This live webinar will begin shortly…

GREATER CHINA CAPITAL MARKETS WEBINAR

WHAT'S NEXT FOR CHINA'S CRE INVESTMENT MARKET

SPOTLIGHT ON **GUANGZHOU**

July 20th, 2021

CUSHMAN & WAKEFIELD
戴 德 梁 行

AGENDA

Introductions & Greater China Overview

James Shepherd
Head of Business Development Services
Greater China

Guangzhou Market Overview and Q&A

Sylvia Su
Executive Director
Head of Capital Markets
Guangzhou & Central China

Q&A Panel

George Hongchoy
Executive Director
Chief Executive Officer
Link Asset Management Limited

Francis Li
International Director
Head of Capital Markets
Greater China

Q&A Moderator

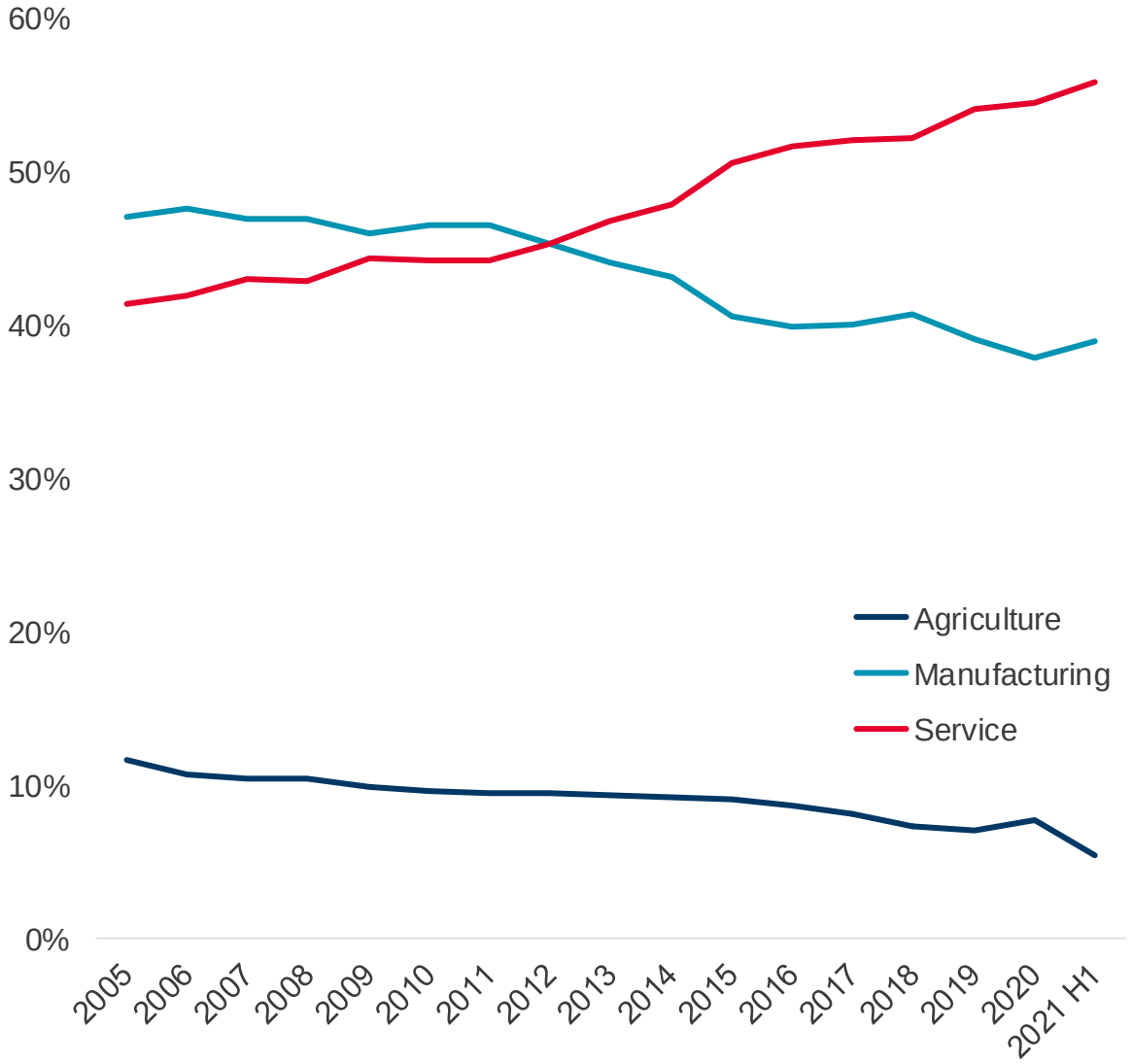
Catherine Chen
Director
Head of Capital Markets Research
Greater China

OFFICE EMPLOYMENT

Performing Well With A Positive Future Growth Outlook

Mainland China Urban Unemployment

Service Sector as Percentage of GDP

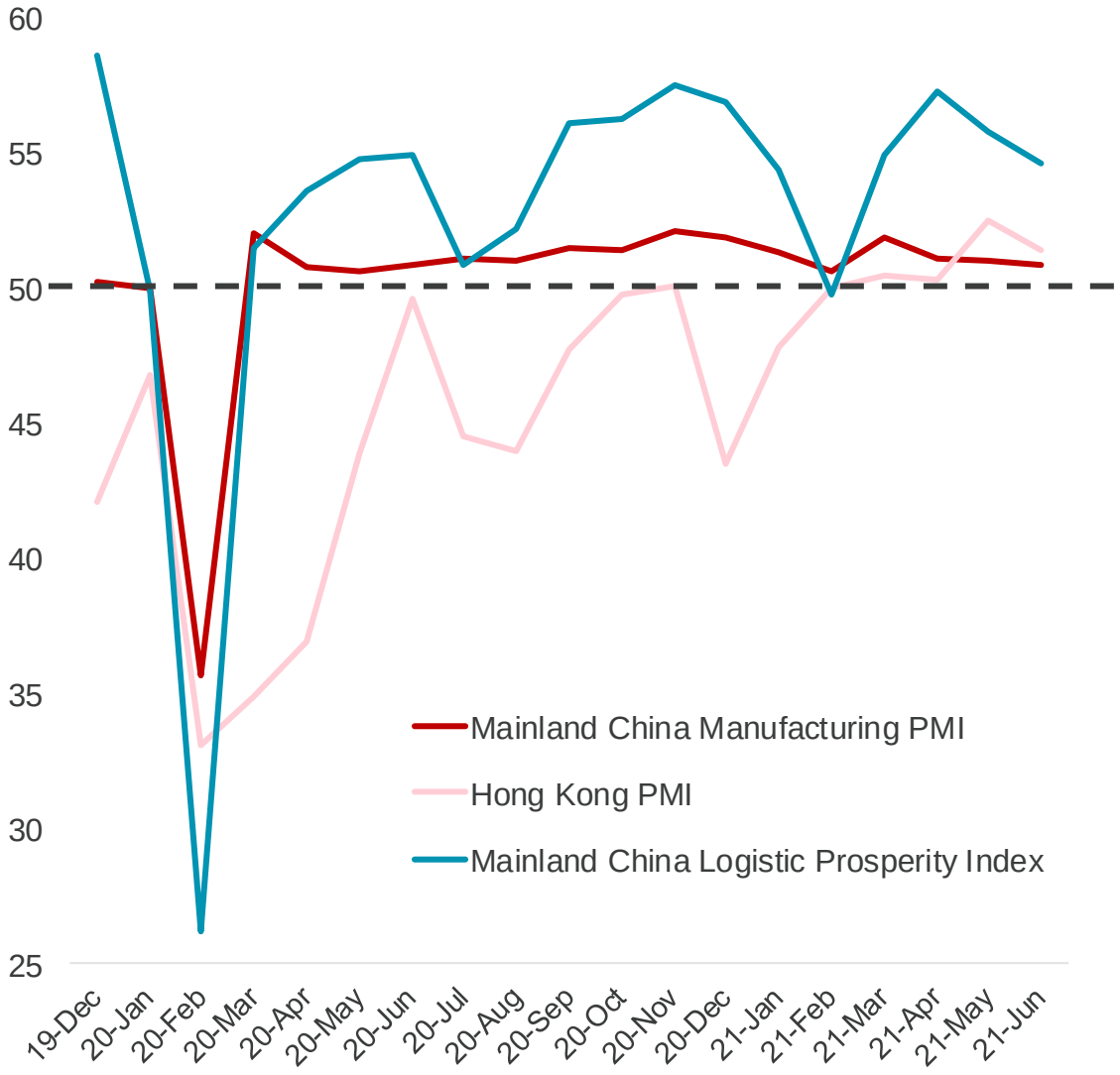


Source: National Bureau of Statistics of the PRoC, Cushman & Wakefield, updated on Jul 19th, 2021

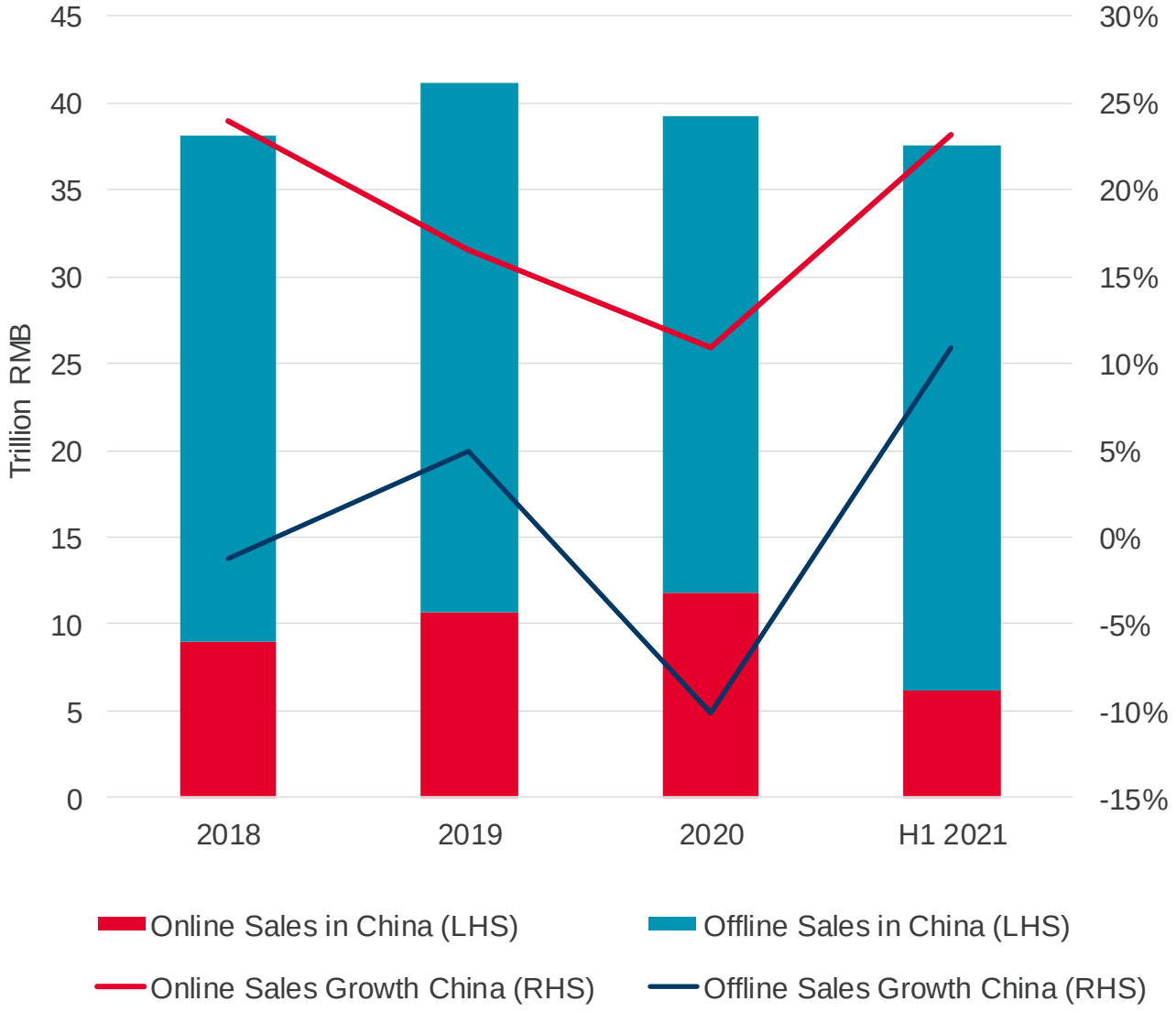
PMI AND RETAIL SALES GROWTH

Manufacturing Sector Expanded, and Retail Sales Continued to Recover

Monthly PMI and Logistics Prosperity Index



Online & Offline Retail Sales Growth

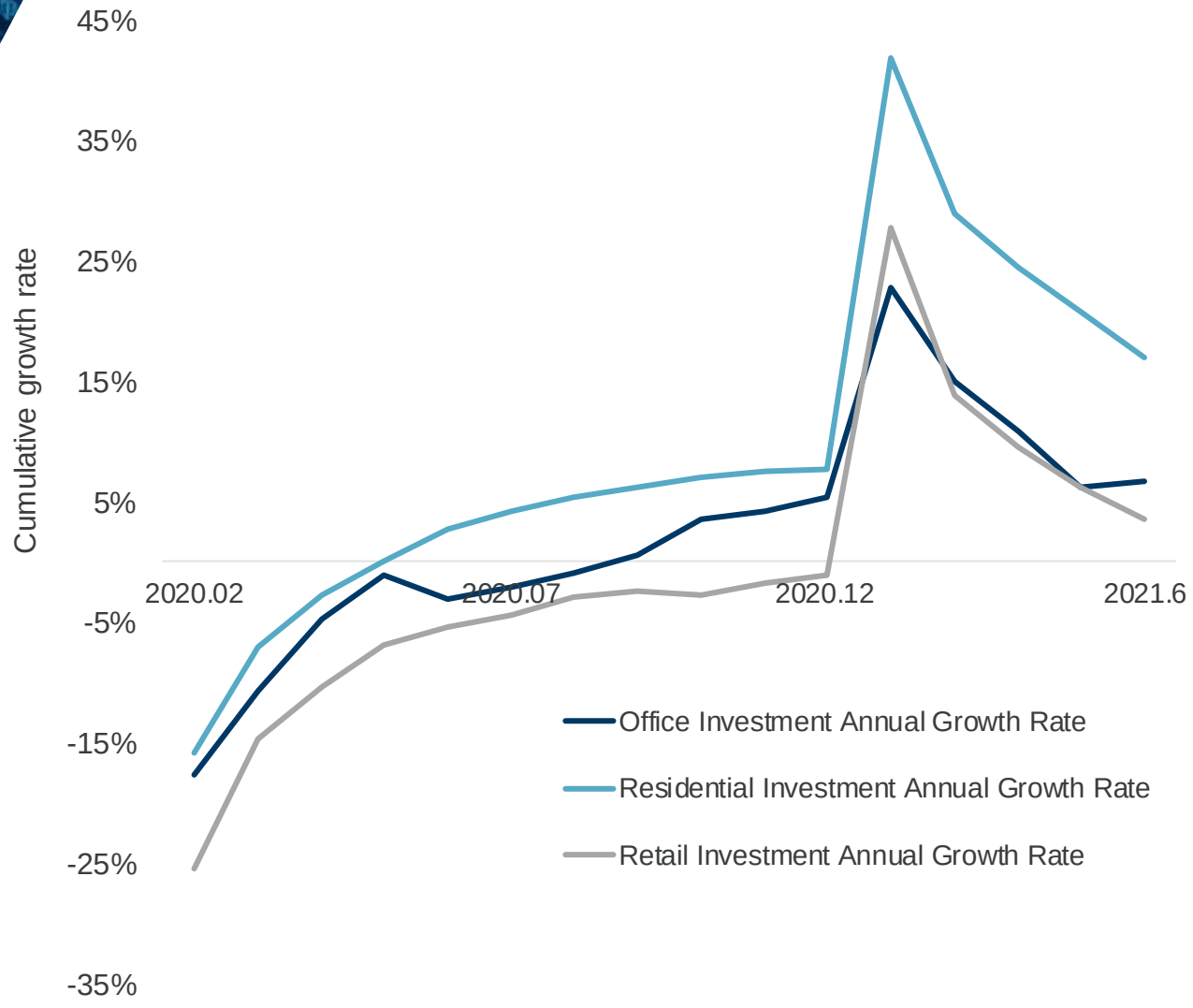


Source: Trading Economics, China Logistic Information Center, CFLP, Moody's Analytics, National Bureau of Statistics of the PRoC, updated on Jul 19th, 2021

INVESTMENT IN DEVELOPMENT REBOUNDED

Construction Increased

Mainland China Real Estate Investment



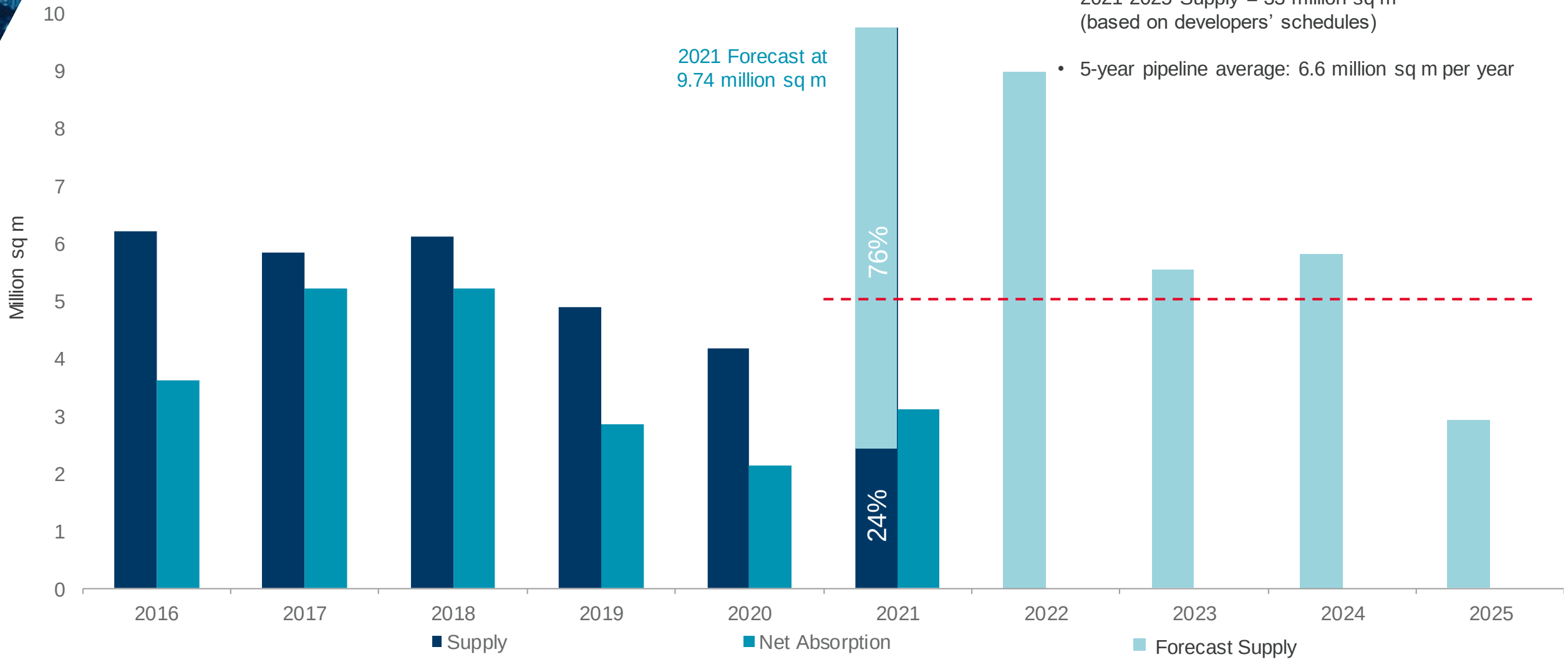
- ✓ **50 bps RRR Reduction – Supporting Economic Recovery**
- ✓ **China's "Three Red Lines"**

Source: National Bureau of Statistics of the PRoC, updated on Jul 19th, 2021

CHINA'S OFFICE SUPPLY & DEMAND

Construction Forecast to Moderate as Projects Completions are Pushed Back

- 2021-2025 Supply = 33 million sq m (based on developers' schedules)
- 5-year pipeline average: 6.6 million sq m per year

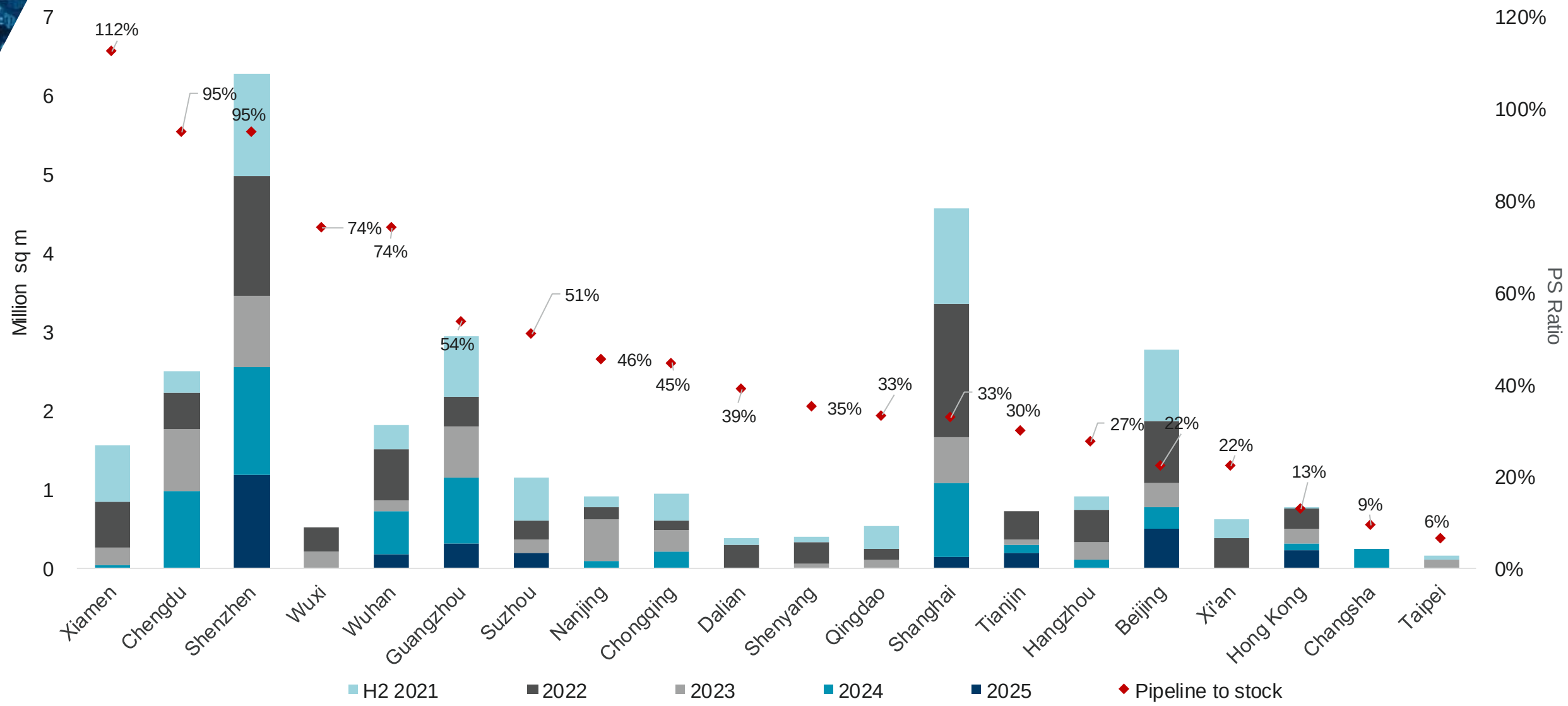


This data including: Beijing, Shanghai, Guangzhou, Shenzhen; Changsha, Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Wuhan, Xiamen, Xi'an, Wuxi, Suzhou, Hong Kong, Taipei

Source: Cushman & Wakefield Research, updated on Jul 9th, 2021

CHINA OFFICE SUPPLY PIPELINE

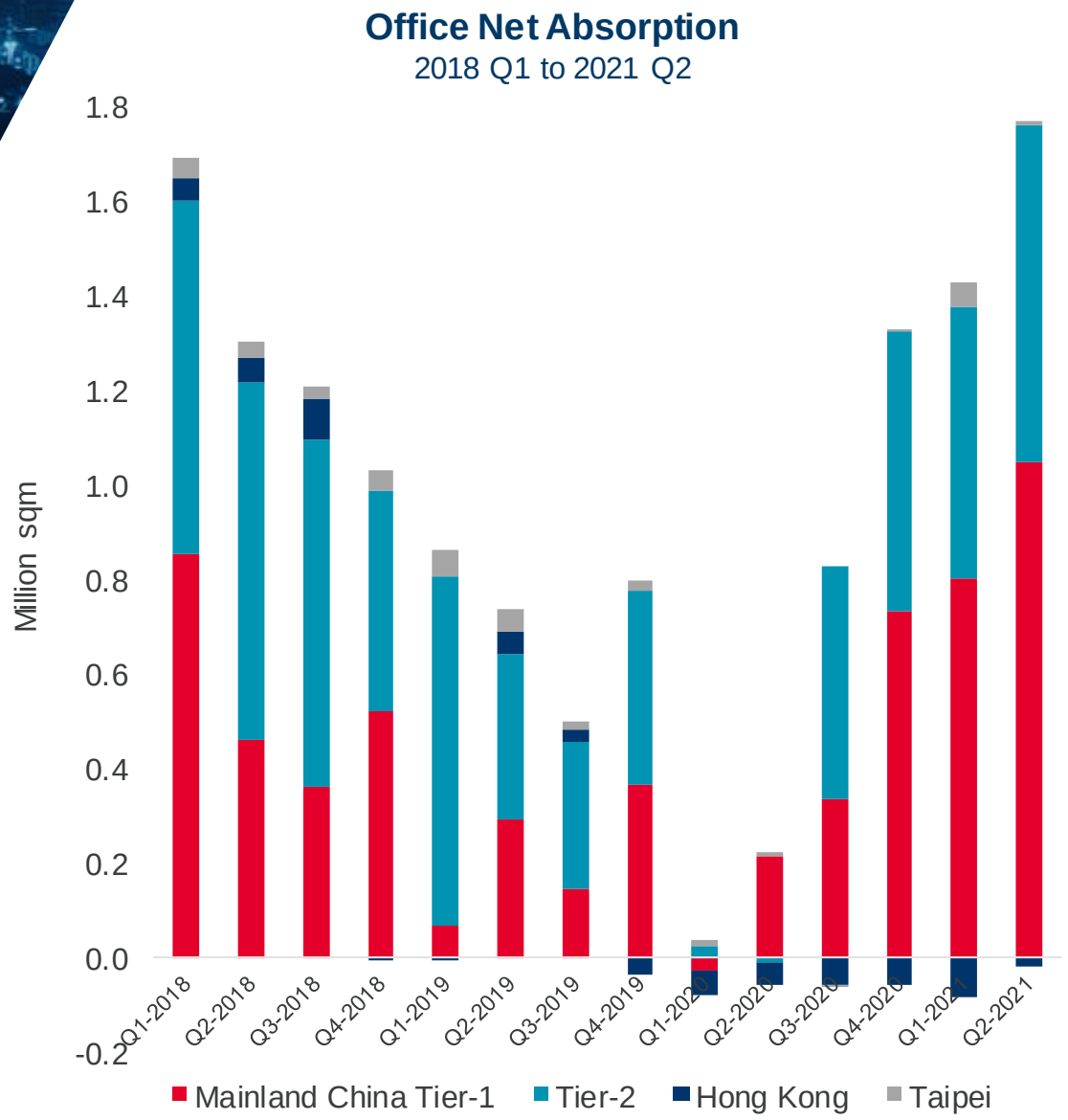
H2 2021 – 2025

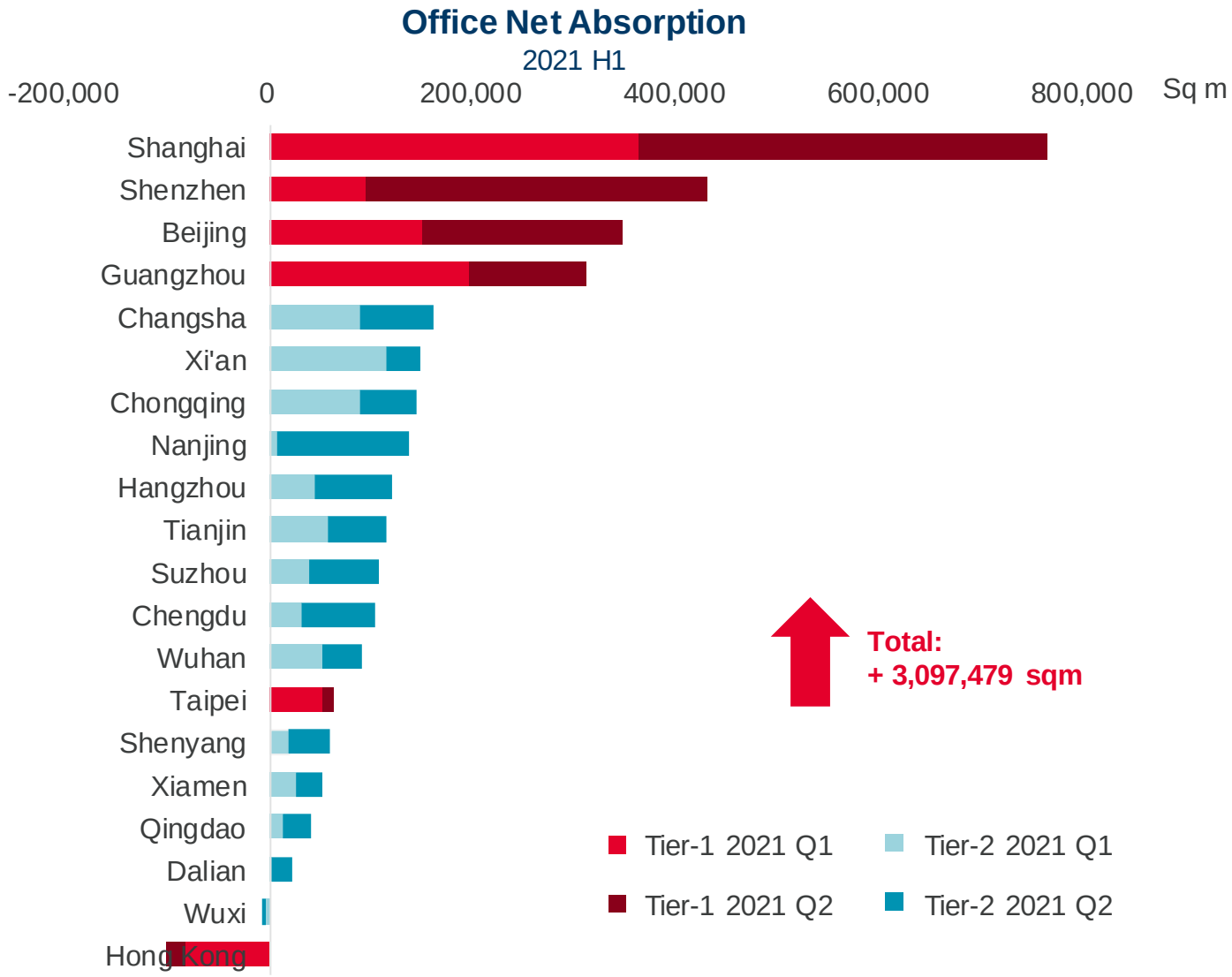


Source: Cushman & Wakefield Research, updated on Jul 9th, 2021

CHINA'S OFFICE SECTOR FUNDAMENTALS

Absorption Greatly Improved



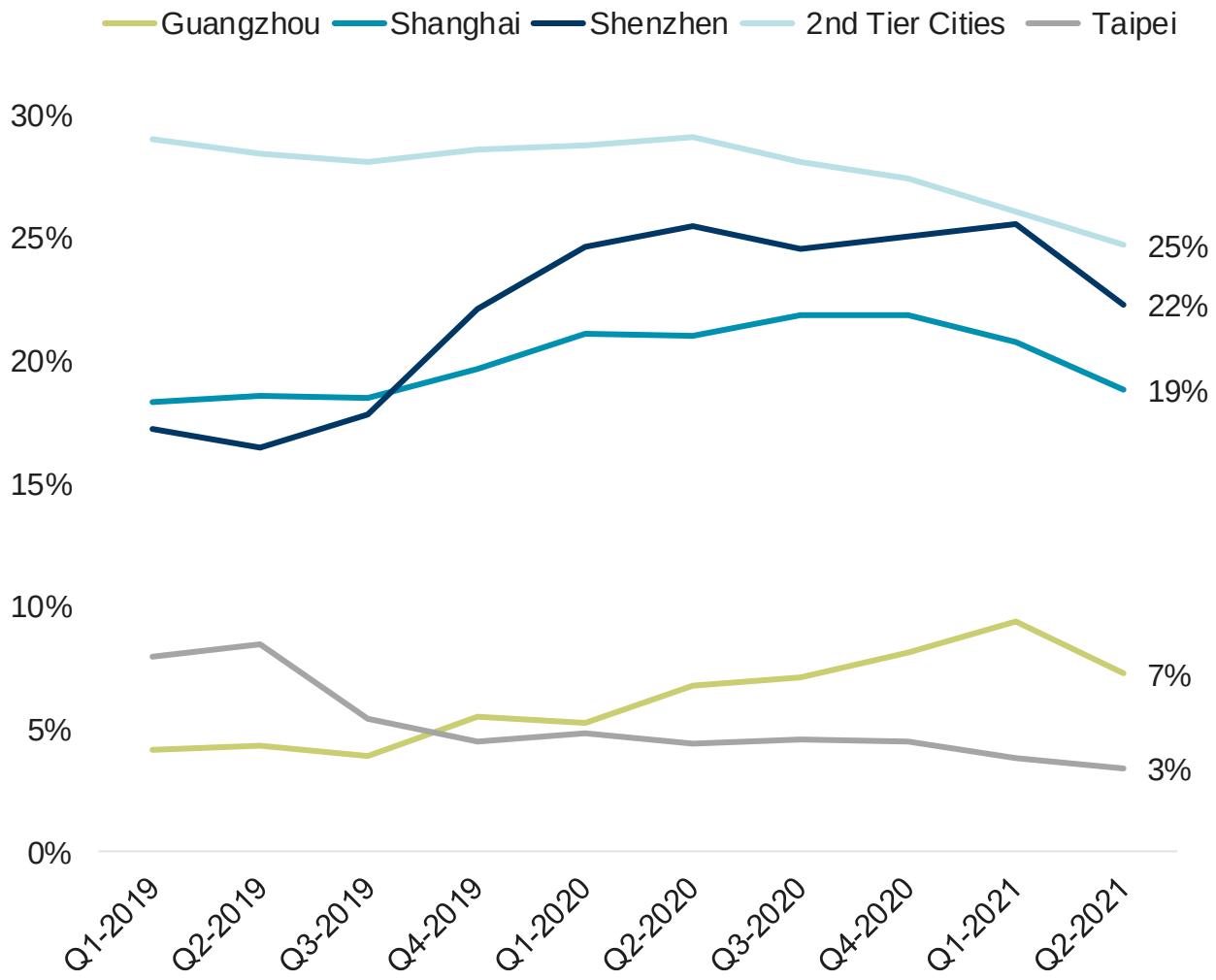


Source: Cushman & Wakefield Research, updated on Jul 9th, 2021

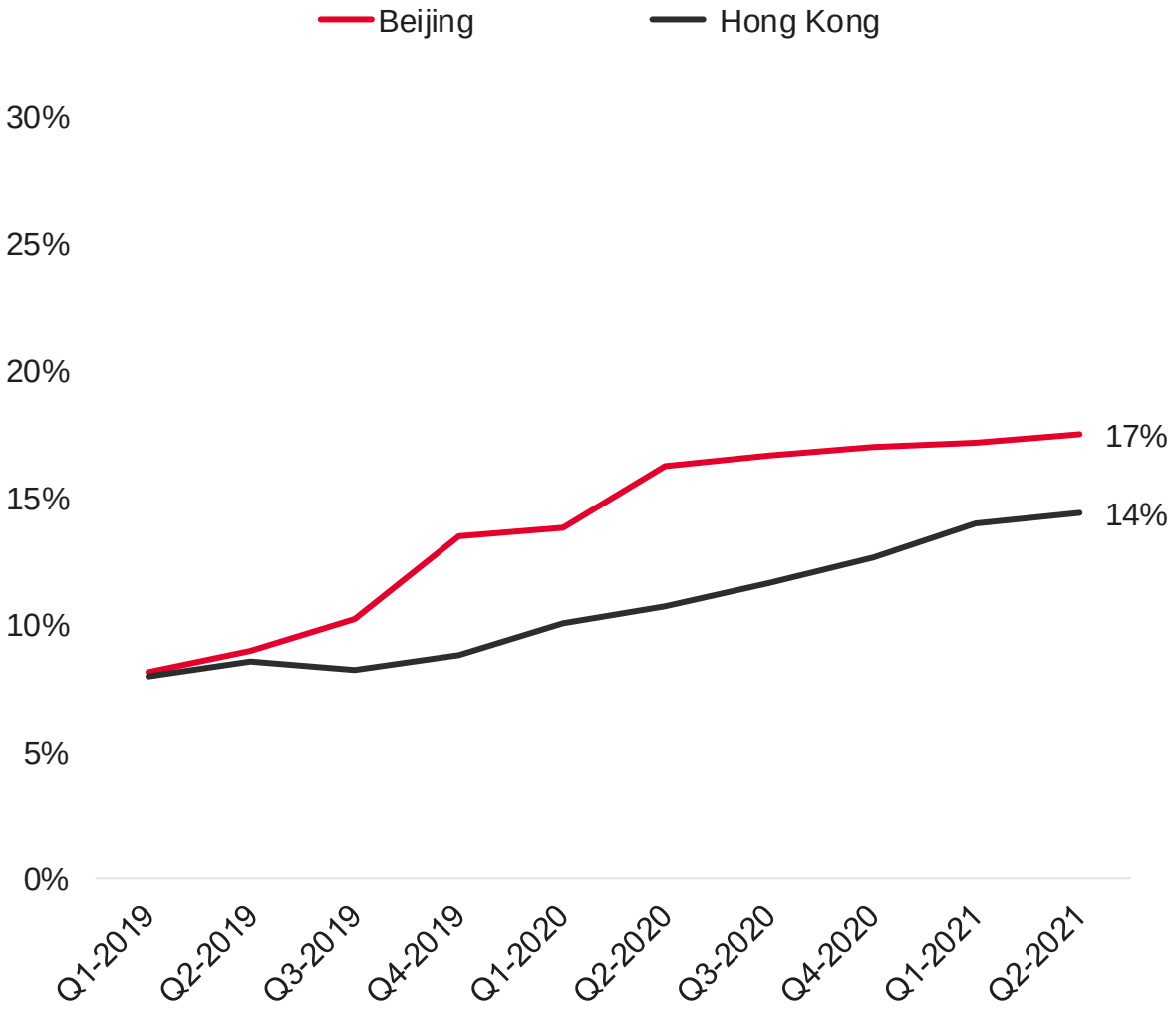
CHINA'S OFFICE SECTOR FUNDAMENTALS

Declining Office Vacancy Rates

Trending Downwards in Q2



Trending Upwards in Q2



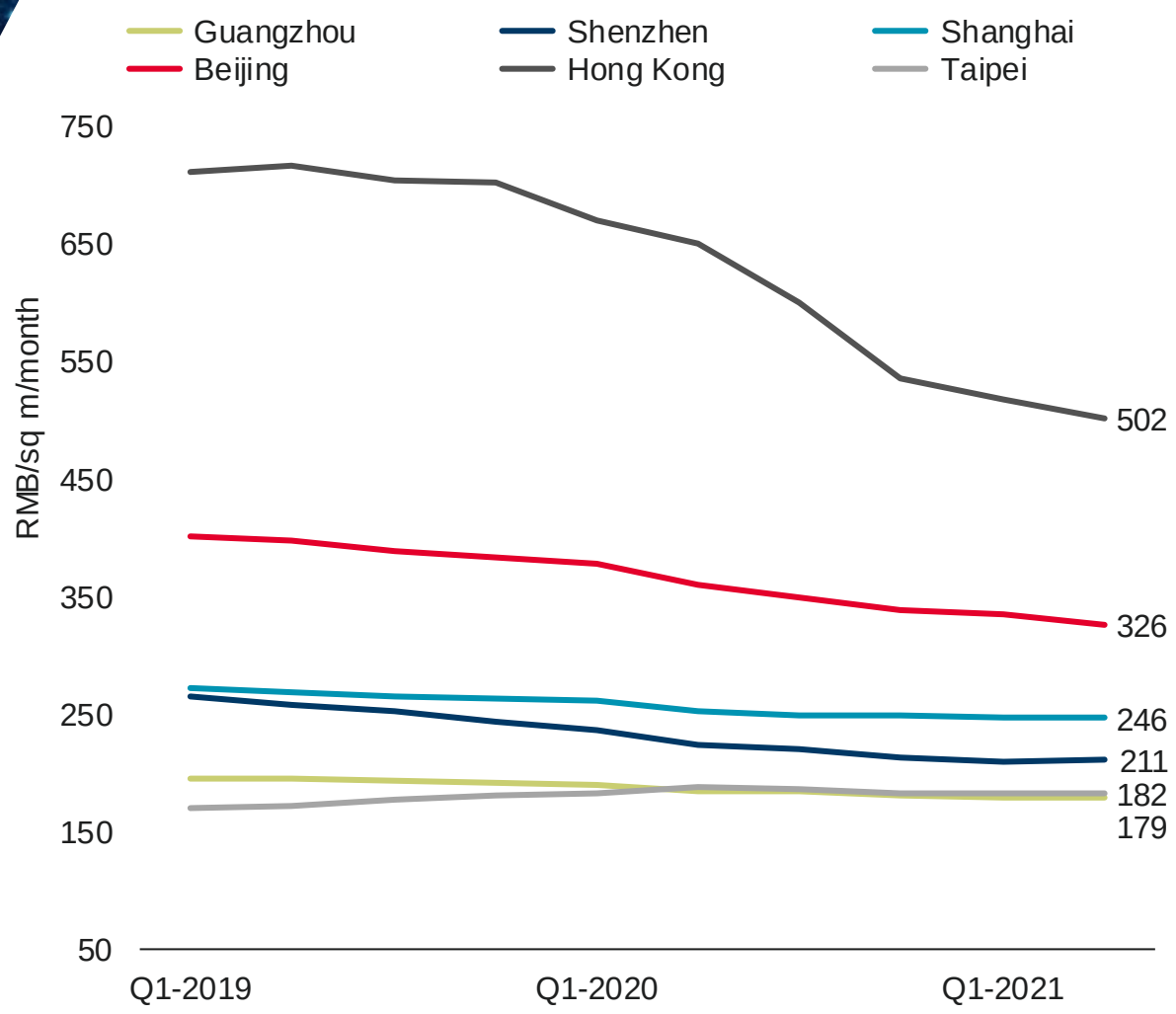
2nd Tier cities: Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Xiamen, Xi'an, Wuxi, Suzhou

Source: Cushman & Wakefield Research, updated on Jul 9th, 2021

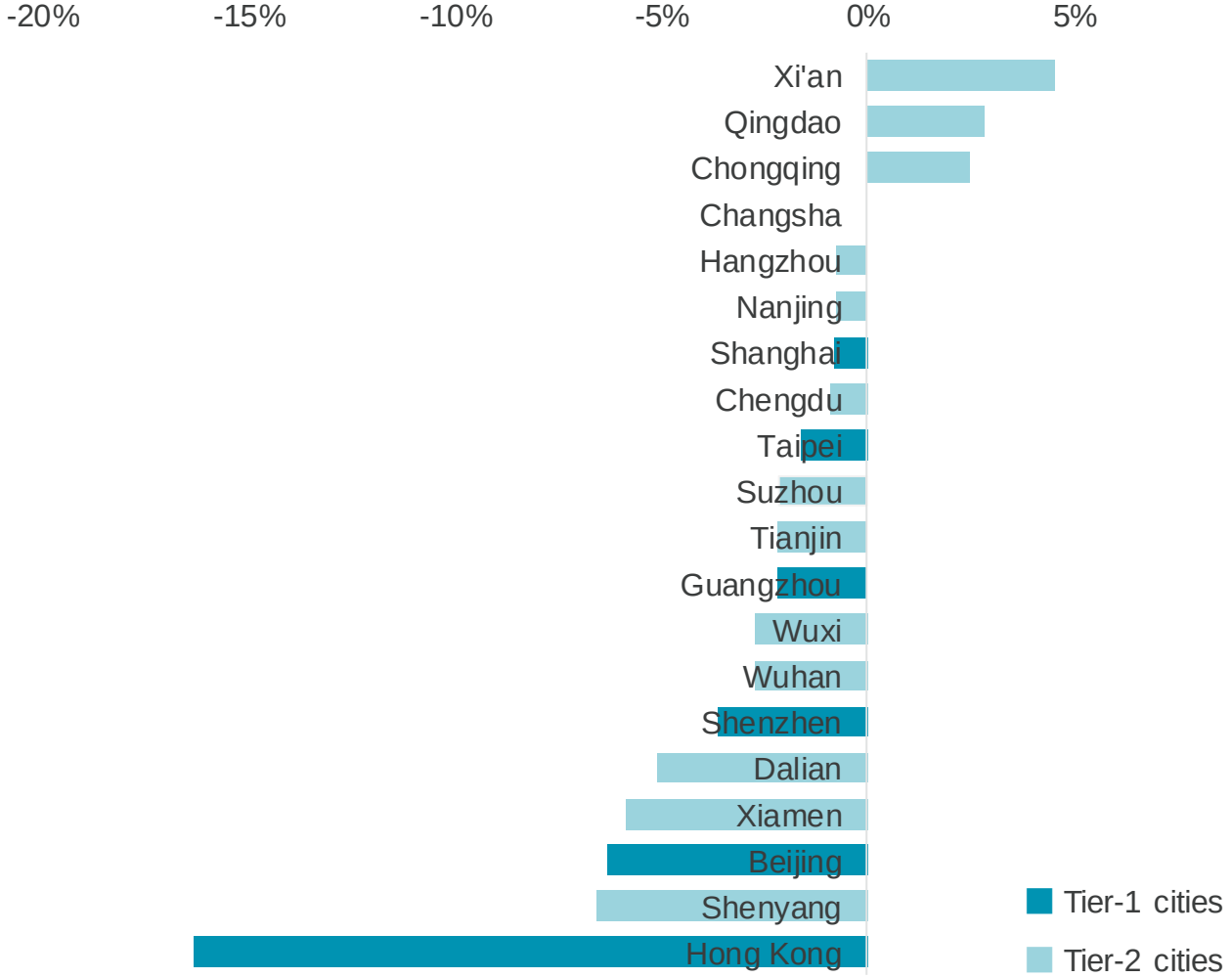
CHINA'S OFFICE SECTOR FUNDAMENTALS

Rentals Remained Stable in Q2

Rental Trend



Rental Trend 2021 Q2 Y-o-Y



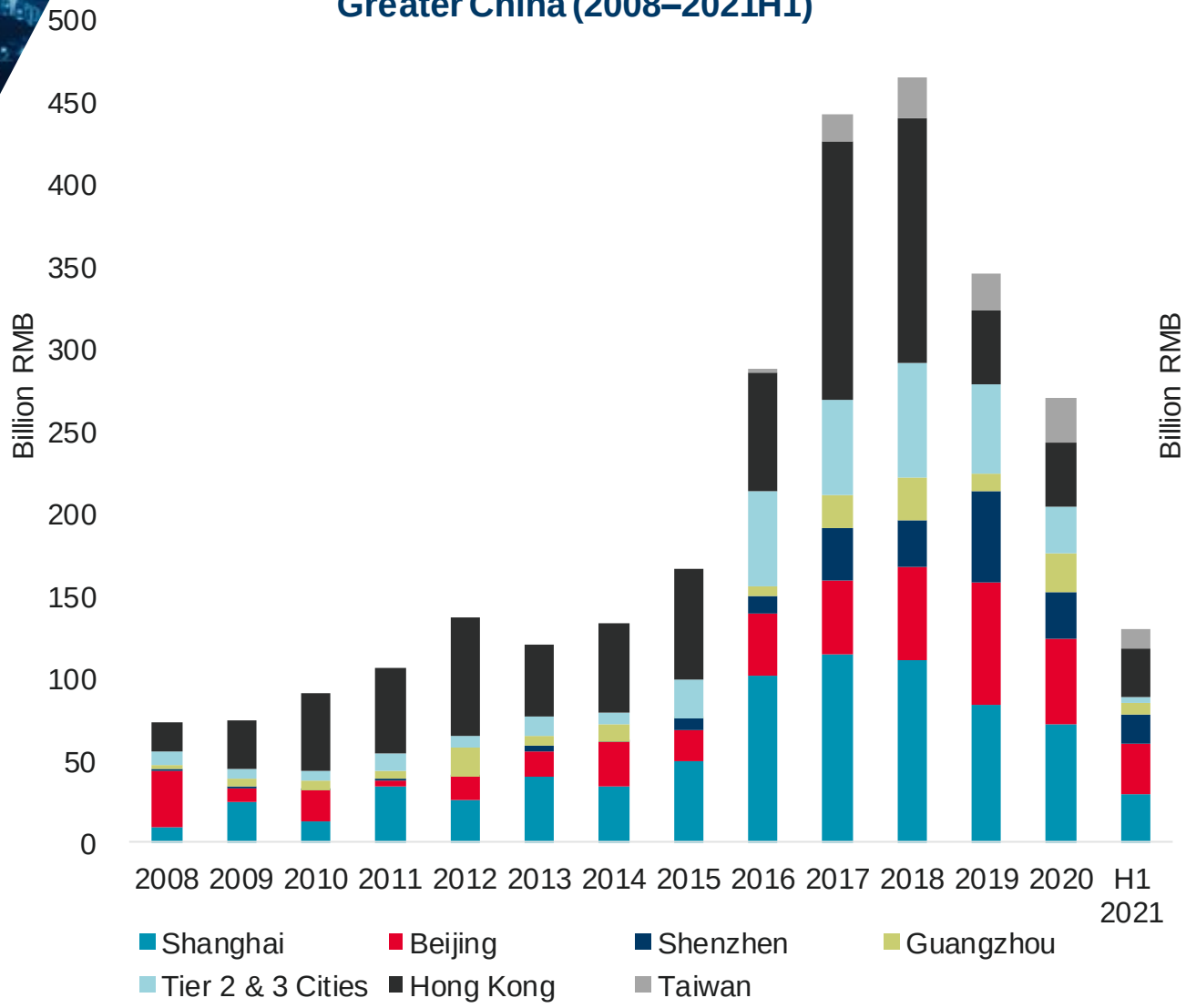
*The growth rate is calculated in local currency. Growth is based on historical rental movement.

Source: Cushman & Wakefield Research, updated on Jul 9th, 2021

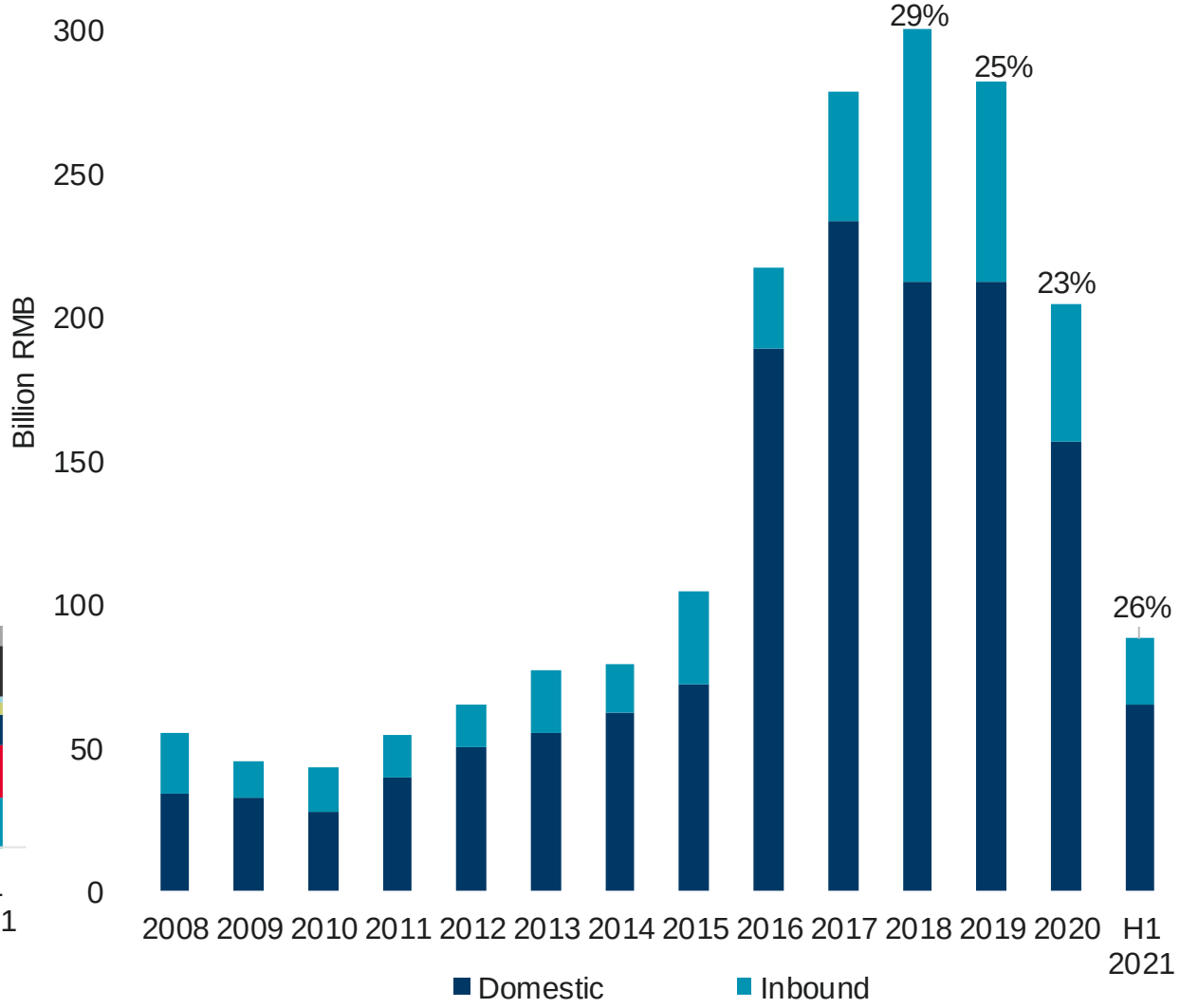
CRE INVESTMENT IN GREATER CHINA

Increasing Share of Inbound Investment in Mainland China

Greater China (2008–2021H1)



Mainland China (2008–2021H1)



Source: Cushman & Wakefield Research, updated on Jul 14th, 2021

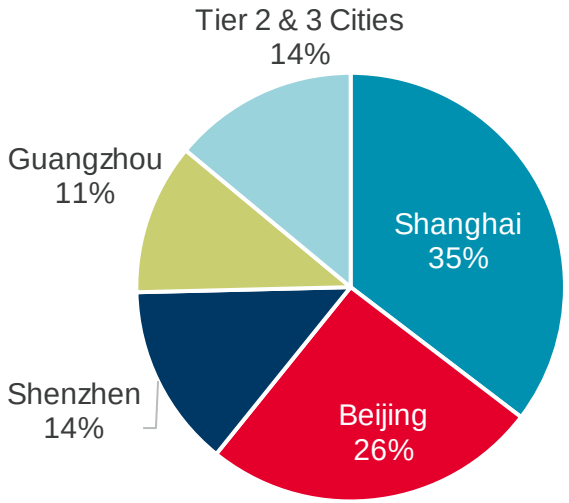
CRE INVESTMENT IN MAINLAND CHINA

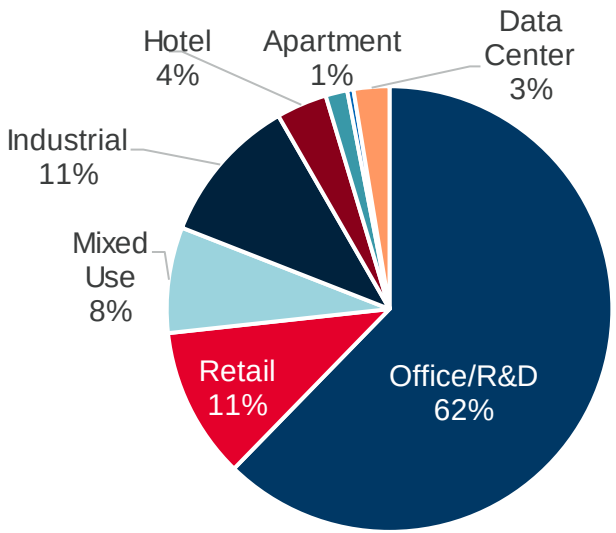
Concentration of Investment in Shanghai and Beijing

Share of Transaction Volume – By Market

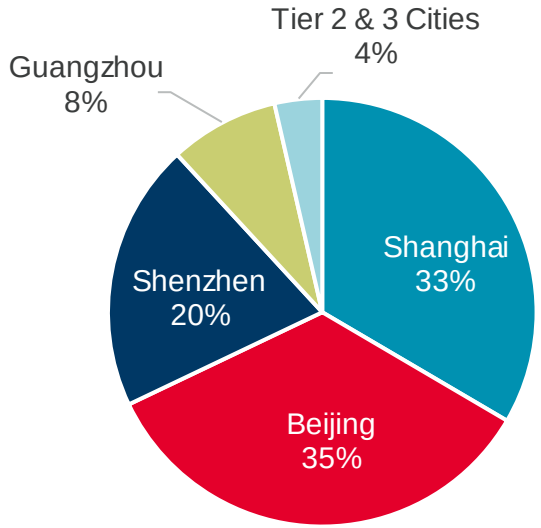
Share of Transaction Volume – By Sector

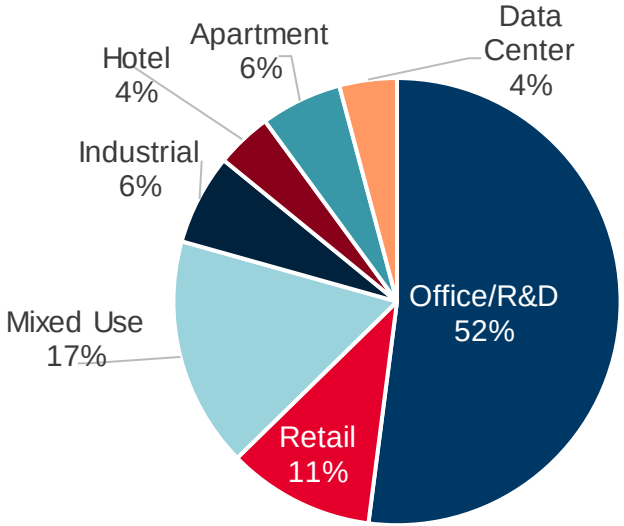
2020





H1 2021





Source: Cushman & Wakefield Research, excluding land, updated on Jul 15th, 2021

CAPITAL MARKETS OVERVIEW

GUANGZHOU

Review & Outlook

CUSHMAN & WAKEFIELD
戴 德 梁 行

GUANGZHOU MACROECONOMIC INDICATORS

Economic Indicators Lead First-tier Cities

2021 Q1	GDP (billion yuan)	GDP Growth (Y-O-Y)	Two-year Average Growth Rate	Two-year Average Growth Rate of Investment	Two-year Average Growth Rate of Consumption
GUANGZHOU	640	19.5%	5.6%	13%	8.9%
SHENZHEN	687	17.1%	4.6%	2.3%	3.7%
BEIJING	892	17.1%	4.6%	4.8%	4.1%
SHANGHAI	946	17.6%	4.7%	7.4%	8.9%

Source: Statistics Bureau of Guangzhou Municipality

TIGHT GRADE A OFFICE MARKET

Strong Take-up and Low Vacancy Rate

2021 H1	BEIJING	SHANGHAI	GUANGZHOU	SHENZHEN
Stock (million ㎡)	12.45	13.96	5.47	6.61
New Supply (thousand ㎡)	469.5	458.7	286.8	324.8
Net Absorption (thousand ㎡)	345.2	761.2	311.2	428.8
Vacancy Rate	17.5%	18.8%	7.2%	22.3%
Rent (RMB/㎡/Month)	326.0	245.7	179.0	211.1

New supply, Net Absorption and Vacancy Rate of Guangzhou's Grade A Office

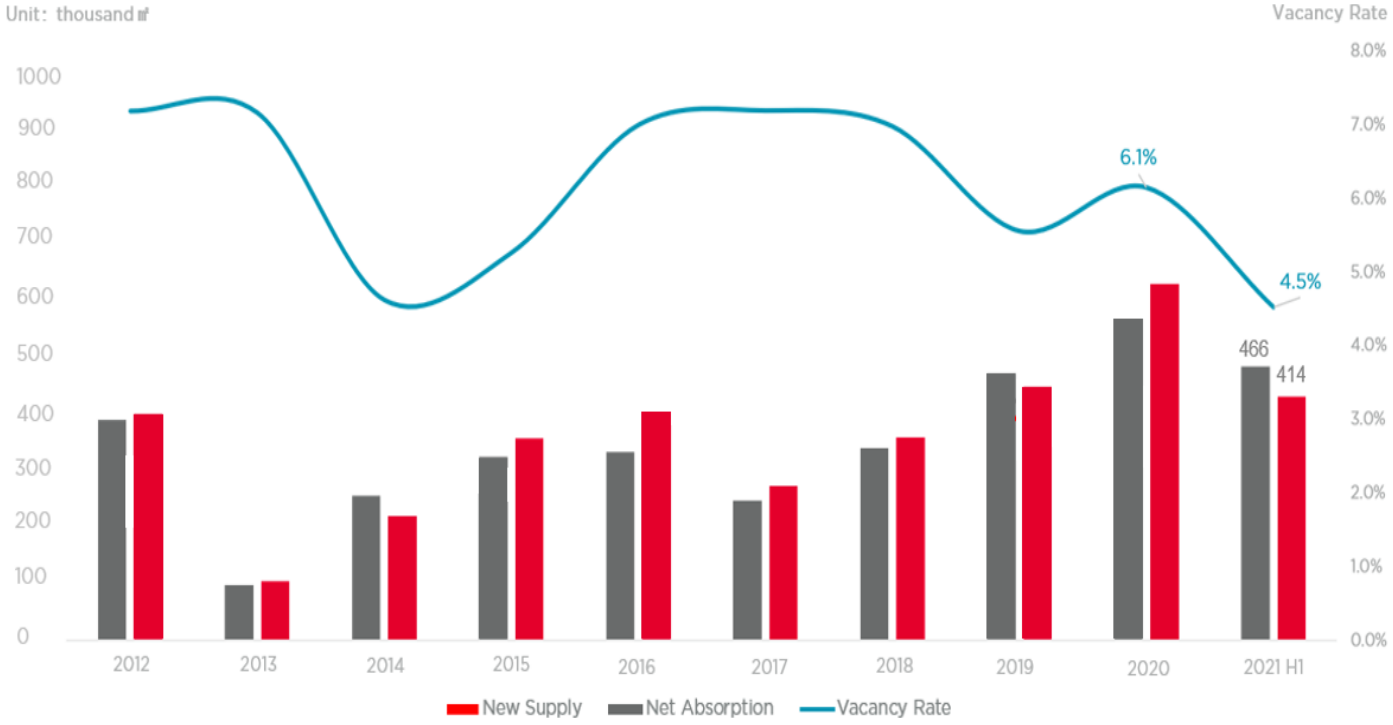
Source: C&W Research and Capital Markets

STRONG RETAIL ABSORPTION

Lowest Vacancy Rate In Nearly Five Years

2021 H1	BEIJING	SHANGHAI	GUANGZHOU	SHENZHEN
Stock (million ㎡)	12.77	19.25	4.75	5.09
New Supply (thousand ㎡)	173	360	414	0
Net Absorption (thousand ㎡)	218	453	466	38
Vacancy Rate	10.5%	9.25%	4.52%	6.12%

New supply, Net Absorption and Vacancy Rate of Guangzhou's Premium Shopping Malls

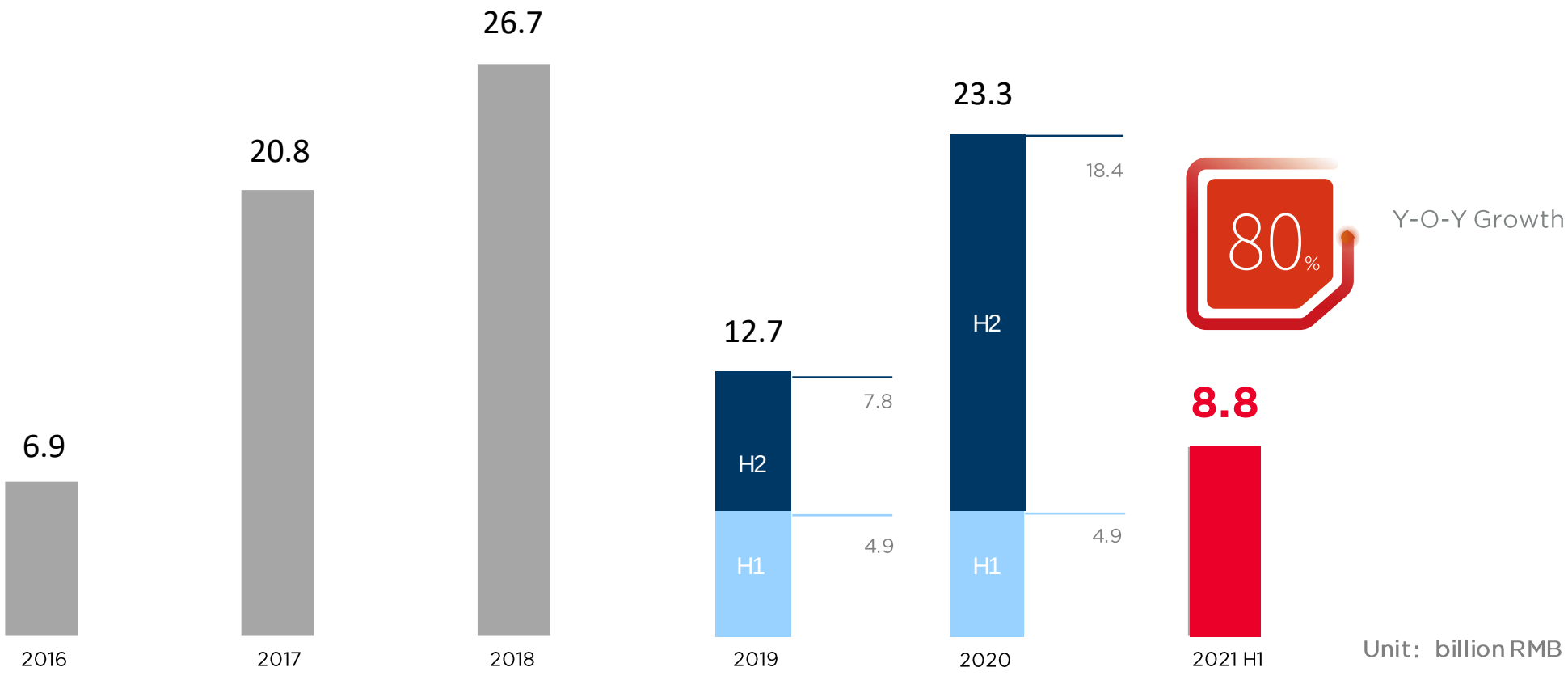


Source: C&W Research and Capital Markets

GUANGZHOU INVESTMENT MARKET

2021 H1 Transaction Volume is Booming

Investment Transactions of Guangzhou Market*

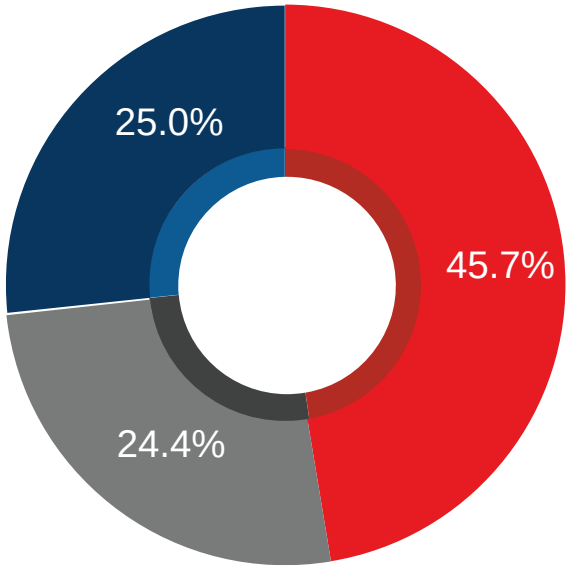


*for deals over 100 million RMB
Source: C&W Research and Capital Markets

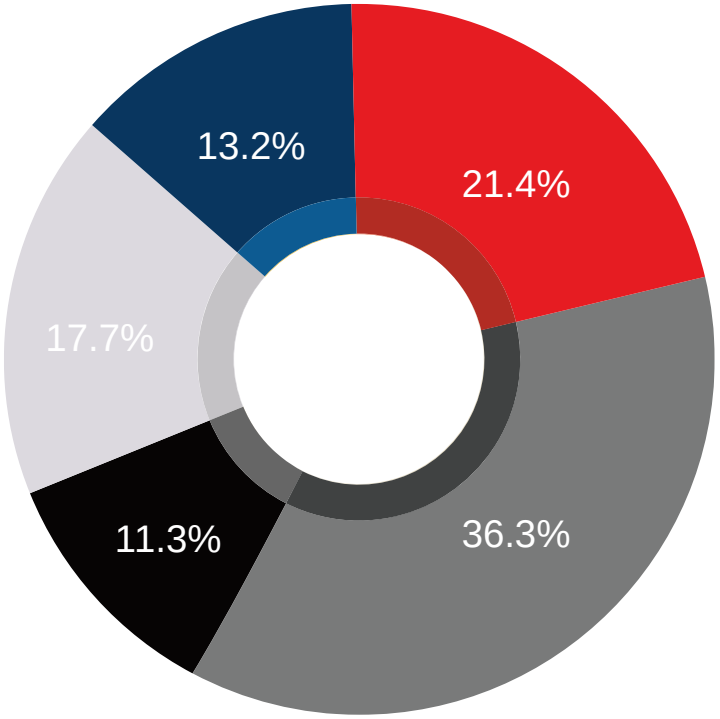
RETAIL TRANSACTION LEADS THE MARKET

The Share of Transactions in Retail Surpassed Office in 2021 H1

Share of Transactions by Sectors



2020



2021 H1

- OFFICE
- RETAIL
- MIXED-USE
- LOGISTICS
- HOTEL

Source: C&W Research and Capital Markets

REMARKABLE RETAIL TRANSACTIONS IN RECENT YEARS

Investors Have Long-term Confidence in Guangzhou's Retail Market

KEY IMPLICATIONS

2021 H2 Outlook

SUCCESSFULLY CONTAINED PANDEMIC

- The economy is back on track;
- Investor confidence has recovered;

INCREASING INVESTMENTS IN INFRASTRUCTURE

- Railway: Upgrade of Guangzhou Station and Guangzhou East Station;
- Airport: Expansion of Terminal 3;
- Exhibition: The Canton Fair 4TH phase project is under construction;

URBAN RENEWAL

- 83 villages are going to be redeveloped in next 3 years;
- More cooperation opportunities;

TRANSACTIONS CONTINUE TO INCREASE

- Retail: Strong consumer purchasing power
- Office: Focus on the Financial Town, Pazhou and Yuzhu;
- Industrial & Logistics: IDC/Industrial Park/Cold Chain.

MODERATOR:

Catherine Chen
Director
Head of Capital Markets Research
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PANELISTS:

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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

GREATER CHINA RESEARCH CONTACTS

James Shepherd
Head of Business Development Services
Greater China
james.shepherd@cushwake.com

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

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

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

XiaoDuan Zhang
Head of Research
South & West China
xiaoduan.zhang@cushwake.com

Keith Chan
Head of Research
Hong Kong
Keith.chan@cushwake.com

Wendy Hsueh
Head of Research
Taiwan
wendy.hj.hsueh@cushwake.com

www.cushmanwakefield.com.cn

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