

Office Q2 2024

¥279.2
Rent (PSM/MO)

12-Mo.
Forecast

-3.9%
Rental Growth (QOQ)

18.0%
Vacancy Rate

Source: Cushman & Wakefield Research

BEIJING ECONOMIC INDICATORS Q1 2024

6.0%
GDP Growth

Q4 2023: **5.2%** 12-Mo. Forecast

5.8%
Tertiary Sector Growth

Q4 2023: **6.1%** 12-Mo. Forecast

0.2%
CPI Growth

Q4 2023: **0.4%** 12-Mo. Forecast

2.0%
Real Estate Development & Investment Growth

Q4 2023: **0.4%** 12-Mo. Forecast

Source: Beijing Statistics Bureau / Oxford Economics / Cushman & Wakefield Research

Beijing Office Market Rental Level Continue Downwards Trend in Q2

No new supply entered Beijing's Grade A office market in Q2 2024. Cost reductions and improving efficiencies, and trimming rents to spur occupancy, continued to be the main strategic themes for tenants and landlords, respectively. As a result, the overall average market rental level continued to trend down in the quarter. The citywide average rental level retreated 3.9% q-o-q and 11.7% y-o-y to RMB279.2 per sq m per month. In the five core submarkets the average rental level dropped 3.8% q-o-q and 10.5% y-o-y to RMB329.7 per sq m per month. Some firms seized the bargaining opportunity to fulfill their upgrade and relocation needs. Notable deals included China Social Sciences Press's lease of 15,000 sq m of office space in Wangfu 77 in East 2nd Ring Road, while Huaxia Bank secured 10,000 sq m at the AIA Center in the CBD. Large-area lease transactions in the quarter boosted citywide net absorption to 45,357 sq m, with the citywide vacancy rate falling 0.3 percentage points q-o-q to 18.0%. New absorption in the five core submarkets recorded 57,256 sq m, with the vacancy rate moving down 0.7 percentage points q-o-q to 12.4%.

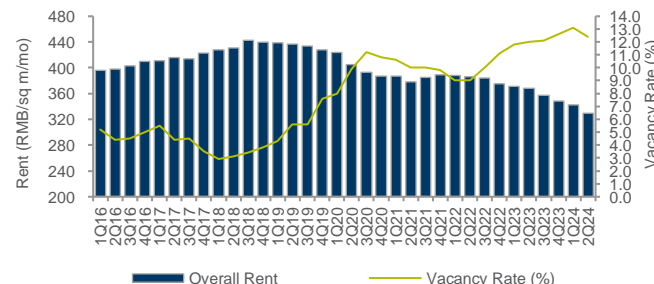
Relocations and Renewals Dominate Leasing Activity

The finance, TMT and professional services sectors continued to be the major drivers of leasing demand in Q2, accounting for 33.8%, 25.5%, and 20.3% of total transactions by area, respectively. In terms of transaction type, relocations and renewals dominated leasing activity in Q2, accounting for 45.5% and 25.5% of total transactions by area, respectively. A primary reason is that tenants' goals of cost reductions and efficiencies have prompted landlords to adopt aggressive leasing strategies, including attractive rents, longer rent-free periods, legacy renovations for reuse, and even providing fit-out services and fit-out subsidies for tenants. Consequently, tenants choosing relocation can upgrade their office environment and quality while realizing cost reductions. Secondly, landlords are offering rental discounts to tenants with expiring leases to retain quality clients. Hence, tenants choosing to renew an expiring lease can eliminate the renovation costs associated with relocation, as well as reducing their rental budgets.

Office Market Vacancy Rate Set to Continue to Be Pushed up in 2H 2024

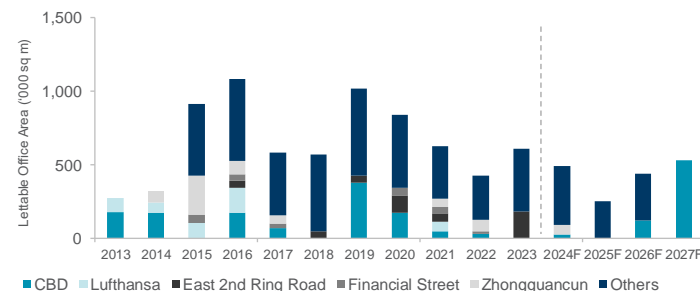
Ahead, the market will welcome approximately 424,700 sq m of new supply in the 2H 2024 period, of which more than 90% will be located in emerging submarkets. The entry of new projects into the market will continue to drive up the overall market vacancy rate, while cost control will remain the chief tenant leasing strategy in the short term. In the 2H period we can expect that relatively weak market demand, coupled with new supply, will exert greater pressure on market rents, and rental levels may continue to face a downward trend.

GRADE A CBD RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research

MARKETBEAT BEIJING

Office Q2 2024



SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (2024 2H - 2027) (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
CBD	3,217,236	12.1%	675,000	315.42	4.04	3.76
Financial Street	1,655,800	6.2%	0	513.12	6.57	6.12
Lufthansa	1,014,410	16.9%	0	261.13	3.34	3.12
East 2 nd Ring Road	1,516,110	16.8%	0	268.98	3.44	3.21
Zhongguancun	1,250,972	12.6%	0	319.15	4.09	3.81
BEIJING GRADE A CBD TOTAL	8,654,528	12.4%	675,000	329.69	4.22	3.93
WangJing-Jiuxianqiao	922,342	20.9%	280,000	215.71	2.76	2.57
Olympic Games Village (OGV)	1,135,884	16.6%	65,700	293.86	3.76	3.51
Beijing Development Area (BDA)	614,648	18.9%	0	104.40	1.34	1.25
Li'ze Financial Business District	1,190,676	33.3%	285,000 (For Lease)	167.48	2.14	2.00
Tongzhou Canal Business District	399,886	65.4%	339,000 (For Lease)	132.55	1.70	1.58
Others*	573,953	33.8%	0	253.15	3.24	3.02
BEIJING GRADE A SUBURBAN TOTAL	4,837,389	27.9%	969,700	204.46	2.62	2.44
BEIJING GRADE A OVERALL TOTAL	13,491,917	18.0%	1,644,700	279.21	3.57	3.33

*Other projects not classified in the above submarkets.

Effective Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three-year lease term with VAT and rent-free periods factored in.

Exchange Rate: 1USD = 7.2557669 CNY = 0.93209119 EUR as of June 18th, 2024

KEY LEASING TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
AIA Center	CBD	Huaxia Bank	10,000	Relocation
Jintang Center	Others	Yellow River Property & Casualty Insurance Co., Ltd. Beijing Branch	1,369	Relocation
China World Trade Center Tower I	CBD	Wood Mackenzie Co., Ltd	852	Renewal

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sino-Ocean Anzhen Hualian	OGV	N/A	31,700	Q3 2024
China National Convention Center II	OGV	N/A	34,000	Q4 2024
Sino-Ocean-Grand Canal Place Tower I	Tongzhou	N/A	112,000	Q4 2024

Sabrina Wei

Director

Head of North China Research

14/F, North Tower, Beijing Kerry Centre, 1 Guanghua Road, Beijing 100020, China

Tel: +86 10 8519 8087 / sabrina.d.wei@cushwake.com

cushmanwakefield.com

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