

SHANGHAI

Capital Markets Q1 2024



	QoQ Chg	3-Mo. Forecast
10.4 B Transaction Volume (RMB)	▼	▲
5.0% Office (CBD) Cap Rate	▲	▬
5.5% Business Park Cap Rate	▲	▬
5.0% Retail Cap Rate	▲	▬

Source: Cushman & Wakefield

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
5.0% GDP growth	▲	▬
0.3% CPI growth	▼	▲
2.3% 10-year government bond rate	▼	▲

Source: Shanghai Statistics Bureau, China Foreign Exchange Trade System, Moody's Analytics

Investment Sentiment Remains Conservative

The Shanghai capital market recorded 16 transactions in Q1, with total transaction volume reaching RMB10.4 billion, down 28% y-o-y. The investment-oriented office market continued to be sluggish, impacted by office supply volume, lower absorption, and weakened expectations. Meanwhile, foreign investors continued to wait on the sidelines against the backdrop of high U.S. dollar interest rates and concerns that the Federal Reserve may delay in cutting the rate. Most sellers in Q1 were domestic developers looking to ease capital pressures through asset sales. Consequently, total the quarterly transaction volume fell to the lowest level seen in the Q1 period over the last five years.

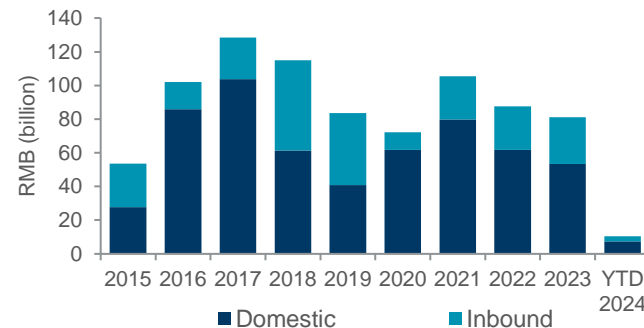
By asset category, office and business park properties took the top spot in terms of Q1 transaction volume, recording RMB3.3 billion and taking a 31.4% share of total transaction volume. Retail properties secured second place, with a 25.1% share of total Q1 transaction volume, driven by large completed transactions such as at Qibao Vanke Plaza. A mixed-use land deal in Hongkou, valued at approximately RMB2 billion, saw mixed-use properties take a 19.3% share of total transaction volume. In addition, favorable policies related to long-term rental residences saw apartment, other residential, and hotel properties retain their favored status with investment-oriented buyers, with five related transactions recorded in Q1.

Domestic Buyers Continue to Dominate the Market

In terms of buyer category, domestic buyers continued to dominate the Shanghai capital market in Q1, taking an approximately 71% share of total transaction volume and an 87% share of the total transaction number. The main overseas-funded transaction involved Link REIT's 50% equity acquisition of Qibao Vanke Plaza, which accounted for around 90% of the total overseas-funded transaction volume.

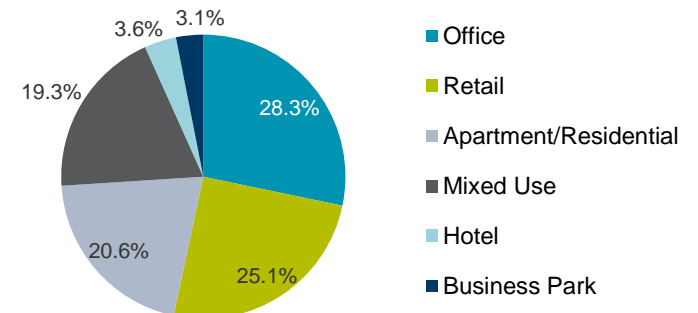
Owner-occupier buyers recorded eight transactions, with total transaction volume of RMB4.3 billion, and a 41.8% share of the total Q1 transaction volume. Office assets in core locations or along the riverside, together with attractively priced luxury apartment/residential properties were key areas of interest. Metal and energy enterprises were the most prominent buyers, taking a 36% market share of total owner-occupier buyer transaction volume in Q1. Such buyers have been active since 2022. In addition, SOEs remained a key buyers of self-use prime office space in Q1.

TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

TRANSACTION VOLUME BY INDUSTRIAL



Source: Cushman & Wakefield

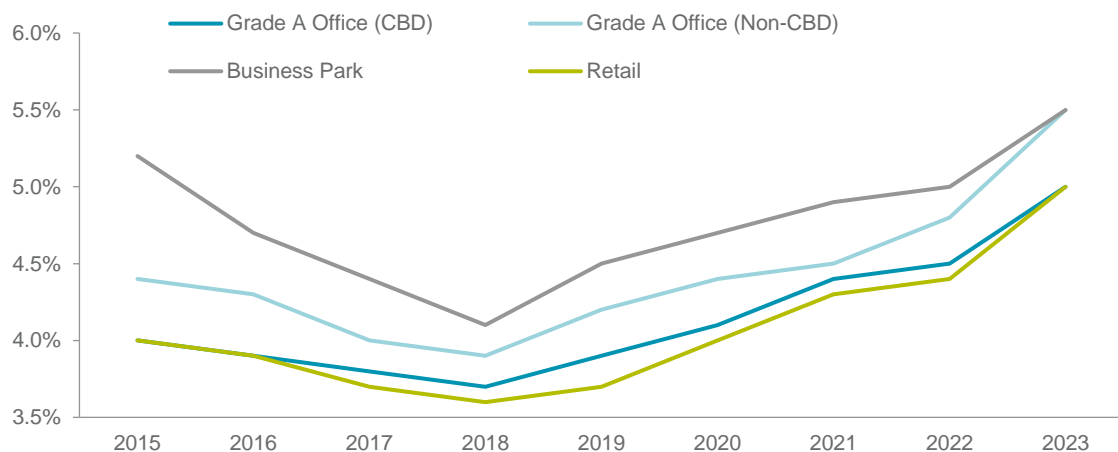
Outlook

More investment opportunities related to low-priced assets are expected to emerge into the rest of 2024, and market activity is expected to pick up. Against the backdrop of declining office rents and rising vacancy rates, some SOEs are expected to launch more high-quality office projects. Overseas buyers, on the other hand, will continue to be prudent due to the impact of the Federal Reserve's interest rate policy. Rate cuts are likely to be delayed, and the timing of foreign investment recovery is still to be determined. Projects such as apartments, hotels, commercial and residential buildings that are suitable for change of use and renovation into affordable rental housing will continue to maintain market momentum. Finally, the supervision of equity transactions involving industrial land will be further strengthened into the future.

KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (RMB BN)	VENDOR	PURCHASER	DEAL TYPE
Fuhui Building Block A	Pudong	Office	1.0	Lujiazui Group	Owner-occupier Buyer	Owner Occupation
Qibao Vanke Plaza 50% Equity	Minhang	Retail	2.6	Vanke	Link	Investment
North Bund No.63 Mixed-use Plot	Hongkou	Mixed Use	2.0	Everbright Xinglong Trust	Yitai Group	Investment
Wujiaochang Holiday Inn Express 75% Equity	Yangpu	Hotel	0.3	Pengxin Group	Tishman Speyer	Investment
Zhenda Xingbao Project	Baoshan	Apartment	0.4	Fosun Care	Ease Living	Investment

CAP RATE TREND



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