

Intelligent Investment | Guangdong-Hong Kong-Macao Greater Bay Area

Logistics Real Estate Investment Strategies for the Greater Bay Area

REPORT

CBRE Research
Southern China
June 2022



Executive Summary

The logistics real estate market in the Greater Bay Area (GBA) has performed well in recent years, driven by the region's solid economic performance; increasing consumption; a range of government incentive policies; and robust expansion of its export-oriented economy. With vacancy remaining low and rents registering strong gains, investors are stepping up their purchasing activity.

With the investment market set to gain further momentum in the medium- to long-term on the back of rapid e-commerce growth and recovering import/export demand, CBRE has performed a thorough analysis of the macroeconomy, transportation, supply, demand, rental performance and investment conditions in the nine major GBA cities to compile a list of viable logistics property investment strategies.

These investment strategies have been divided into the following three tiers:

First Tier

Focus on existing logistics properties and urban renewal projects in Shenzhen, Guangzhou and Dongguan.

Second Tier

Focus on existing logistics properties and selected greenfield development opportunities in major logistics parks in Foshan, Huizhou and Zhongshan.

Third Tier

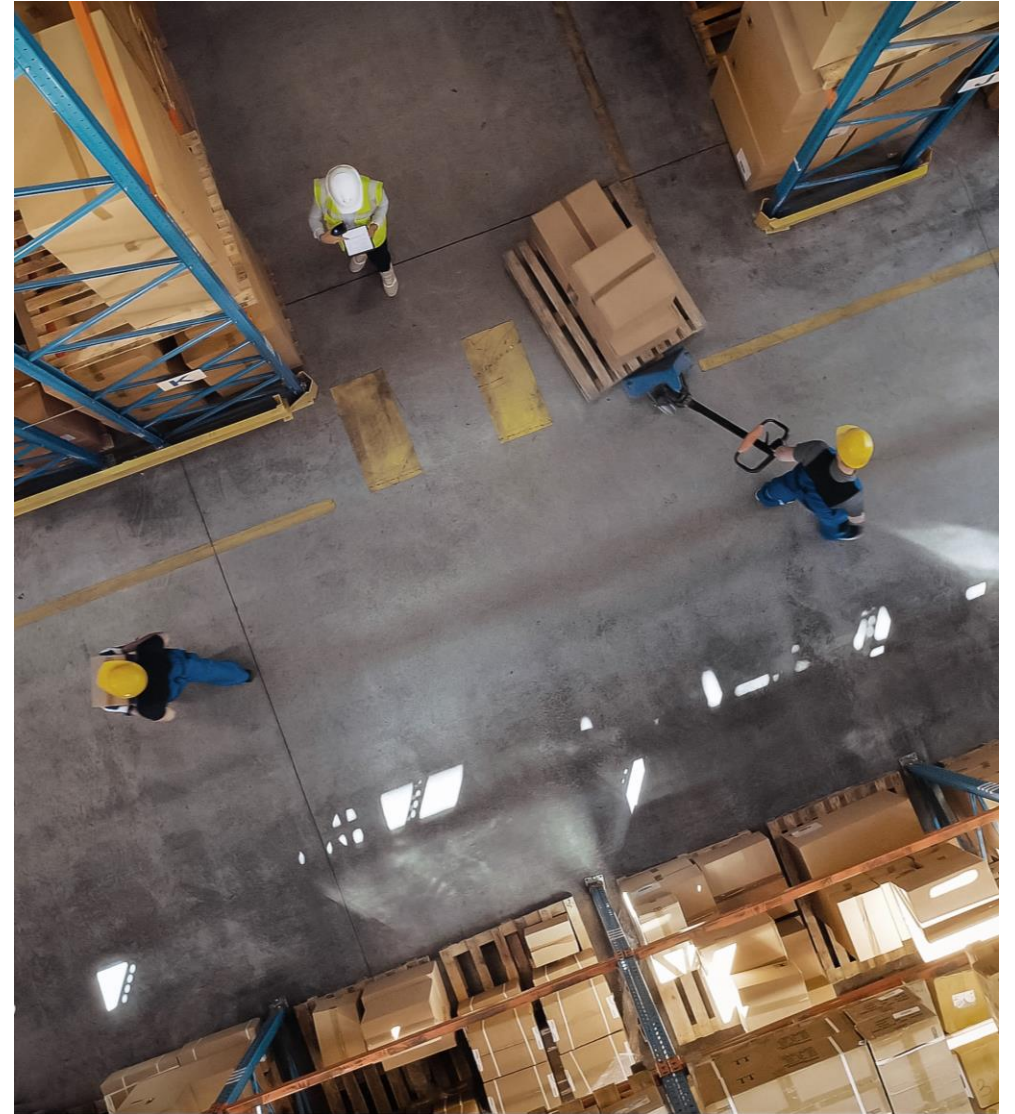
Focus on greenfield development opportunities in main logistics parks in Jiangmen, Zhaoqing and Zhuhai.

*The nine major GBA cities covered in this report are Shenzhen, Guangzhou, Dongguan, Foshan, Huizhou, Zhongshan, Jiangmen, Zhaoqing and Zhuhai. Owing to their status as Special Administrative Regions, Hong Kong and Macau were not included in this report, despite forming part of the GBA.



Contents

- 1 Macroeconomy
- 2 Transportation Development
- 3 Logistics Property Market Supply
- 4 Logistics Property Market Demand
- 5 Rental Performance
- 6 Investment Market
- 7 Investment Strategies

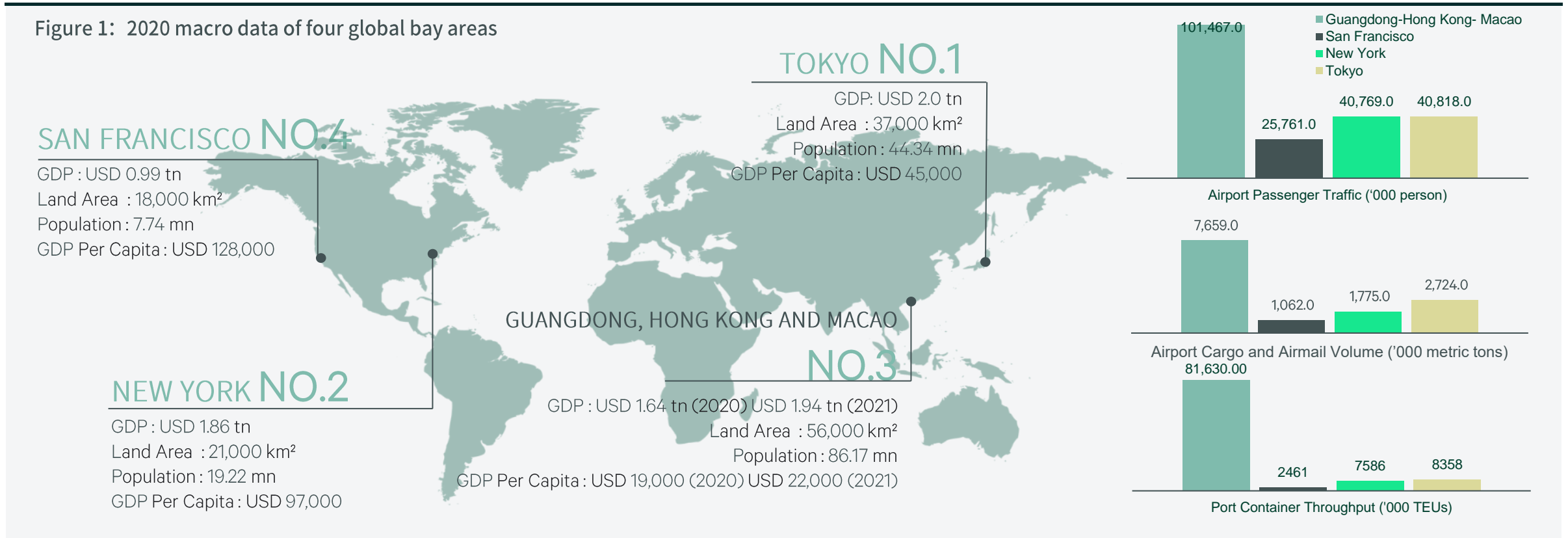


1

Macroeconomy

The GBA ranks 3rd in GDP among the world's main bay areas and has the highest passenger and cargo traffic

Figure 1: 2020 macro data of four global bay areas



Source: Official government websites, 2022.

The GBA's GDP per capita ranks first among China's city clusters

As well as ranking third globally, the GBA's GDP per capita is the highest of all China's city clusters, comfortably exceeding that of Beijing-Tianjin-Hebei (BTH) and Yangtze River Delta (YRD).

According to Beijing Jiaotong University's recent research report entitled "Interaction Between Regional Logistics and Regional Economy," the GBA's strong economic expansion is certain to lead to the further rapid growth of logistics demand in the coming years.



Figure 2: GDP comparison of China's main city clusters (2021)

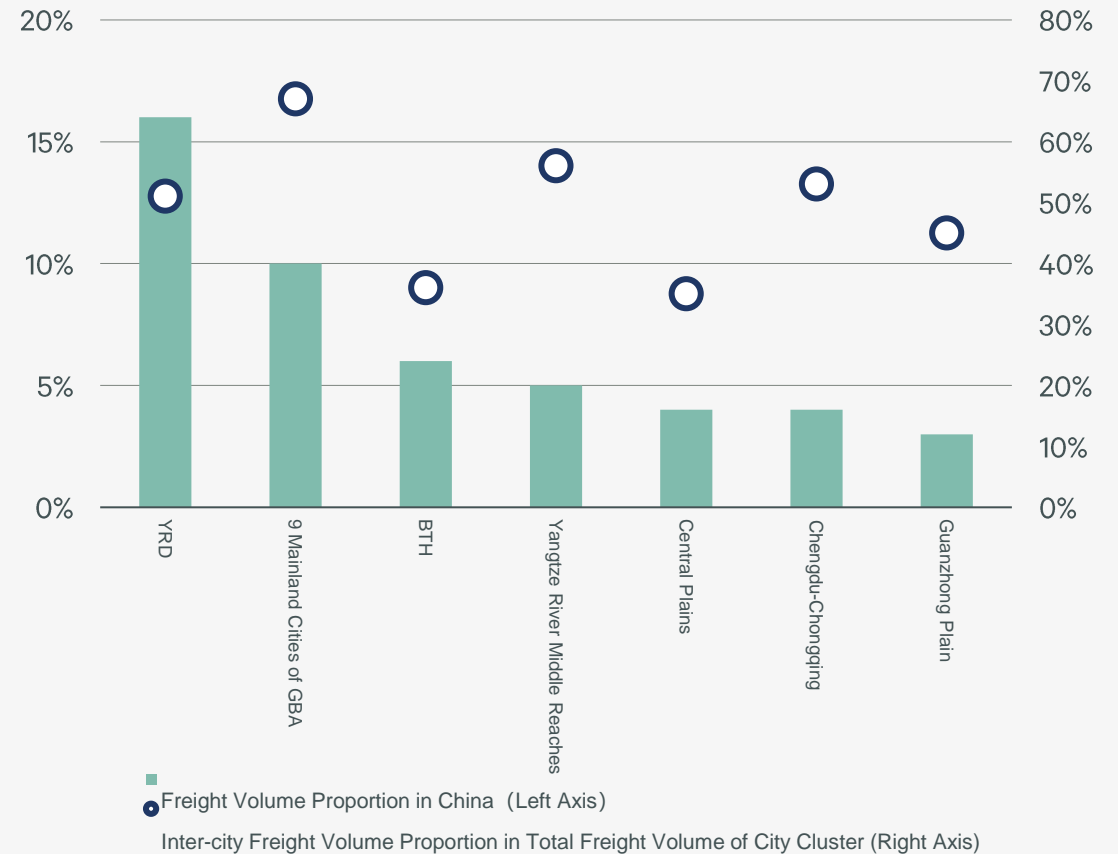
City Cluster	GDP (RMB bn)	Land Area ('000 km ²)	GDP Per km ² (RMB bn/'000 km ²)	Permanent Residents ('000)	GDP Per Capita (RMB'000/person)
YRD	27,605.4	211.7	13,039.9	236,580	117
GBA	12,625.1	56	22,544.8	86,170	146
BTH	9,635.6	221.3	4,354.1	110,100	87
Chengdu-Chongqing	8,179.4	185	4,421.3	115,840	71

Source: Official websites, 2022.

Freight volume of the GBA's nine biggest cities ranks 2nd among China's city clusters; GBA also boasts best inter-city logistics integration

The proportion of inter-city freight volume in a city clusters' total freight volume is a key indicator of its degree of logistics integration. The Integrated Development of China's Seven City Clusters Report published in 2020 found that inter-city freight volume in the GBA accounted for 67% of overall freight volume, the country's highest. The figure for the Yangtze River Middle Reaches (56%) and Chengdu-Chongqing (53%) also surpassed that for the YRD and BTH.

Figure 3 : China city clusters' freight volume proportion 2020



Source: Integrated Development of China's Seven City Clusters Report, 2020.

GDP of GBA's four main cities exceeds RMB 1 tn

The GBA is now home to four cities with a GDP each in excess of RMB 1 trillion. Shenzhen's GDP exceeded RMB 3 trillion in 2021, ranking 3rd in China, followed by Guangzhou, which ranked 4th with a GDP of RMB 2.8 trillion. Foshan and Dongguan each have a GDP of more than RMB 1 trillion, a level higher than several provinces.

During the 14th five-year plan period from 2021-2025, annual GDP growth for Guangzhou and Shenzhen is projected to reach 6%. Provided the TMT and advanced manufacturing industries continue to expand rapidly, this goal is well within reach.

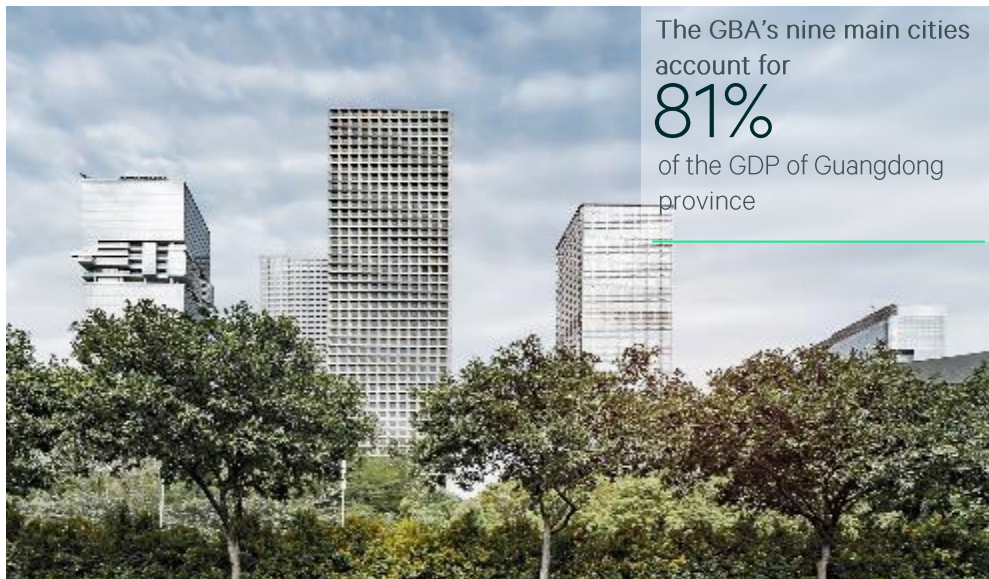
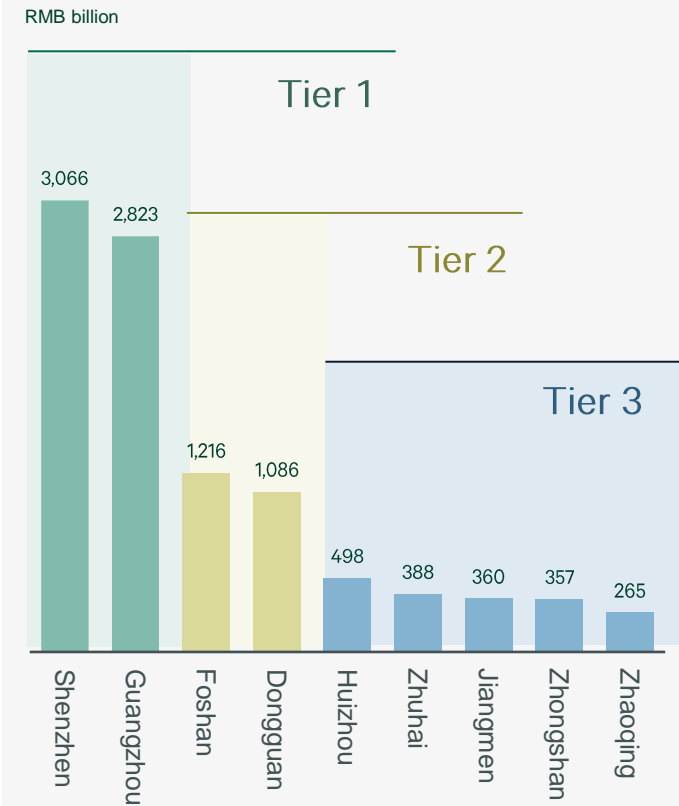
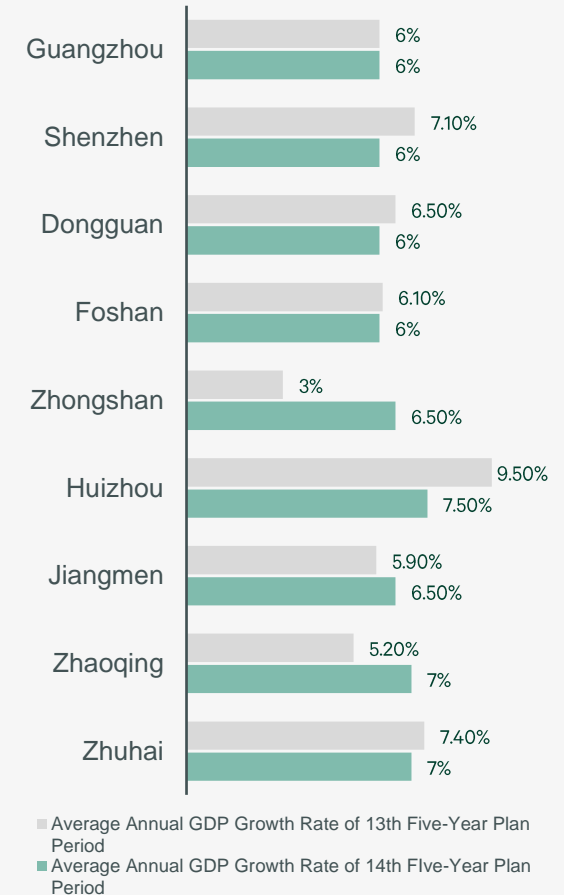


Figure 4: GDP of major cities in the GBA 2021



Source: Statistics bureau of each city, 2022.

Figure 5: GBA cities' GDP growth rate during 13th and 14th Five-Year Plan



Legend:
 ■ Average Annual GDP Growth Rate of 13th Five-Year Plan Period
 ■ Average Annual GDP Growth Rate of 14th Five-Year Plan Period

Trading volume of GBA's nine major cities is highest nationwide

The nine GBA Cities account for

95%

of the trading volume of Guangdong Province

Figure 6: GBA port and airport distribution

Guangdong accounts for **21%** of China's trade and has ranked **1st** for **36** consecutive years

Three of five airports are ranked in the **global top 50**

Three of seven ports are ranked in the **global top 10**



Figure 7: 2021 trading volume of the nine largest cities in the GBA (RMB bn)

Shenzhen	3,544	
Dongguan	1,525	Tier 1
Guangzhou	1,083	
Foshan	616	Tier 2
Zhuhai	332	
Huizhou	306	
Zhongshan	269	Tier 3
Jiangmen	179	
Zhaoqing	41	

\ Source: Statistics bureaus, 2022.

Robust net population inflows drive surge in consumption

Total retail sales in the nine major GBA cities reached RMB 3.4 trillion in 2021, 7.1% above that in the BTH. With consumption in Guangzhou and Shenzhen ranking 4th and 5th in China, respectively, the two cities serve as the main drivers of growth in the GBA. Retail sales in Guangzhou exceeded RMB 1 trillion for the first time in 2021, while annual retail sales growth exceeded 8.0% y-o-y in each of the nine main cities in the GBA in 2021.

In terms of population growth, Guangzhou and Shenzhen ranked 1st and 3rd in China, respectively, in the sixth and seventh national censuses. Guangzhou's total population reached 7.2 million in the most recent census published in 2020, an increase of 68% from 2010, while Shenzhen's population totalled 6.0 million, a rise of 47%.

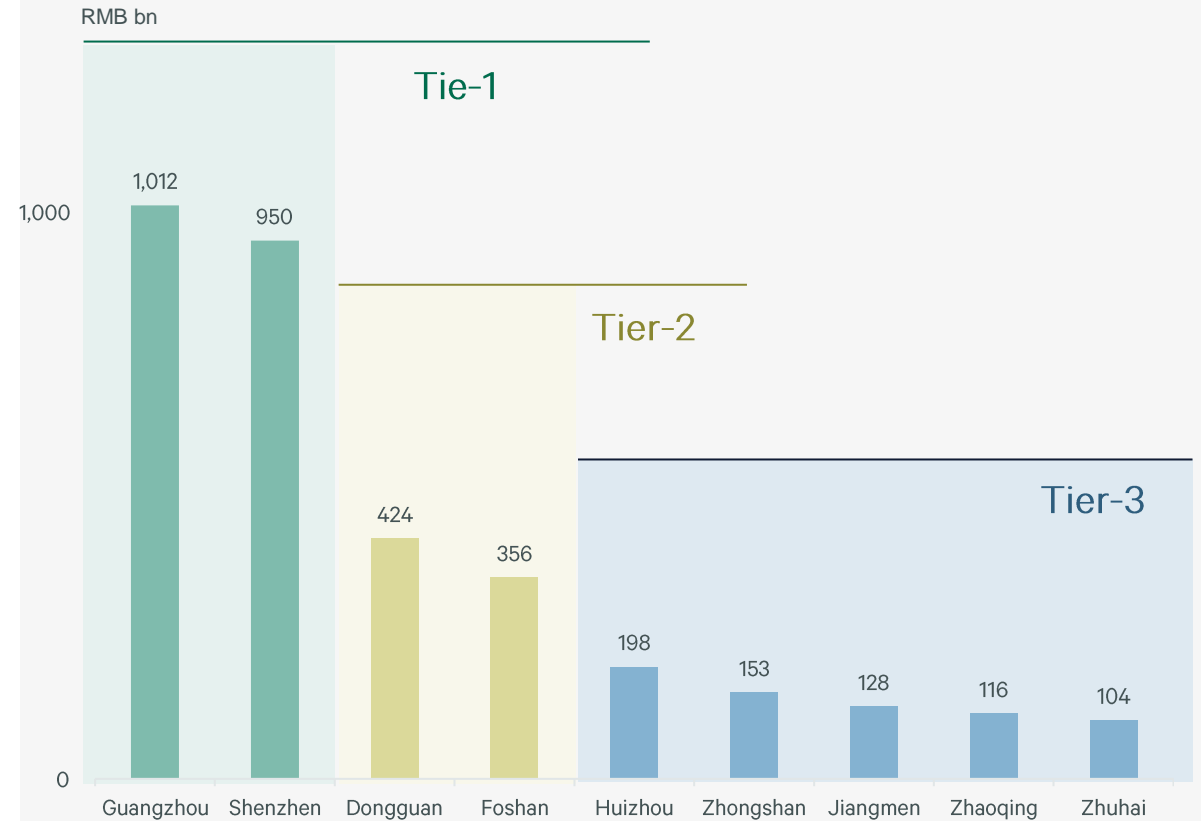
With the total population of the nine major GBA cities having risen by 8.04% over the last ten years, this rapid population inflow is promoting the growth of consumption.

Nine Major Cities in the GBA

- 78% GBA retail sales as a % of the Guangdong total
- 10% Annual retail sales growth in the GBA
- 7.8% GBA retail sales as a % of the national total



Figure 8 : Retail sales in the nine major GBA cities in 2021



Source: Statistics bureaus, 2022.

2

Transportation Development

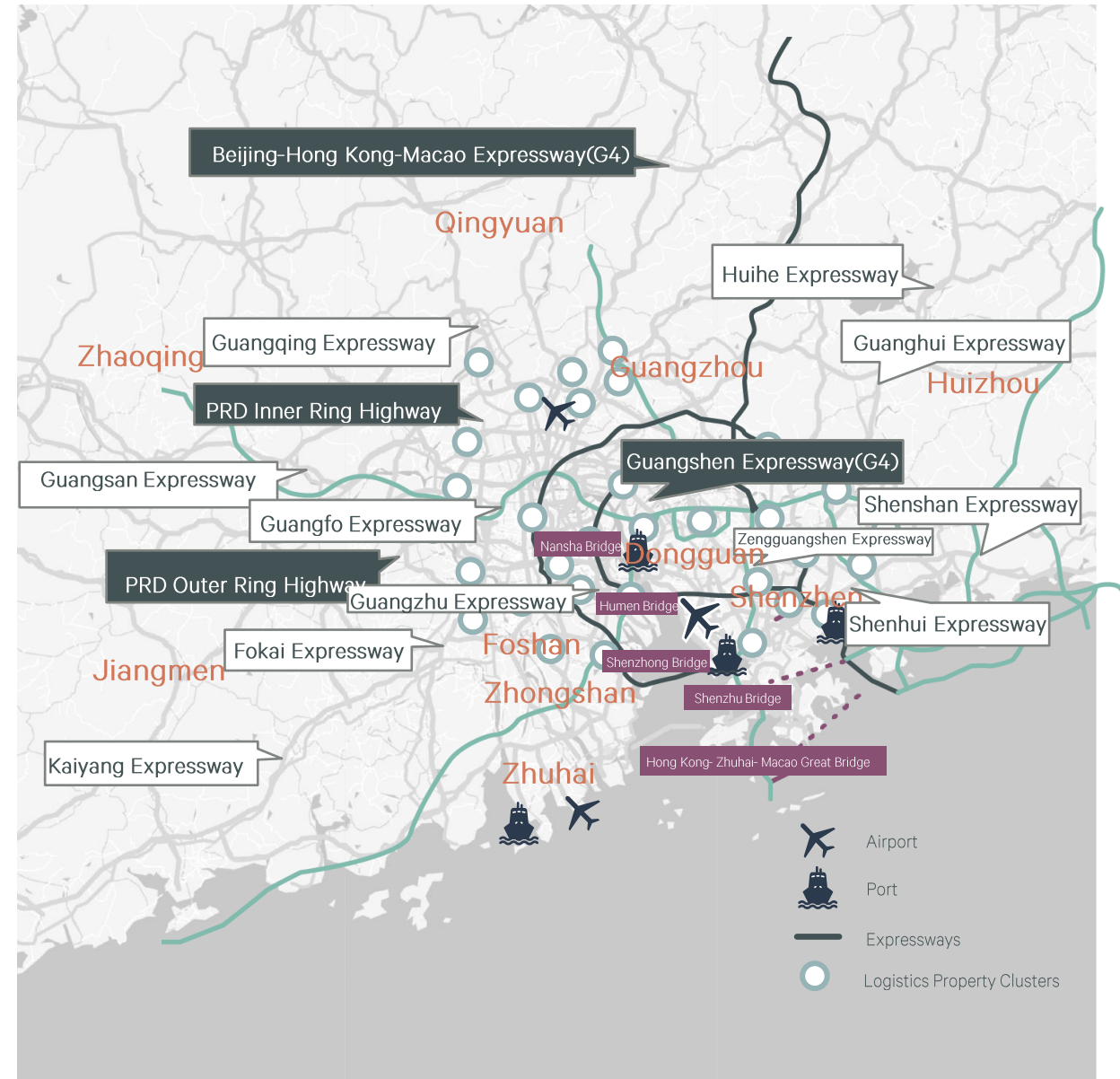
Logistics market development correlated with transportation network maturity

The pattern of development of the GBA’s logistics property market mirrors that of its transportation facilities

The GBA’s logistics market was founded in Guangzhou and Shenzhen before gradually spreading to other cities. Being the GBA’s core and tier I cities, Guangzhou and Shenzhen are sources of substantial logistics demand due to their large populations and rapidly growing industries. Due to the scarcity of land, logistics demand eventually spilled over to cities located on the east and west coasts of the Pearl River.

The GBA’s logistics property market has largely developed along the route of the high-speed railway, which follows the Guangshen Expressway (G4), to the PRD inner circle highway, to the PRD outer circle highway, before reaching all cities in the GBA.

For the purposes of this report, CBRE has divided the GBA logistics market into several core logistics markets, which include Guangzhou, Shenzhen, Dongguan and Foshan, along with numerous emerging logistics markets, which include Huizhou, Zhongshan, Jiangmen, Zhaoqing and Zhuhai.



New east to west corridor to create new opportunities

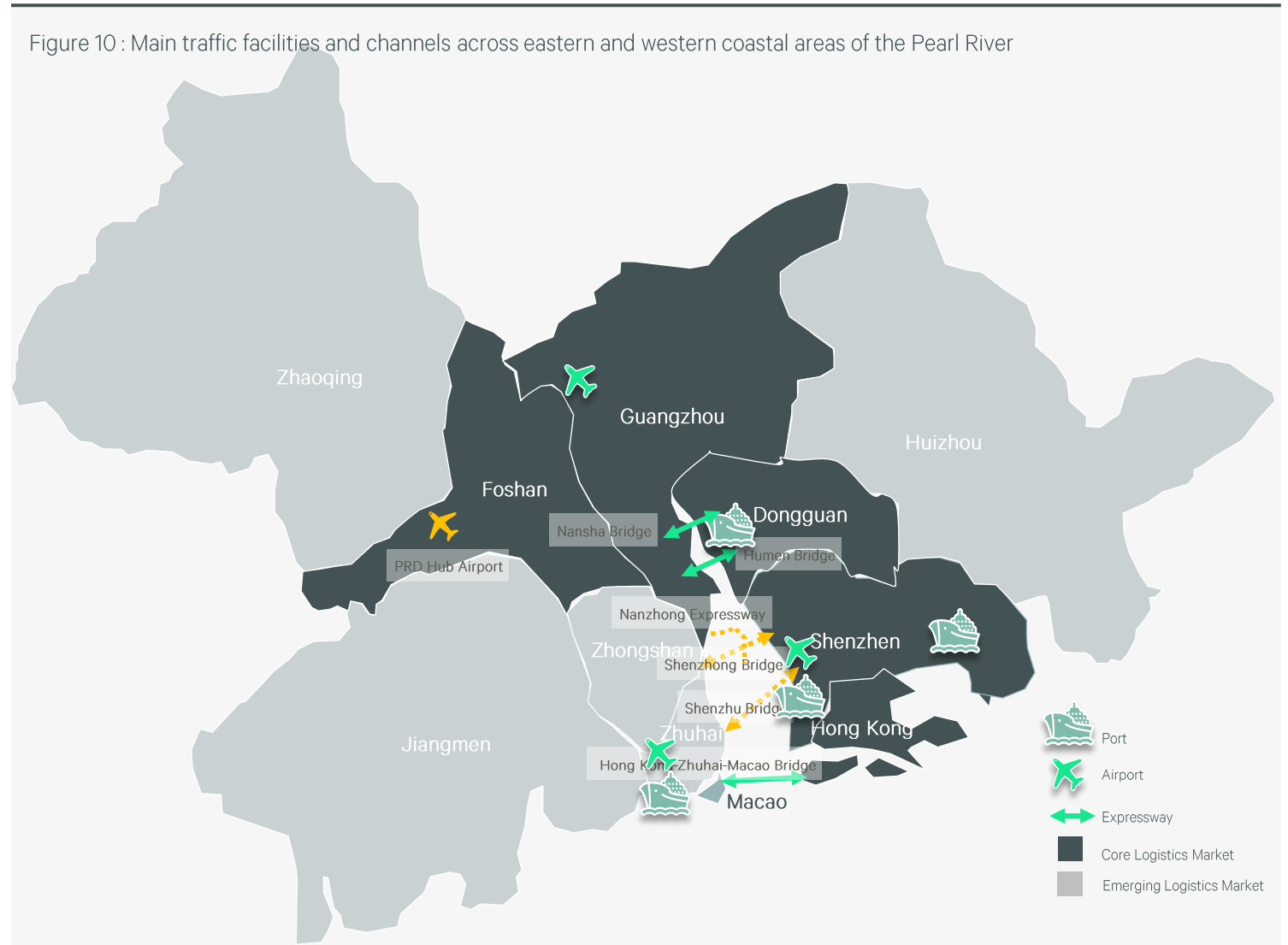
Recent years have seen developers and operators exploring opportunities in cities located on the west bank of the Pearl River due to their rich land resources and more cost-effective land acquisition.

Road connectivity between the east and west banks of Pearl River has been augmented by the opening of Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge in 2018 and 2019, respectively, which has spurred additional logistics demand from eastern to western coastal areas. The opening of new traffic channels crossing the Pearl River and linking to the new airport will create new logistics investment opportunities in the coming years.

Figure 9 : New logistics opportunities resulting from new road infrastructure

Scheme	Opening Date	Time Saving	Investment Opportunities
Shenzhong Bridge	2024	2H→20Min	Stronger logistics demand in Zhongshan or Jiangmen from Shenzhen
Shenzhu Bridge	2025	1H→30Min	Stronger logistics demand in Zhuhai or Jiangmen from Shenzhen
Nanzhong Expressway	2024	40Min→25Min	Further development of Nansha and Zhongshan logistics markets
PRD Hub Airport	2026-2027	--	Increase in trading demand in Foshan and Guangzhou

Figure 10 : Main traffic facilities and channels across eastern and western coastal areas of the Pearl River



3

Logistics Property Market Supply

Total general warehouse stock of the nine main GBA cities reaches nearly 13 million sq. m

Total general warehouse stock in the core logistics markets of each of China's three main city clusters of BTH, YRD and PRD stood at around 10 million sq. m. in 2021.

Shenzhen, Dongguan, Guangzhou and Foshan have the lowest vacancy of any cities within these three clusters, reporting a rate of 4.3% as of the end of last year.

Total general warehouse stock exceeds 2 million sq. m. in each of Shenzhen, Dongguan, Guangzhou and Foshan, with these cities contributing the bulk of supply in the GBA.

Thanks to its location near Guangzhou, Shenzhen and Dongguan, general warehouse stock in Huizhou has now exceeded 1 mn sq. m.

83%

Shenzhen's, Dongguan's, Guangzhou's and Foshan's share of general warehouse stock in the GBA

Figure 11 : General warehouse distribution in the nine major cities in the GBA 2021

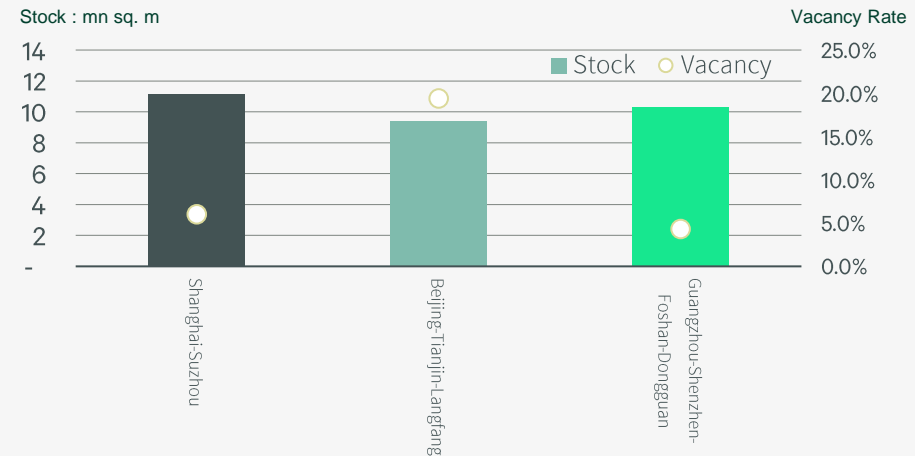
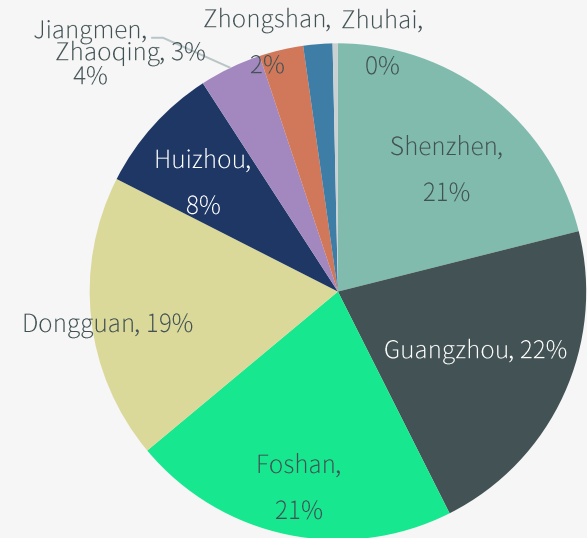


Figure 12 : General warehouse stock and vacancy in China's three main city clusters

Source: CBRE Research, 2022.

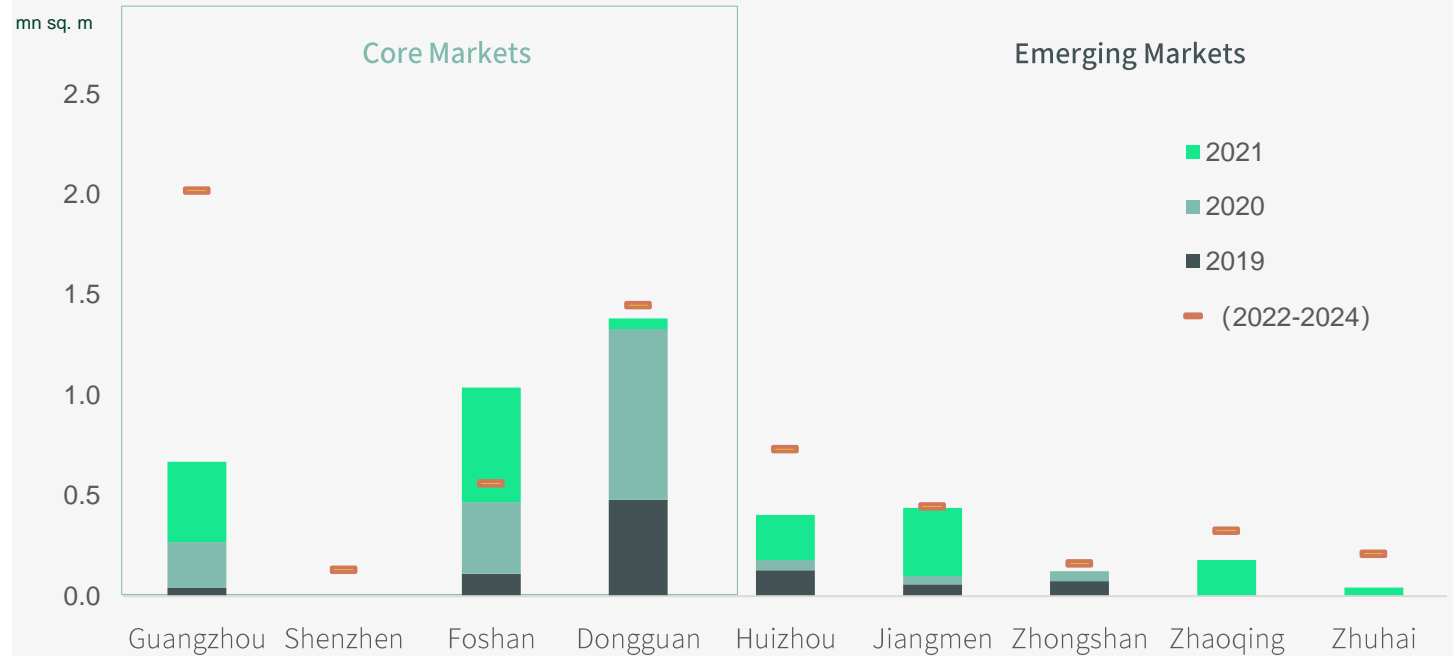
New supply set to rise albeit with uneven distribution across prime and emerging areas

New supply of general warehouse space in the nine major GBA cities is forecasted to reach 4.16 million sq. m. during 2022-2024, an increase of 35% from the previous three years.

Approximately 60% of future supply will be in Guangzhou and Dongguan, with Huizhou also expected to account for a substantial portion of new stock. New supply will be limited in Shenzhen and will fall significantly in Foshan.

While future supply will be concentrated in core markets of the GBA, emerging markets' share of new stock will increase slightly to 31% in 2022-2024 from 28% during 2019-2021.

Figure 13: GBA general warehouse supply over last three years vs. next three years



Source: CBRE Research, 2022.

4

Logistics Property Market Demand

All cities attract e-commerce and 3PL demand; trading firms mainly in Guangzhou, Shenzhen and Dongguan

Due to the high degree of industrial development and synergy within the GBA's cities, strong e-commerce and 3PL demand has been observed across all markets.

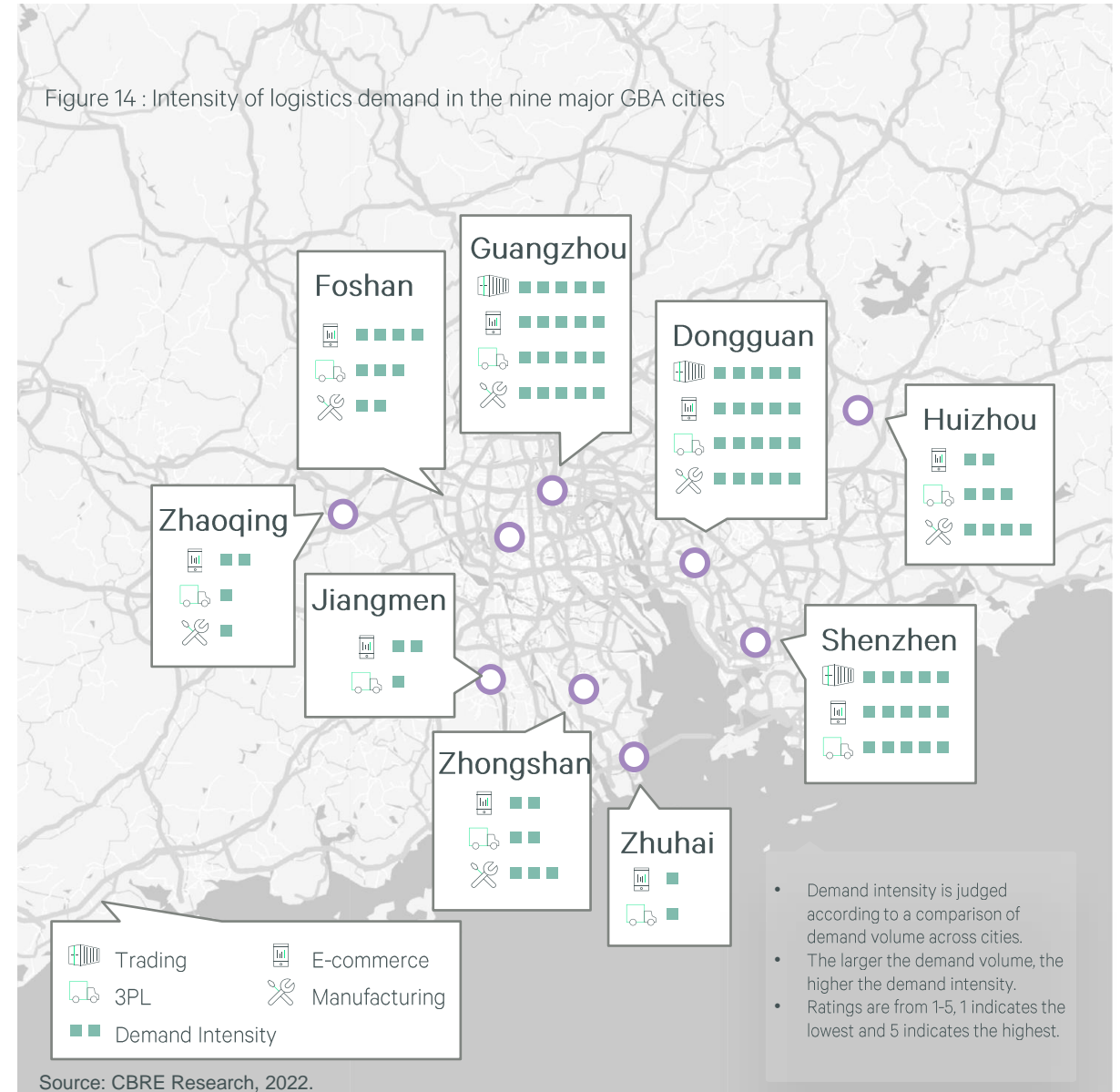
Logistics demand in Guangzhou, Shenzhen, Foshan and Dongguan is higher than other cities' owing to the presence of a broad range of industry subsectors.

Being the provincial capital city and logistics hub linking cities on the west bank of the Pearl River, Guangzhou attracts a wide range of logistics demand from e-commerce, 3PLs, and clothing and medicine manufacturers.

Trading is the main demand driver for Shenzhen due to the presence of several ports including Yantian, the world's fourth largest. Foshan and Dongguan also attract substantial demand, partly due to their proximity to Guangzhou and Shenzhen.

Huizhou and Zhongshan attract moderate logistics demand, with leasing activity in the former mainly led by the manufacturing sector along with e-commerce and 3PL spillover demand from Guangzhou and Shenzhen.

Leasing demand in Zhaoqing and Jiangmen is relatively weak, with the main demand drivers for both cities being domestic and cross-border e-commerce platforms.

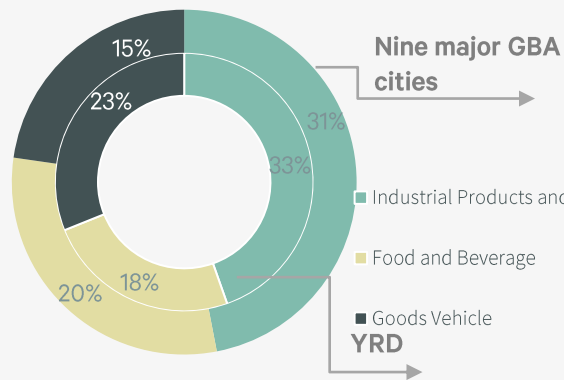


Manufacturing industry intercity co-operation drives strong logistics demand from industrial product firms

CBRE data show that manufacturing tenants occupy 17% of general warehouse space for lease in the nine major GBA cities, the highest percentage of any region in China. This is mainly due to the presence of several highly developed and synergistic manufacturing industry clusters in the region.

Demand from electronic equipment and automotive part manufacturers is strong. Industrial co-ordination and the GBA’s role as an import and export hub has stimulated the rapid development of supply chain logistics and cross-border e-commerce based on manufacturing, which are other key sources of demand. The more than 1 million sq. m of expansionary space in Guangzhou, Foshan, Zhaoqing and Jiangmen leased by Shein over the past two years underlines the volume of logistics demand driven by the GBA’s supply chain advantages.

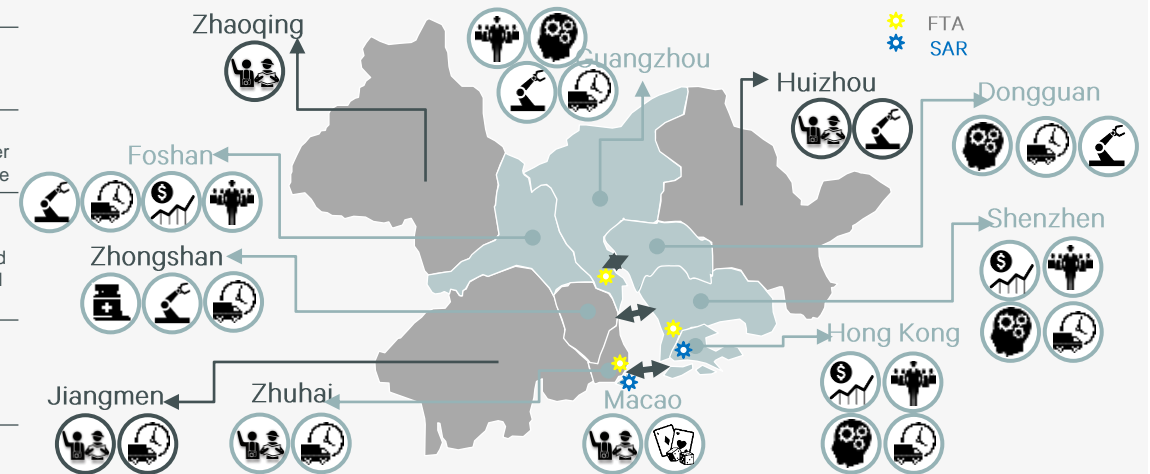
Figure 15 : Freight types in the YRD and nine major GBA cities



Source: Integrated Development of China Seven City Clusters Report, 2020

	Main Sub-industries
Guangzhou	Manufacturing (automobiles, computer communications and other electronic equipment, electricity & heat production and supply), wholesale and retail, finance, transportation, warehousing and postal services
Foshan	Manufacturing (electrical machinery and equipment, metal products, non-metallic mineral products), real estate, wholesale and retail, finance
Zhongshan	Manufacturing (manufacturing of electrical machinery and equipment, computers, communications and other electronic equipment), wholesale and retail, real estate
Zhuhai	Manufacturing (electrical machinery and equipment, computer, communication and other electronic equipment manufacturing, chemical raw materials and chemical products), finance, wholesale and retail, real estate
Shenzhen	Manufacturing (computer, communication and other electronic equipment manufacturing), finance, wholesale and retail, high-tech, modern logistics, cultural creativity
Dongguan	Manufacturing (electronic information manufacturing), wholesale and retail, real estate
Huizhou	Manufacturing (petrochemical, electronic information), wholesale and retail, real estate

Figure 16: Main sub-industries in the nine major GBA cities



Source: Statistics bureau of each city, 2022.

Several cities take on regional distribution role; logistics cooperation essential to promoting future market development

New transportation networks will spur the growth of logistics demand in multiple cities

Figure 15: Logistics demand drivers in the nine major GBA cities (existing and future)



5

Rental Performance

Economic size and infrastructure influence rental performance

CBRE data show that economic performance and the presence of key infrastructure including ports and airports wield a substantial influence on individual cities' rental growth.

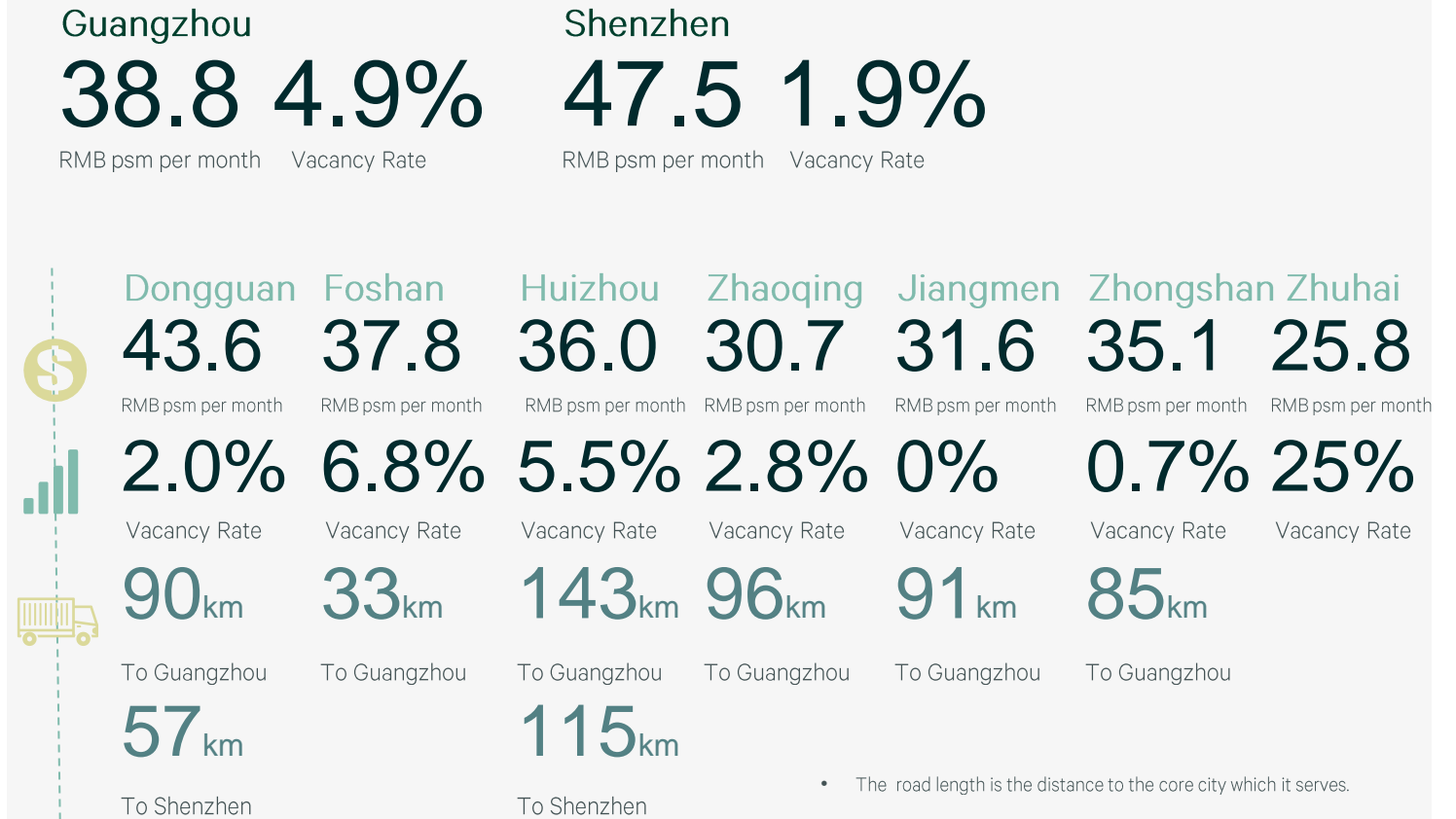
In 2021, rental levels and growth rates for cities on the east bank of the Pearl River were higher than those for cities on the west bank.

Average general warehouse rents in Shenzhen were the highest among the nine major GBA cities, with rents in nearby Dongguan and Huizhou also benefitting from these cities' proximity to Shenzhen's strong economy, important ports, close distance to Hong Kong and limited supply.

As China's most advanced area of urban integration, general warehouse stock in Guangzhou and Foshan is slightly greater than that of Shenzhen and Dongguan. However, rents in both cities were largely the same.

Rents in cities including Zhaoqing, Jiangmen, and Zhuhai were relatively lower, and ranged from RMB 25 to 32 per sq. m. per month.

Figure 16 : General warehouse rents and vacancy in the nine major GBA cities



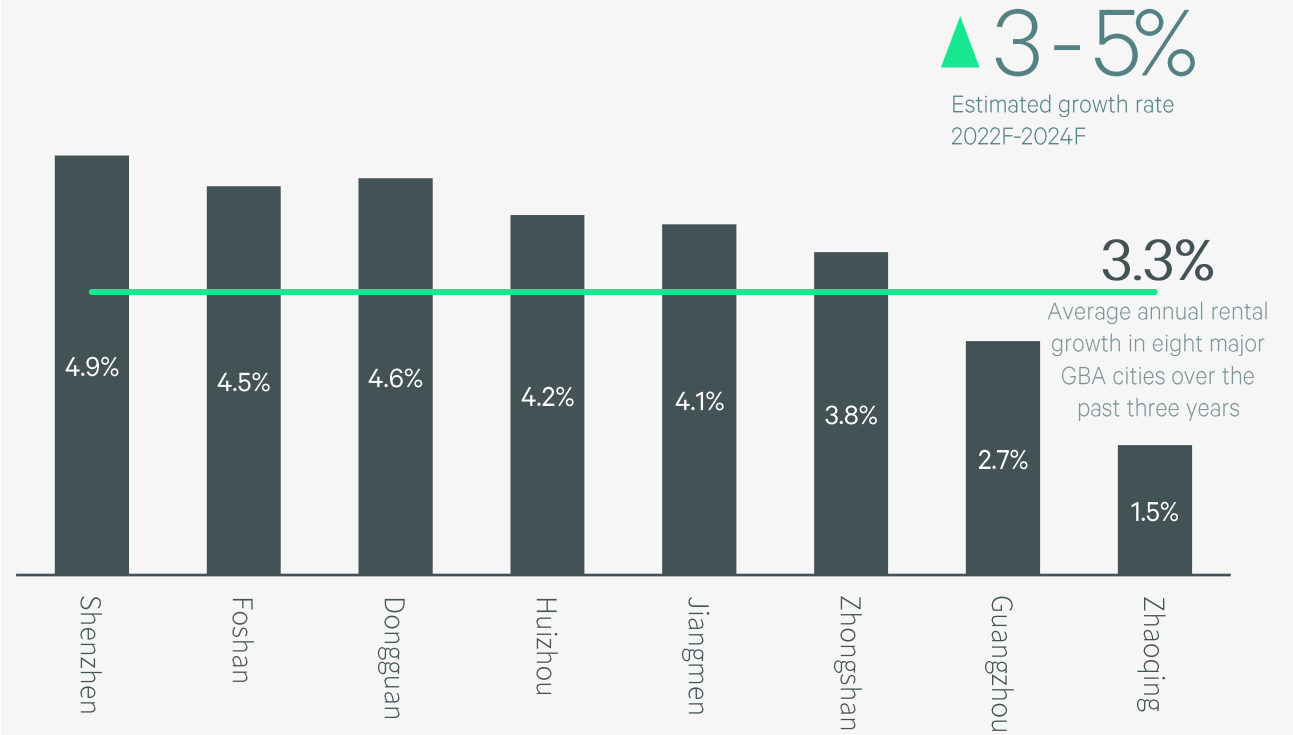
Source: CBRE Research, 2022.

Annual rental growth for general warehouses expected to reach 3%-5%

Over the past three years, average annual rental growth for general warehouses in the nine major GBA cities (excluding Zhuhai) reached 3.3%, well ahead of other regions of China. On an individual city level, average annual rental growth in each of Shenzhen, Foshan, Dongguan, Huizhou and Jiangmen has exceeded 4.0% over the past three years.

Although general warehouse stock in the region is expected to rise steadily over the next three years, average rental growth for general warehouses is expected to maintain an annual growth rate of 3-5% due to persistent structural undersupply.

Figure 19 : Annual rental growth of general warehouses in eight major GBA cities over the past three years



*Zhuhai is not included as only one new general logistics property was delivered in 2021.

Source: CBRE Research, 2022.

6

Investment Market

Rapid increase in logistics property investment transactions

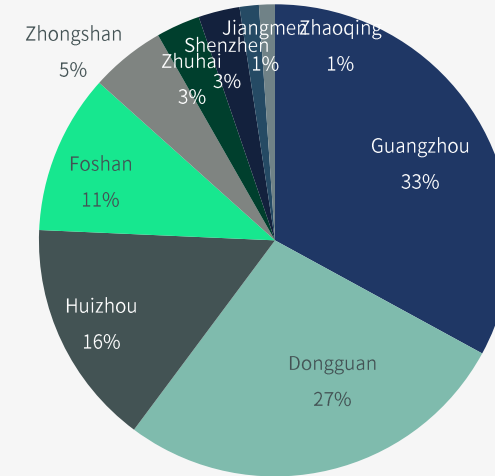
While logistics real estate investment transactions in the nine major GBA cities have increased substantially since the onset of the COVID-19 pandemic, investment activity still lags that in the BTH and the YRD due to the relative lack of opportunities. Investment volume in the GBA totalled RMB 13 billion and RMB 14 billion in 2020 and 2021, respectively, less than half of that in the other two regions. The lack of assets for sale has prompted some investors to purchase warehouses with industrial land use in recent years.

Thanks to its relatively high availability of properties for sale, Guangzhou has been the most active investment market in the GBA, with investment volume averaging RMB 3 billion per annum over the last two years. Recent major deals included Blackstone’s purchase of R&F Airport Logistics Park.

Due to the limited availability of properties for sale in Shenzhen, investors have opted to focus on nearby Dongguan and Huizhou, both of which are the major beneficiaries of spillover logistics demand from Shenzhen.

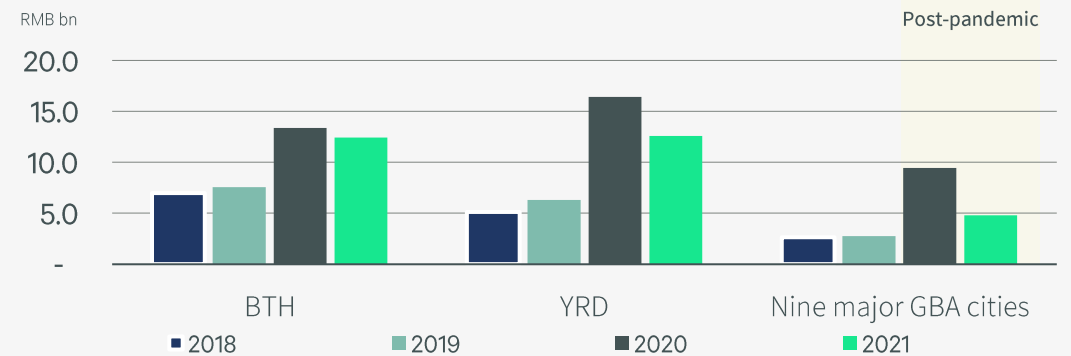
CBRE expects logistics assets to become even more sought-after by investors in the coming years, especially with the introduction of C-REITs, which will offer potential buyers another potential exit channel.

Figure 20 : Logistics investment volume in the nine major GBA cities over the last four years



Source: CBRE Research, 2022.

Figure 21: Logistics investment volume in China’s three main city clusters



Source: CBRE Research, 2022.

Investment transactions dominate the market

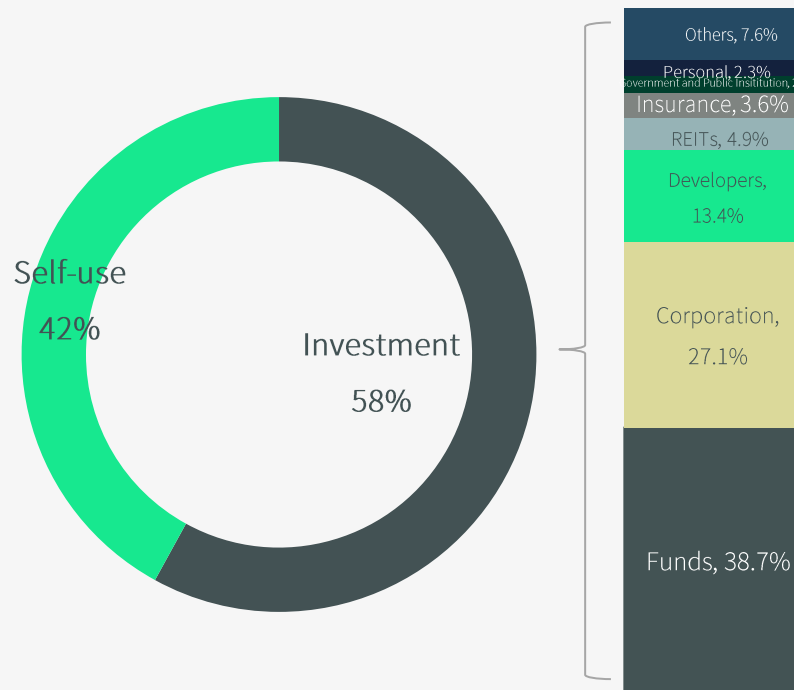
The past four years have seen a steady flow of logistics transactions for both investment and self-use in the nine major GBA cities.

All transactions in the two tier I cities, Guangzhou and Shenzhen, have been for investment purposes, with investors increasingly drawn to these cities due to steady rental growth and solid leasing demand.

Real estate funds, corporations and developers have been among the major buyers, accounting for an 80% share of total investment volume in the nine main GBA cities over the last four years.

Link REIT's recent purchase of a 75% equity stake in two warehouses of Dongguan and Foshan for RMB 750 million, its debut China logistics acquisition, underlines the current robust interest among institutional funds for logistics property in the GBA.

Figure 22 : Types of investor and investment purpose of logistics property transactions in the nine major GBA cities over the last four years



Source: CBRE Research, 2022.

Figure 23 : Recent major logistics property transactions in the nine major GBA cities

Project Name	City	District	Transaction Volume (RMB mn)	Year	Buyer
Junying Logistics Park	Guangzhou	Zengcheng	3.3	2017	Highsun Group
Swire Cold Chain (Guangzhou Site)	Guangzhou	Huangpu	3.3	2018	Vanke
ESR Guangzhou Logistics Park	Guangzhou	Conghua	4.6	2020	Manulife
Guangzhou International Airport R&F Integrated Logistics Park (70% of Equity)	Guangzhou	Huadu	44.1	2020	Blackstone
Guangzhou International Airport R&F Integrated Logistics Park (30% of Equity)	Guangzhou	Huadu	12.6	2021	Blackstone
GLP Futian Logistics Park	Shenzhen	Futian Bonded Area	60	2018	GLP
First Priority Dongguan Distribution Center(75% of Equity)	Dongguan	Shatian	390	2021	Link REITs
First Priority Foshan Distribution Center(75% of Equity)	Foshan	Leping	360	2021	Link REITs
CNLP Boluo Park	Huizhou	Boluo	320	2020	LaSalle

Source: CBRE Research, 2022.

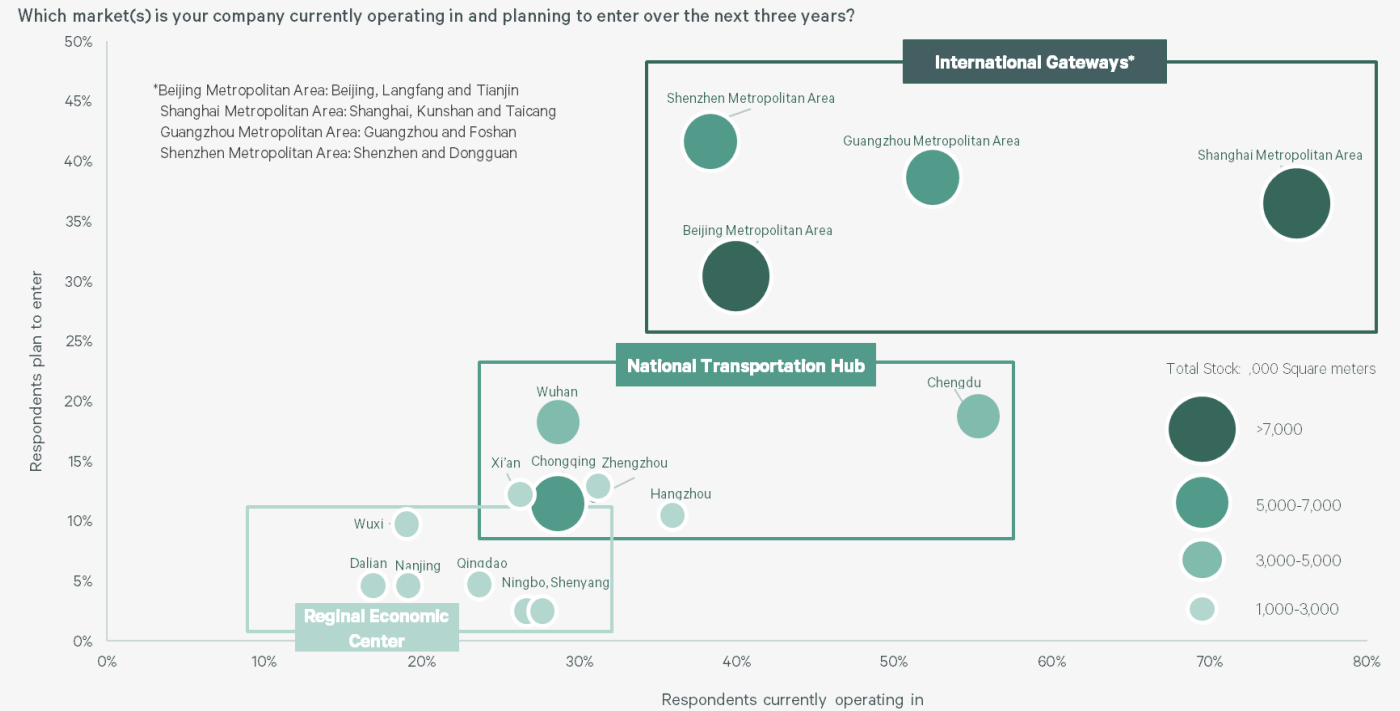
Guangzhou and Shenzhen metropolitan areas set to attract bulk of investor interest

CBRE's 2021 China Logistics Tenant Profile report found that China's tier I cities and their surrounding areas remain logistics tenants' preferred locations for expansion due to their huge consumption volume and efficient transportation systems.

Expansionary intentions in the Guangzhou and Shenzhen metropolitan areas were the highest nationwide, with 40% of tenants planning to expand in the Guangzhou-Foshan region over the next three years. 43% of tenants plan to expand in Shenzhen-Dongguan over the same period.

CBRE expects logistics property investment in the Guangzhou and Shenzhen metropolitan areas to pick up further in the coming years, driven by strong leasing demand and ultra-low vacancy.

Figure 24 : 2021 China logistics tenant profile



Source: CBRE Research, 2022.

7

Investment Strategies

Major factors to consider when evaluating investment appeal

Cities are given a rating of between 1 to 5 in each category

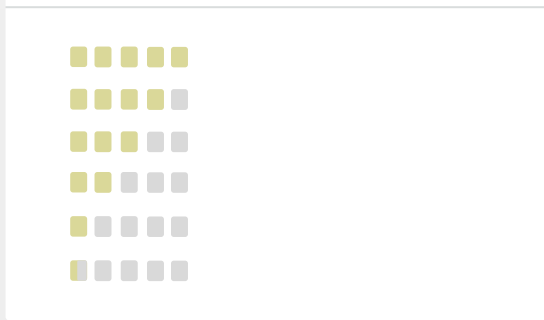


Figure 25 : Factors to consider when rating the investment appeal of the nine major GBA cities

Category	Summary	Method	Criteria
Economy	<ul style="list-style-type: none"> GDP volume and growth rate, social consumption and trading volume are highly correlated with logistics demand and activity 	Quantitative Analysis	<ul style="list-style-type: none"> The higher the GDP volume and growth rate, social consumption and trading volume, the higher the score.
Transportation	<ul style="list-style-type: none"> The availability and distribution of ports, airports and expressways influence carrying capacity. 	Quantitative and Qualitative Analysis	<ul style="list-style-type: none"> The more existing and planned ports, airports and expressways, the higher the score.
Supply	<ul style="list-style-type: none"> Logistics property stock and future supply represent the number of investment opportunities 	Quantitative Analysis	<ul style="list-style-type: none"> The larger the total stock and future supply, the higher the score.
Demand	<ul style="list-style-type: none"> The vacancy rate indicates logistics market supply and demand, especially the scale of demand. Existing and future demand growth potential will support logistics property market performance. 	Quantitative and Qualitative Analysis	<ul style="list-style-type: none"> The lower the vacancy rate means the greater of the demand volume, and the higher the score The stronger the future supply potential, the higher the score.
Rents	<ul style="list-style-type: none"> High rental levels and growth rates mean stable and rising investment yields. 	Quantitative Analysis	<ul style="list-style-type: none"> The higher the rental level and growth rate, the higher the score.
Investment Activity	<ul style="list-style-type: none"> Completed investment deals reflect market liquidity and investor interest. Tenants' willingness to expand will support future investment market performance. 	Quantitative Analysis	<ul style="list-style-type: none"> The higher the investment volume and tenants' intention to expand, the higher the score.

Evaluating the logistics real estate investment appeal of the nine major GBA cities

CBRE has given the nine major GBA cities a rating of 1-5 according to their performance in the area of economy, transportation, supply, demand, rents and investment activity to arrive at an overall rating for each city. Using their final rating, CBRE has allocated each city into a tier according to its investment appeal. Being core markets, Shenzhen, Guangzhou and Dongguan have been allocated to the first tier. Foshan, Huizhou and Zhongshan have been designated as second tier owing to their standing as cities accommodating spillover demand from Shenzhen and Guangzhou. The emerging markets of Zhaoqing, Jiangmen and Zhuhai have been allocated to the third tier.

	First Tier			Second Tier			Third Tier		
	Shenzhen	Guangzhou	Dongguan	Foshan	Huizhou	Zhongshan	Zhaoqing	Jiangmen	Zhuhai
Economy	★★★★★	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆
Transportation	★★★★★	★★★★★	★★★★☆	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆
Supply	★★★★☆	★★★★★	★★★★★	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆
Demand	★★★★★	★★★★★	★★★★☆	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆
Rents	★★★★★	★★★★☆	★★★★★	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆
Investment Activity	★★★★★	★★★★★	★★★★★	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆
Overall Rating	★★★★★	★★★★★	★★★★☆	★★★★☆	★★★★☆	★★★☆☆	★★★☆☆	★★★☆☆	★★★☆☆

Shenzhen: Investors should consider existing properties and urban renewal schemes

Persistent undersupply and rising rents in Shenzhen have led to demand spilling over to surrounding cities. Average rents for Shenzhen general warehouses are the highest in the nine major cities in the GBA, standing at RMB 45 per sq. m. per month as of the end of 2021. Thanks to newly released incentive policies and rapid population inflows, Shenzhen’s logistics market is well-positioned for further growth. Investors are advised to consider logistics investment opportunities across the entirety of the city. Shenzhen’s logistics market differs from those in other cities in that general warehouses and lifting warehouses each account for around 50% of stock, partly due to limited land resources. Average rents for each asset type have enjoyed steady growth in recent years, while strong demand has seen vacancy for general warehouses stand at 0.4%, and that for lifting warehouses at 2.5%, at the end of 2021. Bonded warehouses account for just over 75% of the general warehouse market, a substantially higher proportion than that in other cities.

Thanks to its proximity to Hong Kong and the presence of Yantian port, one of the world’s largest, Shenzhen’s trading volume is the highest nationwide. Following the creation of incentive schemes

such as the Shenzhen Pilot Demonstration Zone, International Creative City, and the Shenzhen- Hong Kong Modern Service Industry Cooperation Zone, demand from the trading sector is expected to maintain robust momentum, leading to the further development of the city’s bonded warehouse market. While rental growth for non-bonded warehouses is stronger than that for bonded assets due to limited supply and rapidly increasing demand from e-commerce and 3PLs, investors are advised to consider purchases in both segments.

Due to scarce land resources, the supply of land for new logistics developments remains limited. Other constraints include strict requirements relating to construction type, output value tax, and self-use ratios for logistics and warehousing facilities. Regulations also state that completed logistics properties should primarily be for self use, with only 20% permitted to be available for lease. Tenants must be upstream and downstream of the related industry, and the expected average rent cannot be higher than 50% of that of the surrounding market. With new warehouses created through urban renewal also very limited, investors are advised to focus on existing properties along with long-term urban renewal opportunities.

Figure 26 : Shenzhen logistics property investment strategy

Area	Type	Strategy
Whole City	Bonded Warehouse Non-bonded Warehouse	Existing Assets Urban Renewal



Guangzhou: All logistics property types and investable submarkets offer opportunities

Guangzhou's logistics market has performed well in recent years with steady rental gains and low vacancy. In 2021, rents increased by 3.9% y-o-y while vacancy stood at 4.0% at year's end. Logistics demand has been strong thanks to the city's advanced trading industry and large population, which is the biggest in the GBA.

Supportive policies will promote the continued strong performance of the Guangzhou logistics property market. According to the "14th Five-Year Plan for the Integrated Development of Guangzhou's Transportation and Logistics", and "Measures to Accurately Support the High-quality Development of Modern Logistics in Guangzhou", both of which were released in 2021, Guangzhou is to be positioned as international logistics centre and supply chain organisation centre for Asia Pacific. Authorities have also begun offering financial incentives to attract international and domestic logistics and supply chain companies, with sums of between RMB 5 million to 50 million granted to new set-up companies.

Although more than 1 million sq. m of new supply is due to be delivered over the next three years, all will be in new submarkets.

CBRE expects rents to register solid gains in the coming years, supported by incentive policies and increasing demand. Under these circumstances, investors are recommended to pursue logistics investment opportunities across the entire city.

In the short term, investors can consider mature areas including Nansha, Zengcheng and Baiyun. Conghua, which is in the north area of Guangzhou and where most newly delivered logistics properties and transportation improvements will be located, can be pursued in the long term.

In terms of investment targets, investors are advised to focus on both bonded and non-bonded warehouses, average rents for which have maintained steady growth in recent years. Bonded and non-bonded warehouses are mainly located in Baiyun, Nansha, Huangpu and Zengcheng. All these areas will see further improvements to their transportation networks in the coming years.

With some logistics properties in Huangpu expected to be redeveloped, urban renewal properties will also provide investment opportunities.

Figure 27 : Guangzhou logistics property investment strategy

Area	Type	Strategy
Whole City	Bonded Warehouse Non-bonded Warehouse	Existing Assets Urban Renewal



Dongguan: Buyers recommended to invest in non-bonded logistics properties across the entire city

Despite a steady flow of new supply in recent years, rents have grown by an average of 4-5% per year, while vacancy has fallen steadily.

As of the end of 2021, average rents for Dongguan general warehouses ranked 2nd out of the nine major GBA cities, standing at RMB 43.67 per month, a similar level to Shenzhen.

Dongguan benefits from its location between Shenzhen and Guangzhou, which enables it to accommodate spillover demand from the two cities.

The city also attracts manufacturing logistics demand generated by local strong electronic information manufacturing, electrical machinery, equipment manufacturing and textile, clothing and footwear-based manufacturing industries.

Consumption logistics demand is also driven by the city's huge population, which exceeded 10 million for the first time in 2021, the third-highest in the GBA.

New supply over the next three years is projected to reach 1.45 million sq. m., an increase of just 4.6% compared with the previous three years.

The forthcoming opening of the Nanshan Bridge and Shenmao Bridge will see Dongguan take on more of a distribution role. The city also plans to accelerate its cross-border e-commerce development, according to the 14th Five-Year Plan. Under these circumstances, the city's overall logistics property market is expected to perform well, with rising rents and falling vacancy.

Investors are therefore advised to consider purchasing general warehouses across the entire city. Non-bonded warehouses, which have seen strong annual rental growth and weak new supply, are recommended as the main opportunity.

With logistics land supply set to remain limited in the medium and long-term amid tight land supply policies, both existing properties and urban renewal logistics projects with industrial land use are viable investment options.

Figure 28 : Dongguan logistics property investment strategy

Area	Type	Strategy
Whole City	Bonded Warehouse Non-bonded Warehouse	Existing Assets Urban Renewal



Second tier investment opportunities

Foshan

Total general warehouse stock in Foshan reached 2.67 million sq. m in 2021, a similar level to Guangzhou. Most assets are located in Nanhai, Shunde, Gaoming and Sanshui near the Guangzhou Ring Expressway, which connects Baiyun Airport and PRD Hub Airport.

All general warehouses in the city are non-bonded. Average annual rental growth over the last four years has reached 4.1%, while vacancy has stayed relatively low at 6.8% despite large new supply of 569,000 sq. m in 2021.

CBRE expects Foshan to accommodate more spillover demand from Guangzhou as new infrastructure and transportation improves connectivity between the two cities.

As a centre for logistics distribution on the west bank of the Pearl River, Foshan will continue to attract more e-commerce and 3PL demand, in addition to local demand from its own manufacturing industry.

New general warehouse supply is projected to reach 560,000 sq. m. over the next three years, all of which will be non-bonded warehouses.

With urban regeneration projects yet to become available, investors should focus on existing properties and greenfield development opportunities.

Zhongshan

The upcoming opening of the Shenzhong Bridge will accelerate manufacturing expansion from Shenzhen and Dongguan to Zhongshan, spurring manufacturing logistics demand.

All general warehouses in Zhongshan are all non-bonded, with the city's total stock relatively small compared to the GBA's core logistics markets. Annual rental growth for general warehouses has reached 4.0% over the past four years, while vacancy has remained under 3.0% in each of the last five years. New supply is limited, with just 161,000 sq. m. of new stock in the pipeline from 2022-2024.

CBRE advises investors to focus on general warehouse clusters including Sanjiao, Nantou and Minzhong. While existing properties and some greenfield opportunities are available, urban renewal properties are not viable due to the market's nascent stage of development.

Huizhou

Logistics properties in Huizhou mainly serve distribution demand for surrounding cities including Shenzhen, Guangzhou and Dongguan. A small portion of demand originates from the city's own electronic information manufacturing industry.

With most current and future logistics properties in the city located in Boluo, Zhongkai and Huiyang, all of which are near Shenzhen, investors are advised to focus on these areas.

Total general warehouse stock is expected double to almost 2.0 million sq. m. over the next three years, which will create abundant new investment opportunities. Existing properties and some greenfield development will be the main entry routes for investors in the short- to medium-term.

Foshan

Area: Nanhai, Sanshui, Gaoming and Shunde

Type: Non-bonded Warehouse

Strategy: Existing properties and a few greenfield development opportunities

Zhongshan

Area: North Area of Zhongshan (Sanjiao, Nantou, Huangpu, Minzhong)

Type: Non-bonded Warehouse

Strategy: Existing properties and a few greenfield development opportunities

Huizhou

Area: Areas near Shenzhen (Boluo, Zhongkai, Huiyang)

Type: Non-bonded Warehouse

Strategy: Existing properties and a few greenfield development opportunities

Third tier investment opportunities

Jiangmen

Logistics demand within Jiangmen itself is relatively limited, with the city mainly catering to logistics spillover demand from Guangzhou and Foshan. Owing to its location near major manufacturing bases, the city also attracts logistics demand from leading cross-border e-commerce companies who are less sensitive about location, along with major e-commerce companies serving PRD distribution.

The city's logistics market has developed rapidly in recent years, with total general warehouse stock reaching 506,000 sq. m in 2021, all of which consists of non-bonded warehouses. All general warehouses were fully occupied as of end-2021, thanks to strong demand from the e-commerce and manufacturing sectors.

In the medium- to long-term, developers will be able to obtain logistics land at relatively low cost due to Jiangmen's rich land resources. In addition to existing properties, investors can also therefore avail of greenfield development opportunities.

Zhaoqing

The economy of Zhaoqing is the smallest of the nine major GBA cities. However, being the main logistics channel linking other cities on the western bank of the PRD, Zhaoqing attracts spillover demand from Foshan and also serves as a regional distribution hub for several e-commerce companies in the PRD. Existing logistics properties are mainly distributed in areas near Foshan.

Zhaoqing's locational advantages and lower rents also attract demand from individual leading cross-border e-commerce companies.

Total stock of general warehouses in the city was 359,000 sq. m. as of the end of 2021, with vacancy standing at just 2.8%. The further improvement of traffic connectivity between the east and the west banks of the Pearl River, along with the lack of supply in other cities of the GBA, will continue to spur logistics demand in Zhaoqing in the coming years.

Compared with other cities in the GBA, Zhaoqing possesses abundant land resources. Although industrial land is subject to regulatory agreements, tax requirements are relatively low. Therefore, in addition to existing properties, CBRE advises investors to look at greenfield projects in the medium- to long-term.

Zhuhai

General warehouse supply in Zhuhai is very limited, with just one 40,000 sq. m. property fully operational as of the end of 2021.

CBRE expects the opening of the Hong Kong-Zhuhai-Macao Bridge and the future opening of the Shenzhen-Zhuhai Corridor to promote the development of Zhuhai's logistics market. The city will benefit from spillover demand from Shenzhen, Hong Kong and Macau in the medium- to long-term.

Greenfield development will therefore be the primary entry route for investors considering investing in the Zhuhai logistics property market.

Jiangmen

Area: Whole City

Type: Non-bonded Warehouse

Strategy: Greenfield development opportunities and existing properties

Zhaoqing

Area: Areas close to Foshan (Dinghu, Gaoyao)

Type: Non-bonded Warehouse

Strategy: Greenfield development opportunities and existing properties

Zhuhai

Investment Region: Whole City

Investment Target : Non-bonded Warehouse

Investment Type: Greenfield development opportunities

Contacts

Research

Sam Xie

Head of Research
China
Sam.xie@cbre.com

Sabrina Guo

Head of Research
Shenzhen
Sabrina.guo@cbre.com.cn

Frannie Yang

Head of Research
Guangzhou
Frannie.yang@cbre.com

Business Line

Frank Wu

General Manager, Shenzhen
(86) 150 1386 9257
Frank.wu@cbre.com

Ryan Chen

Head of A&T | Industrial, Shenzhen
(86) 186 2037 3957
Ryan.chan@cbre.com

Waylon Deng

Head of A&T | Industrial, Guangzhou
(86) 135 1274 3145
Waylon.deng@cbre.com