INTELLIGENT INVESTMENT

C-REIT Expansion Unlocks Exit Channels for Office and Hotel Assets

December 2025

On November 28th, 2025, the China Securities Regulatory Commission (CSRC) issued the "Announcement on Launching the Pilot Programme for Commercial Real Estate Investment Trusts (Draft for Comment)" (hereinafter referred to as the "Draft for Comment"). This was followed on December 1st, 2025, by the National Development and Reform Commission's (NDRC) release of the "Infrastructure Real Estate Investment Trust (REIT) Project Industry Scope List (2025 Edition)" (hereinafter referred to as the "2025 List"). The sequential release of these two documents signifies that China's public REITs have now achieved complete coverage of the commercial real estate market.

Policy Interpretation

Compared with the previous update to the scope of underlying assets included in the "Requirements for Infrastructure Real Estate Investment Trust (REIT) Project Declaration (Document No. 1014)" released in July 2024, there have been several changes to policies concerning ownership-based public REITs. These include:

Addition of Office Buildings and Hotels as Underlying Assets

The 2025 List adds and lists commercial office facilities as a separate category of underlying assets. Projects must be in 22 mega-cities and extra-large cities[1] across the nation and be of premium Grade A or Grade A quality. However, further clarification is needed on whether the definition of premium Grade A and Grade A buildings adheres to the "Classification Requirements for Commercial Buildings Grade (GB/T 39069-2020)[2]" implemented in 2021 or to other market standards.

Concurrently, the 2025 List adds "Four-Star and above Hotel Projects" under the category of consumption infrastructure.

Note 1: According to China's Seventh National Population Census, there are a total of 22 mega-cities and extra-large cities nationwide. Shanghai, Beijing, Shenzhen, Chongqing, Guangzhou, Chengdu, and Tianjin are classified as mega-cities with a permanent urban population of over 10 million. Wuhan, Dongguan, Xi'an, Hangzhou, Foshan, Nanjing, Shenyang, Qingdao, Jinan, Changsha, Harbin, Zhengzhou, Kunming, Dalian, and Suzhou are classified as extra-large cities with a permanent urban population between five and 10 million.
Note 2: Issued by the State Administration for Market Regulation (SAMR) and the Standardisation Administration of China (SAC) in September 2020 and implemented in April 2021.

Addition of Urban Renewal Facilities as Underlying Assets

The 2025 List defines “Urban Renewal Facilities” as aging neighbourhood, factory renewal and renovation projects, as well as urban renewal comprehensive facility projects covering various types of the above-mentioned assets. This description does not include a new underlying property type. Considering the features of the two currently listed public REITs with an urban renewal background - Jinyu Intelligent Manufacturing Factory Industrial Park REIT and ShouNong Industrial Park REIT - CBRE believes that listing “Urban Renewal Facilities” as a new underlying asset type will help provide clearer guidance on how to address compliance issues commonly encountered in such projects. These issues include land acquisition methods, land nature, and architectural use adjustments during the declaration and approval process.

Addition of Sports Venues and Commercial Complexes Integrating Multiple Business Formats like Commerce, Tourism, Culture, Sports, and Health within Consumption Infrastructure

In its “Opinions on Unleashing the Potential of Sports Consumption and Further Promoting the High-Quality Development of the Sports Industry” released in September 2025, China’s State Council proposed supporting eligible sports venue projects to issue public REITs. The inclusion of sports venues in the 2025 List as underlying assets aligns with market expectations.

The 2025 List changes the expression "Commercial Complexes" in Document No. 1014 to "Commercial Complexes integrating multiple business formats like Commerce, Tourism, Culture, Sports, and Health". The qualification of “Commerce, Tourism, Culture, Sports, and Health” may indicate that it differs from the industry's understanding of office-retail complexes or office-retail-hotel complexes. The reason is that the 2025 List retains the relevant statements from Document No. 1014 within the consumption infrastructure category, namely: "Hotels and commercial office premises that are physically inseparable from the aforementioned consumption infrastructure and whose property rights belong to the same initiator (original equity holder) may be included as underlying assets of the project; the combined floor area of these premises generally shall not exceed 30% of the total floor area of the underlying assets, and under special circumstances, shall not exceed 50%". CBRE believes that the declaration of office-retail complexes or office-retail-hotel complexes still needs to comply with the above requirements, with consumption infrastructure as the main body of the project. As office buildings and hotels are included as underlying assets, this will create prerequisites for greater flexibility in the floor area allocation ratio for underlying assets in future office-retail and office-retail-hotel complexes.

Impact on China's Commercial Real Estate Investment Market

CBRE estimates the scale of investable commercial real estate in China reached RMB 44 trillion in 2024. The rapid development and continuous expansion of public REITs has made them an important vehicle by which to revitalise large existing assets, optimise financing structure, and resolve debt risks. Public REITs will play a key role in accelerating the transition of China's real estate industry during the 15th Five-Year Plan period from the high turnover, high debt, scaled expansion development and sales model to an asset management model focused on improving operational returns and dividends.

With China's commercial real estate investment market having undergone asset price adjustments and structural reshaping in the past two years, the renewed expansion of public REITs will have a positive impact on the liquidity and asset price formation mechanism of related underlying assets.

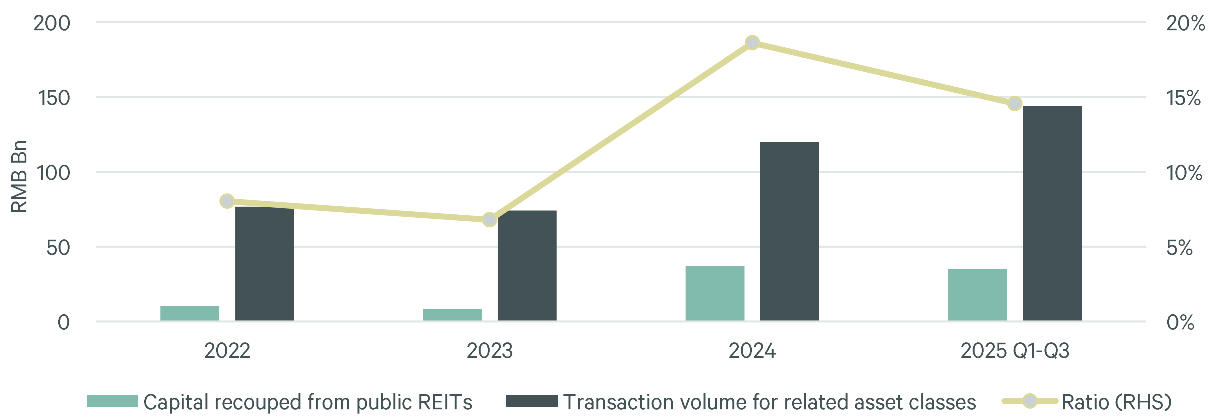
Opening Public Market Exit Channels and Enhancing Liquidity for Office and Hotel Assets

CBRE data show China office and hotel investment volume has accounted for a combined RMB 430 billion since 2021, accounting for 36% of total transaction volume. Office investment exceeded RMB 350 billion, the largest of any sector. Being included in the scope of public REIT underlying assets will open up public market exit pathways for offices and hotels, which will help further activate their capital circulation and enhance the liquidity of the private market.

As of the end of October 2025, a total of 51 ownership-based public REITs have been issued, raising a cumulative RMB 110 billion (including follow-on offering). If estimated based on original equity holders and related parties holding a 40% stake, the original equity holders have recouped RMB 66 billion, which can be used for new project investment and development. The ratio of funds recouped by the public REIT market to the transaction volume of relevant asset classes has risen from 7-8% in 2021-2023 to 15-20% by 2024, indicating that the public market has become an important supplement to commercial real estate investment liquidity.

The opening of the public REIT channel is expected to activate real estate private market investment and financing activity upwards along the capital chain. Public information show that more than 10 Real Estate Pre-REIT funds have been established since 2023, with a total scale exceeding RMB 23 billion. These pre-REIT funds comprehensively cover public REIT underlying assets such as warehousing and logistics, industrial parks, rental housing, shopping centres, and data centres.

Figure 1: Capital Recouped From Public REITs and Transaction Volume for Related Asset Classes



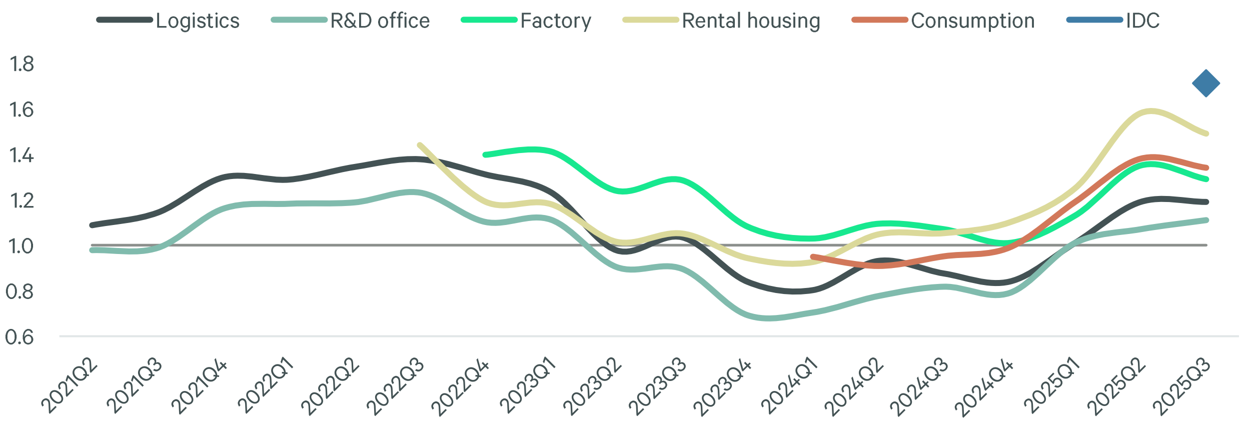
Source: CBRE Research, December 2025

Improving the "Private-to-Public" Asset Pricing System

As they feature more transparent information disclosure and high-frequency trading in the securities market, public REITs can provide a public and real-time market-based anchor for the asset prices of newly included underlying assets like office buildings and hotels. This enables investors to construct a complete asset pricing reference system from private to public.

CBRE's analysis of the Price-to-Value (PV) multiple for listed infrastructure public REITs over the past few years shows that asset pricing fluctuates along with factors such as the macroeconomic financial cycle and the commercial real estate leasing market. Differences in risk pricing among various underlying assets also align with investor perceptions in the commercial real estate investment market. Since 2025, various underlying assets have generally experienced a premium, or a PV multiple higher than 1. Although this is partly due to the current scarcity of REIT products in the financial market, it creates a relatively ideal asset pricing and time window for the private-to-public exit of high-quality office building and hotel projects.

Figure 2: Ownership-based Public REITs' PV Multiples



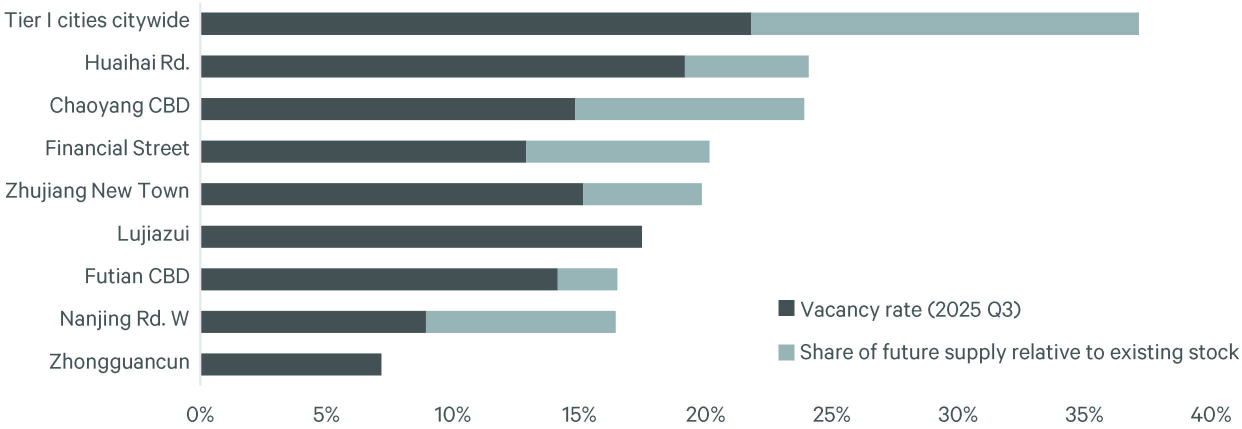
Source: CBRE Research, December 2025

Highlighting the Importance of Asset Quality; Core Assets and Quality Asset Management Expected to Enjoy a Liquidity Premium

Given regulators' strict scrutiny of public REITs' underlying assets and the current scarcity of public REITs' channel resources, CBRE believes that the quality of newly included office and hotel assets will have a strong bearing on asset pricing. The liquidity premium derived from public REITs will gradually be transmitted to the private market, benefiting projects with core locations and quality asset management.

The trend of asset pricing differentiation will be further supported by leasing market performance. As of Q3 2025, the average vacancy rate for office buildings in tier I cities was 22%. The vacancy rate in CBDs was 15% while future supply in CBDs accounts for only 1.1% of tier I cities' existing stock. On the demand side, tenants retain a strong preference for CBDs, with CBRE's 2025 China Office Tenant Survey showing that 74% of tenants prefer to remain in such areas.

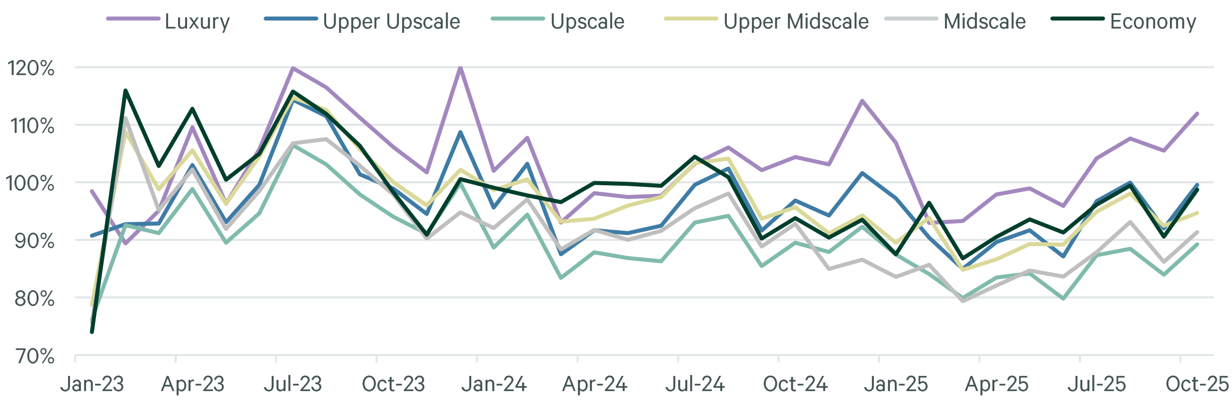
Figure 3: Tier I City CBD Vacancy Rate and Share of Future Supply Relative to Existing Stock



Source: CBRE Research, December 2025

In the hotel sector, the recovery pattern for Revenue Per Available Room (RevPAR) compared to the pre-pandemic level in 2019 shows a barbell shape. From January to October this year, the average RevPAR for luxury, upper upscale, and economy hotels was equivalent to 102%, 93%, and 93% of the same period in 2019, respectively, ahead of other tiers. Given that the underlying asset requirements for public REITs mandate hotels to be four-star and above (roughly equivalent to upscale and above in Figure 4), CBRE recommends investors focus on market leading upper upscale and luxury hotels with high-quality management and branding.

Figure 4: Recovery Ratio of Hotel RevPAR by Rating Compared to Same Period of 2019



Source: CoStar, CBRE Research, December 2025

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