MARKETBEAT SHENZHEN

CAPITAL MARKETS H2 2024

CUSHMAN & WAKEFIELD 戴德梁行

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
23.8B YTD Transaction Volume (RMB)	-44.0%	▲
5.5% Office (CBD) Cap Rate	+50bps	▲
5.5% Retail Cap Rate	+50bps	▲

Source: Cushman & Wakefield

ECONOMIC INDICATORS JAN - SEP 2024

	YOY Chg	12-Month Forecast
5.4% GDP growth	—	▲
0.1% CPI growth	▼	—
1.7% 10-year government bond rate	▼	▼

*Source: *10-year government bond rate is as of 31st Dec 2024.*

SMALLER-SIZED, LOWER-PRICED ASSET DEALS PREDOMINATE

Shenzhen capital market volume recorded RMB18.2 billion in 2H 2024, down 10.7% y-o-y. Market activity picked up considerably from the 1H period, and may be thought bottomed-out, yet many investors choose to remain cautious in a wait-and-see stance.

Full-year 2024 transaction volume reached RMB23.8 billion, down 44.0% y-o-y. Of the total 32 transactions recorded, just six exceeded RMB1 billion. For all transactions at less than RMB1 billion, the average transaction value was at just RMB260 million, with smaller-sized, lower-total-price asset deals predominating.

SCARCE LUXURY VILLAS STILL RECOGNIZED BY THE MARKET

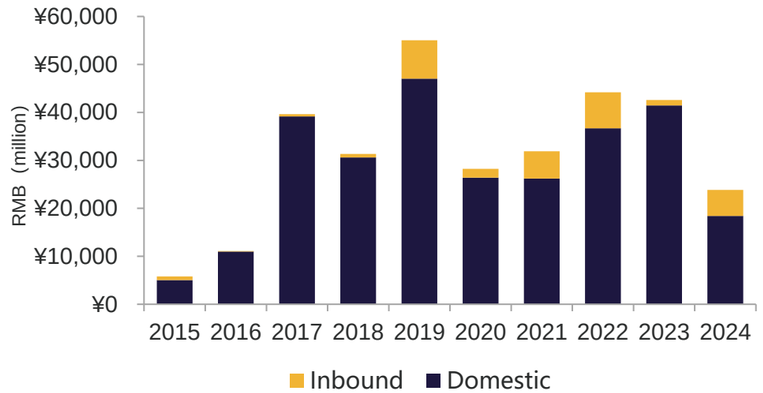
By asset category, office and R&D building transactions were most dominant through 2024, accounting for 42.5% and 37.6% of total transaction volume, respectively. Overall office-use assets accounted for more than 80% of volume. However, the number of consumer infrastructure REITs issued in 2024 prompted investors to pay greater attention to shopping centers and community retail stores with mature operations and higher rates of return. Retail asset transaction volume reached RMB2.6 billion, up nearly 30% y-o-y and accounting for 10.7% of total 2024 transaction volume. Elsewhere, industrial factories and high-priced residential villas attracted owner-occupier buyers, taking 3.0% and 2.7% shares of total transaction volume, respectively.

Government entities and state-owned enterprises were the most active buyers in 2024, accounting for 45.7% of total transaction volume. State-owned platform companies are acquiring office assets for industrial support, with industrial enterprises also purchasing office space for self-use at low prices. In addition, foreclosed asset transactions recorded RMB1.49 billion in 2024, rising 52.4% y-o-y. Of these deals, 40% were for detached residential villas, with most exceeding RMB0.3 million per sq m. Such scarce top-luxury homes are still recognized by the market amid downward trending prices of all asset types.

OUTLOOK

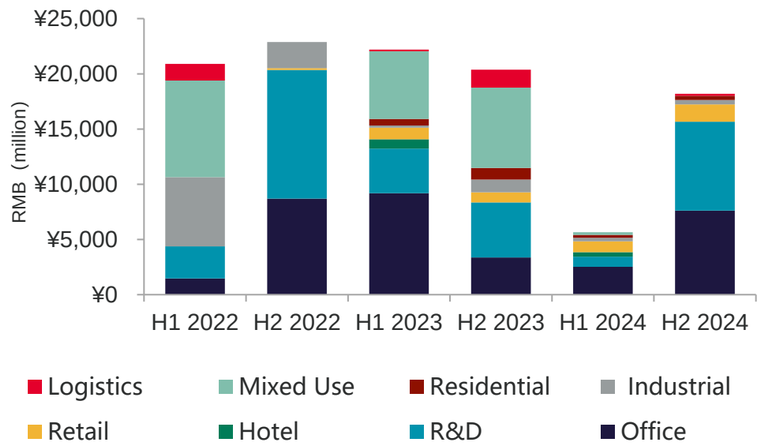
Ahead, more well-run commercial projects with stable returns will enter the ranks of consumer infrastructure public REITs. Notably in 2024, real estate companies were the sellers in 70% of total transaction volume, and we can expect that the trend of real estate companies selling non-residential assets at low prices to ease capital pressures will continue.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield

INVESTMENT SALES VOLUME BY SECTOR



Source: Cushman & Wakefield

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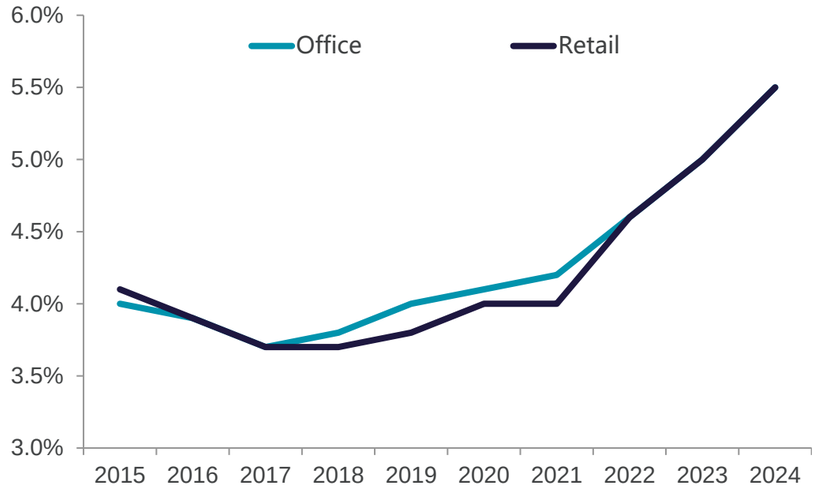
SHENZHEN
CAPITAL MARKETS H2 2024

SIGNIFICANT SALES

PROPERTY	LOCATION	SECTOR	PRICE (RMB MN)	VENDOR	PURCHASER	DEAL TYPE
Hong Leong Technology Park Shenzhen	Longgang	R&D	5,260	Longgang District Industrial Investment Service Group	CDL	Investment
Chengjian Yunqi Building	Luohu	Office	4,104	Shenzhen Urban Construction Land Development	Luohu Investment Holdings	Investment
Creative City T6B	Nanshan	R&D	2,677	Shenzhen SEZ Construction & Development Group	Shenzhen Dashahe Construction Investment	Investment
Zhiwan Building	Nanshan	Office	1,886	Shenzhen Metro	Hongmian Capital	Investment

Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over $10 million

CAP RATE TREND



Source: Cushman & Wakefield

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