

*Most international institutional investors we surveyed
still remain positive and will continue investing in offices,
logistics and data centres*



China Commercial Real Estate Investment Market

June 2020

knightfrank.com.cn



TABLE OF CONTENT

01	Impact of COVID-19 to Real Estate Market in China	04
02	Chinese Mainland Investment Market	09
03	Beijing Investment Market	17
04	Shanghai Investment Market	23
05	Guangzhou Investment Market	29
06	Shenzhen Investment Market	35
07	Summary & The Future Outlook	41

01.

IMPACT OF COVID-19 TO REAL ESTATE MARKET IN CHINA

GLOBAL ECONOMIC GROWTH PROJECTION

According to IMF's report, the COVID-19 pandemic will severely impact growth across all regions.

The global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008-09 financial crisis.

However, output of China is expected to have better performance than that of advanced economies.

China's GDP growth 2020 has been cloudy, however a sharp rebound in H2 2020 is possible.

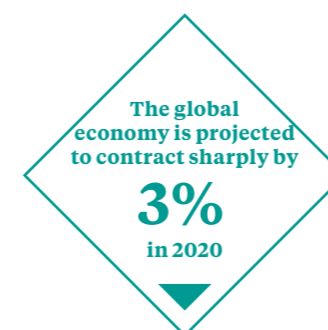


Table 1. Real GDP, annual percent change

Countries / Regions	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: IMF

CHINA'S ECONOMIC INDICATORS

According to the data from National Bureau of Statistics of China (NBS), in Q1 2020, due to the COVID-19 outbreak, China's GDP was down 6.8% YoY.

The added value of the secondary industry was down by 9.6%, which was the largest decline of three industries.

At the same time, in tertiary industry, hospitality, F&B and retail were heavily impacted. However, telecom, software, IT have maintained double-digit growth.

Table 2. Break Down of GDP in China for Q1 2020

	Absolute Amount (Hundred million RMB) Q1	Y-O-Y Growth (%) Q1
GDP	206,504	-6.8
Primary Industry	10,186	-3.2
Secondary Industry	73,638	-9.6
Tertiary Industry	122,680	-5.2
Agriculture, Forestry, Fishing	10,708	-2.8
#Industry	64,642	-8.5
Manufacturing	53,852	-10.2
Construction	9,378	-17.5
Wholesale & Retail	18,750	-17.8
Transportation, Warehousing, Post	7,865	-14.0
Hospitality, F&B	2,821	-35.3
Finance	21,347	6.0
Real Estate	15,268	-6.1
Telecom, Software, IT	8,928	13.2
Leasing & Commercial Service	7,138	-9.4
Other Service	39,660	-1.8

Source: National Bureau of Statistics, Yearbook

GOVERNMENT'S STIMULUS TO CHINA ECONOMY

Some monetary and fiscal policies have been accessed by the government to support and stimulate the economy. Central bank of China has reduced interest rate or deposit-reserve ratio.

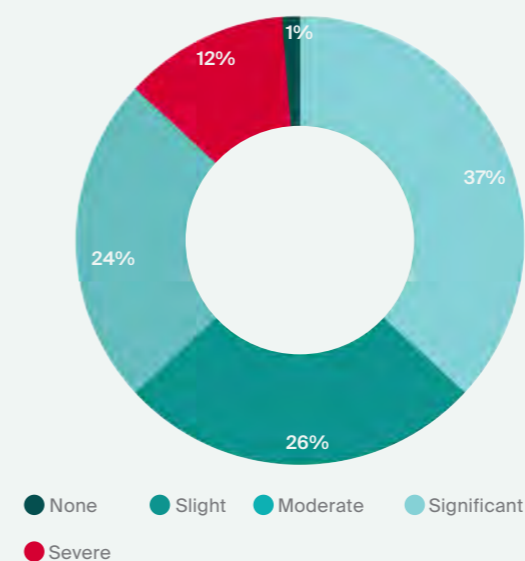
Some supportive policies including tax relief, rent reduction, subsidies

and financing incentive have been implemented to help heavily impacted sectors to recover from the epidemic.

According to Knight Frank's survey with some landlords and tenants, majority of respondents think that the preferential policies enjoyed by their enterprises

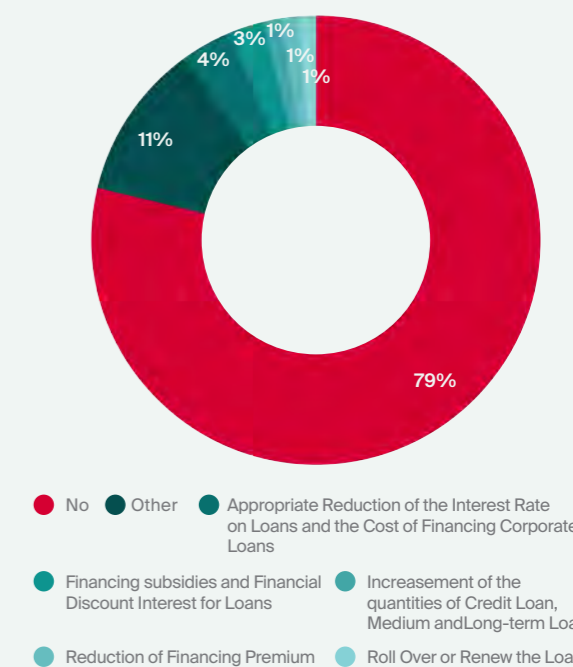
are helpful to enterprises and they can tide over difficulties with the help of government preferential policies.

The surveyed enterprises indicated the negative impact of this epidemic on their business



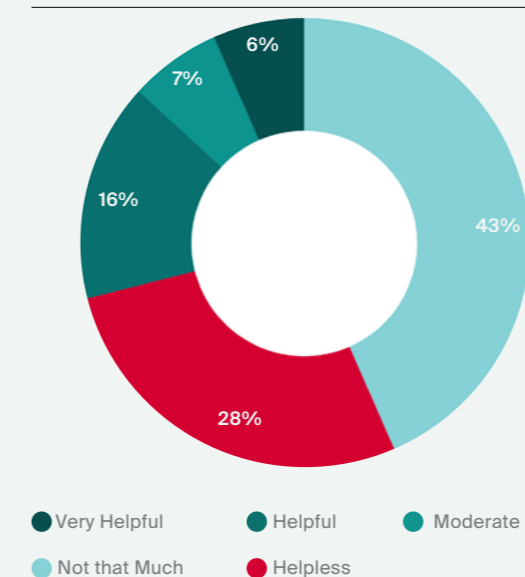
Source: Knight Frank Research

Do surveyed enterprises enjoy the following preferential policies on financing provided by the government and financial institutions?



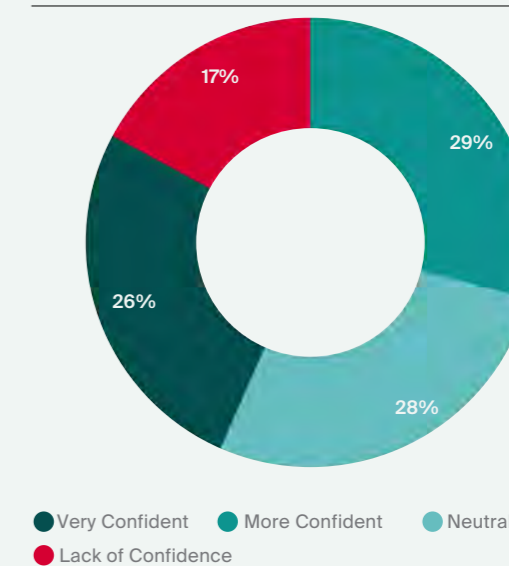
Source: Knight Frank Research

Do surveyed enterprises find the preferential policies helpful to them?



Source: Knight Frank Research

Do surveyed enterprises have the confidence to tide over difficulties with the help of government policies?



Source: Knight Frank Research

IMPACT TO REAL ESTATE MARKET

Some companies' expansion and relocation plans have been suspended in CBD office market due to COVID-19. However, office leasing activity started to pick up in Beijing and Shanghai, but large-size deals were absent. New leases recorded a 3-5% drop in effective rent in first tier cities in China and many tenants have received 1-2 month rent relief and incentives from landlords and local governments.

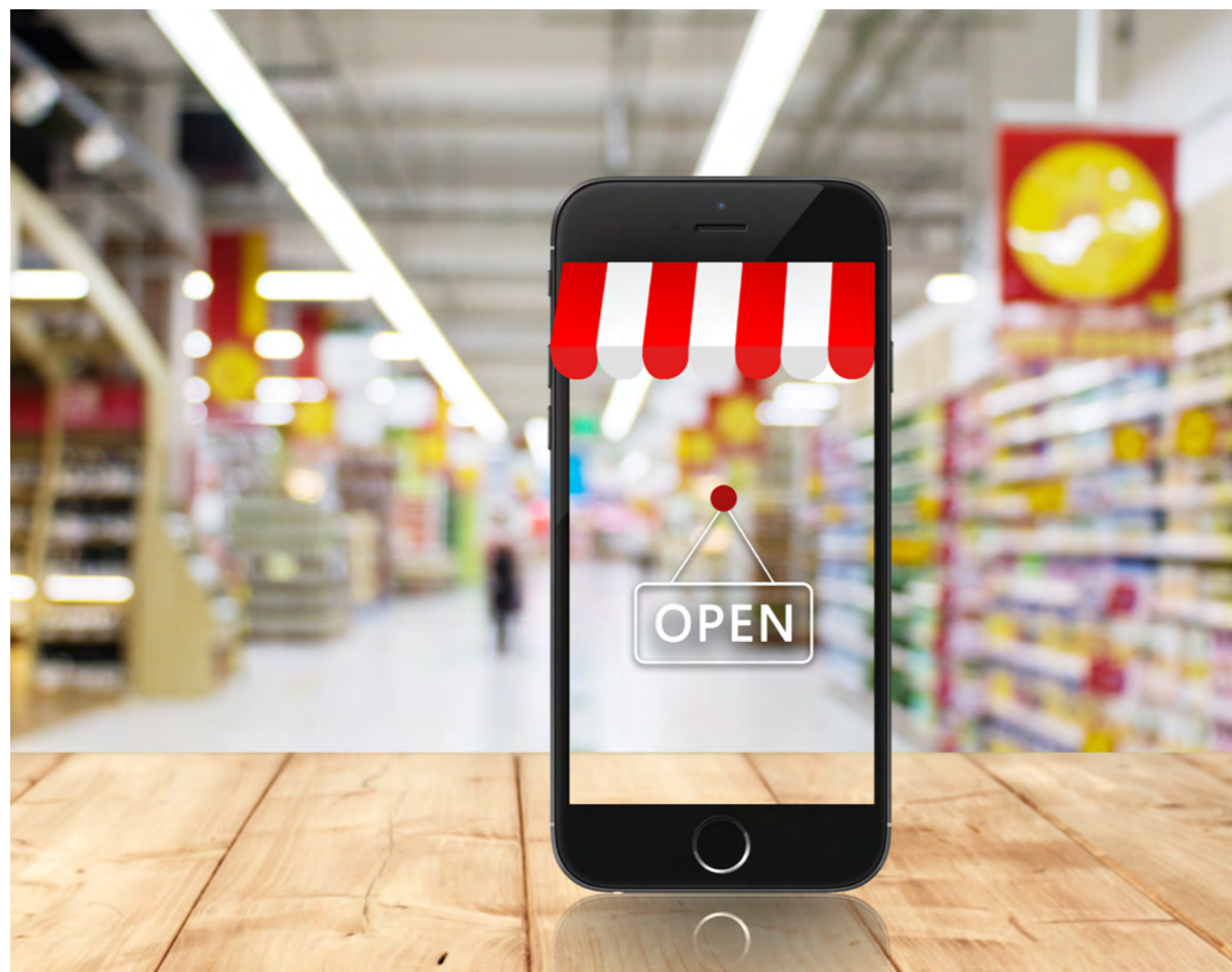
In contrast to the offices in CBD areas, performance of business park was relatively stable due to the stable business growth of TMT occupiers.

China is looking to "new infrastructure" projects to weather the COVID-19-plagued financial storm and boost the country's economy in the long term. Investment in new infrastructure including 5G, artificial intelligence, industrial internet, IoT and big data are pushing the development of business park / science park and data center sector.

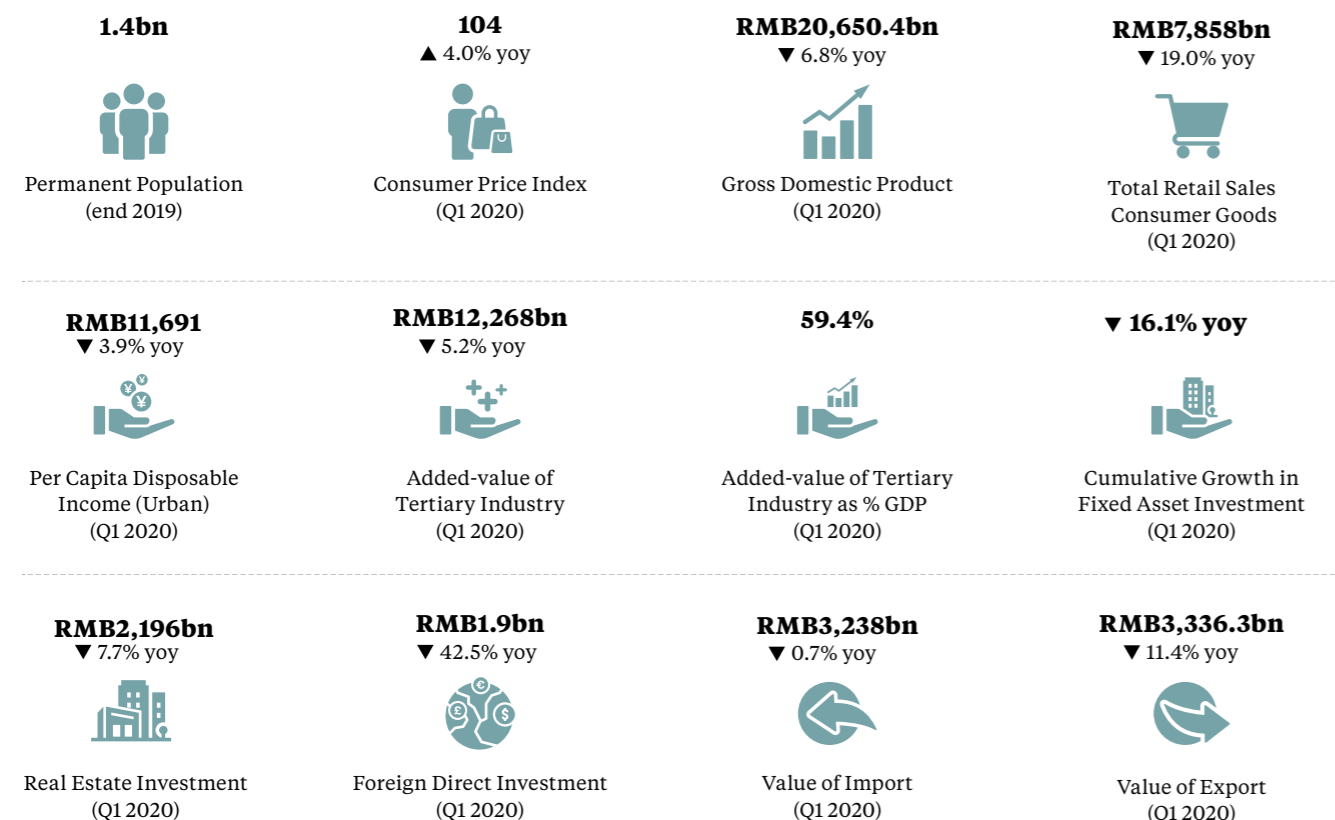
The COVID-19 pandemic has driven sales of e-commerce. Nevertheless, so far nearly all the shopping centers have resumed business. The consumption has almost recovered to the pre-pandemic level.

Hotels are among the worst performing sectors. We have seen hotel business dropping significantly in revenue, all indicative data were at historic lows and recovery has not been seen so far. Nevertheless, although hotels are going through a downturn, opportunities for conversion to rental apartment are emerging.

COVID-19 has boosted online shopping. As a result, demand for logistics warehouse space, as well as data centers are surging. Most international institutional investors which we surveyed still remain positive to continue investing in offices, logistics and data centres.



CHINESE MAINLAND ECONOMIC OVERVIEW



Source: China National Bureau of Statistics

CHINESE MAINLAND TRANSACTIONS - TOTAL VALUE

In the past decade, the annual major property transactions in Chinese Mainland real estate investment market have reached an average value of RMB 206 billion, with annual transaction value exceeding RMB 250 billion in each of 3 years in 2015, 2016 and 2019.

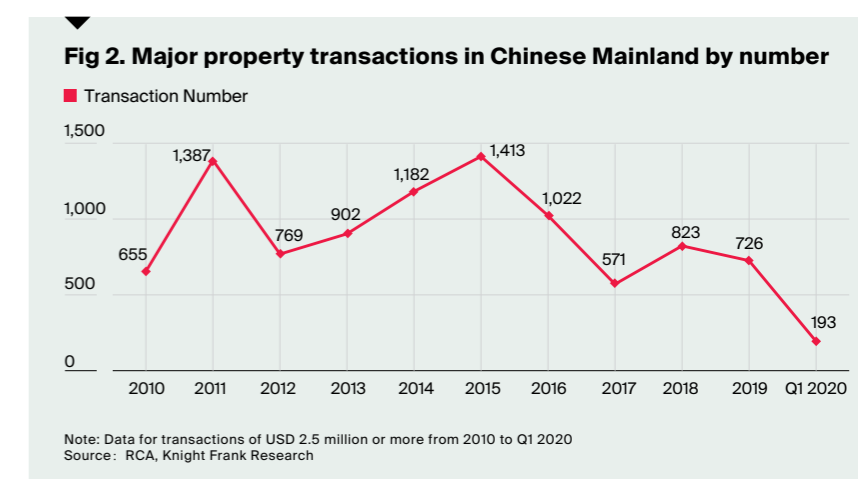
In 2019, the total transaction value achieved about RMB 278 billion, up 24.5% YoY and it was also the biggest transaction amount in the past decade. In Q1 2020, the total transaction volume stood at around RMB 71 billion.



CHINESE MAINLAND TRANSACTIONS - NUMBER

In the past decade, the annual number of major property transactions in Chinese Mainland real estate investment market has reached an average number of 877 a year, and in the 4 years of 2011, 2014, 2015 and 2016 they had averaged more than 1,000.

In 2019, there were 726 transactions recorded, down 11.8% YoY while the average transaction value sharply rose 41.2% YoY to RMB 0.38 billion per transaction. In Q1 2020, there were 193 major property transactions recorded, with average transaction volume RMB 0.37 billion per deal.

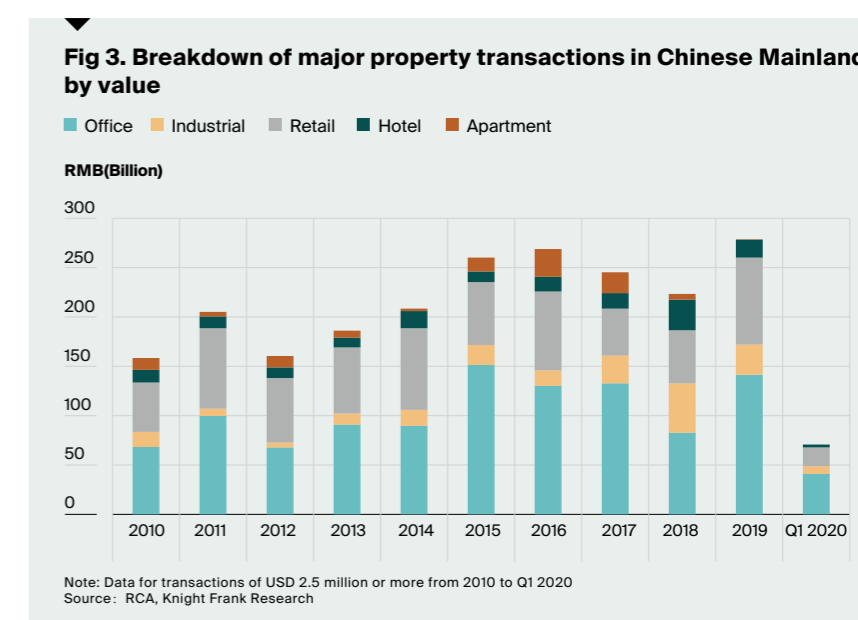


CHINESE MAINLAND TRANSACTIONS - SECTOR BY VALUE

Office transactions have been leading, with annual transactions averaging more than RMB 105 billion or 47.5% of the total value over the past decade, followed by retail properties averaging RMB 68 billion which had taken up 31.7% of total value.

Transaction value of industrial properties have reached another level in the last 3 years, rising sharply from about RMB 10 billion to over RMB 36 billion per year and accounting for 15% of total value from 6.1%.

In 2019, office transactions accounted for 50.9% of annual major property transaction value in Chinese Mainland, retail property transactions accounted for 31.6%, industrial properties for 11%, and hotels for 6.5%. In Q1 2020, the mainland real estate investment market recorded 57.9%, 27.1%, 10.9% and 4% of the transaction value of office, retail property, industrial property and hotel transactions respectively.



CHINESE MAINLAND TRANSACTIONS - SECTOR BY NUMBER

Retail property transactions accounted for the largest share by number, on average of about 42% of major property transactions in the mainland market over the past decade. Offices accounted for about 33.3% and industrial properties for about 16.24%.

In 2019, the share of retail property and office transactions was 41.8% and 34% respectively, up 17.7 percentage points and 14.1 percentage points YoY. The increasing share of retail and office assets were not only related to the increase of their transaction number, but also resulted from the declining proportion of industrial property transaction number. The number of major property transaction has fallen sharply in recent years as more investors or original owners have transferred assets in the form of portfolios.

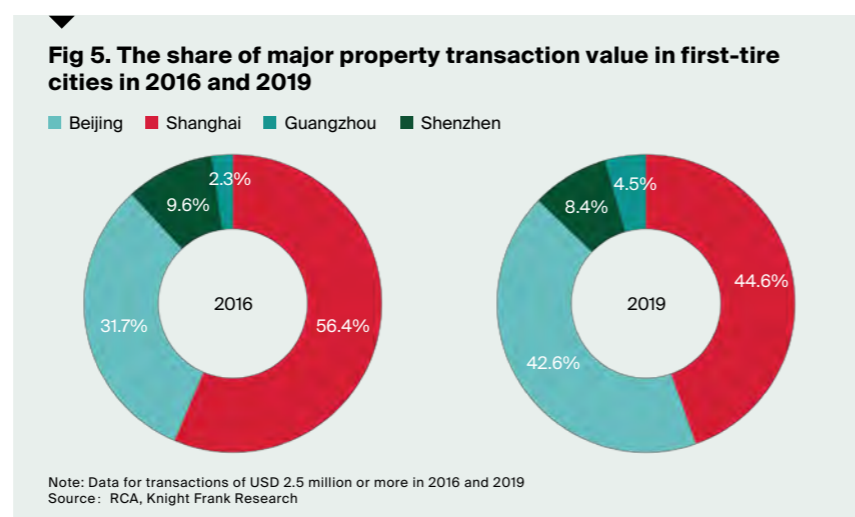


In 2019, industrial properties accounted for about 17.3% of total transaction number, down about 24.5 percentage points YoY. In Q1 2020, the mainland real estate investment market recorded

34.2%, 41.8%, 17.2% and 6.3% of the transaction number of office, retail property, industrial property and hotel transaction respectively.

CHINESE MAINLAND BREAKDOWN BY FIRST-TIER CITIES

From 2016 to 2019, excluding land transactions, the share of major property transaction value in Beijing and Guangzhou had grown, while those in Shanghai and Shenzhen had dropped. Beijing, in particular, had seen its share rising sharply, reversing the previous situation in which Shanghai accounted for more than half of the total transaction value.



CHINESE MAINLAND KEY TRANSACTIONS

Table 3. Chinese Mainland Key Transactions

Date	Project	City	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Dec 2018	Shanghai Port City Mixed-Use Project	Shanghai	Office, Retail	CapitaLand, GIC	SIPG	12.80
Apr 2019	Shenzhen OCT Tower (60% of equity)	Shenzhen	Office	China Life	Shenzhen Overseas Chinese Town Co., Ltd.	12.00
Jul 2019	Greenland Huangpu Riverside	Shanghai	Retail	Brookfield AM	Greenland	10.56
Mar 2019	Changtai Plaza	Shanghai	Office, Retail	Blackstone	CJ Group	10.02
Dec 2018	Sanlitun Yingke Centre	Beijing	Office, Retail, Apartment	China Visionary	Partners Group, Gaw Capital	10.50
Feb 2019	Kun Square, Great Bell Temple	Beijing	Retail	ByteDance	ZK Investment	9.00
Nov 2019	Shanghai Mapletree Business City & Vivo City	Shanghai	Office, Retail	Blackstone	Mapletree Investment	8.25
Feb 2020	LG Twin Tower	Beijing	Office	Singapore RECO Changan Private Ltd	LG Holdings	8.04
Dec 2019	T2 Building, China Resources Qianhai Plaza	Shenzhen	Office	CITIC Prudential Life	China Resources Land Qianhai Co., Ltd	8.00
Jan 2019	Tianjin Galaxy	Tianjin	Retail	China Resources Land	Tianjin Urban Infrastructure Construction Investment Group	7.93

Note: The major property transaction amount is for the past 24 months and calculated in terms of the actual transaction value. The order of the transaction list is sorted by transaction value
Source: RCA, Knight Frank Research



CHINESE MAINLAND BUYER PROFILE

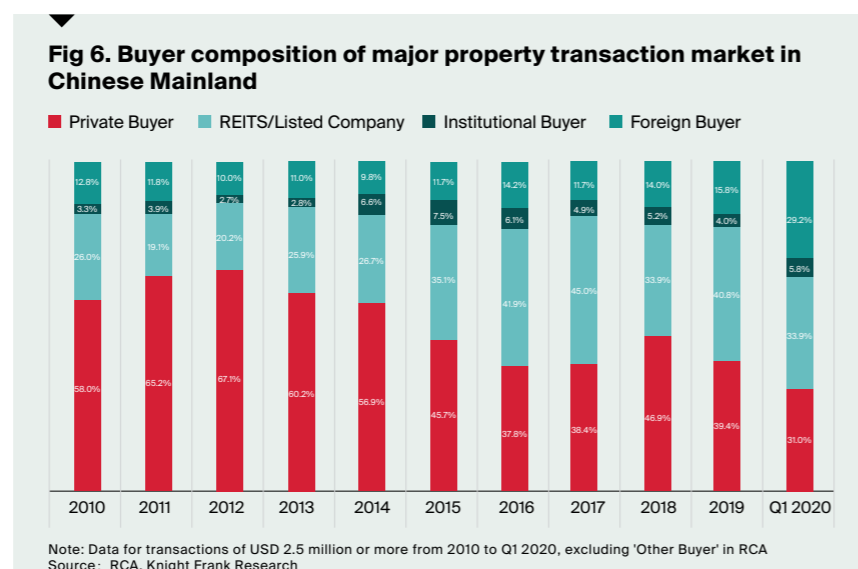
By transaction value, private investors were the key buyers in the Chinese Mainland market, but their share has been decreasing since 2013.

In 2019, private investors accounted for 39.4% of total major property transaction value, showing the decrease from 2018.

The share of REITS/listed companies in the past decade has been on the rise. In 2019, they accounted for 40.8% of the total transaction value.

In addition, the share of foreign buyers has remained stable in the past decade but peaked in 2019, reached around 15.8%, due to the weakening RMB exchange rate.

In Q1 2020, the transaction value of



foreign buyers, private buyers and REITS/listed companies accounted for a similar share of the Chinese Mainland major property transaction

market, while the institutional buyers took up the least share.

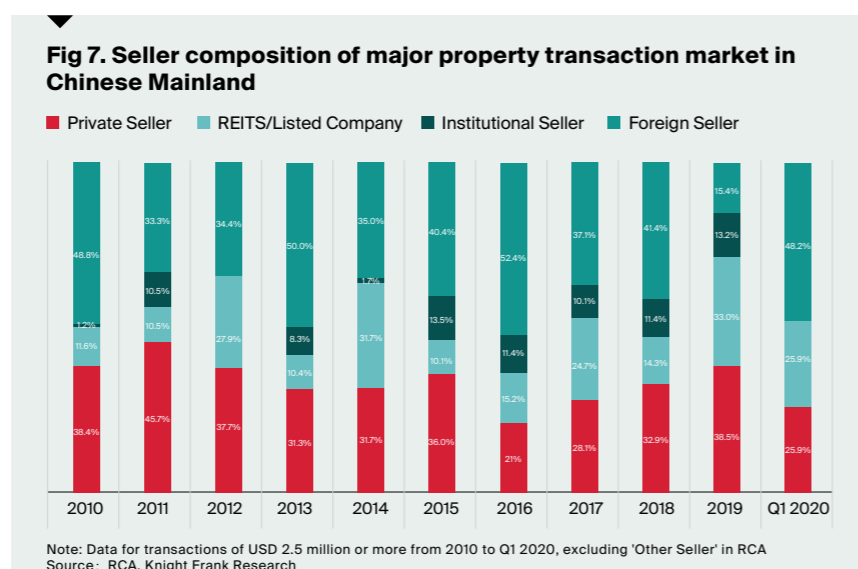
CHINESE MAINLAND SELLER PROFILE

By transaction value, private and foreign sellers dominated the Chinese Mainland market during the 9 years from 2011 to 2018.

However, in 2019, the transaction value of foreign sellers accounted for the lowest share in the decade, for about 15.4%, a significant drop of 26 percentage points YoY. This change was related to the weakening RMB exchange rate.

In 2019, private sellers accounted for about 38.5% of the total transaction value, and REITS/listed companies accounted for 33%, the largest share in the past decade.

Institutional sellers accounted for about 8% of the annual transaction value in the past decade, and 13.2% for 2019.



In Q1 2020, foreign sellers accounted for the largest share of transactions, at 48.2%, and REITS/ listed companies and private

sellers each accounted for 25.9% respectively.

CHINESE MAINLAND MAJOR SELLERS

Table 4. Chinese Mainland Major Sellers

Ranking	Seller	Selling amount RMB(Billion)	Number of Projects	Average Price RMB(Billion)
1	HNA Group	32	15	2
2	SOHO China	22	14	2
3	YMCI (China)	22	27	1
4	Greenland Group	21	36	1
5	Guangzhou Metro	19	3	6
6	China Oceanwide Holdings	15	2	8
7	Thaihot Group	13	23	1
8	Shanghai Int'l Port Group	13	2	6
9	CMIG	12	1	12
10	Partners Group	10	3	3

Note: The transaction amount is the total for the past 24 months, sorted by transaction amount from high to low
Source: RCA, Knight Frank Research

CHINESE MAINLAND RELEVANT POLICIES

Table 5. Recent Relevant Policies on Real Estate Investment in Chinese Mainland first-tire cities

City	Recent Relevant Policies on Real Estate Investment
Beijing	<p>The Foreign Investment Law (March, 2019) provides better market conditions for foreign investors to invest in China. It is expected that foreign investors will maintain an advantageous position in major property investment and play an active role in the Beijing market.</p> <p>On 2 August 2019, the Beijing Municipal Housing and Construction Commission issued a White Paper on Housing and Urban-Rural Construction Development in Beijing (2019), which aims to stabilise prices of land and housing and firmly curb the demand for speculative housing investment.</p>
Shanghai	<p>Several changes coming into effect on 1 September 2019 optimise the criteria for regional headquarters identification, which enables more enterprises such as the Internet, digital and other emerging areas of light assets enterprises comply with the regional headquarters recognition, enjoy financial subsidies and tax relief and other policy preferences.</p> <p>On 6 August 2019, the State Council approved the establishment of a new area of China (Shanghai) Free Trade Pilot Zone, and launched a number of active policies aimed at forming international business, cross-border financial services, cutting-edge technology research and development, cross-border service trade and other functions, including the advance industry intelligent network link and new energy vehicles.</p> <p>On Sep 12, 2019, the municipal government put forward 26 concrete measures to propel foreign investment, aiming to broaden and deepen the scope of foreign investment. Notably, the stock, funds and Insurance markets have been opened up due to the widening or canceling of restrictions on the ratio of foreign equity.</p>
Guangzhou	<p>At the beginning of 2019, "The plan for key construction projects of 2019 in Guangzhou" was released. In terms of Urban Renewal and Land Readiness, Guangzhou plans to invest RMB31.1 billion to propel 52 projects across 11 districts.</p> <p>Financial policy is generally loose, but residential mortgages and corporate financing restrictions have not been significantly relaxed. Since May 2019 housing enterprises continued to operate in the tightening financing environment, focusing on trust, foreign debt, development, loans and other areas.</p>

City**Recent Relevant Policies on Real Estate Investment**

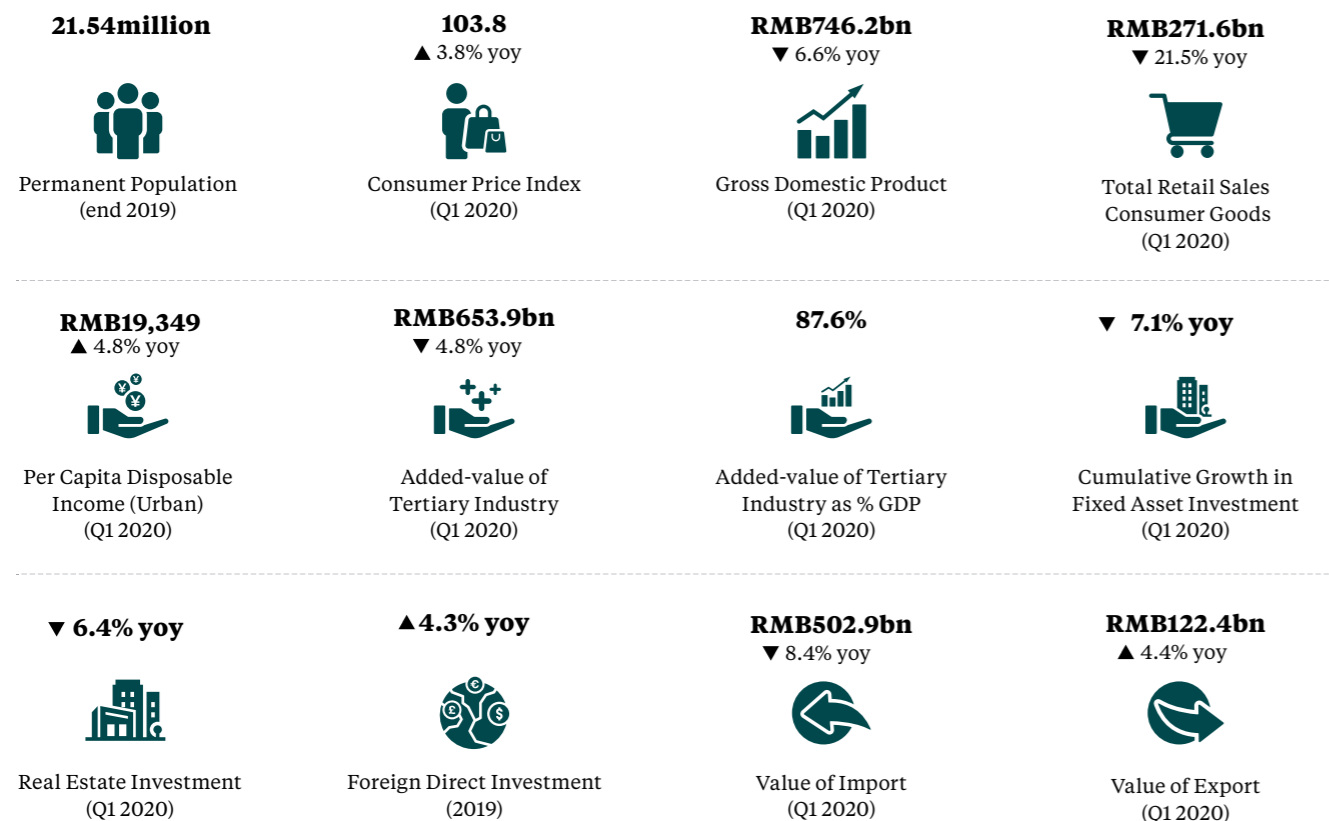
On August 18, 2019, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Supporting the Construction of the First Demonstration Zone of Socialism with Chinese Characteristics in Shenzhen. According to the Opinion, Shenzhen will be strategically positioned as a global benchmark city with competitiveness, innovation and influence.

Shenzhen The Opinions support Shenzhen's implementation of a more open and convenient management system for the introduction and entry and exit of foreign talents, the promotion of interconnection with Hong Kong and Macau financial markets and mutual recognition of financial (fund) products, the first test in promoting the internationalization of the RMB, and the exploration of innovative cross-border financial supervision. The policy aims to support Shenzhen to pilot the deepening of foreign exchange management reform, build free trade pilot zones with high standards and quality, and promote more international organizations and institutions to settle in Shenzhen.

In February 2020, the "Shenzhen 2020 Major Project Plan" was issued. In the plan, there are 122 projects for industrial parks, production lines, and R & D center. Also, there are 48 urban renewal projects and 37 headquarters projects.



BEIJING ECONOMIC OVERVIEW



Source: Official Data

BEIJING TRANSACTIONS - TOTAL VALUE

In the past decade, the annual major property transactions in Beijing real estate investment market have reached an average value of about RMB 48.6 billion, with annual transaction value achieved highest point at RMB 86 billion in 2019.

In Q1 2020, the transaction value for major property was RMB 26 billion.



BEIJING TRANSACTIONS - BY NUMBER OF DEALS

In the past ten years, the average number of major property transactions in Beijing real estate investment market has achieved 212 deals per year, with annual transaction number exceeding 350 in each of the 2 years in 2010 and 2016.

There were 116 deals in 2019, which was lower than the average annual number in the past decade. However, The average transaction value per deal increased sharply by 105.6% YoY to RMB 0.74 billion.

In Q1 2020, there were 33 major property transactions recorded in Beijing market, with average transaction volume RMB 0.8 billion per deal.



BEIJING TRANSACTIONS - SECTOR BY VALUE

Office transactions took the lead, with the average annual transaction value accounting for more than half of the major property transactions in Beijing over the past decade, or about 50.3% on average. Retail properties came the second, which had an average of about 35.4% of Beijing major property transaction value in the past decade. Hotels ranked third, but the average share was less than 10%. Lastly, the average share of industrial properties and apartments was less than 5%.

In 2019, office transactions accounted for about 56.7% of the total major property transaction value, retail properties accounted for about 32.2%, and the remaining types of property assets accounted for about 11%. In Q1 2020, only office and retail property transactions were recorded, with the transaction value accounting for about 87.7% and 12.3%, respectively.



BEIJING TRANSACTIONS - SECTOR BY NUMBER

After 2016, more investors or original property owners transacted Beijing real estate assets in the form of investment portfolio. The number of major property transactions of five types of property assets, including office, retail property, industrial property, hotel and apartment, declined significantly, but the transaction share of all types of assets did not fluctuate significantly.

In 2019, office transactions accounted for 47.4% of the total number of major property transactions in Beijing, retail properties for 43.1%, hotels and apartments for less than 10% each. In Q1 2020, office transactions accounted for 66.7% of the total transaction number, while retail properties for 33.3%.



BEIJING KEY TRANSACTIONS

Table 6. Key Transactions

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Dec 2018	Sanlitun Yingke Centre	Office, Retail, Apartment	China Visionary	Partners Group, Gaw Capital	10.50
Feb 2019	Kun Square, Great Bell Temple	Retail	ByteDance	ZK Investment	9.00
Feb 2020	LG Twin Tower	Office	Singapore RECO Changan Private Ltd	LG Holdings	8.04
Mar 2019	Dinghao Electronic Building	Office	Partners Group, SDP Investment, Carlyle Group, Middle East Family Wealth Fund	Sino Horizon	7.50
Oct 2019	Zhongguancun Times Shopping Plaza	Retail	EBA Investments	Glorious Oriental	6.80
Oct 2019	Ronsin Technology Center (85% of equity)	Office, Retail	Allianz Real Estate, Alpha Asia	D&J China	6.60
Aug 2019	Pangu Plaza	Office	BBMG	Beijing Pangushi Investment Co., Ltd	5.18
Dec 2018	North Building of Oriental Culture and Art Center	Office	AEW, HONY Capital	HOPSON	4.05

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Jun 2018	New EBA Investments	Office	Postal Savings Bank of China	EBA Investments	4.00
Mar 2019	Glory Star Financial Tower	Office	Mapletree Investment	ICBC International Holding Co., Ltd	3.40

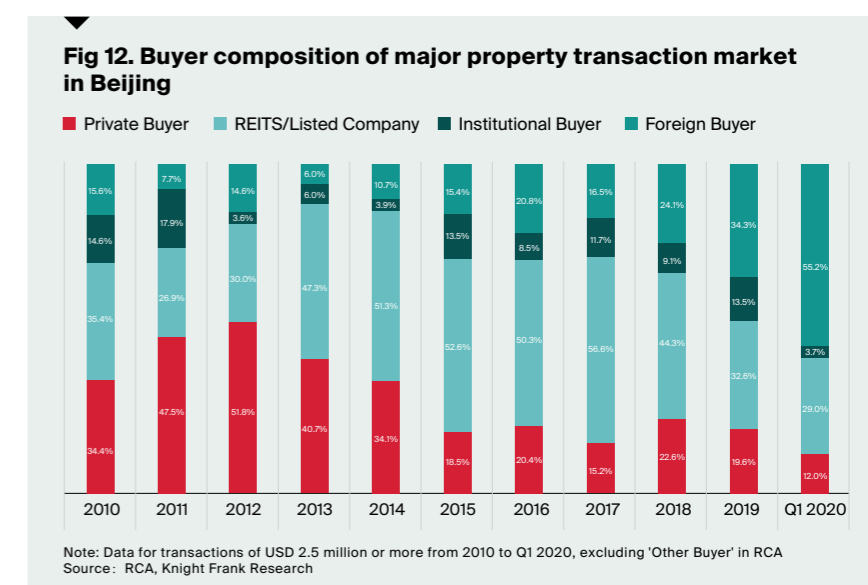
Note: The major property transaction amount is for the past 24 months and calculated in terms of the actual transaction value
The order of the transaction list is sorted by transaction value
Source: RCA, Knight Frank Research

BEIJING BUYER PROFILE

By transaction value, real estate investment market in Beijing used to be dominated by REITs/ listed companies and private investors. But since 2012, the share of REITs/ listed companies gradually increased. In 2019, REITs/ listed companies accounted for 32.6% of total investment value, while private buyers accounted for only 19.6%.

Foreign buyers accounted for the biggest share of buyers in Beijing market in 2019 over the past decade, Knight Frank speculated that the shift was driven by the weakening RMB exchange rate.

By the transaction value, in Q1, foreign buyers were the major buyers in the market, accounting for 55.2% of the transaction value, while REITs/ listed companies, private buyers and institutional buyers accounted for 29%, 12% and 3.7% respectively.



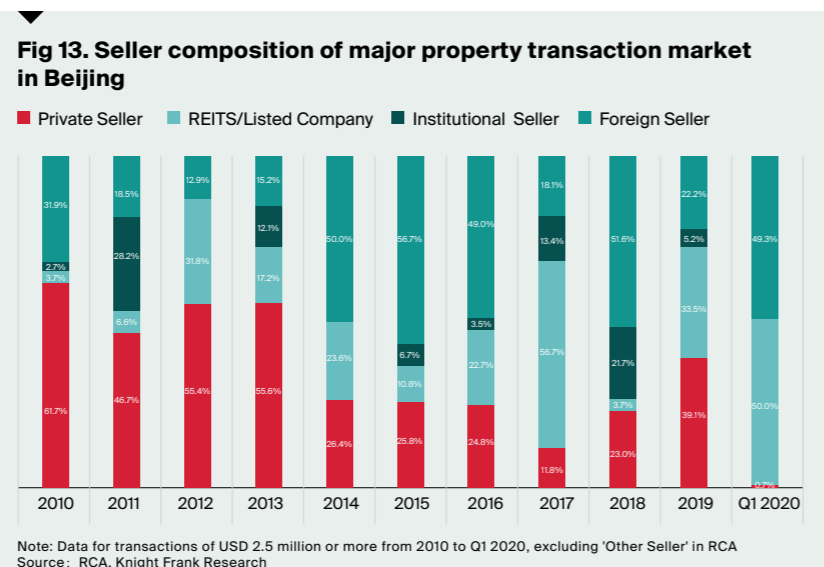
BEIJING SELLER PROFILE

By transaction value, in the four years from 2010 to 2013, Beijing real estate investment market was mainly dominated by private sellers. From 2014 to 2016, foreign sellers were the main ones while between 2017 and 2019, seller segmentation proportion continued to change.

In 2019, the share of REITs/ listed companies was 33.5%, a significant increase of 29.8 percentage points YoY. Private sellers accounted for about 39.1% of the total transaction value, a increase of 16.1 percentage points YoY.

Foreign sellers accounted for 22.2% of the total transaction value in 2019, a significant decrease of 29.4 percentage points YoY while institutional sellers accounted for approximately 5.2%, a decrease of 16.5 percentage points YoY.

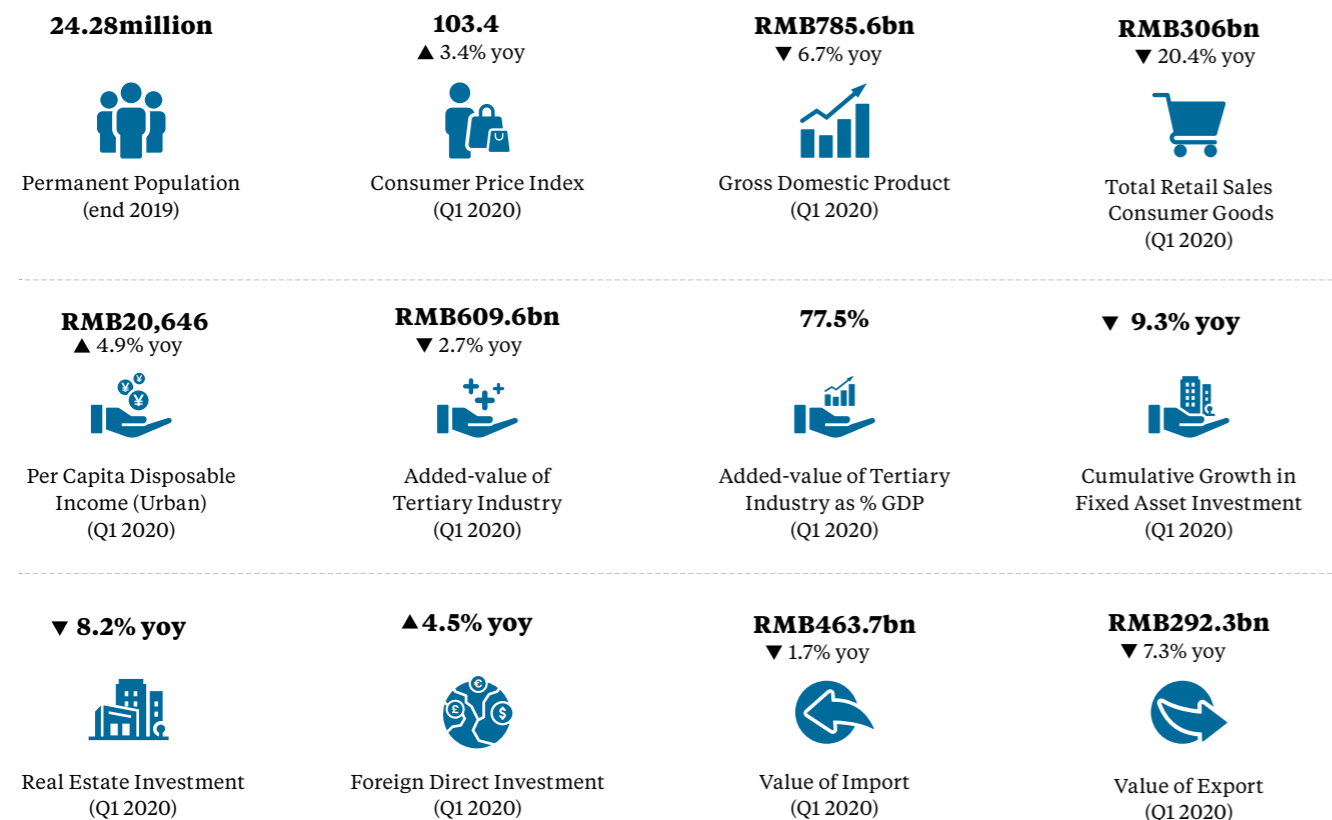
In Q1 2020, REITs/ listed companies accounted for 50% of the total sales transaction value, and the remaining sales transactions came from foreign and private sellers, accounting for 49.3% and 0.7% respectively.



04.

SHANGHAI INVESTMENT MARKET

SHANGHAI ECONOMIC OVERVIEW

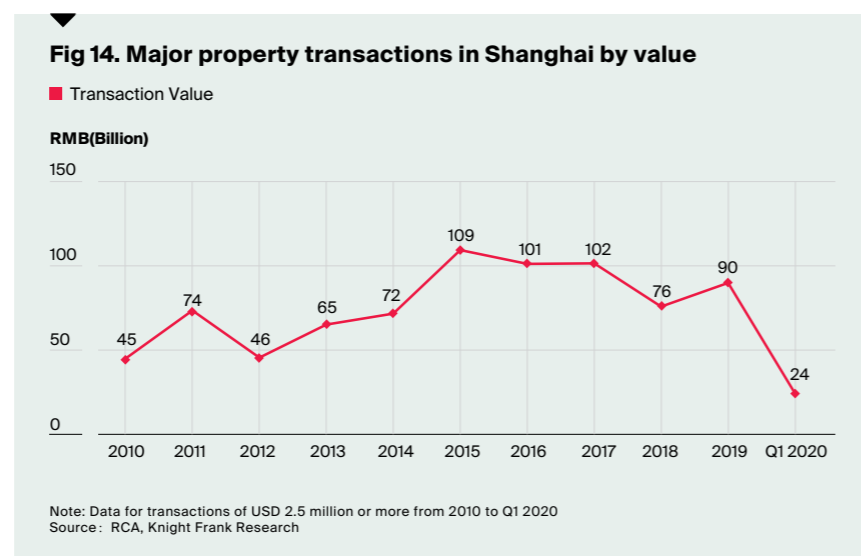


Source: Official Data

SHANGHAI TRANSACTIONS - TOTAL VALUE

In the past decade, the annual major property transactions in Shanghai real estate investment market have reached an average value of RMB 73 billion, ranking first among the four first-tier cities in China. In addition, the annual transaction value exceeded RMB 100 billion in each of the three years from 2015 to 2017.

In 2019, the total transaction value of major property in Shanghai real estate market reached RMB 90 billion, up 18.6% YoY. In Q1 2020, the transaction value for major property stood at RMB 24 billion.



SHANGHAI TRANSACTIONS - NUMBER

In the past ten years, the average number of major property transactions in Shanghai real estate investment market has reached 172 per year while in 2019 it was 138, down by 9.2% YoY. The average transaction value per deal increased by 30.6% YoY to RMB 0.65 billion.

In Q1 2020, there were 44 major property transactions recorded, with an average value of RMB 0.55 billion per transaction.

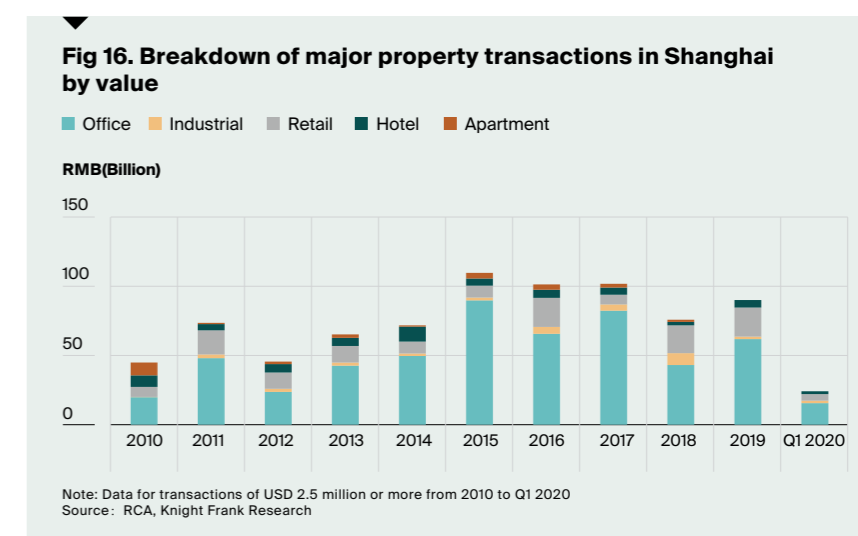


SHANGHAI TRANSACTIONS - SECTOR BY VALUE

Office transactions took the lead, with the average annual transaction value over the past decade accounting for about 65% of the major property transactions in Shanghai. The second was retail properties, which had averaged only about 18.1% share while the other types of property assets were less than 10%.

In 2019, the segmentation share of major property transactions in Shanghai real estate investment market was also in line with the market pattern. Office transactions accounted for about 68.6% of the total major property transaction value, retail properties accounted for about 23.3%, and the remaining types of property assets accounted for 8.1% in total.

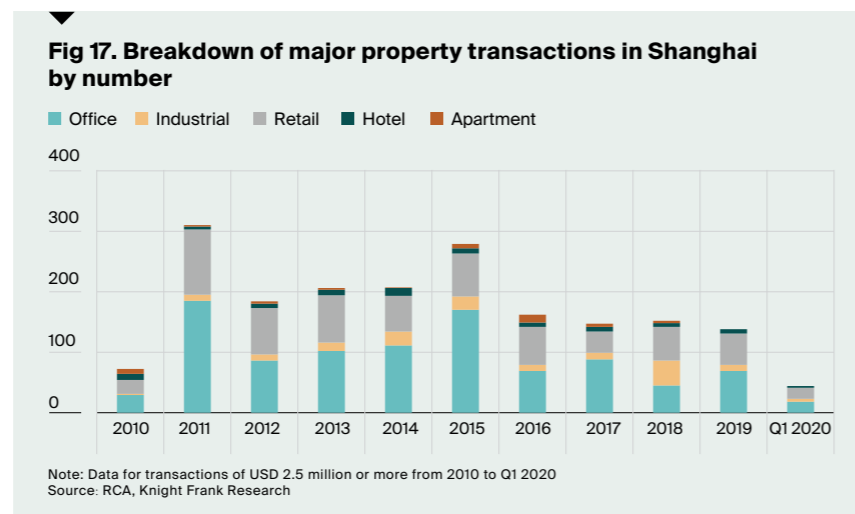
In Q1 2020, there were transactions in office, industrial property, retail property and hotel in Shanghai market, with the transaction value accounting for 65%, 19.8%, 6.8% and 8.4% respectively.



SHANGHAI TRANSACTIONS - SECTOR BY NUMBER

Since 2011, the segmentation of major property transactions in Shanghai real estate market remained stable, with office transactions accounting for 49.3% of the total transaction number, retail properties accounting for 33.8%, and other property asset transactions accounting for less than 10% in the past decade.

In 2019, the segmentation of major property transaction value in Shanghai real estate market also followed the previous trend. Offices accounted for 50% of the total number of Shanghai major property transactions, retail properties for 37.7%, industrial properties and hotels for less than 10% each. There was no major transaction record for apartments.



In Q1 2020, offices and retail properties accounted for 40.9% of the total transaction number respectively, industrial properties for 11.4% and hotels for 6.8%.

SHANGHAI KEY TRANSACTIONS

Table 7. Key Transactions

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Dec 2018	Shanghai Port City Mixed-use Project	Office, Retail	CapitaLand, GIC	SIPG	12.80
Jul 2019	Greenland Huangpu Riverside	Retail	Brookfield AM	Greenland	10.56
Mar 2019	Changtai Plaza	Office, Retail	Blackstone	CJ Group	10.02
Nov 2019	Shanghai Mapletree Business City & Vivo City	Office, Retail	Blackstone	Mapletree Investment	8.25
Jun 2019	Shanghai Enterprise NO. 5	Office	Shui On Land, Hongli Investment, China Life Trustees Limited	China Life Trustees	5.69
Mar 2019	Shanghai Yifang Building	Office	Keppel Land, Universal-Investment, Bayerische Versorgungskammer (BVK)	Yifang Jingyi Enterprise Management Company	4.60
Jun 2018	Longyu International Business Plaza	Office	GIC, Hong Kong-Shanghai Alliance	Baoshang Bank	3.23

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Dec 2018	Building 1, Fuyuan Land Plaza	Office	China Reinsurance Group	China Enterprise Company Limited, SUNAC	3.08
Nov 2018	Shanghai Ocean Tower	Office	QuadReal Property, GAW Capital	ARA Asset Management	2.97
Jan 2019	Building A-D, Shanghai Mixc Mall	Office	GAW Capital	China Resources Land	2.80

Note: The major property transaction amount is for the past 24 months and calculated in terms of the actual transaction value. The order of the transaction list is sorted by transaction value
Source: RCA, Knight Frank Research

SHANGHAI BUYER PROFILE

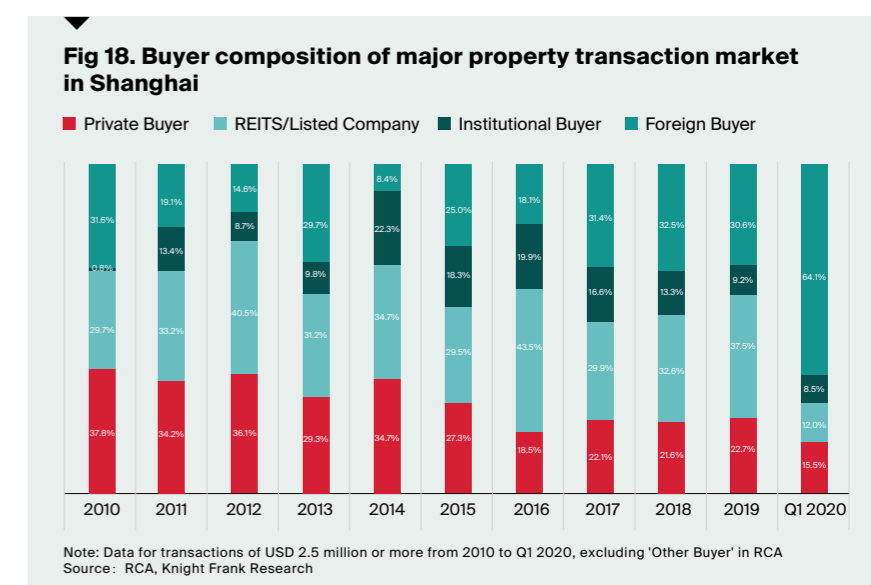
By transaction value, in the past decade, real estate investment market in Shanghai has been dominated by REITS/ listed companies, accounting for about 34.2%, but the share of private investors accounted for about 28.4%.

In 2019, REITS/ listed companies accounted for an average of about 37.5% of total transaction value, while private buyers accounted for about 22.7%.

Foreign buyers accounted for an average of 24.1% of total transaction value in the past decade, compared with about 31.5% in the past three years.

Institutional buyers have averaged about 13.3% of the transaction value share over the past decade, and about 9.2% in 2019.

In Q1 2020, foreign buyers, private buyers, REITS/listed companies and institutional buyers all had transaction records in the Shanghai major property transaction market, and the transaction value of these 4 types of buyers accounted for 64.1%, 15.5%, 12% and 8.5% of the total transaction value respectively.



SHANGHAI SELLER PROFILE

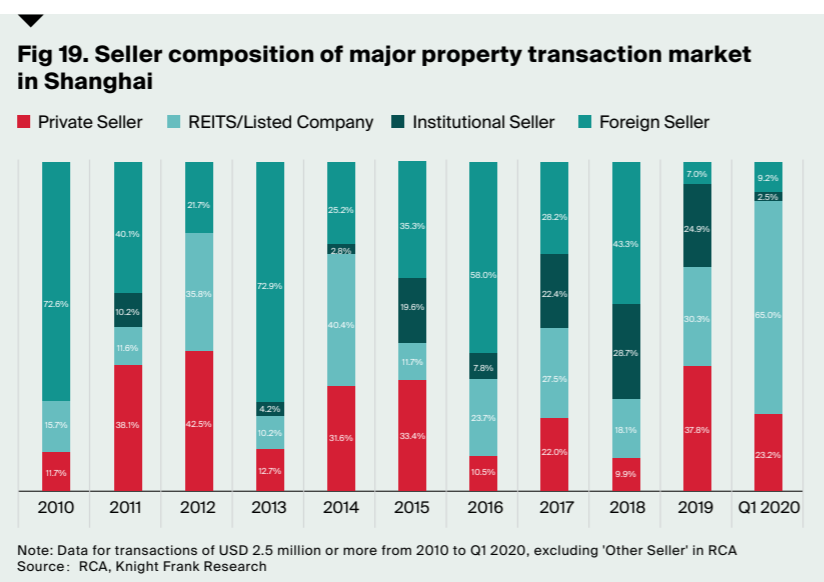
By transaction value, as Shanghai market continues to diversify, the segmentation of sellers in Shanghai real estate investment market continued to change, with no specific leading seller.

In the past decade, REITS/ listed companies accounted for an average of about 22.5% of the total transaction value and 25% of private sellers. In 2019, the share of REITS/ listed companies and private sellers was about 30.3% and 37.8% respectively. Both categories of sellers accounted for more of the year than in 2018.

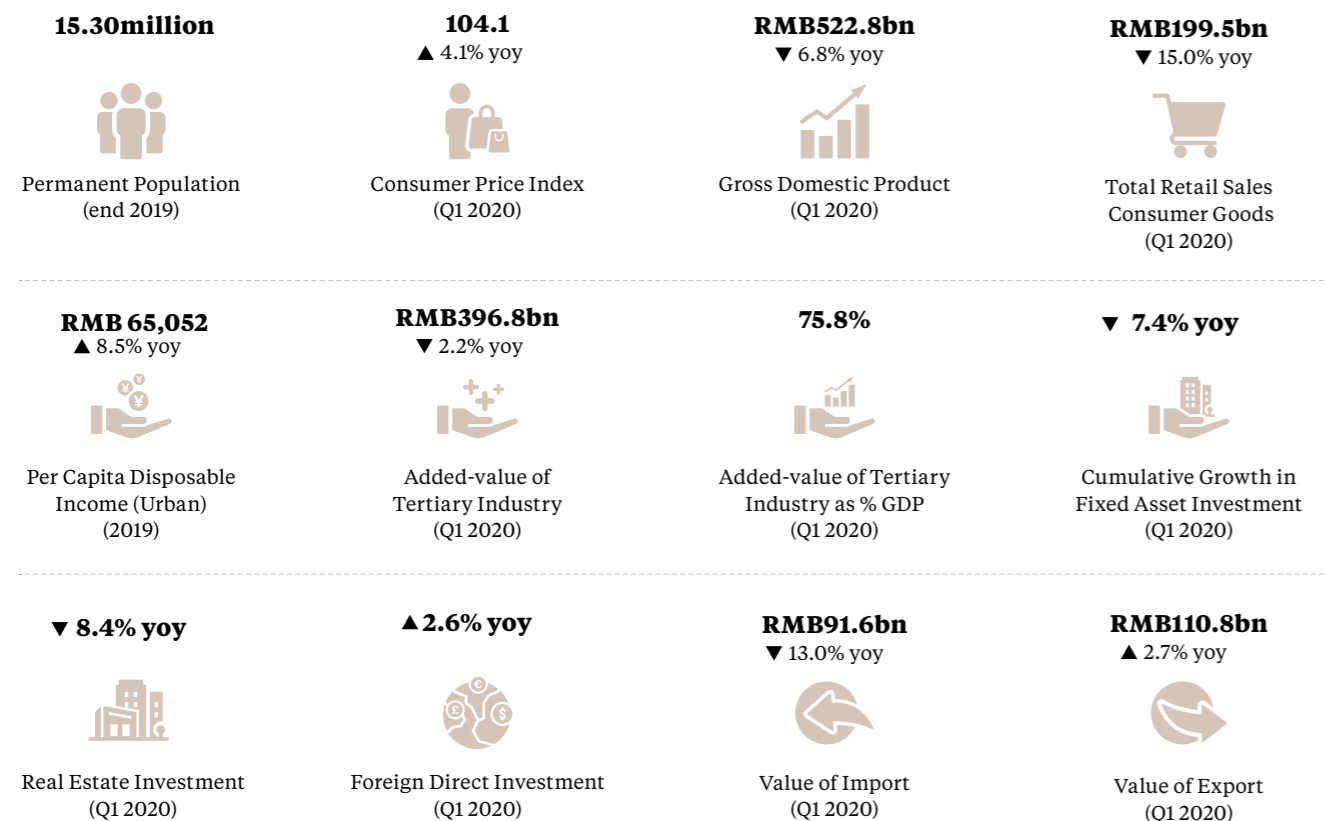
The share of foreign sellers in all categories changed the most. Foreign sellers accounted for 43.3% of the total transaction value in 2018, but only 7% in 2019. Same in other markets, the RMB exchange rate is one of the important factors affecting the sale of projects by foreign sellers, and it also reflected the strong sensitivity of investors to the major property investment market.

In the past decade, the average transaction value of institutional sellers was about 12.1%, but from 2017 to 2019, the average value of institutional sellers reached about 25.3%.

In Q1 2020, foreign sellers, REITS/ listed companies, private, foreign and institutional sellers accounted for 65%, 23.3%, 9.2% and 2.5% of the total transaction value respectively.



GUANGZHOU ECONOMIC OVERVIEW

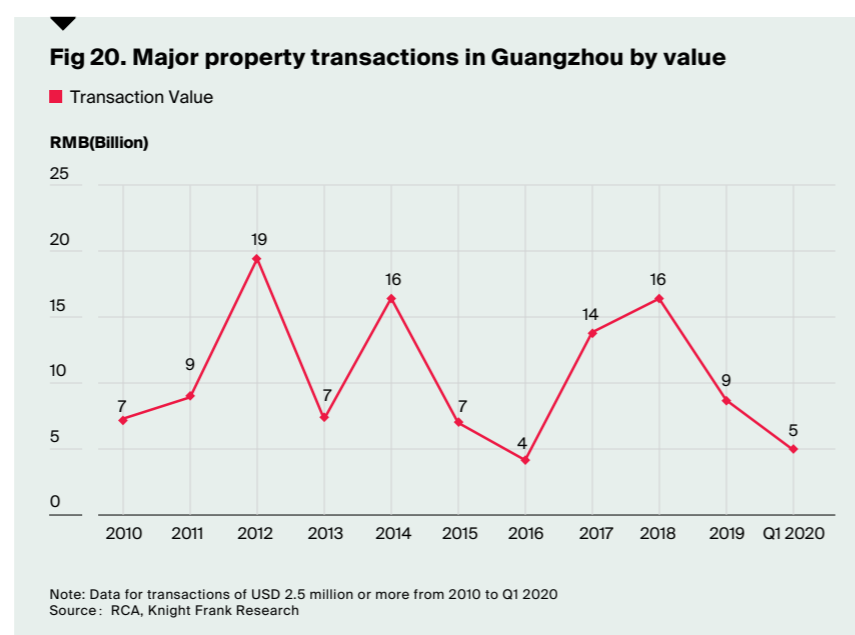


Source: Official Data

GUANGZHOU TRANSACTIONS - TOTAL VALUE

In the past decade, there were strong fluctuations in the major property transaction value in Guangzhou real estate investment market. The total transaction value could reach over RMB 15 billion in 2012, 2014, and 2018, while it could also reach below RMB 8 billion in some years.

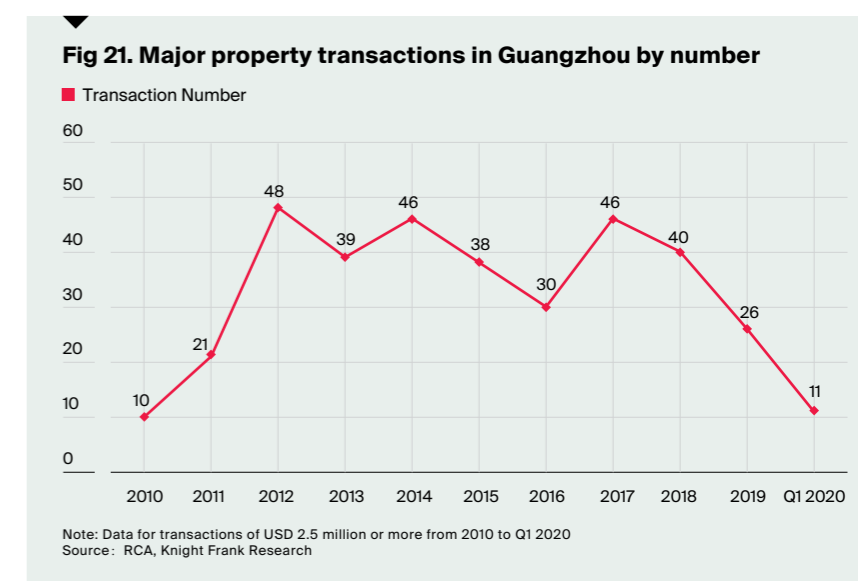
In 2019, the total transaction value of major property in Guangzhou real estate market reached RMB 9 billion, down sharply by 46.8% YoY. In Q1 2020, the transaction value for major property was RMB 5 billion, with an average transaction value of RMB 0.45 billion per deal.



GUANGZHOU TRANSACTIONS - NUMBER

In the past ten years, the average number of major property transactions in Guangzhou real estate investment market has reached 32 deals per year. In 2012, 2014 and 2017, the number of major property transactions exceeded 45 deals. In 2019, the transaction number was 26, dropped significantly by 35% YoY and the average value per transaction decreased by 18.2% YoY to RMB 0.34 billion.

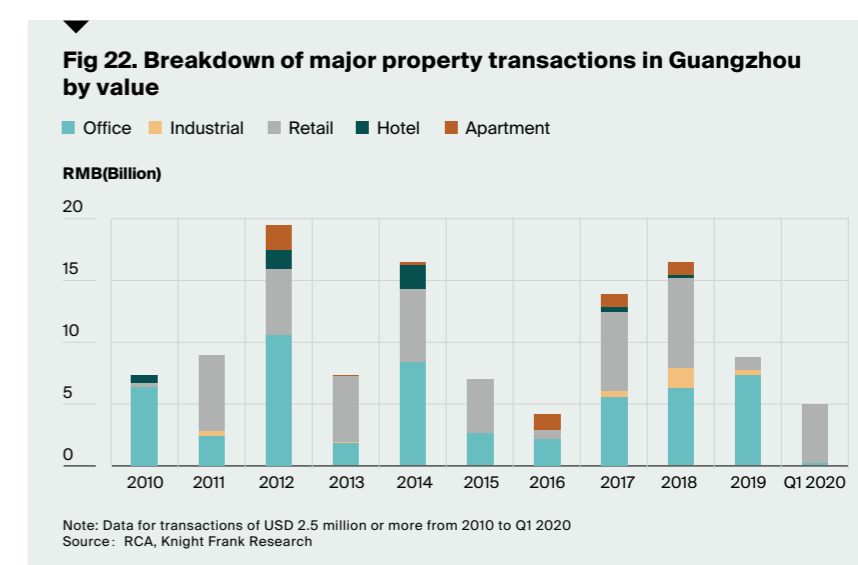
In Q1 2020, there were 11 major property transactions recorded with average value RMB 0.45 billion per transaction.



GUANGZHOU TRANSACTIONS - SECTOR BY VALUE

Office accounted for the largest share of major property transaction market in Guangzhou over the past decade, followed by retail properties. But between 2013 and 2018, the transaction value of retail properties exceeded that of offices for four years.

In 2019, offices regained their leading position in the market, with transaction value accounting for 84.3% of the total value in Guangzhou market. The rest of that were almost from retail properties. In Q1 2020, transaction values of offices and retail properties accounted for 4.5% and 95.5% respectively in Guangzhou market. The retail transaction value was mainly contributed by the Pearl River Sun City Plaza project, with total transaction value around RMB 4.6 billion, according to RCA.

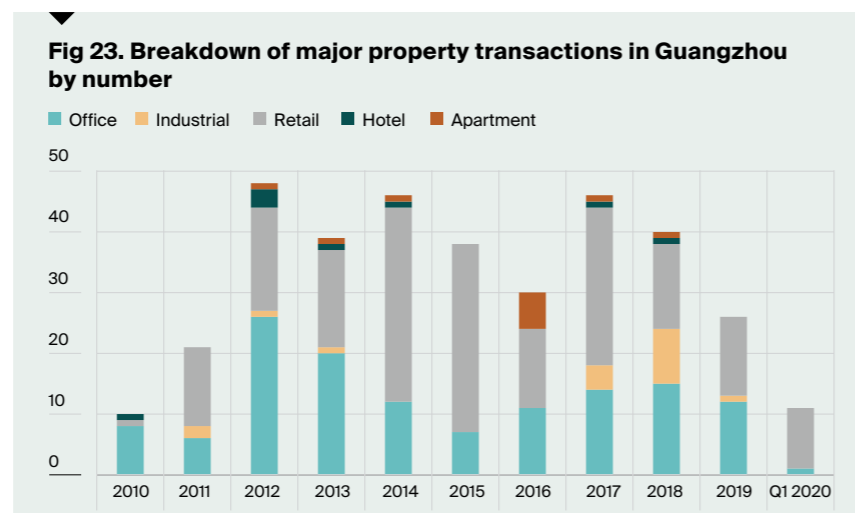


GUANGZHOU TRANSACTIONS - SECTOR BY NUMBER

Since 2010, the major property transaction number in Guangzhou has led by retail property, accounting for about 48.4% in the past decade, followed by offices, accounting for 41%.

Between 2017 and 2019, the number of major property transaction in industrial properties rose from the previous year, accounting for 11.7% of the total transaction value for that 3 years.

In 2019, office and retail property transactions accounted for 46% and 50% respectively of the total transaction number, with 4% for industrial properties. In Q1 2020, the transaction number of retail properties accounted for 91% of the total transaction number while offices for 9%.



GUANGZHOU KEY TRANSACTIONS

Table 8. Guangzhou Key Transactions

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Jan 2018	Lok Feng Plaza	Retail	CapitaLand	Baodexin Real Estate Fund	3.34
Aug 2019	Swan Bay Phase II	Apartment	Shimao Group	Guangzhou Yuetai Group Co.,Ltd	2.78
Aug 2019	Jiasheng Project	Apartment	Shimao Group	Guangzhou Yuetai Group Co.,Ltd	2.49
Dec 2018	Yuexiu New Metropolis Building	Office	KaiLongRei Investment, Guangzhou Metro	Yuexiu REIT	1.17
Oct 2019	Headquarters Building, Modern Avenue	Office, Retail	Guangzhou Jiankang Sports Culture Development Co., Ltd	Modern Avenue Group	0.97
Sep 2019	Oriental Wende Building	Office, Retail	Forchn Investment	Prosperity International Holdings (H.K.) Limited	0.54
Jan 2018	Dalian Wanda Hotel and Office Asset Portfolio	Hotel, Office	R&F Group	Dalian Wanda	0.22

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
May 2018	Guangzhou No.3 Data Center	Industrial	GDS	Guangzhou Weiteng Data Technology Co., Ltd	0.26
Jan 2018	Liberation Building	Apartment	Landsea	Hon Kwok Land	0.26
Jul 2018	Swire Cold Chain Logistics Asset Portfolio	Industrial	Vanke Logistic	Swire Property	0.19

Note: The major property transaction amount is for the past 24 months and calculated in terms of the actual transaction value. The order of the transaction list is sorted by transaction value
Source: RCA, Knight Frank Research

GUANGZHOU BUYER PROFILE

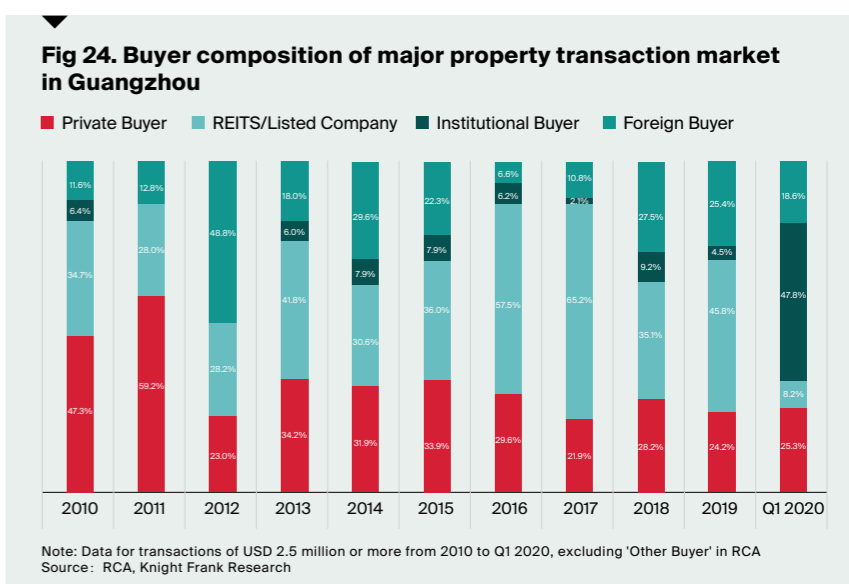
By transaction value, real estate investment market in Guangzhou was dominated by REITs/ listed companies in the past decade. The share of private buyers in the total transaction value were relatively stable from 2013 to 2019 after a sharp decrease in 2012.

In 2019, REITs/ listed companies accounted for 45.8% of the total investment in major property transaction market in Guangzhou, while private buyers accounted for about 24.2%.

In 2018-2019, the share of foreign buyers' investment value in Guangzhou real estate investment market exceeded that of the 2015-2017 period. In 2019, the investment value of foreign buyers accounted for 25.4% of total investment value in the market.

Institutional buyers accounted for the lowest share of investment value in Guangzhou major property investment market in the past decade, at about 5%, and they had the 4.5% share in 2019.

In Q1 2020, the transaction value of institutional buyers, private buyers, foreign buyers and REITs/ listed in Guangzhou major property transaction market accounted for 47.8%, 25.3%, 18.6% and 8.2% respectively of the total transaction value.



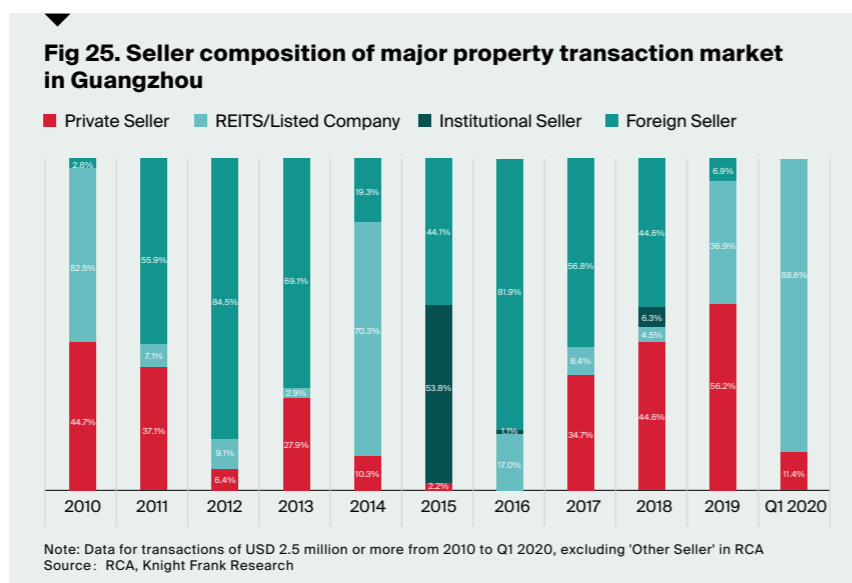
GUANGZHOU SELLER PROFILE

By transaction value, the segmentation of sellers in Guangzhou real estate investment market varies, with REITs/ listed companies and private sellers accounting for 47.3% of the transaction value of the investment market on average in the past decade. In 2019, these 2 types of sellers accounted for 93.1% of the total.

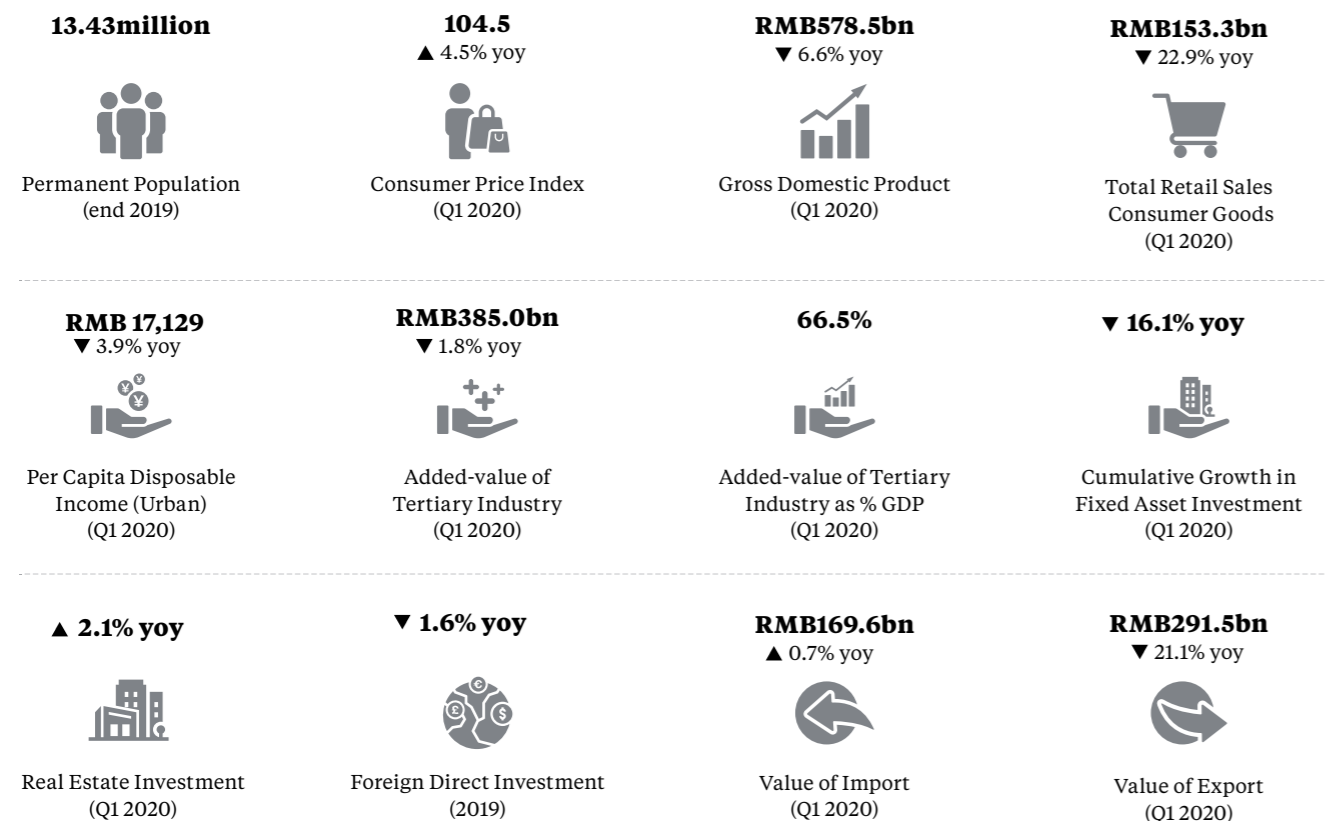
The share of foreign sellers varied greatly, accounting for more than 80% of the sellers in 2012 and 2016, but also accounting for only 2.8% of the sellers in 2010. Affected by the RMB exchange rate, foreign sellers only account for 6.9% in 2019, down 37.7 percentage points YoY.

In the past decade, institutional sellers only sold the local projects in 2015, 2016 and 2018, accounting for 53.8%, 1.1% and 6.3% of the total transaction value of the sold projects in that year respectively.

In Q1 2020, REITs/ listed companies and private sellers were active in the major property transaction market, their transaction value accounted for 88.6% and 11.4% respectively.



SHENZHEN ECONOMIC OVERVIEW

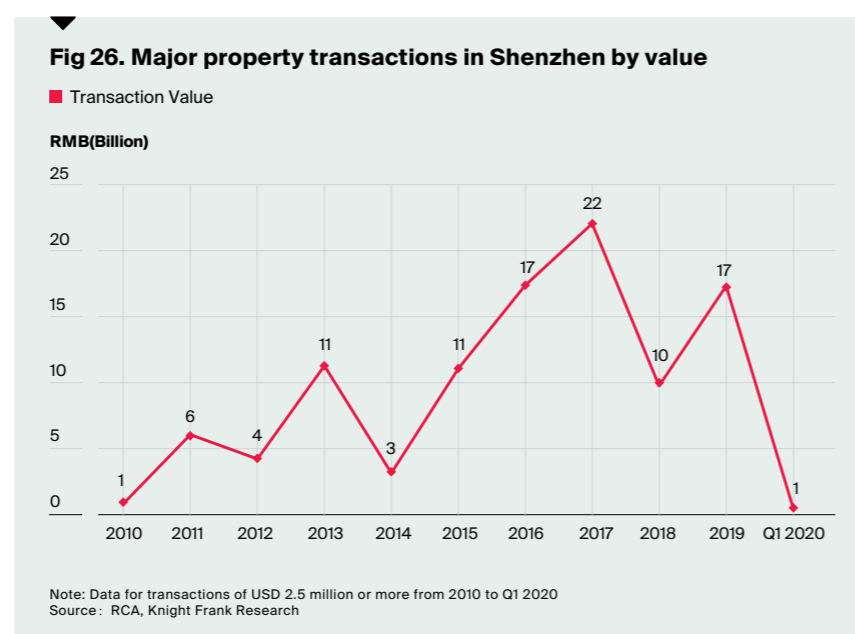


Source: Official Data

SHENZHEN TRANSACTIONS - TOTAL VALUE

In the past decade, the transaction value in Shenzhen major property transaction market continued to grow. In 2017, the total transaction value exceeded RMB 20 billion, stood at around RMB 22 billion.

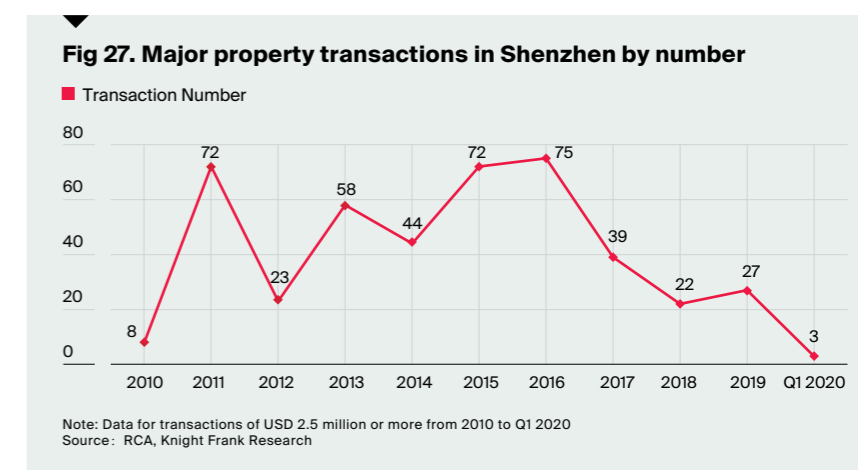
In 2019, the transaction value was about RMB 17 billion, rose sharply 77.3% YoY, as the second highest transaction value in the past decade. In Q1 2020, the transaction value was about RMB 1 billion.



SHENZHEN TRANSACTIONS - NUMBER

In the past ten years, the average number of major property transactions in Shenzhen real estate investment market has reached 40 deals per year. In 2011, 2015 and 2016 the number of major property transactions exceeded 70.

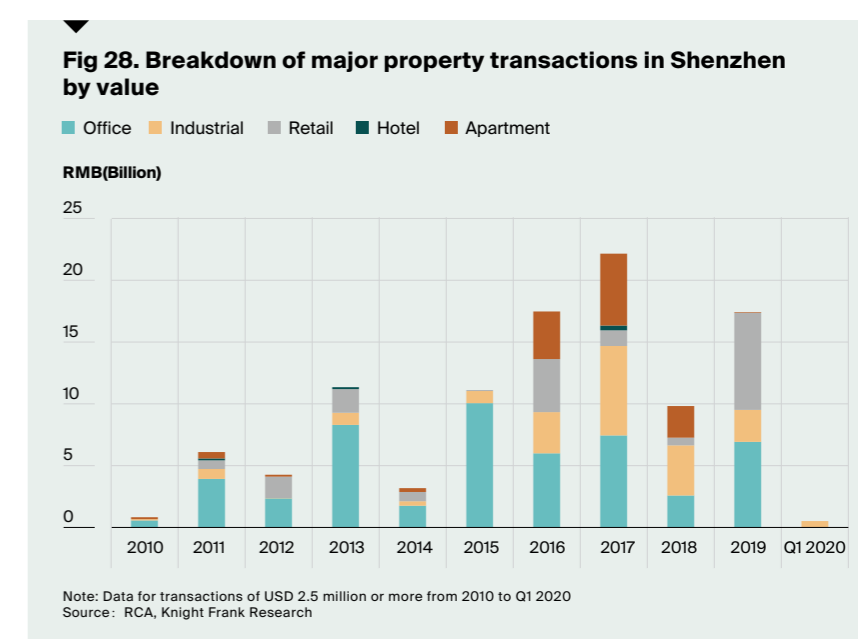
In 2019, there were only 27 transactions recorded, but still up by 22.7% YoY. However, the average transaction value per deal increased sharply by 44.5% YoY to RMB 0.64 billion. In Q1 2020, there were three major property transactions recorded, with average transaction value RMB 0.17 billion per deal.



SHENZHEN TRANSACTIONS - SECTOR BY VALUE

Office transactions accounted for more than half of the total transaction value of the major property investment market in Shenzhen. However, since 2016, the share of office transactions had declined to about 31.4%, which resulted in an increase in the transaction value of retail and industrial property. From 2016 to 2018, retail and industrial property accounted for about 41.1% of the total transaction value in the market.

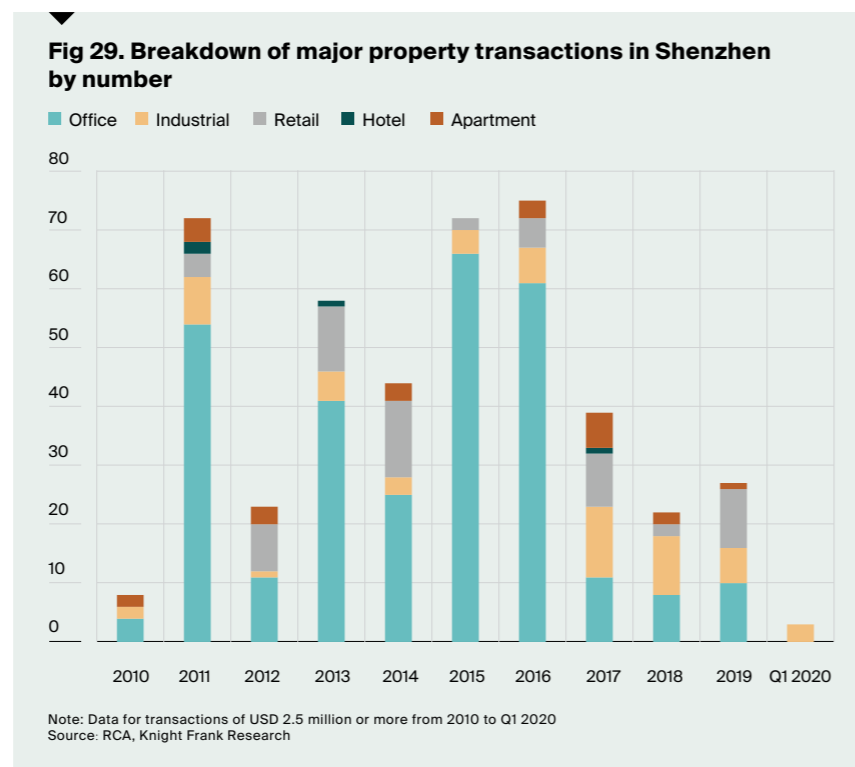
In 2019, retail property transactions accounted for 45.1% of the total value of major property transactions, offices for 39.7% and industrial properties for 14.9%. In 2019, the total value of retail and industrial property transactions accounted for 60% of the transaction value in Shenzhen major property market. In Q1 2020, only industrial property was recorded for transaction, with transaction value of about RMB 1 billion.



SHENZHEN TRANSACTIONS - SECTOR BY NUMBER

Since 2016, owing to the decline in the number of office transactions, the number of major property transactions in Shenzhen has decreased significantly. The average transaction number of industrial properties in from 2017 to 2019 was about 28, which was almost consistent with the average transaction number of offices in the three years.

In 2019, retail properties accounted for 37% of the transaction number of major property market in Shenzhen, as well as offices for 37% and industrial properties for 22.2%. In Q1 2020, only three industrial properties were sold.



SHENZHEN KEY TRANSACTIONS

Table 9. Shenzhen Key Transactions

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Apr 2019	Shenzhen OCT Tower (60% of equity)	Office	China Life	Shenzhen Overseas Chinese Town Co., Ltd.	12.00
Dec 2019	T2 Building, China Resources Qianhai Plaza	Office	CITIC Prudential Life	China Resources Land Qianhai Co., Ltd	8.00
Mar 2019	Yijing Central Walk	Retail	Link Real Estate Investment Trust	Prudential Financial, Yijing Group	6.60
Dec 2018	Olympus Shenzhen Factory	Industrial	Shenzhen Yilian Technology Co., Ltd	Olympus	1.84
Jul 2019	Building 4&5, Taizwan Business Building	Office	Local Organization	China Merchants Group	1.50
Dec 2019	Building B, Haifu NO.1	Office	Juncheng Holding Group	OCT Binhai Company	1.00

Date	Project	Property type	Buyer	Seller	Deal Amount RMB (Billion)
Jul 2019	Asset Portfolio of Private Investor	Industrial, Office, Retail	China City Infrastructure Group Limited	Private Seller	0.70
Dec 2018	Temei Toy Industrial Mixed-use Project	Industrial	Eduardo Asset Management	Temei Toy	0.68
Dec 2019	Building B, Yitian Yike Building	Office	A-share Listed Company	Yitian Group	0.60
Sep 2019	Haowei Toy Industrial Mixed-use Project	Industrial	EEKA Fashion	Xicheng Construction Investment Holding Group	0.59

Note: The major property transaction amount is for the past 24 months and calculated in terms of the actual transaction value. The order of the transaction list is sorted by transaction value
Source: RCA, Knight Frank Research

SHENZHEN BUYER PROFILE

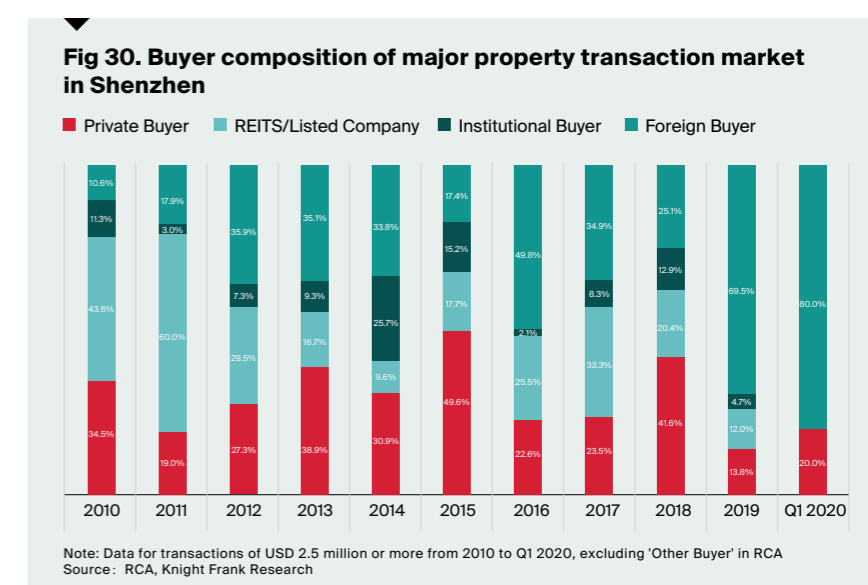
By transaction value, private buyers in the major property investment market in Shenzhen accounted for about 30.2% of the total investment value in the past decade, while REITs/ listed companies accounted for about 26.8%.

In 2019, REITs/ listed companies accounted for 12% of the total investment value in major property transactions market in Shenzhen, while private buyers only accounted for about 13.8%.

The investment value of foreign buyers accounted for an average of 33% in the market over the past decade, but that rose to about 69.5% in 2019

Institutional buyers accounted for an average of about 10% of total transaction value in Shenzhen market over the past decade, falling to about 4.7% in 2019.

In Q1 2020, only foreign and private buyers were active in the major property transaction market in Shenzhen. Their investment value accounted for 80% and 20% of the total transactions respectively.



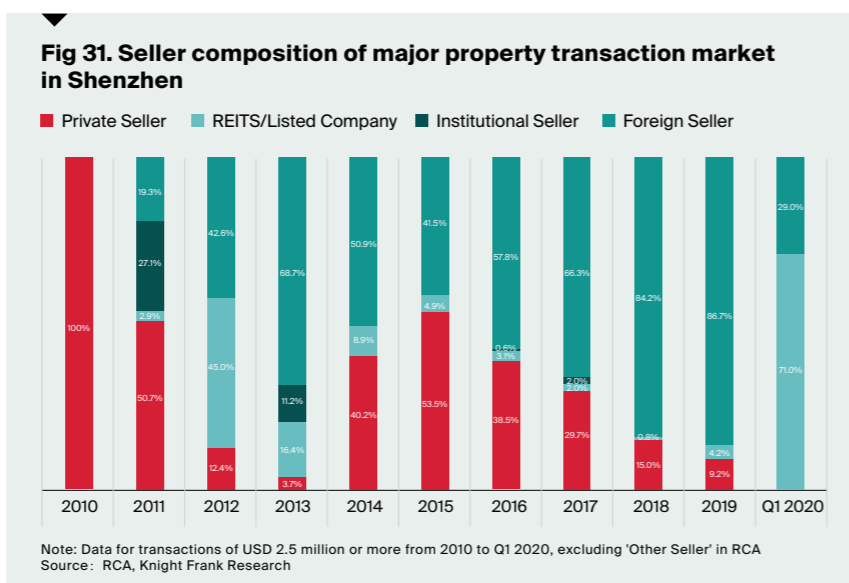
SHENZHEN SELLER PROFILE

By transaction value, the major property investment market in Shenzhen used to be dominated by private sellers, but their share decreased in the past decade. In 2019, private sellers accounted for only 9.2% of the total major property transaction value in Shenzhen market.

On the other hand, the share of foreign sellers' transaction value in the Shenzhen market increased in the past decade, from less than 20% of the market in 2011 to more than 85% in 2019, dominating the seller market of major property transactions in Shenzhen.

Institutional sellers and REITS/ listed companies remained relatively inactive in the seller market for nearly a decade.

In Q1 2020, REITS/ listed companies and foreign sellers accounted for 71% and 29% share of total transaction value respectively.



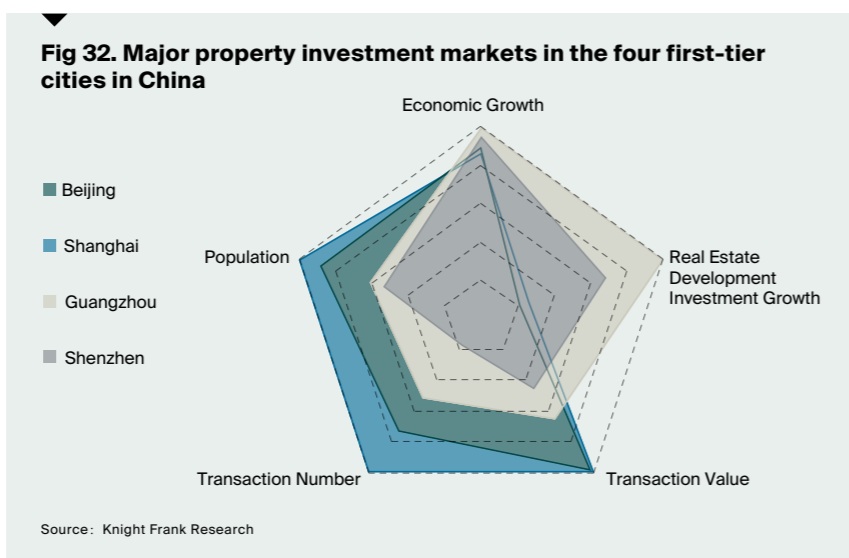
KNIGHT FRANK INVESTMENT RADAR

Looking into the major property investment markets in the four first-tier cities in China, the markets in Beijing and Shanghai are relatively more mature, while those in Guangzhou and Shenzhen are growing relatively fast.

Beijing: the market volume is large but the growth rate of real estate development investment is low, the future transaction will remain stable.

Shanghai: the market volume is the largest and the growth of real estate development investment will be stable.

Guangzhou: the growth of economic and real estate development investment are the fastest among the first-tier cities, and the future growth in transactions will increase.



Shenzhen: among the first-tier cities, the market volume is the smallest, but the economy and the real estate development investment market

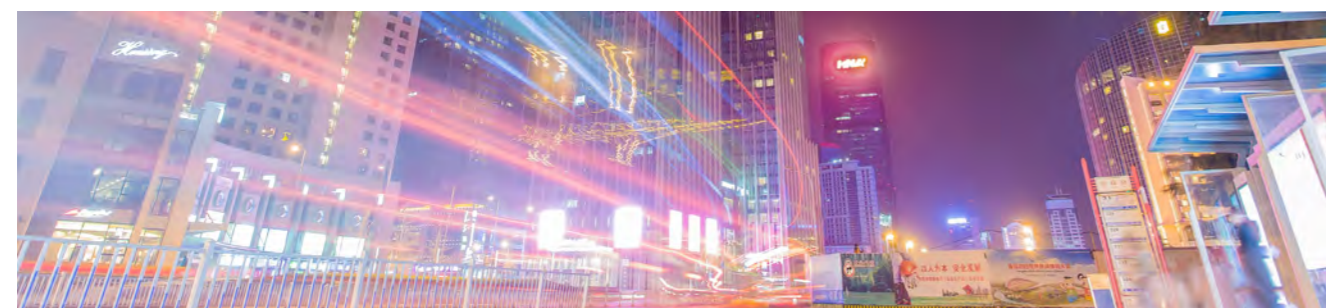
maintain rapid growth, and its investment potential is large.

THE FUTURE OUTLOOK

With domestic and foreign manufacturing and service companies close to fully open up, the central and local governments are transitioning from containing pandemic to stabilizing economy and promoting investments. However, this process has been delayed due to increased number of imported cases by people returning from overseas, resulting in disrupted trade and cancelled orders from overseas markets.

Most international institutional investors we surveyed still remain positive and will continue investing in offices, logistics, data centres. However, their decision making process has been delayed for at least three months due to restriction on travel and meetings. Beijing and Shanghai are still the top choices for them, and most investors are only interested in core location assets. We have seen increased interests from Singapore based investors during the

past few weeks. Meanwhile, domestic investors are focusing on debt and structured financing play as more property owners and developers are facing cash flow problems. The local asset management team of some international funds are also actively involved.



Office leasing activity started to pick up in Beijing and Shanghai but large size deals is not happening. New leases see a 3-5% drop in effective rent for Shanghai and many tenants are receiving 1-2 month rent relief and incentives from landlords and local governments.

Hotels and Shopping malls are among the worst performing sectors, we have seen hotel business dropping significantly in revenue, all indicative data are at historic lows and recovery is not being seen so far.

◆◆
However, we see investors actively looking for distressed opportunities in the hospitality sector as it might represent the biggest discount in real estate while commercial property assets are still among the most attractive investment types in China.
 ◆◆

In 2020, we expect debt and structured financing, office buildings in core districts and non-performing asset portfolio to attract more investment opportunities.



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Alan Liu
Managing Director,
China
+86 21 6032 1700
alan.liu@cn.knightfrank.com



Ying Shin Lee
Managing Director,
Shanghai
+86 21 6032 1719
ying.lee@cn.knightfrank.com



Katherine Lu
Managing Director,
Beijing
+86 10 6113 8011
katherine.lu@cn.knightfrank.com



Even Huang
General Manager,
Guangzhou
+86 20 8757 4229
even.huang@cn.knightfrank.com



Ken Kan
Managing Director,
Head of South China Office Services,
Shenzhen
+86 755 6661 3141
ken.kan@cn.knightfrank.com



Danny Zheng
Director, Capital Markets,
Shanghai
+86 21 6032 1788
danny.zheng@cn.knightfrank.com



Timothy Chen
Senior Director, Head of Research &
Consultancy, China
+86 21 6032 1769
timothy.chen@cn.knightfrank.com



Demi Zhu
Director, Office Services,
Beijing
+86 10 6113 8021
demi.zhu@cn.knightfrank.com

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report
2020



Beijing Office Market
Report
Q1 2020



Shanghai Office
Market Report
Q1 2020



Guangzhou Office
Market Report
Q1 2020



Shenzhen Office
Market Report
Q1 2020



Shanghai Industrial
Market Report
Q1 2020

Knight Frank Research Reports are available at knightfrank.com.cn

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: ©Knight Frank 2020: This document and the material contained in it is general information only and is subject to change without notice. All images are for illustration only. No representations or warranties of any nature whatsoever are given, intended or implied. Knight Frank will not be liable for negligence, or for any direct or indirect consequential losses or damages arising from the use of this information. You should satisfy yourself about the completeness or accuracy of any information or materials and seek professional advice in regard to all the information contained herein. This document and the material contained in it is the property of Knight Frank and is given to you on the understanding that such material and the ideas, concepts and proposals expressed in it are the intellectual property of Knight Frank and protected by copyright. It is understood that you may not use this material or any part of it for any reason other than the evaluation of the document unless we have entered into a further agreement for its use. This document is provided to you in confidence on the understanding it is not disclosed to anyone other than to your employees who need to evaluate it.

