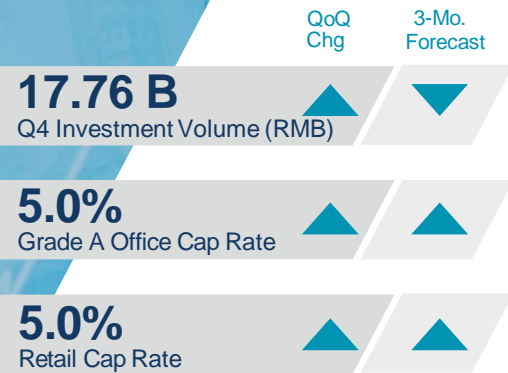


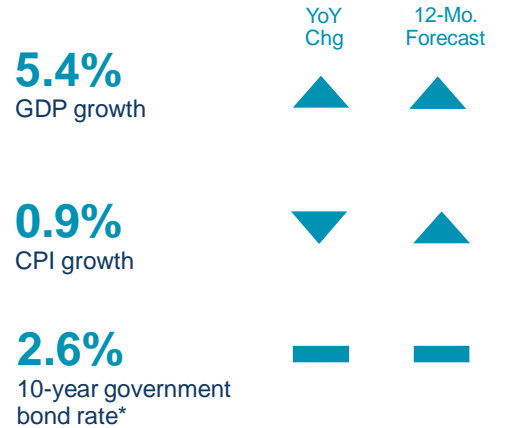
# SHENZHEN

## Capital Markets Q4 2023



Source: Cushman & Wakefield

### ECONOMIC INDICATORS JAN - SEP 2023



Shenzhen Statistics Bureau, China Foreign Exchange Trade System, Moody's Analytics

\*10-year government bond rate is as of 26<sup>th</sup> Dec 2023.

### Local Government and SOEs Drive Year-End Mass Transaction Surge

The pace of investment transactions in the Shenzhen market accelerated significantly at year-end 2023, with 16 deals in Q4 totaling RMB17.76 billion, jumping 93.7% y-o-y. Local governments and state-owned enterprises (SOEs) were behind the surge, contributing approximately half of the deals and more than 80% of the transaction volume.

### Full-Year 2023 Investment Volume Exceeds RMB40 Billion, Although Smaller Deals Predominate

The total Shenzhen investment market deal count for 2023 was 51 deals, up 34.2% y-o-y, while total investment volume fell slightly by 5.6% y-o-y to RMB41.36 billion. The rise in count and fall in value indicates that smaller deals were more prevalent, with more than half of the 51 transactions at less than RMB300 million, and only nine exceeding RMB1 billion. By asset type, office-type properties, including office buildings and industrial R&D properties, remained the market's primary target, accounting for about 50% of deal count and total transaction volume.

### Owner-Occupier Demand For Offices, Investors Eye Low-Cost Potential Assets For REITs

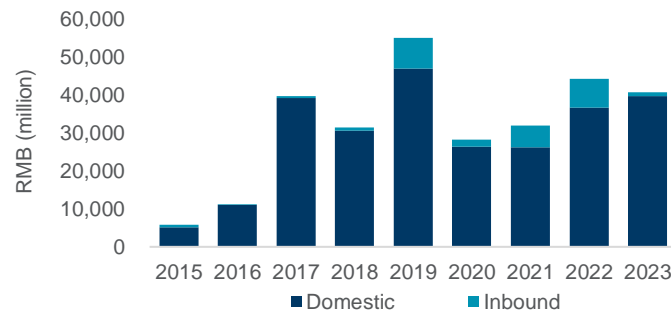
Owner-occupier transactions still dominated in 2023, taking 54.5% of total volume. Among them, 91.8% of the capital went to office-type properties, suggesting the rising appeal of these assets to buyers with occupier needs as prices soften further. In terms of the investment volume, 58.4% of owner-occupied transactions were from SOEs and governments acquiring properties for industrial support and business promotion, with the balance from corporations acquiring properties for their own use.

The share of investment-type transactions further shrank in 2023, while the average price per deal was at just RMB320 million, revealing the current investor prudence. Investors did show a strong preference for potential REITs assets this year, with 36.8% of funds invested in industrial and logistics parks, 33.4% in retail facilities, and 26.2% in apartments and hotels. Additionally, foreign buyers were markedly cautious in 2023 due to the high interest rate environment and global uncertainties.

### Foreign Investment Expected to Recover, Dominance Of Owner-Occupier Demand Set to Continue

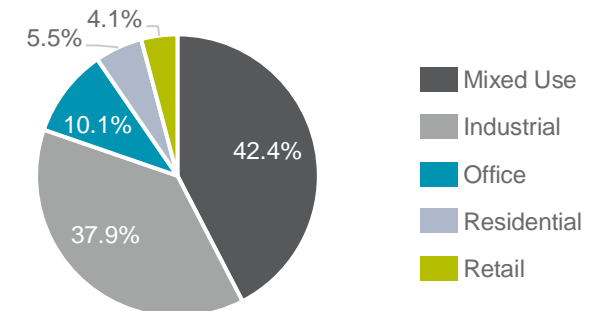
By the end of 2023, the China authorities had launched several new measures including unilateral visa-free access for multiple countries and new policies to facilitate cross-border investment. Combined with the expectation of interest rate cuts in the United States, foreign capital institutions are expected to recover activity in 2024. However, we anticipate occupier buyers will remain the mainstay, with demand from LGFV and for investment enclaves still standing out.

### TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

### TRANSACTION VOLUME BY SECTOR (4Q 2023)

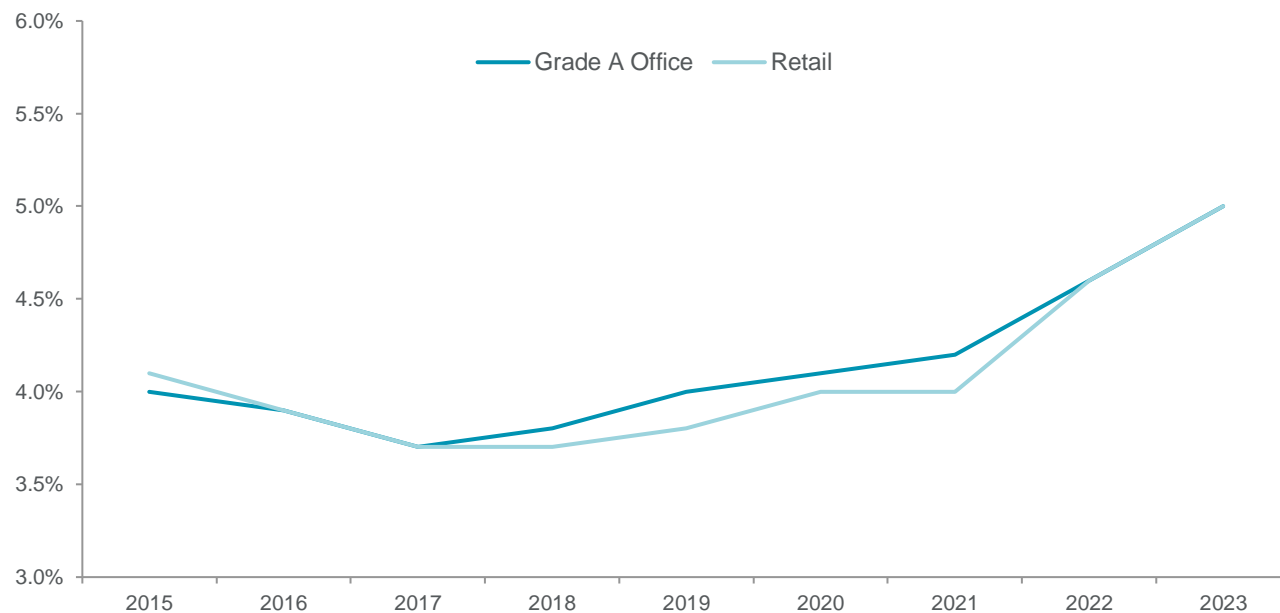


Source: Cushman & Wakefield

## KEY SALE TRANSACTIONS (2023 Q4)

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	TYPE
Yiyuantong Xuexiang Industrial Park	Longgang	Industrial	180	Yiyuantong Industrial	Xinhegu Investment	Investment
Ofilm Tech Park	Guangming	Industrial	606	Ofilm	Guangming District Government	Owner Occupation
Yupin Luanshan Garden	Bao'an	Residential	835	Shenzhen Properties & Resources Development	UDC Group	Development
Gemdale Great City Bay	Futian	Mixed Use	7277	Gemdale Group & Futian Const	Futian Investment Holdings	Development

## CAP RATE TREND

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