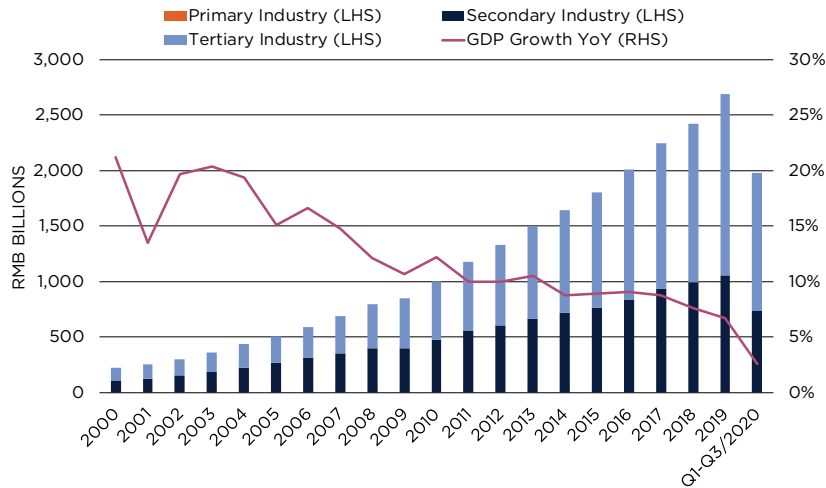


Shenzhen Investment



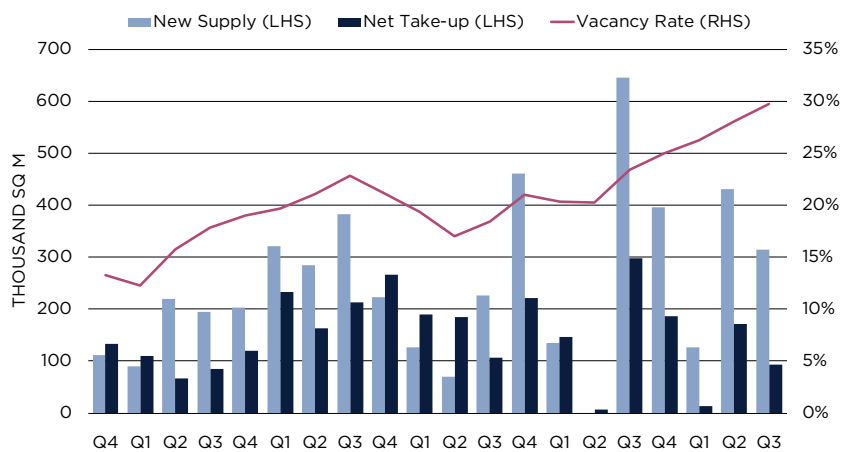
New policies turbocharge local market development

GRAPH 1: Shenzhen's GDP, 2000 to Q1-Q3/2020



Source Savills Research

GRAPH 2: New Supply, Net Take-up And Vacancy Rate In The Office Sector, Q4/2015 to Q3/2020



Source Savills Research

MARKET OVERVIEW

The central government unveiled the new 'comprehensive reform plan (2020 – 2025)' (hereinafter referred to as the 'new plan') in October as a continuation of Shenzhen's mission of being 'Pilot Demonstration Zone of Socialism with Chinese Characteristics' announced in 2019, providing greater autonomy and a higher level of all-round opening-up. Given that the new plan came at a meaningful time—the 40th anniversary of the establishment of the Shenzhen Special Economic Zone (SEZ)—Shenzhen is expected to embrace a new chapter of development.

Additionally, the new plan reinforces Shenzhen's core engine function and central city position in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Therefore, the real estate industry is forecast to obtain new development opportunities, with demand for land, office, retail and residential sectors improving.

LAND

With the support from the new plan, the availability of land resources in Shenzhen is expected to be enlarged due to more flexibility in land readjustment by the local government. Thus, current issues in the land market—disequilibrium between supply and demand of residential land and the short of supply in land for education, R&D, medical and health services—are expected to be improved or resolved. Moreover, the development of the land for the secondary and tertiary industries is anticipated to

TABLE 1: Selected New Supply, Q1/2020 to Q3/2020

PROJECT	TYPE	LOCATION	GFA (SQ M)	DEVELOPER
OCT Tower	Office	Futian	125,786	OCT Group
Shenzhen Metro Huitong Building	Office	Futian	103,000	Shenzhen Metro
Hanking Center	Office	Nanshan	100,169	Hanking Group
Qianhai Kerry Centre Phase 1 (T2)	Office	Nanshan	60,000	Kerry Properties Limited
Baoneng Global	Retail	Nanshan	132,000	Baoneng Group
Hongshan 6979	Retail	Longhua	100,000	China Merchants OCT
Gateway One Shopping Centre Phase II	Retail	Nanshan	60,000	China Merchants Shekou
COCO Park Phase II	Retail	Futian	38,000	Galaxy Group

Source Savills Research

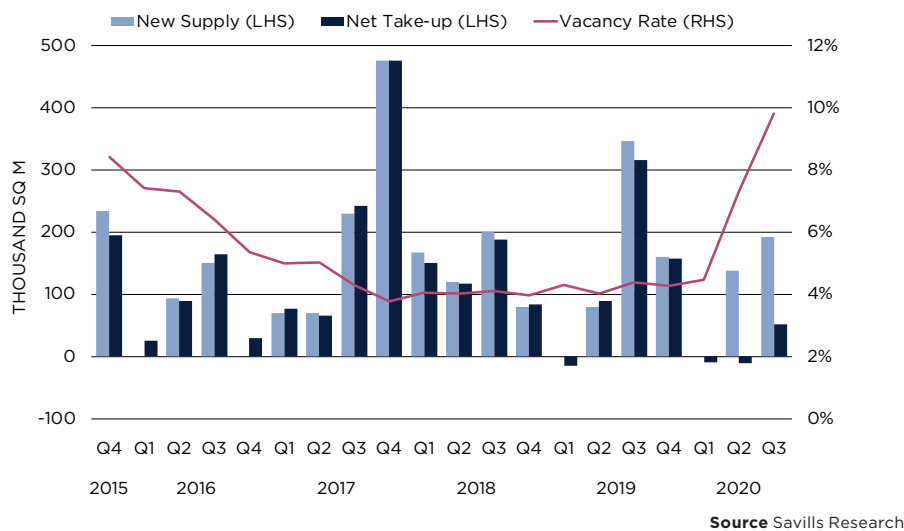
see new ways to restructure the market supply. Notably, the supply of land for the tertiary industry should increase as the new plan placed great emphasis on the tertiary industry development.

OFFICE

In the ceremony of Shenzhen’s 40th anniversary, President Xi encouraged Shenzhen to push forward with its modern service industry, including finance, R&D, design, accounting, law, MICE and other sectors. As a result, the number of enterprises in Shenzhen is expected to see an inexorable rise and the scale of some existing bellwether enterprises is forecast to expand in the mid-to long-term, alleviating the oversupply pressure on the

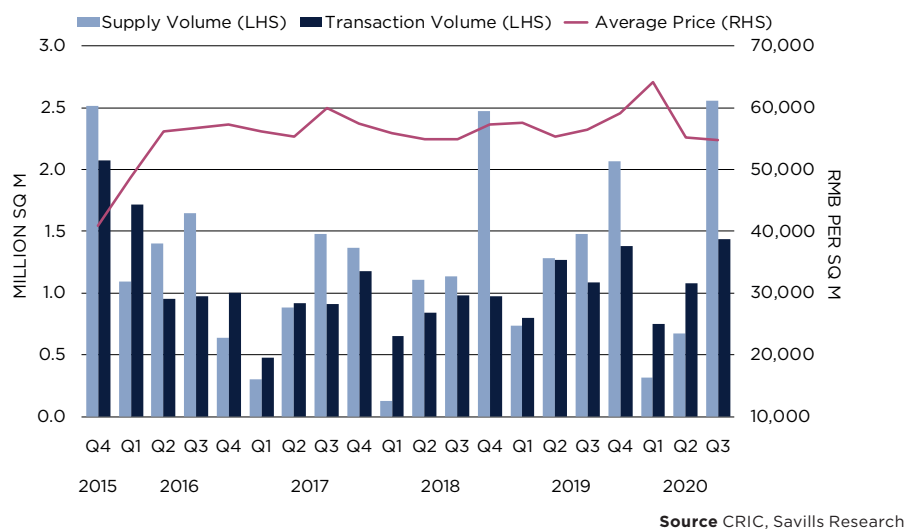
In the mid-to long-run, the new policy support is expected to facilitate a growing number of enterprises and talent settling in the city, which should generate more occupier demand for office, retail and residential space, ultimately enhancing the city’s competitive edge.

GRAPH 3: New Supply, Net Take-up And Vacancy Rate In The Retail Sector, Q4/2015 to Q3/2020



Source Savills Research

GRAPH 4: First-hand Residential Sales Market Supply, Transaction Volumes And Average Price, Q4/2015 to Q3/2020



Source CRIC, Savills Research

local office market. The three areas of Futian CBD (popular among occupiers from the financial and professional service sectors), High-tech Park (popular among occupiers from the TMT sector) and the Qianhai-Shekou free trade area (the ‘testbed’ of new measures as stated in the new plan) offer a positive outlook for these industries. From an investor’s perspective, the ongoing policy support may spark more investment interests.

RETAIL

On the back of the new plan, the aggregate consumption in Shenzhen is expected to see an expansion and evolution of consumption patterns. In addition, the implementation of the new plan, with encouragement in population growth and talent accumulation, should derive more demand in the sectoral market. Compounded with the trend of consumption upgrade and the domestic consumption valued by the government, a growing number of famous international brands envisage business development and expansion opportunities in Shenzhen’s retail market. However, quality retail properties are still absent or inadequate in some areas of the city, where development opportunities are obvious.

RESIDENTIAL

According to the new plan and President Xi’s 40th anniversary speech, talent resources are a key driving factor to keep Shenzhen growing, and talent from domestic and overseas’ companies is expected to gravitate to and settle in Shenzhen through the opening-up talent policy. Hence, the pent-up demand due to

Shenzhen's '715 policy' (a recent policy placing various restrictive conditions on the purchasing eligibility of potential residential purchasers) is poised for release. With the help of the new plan, coupled with the local government's firm determination in carrying out the public housing scheme similar to Singapore's, there is a hope of a great improvement in the structural issue of asymmetry in the supply and demand in the residential market. Core areas, such as in the Futian and Nanshan, continue to be popular, albeit with scarce supply, while emerging areas including Bao'an, Longhua, Guangming and others play a prominent role in the market as proved by their contribution of the citywide

transacted area reaching 90% by the end of Q3/2020.

SUMMARY

Shenzhen, after the SEZ establishment for reform and opening-up 40 years ago and once again entrusted with a new important post by the central government, is setting out a further opening-up path in its next five years. The timeline for the new plan is scheduled to see outstanding progress in two years, followed by significant results in five years, which is in line with the timeline of the 14th Five-Year Plan. Therefore, amidst the COVID-19 pandemic mixing with the unprecedented challenges of the

complicated international situation, the central government's initiative to delegate more political powers to the local government will support and encourage Shenzhen to accelerate its progress and explore potential future development. Given the real estate industry functioning as one of the major carriers of various economic and social activities, Shenzhen's real estate market is expected to develop by leaps and bounds in the future fuelled by policy stimulation.



For more information about this report, please contact us

Savills Shenzhen

Woody Lam
Managing Director
Southern China
+8620 3665 4777
woody.lam@savills.com.cn

Savills Research

James Macdonald
Senior Director
China
+8621 6391 6688 ext 8605
james.macdonald@savills.com.cn

Carlby Xie
Director
Southern China
+8620 3665 4874
carlby.xie@savills.com.cn

Simon Smith
Senior Director
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk