



¥358.5
Rent (PSM/MO)

12-Mo.
Forecast

-5.0%
Rental Growth (QOQ)

16.2%
Vacancy Rate

Source: Cushman & Wakefield Research

BEIJING ECONOMIC INDICATORS Q1 2020

-6.6%
GDP Growth

Q4 2019: **6.1%** 12-Mo. Forecast: ▲

-4.8%
Tertiary Sector Growth

Q4 2019: **6.4%** 12-Mo. Forecast: ▲

3.1%
CPI Growth (Jan-May)

Q4 2019: **2.3%** 12-Mo. Forecast: ▼

3.6%
Real Estate Development & Investment Growth (Jan-May)

Q4 2019: **-0.9%** 12-Mo. Forecast: ▲

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

Ongoing Effects of COVID-19 Outbreak Apparent in Q2

Projects delayed from earlier in the year are now entering the market, with 362,000 sq m of new supply added in Q2. Notable completions included Samsung Tower and Evergrande Center in the CBD, Jinjia Tower in Financial Street, and Poly Metropolis and Hua Insurance Innovation Center in Tongzhou Canal Business District. Consequently, the vacancy rate rose 2.4 percentage points q-o-q to 16.2% overall, and 1.9 percentage points to 9.9% in the core submarkets. Pent-up leasing activity from the end of 2019 and Q1 2020 has gradually emerged in Q2. The economic damage from the pandemic means some tenants are still surrendering leases or downsizing, but, overall, pre-leasing of new projects and delayed leasing transactions achieved higher net absorption in Q2 compared with Q1, at 35,800 sq m citywide and at 50,523 sq m for the core submarkets.

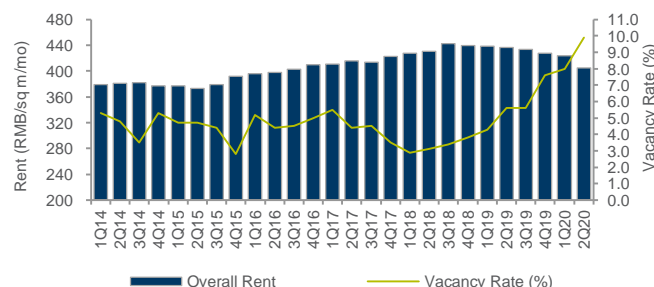
Grade A Office Rentals Continue Decline

With most firms having resumed normal operations in Q2, office landlord have shifted their focus from maintaining rent levels to reducing vacancy rates, with more flexible terms and rent-free periods offered to improve occupancy and cashflow. Grade A office rental levels have continued to decline, dropping 5.0% q-o-q in the overall market and 4.5% q-o-q in the core submarkets, to finish at RMB358.5 and RMB404.8 per sq m per month, down 9.5% and 7.3% y-o-y, respectively. Li'ze Financial Business District, experiencing high vacancy, showed the biggest rental decline, down 13.3% q-o-q. Lufthansa and the CBD submarkets followed, suffering drops of 6.3% and 5.4% q-o-q respectively, while other submarkets were in the range of 2%-4% q-o-q declines.

"New Infrastructure" Campaign to Bring New Vitality to Office Market

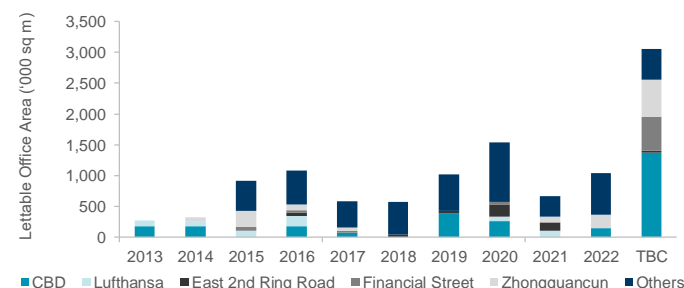
China's "new infrastructure" concept was proposed as early as 2018, but the COVID-19 outbreak has prompted the government to invest in unprecedented policy support. The 5G, artificial intelligence, data center, industrial Internet and other high-tech fields are the new driving forces for the positioning of the Beijing Science and Technology Innovation Center, which is hoped to bring a welcome boost to future office leasing demand. Into 2H 2020, the economic effects of the COVID-19 outbreak will continue to exert downwards pressure on office market rental levels. However, within the next two years we forecast a gradual recovery as the economy and leasing demand pick up. In the long run, with the support of the further opening up of the service sector and the "new infrastructure" development campaign, we remain optimistic on the Beijing office market.

GRADE A CBD RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research



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	3,212,554	16.5%	1,611,248	361.02	4.70	4.23
Financial Street	1,596,550	2.9%	550,000	682.00	8.88	7.99
Lufthansa	1,008,293	11.1%	167,957	335.52	4.37	3.93
East 2 nd Ring Road	1,231,666	6.8%	364,000	335.36	4.37	3.93
Zhongguancun	1,046,972	2.5%	910,000	395.69	5.15	4.64
BEIJING GRADE A CBD TOTAL	8,096,035	9.9%	3,603,205	404.79	5.27	4.74
WangJing-Jiuxianqiao	838,842	13.1%	260,000	283.81	3.70	3.32
Olympic Games Village (OGV)	981,884	25.6%	65,000	360.20	4.69	4.22
Beijing Development Area (BDA)	614,648	32.0%	0	135.64	1.77	1.59
Li'ze Financial Business District	411,963	77.9%	1,013,376 (For Lease)	170.60	2.22	2.00
Tongzhou Canal Business District	138,891	-	485,981 (For Lease)	150.00	1.95	1.76
Others*	421,953	10.7%	509,327	290.66	3.79	3.40
BEIJING GRADE A SUBURBAN TOTAL	3,408,181	31.2%	2,333,684	259.00	3.37	3.03
BEIJING GRADE A OVERALL TOTAL	11,504,216	16.2%	5,936,889	358.51	4.67	4.20

*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: 1CNY = 0.1402 USD = 0.1261 as of June 1st, 2020

KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Hatamen Plaza	Others	China Universal Leasing Co., Ltd	11,418	Relocation
China Life Financial Center	CBD	Novartis	6,700	Relocation
Wukesong Bloomage Live Center	Others	Asia Jingfa Investment Management Consulting Co., LTD	5,510	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Zhao Tai International Centre Tower A	East 2 nd Ring Road	N/A	120,000	Q3 2020
Ocean Rayzone	Li'ze Financial Business District	N/A	110,000	Q3 2020
Jintang Westlink Plaza	Li'ze Financial Business District	N/A	170,000	Q3 2020
Guosheng Plaza	East 2 nd Ring Road	N/A	134,000	Q4 2021
New Beijing Center	Tongzhou Canal Business District	N/A	150,000	Q4 2022

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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