to intense competition and company emphasis on ESG and sustainable development. Businesses in the office market will prioritise Grade A offices with flexible space usage and sustainable features.

KEY TAKEAWAYS

- *In 2022, market uncertainty brought on by city lockdowns across mainland China delayed Grade A office construction and stymied leased Grade A office demand.*

- *By Q4 2022, the total Grade A office inventory in the core markets of the 21 major cities in Greater China we track totalled 65.3 million sq m.*

- *In the meantime, total premium core city office net absorption across the Greater China market for the whole year was 1.0 million sq m, a decrease of 74.3% when compared to the figure registered at the end of Q4 2021.*

- *As COVID-19 control measured have been relaxed in mainland China, it is expected that business activity will bounce back in 2023 and this increased commercial activity should produce an uptick in demand for quality office space in the Greater China region.*

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