Intelligent Investment

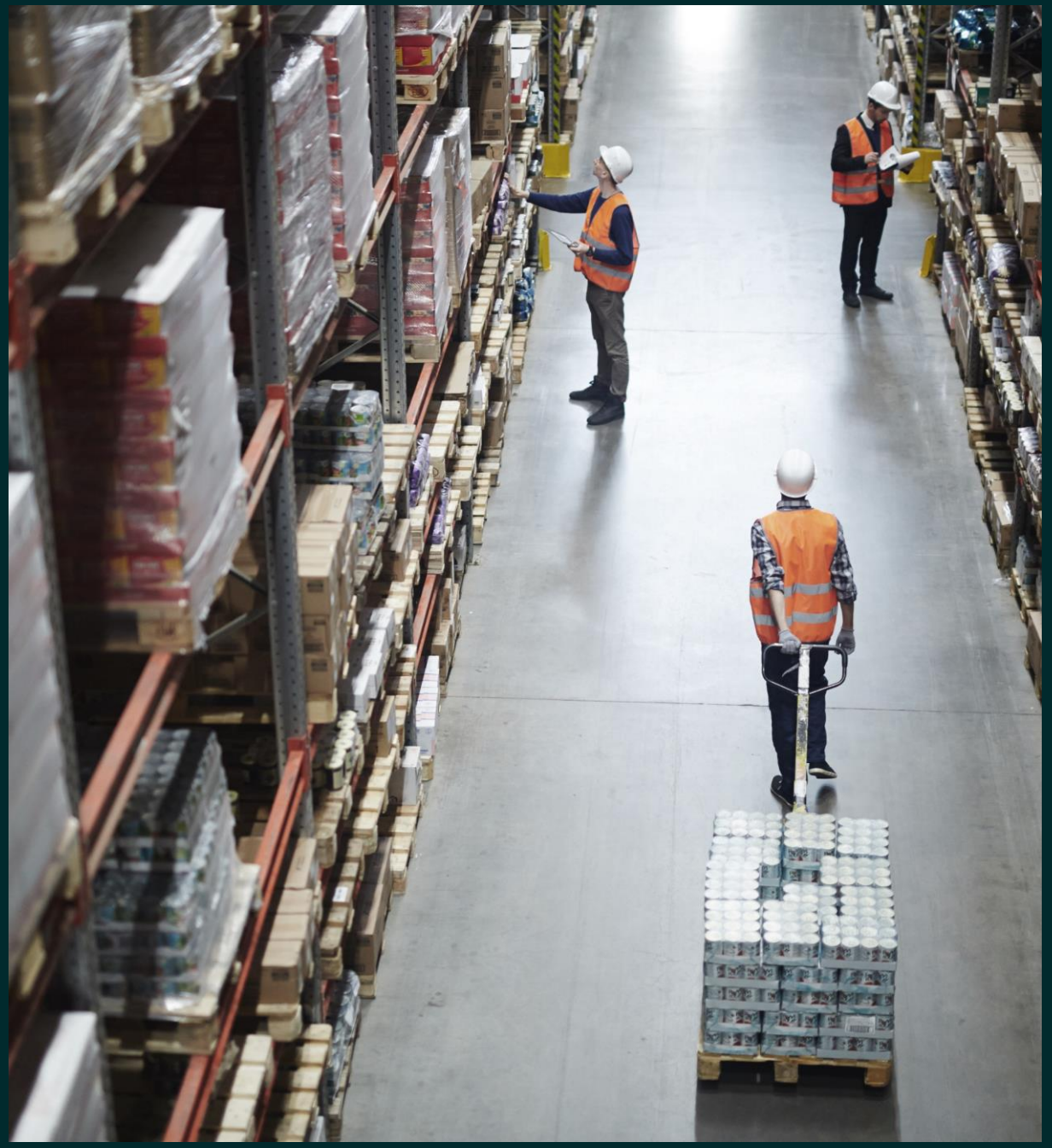
Greater Beijing Logistics Investment Strategy

Assessing the Supply-Demand Balance

SPECIAL REPORT

CBRE Research

August 2023



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Introduction

Recent years have seen infrastructure logistics and warehouses play an increasingly prominent role in support of accelerating urbanisation and city cluster development across China. Greater Beijing, which consists of Beijing, Tianjin and Langfang, has been no exception to this trend, with the city cluster witnessing the development of high-standard warehouses catering to refned and specialised logistics requirements derived from growing domestic consumption and industrial upgrading.

The growth of high-standard warehouse stock in Greater Beijing has been picking up since 2020, with annual new supply reaching 2.6 million sq. m. in 2022, representing annual growth of 28%. Average annual new supply is forecasted to remain at about 2.1 million sq. m. from 2023 to 2025 (Figure 2).

As of Q2 2023, high-standard warehouse vacancy in Beijing, Tianjin and Langfang reached 15.0%, 30.2% and 50.2%, respectively. This has led to concerns as to whether there is a mismatch in supply and demand and, if so, what the extent of any negative impact on long-term rental performance will be.

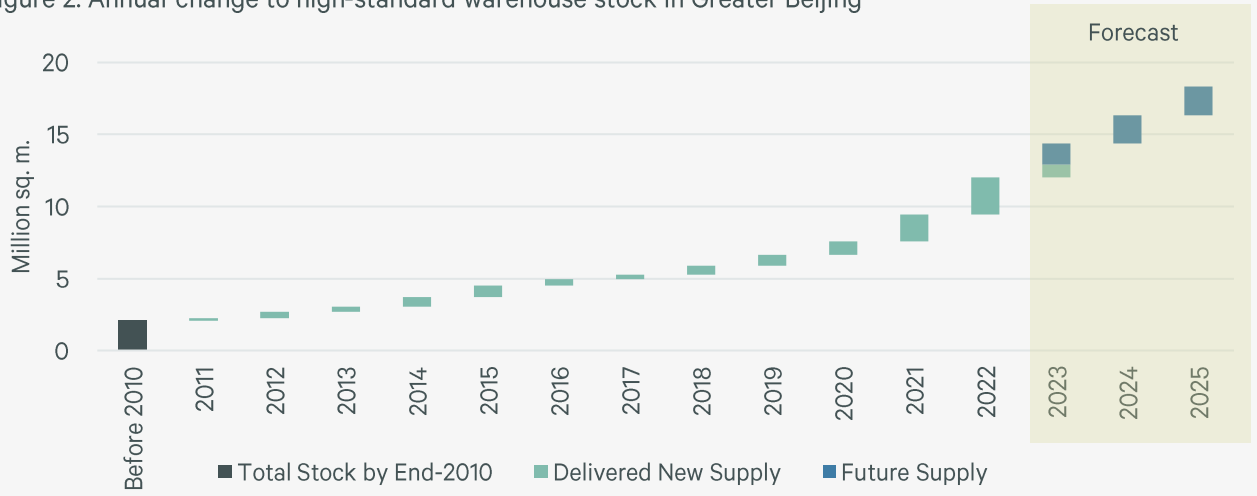
This report by CBRE analyses differences in high-standard warehouse supply and demand in Greater Beijing's key submarkets; forecasts future trends; and provides strategic recommendations to investors and developers.

Figure 1: Market fundamentals of China's main city clusters (Q2 2023)

City Cluster	Total Stock (Million sq. m.)	Permanent Residents (Million)	GFA Per Capita	GDP (RMB Billion)	Total Stock/GDP (sq. m./'000 RMB)
Greater Beijing	12.91	40.97	0.32	615	0.21
Greater Shanghai	21.62	43.26	0.50	754	0.29
GBA	13.71	62.71	0.22	905	0.15

Note: Greater Beijing cluster includes Beijing, Langfang and Tianjin; Greater Shanghai cluster includes Shanghai, Suzhou and Jiaxing; GBA cluster including Guangzhou, Shenzhen, Foshan, Dongguan and Huizhou

Figure 2: Annual change to high-standard warehouse stock in Greater Beijing



Source: CBRE Research, August 2023

01

Supply side locational differences

History of high-standard warehouse development in Greater Beijing

The history of logistics supply development in Greater Beijing can be divided into three stages: Beijing-domination prior to 2015; Tianjin-domination from 2015 to 2020; and the formation of a Greater Beijing logistics market after 2021 (Figure 3).

Prior to 2015, with its earliest clusters of Shunyi Airport, Majuqiao and Daxing Jingnan and BDA, Beijing's stock of high-standard warehouses outpaced that of other northern cities. After the government implemented land supply controls over logistics development in 2011, high-standard warehouse supply slowed. Moves to decentralise Beijing's non-capital functions in 2015, coupled with the clean up of low-end storage facilities in 2017-2018, intensified the supply shortage.

As an important manufacturing base, port and second most populous city in North China, Tianjin possesses abundant logistics land supply. The city surpassed Beijing to become the largest logistics market in North China in 2015. Wuqing, Xiqing, Beichen and Binhai New District were the earliest logistics clusters in Tianjin and remain the government's priorities for future development.

Despite attracting spillover demand from Beijing, logistics development in Langfang lagged demand prior to 2021, pushing developers and investors to turn to the secondary land market.

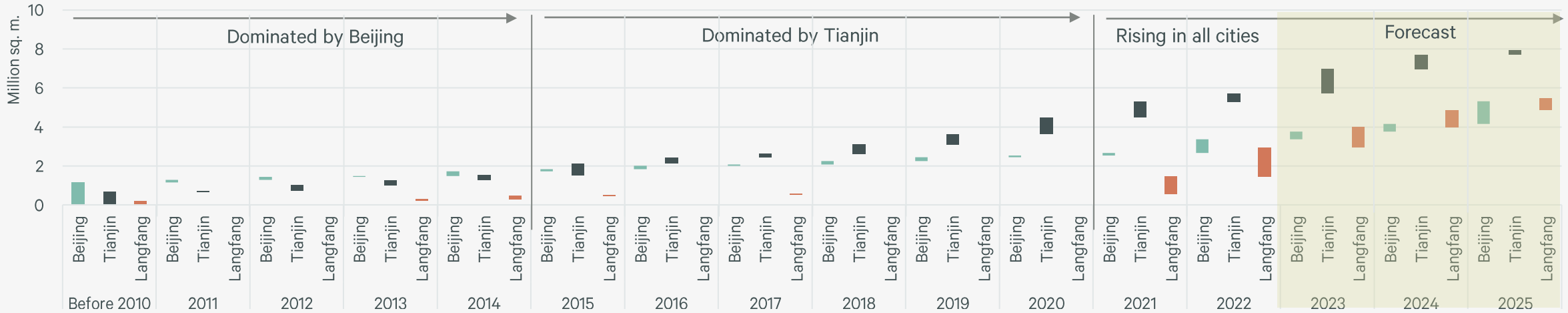
The opening of Daxing International Airport in 2019 propelled Langfang into a leading position to undertake the transfer of non-capital functional industries from Beijing, which saw the government boost logistics land supply. The centralised delivery of new projects built upon primary and secondary land has triggered a supply peak, with total stock increasing by 4.7x over the past two and a half years. Total logistics stock in Langfang is forecasted to surpass Beijing by the end of this year.

Since 2021, Beijing has begun to loosen many of its restrictions on new logistics supply, helping to push up annual new completions to a record high in 2022. Although authorities in Tianjin have reduced the overall supply of logistics land since 2015, the proportion of land acquired by high-standard warehouse developers has continued to grow, resulting in record high new supply in 2020 and 2021, and bringing about another supply peak in 2023.

Tianjin is the only market in Greater Beijing to have witnessed consistently high levels of new supply, while Beijing and Langfang have both experienced periods of supply restrictions. **The current supply surge in these two cities should therefore not be regarded as excessive but as a considerable portion compensates for previous undersupply, especially in submarkets with strong demand.**

Figure 3: Annual change to high-standard warehouse stock in Greater Beijing, by city

Source: CBRE Research, August 2023



Economic scale of Greater Beijing submarkets

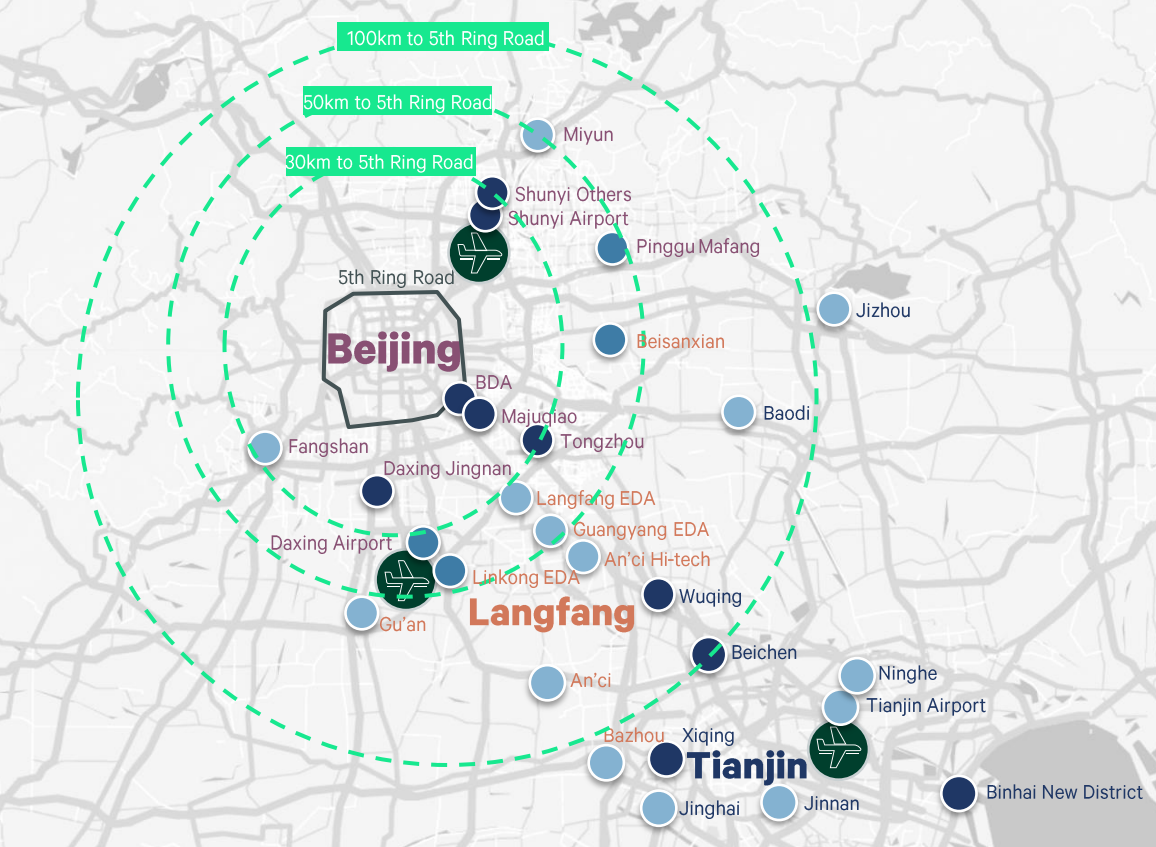


Figure 4: Greater Beijing submarket layout and stock scale

- Established clusters with economic scale
- Emerging clusters with economic scale in three years
- Others

Once locations and supporting infrastructure such as transportation have matured, steady growth in supply provides tenants with sufficient space options, attracting a continual inflow of occupiers and stimulating demand and supply. However, the development of supply does not always keep pace with demand. Both Beijing (since 2011) and Langfang (2015-2020) have experienced periods of supply shortage, while both Langfang and Tianjin are currently reporting oversupply.

The development history, government planning and total occupied space (Figure 5 at Page 7) of Greater Beijing's main logistics submarkets indicate that Beijing's Majuqiao, BDA and Tongzhou cluster, along with its Shunyi Airport and Others cluster, and Daxing Jingnan submarket; and Tianjin's Wuqing, Binhai New District, Beichen and Xiqing submarkets have established themselves as the most mature high-standard warehouse clusters in Greater Beijing. CBRE expects supply to continue to lag demand in Beijing's three major submarkets/clusters, making it likely that demand will spill over to neighboring areas. In contrast, Tianjin's four major submarkets possess enough supply to cater to further industrial requirements within the area.

CBRE's analysis of historical industrial agglomeration and economic scale are included in our assessment of future growth of emerging areas during this period of accelerated supply in Greater Beijing. CBRE expects the submarkets of Daxing Airport, Langfang Linkong EDA, Pinggu Mafang and Beisanxian to become emerging logistics clusters in Greater Beijing.

Resource: CBRE Research, August 2023

Supply pressure locational differences

CBRE has identified locational differences in supply pressure by assessing the availability of high-standard warehouse space in each submarket (Figure 5) .

Low Pressure

- The six submarkets with the lowest vacancy are all in Beijing, of which **Majuqiao** and **Daxing Jingnan** are self-contained submarkets, and **BDA** and **Tongzhou** are extensions of Majuqiao. **Fangshan** and **Miyun** have deficiencies in planning and agglomeration, meaning that there is limited room for current limited supply pressure to intensify.

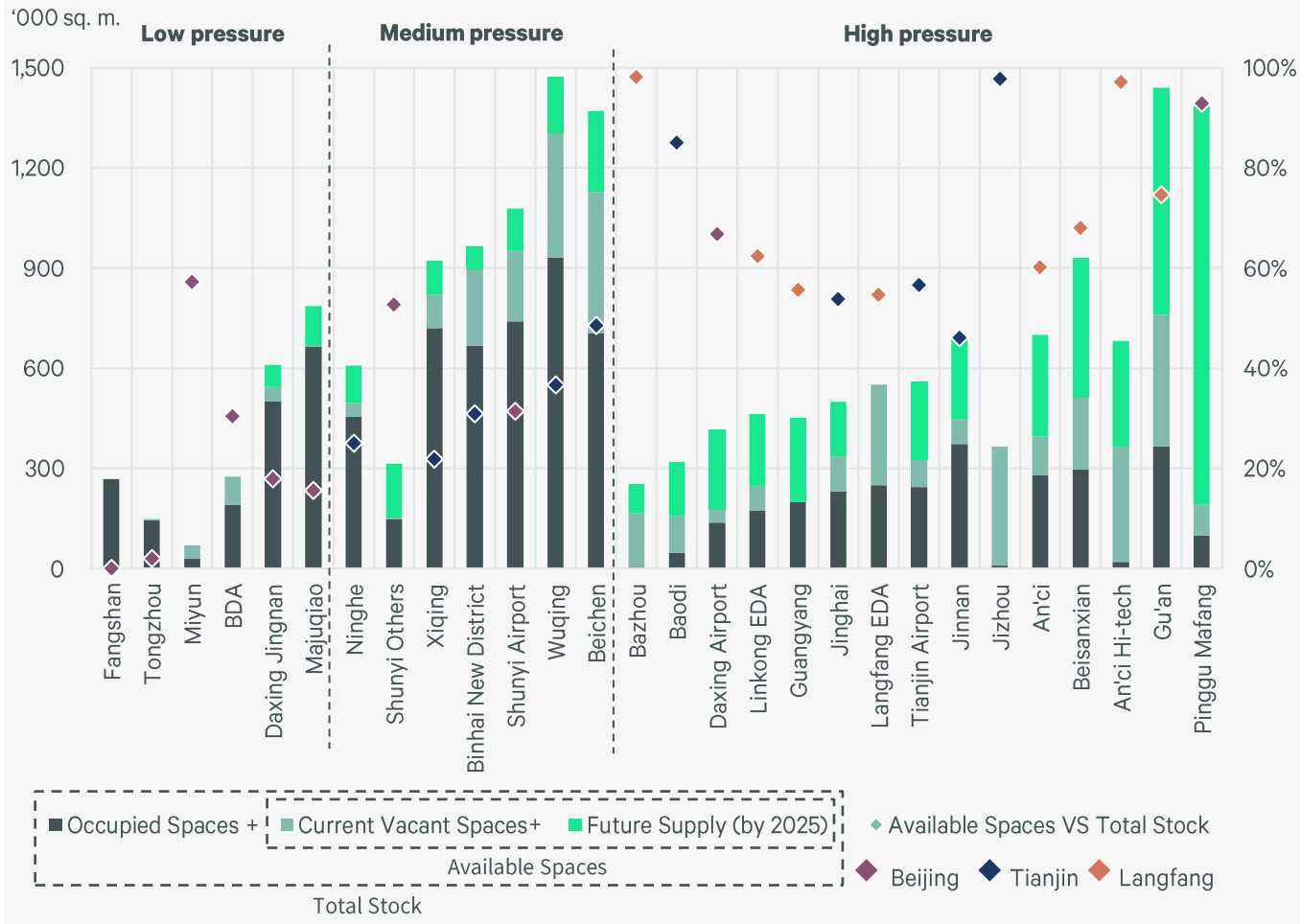
Medium Pressure

- Future supply in **Shunyi Others** will negate the supply shortage at **Shunyi Airport** and strengthen the overall scale of the economy; **Xiqing** has a strong scale of economy and the fewest available spaces among Tianjin's submarkets; **Tianjin Binhai New District** and **Wuqing** have high availability, but their proportion of total stock is relatively balanced; and **Tianjin Ninghe** has limited availability but is attracting competition from **Tianjin Airport** and **Beichen**.

High Pressure

- **Langfang Bazhou**, **Tianjin Baodi** and **Jizhou** face the dual challenges of insufficient economic scale and high availability; **Daxing Airport**, **Linkong EDA** and **Tianjin Airport** will see significant new supply; and **Pinggu Mafang** will have pressure to absorb its new pipeline despite being one of Beijing's four major logistics bases.

Figure 5: Supply status of each submarket in Greater Beijing (listed by supply pressure from low to high, same level pressure by available GFA from low to high)



Resource: CBRE Research, August 2023

02

Demand side locational differences

Demand engines and strength

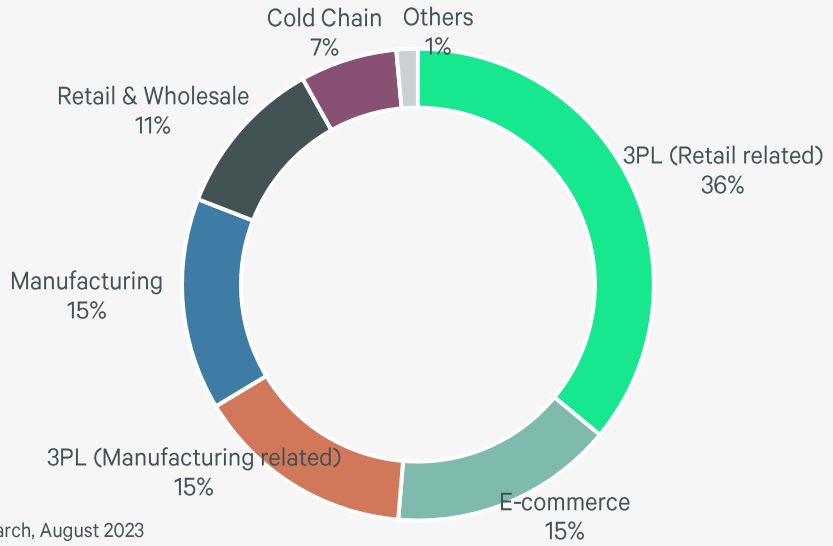
3PLs, e-commerce, retail & wholesale, manufacturing and cold chain are the major tenant industries of high-standard warehouses in Greater Beijing. Different submarkets are attractive to different industries due to factors such as geographical location, transportation networks and surrounding industrial development. CBRE's analysis of new leases signed since 2020 indicates the strength of demand in each submarket and when combined with the development and distribution trends of these industries, can help identify the submarkets with the most growth potential.

Development of e-commerce and chain retailers

E-commerce has historically been the main driver of demand for high-standard warehouses, with the emergence in recent years of specialised categories such as livestreaming, cross-border, fresh food, and pharmaceuticals injecting new vitality into demand. According to CBRE's finding from the U.S. that every US$1 billion of online sales translates to 1 million sq. ft. of logistics demand, Beijing's annual online retail sales of nearly RMB 550 billion equates to 7.2 million sq. m. of potential logistics demand, comfortably eclipsing the 3.7 million sq. m. of high-standard warehouse stock currently available in the city. Coupled with growth in e-commerce penetration in Tianjin and Hebei, there is significant room for the expansion of e-commerce demand for high-standard warehouses in Greater Beijing. Warehouse demand from traditional chain retailers is also poised to grow as they look to enhance efficiency and augment their online offering.

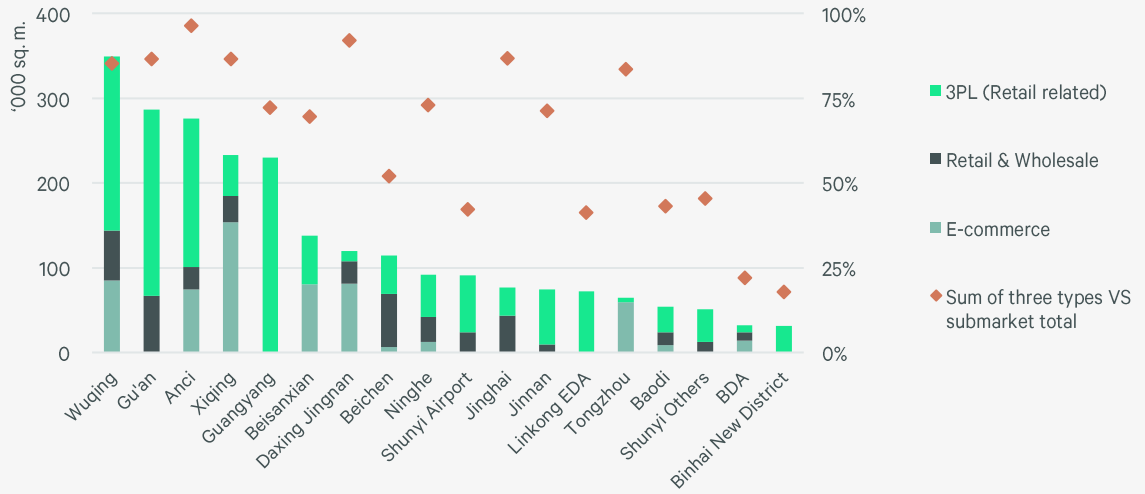
E-commerce and retail & wholesale occupiers typically require large spaces, have a high turnover rate and prioritise timeliness. After considering factors such as distance to key consumer markets, transportation convenience, property quality and availability, and rents, **submarkets on the fringes of Beijing or pan-Beijing have emerged as their preferred choice due to their cost-effective advantages**. **Tianjin's local consumer market is also supporting demand for high-standard warehouse space in its inner submarkets**.

Figure 6: New leases in Greater Beijing by industry, 2020 – H1 2023



Resource: CBRE Research, August 2023

Figure 7: New leases of e-commerce, retail & wholesale and related 3PLs in Greater Beijing by submarket, 2020 – H1 2023



Upgrading of manufacturing supply chains

The Beijing-Tianjin-Hebei region has long been an important industrial base in China, with growth in industrial output value remaining at a relatively stable level in recent years. Despite output growth slowing over the past three years, Tianjin remains a key manufacturing center in the north, and requirements for upgrading and intensification are increasing. In Langfang, the recovery of industrial output value over the past three years has spurred new development. As the focus on supply chain security and efficiency intensifies, it will have a positive knock-on effect on logistics expansion and upgrading, ensuring sustainable growth momentum for high-standard warehouse demand in Greater Beijing.

In terms of location selection, **manufacturing tenants favour high-standard warehouses situated around manufacturing bases and close to transportation facilities such as airports, railways, expressways and ports.** Industrial land sales over the past three years indicate the focus of the government's plans for future manufacturing capacity (Figure 9). Manufacturing tenants tend to prefer multi-storey facilities with ramp and elevator garages and strictly evaluate other criteria including lighting, dustproofing, temperature controls and security. Life sciences tenants tend to opt for locations far from sources of potential contaminants; possessing sufficient electricity supply; featuring closed designs, dustproof and thermal insulation; aisles for sorting operations; and facilities meeting environmental protection and safety requirements.

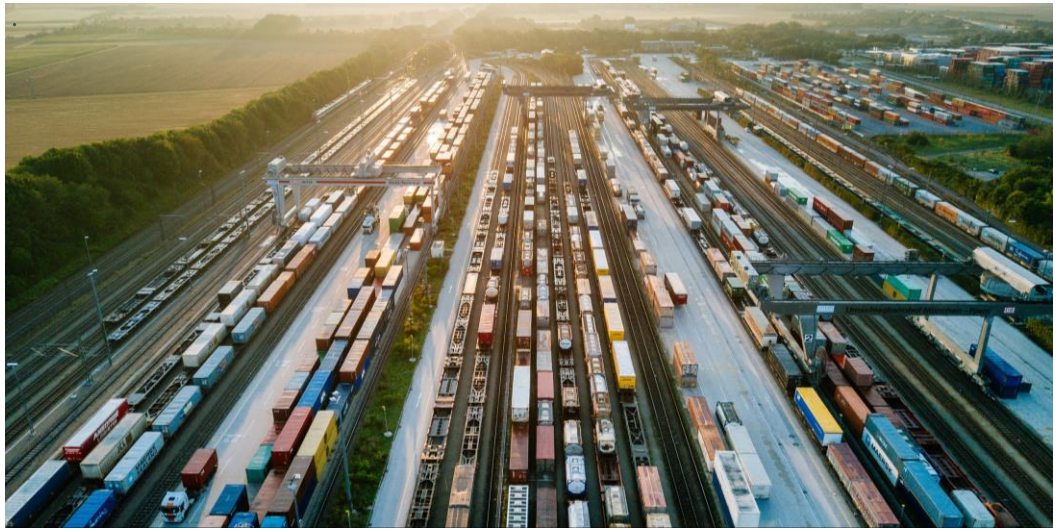


Figure 8: New leases of manufacturing and related 3PLs in Greater Beijing by submarket, 2020 – H1 2023

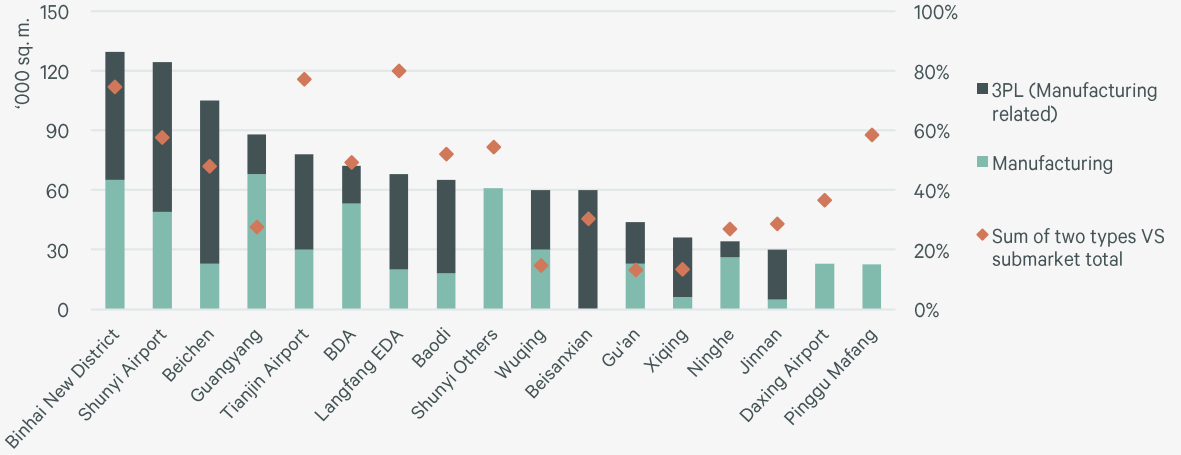
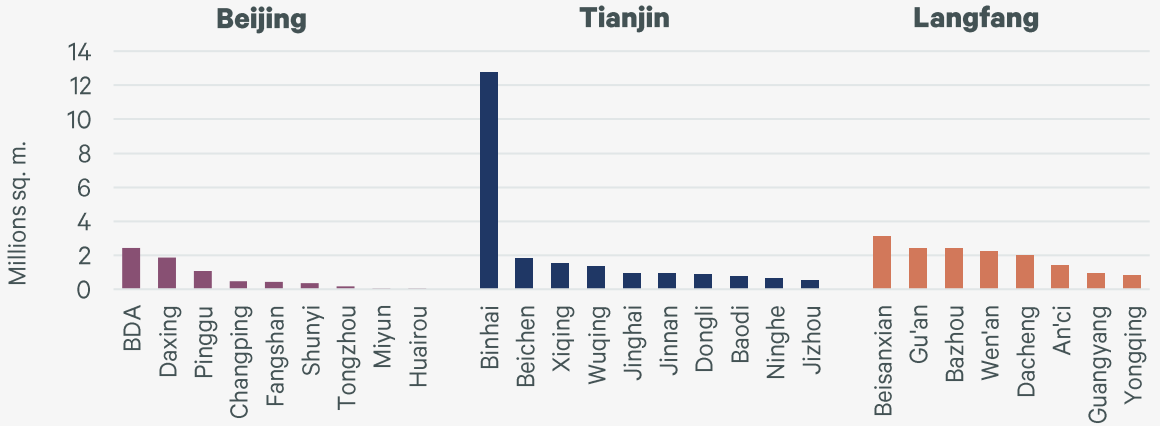


Figure 9: Industrial land supply (excl. for logistics use) by administrative district, 2020 – H1 2023



Source: CBRE Research, August 2023

Expansion of 3PLs

To analyse the demand characteristics of 3PLs according to the industries they serve, CBRE divided 3PL demand into two categories: retail and manufacturing.

Express delivery is the most important component of 3PLs, and its early development and location preferences are closely related to e-commerce. Over the past three years, the total volume of express delivery in Langfang and Tianjin has accelerated sharply. In contrast, Beijing has witnessed slower and, on a few occasions, negative growth, reflecting the decentralisation of the wholesale market and the increasingly regional distribution of manufacturing. Demand for express distribution transit has gradually shifted to Langfang and Tianjin, especially these cities' submarkets adjacent to Beijing.

3PLs are enhancing the core competitiveness of supply chain logistics, providing customers with end-to-end services from supply chain design to warehousing, distribution and other basic logistics product delivery. This will be the main growth engine of future 3PL demand.

Cold chain popularisation

CBRE China's "Cold Storage Investment and Site Selection Strategy" report published last year explained how consumption upgrading is driving the accelerated expansion of cold storage demand from enterprises such as fresh retail, chain catering and cold chain food. With China's general cold storage demand forecasted to maintain a CAGR (Compound Annual Growth Rate) of 13.5% from 2021 to 2025, existing cold storage supply will be unable to meet demand.

When selecting potential facilities and locations, cold chain tenants have strict requirements for criteria such as transportation convenience, power supply, environmental protection, safety and customisation. Due to extremely limited availability in core areas of Beijing, **submarkets on the fringes of Beijing or in the pan-Beijing area** have gradually established themselves as the first option for cold chain tenants because of their convenient location and choice of high-quality properties. Tianjin is also a preferred location for cold chain city and regional distribution centres and port warehouses.

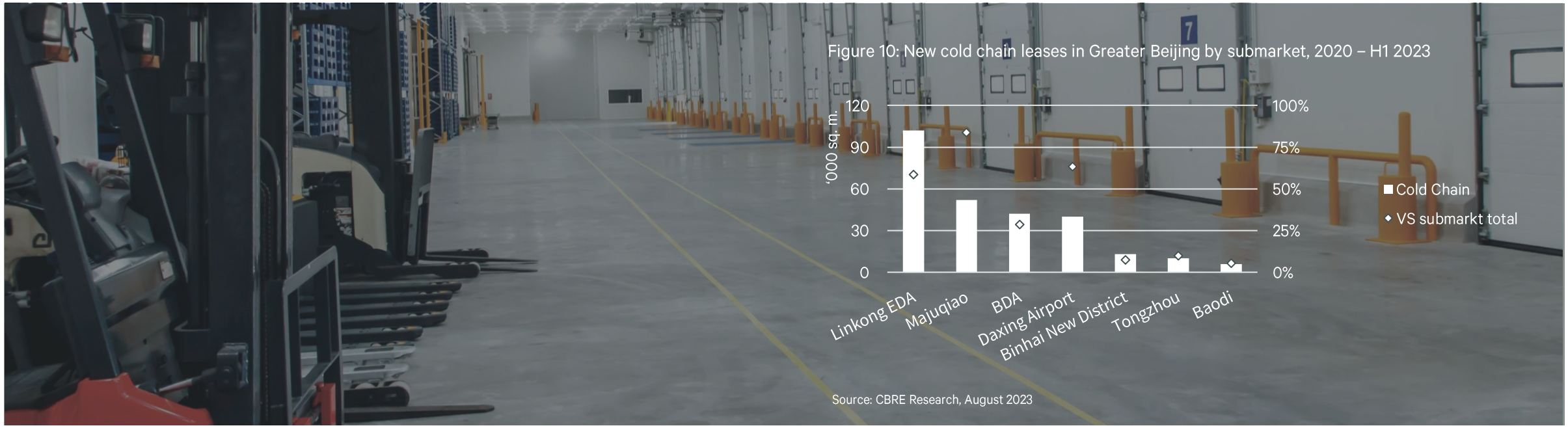


Figure 10: New cold chain leases in Greater Beijing by submarket, 2020 – H1 2023

Source: CBRE Research, August 2023

Location dynamics: distance to Beijing

Along with the development of tenant industries, location is a key determinant of the strength of each submarket. Distance to Beijing and transportation facilities are especially important.

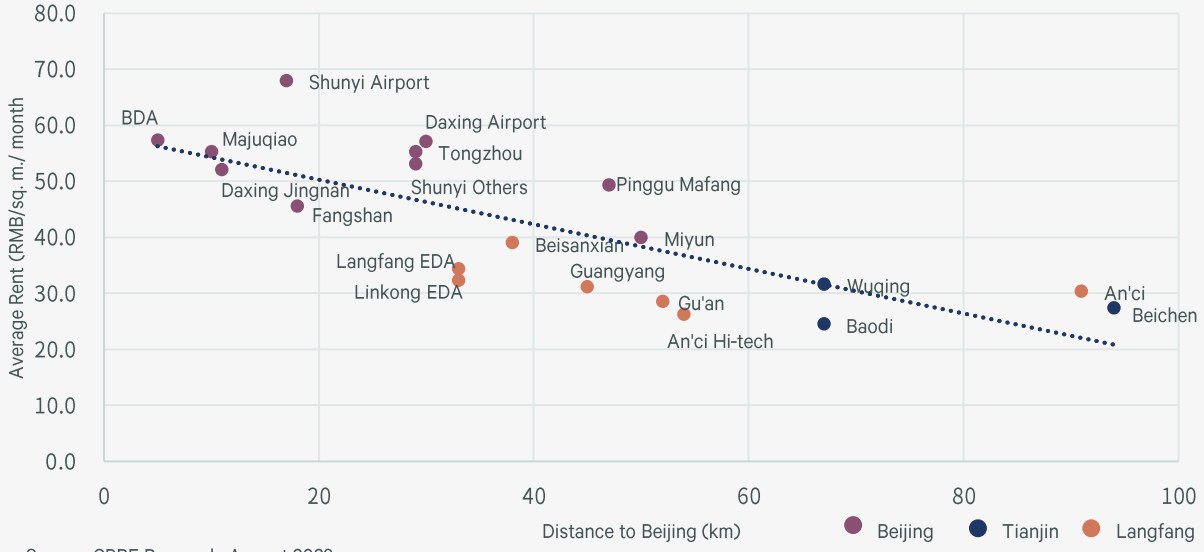
With Beijing's logistics demand being a major driver for the entire Greater Beijing market, driving distance to the urban area of Beijing (5th Ring Road) is an important criterion for judging the strength of demand of individual submarkets. CBRE measured the driving distance between Beijing's submarkets and urban area and compared it with submarket rents (Figure 11).

- Submarkets within 100 km of Beijing's main urban area were found to have rents that are strongly correlated to each district's distance to Beijing, with most submarkets at around the trend line. As submarkets more than 100 km from Beijing find it challenging to attract spillover demand, the correlation with rents is negligible.
- CBRE divided submarkets within 100 km of Beijing's main urban area into three circles:
  - **The First Circle (within 30 km)** contains the most mature submarkets in Beijing, with an average rent of between RMB 45-70 per sq. m. per month.
  - **The Second Circle (from 30 to 50 km)** contains most of the submarkets in outer Beijing and Langfang, with an average rent of between RMB 30-50 per sq. m. per month.
  - **The Third Circle (from 50 to 100 km)** contains some submarkets in Langfang and Tianjin, with an average rent of between RMB 24-32 per sq. m. month.
- The following factors determine how each submarket deviates from the trend line:
  - **Vital infrastructure:** Beijing Shunyi Airport and Daxing Airport are supported by distribution demand for airports, ensuring their rents are far higher than the trend line;
  - **Entry checkpoints:** Although Langfang's submarkets are closer to the 5th Ring Road than some outer submarkets of Beijing, rents are lower because their checkpoints take longer to pass. Many tenants are therefore willing to pay higher rents for space in Beijing.
  - **Industrial planning:** Although located in a remote suburb, Pinggu Mafang is one of Greater Beijing's Four Major Logistics Bases, and therefore commands a rental premium.
  - **Market maturity:** Except for Beisanxian, rents for submarkets in Tianjin Baodi and Langfang are significantly below trend due to their nascent development and high vacancy rate.
- Based on this analysis, CBRE expects **entry checkpoints to be the criteria with the largest room for improvement over the next three years**. As **Langfang's Linkong EDA and Beisanxian** are the two submarkets under the Beijing-Tianjin-Hebei coordinated strategy, demand will accelerate rapidly once they are integrated with Beijing's Daxing and Tongzhou, respectively.

Figure 11: Distance to Beijing and circle layers of each submarket

First Circle		Distance to 5th Ring Road (km)	Second Circle		Distance to 5th Ring Road (km)	Third Circle		Distance to 5th Ring Road (km)
Beijing	BDA	5	Beijing	Pinggu Mafang	47	Langfang	Gu'an	52
	Majuqiao	10		Miyun	50		An'ci Hi-tech	53
	Daxing Jingnan	11	Langfang	Langfang EDA	33		An'ci	91
	Shunyi Airport	17		Linkong EDA	33	Tianjin	Wuqing	67
	Fangshan	18		Beisanxian	38		Baodi	67
	Shunyi Others	29		Guangyang	45		Beichen	94
	Tongzhou	29						
	Daxing Airport	30						

Figure 12: Distance to Beijing and average rent in Greater Beijing by submarket



Source: CBRE Research, August 2023

Location dynamics: transportation facilities

Transportation facilities and their accessibility are important considerations for the location of high-standard warehouses. By assessing the transportation facilities and networks serving Greater Beijing's submarkets and comparing them with demand and rental levels, CBRE arrived at the following conclusions:

Airports

Airports play a significant role in introducing cargo flow to adjacent high-standard warehouses and have a strong impact on rental affordability. **Shunyi Airport** and **Daxing Airport** are the two submarkets with the highest rents in Beijing, while rents in **Tianjin Airport** and **Linkong EDA** are more than 10% higher than the citywide average. With cargo throughput at Daxing International Airport projected to increase from 130,000 tons in 2022 to 2 million tons by 2025, demand for warehouses at **Daxing Airport** and **Linkong EDA** will grow.

Ports and railways

As **Binhai New District** is the only submarket in Greater Beijing adjacent to the seaport, it hosts several specialised areas and facilities such as bonded zones and export processing, ensuring rents are 3% higher than the average in Tianjin;

While the dependence of domestic high-standard warehouse goods on railway transportation is low, and the contribution of nearby railway stations to demand strength is limited, railways are expected to play an increasingly prominent role in long-distance transportation of specific goods in future, driving the development of submarkets with freight railway stations.

Expressways

Given the dependence of transportation on expressways, the presence of surrounding expressway networks can determine the difference in cargo flow and therefore the strength of demand in individual submarkets:

- The Greater Beijing expressway network is already highly advanced, with most submarkets possessing expressway connections. Any assessment of these submarkets should therefore consider other indicators such as the number of adjacent expressways, entrance distance and traffic flow.
- CBRE found that **Tianjin Wuqing, Xiqing, Binhai New District, Jinghai, Langfang EDA, Linkong EDA, Guangyang, Beisanxian, and Gu'an** possess the comprehensive advantages of expressway networks, which can help them attract cross-city and regional distribution demand.

Figure 13: Transportation facilities and future development in Greater Beijing by submarket

	Beijing	Major Expressway (cross-region expressway highlighted)	Closest Distance (km)	Other Transportation Facilities	Future Development
1	Beijing BDA	**Beijing-Shanghai**, Beijing-Tianjin, **Beijing-Harbin**	2	-	
2	Majuqiao	**Beijing-Shanghai**, Beijing-Tianjin, **Beijing-Harbin**	2	-	
3	Daxing Jingnan	**Daqing-Guangzhou**	2	Huangcun Railway Station	Huangcun Station will provide Daxing Jingnan's import cargo flow with Beijing-Shanghai and Beijing-Kowloon railways
4	Shunyi Airport	Beijing-Chengde, Beijing-Tianjin-Hebei	8	Capital International Airport, Shunyi Railway Station	
5	Daxing Airport	**Beijing-Taiwan**, **Daqing-Guangzhou**, Capital Ring	5	Daxing International Airport	In 2022, the west extension of Daxing Airport North Line expressway fully opened, improving connectivity between Daxing Airport and Beijing downtown
6	Shunyi Others	Daqing-Guangzhou	5	-	
7	Tongzhou	Beijing-Tianjin	6	-	
8	Fangshan	**Beijing-Hong Kong-Macau**, **Beijing-Kunming**	2	Liulihe Railway Station	
9	Pinggu Mafang	Beijing-Pinggu	2	Mafang Railway Station	Chengde-Pinggu Expressway will come on stream in 2024, improving the north exit of Pinggu Mafang
10	Miyun	**Daqing-Guangzhou**	1	-	
	Tianjin				
11	Wuqing	Beijing-Tianjin-Tangshan, Beijing-Tianjin, **Beijing-Shanghai**	1	-	
12	Beichen	Beijing-Tianjin-Tangshan	5	-	
13	Xiqing	**Rongcheng-Wuhai**, **Beijing-Shanghai**, Tianjin-Cangzhou	3	Caozhuang Railway Station	Tianjin-Shijiazhuang Expressway will fully open by 2023, improving connectivity
14	Tianjin Airport	Beijing-Tianjin-Tangshan	2	Tianjin Binhai International Airport	
15	Binhai New District	Beijing-Tianjin-Tangshan, Beijing-Tianjin, Binhai New District-Baoding	5	Tianjin Port	
16	Baodi	**Beijing-Harbin**, Beijing-Qinhuangdao	2	-	
17	Jinnan	**Changchun-Shenzhen**, **Tianjin-Dagang**	5	-	
18	Ninghe	Beijing-Tianjin, Binhai New District-Baoding	2	-	
19	Jinghai	Tianjin-Cangzhou, **Beijing-Shanghai**, Tianjin-Shijiazhuang	2	-	
20	Jizhou	Beijing-Qinhuangdao	3	-	
	Langfang				
21	Langfang EDA	**Beijing-Shanghai**, Beijing-Tianjin, Capital Ring	8	-	
22	Linkong EDA	**Beijing-Taiwan**	3	Daxing International Airport	
23	Beisanxian	**Beijing-Qinhuangdao**, **Beijing-Harbin**, Capital Ring	6	Yanjiao Railway Station	
24	Guangyang	**Beijing-Shanghai**, Beijing-Tianjin, Capital Ring	8	-	
25	Gu'an	Beijing-Xiong'an	3	Gu'an Railway Station	
26	An'ci Hi-tech	**Beijing-Shanghai**	15	-	
27	An'ci	Binhai New District-Baoding	6	-	
28	Bazhou	**Beijing-Shanghai**	4	-	

Source: CBRE Research, August 2023

03

Investment Strategy

Assessment of supply-demand balance

CBRE's evaluation of supply and demand indicators separated the 28 submarkets of Greater Beijing into four tiers. Scoring mainly reflects the supply-demand balance of each submarket over the next three years along with rental trends which are an important reference for investment decisions.

- Tier 1 submarkets have the most even supply-demand balance; tier 2 submarkets are controllable or developing towards a more balanced direction; tier 3 submarkets are mostly witnessing strong demand but not as fast as growth in supply; and tier 4 submarkets are either reporting oversupply or weak supply and demand.
- Scoring of demand engines is mainly based on quantitative statistics of new leases (2020 – H1 2023), combined with CBRE's qualitative judgement of future development of each industry, existing tenants, owner occupiers and their leasing intentions.
- Each submarket's distance to Beijing is scored from three to no stars, representing submarkets of Circle 1,2,3, and over 100km away from Beijing 5th Ring Road.
- Scoring of transportation facilities considers quantitative characteristics such as the distance to the nearest expressway entrance, the number of expressways, and availability of other transportation.
- Supply pressure is scored from three to one stars, representing submarkets with low, medium, and high pressure.

		Demand			Supply	
		Demand Engines	Distance to Beijing	Transportation Facilities	Supply Pressure	Submarket Characteristics
Tier 1						
Beijing	BDA	★★★	★★★	★★★	★★★	• These submarkets are Beijing's most mature submarkets located in the first circle within 30 km of the 5th Ring Road; • Highly accessible to expressway or airport; • Leasing volume is restricted by leasable space and available space is leased the fastest.
	Majuqiao	★★	★★★	★★★	★★★	
	Daxing Jingnan	★★★	★★★	★★	★★★	
	Shunyi Airport	★★★	★★★	★★★	★★	
Tier 2						
Beijing	Daxing Airport	★★★	★★★	★★★	★	• Daxing Airport, Shunyi Others, Fangshan and Tongzhou are all in the first circle; • The accelerated expansion of Daxing Airport's cargo hub function will drive the expansion and quality of Daxing Airport and Linkong EDA demand; • Langfang EDA, Beisanxian, Linkong EDA are in the second circle, being the pan-Beijing submarkets closest to Beijing; • Guangyang is connected to a highway network, attracting e-commerce, manufacturing and 3PLs to establish regional distribution centres. • Wuqing, close to Beijing and Tianjin city centres, is the submarket with the most prominent demand intensity in Tianjin; • Binhai New District is a preferred option for manufacturing tenants as a strong industrial base.
	Shunyi Others	★★★	★★★	★	★★	
	Fangshan	★	★★★	★★★	★★★	
	Tongzhou	★★	★★★	★	★★★	
Tianjin	Wuqing	★★★	★	★★★	★★	
	Binhai New District	★★★	-	★★★	★★	
	Xiqing	★★★	-	★★★	★★	
Langfang	Langfang EDA	★★★	★★	★★	★	
	Guangyang	★★★	★★	★★	★	
	Linkong EDA	★★★	★★	★★★	★	
	Beisanxian	★★	★★	★★★	★	
Tier 3						
Beijing	Pinggu Mafang	★★	★★	★	★	• Pinggu Mafang is further from the city centre than other submarkets in Beijing and its future supply is large, being long to mature; • Tianjin Airport and Beichen are close to the city centre of Tianjin, with demand driven by local consumers; • Gu'an has the advantage of an expressway network, making it suitable as a location for regional distribution centres.
	Miyun	★	★★	★	★★★	
Tianjin	Beichen	★★★	★	★	★	
	Tianjin Airport	★★★	-	★★★	★	
Langfang	Gu'an	★★★	★	★★	★	
Tier 4						
Tianjin	Baodi	★	★	★★	★	• These markets are located far from Beijing, making it difficult for them to attract Beijing's spillover demand; • Located adjacent to the north-south expressway hub and possessing dense road networks, making them suitable locations for regional distribution centres.
	Ninghe	★★	-	★	★★	
	Jinnan	★★	-	★	★	
	Jinghai	★★	-	★★	★	
	Jizhou	★	-	★	★	
Langfang	An'ci Hi-tech	★	★	★	★	
	Anci	★★	★	★	★	
	Bazhou	★	-	★	★	

Greater Beijing logistics investment strategies are mainly opportunistic and value added, supplemented by core. Based on the results of the supply-demand balance analysis, CBRE arrived at the following list of submarket recommendations for each investment strategy type:

Opportunistic

According to an analysis of primary logistics land sales transactions in each submarket since 2020, and calculating rental returns based on current construction costs and rental levels in the local market (Figure 14), CBRE recommends investors focus on greenfield development opportunities in the following submarkets:

- **Pinggu Mafang** is currently the only submarket in Beijing with 50-year title primary logistics land for sale and possesses the largest volume of land for development. Although its land prices are significantly higher than other submarkets in Greater Beijing, rental returns are high and remain attractive to long-term investors;
- **Linkong EDA** and **Beisanxian** display the highest rental returns of any Greater Beijing submarket which has sold logistics land with a 50-year title. With these submarkets possessing the most potential for integration with Beijing in future, their values have greater room for growth;
- As logistics land at Daxing Airport and BDA is subject to usage restrictions, such as a 20-year title or a minimum percentage of bonded warehouses or industrial plants, investment values must be monitored.

Value-added

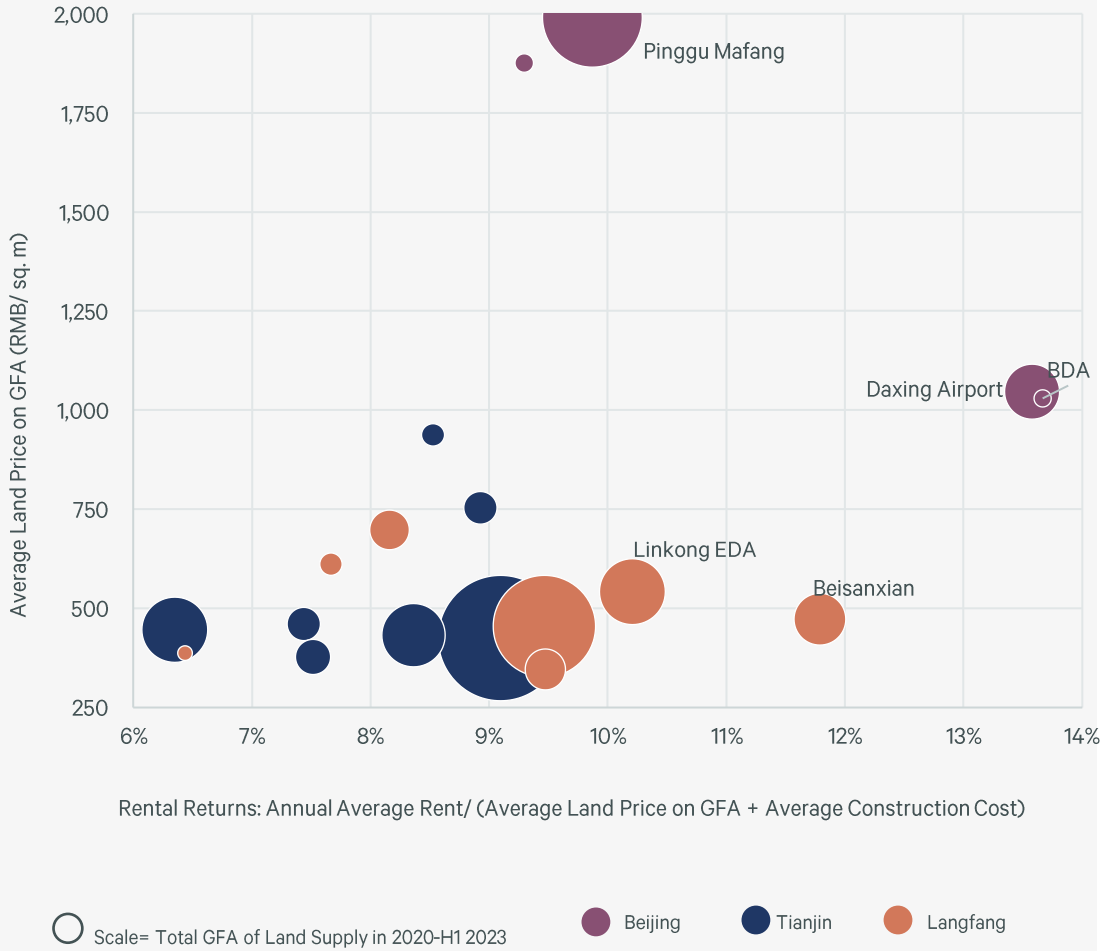
Due to the ageing of existing properties and scarcity of land in mature areas of Beijing, value added is the most obvious investment strategy in these submarkets. The redevelopment of ordinary warehouses and industrial plants to high-standard logistics; bonded to non-bonded use; and single-layer to multi-layer is recommended.

- **Shunyi Airport and Shunyi Others** are the preferred options for value added investment. Compared with other mature districts in Beijing, Shunyi's policy environment is more open and supportive of industrial renewal and conversion. In addition, its supply-demand balance, rental stability and growth provide solid returns;
- Investors are advised to pay attention to value added investment opportunities in **Majuqiao, BDA, Daxing Jingnan, Tongzhou** that meet government regulatory requirements.

Core

- Several core assets in Greater Beijing have been listed through C-REIT. Recent stable returns achieved by properties in Shunyi Airport and Tongzhou reflect their potential for value to core investment strategies;
- Although Beijing's tier 1 and tier 2 submarkets are the main targets for core investment, the scarcity of investible properties means portfolios containing such assets should be keenly sought after.

Figure 14: Primary land transactions in Greater Beijing by main submarket, 2020 – H1 2023



Note: According to market practice, assuming average construction cost is RMB 4,000 per sq. m. in Beijing and RMB 3,500 per sq. m. in Langfang and Tianjin

Source: CBRE Research, August 2023

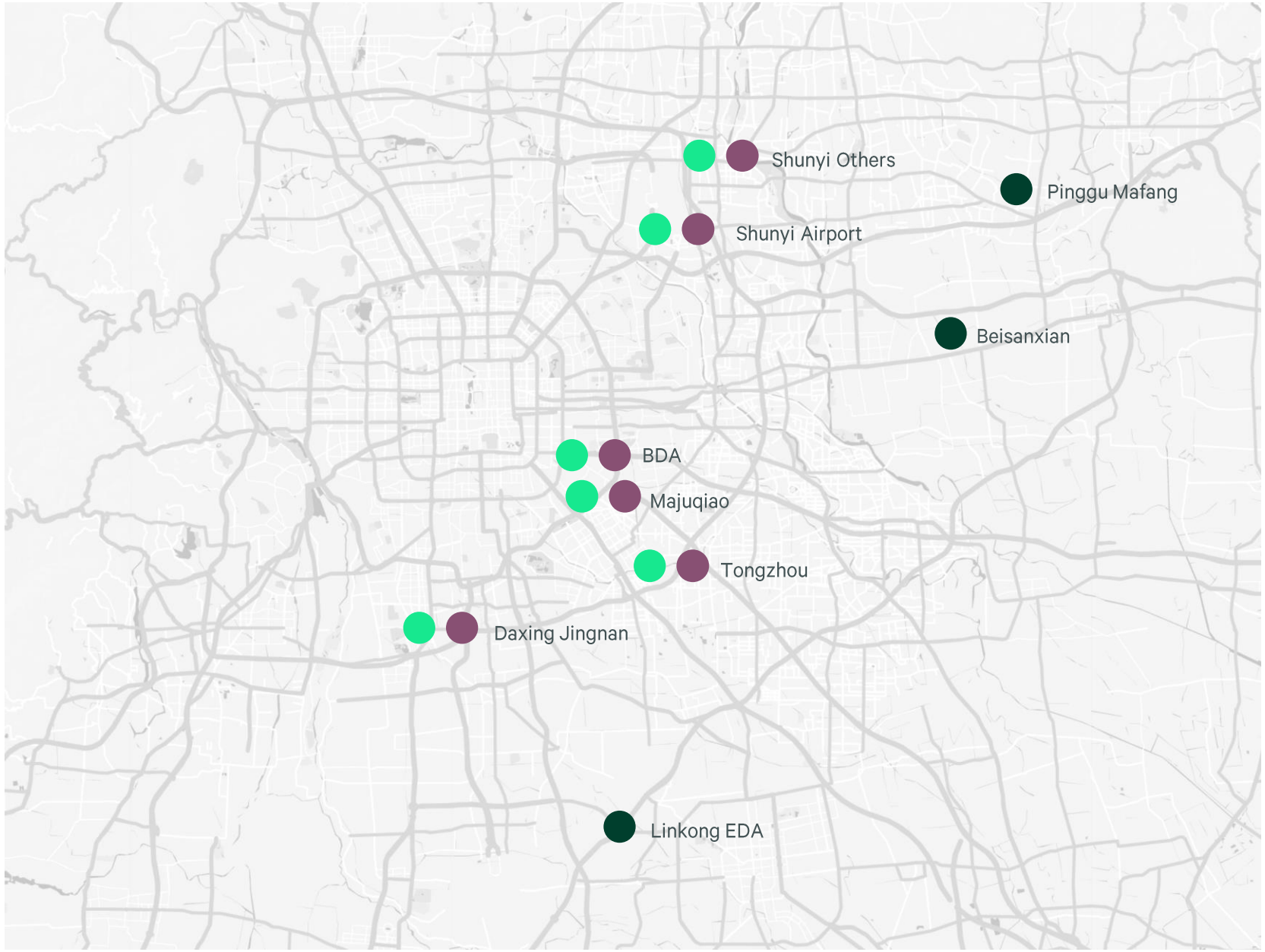


Figure 15: Key submarkets and recommended investment strategies

Opportunistic

- Pinggu Mafang
- Beisanxian
- Linkong EDA

Value added

- Shunyi Airport
- Majuqiao
- Daxing Jingnan
- BDA
- Tongzhou
- Shunyi Others

Core

- Shunyi Airport
- Majuqiao
- Daxing Jingnan
- BDA
- Tongzhou
- Shunyi Others

Contacts

Research

Sam Xie
Head of Research
China
sam.xie@cbre.com

Tin Sun
Head of Research
Northern China
tin.sun@cbre.com

Katie Pan
Assistant Manager
Northern China Research
katie.pan@cbre.com

Business Line

Christina Liu
Regional Managing Director
Northern China
christina.liu@cbre.com

Cindy Sun
Head of Capital Markets and A&T
Industry & Logistics China
cindy.sun@cbre.com

Rosemary Li
Head of A&T Industry & Logistics
Northern China
rosemary.li@cbre.com