
This live webinar will begin shortly…
GREATER CHINA CAPITAL MARKETS WEBINAR
WHAT'S NEXT FOR CHINA'S CRE INVESTMENT MARKET
2020 REVIEW &
2021 OUTLOOK
CUSHMAN & WAKEFIELD
戴 德 梁 行

AGENDA

1. INTRODUCTIONS



Anna Town
Head of Business Development Services, Asia Pacific

2. GREATER CHINA MARKET OVERVIEW



James Shepherd
Head of Research
Greater China

3. SHENZHEN MARKET OVERVIEW



Jacob Chen
Head of Capital Markets
South China

4. Q & A



Catherine Chen
Director, Research,
Greater China



Francis Li
International Director
Head of Capital Markets
Greater China

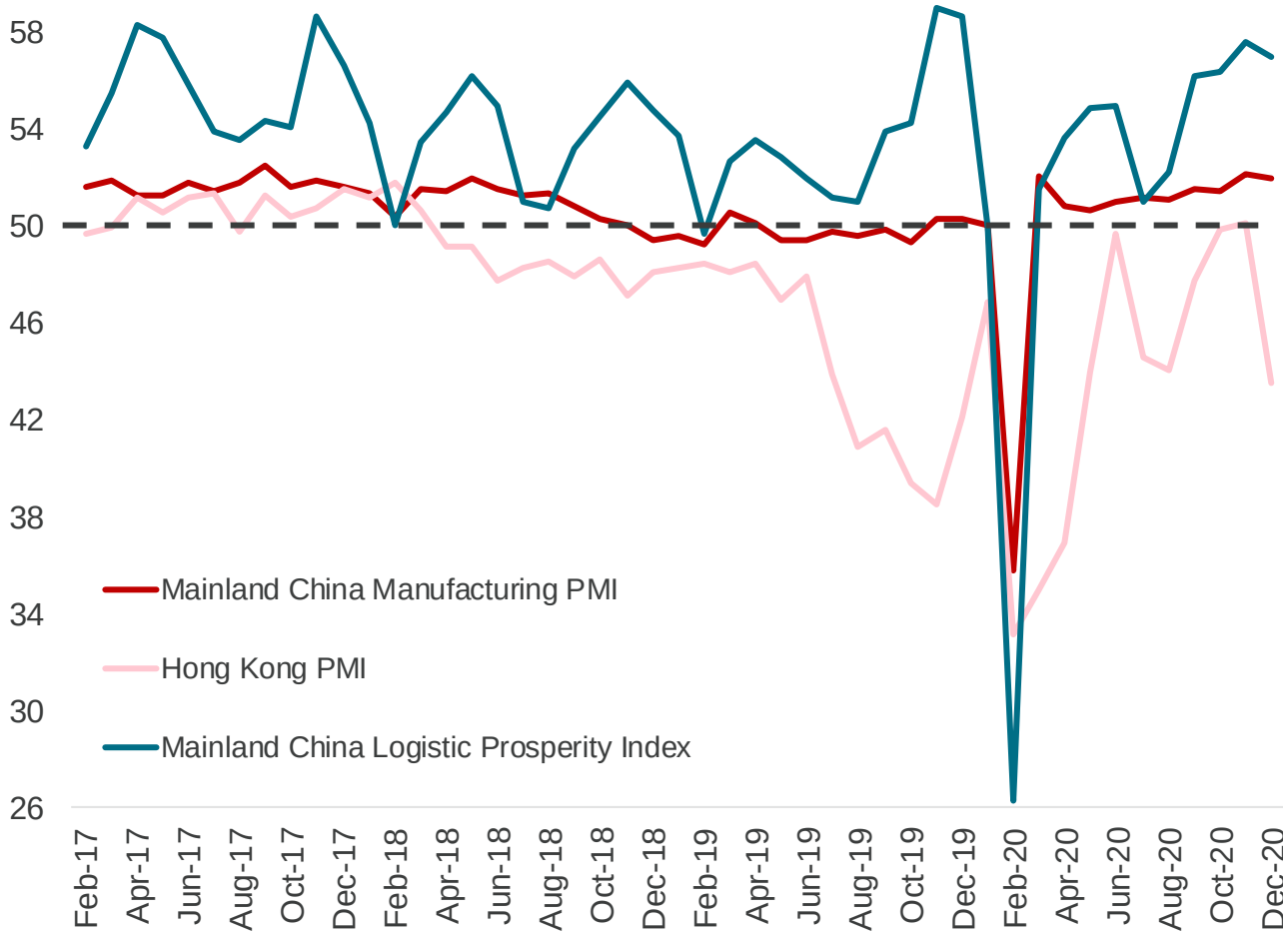


Gordon Marsden
Regional Director
Asia Pacific Capital Markets

PMI AND RETAIL SALES GROWTH

Evidence of rebound

Monthly PMI and Logistics Prosperity Index



Mainland China Total Retail Sales Growth



Source: Trading Economics, China Logistic Information Center, CFLP, Moody's Analytics, National Bureau of Statistics of the PRoC, updated on Jan 18th, 2021

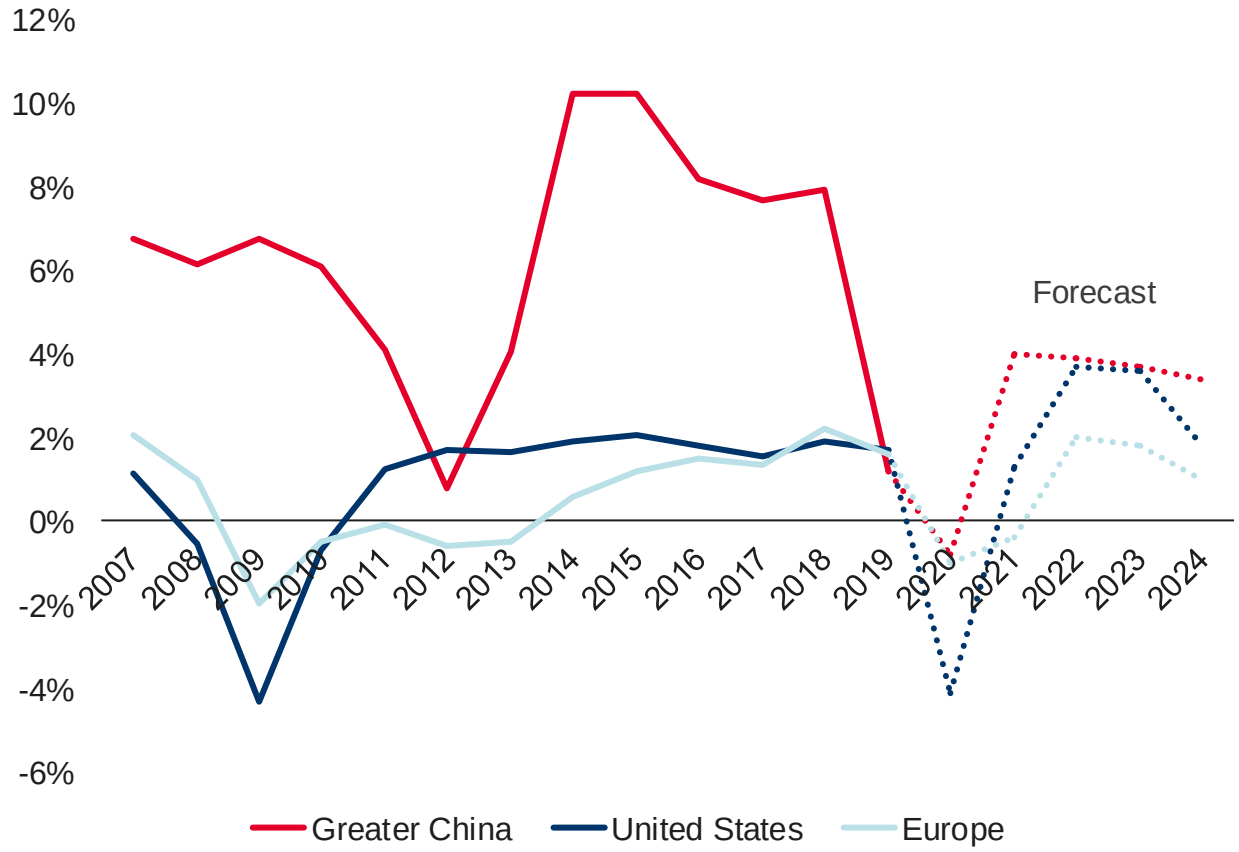
OFFICE EMPLOYMENT

Positive future growth outlook

Mainland China's Urban Unemployment Rate



Office Employment Growth Rate

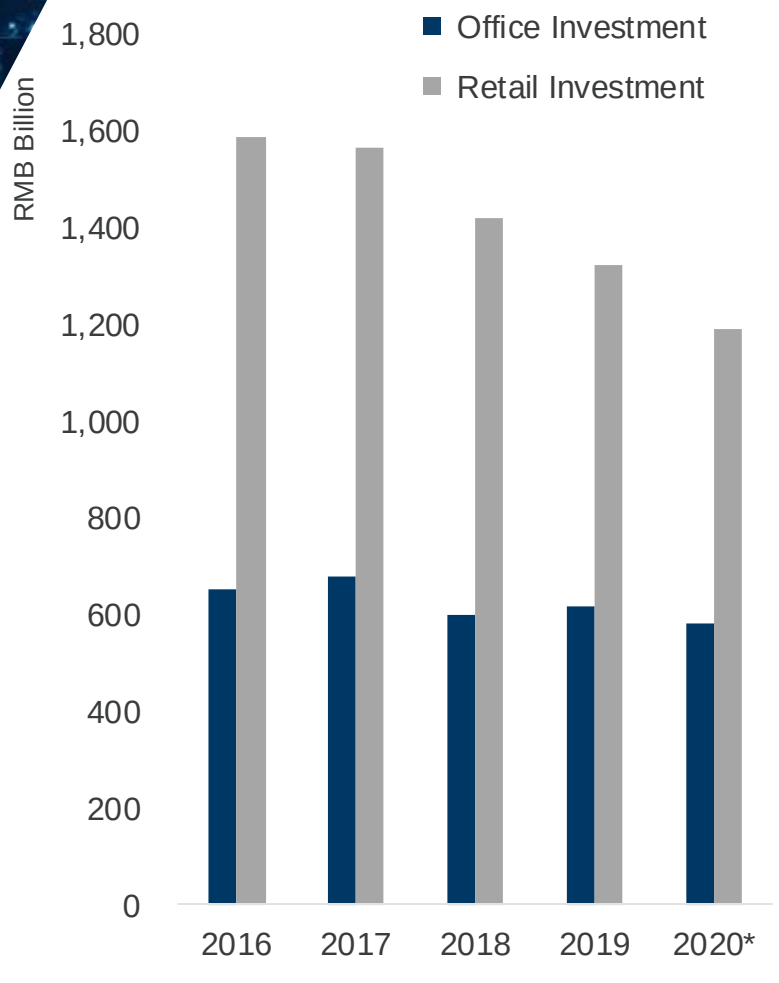


Source: National Bureau of Statistics of the PRoC, Cushman & Wakefield updated on Jan 10th, 2021

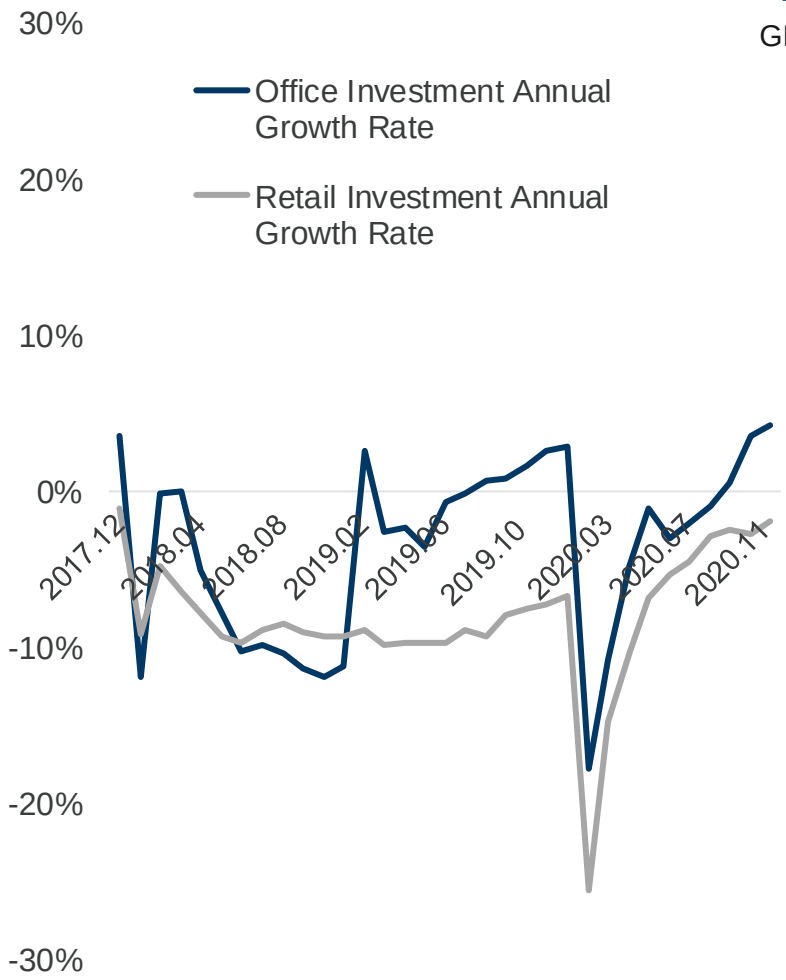
INVESTMENT IN DEVELOPMENT DROPPED

Construction delays on the horizon

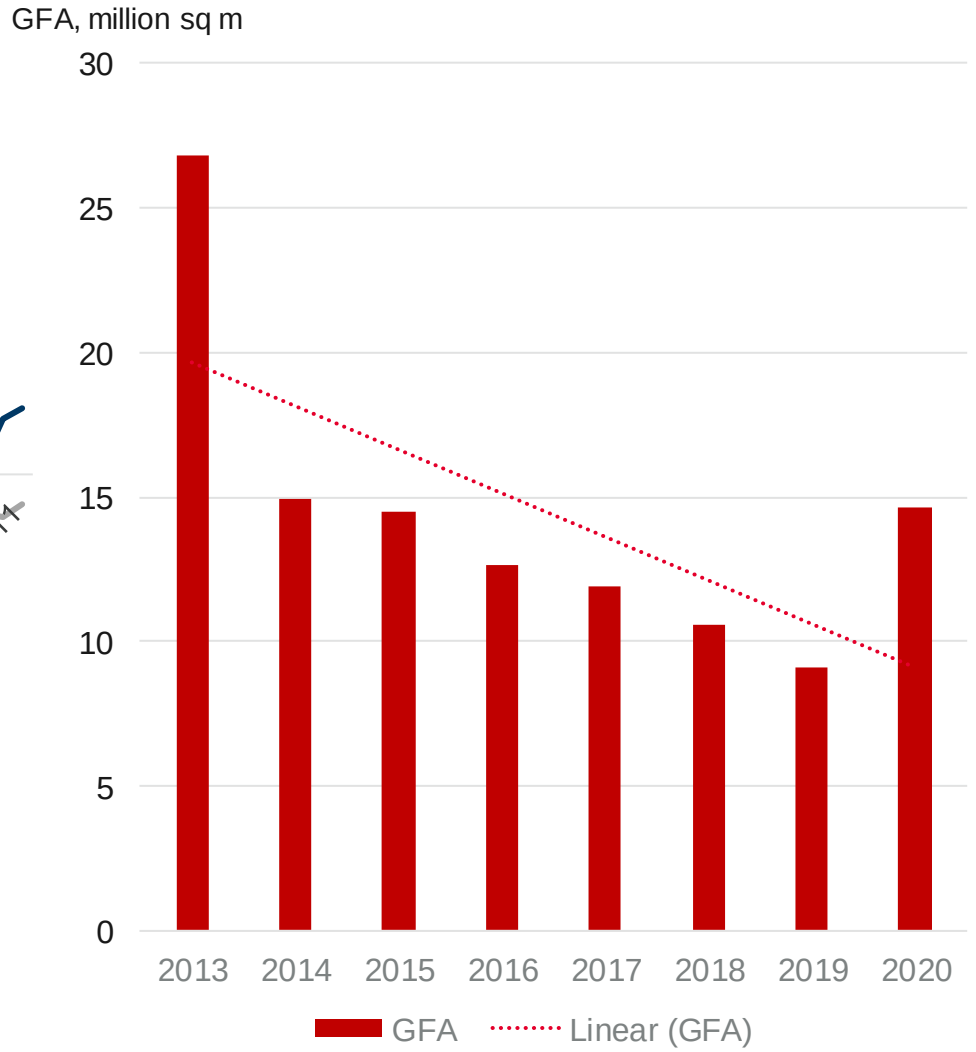
Office & Retail New Development



Cumulative Growth Rate



Permitted GFA of Office & Retail Land Transactions (Tier-1 Cities)



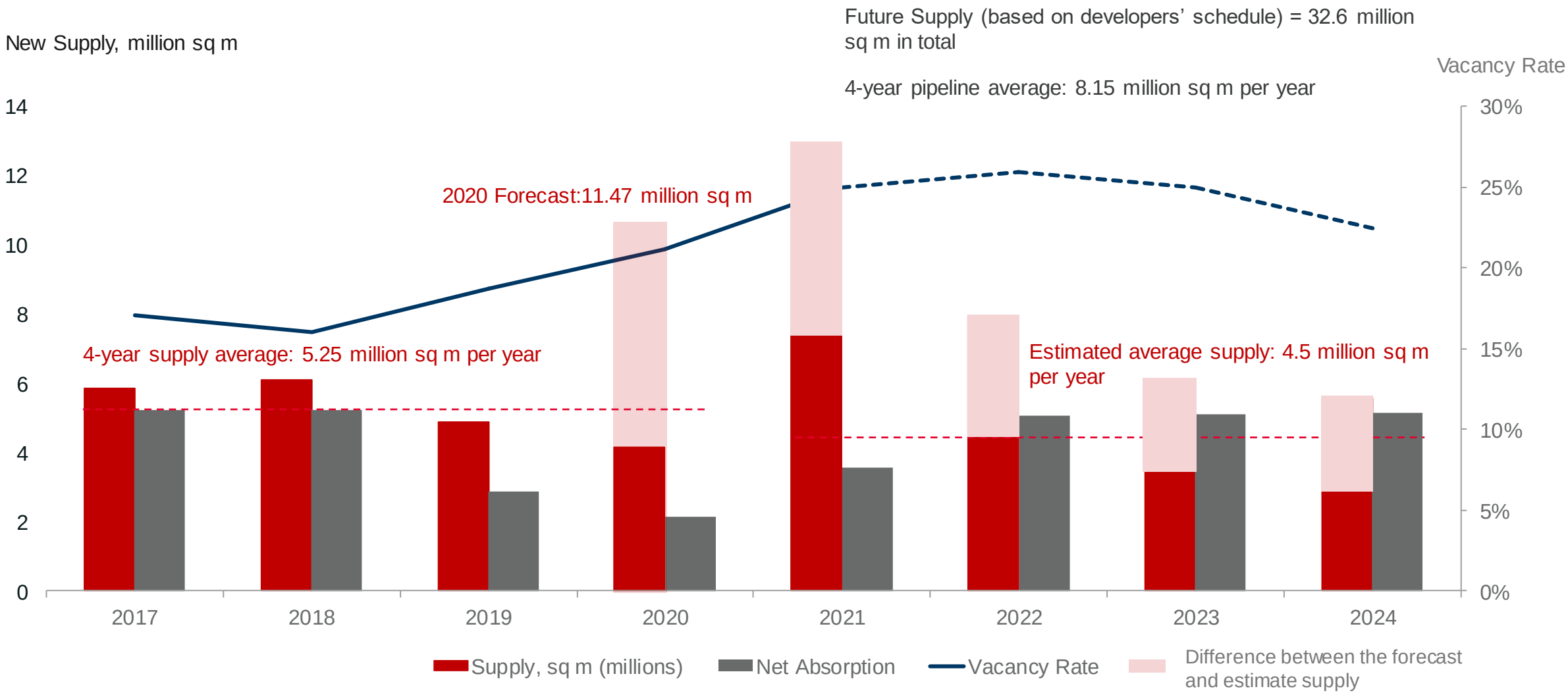
*January to November

Source: National Bureau of Statistics of the PRoC, updated on Jan 10th, 2021

CHINA'S OFFICE SECTOR FUNDAMENTALS

Delays on the horizon

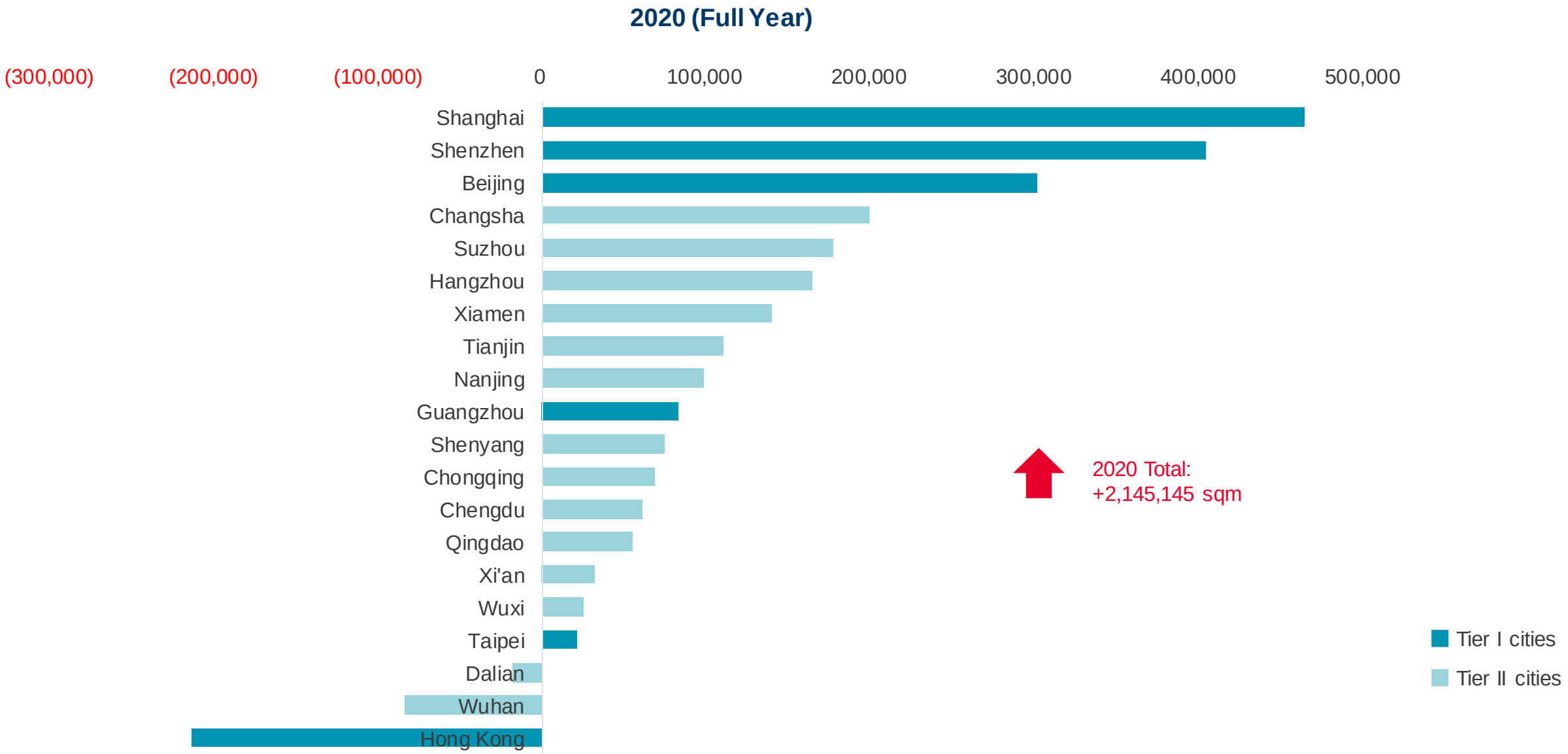
China Supply & Demand



Source: Cushman & Wakefield Research, updated on Jan 10th, 2021

CHINA'S OFFICE SECTOR FUNDAMENTALS

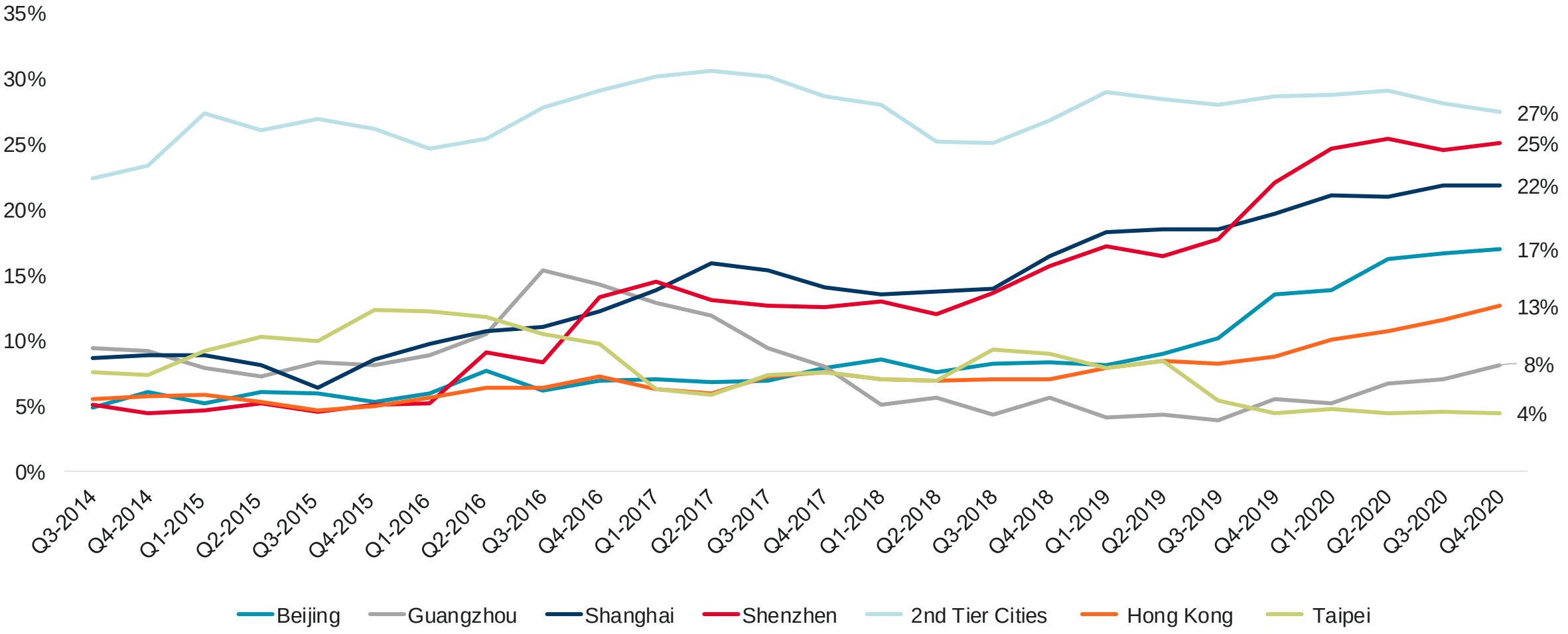
Absorption greatly improved in Q4



Source: Cushman & Wakefield Research, updated on Jan 10th , 2021

CHINA'S OFFICE SECTOR FUNDAMENTALS

Rising office vacancy rates



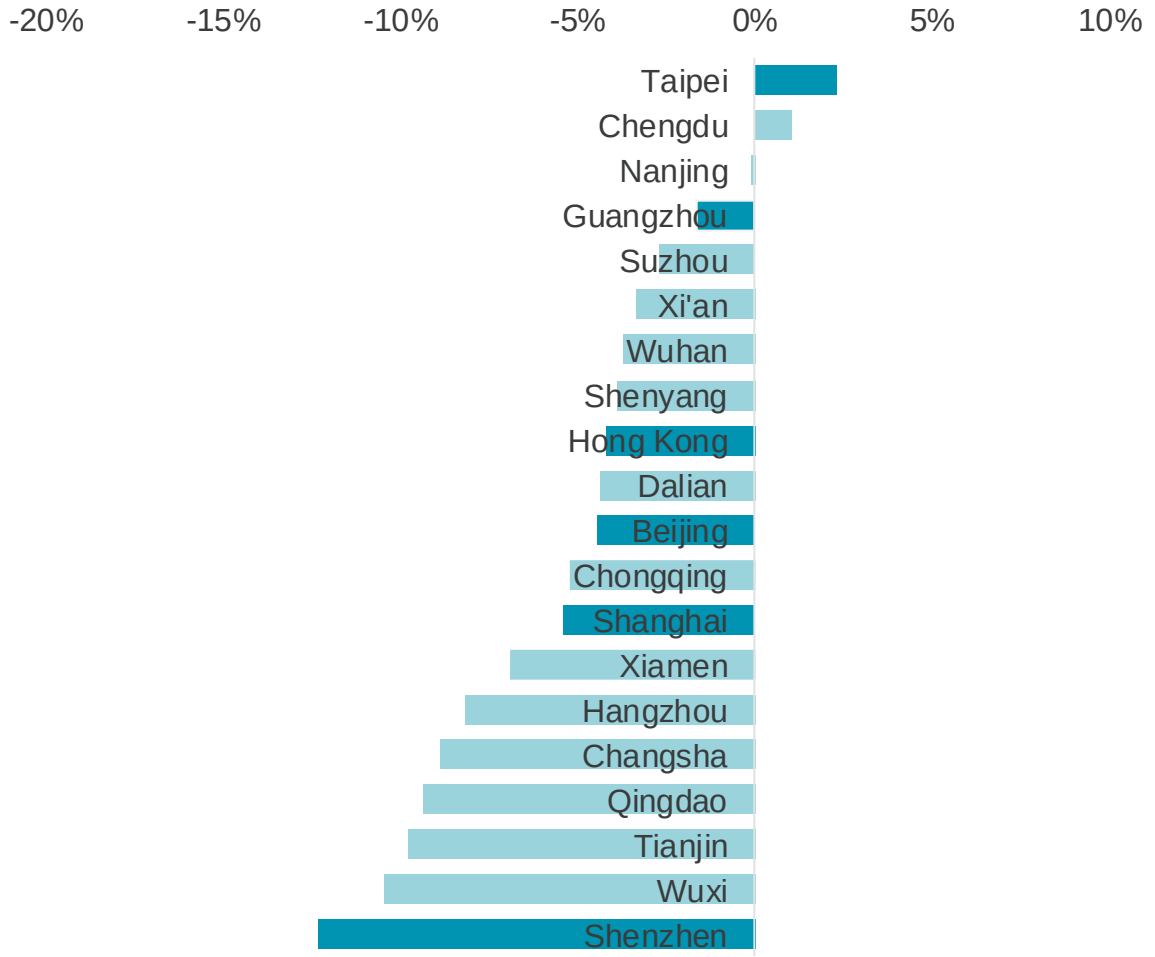
1st Tier cities: Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Taipei
2nd Tier cities: Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Xiamen, Xi'an, Wuxi, Suzhou

Source: Cushman & Wakefield Research, updated on Jan 10th , 2020

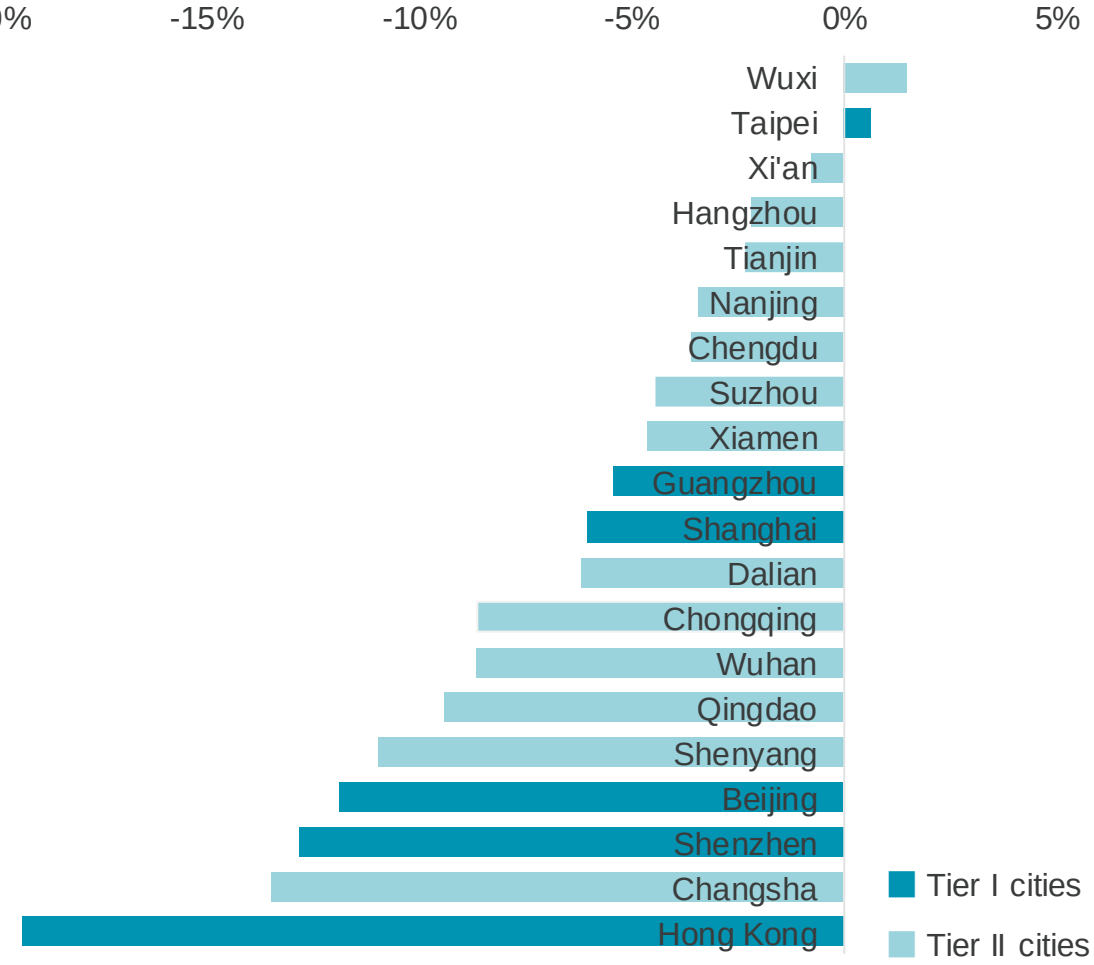
CHINA'S OFFICE SECTOR FUNDAMENTALS

Rentals continued to drop in most markets

Rental Growth 2019Q4 Y-o-Y



Rental Growth 2020Q4 Y-o-Y



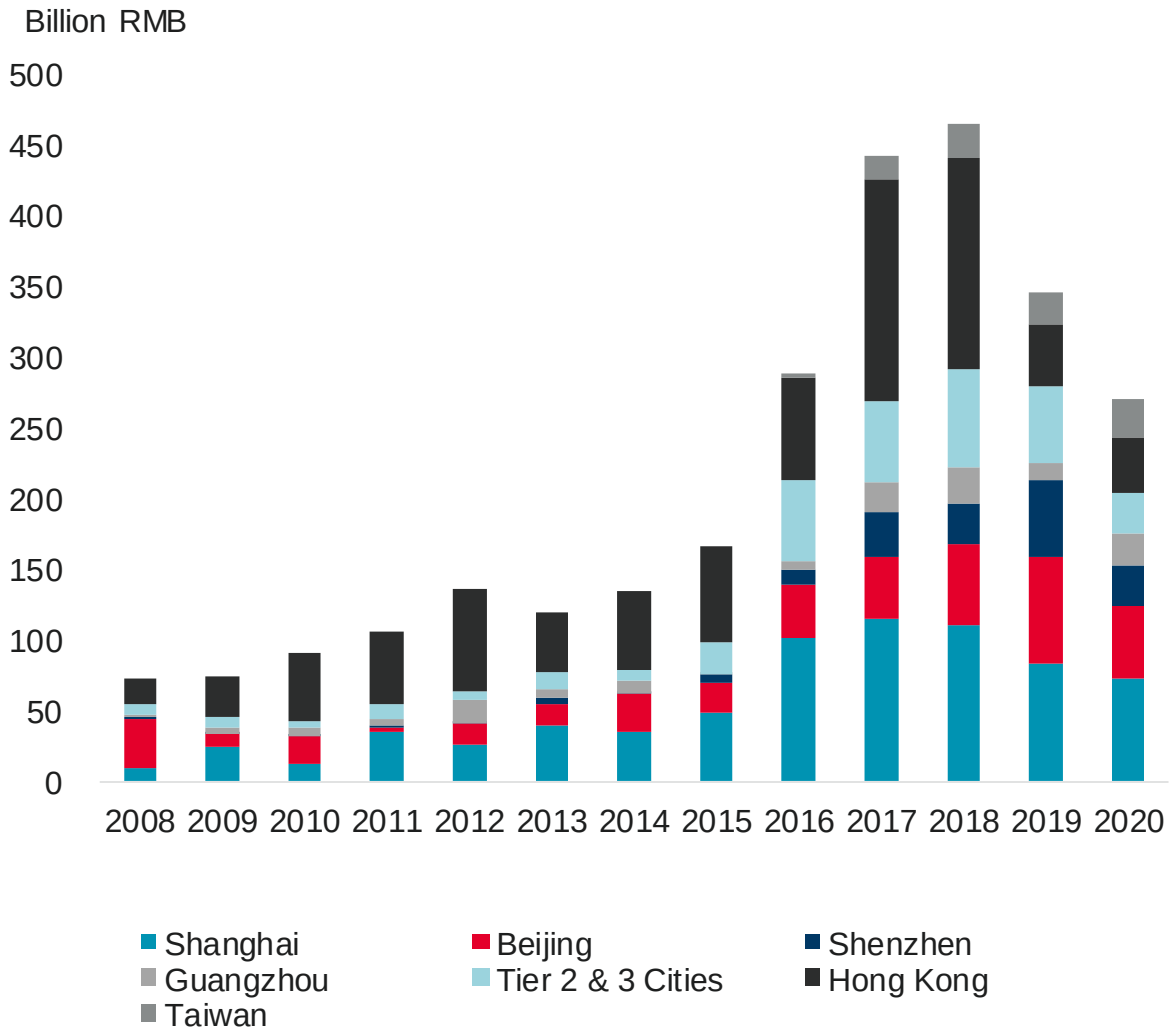
*The growth rate is calculated in local currency.

Source: Cushman & Wakefield Research, updated on Jan 10th, 2021

EN-BLOC TRANSACTION VOLUME DROPPED

Domestic investors took the lead in 2020

Greater China (2008–2020)



Mainland China (2008–2020)



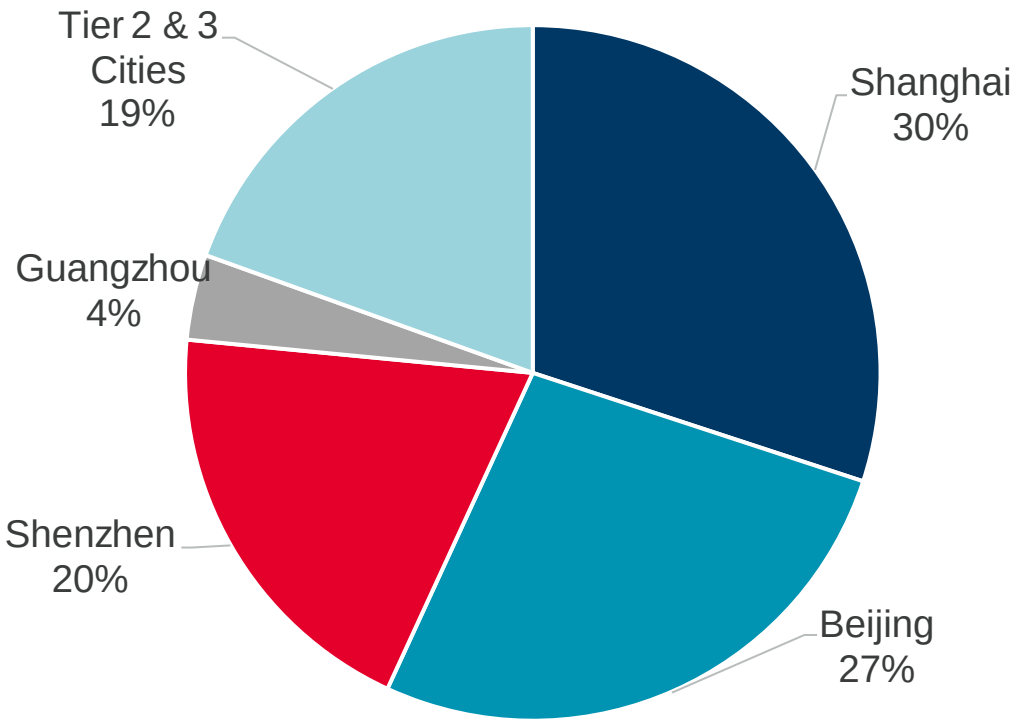
Source: Cushman & Wakefield Research, updated on Jan 8th , 2021

TRANSACTION VOLUME BY MARKET

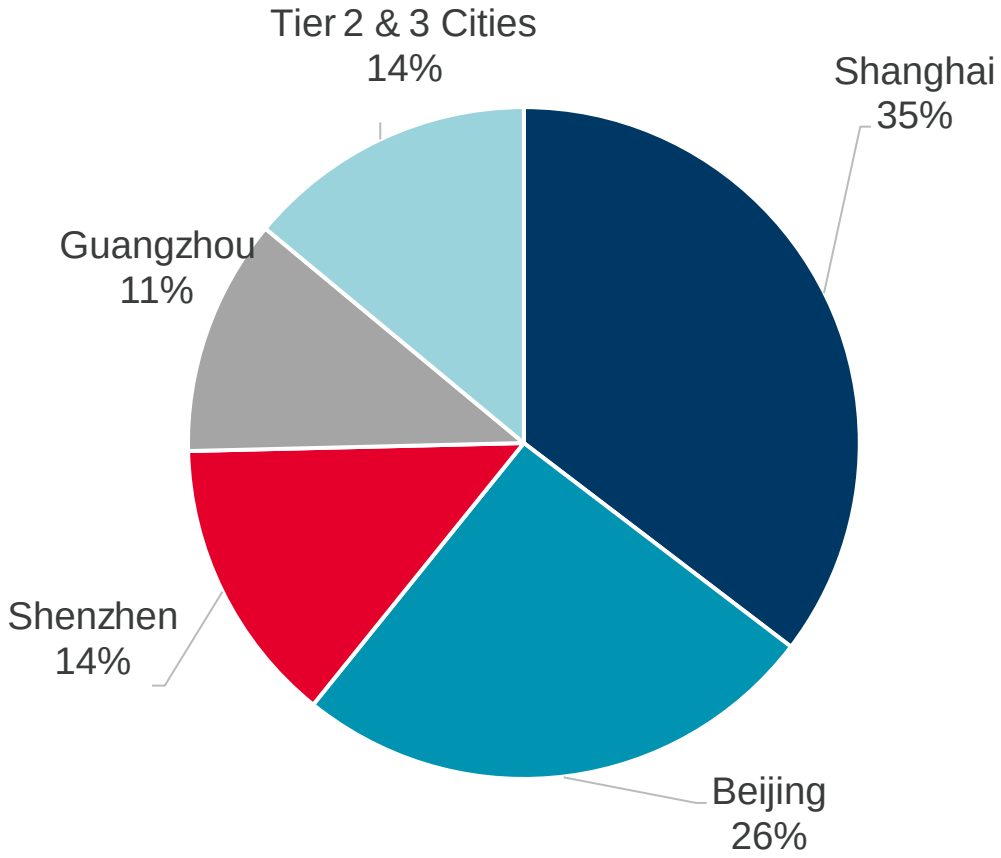
Shanghai accounted for the largest share of investment in 2020

Share of Transaction Volume

2019



2020



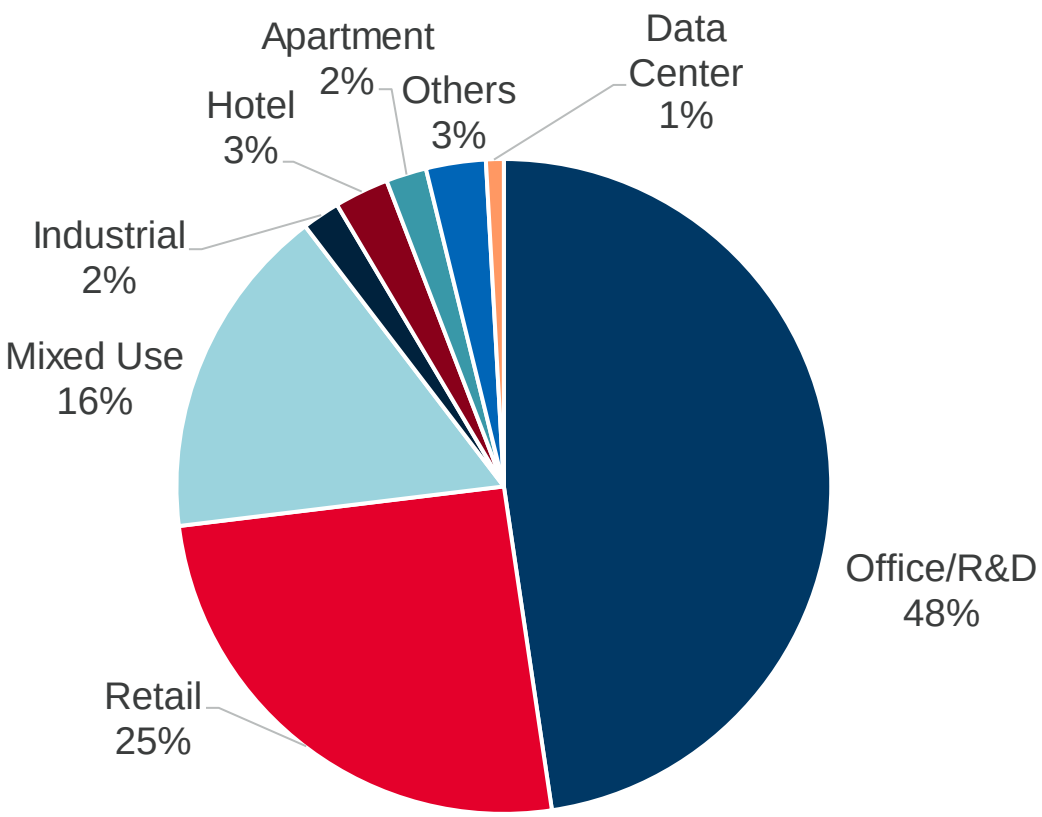
Source: Cushman & Wakefield Research, excluding land, updated on Jan 8th, 2021

TRANSACTION VOLUME BY SECTOR

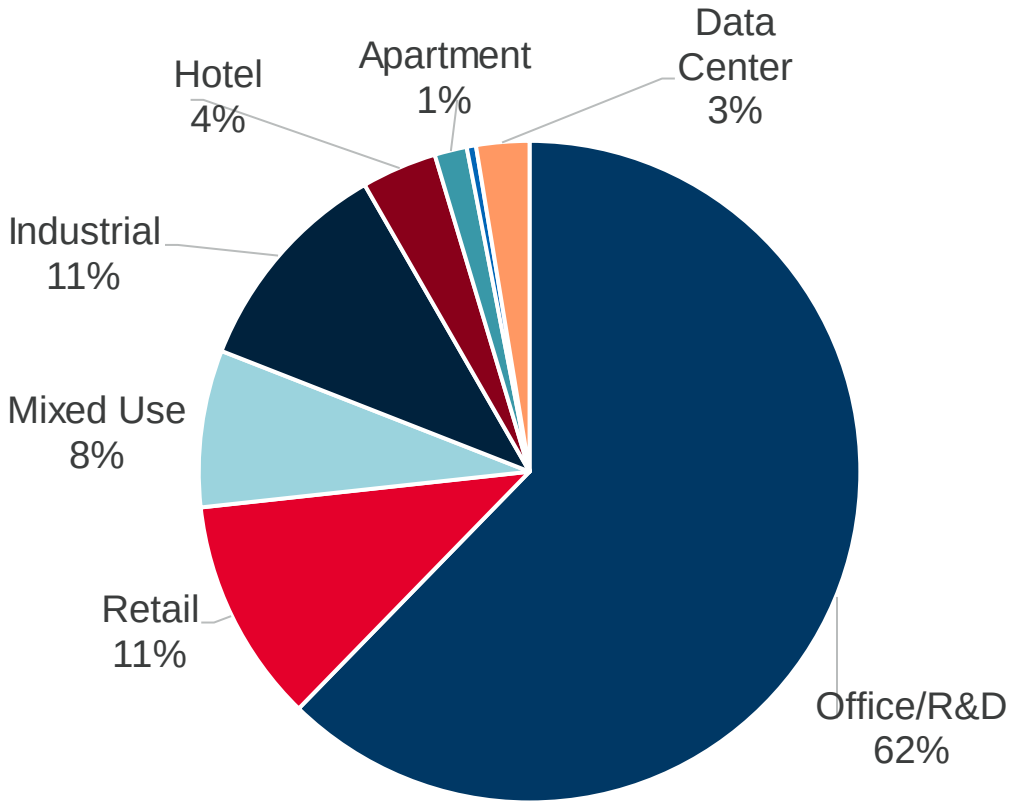
Office remained as the most preferred asset type

Share of Transaction Volume

2019



2020



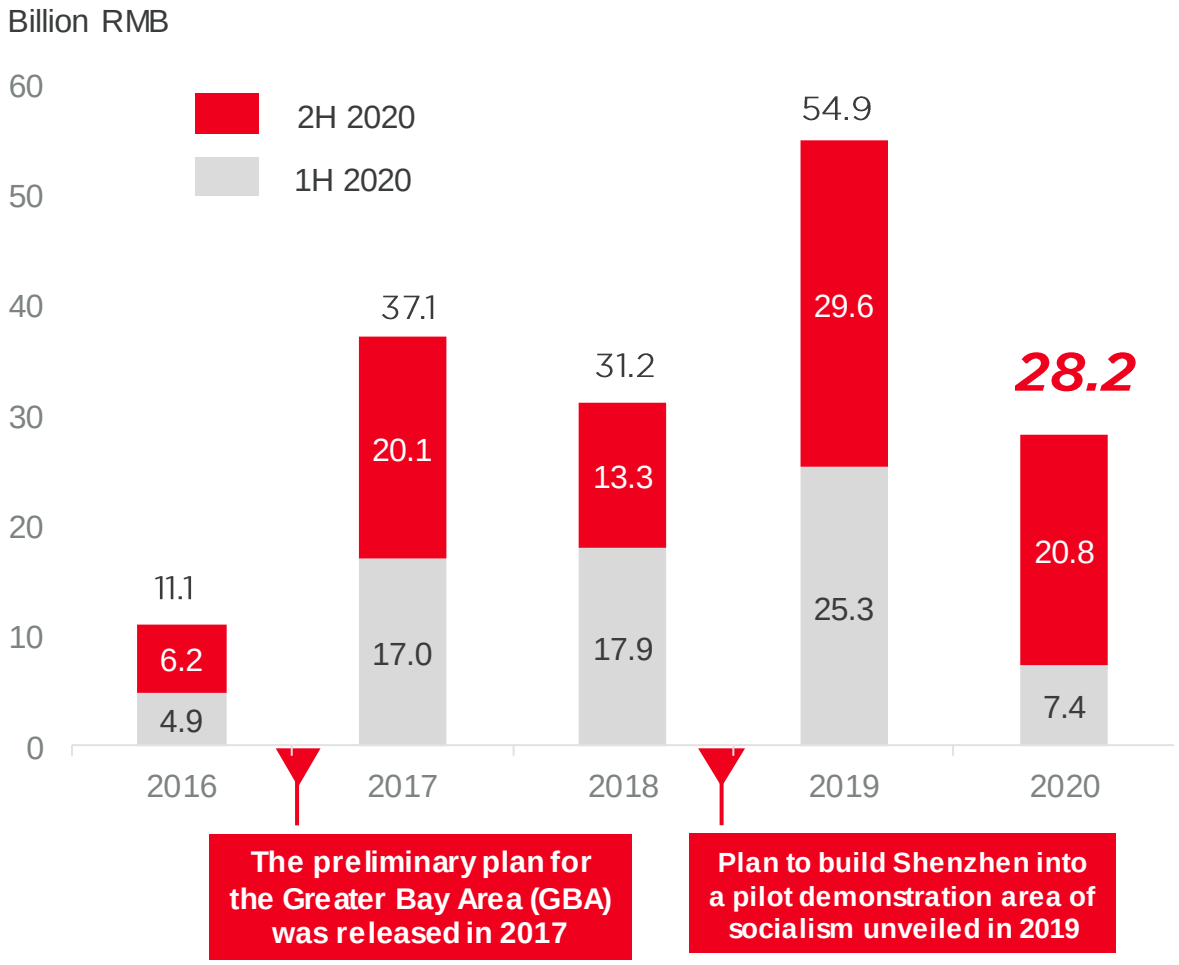
Source: Cushman & Wakefield Research, excluding land, updated on Jan 8th, 2021


CAPITAL MARKETS OVERVIEW
SHENZHEN
Review & Outlook
CUSHMAN & WAKEFIELD
戴 德 梁 行

SHENZHEN MARKET RECOVERED RAPIDLY IN 2H 2020

Fewer mega deals led to a significant decline in total transaction volume

Transaction volume of Shenzhen investment market*



28.2billion
Total transaction volume

-49%
YoY change in transaction volume

Tripled
Transaction volume growth in 2H 2020 compared with 1H 2020

Top 3 deals of the highest transaction volume of the year

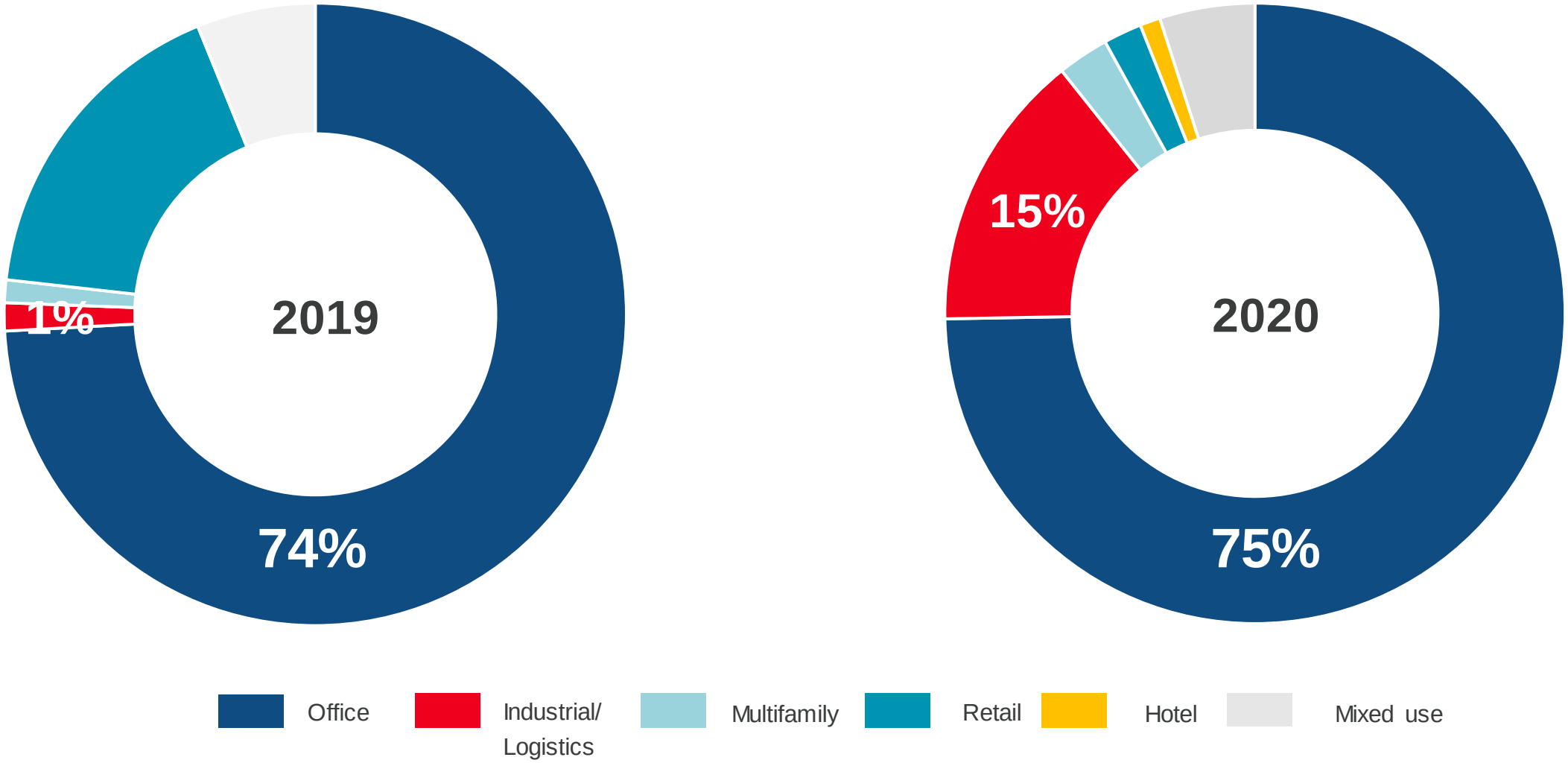
2019	OCT Tower	T2 of CR Qianhai Building	Central Walk	25.6 billion
VS				
2020	An office project in Longhua District	Block A of Central Times	Hytera Houhai Headquarters	12.6 billion

*for deals over 100 million RMB
Source: C&W Research and Capital Markets

OFFICES REMAINED AS THE MOST FAVORED ASSET CLASS

Industrial properties were back in the trading arena

Share of transaction volume by sector



Source: C&W Research and Capital Markets

OFFICE LEASING MARKET WAS UNDER PRESSURE

Investment was dominated by self-use buyers

SELF-USE

15.4billion

55%
of total transaction volume

13deals

50%
of total deals

Most of the deals were for self-use – headquarters of banks, financial and insurance companies or listed industrial companies

PICC
中国人民保险

WeBank
微众银行

GRG Banking
广电运通

POWER CHINA
中国电建

INVESTMENT

6.9billion

24%
of total transaction volume

9deals

35%
of total deals

Most of the deals were investment in projects either with financial difficulties or sold as strata-title

Huahui Group
华晖集团

ARTCITY
艺城控股

Source: C&W Research and Capital Markets

URBAN RENEWAL OPPORTUNITIES INCREASED AND ALTERNATIVE ASSETS WERE MUCH SOUGHT AFTER

CYG Urban Renewal Project in Nanshan District

2.12 billion

CYG长园 **GENZON正中集团**

In October, the central government issued the **"Implementation Plan for the Comprehensive Pilot Reform in Shenzhen to Build the City into a Pilot Demonstration Zone for Socialism with Chinese Characteristics"** that supports the revitalization of industrial land in Shenzhen.

In the same month, Shenzhen municipal government announced **relaunching of urban renewal plan for small plot redevelopment**, which accelerates the pace of urban renewal project in Shenzhen.

Logistics and data center deals led by international capital in the GBA in 2020



Source: C&W Research and Capital Markets

MARKET OUTLOOK FOR 2021

Shenzhen, as a core city in the GBA, is known for its “Hi-tech", "innovation" and "young talent"

More urban renewal opportunities will come up

As asset prices will likely soften, investors will re-examine investment opportunities in Shenzhen

Attention can be paid to high-quality office projects with stable cash flows or value-add opportunities in mature submarkets such as Futian and Luohu

Source: C&W Research and Capital Markets

KEY IMPLICATIONS

What to invest in Shenzhen?



OFFICE R&D

- Better pricing
- Strong growth in hi-tech & pharmaceutical industries



RETAIL

- Strong local consumption
- Low vacancy & high rental affordability



URBAN RENEWAL

- JV / Partnership
- Opportunity in debt market

MODERATOR:



Catherine Chen
Director, Research
Greater China

PANELISTS:



Francis Li
International Director
Head of Capital Markets, Greater China



Gordon Marsden
Regional Director
Asia Pacific Capital Markets



Jacob Chen
Head of Capital Markets
South China

Q&A

Please click on the Q&A icon on the top right hand corner of your window to submit your questions.

CUSHMAN & WAKEFIELD
戴 德 梁 行

This live webinar has now ended.

THANK YOU

KEY CONTACTS:

Anna Town
Head, Business Development Services, APAC
anna.town@cushwake.com

Francis Li
International Director
Head of Capital Markets Greater China
francis.cw.li@cushwake.com

James Shepherd
Head of Research
Greater China
james.shepherd@cushwake.com

Alvin Yip
President of Capital Markets, Greater China
Head of Capital Markets, China
alvin.kp.yip@cushwake.com

Catherine Chen
Director, Research
Greater China
catherine.chen@cushwake.com

Gordon Marsden
Regional Director
Asia Pacific Capital Markets
gordon.marsden@cushwake.com

Jacob Chen
Head of Capital Markets
South China
jacob.chen@cushwake.com

CUSHMAN & WAKEFIELD
戴 德 梁 行