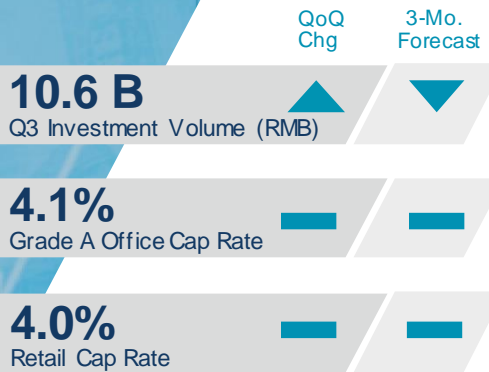


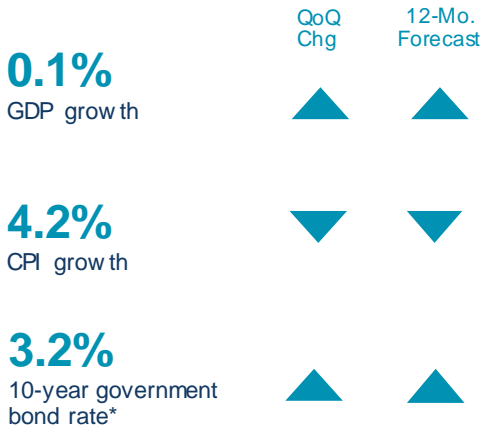
SHENZHEN

Capital Markets Q3 2020



Source: Cushman & Wakefield

ECONOMIC INDICATORS JAN - JUN 2020



Shenzhen Statistics Bureau, China Foreign Exchange Trade System, Oxford Economics

*10-year government bond rate is as of 30th Sep 2020.

Market Recovery Grows

The market was in clear recovery in Q3, with deals totaling RMB10.58 billion, a jump of 153.6% y-o-y, and bringing volume for the Q1-Q3 period to RMB16.19 billion, down by 40% y-o-y. COVID-19-related travel restrictions remain the primary factor constraining transactions progress, while self-use buyers remain cautious over future business uncertainties. However, it is now a buyer's market, with investors seeking flexible payment terms and yield guarantees in addition to underlying asset quality.

Office Sector Accounts for Nearly 80%, but Potential Investors Remain Cautious

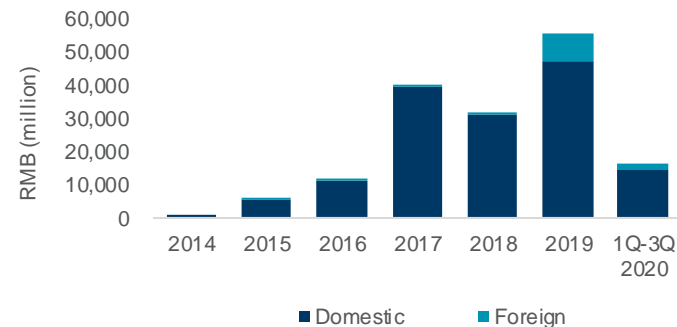
Office sector transactions accounted for nearly 80% of total consideration in Q3, led by buyers from insurance and state-owned real estate firms. Self-use buyers remained the market drivers, but preferring smaller spaces of 20,000-30,000 sq m better fitting their needs and budgets, rather than the prevailing stock of 50,000-100,000 sq m. This supply and demand mismatch somewhat inhibited the market. Companies with manufacturing backgrounds have also been relatively active buyers, favoring industrial properties to expand their capabilities, while also converting some space to office use under urban renewal schemes.

The supply pipeline has grown, although much is still under construction or not yet leasable, while institutional investors still prefer completed properties with stable leases. Alternative assets such as data centers, logistics and cold chain logistics have also been receiving growing interest, supported by the advantages and regional potential of the Greater Bay Area initiative. But with a shortage of land resources, such deals are heading towards Shenzhen's surrounding cities.

GBA Initiatives Attracting Companies to Locate and Buy HQs

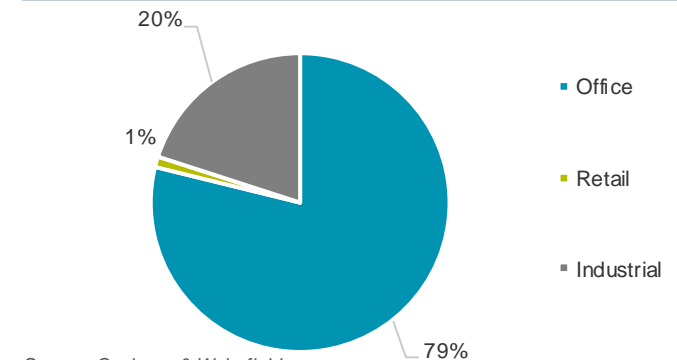
The Ministry of Housing and Urban-Rural Development and the Central Bank are reported to have held consultations in August with a dozen real estate companies, mandating stricter regulations to control financial risks. With such firms now expected to divest assets to reduce debts, the supply coming onto the market may exert downwards pressure on prices ahead. Nevertheless, the positive effects of the Greater Bay Area initiatives are still set to attract more firms to establish regional headquarters in Shenzhen, boosting investment transactions in the city.

TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

TRANSACTION VOLUME BY SECTOR (Q3 2020)

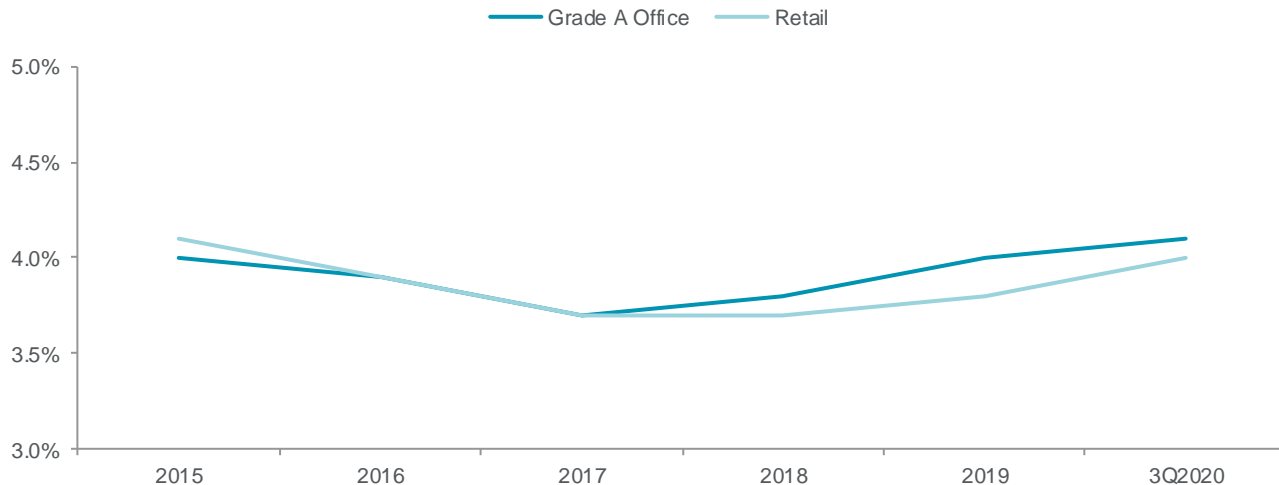


Source: Cushman & Wakefield

KEY SALE TRANSACTIONS (2020 Q3)

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	TYPE
Central Times	Luohu Sungang	Office	4,940	Luohu Government	PICC	Owner Occupation
Hytera Houhai Headquarters Tower	Nanshan Houhai	Office	2,500	Hytera	SZ SEZ Construction And Development Group	Development
CYG Nanshan Urban Renewal	Nanshan Hi-tech Park	Industrial	2,120	Changyuan Group	Genzon	Development
Sihai Times, Yunchuang Building	Bao'an Shajing	Office	900	OCT	Unknown	Investment
Pengyi Garden podium	Futian Bagualing	Retail	120	Jincheng Weiye Investment	Private Investor	Investment

CAP RATE TREND



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