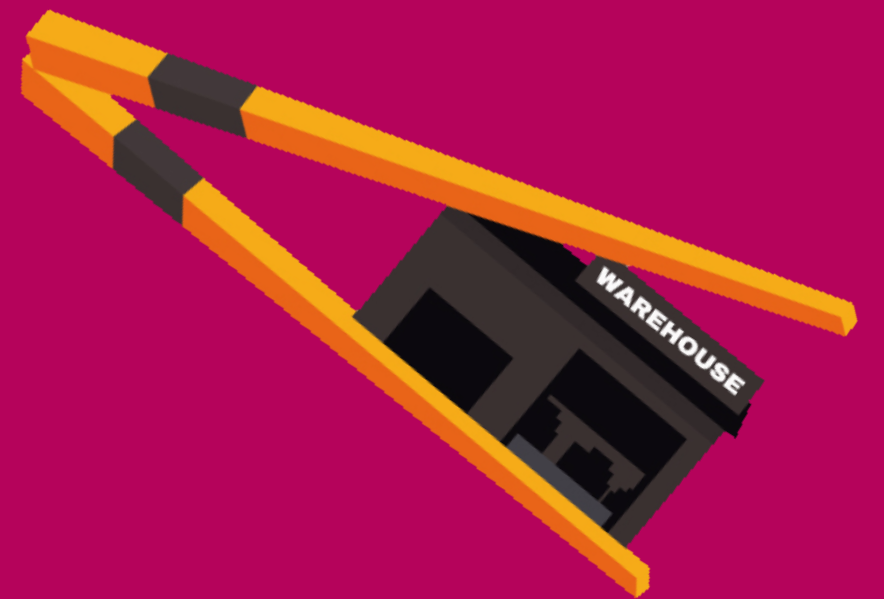
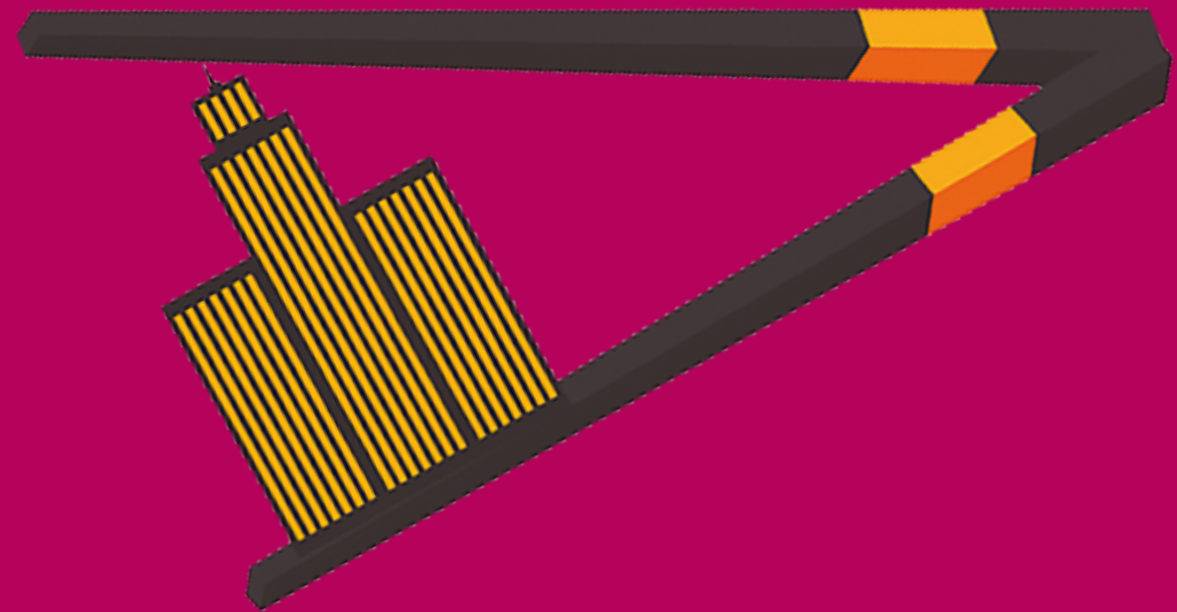


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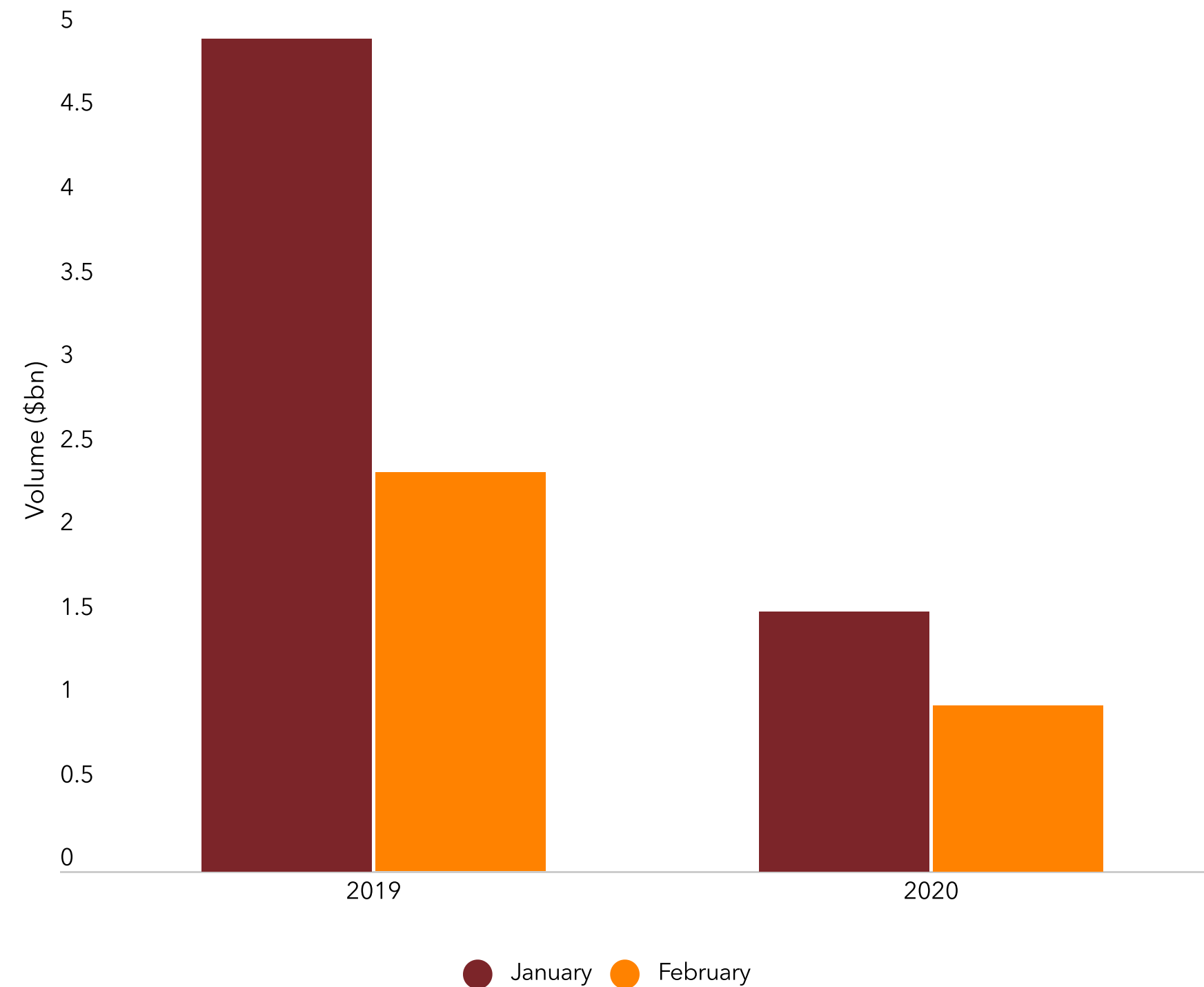
CHINA RE  
INVESTING  
IN 10 SLIDES

## Grasping long-term potential in Chinese real estate



# Covid-19 compounded investment woes this winter

China commercial real estate transactions plummeted 69% year-on-year in January, and 58% in February



*The commercial market has come to almost a complete halt [during February]. Buyers can't make site visits so they can't carry out due diligence and numerous sellers have put their sales on hold. There are a few sales going through, but a fraction of the usual volume*

Stuart Crow, JLL

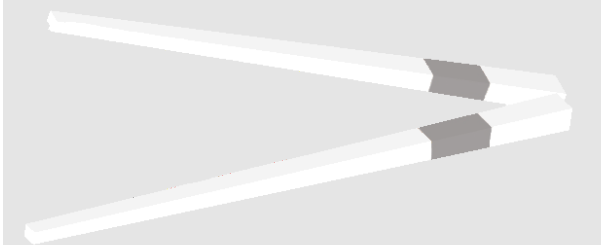
[Click here](#)

for a quick-fire view of the key trends shaping Chinese real estate



**80-90%**

Drop in shopping mall footfall during the covid-19 outbreak



Source: Real Capital Analytics

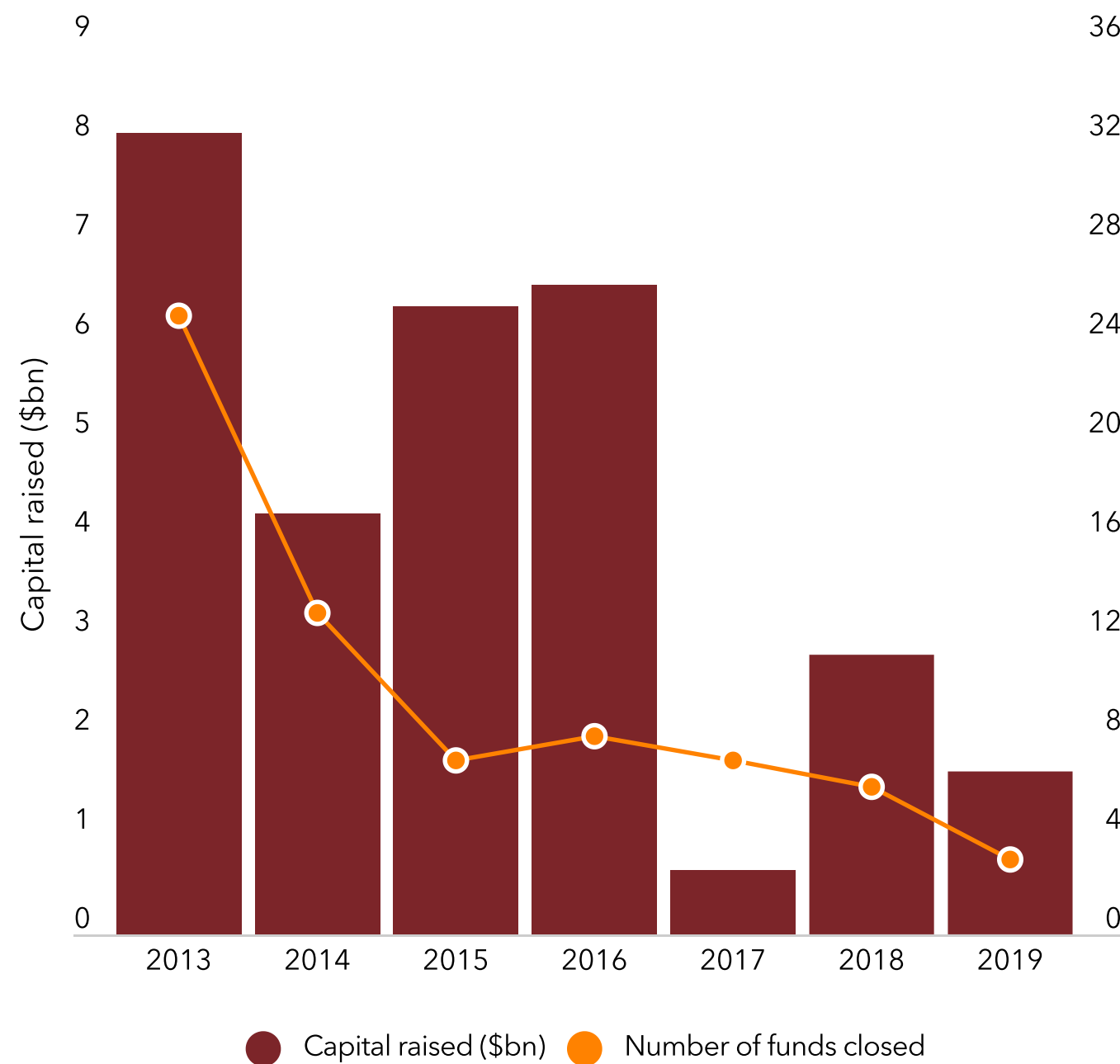
Note: 2020 totals reflect preliminary data

**PERE**

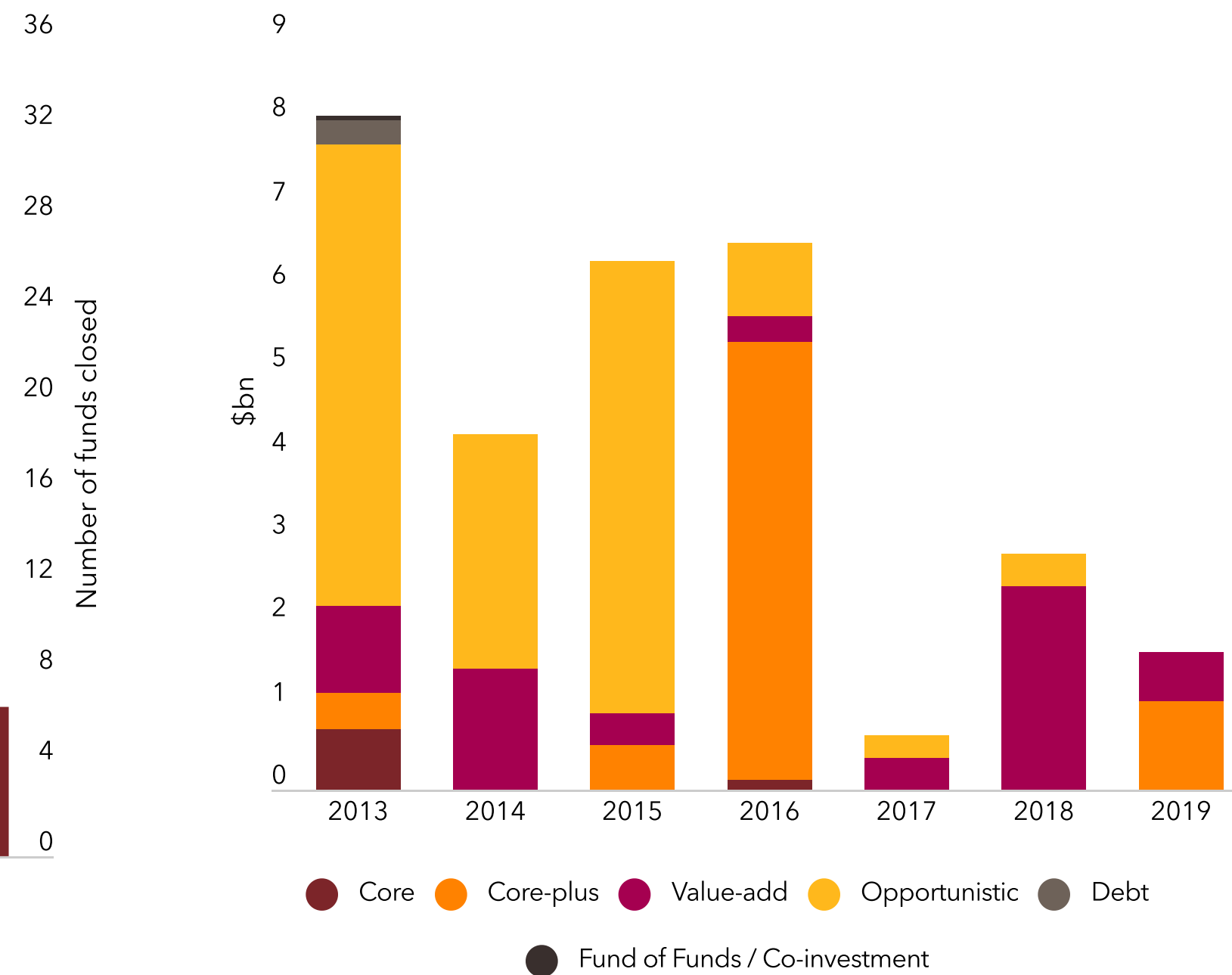
# Fundraising has been falling for longer than that

The industry had been battling the effects of financial de-risking and the US-China trade war before the outbreak; closed-ended fundraising has been on the decline for over a year

## China-focused fundraising, 2013-19



## China-focused capital raising by risk-return strategy, 2013-19 (\$bn)



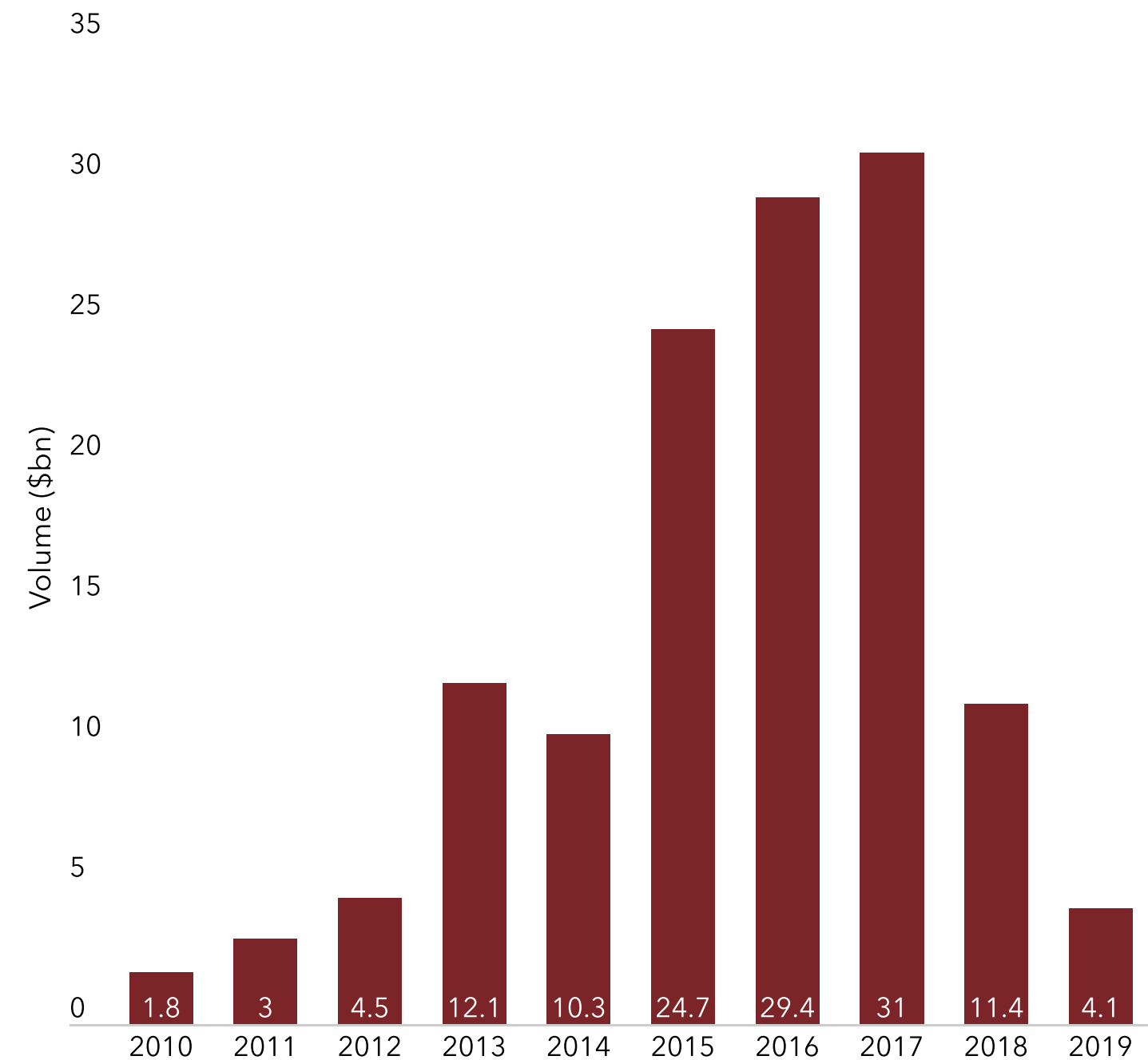
“ Fundraising for China has come to a standstill, but I believe it will come back ”

David Kim, ARA Asset Management

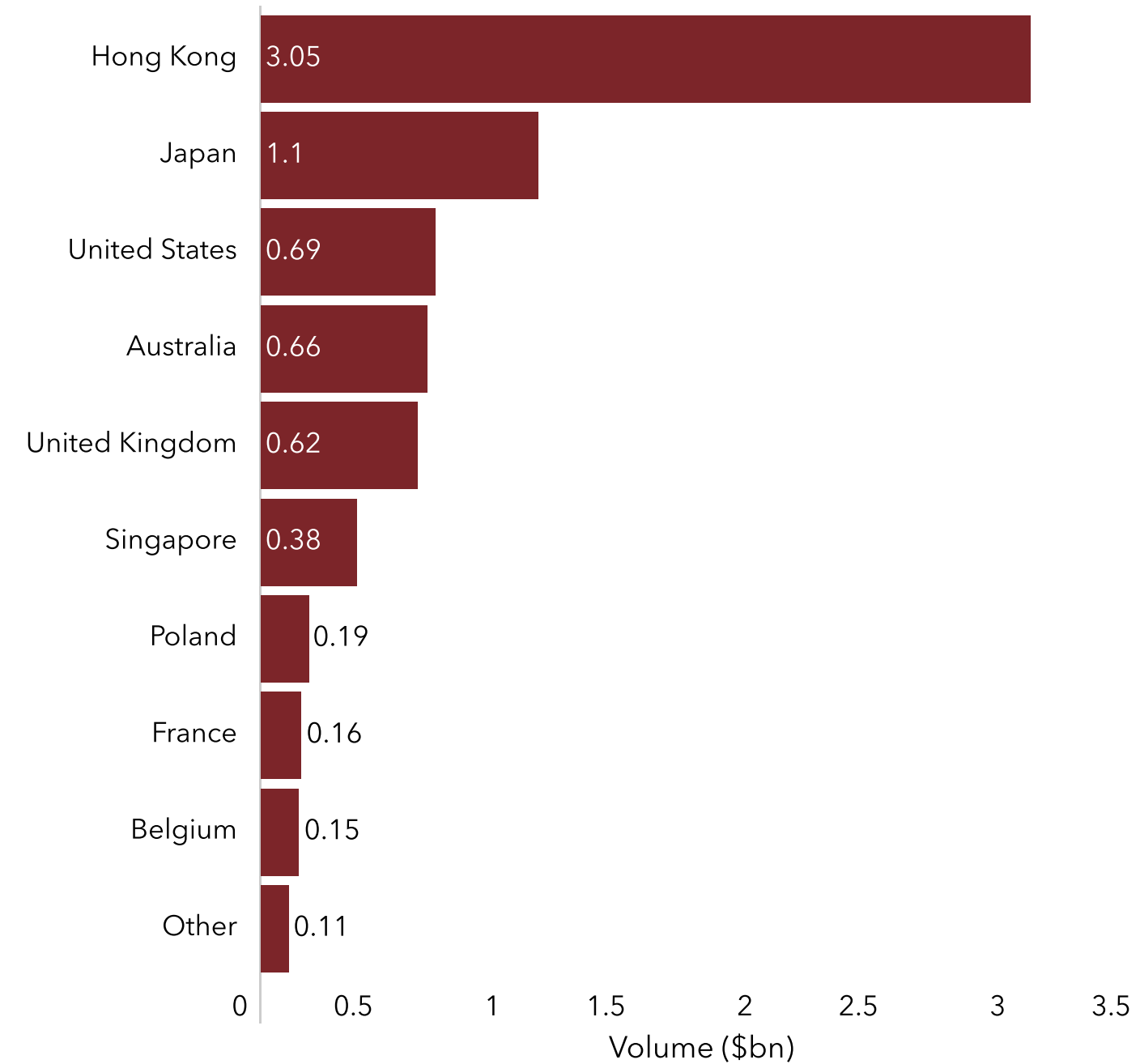
# Outbound capital has been sliding, too

Regulations on bank lending and asset management and tightening liquidity are top factors, says RCA

## Chinese outbound investment volumes



## Top destinations for Chinese capital in 2019



**\$25bn**

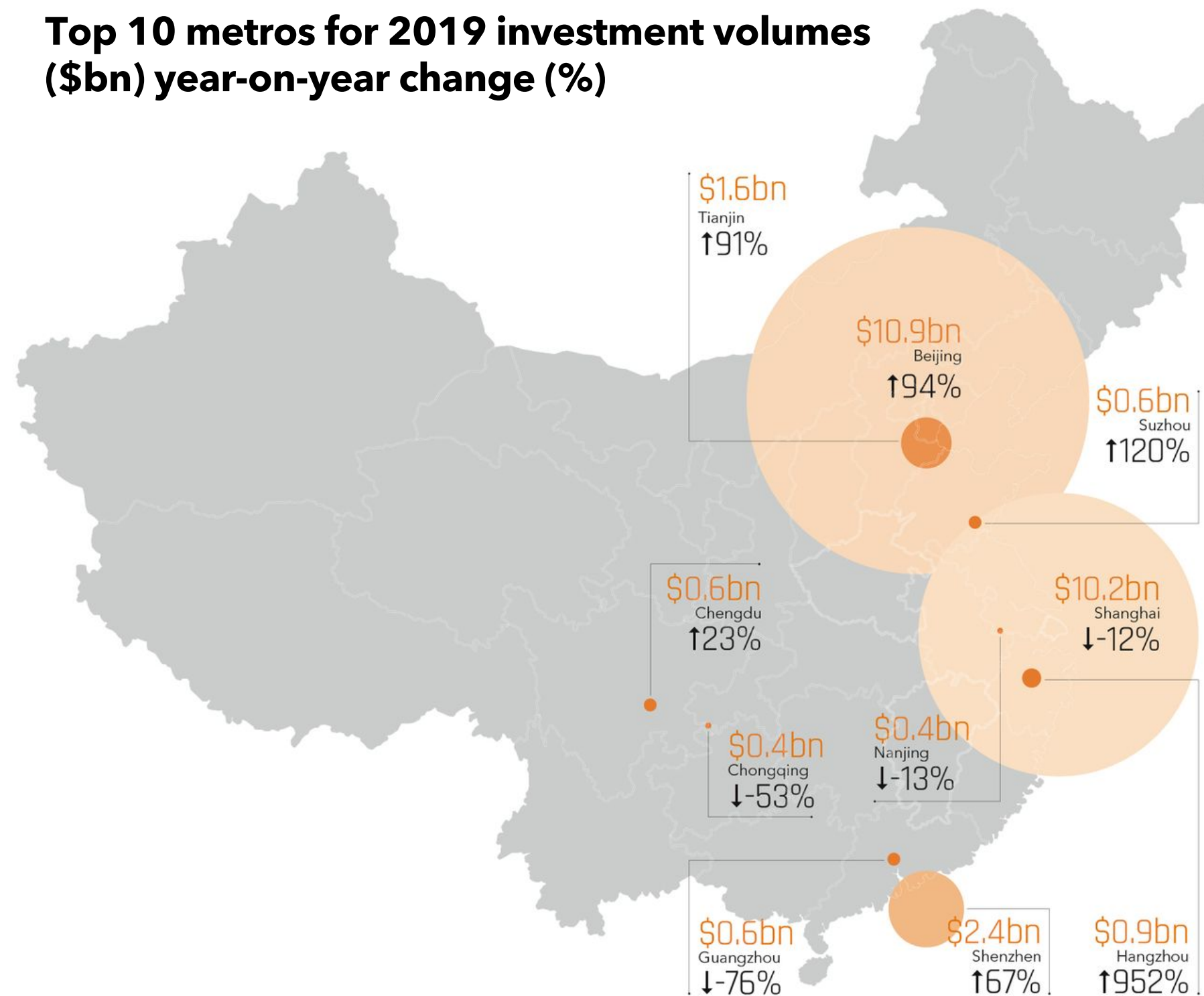
Fall in outbound investment since 2017, according to RCA data

Source: Real Capital Analytics

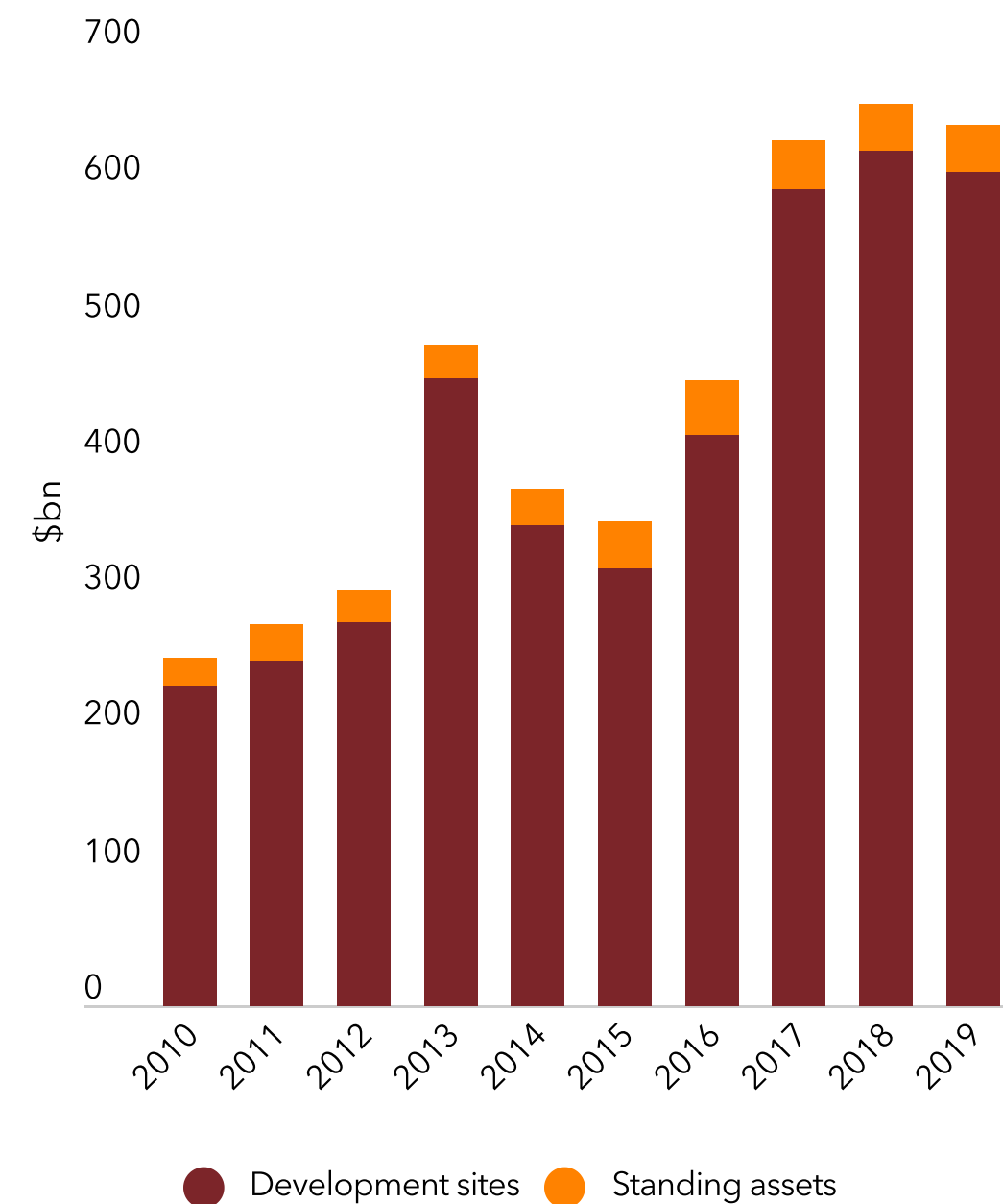
# ...but investment in development stays strong

Investment in development sites rose sharply from 2016 and has remained elevated at around \$600bn a year since then

## Top 10 metros for 2019 investment volumes (\$bn) year-on-year change (%)



## Chinese investment volumes (\$bn)



[Click here](#)

for more RCA data on Chinese investor activity

[...and here](#)

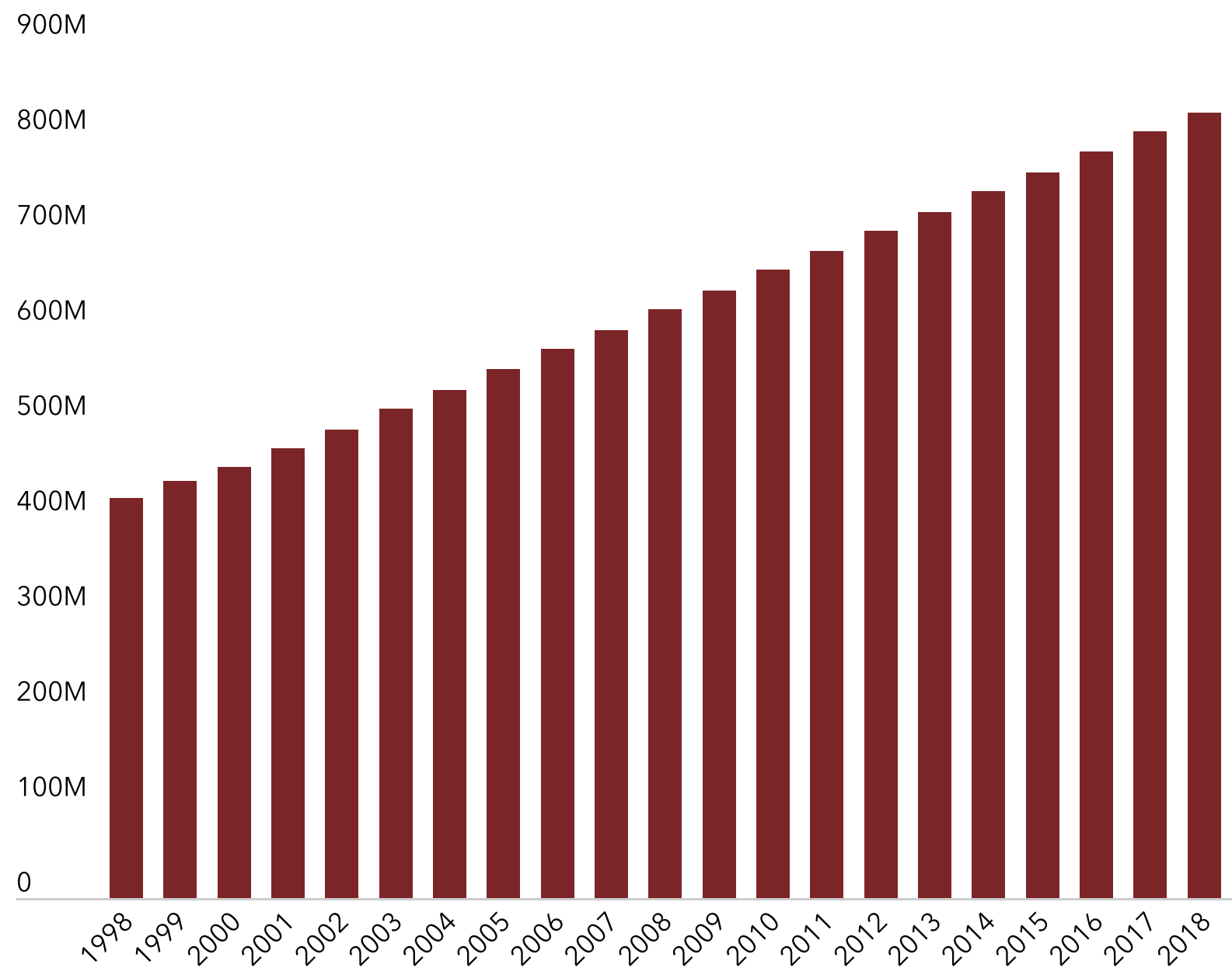
to read Joel Rothstein of Greenberg Traurig's expert insight on the changing patterns of Chinese outbound property investment

Source: Real Capital Analytics

# Strong urbanization remains a growth driver

The data is dizzying, with 500 million people having moved to China's cities over the past 35 years

## China's urban population



**70%**

Predicted urbanization rate by 2035

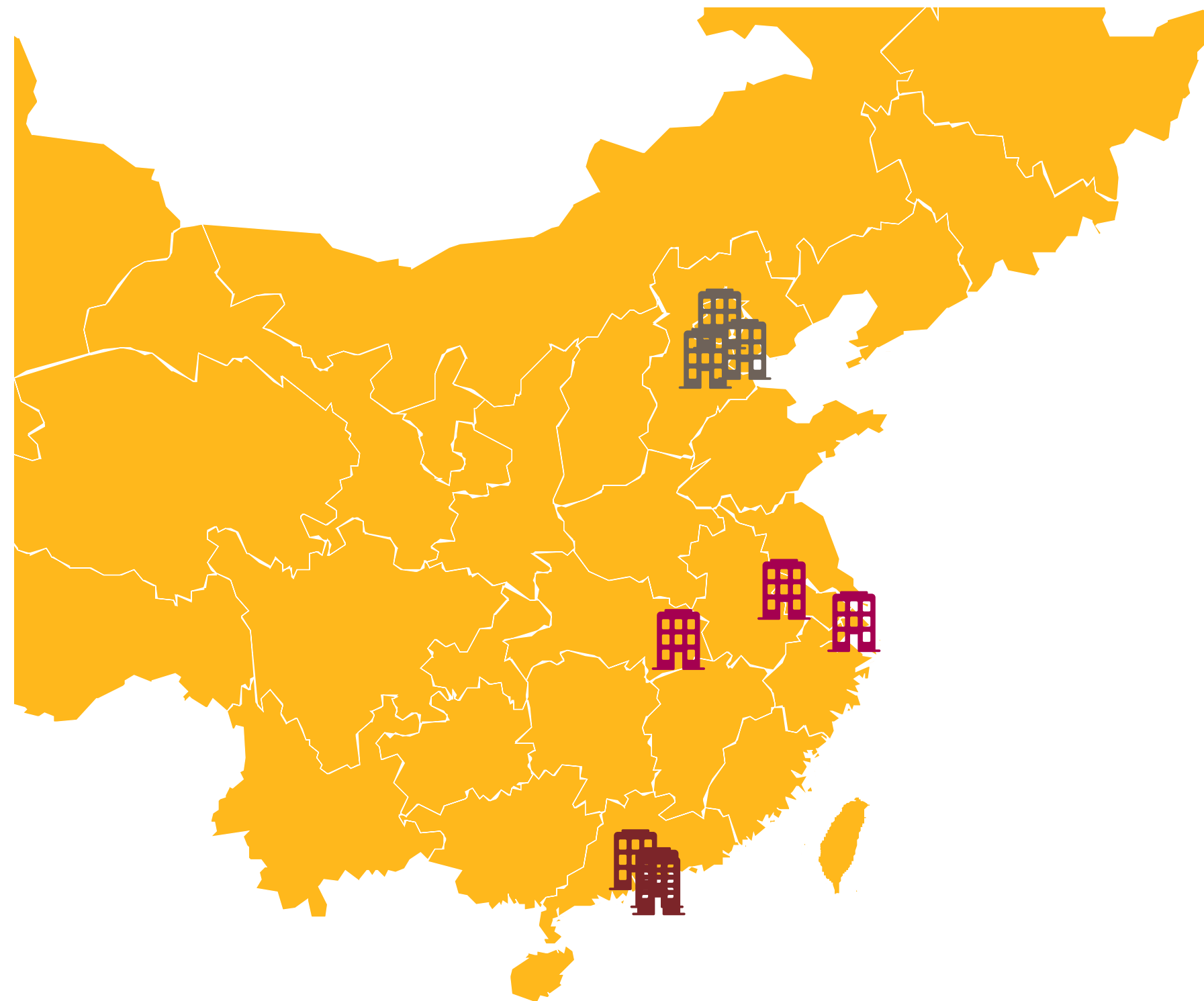


*China will continue to experience rapid rates of urbanization and gentrification over the next decade, which will drive changes in demand and rates of consumption*

Bernie Devine, Yardi

# ...and cities are getting more connected

The growth of China's city clusters will drive long-term demand for more real estate, with 16 more under development



● Greater Bay Area ● Yangtze River Delta ● Jing Jin Ji

## Counting city clusters

### Greater Bay Area

- 11 cities in the Pearl River Delta in southern China, including Guangzhou, Shenzhen and Hong Kong, connected by a high-speed rail
- Population of 68 million+; GDP of 10.5 trillion yuan (\$1.5 trillion; €1.35 trillion)

### Yangtze River Delta

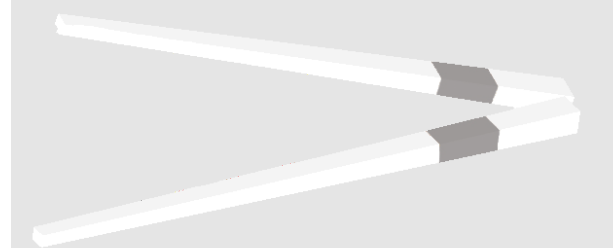
- 26 cities in the eastern seaboard including Shanghai, Hangzhou (home of tech giant Alibaba), Nanjing and others, to be linked by new transport infrastructure
- Population: 222 million; GDP: 17.7 trillion yuan

### Jing Jin Ji

- Three-cities including the Beijing, the port of Tianjin and a new city, Xiong'an, being built between the two and designated a smart and green city

[Click here](#)

to read about how the development of China's smart mega-cities is set to offer tasty opportunities for institutional capital



# A maturing market means fresh opportunities

The growth of a middle-class, consumption-driven economy offers options aplenty for institutional money



*In the long run, China remains a very compelling market as its economy continues to expand. It will be too big to ignore for any major real estate investors into Asia*

Jimmy Phua, head of Asia Real Estate, CPP Investments

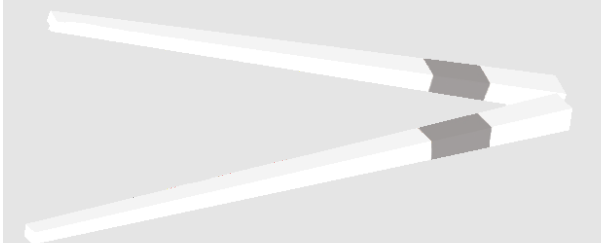


**+20%**

Annual year-on-year growth rate of China's online retail sales, according to the National Bureau of Statistics

[Click here](#)

to read the full interview with CPP Investments' Jimmy Phua





# ... and new trends are taking shape

Here are six reasons why China will appeal to capital in the long term



**Opening up:** China is liberalizing its financial markets but not drowning real estate in cheap debt, which bodes well for foreign investors

**Going the extra mile:** There will be more demand for last-mile and city-fringe logistics as e-commerce continues to boom

**Staying healthy:** Wellness is set to be a key investment theme in China's office sector

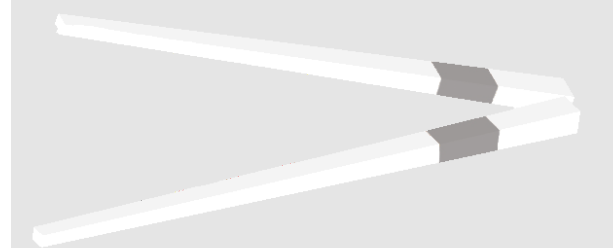
**Moving up:** Chinese manufacturing will continue to move overseas, opening up opportunities for a change to higher use

**Better management:** Property and asset management will become increasingly important for both landlords and tenants

**Limbering up:** Agile working will be more in demand

[\*\*Click here\*\*](#)

to find out why the current negative forces impacting China are unlikely to be overly damaging in the long run





This report was compiled from data collected for *PERE's* **China Report** published in April 2020.

**Helen Lewer**

Special Projects Editor  
*PERE*  
helen.l@peimedia.com  
+44 20 7566 5478

**Louise Fordham**

Special Projects Editor  
*PERE*  
louise.f@peimedia.com  
+44 20 7566 5440

Production: **Adam Koppeser**

Design: **Denise Berjak**