

12-Mo. Forecast

¥326.0
Rent (PSMMO)



-2.5%
Rental Growth (QOQ)



17.5%
Vacancy Rate



Source: Cushman & Wakefield Research

New Supply Spurs Activity, Stronger Competition Drives Rental Levels Down

Three new projects completed in Q2, comprising Taikang Group Tower in CBD, Beijing Hexa International Plaza in East 2nd Ring Road, and Ping An Fortune Center in Li'ze, bringing a total of 263,000 sq m of new supply to the Grade A office market. In turn, overall vacancy edged up 0.3 pp q-o-q to reach 17.5%. Citywide net absorption registered 196,000 sq m in the quarter, with the five core submarkets accounting for 65.8% of the total, partly due to continued new supply in CBD and East 2nd Ring Road. The absorption performance pulled core submarket vacancy down 0.6 pp q-o-q to 10.0%. However, the volume of new supply further intensified market competition, prompting landlords to cut rents in search of tenants. Consequently, average rents dropped 2.5% q-o-q citywide and 2.2% q-o-q in the five core submarkets, to record RMB326.0 and RMB378.2 per sq m per month, respectively.

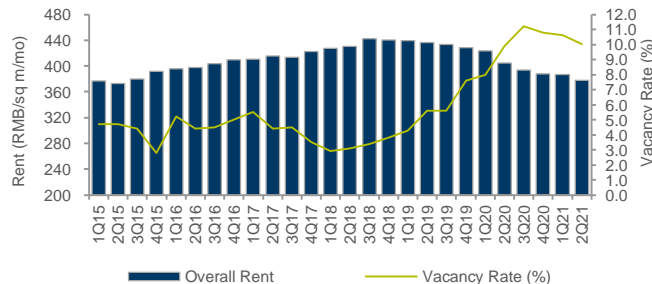
Emerging Submarkets Attract Attention; Internet, Insurance, Law Firms Lead Demand

The opening of Longfor Beijing Li'ze Paradise Walk in Q2, combined with the planned opening of Metro Line 14 at the end of 2021, represent ongoing improvements to the infrastructure of Li'ze submarket, and the district's development momentum is set to continue. Li'ze was the highest performing submarket for net absorption in Q2, recording 62,600 sq m, with firms attracted by the lower rents and higher availability on offer. Notable deals included Harvest Fund's lease of 7,000 sq m of office space in AZIA Center. By industry sector, Internet players, insurance companies, and law and accounting firms continued to drive leasing transactions in the quarter, together accounting for more than 50% of total transaction area across all industries.

New Supply Peak to Continue in 2H

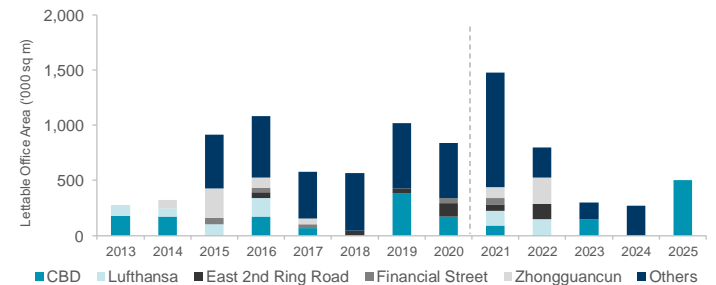
The Beijing office market is set for approximately 900,000 sq m of new supply in 2H 2021. The influx is expected to continue to drive up overall vacancy and to exert downward pressure on overall average rental levels. However, the five core submarkets will account for only 36% of the total new supply in 2H, at around 325,000 sq m, including high-quality projects in the Zhongguancun and Lufthansa submarkets that have been starved of new supply for many years. With their high degree of favorability within the market, we can expect the core submarkets to be relatively less impacted by the new supply in 2H, and their rental levels and vacancy rates should be more resilient than for the emerging submarkets.

GRADE A CBD RENT & VACANCY RATE



Source: Cushman & Wakefield Research

GRADE A OFFICE ANNUAL NEW SUPPLY



Source: Cushman & Wakefield Research

BEIJING ECONOMIC INDICATORS Q1 2021

17.1%
GDP Growth

Q4 2020: 1.2%
12-Mo. Forecast: ▼

14.6%
Tertiary Sector Growth

1.0% ▼

0.4%
CPI Growth (Jan – May)

1.7% ▼

19.9%
Real Estate Development & Investment Growth (Jan – May)

2.6% ▼

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

SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (2021Q3-2025) (sq m)	GRADE A EFFECTIVE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
CBD	3,234,718	14.4%	722,727	342.46	4.98	4.08
Financial Street	1,637,800	3.6%	18,000	629.09	9.15	7.50
Lufthansa	1,008,293	8.4%	283,957	308.63	4.49	3.68
East 2 nd Ring Road	1,407,666	14.4%	138,444	317.03	4.61	3.78
Zhongguancun	1,046,972	2.2%	340,000	382.34	5.56	4.56
BEIJING GRADE A CBD TOTAL	8,335,449	10.0%	1,503,128	378.20	5.50	4.51
WangJing-Jiuxianqiao	878,842	12.9%	170,000	270.62	3.93	3.23
Olympic Games Village (OGV)	1,026,884	24.3%	140,259	344.84	5.01	4.11
Beijing Development Area (BDA)	614,648	30.2%	0	117.88	1.71	1.41
Li'ze Financial Business District	1,036,963	64.9%	315,686 (For Lease)	157.16	2.28	1.87
Tongzhou Canal Business District	138,891	52.6%	501,000 (For Lease)	140.00	2.04	1.67
Others*	421,953	10.9%	140,000	268.10	3.90	3.20
BEIJING GRADE A SUBURBAN TOTAL	4,118,181	32.6%	1,266,945	232.07	3.37	2.77
BEIJING GRADE A OVERALL TOTAL	12,453,630	17.5%	2,770,073	326.02	4.74	3.89

*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 = 0.1565 USD = 0.1284 as of June 8th, 2021

KEY LEASING TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
CITIC Group	CBD	Anshu Space	7,600	New Lease
CP Center	CBD	Roche	4,700	Relocation
CP Center	CBD	IBM	2,300	Relocation

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sino-Ocean-Grand Canal Place Tower 2	Tongzhou Canal Business District	N/A	60,000	Q3 2021
No.33 Xiaoyun Road	Lufthansa	N/A	65,000	Q3 2021
Dinghao Building	Zhongguancun	N/A	100,000	Q3 2021
Cinda Center	East 2 nd Ring Road	N/A	138,444	Q2 2022
Sino-Ocean-Grand Canal Place Tower 1	Tongzhou Canal Business District	N/A	112,000	Q4 2022

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