

SHANGHAI

Capital Markets Q2 2024



	QoQ Chg	3-Mo. Forecast
10.2 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 Q1 2024

	YoY Chg	12-Mo. Forecast
5.0% GDP growth	▲	▬
-0.2% CPI growth	▼	▲
2.3% 10-year government bond rate	▼	▲

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

Office and Business Park Properties Top the Investment Market in Q2

The Shanghai capital market recorded 15 transactions in Q2 2024, amounting to total transaction volume of RMB10.2 billion, down 52.8% y-o-y. Throughout 1H 2024, the Shanghai market recorded 32 transactions, with cumulative total transaction volume reaching RMB20.8 billion, a fall of 42.2% y-o-y.

By asset category, the top three properties ranked by transaction volume in Q2 were offices and business park offices (82.1%), hotels (11.8%), and retail (3.1%). In the 1H period, office and business park office properties continued to dominate the market with a 54.5% share of transaction volume. Retail properties ranked second with a 14.1% share, chiefly due to the Qibao Vanke Plaza transaction. Apartments and residential properties were also highly sought-after by investors, with total transaction volume reaching approximately RMB2.5 billion, representing 11.8% of total 1H transaction volume. Notable deals included Guangdong Hengyi Investment's purchase of Hengshan Ascott.

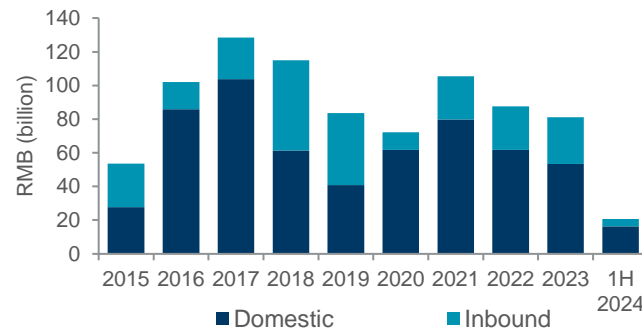
Auction Transactions Expand

Domestic buyers accounted for 78.4% of total transaction volume in 1H, the highest percentage of the past three years. Due to the impact of the Federal Reserve's interest rate policy, overseas-funded transactions accounted for only 21.7% of total transaction volume, of which nearly 60% comprised Link's REIT's 50% equity acquisition of Qibao Vanke Plaza. If this transaction was excluded, there would be a significant drop in the overseas-funded transactions' share of total volume.

Investment buyers still led the Shanghai market in 1H 2024. However, owner-occupier buyers recorded total transaction volume of RMB7.5 billion, up significantly in share of total volume to 36.3% compared to 21% recorded in 1H 2023. Among owner-occupier buyers, domestic enterprises in traditional industries as well as individual investors were dominant. Office assets in core locations, or riverside, together with attractively priced luxury apartment/residential properties were key areas of investor interest. The financial industry was again the key purchaser of owner-occupied premium offices, with deals including Caitong Securities' acquisition of Fuhui Building.

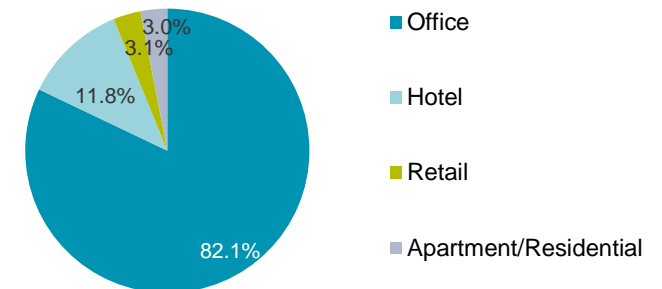
Auction transactions expanded, with an inflow of quality projects. The market recorded five auction transactions in 1H, taking 15.6% of the total transaction number, up by 2.5% and 6.1% on the same period in 2023 and 2022, respectively. Typical deals included Shanghai Hejing Yanmian Enterprise Management's auction of Sanhe Building.

TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

TRANSACTION VOLUME BY INDUSTRIAL



Source: Cushman & Wakefield

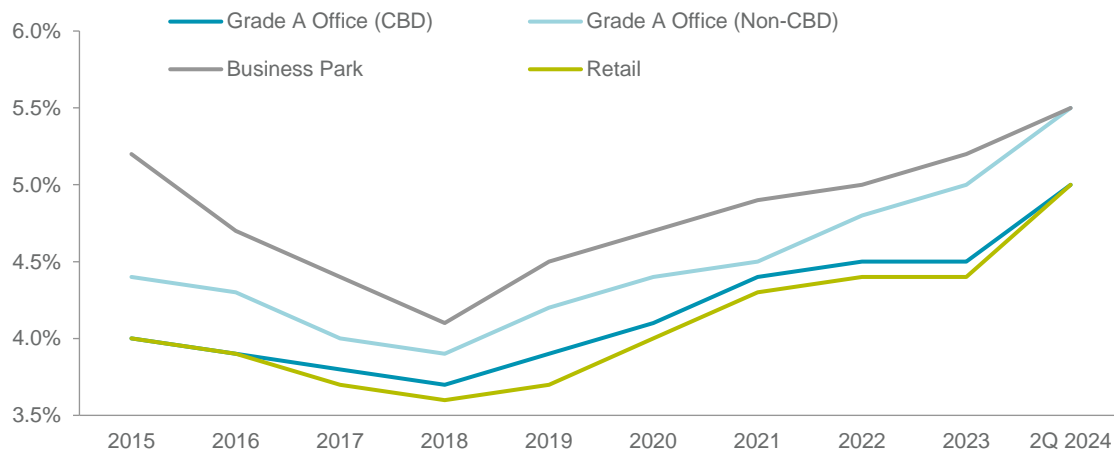
Outlook

In 2H 2024, some discounted projects held by foreign funds are expected to be transacted, while the proportion of foreclosed projects will continue to rise. Thanks to Shanghai's unique position as a bridgehead to and from China's economy, powerful enterprises and private investors nationwide will continue to be the main buyers of investment properties in the city. The domestic low interest rate environment is expected to create favourable financing leverage for domestic buyers, while the potential growth of inflation will be one of the factors impacting asset allocation. We can expect overseas buyers to remain prudent.

KEY SALE TRANSACTIONS

PROPERTY	LOCATION	SECTOR	PRICE (RMB BN)	VENDOR	PURCHASER	DEAL TYPE
Fuhui Building Block B&C	Pudong	Office	2.7	Lujiazui Group	Caitong Securities	Owner Occupation
Meicheng Building	Xuhui	Office	1.5	Private Seller	Young Men's Christian Association	Investment
Hengshan Ascott	Xuhui	Apartment	1.2	CapitaLand Group	Guangdong Hengyi Investment	Investment
Sanhe Building	Jing'an	Office	1.1	Sanhe Real Estate	Shanghai Hejing Yanmian Enterprise Management	Investment
No. 710 Xietu Road	Xuhui	Office	0.4	Private Seller	Shanghai Dasheng Zhixin Property Management	Investment

CAP RATE TREND



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