

QoQ Chg      3-Mo. Forecast

**2.78 B**  
Q2 Investment Volume (RMB)



**5.2%**  
Grade A Office Cap Rate



**5.0%**  
Retail Cap Rate



Source: Cushman & Wakefield

### ECONOMIC INDICATORS JAN - MAR 2024

YoY Chg      12-Mo. Forecast

**6.4%**  
GDP growth



**0.2%**  
CPI growth



**2.2%**  
10-year government bond rate\*



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

\*10-year government bond rate is as of 28<sup>th</sup> Jun 2024.

### Shenzhen Investment Market Activity Slumps 70% Y-O-Y in 1H 2024

Office and residential property transactions in the Shenzhen investment market have slowed recently due to declining asset prices and a resulting wait-and-see sentiment. The market continued the downturn in Q2, with investment volume reaching just RMB2.78 billion for the quarter, down 61.6% y-o-y, and RMB5.66 billion for the 1H 2024 period, down 70% y-o-y and the weakest 1H performance since 2016.

### Low Volume and Owner-Occupation Deals Dominate 1H Investment Activity

On the asset side, the office sector remained the mainstay of transactions in 1H, accounting for 44.6% of total investment volume, with all deals for owner-occupation. Various asset sector values have softened, combined with real estate developers disposing of properties at distressed prices. The number of cost-effective assets and assets in mature business districts coming to market has gradually expanded, prompting owner-occupier buyers to seize opportunities to acquire high-quality properties. Industrial sector buyers accounted for 21.7% of total transaction volume, of which 80% were for R&D properties for owner-occupation. In the retail sector, Futian Industrial Investment Service Company Limited acquired the Lvjing Hongwan Shopping Mall, to be continued to be operated by Lvjing Real Estate via a leaseback agreement.

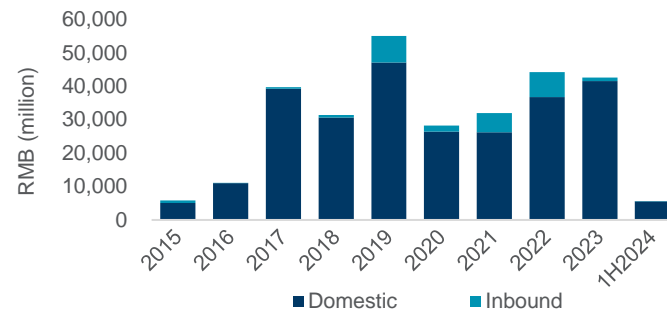
Investment buyers remained cautious in 1H as asset prices continued to retreat, taking just 10.4% of total transaction volume. Owner occupation buyers dominated with a 65.3% share, while also demonstrating pragmatism and caution, with transactions characterized by smaller deals, averaging just RMB310 million per deal, down 51.2% y-o-y.

### Investors Continue to Eye Hotel Assets, Further Smaller Sized Deals Expected Through the Year

Asset holders, especially real estate developers, are stepping up their efforts to dispose of properties, and we expect Shenzhen asset prices to continue trending down in the near-term. However, the market is continuing to favor hotel properties with stable returns. Logistics, industrial parks, retail, apartment and affordable rental housing assets will also still be in focus, although quality assets in core areas with mature and stable operations remain scarce.

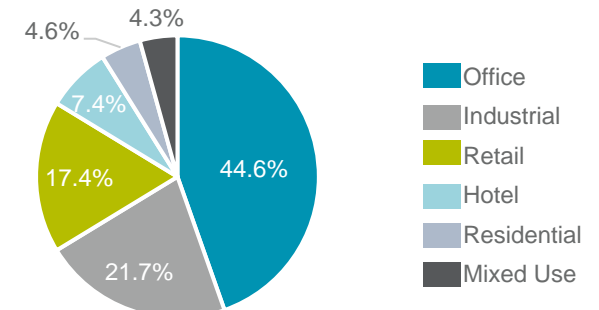
The opening of the Shenzhen-Zhongshan Link will accelerate the integration of the Pearl River Delta region, and we anticipate that owner-occupier investment transactions will continue to lead the market in the near-future.

### TRANSACTION VOLUME BY INVESTOR TYPE



Source: Cushman & Wakefield

### TRANSACTION VOLUME BY SECTOR (1H 2024)

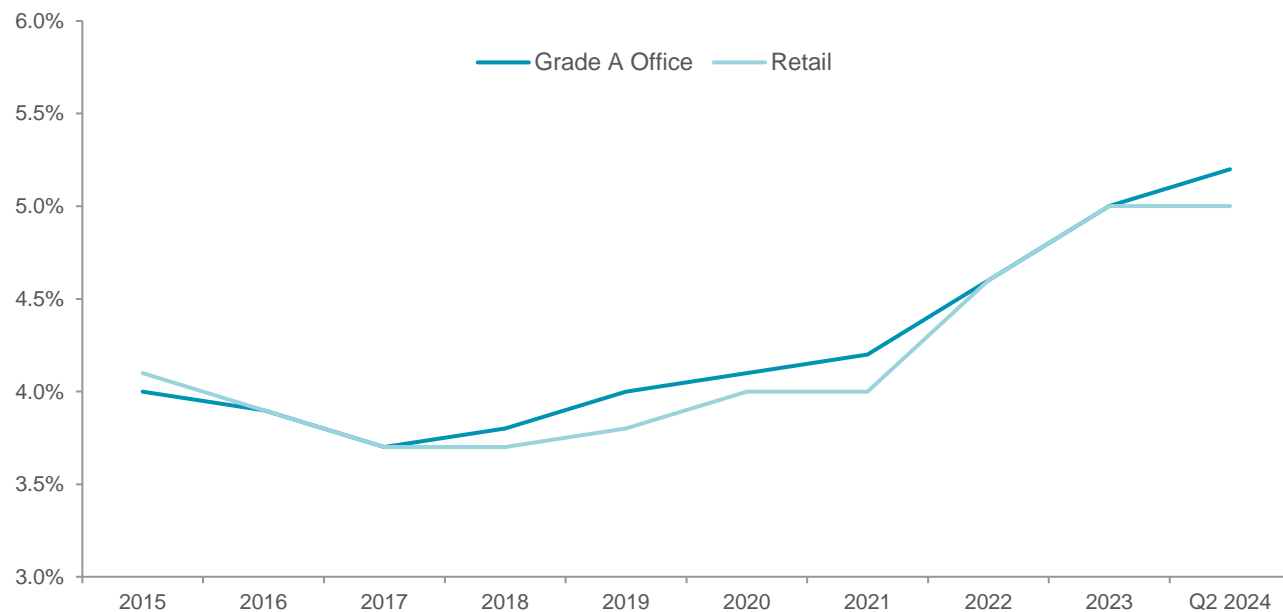


Source: Cushman & Wakefield

### KEY SALE TRANSACTIONS (Q2 2024)

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	TYPE
Hongwan Shopping Mall	Futian	Retail	814	LVGEM (China) Real Estate	Shenzhen Futian Industrial Investment Service Co Ltd	Investment
16 properties of Xing Hua Industrial Building	Nanshan	Industrial	317	Shenzhen Feigao Zhizhuo Industrial Co Ltd	WTL GSP Holdings Limited	Development
Xisha River Golf Villa	Nanshan	Residential	160	Private Investor	Private Investor	Owner Occupation

### CAP RATE TREND



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