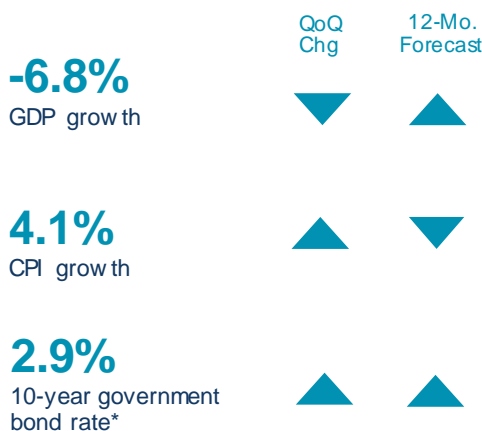


Source: Cushman & Wakefield

ECONOMIC INDICATORS JAN - MAR 2020



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

*10-year government bond rate is as of 10th June 2020.

Ongoing Impacts From COVID-19 Outbreak Drive Down Consideration

Six deals with total consideration of RMB2.3 billion closed in Q2. For 1H 2020, 11 deals were recorded, totaling RMB4.7 billion, down 19.8% y-o-y. The pandemic halted project site visits and curtailed interactions between buyers and sellers, extending transaction timelines, but also exerted economic pressures that influenced investment buying decisions. Self-use buyers' investment enthusiasm declined in 1H, with total transaction volume down 35.4% y-o-y. There were two key reasons. Firstly, with revenues shrinking during the pandemic outbreak, some investors postponed purchase plans to ensure sufficient cash flow. And secondly, growing supply of Grade A office space for lease, and lower rental costs, swayed preferences away from self-use purchasing. In addition, some landlords faced growing financial difficulties and sought to dispose of property assets to increase their liquidity, leading to a number of properties for sale. The biggest deal in Q2 was Vtron Group's sale of its industrial and dormitory buildings for RMB838 million.

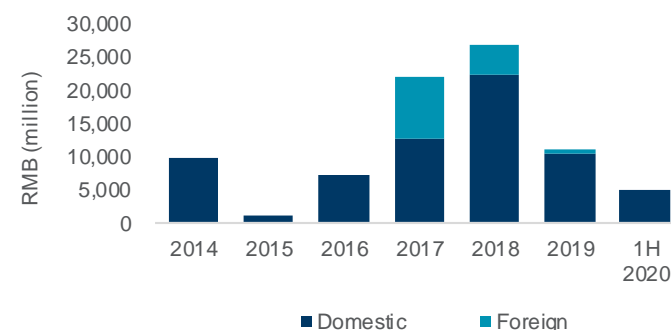
Office Market Remains Resilient

The office sector has been the most favored asset in the Guangzhou investment market in recent years. Nonetheless, due to a drop in end-user demand, the office sector investment volume dropped in Q2, accounting for only 43.1% of the total consideration, below the average of 61.1% over the past five years. Despite the drop in investment volume, the city's Grade A office market proved to be resilient against the impact of the pandemic, with the vacancy rate at 6.7% in Q2, the lowest of 18 key cities nationwide.

Outlook

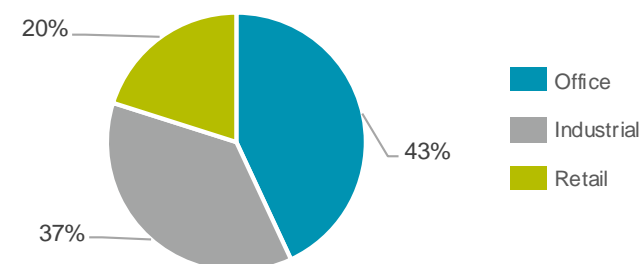
The pandemic has gradually come under control domestically and its impact on the economy is expected to ease in 2H. In Guangzhou, core area assets will become preferred investment targets as the recovery picks up. Transactions that were stalled by the pandemic are resuming, with investors restarting project inspections and negotiations. In addition, we expect to see sellers soften their stance in price negotiations. Looking ahead, the Guangzhou investment market is anticipated to gradually recover, with improved transaction volume in 2H.

TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

TRANSACTION VOLUME BY SECTOR (Q2 2020)

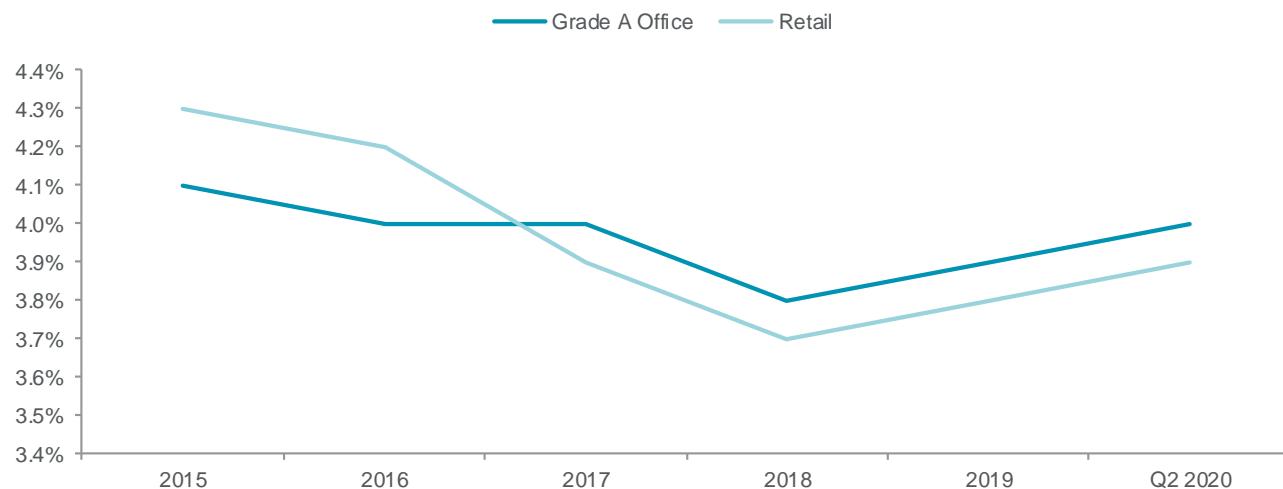


Source: Cushman & Wakefield

KEY SALE TRANSACTIONS (2020)

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	DEAL TYPE
233 Kezhu Rd, 6 Caipin Rd, 10 Banlv Rd	Huangpu	Industrial	838.0	Vtron Group	Guangzhou Science City Investment and Development Co.ltd.	Investment
Cisco Smart City	Panyu	Office	127.2	Country Garden	Private Individual	Owner Occupation
Poly International Financial Center	Huadu	Retail	167.4	Poly Group	Unspecified Bank	Owner Occupation
Hey Block Wanke Shibohui	Panyu	Retail	290.0	Vanke	TX Commercial	Investment
B1 en-bloc buildings of Gangtie Bohui	Huangpu	Office	469.1	Guangzhou Municipal Construction	Unspecified SOE	Owner Occupation
C5 en-bloc buildings of Gangtie Bohui	Huangpu	Office	383.4	Guangzhou Municipal Construction	Unspecified SOE	Owner Occupation

CAP RATE TREND

**Zhang Xiao-Duan**

Senior Director

Head of Research, South & West China

Suite 2704, Taikoo Hui Tower 1, 385 Tianhe Road,

Tianhe District | Guangzhou 510613 | China

Tel: +86 755 2151 8116 / xiaoduan.zhang@cushwake.com**Sylvia Su**

Executive Director

Head of Capital Markets, Central China

Suite 2704, Taikoo Hui Tower 1, 385 Tianhe Road,

Tianhe District | Guangzhou 510613 | China

Tel: +86 20 8510 8228 / sylvia.tsu@cushwake.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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