

STRONG LEASING DEMAND DRIVES UP RENTAL GROWTH



Shanghai Logistics Warehouse Market Report

Q1 2021

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OVERVIEW AND OUTLOOK

According to the Shanghai Municipal Statistics Bureau, GDP in Shanghai reached RMB945.886 billion in Q1 2021, with a YoY increase of 17.6%. In Q1, the gross industrial output value of large-scale industrial enterprises in Shanghai increased by 35.6% YoY to RMB877.079 billion. Amongst, the gross industrial output value increased by 27.8% YoY to RMB320.326 billion in March.

In Q1, Shanghai's manufacturing investment increased by 26.1% YoY, with the two-year average growth of 18.9%. With the rapid development in strategic emerging industries, its gross

industrial output value in Shanghai increased by 34.3% YoY to RMB337.083 billion.

In Q1, the realised foreign direct investment ('the realised FDI') achieved US\$5.627 billion, an increase of 20.5% YoY, with the two-year average growth of 12.2%. Amongst, the realised FDI of tertiary industry increased by 21% and its value accounted for 95.3% of the total in Shanghai.

In Q2, a total of nearly 300,000 sqm of logistics warehouse space is expected to be completed, leading to

an increase in the vacancy rate in the short term. As the largest stock plot of transformation and upgrading in Jinshan, Plot D of Phase I in Smart Industrial Park co-developed by NE China and Geely will be completed in Jinshan Fengjing Industrial Park in June, bringing approximately 65,000 sqm of logistics warehouse space to the market. Due to the limited leasable logistics warehouse space in Shanghai, the demand of storage space from the third-party logistics and fresh food e-commerce platforms will remain buoyant, while the logistics warehouse rent will continue to increase steadily.

Figure 1: Shanghai logistics warehouse market indicators^[1]



QoQ change: ↔

Outlook (Q2 2021): ↗



QoQ change: ↗ 0.6%

Outlook (Q2 2021): ↗



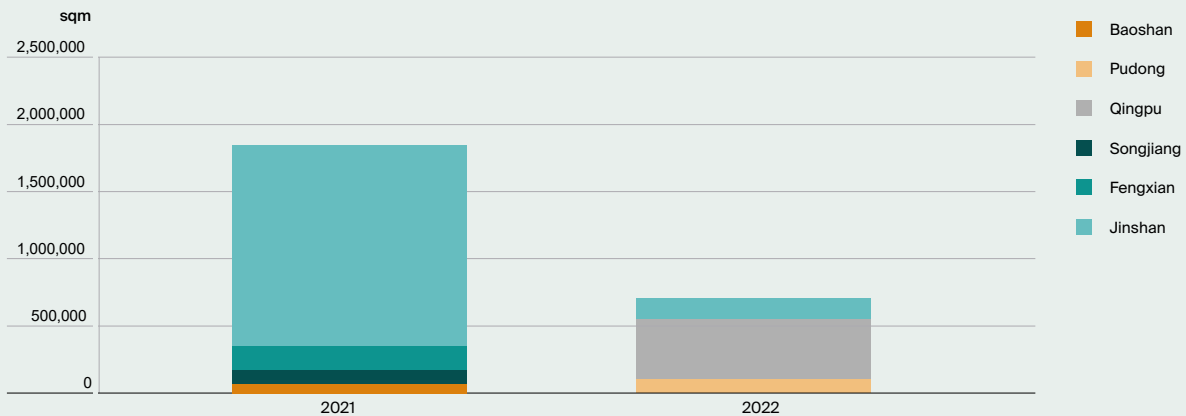
QoQ change: ↘ 1.0pps

Outlook (Q2 2021): ↘

Source: Knight Frank Research

[1] Rent refers to tax-included contract rent, including bonded and non-bonded warehouses

Figure 2: Future supply of logistics warehouse in Shanghai



Source: Knight Frank Research

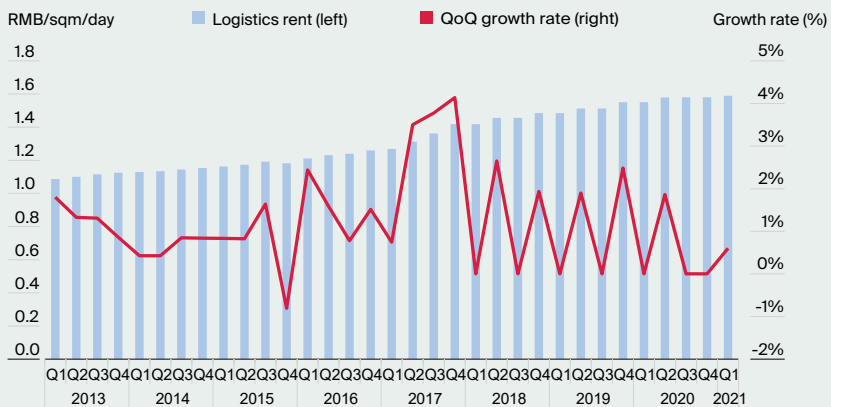
LOGISTICS PROPERTIES

In March 2021, the China's Logistics Industry Sentiment Index, released by the China Logistics and Purchasing Federation, reached 54.9%, up 5.1 percentage points from the previous month, while China's Warehouse Storage Index recorded 52.7%, up 3.8 percentage points MoM. Besides, the China Manufacturing Purchasing Managers Index (PMI) bounced back by 1.3 percentage points to 52%. The overall manufacturing sector has grown steadily while the logistics sector has still performed well with a good prospect.

In Q1, boosted by the strong demand, the average rent in Shanghai's logistics warehouse market has rebounded significantly at RMB1.59 per sqm per day, with a QoQ increase of 0.6%. Amongst, the rent in bonded warehouses remained at RMB1.4 per sqm per day while the one in non-bonded warehouses increased by 1.8% QoQ to RMB1.67 per sqm per day.

On the supply side, owing to the delays in project completions, there was no new project completed in Q1, leading to the decrease in the overall vacancy rate, down 1 percentage point

Figure 3: Average rent and QoQ growth rate of logistics warehouse properties in Shanghai



Source: Knight Frank Research

QoQ to 10%. The limited supply of warehouses in Shanghai led to the overflow of logistics and warehousing demand, promoting the development of logistics properties in satellite cities surrounding Shanghai.

Despite this, the Shanghai logistics warehouse leasing market has been

continuously active, of which the leasing demand from the third-party logistics companies remained strong. In Q1, tenants from third party logistics sector leased 8,000 sqm and 12,000 sqm of warehouse space respectively in ESR Shanghai PVG Logistics Park and ESR Shanghai Qingpu Baihe Logistics Park.

SALES AND INVESTMENT

During the COVID-19 pandemic, with the domestic economy experiencing a continuous growth, investors are now focusing on China's logistics property market. As the cold chain logistics has become a new source of demand, investors grow to pay more attention on high-standard cold chain logistics warehouses, thus it is now a new investment hotspot.

On 26 February, Metcold, a leading food cold chain infrastructure service provider, announced its cooperation with Metropolitan Real Estate, a global real estate indirect investment management company. Metropolitan Real Estate will invest on Metcold opportunity fund phase I and II, and jointly develop Metcold Shanghai Qingpu Project, involving a total investment

of US\$50 million. Metcold Shanghai Qingpu Project, located in Qingpu Liantang Industrial Park, is scheduled for completion at the end of 2022. It has a land area of 56 Mu and a total GFA of approximately 40,000 sqm. The volume of cold storage space has reached more than 400,000 cum, approximately 128,000 cum of which are for automated three-dimensional cold storage space.

LAND MARKET

In Q1, the primary industrial land market in Shanghai remained active and the total transaction volume has gradually picked up. A total of 28 industrial sites were transacted, doubling the volume compared with the previous quarter. It involved a total land area of approximately 1.41 million sqm, up 78% QoQ. The districts with the highest transaction volume were Minhang and Pudong, with an area of 0.49 million sqm and 0.4 million sqm respectively, accounting for 35% and 28% of the total transaction areas in Shanghai.

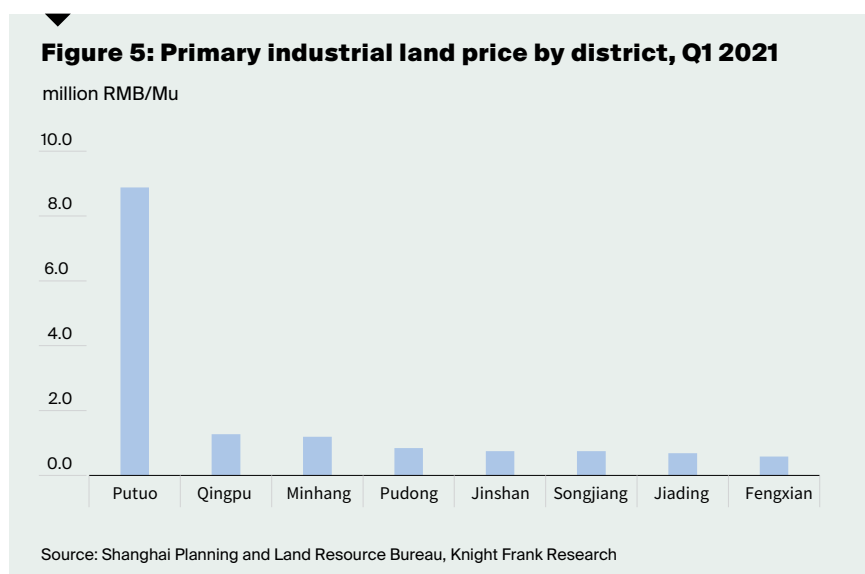
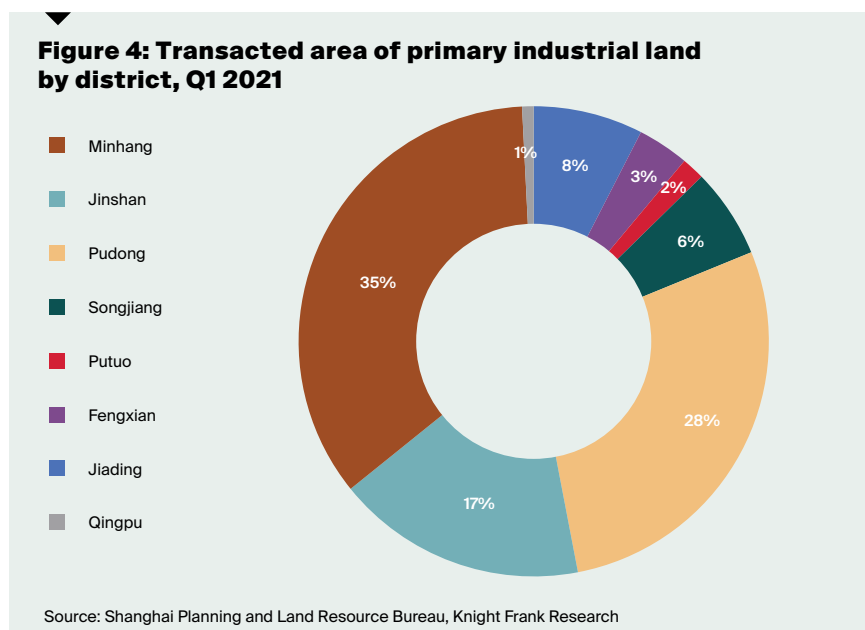
Besides, a total of ten warehousing land plots have been sold in Shanghai, involving a total land area of approximately 660,000 sqm. Five of the total are located in Lingang New Area of Pudong with a total land area of 450,000 sqm, mostly acquired by cold chain logistics companies.

In terms of the number of transactions, Pudong District, mainly concentrated in Lingang, ranked first. In Q1, Lingang New Area sold 13 plots, accounting for 34% of the total in Shanghai. Shanghai Lingang New Area Aviation Industrial Development Company Limited, a subsidiary of Shanghai Lingang, acquired an industrial land plot for RMB170 million. Covering a land area of 116,000 sqm, the plot is mainly used for the construction of Lingang Aviation Industrial Park, in line with the industrial planning for large aircraft in the southern area of Pudong Airport.

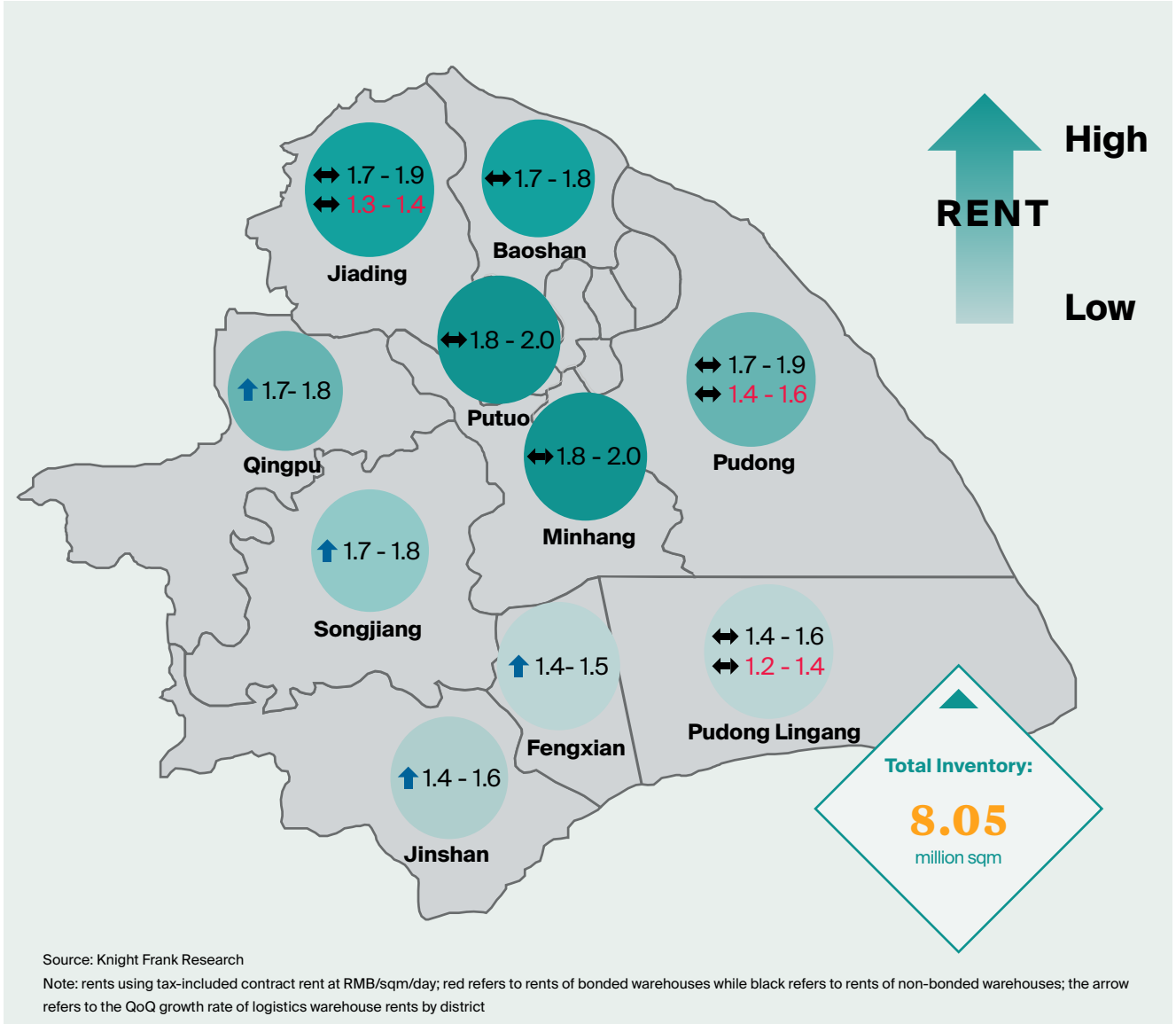
In terms of sales price, Putuo District recorded the highest average industrial land price in Q1, reaching RMB8.88 million per mu. Acquired by Shanghai Push Medical Device Technology Company Limited, the plot is located in Futurity Hi-Tech Logistics Park with a plot ratio of 2.62 and the land tenure of 50 years. Qingpu District secured the

second place with a unit price of RMB1.27 million per mu. Fengxian's land price was

relatively low, recording RMB580,000 per mu.



SHANGHAI'S LOGISTICS WAREHOUSE RENTS BY DISTRICT



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

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