

MARKETBEAT

¥388.2
 RENT
 (PSM/MO)

-2.0%
 RENTAL GROWTH
 (QOQ)

10.2%
 VACANCY RATE
WHAT'S
NEXT

HIGHLIGHTS

Leasing market slows as rents continue to soften

Impacted by downward economic pressures, Beijing office leasing activity has slowed and rents have continued to decline. Year-to-date net absorption in the overall market and core submarkets was 239,000 sq m and 41,000 sq m, down 40.9% and 20.6% respectively compared with the same period in 2018. Effective rent in the Beijing market overall registered RMB388.16 per sq m per month, down 2.0% q-o-q and 3.7% y-o-y. Effective rent in core submarkets reached RMB433.64 per sq m per month, down 0.7% q-o-q and 2.0% y-o-y. The launch of Cheng'ao Tower in the OGV submarket pushed up the citywide vacancy rate by 1.3 percentage points q-o-q to 10.2% in Q3. The vacancy rate in the five core submarkets remained flat at 5.6%.

Urban regeneration projects are highly favored

In the first three quarters, 259,000 sq m of change-of-use projects entered the Beijing office market, accounting for 40% of total new office supply. These "urban regeneration" projects are particularly favored by tenants for their stylish façades, intelligent office environment, adequate leasable space and efficient interior designs that can reduce rental costs. For example, China Resources' Chang'an Center and Parkview Place, which entered the market in Q1, have now reached occupancy rates of more than 50%. The International Club Tower and CITS Chang'an Tower, which entered the market in Q2 2019, achieved full occupancy at launch. With the promotion of the "Optimizing Business Environment for Enterprises" and "Foster Smart Building" platforms by the Beijing Municipal Government, more older office buildings in the city center will be upgraded, and this is set to become the future development trend for the Beijing office market. Renovated office spaces will both attract more higher quality tenants, and bring a higher return for investors.

Rents will continue to face downward pressure in 2020

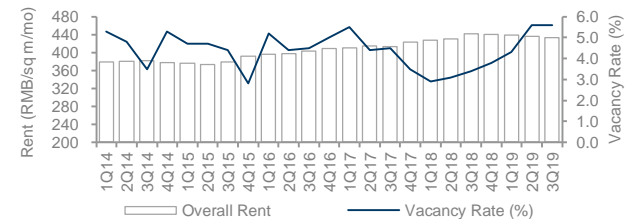
As of 2020, Beijing is set to add 2.42 million sq m of new office supply, with 65.3% being new buildings located in emerging areas of the city. With the current economic uncertainty, we expect that the slowing in leasing activity will continue in the coming year, and the city's rental level will likely continue to be edged down. At the same time, a large influx of new supply will further drive the city's vacancy rate up.

Economic Indicators

	Q1 19	Q2 19	One Year Forecast
GDP Growth	6.4%	6.3%	—
Tertiary Sector Growth	6.3%	6.5%	▲
CPI Growth	1.8%	1.9%	▲
Real Estate Development & Investment Growth	24%	16.4%	▼

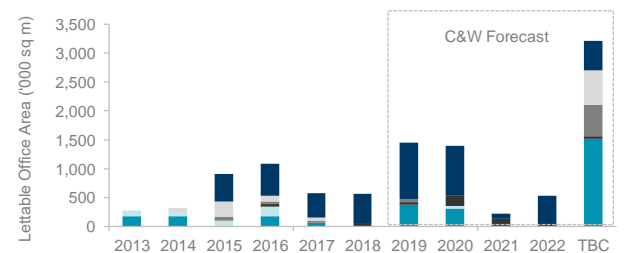
Source: Beijing Statistics Bureau / Oxford Economics / Cushman & Wakefield Research

Grade A CBD Rent & Vacancy Rate



Source: Cushman & Wakefield Research

Grade A Office Annual New Supply



■ CBD ■ Lufthansa ■ East 2nd Ring Road ■ Financial Street ■ Zhongguancun ■ Others
 Source: Cushman & Wakefield Research

Sabrina Wei
Senior Associate Director
Head of North China Research
Tel: +86 10 8519 8087
sabrina.d.wei@cushwake.com

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

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
CBD	2,779,070	8.1%	2,091,248	390.14	5.11	4.62
Financial Street	1,546,550	1.9%	600,000	717.29	9.40	8.50
Lufthansa	1,008,293	8.2%	48,957	374.11	4.90	4.43
East 2 nd Ring Road	1,231,666	5.6%	340,000	347.43	4.55	4.12
Zhongguancun	1,046,972	1.7%	600,000	403.09	5.28	4.77
BEIJING GRADE A CBD TOTAL	7,612,551	5.6%	3,680,205	433.64	5.68	5.14
WangJing-Jiuxianqiao	838,842	12.6%	279,000	308.03	4.04	3.65
Olympic Games Village (OGV)	831,884	13.8%	175,000	357.39	4.68	4.23
Beijing Development Area (BDA)	614,648	32.7%	0	147.90	1.94	1.75
Li'ze Financial Business District	287,963	71.0%	1,137,376 (For Lease)	221.35	2.90	2.62
Tongzhou Canal Business District	-	-	596,381 (For Lease)	-	-	-
Others*	367,953	5.5%	507,327	329.54	4.32	3.90
BEIJING GRADE A SUBURBAN TOTAL	2,941,290	22.0%	2,695,084	280.99	3.68	3.33
BEIJING GRADE A OVERALL TOTAL	10,553,841	10.2%	6,375,289	388.16	5.09	4.60

*Projects of others not belonging to any of 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: 1 USD=7.08718 CNY=0.90361 EUR as of August 23, 2019

Key Leasing Transactions Q3 2019

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Sanlitun Office Building	Lufthansa	SECOO	17,213	Relocation
WangJing SOHO	Wangjing-jiuxianqiao	Beijing xiaoyaoyao Artificial Intelligence Technology co., LTD	7,038	Expansion
Innovation Plaza	Zhongguancun	Veritas	4,606	Renewal

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Chia Tai Center (Z14)	CBD	N/A	180,000	Q4 2019
CITIC Group (Z15)	CBD	N/A	80,000	Q4 2019
Jinjia Tower	Financial Street	N/A	50,000	Q4 2019
Beijing International Center	OGV	N/A	130,000	Q4 2019
Samsung Headquarters Tower (Z2b)	CBD	N/A	100,000	Q2 2020
Jintang Westlink Plaza	Li'ze Financial Business District	N/A	170,000	Q2 2020

A Cushman & Wakefield
Research Publication

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

www.cushmanwakefield.com