

¥348.4
Rent (PSM/MO)

12-Mo.
Forecast



-2.8%
Rental Growth (QOQ)



16.6%
Vacancy Rate



Source: Cushman & Wakefield Research

BEIJING ECONOMIC INDICATORS Q2 2020

-3.2%
GDP Growth

Q1 2020: -6.6%
12-Mo. Forecast: ▲

-3.0%
Tertiary Sector Growth

12-Mo. Forecast: ▲

2.3%
CPI Growth (Jan-Aug)

12-Mo. Forecast: ▼

5.7%
Real Estate Development & Investment Growth (Jan-Aug)

12-Mo. Forecast: ▲

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

Leasing Demand Rebounds Whilst New Supply Drives up Vacancy

Zhao Tai International Centre Tower AB in East 2nd Ring Road launched as scheduled in Q3, bringing around 120,000 sq m of new supply to the market. The East 2nd Ring Road vacancy rate consequently jumped 8.9 pp q-o-q to 15.7%. In turn, the overall vacancy rate rose to 16.6% and the core submarkets vacancy rate hit 11.2%, both marking ten-year highs. In response, landlords have softened their stance and a tenant-favorable market is now likely. New lease and relocation demand picked up in the quarter, spurred by the economic recovery, with Li'ze and Shangdi submarkets favored for relatively low rental levels. Overall net absorption reached 85,292 sq m in Q3, a leap of 138% q-o-q, and driven almost entirely by emerging submarkets. Deals included CGS' lease of 40,000 sq m of office space in Qinghai Financial Tower in Li'ze, and Amazfit taking approximately 6,000 sq m at Zhongguncun No.1 in Shangdi. As a result, the emerging submarket vacancy rate dropped 1.5 pp q-o-q to 29.7%.

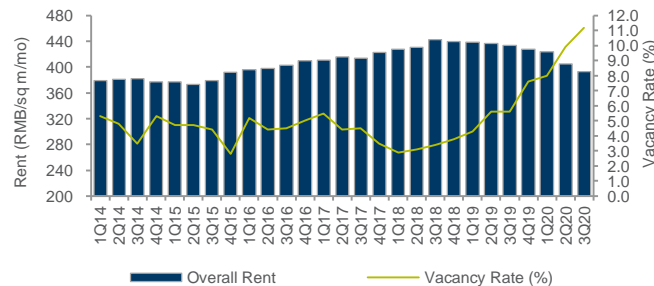
Rental Decline Slows

Although overall and core submarkets rents in Beijing continued their downwards trend, the decline in Q3 slowed compared to the falls seen in Q2, reflecting the gradual market recovery. Overall rent dropped 2.8% to RMB348.4 per sq m per month, with core submarket rent dropping 2.9% q-o-q to RMB393.2. Of the core submarkets, Financial Street saw the biggest rental adjustment, down 2.8% q-o-q.

New Policy Measures Brighten Office Market's Future

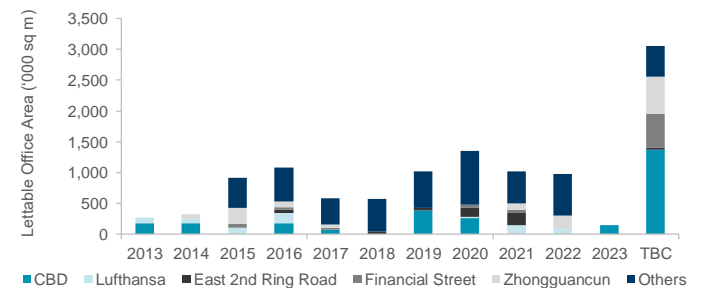
The Beijing Action Plan for Promoting the Innovation and Development of the Digital Economy (2020-2022), launched in September, targets 2022 for Beijing to become a pilot city and demonstration zone for the development of the national digital economy, the added-value of which is expected to account for 55% of GDP. The Beijing office market should reap rewards in terms of the boost to leasing demand from firms in the tech space, such as cloud computing, AI, blockchain, and IOT, as well as technology finance and high-end service industries. In other words, the future of the office market over the next two years now looks brighter. However, in the immediate short-term, the impact of around 800,000 sq m of new supply due in Q4 is likely to push vacancy rates further up while exerting downwards pressure on rental levels.

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	15.9%	1,611,248	356.13	4.78	4.05
Financial Street	1,596,550	2.6%	608,000	662.98	8.90	7.54
Lufthansa	1,008,293	10.9%	262,957	328.33	4.41	3.73
East 2 nd Ring Road	1,351,666	15.7%	250,000	332.20	4.46	3.78
Zhongguancun	1,046,972	3.9%	910,000	386.09	5.18	4.39
BEIJING GRADE A CBD TOTAL	8,216,035	11.2%	3,642,205	393.19	5.28	4.47
WangJing-Jiuxianqiao	838,842	11.9%	260,000	274.31	3.68	3.12
Olympic Games Village (OGV)	981,884	24.8%	65,000	355.33	4.77	4.04
Beijing Development Area (BDA)	614,648	32.0%	0	125.64	1.69	1.43
Li'ze Financial Business District	456,963	63.2%	1,013,376 (For Lease)	170.13	2.28	1.93
Tongzhou Canal Business District	138,891	-	485,981 (For Lease)	150.00	2.01	1.71
Others*	421,953	13.7%	559,327	288.70	3.88	3.28
BEIJING GRADE A SUBURBAN TOTAL	3,453,181	29.7%	2,383,684	253.09	3.40	2.88
BEIJING GRADE A OVERALL TOTAL	11,669,216	16.6%	6,025,889	348.40	4.68	3.96

*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 = 0.1445 USD = 0.1224 as of August 24th, 2020

KEY LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Winland Int'l Financial Center	Financial Street	Bloomberg	3,000	Renewal
Vanke Times Center Wangjing	WangJing-Jiuxianqiao	Changba.com	2,843	Relocation
Oriental Plaza	East 2 nd Ring Road	Santen	1,050	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Capital Xindadu	Others	N/A	50,000	Q4 2020
Ocean Rayzone	Li'ze Financial Business District	N/A	110,000	Q4 2020
Hexa International Plaza	East 2 nd Ring Road	N/A	56,000	Q1 2021
Jintang Westlink Plaza	Li'ze Financial Business District	N/A	170,000	Q1 2021
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

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