Independent Market Research 2024

CapitaLand China Trust

Independent Market Research

1. CHINA ECONOMIC OVERVIEW

China's GDP expanded by 5.0% year-on-year ("yoy") in 2024, supported by government stimulus and strong exports. The Manufacturing Purchasing Manager Index came in at 49.8 in 2024. The Consumer Price Index increased by 0.2% yoy in 2024[1].

China's economy continues to navigate challenging conditions that include a protracted property market correction. Although the government has introduced more flexible lending measures and eased restrictions to stimulate the real estate sector, these initiatives have yet to result in a substantial improvement in market liquidity. Despite global inflation and tighter monetary policies, China ran an all-time high trade surplus of nearly USD1 trillion with strong exports recorded in 4Q 2024 as businesses make advance purchases in anticipation of potential geopolitical tensions.

To strengthen its economy and revitalise the property sector, the government has implemented more aggressive monetary policies and fiscal stimulus measures aimed at extending support to financial institutions, property developers, and homeowners. Since early 2023, liquidity has been injected into the market through cuts in required reserve ratios and reductions in medium-term lending facility rates for financial institutions. Loan prime rates have also been lowered and continue on a downward trajectory to ease borrowing costs for businesses and consumers. Additionally, tax relief measures have been extended to small businesses, rural households, and selected industries to boost private sector confidence. To further support homebuyer sentiment and stimulate property purchases, minimum down payment requirements for both first-time and second-time homebuyers, as well as interest rates on existing mortgages for first homes, have been reduced. To reduce financial pressure on local governments, the central government initiated measures to swap high-interest local government financing vehicles' (LGFV) debt for longer-term bonds with more favourable terms.

In September 2024, China's central bank launched its most significant stimulus package since the pandemic, aiming to steer the economy out of a deflationary environment. The reserve requirement ratio for banks was cut by 50 basis points, unlocking approximately 1 trillion yuan in additional credit. Concurrently, the average interest rate on existing property mortgages was lowered by 50 basis points, while the minimum down payment requirement was reduced to 15% across all property types.

Looking ahead, as the world's second-largest economy, China's significant economic resilience and robust domestic fundamentals will continue to exert a profound influence on the global economy and support its long-term growth prospects, despite near-term challenges. For 2025, China aims to shift its focus away from investment and prioritise consumption, setting a GDP growth target of approximately 5%[2].

2. RETAIL MARKET OVERVIEW[3]

2.1. China

As of 2024, China's average retail occupancy rate increased by 1.2% to 92.3%. Average nationwide retail rent recorded RMB550.40 per square metre per month ("psm pm"), a decline of 1.0% yoy.

China's total retail sales (excluding motor vehicles) recorded RMB43.8 trillion in 2024, an increase of 3.7% yoy. Food & Beverage (up 8.8% yoy), Sports & recreational articles (up 11.1% yoy), Household appliances and audio-video equipment (up 12.3% yoy), and Telecommunication equipment (up 9.9% yoy) were the largest contributors to this performance. Online retail sales accounted for 31.8% of the total retail sales in 2024.

Retail Trends

Retail malls have evolved beyond traditional brick-and-mortar stores, embracing themed and experiential retail concepts to adapt to shifting consumer preferences. Landlords have introduced greater elements of entertainment, sports, arts, culture, and recreational spaces to align with modern leisure pursuits, particularly appealing to younger demographics. Many property owners and operators have further reshaped their food and beverage (F&B) portfolios, replacing underperforming tenants with emerging, trendier, and more affordable concepts. These strategies collectively aim to drive higher foot traffic, boost sales, and meet the evolving expectations of today's shoppers. The government, in an effort to stimulate the economy, has eased visa restrictions for some 38 countries, as it seeks to push the drive in inbound tourism recovery. This should provide added impetus to the retail sector in conjunction with resilient domestic visitation. The market for anime, comics and games (ACG) is witnessing rapid growth, together with sport consumption and entertainment. It is also interesting to note the rapid rise of discount stores amid consumer frugality.

1 *Source (GDP, Manufacturing Purchasing Manager Index, Consumer Price Index): National Bureau of Statistics.*
2 *Source: Reuters, China advisers call for steady 5% 2025 economic growth goal, stronger stimulus (November 2024).*
3 *The retail supply and demand analysed in this section refers to the shopping mall segment, and retail rents refer to ground-floor shopping mall average rents.*

In addition, to stimulate the economy, the central and local governments have introduced a consumer goods trade-in programme, along with consumption vouchers. These measures are expected to foster a domestic consumption recovery across the board, including the electrical appliances, electronic products, and automobile sectors in 2025. In turn, this should bolster the sales performance of related retailers and support an overall increase in domestic consumption.

2.2. Beijing

Existing and Potential Supply

As of 2024, Beijing's total retail stock stood at 13.1 million square metres (sq m), up 8.6% yoy. The total net new supply in 2024 was estimated to be near 1.0 million sq m, with newly launched projects located in non-prime and suburban submarkets. Completions included Tongzhou MixC (148,000 sq m); Shahe Wanda Plaza (140,000 sq m); and D.P.ONE (146,000 sq m).

Approximately 1.0 million sq m of retail space is anticipated to be delivered across Beijing in 2025, which are mainly large new development projects in suburban locations. Total retail stock is expected to reach near 14.1 million sq m in 2025.

Beijing Major Retail Potential Supply in 2025

Project	Supply (sq m)
Beijing Xidan Department Store	32,500
Beijing Zhongguancun ART PARK	200,000
Beijing Xinda Commercial Project	170,000

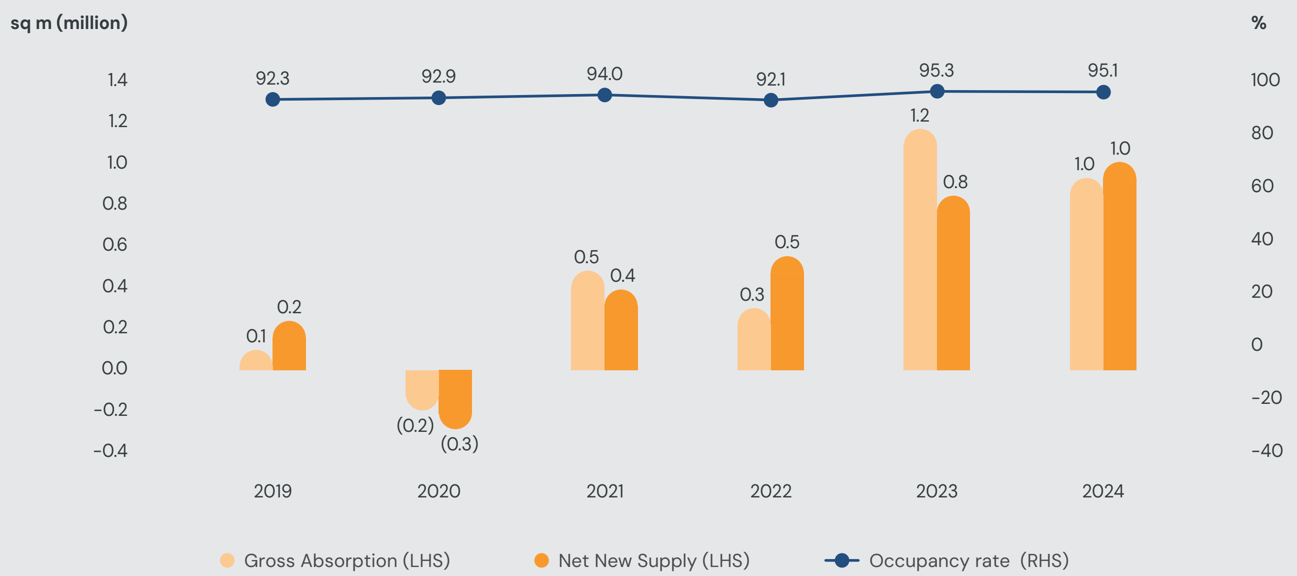
Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Demand and Occupancy

Over the past five years, the average gross absorption of retail space in Beijing stood near 542,000 sq m per year.

As of 2024, the average gross absorption recorded was near 965,000 sq m and the retail occupancy rate decreased by 0.2% yoy to 95.1%. Beijing's retail market has shown to be resilient, with occupancy rates exceeding pre-pandemic levels. New retail spaces offering unique shopping experiences and a wide range of consumer products observe high leasing activity, contributing to high overall occupancy rates.

Beijing Retail Supply, Demand, and Occupancy Rate (2019 to 2024)

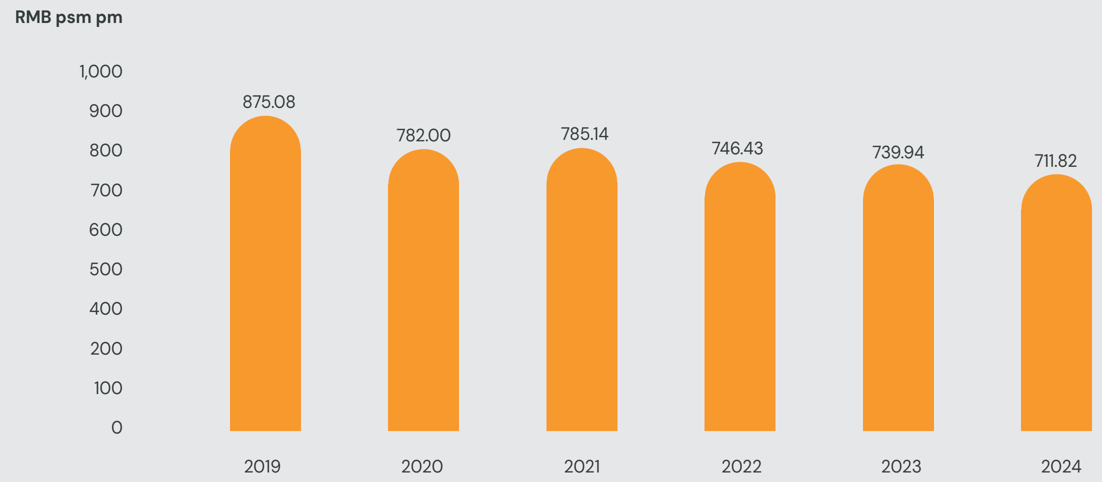


Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Rental Values

Beijing's average retail rents lowered to RMB711.82 psm pm as at 2024, down 3.8% yoy. Average retail rents have decreased as landlords offer more attractive lease terms to retain tenants, amidst the consumption slump.

Beijing Average Retail Rents (2019 to 2024)



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Market Outlook

As consumption incentives continue to strengthen throughout the year and the proactive upgrades in the market enhancing the retail experience, Beijing is on the path of becoming an international consumption centre city. Retail demand is expected to remain robust with increased tourist arrivals and a recovering domestic market. The continued easing of visa requirements for a number of European and Southeast Asian countries, is expected to restore China's inbound arrivals to pre-pandemic levels in 2025.

2.3. Guangzhou

Existing and Potential Supply

As of 2024, Guangzhou's total retail stock stood at 7.8 million sq m, down 0.5% yoy, with the Science Town Mall being withdrawn for renovation. The total net new supply in 2024 was estimated to be about -40,000 sq m. There was no major new supply added during the period.

Approximately 700,000 sq m of retail space is anticipated to be delivered across Guangzhou in 2025. Total retail stock is expected to reach around 8.5 million sq m in 2025.

Guangzhou Major Retail Potential Supply in 2025

Project	Supply (sq m)
Junchao Mall	128,000
K11 Select	81,000

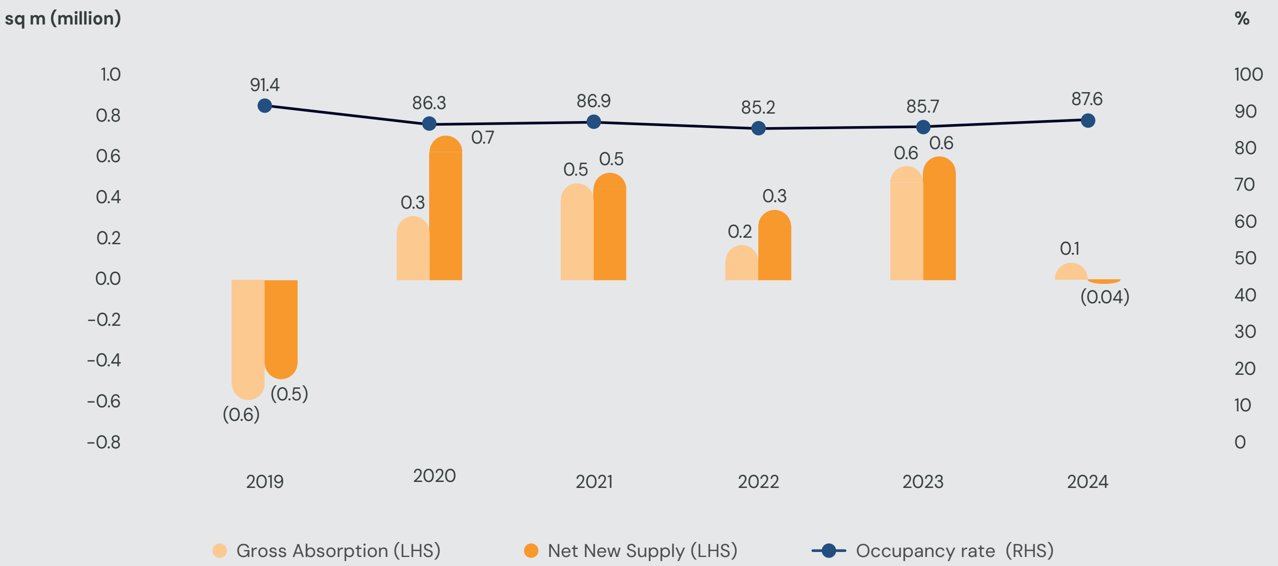
Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Demand and Occupancy

Over the past five years, the average gross absorption of retail space in Guangzhou stood near 325,000 sq m per year.

As of 2024, the average gross absorption recorded about 114,000 sq m and the retail occupancy rate increased by 1.9% yoy to 87.6%. Most retail brands continue to adopt a cautious approach to expansion although experiential consumption is becoming increasingly popular.

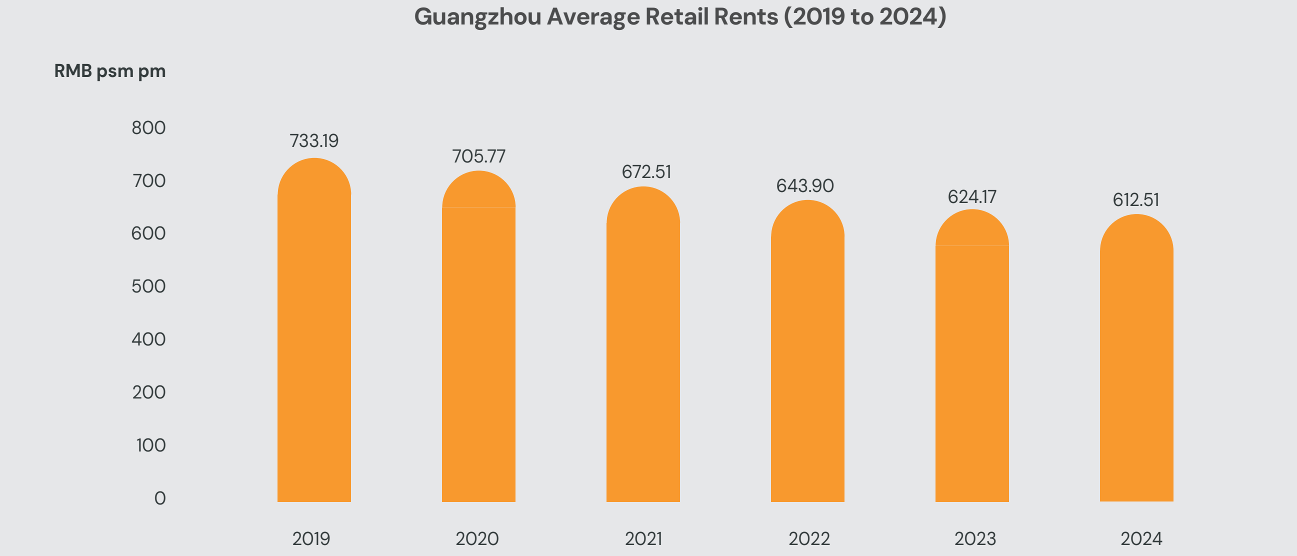
Guangzhou Retail Supply, Demand, and Occupancy Rate (2019 to 2024)



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Rental Values

Guangzhou's average retail rents declined to RMB612.51 psm pm as at 2024, down 1.9% yoy. Despite the improved retail market conditions supported by a recovery in consumer spending in Guangzhou, landlords remain cautious to raising retail rents until retailers' business and consumer confidence improves.



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Market Outlook

Guangzhou has introduced new measures and subsidies to attract more brands to set up their first stores in the city. High end shopping centres in prime locations continue to attract tenants looking to expand. With little to no new supply expected in the coming year, average retail rents and occupancy could improve.

3. BUSINESS PARK MARKET OVERVIEW

3.1. China

As of 2024, China's average business park occupancy rate decreased by 2.7% yoy to 65.2%. Average nationwide business park rent recorded RMB33.50 psm pm, a decrease of 6.9% yoy.

Business Park Trends

The primary demand for business parks in China remains driven by relocations, with no significant rebound yet in incremental demand. However, the combined impact of ongoing monetary and fiscal policies continues to reinforce the resilience and potential of China's long-term economic fundamentals. While macroeconomic regulatory measures have been significantly intensified, it will take time for these policies to fully filter through to the real estate market.

China remains committed to becoming a leader in science and technology and developing industries such as Electric Vehicles (EVs), semiconductors, quantum computing and 6G networks, which could lead to more investment in these sectors in the coming years.

3.2. Suzhou

Existing and Potential Supply

As of 2024, Suzhou's total business park stock stood at near 7.6 million sq m, up 11.8% yoy. The total net new supply in 2024 was estimated to be near 802,000 sq m. Completions included Dushu Lake Digital Economy Business Park (155,000 sq m); Xingtang Building (137,000 sq m); Weili Medical Science and Technology Park Phase II (129,700 sq m); Sungent Digital Intelligence Park (120,000 sq m); Capitaland Yuan Chuang Park (140,000 sq m); and Jingfang Technology Semiconductor Science and Technology Innovation Business Park (120,000 sq m).

Approximately 624,000 sq m of business park space is anticipated to be delivered across Suzhou in 2025. Total business park stock is expected to reach near 8.2 million sq m in 2025.

Suzhou Major Business Park Potential Supply in 2025

Project	Supply (sq m)
Lisheng Business Park	166,000
Shishan Life Technology Medical Device Production Base Project	97,000
Xinjianyuan 2.5 Industrial Park Phase III Zone 3	151,000
Integrated Circuit Innovation Center Phase II	210,000

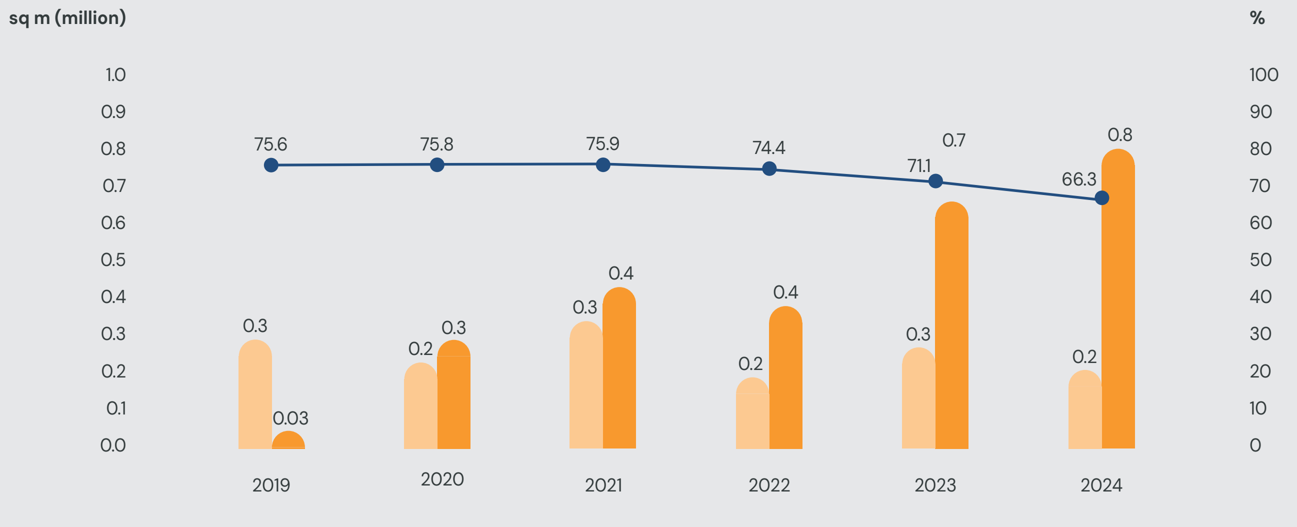
Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Demand and Occupancy

Over the past five years, the average gross absorption of business park space in Suzhou stood at about 247,000 sq m per year.

As of 2024, the average gross absorption recorded was about 206,000 sq m and the business park occupancy rate declined by 4.8% yoy to 66.3% due to weak demand fundamentals. Landlords continued to upgrade their incentives given the continuous large new supply. Existing demand is mainly driven by tenants relocating within the region, as well as some Shanghai tenants seeking cost savings.

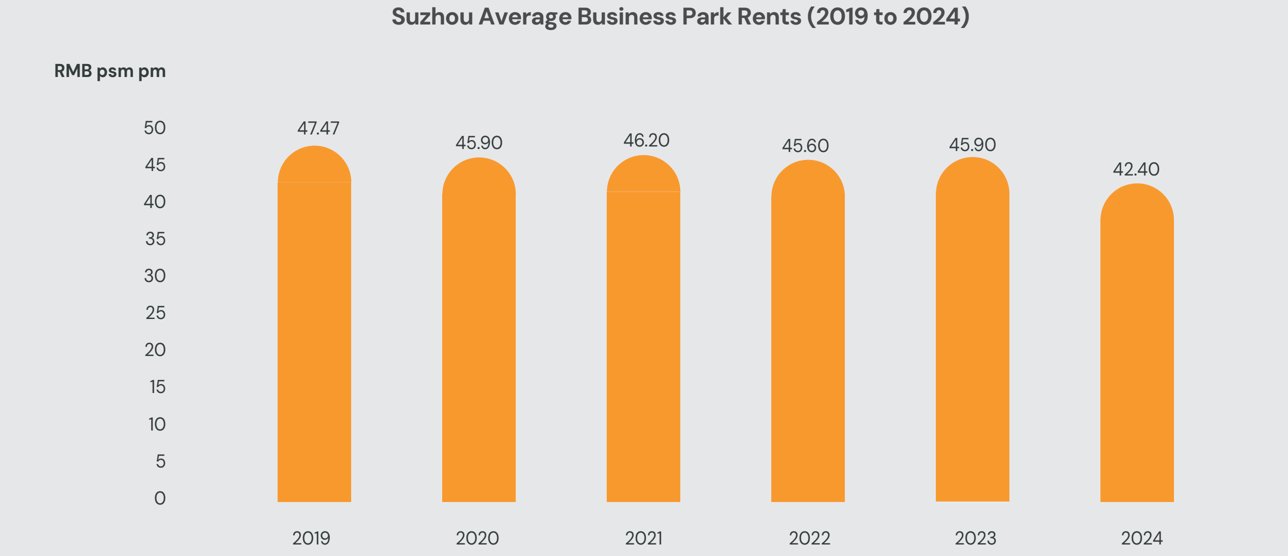
Suzhou Business Park Supply, Demand, and Occupancy Rate (2019 to 2024)



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Rental Values

Suzhou's average business park rents decreased to RMB42.40 psm pm as at 2024, down 7.6% yoy. In 2024, more landlords are offering higher incentives and adjusting rents downwards in response to the market conditions, seeking to retain and attract tenants.



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Market Outlook

The biomedical, information technology, nanotechnology, artificial intelligence industries are expected to continue to be the focused areas of growth in Suzhou's business parks. The overall leasing demand remained relatively stable as the landlords continued to upgrade their incentives given the increased new supply. Demand is mainly driven by tenants relocating within the region, as well as some Shanghai tenants seeking cost-effective propositions. Given the dual pressure of a subdued macroeconomic environment, together with the influx of future supply, landlords may be forced to continue to increase incentives in the near term.

3.3. Hangzhou

Existing and Potential Supply

As of 2024, Hangzhou's total business park stock stood at near 17.4 million sq m, up 8.4% yoy. The total net new supply in 2024 was estimated to be about 1.4 million sq m. Completions included Qihoo 360 Business park (230,000 sq m); Sina Business Park (190,000 sq m); and Zhejiang University Alumni Enterprise Economic Park Phase II (616,006 sq m).

Approximately 1.3 million sq m of business park space is anticipated to be delivered across Hangzhou in 2025. Total business park stock is expected to reach 18.8 million sq m in 2025.

Hangzhou Major Business Park Potential Supply in 2025

Project	Supply (sq m)
Cainiao Cloud Valley Park Project	425,000
Cainiao Intelligent Park Phase II	132,600
Tiange Business Park	46,300
CRC LvTing Road TOD	57,000
HEDA Medicine Valley Accelerator Phase 6-8	300,000
Qiantang Tech&Inno Centre	140,000
Future Valley	156,116
Cainiao Intelligent Park Phase II	132,600

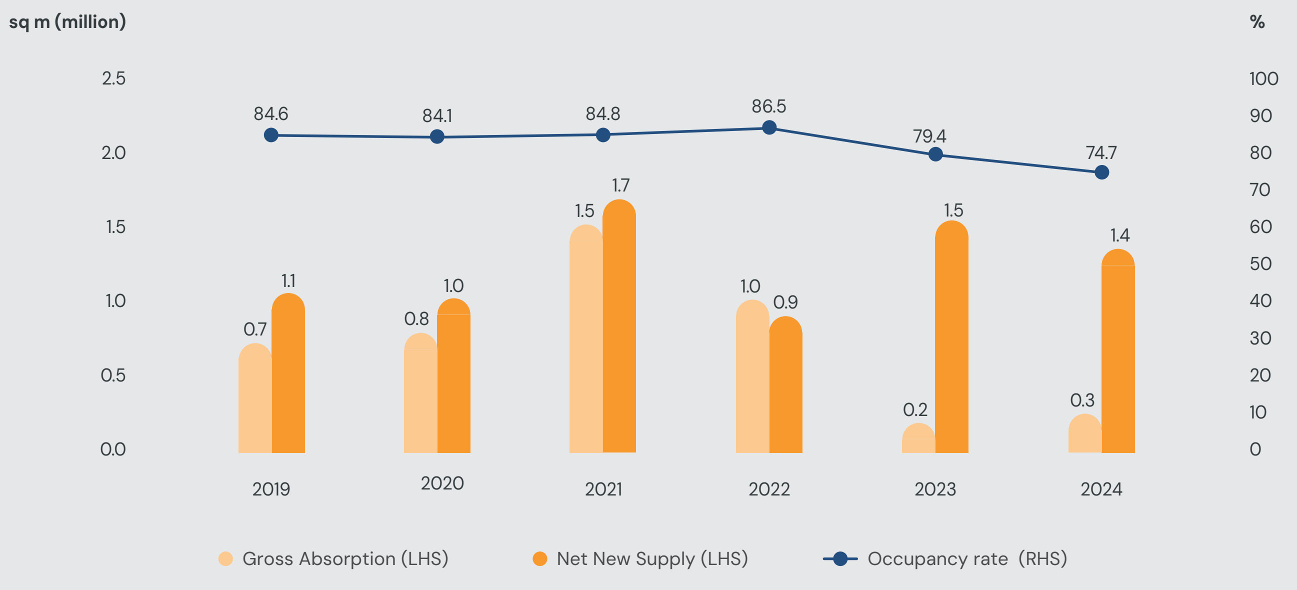
Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Demand and Occupancy

Over the past five years, the average gross absorption of business park space in Hangzhou stood near 759,000 sq m per year.

As of 2024, the average gross absorption recorded was about 258,000 sq m and the business park occupancy rate declined by 4.7% yoy to 74.7%. Leasing demand remained relatively soft as landlords continued to upgrade their incentives under the continuous large new supply. Relocation demand was relatively active since tenants preferred to choose more cost-effective locations.

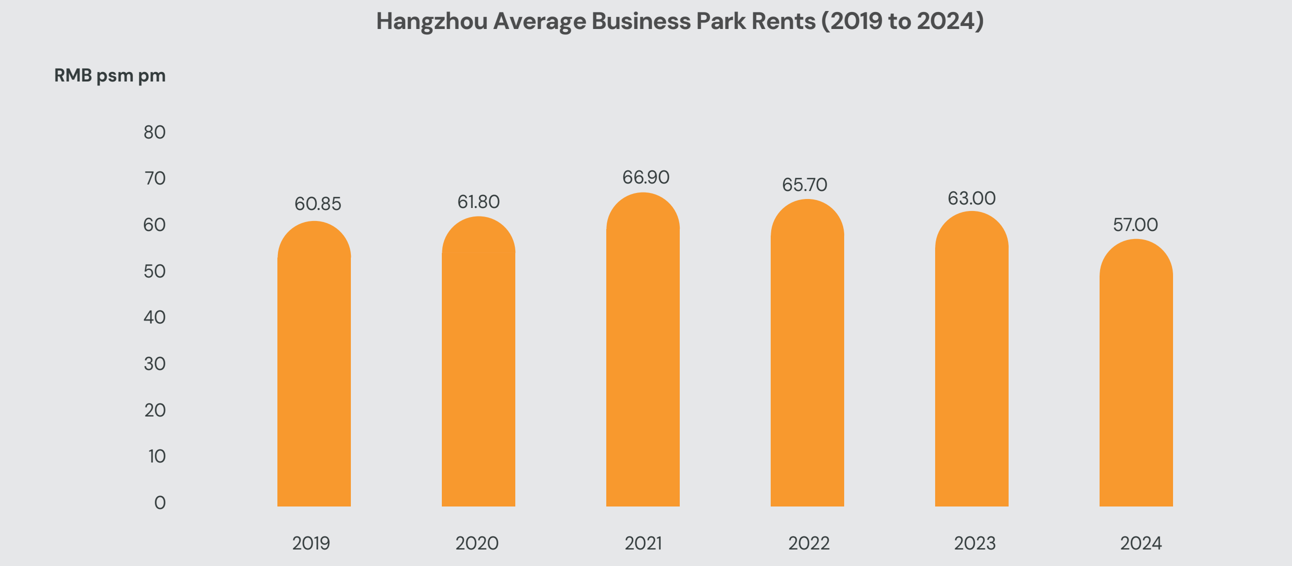
Hangzhou Business Park Supply, Demand, and Occupancy Rate (2019 to 2024)



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Rental Values

Due to the increase in supply, Hangzhou's average business park rents declined to RMB57.00 psm pm as at 2024, down 9.5% yoy. Despite the decline in rent, Hangzhou's average rent remained higher than the nationwide average. As the influx of supply in 2024 will intensify competition for tenants, landlords have to offer favourable lease terms and rental rates in order to attract new occupiers and retain existing tenants.



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Market Outlook

Hangzhou's rank as the best performing Chinese city among first and second-tier cities (according to Milken Institute's Best Performing Cities China Index 2024) is a testament to its growth potential. With the Hangzhou government's plan to modernise the industrial landscape, Hangzhou's business parks are poised to benefit in the coming years. Despite this, the upcoming continuous supply peak coupled with the expectation of a slower demand recovery, continues to add pressure to vacancy rates and rents.

4. LOGISTICS PARK MARKET OVERVIEW

4.1. China

As of 2024, China's average Grade A logistics occupancy rate declined by 2.0% to 78.0%. Average Grade A logistics rents recorded RMB26.10 psm pm, a decline of 8.4% yoy.

Logistics Trends

Cross-border e-commerce remains the main driving force in demand growth for Grade A warehouses. In addition, the demand for supply chain logistics space was boosted by the electric vehicle companies and supermarkets.

The trade tariffs anticipated to take effect in 2025 are likely to influence logistics demand, as this sector remains particularly sensitive to geopolitical developments. As a result, logistics providers reliant on external trade will encounter heightened challenges.

Due to intense market competition and weak demand, rents are expected to continue to decline. As the market slowly recovers in some quarters, the strategy of exchanging price for quantity may have some effect. Landlords are likely to still use measures like extended rent-free periods and price concessions to attract tenants with the overall market rent likely to remain in a downward trend while vacancy rates may fluctuate.

4.2. Shanghai

Existing and Potential Supply

As of 2024, Shanghai's total Grade A logistics stock stood at 10.2 million sq m, up 17.8% yoy. The total net new supply in 2024 was estimated to be about 1.5 million sq m. Completions included GLP Zhichuang Industrial Park (125,000 sq m); ESR Qingpu Yurun Park Phase II (178,822 sq m); DNE Jinshan Galaxy Park Phase III (605,994 sq m); Mapletree Fengxian Industrial Park (121,728 sq m); and Brookfield Shanghai Linghang Logistics Park (193,000 sq m).

Approximately 663,000 sq m of Grade A logistics space is expected to be delivered across Shanghai in 2025. Total Grade A logistics stock is expected to reach near 10.8 million sq m in 2025.

Shanghai Major Grade A Logistics Potential Supply in 2025

Project	Supply (sq m)
GLP Potuo Xibei Logistics Park	179,000
GLP Linfang Songjiang Logistics Park Phase II	160,000
Coolstore Jinshan industry park	179,000
GLP Shanghai Lingang International Logistics Park	147,226

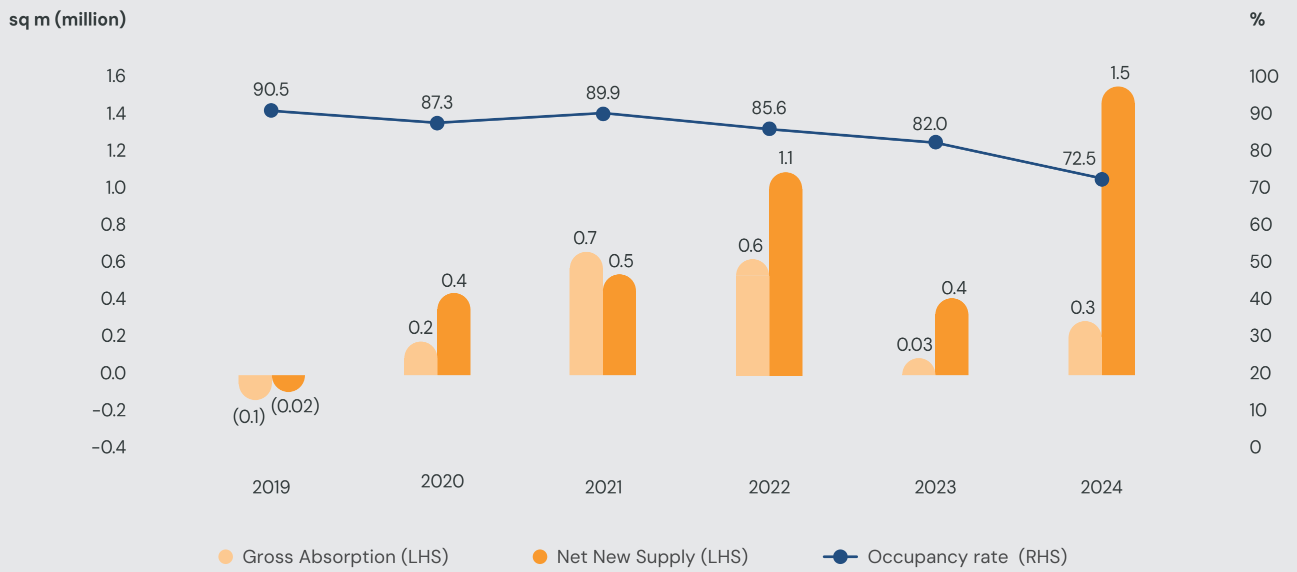
Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Demand and Occupancy

Over the past five years, the average gross absorption of Grade A logistics space in Shanghai stood near 359,000 sq m per year.

As of 2024, the average gross absorption recorded was about 295,000 sq m and the Grade A logistics occupancy rate declined by 9.5% yoy to 72.5%. With the decline in manufacturing and consumer demand, overall logistics demand was relatively muted in the year. This is in conjunction with tenants looking at relocating in nearby cities to mitigate costs leading to a flight from the city.

Shanghai Grade A Logistics Supply, Demand, and Occupancy Rate (2019 to 2024)

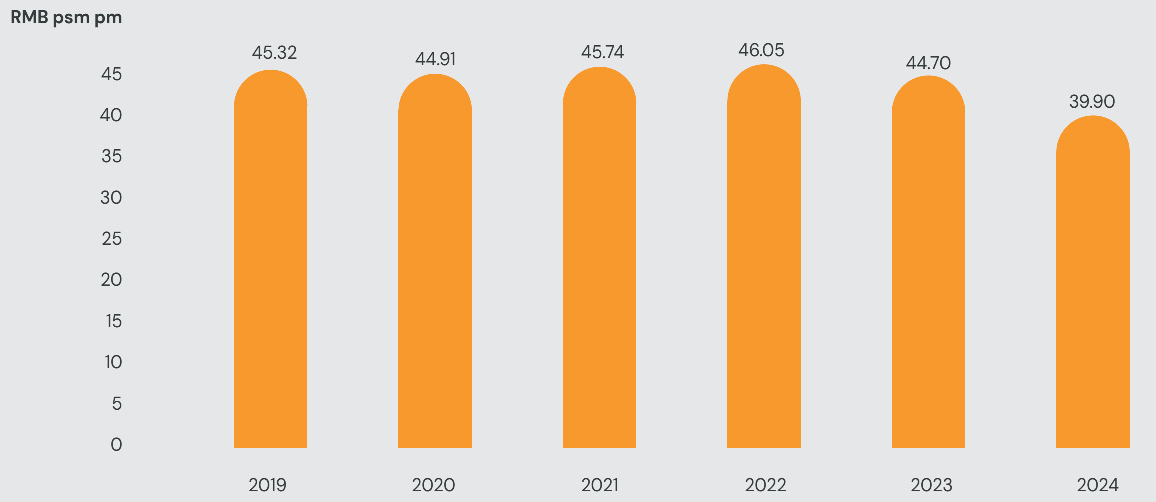


Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Rental Values

Shanghai's average Grade A logistics rents declined to RMB39.90 psm pm as at 2024, down 10.7% yoy. Shanghai's average rent recorded higher than the nation-wide average rent but decreased slightly from its pre-pandemic levels. The surge in new supply and incentives being offered by landlords to retain tenants has exerted downward pressure on average rents.

Shanghai Average Grade A Logistics Rents (2019 to 2024)



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Market Outlook

As a result of the increase in supply of Grade A warehouses, market competition will further intensify. To retain existing tenants and attract new ones, incentives such as extending rent-free periods, offering price concessions, and providing subsidies is expected to continue into 2025.

Kunshan

Existing and Potential Supply

As of 2024, Kunshan's total Grade A logistics stock stood at 4.3 million sq m, up 12.5% yoy. The total net new supply in 2024 was estimated to be about 476,000 sq m. Completions included GLP Kunshan Lujia Feiyang Logistics Park (133,000 sq m); GLP Kunshan Lujia Huacheng Logistics Park (64,000 sq m); Sunjade Kunshan Lujia Logistics Park (78,000 sq m); VX Kunshan Huying Logistics Park (85,000 sq m); and Vailog Kunshan Qiandeng Logistics Park (98,000 sq m).

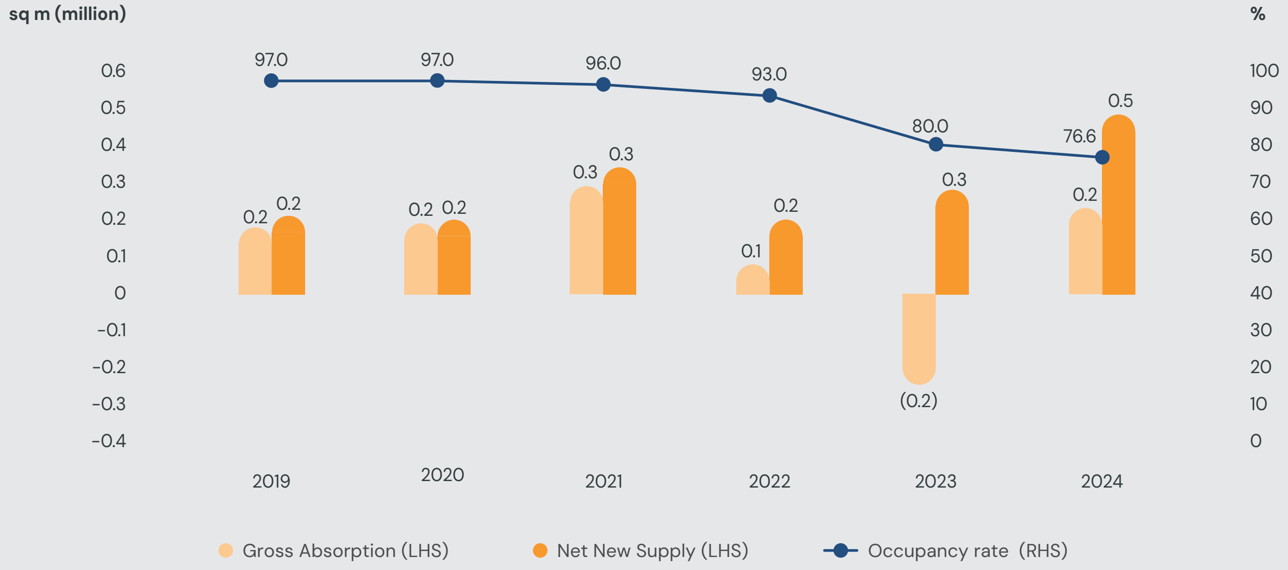
No Grade A logistics space is expected to be delivered within Kunshan in 2025. Total Grade A logistics stock is expected to remain at 4.3 million sq m in 2025.

Demand and Occupancy

Over the past five years, the average gross absorption of Grade A logistics space in Kunshan stood near 113,000 sq m per year.

As of 2024, the average gross absorption recorded was 235,000 sq m and the Grade A logistics occupancy rate declined by 3.4% yoy to 76.6%. Overall logistics demand weakened on the back of relocation of anchor tenants to self-built warehouses, competitive price advantage of cities around Kunshan, and injection of new supply into the market in the year. However, with little new supply, the market has started to improve.

Kunshan Grade A Logistics Supply, Demand, and Occupancy Rate (2019 to 2024)

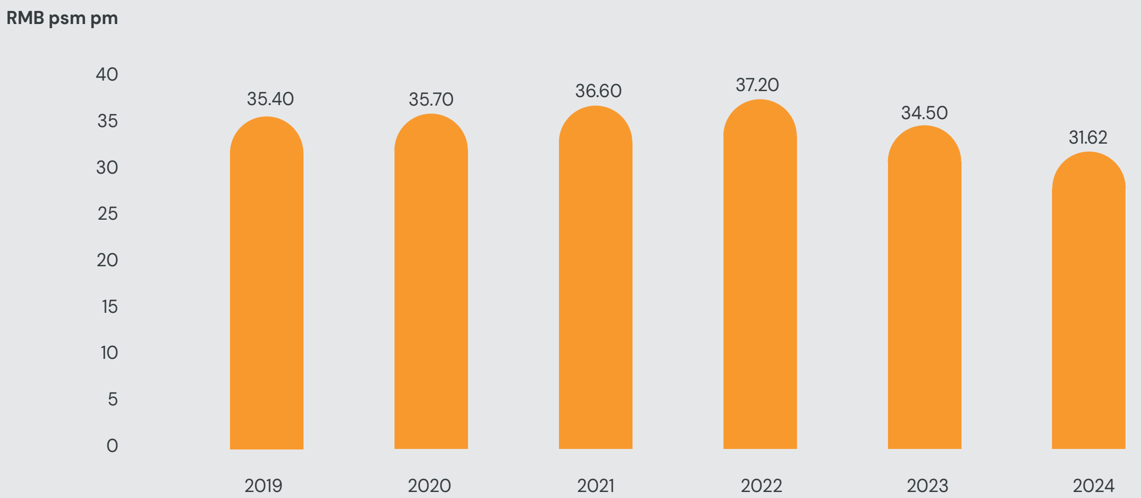


Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Rental Values

Kunshan's average Grade A logistics rents declined to RMB31.62 psm pm as at 2024, a decline of 8.3% yoy. In Kunshan, the rent gap between various sub-markets is narrowing as landlords across the region seek to attract new tenants moving to the area. This trend is especially noticeable in the Huaqiao and Lujia areas.

Kunshan Grade A Logistics Average Rents (2019 to 2024)



Source: Colliers International Consultancy & Valuation (Singapore) Pte Ltd

Market Outlook

In 2025, there are no new Grade A warehouse projects planned in the Kunshan market, however, it will still be affected by competition from surrounding cities like Taicang and Changshu. Given the slow growth in demand, optimism for the Grade A warehouse market in Kunshan is expected to remain cautious.

Limiting Conditions

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