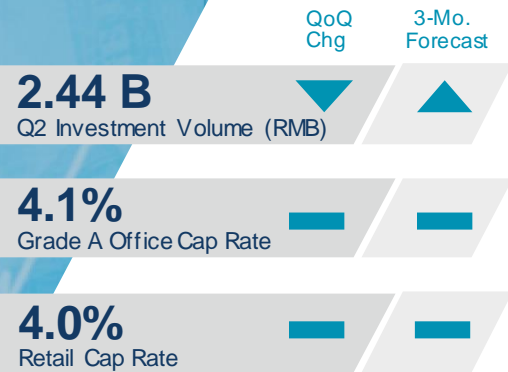


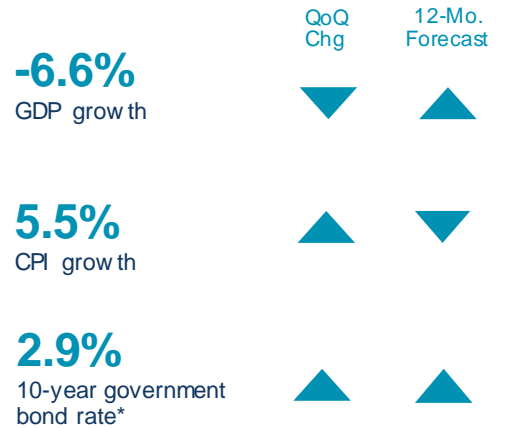
SHENZHEN

Capital Markets Q2 2020



Source: Cushman & Wakefield

ECONOMIC INDICATORS JAN - MAR 2020



Shenzhen Statistics Bureau, China Foreign Exchange Trade System, Oxford Economics
*10-year government bond rate is as of 10th June 2020.

First-Half Total Consideration Down 70% Y-O-Y

Deals totaling RMB2.44 billion were completed in Q2. For 1H 2020 total consideration was RMB5.62 billion, down 70% y-o-y, with the market hit by the ongoing effects of the pandemic. Activity in Q2 picked up compared with Q1 but consideration was still down notably y-o-y. Travel restrictions have slowed investment decisions, while the economic downturn, coupled with a large volume of office supply, have applied downward pressure on pricing, extending negotiation periods between the players.

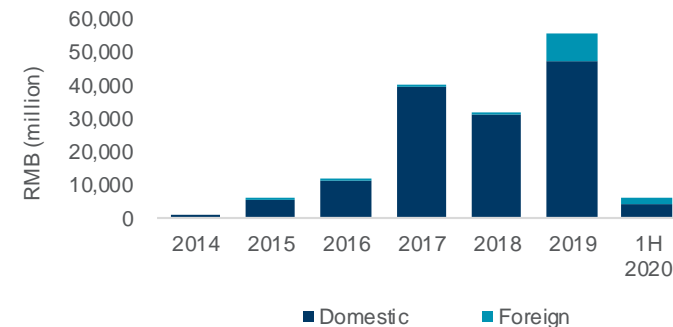
Industrial Asset Prices Correct, Transactions Rebound

Industrial and retail property transactions were most active in 1H. In particular, the industrial sector recorded three transactions totaling RMB1.2 billion, accounting for 21.3% of total consideration in 1H, a substantial rise y-o-y. Previously, the difficulties involved in redeveloping an industrial land site to gain a return from adaptive reuse severely dented real estate developers' interest in acquiring factory assets. In contrast, mid-large sized manufacturers have now become key buyers of industrial space for self-use. Amid the current economic climate and upgrading of manufacturing the supply of available industrial assets has risen. Landlords have relaxed asking prices due to slack demand, leading market prices to slip, and providing more affordable opportunities for developers and for firms seeking property for self-use. Elsewhere, community retail projects with stable tenancies have been more resilient to market risks and thus favored by individual investors, with transactions totaling RMB565 million in 1H.

Price Drops Stimulate Activity but Full-Year Transactions Set for Y-O-Y Decline

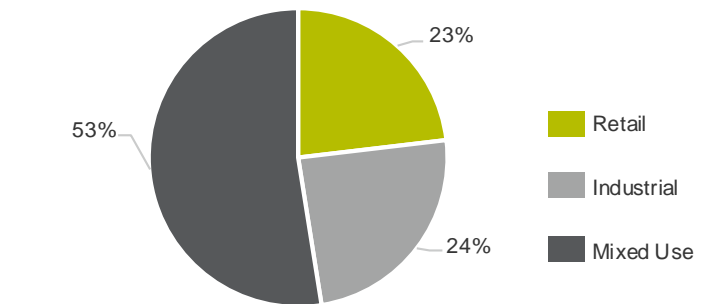
Travel restrictions have been a critical challenge for foreign investors, especially those from Hong Kong and from companies with Hong Kong offices who have been targeting the Shenzhen market. This situation is likely to continue to affect market activities until the end of the year. On the supply side, the stock of properties available for sale is growing, placing downward pressure on asking prices. Investors are targeting mature properties with healthy recurring income, in submarkets experiencing less competition and with limited future supply. Transactions by self-use buyers are also forecast to rise. However, full-year transactions are still set to decline y-o-y, under the impact of global economic pressures.

TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

TRANSACTION VOLUME BY SECTOR (Q2 2020)

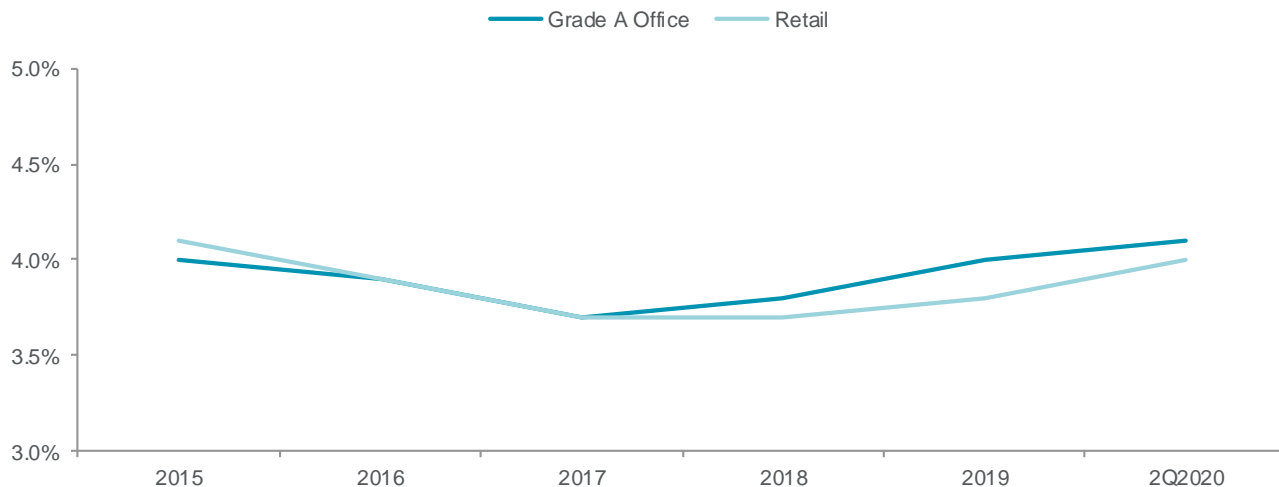


Source: Cushman & Wakefield

KEY SALE TRANSACTIONS (2020)

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	TYPE
SEG ECO	Longgang Buji	Mixed Use	1,280	SEG	Huahui Group	Investment
The Village Vankely	Longgang Bantian	Retail	340	Vanke	Private Investor	Investment
Starlite	Bao'an	Industrial	320	Starlite Group	Junling	Owner Occupation
Tungtex Building	Futian Meilin	Industrial	280	Tungtex Group	FOREST CITY LIMITED	Owner Occupation

CAP RATE TREND



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