

# BEIJING

## Capital Markets Q2 2020



	QoQ Chg	3-Mo. Forecast
<b>6.4 B</b> Q2 Investment Volume (RMB)	▼	▼
<b>4.2%</b> Office (CBD) Cap Rate	▬	▬
<b>4.9%</b> Business Park Cap Rate	▬	▬
<b>4.2%</b> Retail Cap Rate	▬	▬

Source: Cushman & Wakefield

### ECONOMIC INDICATORS 2020 Q1

	QoQ Chg	12-Mo. Forecast
<b>-6.6%</b> GDP growth (annualized)	▼	▲
<b>3.8%</b> CPI growth	▲	▼
<b>2.9%</b> 10-year government bond rate	▲	▼

Source: Beijing Stats Bureau, China Foreign Exchange Trade System, Oxford Economics

### Transaction Volume Dropped 64.7% Q-O-Q

In Q2, seven transactions with RMB6.35 billion of transaction volume completed in Beijing investment market, dropped 64.7% q-o-q. In the first-half of 2020, total transaction volume registered RMB24 billion, down 5.45% y-o-y, of which foreign investment accounted for 44%, all from Singapore. With current travel restrictions and social distancing requirements, foreign investors became more cautious to adopt a wait-and-see attitude. In Q2, all the seven transactions were closed by domestic investors.

### Office Buildings Remain Preferred Asset

The total transaction volume of office buildings in 1H was about RMB11.4 billion, accounting for about 47% of the total, among which, office transactions completed in Q2 totaled RMB3.95 billion, accounting for more than 60% of the quarter's total consideration. The relatively strong office market and the highest cap rate among the four first-tier cities are the two important factors to attract investors. As the epidemic eases, investors will prioritize office investment opportunities in the core submarkets, while projects in non-core areas will require higher cap rates.

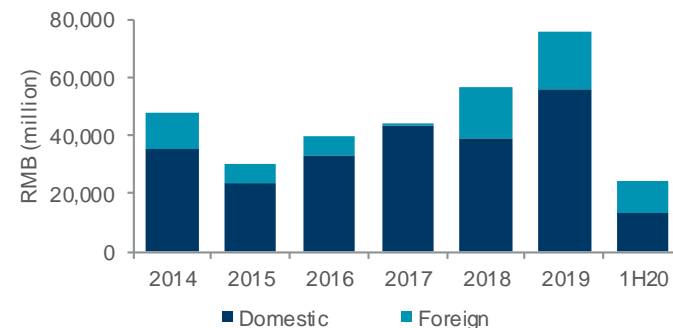
### Opportunistic Investment Opportunity Reappears

In Q2, Beijing Investment Group and Aegean Group acquired partial stake of the Jinghang Plaza project, in the core area of Tongzhou, from Greentown China. The project is intended for renovation and upgrading, injecting new vitality to the Tongzhou commercial market. Non-performing assets have also attracted growing attention over the past two years. Following BBMG's acquisition of the Pangu Plaza in 2019, China Orient Asset acquired Zhonghong Tower, an unfinished CBD commercial building, in a court-ordered auction for RMB3.31 billion this quarter.

### Domestic Investors Set to Drive Market

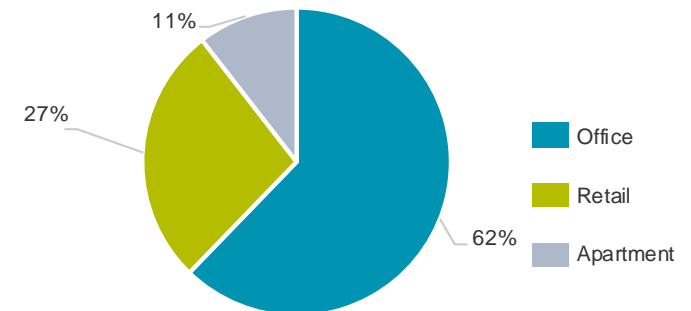
Considering the recent recurrence of the epidemic, we expect the transaction volume in the third quarter will continue to decrease, while the fourth quarter is expected to see a rebound. Due to travel restrictions and quarantine, foreign investors' transaction pace will be further slowed down, and domestic investors will remain as the main force of the market transaction.

#### TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

#### TRANSACTION VOLUME BY SECTOR (Q2 2020)



Source: Cushman & Wakefield

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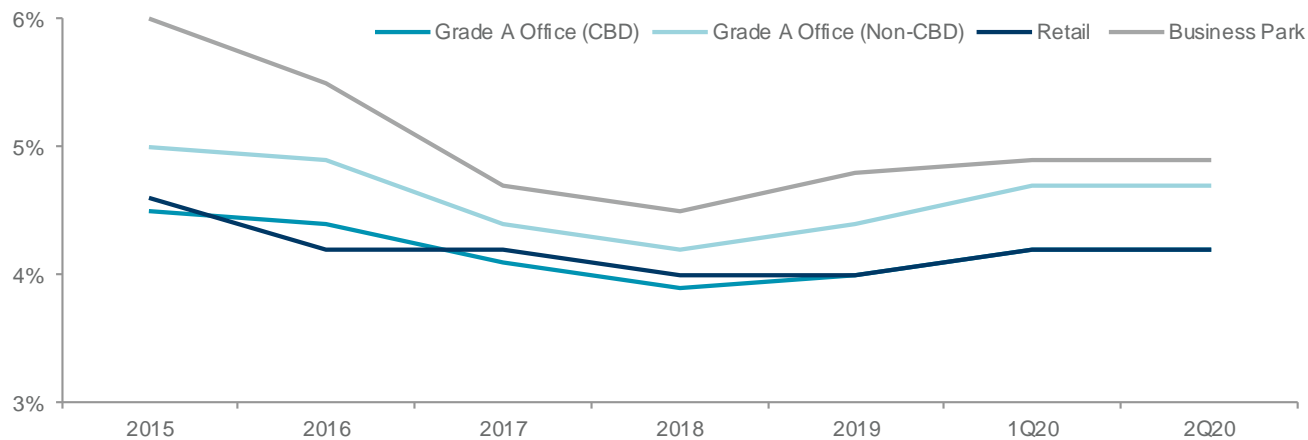
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### KEY SALE TRANSACTIONS (2020)

PROPERTY	LOCATION	SECTOR	PRICE (RMB BN)	PURCHASER	VENDOR	DEAL TYPE
Zhonghong Plaza	Chaoyang (CBD)	Office	3.31	China Orient Asset	Foreclosure	Investment
You An Center	Fengtai	Office	0.32	Self-use Purchaser	Jinmao Group	Owner Occupation
LG Twin Towers	Chaoyang (CBD)	Mixed Use	8.50	GIC & COFCO	LG Group (HK)	Investment
Vanke Times Center (45% stake)	Haidian (Shangdi)	Office	1.70	GIC	Vanke	Investment

### CAP RATE TREND



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