

*This live webinar will begin shortly...*

GREATER CHINA CAPITAL MARKETS WEBINAR  
**WHAT'S NEXT FOR CHINA'S CRE  
INVESTMENT MARKET**

SPOTLIGHT ON **HONG KONG**  
5 May 2022



# AGENDA

## Introductions & Greater China Overview



**James Shepherd**  
Head of Business Development  
Services  
Greater China



**Francis Li**  
International Director  
Head of Capital Markets  
Greater China

## Hong Kong Market Overview



**Keith Chan**  
Director  
Head of Research, Hong Kong



**John Siu**  
Managing Director  
Hong Kong



**Gordon Marsden**  
Regional Director  
Capital Markets  
Asia Pacific

## Q&A Moderator

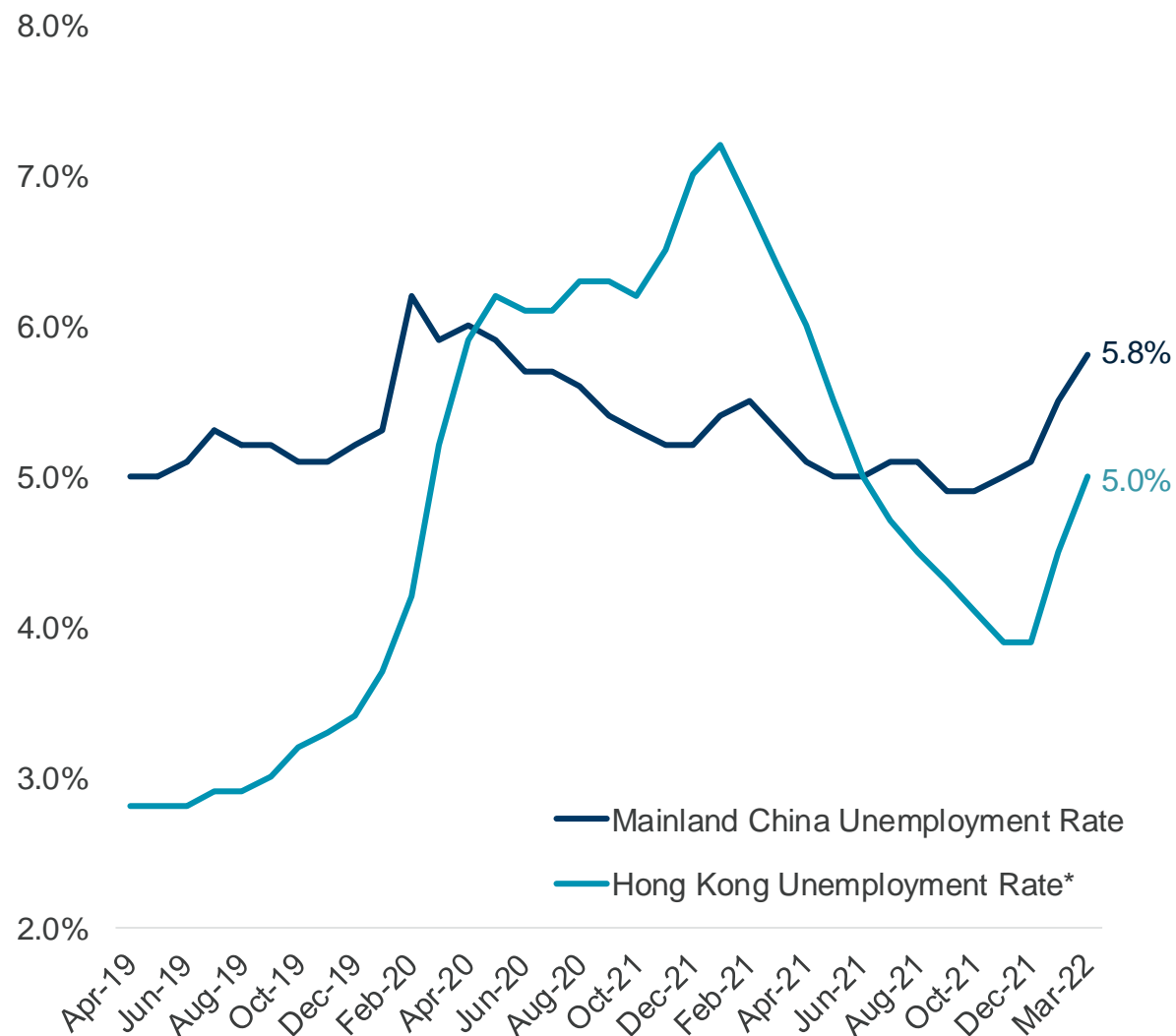


**Catherine Chen**  
Director  
Head of Capital Markets Research  
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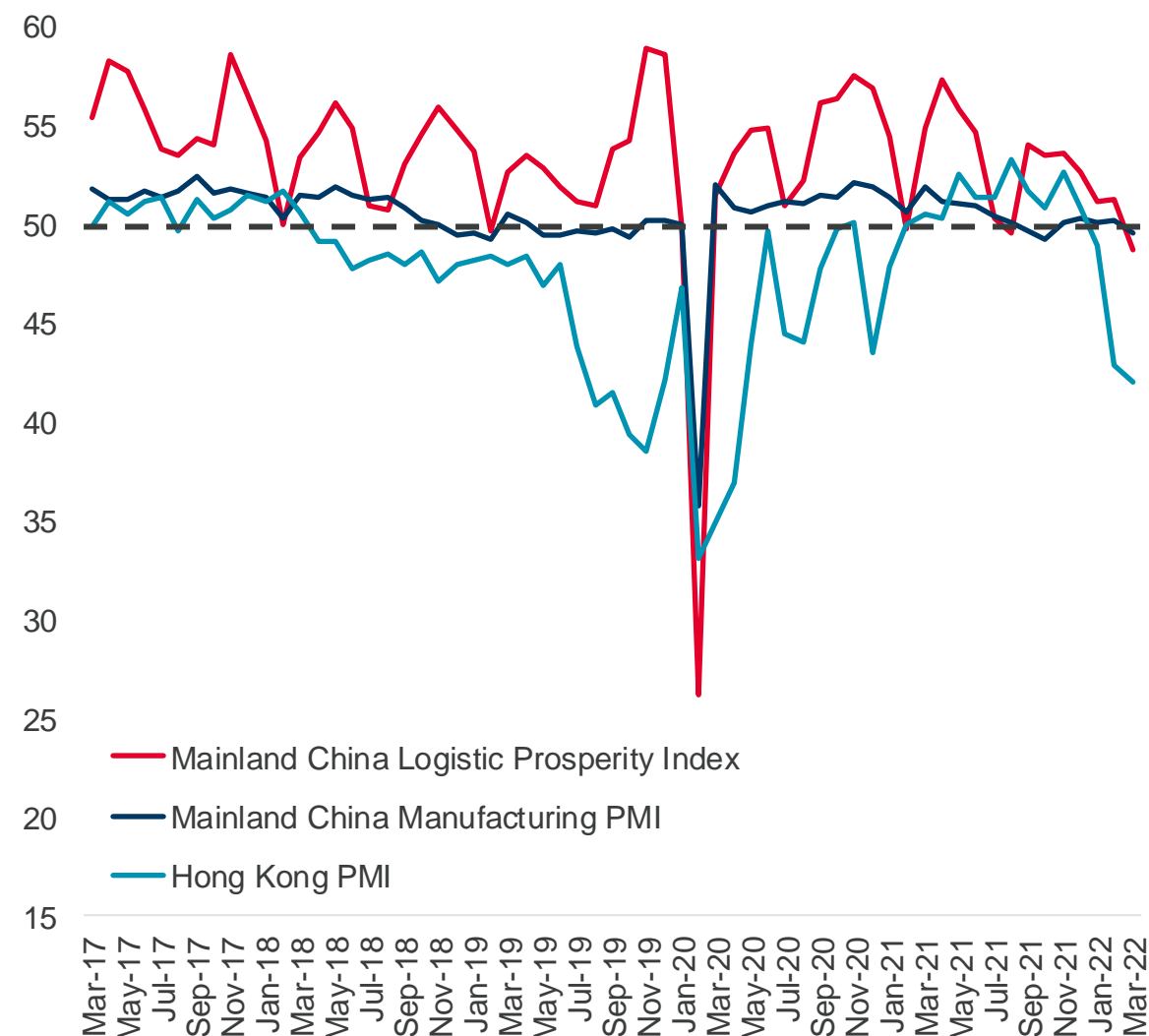
**Tom Ko**  
Executive Director  
Head of Capital Markets,  
Hong Kong

## Urban Unemployment



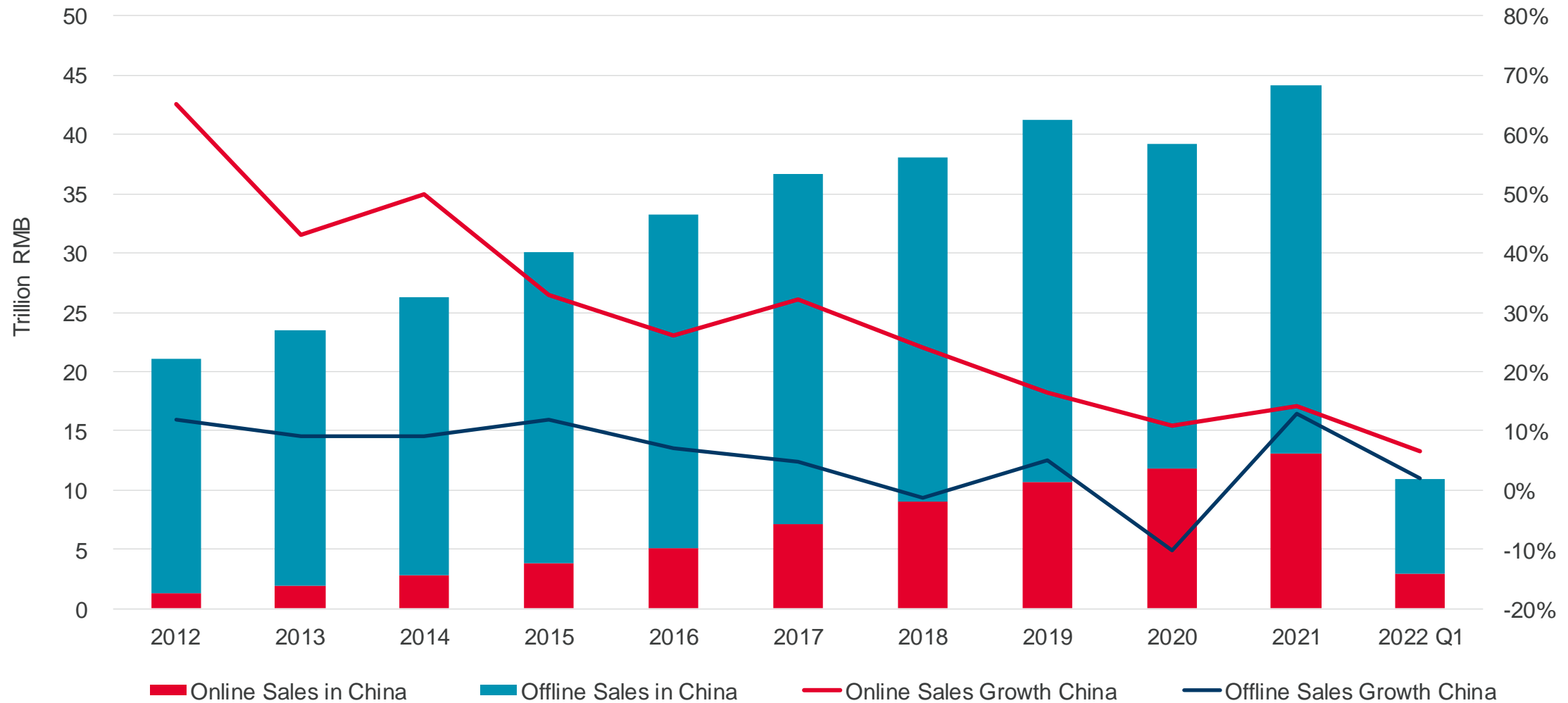
Source: National Bureau of Statistics of the PRC, Census and Statistics Department of Hong Kong, updated on April 21<sup>st</sup>, 2022  
\*3-month rolling average

## Mainland China PMI and Logistics Prosperity Index



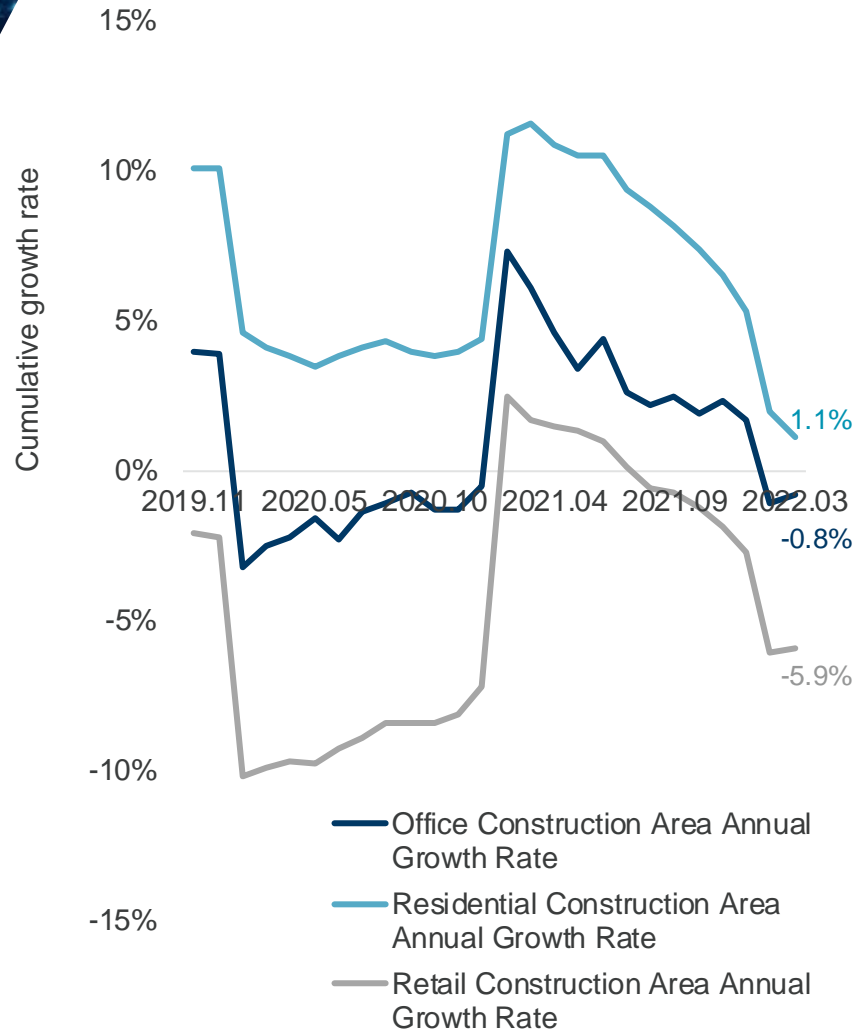


## Online & Offline Retail Sales Growth

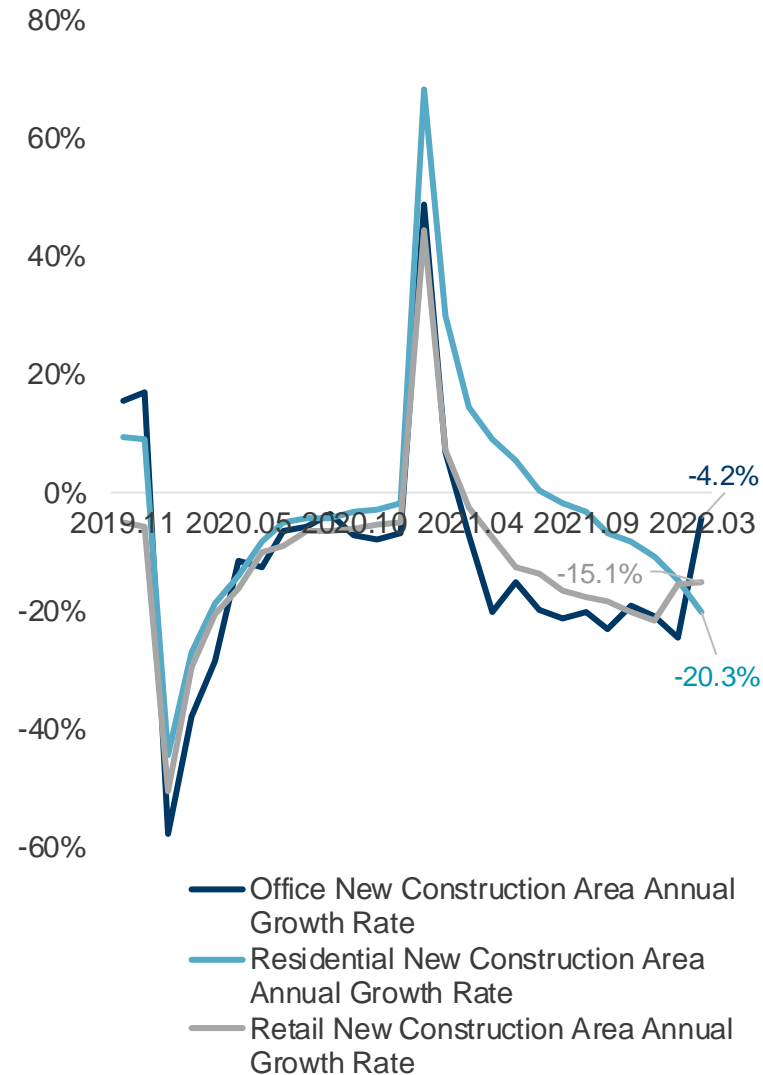


# REAL ESTATE CONSTRUCTION ACTIVITY AND INVESTMENT

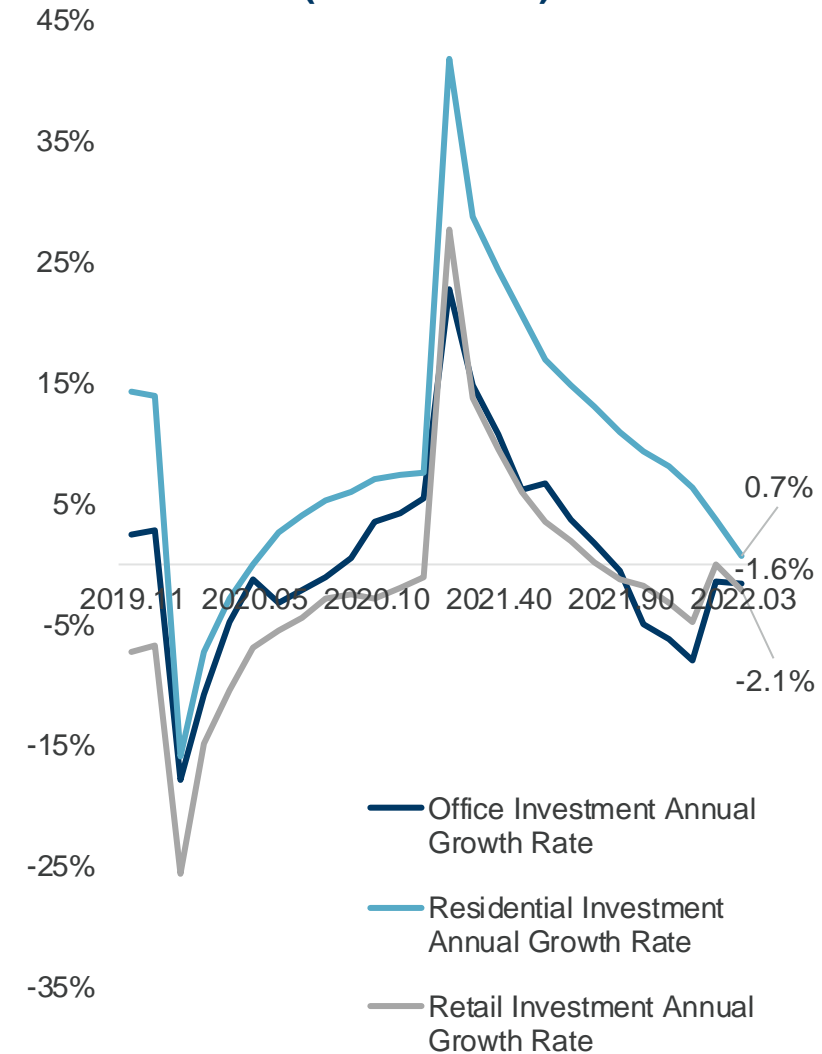
## Short Term Under Construction (Area)



## Mid to Longer Term New Starts (Area)

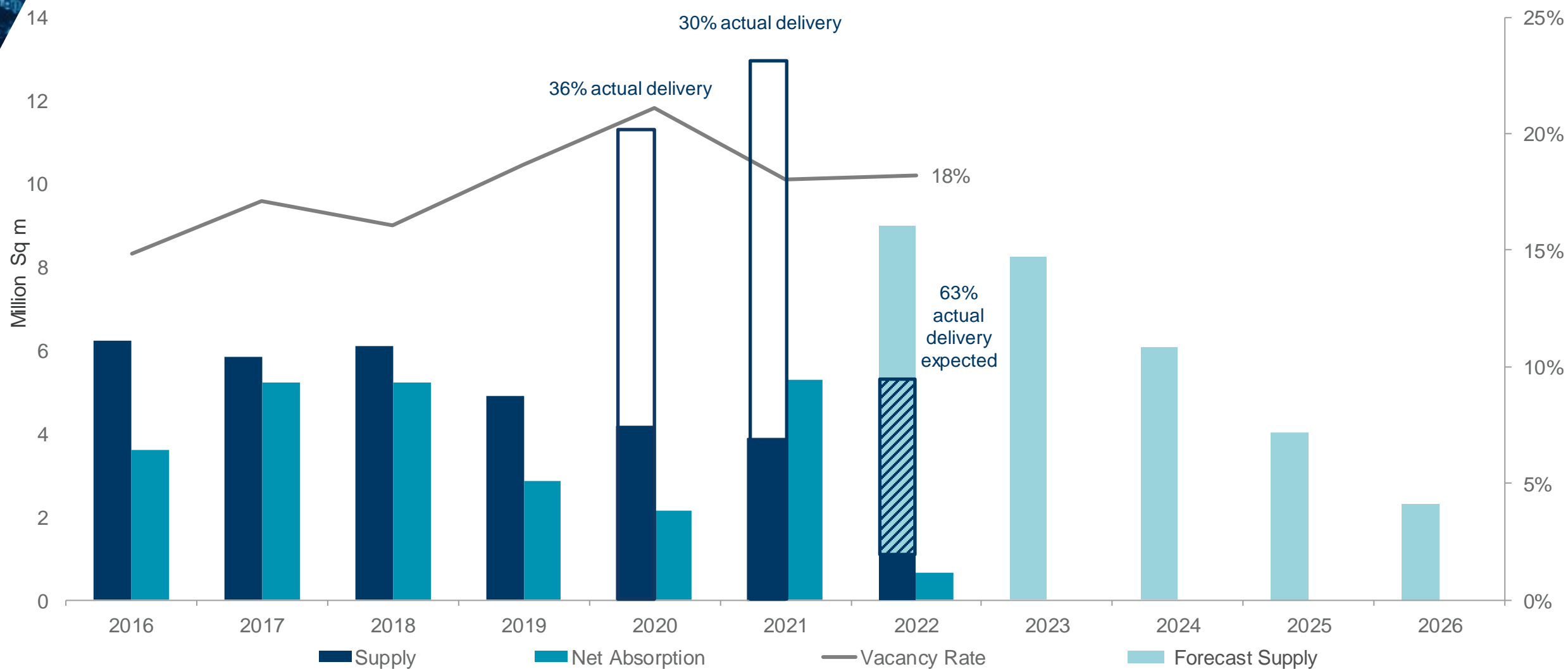


## New Development (Investment)



# CHINA'S OFFICE SUPPLY & DEMAND

Construction Forecast to Moderate as Projects Completions are Pushed Back

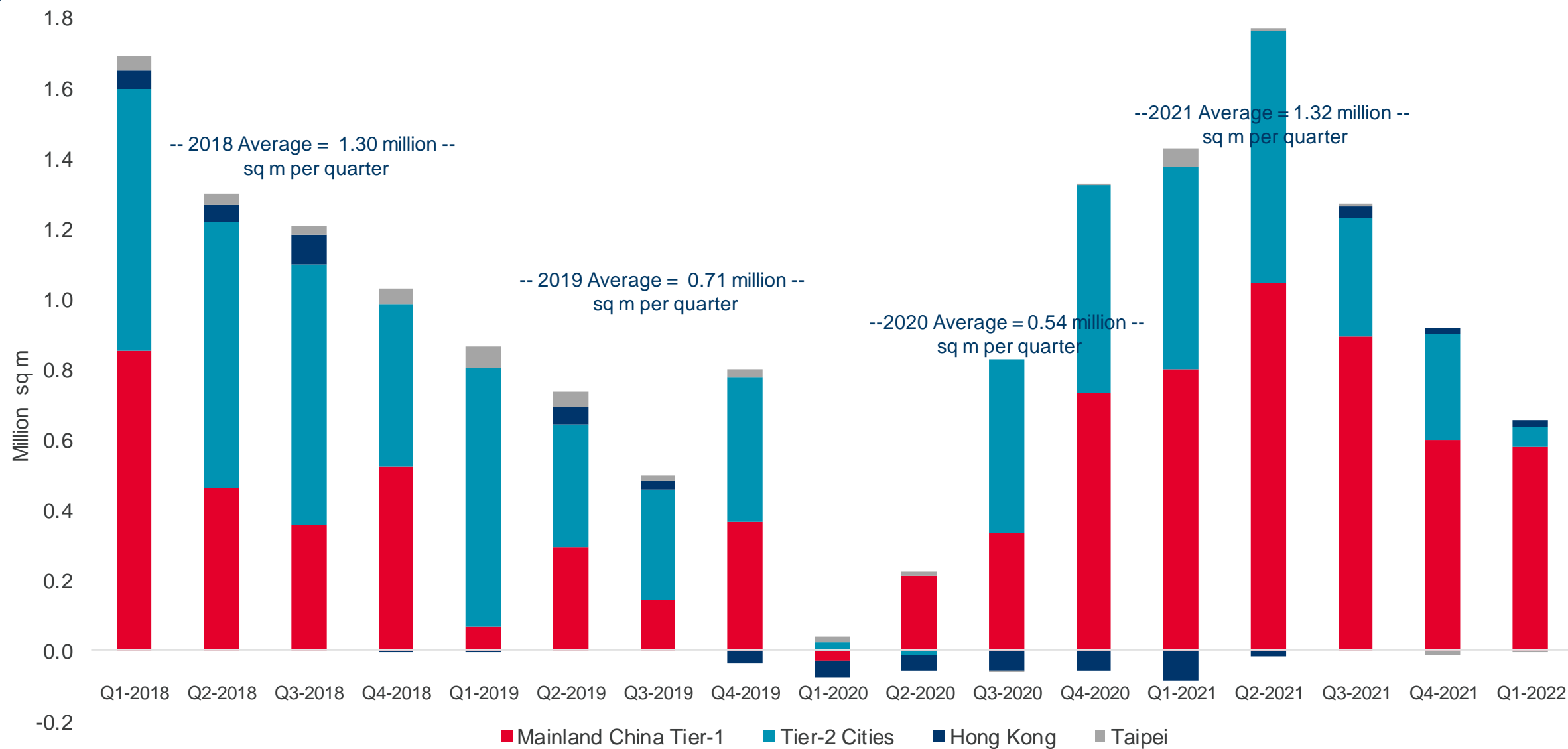


This data including: Beijing, Shanghai, Guangzhou, Shenzhen; Changsha, Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Wuhan, Xiamen, Xi'an, Wuxi, Suzhou, Hong Kong, Taipei

Source: Cushman & Wakefield Research, updated on April 21<sup>st</sup>, 2022

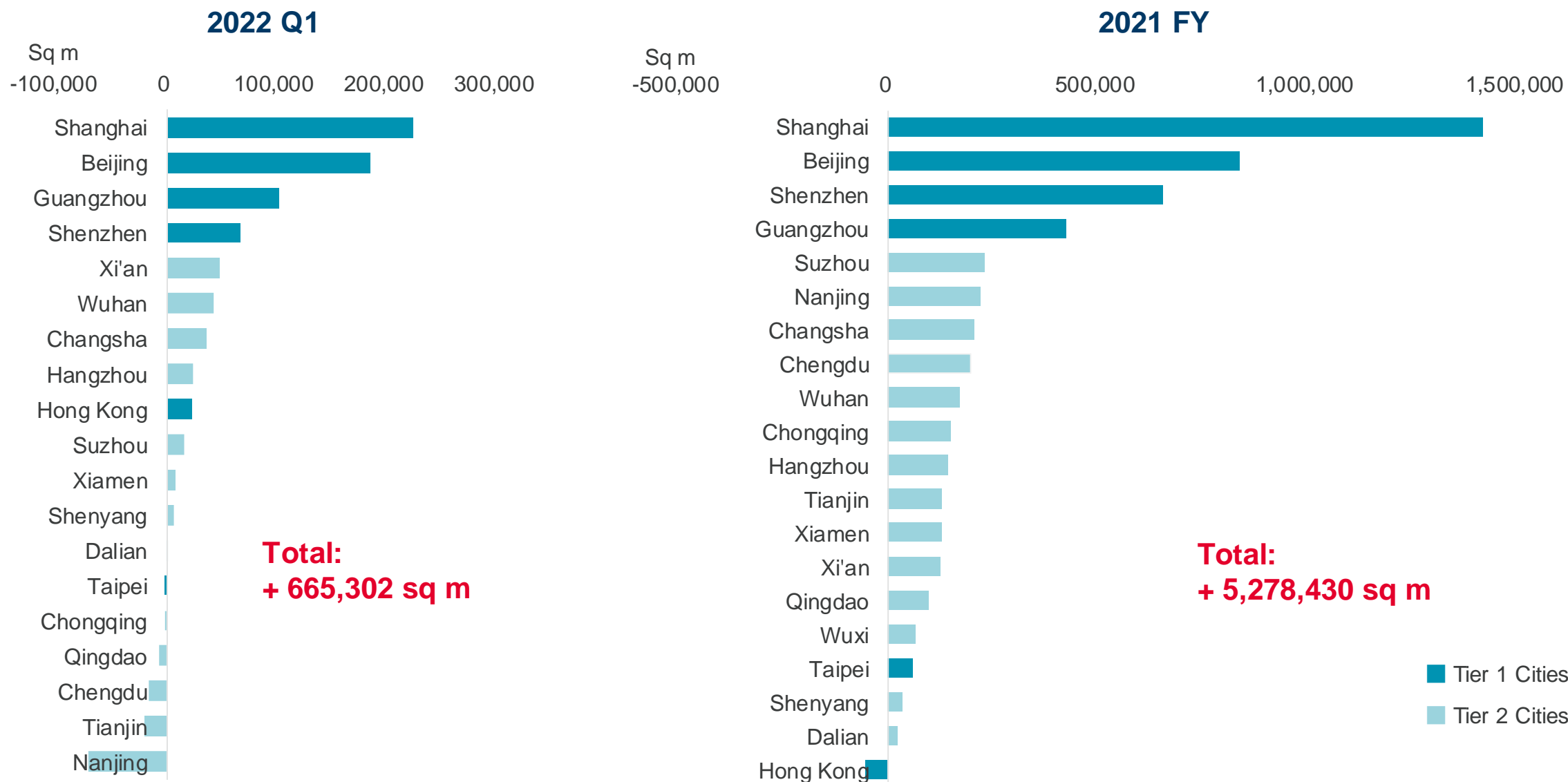
# OFFICE NET ABSORPTION IN GREATER CHINA

Demand Cooled Further in Tier 2 Cities



# OFFICE NET ABSORPTION IN GREATER CHINA

Tier 1 Cities Remained in Demand

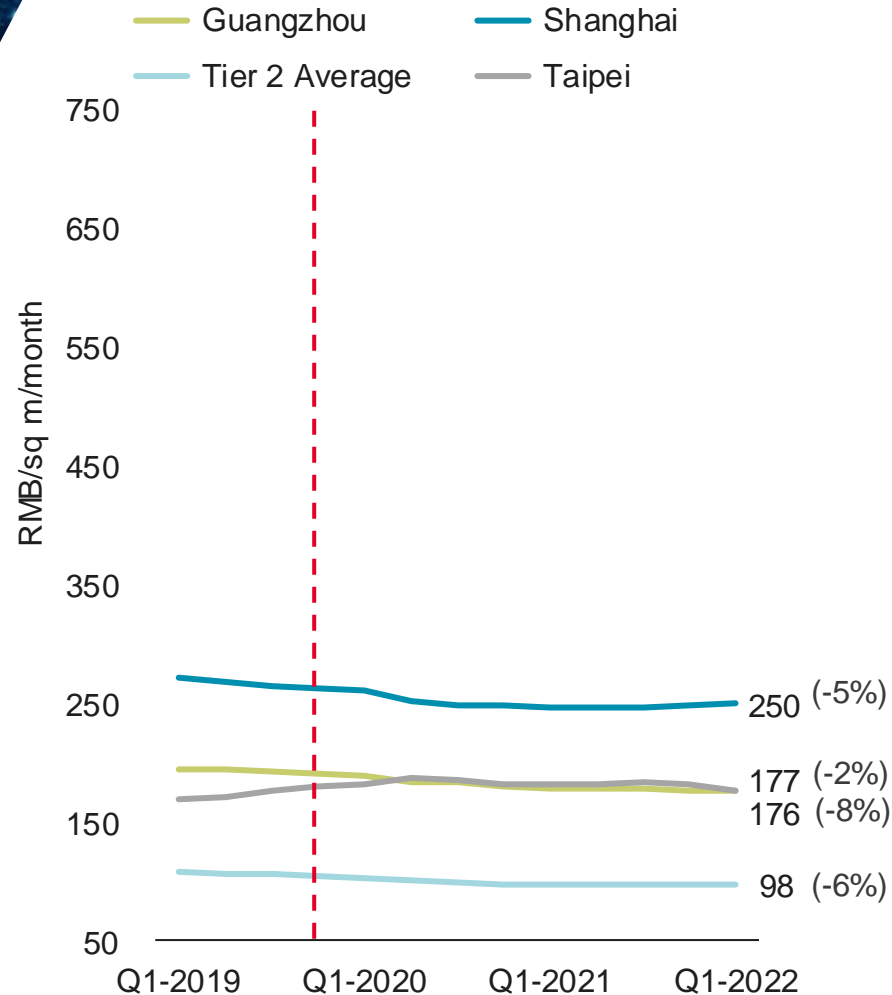




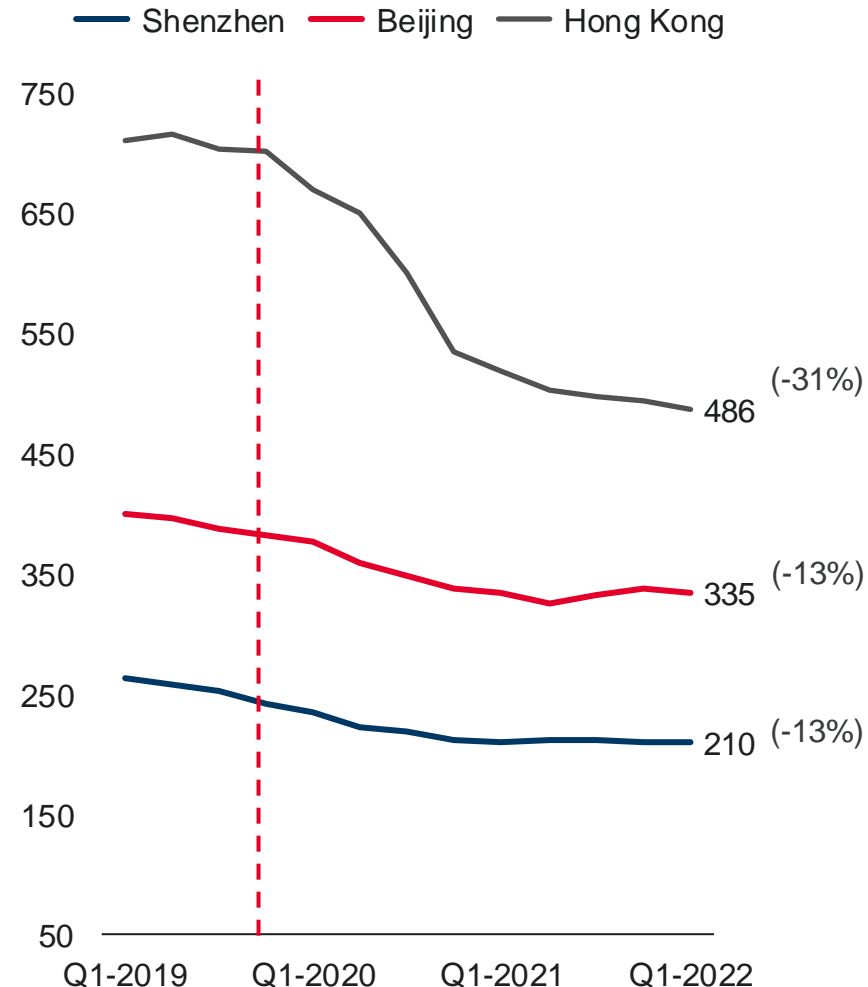
# OFFICE RENTAL RESILIENCE IN GREATER CHINA

Rentals Remained Relatively Stable in Q1

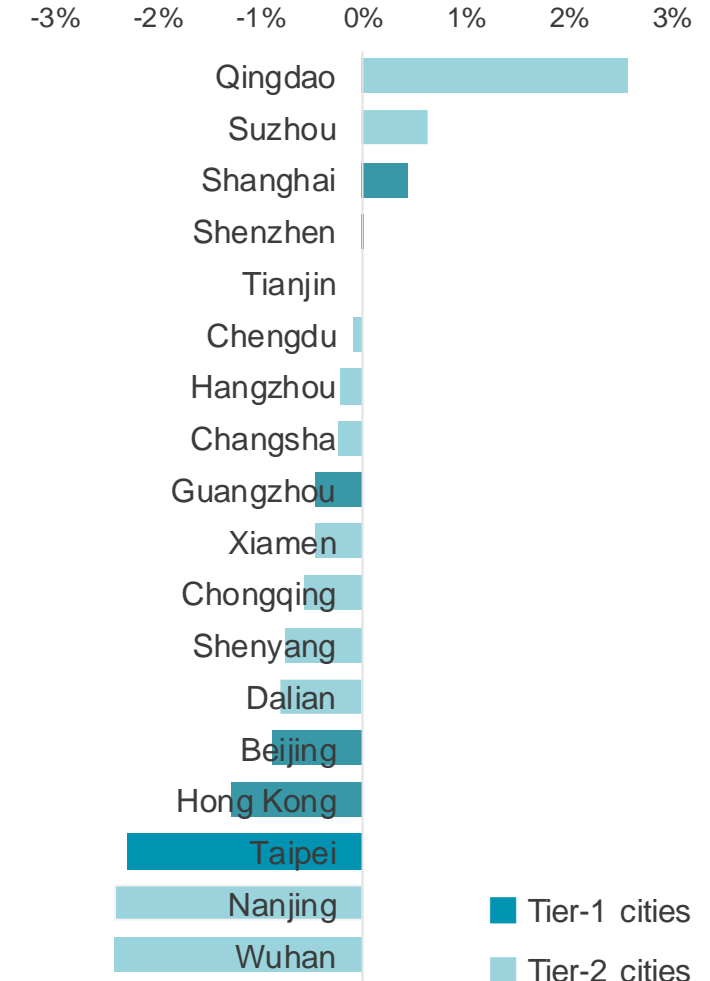
## Rental Resilience Since Q4 2019



## Less Rental Resilience Since Q4 2019



## Rental Trend Q-o-Q



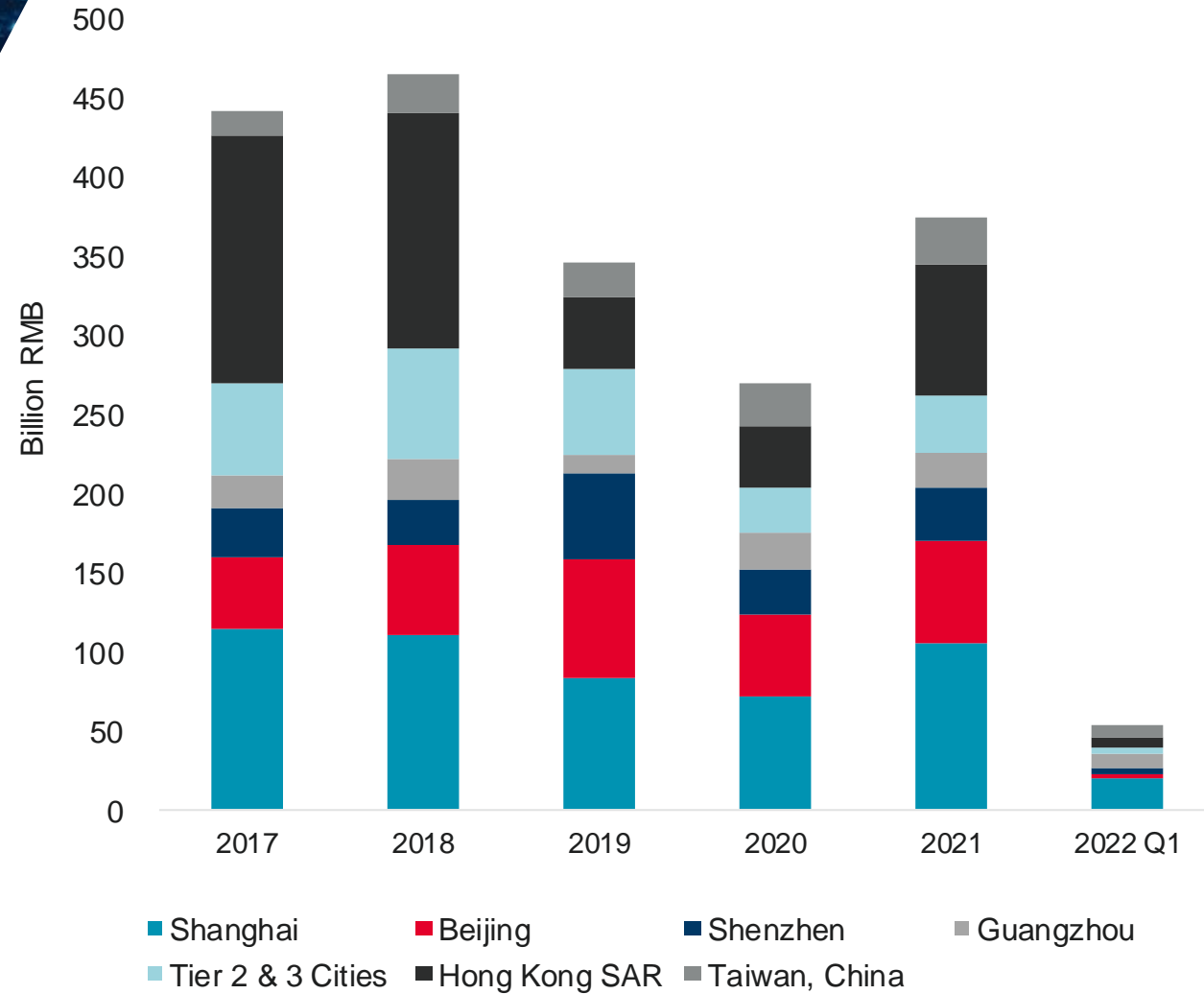
\*The growth rate is calculated in local currency. Growth is based on historical rental movement.

Source: Cushman & Wakefield Research, updated on April 21<sup>st</sup>, 2022

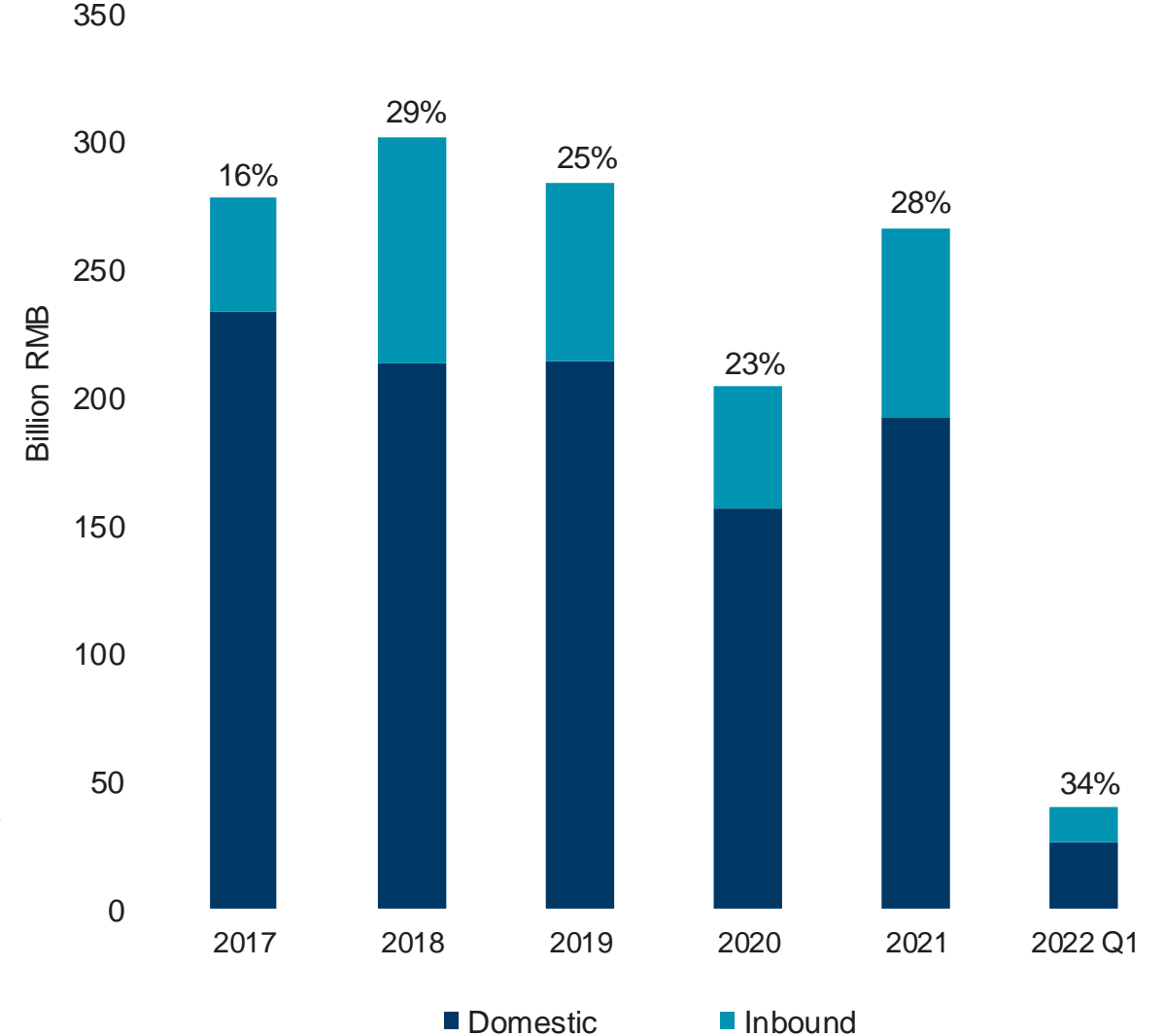
# CRE INVESTMENT IN GREATER CHINA

Increased Share of Inbound Investment in Mainland China

## Greater China Investment By Destination



## Mainland China Investment By Investor Origin

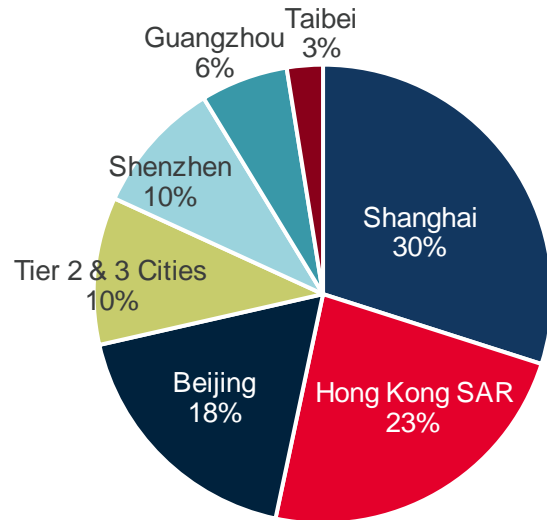




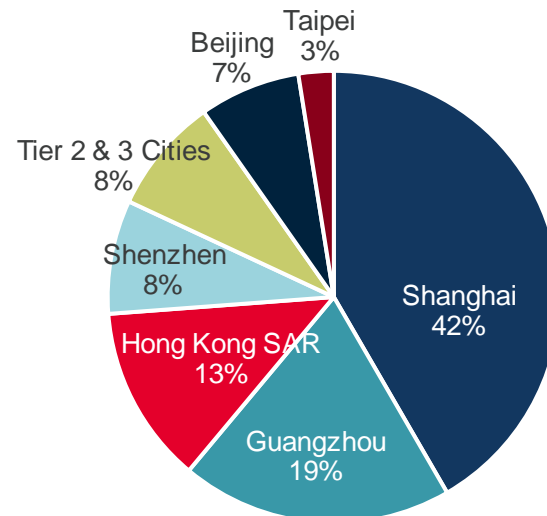
# CRE INVESTMENT IN GREATER CHINA

The Concentration of Office/R&D Investment Remained High

## Share of Transaction Volume – by Market

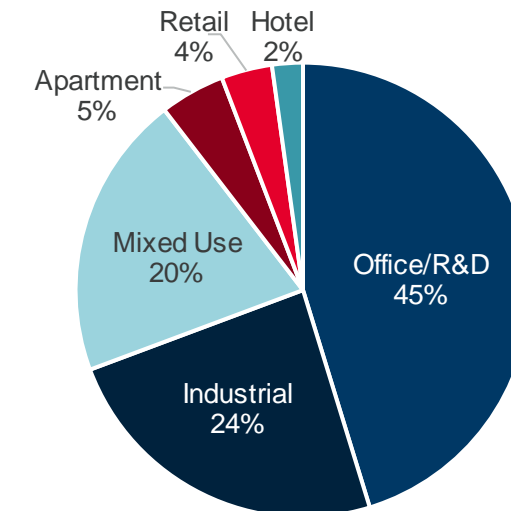
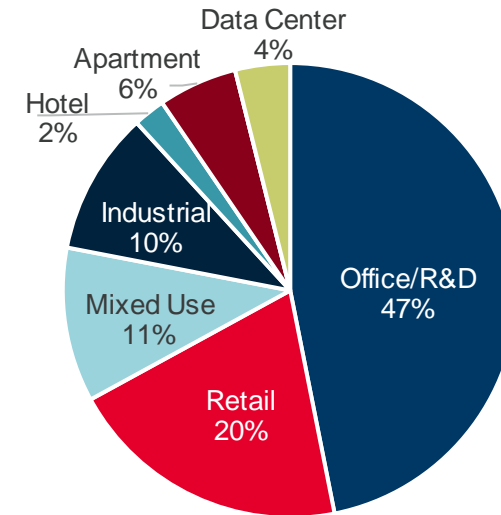


2021 FY



2022 Q1

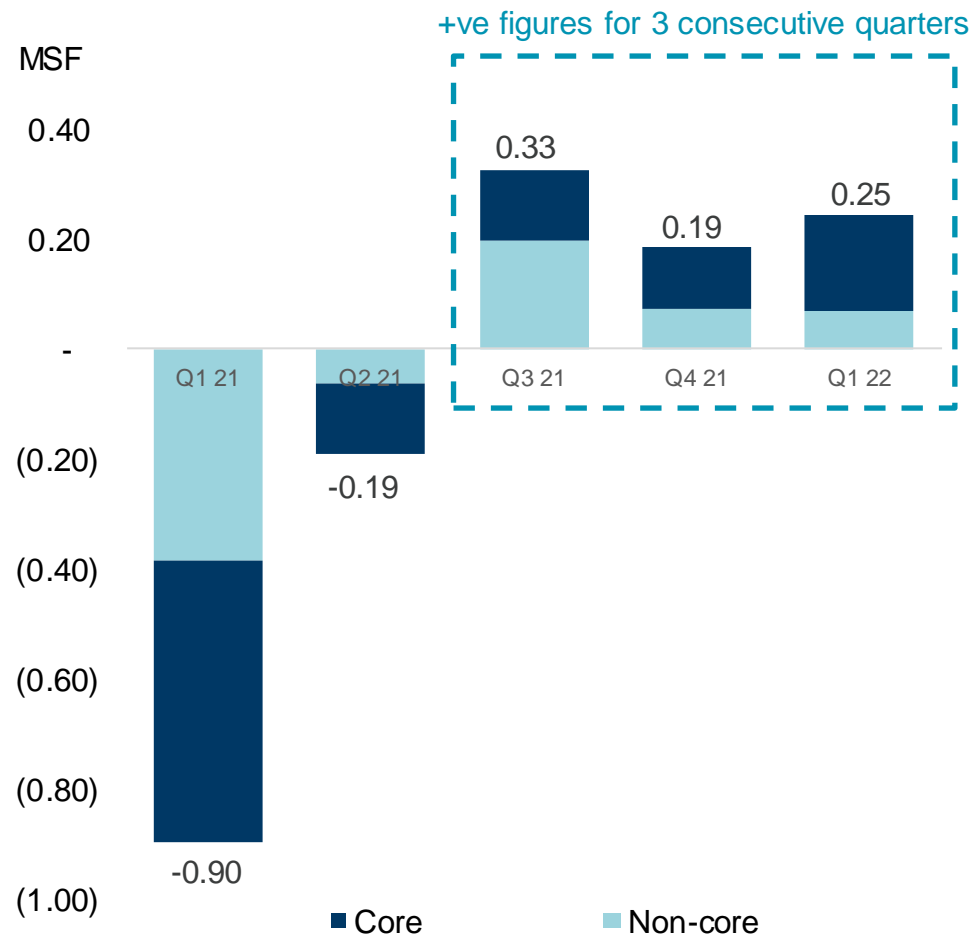
## Share of Transaction Volume – Mainland China by Sector



# HONG KONG CRE MARKET SNAPSHOT AS OF Q1 2022

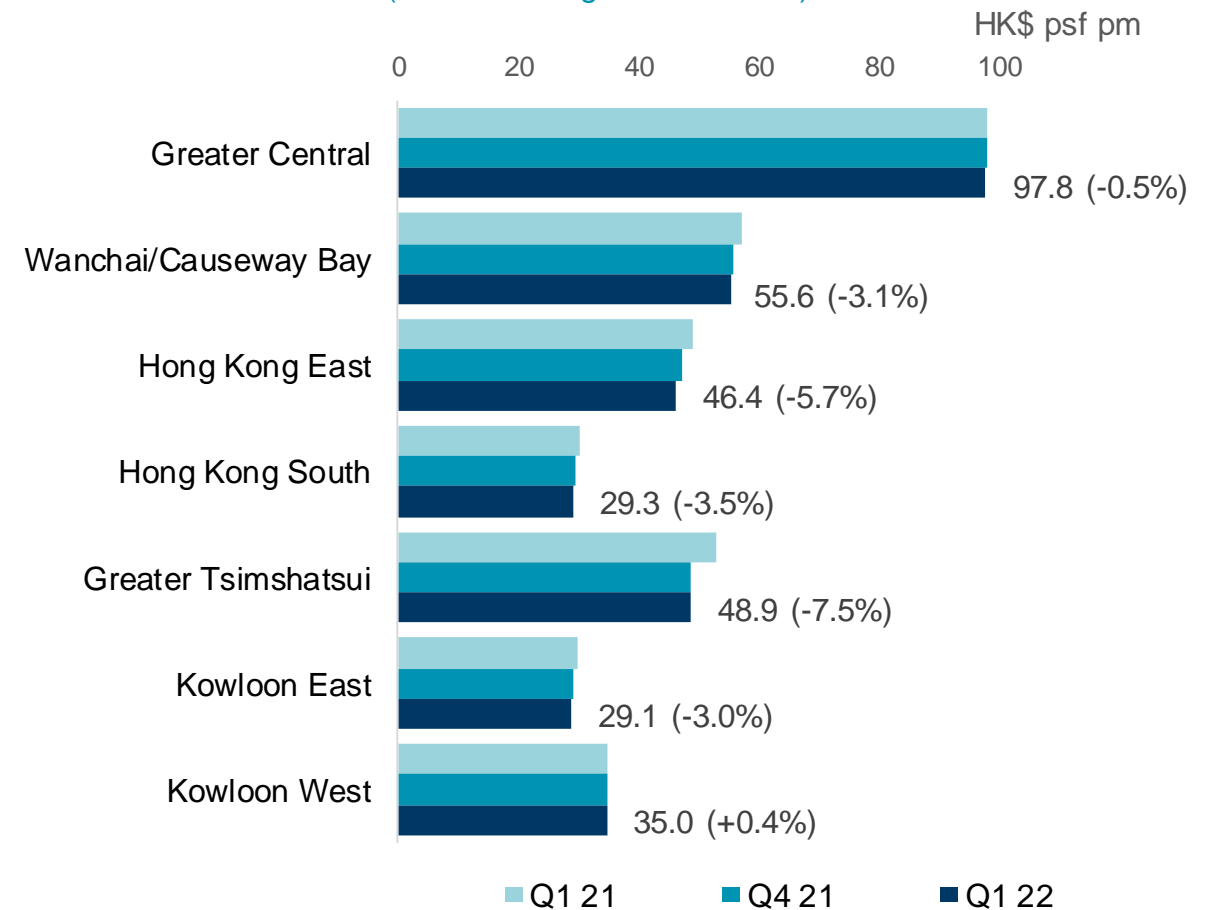
Office is holding up well but challenges ahead

## Office Net Absorption



## Office – Net Effective Rents

(Annual Changes in Brackets)

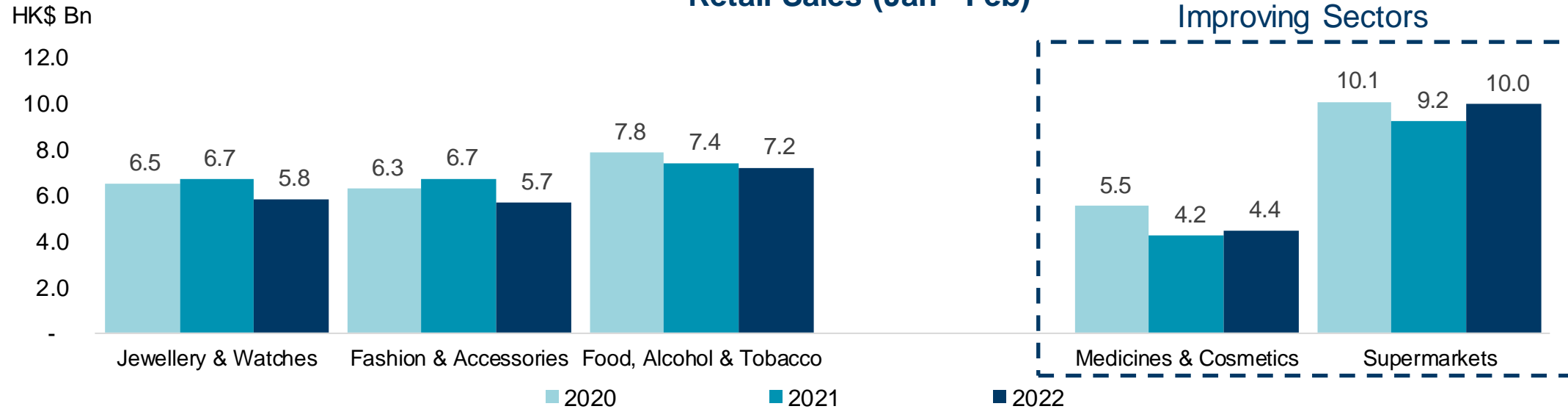




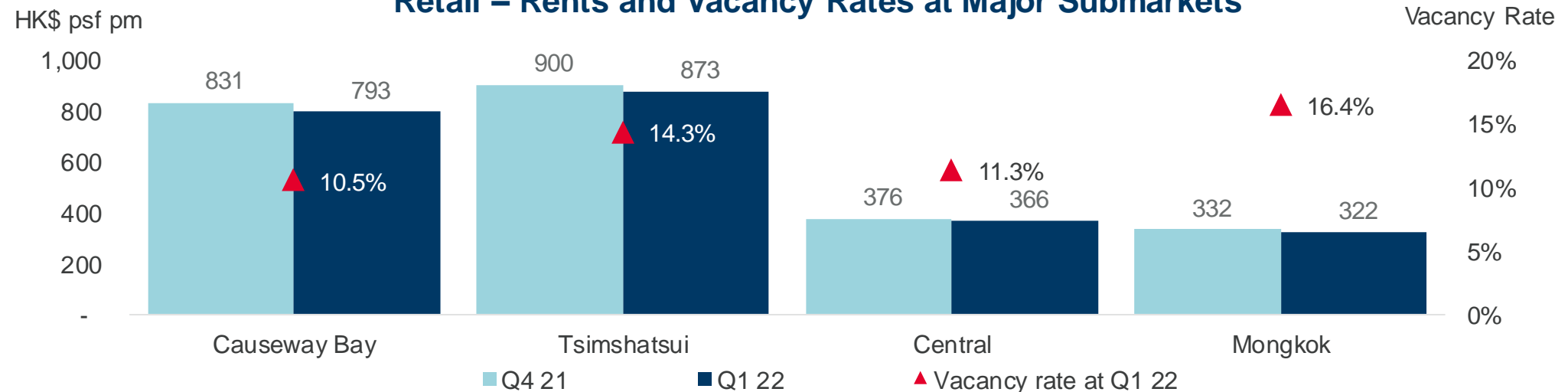
# HONG KONG CRE MARKET SNAPSHOT AS OF Q1 2022

Retail rents went down with total retail sales; Vacancy hit record high

## Retail Sales (Jan - Feb)



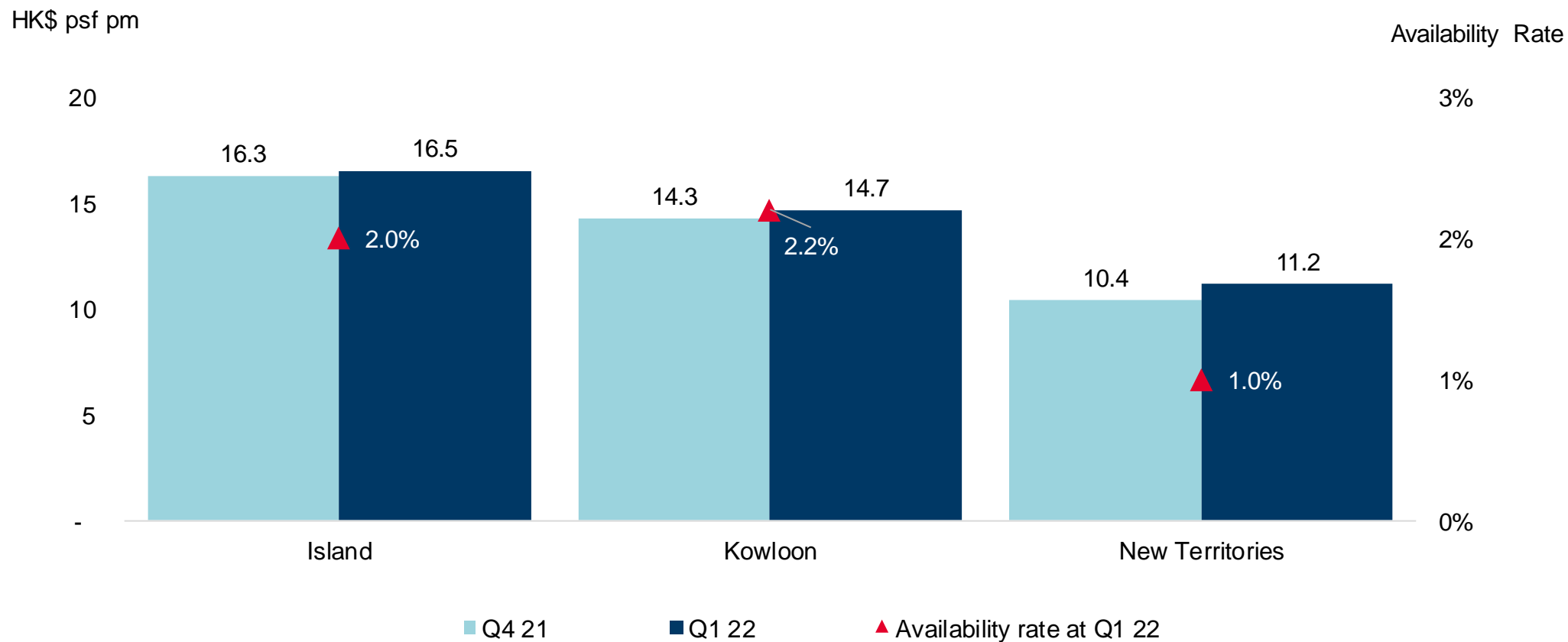
## Retail – Rents and Vacancy Rates at Major Submarkets



# HONG KONG CRE MARKET SNAPSHOT AS OF Q1 2022

Tight availability in warehouses supported continuous rental growth

## Warehouse - Rents and Availability Rates

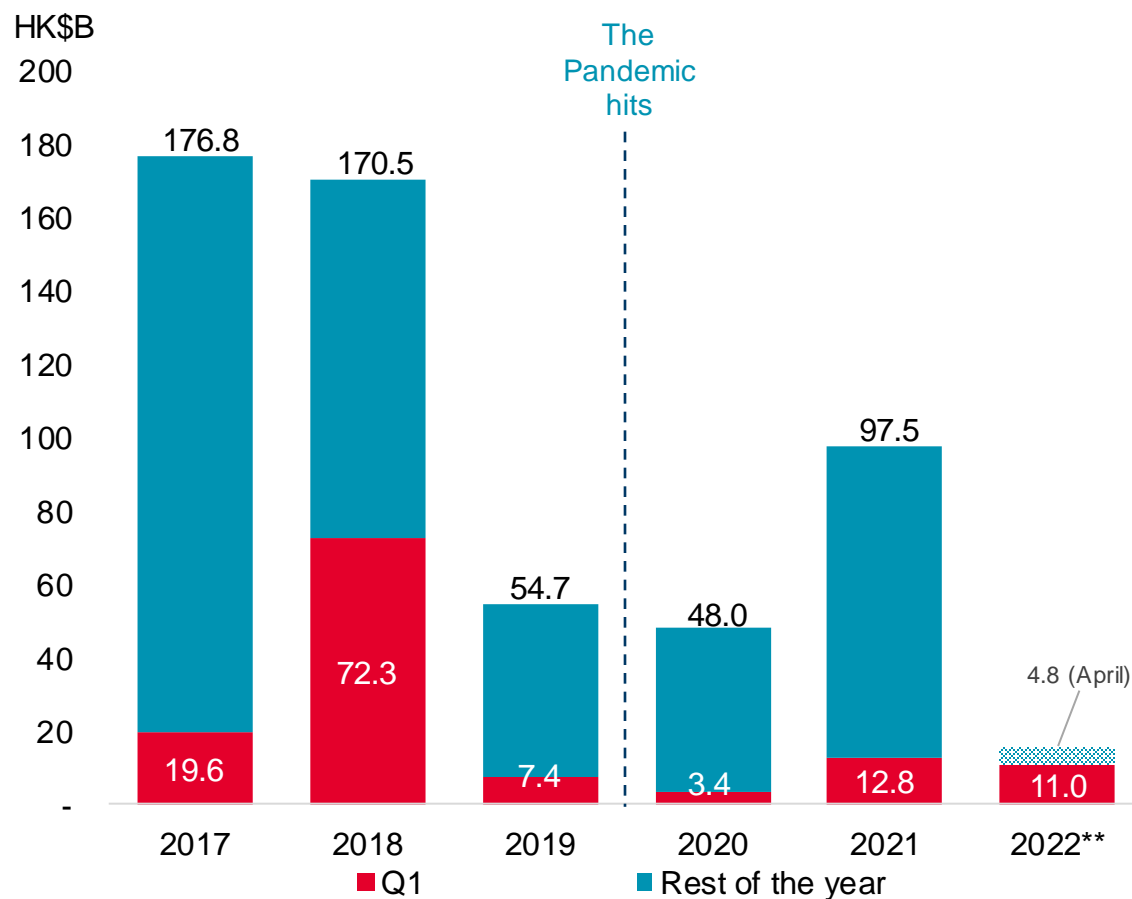




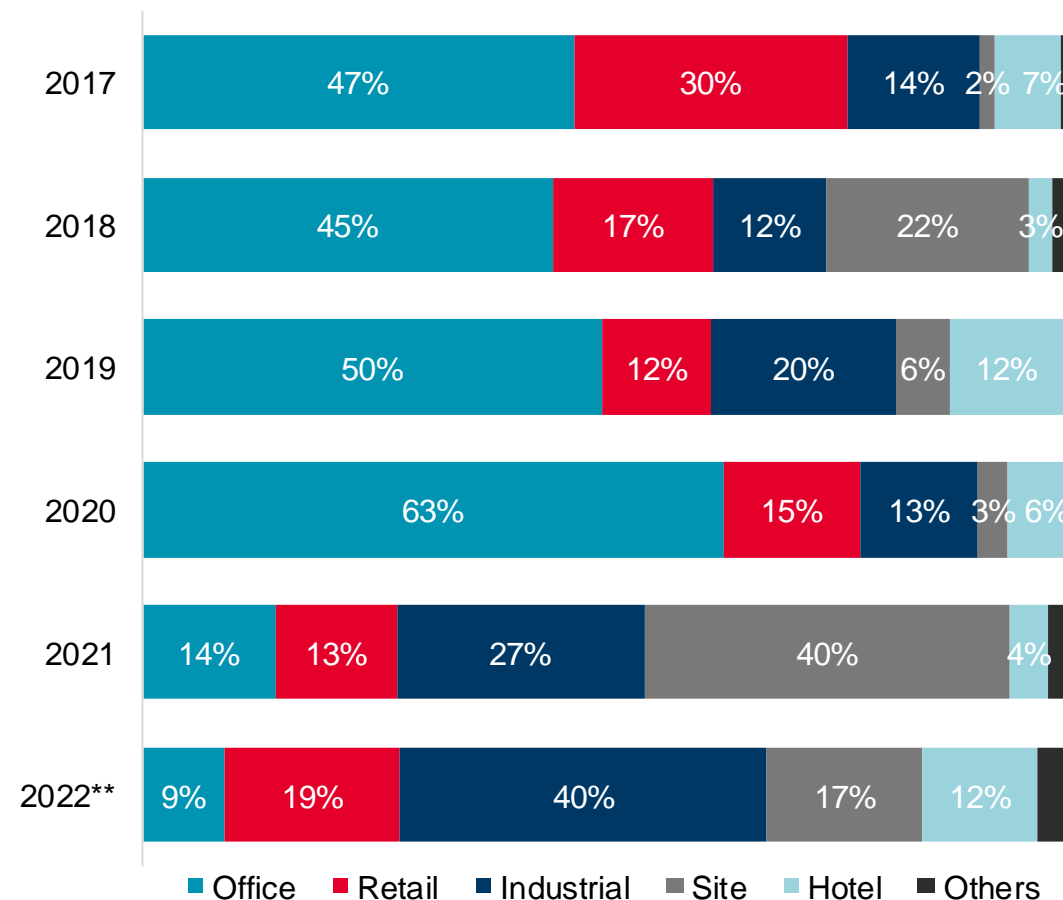
# HONG KONG CRE MARKET SNAPSHOT AS OF Q1 2022

Land sites, industrial and hotel properties emerged as the most sought after asset classes

## CRE Transaction Consideration\*



## CRE Transaction\* by Sector



Note: \*Deals with consideration at HK\$100M or above; \*\*2022 data as of April

# NOTABLE TRANSACTIONS YEAR TO DATE

An established data center was acquired by an institutional fund at a record price



Timing	Q2 2022
Property	Cargo Consolidation Complex (En-bloc)
Usage	Data Center
Submarket	Kowloon West
Transacted price	HK\$2.88 billion (circa HK\$10,900 psf)
Buyer(s)	Nuveen
Seller(s)	A private investor



Timing	Q1 2022
Property	Victorious Factory Building (Strata-titled)
Usage	Industrial (to be converted to mini-storage)
Submarket	Kowloon East
Transacted price	HK\$182 million (circa HK\$4,066 psf)
Buyer(s)	A self-storage operator
Seller(s)	A local investor

# NOTABLE TRANSACTIONS YEAR TO DATE

Institutional funds backed two hotel properties for co-living operation



Timing	Q2 2022
Property	Rosedale Hotel Kowloon (En-bloc)
Usage	Hotel
Submarket	Kowloon West
Transacted price	HK\$1.375 billion (circa HK\$12,400 psf)
Buyer(s)	Weave backed by Angelo Gordon
Seller(s)	ITC Properties



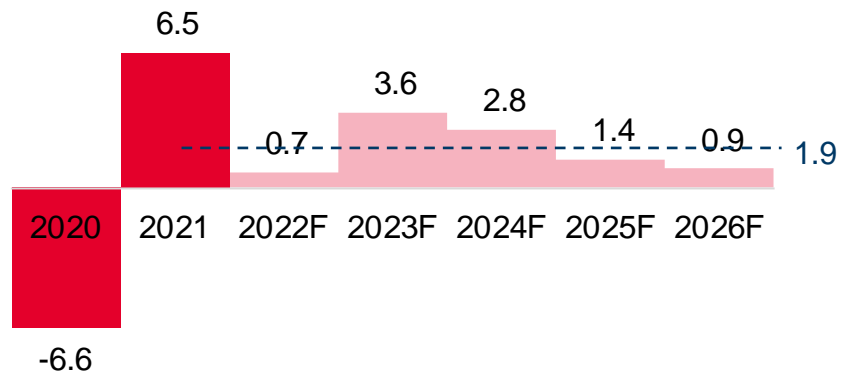
Timing	Q1 2022
Property	CASA Hotel (En-bloc)
Usage	Hotel
Submarket	Kowloon West
Transacted price	HK\$590 million (unit price not available)
Buyer(s)	Dash Living backed by PGIM
Seller(s)	A local investor



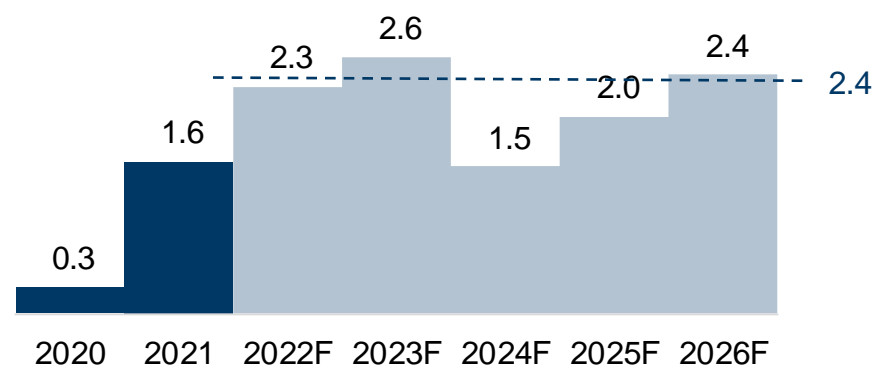
# HONG KONG ECONOMIC OUTLOOK

The city is gradually emerging from the pandemic despite various uncertainties ahead

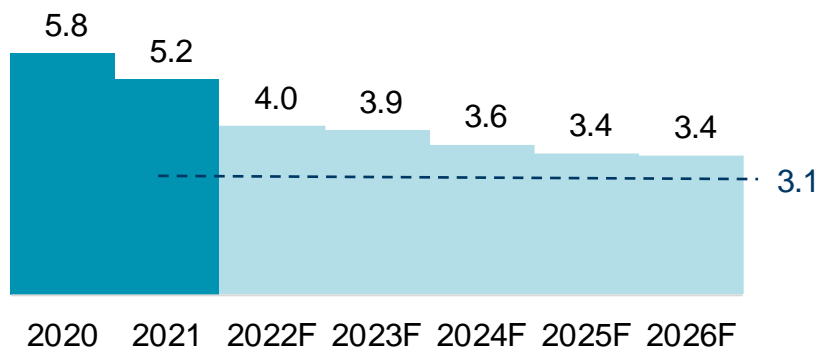
Real GDP Growth (%)



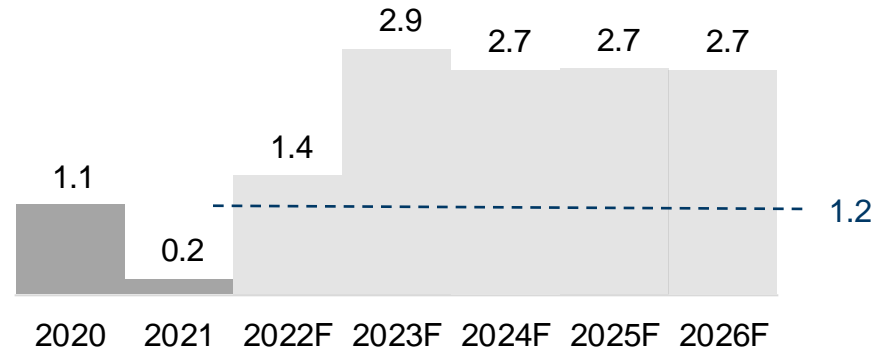
Inflation Rate (%)



Unemployment Rate (%)



3-month HIBOR (%)



## Economic Outlook

- Growth in 2022 will be flat
- Higher-than-average growth is expected in 2023 and 2024
- Inflation will return
- Labour market recovery will take time
- Cost of borrowing will increase significantly

Note: Pre-pandemic 5-year average (i.e. 2015-2019) is indicated in the form of dotted lines for reference

# CRE INVESTMENT OUTLOOK

Three asset classes will likely stand out from others in 2022



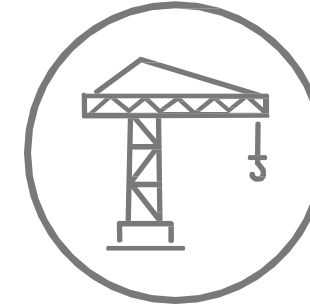
## Industrial

- “New economy” usage e.g. logistics warehouse, distribution centers, cold chain, mini-storage and data centers
- Investment thesis: Rapidly growing demand, long-term stable income, high value-add and counter-cyclical
- Key demand drivers: institutional funds, operators and local developers



## Hotel

- Either keep it as-is or convert it into multi-family for lease apartments
- Investment thesis: Bottom-fishing, strong upside potential, high value-add and robust housing demand
- Key demand drivers: multi-family operators and institutional funds



## Development sites

- Ground-up development/ redevelopment opportunities from urban renewal to Northern Metropolis
- Investment thesis: Robust infrastructure pipelines and favourable policies drive land value appreciation, in particular land sites in New Territories
- Key demand drivers: Local developers backed by institutional funds

MODERATOR:



**Catherine Chen**

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**Q&A**

*Please click on the Q&A icon on the top right-hand corner of your window to submit your questions.*



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