

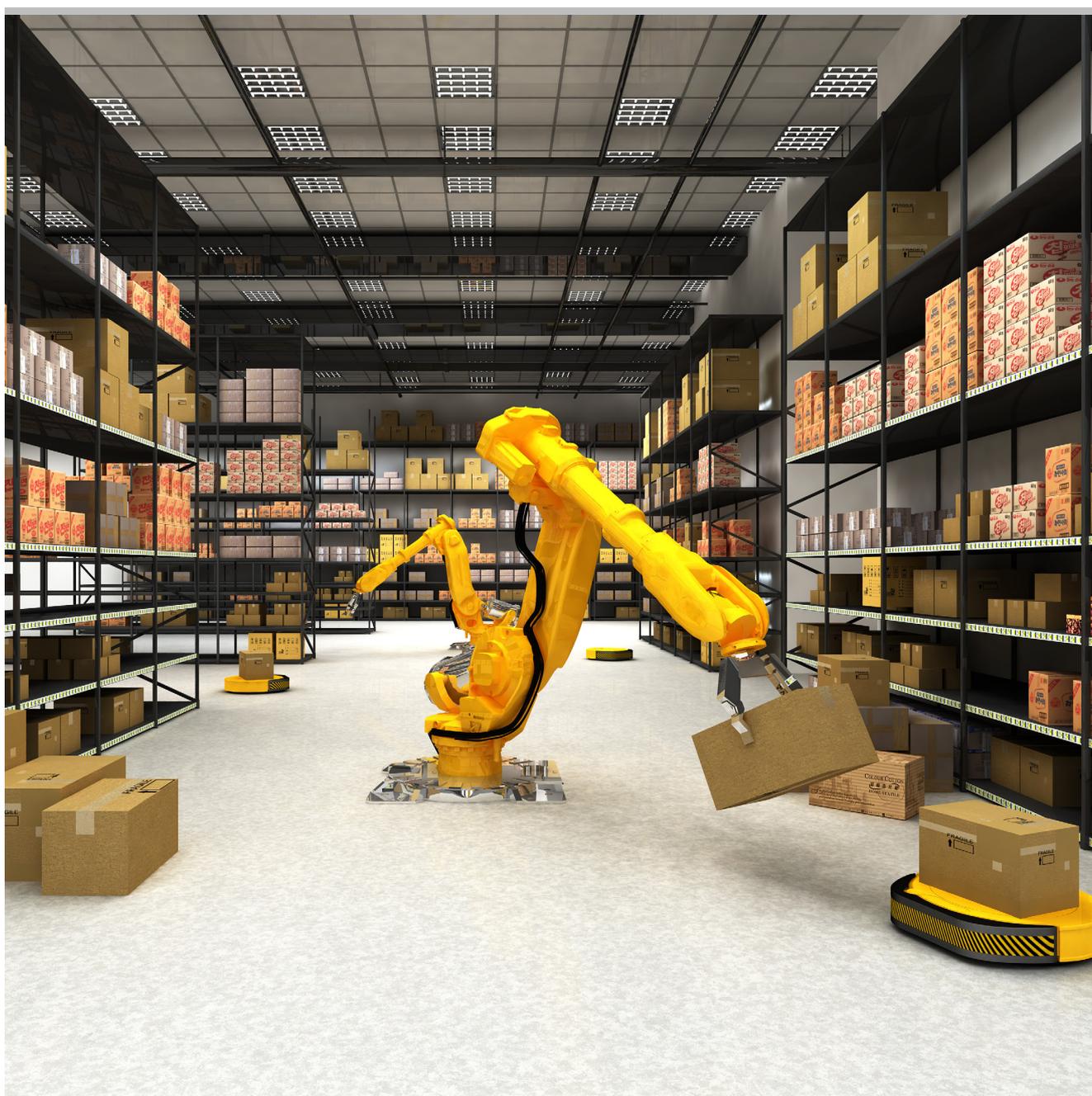
*Short-term leasing demand from E-commerce
has become active*



Shanghai Logistics Warehouse Market Report

Q3 2020

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OVERVIEW AND OUTLOOK

According to the Shanghai Municipal Statistics Bureau, GDP in Shanghai decreased by 0.3% YoY to RMB2,730.199 billion in the first three quarters of 2020, with the decline rate decreasing 2.3 percentage points compared to the first half of 2020. Since the beginning of Q3, those sectors severely affected by the COVID-19 pandemic started to show signs of recovery. In the first three quarters, the gross industrial output value of large-scale industrial enterprises in Shanghai dropped by 1.1% YoY to RMB2,434.860 billion, a decrease of 5.2 percentage points compared with the first half of 2020.

From January to September in 2020,

Shanghai's manufacturing investment increased by 18.7% YoY, with a double-digit growth for eleven consecutive quarters. In the first three quarters, with the rapid development in strategic emerging industries, its gross industrial output value in Shanghai increased by 7.9% YoY to RMB964.515 billion, an increase of 2.4 percentage points compared with the first half of 2020.

In the first three quarters of 2020, the realised foreign direct investment (FDI) achieved US\$15.515 billion, an increase of 6.1% YoY, rising by 0.7 percentage point compared with the first half of 2020. The realised FDI of tertiary industry increased by 12.6%

and its value accounted for 94.5% of the total in Shanghai.

In Q4, it is expected that a total of over 133,000 sqm of logistics warehouse space will be completed. The upcoming end-of-year peak season of e-commerce logistics will further drive up the short-term leasing demand while the demand of storage space from biomedicine and fresh food e-commerce platforms will increase as well. The overall vacancy rate of Shanghai logistics warehouse market will decrease while the logistics warehouse rent is expected to increase steadily.

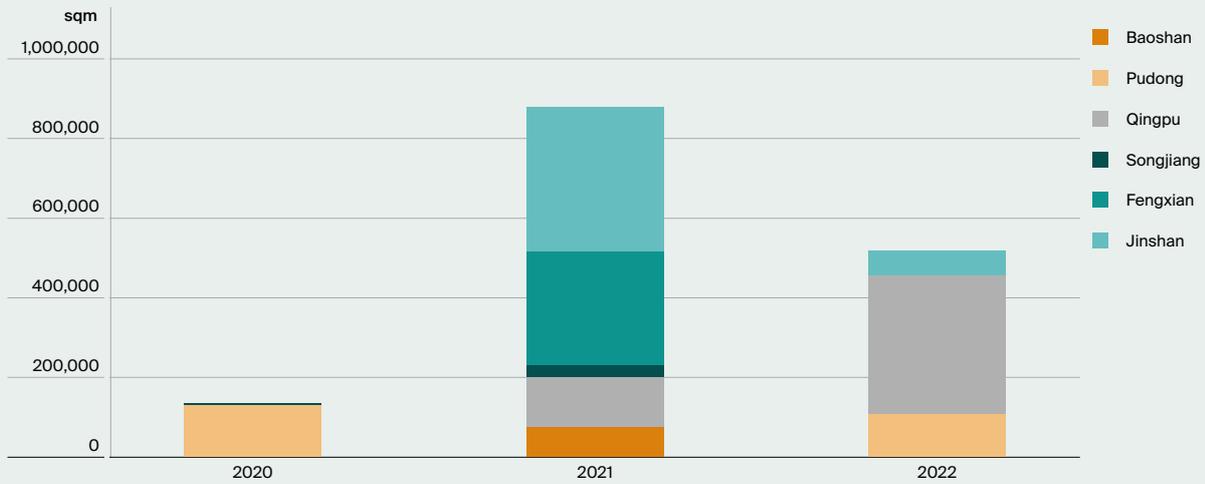
Figure 1: Shanghai logistics warehouse market indicators^[1]



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

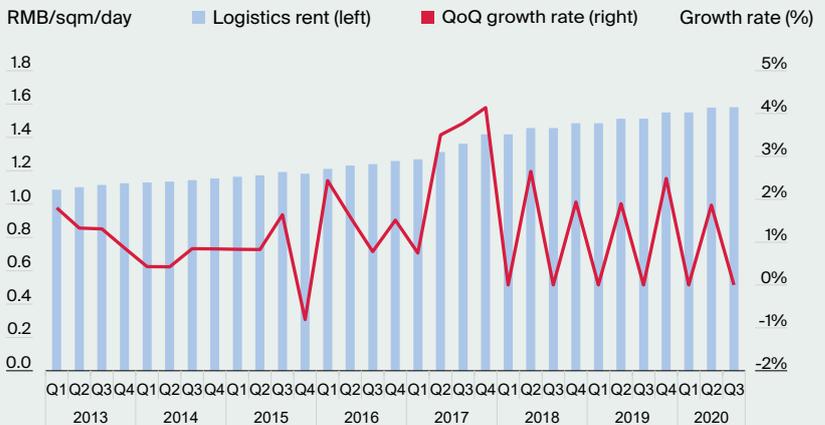
The logistics warehouse market will become more active due to the upcoming peak season of E-commerce logistics. In September 2020, the China's Logistics Industry Sentiment Index, released by the China Logistics and Purchasing Federation, reached 56.1%, up 3.9 percentage points from the previous month while China's Warehouse Storage Index remained at 50.8%.

In Q3, the average rent in Shanghai's logistics warehouse market remained stable at RMB1.58 per sqm per day. The rents in bonded warehouses and non-bonded warehouses reached RMB1.4 and RMB1.64 per sqm per day respectively.

In Q3, the total stock of Shanghai logistics warehouse market rose to 7.92 million sqm while the one of bonded warehouses remained stable at 2.15 million sqm.

On the supply side, five new projects were completed in Shanghai, bringing approximately 304,000 sqm of new supply to the market. LaSalle Logiport Shanghai Qingpu Logistics Park has been completed with a total gross floor area (GFA) of 48,694 sqm, including a two-storey ramp-up warehouse.

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



Source: Knight Frank Research

In Q3, known as another newly-added innovative function after the launch of Yangshan Special Comprehensive Bonded Zone, the implementation of the bonded warehousing policy for imported vehicles will attract more imported auto brands to settle in. The leasing demand of vehicle enterprises is expected to be boosted by taking advantage of the resource aggregation of Yangshan Special Comprehensive Bonded Zone. During the quarter, an imported vehicle enterprise leased

10,000 sqm of warehouse space from the United D in the Yangshan Special Comprehensive Bonded Zone.

Besides, the warehousing demand from domestic and international third-party logistics companies remained strong. In Q3, a third-party logistics company leased 17,000 sqm of warehouse space in ESR Shanghai Qingpu Baihe Industrial Park.

SALES AND INVESTMENT

In recent years, logistics real estate has become a new focus for investors. The outbreak of the COVID-19 in 2020 has further driven up the surge in the demand from consumers for fresh products. As a result, the demand from e-commerce sector for logistics warehouse and cold storage increased significantly. Three types of assets with stable rental income including industrial parks, logistics warehouse and data centres have gained popularity and have become preferred asset classes among investors. In September, GLP, a global leading logistics real estate developer,

acquired a land plot with a land area of 226 Mu from Gangtai Industrial in Lingang Logistics Park for RMB576 million through auction.

As China's economic rebound accelerated, the market has shown a massive influx of capital into China's high-standard warehousing market. A number of investors have invested in logistics properties across China through establishing logistics funds. By the end of this April, new logistics real estate funds totaling approximately RMB30 billion have been established in China,

focusing on logistics warehousing market. On 25 September, Shunfeng Holding Company Limited announced that its subsidiary planned to establish a logistics real estate fund with a subsidiary of Citic Capital Holdings Company Limited. The fund, with a target value of US\$2.1 billion, aims to invest in logistics real estate or companies that hold logistics properties in strategic locations in tier 1 and tier 2 cities where logistics warehousing space is limited.

LAND MARKET

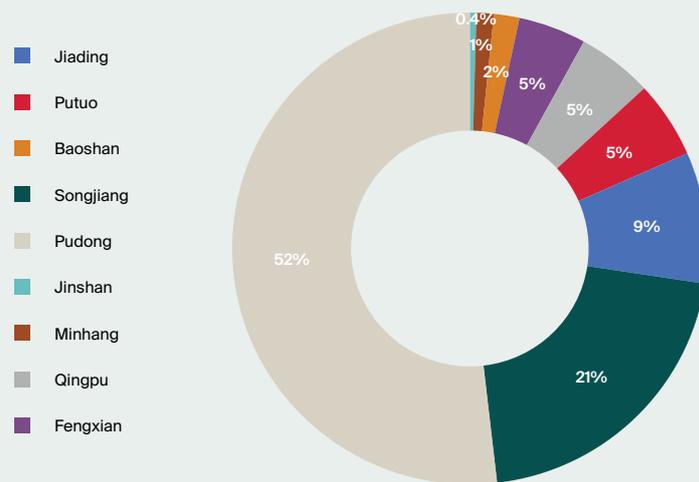
In Q3, the primary industrial land market in Shanghai remained active with 34 industrial plots sold, involving a total land area of 2.12 million sqm, with the number of transactions and transacted area down 6% and 27% QoQ respectively. The districts with the highest volume of transactions were Pudong and Songjiang, with an area of 1.1 million sqm and 0.44 million sqm respectively, accounting for 52% and 21% of the total transaction areas in Shanghai.

In Q3, United D acquired two warehousing land plots located in Yangshan Special Comprehensive Bonded Zone with a total land area of 103,756.8 sqm, which will be built into Yangshan International Transit Consolidation Hub and Yangshan Global Digital Trading Comprehensive Supporting Service Base. According to the planning parameters, four-storey buildings with a height of 47.2 metres and a plot ratio of no more than 4 are allowed to be built on the site.

In Q3, a total of 13 plots were sold in Pudong, accounting for nearly 40% of the total in Shanghai, 12 of which are located in Lingang New Area with a total land area of 1.06 million sqm. On 7 July, SenseTime, the world's leading artificial intelligence (AI) platform, acquired an industrial plot in Lingang New Area for RMB65.7 million for their SenseTime AI Super-Computer Centre. As one of the new infrastructure investment projects in Shanghai, AI Super-Computer Centre has a total land area of 58,000 sqm with a plot ratio of 2.3.

In terms of sales price, Putuo District recorded the highest average industrial land price in Q3, reaching RMB2 million per mu. Qingpu District secured the second place with a unit price of RMB1.14 million per mu. Jinshan's land price was relatively low, recording RMB550,000 per mu.

Figure 4: Transacted area of primary industrial land by district, Q3 2020



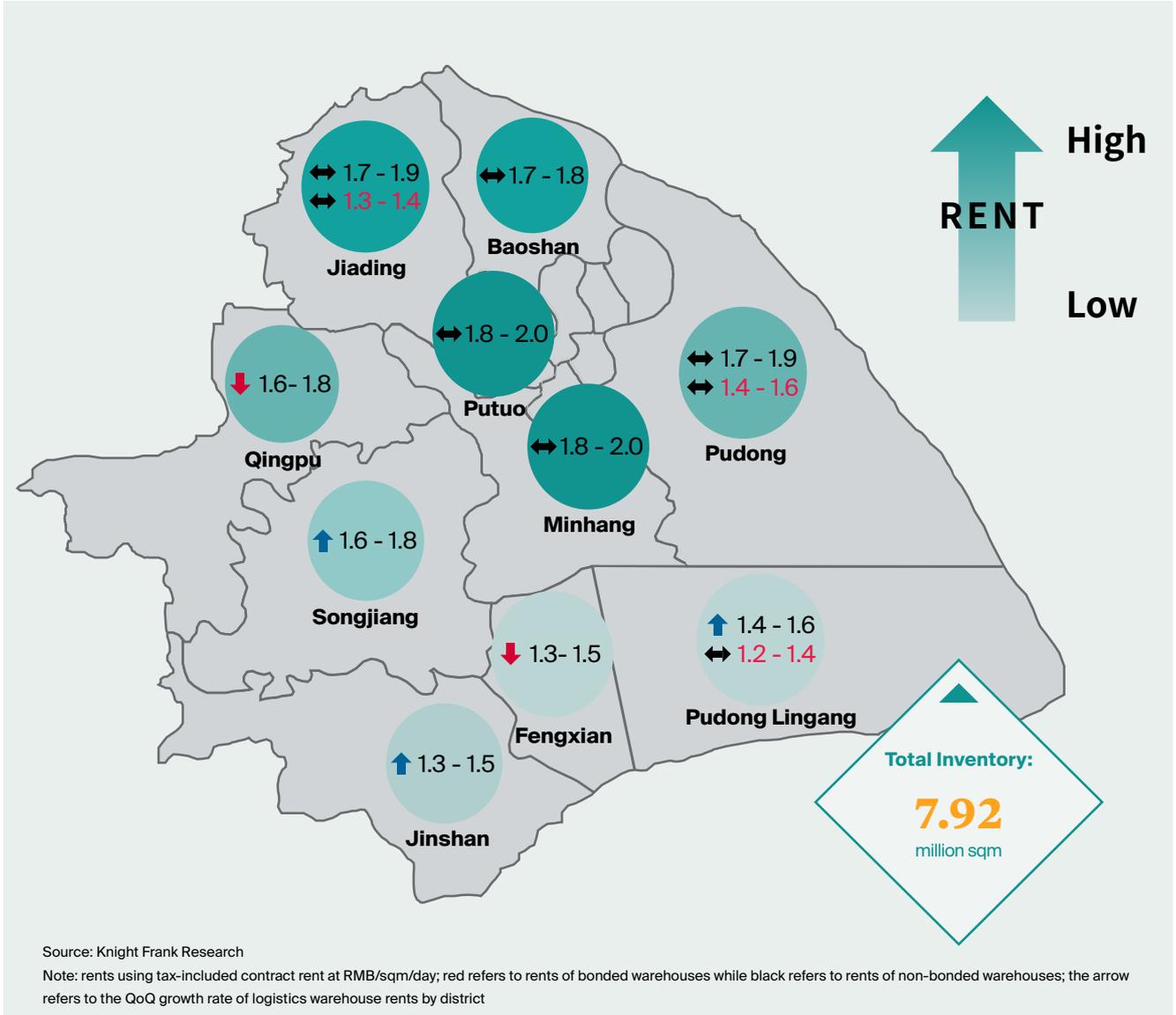
Source: Shanghai Planning and Land Resource Bureau, Knight Frank Research

Figure 5: Primary industrial land price by district, Q3 2020



Source: Shanghai Planning and Land Resource Bureau, Knight Frank Research

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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