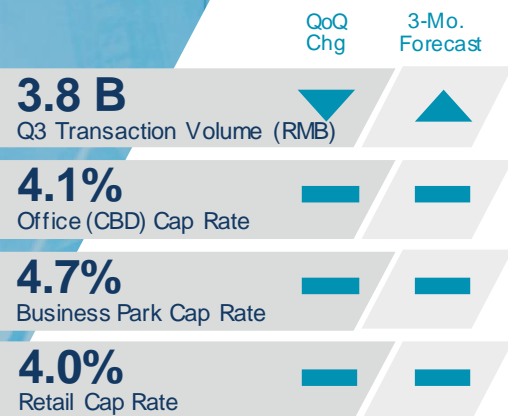


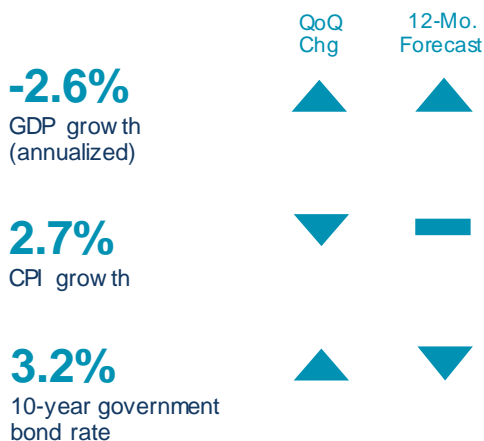
# SHANGHAI

## Capital Markets Q3 2020



Source: Cushman & Wakefield

### ECONOMIC INDICATORS Q2 2020



Source: Shanghai Statistics Bureau, China Foreign Exchange Trade System, Oxford Economics

### Capital Markets Remain Negatively Affected by the Pandemic

The COVID-19 outbreak has been effectively contained domestically, but the impact on Shanghai's capital market has not abated. Many deals have been delayed. Only six transactions were closed in Q3, recording RMB3.82 billion, down 69.9% q-o-q and 81.5% y-o-y. Total consideration in the first three quarters was at RMB49.51 billion, just shy of the RMB50 billion mark. Office projects were the preferred asset class in Q3, accounting for 64% of total value, followed by multi-use at 19% and industrial at 10%. Leasing demand for Grade A offices picked up in the quarter, with net absorption rising significantly to 157,169 sq m. Investment activity is expected to surge in Q4, given rising demand from buyers and a number of deals scheduled to close before the end of the year.

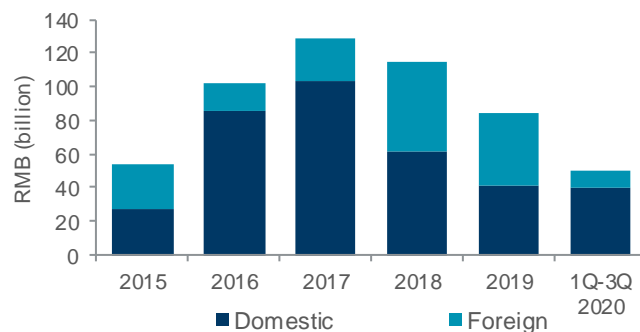
### Domestic Buyers Dominate

Domestic buyers with self-use needs are now the key drivers of the city's capital market, taking 75% of total investment in Q3 – a huge jump from owner-occupation's 7% share of deals last year. Domestic financial and technology companies form the core of active investors. Notable deals included Sealand Securities' acquisition of The Bund Centre C1 for RMB1.38 billion, and Montage Technology's office building purchase at 181 Caobao Road for RMB1.08 billion. Self-use buyers focus more on a project's quality, location, and value proposition, while short-term leasing market fluctuations are less significant to them. Firms paying enterprise tax also enjoy preferential policies from local authorities, and this is likely to aid absorption of existing office stock. Overall, investors retain full confidence in Shanghai's real estate sector, with cap rates for office and retail properties expected to remain unchanged from the previous quarter. Sellers have also remained informed in the market and have correspondingly reduced their asset price expectations.

### Business Park Assets Remain Popular, With Rising Interest in Alternative Assets

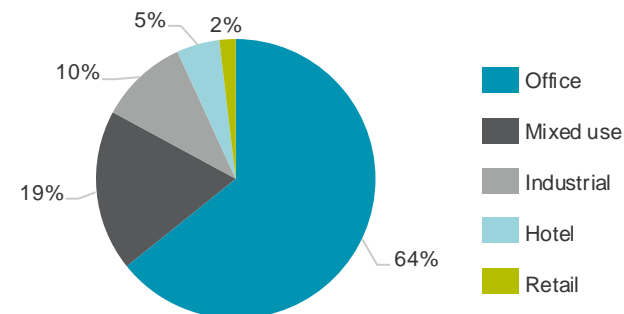
Investors also continue to be bullish on the business park market. Rents in Zhangjiang and Caohejing remained firm at RMB4.85 - 4.92 per sq m per day. These areas also recorded net absorption of more than 20,000 sq m in Q3. The sector's transaction volume is expected to rise towards the end of this year or into 2021. With national-level support for new infrastructure sectors and sustained growth in e-commerce and remote working, the cap rate for alternative assets, such as data centers, mini warehouses and cold storage warehouses, is relatively high. We expect more investors to show interest in these asset types in the near future.

### TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

### TRANSACTION VOLUME BY SECTOR (Q3 2020)

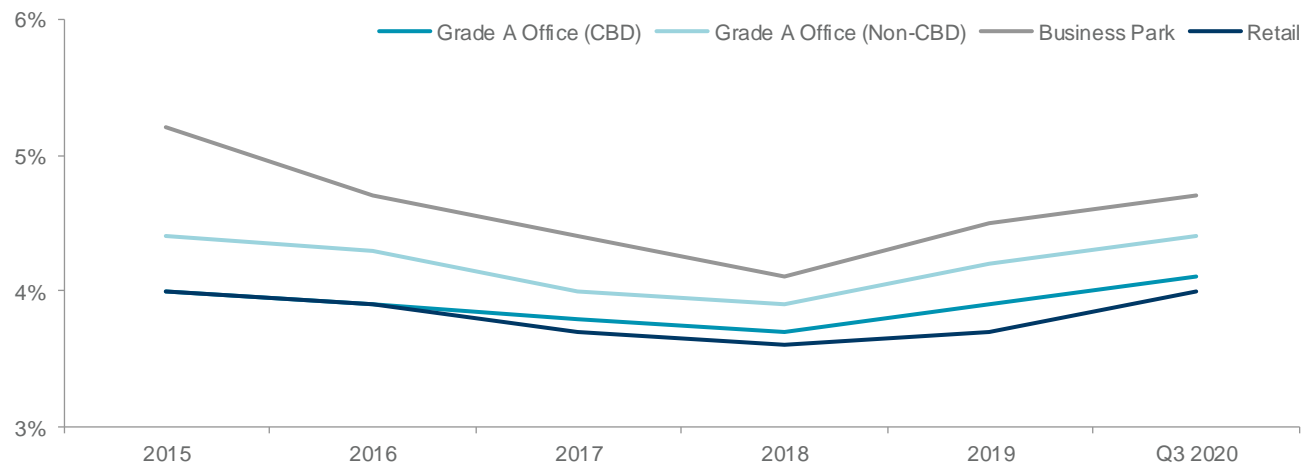


Source: Cushman & Wakefield

## KEY SALE TRANSACTIONS (2020 Q3)

PROPERTY	LOCATION	SECTOR	PRICE (RMB BN)	VENDOR	PURCHASER	DEAL TYPE
Greenland Bund Centre C1	Huangpu Riverside	Office	1.38	Greenland	Sealand Securities	Owner Occupation
181 Caobao Road Office	Xuhui	Office	1.08	Dinghe, Kunlun Health Insurance	Montage Technology	Owner Occupation
Haoyuan Life Plaza	Xuhui	Multi-use	0.71	ACFSMC	Creator	Investment
735 Ziping Road Industry Project	Zhoupu, Pudong	Industrial	0.39	Haikang Pharm	Viva Biotech	Owner Occupation
Cogi Building	Huangpu	Hotel	0.19	DCL Investments	Function	Investment
Yundu Hongqiao Tower Prodioms	Changning	Retail	0.07	Yundu Business	Realway Capital	Investment

## CAP RATE TREND



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