GUANGZHOU
Capital Markets Q4 2020

CUSHMAN & WAKEFIELD

	QoQ Chg	3-Mo. Forecast
14.84 B Q4 Investment Volume (RMB)	▲	▲
4.0% Office (CBD) Cap Rate	▼	▬
3.9% Retail Cap Rate	▬	▬

Source: Cushman & Wakefield

ECONOMIC INDICATORS
JAN - SEP 2020

	YoY Chg	12-Mo. Forecast
1.0% GDP growth	▼	▲
3.1% CPI growth	▲	▲
3.3% 10-year government bond rate*	▲	▲
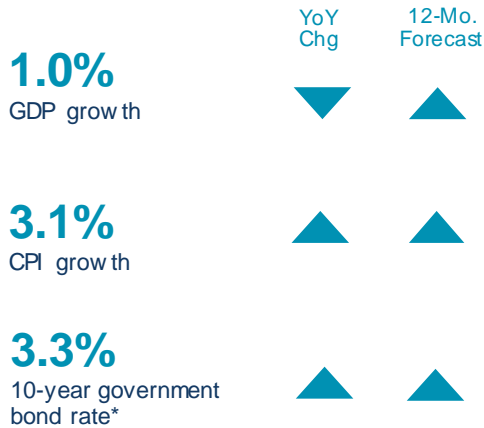
Source: Guangzhou Stats Bureau, China Foreign Exchange Trade System, Oxford Economics
*10-year government bond rate is as of 18th Dec 2020.

Market Transaction Volume Surges More Than 300% in Q4

The market recorded eight major investment transactions in Q4, totaling RMB14.84 billion, a surge of 317% q-o-q. Domestic buyers still dominated, with 70% of the total transaction volume in the quarter. Foreign investors' activities are still being impacted by pandemic-related travel restrictions, and just one international transaction was recorded. However, in terms of the annual transaction volume the share of foreign investment increased significantly, up 15 pp y-o-y to reach 21%.

Entry of Rarely Available Properties Stokes Investor Enthusiasm

The office sector remained the first-choice asset, taking 41% of total transaction volume in the quarter. Four office transactions in Haizhu and Yuexiu submarkets, including Dongsheng's purchase of the Pazhou TCL Building East Tower, together totaled RMB6.12 billion. In industrial property, the most notable transaction was Black Stone's acquisition of a 70% equity share in a logistics park from R&F Properties, valued at more than RMB4.41 billion. Two retail transactions were also recorded, taking a 28% share of the total transaction volume. The entry into the market of multiple rarely available properties has stoked investors' enthusiasm, and generally primed the Guangzhou capital market for renewed growth.

Market Outlook

Despite the global impacts of the COVID-19 pandemic, we can now hope to see continued capital market activity, bolstered by renewed investor confidence, and with China continuing to be a strong draw for international investors. Under the strict "Three Red Lines" finance control regulations, investment opportunities and transaction volumes may rise, due to growing numbers of properties being made available by developers needing to comply with the controls. Continuing growth in e-commerce is also driving demand in logistics and data center properties, and these asset sectors are expected to be increasingly targeted by investment capital.

TRANSACTION VOLUME BY INVESTOR TYPE
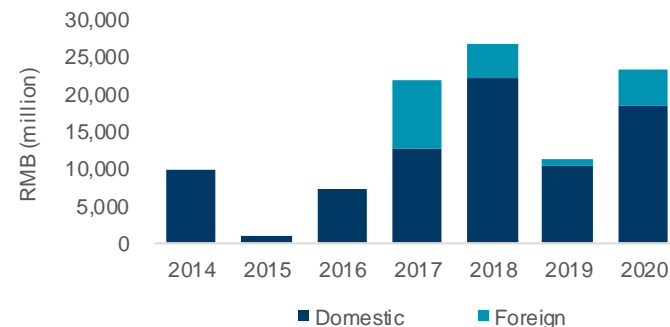
Source: Cushman & Wakefield

**TRANSACTION VOLUME BY SECTOR (Q4 2020)**

- Office 41%
- Industrial 31%
- Retail 28%

Source: Cushman & Wakefield

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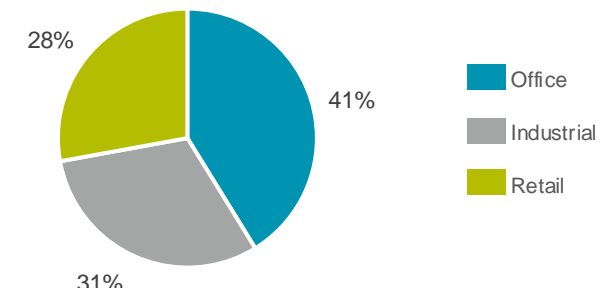
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KEY SALE TRANSACTIONS （2020 Q4）

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	DEAL TYPE
R&F Intergrated Logistics Park	Huadu	Industrial	4,410	R&F Properties	Blackstone	Investment
Pazhou TCL Building East Tower	Haizhu	Office	-	TCL	Dongsheng	Investment
Zhuguang Tancun Building	Yuexiu	Office	2,983	Zhuguang Holdings	Government	Owner Occupation
Shimen Handbag Industrial Park	Panyu	Industrial	180	SIMONE ACC.COLLECTION,LTD.	Huiqiang, Supercase	Owner Occupation
New Town International building	Haizhu	Office	-	Longsha	Huangjinpu Group	Owner Occupation

CAP RATE TREND

Legend: Grade A Office, Retail

(Y-axis: 3.4% – 4.4%; X-axis: 2015, 2016, 2017, 2018, 2019, 2020)
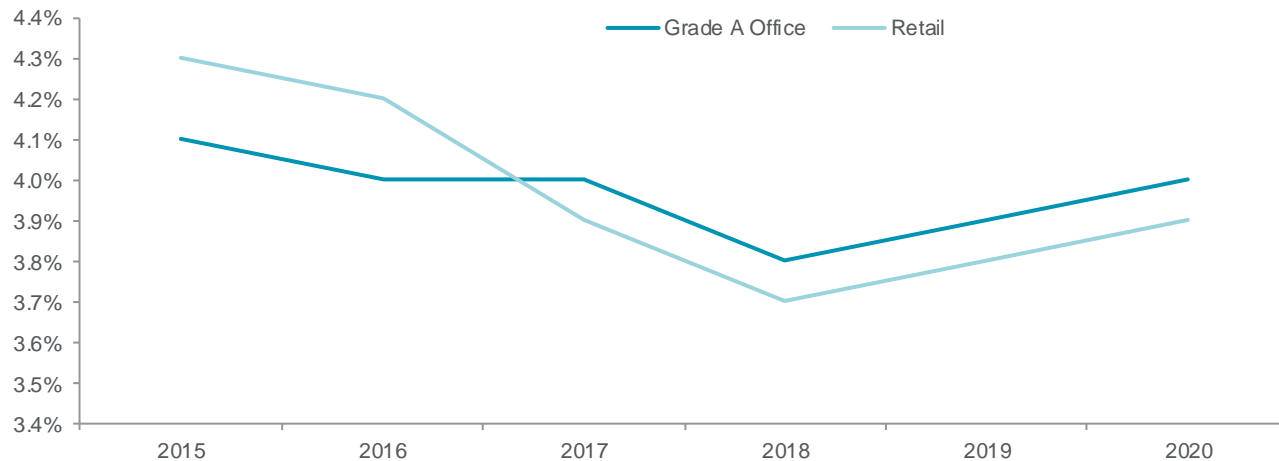
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Source: Cushman & Wakefield