

SHENZHEN

Capital Markets Q4 2022

QoQ
Chg 3-Mo.
Forecast

9.6 B

Q4 Investment Volume (RMB)

4.6%

Grade A Office Cap Rate

4.6%

Retail Cap Rate

Source: Cushman & Wakefield

ECONOMIC INDICATORS

JAN - SEP 2022

YoY
Chg 12-Mo.
Forecast

3.3%

GDP growth

2.5%

CPI growth

2.9%

10-year government
bond rate*Shenzhen Statistics Bureau, China Foreign Exchange Trade
System, Moody's Analytics*10-year government bond rate is as of 14th Dec 2022.

Steady Transaction Volume Growth in 2022 to Finish up 38.5% Y-O-Y

The Shenzhen market recorded investment volume of RMB9.6 billion in Q4, up 39.3% y-o-y. Despite prevailing market caution stemming from macroeconomic uncertainties and the fluctuating pandemic situation, transaction activity picked up steadily through 2022, supported in part by asset disposals from real estate enterprises. Full-year transaction volume finished quite strongly at RMB44.2 billion, up 38.5% y-o-y.

Industrial Assets Remain Mainstream

Industrial sector assets took a 64.2% share of transaction volume in Q4 and 56.3% in the full year, reflecting investors' preference for greater risk resilience against market uncertainties. Office assets accounted for 31.6% of volume in Q4 and 23.0% in the whole year, down 8 percentage points y-o-y. Prices for industrial assets such as logistics facilities, data centers and biomedical parks have continued to rise, with strong demand outstripping limited supply. In contrast, office property prices have generally softened, but a gap in expectations remains between buyers and sellers.

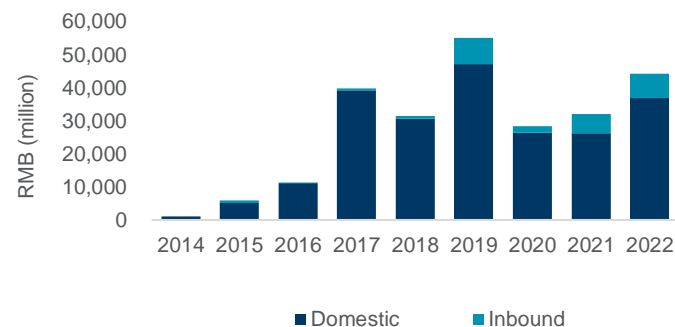
Self-Use Buyers, Smaller-Scale Transactions Predominate

Institutional buyers were more cautious in 2022, with transactions totaling RMB7.9 billion down 38.9% y-o-y to account for just 17.9% of the annual volume. In contrast, self-use transactions jumped 113.6% y-o-y to take a 55.7% share of total deal consideration. State-owned enterprises and government platform companies were active, accounting for 33.9% of the year's transaction volume, illustrating sustained government support for industry. Smaller transactions (under RMB1 billion) predominated in 2022, accounting for 71.8% of total deals in the year, again demonstrating investors' relative caution. Buyers came from a range of industries including hi-tech, financial services, retail and manufacturing.

Logistics Assets Set to Retain Investor Favor, Rental Apartments an Emerging Sector

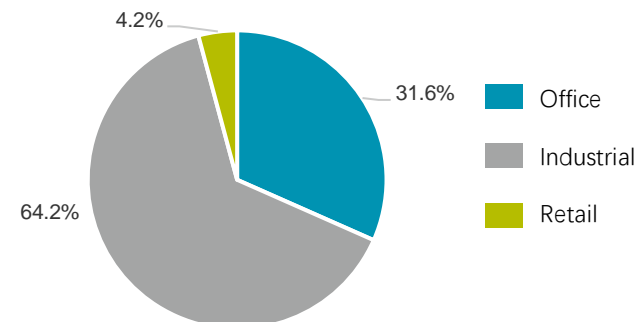
Financial pressures on developers, combined with higher vacancy rates and softening rentals, have seen asset price discounts and consequent rising capitalization rates in recent years. Nevertheless, logistics assets have shown strong resilience under the impact of the pandemic, and should continue to attract investors' attention. In addition, we expect to see growing interest in long-term rental apartments, as one of the key property sectors supported in the 20th CPC National Congress report.

TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

TRANSACTION VOLUME BY SECTOR (4Q 2022)

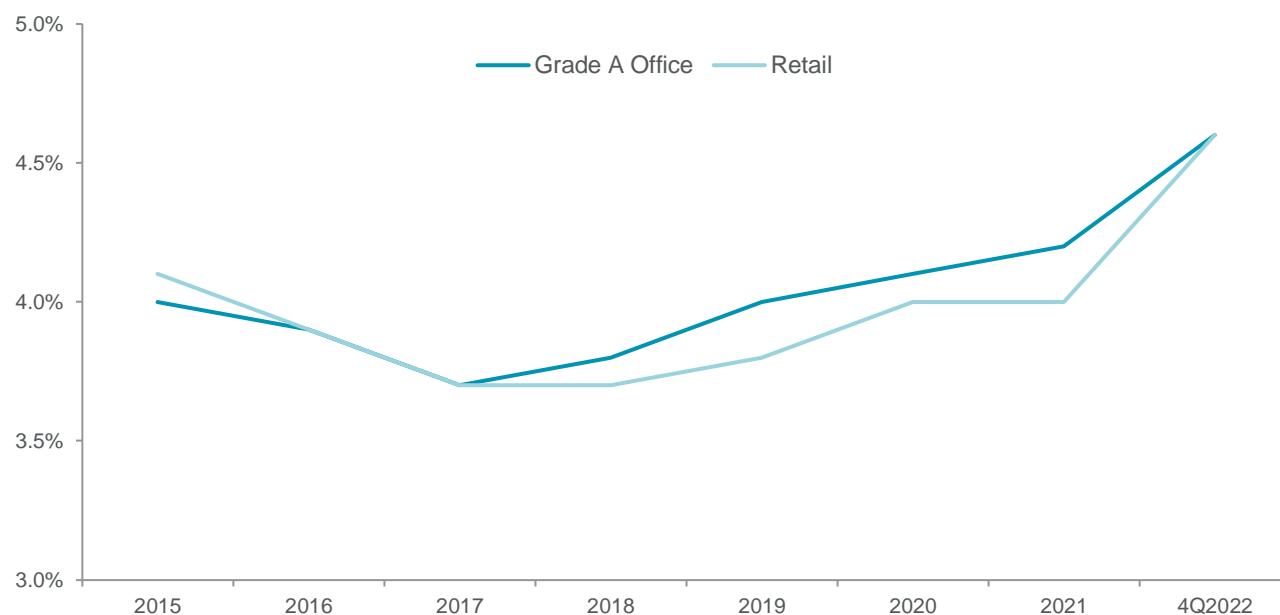


Source: Cushman & Wakefield

KEY SALE TRANSACTIONS (2022 Q4)

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	TYPE
Honfa Xiyue Tower	Bao'an	Office	2,500	Hong Zheng Da Real Estate	Bao'an Construction Investment Group, Bao'an Investment Group	Owner Occupation
RunZhi R&D Center	Bao'an	Industrial - R&D	1,542	RunXue Industrial Co., Ltd	Anker Innovations	Owner Occupation

CAP RATE TREND

**Zhang Xiao-Duan**

Senior Director

Head of Research

South China

5F, Tower2, Kerry Plaza, No.1 Zhongxinsi Road,
Futian District | Shenzhen 518048 | China

Tel: +86 755 2151 8116 /

xiaoduan.zhang@cushwake.com**Jacob Chen**

Director

Head of Capital Markets, South China

5F, Tower2, Kerry Plaza, No.1 Zhongxinsi Road,
Futian District | Shenzhen 518048 | China

Tel: +86 0755 2151 8396 /

jacob.chen@cushwake.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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