GREATER CHINA LOGISTICS MARKET

H1 2023

CUSHMAN & WAKEFIELD
戴 德 梁 行

WE MAKE AN IMPACT

01

KEY TRENDS & OVERVIEW

KEY TRENDS

Greater China’s Logistics Market

China’s economy grew in H1 2023, with GDP rising 5.5% y-o-y to record RMB59.30 trillion. As the economy and society in general resumed normal operations, a range of policies and measures to promote consumption were implemented. This led to the gradual release of pent-up consumer demand, with total retail sales of social consumer goods growing by 8.2% y-o-y. This relatively faster recovery in consumption has enabled a greater boost to overall economic growth..

Overall logistics market leasing demand remained stable in H1 2023. In terms of logistics leasing demand by sector, the manufacturing and consumer sectors contributed much to take up. E-commerce and third-party logistics enterprises remain the main tenants within the premium warehouse leasing market.

In H1 2023, warehousing recorded an average performance in terms of investment volume, with investors remained cautious. Three main transactions were recorded in the period. Keppel Capital and Blogis acquired a premium logistics warehouse in Wuhan’s Dongxihu District, CapitaLand completed a RMB799 million acquisition of logistics assets in Foshan, and Dajia Baoxian and Blogis acquired three logistics projects in Jiaxing, Nanjing and Kunming. Ahead, as the market continues to recover, we expect to see investment gradually increase.

The logistics sector in general maintained its recovery trend in H1 2023, although momentum was unstable. At the beginning of 2023, China’s logistics industry prosperity index increased significantly, rising to 55.5% in March. However, in May and June, the industry’s prosperity level dropped from the numbers recorded in March and April. Meanwhile, the development of the semi-prepared food market in mainland China will provide a further boost to expansion in the cold chain logistics and warehousing sector.

MARKET OVERVIEW

Greater China's Logistics Market – H1 2023

MAINLAND CHINA

- The total stock of premium logistics warehouse space in mainland China reached 114 million sq m in H1 2023.
- Approximately 5.02 million sq m of new supply entered the mainland China logistics market in H1.
- The overall vacancy rate increased 1.4 percentage points from Q4 2022 to 16.5%.
- Overall average rents rose 0.8% from Q4 2022 to RMB33.8 per sq m per month.
- Ahead, an additional 37.98 million sq m of new supply is scheduled for completion by the end of 2025.

HONG KONG CHINA

- Hong Kong's total stock of premium logistics space remained at 31.2 million sq ft (2.90 million sq m) in H1.
- No new supply was recorded in H1. A mega-project totaling 4.1 million sq ft (0.38 million sq m) near the Hong Kong International Airport is expected to enter the market in H2 2023.
- In 2027, new warehouse supply will be completed in Kwai Chung (New Territories). Jointly developed by ESR and Chinachem, the project is expected span 1.5 million sq ft (0.14 million sq m).
- The overall vacancy rate remained stable at 3.4%, while monthly rents increased mildly by 0.5% in H1 2023 to HK$14.4 per sq ft, respectively.

TAIWAN CHINA

- Total premium logistics stock increased to approximately 989,000 pings (3.27 million sq m).
- Incoming supply is expected to add 186,000 pings (615,000 sq m) of stock by the close of 2025, an increase of approximately 18.8%.
- Around 78% of stock is concentrated in Taoyuan City, close to Taoyuan International Airport. The average monthly rental level remained at approximately NT$650–750 per ping.

Source: Cushman & Wakefield Research

WE MAKE AN IMPACT

02

MACRO-ECONOMY

THE MACRO ECONOMY

Major Logistics Indicators – H1 2023

Mainland China
H1 GDP
growth rate
5.5%

Mainland China industrial added value
Y-o-Y growth rate
3.8%

National fixed asset investment
Y-o-Y growth rate
3.8%

Mainland China logistics prosperity index
44.7% (Jan)
50.1% (Feb)
55.5% (Mar)
53.8% (April)
51.5% (May)
51.7% (June)

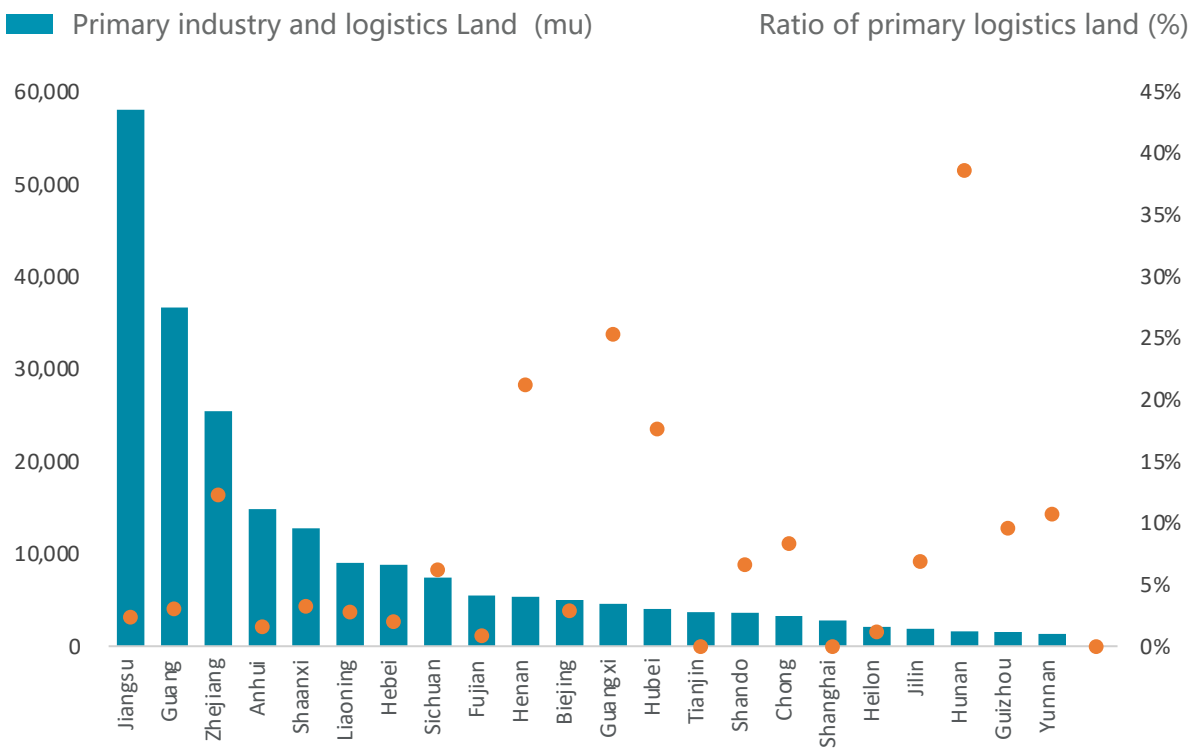
Mainland China total retail sales
annual growth rate
8.2%

Source: Cushman & Wakefield Research, National Bureau of Statistics of China, China Federation of Logistics & Purchasing

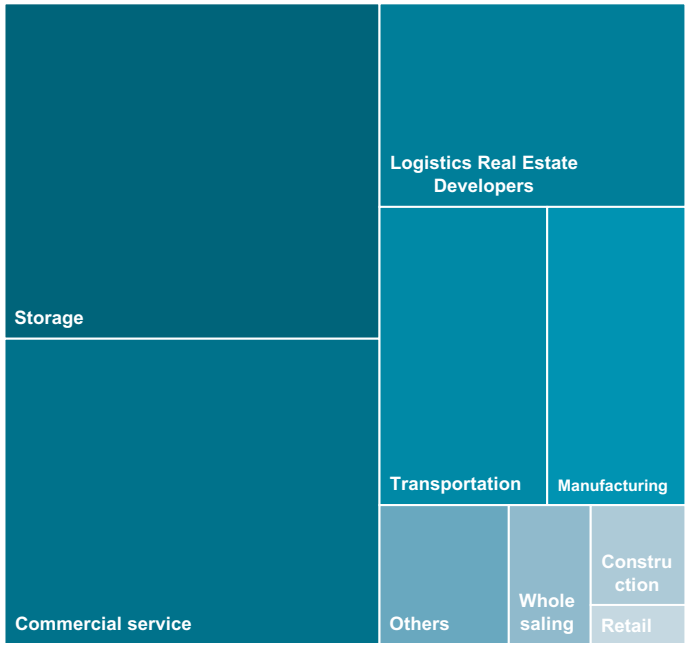
WE MAKE AN IMPACT
03
THE GENERAL MARKET

THE PREMIUM LOGISTICS MARKET

Mainland China Logistics Land Supply H1 2023



Share of primary logistics land by industry

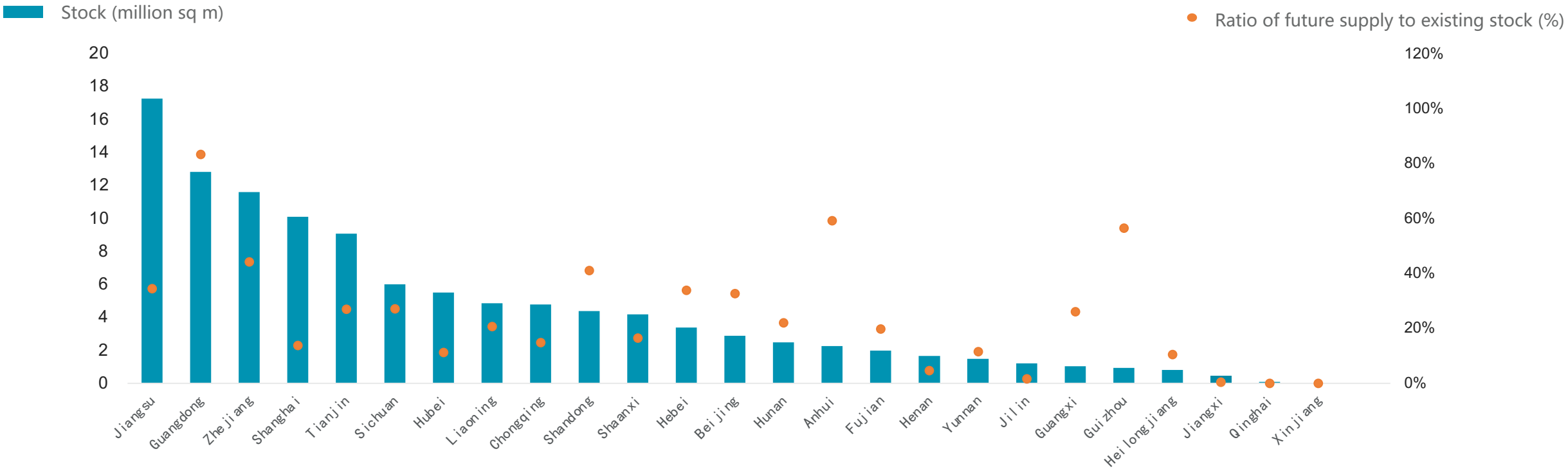


- Government sales of industrial land plots across 74 cities in mainland China totaled approximately 219,248 mu in H1 2023. Logistics land plots supply increased, accounting for 5.4% of the total transaction area.
- The storage, commercial services and logistics real estate sectors were most active in land acquisition. Logistics real estate developers accounted for 14.3% of logistics land transactions in H1, showing an upwards trend compared with Q4 2022.

Source: Cushman & Wakefield Research

THE PREMIUM LOGISTICS MARKET

Mainland China Stock and Future Supply (Q3 2023-2025)

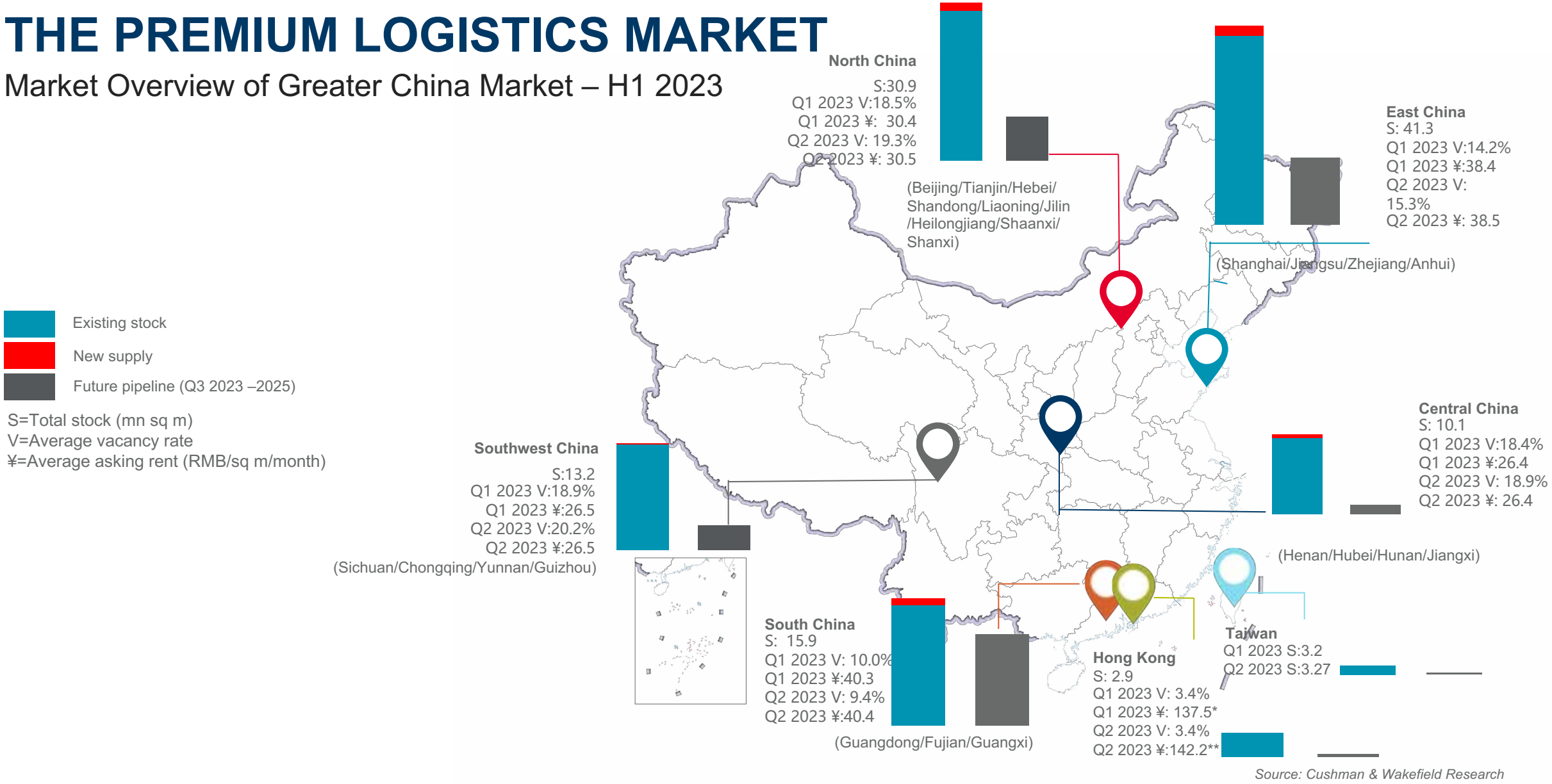


- Jiangsu, Guangdong and Zhejiang were the top three locations for total stock in H1, with each market also slated for a large volume of scheduled future supply in the next two years, which will bring some leasing pressure. But due to the well-developed regional industry and strong demand for premium logistics warehouses, new projects will be effectively leased. With the tight supply of warehousing land, the premium logistics warehouse market is expected to exhibit a positive development trend during the long term.
- Guangdong, Anhui and Guizhou are the top three areas for the ratio of future supply to existing stock. However, total stock in Anhui and Guizhou is relatively small and the future supply will only have a slight impact on the overall local logistics market in these areas.

Source: Cushman & Wakefield Research

THE PREMIUM LOGISTICS MARKET

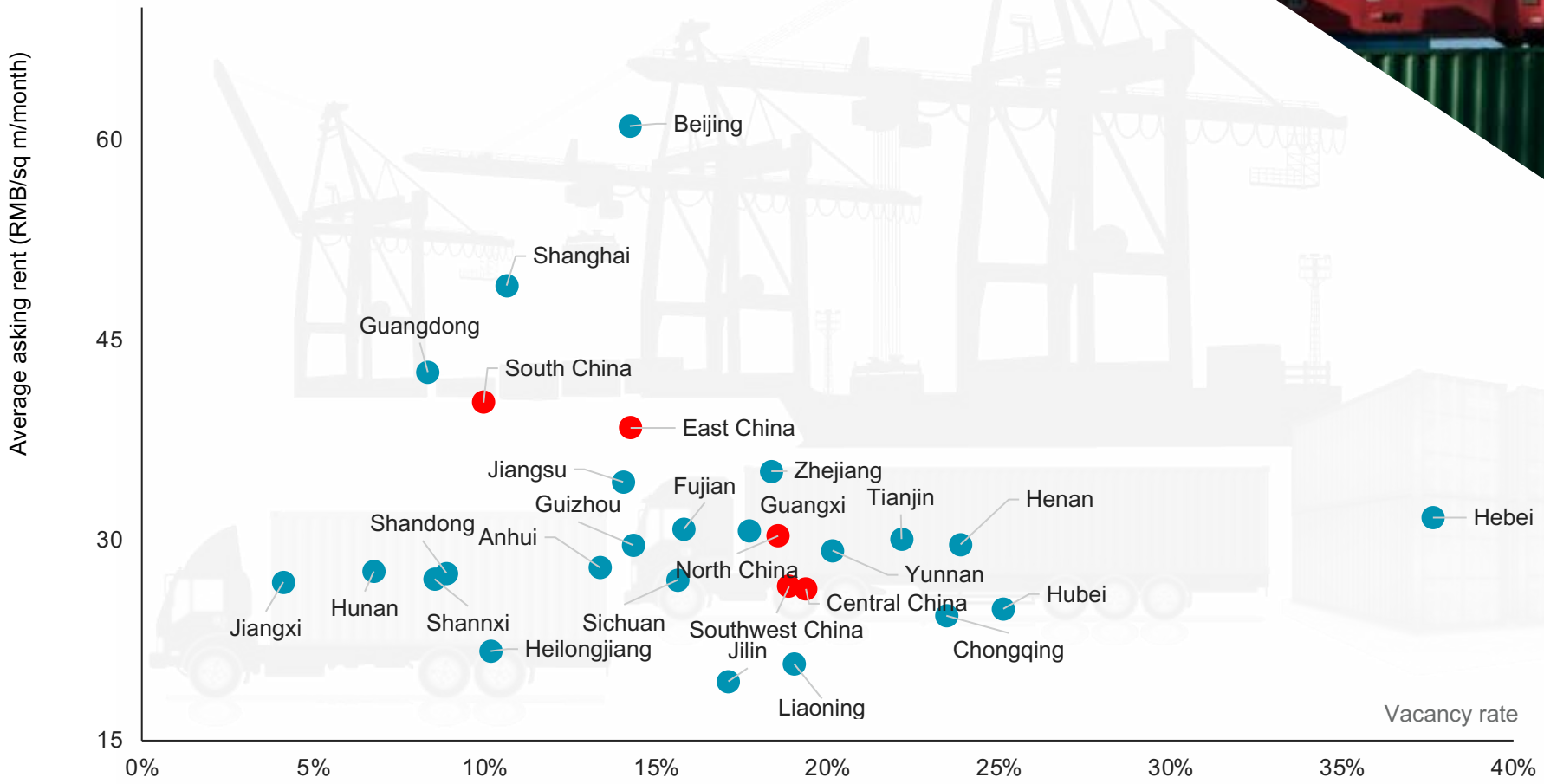
Market Overview of Greater China Market – H1 2023



Source: Cushman & Wakefield Research

MAINLAND CHINA PREMIUM LOGISTICS MARKET

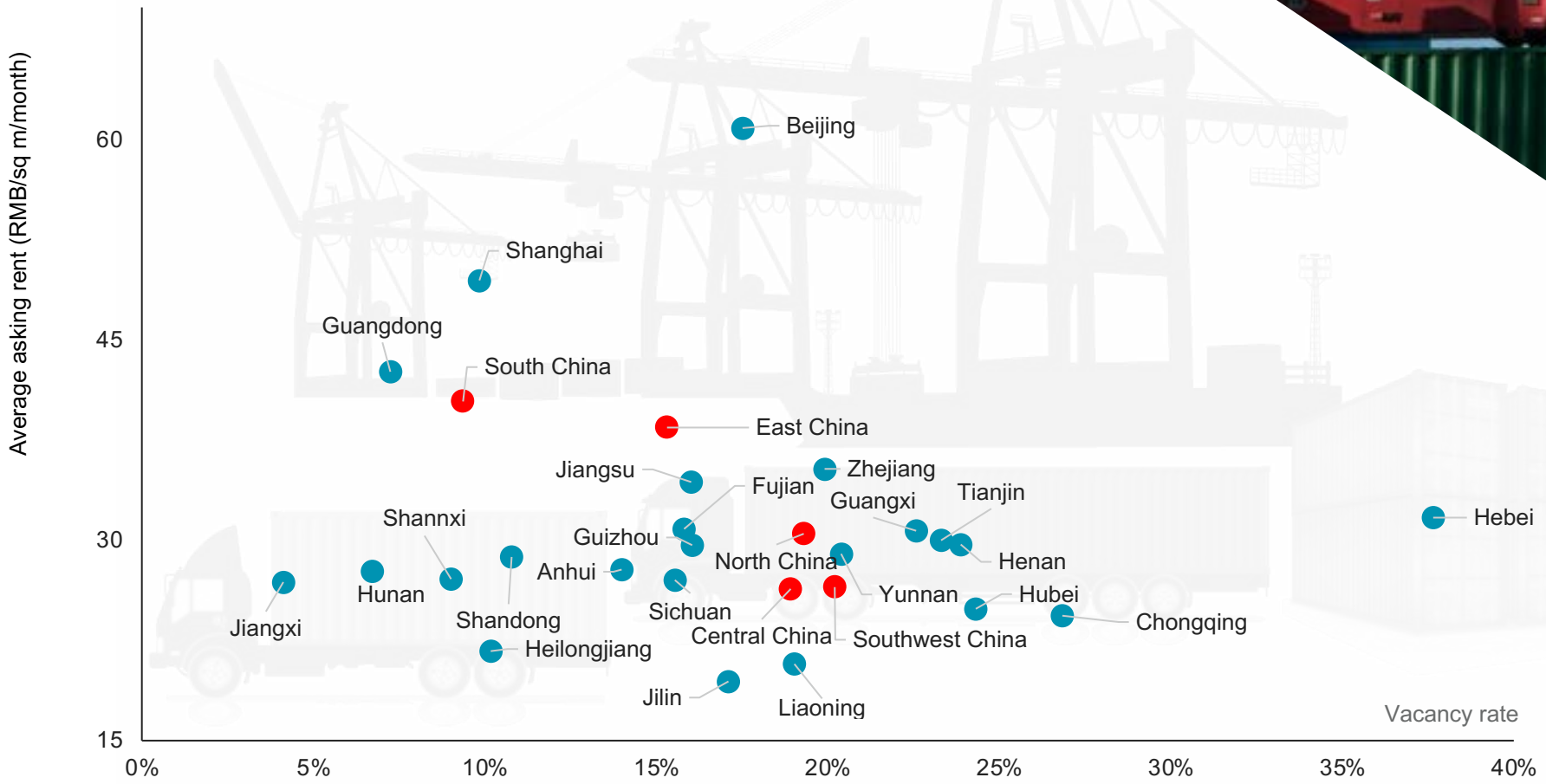
Vacancy and Rental by Provincial Market – Q1 2023



Source: Cushman & Wakefield Research

MAINLAND CHINA PREMIUM LOGISTICS MARKET

Vacancy and Rental by Provincial Market – Q2 2023



Source: Cushman & Wakefield Research

THE PREMIUM LOGISTICS MARKET

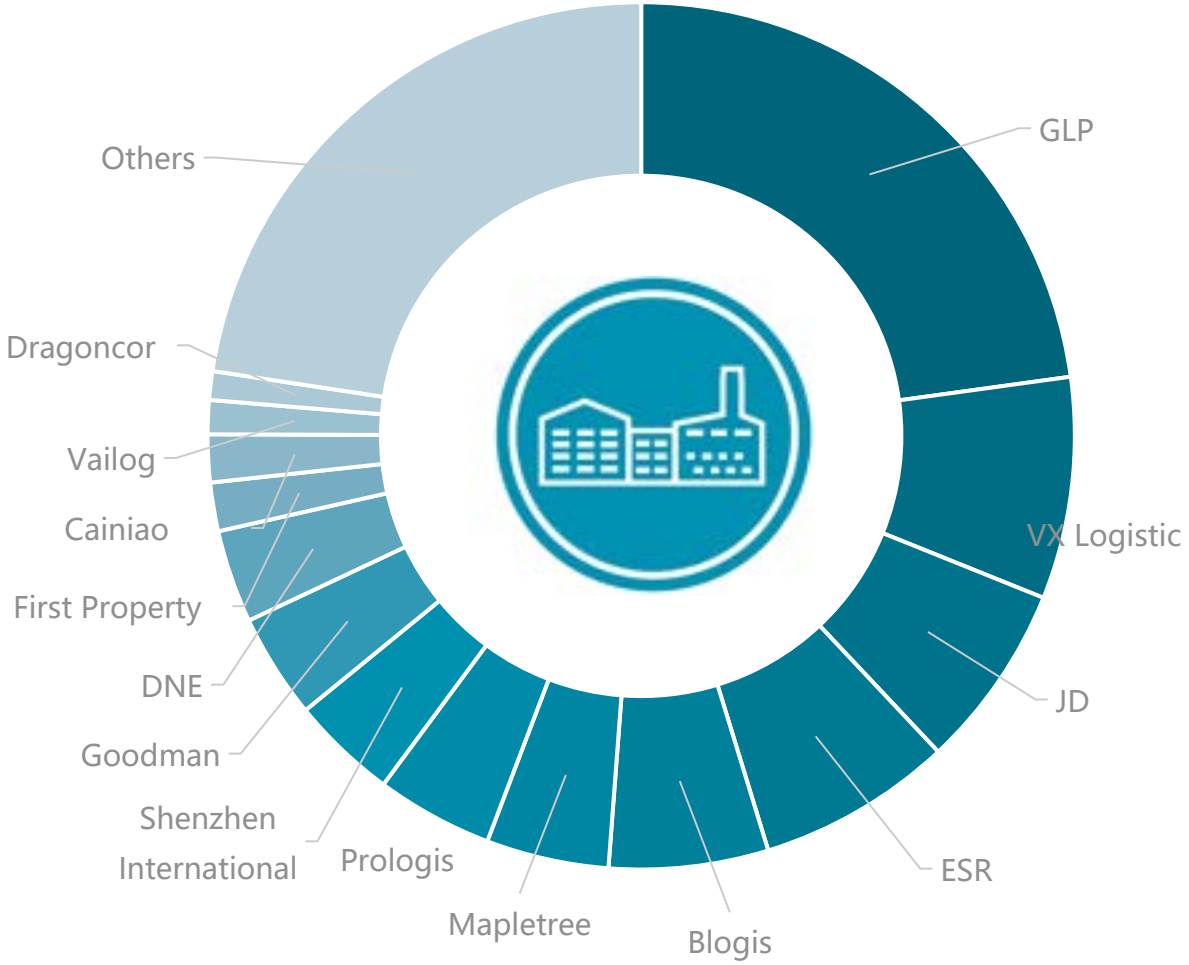
Mainland China Leasable Breakdown by Operator – H1 2023

Latest major deal information:

Keppel Capital and Blogis acquired a premium logistics warehouse in Wuhan's Dongxihu District.

CapitaLand made a RMB799 million acquisition of logistics assets in Foshan.

Dajia Baoxian and Blogis acquired three logistics projects in Jiaxing, Nanjing and Kunming.



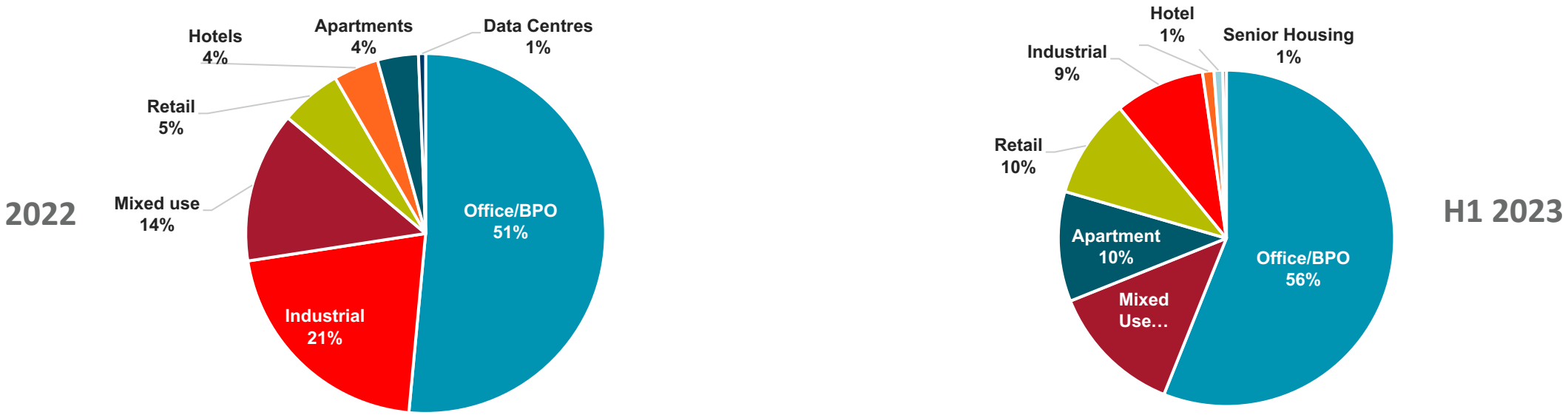
Note: By Operator Holding >1% of Total Market Stock

Source: Cushman & Wakefield Research

THE PREMIUM LOGISTICS MARKET

Investment

Investment transaction volume in mainland China – 2022 and H1 2023



In 2022, investment transaction volume in the industrial property sector reached 21% of the total property sector volume, second only to the office/business park office (BPO) sector.

Investors in the domestic logistics market were cautious in the H1 2023 period. Subsequently, at just 9% of total volume, industrial logistics investment volume was relatively low compared to volume seen in 2022. Ahead, the investment market will gradually recover with the further expansion of domestic consumption levels and industrial production.

Source: Cushman & Wakefield Research

WE MAKE AN IMPACT

04

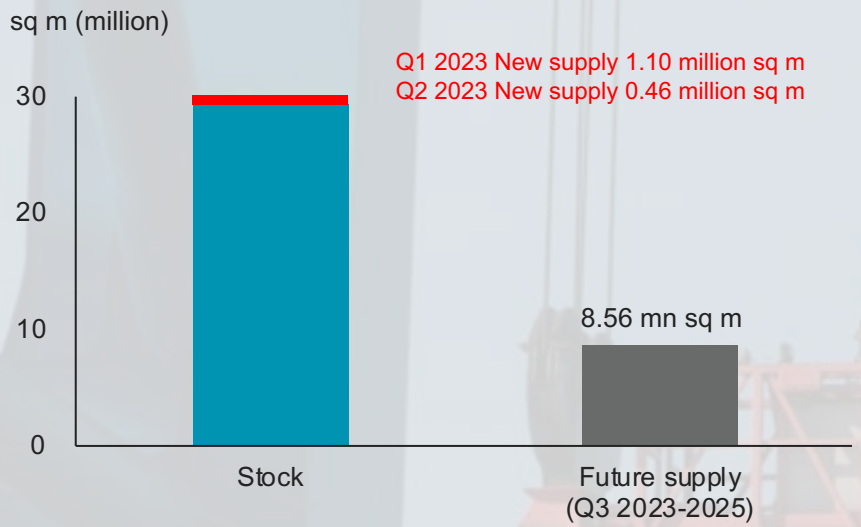
THE REGIONAL MARKETS

PREMIUM LOGISTICS MARKET

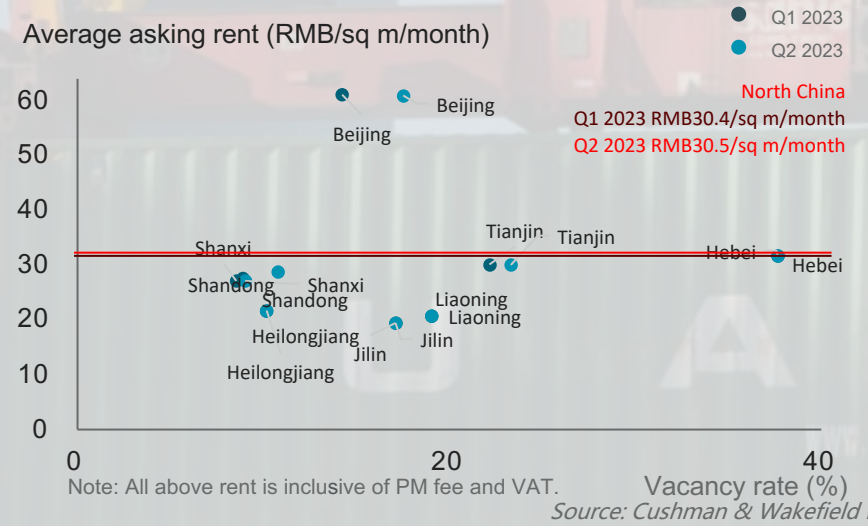
North China Logistics Overview – H1 2023

- The premium warehouse market in North China recorded several new projects completing in H1, totaling approximately 1.56 million sq m of new space. Average monthly rent increased 0.5% from Q4 2022 to reach RMB30.5 per sq m. The vacancy rate for premium warehouses rose 0.6 percentage points to 19.3%.
- The Beijing premium logistics warehouse market recorded three new projects in H1. The vacancy rate in the premium logistics warehouse market rose 9.7 percentage points to record 17.5% due to the impact of new projects. With strong overall demand in Beijing, there is less leasing pressure on vacant projects from a long-term perspective.
- The Tianjin premium logistics warehouse market recorded three new projects in H1. Market supply exceeds demand, meaning leasing pressure was heavy. Given some premium logistics warehouses are expected to enter the market in H2 2023, it is expected that the market will see further leasing pressure.
- Due to the large new supply influx, the Langfang premium logistics warehouse experienced leasing pressure in H1 2023 and the vacancy rate remained at a high level. The possibility of rent increases in the Langfang market remained limited with bargaining space for tenants still significant.

Current stock, new & future supply



Average rental and vacancy Rate by mainland China provincial markets



Note: All above rent is inclusive of PM fee and VAT.

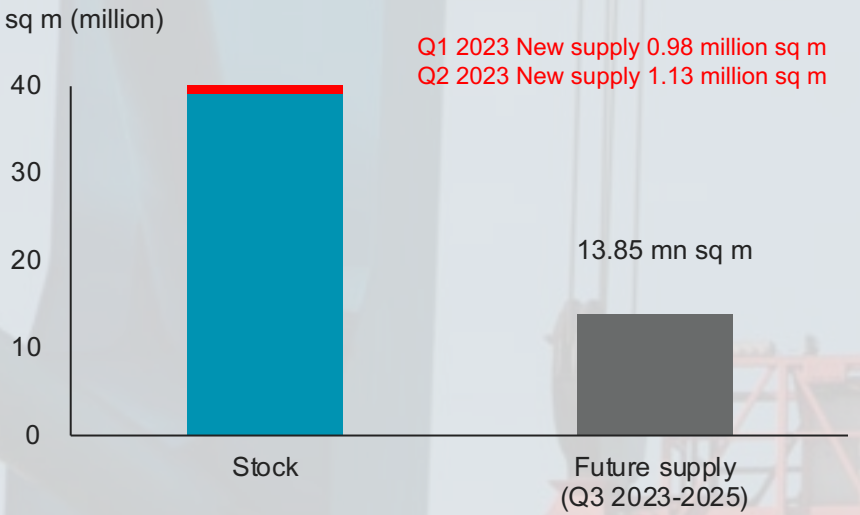
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

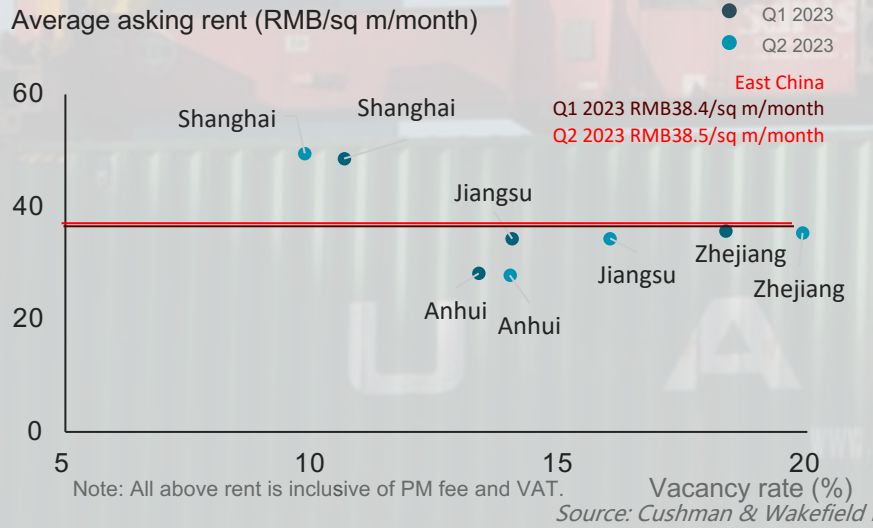
East China Logistics Overview – H1 2023

- The East China premium warehouse market performance was stable in H1. Compared with Q4 2022, overall average monthly rent rose 0.8% to reach RMB38.5 per sq m. The overall warehouse vacancy rate rose 3.5 percentage points to 15.3%.
- In Q1 2023, there was a slight adjustment in the tenant structure, with a rise in manufacturing-related leasing demand, and particularly positive leasing enquiry activity from tenants in the consumer goods manufacturing sector. In Q2 2023, established e-commerce shopping festivals failed to drive strong leasing demand, and there was no significant increase in premium warehouse enquiries. The e-commerce, 3PL and express delivery sectors remained the main tenants in the East China premium warehouse market.
- Due to the continued tightening of government registration and tax requirements for tenants, developers are favouring high-tax and high-value manufacturing tenants. In addition, the market is experiencing pressure to attract tenants because of the high availability of unleased supply in the market.

Current stock, new & future supply



Average rental and vacancy rate by mainland China provincial markets



Note: All above rent is inclusive of PM fee and VAT.

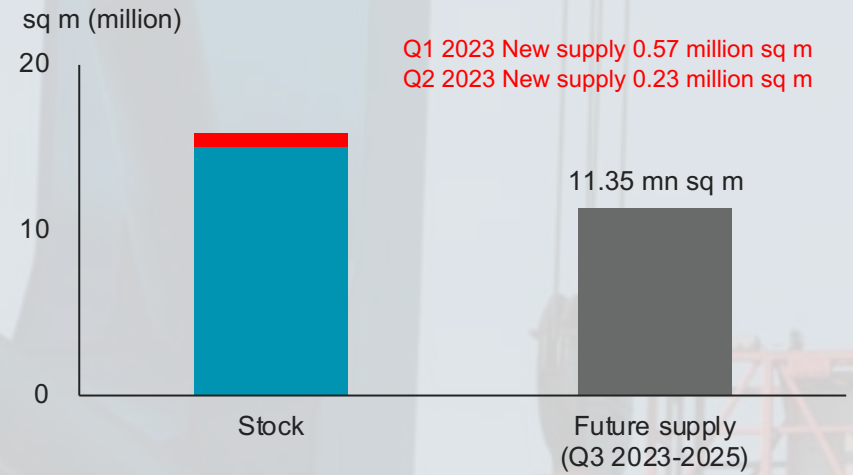
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

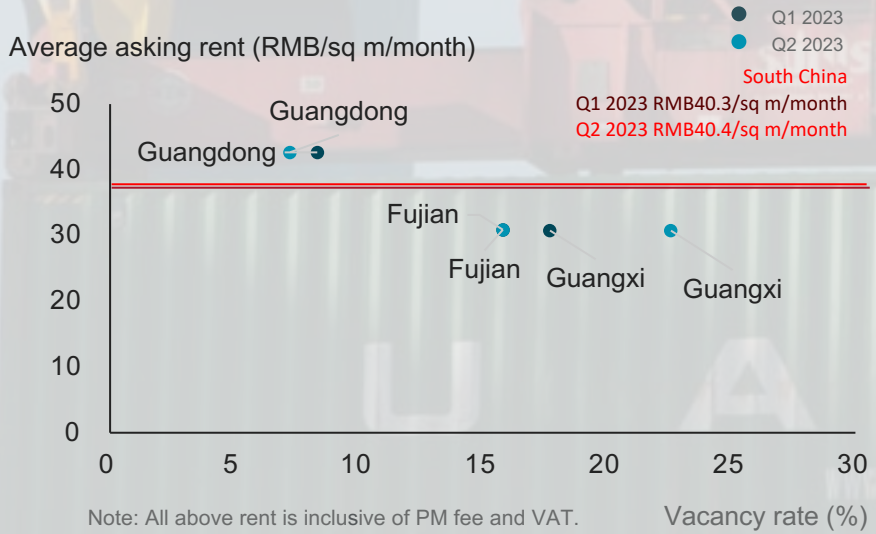
South China Logistics Overview – H1 2023

- The South China premium warehouse market experienced strong demand in H1. South China recorded 0.8 million sq m of new supply in H1. Compared with Q4 2022, the overall vacancy rate dropped 1.1 percentage points to 9.4% while the average monthly rent rose 1.6% to reach RMB40.4 per sq m.
- The e-commerce and manufacturing sectors were the key drivers in the premium logistics warehouse in Shenzhen. Overall demand in Shenzhen remained strong, with the vacancy rate falling 5.3 percentage points to 1.7%. In Dongguan, with the main tenants being e-commerce and 3PL operators, the overall premium warehouse market performance was stable, with the vacancy rate dropping 1.0 percentage points to 7.2%.
- The tenant structure of the Guangzhou premium warehouse market was stable in H1 2023, with demand from the manufacturing sector on the rise. The 3PL and e-commerce sectors remained the key drivers. The expiry of the leases of some e-commerce tenants prompted the overall market vacancy rate to remain at 8.2%. Demand in Foshan was stable in H1 2023, with the vacancy rate dropping 2.8 percentage points to 12.7%.

Current stock, new & future supply



Average rental and vacancy rate by mainland China provincial markets



Note: All above rent is inclusive of PM fee and VAT.

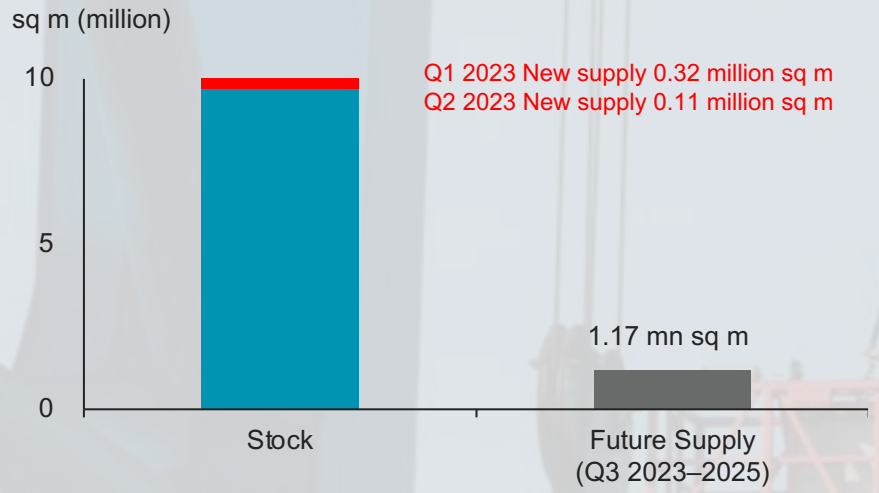
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

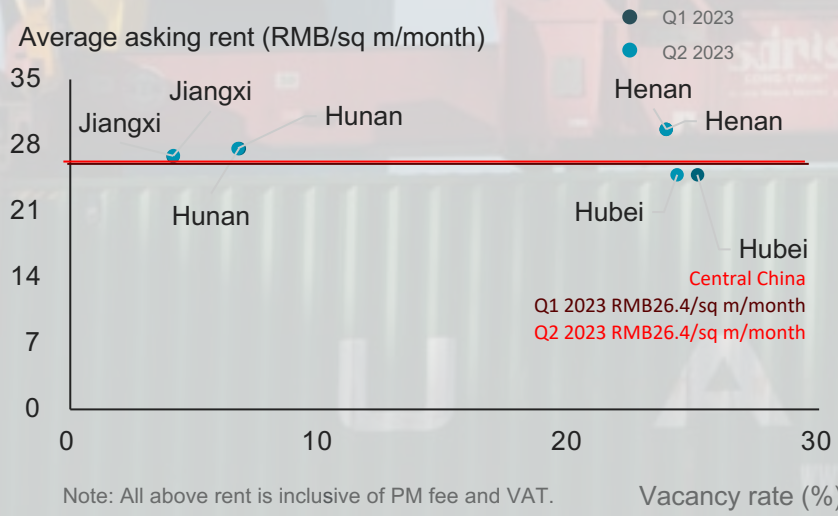
Central China Logistics Overview – H1 2023

- The Central China premium warehouse market remained relatively stable. Compared with Q4 2022, the overall vacancy rate dropped 0.3 percentage points to record 18.9%. Average monthly rent decreased slightly by 0.7% to RMB26.4 per sq m.
- Wuhan's premium warehouse market was stable. The express delivery, e-commerce and city delivery sectors were the main drivers. As a result of the large volume of new supply recorded in H1 2023, tenant bargaining space will grow and recently there has been a small downward adjustment in rental levels. Impacted by new projects entering the market in H2 2023, leasing pressure in the Wuhan premium warehouse market is expected to remain at a high level.
- Market performance in Changsha was stable. The 3PL and e-commerce sectors were the major demand drivers in Changsha. Compared with Q4 2022, the average monthly rent rose slightly 1.2% to to RMB27.7 per sq m.

Current stock, new & future supply



Average rental and vacancy rate by mainland China provincial markets



Note: All above rent is inclusive of PM fee and VAT.

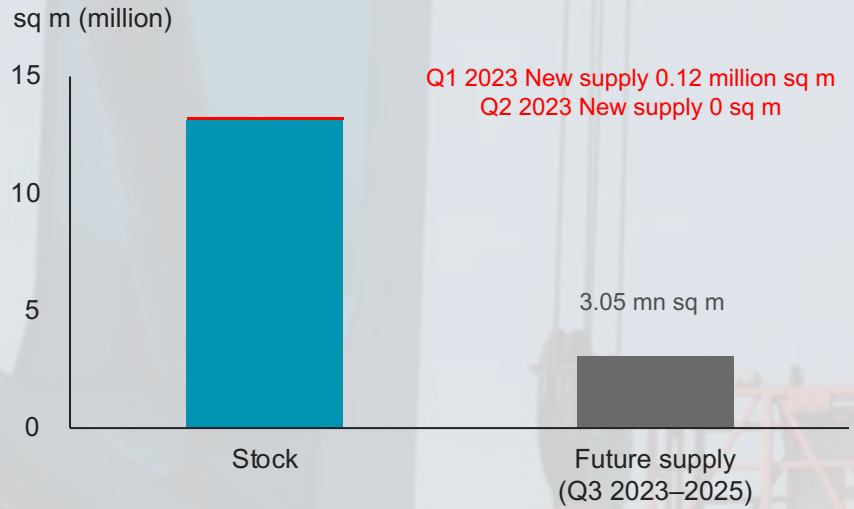
Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

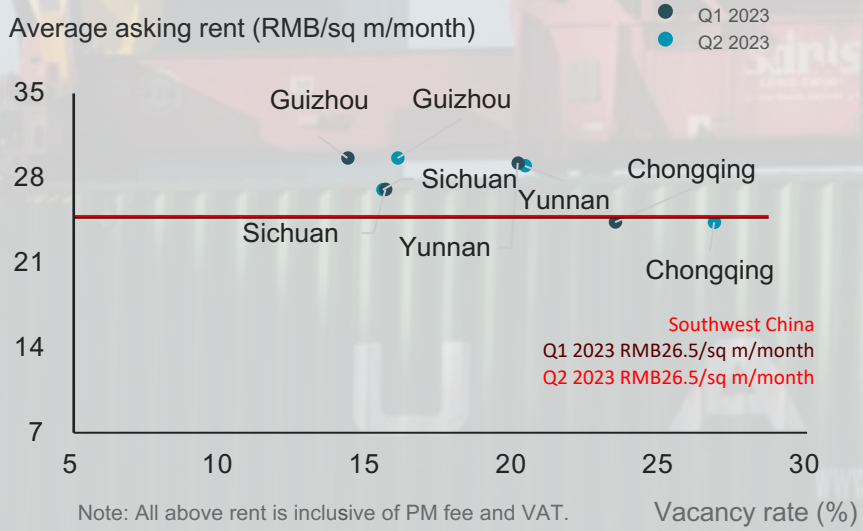
Southwest China Logistics Overview – H1 2023

- Southwest China recorded 0.12 million sq m of new supply in H1. Compared with Q4 2022, the overall vacancy rate increased 1.8 percentage points to reach 20.4%. Following this, the average monthly rent rose 0.2% to reach RMB26.5 per sq m.
- The overall premium warehouse market performance in Chengdu was stable, with the market vacancy rate dropping slightly by 1.2 percentage points to record 15.7%. Tenants related to the new energy vehicle industry, such as vehicle manufacturers and related parts companies, were active, concentrating on areas such as Longquanyi and Xinjin.
- Demand for premium warehouse space in Chongqing was stable, with the e-commerce, 3PL and manufacturing sectors being the key drivers. The average monthly rent rose slightly to reach RMB24.4 per sq m.

Current stock, new & future supply



Average rental and vacancy rate by mainland China provincial markets



Note: All above rent is inclusive of PM fee and VAT.

Source: Cushman & Wakefield Research

MAINLAND CHINA PREMIUM LOGISTICS MARKET

Major Market Logistics Dashboard – H1 2023

City	Stock GFA (sq m)	Supply to 2025 GFA (sq m)	Rental change (Compared with Q4 2022)	Vacancy change (Compared with Q4 2022/pct)
Shanghai	10,110,000	1,321,209	2.2%↑	2.6↑
Tianjin	9,079,000	2,448,716	2.5%↓	7.3↑
Chengdu	5,791,000	1,628,138	0.4%↓	1.1↓
Chongqing	4,796,000	715,227	1.4%↑	3.7↑
Wuhan	4,584,000	531,944	1.9%↓	-
Shenyang	3,517,000	872,846	3.3%↓	0.1↑
Kunshan	3,425,000	482,906	0.1%↑	11.1↑
Xian	3,383,000	688,176	-	4.9↓
Suzhou	3,344,000	1,542,776	0.2%↑	8.8↑
Jiaxing	3,323,000	1,720,884	0.7%↓	5.5↑
Guangzhou	3,202,000	2,207,208	1.1%↑	-
Hangzhou	2,932,000	614,354	1.1%↑	1.0↑
Beijing	2,876,000	941,906	1.8%↑	9.4↑
Foshan	2,513,000	2,017,513	0.1%↑	2.8↓
Wuxi	2,506,000	19,000	-	1.2↑
Nanjing	2,323,000	254,516	0.4%↑	0.3↑
Shenzhen	1,872,000	1,300,737	3.2%↓	5.3↓
Qingdao	1,673,000	406,000	-	0.4↑
Dalian	1,347,000	61,145	5.1%↓	5.3↓
Nantong	1,036,000	791,755	0.5%↓	3.8↑

Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

Taiwan Logistics Overview

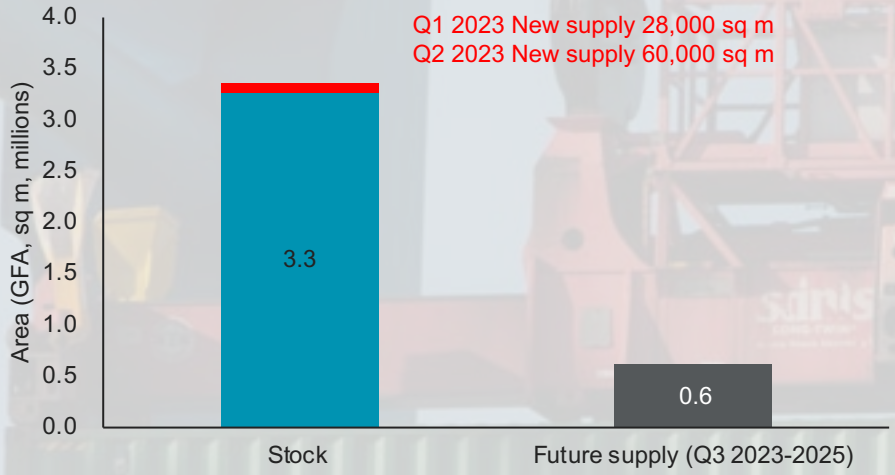
Trade Performance

- Compared with the previous year, Taiwan's exports and imports decreased by 18% and 20% in the first half of 2023, as global economic factors contributed to the decline in demand for precision chips and related products.
- In the first half of 2023, wholesale sales growth fell by 12.3% y-o-y as international trade and the economy weakened. The wholesale trade in machinery, construction materials, and chemical materials declined by 18.2%, 18.2%, and 26.0%, respectively. Retail and online sales in the first half of the year increased annually by 9.0% and 1.1%, respectively, highlighting the importance of domestic markets in driving logistics demand.

Logistics Property Market Performance

- The total premium logistics stock grew to approximately 989,000 pings (3.27 million sq m). In addition, 186,000 pings (615 thousand sq m) of new stock will be added by 2025, raising total stock by 18.8%.
- Taiwan's overall high-quality logistics distribution is concentrated mainly in Taoyuan City, adjacent to Taiyuan International Airport, with 78% of the total. In response to growing logistics demand, old factories in traditional industries are now being converted to logistics and warehousing facilities. Once completed in 2024-2025, most of the new projects will be self-operated. In the overall market, supply and demand are stable, and rental levels are flat. The average rent is in the range of NT$650 to NT$750 per month per ping.
- Momo.com Inc.'s NT$7.57 billion investment in its mid-region distribution center is due to be completed by 2025 with 38,000 pings of space, demonstrating the steady growth of logistics and storage supply and demand.

Current stock, new & future supply



Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

Hong Kong Logistics Overview – H1 2023

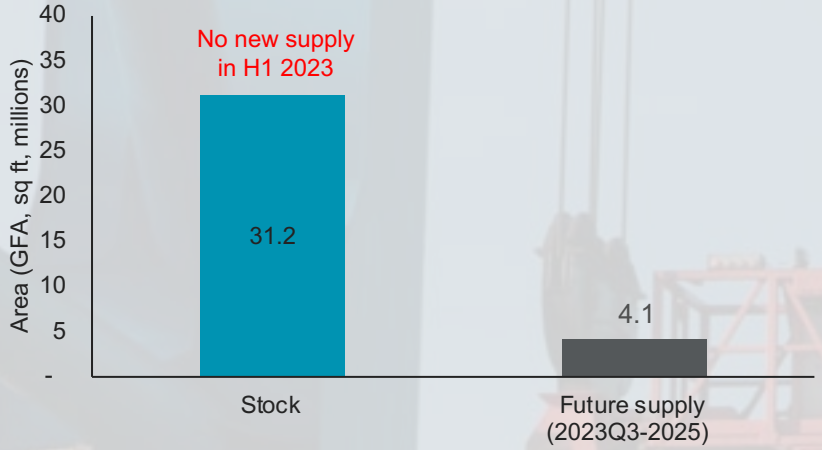
Trade Performance

- With uncertainty in global interest rate levels and overall weakened trade demand, Hong Kong's exports and imports fell 15.5% y-o-y and 13.2% y-o-y in H1 2023, respectively. The city's GDP recorded positive growth of 1.5% y-o-y in Q2 and 2.9% y-o-y in Q1, ending four consecutive quarters (Q1-Q4 2022) of negative growth.
- Specifically, exports with mainland China were still down 19.2% y-o-y in H1, while eight of the top 10 export destinations recorded negative y-o-y growth, partly also due to the weak performance in January from the previous border closure. The higher inflationary environment also adversely affected global trade volumes, though we expect this to improve in H2.

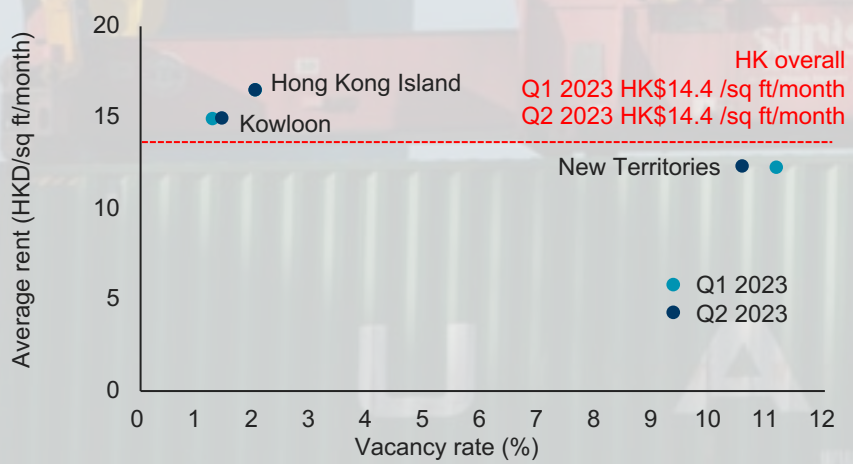
Logistics Property Market Performance

- No new supply was recorded in the market in the first half, with leasing activities predominately driven by renewals. The overall vacancy rate stayed stable at 3.4% in the H1 period.
- By submarket, vacancy rates remained stable in Hong Kong Island at 2.0%, while Kowloon increased to 1.4% and New Territories to 10.5%, compared to the 1.3% and 11.1%, respectively, recorded in H2 2022.
- On the back of the overall tight vacancy environment, the overall prime warehouse rental level increased mildly by 0.5% over the six months in H1 2023 to record HK$14.4/ sq ft/ month.

Current stock and future supply



Average Rental and Vacancy Rate by Sub-Market



Source: Cushman & Wakefield Research

Source: Cushman & Wakefield Research

PREMIUM LOGISTICS MARKET

Recent Notable Transactions & Outlook

Notable Transactions

- The first-half 2023 theme was mainly around lease renewals across submarkets, given the tight availability that has limited occupiers' relocation options.
- Logistics occupiers have stayed active over the last six months. For instance, LX Pantos, a Korean-based logistics company, entered into a new lease in the Mapletree Logistics Hub in Tsing Yi, covering 59,600 sq ft.
- Fujifilm Business Innovation and Expeditors Hong Kong renewed leases in Goodman Dynamic Cargo Centre (100,600 sq ft) and Goodman Tuen Mun Distribution Centre Block 1 (96,300 sq ft), respectively.

Building	District	Tenant	GFA sq ft	Date	Type
Goodman Dynamic Cargo Centre	Tsuen Wan	Fujifilm Business Innovation	100,600	Q2 2023	Renewal
Goodman Tuen Mun Distribution Centre Block 1	Tuen Mun	Expeditors Hong Kong	96,300	Q2 2023	Renewal
ATL Logistics Centre	Kwai Chung	Suning	67,900	Q1 2023	Renewal
Mapletree Logistics Hub Tsing Yi	Tsing Yi	LX Pantos	59,600	Q1 2023	New Lease
Tuen Mun Distribution Centre	Tuen Mun	Geodis Hong Kong	57,000	Q1 2023	Renewal

Source: EPRC, Cushman & Wakefield Research

Outlook

- The industrial investment sector remained slow in the first half, as rising interest rates made it more challenging for investors to source assets with the right pricing.
- With prime warehouse space remaining tight, market activities will likely focus on lease renewals in the near-term. However, we expect some new leases could be triggered by the upcoming completion of the mega new supply project, namely the 4.1 million sq ft Cingleot Premium Logistics Centre situated at the Hong Kong International Airport.
- Looking ahead, a new 1.5 million sq ft warehouse development intended for cold storage use is scheduled for completion by 2027 in Kwai Chung. This project is under development by a joint venture between ESR and Chinachem.
- Meanwhile, ESG and automation awareness are steadily increasing in the city, with more smart sustainable solutions such as green energy and robotics also expected to disrupt and advance the logistics sector going forward.

05

THE GENERAL OUTLOOK

THE PREMIUM LOGISTICS MARKET

WE MAKE AN IMPACT

General Outlook – Key Takeaways

- The expansion of new projects has led to some vacant space in the premium logistics market, bringing renewed leasing pressure. Ahead, we expect the government and landlords to favor tenants with higher business efficiency and production volume.
- With the change in consumers' consumption preferences and, subsequently, the demand structure, the development of the semi-prepared food market will further promote expansion in the cold chain logistics and storage market. The development of comprehensive cold chain parks, integrating production, storage, display, and sales functions, will become an emerging market trend.

CUSHMAN & WAKEFIELD
戴 德 梁 行

WE MAKE AN IMPACT

INDUSTRIAL AND LOGISTICS CONTACTS

Tony Su
Managing Director
Head of Industrial & Logistics Property Services, China
tony.zy.su@cushwake.com

Vincent Huang
Associate Director
Industrial & Logistics Property Services, China
vincent.huang@cushwake.com

Melody Wu
Senior Manager
Industrial & Logistics Property Services, China
melody.wu@cushwake.com

Ali Xia
Senior Marketing Executive
Industrial & Logistics Property Services, China
ali.xia@cushwake.com

GREATER CHINA RESEARCH CONTACTS

Shaun Brodie
Head of Research
East China
Head of Research Content
Greater China
shaun.fv.brodie@cushwake.com

Catherine Chen
Research
Head of Capital Markets Research, Asia Pacific
catherine.chen@cushwake.com

Chao Guan
Research
East China
chao.guan@cushwake.com

Xiaoduan Zhang
Head of Research
South & Central China
xiaoduan.zhang@cushwake.com

Sabrina Wei
Head of Research
North China
sabrina.d.wei@cushwake.com

www.cushmanwakefield.cn
WeChat ID: DTZ_China

Ivy Jia
Head of Research
West China
ivy.jia@cushwake.com

Eugenia Zhai
Forecasting & Data Analysis
Research, Greater China
eugenia.bj.zhai@cushwake.com

Rosanna Tang
Head of Research
Hong Kong
rosanna.tang@cushwake.com

Eason Lee
Research
Taiwan
eason.ih.lee@cushwake.com

Disclaimer

The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

Copyright © 2023 Cushman & Wakefield. All rights reserved.

CUSHMAN & WAKEFIELD
戴 德 梁 行