

CUSHMAN &

GREATER CHINA LOGISTICS MARKET

Q4 2022



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戴德梁行

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An aerial photograph of a large shipping yard filled with stacks of colorful intermodal containers in shades of blue, red, yellow, and green. Yellow gantry cranes are visible between the stacks. A large, semi-transparent number '3' is centered over the image. The text 'WE MAKE AN IMPACT' is in the top left, and 'KEY TRENDS & OVERVIEW' is centered over the number '3'.

WE MAKE AN IMPACT

KEY TRENDS & OVERVIEW

KEY TRENDS

Greater China's Logistics Market



China's economy showed a recovery trend in Q4 2022, with GDP of RMB33.55 trillion, up 2.9% y-o-y. The resurgence of COVID-19 caused some impact on the consumer market, with total retail sales of social consumer goods falling 2.7% y-o-y, while rising 8.7% q-o-q. Consumer promotion policies have been effective, new consumption models have been developing steadily, physical retailing continues to recover, and the consumer market development is improving in the long run.



The overall logistics market rental demand continued to recover in Q4 2022. The total value of social logistics goods rose by 2.7% y-o-y. Demand for prime logistics warehouses in the manufacturing sector was strong, while energy and consumer goods production demand remained stable. The trend of online shopping as a source of growth in the consumer market continued to consolidate, with e-commerce and third-party logistics still the main tenants within the premium logistics market.



Due to the impact of the COVID-19 epidemic, developers have slowed their investment decisions. In addition, in the segmented market, the cold chain logistics development trend is optimistic, while a higher return on investment has attracted the attention of logistics real estate developers and real estate development funds, channeling capital into the construction of cold storage and related facilities.



In 2022, facing a complex and challenging international environment as well as the continuing domestic epidemic, the logistics industry demonstrated a strong ability to withstand pressure and develop resilience, maintaining an overall upward trend. With the relaxation of epidemic prevention and control policies, and a steady recovery in residential consumption and rapid growth in the manufacturing sector, the premium logistics warehouse market in South and East China is expected to recover, despite being impacted by new supply and a weakening economic outlook. Growing demand for cold chain logistics presents opportunities and growth points for the overall industry.

MARKET OVERVIEW

Greater China’s Logistics Market – Q4 2022



MAINLAND CHINA

- The total stock of premium logistics warehouse space in mainland China reached 104 million sq m in Q4 2022.
- Approximately 2.28 million sq m of new supply entered the mainland China logistics market in Q4.
- The overall vacancy rate dropped to 15.1%, down by 0.11 percentage points q-o-q.
- Overall average rents rose 0.3% q-o-q to RMB33.5 per sq m per month.
- Ahead, an additional 33.76 million sq m of new supply is scheduled for completion by the end of 2025.



HONG KONG CHINA

- Hong Kong’s total stock of premium logistics space was at 31.2 million sq ft (2.90 million sq m) at Q4.
- No new supply was recorded this quarter. A mega-project totaling 4.1 million sq ft (0.38 million sq m) near the Hong Kong International Airport is expected to enter in 2023.
- Overall availability increased slightly to 3.4% and rents remained flat q-o-q at HK\$14.4 psf.



TAIWAN CHINA

- Total premium logistics stock increased to approximately 962,000 pings (3.18 million sq m).
- Incoming supply is expected to add 141,000 pings of stock by the close of 2024, an increase of approximately 15%.
- Around 76% of stock is concentrated in Taoyuan City, close to Taoyuan International Airport. The average monthly rental level remains at approximately NT\$650–750 per ping.

Source: Cushman & Wakefield Research

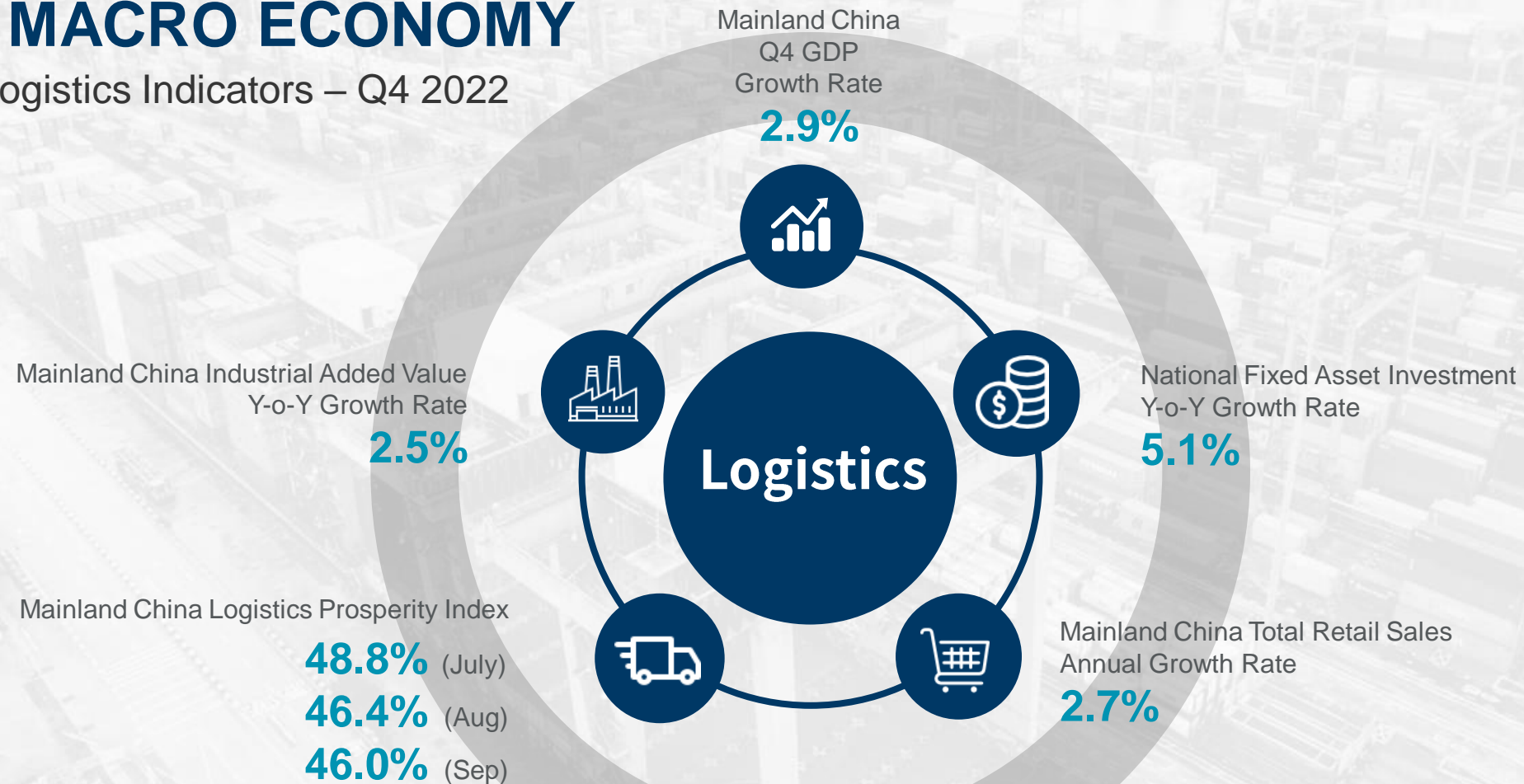
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MACRO-ECONOMY



THE MACRO ECONOMY

Major Logistics Indicators – Q4 2022



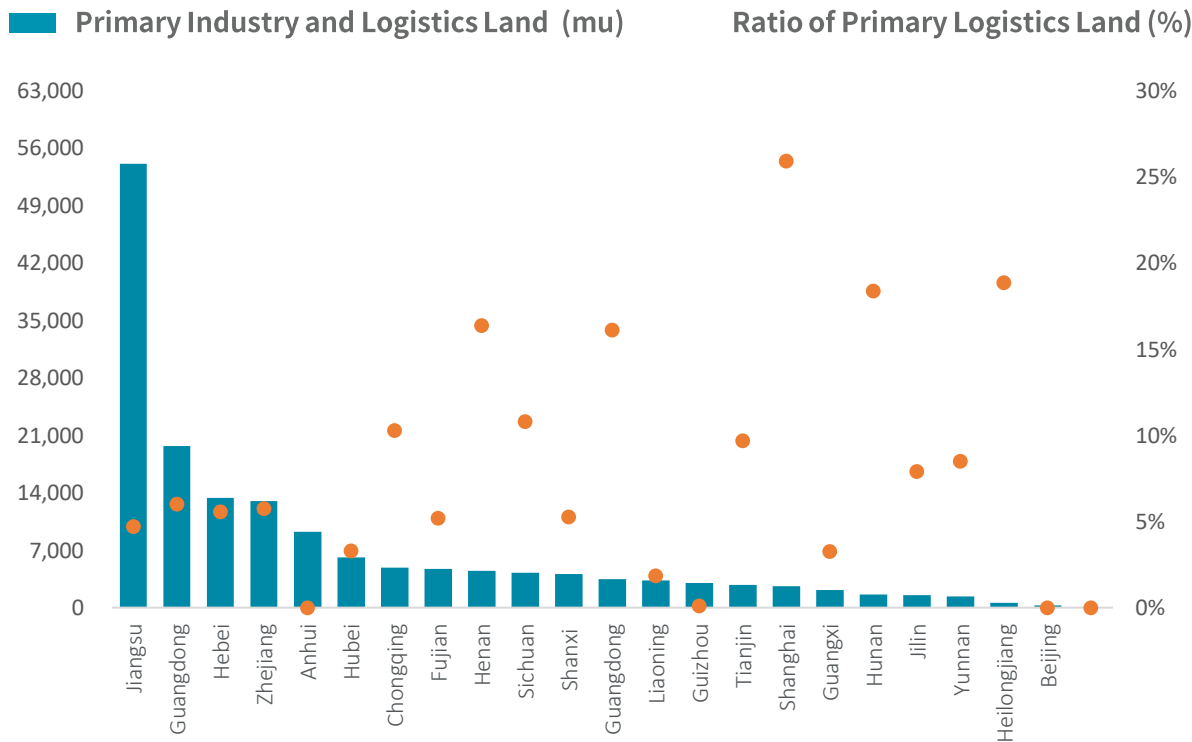
Source: Cushman & Wakefield Research, National Bureau of Statistics of China, China Federation of Logistics & Purchasing

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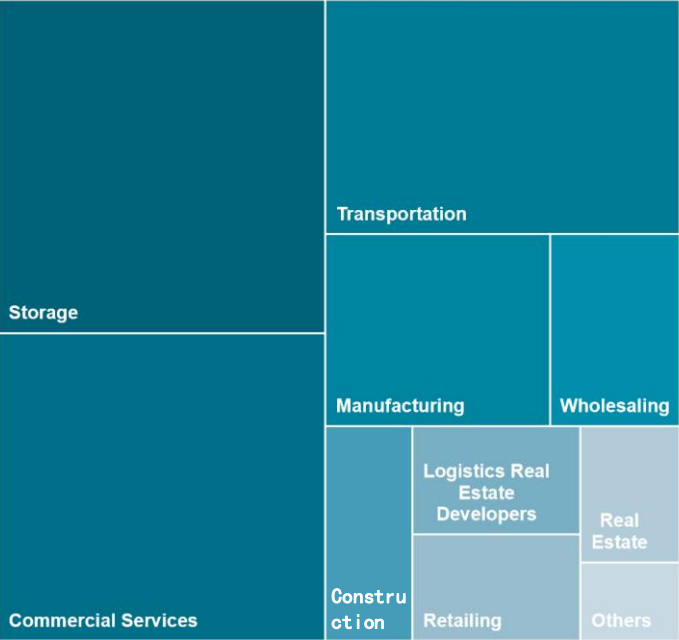
**THE GENERAL
MARKET**

THE PREMIUM LOGISTICS MARKET

Mainland China Logistics Land Supply Q4 2022



Share of primary logistics land by industry

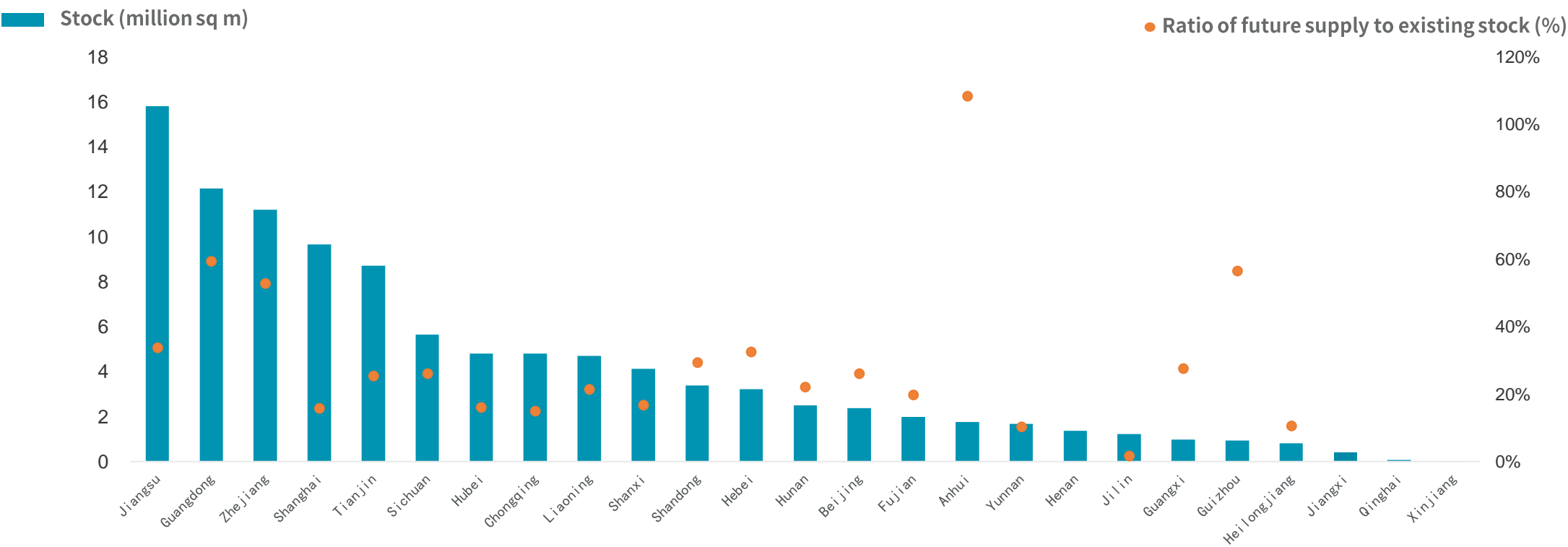


- Government sales of industrial land plots across 74 cities in mainland China totaled approximately 161,189 mu in Q4. Logistics land plots supply increased, accounting for 6.2% of the total transaction area in Q4.
- The storage, commercial services and transportation sectors were most active in land acquisition. Logistics real estate developers accounted for 4.2% of logistics land transactions in Q4, a slight increase compared to Q3.

Source: Cushman & Wakefield Research

THE PREMIUM LOGISTICS MARKET

Mainland China Stock and Future Supply (2023-2025)

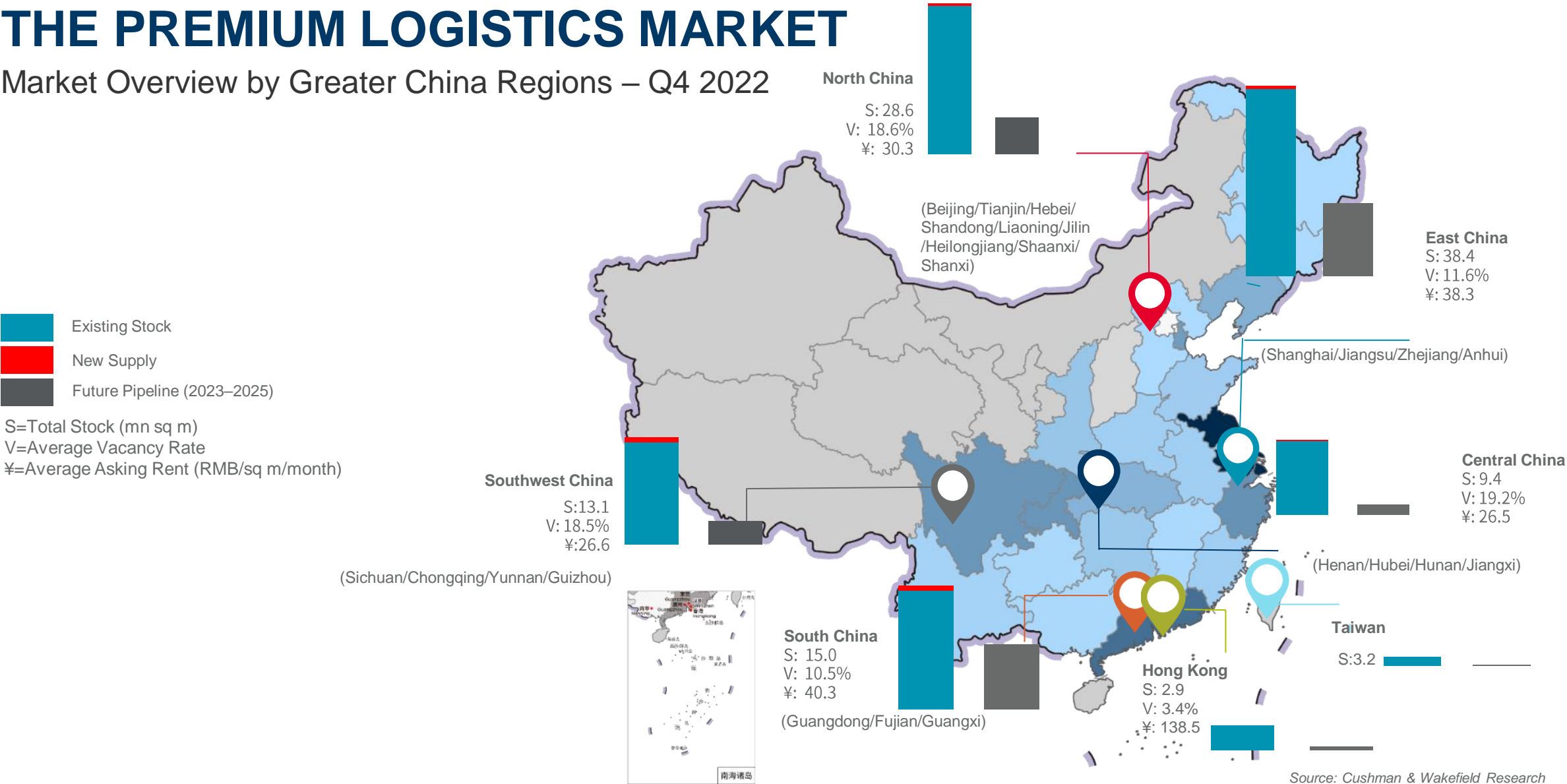


- Jiangsu, Guangdong and Zhejiang were the top three locations for total stock in Q4, with each market also slated for a large volume of scheduled future supply. Guangdong and Zhejiang will have more projects complete in the next two years, which will bring some leasing pressure in the short term. However, these two areas as investment hotspots with well developed infrastructure, are favoured by investors and tenants, and the logistics market is set to perform positively in the long term, with the new projects expected to effectively be absorbed by strong demand
- Anhui, Guizhou and Guangdong are the top three areas for the ratio of future supply to existing stock. The total stock in Anhui and Guizhou is relatively small and future supply will have a slight impact on the overall local logistics market.

Source: Cushman & Wakefield Research

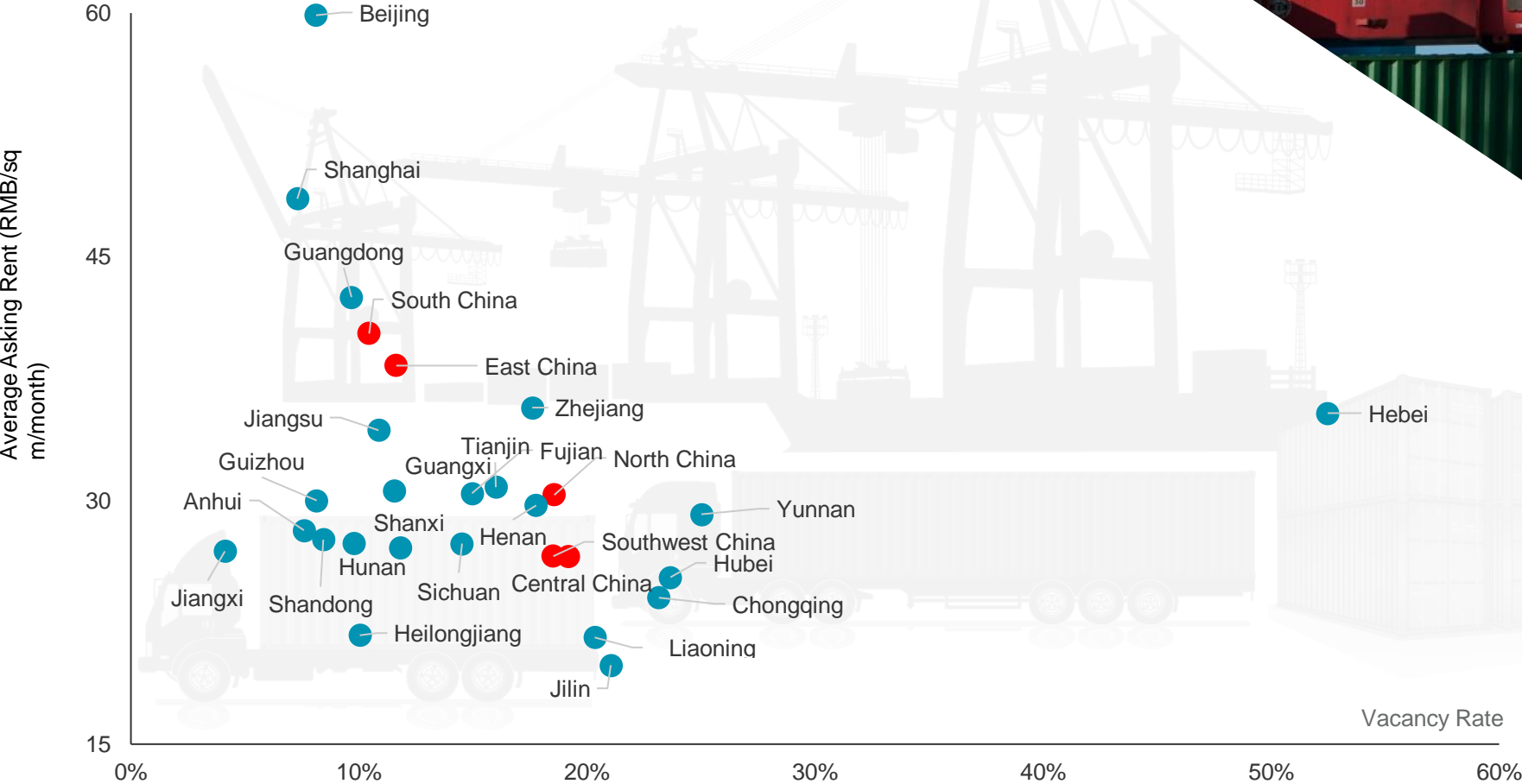
THE PREMIUM LOGISTICS MARKET

Market Overview by Greater China Regions – Q4 2022



MAINLAND CHINA PREMIUM LOGISTICS MARKET

Vacancy and Rental by Provincial Market – Q4 2022



Source: Cushman & Wakefield Research

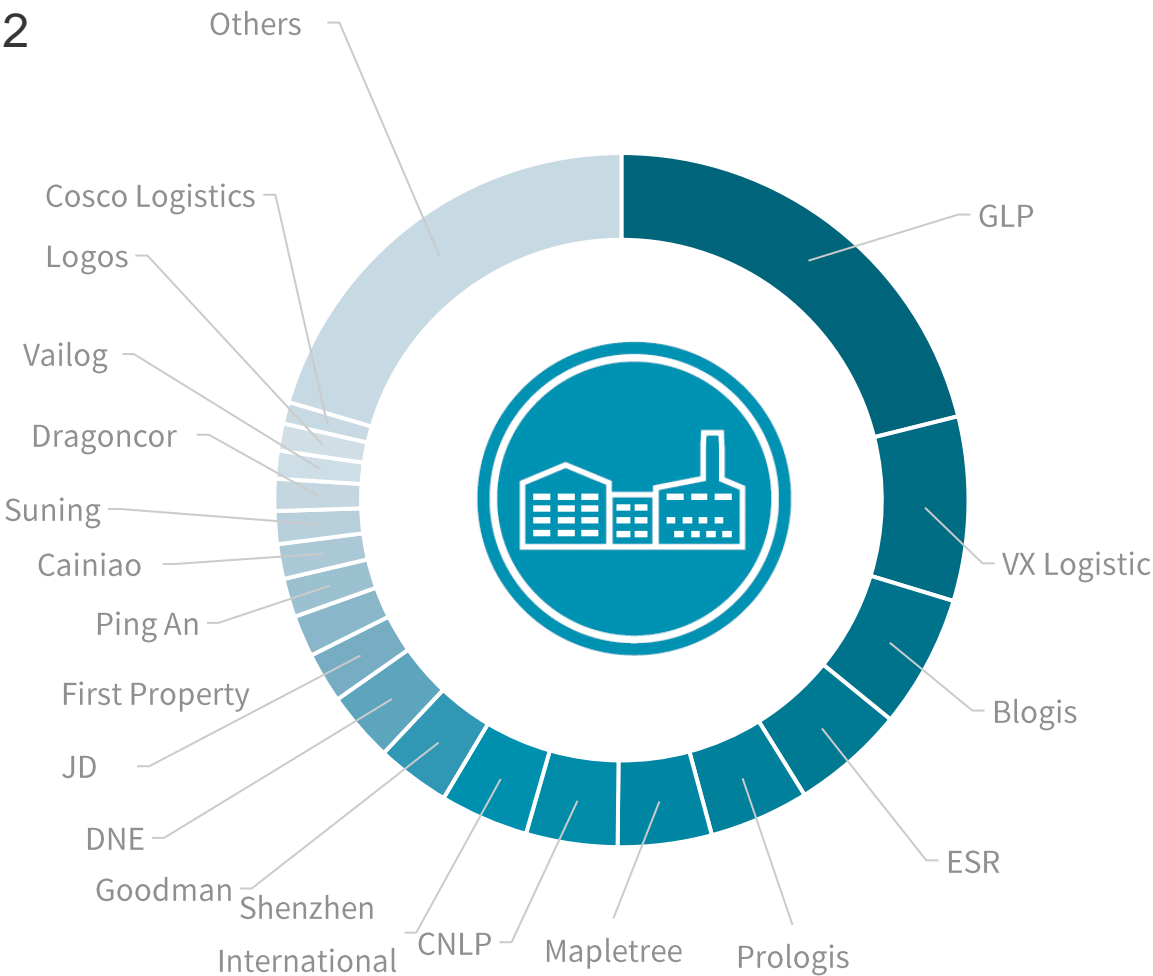
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Mainland China Leasable Breakdown by Operator – Q4 2022

Due to the impact of the COVID-19 epidemic, developers have slowed their investment decisions.

JD won a 50 mu warehouse site in Haikou, Hainan Province, which will be built according to the standards of the JD First Asia Intelligent Logistics Park.

ESR completed the construction of the Ruian Logistics Park in Wenzhou, Zhejiang Province, which will provide over 129,000 sq m of warehouse space.



Note: By Operator Holding >1% of Total Market Stock

Source: Cushman & Wakefield Research

THE PREMIUM LOGISTICS MARKET

Investment

Investment transaction volume in Mainland China – 2021 and 2022



When considering investment, and in this case investment deal number, the industrial property sector took fourth spot in investment transaction volume in mainland China in 2021.

In 2022, with the increasing attraction of domestic and foreign capital towards industrial logistics, and the growing demand for premium logistics warehouses due to the development of the manufacturing industry, investment transaction volume in the industrial property sector climbed to 21% of the total, second only to the office/R&D office sector.

Source: Cushman & Wakefield Research

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Q4

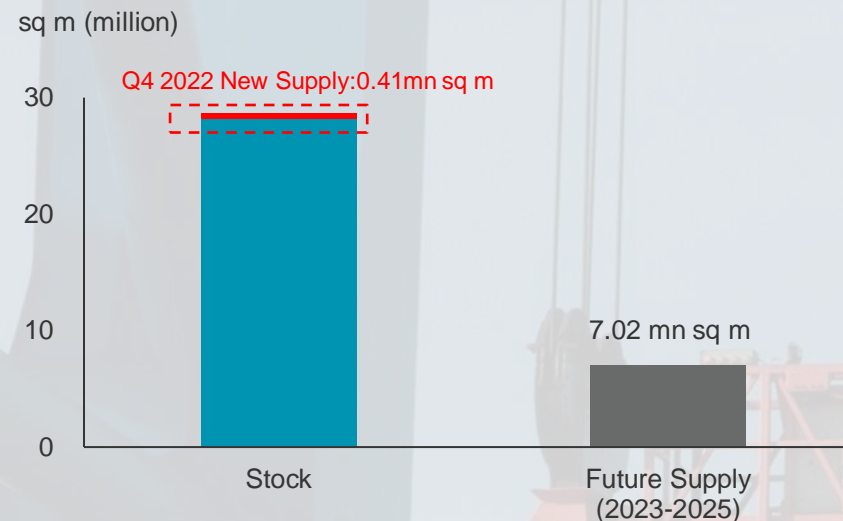
**THE REGIONAL
MARKETS**

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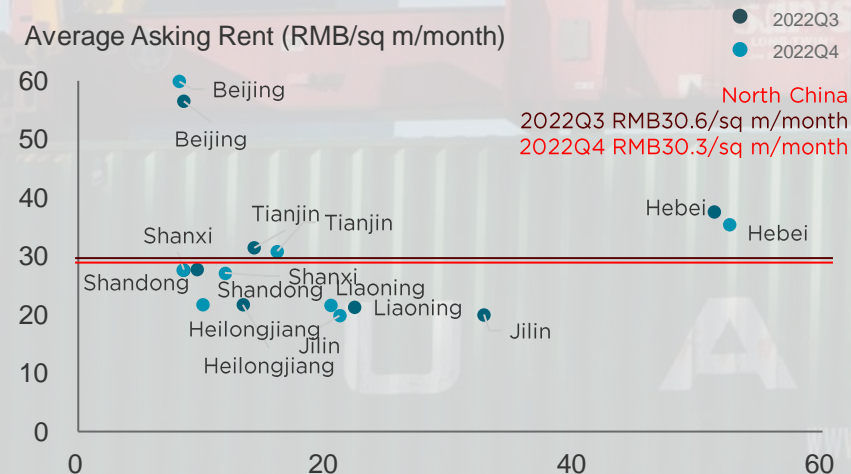
North China Logistics Overview – Q4 2022

- The premium warehouse market in North China remained stable. North China recorded 0.4 million sq m of new supply in Q4. Average monthly rent dropped 0.7% q-o-q to reach RMB30.3 per sq m. The vacancy rate for premium warehouses rose 0.09 pp q-o-q to 18.6%.
- The Beijing premium logistics warehouse market recorded one new project in Q4. Market performance was quite active. Vacancy at the new project was at a low level. The vacancy rate for premium warehouses dropped to 8.1%.
- With strong supply and softened demand, the Tianjin premium logistics warehouse market faced pressure on the occupancy rate. The express delivery and e-commerce sectors were the key drivers.
- The Langfang premium logistics warehouse experienced leasing pressure in Q4 2022. The vacancy rate remained at a high level. The high volume of supply and slowing absorption afforded tenants greater bargaining power in Langfang.

Current Stock, New & Future Supply



Average Rental and Vacancy Rate by Mainland China Provincial Markets



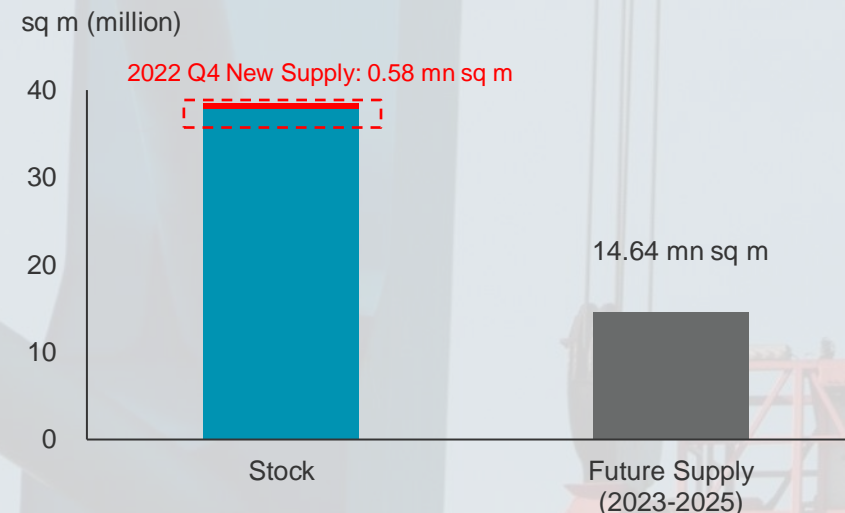
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

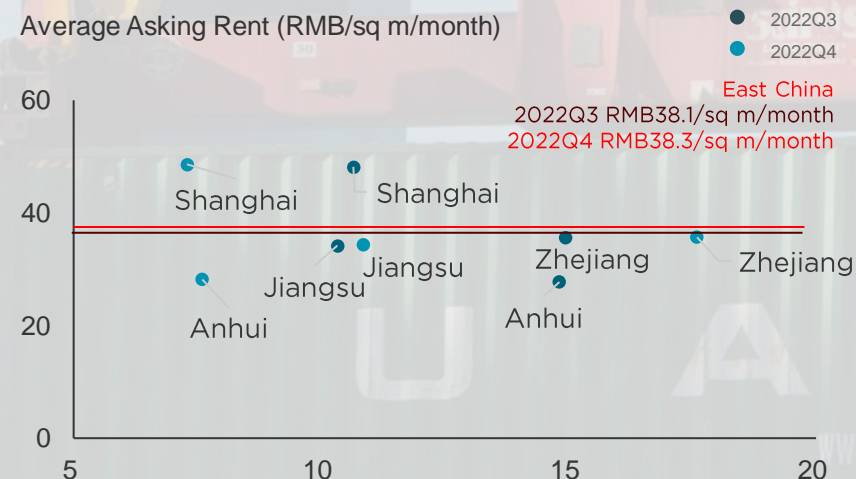
East China Logistics Overview – Q4 2022

- The East China premium warehouse market performance was stable in Q4. Overall average monthly rent rose 0.6% q-o-q to reach RMB38.3 per sq m. The overall warehouse vacancy rate dropped 0.1 pp q-o-q to 11.6%.
- Demand from e-commerce sector tenants recovered slowly in the quarter, although the e-commerce and 3PL sectors remained the key market drivers. With tighter registration and taxation regulations for tenants, developers prefer high-quality tenants who can afford a higher rental level. With the relaxation of epidemic control, the warehouse market's tenant structure is expected to change.
- With tightened logistics land supply in Shanghai and surrounding areas, future supply is expected to expand slowly. Although investors and developers have reduced their range of investment target cities, Shanghai, Wuxi and Suzhou were still targeted by developers and investors.

Current Stock, New & Future Supply



Average Rental and Vacancy Rate by Mainland China Provincial Markets



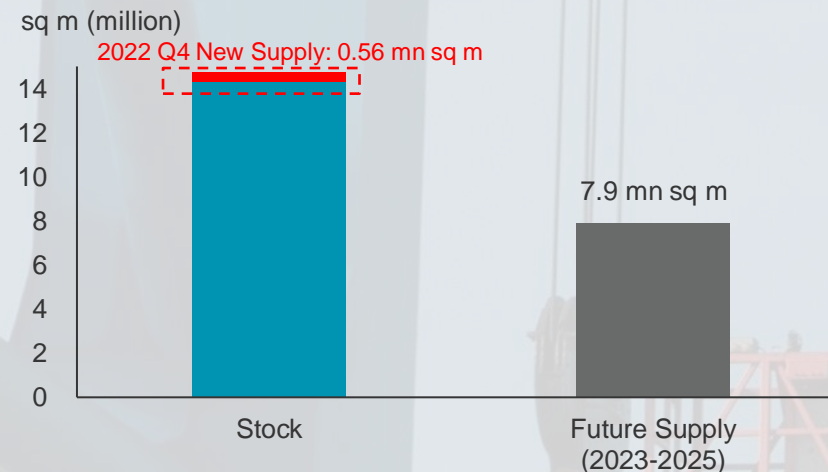
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

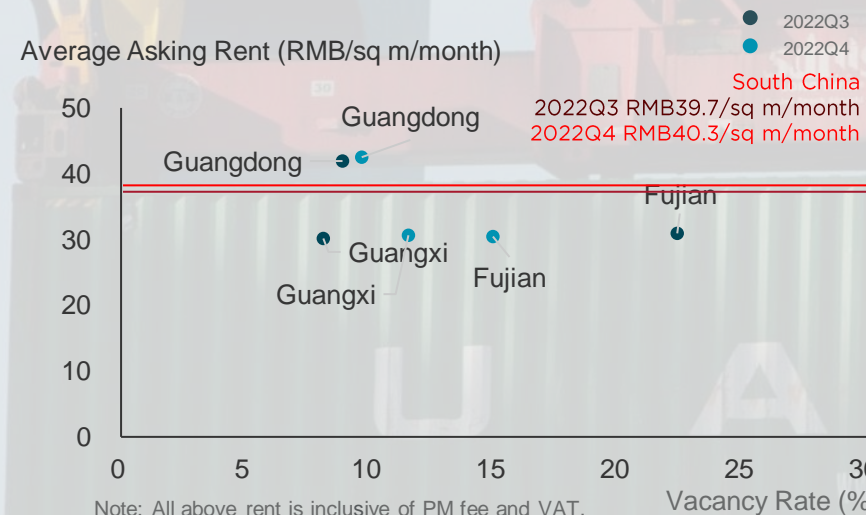
South China Logistics Overview – Q4 2022

- The South China premium warehouse market experienced strong demand in Q4. South China recorded 0.56 million sq m of new supply in Q4. The overall vacancy rate dropped 0.2 pp q-o-q to 10.5% while the average monthly rent rose 1.4% q-o-q to reach RMB40.3 per sq m.
- The e-commerce and fresh foods were the key drivers in the premium logistics warehouse in Shenzhen. The average monthly rent rose 2.6% q-o-q to reach RMB54.0 per sq m. The overall vacancy rate increased 1.9 pp q-o-q to 6.9%.
- The e-commerce and 3PL sectors were the key drivers of demand in Guangzhou and Foshan. The vacancy rate for premium warehouses fell 1.2 pp q-o-q to 8.4% in Guangzhou. With new supply having already entered the Foshan market, the overall vacancy rate rose slightly to 16.4%. Thus, bargaining room in this market grew and average monthly rent dropped 1.7% q-o-q to reach RMB38.8 per sq m.
- E-commerce and express delivery sectors were the major demand drivers in the Xiamen market. The Quanzhou and Fuzhou markets were active with spillover demand from Xiamen.

Current Stock, New & Future Supply



Average Rental and Vacancy Rate by Mainland China Provincial Markets



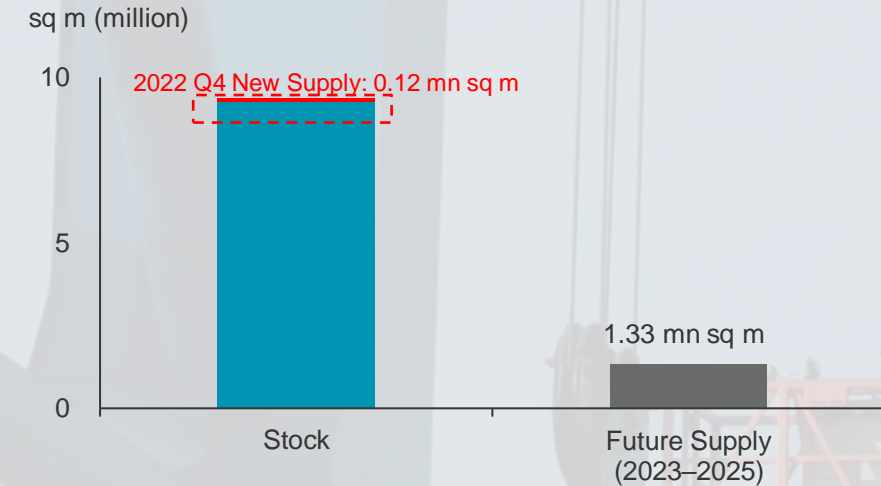
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

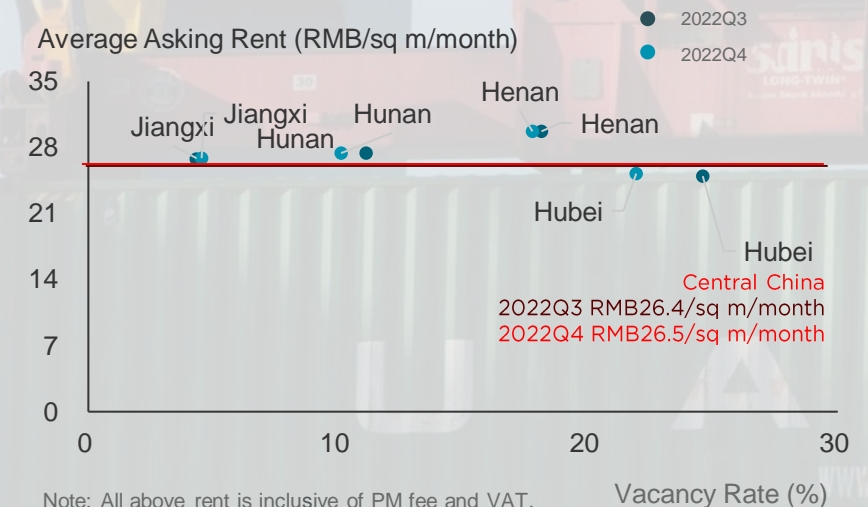
Central China Logistics Overview – Q4 2022

- The Central China premium warehouse market remained relatively stable. The overall vacancy rate dropped 0.1 pp q-o-q to record 19.2%. Average monthly rent remained at RMB26.5 per sq m.
- Wuhan's premium warehouse market was stable. Express delivery, e-commerce and city delivery sectors were the main drivers. The overall vacancy rate dropped 0.6 pp q-o-q to record 25.5% while the average monthly rent remained at RMB26.4 per sq m. The Jiangxia district market performance was active with rising enquiries from tenants.
- The Changsha market performance was stable. The 3PL and e-commerce sectors were the major demand drivers in Changsha. With strong supply and softened demand in Wangcheng district, the area experienced leasing pressures.

Current Stock, New & Future Supply



Average Rental and Vacancy Rate by Mainland China Provincial Markets



Note: All above rent is inclusive of PM fee and VAT.

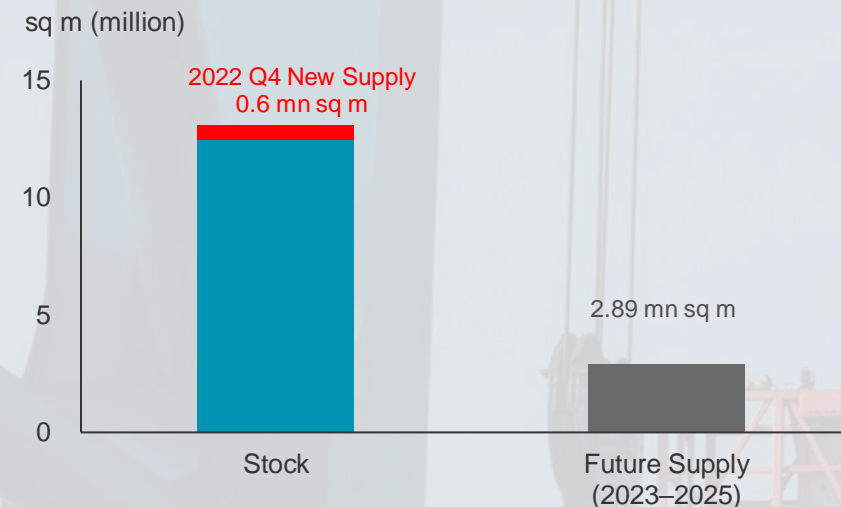
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

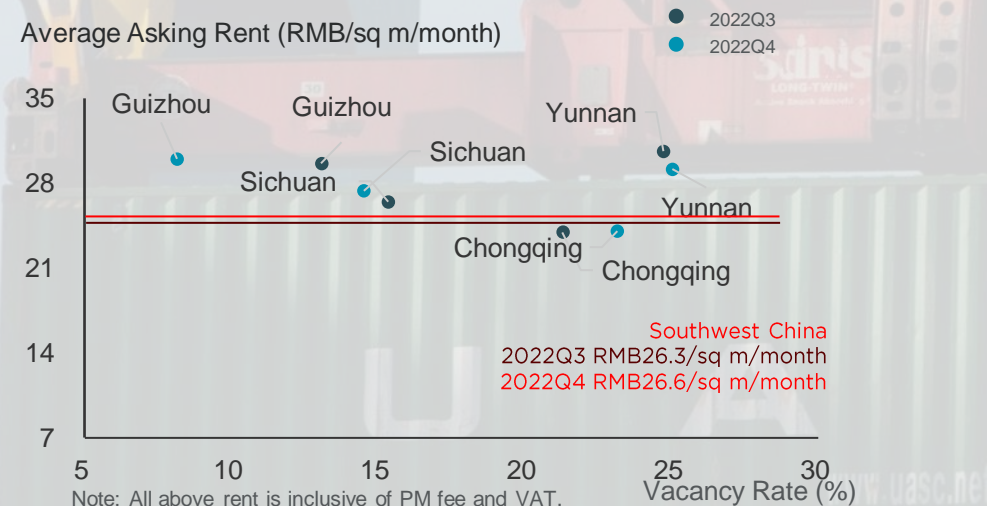
Southwest China Logistics Overview – Q4 2022

- Southwest South China recorded 0.6 million sq m of new supply in Q4. Having said this, but with solid demand, the overall vacancy rate dropped 0.1 pp q-o-q to reach 18.5%. Following this, the average monthly rent rose 1.1% to reach RMB26.6 per sq m.
- The Chengdu market was active in Q4. The average monthly rent rose 3.4% q-o-q to RMB27.4 per sq m. The market's tenant structure changed little. E-commerce and retail sectors were the main drivers. Demand from the manufacturing and emergency supplies sectors grew and demand from biomedicines and foodstuffs sectors was also active. The new supply in Qingbaijiang district will exert pressure on occupancy rates and rental levels in the district.
- E-commerce, 3PL and manufacturing sectors were the key drivers in the Chongqing premium logistics warehouse market. The average monthly rent rose slightly to reach RMB24.0 per sq m.

Current Stock, New & Future Supply



Average Rental and Vacancy Rate by Mainland China Provincial Markets



Source: Cushman & Wakefield Research

MAINLAND CHINA PREMIUM LOGISTICS MARKET

Major Market Logistics Dashboard – Q4 2022

City	Stock GFA (sq m)	Supply to 2025 GFA (sq m)	Rental Change (q-o-q)	Vacancy Change (q-o-q/pct)
Shanghai	9,661,000	1,387,000	0.6%↑	4.7↓
Tianjin	8,721,000	2,219,000	1.9%↓	1.8↑
Chengdu	5,489,000	1,472,000	3.4%↑	0.5↓
Chongqing	4,796,000	715,000	0.3%↑	1.8↑
Wuhan	3,876,000	686,000	-	0.6↓
Shenyang	3,347,000	873,000	1.4%↑	2.5↓
Xian	3,322,000	688,000	3.6%↓	6.1↑
Jiaxing	3,050,000	1,362,000	0.4%↑	0.4↓
Hangzhou	2,932,000	527,000	1.5%↑	0.8↓
Guangzhou	2,898,000	2,126,000	0.1%↓	1.2↓
Kunshan	2,876,000	724,000	0.6%↑	0.4↓
Suzhou	2,672,000	1,064,000	-	0.3↑
Wuxi	2,506,000	19,000	0.5%↑	0.4↑
Shenzhen	2,397,000	450,000	2.6%↑	1.9↑
Beijing	2,385,000	621,000	6.0%↑	0.4↓
Foshan	2,379,000	2,003,000	1.7%↓	5.6↑
Nanjing	2,331,000	69,000	1.1%↓	2.3↓
Qingdao	1,664,000	406,000	-	0.5↓
Dalian	1,347,000	61,000	-	0.5↑
Nantong	993,000	792,000	0.6%↑	1.4↓

Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

Taiwan Logistics Overview

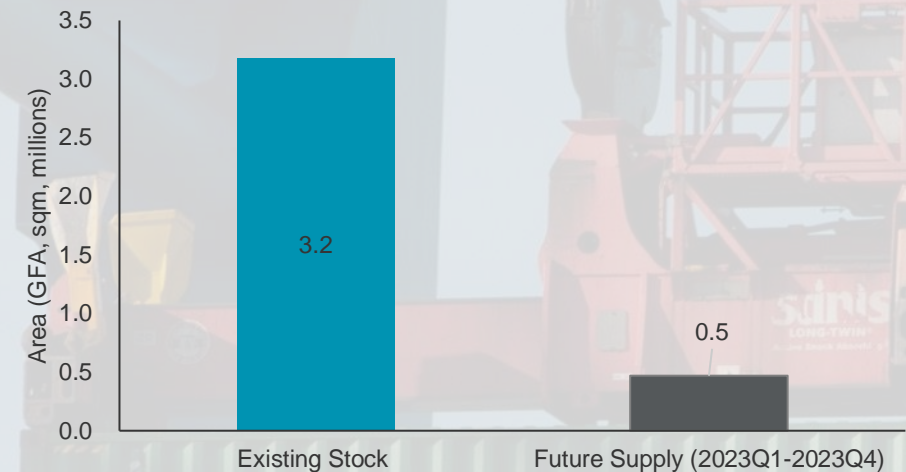
Trade Performance

- Taiwan's exports decreased by 8.6% q-o-q in Q4 2022, with imports declining 4.1% q-o-q. The export figure in December hit a 20-month low, derived from low economic growth, under high global inflation and tightening monetary policy.
- The weakening of the international economic and trade momentum led to sales growth in the wholesale industry in December to decrease by 5.6% y-o-y. The wholesale trade in machinery, construction materials and chemical materials dropped by 6.4% y-o-y. On the other hand, e-commerce sales in Q4 achieved a new record high, increasing by 11% q-o-q. This demonstrates the key role the domestic market plays in driving Taiwan's logistics services growth.

Logistics Property Market Performance

- Total premium logistics stock increased to approximately 962,000 pings (3.18 million sq m). However, new supply is expected to add 141,000 pings of stock by the close of 2024, an increase of approximately 15%.
- Around 76% of stock is concentrated in Taoyuan City, close to Taoyuan International Airport. The online shopping and e-commerce demand increase seen during the COVID-19 crisis led to increased demand in logistics warehousing. Monthly rent is around NT\$650–750 per ping.
- STAR TO ASIA leased 1,100 pings at Dayuan District, Taoyuan City, demonstrating demand for logistics services is growing robustly.

Current Stock, New & Future Supply



Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

Hong Kong Logistics Overview – Q4 2022

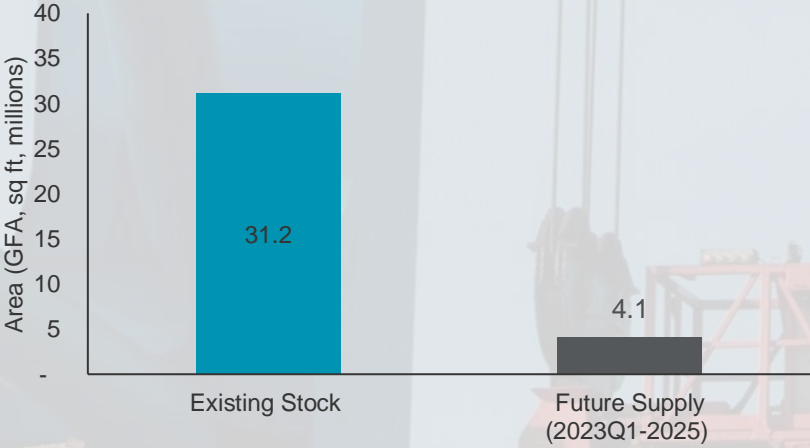
Trade Performance

- Whilst global economic headwind persisted, Hong Kong’s total exports and imports fell further in Q4 by 21.7% and 18.8% y-o-y, respectively. Meanwhile, the city’s Q4 2022 GDP also recorded a decline of 4.2% y-o-y.
- Although the exports to mainland China were down by 25.0% y-o-y in Q4, the expected faster recovery of the Mainland economy, coupled with the Hong Kong-mainland border reopening and hence the lifting of cross-boundary truck movement limitations, should help to lend some support to alleviate part of the trading pressure.

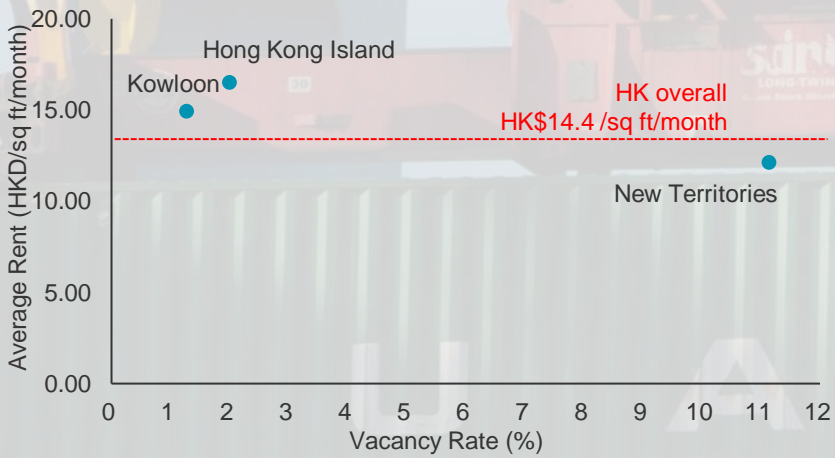
Logistics Property Market Performance

- This quarter has no new supply in the market, some occupiers opted to renew their space due to limited options in the market. The vacancy rate edged up slightly to 3.4% in Q4 from 3.1% in Q3.
- By sub-region wise, the vacancy rate in Hong Kong Island remained stable, while both Kowloon and New Territories edged up to 1.3% and 11.1% in Q4, from 1.1% and 10.2% in Q3, respectively.
- The tight supply conditions and the prospect of border reopening supported prime warehouse rents to pick up by 1.6% q-o-q to HK\$14.4 in Q4, from HK\$14.1 in Q3.

Current Stock and Future Supply



Average Rental and Vacancy Rate by Sub-Market*



Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

Recent Notable Transactions & Outlook

Notable Transactions

- This quarter's theme mainly surrounds lease renewals, given the availability remains tight in the market.
- DHL, a global logistics company, renewed its space in China Merchants Logistic Centre in Tsing Yi, spanning 300,000 sf.
- Demand from F&B operators stayed resilient - Carlsberg renewed a 120,000 sf space in ATL Logistics Centre, while Coca Cola leased 45,900 sf in Evergain Centre.

Building	District	Tenant	GFA sq ft	Date	Type
China Merchants Logistics Centre	Tsing Yi	DHL	300,000	Q4 2022	Renewal
ATL Logistics Centre	Kwai Chung	Carlsberg	120,000	Q4 2022	Renewal
ATL Logistics Centre	Kwai Chung	Japan Home Centre	83,194	Q4 2022	New Lease
Tuen Mun Distribution Centre	Tuen Mun	Mighty Wish	64,202	Q4 2022	Renewal
Evergain Centre	Shek Mun	Coca Cola	45,902	Q4 2022	New Lease

Source: EPRC, Cushman & Wakefield Research

Outlook

- The high-interest rate environment has prompted investors to stay conservative while investing in industrial assets, as the cost of borrowing has been lifted. Nevertheless, some PE funds are still seeking niche industrial assets such as self-storage and data centers.
- The prime warehouse leasing market may continue to be focus on lease renewals, as the availability is expected to remain tight across submarket. Tenants will likely compete for the high-quality logistic space, supporting the rents to stay on the uptrend in 2023.
- Only one new mega supply is expected to enter the market in 2023, namely the 4.1 million sf Cingleot Premium Logistics Centre in at the Hong Kong International Airport developed by a joint venture* led by Cainiao Network.
- Global economic uncertainty may continue to hamper export demand. However, on the bright side, the border-reopening with the neighboring mainland will also help boost local sentiment in the consumer sector and support demand for logistic space.

**The joint venture led by Cainiao Network (a subsidiary of Alibaba Group) and includes China Aviation Group and Yuantong Express as major stakeholders.*



WE MAKE AN IMPACT

05
THE GENERAL
OUTLOOK

THE PREMIUM LOGISTICS MARKET

General Outlook – Key Takeaways

WE MAKE AN IMPACT

- With the relaxation of epidemic prevention and control policies, and steady recovery in residential consumption and rapid growth in the manufacturing sector, the prime logistics warehouse market in South and East China is expected to recover, despite being impacted by new supply and a weakening economic outlook.
- With some regions having removed the nucleic acid testing, sterilisation and regulatory warehouse requirements for imported cold chain food, the demand for food cold chain facilities is high and further development is expected. In addition, from the segmented market, the cold chain logistics market outlook is optimistic, and a higher return on investment will attract greater attention from logistics real estate developers and real estate development funds.



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