

¥337.2
Rent (PSM/MO)

12-Mo.
Forecast



-3.2%
Rental Growth (QOQ)



17.0%
Vacancy Rate



Source: Cushman & Wakefield Research

BEIJING ECONOMIC INDICATORS Q3 2020

0.1%
GDP Growth

Q2 2020: **-3.2%** ▲
12-Mo. Forecast: ▲

0.1%
Tertiary Sector Growth

Q2 2020: **-3.0%** ▲
12-Mo. Forecast: ▲

1.9%
CPI Growth (Jan-Nov)

Q2 2020: **2.8%** ▼
12-Mo. Forecast: ▼

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

Q2 2020: **4.0%** ▲
12-Mo. Forecast: ▲

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

Internet Sectors Lead Pickup in Leasing Demand

Office market leasing demand continued to strengthen in Q4, supported by ongoing recovery of the domestic economy as the pandemic has come under control within China. Citywide net absorption reached 215,975 sq m in Q4, 2.56 times the volume for the Q1-Q3 period, while key submarket absorption was at 31,549 sq m, up 1.25 times that for Q1-Q3. For the full year, overall net absorption and in the five core submarkets reached 300,285 sq m and 56,879 sq m, respectively.

Despite the blow to the market from COVID-19 in 2020, new opportunities have opened for firms in Internet sectors, such as e-commerce and delivery services, online education, healthcare, streaming video entertainment, and AI; stimulating rapid development. Hi-tech firms accounted for 50% of the total lease transaction area in the quarter. Notable deals included Huawei's lease of 57,000 sq m of office space in Lize Soho, while Meitua.com took approximately 28,000 sq m at Ronsin Technology Center in Wangjing-Jiuxianqiao.

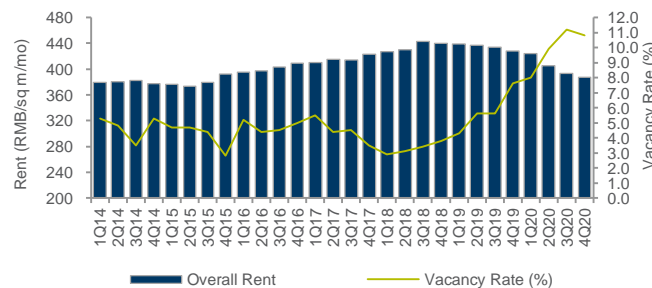
Vacancy Stabilizes as Landlords Continue to Trim Rents

A combined 310,000 sq m of new supply was added to the market in Q4. Despite the new space, strong overall leasing performance meant citywide vacancy rose just 0.4 pp q-o-q to reach 17.0%, while core submarket vacancy dropped 0.4 pp q-o-q to 10.8%. However, vacancy is still at a high level historically, and landlords have continued to trim rents to improve occupancy. Consequently, Grade A rentals continued to retreat. Overall Grade A rents dropped 3.2% q-o-q to RMB337.2 per sq m per month, off 11.8% y-o-y, while core submarket rents fell 1.5% q-o-q to RMB387.3, down 9.5% y-o-y. Of the core business submarkets, Financial Street again saw the biggest correction, falling 3.0% q-o-q to RMB642.9 per sq m per month. In the emerging submarkets, high vacancy at Lize Financial Business District saw rents tumble 4.9% q-o-q.

New Supply to Maintain Pressure on the Market Ahead

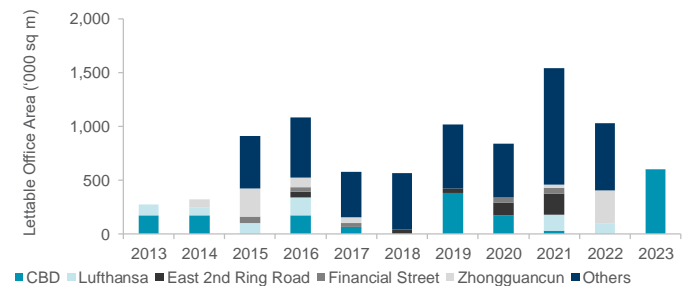
The Beijing office market is set for approximately 3.17 million sq m of new supply in the next three years, of which up to 1.5 million sq m is due in 2021. Under the weight of the supply influx and ongoing global economic headwinds, we expect overall office vacancy to continue to edge up and for rental levels to face downwards pressure. However, in the longer-term, as the wave of new supply abates and benefits from the expansion and opening-up of the services industry and development of the Beijing Free Trade Zone are gradually realized, we expect to see renewed leasing demand in related financial and high-tech industries, and further development opportunities for 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 (2021-2023) (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
CBD	3,217,431	16.2%	630,000	352.43	4.98	4.19
Financial Street	1,596,550	2.7%	58,000	642.98	9.09	7.64
Lufthansa	1,008,293	9.9%	243,957	323.94	4.58	3.85
East 2 nd Ring Road	1,351,666	13.3%	194,444	327.98	4.63	3.90
Zhongguancun	1,046,972	3.9%	340,000	384.99	5.44	4.57
BEIJING GRADE A CBD TOTAL	8,220,912	10.8%	1,466,401	387.27	5.47	4.60
WangJing-Jiuxianqiao	838,842	8.2%	230,000	269.08	3.80	3.20
Olympic Games Village (OGV)	981,884	22.5%	125,000	348.90	4.93	4.15
Beijing Development Area (BDA)	614,648	31.1%	0	121.69	1.72	1.45
Li'ze Financial Business District	766,963	64.0%	672,376 (For Lease)	161.83	2.29	1.92
Tongzhou Canal Business District	138,891	89.3%	464,981 (For Lease)	140.00	1.98	1.66
Others*	421,953	13.1%	210,000	284.66	4.02	3.38
BEIJING GRADE A SUBURBAN TOTAL	3,763,181	30.6%	1,702,357	239.81	3.39	2.85
BEIJING GRADE A OVERALL TOTAL	11,984,093	17.0%	3,168,758	337.17	4.76	4.01

*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 = 0.1521 USD = 0.1279 as of November 25th, 2020

KEY LEASING TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
Pacific Century Place	Lufthansa	Hewlett Packard Enterprise (HPE)	6,214	Renewal
Pacific Century Place	Lufthansa	BOEING	6,134	Renewal
Jinhui Plaza	WangJing-Jiuxianqiao	Starlink	1,929	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
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
Cinda Center	East 2 nd Ring Road	N/A	138,444	Q4 2021
New Beijing Center	Tongzhou Canal Business District	N/A	150,000	Q4 2022
China Minsheng Banking (Z4)	CBD	N/A	140,000	Q4 2023
Dajia Insurance (Z5)	CBD	N/A	120,000	Q4 2023
Sino-Ocean Land/HSBC(Z6)	CBD	N/A	190,000	Q4 2023

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

About Cushman & Wakefield

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 53,000 employees in 400 offices and 60 countries. Across Greater China, 22 offices are servicing the local market. The company won four of the top awards in the Euromoney Survey 2017, 2018 and 2020 in the categories of Overall, Agency Letting/Sales, Valuation and Research in China. In 2019, the firm had revenue of \$ 8.8 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.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.